2016
REGISTRATION DOCUMENT

Tarkett

THE ULTIMATE FLOORING EXPERIENCE

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THE ULTIMATE FLOORING EXPERIENCE

Tarkett

Société anonyme with Management Board and Supervisory Board with a share capital of €318 613 480

Registered office: Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense

352 849 327 RCS Nanterre

2016 Registration Document

AUTORITÉ DES MARCHÉS FINANCIERS

The French version of this Registration Document was filed with the French financial markets authority (Autorité des marchés financiers - AMF) on March 21, 2017, pursuant to Article 212-13 of the AMF's General Regulations.

It may only be used in connection with a corporate finance transaction when accompanied by a prospectus approved by the AMF. The English language version of this report is a free translation of the original, which was prepared in French.

Copies of this Registration Document are available free of charge at Tarkett, 1 Terrasse Bellini – Tour Initiale – TSA 94200 – 92919 Paris La Défense Cedex, France, as well as on its website (www.tarkett.com).

TARKETT AT A GLANCE

FOR 130 YEARS, INNOVATION, DEDICATION TO EXCELLENCE, AND A LONG-LASTING COMMITMENT TO SUSTAINABILITY HAVE MADE TARKETT A GLOBAL LEADER IN CUTTING-EDGE FLOORING SOLUTIONS, AND SPORTS SURFACES FOR ALL MARKET SEGMENTS.

SEGMENTS

- EDUCATION
- HOME
- WORKPLACE
- HEALTH & AGED CARE
- STORES & SHOPS
- HOSPITALITY, TRAVEL & LEISURE
- MARINE, AVIATION & TRANSPORT
- INDUSTRY
- SPORTS & WELLNESS

One of the broadest product portfolios in the flooring and sports surfaces

- Vinyl
- Linoleum
- Carpet
- Wood
- Laminate
- Rubber & accessories
- Artificial turf
- Tracks

1.3
million square meters of flooring sold every day

No. 1
in vinyl worldwide

No. 1
in artificial turf for sports fields in North America

TARKETT WORLDWIDE

24
research laboratories

1
research and Innovation center

4
design centers

34
industrial sites across the world

7
recycling centers

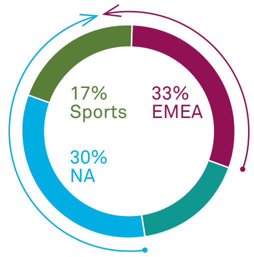
12,500
employees

Tarkett's balanced business model leverages its global scale. Local strengths and entrepreneurial spirit create a competitive advantage and deliver integrated and coordinated solutions to professional and residential end-users all over the world.

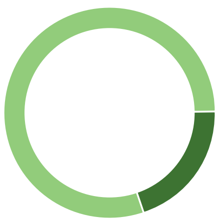
SALES IN OVER 100 COUNTRIES

based on 2016 net sales

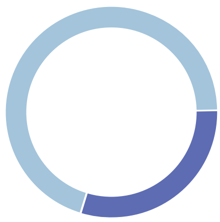
2.7
billion euros
in net sales
in 2016



Balanced geographic exposure



Sales driven by renovation



Attractive end-market exposure

DEDICATED TO GENERATING VALUE IN A SUSTAINABLE WAY

Respect for the environment and people's health at every stage of a product's life cycle drives Tarkett's closed-loop circular design approach, which is applied to all activities worldwide.

CE100 — Committed to the transition to a circular economy.

cradletocradle — Applying Cradle to Cradle® principles since 2011.

THE GLOBAL COMPACT — WE SUPPORT — Dedicated to the UN's 10 principles and engaging suppliers to be as well.

WORLD ECONOMIC FORUM — Contributing to discussions on climate change, circular economy and the future of construction.

95%
of raw materials assessed according Cradle to Cradle® criteria (1)

(1) percentage of purchased volumes

25%
of Group total energy and electricity consumption are renewable

CEO INTERVIEW

"A great company is about great people—entrepreneurial and agile teams focusing on customer needs and profitable growth."

TARKETT'S CUSTOMER FOCUS, EXECUTION OF A CLEAR VISION, AND COMMITMENT TO PEOPLE AND THE ENVIRONMENT CONTINUE TO ENSURE THE LONG-TERM SUCCESS OF THE GROUP. CEO MICHEL GIANNUZZI DISCUSSES THE GROUP'S STRENGTHS, MILESTONES, AND CHALLENGES.

OUR 4P STRATEGY

TO ADDRESS ENVIRONMENTAL AND SOCIETAL CHALLENGES

PURPOSE
Build a better world together

PEOPLE
Empowered to build long-lasting relationships

PLANET
Act positively on the environment and well-being

PROFIT
Invest and innovate for sustainable growth

What were the highlights in 2016?
Michel Giannuzzi: Our broad product offering contributed to record sales of 2.739 billion euros in 2016. Our adjusted EBITDA also reached a high of 334 million euros. A strong, balanced geographic footprint allowed us to overcome macroeconomic shifts, such as the challenges faced in Eastern Europe in recent years, which were offset by solid organic growth in other regions. Another highlight of the year was the level of commitment and engagement we saw through our global employee survey-participation reached a record 89%.

What achievements did you make in sales and operations?
M.G.: In 2016, we continued to improve sales tools to better manage the customer relationship, with a state-of-the-art CRM system deployed first in Europe. We also continued to develop World Class Manufacturing improvements in safety, quality, operational excellence, and customer service. Our efforts resulted in cost reductions of 2.3% in 2016, overreaching our annual goal of 2%. We also achieved towards the end of year our supply-chain excellence goal of 95% on-time in-full delivery. Safety is our top priority, and we continue to make 35% year-on-year improvements. In 2016, Tarkett moved toward its zero-accident goal with a lost-time accident frequency of 1.17 accident per million hours worked.

Creating value through acquisitions is a key strategic pillar. What happened in 2016?
M.G.: Acquisitions drive growth in our business model, with 21 of them in the last 10 years. The goal of each is to create value for customers, employees, and shareholders. An acquisition requires a good strategic and financial fit, along with the right people and values. In 2016, we did not identify any opportunity that fits all our criteria, so we made no acquisitions. We then focused on organic growth and continued strengthening the organization following the integration of Desso's carpet and artificial turf businesses, which performed extremely well.

What vision drives Tarkett forward?
M.G.: Our vision is to be the global leader in innovative solutions that generate value for our customers in a sustainable way. We moved from selling a product to providing a solution. Now, we strive to go further by offering a broad, complete customer experience being the easiest and nicest flooring company to interact with. --

"Compared to 2013, the Group benefits from an even more balanced geographical footprint offering both resilience and opportunities."

"Tarkett has been in business for 130 years. So we are always thinking long-term."

-- And everything we do is based on a strong commitment to design, innovation, and sustainability at social, environmental, and business levels.

How was 2016 a milestone year in the execution of this vision?
M.G.: Driven by our vision, we accelerated how we innovate to improve the customer experience with our in artificial turf for sports fields in North America. We set up training and pilot teams, combining Design Thinking with best practices in fast, agile innovation with one goal in mind: to serve customers better with more relevant solutions and services. One of the key challenges today in innovation is going beyond R&D to innovate in other areas such as customer relationship, customer digital experience, and new business models.

"By transitioning to a new business model based on a circular economy powered by the Cradle to Cradle® principles, Tarkett is making its humble contribution to a better world."

As a global Group, how do you meet local customer needs?
M.G.: We focus on getting to know our customers better locally and serve them with local design and a regional industrial footprint. At the same time, we are a global group, with sales in more than 100 countries. We leverage size to benefit the entire Group in terms of purchasing, innovation, and World Class Manufacturing best practices. Balancing global while remaining local is a long-term strategy for Tarkett and key to our customer-centric approach.

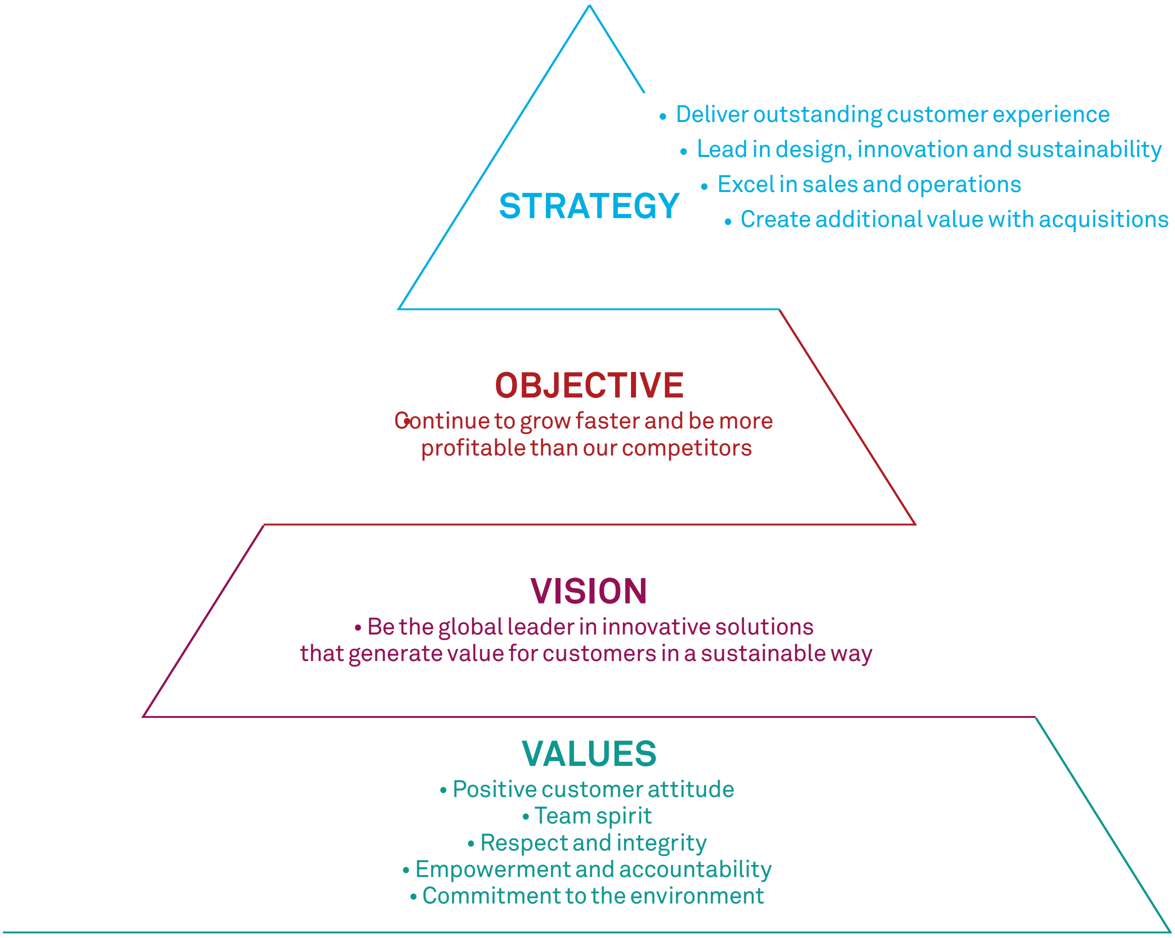
How does this customer focus ties in with design, innovation, and sustainability?
M.G.: Throughout their lives-from nursery to aged-care facility, at home, at work, at school-people walk, play, and live on our floors. So our starting point is human-centric: we take care of people to provide better, friendlier, and healthier living spaces. this starts with product design. We begin by looking at the positive impact on people and on the environment as a whole. Circular eco-design is at the heart of our sustainability strategy, fostering innovation. As a result, we are breaking ground with extremely low VOC [1] emission products, non-phthalate plasticizer technology, recycling services, and by supporting a responsible use of PVC.

21
acquisitions
in the last 10 years

What led you as an individual, and Tarkett as a group, to be such a driving force in sustainability?
M.G.: My personal epiphany came when I read a report from the World Business Council for Sustainable Development predicting major consequences of a planet with 9 billion people in 2050 and a boom in the middle class. These mega trends will put a phenomenal pressure on resources and climate change. Business models need to transition to be more frugal and respectful of the environment. It is my responsibility and my duty as a leader to act on these concerns, for the future generations.

What challenges do you foresee in leadership?
M.G.: The world is facing a new era of environmental challenges, disruptive technology, and macroeconomic uncertainties. Business models are changing. In such a context, it is important to focus on what is

(1) Volatile Organic Coumpounds.



Boosting our customer's experience means that all stakeholders not only feel good in interacting with Tarkett, but also live well on our floors."

2020 target:
3.5
billion euros net sales including acquisitions

essential and long-lasting: our DNA is embedded in our values and our vision. We encourage an entrepreneurial spirit, empowering people to make decisions, and as a counterpart, holding them accountable. As a leader, my goal is to ensure that Tarkett continues to work toward its long-term vision and hone its values. This is reassuring for our customers and our employees, like a lighthouse in a storm.

What do you see in the future of Tarkett?

M.G.: Although Tarkett has introduced breakthrough innovations, such as digital printing for customized design or connected flooring solutions, the biggest challenge will come from customer experience. We strive to take the lead by reinventing the customer experience in our industry, so it becomes easier and nicer to work with Tarkett. We will also continue to lead on the environmental front, with a strong focus on the circular economic model and hoping to convince others to move in the same direction.

KEY POINTS

- 2016 held growth and profitable growth for Tarkett.
- Tarkett is reinventing the customer experience.
- Tarkett is leading the industry towards a circular economy.

TARKETT IN NUMBERS

“Tarkett has fully benefited from its balanced business model and achieved a year of profitable growth.”

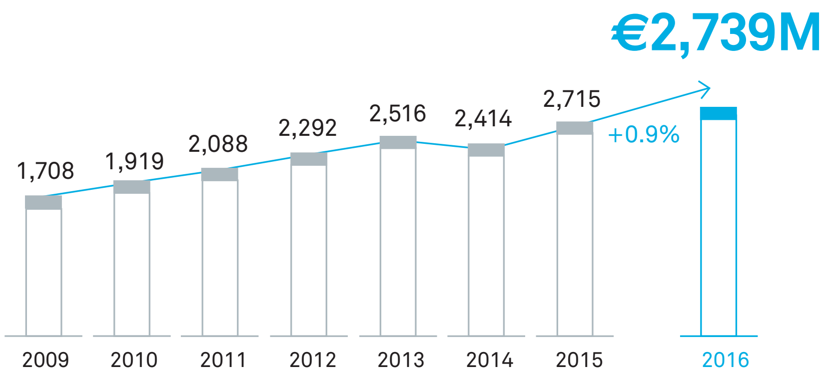
Raphaël Bauer,
Chief Financial Officer

The year was marked by high productivity performance in all divisions. Increased sales and additional profitability result in strong cash flow generation and low debt. The result is a powerful platform to make further acquisitions in order to combine organic and external growth.

2016 WAS A RECORD YEAR FOR BOTH SALES AND EBITDA, WITH ALL DIVISIONS AND ALL GEOGRAPHIES CONTRIBUTING TO IMPROVED PROFITABILITY.

NET SALES

in € million



From 2009 to 2016 +7% CAGR

Net sales showed organic growth of 1.7% [(1)]. North America and Sports made a strong contribution. CIS countries continued to experience headwinds due to macroeconomic factors. Some countries in EMEA experienced fast growth. From 2009 to 2016, Tarkett experienced +7% Compound Annual Growth Rate (CAGR).

NET CASH-FLOW FROM OPERATIONS [(2)]

€206M

million square meters of flooring sold every day **+7%** vs 2015

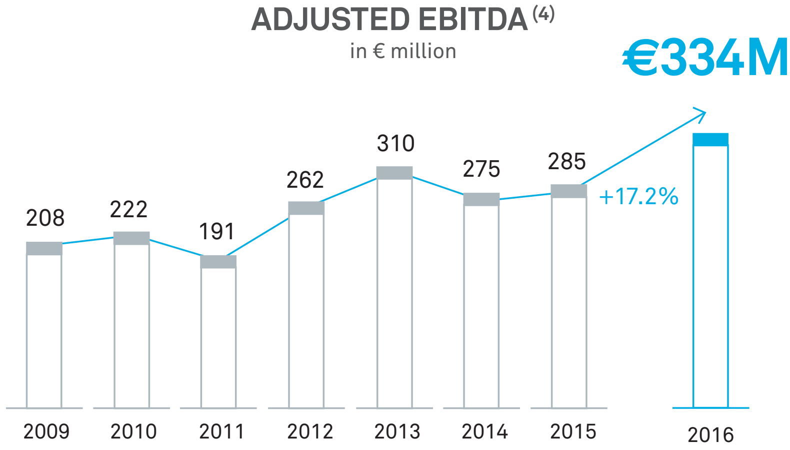
NET PROFIT [(3)]

€119M

+42.4% vs 2015

ADJUSTED EBITDA [4]

in € million

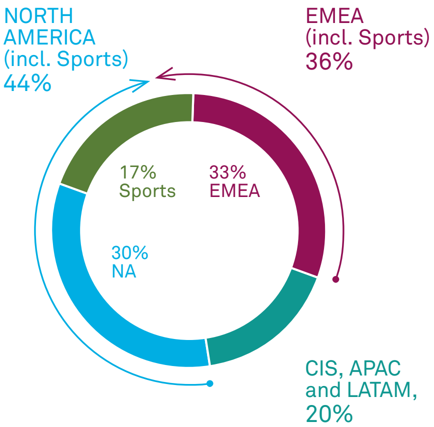


From 2009 to 2016 +7% CAGR

Adjusted EBITDA reached a record high, with a more balanced contribution than in previous years. All Tarkett divisions contributed to improved performance through increased productivity. Additional volumes and tight management of selling prices resulted in operating leverage, which was also boosted by an erosion in raw material prices. From 2009 to 2016, Tarkett experienced +7% Compound Annual Growth Rate (CAGR).

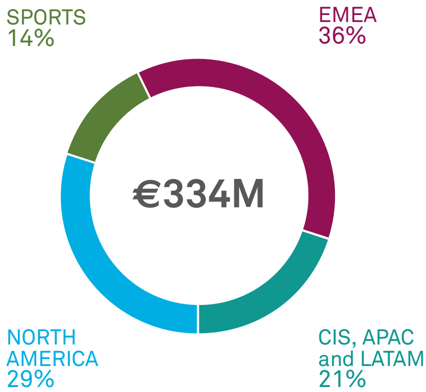
SALES BY SEGMENT

% of net sales



ADJUSTED EBITDA BY SEGMENT

breakdown by segment



NET DEBT/ ADJUSTED EBITDA

1.1 x

1.7 x in 2015

(1) Organic growth: At constant scope of consolidation and exchange rates (Note: in the CIS, price increases implemented in order to offset currency fluctuations are not included in organic growth. As a result, organic growth reflects only changes in volumes and the product mix. Including price increases in the CIS, organic growth would total +2.9%).
(2) Net cash flow from operations defined as cash generated from operations less on-going capital expenditures
(3) Net profit attributable to owners of the Company.
(4) Adjusted EBITDA: adjustments include expenses related to restructurings, acquisitions, and certain other non-recurring items.

1 PRESENTATION OF THE GROUP

1.1 Overview

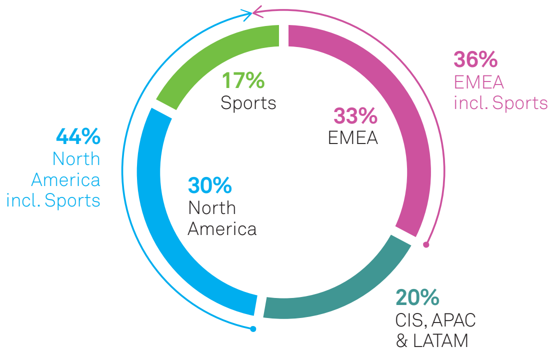
1.1.1 The Group's business

With more than 130 years of experience, Tarkett is a worldwide leader in innovative flooring and sports surface solutions.

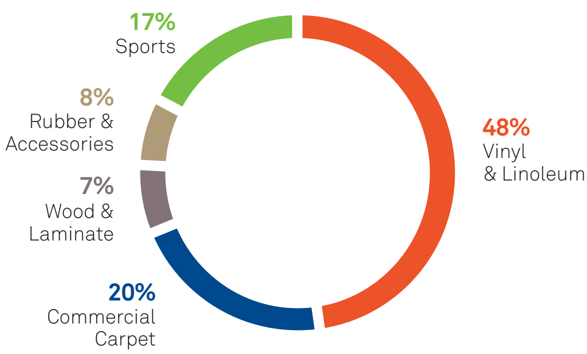
Tarkett offers one of the widest ranges of flooring solutions in the industry. With experienced teams and revenue in more than 100 countries, the Group has acquired extensive knowledge and understanding of the local cultures, tastes and requirements of its customers, local regulations, and the use of flooring in each country.

With 34 industrial sites and customer service centers located close to the local markets, Tarkett is able to offer highly flexible solutions to meet to customers' specific needs.

Distribution of 2016 net sales by geographical area



Distribution of 2016 net sales by product categories

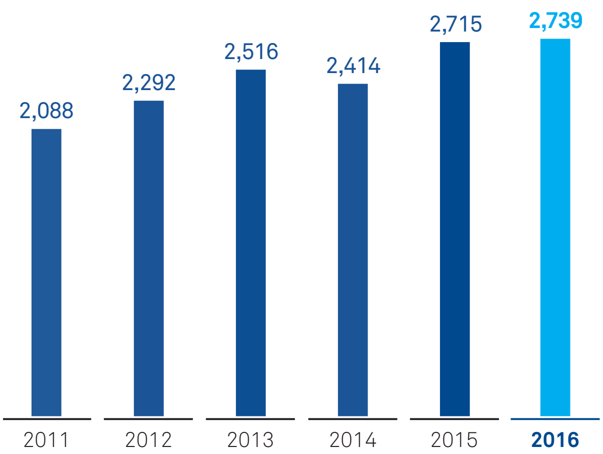


1.1.2 Key figures

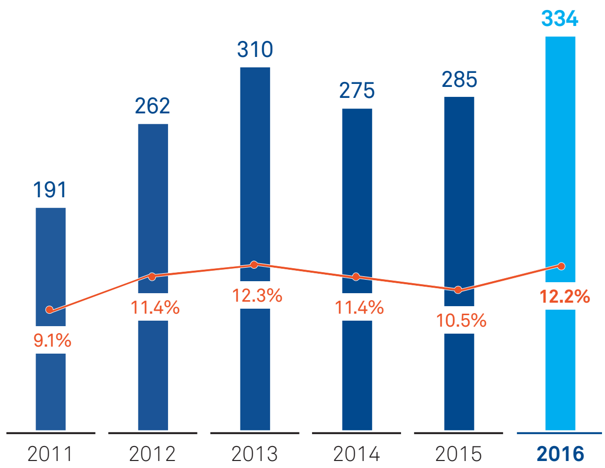
The financial data presented below is derived from the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2016, prepared in accordance with IFRS as adopted by the European Union, which are included in Section 5.1, "Consolidated Financial Statements for the year ended December 31, 2016". The Consolidated Financial Statements for the year ended December 31, 2016 were audited by the Company's Statutory Auditors. The Statutory Auditors' Report is included in Section 5.9, "Statutory Auditors' Report on the Consolidated Financial Statements".

The financial information shown below should be read in conjunction with (i) the Group's audited Consolidated Financial Statements for the year ended December 31, 2016 as presented in Section 5.1, "Consolidated Financial Statements for the year ended December 31, 2016"; (ii) the analysis of the Group's financial condition and results presented in Section 4.1, "Operating Review"; and (iii) the analysis of the Group's net financial debt and net equity presented in Section 4.3, "Liquidity and Capital Resources".

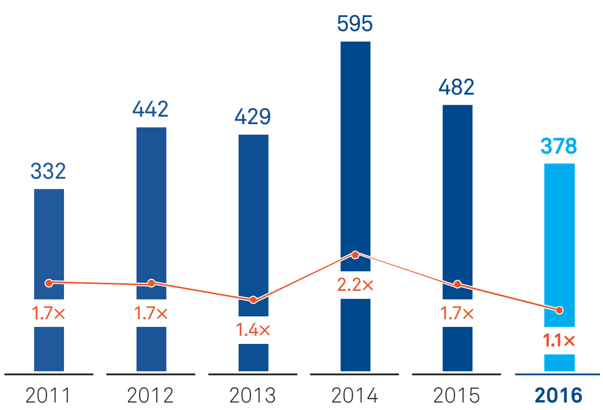
Net sales
(in million of euros)



Adjusted EBITDA
(in million of euros and in % of net sales)

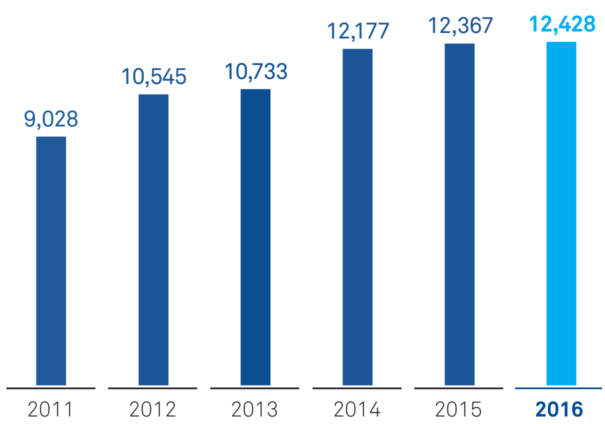


Financial Debt
(in million of euros and debt ratio(1))



(1) Net Debt/Adjusted EBITDA.

Group Headcount
(as of December 31, including temporary employees and excluding Laminate Park)



(in millions of euros)	**Year ended December 31, 2016**	**Balance at December 31, 2016**
Consolidated results of operations		
Net revenue *Organic growth*	2,739.3 *+1.7%*	2,714.8 *-0.3%*
Adjusted EBITDA *% of net sales*	334.4 *12.2%*	285.3 *10.5%*
Adjusted EBIT *% of net sales*	213.7 *7.8%*	161.4 *5.9%*
EBIT *% of net sales*	190.7 *7.0%*	164.6 *6.1%*
Net result for the period – Group Share	118.6	83.3
Dividends per share *(in euros)*	0.60 (1)	0.52
Return on invested capital (ROIC) (2)	9.3%	7.0%
Consolidated financial position		
Shareholders' Equity	935.2	836.7
Net debt (2)	378.2	482.3
Total Balance Sheet	2,714.8	2,121.0
Consolidated cash flows		
Cash generated from operations	297.3	271.4
Capital expenditures	(91.5)	(79.3)
Net operating cash flows (2)	205.8	192.2
Free cash flows (2)	148.0	173.4
Market capitalization as of December 31st	**2,172**	**1,831**
Workforce at December 31st	**12,428**	**12,367**

(1) Amount submitted to the Annual General Meeting of April 27, 2017.
(2) See Chapter 4, Note 4.7.

1.2 History

The Group takes its name from Tarkett AB, its Swedish subsidiary that began its operations in the late 19th century.

The Group was formed in 1997 through the merger of the French company Sommer Allibert S.A. and Tarkett AG (which were at the time listed on the Paris and Frankfurt Stock Exchanges, respectively). Sommer Allibert S.A. was itself the result of the merger of two French companies created in the early 20th century. The members of the Deconinck family, who own SID (Société d'Investissement Deconinck), the majority shareholder of the Group, are the heirs of Mr. Allibert, the founder of one of these companies.

Beginning in 1997, the Group gradually sold off its non-flooring businesses, in particular Sommer Allibert S.A.'s automotive business in 2001, in order to focus its business exclusively on flooring.

At the same time, the Group began a strategy of dynamic growth in the flooring sector through a series of acquisitions and joint ventures. In 2002, the Group strengthened its business in Eastern Europe by forming a partnership with the Serbian company Sintelon AD (then listed on the Belgrade Stock Exchange), which had a particularly strong presence in Russia. The Group then progressively increased its investment in Sintelon AD's capital and bought out all of the minority shareholders in 2009). In 2003, the Group delisted its Canadian subsidiary, Domco-Tarkett, from the Toronto Stock Exchange, combining the Group's activities in North America. In 2004, it took a minority interest in the Canadian company FieldTurf, a manufacturer of artificial grass, acquiring control of that company the following year.

In 2005, the Group continued to pursue its development strategy by entering into two joint ventures: one with the Aconcagua group, to develop the Group's production of laminate flooring in North America, and another with Sonae Industria-SGPS, S.A., to develop the Group's production of laminate flooring in Western Europe. The Group also acquired the U.S. company Johnsonite Inc., a manufacturer of resilient flooring and accessories, which strengthened its presence in North America.

In 2006, the Group finalized the delisting of its subsidiary Tarkett AG from the Frankfurt Stock Exchange.

In 2007, investment funds advised and managed by Kohlberg Kravis Roberts & Co. L.P. ("KKR") indirectly acquired approximately 50% of the Company's shares while the Deconinck family retained approximately 50% of the share capital, the remaining shares being held directly or indirectly by management. Also in 2007, Mr. Michel Giannuzzi was appointed as Chairman of the Management Board, and the Group began the process of overhauling its management team.

In the same year, the Group acquired the North-American company Defargo, which specialized in manufacturing sports surfaces, and began the process of selling its wood floor business in North America, which would be finalized in 2009.

In 2008, the Group acquired the U.S. company Beynon Sports Surfaces, a specialist in manufacturing athletic tracks, bought out the remaining minority shareholders in FieldTurf, and sold its share of the laminate-flooring joint venture in North America.

In 2009, to consolidate its leadership in sports surfaces in North America, the Group acquired Atlas Track, a U.S. company specialized in the manufacture of athletic tracks.

It also accelerated its international expansion in regions with strong growth potential. In order to strengthen its presence in Turkey, the Group created a distribution company through a joint venture with Aspen. In Brazil, the Group acquired Fademac (now called Tarkett Brasil Revestimentos LTDA), the leading Brazilian manufacturer of vinyl flooring.

In order to strengthen its positions in the residential market in Europe and to enrich its trademark portfolio, in 2010, the Group acquired some of Armstrong's assets in the UK. Next, the Group acquired Centiva, a U.S. company specializing in the design of LVT. It also acquired control of the Spanish company Poligras (which has since been renamed FieldTurf Poligras), the Spanish leader in the manufacture and distribution of sports surfaces, and a specialist in the manufacture of artificial grass.

In the same year, the Group entered into two joint ventures. The first was with the U.S. company EasyTurf, a specialist in the distribution of artificial grass for the U.S. landscaping market. The second was with the German company Morton ExtrusionsTechnik (MET), a specialist in producing fibers for artificial grass. These two partnerships reinforced the Group's artificial grass business and allowed it to in-source fiber production for its artificial grass.

In 2011, the Group continued to reinforce its positions by acquiring Parquets Marty (which became Tarkett Bois), a French wood flooring manufacturer, and creating two joint ventures: one with a Dutch distributor of artificial grass called AA SportSystems (now called FieldTurf Benelux) and the other with a Chinese distributor of resilient flooring, now called Tarkett Asia Pacific (Shanghai) Management Co. Ltd.

In 2012, the Group acquired Tandus, a U.S. company that designs, manufactures and sells carpeting for the commercial market. This acquisition enabled the Group to establish itself as a major player in the North American commercial carpet market.

In 2013, the Group completed its initial public offering on the Paris Stock Exchange.

In 2014, the Group entered into four external growth transactions. First, the Group reinforced its industrial and commercial presence in China through two transactions: the buyout of the 30% minority interest in the Group's subsidiary that markets Tarkett-brand products in China (located in Shanghai), and the acquisition of a vinyl floor production plant near Beijing. In the same year, the Group acquired Gamrat (a Polish company specialized in high-performance vinyl flooring), Renner Sports Surfaces (an expert in athletic tracks and tennis courts located in the Rocky Mountains in the United States) and the Desso group (an European leader in commercial carpet).

In 2015, the Group acquired some of the assets of California Track and Engineering (CTE), a specialist in the construction of athletic tracks in the United States. In addition, EasyTurf became a wholly owned subsidiary of the Group following the Group's acquisition of the minority interests. Finally, the Group acquired Ambiente Textil, Desso's exclusive distributor in Austria.

In 2016, the Group continued to integrate the companies that it had recently acquired and reinforced its position over all regions. In addition, KKR, which had already decreased its ownership stake at the time of the Group's IPO, sold the remainder of its ownership in the Company over the course of the year.

1.3 Strategy

The Group's vision is to be the global leader in innovative solutions that generate value for customers in a sustainable way. The Group creates safe and inspiring flooring and sports surfaces that enhance its customers' return on investment and quality of life. In October 2016, Tarkett presented its 2017-2020 strategic plan, which is based on its values and reflects its vision.

1.3.1 The Group's strategic objectives

The strategic plan is based on several pillars:

a) **An exceptional customer experience.** the Group's goal is to become the easiest company to work with in the flooring industry.

The Group aims to offer an incomparably smooth customer experience at every step in the process, as well as exemplary customer service, in order to increase customer satisfaction and loyalty. To accomplish this, the Group is working to improve logistics, customer service, and product-selection tools.

Improving logistics, reliability, and delivery times is an ongoing goal for the Group, which is investing in the flexibility of its production tools and product-portfolio management tools. Reaching this goal requires solid IT infrastructure and coordinated digital platforms, which are in development.

In achieving this ambition, the Group wants to become the reference provider of flooring solutions, offering personalized solutions and reinforcing its long-term relationship with its customers.

b) **Leadership in design, innovation, and sustainable development.** Design, innovation, and sustainable development are essential components of the Group's success and differentiation from other flooring companies. The Group aims to continue investing in innovation in order to satisfy its customers' increasing demand for a healthy environment and for unique and modular living spaces. To that end, the Group will continue to develop sustainable products and solutions and will expand the personalized and interactive services that it offers.

The Group intends to build on its long tradition of innovation, which dates back to the 1940s, when it first introduced three-layer hardwood flooring, continuing into the 1950s, with its offering of durable vinyl flooring and a wide choices of decorations, and then into the 1990s, with the launch of the first infilled artificial turf for athletes, and into recent years, with the Group's creation of various environmentally sustainable flooring solutions ahead of regulatory norms. The Group currently maintains one international research and innovation center and numerous product and process development labs. The Group also has a scientific council that brings together its senior R&I officers with external scientists, professors and other experts to review and challenge its technology roadmap, and develops formal partnerships with suppliers to involve them in the R&I process. the Group's future product innovation and development efforts are focused on renewing its offer with projects that it believes have significant market potential and environmentally sustainable qualities (see Section 1.6.4).

c) **Commercial and operational excellence.** In recent years, Tarkett has demonstrated commercial and operational excellence. The Group will continue to pursue excellence, in particular through its proven World Class Manufacturing program, as well as through its expertise in supply chain management and sales force.

This strategy requires a constant effort to improve the Group's day-to-day operational processes, as well as the implementation of cost saving action plans where required.

The Group's ongoing optimization strategy involves constantly seeking ways to improve manufacturing efficiency, notably through the continued implementation of the World Class Manufacturing ("WCM") program. The Group believes its WCM program has the potential to produce significant additional cost savings in the future. For that reason, the Group maintains a dedicated WCM team that compares methods and procedures between sites, helps local teams at each manufacturing site implement the program, adapts the program to local specificities and supervises the program's process. the Group's overall objective is to achieve savings from the WCM program of approximately 2% of cost of goods sold per year on average over the next few years. The Group also works constantly to optimize its supply chain strategy in order to offer the best service and lead-time in the most economical way. The Group is continuing the rollout of its SAP system, with a goal of becoming the industry reference for supply chain management.

The Group's optimization strategy also includes taking measures where necessary to ensure that its existing businesses successfully adapt to changing economic and market conditions. For example, the Sports Surfaces division has been completely turned around since 2011, recording adjusted EBITDA of €54.0 million in 2016. The Group is also continuing to restructure certain parts of its wood flooring business in Europe. Going forward, the Group expects to continue the efforts already underway to improve its operations and to continue to implement restructuring initiatives such as these when necessary.

d) **Creating value through acquisitions.** With 20 successful acquisitions since 2008, Tarkett intends to continue pursuing its external growth strategy with three aims: expanding its product portfolio, expanding geographically, and achieving cost synergies.

The Group has used targeted acquisitions in the past to accelerate its profitable growth by expanding its range of products and solutions and by strengthening its presence in fast-growing markets. the Group's acquisition strategy focuses on targets that allow for immediate leverage of their industrial and commercial strengths, taking advantage of the expertise of existing management whenever it is feasible and sensible to do so. In the future, the Group intends to maintain its strategy of selective acquisitions.

e) **Regional growth.** The Group intends to take advantage of its strong positions in key markets to benefit from anticipated regional growth.

- In Europe, where the economic outlook seems relatively limited, the Group believes that the industrial adaptation plans that it has put in place over the past few years position it well to benefit from medium-and long-term economic growth while maintaining strong market positions and good levels of profitability in the near term. In 2016 the Group made significant investments in its European design and manufacturing capabilities to fully capture the strong growth of the LVT market (see Section 1.6). In addition, in 2016 the Group successfully continued the industrial and commercial integration of Desso into the EMEA division (with respect to commercial carpet) and into the Tarkett Sports division (with respect to the sport business). Because Desso and Tarkett have complementary entrepreneurial values, the integration process helped the Group identify numerous opportunities for innovation, growth, and cost optimization.
- In North America, the Group seeks to take advantage of the economic growth underway to grow across the board in its residential, commercial and sports businesses. The Group has long pursued a strategy of positioning itself with products that best enable it to realize the potential of this market. The acquisition of Tandus in 2012, for example, made the Group a leader in the North American commercial carpet category and provides it with future cross-sales synergy opportunities in the United States and the ability to offer Tandus products in other regions. In North America in 2016, the Group launched the first line of LVT (see Section 1.6) with designs using the digital printing technology, strengthening its position as a leader in design and innovation.
- In the Commonwealth of Independent States ("CIS"), and particularly in Russia, where economic forecasts show a return to growth in 2017 (in January 2017, the IMF forecast 1.1% growth in GDP in 2017) – the Group intends to take advantage of its leading position, brand recognition and unique local manufacturing capacity to capture future growth opportunities in a market that is estimated to have approximately two billion square meters of residential flooring in need of refurbishing in Russia only. As a large majority of Russian citizens own their own housing, home improvements will represent one of the top uses of disposable income when the country's economic environment improves.
- In other high-potential markets such as Asia Pacific and Latin America, the Group has adopted a disciplined and selective approach in order to capture profitable growth potential with increased penetration of resilient products. In particular, the Group believes there is potentially strong future demand in China and Brazil for high-quality commercial resilient products where its innovation and added value provide differentiating factors that should favor its developement in these markets.

1.3.2 Tarkett's strengths

The Group has realized significant growth in recent years, while maintaining a high level of profitability and a sound financial structure. Its success is the result of a number of factors that the Group believes make it unique in the international flooring market. These factors include the following:

a) **Global market leadership.** The Group occupies leadership positions among flooring manufacturers for the products that constitute the heart of its business and in the principal geographical markets in which it does business. The Group is the third largest flooring supplier worldwide (on the basis of 2016 sales). Scale is essential in the Group's markets, providing raw material purchasing power (particularly for PVC, plasticizers and polyurethane) and allowing the Group to leverage research and innovation investments. The Group is the number one vinyl flooring company worldwide and the number one global supplier of sports surfaces. It is also the leading vinyl flooring company in Russia and more generally in the CIS, as well as in a number of major European countries, including France and Sweden. The Group believes it has one of the broadest product offerings in the flooring industry, including vinyl, linoleum, wood and laminate, commercial carpet and rubber products, featuring one of the strongest brand portfolios, which is critical to the success of its multi-brand distribution strategy. The breadth of the Group's product range allows it to create fully integrated flooring solutions that companies with less diverse offerings cannot match. The Group believes its product and technology development capabilities and in-house research and innovation teams are best-in-class, allowing it to provide innovative products that are tailored to the needs and demands of each of its markets, while promoting environmentally responsible solutions that keep it ahead of regulatory and industry norms.

b) **Attractive geographical footprint with substantial growth potential.** The Group has one of the widest geographical reaches among its peers, with thousands of customers and end-users in over 100 countries and production and sales facilities in Europe, North America, the CIS countries, Latin America and Asia-Pacific. It has built its geographical footprint through substantial investments realized over many years. Today, this is a unique differentiating factor and essential to the Group's lasting success, for the following reasons:

- The Group is able to capture growth wherever it arise. In particular, it will be able to take advantage of the economic growth in the United States; the substantial stock of residential flooring that requires renovation in Russia; the most innovative market segments in Northern Europe, France and Germany; and the early stage markets for sophisticated commercial flooring products in China and Brazil.

- The Group is intimately familiar with the local tastes, design and technical preferences that drive market demand, allowing it to tailor its product range and obtain a competitive advantage over suppliers who do not have the same scale and presence.
- The Group's local manufacturing capacity in each of its principal regional markets allows it to enhance customer service by reducing lead times, while optimizing transportation costs, minimizing customs duties and limiting working capital requirements.

c) **Balanced geographic and end-market exposure providing resilience to cycles.** the Group's diversified geographic exposure and its large customer base provide the Group with natural protection against regional economic cycles in the construction and renovation sectors. The Group's broad product range allows it to offer flooring solutions that are adapted to meet varied technical specifications, budgets, safety and design requirements, opening up a broad range of attractive end-use segments (housing, health care, education, offices, stores and shops, hospitality and sports). Approximately 80% of the Group's product sales, in terms of square meters, are for renovation projects, a market that is subject to less volatility than the new construction market. the Group's sales are divided between commercial end-users, which represented 70% of 2016 sales and residential end-users, which represented 30% of 2016 sales. It sells its products to vast numbers of customers worldwide, which limits concentration risk; in 2016, the Group's largest customer represented less than 5% of total consolidated net revenue. The Group believes its unique product range, diversified exposure to attractive end-use segments, extensive customer base and global footprint reduce its dependence on any one industry, region or sector of the economy.

d) **Scale and execution excellence across the value chain, providing strong competitive advantages.** The Group's global reach and size enable it to remain close to customers, leverage research and innovation and benchmark best practices across the Group's global operations.

- Its three regional design teams continuously monitor local trends to adapt product designs and meet customer preferences. The Group's sales force of approximately 1,500 is in regular contact with distributors and retailers, providing them with the selection, brands and service that make the Group's products an attractive choice for their end-user customers.
- The Group maintains close long-term relationships with architects, designers, installers and contractors, who play an essential role in the choice of flooring solutions, particularly in the commercial market. The Group's training programs for building sector professionals and installers – "Tarkett Academies" – develop loyalty to its brands and ensure that end-users receive installation services commensurate with the quality of the Group's products.
- The Group's WCM program, managed by a dedicated team that regularly visits and benchmarks the Group's operating units, spreads expertise and best practices while ensuring quality, operational optimization, cost efficiency and best-in-class service.

e) **Track record of profitable growth, strong cash flow generation and Return on Invested Capital (ROIC).** The Group has demonstrated a consistent ability to grow profitably, both organically and externally, even through periods of economic downturn. It has, for example, successfully integrated 20 acquisitions over the past nine years. Since 2010, consolidated net revenues and adjusted EBITDA have grown at a compounded annual growth rate of 6.1% and 7.0%, respectively. The Group has maintained an adjusted EBITDA margin in the range of 9.1% to 12.3% since 2010. The Group's profitable operations, combined with disciplined asset management, have translated into strong cash generation and return on invested capital. The Group's ROIC (which the Group defines as (1) earnings before interest and after tax divided by (2) capital invested, which corresponds to the sum of tangible and intangible assets (including goodwill) and net working capital) has averaged 9% since 2010, allowing the Group to maintain a strong financial structure and giving it the financial capacity to invest in future development.

f) **Experienced and international management team leading a decentralized and agile organization.** The Group's internationally diverse management team is deep and has extensive experience, encouraging an entrepreneurial spirit. The current management team has been instrumental in the successful implementation of the Group's internal development strategy, while successfully managing several turnaround projects (such as the sports surface segment), and acquiring and integrating 20 companies over the past nine years. The management team includes people with a mix of experience in the flooring business as well as in other industries such as the automotive and chemicals sectors.

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1.4 Business

1.4.1 Note on sources of information

Unless otherwise noted, the information included in this section is based on Group estimates for 2015 and is provided solely for informational purposes. The Group is currently in the process of updating its estimates for 2016. To the best of the Group's knowledge, there are no authoritative external sources providing exhaustive and comprehensive coverage or analysis of the flooring market. Consequently, the Group makes estimates based on a number of sources, including studies and statistics from independent third parties (in particular Freedonia, the European Federation Parquet Industry Federation and the European Resilient Flooring Manufacturers' Institute), data published by other market participants and data from the Group's operating subsidiaries. These various studies, estimates, research and information, which the Group considers reliable, have not been verified by independent experts. The Group does not guarantee that a third party using other methods to analyze or compile the market data would obtain the same results. In addition, the Group's competitors may define their economic and geographic regions differently.

1.4.2 Overview

The Tarkett Group is a leading global flooring company, providing integrated flooring and sports surface solutions to professionals and end-users in the residential and commercial markets. Leveraging over 130 years of experience, the Group offers fully-integrated flooring solutions that it believes represent one of the widest and most innovative product ranges in the industry. The Group currently sells in the aggregate an average of 1.3 million square meters of flooring per day, and operates 34 manufacturing sites located around the world in each of its principal geographic regions. The Group has a diversified geographical footprint, which enables it to capture growth opportunities wherever they arise. The Group holds leading positions in each of its principal product categories and geographic regions, built through robust organic development, as well as successful and profitable external growth.

In 2016, the Group generated net consolidated revenues of €2,739 million, adjusted EBITDA of €334 million and net profit attributable to owners of the Company of €119 million. The Group's segment reporting is based on four operational segments-three of which relate to its flooring products and their geographic regions (EMEA; North America; and CIS, Asia Pacific ("APAC") and Latin America), and one of which relates to its sports surfaces products.

1.4.3 Tarkett's markets

The Group sells its products in more than 100 countries. With local sales forces and manufacturing facilities in each of its principal geographic regions, the Group is able to match its products to local and regional demands and tastes. The Group's flooring sales are well balanced geographically, with 36% of 2016 sales realized in EMEA (including sports surfaces), 44% in North America (including sports surfaces) and 20% in CIS, APAC and Latin America.

The Group's sales are divided between commercial end-users, which represented approximately 70% of 2016 sales and residential end-users, which represented approximately 30% of 2016 sales. In these two principal channels, renovations typically account for the large majority of sales (approximately 80% of sales in terms of square meters). The Group sells residential products with designs and styles that are adapted to each geographical region that it serves. The CIS countries represent the Group's largest geographic region for residential products. The Group's products for commercial end-users are sold mainly in North America and Western Europe, although the Group's business is growing in the APAC and Latin American markets. The Group's commercial products benefit from its substantial research and innovation capacity, which is essential for meeting the technical specifications of commercial end-users such as schools, universities, hospitals, health care facilities, offices, hotels and retail establishments. The Group's capacity for innovation is also key to its success in the sports surface market, where it holds leading positions in artificial turf and athletic tracks in North America, as well as leading positions in artificial turf in key countries in Europe.

The Group has strong global and national brands that are recognized by end-users and professionals and adapted to the distribution strategy used in each market. Tarkett uses a diversified mix of distribution channels that include wholesalers, specialty chains, installers and contractors, independent retailers, DIY (do-it-yourself) retailers, direct key accounts and builders-merchants. The quality of the Group's products is recognized by architects, installers and contractors who are instrumental in specifying and choosing flooring solutions, particularly for commercial applications. The Group's distribution strategy is tailored to each market in which it operates and includes service centers that put the Group close to its customers and training facilities for building industry professionals and installers that develop brand loyalty and ensure the highest quality installation services for the Group's products. The Group has a broad network of sales and marketing offices with a local sales force in each of its main markets.

1.4.4 Tarkett's products

Tarkett offers products with innovative designs and textures adapted to local tastes and demand in each of its markets. It designs, manufactures, markets and sells five key types of flooring:

- Resilient Flooring (Vinyl and Linoleum) (*approximately 48% of 2016 revenues*): the Group's resilient products include a broad range of flooring options, including vinyl sheet, vinyl tile, safety and static-control vinyl flooring, luxury vinyl tiles (LVT), and linoleum products. The Group's resilient products are offered to both residential and commercial end-users. The Group's strength in design and innovation allows it to offer resilient flooring in a wide variety of styles and colors, providing end-users with ease of installation, durability and reduced maintenance. The Group is currently the leading supplier of resilient flooring solutions worldwide.
- Carpet Flooring (*approximately 20% of the Group's 2016 revenues*): the Group's carpet products include a wide range of modular, broadloom and hybrid products (such as Powerbond™) for commercial end-users such as offices, universities, schools, health care facilities and government facilities. Tarkett's presence in the carpet segment was reinforced by the 2014 acquisition of the Desso Group, which expanded the Group's product portfolio by adding carpet, a strong value added product, for its European customers, reinforced the Group's European presence, and also allowed it to offer commercial carpet solutions to all of its customers worldwide, in conjunction with the 2012 Tandus acquisition.
- Wood and Laminate Flooring (*approximately 7% of the Group's 2016 revenues*): the Group's wood and laminate flooring products are used primarily in residential renovation projects and, to a lesser extent, in commercial applications such as retail, hospitality, offices and indoor sports facilities. The Group's wood product range includes high-quality engineered wood floors in a variety of wood species, colors, tones and finishes. The Group's laminate product range offers a functional alternative to wood flooring that is both stylish and affordable. The Group is a leading supplier of wood flooring in Europe and the CIS countries.
- Rubber Flooring and Accessories (*approximately 8% of the Group's 2016 revenues*): the Group's rubber flooring products and rubber and vinyl accessories are sold mainly to commercial end-users in North America, primarily in the healthcare, education, industrial and indoor sports sectors. They include rubber tiles and sheets, vinyl baseboards, stair nosing, stair borders, tactile warning strips, decorative wall skirting and other accessories. They are shock-absorbent and slip-resistant and offer natural acoustic properties with low maintenance requirements. The Group is currently the leading supplier of vinyl accessories in North America.
- Sports Surfaces (*approximately 17% of the Group's 2016 revenues*): the Group's sports products include innovative synthetic turf and track solutions for a wide range of sports venues ranging from community multi-purpose sports fields to professional football, soccer and rugby stadiums. The Group also offers artificial grass for landscaping purposes as well as indoor sports flooring. The Group has been recognized by the International Rugby Board (IRB) and FIFA (*Fédération Internationale de Football Association*) for the quality of its patented FieldTurf technology. The Group is currently the leading global supplier of artificial turf for sports surfaces worldwide and the leading provider of athletic tracks in North America.

1.5 General presentation of the flooring and sports surfaces market

The Group estimates that approximately 12.5 billion square meters of flooring were sold globally in 2015, excluding sales of specialized products such as concrete, bamboo and metal flooring. The categories of products that Tarkett sells account for approximately 25% of the total global flooring market, or approximately 3.1 billion square meters in 2015.

The table below presents an estimated breakdown of the global flooring market in 2015 by product category, based on the number of square meters of product sold.

(in millions of square meters)	Volume	% of global market
Resilient flooring (vinyl, linoleum and rubber)	1,056	8%
Wood and laminate	1,330	11%
Carpet (commercial)	739	6%
Total for product categories sold by the Group	**3,125**	**25%**
Carpet (residential)	1,205	10%
Ceramic	7,742	62%
Other	416	3%
Total	**12,489**	**100%**

The product categories in which the Group is present are resilient flooring (vinyl, linoleum and rubber), wood flooring, laminate flooring and carpeting products for the commercial market.

The Group believes that its current product categories benefit from strong growth potential, but it may expand its portfolio to new categories if they present opportunities for profitable growth in line with the Group's strategy. For more information, see Section 1.3, "Strategy".

The flooring market is divided into residential and commercial end-users. In 2016, for the product categories in which the Group is present, the residential market represented approximately 30% of global sales, while the commercial market represented approximately 70%. In these two primary market categories and in each region, the vast majority of sales (approximately 80% in terms of square meters) are for renovation projects, while a minority is for new construction.

The Group's sports surface products are generally intended for commercial use, primarily by universities, schools and public facilities. Artificial turf, on the other hand, is also sold to residential end-users, particularly for landscaping purposes in the southern United States.

1.5.1 General presentation of the flooring market

The demand for a particular flooring product can vary significantly from one geographic region to another as a result of cultural differences, as well as differences in climate and regulatory requirements that can vary from region to region.

The table below presents a breakdown of the global flooring market in 2015 by product category and geographic region, based on the number of square meters of product sold.

(in millions of square meters)	EMEA		North America	CIS, APAC and Latin America			Total
	Western Europe [(1)]	Middle East /Africa		CIS & Balkans [(2)]	Asia-Pacific	Latin America	
Resilient flooring (vinyl, linoleum and rubber)	276	39	246	165	305	25	1,056
Wood and laminate	321	123	239	139	464	43	1,330
Carpet (commercial)	114	40	281	5	265	35	739
Total for product categories sold by the Group	**711**	**202**	**766**	**309**	**1,034**	**103**	**3,125**
Carpet (residential)	294	173	561	40	66	71	1,205
Ceramic	444	967	291	164	4,891	986	7,742
Other	52	0	20	0	345	0	416
Total	**1,501**	**1,342**	**1,638**	**513**	**6,336**	**1,160**	**12,489**

(1) The countries included in Western Europe are Germany, Austria, Belgium, Luxembourg, Denmark, Finland, France, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom and other Central and Southern European countries.
(2) The countries included in Balkans are: Albania, Bosnia, Bulgaria, Croatia, Greece, Macedonia, Montenegro, Romania, Serbia, Slovenia and western Turkey.

The information below presents the principal characteristics of the geographic regions in which the Group sells its products.

1.5.1.1 EMEA

Characteristics of the market

In 2015, demand for flooring in Western Europe was 1.5 billion square meters, representing 12% of global demand for flooring. The categories of products that the Group sells accounted for 711 million square meters in 2015, or 47% of flooring products sold in Western Europe, including 21% of sales for wood and laminate products, 18% for resilient flooring and 8% for commercial carpet. Products in these categories are used in both the residential and commercial markets.

In Western Europe, demand for different categories of flooring products varies significantly from country to country, especially between Northern and Southern Europe. For example, carpet is frequently used in the United Kingdom, whereas wood floors are more popular in Nordic countries and ceramic is more in demand in the South. In Germany and France, the breakdown by product category is more balanced.

In Western Europe, the Group sells primarily vinyl resilient flooring, wood flooring and laminate flooring, as well as commercial carpet. Most of these sales are in France, Sweden, Germany and the United Kingdom, with the majority of resilient flooring in France, Germany, and the United Kingdom, while the majority of its wood and laminate flooring sales are in the Nordic countries.

In 2015, demand for flooring in the Middle East and Africa was 1.3 billion square meters, representing 11% of global demand for flooring. In this region, where ceramic represents close to 72% of demand for flooring, the categories of products that the Group sells represented 202 million square meters in 2015, or 15% of volumes sold in the Middle East/Africa region, including 9% for wood flooring and laminates, 3% for commercial carpet, and 3% for resilient flooring.

Growth Drivers

Recent trends in the EMEA region vary from country to country. In the United Kingdom, total construction activity has decreased in recent years, despite an increase in do-it-yourself improvements and home renovations. The French flooring industry suffered as a result of a difficult economic environment, while flooring demand was less affected by the economic crisis in Scandinavia and Germany (although there was a decrease in sales of laminate flooring in a highly competitive environment).

The Group believes that flooring demand in this region is currently stable, despite an economic context that continues to be uncertain (in particular due to the Brexit vote, numerous upcoming elections, and limited prospects for potential growth). Demand for wood floors may stabilize, in particular in Nordic countries. On the other hand, volumes of laminate flooring are likely to decline slightly. In this region, sales of luxury vinyl tiles (LVT) continue to grow at a faster pace than the general flooring market.

The Group's Competitive Position

The Group is a leader in the Western European flooring industry. It is a leader in vinyl flooring in Europe and a leading flooring company overall in Sweden. It is also the fourth largest manufacturer of wood and linoleum flooring in Western Europe. It accounts for less than 5% of laminate flooring sales in most countries. However, it is a leader in wood and laminate flooring in Scandinavia, with approximately 15% of sales in that region. In addition, the Group is the second largest manufacturer of commercial carpet in EMEA region.

The Group's main competitors in this region are European groups, which generally concentrate their businesses on a limited number of countries and products. Its most important competitors in this region are Forbo (resilient flooring), Gerflor (resilient flooring), Kährs-Karelia Upofloor (wood and resilient flooring), IVC (resilient flooring, a company acquired by the Mohawk group in 2015), Beauflor (resilient flooring), James Halstead (resilient flooring), Bauwerk-Boen (wood flooring), and DLW Flooring (resilient flooring). In addition, in certain countries the Group faces local competitors. Finally, with respect to commercial carpet, Desso's main competitor is the American group Interface.

1.5.1.2 North America

Characteristics of the market

In 2015, demand for flooring in North America was 1.6 billion square meters, representing 13% of global demand for flooring products. Demand in North America is dominated by carpet, which represented 51% of total volumes sold in 2015. The categories of products that the Group sells represented 766 million square meters in 2015, or 47% of the total volume of flooring sold in North America, including 15% of total flooring sales for wood and laminate products, 15% of sales for resilient flooring, and 17% of sales for commercial carpet. In North America, the Group sells these products primarily to commercial end-users and, to a lesser extent, to residential end-users.

The Group's flooring sales in North America are divided fairly evenly among commercial carpet, resilient flooring, rubber flooring, and vinyl and rubber accessories, with wood and laminate flooring accounting for a smaller portion of sales. The Group sells its products primarily in the United States, and to a lesser extent in Canada (approximately 10% of revenues). The Mexican market is considered to be part of Latin America, in the CIS/APAC/Latin America segment.

Growth Drivers

Between 2006 and 2011, North American demand for flooring fell, in particular as a result of the decrease in new construction in that region. However, the U.S. construction market has grown since 2012.

In the coming years, the Group expects significant growth to result from the U.S. economy's recovery. The sources that the Company analyzed indicate a potential increase in demand for all products, including the Group's principal products in this geographical segment: residential and commercial resilient flooring, vinyl and rubber accessories for the commercial market, and commercial carpet. In addition, the strong growth of LVT continues at a faster rate than the rest of the market.

The Group's Competitive Position

The Group has a strong presence in several product categories in North America. In this region, it is the fourth largest resilient flooring company (including LVT, since the acquisition of Centiva at the end of 2010) and the second largest rubber flooring company. Due to the 2012 acquisition of Tandus, it is also the fourth largest commercial carpet company in North America. The Group's Johnsonite products occupy a leadership position in the vinyl and rubber accessories market.

The Group's main competitors in this region are the Mohawk, Shaw, Armstrong Flooring, Interface, Mannington, and Beaulieu of America groups. For most of these competitors, the large majority of their sales are in the U.S. market. In keeping with the strong North American preference for carpet, this product category represents a significant share of these companies' sales (this is particularly the case for Mohawk, Shaw and Interface). However, some of these companies, including Mohawk, Armstrong Flooring and Mannington, also market resilient flooring, as well as wood and laminate flooring. Johnsonite's competitors include Nora, a rubber flooring manufacturer, as well as local manufacturers.

1.5.1.3 CIS & Balkans

Characteristics of the market

In 2015, demand for flooring in Russia, the other CIS (Commonwealth of Independent States) countries, and the Balkans (the former Yugoslavia) was 513 million square meters, representing 4% of global flooring demand. In these countries, resilient flooring is most popular, representing 32% of total flooring demand, as compared with 8% for the global market as a whole. Other than resilient flooring, the main products sold are ceramic tiles (32% of total flooring demand), wood and laminate flooring (approximately 27%) and carpet (9%).

Unlike Western Europe and North America, resilient flooring is used primarily by the residential market in the CIS countries. Most of the residents of these countries became the owners of their homes following the dissolution of the Soviet Union. For these new homeowners, renovation is a high priority, and resilient flooring is both well suited to local tastes and to the climate, and attractive for household budgets. The commercial market in this region has been slower to develop, but shows strong growth potential. Commercial end-users initially chose residential resilient flooring for their first renovation projects. However, these floors are not well adapted to high-traffic commercial premises. Moreover, Russia has adopted stringent fire regulations for commercial products. As a result of these factors, the resilient flooring market has shown moderate growth in recent years, although its size remains modest compared to the residential market. In Russia and the other CIS countries, the Group sells primarily vinyl flooring to residential end-users, and to a lesser extent wood and laminate flooring.

Growth Drivers

As indicated above, following the dissolution of the Soviet Union in 1991, most homes were given to their occupants, resulting in a very high homeownership rate. Due to economic growth in these countries, renovation demand has grown significantly in recent years. In the CIS countries, and in particular in Russia, where economic forecasts predict a return to growth in 2017 (in its January 2017 publication, the IMF forecast growth of 1.1% in 2017), the Group expects to benefit from the fact that two-thirds of residential surfaces in Russia need substantial renovation, according to Rosstat, the Russian governments statistics agency. Moreover, over the last several years Russians have begun to buy laminate floors in order to give the appearance of wood floors while remaining within a reasonable budget.

In the CIS countries, as soon as the economic situation improves, residential and commercial resilient flooring demand is expected to gradually recover, as is demand for wood and laminate flooring.

The Group's Competitive Position

The Group has been doing business for more than 20 years in the CIS and the Balkans, primarily in Russia, Serbia, Ukraine, Kazakhstan, and Belarus. As a result of its long-standing presence in this geographic region, the Group considers itself to be a local company and a market leader. It is the number one resilient flooring company in Russia, Ukraine, Kazakhstan, Serbia and Belarus. It is also the number five laminate flooring company in that region.

Tarkett's market leadership in the Russian resilient flooring market is the result of its well-known brands, local production, well-developed distribution platforms and deep understanding of local tastes. In the Group's opinion, Komiteks and Juteks/Beaulieu, two local companies, are the other leading companies in this region, alongside the international suppliers IVC/Mohawk and Forbo.

The Group is a significant distributor of laminate flooring. However, in the laminate flooring market, Chinese manufacturers occupy a significant position due to their ability to offer low-cost entry-level products. The other principal companies in this market are Kronostar, Kronospan, Classen and Unilin (a member of the Mohawk group).

Finally, the Group is the third largest seller of wood flooring in the CIS countries, where its main competitors are Barlinek and Kährs-Karelia Upofloor.

1.5.1.4 Latin America and APAC

Characteristics of the market

In 2015, demand for flooring in Latin America and APAC was 1.2 billion and 6.3 billion square meters, respectively, representing 9% and 51% of global flooring demand. Ceramic is the most frequently used material in Latin America and APAC, as a result of local climate, ease of manufacture and the multiplicity of local suppliers.

In Latin America, the Group does business principally in Brazil, where most of its sales are vinyl products for commercial end-users. In APAC, the Group sells primarily carpet and vinyl flooring to commercial users in Australia and China.

Growth Drivers

The Group believes that demand for the product categories that it offers in Latin America could grow, in the context of an overall market that is stagnant or even declining. In Brazil, sales of luxury vinyl tiles (LVT) continue to grow at a faster pace than the general flooring market.

With respect to APAC, governmental initiatives in China should continue to sustain the construction market. The aging of the Chinese population should also fuel growth in the retirement home sector, in addition to projected growth from the healthcare and education markets. Given the size of its residential housing stock, China is, by volume, the largest in the world. Vinyl flooring's market penetration is still limited, but this product category may grow in the future.

The Group's Competitive Position

The Group is in a development phase in Latin America and APAC. Its position in Latin America was strengthened in 2009 with the acquisition of Fademac (now called Tarkett Brasil Revestimentos LTDA), a Brazilian vinyl flooring manufacturer; it is now the number one commercial vinyl flooring manufacturer in this country.

In 2014, the Group reinforced its manufacturing and sales presence in APAC through two transactions in China.

In addition, since the 2012 Tandus acquisition, the Group has benefited from a commercial carpet production site in China.

The Group's main competitors in vinyl flooring in Latin America are Gerflor and Forbo. Its main competitors in APAC for vinyl flooring are Armstrong Flooring, Gerflor, LG and Forbo, as well as local Chinese manufacturers.

1.5.2 Sports surfaces

Characteristics of the market

Within the sports surfaces segment, the Group primarily sells artificial turf, athletic tracks and indoor sports flooring. The Group sells sports surfaces mainly in the United States and Canada, but is also present in Europe, including France, Spain, the Benelux countries and the United Kingdom.

The Group's sports surface products are generally intended for commercial use, primarily by universities, schools and public facilities. In addition, artificial turf is sold to residential end-users, particularly for landscaping purposes in the southern United States.

Growth Drivers

The Group believes that the growth in demand for sports surfaces seen in 2016 should continue over the next few years, in particular with respect to artificial turf, which represents a significant share of the Group's sports surfaces sales. The artificial turf market in Europe, which was in decline until 2013, is expected to continue to grow, and growth is also expected to continue in the North American market. The growth in demand for artificial turf is due to the increased need for renovation of athletic fields, the economic expansion underway in the United States, and governmental restrictions on water consumption (particularly in the United States). In addition, the Group is starting to benefit from the replacement cycle of fields that were installed between 10 and 15 years ago.

The Group's Competitive Position

The Group is the leading provider of artificial turf worldwide and the leading provider of athletic tracks in the United States. It has numerous competitors, primarily small companies and resellers who outsource the manufacturing of synthetic fiber. In the artificial turf market, the Group's strongest competitors in North America are AstroTurf, Hellas, Shaw and Sprinturf. In Europe, the Group is the second artificial turf player behind Tencate, and its other large competitors include Polytan, Limonta and Domo. Its principal competitors in athletic tracks are Hellas, Apt, Stockmeier and Mondo.

1.6 Products sold by the Tarkett Group

The Group offers a diversified range of flooring solutions, enabling it to adapt to the needs of each market and region. The choice of a flooring solution depends heavily on the type of premises where the product is used. In addition, the products demanded by both professionals and individuals tend to vary significantly from one geographic region to another, due primarily to cultural differences but also due to differences in climate and environmental factors.

The Group designs and sells products as a function of the needs, tastes and budgets of various end-users and differentiates its products through choice of materials, design and compliance with differing regulatory standards, as well as resistance to varying levels of foot traffic. Its large product range allows it to offer integrated decorative and functional solutions using several product categories in a single project, by coordinating accessories with floor coverings. By combining and coordinating its products, the Group can respond to several different needs at a single site.

Each of the Group's products features technological enhancements that improve product quality for end-users. The products are also engineered with environmental stability in mind through a focus on product composition, manufacturing processes, and end-of-life. The controlled use of renewable raw materials and recycled materials is part of the products' eco-design. Products are designed to promote healthful air quality and indoor environments. For example, the levels of Volatile Organic Compounds ("VOCs") emissions given off by the Group's products are lower than current standards, and the Group uses phthalate-free plasticizers for its vinyl floors in certain regions.

The Group's products are also designed to be recyclable and may be reused either within its own production chain or in other uses. The Group's production process is designed to minimize the use of water and energy at its production sites.

The Group has been doing business for decades throughout the world, and its brands are internationally and locally recognized, associated with high quality at competitive prices. The Group provides training to local installers to optimize the performance of the products purchased by commercial end-users, thereby improving installation quality. The Group's customer service representatives provide support throughout the life of its products.

1.6.1 Presentation of the Group's products

The Group sells the following types of flooring:

- **resilient flooring (vinyl and linoleum),** including:
  - resilient flooring for residential end-users, including heterogeneous (multi-layer) vinyl, which can be sold in rolls or as tiles, especially high-end vinyl tiles (Luxury Vinyl Tiles, or "LVT"), and
  - resilient flooring for commercial end-users, including heterogeneous vinyl in rolls, tiles, or LVT, homogeneous vinyl (single-layer), and linoleum floors;
- **wood and laminate flooring,** including engineered wood floors as well as multi-layer laminate floors, sold to both residential and commercial end-users;
- **carpets,** principally for commercial users;
- **rubber flooring and accessories**; and
- **sports surfaces** (primarily artificial turf and athletic tracks).

The following table presents the breakdown of the Group's 2016 consolidated net revenues by product type:

2016 Net Revenue	(% of Net Sales)
Resilient flooring (vinyl and linoleum)	48%
Wood and laminate flooring	7%
Commercial carpet	20%
Rubber and accessories	8%
Sports Surfaces	17%
Total	**100%**

The Group's business is organized into four segments-three geographical segments for flooring (EMEA, North America and CIS/APAC/Latin America) and one global segment for sports surfaces. The following table presents the geographic breakdown of the Group's 2016 consolidated net revenues (including sports surfaces).

2016 Net Revenue	(% of Net Sales)
EMEA	36%
North America	44%
CIS, APAC & Latin America	20%
Total	**100%**

1.6.1.1 Resilient Flooring (Vinyl and Linoleum)

The Group offers a large range of resilient flooring, including homogeneous and heterogeneous vinyl and linoleum. Both residential and commercial end-users purchase heterogeneous vinyl. Homogeneous vinyl and linoleum, on the other hand, are purchased primarily by commercial end-users.

The Group has a very strong position in the resilient flooring market as a result of being the largest vinyl-flooring manufacturer in the world. Resilient flooring represents the largest portion of the Group's sales in the EMEA and CIS, APAC and Latin America regions, and also accounts for a significant share of its sales in North America. In particular, the Group is the largest manufacturer of resilient flooring in Germany, Sweden, Russia, and Ukraine. It is also the number three North American manufacturer of resilient flooring, and it offers these products in Latin America (in particular in Brazil, where it is the largest manufacturer of commercial vinyl flooring) and in APAC (in particular in China).

Residential Vinyl Flooring

The Group offers a variety of heterogeneous vinyl floors for the residential market, which includes apartments and residential houses.

Design, appearance and price ranges of residential vinyl flooring must be adapted to the budgets, uses and tastes of the residential users in each geographical region, which can be very culturally specific.

Heterogeneous vinyl flooring is composed of several layers of PVC mixed with fillers. A fiberglass reinforcement can be added to bring dimensional stability, as well as a foam or textile backing to bring specific acoustic or thermal resistance. On top, a printed decorative layer, a transparent wear-layer and a traffic resistant finishing treatment are added. Heterogeneous vinyl flooring for residential end-users contains a thin wear layer, which enables it to be sold at competitive prices while maintaining the level of durability needed for residential use.

In terms of the pattern printed on the flooring surface, the Group offers its end-users a variety of colors and designs. In order to keep up with decorating trends, the Group must tailor its product lines to conform to prevailing styles and fashions, which can vary widely from one geographic region to the next. Heterogeneous vinyl products offer several advantages in terms of livability and remain attractive over a long period of time.

Residential heterogeneous vinyl flooring can be sold in rolls or in modular format (tiles or plates). Rolls are generally installed with glue, whereas modular products may be installed using glue, self-adhesive attachments or they may be snapped together, which facilitates their transport, installation and repair. Tarkett also designed Starfloor Click, a line of modular, easy-to-install LVT with a solid click-locking installation system. It is beautifully designed and ultra-resistant.

The Group helps customers choose flooring that matches their tastes and interior decoration.

Commercial Resilient Vinyl Flooring

Commercial resilient flooring is specifically designed for high-traffic areas and can withstand numerous shocks. It is used in commercial premises including offices, administrative buildings, schools, hospitals, retirement homes, hospitality, stores and shops, the common areas of apartment buildings and industry & transport.

Resilient flooring for commercial uses includes a large range of products, including homogeneous and heterogeneous vinyl.

Heterogeneous Vinyl Flooring

Heterogeneous vinyl flooring for commercial use is designed to withstand intense foot traffic. A thicker wear layer is applied to the product than is used on the Group's residential resilient flooring products in order to reinforce the product and ensure its durability. Heterogeneous vinyl flooring is suitable for almost any commercial use.

The Group classifies its heterogeneous vinyl flooring products into two types: acoustic products, which are designed to absorb ambient noise (such as footsteps and talking) and compact products, which reinforce the floor's robustness.

The Group offers a diverse range of designs and patterns printed on the decor layer, for both rolled and modular products (including LVT, as further described in the next paragraph, and loose lay tiles). These frequently updated product lines give end-users a wide product selection.

Among the Group's other heterogeneous vinyl flooring products, it has developed LVT, which is a high-end modular product designed primarily for the commercial market. This product offers a wide range of designs, which can easily be coordinated with other products, and precision printing using sophisticated graphics techniques.

Homogeneous Vinyl Flooring

Unlike heterogeneous flooring, homogeneous vinyl flooring is made in a single layer with the pattern embedded directly into the material. This type of flooring is covered with a layer of pigment and reinforced by a treatment that prevents metalization and facilitates maintenance.

Homogeneous vinyl flooring has several advantages. Its resistance to wear-and-tear makes it a durable solution for high-traffic areas, and it comes in a compact version for high-traffic areas and in an acoustic version. The absence of multiple layers in its composition makes the design simple and offers advantages in terms of hygiene and maintenance.

As a result of its particular acoustic benefits, anti-bacterial properties and reinforced durability homogeneous vinyl flooring is frequently used in the healthcare and educational sectors, as well as in aged-care facilities.

Linoleum Flooring

The Group has been making linoleum for more than one hundred years.

Linoleum is composed of a jute backing treated with renewable raw materials such as linseed oil, rosin, cork flour or wood flour, to which a surface treatment is added.

Linoleum is a natural product covered with a surface treatment that makes it extremely robust and easy to maintain. The Group's linoleum products are extremely durable and therefore well adapted to the intense use of flooring that is typical of common areas in educational buildings and healthcare facilities, as well as offices and indoor sports facilities.

1.6.1.2 Wood and laminate flooring

Wood flooring

The Group sells wood flooring in Europe (EMEA segment), primarily in Nordic countries. It also markets these products in the CIS countries and the Balkans and, to a lesser extent, in North America. The Group is a leading manufacturer of wood flooring in Europe and in the CIS. Wood floors are generally sold in the residential market. Although most of the wood the Group uses comes from Europe, it uses a staining process to adapt to demand in different markets and regions, in particular by offering wood flooring that resembles exotic wood.

The engineered wood flooring that the Group sells is composed of three main layers: the bottom stabilizing layer; a middle layer in soft wood such as pine or spruce or HDF (high density fiber board); and a top layer of high-quality wood. This composition results in a more responsible use of the high-quality wood, which is consistent with the Group's circular economy initiative, in a thin layer and allows the Group to optimize the hidden layers of fast-growing species of wood. These three stacked layers ensure the longevity of wood floors, in addition to reinforcing their structural integrity.

The Group uses high-performance protection techniques to reinforce resistance to scratches and wear. Engineered wood helps limit the use of high-grade wood, such as oak, which requires relatively long regeneration cycles. In this way, the Group contributes to sustainable forest management.

Laminate flooring

Laminate flooring is primarily sold to end-users in the residential market and can be designed to reproduce the pattern that the end-user wants-wood, stone, ceramic or a graphic design-but with enhanced durability and at a lower cost.

Laminate flooring consists of a paper balancing layer, a core board of high-density wood fiber or HDF, a decor layer of printed paper and an overlay to protect the visible surface.

Laminate flooring is sold at competitive prices compared to wood and provides a durable flooring solution. The Group offers a large range of designs to end-users to satisfy all of their wishes, although this product type is intended primarily for the residential market, in particular through DIY (do-it-yourself) distribution channels, and construction materials.

Laminate flooring is easy to install thanks to the Group's 2-Lock and T-Lock click systems, which make it possible to lock the plates to each other without gluing them to the supporting layer. laminate flooring can also be adapted to the specific needs of each end-user: heavy use and weight, high resistance to shocks or high-traffic areas. Due to its modular nature, laminate flooring also allows users to easily change their flooring without incurring prohibitive costs.

1.6.1.3 Carpets

The Group primarily offers carpets for use in commercial spaces such as office buildings, governmental institutions, hospitals and schools. The Group's principal markets for commercial carpet are North America (since the acquisition of Tandus in 2012) and Europe (since the acquisition of Desso in 2014).

The Group offers three types of carpeting, which correspond to three generations of the product:

- broadloom carpet, which is made from a polypropylene backing and fibers that are either tufted or woven;
- modular carpet, which is sold in tiles, and made of a vinyl or urethane backing and tufted (nylon) fibers; and
- hybrid resilient sheet flooring, which is an inseparable structure made of a resilient base, a nylon carpet and a specific foam that contributes to its performance and enhances design options.

Carpet is a shock-absorbent floor covering with good acoustic properties that adds comfort and warmth to an interior environment. The Group offers a wide selection of colors and patterns that are frequently updated and tailored to appeal to customers in different geographic regions. The different carpet products also offer acoustic properties and high-performance resistance to rolling and heavy traffic, as well as ease of maintenance.

1.6.1.4 Rubber Flooring and Accessories

The Group sells a wide range of rubber flooring as well as vinyl and rubber accessories. Flooring products include rubber sheets and tiles, while accessories include stair nosing, tactile warning strips, tactile paving tiles, warning tiles, baseboards, decorative wall skirting, thresholds and adhesives.

Sold primarily in North America, these products are used mostly by commercial end-users in the healthcare, educational and industrial sectors, as well as in indoor sports facilities. The Group is the leading supplier of vinyl accessories in North America.

As part of the Group's sustainable development initiative, it can produce these products with recycled rubber.

The Group offers rubber flooring and accessories in a wide variety of colors, patterns and textures, in order to coordinate with its other flooring solutions. These products and accessories are slip-resistant and shock-absorbent and provide a high level of safety. They have natural acoustic properties, require little maintenance, and are easy to install and replace.

1.6.1.5 Sports Surfaces

The sports surfaces that the Group manufactures are used throughout the world by amateur and professional athletes, providing safety, comfort, performance and aesthetic enjoyment. Sports surfaces are installed at universities, schools and public sports facilities, primarily in North America, as well as in Europe (including in France, Spain, Benelux, and the United Kingdom).

The Group has a strong presence in the sports market due to the diversity of its products. It is one of the only flooring manufacturers able to provide such a wide range of sports surface solutions.

The Group's sports surfaces include three product types: artificial turf, athletic tracks and indoor sports flooring.

Artificial Turf

Artificial turf represents the largest portion of the Group's sales of sports surfaces. The Group is the leading artificial turf manufacturer in the world, and particularly in North America. Artificial turf can be used for both sports surfaces and landscaping.

The Group is certified as an artificial turf manufacturer by FIFA (*Fédération Internationale de Football Association*) and the IRB (International Rugby Board), and its turf is used for training and competition fields by some of the leading European soccer clubs, for hockey, tennis and other multi-purpose sports facilities. However, the principal end-users of this product are universities and high school facilities, and to a lesser extent, local municipalities for landscaping purposes.

The manufacture of artificial turf is a three-step process for which the Group has numerous patented innovative processes: fiber production, tufting and backing coating.

For sports facilities, the Group produces high-quality fibers, whose properties result from the chemical composition, extrusion parameters and unique, carefully designed geometry. The Group has become a leader in fiber extrusion technology since 2010, when it entered into a joint venture with Morton Extrusionstechnik (MET), a German company specialized in fiber extrusion. This joint venture enables the Group to control the fiber production process for its artificial turf.

Artificial turf is a cost-effective solution for owners or maintenance personnel of sports facilities because it is less expensive to maintain than natural turf. From a sustainable development standpoint, it also reduces water use and eliminates the need for fertilizers. Artificial turf offers resistance to wear and tear from constant, year-round play, and can be used every day, unlike natural turf.

The Group also offers an innovative range of landscaping products with a variety of designs that respond to the specific needs of end-users, in particular hospitality and commercial campuses. The Group also sells these products to residential end-users, particularly in the southern United States.

Athletic tracks

The Group offers athletic tracks that promote athlete speed, safety and comfort. It sells them principally in North America, where it is the leading manufacturer.

Athletic tracks are composed of successive shock-absorbing layers of composite rubber, to which a polyurethane layer is applied, with the surface then worked on to give a particular color and external appearance, whether smooth or rough.

Because of the polyurethane surface layer, the Group's athletic tracks are extremely durable and provide athletes with important safety advantages, in particular due to their stability and shock absorption. The track surface essentially acts like a trampoline, "propelling" the athlete slightly with each stride. easy-to-install, these tracks can be used in any weather conditions and also have good acoustic properties.

Indoor Sports Flooring

The Group offers indoor sports surface products in wood, vinyl or linoleum for multi-purpose sports venues and gymnasiums.

Within the vinyl flooring line, the Omnisports collection is adapted to multi-purpose sports venues. It is available in several thicknesses to respond to the technical requirements of a wide range of sporting events, and to offer performance qualities adapted to the needs of its end-users. The Group also offers lines of wood flooring for sports such as basketball, handball, dance, volleyball, badminton, squash and martial arts.

The Group's wide range of indoor sports surfaces satisfies the requirements of both experienced athletes and amateurs in terms of shock absorption, ball bounce and anti-slip surfaces. Certain of the Group's wood flooring product lines are popular for their ease of installation, such as its removable wooden floors (Sportable).

Indoor sports surfaces are marketed by a dedicated sales force in the North America sports segment and by the general flooring sales forces in other regions. These indoor sports sales are then recorded in the corresponding segments.

1.6.2 Manufacture of the Group's products

1.6.2.1 Raw Materials and Suppliers

The Group uses various raw materials to manufacture its flooring products: PVCs and plasticizers for vinyl flooring; wood for wood and laminate flooring; polymers and fibers for carpets and artificial turf; rubber, which is used in several flooring types; and cork for linoleum flooring. The Group builds its supplier base on long-term relationships, while focusing on optimizing purchasing terms and adapting the Group's procurement policy to the specific needs of each country.

Raw Materials

PVC and Plasticizers for Vinyl Flooring

The Group primarily uses two raw materials to manufacture its products: PVC and plasticizers. These are used to manufacture homogeneous and heterogeneous vinyl.

Oil-derivative products accounted for slightly more than half of the Group's raw materials purchases in 2016. PVC and plasticizer producers have worldwide presences, but with regional differences relating to the supply and demand balance in different geographies.

When the Group makes acquisitions, it tries to reduce raw material costs by working jointly with the target's suppliers to honor the prices negotiated with the rest of the Group.

Despite its close relationships with its suppliers, the Group is constantly looking for raw materials opportunities, with regard to both technical characteristics and geographical location, to ensure continued competitiveness.

Other raw materials

Wood represented around 8% of the Group's raw material costs in 2016. The Group uses wood to make wood and laminate flooring. The wood flooring market remains very local, due to the significant cost of transporting logs or rough timber. The Group is therefore subject to local fluctuations in the price of wood.

The Group purchases other raw materials, in particular fiberglass for vinyl flooring; rubber for rubber flooring, accessories and artificial turf; nylon and polypropylene for carpet; melamine and decor paper for laminate floors; and linseed oil, jute and cork for linoleum floors.

Supplier Relationships and Purchasing Policy

Suppliers are essential partners of the Group. The Group has chosen to build long-term relationships with selected partners.

Supplier relations

The Group is careful to maintain relationships of trust over the long term with all of its suppliers. These relationships enable the Group to negotiate favorable commercial terms, but also to create value through innovations.

In order to adapt its procurement structure to different geographic regions, the Group favors partnerships with:

- the leading international chemical companies, such as BASF, Inovyn, Eastman, Vinnolit, Vestolit, and Evonik, which supply the Group throughout the world; and
- local suppliers.

Purchasing policy

The Group tries to centralize its purchases at the global level for the most important raw materials used to manufacture vinyl flooring, wood flooring, and, since 2015, carpet.

In the majority of the Group's supplier agreements, pricing is indexed monthly or quarterly to market prices of the raw materials used in manufacturing its products. These agreements have terms of between one and three years, with no obligation to purchase specific quantities of materials.

The Group's purchasing policy is based on four principles:

- market analysis and construction of a world-wide pool of suppliers;
- optimization of raw materials;
- collaboration with key suppliers to achieve continuous improvement; and
- annual review of its principal contracts.

The Group actively manages its portfolio of partner suppliers. The Group reviews its main contracts annually in order to renegotiate prices and determine supplier availability.

Diversification of the raw materials that the Group uses enables it to substitute inputs between several suppliers and thus reduce its dependence on certain specialized suppliers.

The Group tries to cooperate closely with its key suppliers on technical issues and innovations. It also shares its growth objectives with them in order to ensure that they increase production capacities sufficiently to respond to increased demand.

1.6.2.2 Production Facilities

The Group's production facilities are located as close as possible to product delivery sites, while maintaining competitive production costs. The Group has 34 production sites in more than 15 countries in order to be close to its markets, minimize transport costs and customs duties and remain competitive with local players.

Since 2009, the Group has deployed a program for ongoing improvement program in its manufacturing plants called "World Class Manufacturing." This is a "lean manufacturing" type of program that aims to improve employee safety, customer service, product quality, and production costs.

The Group uses flexible assembly lines so that it can adapt production to changes in end-user demand.

Location of Production Sites

The Group has 34 production sites; of these, it owns 32 and rents two (in the United Kingdom and in China).

As a result of the Group's historical presence, it has 13 production sites (excluding Sports) in EMEA, including two major sites with more than 500 employees each in Luxembourg and Sweden. The Group's production sites supply the products it markets in this region: resilient flooring, laminate flooring, wood flooring, carpet and sports surfaces. A small portion of European production is also marketed in North America, the Middle East, Latin America and Asia.

The Group owns eight production sites (excluding Sports) in North America, which produce resilient flooring, carpet tiles, and, to a lesser extent, sports surfaces.

The CIS, APAC and Latin America segment also has a substantial number of production sites to satisfy local demand. In this segment, the Group has seven production sites, including two major sites, one in Backa Palanka, Serbia, and the other in Otradny, Russia. The Otradny site, which has more than 1,000 employees, is the Group's largest site worldwide. The production sites in the CIS, APAC and Latin America regions make resilient flooring, wood flooring, laminate flooring, carpets, and rugs. The Group also has a carpet production site in China as a result of the Tandus acquisition and a recently acquired vinyl flooring production plant in Beijing. In Brazil, where the Group is the leading supplier of commercial vinyl flooring, it has a factory that produces vinyl to satisfy local demand.

The Sport segment includes six production sites. Three of them manufacture artificial turf (one in the United States and two in Western Europe), and two make athletic tracks in the United States. The remaining production site is a fiber extrusion factory for artificial turf in Germany (the Group's joint venture with Morton ExtrusionsTechnik (MET), in which the Group holds a 51% interest).

The following table presents the Group's manufacturing sites and the main products manufactured at each site.

Product Line	Country	Site	Products	Location
EMEA	Germany	Laminate Park	Laminate flooring	Eiweiler
		MET	Fibers for artificial turf	Absteinach
		Tarkett	Resilient flooring	Konz
	Spain	FieldTurf	Artificial turf	Valls
	France	FieldTurf	Artificial turf	Auchel
		Tarkett	Resilient flooring	Sedan
	Italy	Tarkett	Resilient flooring (linoleum)	Narni
	Luxembourg	Tarkett	Resilient flooring	Clervaux
	United Kingdom	Tarkett	Resilient flooring	Lenham
	Sweden	Tarkett	Wood flooring	Hanaskog
		Tarkett	Resilient flooring	Ronneby
	Poland	Tarkett	Wood flooring	Orzechowo
		Tarkett	Resilient flooring	Jaslo
	Netherlands	Desso	Carpet	Waalwijk
		Desso	Carpet	Goirle
	Belgium	Desso	Carpet	Dendermonde
North America	Canada	Johnsonite	Resilient flooring	Waterloo
		Tandus – Centiva	Carpet	Truro
		Tarkett	Resilient flooring	Farnham
	United States	Beynon	Athletic tracks	Hunt Valley
		Beynon	Athletic tracks and tennis courts	Denver
		FieldTurf	Artificial turf	Calhoun
		Johnsonite	Resilient flooring	Chagrin Falls
		Johnsonite	Resilient flooring	Middlefield
		Tandus – Centiva	Carpet	Calhoun
		Tandus – Centiva	Carpet	Dalton
		Tarkett	Resilient flooring	Florence
CIS	Russia	Tarkett	Laminate flooring	Mytishchi
		Tarkett	Resilient flooring	Otradny
	Serbia	Tarkett/Sintelon FieldTurf	Resilient flooring Wood flooring Carpets and rugs	Backa Palanka
	Ukraine	Tarkett	Resilient flooring Wood flooring Carpet	Kalush
APAC	China	Tandus	Carpet	Suzhou
		Tarkett	Resilient flooring	Beijing
Latin America	Brazil	Tarkett	Resilient flooring	Jacarei

The Group's Investments in Production Sites

Over the last five years, the Group has made significant investments in its production sites in order to respond to increasing demand, maintain competitiveness and continue reducing production costs.

Continued Improvement of Manufacturing Processes

The Group continually works to improve its manufacturing processes, with the goals of improving Worker Safety and customer satisfaction and reducing costs.

In February 2009, the Group launched its World Class Manufacturing ("WCM") program, which is inspired by similar successful programs in the automobile sector.

This program seeks to improve:

- product quality and customer service;
- the safety and performance of production sites; and
- the Group's financial profitability, while reducing its impact on the environment.

In connection with the WCM program, the Group is carrying out initiatives to improve product quality, on-time delivery and production yields, all while limiting effects on the environment.

The Group has appointed WCM directors for all of its sites who coordinate ongoing improvement projects on-site and develop related methodologies. They can then share their experiences within the WCM network, thus spreading efficiency improvements throughout the Group's production network to improve profitability. The Group also has a central dedicated WCM team that travels to each production site to help local teams deploy the WCM improvements. By traveling to the various production sites, the WCM team can adapt the program's methodologies to local conditions, while at the same time managing action plans centrally.

The Group has seen positive results from the WCM program. A study conducted by an independent party confirmed significant improvement in customer satisfaction in 15 countries where the Group sells its products. There has been a substantial decrease in accidents at the Group's production sites and a decreased environmental impact from the manufacture of its products. In addition, the WCM program has improved management of the Group's supply chain and led to a significant reduction in production costs over the course of the last seven years.

The Group believes that the WCM program will continue to generate substantial savings in production costs in the coming years.

Special Attention to Worker Safety

The WCM program emphasizes accident prevention in the Group's factories by requiring systematic analysis of all incidents, identification of principal causes and implementation of a rigorously monitored action plan.

At the same time, the Group conducts training to raise employee and management awareness of safety issues. The Group's Executive Committee is particularly sensitive to employee safety and discusses the subject with employees when it visits factories.

Strengthened Quality Control

The Group has implemented a quality-control structure in its factories to ensure rigorous monitoring of its products.

In connection with the WCM program, the Group's teams systematically analyze the principal causes of customer complaints and quality defects and create action plans to limit them.

A Manufacturing Process That Respects the Environment

The Group takes the environment into consideration at every stage of product design. For that reason, it does its best to select the materials that present the least risk to end-users and the environment, and that can be part of a biological or technical cycle. It prioritizes the use of renewable and recyclable materials in manufacturing its products.

The Group has also developed the ReStart system for collecting flooring, which consists of gathering clean installation waste and used flooring at the production sites and installation sites in order to reuse and/or recycle it to manufacture new flooring.

The Group has also entered into a partnership agreement with the German research institute Environment Protection Encouragement Agency ("EPEA") in order to deploy the Cradle to Cradle® ("C2C") concept in the Group. This program aims to reduce the environmental impact of industrial activities and to design products with materials that respect human health and the environment and that allow for indefinite recycling of the products at end of use.

1.6.3 Distribution and sale of the Group's products

The indoor flooring market is split between commercial and residential end-users. Residential users buy the Group's products primarily to renovate existing homes, but they may also purchase them in connection with new construction projects. Commercial users choose flooring for areas that are generally open to the public, in connection with both renovation and construction projects.

Residential end-users generally have a limited ability to distinguish between different products' various qualities and attributes and are therefore relatively dependent on the salesperson at the point of sale to select the appropriate flooring type. In general, residential purchases of flooring are made in DIY stores. These products may, however, also be purchased from specialized construction material suppliers, especially when the general contractor or installer is making the purchase. Therefore, brand awareness among installers and salespeople may have a large influence on product choice.

The commercial market ranges from large-scale projects to shopkeepers with small surface areas, such as artisans and boutiques, whose purchasing patterns tend to be similar to residential users. This segment is markedly more heterogeneous than the residential market in terms of technical requirements, but less varied in terms of design. In a commercial project, each space is designed for a very specific purpose, and materials must often be supplied in large quantities. For example, in a hospital project, the flooring solutions must conform to strict hygiene requirements to prevent the spread of nosocomial infections. A hospital floor will also be required to meet minimum standards of slip-resistance, static-absorption and noise absorption. A large department store or a mall, on the other hand, would require an ultra-resistant flooring to bear intense foot traffic without showing signs of wear. Office flooring must possess the ability to absorb sound, comfort and durability. Most importantly, public areas are subject to explicit regulations, in terms of interior environmental health and safety, which can vary considerably from one country to the next, even within a single economic zone such as the European Union.

On the commercial market, construction materials must comply with many requirements in terms of design, cost, technical performance (including resistance and acoustics), durability, compliance with standards and public health. General contractors must make purchases in accordance with the terms dictated by the specifiers, who choose flooring in consultation with the end-user. Specifiers can include almost any type of construction industry professional: they may be architects, interior decorators, installers, project managers or general contractors. These professionals are tasked with studying each product and understanding the relative advantages and disadvantages of the various flooring solutions offered. As a result, specifiers are often open to examining the relative strengths and merits of specific technological innovations. The Group has teams dedicated to maintaining close relationships with specifiers at all stages of project development and management. These relationships constitute a key factor in the Group's sales success on the commercial market.

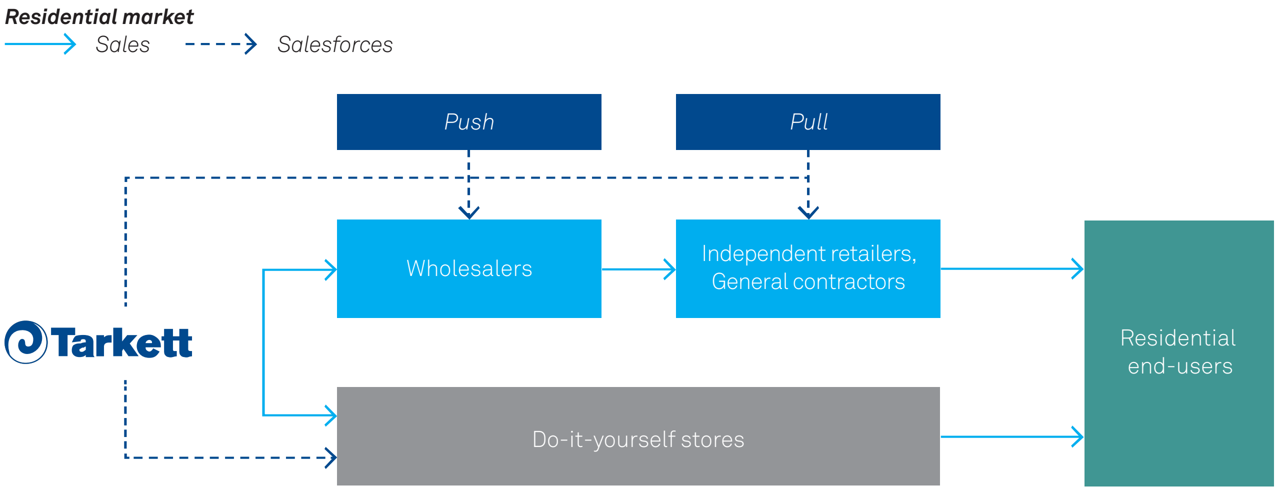
Because of the way products are chosen, the commercial flooring market has other particularities in terms of distribution channels. Unlike the residential market, where consumers go to a physical point of sale and order products immediately upon selection, commercial buyers plan their purchases in detail prior to placing an order. In general, a project will begin with a detailed planning phase, during which the quantities and qualities of each type of construction material will be determined, and delivery and installation schedules for each phase of the project will be estimated. It is during the planning phase that a manufacturer has the opportunity to act as a consultant to the specification team and design a one-stop, customized solution based on the project's technical and aesthetic requirements. Once the building materials have been selected and the quantity specified, the installer simply places the order with a wholesaler or directly with the manufacturer, and takes delivery in accordance with the construction calendar.

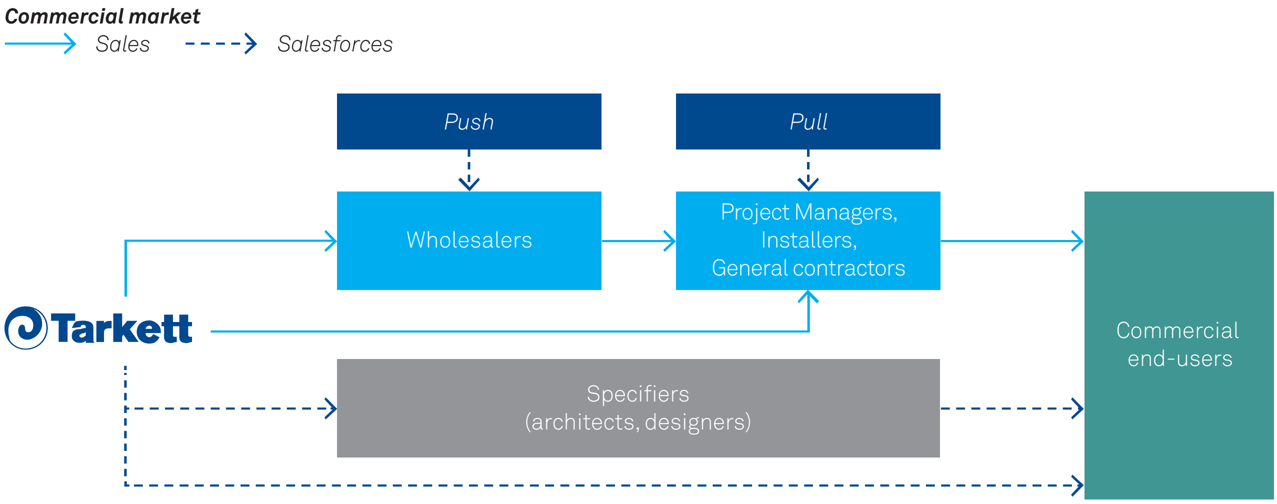
1.6.3.1 Distribution Strategy

Distribution channels in the residential and commercial markets differ as a result of the characteristics of each market. The Group uses both "push" and "pull" strategies within both of these markets:

- *Push*. Specialized teams implement the "push" strategy, whose objective is to encourage wholesalers to buy the Group's products. To that end, the Group's sales force meets with them to discuss the advantages of its flooring and present the brands under which it markets its products. The Group has entered into numerous agreements with the principal wholesalers in each market. In the residential market, in addition to wholesalers, this strategy also includes DIY chains and specialty retailers.
- *Pull*. The Group also has teams to implement its "pull" strategy, whose objective is to encourage the sale of products stocked by wholesalers. In the commercial market, the sales force concentrates on the main specifiers, such as architects, interior design firms and construction companies.

The following flow charts illustrate how the Group's distribution strategy works for the residential and commercial markets.





The distribution strategy for the commercial market is complemented by training centers, called "Tarkett Academies," which promote awareness of the Group's products among specifiers and ensure the highest quality installation in order to reinforce the Group's image. There are 13 Tarkett Academies throughout the world, in eight countries. These training centers train mainly building industry professionals, such as architects, designers, flooring installers and general contractors.

In these training centers, installers learn how to correctly install Tarkett-brand products, which often influences them to choose or recommend Tarkett products for their future projects. By ensuring proper installation of its products, the Group also improves its reputation, increases brand loyalty, develops relationships with its commercial partners and improves customer satisfaction.

1.6.3.2 Distribution Channels

The Group's products are distributed primarily by distributors and wholesalers, retail chains, installers, specialized chains and independent stores.

The weight of each distribution channel is different in each geographic region:

- Most of the Group's sales in North America and in the CIS, APAC and Latin America segment are through distributors. This channel is characterized by large storage spaces, providing significant economies of scale in terms of logistics, with services being provided by distributors to a large number of retail stores. In Western Europe, on the other hand, a smaller share of sales is through distributors, though the number still remains significant.
- Large retail chains are common in Western Europe and North America, representing a significant share of the Group's sales in these regions. This distribution channel is currently less significant in the CIS countries, but could grow in the years to come.

- Independent stores represent a relatively significant share of the Group's distribution in Western Europe and in the CIS, APAC and Latin America segment, with a larger presence in high-end products such as wood flooring.
- Installers and builders represent a significant share of sales in Western Europe, particularly in the commercial sector.

It should be noted that commercial carpet (the activity of Tandus, acquired in 2012, and of Desso, acquired in 2014) is a special case, since it is generally distributed directly to commercial end-users in the form of "turnkey" solutions.

1.6.3.3 Customers

The Group has a large and diversified customer base, including, in particular, distribution companies and leading large retail chains. Distributors are the Group's principal customers and represent the majority of sales volume, followed by retail chains (including DIY chains).

The Group is not dependent on its principal customers. In 2016, the Group's largest customer represented less than 5% of total consolidated net revenue.

1.6.3.4 Organization of the Group's Sales Force

The Group employs approximately 1,500 sales professionals dedicated to selling the Group's products. They are spread over 38 countries, enabling the Group to adapt to local differences and better understand the needs of each market and region. Each sales office has its own organization, responding to the requirements and structure of the local region. One of the strengths of the Group's sales force is its ability to adapt to local demand.

1.6.3.5 Logistics

The Group's logistics is organized around three principles:

- improving the quality of customer service, in particular by offering a wide product selection and rapid delivery;
- reducing costs, in particular storage, transport costs and customs duties; and
- adapting the distribution network to the characteristics of local markets.

The Group works with its distributors to support their logistics needs and limit the Group's costs. For example, in 2013 and 2014 the Group extended its logistics platforms in the CIS, where there are 11 regional service centers located close to its principal distributors. This unique approach to distribution gives the Group a significant advantage over its competitors in the CIS. This proximity to customers also results in a clear improvement in service through a reduction in lead times and better training of the Group's customer service teams.

Logistics and Transport

Transport of the Group's products is organized with the objective of improving the quality of customer service while managing transportation costs both upstream and downstream.

Upstream, for delivery of raw materials and other materials needed to manufacture products, the Group negotiates framework agreements with its principal suppliers covering prices and lead times and tries to locate its production sites near its suppliers' manufacturing sites.

Downstream, for delivery of products to customers, the primary objective of the Group's logistics organization is to offer short lead times so that customers can optimize their inventory levels. In some countries the Group uses outside service providers.

Most of the Group's production sites are located in the regions in which it sells its products. By reducing the distance between production sites and customers, the Group improves service, significantly reduces transportation costs, saves on import duties and shortens lead times.

Logistics and Information Systems

The Group's information systems include various applications, in particular applications to manage purchases and product life cycles, resource planning, customer relations, supply-chain management, accounting and financial information and human resources.

In 2010, the Group launched a wide scale program to rationalize, consolidate and secure its information systems Group-wide.

To do this, it invested in the deployment of an SAP system, which improves monitoring and management of the Group's activities, to make internal processes uniform, simplify the services offered to end-users and develop the Group's Internet presence.

The Group also made its computer infrastructure uniform with a single network and security system and a consolidation of data centers, while relying on a significantly strengthened risk management program for its information systems.

1.6.4 Product innovation and intellectual property rights

The Group has a long history of research and development. Innovations are incorporated into new products and procedures in order to provide residential and commercial end-users with new solutions.

To the extent permitted by local law, the Group patents, trademarks or registers its industrial know-how and research and development innovations in order to protect its intellectual property.

1.6.4.1 Research and Development

The Group's Research and Development Policy

Research and innovation are at the center of the Group's strategy. Spending on research, design and development more than doubled between 2011 and 2016, increasing from €18 million in 2011 to €37 million in 2016 (i.e. 1.3% of 2016 revenues), demonstrating the Group's commitment to making research and development one of its pillars of success. A new laboratory with state-of-the-art equipment was opened in Shanghai in 2016, while significant investments were made in developing the laboratories in Florence and Chagrin Falls, in the United States, and Farnham, in Canada.

The Group has created an organization allowing to design various innovating flooring solutions, for which it has won several awards.

In order to position its products to respond to the market's demands and to anticipate future needs, the Group includes in its research and development initiatives a quality-assurance process as well as a graphic-design service that targets market trends.

Organization of the Group's Research and Development Activity

A Network of Internal Experts

The Group's research and development activities are performed by more than 200 employees throughout the world. Research and development is organized around an international research and innovation center located in Luxembourg, as well as 24 development and application laboratories located in more than 15 countries around the world. This enables the Group to develop products that respond to the needs and tastes of local end-users, while relying on its center for excellence in research and innovation.

The directors of the research and development departments meet frequently to discuss product innovation, development and portfolio. Several networks have been formed to facilitate this collaboration: the resilient flooring network (PVC, linoleum, and rubber), the hard flooring network (wood and laminate), and the textiles network (carpet and artificial turf).

Close Relationships With Outside Scientific Experts, Universities and Suppliers

In order to create the most innovative flooring solutions, the Group has developed close relationships with outside experts.

For example, it created a scientific advisory board including both Tarkett experts and internationally known outside experts. The Group's directors of research and development consult with scientific experts to validate their scientific orientations with respect to the Group's technologies and processes.

The Group also formed an internal network of experts organized by specialty. These internal experts support development and innovation project leaders throughout the world. They are also responsible for ensuring and developing the Group's level of technical and scientific knowledge and for identifying emerging technologies and market trends.

In connection with its "open innovation" policy, the Group spends approximately 30% of its research and innovation budget on external research activities.

In that regard, the Group has also entered into partnerships with research laboratories at some of the leading universities, engineering schools, and public research centers in the world, such as the German research institute EPEA (Environment Protection Encouragement Agency) and the École Nationale Supérieure des Arts Décoratifs.

The Group has also developed close relationships with certain suppliers to develop specific technical improvements, such as monitoring odors or improving the environmental attributes of the Group's flooring products.

1.6.4.2 An Effective Innovation Process

Key Principles

The Group's innovation strategy is based on three key principles.

First, it strongly emphasizes eco-design through a virtuous circle based on C2C principles. To implement this principle, Tarkett constantly seeks new materials and processes that protect the environment and human health. Since 2011, with the support of the EPEA, Tarkett has studied the impact on human health and the environment of 2,738 materials used in flooring and accessories. The Group is also working towards significantly increasing the share of renewable, abundant, recyclable and recycled materials used in the manufacture of its flooring products. This initiative, deployed throughout the Group, supports the development of a circular economy through collection systems (together with Veolia, in France) and partnerships with suppliers of secondary materials. Tarkett is among the companies with the highest number of C2C certified products in the world.

It also aims to provide clear and precise information to consumers about its products' design. In Europe, a rating system is used to label products with the proportion of renewable materials used in the product's design, whether the product can be recycled, and its levels of VOC emissions. In North America, the Group transparently discloses the composition of its products, including the EPEA's analysis of each material and the related explanation. This information is available on Tarkett's North American website in the document entitled, "Material Health Statement."

The second principle on which the Group bases its innovation strategy is the development of solutions that can create unique living spaces. Modular solutions are well adapted to both residential and professional users who want ease of use combined with a wide selection of designs and decorations. Therefore, the Group has developed a full range of modular, carpet and vinyl solutions, offering a large choice of innovative models and design. The Group has also developed various digital printing technologies in order to offer new services, such as co-creation with designers. In addition, Tarkett was the first company to have developed this technology for the mass personalization of vinyl flooring.

Finally, the Group aims to build on its position as a leader in interactive flooring solutions. Its FloorInMotion™ solution, designed for hospitals and for senior citizen residences and similar settings, provides fall detection and patient-activity monitoring. The Group has also developed lighted carpet solutions that enable messages to be shown on the floor. The Group's goal is to develop solutions that change the user's awareness of the interaction between the floor and the environment.

An Integrated Innovation Process

To offer innovative products to its clients, the Group regularly launches new product lines. To design and develop these new lines, the Group has perfected a five-phase innovation process.

During the exploratory phase, the Group monitors the latest flooring, design and interior decorating trends. The Group also monitors technology and regulatory developments to ensure that the products it develops in the future will comply with applicable regulations.

Each year, the Group launches internal or external creative challenges to support this exploratory phase. In 2016, the Group invited a large number of design and engineering schools to participate in its challenge on the topic of "Transition".

Following the exploratory phase, the Group enters the trial phase. During this phase, the Group tests the designed product for market suitability, market demand, materials performance, technical feasibility and manufacturing process.

If the product is approved, the Group moves into the development phase. At this point, it creates the first prototypes for the new product.

Then the Group enters the production phase, which is subject to approval by the new product department, in charge of launching and marketing the new product. Once the product is industrially approved, the Group begins to manufacture the new product so that end-users can begin to benefit from the new innovation as soon as possible.

The Group's Numerous Innovations

The Group's research and development strategy helps provide its end-users with excellent flooring products. As early as 1942, the Group developed a new process for manufacturing wood flooring that reduced the amount of wood used. Since then, the Group has always worked to develop products and concepts that simplify end-users' lives while reducing environmental impact.

The Group has developed numerous eco-innovations combining performance, design and respect for human health and the environment.

In 2009, the Group began producing vinyl flooring without phthalates, with the iQ® Natural product line, designed using renewable plasticizers.

In 2010, Tarkett deployed a new technology, a non-phthalate plasticizer for vinyl flooring for both commercial and residential use. In 2013 and 2014, Tarkett deployed its non-phthalate plasticizer technology widely in Europe and North America, conducting significant development and adaptation of the formulations. This eco-innovation, combined with that of products with low to very low TVOC emissions (10 to 100 times below the strictest standards), enables Tarkett to contribute to improving indoor air quality. (See Section 3.3.2.2 of the CSR Report, "Quality of Materials".) For example, in 2014 Tarkett launched a new line of residential vinyl flooring in Europe, using non-phthalate plasticizer technology and combining performance, design and respect for human health and the environment. This new generation of flooring contributes to improving indoor air quality through these two major eco-innovations: non-phthalate technology and total VOC emissions that are 10 to 100 times lower than the strictest standards in the world. As of the end of 2016, the Group's vinyl flooring production sites in Europe and North America had deployed non-phthalate plasticizer technology (except for recycled content). The sites in China also use non-phthalate plasticizer technology, as does Brazil for certain product groups. In 2016, the CIS region produced its first line of non-phthalate products.

In another example of eco-innovation, a sub-layer for Ethos® carpet tiles was developed, composed of recycled materials from glass films taken from windshields and safety glass. Some of Desso's carpet product lines are designed using only health- and environment-friendly materials (such as recycled nylon fibers and calcium carbonate from water softening) and can be fully recycled thanks to the ability to separate fibers from their backings at end of use.

In 2013, Tarkett launched its new Linoleum xf²® collection, recyclable flooring made from natural and renewable ingredients (linseed oil, pine resin, cork flour and wood flour). For this collection, a new surface treatment, xf², was developed, for greater durability and resistance to wear and tear. In addition, one product in particular, the Veneto® Essenza 100% linen, was designed without pigment or with C2C pigments, offering an authentic decor, and obtained C2C gold-level certification in 2014.

In 2016, a new non-PVC homogeneous flooring, iQ One, was developed to offer an alternative to vinyl, in particular for the Scandinavian market. This new product received C2C gold-level certification.

Tarkett also practices eco-innovation in its manufacturing process, by recycling its plasticizer emissions into its products, as is the case of the Farnham plant in Canada. The Group also innovates in its technologies for recycling carpet tiles, and in particular the Ethos® tiles with PVB (Polyvinyl butyral) under side.

Tarkett also innovates in the area of self-adhering installation systems, in particular for its new modular lines. The loose-laid LVT line, launched in Europe in 2015, permits easy, rapid and durable installation.

In 2016, Tarkett Tandus's innovation led to the creation of OmniCoat carpet tiles, which can be installed on wet surfaces without causing any quality problems. This solution also saves time for installers, since they no longer need to test the floor for humidity before installing carpet.

In the CIS, the Group developed in 2014 and launched in 2015 a new line of wood flooring with a unique digital printing system, the first parquet that can be matched with original printed designs. Also in the CIS in 2015, Tarkett developed an innovative vinyl flooring technology called "embossing in register" in which the grain of the surface mimics the pattern of wood veins, enabling Tarkett to offer vinyl products to its customers in the CIS and Europe that look just like wood.

Through its innovations, the Group also improves the performance of its products. For example, Cool Play™, launched by FieldTurf®, is a system that enables to significantly reduce the temperature of its artificial turf while maintaining the same level of quality. In addition, in 2014 and 2015 FieldTurf developed the VersaTile™ system, a sub-layer made from recycled synthetic grass that combines drainage and shock-absorption properties (installed, in particular, at Gillette Stadium in Foxborough, Massachusetts, USA). Tarkett Sports also innovates in the area of athletic tracks, with its Rise-n-Run™ technology, a hydraulically banked track system that creates a high-performance, safer indoor track for athletes.

Also in 2014/2015, Tarkett launched FloorInMotion™, a unique solution intended primarily for healthcare settings and nursing homes. FloorInMotion is a service for caregivers, using an intelligent, connected floor that detects falls and wandering by elderly patients in real time and sends an alert to computers or mobile devices. This service also makes it possible to monitor patients and helps medical teams by providing data on patient/resident movement. This major innovation, providing an important service, is the result of an ambitious program undertaken by Tarkett's Research and Innovation department. The program relied on Tarkett's expertise in health as well as on numerous partnerships with hospitals, retirement homes and universities.

Awards for the Group's Innovations

The Group has received numerous awards demonstrating that its innovations are internationally recognized.

Over the last five years, the Group has received awards and certifications in numerous areas, and in particular:

- The application of C2C principles to flooring production. In recent years, Tarkett has obtained several C2C certifications [(1)]: Basic level for artificial turf; Basic level in 2014 and Bronze level in 2015 for rubber tiles and rubber accessories (BaseWorks®); Silver level for linoleum, wood, Ethos® carpet tiles, and hybrid grass; and Gold level for Veneto® Essenza 100% Linen linoleum and the Desso EcoBase™ carpet sub-layer. In 2015, Desso's "Gold Collection" carpet line was certified C2C Gold. As of the end of 2015, 93% of Desso's commercial carpet tiles were C2C certified. In 2014, Evolay, a new resilient flooring that is an alternative to vinyl, was certified C2C Bronze level. In 2016, IQ One, the new non-PVC homogeneous flooring, received C2C Gold certification. See Chapter 3 for further details.
- The development of products that contribute to resolve health problems, in particular for asthma and allergy sufferers. In 2013, the Asthma and Allergy Foundation of America (AAFA) awarded asthma and allergy friendly™ certification to several vinyl floors for hospitality, stores & shops (I.D. Inspiration®), hospitals (the vinyl floor iQ®) and for indoor sports flooring (Omnisports™ 6.5 mm and 8.3 mm). FiberFloor® received the same certification in 2012. Since 2016, all of the FiberFloor® lines have received this certification. In addition, since 2015, the Swedish Asthma and Allergy Association has recommended the vinyl modular product Starfloor Click.
- Its global sustainable development strategy: Tarkett received the BFM Green Business Award in 2011; the strategic development trophy awarded by the *Agence Française de l'Environnement et de la Maîtrise de l'Energie* (French Agency for the Environment and Energy Management) and by Ernst & Young in 2012; the responsible innovation prize awarded in 2013 by Bearing Point in partnership with Expansion magazine and the *École des Ponts Paris Tech*; the "Woman of Sustainable Development 2014" prize at the Women in Industry Awards organized by the French magazine *Usine Nouvelle* (New Factory), which rewarded the commitment of Anne-Christine Ayed, Tarkett's director of Research, Innovation and Environment; and the Green Business Award of the Year prize in 2014 at the Green Business Summit in Luxembourg, initiated by GreenWorks and organized by the Farvest Group.
- Its innovation management strategy: Tarkett received A.T. Kearney's Best Innovator prize in 2013 and the IMProve innovation management prize in the large company category in 2015.
- Innovation of the FloorInMotion connected floor: Tarkett was selected for the ninth issue of "*Objets de la Nouvelle France Industrielle*" (Objects of the New Industrial France) in 2014, organized by the Ministry of the Economy, Industrial Recovery and Digital Technology; it also received the *Prix Janus de la Santé* (Janus Health Prize) in 2014 in France, the official design seal sponsored by the Ministry of Industry and Foreign Trade (*Ministère de l'Industrie et du Commerce Extérieur*); Batiactu's *Trophée de la Construction* (construction prize) in 2015 in France, in the technical solutions category, for its project entitled "Creation of Connected Living Spaces at the Saint Laurent Blangy Nursing Home (Northern France)."
- The development of products that respect human health and the environment: Tarkett was awarded the *Prix Janus de l'Industrie* (Janus Industry Prize) in France in 2014, in the category "Components and Materials" in the service of People, Industry, and the Community for the Linoleum Veneto® Essenza 100% linen product, the official design seal sponsored by the Ministry of Industry and Foreign Trade.
- The development of digital printing technology for vinyl, with the innovation prize awarded by the Fedil in Luxembourg in 2016.
- The LVT Infinies collection, created by renowned designers in the United States and using digital printing technology, received the Best of Neocon prize award in 2016.

(1) Cradle to Cradle® Certified™ is a certification brand owned by the Cradle to Cradle Products Innovation Institute.

1.6.4.3 Standards Applicable to the Group's Products

The Group complies with a large number of regulations, standards and certifications in its various markets. These standards vary depending on the geographic region, the type of building in which a product is installed and the type of flooring. The Group also uses a monitoring process to ensure that its products comply with applicable regulations, standards and certifications.

Mandatory Standards and Standards with Which the Group Complies Voluntarily

The Group is subject to two types of standards: mandatory standards based on legal requirements (such as European regulations or national decrees) and voluntary standards that it has chosen to comply with to respond to its customers' needs.

In most cases, compliance with mandatory standards must be certified by independent laboratories and/or organizations as well as by a governmental authority. Their principal objective is to ensure the safety and protect the health of end-users by demonstrating that the product complies with regulatory requirements, which relate primarily to fire-resistance, slip-resistance and limits on toxic fumes.

Voluntary standards are primarily testing standards to determine a product's technical characteristics such as acoustic properties or dimensional stability, and specifications relating to minimum thresholds for a specific use. These standards vary depending on the product and its intended use, such as schools, hospitals or homes.

Especially in the commercial market, specifiers often stipulate compliance with non-mandatory standards in their order specifications. Specifiers (such as architects and project managers) require compliance with such standards in their specifications. Moreover, compliance with non-mandatory standards is also required by certain national or municipal governments for the construction or renovation of buildings that will be used as public administrations or government agencies.

The Group discloses the standards with which it has voluntarily chosen to comply. The use of such standards allows buyers, specifiers and end-users to be informed of the characteristics of the Group's flooring in order to better differentiate between the Group's products and those of its competitors. The technical specifications that the Group chooses to communicate vary depending on the requirements of the market in question.

Standard Organizations and the Standards Used in Different Geographical Markets

Organizations for standardization define the technical characteristics and performance that a product must meet, as well as the tests to be used.

At the international level, the principal organization in charge of publishing the standards applicable to the Group is the International Organization for Standardization ("ISO"). Compliance with ISO standards is based on the principles developed by the World Trade Organization, and is technically voluntary, although is often required by architects and project managers, in particular for government buildings. Furthermore, agreements between ISO and the European Union enable the transposition of an ISO standard into a European standard.

In Europe, standards are established by the European Committee for Standardization ("CEN"). These standards, called "EN" standards, are mandatory when referenced by a European regulation. Each European Union Member State is required to transpose the European standards into its national standards, replacing the corresponding national standard.

The "CE" marking for construction products is governed primarily by Regulation No. 305/2011 of April 24, 2011, which entered into force on July 1, 2013. It covers health, user safety and energy savings, and defines the mandatory requirements in order to sell the Group's products in the European market. The CE marking indicates that the Group's products comply with the various harmonized standards specific to those products and attests that the flooring has been adequately tested. Among the requirements for the CE marking, products must demonstrate fire resistance, low levels of toxic fumes, and anti-slip properties. For example, the Group complies with the harmonized EN Standard 14041, which details requirements for resilient and laminate flooring and carpets.

In addition to CE marking, the Group is required to comply with Member State regulations, which may rely on national standards established by organizations in various European Union Member States, such as the Association Française de Normalisation ("AFNOR") in France and the Deutsches Institut für Normung ("DIN") in Germany. The Group is subject to national standards in the countries where it sells its products.

In the United States, environmental and workplace safety regulations are established at the federal level, whereas safety features such as fire resistance standards are generally regulated at the state or city level. The American Society for Testing and Materials ("ASTM") and the American National Standard Institute ("ANSI") develop most of the voluntary standards applicable to flooring products in the United States. Both the federal and state governments may decide to adopt ASTM or ANSI standards, thereby making them mandatory. ASTM and ANSI standards are mandatory when referenced in federal or state regulations.

In Russia, flooring products must comply with numerous technical standards imposed by various federal laws and technical regulations, including, in particular, Federal Law No. 184-FZ on the verification and compliance system for flooring and Federal Law No. 123 of July 22, 2008 on fire safety standards.

Countries such as Australia, New Zealand, Japan and China also develop standards as well as national regulations with which the Group may be required to comply.

Finally, certain laboratories and private sector organizations have established procedures for labeling products that comply with certain standards.

The Group actively participates with organizations such as ASTM, ANSI, ISO and CEN in the process of developing standards.

1.6.4.4 Intellectual Property Rights

The Group has a significant portfolio of trademarks and patents that it constantly works to protect, which gives it a strategic advantage over its competitors.

Trademark Portfolio
The Group's products are sold under known brands targeted at each geographic region.

The Group sells its products under its international brand, Tarkett®, which has worldwide name recognition, as well as under specialized international brands such as FieldTurf® and a variety of leading regional brand names that enjoy strong name-recognition in their various markets, such as Johnsonite® and Tandus in North America, Sinteros in the CIS, and Desso® in Western Europe, as well as Beynon for athletic tracks.

In certain markets, the Group uses a multi-brand strategy, using different brands for different distribution channels, to cover the entire market and optimize coexistence between the Group's different distributors.

The Group's trademarks are protected in most of the markets where it does business.

Protection of the Group's trademarks can be based on registration or prior use of the marks. Such protections are the subject of national, European Community and international registrations for varying lengths of time.

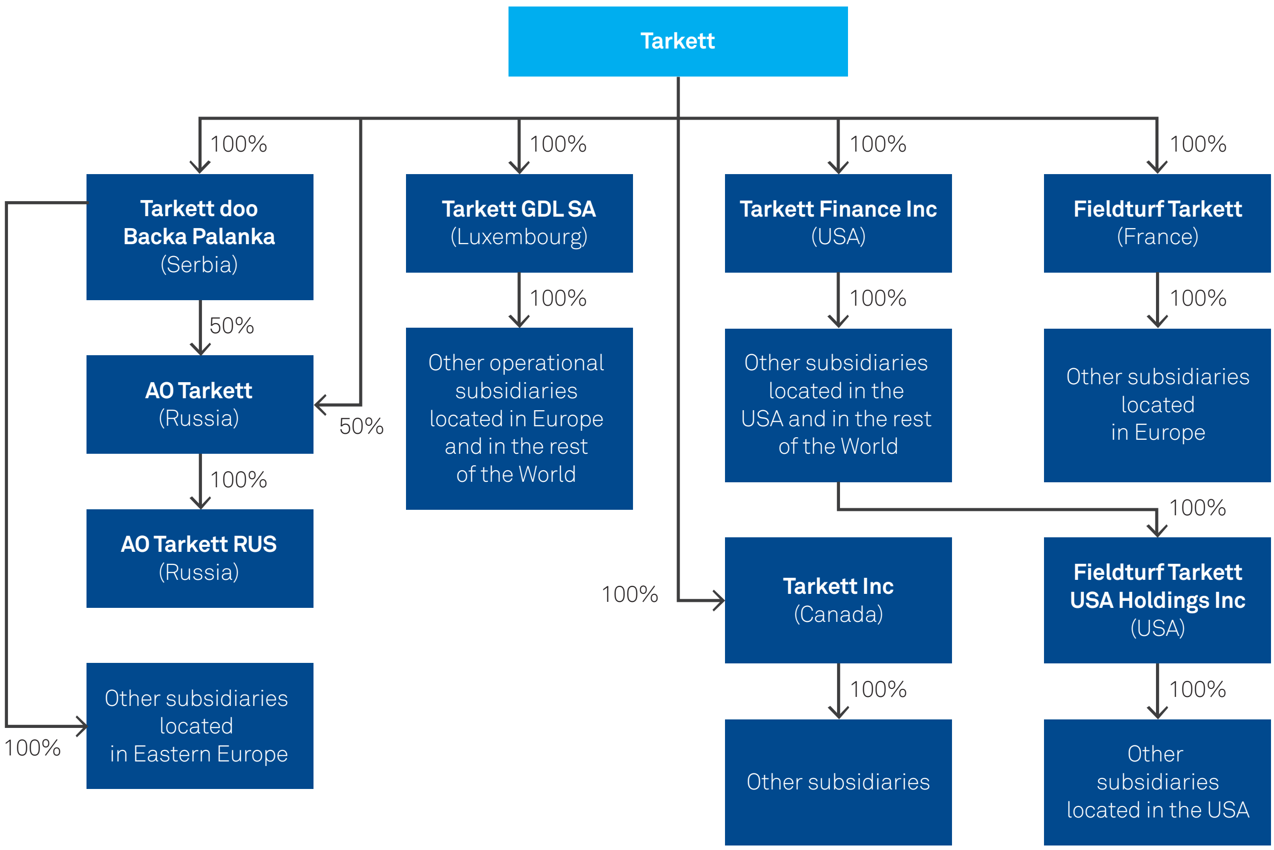
Patent Portfolio
The Group holds full rights to a portfolio of numerous active patents in more than 42 countries. The Group's patents cover flooring and sports surface products as well as technologies for the development of new products.

The Group's patents cover approximately 15 different systems and technologies. Each year the Group files 10 to 15 new patent applications. The average age of the patents in the Group's portfolio is approximately eight years, which is the same as the average life span of its competitors' patents.

The geographical origin of the Group's patent portfolio is highly diversified, with 110 active patents originally filed in Western Europe, 14 in Eastern Europe and 29 in North America. Finally, the Group holds 28 patents relating specifically to its sports surfaces business.

Given the Group's research and development activity, it believes that it is not overly dependent on patents filed by third parties.

1.7 Simplified organizational chart



2 CORPORATE GOVERNANCE AND COMPENSATION

2.1 Management and Supervisory Bodies

2.1.1 Management Board, Supervisory Board and Executive Officers

The Combined General Meeting held on January 2, 2001 opted for the form of management structure for a *société anonyme* consisting of a Management Board and a Supervisory Board.

This management structure dissociates management and direction of the Company, which are the responsibility of the Management Board, from supervision of the management bodies, which is the responsibility of the Supervisory Board.

A description of the main provisions of the Company's Bylaws relating to its functioning and powers, as well as a brief description of the main provisions of the Internal Regulations of the Supervisory Board and its specialized committees, is included in Section 7.6.

2.1.1.1 Management Board

As of December 31, 2016, the Management Board was composed of the following three members:

	Year of Birth	Nationality	Date of 1st Appointment to the Management Board	Date of Most Recent Renewal	Expiration Date of Term in office	Number of Shares Held [(1)]
Chairman						
Michel Giannuzzi	1964	French	September 10, 2007	October 26, 2016	October 26, 2019	195,223
Members						
Fabrice Barthélemy	1968	French	May 23, 2008	October 26, 2016	October 26, 2019	34,747
Vincent Lecerf	1964	French	May 23, 2008	October 26, 2016	January 3, 2017	-

(1) Shares held by the executive and related persons.

Mr. Lecerf stepped down as Executive Vice President of Human Resources and as a Member of the Management Board effective January 3, 2017. On that date, in accordance with the decisions made at the Supervisory Board meeting held on October 26, 2016, he was replaced by Ms. Sharon MacBeath.

	Year of Birth	Nationality	Date of 1st Appointment to the Management Board	Date of Most Recent Renewal	Expiration Date of Term in office	Number of Shares Held
Member						
Sharon MacBeath	1969	British	January 3, 2017	-	October 26, 2019	0

The tables below show the main positions and offices held by the members of the Management Board outside the Company (whether inside or outside the Group) during the last five years.

MICHEL GIANNUZZI – Chairman and Member of the Management Board

Experience and Expertise

Michel Giannuzzi, a graduate of the Ecole Polytechnique and of Harvard Business School, has spent most of his career in industry, both in France and abroad.

From 1988 to 2001, he held several positions within the Michelin group. From his initial diverse industrial responsibilities in France and the United Kingdom, he went on to manage a tire production unit using very innovative technologies before taking on the responsibility of re-engineering the supply chain in Europe and becoming CEO of Michelin Japan.

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Chairman of the Management Board, Tarkett
Abroad
Chairman of the Board of Directors, Tarkett Capital SA (Luxembourg)
Chairman of the Board of Directors, Tarkett GDL SA (Luxembourg)
Chairman of the Board of Directors, Ao Tarkett (Russia)
Chairman of the Board of Directors, Tarkett Brasil Revestimentos LTDA (Brazil)
Chairman of the Board of Directors, Tarkett Hong Kong Limited (People's Republic of China)

In 2001, he joined the Valeo Group as Vice President and Member of the Executive Committee, successively in charge of the global Electrical Systems and Wiper Systems businesses.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

Board Member, Laminate Park GmbH & Co KG (Germany)
Member of the Supervisory Board, Morton Extrusionstechnik GmbH (MET) (Germany)
Board Member, Tarkett Inc. (Canada) (Canada)
Member of the Supervisory Board of Desso Holding BV (Netherlands)

During the last five years:

In France
None
Abroad
Board Member, Tarkett Asia Pacific Ltd (People's Republic of China)

Positions and offices outside the Tarkett Group

Member of the Board of Directors and of the Audit Committee of Sequana (France) [(1)]
Member of the Board of Directors and of the Audit Committee of Factory Mutual Insurance Company (FM Global) (USA)

FABRICE BARTHÉLEMY – Member of the Management Board and Chief Financial Officer [(2)]

Experience and Expertise
Fabrice Barthélemy, a graduate of the ESCP – Europe, is the Company's Chief Financial Officer.

He began his career as an industrial controller with Safran and joined Valeo in 1995 as Financial Controller of a division in the United Kingdom. From 2000 to 2003, he helped turn around Valeo's Lighting Division in France, then becoming Financial Director of Valeo Connective Systems and, subsequently, Financial Director of Valeo Wiper Systems.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal yearsst five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Management Board and Chief Financial Officer, Tarkett
Abroad
Board Member, Tarkett Australia Pty. Ltd (Australia)
Board Member, Laminate Park GmbH & Co KG (Germany)
Board Member, FieldTurf Poligras (Spain)
Board Member, Somalre (Luxembourg)
Board Member, Tarkett Capital SA (Luxembourg)
Board Member, Tarkett GDL SA (Luxembourg)
Board Member, Ao Tarkett (Russia)
Board Member, Tarkett Inc. (Canada)
Board Member, Tarkett Hong Kong Limited (People's Republic of China)
Board Member, Tarkett Brazil Revestimentos LTDA (Brazil)
Supervisor of Tarkett Industrial (Beijing) Co., Ltd (People's Republic of China)
Member of the Supervisory Board of Desso Holding BV (Netherlands)
Chairman of the Board of Directors, Tandus Flooring (Suzhou) CO. Ltd (People's Republic of China)

During the last five years:

In France
Chairman of Tarkett Bois
Abroad
Board Member, Tarkett Asia Pacific Ltd (People's Republic of China)

Positions and offices outside the Tarkett Group

None

(1) Listed company.
(2) On February 13 2017, Fabrice Barthélemy was appointed President of the EMEA division. He remains Member of the Executive Committee and Member of the Management Board.

VINCENT LECERF – Member of the Management Board and Executive Vice President of Human Resources (until January 3, 2017)

Experience and Expertise
Vincent Lecerf, a graduate of EDHEC and holding a post-graduate diploma in organizational sociology from Paris Dauphine, is the Company's Executive Vice President of Human Resources.

He has spent most of his career in human resources, including at companies such as Rhodia, Poclain Hydraulics, and Valeo. Before joining Tarkett, he was Director of Human Resources of the Norbert Dentressangle group.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Management Board and Executive Vice President of Human Resources, Tarkett
Abroad
None

During the last five years:

In France
Chairman of Tarkett France
Abroad
None

Positions and offices outside the Tarkett Group

None

SHARON MACBEATH – Member of the Management Board and Executive Vice President of Human Resources (beginning January 3, 2017)

Experience and Expertise
Sharon MacBeath is a graduate of the University of Glasgow and holds a Master in Human Resources from the Sorbonne, as well as an Executive MBA from INSEAD.

She began her career in Human Resources at McDonald's France, before founding a human resources consultancy firm called EMDS Consulting. Beginning in 1999, she served as Global SVP in charge of Human Resources and Communication, first at Rexam, and then for eight years at Redcats (part of the Kering group) until the division was sold. In 2013, she became Group SVP in charge of Human Resources for Rexel as well as a member of its Executive Committee, before joining Tarkett in January, 2017.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal yearsst five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Management Board and Executive Vice President of Human Resources, Tarkett
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Member of the Supervisory Board and Audit Committee, Hermes International SA (France) (1)
Board Member and member of the Nominating and Compensation Committee, Coface (France) (1)

(1) Listed company.

2.1.1.2 Supervisory Board

Composition of the Supervisory Board

At the time of the Company's initial public offering on November 21, 2013, the members of the Supervisory Board were either appointed or renewed early, for staggered terms. In accordance with the Afep-Medef Code and Article 18 of the Company's Bylaws, the entire Supervisory Board will be renewed for staggered terms over a period of four years.

Changes made in 2016

The Company's shareholders, meeting at an Ordinary and Extraordinary Shareholders' Meeting on April 26, 2016, decided as follows:

- to renew Mr. Éric Deconinck's term as a Member of the Supervisory Board for a period of four years;
- to renew Mr. Bernard-André Deconinck's term as a Member of the Supervisory Board for a period of four years;
- to ratify the cooptation of Ms. Guylaine Saucier as an independent Member of the Supervisory Board to replace Ms. Sonia Bonnet-Bernard, who stepped down, for the remainder of her predecessor's term, which will expire at the close of the Shareholders' Meeting called in 2017 to approve the financial statements for the fiscal year ended December 31, 2016.

The Supervisory Board decided on December 5, 2016, subject to ratification by the next General Shareholders' Meeting, to coopt Ms. Agnès Touraine as a Member of the Supervisory Board to replace Mr. Josselin de Roquemaurel, who stepped down, for the remainder of her predecessor's term, which will expire at the close of the General Shareholders' Meeting called in 2017 to approve the financial statements for the year ending December 31, 2016.

Changes proposed in 2017

Following examination and an opinion provided by the Nominations and Compensation Committee, the Supervisory Board will propose that the General Shareholders' Meeting to be held on April 27, 2017 do the following:

- ratify the cooptation and reelect Ms. Agnès Touraine as a Member of the Supervisory Board for a term of four years;
- elect Ms. Sabine Roux de Bézieux as a Member of the Supervisory Board for a term of four years;
- reelect Ms. Guylaine Saucier as an independent Member of the Supervisory Board for a term of four years;
- reelect Mr. Jacques Garaïalde as an independent Member of the Supervisory Board for a term of two years;
- to reelect Mr. Nicolas Deconinck term as an observer the Supervisory Board for a term of four years.

Composition of the Supervisory Board as of December 31, 2016

As of December 31, 2016, the Supervisory Board was composed of nine members and two observers.

	Year of Birth	Nationality	Date of 1st Appointment to the Supervisory Board	Date of Most Recent Renewal	Expiration Date of Term in Office	Number of Shares Held
Chairman						
Didier Deconinck	1947	French	January 2, 2001	May 13, 2014	2018 Shareholders' Meeting Accounts 12/31/2017	1,000
Vice-Chairman						
Jacques Garaïalde	1956	French	January 10, 2007	November 26, 2013	2017 Shareholders' Meeting Accounts 12/31/2016	1,000
Members						
Gérard Buffière	1945	French	November 26, 2013	November 26, 2013	2019 Shareholders' Meeting Accounts 12/31/2018	1,050
Bernard-André Deconinck	1944	French	January 10, 2007	April 26, 2016	2020 Shareholders' Meeting Accounts 12/31/2019	1,000
Éric Deconinck	1948	French	January 2, 2001	April 26, 2016	2020 Shareholders' Meeting Accounts 12/31/2019	1,000
Éric La Bonnardière	1981	French	April 24, 2015	April 24, 2015	2018 Shareholders' Meeting Accounts 12/31/2017	1,000
Françoise Leroy	1952	French	November 26, 2013	November 26, 2013	2019 Shareholders' Meeting Accounts 12/31/2018	1,000
Agnès Touraine	1955	French	December 5, 2016	-	2017 Shareholders' Meeting Accounts 12/31/2016	800
Guylaine Saucier	1946	Canadian	July 29, 2015	July 29, 2015	2017 Shareholders' Meeting Accounts 12/31/2016	1,000
Observer						
Julien Deconinck	1978	French	May 13, 2014	May 13, 2014	2018 Shareholders' Meeting Accounts 12/31/2017	
Nicolas Deconinck	1980	French	April 24, 2015	April 24, 2015	2017 Shareholders' Meeting Accounts 12/31/2016	

The above table does not take into account the 31,975,071 shares held by Société Investissement Deconinck ("**SID**"), of which Messrs. Éric Deconinck, Didier Deconinck, Bernard-André Deconinck, Julien Deconinck, Nicolas Deconinck, and Éric La Bonnardière are directly or indirectly shareholders.

The tables below show each Member of the Supervisory Board and his or her main positions and offices held inside and outside of the Group during the last five (5) years.

DIDIER DECONINCK – Chairman and Member of the Supervisory Board

Experience and Expertise
Didier Deconinck holds an engineering degree from Ecole Polytechnique de Zurich and received additional training in marketing at the Wharton Business School and in finance at INSEAD (Fontainebleau).

Since 2005, he has been Chairman of the Company's Supervisory Board, and since 2013, he has been a Member of the Management Board and of the Bureau des Assemblées (as DDA's representative) of Société Investissement Deconinck ("SID"), a family company holding the Deconinck family's investment in the Company. He was a Managing Director of Société Investissement Familiale ("SIF"), a holding company controlling the Company, until its initial public offering in 2013. He also co-founded and was Managing Director of (until its sale in January 2017) Monin, a French hardware manufacturer for the building and industrial sectors.

From 1979 to 1984, Mr. Deconinck was the Managing Director of Allibert-Mobilier-de-Jardin. He then became Managing Director of the Video division of Thompson and an executive officer of its German holding company, DAGFU, until 1987, then, until 1990, General Manager of Domco, a company traded on the Toronto Stock Exchange and the largest Canadian flooring manufacturer. He was also Chairman of ARDIAN Holding's Supervisory Board and Nominations and Compensation Committee from 2013 to 2015.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Chairman of the Supervisory Board
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Member of the Management Board and *Bureau des Assemblées* (as DDA's representative) of SID
Manager, DDA (France)
Vice-chairman of the Supervisory Board and Chairman of the Risk Compliance and Audit Committee of ARDIAN Holding SAS (France)
Board Member, Musée de l'Armée (France)

Positions and Offices held during the last five years that are no longer held

Member of the Management Board and Managing Director, SIF (France)
Managing Director, Monin (France)
Chairman of the Supervisory Board and Nominations and Compensation Committee of ARDIAN Holding (France)

JACQUES GARAÏALDE – Independent Vice Chairman of the Supervisory Board

Experience and Expertise
Jacques Garaïalde holds an M.B.A from INSEAD (Fontainebleau) and is a graduate of the École Polytechnique.

He was a Senior Adviser to Kohlberg Kravis Roberts & Co. ("KKR") from 2014 until December 31, 2016 and had been a partner of KKR from 2003 to 2014. Previously, he was a partner of Carlyle, in charge of the technology fund. Between 1982 and 2000, he worked for the Boston Consulting Group, serving as Senior Vice President and Partner responsible for Belgium (from 1992 to 1995) and then France and Belgium (from 1995 to 2000).

Between 1979 and 1981, he held various positions within Esso France.

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Independent Vice Chairman of the Supervisory Board
Member of the Nominations and Compensation Committee until 12/31/2016
Abroad
None

He was a trustee of the École Polytechnique Charitable Trust and a member of the Benefits Committee of the Institute of Genetic Illnesses.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

None

Positions and Offices held during the last five years that are no longer held

Chairman of the Management Board, SIF (France)
Chairman and CEO, Mediannuaire Holding (France)
Chairman of the Board of Directors, Pages Jaunes Groupe (France) [1]
Chairman of the Supervisory Board of SMCP SAS (France)
Board Member, KKR Flooring COMP (Luxembourg)
Board Member, Nexans (France) [1]
Board Member, Visma AS (Norway)
Board Member, Legrand SA (France) [1]
Board Member, Sorgenia Spa (Italy)

GÉRARD BUFFIÈRE – Independent Member of the Supervisory Board

Experience and Expertise
Gérard Buffière holds a degree from the École Polytechnique as well as a Master of Science from Stanford University.

He is a senior advisor to the Sagard funds and to Ergon Capital Partners. He also manages Société Industrielle du Parc and GyB-Industries, which he founded.

Mr. Buffière began his career in 1969 in the Mergers and Acquisitions department of Banexi before joining Otis Elevator in 1974. In 1979, he was appointed CEO of the Electricity Control division of Schlumberger, and then, in 1989, Chairman of the Electronic Transactions division. From 1996 until late 1997, he acted as CEO of the Industrial Equipment branch of Cegelec.

In early 1998, he joined Imetal, which then became Imerys, as a Member of the Management Board responsible for the Materials and Construction and the Minerals for Ceramics divisions, and then, in 2000, the Pigments and Additives division. In 2002, he became the Chairman of the Management Board of Imerys, and was then appointed CEO upon the change in the Group's structure in 2005, a position he held until 2011.

Business address
GyB-Industries, 41, boulevard de la Tour Maubourg, 75007 Paris

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Independent Member of the Supervisory Board
Chairman of the Nominations and Compensation Committee
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Chairman of GyB-Industries and of Société Industrielle du Parc (France)

Positions and Offices held during the last five years that are no longer held

Board Member, Imerys (France) [1]
Member of the Supervisory Board, Wendel (France) [1]

(1) Listed company.

BERNARD-ANDRÉ DECONINCK – Member of the Supervisory Board

Experience and Expertise
Bernard-André Deconinck holds a degree from the *École Centrale de Paris*.

He is a member of the Company's Supervisory Board and, since 2013, has been the Chairman of the Management Board and a member of the *Bureau des Assemblées* (as the representative of Heritage Fund) of SID. He was a Member of the Management Board of SIF, which has since been merged into the Company. He began his career with the Group in 1969 as a methods engineer, then beginning in 1970 held positions in factory management and operational and general management at the division level, and then finally, at the Group level, as vice-president of purchasing, investing, style, and research and development.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Supervisory Board
Member of the Nominations and Compensation Committee until 12/31/2016
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Chairman of the Management Board and *Bureau des Assemblées* (as a representative of Heritage Fund), SID
Co-manager, Heritage Fund SPRL (Belgium)
Manager, Société Val Duchesse SPRL (Belgium)

Positions and Offices held during the last five years that are no longer held

Member of the Management Board and Managing Director, SIF (France)

ÉRIC DECONINCK – Member of the Supervisory Board

Experience and Expertise
Éric Deconinck holds a degree from the École Supérieure de Commerce *de Lyon* and served in the military as a part of the *Chasseurs Alpins*.

He is a member of the Company's Supervisory Board and, since 2013, has been a Member of the Management Board and Chairman of the Bureau des Assemblées (as the representative of Demunich) of SID. He has served as CEO of SIF.

At Sommer Allibert, he was Managing Director of the subsidiary Sommer Brazil from 1976 to 1981, and then President of Allibert Habitat from 1993 to 1997.

Mr. Deconinck began his career with Publicis and then worked as a Budget Manager for Euro-Advertising from 1972 to 1976. He subsequently joined L'Oréal, where he was Managing Director of Garnier from 1981 to 1985 and then Managing Director of Lancôme from 1985 to 1988. He then joined LVMH as President of Christian Lacroix from 1990 to 1991.

He founded and developed the consulting firm Marketing and Business from 1998 to 2013. Since 2013, he has been founder and manager of Demunich.

Business address
Demunich, 32 rue du Mont-Thabor, 75001 Paris

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Supervisory Board
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Member of the Management Board and *Bureau des Assemblées* (as a representative of Demunich), SID
Chairman of Demunich (France)

Positions and Offices held during the last five years that are no longer held

Member of the Management Board and Managing Director, SIF (France)

ÉRIC LA BONNARDIÈRE – Member of the Supervisory Board

Experience and Expertise
Éric La Bonnardière is a graduate of Supélec and of HEC.

He is the co-founder, Chairman, and CEO of Evaneos, a leading European travel marketplace. Before creating Evaneos in 2009, Mr. La Bonnardière began his career in 2006 as a consultant at Capgemini and for the strategic consulting firm Advancy, where he focused on projects relating to industries and distribution.

Business address
Evaneos, 42 rue de Rochechouart, 75009 Paris

List of positions and offices held in French and foreign companies during the last five fiscal yearsst five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Supervisory Board
Member of the Audit Committee beginning January 1, 2017
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Chairman and CEO, Evaneos (France)

Positions and Offices held during the last five years that are no longer held

None

FRANÇOISE LEROY – Independent Member of the Supervisory Board

Experience and Expertise
Françoise Leroy holds a degree from the École Supérieure de Commerce et d'Administration des Entreprises de Reims.

Ms. Leroy began her career in 1975 as Secretary General of the Union Industrielle d'Entreprise. She joined Elf Aquitaine in 1982, where she held various positions in financial management. In 1998, she became the Director of Financial Communications, and then, in 2001, she became Director of Chemical Subsidiaries Operations in the finance department of Total following its merger with Elf Aquitaine. She was also the secretary general of Total's Chemical division in 2004 and a member of its Steering Committee in 2006. She was head of acquisitions and disposals from January 2012 until June 2013.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Independent Member of the Supervisory Board
Member of the Audit Committee
Member of the Nominations and Compensation Committee
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Member of the Supervisory Board and Chairwoman of the Audit Committee, HIME (Saur Group) (France)
Board Member and member of the Audit and Risk Committee and of the Nominations and Compensation Committee of Gaztransport & Technigaz (France) [1]

(1) Listed company.

Positions and Offices held during the last five years that are no longer held

Chairwoman of the Board of Directors, Bostik Holding SA (France)
Managing Director, Bostik Holding SA (France)
Chairwoman of the Board, Elf Aquitaine Fertilisants (France)
Managing Director, Elf Aquitaine Fertilisants (France)
Member of the Supervisory Board, Atotech BV (Netherlands)
Board Member, Société Chimique de Oissel (France)
Board Member, Bostik SA (France)
Board Member, Hutchinson SA (France)
Board Member, Grande Paroisse SA (France) (1)
Board Member, GPN (France)
Deputy CEO, Total Raffinage Chimie (France)
Board Member, Elf Aquitaine (France)
Board Member, Cray Valley SA (France)
Board Member, Financière Élysées Balzac SA (France)
Board Member, Total Petrochemicals France (France)
Board Member, Total Petrochemicals Arzew (France)
Board Member, Rosier SA (Belgium)

GUYLAINE SAUCIER – Independent Member of the Supervisory Board

Experience and Expertise

Guylaine Saucier holds a business degree from the École des Hautes Études Commerciales of Montreal. She is a certified director with the Institute of Corporate Directors, and received the title of Fellow from the CPA Order of Quebec.

Ms. Saucier was Chairwoman and CEO of the Gérard Saucier Ltée group from 1975 to 1989. A director of numerous large companies, including the Bank of Montreal, AXA Assurances Inc., Danone and Areva, she was also Chairwoman of the Mixed Committee on Corporate Governance (ICCA, CDNX, TSX) (2000-2001), Chairwoman of the Board of Director of the Canadian Institute of Chartered Professional Accountants (1999 to 2000) and a member of the Board of Directors of the Bank of Canada from 1987 to 1991. She was also named to chair the Quebec Chamber of Commerce.

Business address

1000 rue de la Gauchetière-Ouest Bureau 2500 Montréal Qc, H3B 0A2 – Canada

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Independent Member of the Supervisory Board
Chairwoman of the Audit Committee
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Member of the Supervisory Board, Wendel (France) (1)
Board Member, Junex Inc. (Quebec) (1)

Positions and Offices held during the last five years that are no longer held

Board Member and member of the Audit Committee and of the Risk Management Committee of the Bank of Montreal (1992-2013)
Board Member and Chairwoman of the Audit Committee of Danone (1) (2009-2012)
Board Member, Scor (1)
Member of the Supervisory Board and Chairwoman of the Audit Committee, Areva (2015)

(1) Listed company.

AGNÈS TOURAINE – Member of the Supervisory Board

Experience and Expertise
Agnès Touraine is a graduate of Sciences Po Paris, has a law degree, and holds an MBA from Columbia University.

She is currently Chairwoman of the Institut Français des Administrateurs (IFA) and is also a founder and Chairwoman of Act III Consultants, a management consulting firm dedicated to digital transformation. Previously, she was the Chairwoman and CEO of Vivendi Universal Publishing, after spending 10 years at the Lagardère Group and five years at McKinsey.

Business address
Act III Consultants, 32 rue Notre Dame des Victoires, 75002 Paris

List of positions and offices held in French and foreign companies during the last five fiscal yearsst five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Supervisory Board
Member of the Nominations and Compensation Committee beginning January 1, 2017
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

Chairwoman of the Institut Français des Administrateurs
Chairwoman of Act III Consultants (France)
Member of the Supervisory Board, 21 Partners (France)
Board Member, Proximus (Belgium)

Positions and Offices held during the last five years that are no longer held

Board Member, Darty Plc (United Kingdom)
Board Member, Neopost (France)

JULIEN DECONINCK – Observer on the Supervisory Board

Experience and Expertise
Julien Deconinck is a graduate of HEC.

He is a founding partner of Clermount, a financial advisory firm specialized in impact investing. He began his career in 2002 as an analyst in mergers and acquisitions at Lazard. He then joined the Tarkett Group, where he held several positions in marketing development and project management from 2003 to 2006. From 2006 to 2009, he was a mergers and acquisitions associate at HSBC, then director of equity investments at the investment firm Parcom Capital, and then a director at Société Générale Corporate & Investment Banking.

Business address
Clermount Ltd, 56 Lexham Gardens, London W8 5JA, United Kingdom

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Observer on the Supervisory Board
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

None

Positions and Offices held during the last five years that are no longer held

None

NICOLAS DECONINCK – Observer on the Supervisory Board

Experience and Expertise
Nicolas Deconinck is a graduate of the University of Paris IX Dauphine and of Sciences Po Paris.

He is an associate director of The Roxane Company, which specializes in Digital Strategies and Social Media.

He began his career as a Marketing Consultant at Orange Mobile and then became an IT Consultant for Bearing Point. He then founded Attractive, a chain of sports stores, and then SoActive, an English e-commerce site. He sold his company and then joined the fintech company EarlyMetrics, where he was in charge of international development.

Business address
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

List of positions and offices held in French and foreign companies during the last five fiscal yearsst five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Observer on the Supervisory Board
Abroad
None

During the last five years:

In France
None
Abroad
None

Positions and offices outside the Tarkett Group

None

Positions and Offices held during the last five years that are no longer held

None

Composition of the Supervisory Board
As of December 31, 2016, the Supervisory Board was composed as follows:

- five members representing SID;
- four members deemed independent by the Board, on the recommendation of the Nominations and Compensation Committee;
- two observers, in accordance with Article 26 of the Bylaws and Article 10 of the Supervisory Board's Internal Regulations.

As a result, 44% of the members of the Supervisory Board are considered independent under the following criteria (set forth in Article 1 of the Supervisory Board's Internal Regulations):

- each independent member of the Board must have no relationship whatsoever with the Company, the Group or management (as an employee or representative, or a business or family relationship) that could compromise the free exercise of his judgment;
- he shall not hold any management position with the Company or the Group; and
- he shall have no special ties with the Company or the Group.

In accordance with the criteria used by the Company and the Afep-Medef Code with respect to the independence of members of the Supervisory Board, and after examination of the situation of each Member of the Supervisory Board, the Supervisory Board deemed Ms. Guylaine Saucier, Ms. Françoise Leroy, Mr. Gérard Buffière, and Mr. Jacques Garaïalde to be independent.

With respect to Mr. Garaïalde, the Vice Chairman, the Board met on December 5, 2016 after the KKR fund had sold its stake in the Company (Mr. Garaïalde had been one of KKR's representatives on the Board) and after the recommendation of the Nominations and Compensation Committee, and concluded that Mr. Garaïalde now satisfies all the requirements to be deemed independent.

In addition, the Supervisory Board has worked to ensure that the composition of the Board reflected a diversity of skills as well as balanced representation of men and women, in proportions that comply with the legal requirements in effect since January 1, 2014. As of December 31, 2016, women make up 33% of the Supervisory Board; furthermore, if the 6th, 8th, and 10th resolutions set forth in Section 8.1. of this Registration Document are passed, women will make up 40% of the Supervisory Board, bringing the Company into compliance with such legal requirements.

2.1.1.3 Composition of Other Executive Officers

Composition of Other Executive Officers

The composition of the Group's Executive Committee as of December 31, 2016 is as follows:

Members	Position	Nationality	Age	Biography
Michel Giannuzzi	Chairman of the Management Board	French	52	See Section 2.1.1.1
Fabrice Barthélemy	Chief Financial Officer	French	48	See Section 2.1.1.1
Vincent Lecerf	Executive Vice President of Human Resources	French	52	See Section 2.1.1.1
Anne-Christine Ayed	Executive Vice President, Research, Innovation and Environment	Franco-Canadian	55	Ms. Ayed, who has a doctorate in polymer chemistry, joined Tarkett in 2009. Previously, she held various managerial and R&D positions with Dow Chemicals in Switzerland, Germany and the United States.
Wendy Kool-Foulon	Group General Counsel	Franco-Dutch	43	Ms. Kool-Foulon is a graduate of the École de Formation des Barreaux de la Cour d'Appel de Paris (the training school for the Bars under the jurisdiction of the Paris Court of Appeals), and holds a Master in corporate taxation and a degree in management sciences from the University of Paris-Dauphine. She joined Tarkett in 2012 as General Counsel for the EMEA, Asia-Pacific and Latin America divisions and became Group General Counsel in 2016. She began her career as a lawyer (with PriceWaterhouse and with Salans) and then occupied various positions with IBM and Geodis.
Eric Daliere	President, Tarkett Sports	U.S.	49	Mr. Daliere received an MBA from the J.L. Kellogg School of Management at Northwestern University, and joined the Group in 2009. Previously, he spent ten years working on complex projects for KKR Capstone, after having started with the Boston Consulting Group.
Slavoljub Martinovic	President, Tarkett Eastern Europe	Serbian	46	A graduate of the Technological Faculty of Novi Sad, Mr. Martinovic has been with the Group since 1996, first with Sintelon, which was acquired by the Group in 2002. Prior to being appointed to his current position in January 2013, he held various operational management and general management positions in Serbia and Russia.
Glen Morrison	President, North America	English	54	A graduate of the University of Lanchester Polytechnic in the United Kingdom, he joined the Group in 2015. Previously, he spent five years as the President of Building & Construction Systems at Alcoa. He has wide experience in the building and construction industry in the United States and in Europe.
Antoine Prévost	Executive Vice President of Operations	French	46	A graduate of the École Nationale Supérieure des Mines de Paris, Mr. Prévost joined the Company in 2011. From 1995 to 2011, he held various managerial positions with Vallourec.
Remco Teulings	President, Tarkett EMEA	Dutch	46	Mr. Teulings received a Master in sociology from the University of Amsterdam and a Bachelor's degree in economics and an MBA from the Asian Institute of Technology. He has been with the Company since December 2012. He was the Marketing Director and then the Managing Director of Central Europe for Knauf Insulation from 2006 to 2012.

Meetings

The Group's Executive Committee meets monthly to review the Group's operational and financial performance and to discuss strategic projects and business operations.

2.1.2 Statement relating to Corporate Governance

2.1.2.1 Conflicts of Interest

Other than as described in Section 2.1.2.2 "Statement Relating to the Management Board and the Supervisory Board" and Section 2.9.5 "Service Agreements", as of December 31, 2016, to the Company's knowledge, there are no potential conflicts of interest between the duties owed to the Company by the members of the Management Board or the Supervisory Board and their private interests or other duties.

As of December 31, 2016 and except as described in Section 2.5, "Free Shares", the members of the Management Board and the Supervisory Board have not agreed to any restriction on their right to sell shares of the Company, with the exception of the rules relating to the prevention of insider trading and the recommendations of the Afep-Medef Code with respect to the obligation to retain shares.

2.1.2.2 Statement Relating to the Management Board and the Supervisory Board

As of December 31, 2016, other than the family relationships among Didier Deconinck (Chairman of the Supervisory Board), Bernard-André Deconinck (Member of the Supervisory Board) and Éric Deconinck (Member of the Supervisory Board), as well as between these three members of the Supervisory Board and Éric La Bonnardière (Member of the Supervisory Board), Nicolas Deconinck (observer) and Julien Deconinck (observer), their nephews, there are no family relationships among the Company's officers.

Other than the related party agreements described in Section 8.6 ("Statutory Auditors' Report on regulated agreements and commitments"), there are no business ties between the members of the Supervisory Board and the Management Board, on the one hand, and the Company, on the other.

To the Company's knowledge, over the course of the past five years:

- no Member of the Management Board or the Supervisory Board has been convicted of fraud;
- none of the above persons has been associated with any bankruptcy, receivership or liquidation;
- none of the above persons has been disqualified by a court from acting as a member of the administrative, management or supervisory body of any company, or from being involved in the management or business of any company.

2.1.2.3 Independence of Members of the Supervisory Board

Pursuant to the recommendations of the Afep-Medef Code, Article 1.1 of the Internal Regulations of the Supervisory Board provides that at the time of each renewal or nomination of a Member of the Supervisory Board and at least once per year prior to the publication of the Company's Registration Document, the Board must evaluate the independence of each of its members.

The determination of independence is discussed each year by the Nominations and Compensation Committee, which prepares a report relating thereto for the Supervisory Board. Each year, the Supervisory Board examines, based on such report, the status of each Member of the Supervisory Board with regard to the independence criteria. The Supervisory Board must inform the shareholders of the conclusions of its analysis in the Registration Document.

The process for evaluating the independence of each Member of the Supervisory Board was reviewed by the Nominations and Compensation Committee at its meeting on February 8, 2017 and then by the Supervisory Board at its meeting on February 9, 2017. Based on this analysis, four members of the Supervisory Board are independent: Ms. Guylaine Saucier, Ms. Françoise Leroy, Mr. Gérard Buffière, and Mr. Jacques Garaïalde.

In addition, this analysis showed that as of December 31, 2016, the Audit Committee has three members, of which two are independent (Guylaine Saucier (Chairwoman) and Françoise Leroy). As of December 31, 2016, the Nominations and Compensation Committee has three members, of which two are independent (Françoise Leroy and Gérard Buffière (Chairman)).

At its meeting on February 9, 2017, the Supervisory Board reviewed the terms of all members of the Supervisory Board, and proposed:

- the ratification of Agnès Touraine's cooptation, and, upon SID's proposal, her reappointment;
- the reappointment of Mr. Jacques Garaïalde;
- the reappointment of Ms. Guylaine Saucier;
- the reappointment of Mr. Nicolas Deconinck as an observer; and
- upon SID's proposal, the appointment of Ms. Sabine Roux de Bézieux.

2.2 Operation of the Management and Supervisory Boards

2.2.1 Operation of the Management Board

Articles 11 through 16 of Tarkett's Bylaws (see Sections 7.6, "Bylaws of the Company"), within the framework of applicable laws and regulations, sets forth the allocation of tasks among members of management, the organization and operation of the Management Board, and the rights and obligations of its members.

Work Performed by the Management Board During the Fiscal year ended December 31, 2016.

This section reports on the activity of the Management Board during fiscal year 2016.

The Management Board met six times in 2016 and nine times in 2015. The attendance rate was 100%.

The items discussed at its meetings included:

Activities relative to the results and to the annual shareholders' meeting:

- report on the Company's activities during the fourth quarter of 2015;
- report on the Company's activities during the first quarter of 2016;
- report on the Company's activities during the third quarter of 2016;
- closing of the half-year financial report as of June 30, 2016;
- review and closing of the company accounts for the fiscal year ended December 31, 2015;
- review and closing of the consolidated accounts for the fiscal year ended December 31, 2015;
- proposed allocation of the 2015 results;
- management report on the Company and the Group;
- convening and drafting resolutions of the General Shareholders' Meeting of April 26, 2016;
- activities with respect to review of agreements and offices;
- related-party transactions within the meaning of Articles L.225-86 *et seq.* of the French Commercial Code;
- the terms of office of the members of the Supervisory Board;
- review of press releases;
- approval of projected management documents.

Activities relating to Tarkett's Financial Instruments:

- adjustments to the LTIP 2015-2018;
- approval of the LTIP 2016-2019.

Other activities:

- use of the delegation of power to trade in the Company's shares;
- finalization of the 2017-2020 strategic plan.

2.2.2 Operation and evaluation of the Supervisory Board

The operation of the Supervisory Board is described in Articles 17 to 23 of the Company's Bylaws, prepared in accordance with the laws and regulations in effect (See Section 7.6, " Bylaws of the Company"). On November 21, 2013, pursuant to the Company's Bylaws, Tarkett's Supervisory Board adopted Internal Regulations governing its organization and operation and the rights and responsibilities of its members.

The Internal Regulations follow best practices, in particular the recommendations of the Afep-Medef Code, with respect to ensuring compliance with fundamental principles of corporate governance. They may be modified at any time by vote of the Supervisory Board.

Pursuant to Article L.225-68 of the French Commercial Code, the Chairman of the Supervisory Board must prepare a report regarding the conditions under which the work of the Supervisory Board was prepared and organized. On December 12, 2016, the Chairman of the Supervisory Board sent each Member of the Supervisory Board a 2016 questionnaire that serves to evaluate the operation of the Board and its special committees, to verify that important questions are properly studied and debated within the Board, and finally to measure the effective contribution of each member to the work of the Board. All of the members of the Supervisory Board responded to the questionnaire within the required period of time.

At its meeting on February 9, 2017, the Supervisory Board discussed the Board's operation and performance and carried out a self-evaluation. Taking into consideration the opinion of the Nomination and Compensation Committee, the Board found that its members were globally satisfied with the operation of the Supervisory Board, the Audit Committee, and the Nomination and Compensation Committee, including the quality of the discussions, preparation for important questions and the effective contribution of each member.

The quality of the discussions, preparation for important questions and the effective contribution of each member were again discussed. In addition, the members assessed the smoothness of the process for reconstituting the various corporate bodies following the departure of KKR, as well as the increasing diversity and presence of women on those bodies.

Focused on the ongoing quest for improvement, the Board members made a number of suggestions to improve the nature of the Supervisory Board's team work.

The Supervisory Board took note of these suggestions and charged the Nomination and Compensation Committee with preparing proposals for improvement.

In 2016, the Supervisory Board met five times (nine times in 2015). The attendance rate averaged 98%, which shows the commitment of the members of the Supervisory Board to the Company.

Moreover, a formal evaluation is carried out at least every three years under the direction of an independent Member of the Supervisory Board and with the help of an external consultant.

At Board meeting called to approve the financial statements for the first half of the year, dates are set for all of the following year's meetings, in order to ensure that all members are able to be present. Notice is sent to each Member of the Supervisory Board prior to each meeting, noting the place, time and agenda for the meeting. Detailed presentations on each item on the agenda are sent to each member in advance through a secure digital platform.

During the meeting, each items on the agenda is explained to the members of the Board. For certain technical subjects, presentations are made by qualified experts on the subject. Each item on the agenda is followed by questions, a discussion and a vote. Written minutes are prepared and delivered to the members of the Supervisory Board for approval at the next meeting.

The Supervisory Board spends a significant amount of its time analyzing the Company's financial results and establishing its strategy. The Board also reviews the Company's activity, liquidity position and debt. It examines the annual company financial statements as well as the quarterly reports and half-year and annual Consolidated Financial Statements, as well as the related press releases. It authorizes entry into related-party agreements and significant agreements, as defined in Article 16 of the Bylaws, as well as implementation of the share buyback program, in accordance with the terms and conditions set by the General Shareholders' Meeting.

All of the items that came before the Board in 2016 were analyzed in a satisfactory manner, thanks in particular to the work done in advance by the Supervisory Board's special committees.

2.2.2.1 Supervisory Board Special Committees

In accordance with Article 22 of the Company's Bylaws and Article 9 of its Internal Regulations, at its meeting on September 17, 2013 the Supervisory Board decided to create two committees – an Audit Committee and a Nominations and Compensation Committee. These committees do not replace the Management Board or the Supervisory Board, which have sole decision-making power in their respective areas of authority, but rather issue proposals, recommendations and opinions in their areas of expertise.

The Internal Regulations of the Supervisory Board and its committees were adopted at the Supervisory Board's meeting of September 17, 2013 and entered into effect on November 26, 2013.

The descriptions below reflect the Internal Regulations of the committees (see Section 7.6, "Bylaws of the Company" for more information on the Supervisory Board's Internal Regulations).

Audit Committee

The Company's Supervisory Board decided to establish an Audit Committee and set the following rules for its internal governance.

Composition

Members of the Audit Committee are appointed for a term coinciding with their terms as members of the Supervisory Board and are selected in particular for their knowledge in the areas of finance and/or accounting.

Based on its Internal Regulations, the Audit Committee is required to have between two (2) and four (4) members appointed by the Supervisory Board, at least two (2) of whom (including the Chairman) must be independent members of the Supervisory Board under the independence criteria adopted by the Company.

As of January 1, 2017, this committee is composed of Ms. Guylaine Saucier (Chairwoman), Ms. Françoise Leroy, and Mr. Éric La Bonnardière (see Section 2.1.1.2, "Supervisory Board", for biographical information). Independent members represent two-thirds of the Audit Committee.

As a result, the Audit Committee's composition complies with the Afep-Medef Code, which requires that at least two-thirds of the Committee be independent and that there be no company officers on the Committee.

The Audit Committee's Internal Regulations provide that the secretary may be any person designated by the chairman of the committee or with the chairman's approval.

Duties

The Audit Committee is responsible for monitoring the preparation and auditing of accounting and financial information, as well as for ensuring the effectiveness of risk-monitoring and internal control procedures to facilitate the Supervisory Board's review and approval thereof.

Accordingly, the Audit Committee's Internal Regulations set out its main responsibilities as follows:

- monitoring the preparation of financial information (in particular, annual or interim reports and Consolidated Financial Statements);
- monitoring internal control, internal audit and risk management systems relating to financial and accounting information;
- monitoring the review of the individual company and Consolidated Financial Statements by the Company's Statutory Auditors; and
- monitoring the independence of the Statutory Auditors.

The Audit Committee regularly reports to the Supervisory Board and informs it without delay of any difficulties that it encounters.

Operation

The Audit Committee may conduct meetings in person or via video or telephone conference pursuant to the same rules as the Supervisory Board, when convened by its chairman or secretary, so long as at least half of its members are present.

The Audit Committee issues recommendations to the Supervisory Board, indicating the number of votes a particular matter of business has received.

The Audit Committee meets as often as necessary and, in any event, at least twice a year in connection with the Group's preparation of annual and interim financial statements. The Audit Committee's meetings are held prior to the meeting of the Supervisory Board and, to the extent possible, are held at least two (2) days prior when the Audit Committee's agenda includes examination of interim or annual financial statements prior to their review by the Supervisory Board.

Activities of the Audit Committee in 2016

The Audit Committee met six times during 2016 and six times in 2015, in particular prior to the Supervisory Board meetings called to approve the financial statements prepared by the Management Board, and reported on its work to the Supervisory Board.

In 2016, the Audit Committee's work focused principally on reviewing (i) the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2015 (ii) the Group's condensed interim Consolidated Financial Statements for the six months ended June 30, 2016, (iii) the execution of the 2015 audit plan and the new audit plan for 2016, (iv) specific line items including operating income, exceptional items, financial and tax income, the Group's balance sheet, cash flows and the Group's indebtedness and (v) the Group's annual risk mapping exercise for 2016.

The Audit Committee also examined the status and progression of the 2016 internal audit plan, the status of the Group's principal risks and legal disputes, issues needing attention in the 2016 accounts, the various relevant regulatory changes (in particular with respect to taxation, concerning the new system of *country by country* reporting), and, lastly, the Group's information security.

Audit Committee attendance was 94% in 2016.

Nominating and Compensation Committee

The Company's Supervisory Board decided to establish a Nominations and Compensation Committee and set the following rules for its internal governance:

Composition

Members of the Nominations and Compensation Committee are appointed for a term coinciding with their terms as members of the Supervisory Board. When selecting members of the Nominations and Compensation Committee, particular consideration is given to their independence (see Article 1 of the Board's Internal Regulations for the definition of independence), as well as their competence in the selection and remuneration of senior executives and company officers for listed companies.

Based on its Internal Regulations, the Nominations and Compensation Committee is required to have between two (2) and four (4) members, at least two (2) of whom (including the Chairman) must be independent members of the Supervisory Board under the independence criteria adopted by the Company.

As of January 1, 2017, the Nominations and Compensation Committee was composed as follows: Mr. Gérard Buffière (Chairman), Ms. Françoise Leroy, and Ms. Agnès Touraine (see Section 2.1.1.2, "Supervisory Board, for their biographies).

The Nominations and Compensation Committee's Internal Regulations provide that the secretary may be any person designated by the Chairman of the Committee or with the Chairman's approval.

Duties

The Nominations and Compensation Committee is a specialized committee of the Supervisory Board whose main function is to assist the Supervisory Board in appointing members of the Executive Committees of the Company and the Group, as well as in determining and regularly reviewing the compensation and benefits awarded to the Company's senior executives, including any deferred benefits and/or voluntary or compulsory redundancy payments awarded by the Group.

Accordingly, it carries out the following functions:

- proposing the appointment of independent members of the Supervisory Board, of the Management Board and of the Supervisory Board's committees, and examining and assessing the application of non-independent members to the Supervisory Board;
- conducting an annual assessment of the independence of the Supervisory Board members;
- evaluation of the Organization and Operation of the Supervisory Board;
- preparation of a succession plan for the members of the Management Board as well as for the Group's senior executives;
- examining and proposing all aspects of and conditions to the remuneration of principal senior executives and the Group's executive management;
- reviewing and making proposals to the Supervisory Board with respect to attendance fees; and
- reviewing any exceptional compensation relating to assignments given by the Supervisory Board to any of its members outside the ordinary course of business.

Operation

The Nominations and Compensation Committee may conduct meetings in person or via video or telephone conference pursuant to the same rules as the Supervisory Board, when convened by its Chairman or secretary, so long as at least half of its members are participating.

The Nominations and Compensation Committee makes recommendations to the Supervisory Board, indicating the number of votes a particular matter of business has received.

The Nominations and Compensation Committee meets as often as necessary and, in any event, at least once (1) a year prior to the Supervisory Board's meeting on its members' independence and in advance of any Supervisory Board meeting during which matters of Management Board compensation or Supervisory Board attendance fees are to be decided.

The executive compensation policy is determined by reference to comparable issuers.

Activities of the Nomination and Compensation Committee during 2016

The Nomination and Compensation Committee met five (5) times during the fiscal year ended December 31, 2016 (five times in 2015) and reported on its work to the Supervisory Board.

In 2016, the work of the Nomination and Compensation Committee included examination of the following:

- changes in the Group's management teams and the succession plan for those teams;
- the performance of the senior executives;
- the accomplishment of the economic objectives set for the senior executives;
- changes in compensation and the establishment of long-term incentive plans taking into account benchmarks prepared by external advisers;
- preparation for the advisory "Say on Pay" vote;
- the compensation section of the management report and the report of the Chairman of the Supervisory Board on corporate governance and on internal control;
- Ms. Agnès Touraine's cooptation to replace Mr. Josselin de Roquemaurel;
- Mr. Garaïalde's independence.

Nomination and Compensation Committee attendance was 100% in 2016.

2.2.2.2 Statement Relating to Corporate Governance

The Company adheres to the Corporate Governance Code for Listed Companies of the *Association Française des Entreprises Privées* ("AFEP") and of the *Mouvement des Entreprises de France* ("MEDEF") (the "**Afep-Medef Code**").

The Afep-Medef Code may be consulted online at http://www.afep.com. The Company keeps copies of such code available to the members of its governing bodies at all times. Tarkett believes that it complies with all of the principles of corporate governance defined in the Afep-Medef Code to the extent that the Code's stated principles are compatible with the organization, size and means of the Tarkett Group, and subject to a favorable vote on the 6th through 10th resolutions presented in Section 8.1 of this Registration Document. As of December 31, 2016, and following an analysis performed by the Supervisory Board at its meeting on February 9, 2017, the Company believes that it is in compliance with the recommendations of the Afep-Medef Code.

2

2.3 Compensation and Benefits granted to the Management and Supervisory Bodies

The Company's policy is to comply with all of the recommendations of the Afep-Medef Code.

The tables below show the compensation and benefits of any kind paid to members of the Management Board and the Supervisory Board in connection with their offices, by (i) the Company; (ii) companies controlled by the Company; (iii) companies controlled by companies that control the Company; or (iv) companies that control the Company, all within the meaning of Article L.233-16 of the French Commercial Code. Since the Company belongs to a Group, this information includes amounts due by any company in the Group's control structure and relating to the office held in the Company.

The Company has built its executive compensation policy over the years on the following principles:

1. Base salaries are in line with market practices, in order to ensure that the Company remains competitive and attractive. This position is measured through compensation surveys conducted by specialized firms using a benchmark of comparable companies in the SBF 120 for France.
2. Variable compensation is based on the achievement of annual objectives, with the target amount in line with market practices, including:
   - economic criteria based on the year's performance compared with budgetary commitments. These criteria (adjusted EBITDA and cash flow from operations) have been unchanged for the last eight years,
   - individual criteria defined specifically each year based on the Group's main challenges.
3. Incentives to motivate and encourage loyalty in the medium term:
   - the Long Term Incentive Plan (LTIP), introduced in July 2011 to award annual performance share grants or their equivalent in cash. The grants vest only if the beneficiary remains with the Group for three years and the Company achieves its economic performance goals. In each plan, "performance" is defined as achieving the objectives of the medium-term strategic plan with regard to growth in EBITDA and debt reduction.
     For the 2012-2015 and 2013-2016 plans, respectively, 43% and 45% of the targeted amounts were actually distributed. With respect to the current plans, the targeted amount was 0.44% for the 2014 plan. After a market analysis, the targeted amount of the 2015 and 2016 LTIP was raised to 0.6% and 0.5%, respectively, in order to make the Group more competitive.
4. Unlike most listed companies of comparable size, the Group has chosen not to set up a supplemental retirement plan. Preference was given to the LTIP, allowing management a stake in the share capital, leaving it to them to build their own supplemental retirement portfolio, if desired.

2.3.1 Total compensation of members of the Management Board for fiscal years 2015 and 2016

The table below shows compensation paid and options and shares granted to Messrs. Michel Giannuzzi, Fabrice Barthélemy and Vincent Lecerf during the fiscal years ending December 31, 2015 and 2016.

Table 1 – Summary Table of Compensation and Options and Shares Granted to Each Member of the Management Board

(in euros)	**Fiscal Year 2016**	**Fiscal Year 2015**
Michel Giannuzzi, Chairman of the Management Board		
Compensation due for the fiscal year	1,780,200	1,715,596
Valuation of stock options granted during the year		
Valuation of performance shares granted during the year	1,738,590	1,644,000
Total	**3,518,790**	**3,359,596**
Fabrice Barthélemy		
Compensation due for the fiscal year	531,342	536,907
Valuation of stock options granted during the year		
Valuation of performance shares granted during the year	463,624	438,400
Total	**994,966**	**975,307**
Vincent Lecerf		
Compensation due for the fiscal year	506,040	506,199
Valuation of stock options granted during the year		
Valuation of performance shares granted during the year	463,624	438,400
Total	**969,664**	**944,599**

2.3.2 Compensation of each Member of the Management Board for fiscal years 2015 and 2016

The following table sets forth a breakdown of compensation paid to Messrs. Michel Giannuzzi, Fabrice Barthélemy and Vincent Lecerf during the fiscal years ending December 31, 2015 and 2016 into fixed, variable, and other compensation.

Table 2 – Summary Table of Cash Compensation of Each Member of the Management Board

(in euros)	2016		2015	
	Amounts due [(2)]	Amounts paid [(3)]	Amounts due [(2)]	Amounts paid [(3)]
Michel Giannuzzi, Chairman of the Management Board				
Fixed compensation [(1)]	750,000	750,000	700,000	700,000
Variable compensation based on annual objectives [(1)]	1,030,200	994,342	1,009,540	361,637
Exceptional compensation [(1)]				
Benefits in Kind	5,226	5,226	6,056	6,056
Total	**1,785,426**	**1,749,568**	**1,715,596**	**1,067,693**
Fabrice Barthélemy				
Fixed compensation [(1)]	315,000	315,000	305,000	305,000
Variable compensation based on annual objectives [(1)]	216,342	222,632	229,086	85,675
Exceptional compensation [(1)]				
Benefits in Kind	3,128	3,128	2,821	2,821
Total	**534,470**	**540,759**	**536,907**	**393,496**
Vincent Lecerf				
Fixed compensation [(1)]	300,000	300,000	290,000	290,000
Variable compensation based on annual objectives [(1)]	206,040	214,417	213,469	74,066
Exceptional compensation [(1)]				
Benefits in Kind	3,018	3,018	2,730	2,730
Total	**509,058**	**517,435**	**506,199**	**366,796**

(1) Gross compensation before tax.
(2) Compensation due in respect of relevant fiscal year, regardless of payment date.
(3) Compensation paid during fiscal year.

Compensation of Mr. Michel Giannuzzi, Chairman of the Management Board

Pursuant to the recommendation of the Nomination and Compensation Committee, in his capacity as Chairman of the Management Board for 2016, Mr. Giannuzzi will receive the following compensation:

- fixed compensation of €750,000. This base salary was reevaluated at the Supervisory Board meeting of February 18, 2016, upon the recommendation of the Nomination and Compensation Committee; and
- variable compensation limited to 170% of his fixed compensation, payable at the latest on March 31 of the following year. The award criteria are reviewed each year by the Nomination and Compensation Committee and the amount is set by the Supervisory Board upon the Committee's proposal and based on the criteria set forth below.

No exceptional compensation was awarded to Mr. Giannuzzi during the year ending December 31, 2016.

Mr. Giannuzzi also has the use of a company car.

Mr. Giannuzzi will receive an additional €300,000 bonus to be paid in November 2017, provided that he remains with the Company until the payment date, pursuant to an agreement entered into in 2013.

Compensation of Mr. Fabrice Barthélemy

Mr. Barthélemy receives no compensation for his duties as a Member of the Management Board, but he is compensated for his role as Chief Financial Officer of the Group.

Mr. Barthélemy has an employment agreement with the Company. Under this contract, he receives fixed compensation as well as variable compensation based on performance criteria that are reviewed annually by the Nomination and Compensation Committee, and the amount of which is fixed by the Supervisory Board upon such Committee's proposal and based on the criteria set forth below.

Mr. Barthélemy's variable compensation may vary between 0% and 85% of his fixed compensation depending on the achievement of the targets set by the Supervisory Board.

No exceptional compensation was awarded to Mr. Barthélemy for the year ended December 31, 2016.

Mr. Barthélemy also has the use of a company car.

Compensation of Mr. Vincent Lecerf

Mr. Lecerf receives no compensation for his duties as a Member of the Management Board, but he is compensated for his role as Executive Vice President, Group Human Resources.

Mr. Lecerf has an employment agreement with the Company. Under this contract, he receives fixed compensation as well as variable compensation based on award criteria that are reviewed annually by the Nomination and Compensation Committee, The amount is fixed by the Supervisory Board upon the Committee's proposal and based on the criteria set forth below.

Mr. Lecerf's variable compensation may vary between 0% and 85% of his fixed compensation depending on the achievement of the targets set by the Supervisory Board.

No exceptional compensation was awarded to Mr. Lecerf for the year ended December 31, 2016.

Mr. Lecerf also has the use of a company car.

Criteria for Variable Compensation of Members of the Management Board

Members of the Management Board receive fixed compensation as well as variable compensation based on performance criteria that are reviewed annually by the Nominations and Compensation Committee, the amount of which is fixed by the Supervisory Board upon such Committee's proposal. In 2016, variable compensation was determined as follows:

- 70% was based on the achievement of economic objectives (40% on adjusted EBITDA and 30% on cash flow from operations), each multiplied by a coefficient of between 0% and 200%.
- 30% was based on the achievement of individual objectives, multiplied by a coefficient of 0% to 100%. In 2016:
  - Michel Giannuzzi's individual objectives were mainly focused on growing the business, promoting innovation and long-term growth initiatives, customer orientation in connection with the CX strategic project, further developing talent across the Group and reinforcing the Group's organization,
  - Fabrice Barthélemy's objectives related to refinancing a portion of the Group's debt, implementing information systems, and strengthening the financial teams,
  - Vincent Lecerf's main priorities included, reinforcing talent and the Group's organization, as well as deepening the social and societal aspects of sustainable development within the Group.

The table below summarizes the achievement of variable compensation criteria by the members of the Management Board:

2016 Criteria	Reference	Weight assigned with respect to variable compensation	% achieved in 2016
Economic criteria			
Consolidated adjusted EBITDA	Budget	40%	144.5%
Operating cash flow	Budget	30%	165.2%
Subtotal economic criteria		70%	153.4%
Individual criteria		30%	See below
TOTAL		**100%**	

The table below breaks down the achievement of performance goals by individual and presents variable compensation due as a % of fixed compensation:

	Variable compensation target as a % of fixed compensation	Rate of achievement in 2016 as a % of target			Variable compensation due for 2016 as a % of fixed compensation
		Economic criteria (70%)	Individual criteria (30%)	Weighted total	
Michel Giannuzzi	100%	153.4%	100%	153.4%	137.4%
Fabrice Barthélemy	50%	153.4%	100%	153.4%	68.7%
Vincent Lecerf	50%	153.4%	100%	153.4%	68.7%

2.3.3 Attendance fees and other compensation received by members of the Supervisory Board for fiscal years 2015 and 2016

The following table sets forth the attendance fees and other compensation received by members of the Supervisory Board. At the General Shareholders' Meeting of November 4, 2013, the total amount of annual attendance fees for Supervisory Board members was set at €450,000, until otherwise agreed. On October 9, 2013, the Supervisory Board determined the allocation of this amount, which was then approved by the General Shareholders' Meeting, as follows:

Amount of attendance fees by position

Position *(in euros)*	**Base amount**
Members of the Supervisory Board	35,000
Chairman of the Supervisory Board	35,000
Vice Chairman of the Supervisory Board	10,000
Committee Members	5,000
Chairman of the Audit Committee	15,000
Chairman of the Nomination and Compensation Committee	15,000
Penalty for absence	
Absence from a meeting of a specialized committee	1,000
Absence from a meeting of the Supervisory Board	3,000

This allocation will remain in effect until the Supervisory Board decides otherwise or until the reduction of the global amount allocated by the Company's shareholders' meeting.

Table 3 – Summary Table stating Each Member of the Supervisory Board's compensation

Members of the Supervisory Board *(in euros)*	**Gross Amounts Paid with Respect to Fiscal Year 2016**	**Gross Amounts Paid with Respect to Fiscal Year 2015**
Didier Deconinck		
Attendance Fees	70,000	70,000
Other Compensation	-	-
Jacques Garaïalde		
Attendance Fees	50,000	50,000
Other Compensation	-	-
Gérard Buffière		
Attendance Fees	55,000	55,000
Other Compensation	-	-
Bernard-André Deconinck		
Attendance Fees	40,000	40,000
Other Compensation	-	-
Éric Deconinck		
Attendance Fees	35,000	35,000
Other Compensation	-	-
Agnès Touraine (1)		
Attendance Fees	2,589	-
Other Compensation	-	-
Éric La Bonnardière		
Attendance Fees	32,000	24,068
Other Compensation	-	-
Françoise Leroy		
Attendance Fees	45,000	45,000
Other Compensation	-	-
Guylaine Saucier		
Attendance Fees	55,000	23,356
Other Compensation	-	-
Josselin de Roquemaurel (1)		
Attendance Fees	33,871	40,000
Other Compensation	-	-

(1) Compensation is determined on a pro rata basis in the event of appointment or resignation during the fiscal year.

2.3.4 Stock subscription or purchase options granted during 2016 to each Member of the Management Board by the Company or any Group entity

No stock subscription or purchase options were granted to members of the Management Board in 2016.

2.3.5 Stock subscription or purchase options exercised during 2016 by each Member of the Management Board

Not applicable.

2.3.6 Performance shares granted to Company officers in 2016

No performance shares within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code vested to the members of the Management Board during the fiscal year ended December 31, 2016.

During the same fiscal year, the Long Term Incentive Plan referred to as, "LTIP 2013-2016" reached its term. The plan provided for payment in either shares or a cash equivalent if the performance condition (based on the business plan's objectives) was achieved and the beneficiary remained with the Group on July 1, 2016. Fifty percent of the shares corresponding to this plan vested.

Based on the recommendation of the Nomination and Compensation Committee, the plan was paid in cash in July 2016. Table 6 below shows the amounts distributed to the members of the Management Board in connection with this plan.

Table 7 below sets forth information on performance shares within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code that were awarded to members of the Company's Management Board in 2016.

Table 6 – Performance Shares Vested During the Year to Each Company Officer

Name of Company Officer	**Number of performance shares initially granted**	**Percentage achievement of performance criteria**	**Number of shares vested during the year**	**Cash payment in lieu of shares** *(gross compensation in euros)*
Plan No. 3 – LTIP 2013-2016				
Michel Giannuzzi	61,290	50%	30,645	1,007,341
Fabrice Barthélemy	15,512	50%	7,756	254,950
Vincent Lecerf	15,481	50%	7,740	254,440

Table 7 – Performance Shares Granted During the Year to Each Company Officer

Name of Company Officer	**Number of shares granted**	**Valuation of the shares according to the method used for the consolidated financial statements** (1) *(in euros)*	**Vesting date**
Plan No. 6 – LTIP 2016-2019 (1)			
Michel Giannuzzi	51,000	1,632,000	July 1, 2019
Fabrice Barthélemy	13,600	435,200	July 1, 2019
Vincent Lecerf	0	0	N/A

(1) Valuation at a unit price of €32.00 for Plan No. 6.

2.3.7 History of grants of stock subscription or purchase options

No stock subscription or purchase options were granted during the fiscal years ended December 31, 2016, 2015 or 2014.

There was no stock subscription or purchase option plan in effect as of December 31, 2016.

2.3.8 Stock subscription or purchase options granted to the top ten employees

No stock subscription or purchase options were granted during the fiscal years ended December 31, 2016, 2015 or 2014. There was no stock subscription or purchase option plan in effect as of December 31, 2016.

2.3.9 Employment contracts, retirement payments, and severance for members of the Management Board

Table 10 – Employment Agreements, Retirement Payments, and Severance for Members of the Management Board

Members of the Management Board	Employment Contract	Supplemental Pension Plan	Severance or other benefits due or likely to become due as a result of termination or change of office	Compensation under a non-compete clause
Michel Giannuzzi Chairman of the Management Board Beginning of term: 11/26/2013 End of term: 10/26/2019	No	No	Yes	Yes
Fabrice Barthélemy Member of the Management Board and Chief Financial Officer Beginning of term: 11/26/2013 End of term: 10/26/2019	Yes	No	No	Yes
Vincent Lecerf Member of the Management Board and Executive Vice President of Human Resources Beginning of term: 11/26/2013 End of term: 1/3/2017	Yes	No	No	Yes
Sharon MacBeath Member of the Management Board and Director of Human Resources Beginning of term: 1/3/2017 End of term: 10/26/2019	Yes	No	No	Yes

2.3.9.1 Supplemental Pension Plan

No members of the Management Board benefit from supplemental pension plans. The Supervisory Board believes that it is the responsibility of the executive officers to set aside capital for retirement using the free shares granted under the LTIP, and it was decided as a result not to set up a supplemental retirement plan.

2.3.9.2 Severance or other benefits due or likely to become due as a result of termination or change of office

Subject to the performance requirements defined below, Mr. Giannuzzi will be entitled to a severance payment equal to two years of his gross base salary and bonus during the twelve months prior to his departure as Chairman of the Management Board. In the event that Mr. Giannuzzi is to receive both severance pay and the non-compete payment described below, the total amount that he receives will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board.

Performance is measured based on the achievement of annual performance goals defined by the Supervisory Board upon the recommendation of the Nomination and Compensation Committee, and this performance rating serves as the basis for calculating variable compensation. This same performance rating will be used to calculate the amount of severance due, only the rating will be based on the average performance rating achieved by Mr. Giannuzzi during the three calendar years preceding his departure.

The severance payment is contingent on achieving a 50% to 100% performance rating (i.e., no payment will be made unless the performance rating reaches at least 50% and full payment will be received only if the performance rating reaches 100%). The severance payment will be calculated in strict proportion to the achievement of the performance rating. For example, if the performance rating is 90%, the severance payment will be 90% of the amount defined above.

Subject to achievement of the performance conditions, the Company will be required to pay this severance payment in the event of Mr. Giannuzzi's forced departure as Company officer (including, in particular, as a result of a change of control or a disagreement with regards to strategy) on the initiative of the Supervisory Board, regardless of whether Mr. Giannuzzi is removed or his mandate is not renewed, except in the event of gross negligence (defined as negligence of such extreme seriousness as to prevent the Company officer from continuing to serve as a Company officer) or serious misconduct (defined as extremely serious misconduct by the Company officer with the intent to harm the Company).

The conditions set forth above are consistent with the recommendations of the Afep-Medef Code.

2.3.9.3 Company Officer Unemployment Insurance

The Company provides unemployment insurance on behalf of Mr. Giannuzzi, which would cover him in the event of his forced departure (an "F 70" policy, with an extension of coverage to 24 months depending on applicable rules).

2.3.9.4 Compensation Under a non-compete Clause

Mr. Giannuzzi benefits from a clause providing for payment in the event that the non-compete clause provided for in connection with his office is enforced by the Company. Ms. MacBeath and Mr. Barthélemy also benefit from clauses providing for payment in the event that the non-compete clauses in their respective employment agreements are enforced by the Company at the time of their departure.

If the non-compete clause is enforced by the Company, Mr. Giannuzzi will receive an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board, payable in 24 monthly payments throughout the duration of his non-compete commitment. In which case, this compensation will be deducted from Mr. Giannuzzi's severance payment, such that the total amount received in severance and non-compete payments will not exceed two years of gross base salary and bonus received during the twelve months preceding his departure. The Company has the right to waive the non-compete clause.

Based on the non-compete clause in his contract, Mr. Barthélemy would receive, each month for twelve months, a payment equal to (i) 50% of his average monthly salary during the twelve months preceding the termination of his employment contract (assuming termination at the Company's initiative) or (ii) one-third of his average monthly salary during the twelve months preceding the termination of his employment contract (assuming termination at his own initiative). The Company has the right to waive the non-compete clause.

Based on the non-compete clause in her contract, Ms. Sharon MacBeath would receive, each month for twelve months, a payment equal to 50% of her average monthly salary during the twelve months preceding the termination of her employment contract. The Company has the right to waive the non-compete clause.

2.3.10 Amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits

Members of the Management Board do not receive any specific pension benefits. Mr. Giannuzzi, as a Company officer, and Messrs. Barthélemy and Lecerf and Ms. MacBeath, pursuant to their employment agreements with the Company, benefit from the same retirement benefits as other employees of the Company. The Company has therefore not set aside any amounts for the payment of pension, retirements or other similar benefits for the members of the Management Board.

2.4 Other information about the Company Officers

2.4.1 Direct and indirect shareholding of the members of the Management Board and members of the Supervisory Board in the Company's share capital

As of December 31, 2016, direct and indirect shareholding of the members of the Management Board and Supervisory Board in the Company's share capital is as follows:

Company Officers	Number of ordinary shares	Percentage of share capital	Number of voting rights	Percentage of voting rights	Number of shares granted under plans		
					LTIP 2016-2019 [2]	LTIP 2015-2018 [2]	LTIP 2014-2017 [2]
Members of the Management Board							
Michel Giannuzzi [1]	195,223	0.31%	389,214	0.40%	51,000	60,000	27,200
Fabrice Barthélemy	34,747	0.05%	66,494	0.07%	13,600	16,000	8,800
Vincent Lecerf [1]	0	-	0	-	0	16,000	8,800
Members of the Supervisory Board							
Didier Deconinck [3]	1,000	0.00%	2,000	0.00%			
Jacques Garaïalde	1,000	0.00%	2,000	0.00%			
Guylaine Saucier	1,000	0.00%	1,000	0.00%			
Gérard Buffière	1,050	0.00%	2,100	0.00%			
Bernard-André Deconinck [3]	1,000	0.00%	2,000	0.00%			
Éric Deconinck [3]	1,000	0.00%	2,000	0.00%			
Éric de la Bonnardière	1,000	0.00%	1,000	0.00%			
Françoise Leroy	1,000	0.00%	2,000	0.00%			
Agnès Touraine	800	0.00%	800	0.00%			
Total	**235,820**	**0.36%**	**465,608**	**0.47%**	**64,600**	**92,000**	**44,800**

(1) Shares held by the executive and related persons.
(2) The number of free shares that will be definitively granted pursuant to the LTIP 2014-2017, 2015-2018 and 2016-2019 may vary between 0.5 and 1.5 times the number of shares initially granted as shown in this table, based on the Company's performance. Moreover, the Company may opt to pay beneficiaries of the plans in cash in lieu of the shares due to them (see Section 2.5, "Free Shares").
(3) Messrs. Didier, Éric, and Bernard-André Deconinck are direct and indirect shareholders of Société Investissement Deconinck – SID, which itself holds 31,975,071 shares of the Company. In addition, Didier Deconinck is a shareholder of DDA Bis, which holds 17,587 Tarkett shares.

2.4.2 Stock subscription or purchase options

As of December 31 2016, no members of the Management Board or the Supervisory Board held stock subscription or purchase options.

2.5 Free shares (LTIP)

In connection with its policy to motivate and encourage the loyalty of its management teams, the Company has implemented annual long-term incentive plans ("**LTIP**") since 2011.

The LTIP is based on the principle that shares or their equivalent in cash (with the exception of the LTIP 2016-2019, which is payable exclusively in shares) will be granted if the Company achieves its performance objectives and the beneficiary remains with the Company throughout the three-year duration of the plan.

As of December 31, 2016, three incentive plans could result in the grant of Company free shares. These are the LTIP 2014-2017 and 2015-2018, and 2016-2019, corresponding to the year in which the plan was implemented and the year in which the grant takes place.

	Plan No. 4 LTIP 2014-2017	**Plan No. 5 LTIP 2015-2018**	**Plan No. 6 LTIP 2016-2019**
Date of Shareholders' Meeting	N/A	April 26, 2016	April 26, 2016
Date of Management Board's decision	February 3, 2015	July 27, 2016	July 27, 2016
Number of shares potentially granted (1)	275,000	375,000	325,000
Number of shares granted to:			
– Michel Giannuzzi	*27,200*	*60,000*	*51,000*
– Fabrice Barthélemy	*8,800*	*16,000*	*13,600*
– Vincent Lecerf	*8,800*	*16,000*	
Date on which shares will vest (2)	July 1, 2017	July 1, 2018	July 1, 2019
End date of retention period	July 1, 2017	July 1, 2018	July 1, 2019
Performance conditions	(3)	(3)	(3)
Number of shares vested as of the date of the visa on this Registration Document	0	0	0
Number of shares canceled or expired	**40,900**	**42,970**	**0**
Number of shares remaining as of the date of the visa on this Registration Document	**234,100**	**332,030**	**325,000**

(1) The total number of shares delivered will be between 50% and 150% the number of shares originally granted, depending on the degree to which the Company achieves its performance objectives.
(2) Under certain circumstances, in the event employment is terminated prior to the end of the vesting period shares may be granted on a pro rata basis.
(3) The performance conditions are set forth in Sections 2.5.1, 2.5.2 and 2.5.3 below.

Retention Period

As from the date of the Company's initial public offering, Mr. Michel Giannuzzi is required to retain, throughout his term as Chairman of the Management Board, a number of shares of the Company corresponding to **50%** of the shares granted (after payment of taxes on the granted free shares which corresponds in the current state of taxation to about 50% of value of the shares allocated or their equivalent in cash) in connection with the Long Term Incentive Plan (LTIP). Furthermore, members of the Management Board and of the Executive Committee must retain a number of shares of the Company corresponding to **33%** of the Company shares granted (after payment of taxes on the granted free shares) in connection with this plan for the duration of their terms in office.

2.5.1 LTIP 2014-2017

The LTIP 2014-2017 is an incentive plan that does not come within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code, which gives the right to either grant free shares or, at the Company's discretion and depending on applicable law, the equivalent amount in exceptional compensation. These shares or cash payments will be vested or paid in July 2017, subject to presence and performance conditions relating to the achievement of the Group's strategic objectives. These share grants or cash payments will be effective in July 2017, with no retention period.

The number of free shares that will vest pursuant to the LTIP 2014-2017 will be proportional to the accomplishment of the performance criteria as of 12/21/2016, which was measured at 62.2%. For the shares to vest, the employee must still be with the Group on July 1, 2017.

With respect to the members of the Management Board, the LTIP 2014-2017 represents 16.3% of the total number of shares potentially granted.

2.5.2 LTIP 2015-2018

The LTIP 2015-2018, was amended by the Management Board pursuant to the 12th resolution of the General Shareholders' Meeting on April 26, 2016, and gives the right:

(i) with respect to beneficiaries who are residents of France for tax purposes, to a grant of existing free shares governed by Articles L.225-197-1 *et seq.* of the French Commercial Code;

(ii) with respect to beneficiaries who are not residents of France for tax purposes, to a grant of free shares that does not come within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code, or, at the Company's discretion and depending on applicable law, the equivalent amount in exceptional compensation.

These shares or cash payments will be vested or paid in July 2018, subject to presence and performance conditions relating to the achievement of the Group's strategic objectives. These share grants or cash payments will be effective in July 2018, with no additional holding period.

The number of free shares that will be vested pursuant to the LTIP 2015-2018 may vary based on the Company's performance and subject to the beneficiary remaining with the Group at the time of the final grant date.

With respect to the members of the Management Board, the LTIP 2015-2018 represents 24.5% of the total number of shares that may be granted.

2.5.3 LTIP 2016-2019

The LTIP 2016-2019 is a performance-based incentive plan that falls within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code, and gives the right to a grant of free shares.

The free shares granted must be existing shares on the vesting date, July 1, 2019. There is no additional holiding period.

The grant is subject to performance conditions (accomplishment of the objectives in the strategic plan) and continued presence within the Group.

The number of free shares that will vest pursuant to the LTIP 2016-2019 may vary based on the Company's performance and the beneficiary remaining with the Group on the final vesting date.

With respect to the members of the Management Board, the LTIP 2016-2019 represents 24.5% of the total number of shares potentially granted.

2.6 Consultation of Shareholders regarding Compensation of Corporate Officers

2.6.1 Consultation on compensation principles and components ("ex ante" vote – resolutions nos. 11 to 15 of the Combined Shareholders' Meeting of April 27, 2017)

2.6.1.1 Principles of the Management Board member's compensation

2.6.1.1.1 Basic principles

These principles have been established in compliance with the recommendations of the Afep-Medef Code, which the Company uses as its reference in matters relating to corporate governance.

- Principle of balance: the Group ensures that each component of the compensation paid to Management Board members is clearly justified and that no component is disproportionate.
- Principle of competitiveness: the Group ensures that the compensation paid to Management Board members is competitive, in particular by carrying out industry compensation benchmarks.
- Principle of alignment of interests: the Group's compensation policy is a management tool designed to attract, motivate, and retain the talent that the business needs, and this principle ensures that the interests and expectations of shareholders and management are aligned, in particular in terms of correlating compensation with the Company's performance.
- Principle of performance: the compensation paid to Management Board members is directly linked to the Company's performance, in particular the annual variable compensation. Payment of the variable portion is subject to the achievement of economic and personal objectives that are specific and measurable, contributing directly to the Group's overall strategy and objectives. The annual variable components do not include any minimum guaranteed payment and are based on rigorous operational performance criteria.

In addition, in order to incentivize Management Board members over the long term, a portion of their compensation comprises of performance shares. This component of compensation is linked to the Group's performance in two ways:

- by the number of shares ultimately granted at the end of the vesting period based on achieving the performance criteria; and
- by the Company's stock price at the end of the vesting period.

2.6.1.1.2 Methods for determination and evolution of principles

The principles for determining the compensation of the Management Board members are set by the Supervisory Board based on the recommendation of the Nomination and Compensation Committee.

They are reviewed annually, taking into account the Group's strategic plan and any changes in regulations and good governance practices.

It should be noted that only the Chairman of the Management Board is compensated for his work on the Management Board. Mr. Barthélemy and Ms. MacBeath receive no compensation in their capacities as members of the Management Board, but instead are compensated pursuant to their employment contracts.

2.6.1.2 Components of compensation paid to Management Board members

The compensation structure for members of the Management Board is identical, subject to certain specific items applicable to the Chairman of the Management Board and mentioned below.

2.6.1.2.1 Components of the compensation paid to Management Board members

The components of the compensation paid to members of the Management Board include:

- fixed compensation;
- annual variable compensation;
- performance shares;
- severance subject to performance conditions;
- non-compete compensation;
- other compensation and benefits of kind.

2.6.1.2.1.1 Fixed compensation

Fixed compensation is determined by the Supervisory Board, based on the recommendation of the Nomination and Compensation Committee. It is aligned with market practices, in order to ensure that the Company remains competitive and attractive. This positioning is measured through national and international compensation surveys (such as Mercer, Towers Watson, and Hay), as well as information from executive search firms.

2.6.1.2.1.2 Variable compensation

Objective: Annual variable compensation is designed to reward performance for the previous fiscal year. Payment of the variable portion is subject to the achievement of economic and personal objectives that are simple and measurable, directly linked to the Group's overall strategy and objectives.

Functional principles: Variable compensation includes two components:

- the first is based on **financial objectives** defined at the beginning of the fiscal year, representing 70% of the Management Board members' annual variable compensation.

For the last eight years, adjusted EBITDA and cash flow from operations have been the key indicators for measuring this portion of annual variable compensation. These key indicators may be supplemented by other relevant indicators in a given year. The weight given to each of the criteria is decided by the Supervisory Board.

The exact number set for each of the quantitative criteria is strategic and economically sensitive information that cannot be made public before year end.

Accomplishment of the objective will be communicated once the performance analysis is complete.

- The second is based on **personal objectives** defined at the beginning of the fiscal year with regard to the Group's challenges.

Annual variable compensation may vary from:

- 0% to 200% for the quantitative financial criteria that constitute 70% of variable compensation, and from 0% to 100% for the portion of the bonus based on the personal objectives representing 30%.

2.6.1.2.1.3 Exceptional compensation

By definition and in accordance with the AFEP/MEDEF recommendations, exceptional compensation may only be granted under very specific circumstances.

2.6.1.2.1.4 Medium-term compensation – LTIP

Objective: The objective of the medium-term compensation plans is to create loyalty and to compensate beneficiaries for achieving or surpassing the objectives of the medium-term strategic plan.

The Long Term Incentive Plans ("LTIP") were put in place in July 2011 to offer annual performance share grants or their equivalent in cash. The grants vest only if the beneficiary remains with the Group for three years and if the Company achieves its economic performance goals. The Company intends to set up an "LTIP 2017-2020" in 2017 that will be similar to those set up in previous years.

Legal framework: The LTIP were initially put in place in the form of free share grants within the scope of Articles L225-197-1 *et seq.* of the French Commercial Code. Between 2012 and 2015, the LTIP were set up outside the scope of this legal framework and may be paid out in cash, for cost reasons and in order to align with international practices. Since 2016, the LTIP falls within the scope of Articles L225-197-1 *et seq.* of the French Commercial Code. The Company plans to continue this practice in the future, barring regulatory or legal changes making it impossible to use this regime.

Performance level: In each LTIP, "performance" is defined as achieving the objectives of the medium-term strategic plan with regard to growth in EBITDA and debt reduction.

The objective set for each of the quantitative criteria is strategic and economically sensitive information that cannot be made public.

Accomplishment of the economic objective will be communicated once the performance analysis is complete.

Continued employment condition: Except under exceptional circumstances, vesting of the shares is subject to the Management Board member's remaining with the Company until the end of the vesting period.

Retention Period: The members of the Management Board are beneficiaries of these plans and are subject to a retention obligation applying to between 33% and 50% (after taxes) of the Tarkett shares paid out at the end of the vesting period, depending on their position on the Management Board, and lasting throughout the duration of their term.

Except for the LTIP that are awarded annually, the Management Board members do not receive any other multi-year compensation.

2.6.1.2.1.5 Compensation in case of termination

Except for the Chairman of the Management Board (see below), the Management Board members are not subject to any provisions relating to their departure.

2.6.1.2.1.6 Supplemental Pension Plan

Unlike most listed companies of comparable size, the Group has chosen not to set up a supplemental retirement plan. Preference was given to tools built on medium-term performance, giving management a stake in the share capital, leaving it to them to build their own retirement portfolio, if desired.

2.6.1.2.1.7 Non-compete compensation

Each Member of the Management Board is bound by a non-compete clause that the Company reserves the right to waive.

2.6.1.2.2 Provisions specific to the Chairman of the Management Board

The components of Mr. Giannuzzi's compensation in his capacity as Chairman of the Management Board were reviewed by the Supervisory Board at its meeting on February 9, 2017, as follows:

- **fixed compensation** of €750,000;
- **variable compensation** divided into two sub-components:
  - 70% of his annual variable compensation is based on quantitative objectives. Depending on the achievement level, a coefficient of between 0% to 200% is applied, such that he may receive up to 140% of his annual fixed compensation if the objectives are exceeded.

    For the 2017 fiscal year, the indicators used as quantitative objectives in defining Mr. Giannuzzi's variable compensation are: (i) adjusted EBITDA, which accounts for 40% of the quantitative portion, and (ii) operational cash flow accounts for 30%, with each multiplied by a coefficient of between 0% and 200%.
  - Personal objectives are defined at the beginning of the fiscal year and represent 30% of variable compensation and up to 30% of annual fixed compensation if the objectives are 100% achieved.

    For the 2017 fiscal year, Mr. Giannuzzi's personal objectives relate to the following: accelerating the business's transformation, pursuing organic growth in line with growth of the market as a whole, investing in customer innovation and marketing, reinforcing the Company's sustainability actions, and reinforcing the teams and company culture to ensure sustainable growth.
- **LTIP:** Mr. Giannuzzi is a beneficiary of the various LTIP and is bound by the conditions of these plans. Moreover, Mr. Giannuzzi is subject to a retention obligation of 50% of the Tarkett shares paid out to him at the end of these plans. The retention period lasts as long as he remains as Chairman of the Management Board.

Mr. Giannuzzi will be a beneficiary of the LTIP 2017-2020 when it is set up.

- **Compensation due in case of termination:** Subject to the performance requirements defined below, Mr. Giannuzzi will be entitled to a severance payment equivalent to two years of the gross base salary and bonus paid during the twelve months prior to his departure as Chairman of the Management Board. In the event that Mr. Giannuzzi is to receive both severance pay and the non-compete payment described below, the total amount that he receives will, in any case, not exceed an amount equivalent to the two years of the gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board.

  Performance is measured using the same achievement rate that is used to calculate annual variable compensation. The amount is equal to the average performance achieved by Mr. Giannuzzi during the three calendar years preceding his departure.

  The severance payment is contingent on having achieved an average of 50% to 100% of the performance goals during the last three years (i.e., no payment will be made unless the average achievement rate exceeds 50% and full payment will only be received if the average achievement rate is 100%). For example, if the achievement rate is 90%, the severance payment will be 90% of the amount defined above.

- **Non-compete compensation:** Mr. Giannuzzi benefits from compensation for his non-compete clause equal to his gross base salary and bonus received during the twelve months prior to his departure from the position of Chairman of the Management Board, payable in 24 monthly payments throughout the duration of his non-compete commitment. The Company has the right to waive the non-compete clause. The non-compete compensation will be deducted from his severance compensation, if applicable.

- **Benefits in Kind:** Mr. Giannuzzi has the use of a company car.

Mr. Giannuzzi receives no attendance fees in any of his capacities within the Tarkett Group, and does not benefit from any deferred, multi-year, or exceptional compensation, or from a supplemental retirement plan.

2.6.1.2.3 Provisions specific to Mr. Barthélemy

The components of Mr. Barthélemy compensation under his employment agreement (as EMEA President, effective as of February 13, 2017) were reviewed by the Supervisory Board at its meeting on February 9, 2017, as follows:

- **Fixed compensation** of €340,000;
- **Variable compensation** divided into two sub-components:
  - the first, based on quantitative objectives, represents 49% of his annual fixed compensation. Depending on the achievement level, a coefficient of between 0% to 200% is applied, such that he may receive up to 98% of his annual fixed compensation if the objectives are exceeded.

    For the 2017 fiscal year, the indicators used as quantitative objectives in defining Mr. Barthélemy's variable compensation are: (i) Group EBITDA which accounts for 7% and the EMEA division's EBITDA which accounts for 17.5%, and (ii) operational cash flow accounts for 7% at the Group level and 17.5% for the EMEA division, with each multiplied by a coefficient of between 0% and 200%.
  - the second is based on personal objectives defined at the beginning of the fiscal year and represents 21% of annual fixed compensation, multiplied by a coefficient of between 0% and 100%, such that up to 21% of annual fixed compensation may be granted.

    For the 2017 fiscal year, Mr. Barthélemy's personal objectives relate to the following: continued improvement in the customer experience, marketing, and logistics performance; organic growth, in particular in certain segments and product lines; reinforcement of sustainable development actions; and the development of teams to ensure sustainable growth.
- **LTIP:** Mr. Barthélemy is a beneficiary of the various LTIP and is bound by the conditions of these plans. Moreover, Mr. Barthélemy is subject to a retention obligation of 33%, after taxation of the related capital gains, of the Tarkett shares paid out to him at the end of these plans. The retention period lasts as long as his employment agreement remains in effect.

  Mr. Barthélemy will be a beneficiary of the LTIP 2017-2020 when it is set up.
- **Non-compete compensation:** Mr. Barthélemy will be paid monthly compensation equal to 50% of the average monthly salary received during the twelve months preceding the termination of his employment contract with the Company. The non-compete period is in effect for two years following Mr. Barthélemy's departure from the Company. The Company has the right to waive the non-compete clause.
- **Benefits in Kind:** Mr. Barthélemy has the use of a company car.

Mr. Barthélemy receives no attendance fees in any of his capacities within the Tarkett Group, and does not benefit from any deferred, multi-year, or exceptional compensation, or from a supplemental retirement plan.

2.6.1.2.4 Provisions specific to Ms. MacBeath

The components of Ms. MacBeath's compensation under her employment agreement were reviewed by the Supervisory Board at its meeting on February 9, 2017 as follows:

- **Fixed compensation** of €320,000;
- **Variable compensation** divided into two sub-components:
  - **Quantitative objectives** are defined at the beginning of the fiscal year, representing 35% of her annual fixed compensation. Depending on the achievement level, a coefficient of between 0% to 200% is applied, such that she may receive up to 70% of her annual fixed compensation if the objectives are exceeded.

    For the 2017 fiscal year, the indicators used as quantitative objectives in defining Ms. MacBeath's variable compensation are: (i) adjusted EBITDA which accounts for 20%, and (ii) operational cash flow which accounts for 15%, with each multiplied by a coefficient of between 0% and 200%.
  - **Personal objectives** are defined at the beginning of the fiscal year and if fully achieved this variable portion can represent up to 15% of annual fixed compensation.

    For the 2017 fiscal year, Ms. MacBeath's personal objectives relate to the following: supporting the transformation of the business and its divisions, further strengthening the organization and taking actions to develop the teams to ensure sustainable growth.

- LTIP: Ms. MacBeath is a beneficiary of the LTIP 2016-2019 and is bound by the conditions of these plans. Moreover, Ms. MacBeath is subject to a retention obligation of 33%, after taxation of the related capital gains, of the Tarkett shares paid out to her at the end of these plans. The retention period lasts as long as her employment agreement remains in effect.

  Ms. MacBeath will be a beneficiary of the LTIP 2017-2020 when it is set up.
- Non-compete compensation: Ms. MacBeath will be paid monthly compensation equal to 50% of the average monthly salary received during the twelve months preceding the termination of her employment contract with the Company. The non-compete period is in effect for two years following Ms. MacBeath's departure from the Company. The Company has the right to waive the non-compete clause.
- Benefits in Kind: Ms. MacBeath has the use of a company car.

Ms. MacBeath receives no attendance fees in any of her capacities within the Tarkett Group, and does not benefit from any deferred, multi-year, or exceptional compensation, or from a supplemental retirement plan.

2.6.1.3 Principles and components of the compensation paid to Supervisory Board members

2.6.1.3.1 Principle

The Supervisory Board allocates attendance fees among its members, based on the recommendation of the Nomination and Compensation Committee, and within the limits of the overall amount allocated at the General Shareholders' Meeting.

The allocation of attendance fees among the members of the Supervisory Board takes into account their actual participation in the meetings of the Board and its committees.

Finally, it is noted that the Company's Bylaws require the members of the Board to use one-half of their attendance fees paid each year to acquire and retain at least 1,000 shares of the Company.

2.6.1.3.2 Application

The maximum amount of attendance fees authorized by the General Shareholders' Meeting of November 4, 2013 is €450,000.

The Supervisory Board decided on October 9, 2013, that beginning in 2014 it would allocate the attendance fees paid to members as follows:

- each Member of the Supervisory Board receives €35,000 annually;
- the Chairman of the Supervisory Board receives an additional €35,000 annually, and the Vice-Chairman receives an additional amount of €10,000;
- each Member of the Supervisory Board's specialized committees receives €5,000 annually; and
- the Chairmen of such committees receive an additional €15,000 annually (prior to 2015, this amount was €10,000 for the Chairman of the Nominations and Compensation Committee).

A penalty of €1,000 euros is applied for absence from a Committee meeting, and a penalty of €3,000 is applied for absence from a Supervisory Board meeting.

In order to take into account the increase in the number of Supervisory Board members, and subject to the approval of the 6th through 10th resolutions to be voted on by the General Shareholders' Meeting on April 27, 2017, the 15th resolution will propose an increase in the maximum amount to €500,000.

This increase will have no effect on the allocation described below and will apply beginning in 2017.

2.6.2 Consultation on the components of the compensation due or granted for the fiscal year ended December 31, 2016 ("ex post" vote – resolutions nos. 16 to 19 of the Combined General Meeting of April 27, 2017)

2.6.2.1 Components of compensation due or granted to Michel Giannuzzi (Chairman of the Management Board) during the fiscal year ended December 31, 2016 (resolution no. 16 for the Combined General Meeting of April 27, 2017)

Components of compensation due or granted for the year ended December 31, 2016	Amount or accounting value submitted for approval *(in euros)*	Presentation
Fixed compensation	750,000	
Annual variable compensation	1,030,200	
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares and any other long-term compensation	Options = N/A	No option grants
	51,000 shares (value of €1,632,000)	Target amount of performance share grant, or equivalent in cash, in connection with the LTIP 2016-2019
Attendance Fees	N/A	Mr. Giannuzzi does not receive attendance fees.
Valuation of benefits of all kinds	5,226	Company car

Components of compensation due or granted during the fiscal year that are or were voted on by the General Shareholders' Meeting as related party agreements or commitments	Amount submitted for approval *(in euros)*	Presentation
Retention bonus	300,000	A retention bonus in the amount of €300,000 will be paid to Mr. Giannuzzi on November 1, 2017 if he remains with Tarkett on such date
Departure compensation [(1)]	0	Departure compensation subject to performance conditions specified in Section 2.3.9.2, of an amount equal to two years gross fixed and variable compensation received by Mr. Michel Giannuzzi during the 12 months preceding his departure from his position as Chairman of the Management Board and, if applicable, under his employment contract
Non-competition compensation [(1)]	0	Non-competition clause in an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board, payable in 24 monthly payments throughout the duration of his non-compete commitment. The Company has the right to waive the non-compete clause
Supplemental Pension Plan	N/A	No supplemental retirement plan

(1) In the event that Mr. Giannuzzi is to receive both the departure compensation and the non-competition compensation described above, the total amount that he receives will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure.

2.6.2.2 Components of compensation due or granted to Fabrice Barthélemy (CFO and Member of the Management Board) during the fiscal year ended December 31, 2016 (resolution no. 17 for the Combined General Meeting of April 27, 2017)

Components of compensation due or granted for the year ended December 31, 2016	**Amount or accounting value submitted for approval** *(in euros)*	**Presentation**
Fixed compensation	315,000	
Annual variable compensation	216,342	
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares and any other long-term compensation	Options = N/A	No option grants
	13,600 shares (value of €435,200)	Target amount of performance share grant, or equivalent in cash, in connection with the LTIP 2016-2019
Attendance Fees	N/A	Mr. Barthélemy does not receive attendance fees
Valuation of benefits of all kinds	3,128	Company car

Components of compensation due or granted during the fiscal year that are or were voted on by the General Shareholders' Meeting as related party agreements or commitments	**Amount submitted for approval** *(in euros)*	**Presentation**
Departure compensation	N/A	
Non-competition compensation	0	Each month for twelve months, a payment equal to (i) 50% of his average monthly salary during the twelve months preceding the termination of his employment contract (assuming termination at the Company's initiative) or (ii) one-third of his average monthly salary during the twelve months preceding the termination of his employment contract (assuming termination at his own initiative). The Company has the right to waive the non-compete clause
Supplemental Pension Plan	N/A	No supplemental retirement plan

2.6.2.3 Components of compensation due or granted to Vincent Lecerf (Director of Human Resources and Member of the Management Board) during the fiscal year ended December 31, 2016 (resolution no. 18 for the Combined General Meeting of April 27, 2017)

Components of compensation due or granted for the year ended December 31, 2016	**Amount or accounting value submitted for approval** *(in euros)*	**Presentation**
Fixed compensation	300,000	
Annual variable compensation	206,040	
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares and any other long-term compensation	Options = N/A	No option grants
	Zero	Target amount of performance share grant, or equivalent in cash, in connection with the LTIP 2016-2019
Attendance Fees	N/A	Mr. Lecerf does not receive attendance fees
Valuation of benefits of all kinds	3,018	Company car

Components of compensation due or granted during the fiscal year that are or were voted on by the General Shareholders' Meeting as related party agreements or commitments	**Amount submitted for approval** *(in euros)*	**Presentation**
Departure compensation	N/A	
Non-competition compensation	0	Each month for twelve months, a payment equal to 40% of his average monthly salary during the twelve months preceding the termination of his employment contract. The Company has the right to waive the non-compete clause.
Supplemental Pension Plan	N/A	No supplemental retirement plan

2.6.2.4 Components of compensation due or granted to Didier Deconinck (Chairman of the Supervisory Board) during the fiscal year ended December 31, 2016 (resolution no. 19 for the Combined General Meeting of April 27, 2017)

Components of compensation due or granted for the year ended December 31, 2016	**Amount or accounting value submitted for approval** *(in euros)*	**Presentation**
Fixed compensation	N/A	
Annual variable compensation	70,000	Attendance fees (see Section 2.3.3)
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares and any other long-term compensation	N/A N/A	
Attendance Fees	N/A	
Valuation of benefits of all kinds	N/A	

Components of compensation due or granted during the fiscal year that are or were voted on by the General Shareholders' Meeting as related party agreements or commitments	**Amount submitted for approval** *(in euros)*	**Presentation**
Departure compensation	N/A	
Non-competition compensation	N/A	
Supplemental Pension Plan	N/A	

2.7 Profit-sharing agreements and incentive schemes

2.7.1 Profit-sharing agreements

Pursuant to Articles L.3322-2 and L.3324-1 of the French Labor Code, profit-sharing agreements are required within companies with more than 50 employees that realize taxable income in an amount greater than 5% of shareholders' equity. As a result, a profit-sharing agreement was entered into in certain of the Group's French entities.

2.7.2 Incentive schemes

Pursuant to Article L.3312-1 of the French Labor Code, an incentive scheme is an optional mechanism whose purpose is to give employees collectively a share in the business's success, and more specifically its performance and results, by using a formula to calculate immediately available bonuses. The Company maintains incentive schemes within certain of its French entities, each of which has a fixed term of three years. Each incentive scheme has its own formula for calculating bonus payments.

2.7.3 Company savings plans and similar plans

Pursuant to Article L.3332-3 of the French Labor Code, companies with profit-sharing plans are required to maintain company savings plans. A group or company savings plan is a collective savings scheme that offers employees of the companies subscribing to the plan the ability, to build investment portfolios with the help of their employers. Contributions to the company savings plan can be based on profit-sharing or incentive agreements, as well as voluntary contributions. Amounts invested in a company savings plan cannot be withdrawn for five years, except in the early-withdrawal cases provided for by law. The Group created a company savings plan on June 29, 2004 for a term of one year, renewable automatically. This plan offers employees who have been with the Company for over three months the ability to allocate amounts paid to them immediately and in full to subscribe for shares in company investment funds (*fonds communs de placement d'entreprises*, or "FCPE").

2.8 Transactions by Members of Management in the Company's securities

The table below shows, for the fiscal year ended December 31, 2016, the share acquisitions, disposals and exchanges, as well as transactions in closely related Financial Instruments, that come within the scope of Articles L.621-18-2 and R.621-43-1 of the French Monetary and Financial Code and Article 19 of Regulation (EU) No. 596/2014 dated April 16, 2014 on market abuse:

Name of Reporting Person	Positions Held Within the Company	Nature of the transaction	Place	Description and Number of Financial Instruments	Date	Amount *(in euros)*
Éric La Bonnardière	Member of the Supervisory Board	Acquisitions	Euronext Paris	600 shares	Feb. 23, 2016	15,300
Vincent Lecerf	Member of the Management Board	Disposals	Euronext Paris	10,000 shares	Sept. 16, 2016	345,500
Fabrice Barthélemy	Member of the Management Board	Disposals	Euronext Paris	819 shares	Sept. 16, 2016	28,419
Fabrice Barthélemy	Member of the Management Board	Disposals	Euronext Paris	1,000 shares	Sept. 19, 2016	35,500
Vincent Lecerf	Member of the Management Board	Disposals	Euronext Paris	7,331 shares	Sept. 19, 2016	254,040
Vincent Lecerf	Member of the Management Board	Disposals	Euronext Paris	7,000 shares	Sept. 22, 2016	252,000
Michel Giannuzzi	Chairman of the Management Board	Disposals	Euronext Paris	12,013 shares	Sept. 23, 2016	432,536
Michel Giannuzzi	Chairman of the Management Board	Disposals	Euronext Paris	12,466 shares	Sept. 29, 2016	449,248
Vincent Lecerf	Member of the Management Board	Disposals	Euronext Paris	7,300 shares	Sept. 29, 2016	262,800
Michel Giannuzzi	Chairman of the Management Board	Disposals	Euronext Paris	6,674 shares	Sept. 30, 2016	240,419
Marie-Hélène Giannuzzi	Natural person related to the Chairman of the Management Board	Acquisitions	Euronext Paris	165 shares	Nov. 16, 2016	4,950
Michel Giannuzzi	Chairman of the Management Board	Acquisitions	Euronext Paris	168 shares	Nov. 16, 2016	5,040
Michel Giannuzzi	Chairman of the Management Board	Disposals	Euronext Paris	1 share	Nov. 17, 2016	30
Fabrice Barthélemy	Member of the Management Board	Disposals	Euronext Paris	2,000 shares	Dec. 6, 2016	65,240
Agnès Touraine	Member of the Supervisory Board	Acquisitions	Equiduct	800 shares	Dec. 23, 2016	27,213
Éric La Bonnardière	Member of the Supervisory Board	Acquisitions	Euronext Paris	400 shares	Dec. 30, 2016	13,712

2.9 Principal related party transactions

Material transactions entered into or ongoing between the Company and related parties (whether individuals or entities) consist of the following.

2.9.1 Guarantees

The Company:

- has granted a General Indemnity Agreement of a maximum amount up to USD 75.0 million in favor of Federal Insurance Company in consideration of an agreement to execute security bonds in favor of FieldTurf Tarkett Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total USD 96 million;
- has granted a guarantee given to the Swedish retirement insurance company Pri-Pensionsgaranti to insure Tarkett AB's employee benefit commitments in the amount of SEK 183.5 million;
- granted a guarantee covering 50% of the two credit lines, with a maximum amount of €5 million each, granted to its joint venture Laminate Park GmbH & Co KG;
- has granted a guarantee to a raw materials supplier of its subsidiary Morton Extrusion Technik (MET) to secure its payables up to €7.0 million;
- has granted guarantees on special purpose bank accounts to a bank that carries out European assignment of receivables transactions, of which none was drawn down at year end. In addition, Tarkett has granted its guarantee as parent company to the lenders of Tarkett Limited (GB), Desso Holding (Netherlands) and Tarkett Asia Pacific Ltd (People's Republic of China) to obtain overdraft facilities or letters of credit for a total amount equal to €12.7 million as of the balance sheet date.

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

2.9.2 Service agreement with Société Investissement Deconinck (SID)

Tarkett and SID have entered into a service agreement, effective as of January 1, 2014, pursuant to which Tarkett provides SID with administrative support including administrative, tax and accounting services, for an annual cost of €75,000, excluding taxes. In 2016, the services that Tarkett SA provided to SID were invoiced in the amount of €75,000, excluding taxes.

2.9.3 Assistance agreement with Société Investissement Deconinck (SID)

Société Investissement Deconinck – SID and the Company entered into an assistance agreement pursuant to which SID assists in determining the Company's strategy. Under this agreement, SID receives an annual payment of €500,000 (excluding taxes), subject to revision based on an index chosen by SID and the Company, in exchange for its services, including the time spent by the members of its Management Board and its role in defining the Company's strategy.

2.9.4 Cash management agreements

The Company has cash management agreements in place with some of its subsidiaries to organize financing between the Group's entities and manage centralization of the Group's treasury.

2.9.5 Service agreements

The Company has entered into service agreements with some of its French and foreign manufacturing subsidiaries. The purpose of these agreements is to provide management, financial, legal, human resources, marketing and communication services. These agreements represented an aggregate amount of €16.6 million in 2016.

The Company has also entered into IT assistance agreements with certain of its subsidiaries. The purpose of these agreements is to provide IT, project management, development, IT licensing and consulting services (audit and SAP project preparation). These agreements represented an aggregate amount of €19.1 million in 2016.

3 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

3.1 Sustainability at Tarkett

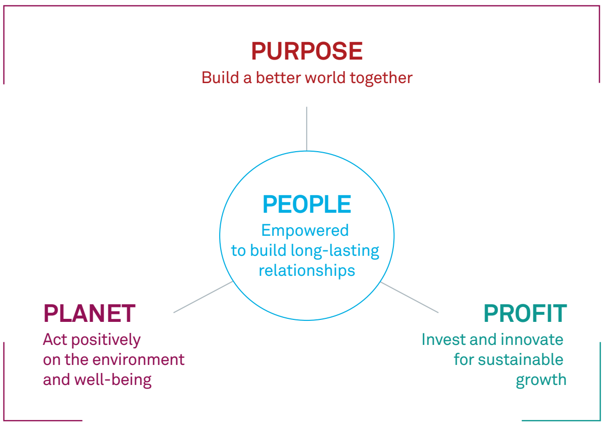
3.1.1 Our ambition: Committed to better living spaces

3.1.1.1 A sound strategy based on a clear vision

In 2016, Tarkett reaffirmed its commitment to sustainable development. This runs right through the Group's newly unveiled 2017-2020 strategy, which emphasizes our vision **to be the global leader in innovative solutions that generate value for customers in a sustainable way**.

For Tarkett, sustainable development implies much more than legal compliance or societal responsibility: it is a central philosophy integrated into the Group's strategy, serving as a key success factor and a means of differentiation in ever-more competitive markets. This integrated approach fuels our sustainability strategy, which is based on **four pillars: Purpose, People, Planet, and Profit**.

Our 4P Strategy to address environmental and societal challenges



In 2016, extensive work was carried out on the **People, Profit, and Planet** dimensions, enabling us to further implement and reinforce sustainable development fundamentals throughout the Group's operations. These three dimensions, which are the foundations of our sustainability commitments, are underpinned by a fourth pillar – **Purpose**, which drives and meaningfully defines our entire approach.

This pillar fits into a global context and takes into account environmental and society issues. It is the underlying factor that has shaped and guided **Tarkett's determination to contribute, wherever its business activities allow, to addressing several of the most important and pressing challenges that face society** in the 21st century:

- **combatting climate change;**
- **managing scarce natural resources sustainably;**
- **promoting people's well-being and the development of healthy living spaces;** especially within a context of rapid urbanization and aging populations.

This vision was given further relevance in 2016, given that our sustainability commitments were closely aligned with the results of Tarkett's comprehensive materiality assessment – an analysis of the expectations of our internal and external stakeholders – and the 17 United Nations sustainable development goals. Tarkett also undertakes the Ten Principles of the United Nations' Global Compact, promoting their respect in all relationships.

3.1.1.2 Contributing to the United Nations sustainable development Goals and Principles

According to Michel Giannuzzi, CEO of Tarkett:

"Tarkett is building its commitment to sustainable and responsible development by incorporating into its strategy and its operations not only the three dimensions of "People, Planet and Profit," but also "Purpose," in order to contribute to societal challenges including resource scarcity, climate change, urbanization and the aging of the population. At the heart of this "4Ps" approach, we inspire our teams to build long-lasting relationships and gain the confidence of our customers, suppliers, investors and local communities so that, together, we can build a better world, for today and for tomorrow. In accordance with the Tarkett Code of Ethics, we are also committed to respecting and promoting people's fundamental rights, the ten principles of the UN Global Compact, and the principles of the Declaration of Human Rights to our various stakeholders. Our vision is also focusing on 5 of the 17 UN sustainable development goals."

In 2015, the United Nations and leaders of individual countries, committed themselves to achieving, by 2030, **17 sustainable development goals** that are detailed in 169 specific targets. The ambition of these goals is to eradicate poverty, protect the planet and ensure prosperity for all. All players will have to contribute to achieving these goals: governments, the private sector, civil society and citizens.

Tarkett's sustainable development strategy, and in particular the four pillars of its Closed-Loop Circular Design Approach: Good Materials, Resource Stewardship, People-Friendly Spaces, and Reuse, contribute toward five of the UN's sustainable development goals.

Tarkett's main contributions to the United Nations sustainable development Goals

Sustainability strategy based on the "Closed-Loop Circular Design" approach

› **Goal 3: Good Health & Well-Being**

Tarkett's answer: Ensure healthy lives and promote well-being for all people, of all ages – by assessing and selecting the raw materials we use and designing products that guarantee well-being, health, and indoor air quality.

› **Goal 12: Responsible Consumption & Production**

Tarkett's answer: Ensure sustainable consumption and production patterns by developing a collaborative circular economy – by the careful attention we pay to resources and our efforts to derive value from waste and post-used products, moving to a circular economy model, and promoting a "Responsible Use of PVC".

› **Goal 13: Climate Action**

Tarkett's answer: Take concrete actions to combat climate change at each step of our activities (eco-design, production, transports, use and recycling); increase the use of renewable energy and electricity.

Social and Entrepreneurial Responsibility

› **Goal 11: Sustainable cities and communities**

Tarkett's answer: Contribute to developing safe working environments, encourage dialog and diversity, and engagement with local communities.

Accelerate our Stakeholders' commitment

› **Goal 17: Partnerships to achieve goals**

Tarkett's answer: Strengthen and develop global partnerships to accelerate sustainable development and circular economy models.

Since 2010, Tarkett adheres to the Ten Principles of the United Nations Global Compact.

THE GLOBAL COMPACT
WE SUPPORT

The Ten Principles of the United Nations Global Compact

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. They should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition ofthe right to collective bargaining.
4. They should uphold the elimination of all forms of forced and compulsory labor.
5. They should uphold the effective abolition of child labor.
6. They should uphold the elimination of discrimination in respect of employment andoccupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. They should undertake initiatives to promote greater Environmental Responsibility.
9. They should encourage the development and diffusion of environmentally friendlytechnologies.
10. Businesses should work against corruption in all its forms, including extortion andbribery.

3.1.1.3 Global challenges – drivers for innovation and value creation

The pressing challenges cited above serve as drivers for innovation, and also for the evolution of Tarkett's business model.

The expected exponential growth in the world's population in coming decades will place mounting pressure on the availability of natural resources. Tarkett has chosen to address this issue head-on by adopting a new paradigm: our products should no longer have an *end of life*, rather an *end of use*.

The Group applies several concrete measures that contribute toward a more circular economy – an economy that creates value while respecting natural resources, the environment, and people's well-being and health: we use recycled, rapidly renewable and/or abundantly available raw materials; we design recyclable and healthy products; we manufacture them in plants that limit the amount of water and energy used; and we propose take back and recycling services (such as the ReStart program) to close the loop.

Our commitment also stands as a concrete answer to **combat climate change** and several actions contribute to reducing greenhouse gas emissions [1]:

- close monitoring of the Group's energy consumption;
- supporting renewable energy generation;
- reducing the proportion of virgin raw materials used in the manufacturing of products;
- limiting waste production.

Moreover, **urbanization is expected to continue and accelerate** in the foreseeable future. The essential components of urban living include not only functional and healthy living areas, but also pleasant and comfortable ones. As such, floor coverings play a key role in transforming urban areas into living areas, particularly in a world where people spend 90% of their time indoors. Another major challenge is meeting the needs **of the world's aging population**. This includes the need for innovative products that ensure safety and quality of life for seniors who want to remain autonomous and active.

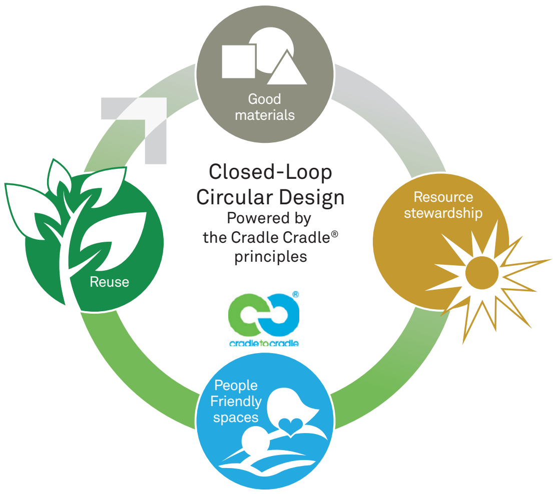
In response to these challenges, Tarkett has developed a range of unique flooring solutions to improve indoor air quality, such as low VOC [2] emissions products, asthma and allergy-friendly floor coverings and dust-capturing carpets. We have also pioneered the use of non-phthalate plasticizers in the vinyl coatings for healthy spaces.

In addition, a number of our innovations are specifically designed to improve well-being (anti-slip solutions, resistant flooring for high traffic, flooring color systems for Alzheimer patients, solutions easy installation and renovation, connected flooring solutions to detect falls.)

Focus: Tarkett's Closed-Loop Circular Design approach

Sustainable development establishes an ongoing dialog between social, environmental, and economic stakes. Tarkett's responses to today's challenges, highlighted by our Purpose pillar, foster such a dialog, something we achieve as a result of continuous interactions with stakeholders, constant innovation, and a clear understanding of the key challenges and areas where the Group can make an impact – today and in the future.

The backbone of the Group's strategy on the environment and innovation – Closed Loop Circular Design approach, inspired by Cradle to Cradle® principles – reflects this dialog perfectly.



This holistic approach of "Closed-Loop Circular Design", based on circular economy principles and underpinned by the Cradle to Cradle® methodology aims to respect people's well-being and the environment, and drives eco-innovation simultaneously according to the following principles:

- consider natural resources scarcity and climate change;
- select materials that respect users' health and contribute to their quality of life;
- develop new business models that go beyond product performance. These models are increasingly focused on the quality – and therefore on the total value – of the solutions and services the Group provides.

Thanks to the range of concrete actions that have been led and the clarity of thinking around our Purpose pillars, **Tarkett has now an established reputation in the sector as a strong and reliable leader and advocate for sustainability**.

Our forward thinking approach has been viewed favorably, and publicized for a number of years by respected bodies such as the World Economic Forum, the Positive Economy Forum, and the Ellen MacArthur Foundation (via its "Circular Economy 100" program). Tarkett's reputation in this area enables to assert ourselves in national, regional and international discussions. This allows us to positively influence sector-specific product and environmental standards, such as indoor air quality (level of VOC emissions from floor coverings), responsible use and disposal of PVC materials (non-phthalate plasticizers, collect and recycling service).

(1) See Deloitte report on Circular economy potential for climate change – 2016 (https://www2.deloitte.com/fr/fr/pages/sustainability-services/articles/circular-economy-potential-for-climate-change-mitigation.html).
(2) Volatile organic compounds.

3.1.1.4 Sustainable and responsible actions – integrated across Tarkett's activities

Tarkett's sustainability performance and Corporate Social Responsibility (CSR) are the fruit of the **full integration of sustainable development throughout the Group's operations and activities**. As well as driving research and innovation, this is a central component in the development of long-lasting relationships with both our internal and external stakeholders.

Employees' commitment and involvement are key for Tarkett to achieve its ambition. Tarkett has a history of encouraging a strong entrepreneurial spirit, empowering people to express the best of themselves. This empowerment philosophy is guided by Tarkett's values and Social Responsibility principles:

- fostering safety, mutual respect and integrity in relationships;
- promoting diversity and developing an inclusive culture;
- establishing and maintaining a proactive and engaging dialog with employees;
- supporting local communities.

This commitment to sustainability and CSR is led by the Executive Management Committee. It is underpinned by a structured process and the motivation of employees to actively participate in collaborative projects, whether it be with clients, suppliers or partners.

All of these Group's initiatives rely on a balance between:

- local empowerment and global efforts to enable decision-making that is adapted to local needs and circumstances, especially with customers and partners;
- the Group's values and overall strategy which drive innovation and sustainable value creation;
- a partnership approach increase the Stakeholders' performance and value creation.

3.1.2 Sustainable development – Performance and Governance

3.1.2.1 Performance indicators 2016

Resource scarcity and Circular economy indicators:

Selecting good materials

68% → 2020 75%

of materials do not contribute to resource scarcity (mineral abundant, rapidly renewable and recycled material) – (% of volumes purchased).

80,000 tons

Around 80,000 tons (79,628 tons) of recycled materials were used as resources in manufacturing; **+27%** compared with 2015 (55,000 tons); which represents **6%** of volumes purchased (compared with 5% in 2015).

Developing ReStart collection programs at our customers' sites

8,900 tons

post-installation and post-consumer flooring collected.

Optimizing water consumption

60% → 2020 100%

of manufacturing plants have installed closed-loop water circuits (or do not use fresh water in their processes), compared with 57% in 2015.

Climate change

25%

of energy consumption comes from on-site renewable energy (energy and renewable electricity suppliers).

4.09 kWh/m²

Energy consumption per unit of manufactured product; **-3%** compared with 2015.

-8%

GHG emissions: 0.94 $kgCO_2e/m^2$; -8% compared with 2015. Tarkett's 2020 objective: -20% against a 2010 baselin (Scope 2). 45% of plants have improved energy efficiency by reducing energy consumption (kWh/m²).

Healthy spaces and well-being

Selecting good materials for human health and the environment

95% → 2020 100%

Around 95% of raw materials assessed according to Cradle to Cradle® criteria, compared with 80% in 2015 and 8% in 2011.

2,738

Representing 2,738 individual types of material since 2010.

Improving indoor air quality and contributing to healthy spaces

92% → 2020 100%

of flooring products are low VOC (Volatile Organic Compounds) emission products (compared with 21% in 2010).

57% → 2020 100%

of vinyl flooring are non-phthalate products (excluding recycled content).

Social

Safety

1.17

Lost time accident frequency rate **Tarkett worldwide** (absence >24 hours per million hours worked = FR0t).

1.34

Lost time accident frequency rate, **plants** only (absence >24 hours per million hours worked = FR0t); compared with **2.32** in 2015; – important progress: **-69%** 2016/2010; **-42%** 2016/2015.

Diversity

18%

share of women in senior management positions (Executive Management Committee level and levels immediately below the CEO (direct and indirect reports)).

26%

of managers are women (among 1,500 management positions).

Dialog

89%

of employees participated in the employee feedback survey.

3.1.2.2 Sustainable development Governance

Since his arrival in 2009, Michel Giannuzzi, CEO of Tarkett, has deeply shaped the Group in terms of its transition toward the circular economy. He has set ambitious sustainable 2020 objectives, addressing all the dimensions of People, Profit and Planet.

"Committed to better living, we put sustainability at the heart of our vision, our business strategy and our operations, which provides an inspiring Purpose for all of us. It reconciles People, Planet and Profit to achieve profitable and sustained growth which is shared among employees, customers, business partners and shareholders."

Tarkett has structured a comprehensive process to drive sustainability and CSR performance at all levels within the Group. By doing this, sustainable development has been progressively incorporated into Tarkett's management processes: from our Research & Innovation Strategy, through the World Class Manufacturing (WCM) Program in our production plants, to our business activities and Support Functions. Both Group and divisions (EMEA, North America and Eastern Europe) are involved- Research & Innovation, HR, WCM/operations, purchasing, marketing, sales, communications, legal, and others. These address sustainability and CSR topics within their existing committees and networks. A dedicated environmental sustainability committee has been created, led by the EVP Research, Innovation & Environment, a member of the Executive Management Committee (see Section 3.2.3.1); the Committee gathers and harnesses the talents of a network of champions and experts. Since 2015, sustainability has also been integrated into internal audit programs, in the same way as for ethical or financial topics.

An essential tool for measuring and guiding Tarkett's performance is the Group's sustainable development dashboard. It was designed to provide both qualitative and quantitative indicators about the implementation of the sustainable development strategy. Some of these indicators constitute Tarkett's 2020 roadmap, where their progress is followed against a base year. On environmental topics, this roadmap has been also developed at the division level (EMEA, North America and Eastern Europe) as well at the plant level being integrated into the WCM program, and it is discussed during each division's Board.

Led and supervised by the CEO, sustainable development strategy and the 2020 roadmap are discussed at the Executive Management Committee (EMC). The CEO has proposed to the Supervisory Board and to the Nominations & Compensation Committee that Sustainability & CSR objectives should be reflected on the EMC members' bonuses, depending on the scope of their particular responsibilities.

Tarkett's CEO also shares with shareholders and all employees his vision, the Group's sustainability strategy and the progress achieved on it. Selected examples of these presentations to:

- the main shareholder (Société Investissement Deconinck) regarding the Responsible use of PVC, during the SID meeting in November 2016;
- the Shareholders at their Annual Shareholders Meeting in April 2016;
- all employees through the internal newsletter, Experiences, available in 11 languages;
- Tarkett's 150 most senior managers, at our annual FoCuS meeting in December 2016.

Each year, Tarkett publishes its sustainability & CSR report, including its dashboard and 2020 objectives, which are reviewed by an independent third party (see Section 3.4). This report, along with our sustainability/CSR dashboard and roadmap are inspired not simply by regulatory compliance (in the form of Grenelle 2 legislation, which is applied on the French stock-exchange-listed companies), but also by recognized standards and good practices references. These include the Ten Principles of the United Nations Global Compact and the Sustainability Reporting Guidelines of the Global Reporting Initiative (the GRI G4 option). (See Section 3.4.3 concordance table Grenelle 2/GRI/Tarkett Report.)

3.1.3 Stakeholder dialog

3.1.3.1 An ongoing conversation with our stakeholders

Tarkett is committed to meeting the expectations of its stakeholders by investing in long-term relations and ongoing conversations. This approach provides a powerful lever to explore new sustainable business models and ensure their alignment with our vision for a sustainable future. All our work in this area is built on a threefold foundation of trust, transparency, and dialog.

Over many years, Tarkett has worked to develop such relationships throughout its value chain. We pay special attention to our closest partners – suppliers, customers and communities (Section 3.2.2) – enabling us to design products for local needs and markets. Regular Tarkett focus groups gather customers, architects and designers to discuss requirements and present prototypes.

Tarkett is also a global player and recognized expert on sustainable development. We regularly take part in programs and events to broaden our horizons, frequently appearing alongside governmental bodies, reporting agencies and NGOs.

An International leading expert
Tarkett contributed throughout the year to the World Economic Forum's debates in three areas:

- Accelerate innovation and develop the circular economy model under a collaborative program coordinated by business leaders and managed by the World Economic Forum and the Ellen MacArthur Foundation (Global Challenge Initiative on Environment and Natural Resource Security).
- Combat climate change by setting objectives and implementing concrete measures together with businesses and governments through the CEO Climate Leaders network.
- Innovate and develop solutions promoting quality of life in urban environments and foster cross-sector cooperation as part of the Future of Construction initiative.

In 2016 and beginning of 2017, we also played a strong role in a number of other high-profile international events, focusing on innovation and sustainability:

- In January 2016, Tarkett took part in the "Global Challenge" on "Environment and Resource Security," and gave input as an Industry Partner on "Infrastructure and Urban Development." We also seized the opportunity to exchange expertise with other sectors and promote circular economy principles through Project MainStream – a joint initiative between the

WEF and the Ellen MacArthur Foundation (a long-time Tarkett partner on sustainability).

- In March, Tarkett presented our strategy at an Ellen MacArthur Foundation event on the circular economy in San Francisco, CA.
- In September, Tarkett's CEO, Michel Giannuzzi, set out Tarkett's vision for a circular economy at the Positive Economy Forum in Le Havre, France.
- In September, Anne-Christine Ayed, EVP Research, Innovation & Environment, shared Tarkett's vision on the transition toward a circular economy during a panel discussion at the European Commission environmental conference "Transition to the Green Economy," hosted under the Slovakian presidency in Bratislava, Slovakia.
- In October, Michel Giannuzzi also took part in a round table at the 15th International Architecture Exhibition in Venice, Italy, organized by the EPEA (the Environmental Protection Encouragement Agency).
- Throughout November, across various locations in the USA – including Atlanta, Washington, New York, and San Francisco – we took part in a series of events organized by Cradle to Cradle® Product Innovation Institute on Path to Positive Communities. This initiative brings together community leaders, who inspire their stakeholders to grasp the opportunities offered by innovative solutions to climate change.
- In January 2017, Michel Giannuzzi, Tarkett's CEO, promoted Responsive and Responsible Leadership, by presenting his vision during a round table session on the Future of Construction. As a member of the CEO Climate Leaders, he also participated in a debate about climate change stakes.

Driving the debate on responsible use of materials

For a number of years, Tarkett has led discussions on the responsible use of PVC. In late 2015, we were asked to share our experiences as part of a panel addressing the broader topic of PVC at the Cradle to Cradle® (C2C) Products Symposium and Innovation Celebration in New York, USA. This work continued in 2016 with Tarkett appearing as a panel member for "Let's talk about PVC" at the Greenbuild International Conference in Boston, USA, reinforcing the call-to-action for companies to act for a "Responsible Use of PVC".

In January 2016, at the 7th Annual Sustainable Products Summit in San Diego, USA, Glen Morrison, President of Tarkett North America, presented Tarkett's views at Thinking Through Phthalates: A Look Ahead. Here, he set out how suppliers, manufacturers and assessors were working together across the plasticizer supply chain to develop more environmentally-friendly and safer products. Some 100 opinion leaders, ranging from policy makers, to environmental advisers, chemical companies, and retailers, joined the session to hear about Tarkett's move to non-phthalate flooring. The presentation included details of the considerable investment and R&D involved – and the competitive edge that resulted.

In November 2016, Luxembourg's government launched its Third Industrial Revolution strategy, which Tarkett helped develop. The strategy announced a fundamental economic shift toward decentralized and digital energy, mobility, smarter data management, and circular economy principles. This was the outworking of a nine-month study, which drew on broad expertise, and Tarkett played a leading role in the project's circular economy work stream.

In 2016, Tarkett Australia commissioned a report entitled "Towards Building That Thrive" which was prepared by the Research Hub at the University of Melbourne. The report addresses the need to develop building design, construction practices, and interior materials that promote healthier and sustainable commercial spaces, with a focus on indoor air quality.

Transparency: providing reliable, verified information to our stakeholders

Transparency of information is a long-standing Tarkett value and an area that we progressively develop and improve.

Since 2011, most of our products have borne the Tarkett Sustainability Tag. This provides a summary of essential environmental information: the percentage of recycled content, the product's recyclability, whether it employs non-phthalate technology, and its total VOC emissions.

In 2013, going further, Tarkett (North America) introduced Environmental and Health Statements (EHSs). These third-party-reviewed declarations on content and material assessment for building products are designed to thoroughly address ingredient disclosure, possible health and environmental impacts and post-use considerations. Initially rolled out to cover our linoleum and rubber products, their scope was extended in 2014 to the ethos® backing of carpet products, and again in 2015, to cover homogeneous vinyl products and rubber accessories. In 2016, this approach was replaced with the introduction of Material Health Statements (MHSs), following the same reasoning.

The Group is also proactively involved with its investors and the financial community. Tarkett openly shares information with extra-financial rating agencies and sustainability networks, such as the CDP (Carbon Disclosure Project), Vigeo, MSCI, Gaia, Ofi, and BMO, supporting them in their assessment processes. We are also proud to be part of the KKR Green Portfolio, and share experience and learning as part of this network. This proactive dialog has led investors, such as Amundi and Sycomore, to include Tarkett in their responsible investment (ISR) portfolios. In 2016, our commitment to promoting sustainability continued in this financial context too: Tarkett took part in Kepler Cheuvreux's autumn conference in Paris in September 2016, where we explained to investors our sustainability and CSR strategy; and at the Annual Shareholders' Meeting in April 2016, Michel Giannuzzi, Tarkett's CEO, gave a presentation on our commitment to the environment, driven by an ambitious eco-innovation strategy.

3.1.3.2 Materiality analysis

A well-defined exercise that fosters stakeholder engagement

Materiality is about identifying which issues are the most important to our business and our stakeholders.

This year, and for the first time, a stakeholder survey was conducted to identify Tarkett's material topics and ensure that our sustainability policies are aligned with our stakeholders' expectations.

This survey is part of Tarkett's ongoing dialog with its stakeholders and aims to engage the Group's stakeholders on our sustainability goals and strategy, and to ensure we meet the best CSR reporting standards, specifically in terms of the Global Reporting Initiative (the GRI G4 option).

Our approach to materiality

Stakeholders were mapped, aiming at broad coverage in terms of influence and geographic location. The survey was sent out to external stakeholders (customers, suppliers, peers, business partners, NGOs, trade associations, experts, research and educational institutes, etc.) as well as internal stakeholders (Tarkett board or EMC members and Tarkett managers and employees). The survey involved stakeholders in France, Germany, the Netherlands, Serbia, Sweden, Russia, the UK, and the USA.

All aspects of the GRI guideline and Cradle to Cradle® standard were offered for ranking. They were organized into five categories: environmental impacts of production, product stewardship, labor, human rights, and societal issues.

Materiality Matrix

Tarkett collected 191 responses. The distribution of these was as follows:

- 34% – Customers;
- 30% – Tarkett Senior Management and Supervisory Board;
- 17% – Suppliers, peers or business partners;
- 15% – NGOs, trade associations, research or educational institutes, governments, the press;
- 2% – The financial community;
- 2% – Others.

The results enable us to differentiate the key material issues from those that are not important, either because they are important for stakeholders but have little business impact, or because they are issues that have high business impact but a low stakeholder concern.

We also identified issues of lower priority for some stakeholders but which may have an impact for the Group. On the reporting side, Tarkett reports on more topics than required by the materiality results, which means that we are well positioned to meet stakeholders' demands.

The results are shown in the figure below:

	Environmental impacts of production	Product Stewardship	Labor, Human Rights & Societal issues
Priority topics for both external and internal stakeholders, and relevant for Tarkett's activities		Environmental impact of products Health & Safety of products and materials Resource and material use	Health & Safety at work Child Labor (a key priority for external stakeholders, but not a potential risk for Tarkett activities)
Other priority topics for internal stakeholders	Energy Consumption Production waste	Cradle to Cradle® principles Recyclability of products	Training and talent development Anti-corruption
Other topics of importance	Air emissions from production Waste water from production Assessment of suppliers on environmental topics	Transparent marketing communication	Support for local job and income Assessment of suppliers on human rights Forced Labor Diversity, equality, non-discrimination, labor rights

The four most important material topics are:

- occupational health and safety;
- health and safety of products and materials;
- environmental impact of products;
- resource and material use.

These results are aligned with our strategic orientation which aims to foster indoor air quality and healthy spaces and users' well-being, in response to global challenges (such as urbanization, aging populations, climate change, etc.). Moreover, this analysis strengthens our options to apply this approach to key production challenges (such as health and safety, healthy materials, circular economy, etc.).

When we analyzed our internal stakeholders' responses in more detail, we found that they considered several topics related to our direct operations as important:

- production waste;
- energy consumption;
- talent development;
- anti-corruption.

Recyclability of products also ranked highly, reflecting good internal use of the Cradle to Cradle® principles.

A number of other topics were considered important by external stakeholders. These mainly reflected global concerns regarding CSR practices and ethics in Tarkett's supply chain: child labor, forced labor. External stakeholders consequently highlighted the importance of supplier and manufacturing-site assessments in terms of human rights practices.

We will continue to engage the dialog with our stakeholders to ensure we are up to date with the needs of our stakeholders groups and aligned with all of our responsibilities.

3.2 Applying the principles of operational excellence throughout the Group

3.2.1 Empowering our people

3.2.1.1 A worldwide HR charter

People are a key asset at Tarkett. They are those who drive our business, define and deliver our economic, environmental and social objectives.

For Tarkett's executive team, being a responsible employer is high on its strategic agenda. Our firm belief is that our responsibility should be manifested in a holistic approach toward all of Tarkett's employees. We want to provide a positive environment that can promote the health and well-being of our people, help them grow professionally, and enable them to deliver excellent work.

In 2015, we chose to formalize this commitment in our "HR Charter and Policy." Rolled out among Group managers and Tarkett's HR network the same year and also available on the Group's intranet, the charter now applies to all our operations throughout the world. The document sets out a global HR management framework based on the ten main principles of the UN Global Compact, the Universal Declaration of Human Rights and Tarkett's internal corporate Code of Ethics.

Tarkett's vision, performance and progress in the areas shown in the box below, are described in detail in the sections that follow.

Focus: key areas covered by Tarkett's corporate HR Charter and Policy

- Fairness in employment
- Respecting our people and stakeholders
- Talent management and entrepreneurship
- Labor rights and relations
- A safe and attractive workplace

3.2.1.2 Social Indicators

Indicator		2016	2015	2014
Number of employees		12,428	12,367	12,177
Share of part-time employees		3.0%	2,9%	1,9%
Share of women among permanent employees		28%	27%	27%
Share of permanent employees by age bracket	above 60 yrs	5.8%	5.4%	5.0%
	50 to 59 yrs	22.8%	22.5%	21.1%
	40 to 49 yrs	28.5%	28.2%	27.4%
	30 to 39 yrs	28.6%	29.1%	28.7%
	20 to 29 yrs	13.8%	14.5%	15.7%
	Under 20 yrs	0.5%	0,3%	0.3%
Share of permanent employees by geographic zone (1)	EMEA	38%	37%	34%
	North America	31%	30%	30%
	CIS, APAC, Latin America	31%	33%	36%
Permanent hirings & departures	Hirings	1,883	2,111	2,163
	Departures	1,691	1,434	1,224
	Number of permanent contracts ended by employee (e.g. resignation, retirement)	1,102		
	Number of permanent contracts ended by employer (e.g. lay-off)	589		
Permanent employee turnover rate		14%	12%	11%
Absenteeism rate – plants only		2.5%	2.5%	2.3%
Absenteeism rate		2.3%	-	-
Share of disabled employees		1.4%	1.3%	1.6%
Total compensation and benefits *(€m)*		639	618	531

(1) EMEA: Europe, Middle East, Africa; CIS Commonwealth of Independent States; APAC: Asia Pacific.

Employee numbers at Tarkett remained stable in 2016, with a total number of employees currently standing at about 12,500. Within this overall headcount, the number of employees on part-time contracts is also stable; part-time workers represent 3% of today's workforce, compared with 2.9% in 2015. In 2016, turnover is at 14%, +2pts vs 2015.

In terms of age diversity among employees, the age-pyramid presents a balanced picture: 57% of Tarkett's employees are aged over 40, and some 29% are over the age of 50. Looking at how Tarkett's employees are spread throughout the world, the picture is also one of equilibrium. Our workforce is distributed quite evenly across our three main regions of operation: EMEA, North America and the CIS, APAC & Latin America regions.

3.2.1.3 Respecting our people

A shared approach to responsibility

Ethics, respect and equality for people: these values underpin the design of Tarkett's global structure and guide its operations. And our approach to ethics goes beyond purely internal dealings: we apply the same high standards to our interactions with all the company's stakeholders, from employees through clients, to suppliers and other partners.

We want all stakeholders to play their part in upholding the highest standards, sharing responsibility to promote the common good, and working together to see our values put into practice. Doing this successfully means developing a clear and jointly-held understanding of each stakeholder's individual role.

Clear roles and responsibilities: our Code of Ethics

At Tarkett, we believe that this requires more than good intentions. That's why we have developed and implemented our own corporate Code of Ethics. The code is an important tool in promoting and driving the highest corporate standards in everything we do.

Consistent with our belief in making things tangible, this code is based squarely on the ten principles of the UN Global Compact and the Universal Declaration of Human Rights. And we want to see these principles translated into concrete actions. Since 2009, all employees have received a hard copy of the document.

In addition, in 2014, we launched a dedicated e-learning program to ensure that all employees were fully familiar with the values and behaviors we aim to share. There is special emphasis on recognizing behaviors that may constitute anti-competitive practices or forms of corruption, especially for those involved in purchasing activities. In the 2016 round of training, over 99% of employees targeted completed the e-learning program, taking the total of e-learning trained employees to 50% of the Group's employees (of those with access to a computer). E-learning is complemented by face-to-face sessions for employees who don't use computers. More than 2,700 employees completed these face-to-face sessions in 2016.

Focus: Tarkett's Code of Ethics progressively reaches all employees

- 2009: Hard copies issued to all employees
- 2014: Interactive e-learning introduced
- 2016: 99% of targeted employees have completed the Code of Ethics elearning

Driving non-discrimination, equality and inclusion

Our core values of non-discrimination and respect run through both Tarkett's Code of Ethics and its HR Charter and Policy. This ensures that our HR teams apply and concretize these principles as they draw on the materials to address real workplace situations.

In addition, we operate 35 clear rules or initiatives defined in the various collective bargaining agreements that are applied at Tarkett Group companies across the world. These help drive diversity and equality of opportunity throughout the whole of the Group. The policies address a broad range of issues and promote, among other things: gender equality, respect for people with disability, age diversity in the workforce, maternity rights and benefits, and non-discrimination on the grounds of sexual orientation, ethnicity, nationality or religion.

Focus: Tarkett operates 35 rules or initiatives to promote inclusion and equality, covering:

- Diversity
- Gender equality
- Positivity about disabled people
- Age diversity
- Maternity rights
- Non-discrimination on nationality, sexuality, religion

Promoting gender equality – from the top down

Tarkett is a firm believer in gender equality. This thrust is personally sponsored by the CEO, who had taken part in some debates in 2015 at the company headquarters about the importance of gender equality and respect of Tarkett's values.

We monitor an indicator that tracks how many of Tarkett's top managers are women (direct and indirect reports to the CEO). In this time, proportions have remained broadly stable – at about 18% in 2016 and 2015, with a slight increase of two percentage-points versus 2011.

We also extend the indicator to the total management positions, women representing 26% among 1,500 managers in the Group, a slight improvement compared with 2015 (25%), knowing that the industrial and building sectors tend to attract fewer women compared to other sectors.

Our interest in this area, however, goes beyond dialog, promotion of the right values and the tracking of indicators. We also operate a number of concrete measures to promote the role of women in the company. For example, in Sweden, an equality-of-opportunity plan was deployed in order to reduce the risk of discrimination based on gender, ethnic origin, disability, etc.

Positive about disabled people

For a global company like Tarkett, the use of single universal indicators to track progress on disability issues is challenging because regulations and approaches vary widely from one country to another. This extends even to basic questions, such as whether it is permissible and/or possible to identify how many disabled workers a company employs and/or monitor their well-being. In 2016, in countries where disability is defined in law, 1.4% of Tarkett's workforce was classed as disabled, remaining stable compared to 2015.

Spotlight on practical measures: partnering with positive employers

Since 2009, Tarkett's French headquarters has chosen to partner with companies that promote roles for disabled people – to pack and ship our corporate marketing materials.

Tarkett is committed to fully integrating disabled employees into the workplace, across all of its sites. In addition to the Group's corporate policy, action on the ground is also of importance and we encourage the implementation of concrete practices locally.

Spotlight on practical measures: specially adapted work areas increase opportunities

Our Sedan site (France) operates a number of specially adapted work areas. These allow disabled workers to perform the same roles as other employees but with a reduced requirement for manual handling.

3.2.1.4 An ongoing conversation with our employees

Listening to our people – at all levels, across all locations

Tarkett wants to be an organization that has an ongoing conversation with all its employees-at all of its sites. To do that efficiently, we conduct, every other year, an internal feedback survey across all of the Group's companies covering all of the Group's activities and for all employees. The survey is translated into 17 languages, is completely anonymous, and is fully managed by an independent third party, eliminating any possible bias. The survey totals 70 questions spread across 13 separate categories.

Focus: Areas covered in Tarkett's employee survey: wide-ranging and far-reaching

- Communication
- Company Image
- Empowerment and Accountability
- Leadership
- Loyalty and Engagement
- Management
- Performance Management
- Teamwork and Cooperation
- Training and Development
- Work Organization
- World Class Manufacturing (WCM)
- Ethics and Integrity
- Entrepreneurial Leadership

In a rapidly changing world, it is essential that the quality of this dialogue remains relevant and up to date. This is reflected in gradual modifications to the survey to ensure we ask employees pertinent questions. Four new questions were developed for the 2016 survey, gathering new information on areas such as charity and community work, employee ideas on new and better ways of working, job satisfaction, and whether managers properly model values related to employee well-being.

The "all-employee" survey exercise is completed by a more specific version that seeks feedback from Tarkett's 150 senior executives. The focus here is on strategy, future prospects and management. This year, five new and relevant questions have been added, covering a range of important areas: strategy implementation, the managers' engagement and motivation, and innovative thinking and learning from mistakes.

The Tarkett Employee Survey: key findings from 2016

The first encouraging result is that the survey exercise itself is becoming increasingly established and recognized. 2016 saw a five percentage-point increase in participation (compared with 2014) and the survey reach a tremendous 89% of the workforce-around 10,500 people (out of around 12,000). This high level of participation is evidence to employees' belief in the value of the exercise, confidence in its independent nature and willingness to engage in corporate dialog.

This improving level of engagement is mirrored in a steadily improving trend in what employees say about the company. Building on a number of positive signals, which were already present in 2014, the 2016 results show further progress on most of the areas addressed by the survey. All of this works together in concert, at all levels in the organization, to help make Tarkett an attractive environment that fosters both personal and professional growth.

On CSR-related topics, the trends are also encouraging. The survey results demonstrate that Tarkett is clearly seen as a responsible company by its employees. This is illustrated in the selected results shown in the table below:

Spotlight on the employee survey: Tarkett's employees' views on the Group responsibility

Survey statement	Percentage of employees who agree with the statement		
	2012	2014	2016
Ethics and integrity are central to Tarkett's culture	66%	70%	71%
Unethical practices are not tolerated within Tarkett	Not asked	75%	76%
I Know how to report unethical practices	Not asked	70%	76%
Tarkett provides adequate focus on safety for employees	81%	85%	85%
I Believe that Tarkett is an environmentally responsible company	82%	85%	83%

From feedback to action

At the Group level, as well as on a very local level, Tarkett employee feedback is a valuable management tool. Overall analysis of the survey results presents a clear picture of the Group's strengths and the areas that need improvement. Drawing on this analysis, each site/entity develops tailored action plans to be applied at local level. These local plans are supported by both corporate and division action plans, and implemented in a consistent manner. For example, following the last Employee Feedback, the Narni production site in Italy noticed a slight satisfaction decrease of the employees working in the customer service department. Taking that into account, the Narni team has decided: to focus on customer service to provide periodic feedback as team and individuals on the performance and the results; to extend the commercial excellence program (Power Up – developed within the EMEA Division) to purchase order and marketing department; to develop training on phone communication and IT.

Moreover, certain questions and responses from the Employee Feedback are used to build up key indicators which are integrated into the Group's sustainable development dashboard (see Section 3.4):

- the "Listening and Commitment to Dialog" indicator improved from 53% in 2010 to 60% in 2016. This indicator includes the following questions from the internal survey: "In my department, different views are openly discussed when making decisions," and "Sufficient effort is made to get the opinions and thinking of the people who work at Tarkett;"
- the "Proactive Employee Communication" indicator decreased slightly from 63% in 2014 to 62% in 2016, but is still six percentage points above its 2010 level, with 56%, and much higher than the global manufacturing average of 50%. The indicator draws on the following questions from the internal survey: "My manager does a good job in keeping me informed about matters that concern me", "Senior management does a good job explaining the reasons behind important business decisions," and "Overall, I receive enough information at Tarkett."

A constructive dialog with employee associations

Frameworks for dialog between employers and employee representatives vary widely from one country to another. Wherever they are in the world and whatever local labor legislation, Tarkett encourages positive dialog in all parts of the Group. We are rigorous about ensuring comprehensive compliance with labor laws and respecting the fundamental principles of freedom of association, in particular for recognized unions. For example, to further facilitate such dialog in Europe, we have created the Tarkett Forum: the Group's European work council.

Every year, this council brings together union representatives from our main European sites, in conversation with the Group's senior management, including the CEO. In addition to addressing human resources questions common to the various countries and sites in Europe, this formal meeting reinforces the spirit of cooperation between unions and management, jointly focusing on stewarding the well-being of the business as a whole.

Collective bargaining agreements

In accordance with the principles of the UN Global Compact, the Group's Code of Ethics, and our Human Resources Charter and Policy, Tarkett is committed – in addition to legislative requirements specific to each country – to fully respect its employees' rights to engage in collective bargaining and representational activity.

We apply these principles without exception and with the same level of rigor, in all of the countries where the Group operates throughout the world. Whether they are based in Europe, in the USA, in Russia, Serbia, Ukraine, Kazakhstan, Brazil, China or India.

As a result of this voluntary policy, there are 135 collective bargaining agreements in place across the Tarkett Group, 87 of which are company-wide or site-wide agreements. Agreements cover a broad range of areas, such as remuneration and benefits, working hours, work organization and role definition. They apply across 19 countries where Tarkett carries out commercial or manufacturing activities.

Focus: Collective bargaining agreements themes

- Wages and benefits
- Job classification
- Working time
- Work organization
- Safety
- Health & well-being
- Training & Development
- Restructuring & social plans
- Union activity & representatives bodies

About 60 of these company agreements have been developed and finalized in the last few years – including 10 in 2016. This is a measure of the quality of employer-employee relations within the Group and our capacity to successfully conduct and complete negotiations.

Moreover, these up-to-date agreements ensure that today's human resources main issues of today are more likely to have been addressed and agreed formally. In turn, this results in better labor relations, fostering good working conditions and a positive mindset, are key levers to ensure long-term economic performance of the company.

For example, a collective bargaining agreement was signed in 2015 in our production site in Konz, Germany, to extend employees' weekly working time from 37.7 hours to 40 hours. The result is a guarantee for no restructuring during the two years' validity of the agreement (until December 31, 2017), more capacity available for the shift calendar without hiring additional staff, a decrease of the labor cost per hour and security for planning.

Another example is at our vinyl production site in Clervaux, Luxembourg, which extended the working hours of production lines and support services to answer to clients' needs during peak periods. Due to the increase of the LVT production, management team at Clervaux has the flexibility to add a 4th team on the production line in a month time, thanks to an agreement on time and work organization over 6 days 1/3 (working hours from Sunday 10pm to Saturday 2pm, instead of the 3x8 shift).

Implement restructuring or layoff plans with respect

The Group has a medium and long-term vision of its business plan and seeks to ensure profitable and sustainable growth. The Group wants to develop the skills and employability of its workforce, first to enable each employee to contribute and to develop fully within the business, but also to anticipate the possible consequences of changes in the organization.

The Group also endeavors to anticipate the consequences of business fluctuations to the extent possible. In the case of a particular decreased activity and/or a difficult or volatile economic environment, the Group may be forced to reduce its workforce on a one-off or structural basis. Adapting the work organization to the level of activity, reducing the size of the workforce or implementing a restructuring plan must be done in compliance with local regulations but also with Tarkett's Code of Ethics and in cooperation with employee representatives. In connection with these measures to adapt to declines in activity, Tarkett seeks above all which adapt the organization of work (paid vacations, reorganization of working hours, temporary layoffs, etc.), to reduce the number of temporary workers (those with short-term employment agreements), to promote internal transfers, and to take social criteria into consideration depending on departure measures (retirement, age, professional or personal projects, etc.).

As an impact of the difficult economic situation that we have been facing over these past years on our main markets in the CIS region, we conducted in 2016, several restructuring processes in Russia, Ukraine and Serbia. We also simplified our legal structure, reducing the number of legal entities in Ukraine and Serbia. All these activities resulted in a decrease of the number of headcounts. In these 3 countries, in total 149 employees had been made redundant in 2016.

3.2.1.5 Developing talent and fostering entrepreneurship

A robust talent management process – listening to employees' needs and managing their career paths

Since 2008, we have been developing a formal Talent Resource Planning Process – "Talent Management" – to anticipate future organizational and skills-management needs. The process looks three to five years ahead and draws its criteria from the future vision set out in the Group's strategic plan. The result of this formalized approach is a robust set of initiatives and systems:

- The Performance and Development Dialog (PDD)

  This forms the backbone of our performance management system. This is an annual opportunity for managers and their reports to spend good quality time – in careful listening and constructive discussion. From a corporate perspective, it allows us to understand the career goals of our employees and assess their progress. As a result, we are in a much better position to manage their unique skill sets, expertise and future careers. 56% of Tarkett's employees benefited from this review process in 2016 (or equivalent).

  This program was reinforced in 2016 with the introduction of Talent Inside, a versatile user-friendly HR online platform designed to track and manage both the annual dialog (PDD) and corporate objective-setting processes. It is a enabling tool allowing:

  - Employees to track their own progress: giving them a stronger stake in their own development.
  - Managers to follow employees' development: keeping them fully up to date on team needs.
  - Streamlining of HR processes: for performance, career management and remuneration.
  - Consolidation of talent action plans and their effective follow-up.

- The Talent Review

  In 2016, 3,091 of our targeted managers were integrated into the Talent Review process carried out with the HR teams and the line manager, which objective is to assess long-term career opportunities and long-term needs of the company. It is targeted at the specific groups of employees who can most benefit from it – managers, supervisors, engineers, and technicians.

- The World Class Manufacturing (WCM) Development Program

  This initiative is intended to identify critical skills for the implementation of WCM program and achievement of industrial objectives. Training programs are defined according to selected priorities with a structured roadmap. These programs within manufacturing plants aim at developing growth potential of all employees, white or blue collars.

- Career mobility processes and tools

  Tarkett has an ongoing focus on improving its employees' opportunities for career mobility and putting in place the tools to make this happen. With the international dimension of the Group and an ambitious growth strategy, career mobility is increasingly important in ensuring employees have access to a range of exciting prospects, accelerating the adoption of best practices, and ensuring the best pool of talent available to fill positions. We use a number of measures to support career mobility, including:

  - The COACH Program, employed in Europe to help first-level managers develop their skills.
  - The Group is working on a worldwide mobility system to openly share job opportunities with employees, starting with pilots in France and in the USA (Florence site – Alabama).
  - Policy documents such as the Internal Mobility Charter, available to employees via an intranet, and The Mobility Guide, a guidance document used by the Human Resources network.
  - The Talent Review Committee, comprising HR Directors for each Group division. Its role is to carefully consider employee expectations for career mobility and to make proposals to the Executive Committee about how these can be satisfied to meet the business' current and future needs. It draws on data from a range of sources (such as the Development and Performance and Talent Reviews) and has met annually since 2013.
  - The WCM Development program, which also supports career mobility, aims in many plants.

Training: a diversity of programs to meet all our people's needs

Whether it's an experienced employee, or a new starter, we firmly believe that a training program should be tailored to people's specific needs. A Learning and Development Committee meets monthly to steer joint initiatives at the Group level and to share best practices among the divisions. We operate a carefully designed series of individual core training modules. Two examples are shown below:

- *The Business Leader@Tarkett program – launched in 2016:* Tarkett is committed to developing tomorrow's leaders. We want to grow people who can take our business forward, responsibly and effectively. This year, we began to see the fruits of an important partnership between Tarkett and the

London Business School (LBS), an institution respected worldwide for cutting-edge business thinking. 36 of our leaders, drawn from 15 countries, took part in an initial session of this high-quality management development program at the end of September 2016. Using a combination of cognitive and experiential learning methods, it has been carefully designed – with the direct involvement of Tarkett's Executive Committee. Further sessions, with participants drawn from other areas of the business, are already scheduled for 2017.

Focus: the aims of the Business Leader@Tarkett program are to...

- Grow our Managers so that they can think and act like entrepreneurs
- Innovate and infuse the organization with an entrepreneurial culture
- Develop our leaders' abilities to think and act strategically – something ever-more important in a fast-growing, uncertain and complex environment
- Equip our managers with leadership skills and tools that can turn strategic ideas into effective action.

- *Customer Centric Innovation@Tarkett:* part of our Customer Experience 2.0 program this program combines Design Thinking, Innovation and Agile methods to catalyze creative thinking and design innovation among our teams. It aims to support small cross-functional teams to get an intimate understanding of customer issues, identify desired outcomes, ideate, test prototypes and quickly launch pilots. Initially based on our strong partnership with the d.school – a leading Paris-based design institute the program is now delivered entirely in-house and its champions have trained a further 52 people in 2016.

Highlights from other training programs:

- *Additional targeted programs:* aimed at other distinct groups of Tarkett employees; examples: Manager@Tarkett, ProjectManagement@Tarkett, and Train the Trainer.
- *Ethics and compliance training e-learning modules:* providing portable and convenient training on governance issues such as: our Code of Ethics, competition, fraud and corruption. E-learning is a sound choice for these areas: it immerses our employees in the importance of Tarkett's ethical approach, ensures in-depth understanding, and simulates real situations. These modules are also supplemented with in-person sessions (see Section 3.2.1.3).
- *PowerUp:* our sales force skills-development program. This was created in 2014 and put into practice the following year.
- *The new-starter integration program:* first run in 2009, it has now been fully rolled out across the Group, ensuring comprehensive initiation for all new hires – globally. As part of this program, new starters are paired with a corporate mentor, who facilitates their successful integration. This is further accelerated, in Europe, by Tarkett's Live Campus training module, a one to four-day intensive residential additional introduction.
- *First-level line manager development:* we are also developing management skills in first-level line managers at manufacturing plants. This helps accelerated the adoption of the best practices promoted by the WCM program and leads to better motivated and managed employees, greater career mobility, and a wider talent pool – a plus when it comes to filling future roles. Therefore, two core WCM training modules run now at all of our production plants: Problem Solving Methodologies and COACH (management skills for shift leaders). Since these skills are now fully mastered by our WCM local teams who, in turn, train operators on the field, the Central WCM in 2016 only provided support to local training teams to a limited number of sites such as Hanaskog (Sweden), Jaslo (Poland), Middlefield and Chagrin Falls (USA), Waalwijk (Netherlands) and Waterloo (Canada).

Talent development through sharing: multidisciplinary teams and the Expert Network

In order to anticipate the evolution of skills aligned with Group's strategy, Tarkett strives to harness – and share – the breadth and depth of its people's expertise. By doing this simply and efficiently, employees improve their know-how, employability and mobility. In addition, the business sees its stock of expertise secured, enhanced, and delivering greater returns.

To this end, we strongly encourage multidisciplinary-team working, mixing associates of different profiles to deliver Group-wide or division-wide projects. Members of these eclectic structures enhance their expertise through benchmarking, networking and knowledge transfer activities.

Also, within the WCM program framework, we hold a series of dedicated meetings at one of Tarkett's manufacturing sites every year. The objective here is to develop our manufacturing experts' skills and leverage employee know-how in operational excellence. Since 2012, benchmarking initiatives have been organized within the Group's plants. In September 2016, for example, teams from eight plants, representing 13 coating lines, gathered in Clervaux (Luxembourg) for the eighth session of Tarkett's vinyl benchmarking initiative. The WCM program also encourages plant operators to get involved and generate ideas for improvements, thereby making them stakeholders in the development of their work environment.

In the same vein, in 2015, we launched the Tarkett Expert Network to better leverage technical expertise in Research & Innovation, and in Operations. Our aim is to capitalize on the expertise of our technical experts, and support their long-term career development through ongoing mentoring, training and knowledge sharing.

Driving an entrepreneurial culture: training and rewarding

In recent years, Tarkett has successfully pursued a strategy of growth by acquisition. High potential companies throughout the world are regularly incorporated into our decentralized structure.

In this context, we aim to foster a company-wide entrepreneurial spirit. We want our people to seize the initiative, take calculated risks and assess opportunities based on evidence.

To achieve this, we are running a new program – "Entrepreneur@Tarkett." Launched as a pilot in 2014, it saw immediate success and was formally rolled out in 2015. In the last three years, 185 employees have completed the program. Moreover, 70 employees completed it in the last year alone, and the program continues to gather pace.

Turning to recognition, the Tarkett Awards are designed to recognize and reward entrepreneurial spirit in the Group. The eight categories of the awards are: vision and ambition, new horizons, novel solutions, concrete action, commitment to sustainability, accountability, employees' award and President's award. Submissions for awards reached 260 in 2016, a solid upward trend, compared with 186 in 2015, and 120 in 2014. Over 1,800 employees participated and more than 50% of the winning projects are linked to sustainable development.

3.2.1.6 A safe and attractive workplace

Safety at the heart of operational excellence

Safety is at the top of Tarkett's agenda. And for us, attention to safety means more than regulatory compliance. As a world-class manufacturer, the only acceptable accident rate should be zero and that aspiration should be underpinned by a world-class workplace environment, where safe working and employee well-being are paramount.

To meet this aim, we harness and share expertise and resources from across the company – and around the world. But, while our ambition is global, the key to its delivery is local. Creating and maintaining a robust safety culture must be an intrinsic part of day-to-day manufacturing operations and routines. We work hard to ensure that the belief "safety is everybody's responsibility" remains front of mind.

Responsibility for safety starts at the top. All monthly meetings of the Group's Executive Committee, and quarterly briefings for our senior managers, begin with a review of safety results. These same results are also presented during the Tarkett's Supervisory Board meetings.

But safety is everybody's responsibility, and we monitor this carefully in our annual employee survey. In 2016, 85% of employees believed that Tarkett is sufficiently attentive to employee safety.

Spotlight on Safety – 2016 Key Figures

- 85% of employees thought that Tarkett is sufficiently attentive to employee safety
- 74% of employees thought managers led by example on safety
- 84% of Tarkett sites implemented the World Class Manufacturing Program
- 65% of Tarkett sites are OHSAS 18001 certified for their safety management systems

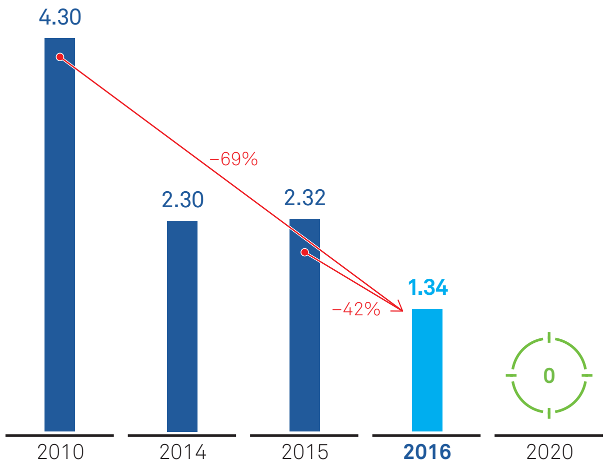
We maintain high levels of safety awareness – and competence – with a series of practical measures. These include regular employee training, frequent audits of practices at our sites, and, importantly, fostering ongoing – and open – dialog between managers and employees.

Where incidents do occur, rigorous analysis is carried out. Action plans are then drawn up and implemented, within our framework of continuous improvement.

We track progress carefully and our general indicators reflect this virtuous circle. By the end of 2016, 84% of Tarkett sites were implementing the World Class Manufacturing (WCM) Program, to which health and safety is central. Coupled with this, 65% of the Group's sites had achieved OHSAS 18001 safety certification. This international standard is a benchmark in health and safety management.

KPI: Lost Time Accident frequency rate (absence > 24 hours per million hours worked = FR0t) at industrial sites:
1.34 in 2016, compared with 2.32 in 2015.

Lost Time Accident frequency rate at our industrial sites (absence > 24 hours per million hours worked = LTA FR0t):



Our ambition, however, is a zero accident rate at our sites. For that reason, the key indicator we measure is Lost Time Accident frequency rate (FR0t) – the number of LTAs per million hours worked which result in an employee absence of more than 24 hours. At Tarkett plants, we have seen LTAFR0t cut by 69% over the last six years. A lot of progress has been made, and in 2016, the LTAFR0t reached 1.34, which is the best performance ever (-42%, compared with 2015).

Moreover, we have reduced the recordable LTA frequency rate by 42%, compared with 2015 (FR1t, the number of LTAs per million hours worked, which results in an employee absence of less than 24 hours). We also monitor an overall safety indicator at our plants which collects information on all types of accidents and incidents, including those requiring first aid with no absence (FR2t). This indicator stood at 19 in 2016, a 26% reduction compared with its 2015 level (of 25.6). Lastly, the number of occupational illnesses at plants was 10 in 2016.

Spotlight on Safety: Strong progress on safety at our manufacturing plants in 2016

- 24 plants (out of 39) had no accidents involving lost time
- Total number of Lost Time Accidents at plants has reduced by 45% compared with 2015
- Severity rate has decreased by 37% since 2015: standing at 0.044 in 2016

We measure safety not only at plant level, but also at Group level, including all our offices. On this measure, in 2016, LTA frequency rate (FR0t) reached 1.17 and the severity rate stood at 0.035. At plant level, we also train and engage our sub-contractors and installers to follow our safety rules and objectives, and we track and monitor safety progress combining results both from our employees and contractors working at our plants in our monthly safety report.

Nevertheless, there is much more to be done, and achieving the same reductions in absolute terms – to reach our zero-rate target by 2020 – is a huge challenge, but one that we are determined to deliver on.

Adopting safety best practices at all our sites

Continuous improvement means learning the lessons of experience – and implementing them. Effective sharing of best practices is one of the most efficient ways to accelerate this improvement. In addition, developing a culture where best practices are recorded and openly shared is an empowering experience for employees.

In June 2016, 40 safety leaders from 11 of Tarkett's worldwide sites joined together an on-line seminar focused on safety-related best practices. They shared experiences and viewed successful safety initiatives being used at sites other than their own. An overarching theme was how to ensure that teams on the shop floor fully engage with safer practices. As a result, the WCM Safety Pillar has developed new training materials and forms that allow teams on the ground to more rigorously review potentially unsafe activity, carry out root-cause analysis, and more easily implement remedial actions to prevent future occurrences.

In October 2016, Tarkett's World-Class-Manufacturing Safety-Convention took place at our Sedan site in France. 25 safety leaders from production sites across 11 countries gathered in October 2016. During an intense three-day period, these leaders focused on some of the key headline safety issues within the Group. The convention saw a mix of stimulating presentations, best practice sharing, training, and practical workshops.

Spotlight on practical measures: USA production takes a back seat for two-day focus on safety

In February 2016, Tarkett's vinyl facility in Florence West, Alabama (USA), shut down production for two full days to host a major safety seminar: "Safe today; alive tomorrow". The objective of this exercise was to further instill an overall safety culture in all aspects of daily work – for people at all levels – and, specifically, to develop a robust, safety-first culture. Over 420 employees from the Florence West site itself participated, along with environment, health & safety managers and senior managers from across Tarkett's North American operations.

Wellbeing at work: creating the right working environment

For Tarkett, compliance with regulatory requirements and labor law is a minimum. Following the principles of the United Nations Global Compact (reflected in the Group's Code of Ethics and its Human Resources Charter and Policy), Tarkett is committed to campaigning against forced labor. Our vision is to go further than this though, making Tarkett an attractive place to work, and in turn attracting and retaining the best talent – at all levels in the company.

The way that work is organized at individual sites within the Group varies according to the regulatory framework and plants' particular needs. A considerable part of what constitutes work patterns is established through collective bargaining. This has seen successful agreements covering areas such as shift patterns, part-time work, remote working, and temporary increases to staffing during peak periods.

A first example is the Konz site in Germany described in section 3.2.1.4. Another example is at our sports production site in Auchel, France. An agreement was signed in 2011 to annualize working time in order to answer peak periods, satisfy clients requests, and balance the work life of our employees. Furthermore, a Family Day was initiated in 2016 during the quiet activity period, so that employees shared their working environment and expressed their pride to work for Tarkett with their families. This day will be renewed in 2017.

But it's not about headline agreements: Tarkett also cares at an individual level about its people's physical and mental well-being. We strive to pay attention to sources of stress and questions of work-life balance, and we monitor the overall trend via two questions we added to the employee feedback survey. The 2016 survey suggested a picture of slight decrease in its headline indicators, while results can be different from a country or a department to another:

- 72% of employees thought their workload "reasonable," compared with 73% in 2014 and 70% in 2012 – the manufacturing norm is 69%;
- 62% believed they had a "good balance" between their working and personal lives, compared with 63% in 2014 and 60% in 2012.

While indicators are important, detailed results and feedback from our entities are also important. For that reason, every HR leader at a Tarkett entity monitors survey feedback on well-being in detail. Any sites that observe worsening results are systematically required to develop and implement formal improvement plans.

A range of local initiatives complement these Group-wide activities. Selected examples are shown in the box page 99.

Finally, Tarkett doesn't only look to improve well-being through initiatives at its sites, we are also interested in the geographical location of those sites, their offices, workspaces and workplace. In 2015, three of our national headquarters were relocated: China (Shanghai), France (La Défense), and the USA (Solon, Ohio). Employee well-being was a factor in choosing these new locations: they provide state-of-the-art shared working spaces and offer an attractive workplace environment.

Spotlight on practical measures: Well-being initiatives within Tarkett companies

RUSSIA: annual flu vaccinations were available to all employees in 2016

SERBIA: breast cancer screening was available, at all sites, for women employees

SWEDEN: employees place a strong emphasis on company-led leisure activities such as running and fishing

NETHERLANDS: at our Waalwijk site, a new holistic wellbeing initiative has been in place since 2015. Targeted at both physical and mental wellbeing, it has a number of complementary threads, including:

- A health check-up
- Ergonomic seating and standing desks
- Fitness club membership discounts
- Hockey and running activities
- Help to quit smoking
- Company-provided fruit at work
- Yoga workshops
- Training on'managing a shiftwork lifestyle'

USA: Tarkett sites implemented a new wellness program in 2015. It offers support, education, and activities to enhance all aspects of wellbeing – physical, nutritional, emotional, and financial. These include:

- Healthy recipes, including employees' own tips
- Biometric screening
- On-site health and benefit fairs
- Flu vaccinations
- Retirement and education planning
- Monthly newsletters highlighting "pillars of wellness"
- An Employee Assistance Program
- Fitness club membership discounts
- Weight loss program

CANADA: at our Farnham site, the following were offered in 2016:

- Flu vaccinations for employees and their immediate family
- Fitness club membership discounts
- Conferences on wellness and health & safety
- In-house yoga and meditation courses during lunch times

3.2.2 Improving the value chain – from end to end

3.2.2.1 Supply chain management

Tarkett's approach to value-chain improvement: ambitious and anchored

Our suppliers play an essential role in helping deliver Tarkett's vision and strategy. Moreover, Tarkett's ongoing transformation from a linear-model company to one operating a circular, Cradle to Cradle® philosophy requires the engagement and buy-in of our entire value chain.

Our approach is one of partnership with carefully selected suppliers. We seek to build long-term business relationships with companies that share our values and a willingness to actively promote them.

Our requirements are anchored in the Ten Principles of the United Nations Global Compact (UNGC). This approach brings clarity of focus – and provides comprehensive coverage – of human rights, labor conditions, environmental, and corruption issues (see Section 3.1.1.2).

As well as upholding all these standards ourselves, we expect our main suppliers and subcontractors to do so too. We ask our partners to recognize this requirement formally by accepting it as part of our contractual conditions in accordance with the Principles of the United Nations Global Compact.

Subcontractors account for a minimal proportion of Tarkett's total production, and comprise a small number of suppliers. This means that the bulk of our manufacturing remains firmly in-house, giving us more leverage to improve our supply chain.

KPI: In 2016, **64%** of the Group's raw-material purchases (by value) came from suppliers who, committed, contractually, to uphold the UNGC principles that Tarkett requires.

At Tarkett, we want these principles to be more than good intentions or a contractual clause to be signed and filed. We are working to encourage our people and partners to live out these principles every day, in all the business transactions they are involved in. This means that every employee must continually uphold the highest standards of candor, integrity, and transparency. No matter where they are based in the world, we expect Tarkett employees to be ambassadors for the company in terms of respect for our business partners and their cultures.

We back this with a range of measures that help ensure our people embody the company's values, live out its Code of Ethics, and can consistently assure compliance with their legal and regulatory duties. For example, all of targeted employees completed the e-learning on Fraud in 2016, raising awareness on fraud and social engineering; we provide additional coaching for those involved in purchasing activities.

Toward a truly collaborative value chain

Commitment to UNGC principles is a sound first step toward a responsible value chain. But we want to go beyond this. Tarkett's objective is to forge genuine collaborative partnerships with its key suppliers, inviting them to share a common vision and joint ambitions on responsible sourcing.

We have been fortunate that a number of recently acquired subsidiaries have piloted several different methods to foster such partnerships (for example, at Desso, where we tested a sourcing assessment methodology, using the Sedex platform, in

2014/2015). We are in the process of carefully assessing the methodologies used, and the results obtained. Our aim is to distill the best from these approaches and marry them to our own thinking and experience. The output will be a carefully crafted strategy, aimed at clearly defined objectives, and underpinned by harmonized policies, procedures, and indicators.

Of the approaches already piloted by the Group, or in Tarkett companies, several are worthy of special mention:

- Across Tarkett Group, potential suppliers are assessed on quality, cost – and sustainability – criteria. Our suppliers know that we are looking for more than the right product, at the right price. We are just as interested in the quality of their environmental stewardship, their safety record, or their approach to training, as we are in the quality of what they can supply to us.
- And we aim to go further than audits and assessments. We collaborate with our key suppliers to achieve our environmental goals and eco-innovate: they are directly involved each time we assess new materials according to the Cradle to Cradle® principles, or when we seek data for our products' life-cycle analysis.
- A pilot was launched in 2016, in our EMEA division, which focused on raw materials suppliers. We classified them based on country and sector risks derived from the Social Hotspot Database (Social Hotspot Index). From January to June 2016, only 2% of raw material suppliers to Tarkett EMEA were identified "theoretically" as potential risk suppliers based on the general criteria of Social Hotspot. The analysis is to be continued in order to determine the real risks and not the "theoretical".
- At our linoleum production site in Italy, we use audits and questionnaires to assess our suppliers on the basis of the following pillars: Purchasing, Quality, Safety and Environment. This assessment was introduced at the end of 2015, with the aim of implementing it at other sites in the coming years. The site is SA8000 certified, meaning that Narni must consider the social impact of their operations in addition to the conditions under which their employees, partners and suppliers operate.
- With its wood-flooring suppliers, Tarkett maintains a dual focus: both on suppliers' operations and the standards to which they source materials. First, we work in partnership with them to put in place progressive operational improvements – through better workplace safety, more effective use of protective equipment, and the use of safer, more modern machinery. And, second, we help them develop increasingly responsible sourcing programs for their raw materials. Examples of our activity in this area are shown in the following boxes.

Case study: A spot inspection by the Swedish Forestry Agency shows regulatory compliance with timber supply chain regulations

In 2016, our Swedish-wood supply chain (which processes most of our wood) underwent a routine inspection by Skogsstyrelsen, the Swedish Forestry Agency and national regulator for the sector. It found that all systems they had put in place from 2013 on were in full compliance with the relevant timber regulations, including all supplies to Tarkett's Serbian and Ukrainian operations.

Spotlight on practical measures: The bulk of wood sourced by Tarkett comes from certified, responsibly managed sources

Looking beyond our regulatory obligations, we have sought out and mainly partnered with wood suppliers that are certified by the Forest Stewardship Council® (FSC®) or the Program for the Endorsement of Forest Certification (PEFC™). This ensures both sustainable forest management and respect for human rights, according to "Chain of Custody" principles. In 2016 Tarkett, also renewed its multisite "Chain of Custody" certificate not only for PEFC™ but also to FSC®. This covered a total of 12 production sites and sales subsidiaries. More than 60% of our total wood purchases are FSC®-C008972 or PEFC™/05-35-125. All parquet floors (of 10 mm or more in thickness) are certified™ Cradle to Cradle® Silver, an approach that we also apply to future product development.

3.2.2.2 Boosting local economies and communities: global reach with a local presence

The nature and structure of Tarkett's business contributes to the stimulation of local economies.

First, Tarkett operates a strategy of manufacturing its products across a broad spread of worldwide locations; locations that, by definition, involve local labor and transactions. The flooring business still has a very local focus, in all parts of the world, as well as a highly fragmented customer base. As such, it involves a raft of local players, from installers, through other contractors to distributors. Above all, it's the quality and durability of day-to-day relationships that counts. In addition to its global presence Tarkett prides itself on its respect for local relations and cultures. In a way, Tarkett is Russian in Russia, American in the USA and Chinese in China.

Second, Tarkett offers an adaptable range of products, meaning that its offer can be made attractive to local geographical areas, with their rich and varied requirements in terms of designs, patterns, and colors.

Finally, our strategically chosen locations, coupled with a sound distribution network, ensure that we can get large volumes of products quickly and efficiently to key local markets. From local manufacturing in China, to distribution and customer service centers in Russia, Tarkett's installations make it a viable choice for many different projects worldwide.

Case study: Local development in China

In 2014, Tarkett made the acquisition of industrial assets in Beijing, China, for the manufacture of commercial vinyl flooring. We chose to invest in a new production line in 2015, to better serve its local customers and reduce delivery times. The site complements Tarkett's industrial presence in China, though its carpet manufacturing site (formerly Tandus) which also serves the local market.

We have also created the Tarkett Academy concept deployed in nine countries. These provide trainings in 13 Tarkett Academy centers located in: France, Sweden, Poland, Russia, Serbia, China, Australia, and Brazil (8 countries) and also offers direct training by our teams in North America.

KPI: In 2016, **3,575 external people** received Tarkett Academy training worldwide. This represents a total of **11,303 people in three years** (2014/2016).

Spotlight on practical measures: Sharing our expertise through the Tarkett Academy

- Training is aimed at young professionals, as well as experienced workers
- Training is mainly focused on flooring installation and maintenance
- Sessions may last for some hours or up to one week
- In France, trainees receive a diploma accredited by the Ministry of Education (a Level 5 Flooring and Carpeting CAP [a professional certification]) and the Ministry of Employment (a Level IV flooring certification)
- In the USA, training can be used to gain continuing professional development credits by architects and designers who are members of professional organizations

Engaging with local communities through Tarkett Cares

At our sites across the world, Tarkett employees give their time, expertise, and energy to local communities and local non-profit organizations. Tarkett supports its employees to volunteer during working hours and also donates funds and products.

In 2016, Tarkett took these initiatives a step further with the introduction of the Tarkett Cares program. One of the program's main objectives is to improve people's lives in the communities where we operate, and to contribute, more generally, to local needs.

Tarkett Cares is a flexible program offering a range of ways to support local communities. The options link back to our corporate values, core business commitments, or approach to sustainability. These are many and varied: they range from providing better living spaces, through supporting well-being and healthcare, developing talent, fostering self-confidence, encouraging entrepreneurship, and protecting the environment.

Spotlight on practical measures: How does the Tarkett Cares program operate?

Tarkett Cares operates through three main channels:

- **Volunteering:** Tarkett employees are encouraged to share their time and talent by volunteering, up to two days a year during working hours, in support of a local community initiative. This can be done individually or as a team
- **Employee referrals that benefit the community:** for each successful employee referral provided by a Tarkett team member, the company matches the employee's effort by funding a community initiative
- **Tarkett donates funds and materials:** Tarkett entities can also support local initiatives through donating funds, materials, and products, and by involving employees in these projects

In 2016, Tarkett Cares provided support to local communities in a multitude of ways:

- In Brazil, Tarkett was able to help Santa Casa – a philanthropic provider of hospital services. Details are shown in the first box below.
- In Canada, we were able to help the Tournesol primary school in Montreal, which is located in a suburb with a large immigrant population. Many of its students are passionate about soccer but have nowhere to play and no outlet for their enthusiasm. FieldTurf (a Tarkett sports company) offered to install a new artificial-grass sports ground at the school, covering an area of 4,000 square feet (about 370m^2), to be laid over an existing concrete playground. The project proved a true team effort, involving individuals from across the Montreal office in the design, delivery and installation of the new sports ground.
- In China, in October, 19 Tarkett employees took three hours out to take part in a clean up of a local hill in the Pinggu area near to Tarkett's Beijing plant. This project had the distinction of being the first Tarkett Cares project to take place in China and was also part of a city-led initiative designed to encourage residents to be more aware and active in conservation, especially in public places.
- In France, in April, 30 members of our Purchasing Department (representing 12 nationalities) had the opportunity to support two charitable organizations during our Purchasing Convention. We helped Rejoué ("Replayed") – an association that works with people who find it difficult to work in conventional employment – to define its pricing policy for the repair and resale of affordable second-hand toys. In a similar vein, our experts helped Musique pour Tous (Music for All) – a social enterprise that helps children to integrate socially through learning and playing music together – to develop a business plan to stabilize its revenue. We'll be following up both of these projects in the coming months.

- **In Italy,** Tarkett donated linoleum and vinyl flooring to two towns damaged by serious earthquakes in August.
- **In North America,** every year since 2009, at their annual sales meeting, the USA and Canadian teams of Tandus Centiva have devoted one of their days to service in the local community.
- **In Serbia,** 33 volunteers from Bačka Palanka, Serbia rolled up their sleeves to help renovate the premises of a local kindergarten, in October. Part of the team worked to install new flooring that Tarkett had donated. The rest of the volunteers helped clean up and landscape an outside play area, planting 35 trees and reorganizing the entrance. The flooring and improvement work by Tarkett teams has enabled the Bambi Kindergarten to reopen after being closed for a several years. This provides a significant boost to the capacity of pre-school places for children in the local community.
- **In Serbia,** Tarkett again sponsored Bačka Palanka's annual Ecological Theater Festival for young people. Details are shown in the second box below.

Case study: Tarkett Brazil employees renew the flooring for a local charitable hospital

Jacareí City, Brazil, has no public hospital. Santa Casa – a local non-governmental philanthropic institution – is the only provider of hospital services. With falling donations in recent years, building maintenance has suffered considerably. As a result the local authority is temporarily administering the hospital and approaching local companies to help. Tarkett offered to replace the most important floor areas, in order to improve aesthetics, cleanliness, and patient confidence. This offer was made just as Tarkett Cares was launched, allowing it to be used as a vehicle for employee involvement in the installation. Over four days, two groups totalling 42 people, installed more than 400 m² of new flooring. In addition to doing the facility a good turn, this voluntary action helped forge relationships across Tarkett Brazil's various departments.

Case study: Tarkett Serbia's support for Ecological Festival educates young people on green issues

In August, Bačka Palanka hosted its annual Ecological Theater Festival for young people. Tarkett regularly sponsors this event, and this year we organized a series of educational workshops. Local children had the opportunity to learn ecological principles using the medium of a town created from Tarkett products and raw materials. Tarkett volunteers were able to explain some important issues to them, such as the importance of sorting waste or using renewable energy sources. The event is a novel way to communicate with younger generations about some of today's most pressing issues. It is consistently popular both with its staff and some 50 children from across local community.

Supporting development projects in the wider world

With a broader focus we also contribute, on an ongoing basis, to the public policy debate on sustainability and the circular economy.

In 2015, Desso supported "Holland Water Goes Africa", which sinks drinking-water wells providing drinking water and water for agriculture in the Gambia.

Tarkett, through its subsidiary Desso, joined one of the initiatives of the REDD+ Business Program (Reducing Emissions from Deforestation and Forest Degradation) organized by the United Nations. Desso is supporting a project in the Madre de Dios region in Peru, addressing deforestation, supporting biodiversity, and aiding the local economy.

3.2.3 Stewarding tomorrow's resources

3.2.3.1 Tarkett and the environment: A holistic and structured approach

Resource stewardship is the second pillar of Tarkett's Closed-Loop Circular Design approach, something we progress through the careful application of our World Class Manufacturing (WCM) Program and Cradle to Cradle® principles. The focus is squarely on the environmental footprint of our many production sites across the world. Section 3.1.1 has set out our objectives: to reduce and optimize the use of resources throughout the entire manufacturing process. Success in this can make a valuable contribution to solving two of society's most challenging problems: resource scarcity and climate change.

Environmental management is key in our Cradle to Cradle® approach and the sub-sections below describe our activities in this area in detail. With the objective of clearly defining its vision of performance in terms of resource stewardship and after careful consideration, Tarkett set out three major objectives that we want to see achieved by 2020. Furthermore, we are working hard to deliver these – at all levels in our business – and across all our sites with the aim to reach our 2020 objectives, which are:

- **100%** of our manufacturing sites fitted with operational, closed-loop water circuits or not using water in their processes;
- **20%** fewer greenhouse gas emissions, compared with a 2010 baseline;
- **0%** waste going to landfill.

Overall excellence in environmental management is needed to move toward success. First and foremost, our WCM program plays a key role in this management, by monitoring key indicators, designing action plans and deploying them. In addition, Tarkett firmly believes that the ISO 14001 standard (which provides a framework and criteria for an environmental management system) can help drive progress. This is reflected in the rapid rate at which our sites are achieving certification. Today, 92% of our sites are certified to this international standard. The discipline acquired by using well-thought-out environmental management systems provides a solid framework on which we can make operational gains.

In addition to the above, Tarkett has taken Group-level decisions in three other areas that are designed to further improve our holistic approach to resource management. In 2016, our senior management team focused on going efforts to:

- Rationalize efforts between Tarkett's internal programs. As a result, new streamlined operational efficiency and cost-reduction plans have been defined and set in motion across our manufacturing sites, in connection with our World Class Manufacturing (WCM) Program.
- Define roadmaps setting out the route to achieving the 2020 objectives within each of Tarkett's divisions and at site level. The KPIs that track progress on the roadmaps are discussed systematically within each division.
- Construct a network of environmental champions. In most of the divisions and regions (EMEA, TNA, TEE, APAC, LATAM), identified people responsible for tracking the progress of the roadmap. They drive the roadmap as a whole – at division or entity/plant level via WCM – or oversee a part of it within the division. Moreover, at Group level, there is a WCM champion dedicated to the deployment and follow-up of the environmental pillar within the plants, steering and managing the whole process.
- These division champions are supported by an environmental committee which meets every month to review the entire range of areas covered by the roadmaps. The committee is chaired by the Executive Vice President of Research, Innovation & Environment (member of the Tarkett Executive Management Committee) and comprises officers and experts, as well as members from our different range of business and functions. These include Research & Development, WCM/Environmental and Sustainability, Communications, Marketing and Purchasing.

When it comes to environmental management, Tarkett is a firm believer in both independent expert advice – and independent verification of its activities. That's why, every year since 2008, we have commissioned detailed annual audits. These are carried out by a recognized third-party organization, across our sites worldwide.

The audits provide a clear and informative snapshot of both progress and the effectiveness of corrective actions. Assessments cover a comprehensive range of criteria, reflecting Tarkett's aim to see environmental progress on all fronts. We gather detailed feedback on everything from health-related indicators, through emissions, energy consumption and climate change, water consumption, waste management as well as noise and ground pollution.

Internally, Tarkett's Executive Management Committee directly handles the process of monitoring and driving our overall environmental activity, particularly with regard to resource stewardship and environmental respect. Over the past five years, 80% of the issues identified during the audits have been resolved, including 100% of the topics that our auditors prioritized.

Case study: WCM audits help Tarkett measure progress and define action plans

In addition to the external independent audits described above, internal WCM audits are carried out to evaluate the progress of the production sites and define the action plans. Tarkett aims for its management teams and environmental referents to have a clear vision and follow-up on all the sites and for all the indicators.
Audits last for two whole days, and the central team and site manager in charge of the different WCM pillars (Environment and Safety) are actively involved. In 2016, ten European sites were evaluated: Clervaux (Luxembourg), Konz (Germany), Lenham (UK), Narni (Italy), Sedan (France) and Orzechowo (Poland) in Western Europe; Bačka Palanka (Serbia), Kalush (Ukraine), Mytishchi and Otdradny (Russia) in Eastern Europe. The auditors evaluate each site according to a very strict scorecard. The plants are then rated according to the following classification: Bronze, Silver or Gold.
In 2016, Narni and Clervaux moved up to the Gold level, and Bačka Palanka reached the Bronze level.

3.2.3.2 Water stewardship

A history of water management

Water is vital for life, essential to industry, and an important element in sustainable development. Water stewardship is an important part of our environmental policy, and in the Cradle to Cradle® philosophy we apply, this is an integral part of our commitment.

Cradle to Cradle® principles are a challenging 21st-century step on the road towards a circular economy. Considering the industrial nature of its sites, Tarkett has a long history of carefully managing its water resources in a responsible and optimized fashion. Most industrial manufacturing processes use water, as a raw material or a utility, and the flooring industry is no exception. Dyeing carpets, for example, requires large volumes of water. A sound environmental strategy is needed to avoid collecting large quantities of water from external sources.

Even though polluting effluents are not a major issue for Tarkett, we remain focused on managing the potential risks of effluents.

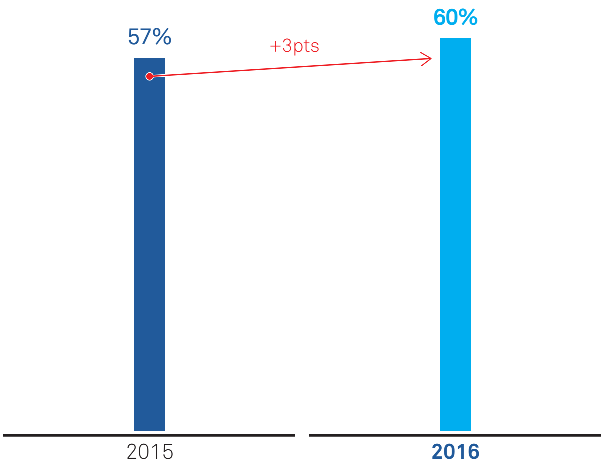
Ambitious goals

Tarkett has a double commitment to water stewardship: minimize external consumption on our sites and optimize the quality of the water discharged. Both of these commitments are in keeping with our engagement to significantly reduce the pressure we put on water as a valuable resource.

Our 2020 water-consumption target is ambitious: all our industrial sites to be equipped with a closed-loop water circuit in their manufacturing process (or not using water in their industrial process). This measure will allow us to directly reduce our water consumption. While increasing the number of such loops on our existing sites, we are also improving water stewardship in newly acquired sites by applying the same closed-loop systems.

KPI: Progress in installing closed-loop water circuits on Tarkett's manufacturing sites (or not using water in their processes): **60%**, compared with 57% in 2015.

Share of manufacturing sites that have implemented closed-loop water circuits or do not use water in their process



Case Study: Tarkett, USA – Pumping and Piping Station Project: 60% reduction in water usage

Carefully targeted capital expenditure at the Florence East site (Alabama, USA) has resulted in significant leverage for its team. A new pumping station and additional pipes allowed a complete change in water sources for the boilers supplying the "Victory" manufacturing equipment and press. Instead of relying on external water supply, all boiler utility water now comes from an on-site cooling pond. This change has effectively closed the water consumption loop for the entire Victory line and yielded a dramatic – and immediate – 60% reduction in water usage per square meter of product. In addition to promoting better water stewardship, the project has improved the safety of water supply. This helps safeguard business continuity, ensuring that production could continue even if external water supplies were to fail.

Driving up effluent standards

Turning to the wastewater side of the water equation, Tarkett also has a strong focus on the effluents being put back into the environment from its sites. The nature of our products and processes does not, generally, result in effluents requiring major wastewater treatment. Having said that, our varied product range, and strategy of innovation in materials and manufacturing methods, means that we nevertheless retain a strong focus on effluent quality.

Case Study: Tarkett, Belgium – A site exceeding modern waste standards

Today, Dendermonde site (Desso carpet activities) in Belgium has a sophisticated array of water treatment equipment ensuring that wastewater can be recycled. As in many countries, there are tough wastewater quality controls in Belgium in terms of water being discharged back into local sources. In response to the trend toward higher standards, the site has been pursuing best practice for more than 30 years. Onsite biological waste water treatment has been in place since the mid-1970s, and this was upgraded in 2006 with the addition of an ozone treatment stage. This two-stage treatment now enables the site to discharge water of a consistently higher quality than that required by, already demanding, local regulations.

3.2.3.3 Energy management and climate change

It is now some 30 years since the creation of the UN's Intergovernmental Panel on Climate Change (the IPCC). Since then, climate change has risen up the agenda to become one of the most difficult and pressing environmental issues of modern times. Success at the COP21 talks in Paris, in 2015, rekindled fading hopes. After the summit, there was genuine hope that international institutions might pull together to set a trajectory capable of delivering the UN's two-degree scenario(1). 2016, however, proved a more difficult year on many fronts, expectations were markedly lower for Paris's successor – COP22, held in Marrakech, Morocco, in November 2016.

Focus on Tarkett's Engagement for the Climate

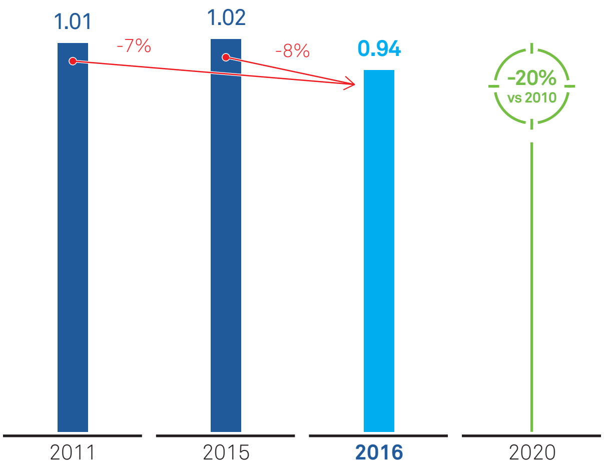
At COP 21 (the Conference of the Parties of the United Nations on climate change) in France, in connection with an initiative organized by the WEF, Tarkett undertook alongside 77 multinationals to take concrete actions to combat climate change and reduce environmental impact and our carbon footprint. In connection with this worldwide coalition of businesses, Tarkett also joined the Paris Pledge, in which "businesses, cities, civil society groups, investors, regions, trade unions and other signatories promise to ensure that the ambition set out by the Paris Agreement is met or exceeded to limit global temperature rise to less than two degrees Celsius."

In contrast with the inevitable breakthroughs and setbacks of international action on climate change, Tarkett's corporate action in this area, and on energy, is long-standing and sustained. Like water stewardship, climate change and energy management are areas where environmental action and sound business sense can work together. Our main contribution to tackling greenhouse gas emissions is the action we voluntarily take to reduce energy consumption, always working to our Cradle to Cradle® and circular economy principles.

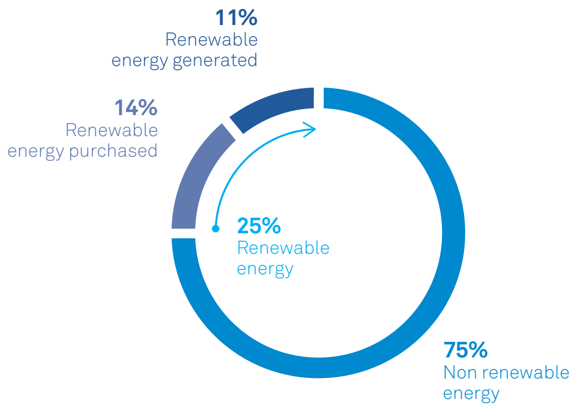
(1) A scenario within the UN Framework Convention on Climate Change (UNFCCC) under which the most severe impacts of climate change would be prevented by limiting temperature rises to a maximum of 2°C, compared with pre-industrial levels.

KPI: Greenhouse gas (GHG) emissions per square meter of manufactured product: 0.94 kgCO_2e/m² in 2016, **-8%** compared with 2015.

GHG emissions (kgCO_2e/m²)



Renewable energy as a % of energy consumption in 2016



Solid progress on energy efficiency

Since 2010, we have made steady progress on energy efficiency – seeing average energy consumption across our sites fall from 4.34 to 4.09 kWh/m² of manufactured product, a reduction of 6%. Moreover, it is sustained progress; comparing 2016 with 2015, we have seen a 3% year-on-year reduction, with absolute unit energy consumption of 1,228 GigaWattHours (GWh).

But better energy stewardship is not just about leaner consumption: it's also about cleaner generation. That's why Tarkett's long-running efforts to reduce energy consumption are mirrored in more recent, but just as vigorous, efforts to develop renewables across its sites and more broadly. In 2016, 25% of the energy we consumed came from renewable energy and electricity – causing no greenhouse gas emissions at all. Moreover, our efforts to tap into emerging technologies such as geothermal and solar continue, especially in our administrative buildings.

Greenhouse gases: a challenge for the planet and for the company

Over these past 2 years we have seen an encouraging decrease of Tarkett GHG emissions. The Group has slightly reduced the impact on climate change of its manufacturing activities, although some countries where Tarkett sites are located have a less favorable energy mix (those in China, Germany and in the USA).

In 2016, the Group has reduced total of emissions of GHGs by 8% to 282 kt$C0_2$e, compared with 306 ktCO_2e in 2015. This positive trend is the result of a reduction in energy consumption and increased use of renewable energy and electricity (-3.8%), and has also been helped by the calculation based on real CO_2 emissions factor for some countries (-4.2%) versus DEFRA standard factor.

Energy efficiency: thinking globally and acting locally

Since 2011, businesses have been able to have their commitment to energy efficiency recognized by achieving certification to Europe's ISO 50001 energy efficiency standard. In 2016, all of Tarkett's European sites employing more than 250 people achieved ISO 50001 certification.

3

Case study: Tarkett, Serbia: Fine-tuned energy management increases efficiency and boosts renewables

In 2009, Tarkett's Bačka Palanka (Serbia, Eastern Europe) began work to define an energy management strategy. It had a dual objective: increased reliance on renewables and optimum energy efficiency. But our teams' approach to strategy goes beyond conventional corporate norms.

Tarkett's Bačka Palanka team recognized early on that an overall strategy coupled with a finely-tuned operational outworking was what was needed. It would obtain maximum leverage by capitalizing on the site's specific configuration and equipment, in order to deliver site-specific solutions.

How does it work in practice? First, a sustained, ongoing effort. Every morning energy managers, shift leaders, and operators hold a brief, focused meeting. Here, they analyze energy indicators from the past 24 hours and use them to define and implement corrective actions and adjust energy flows accordingly toward optimal settings.

Second, targeted initiatives. For example, researching waste-to-energy routes, which resulted in the site installing a sawdust-fueled boiler in 2009. The boiler takes sawdust from parquet manufacturing and converts it to heat energy which is then reused in the vinyl flooring production process. Over six years, this has saved the equivalent of emissions from over 600 households. Put another way, this has cut total site CO_2 emissions by 31.5% (on average) between 2010 and 2015.

The overall result? The Bačka Palanka team's forensic attention to both the big picture and the day-to-day detail has yielded concrete results. Almost two thirds (about 65%) of the site's total energy needs were sourced from self-generation or renewables in 2015. Over six years, this has saved the equivalent of emissions from over 600 households [1].

(1) Source of consumption figures: World Energy Council; see https://www.wec-indicators.enerdata.eu/CO2-emissions-per-household.html.

However, while we support proper recognition of companies which can achieve demanding environmental standards, Tarkett's philosophy has never been one of waiting for regulation to bite: we prefer to anticipate and take action under our own initiative. In fact, regardless of options for certification, a good number of our sites already have management systems similar to ISO's in place. This generates a wealth of valuable experience and feedback for us, as we look to define what good and best practice will look like in the future.

Tarkett is committed to continuously improving its manufacturing efficiency, something formalized in the continuing implementation of our World Class Manufacturing (WCM) program. A key focus for the program is to act on energy consumption within our manufacturing processes themselves. As a result, 45% of our plants have improved their energy efficiency, reducing their energy consumption per square meter of manufactured product.

Case Study: Tarkett, Canada – new process-plant air compressors reduce energy

The team at Tarkett's manufacturing plant at its Waterloo site (Toronto, Canada) wanted to take local action on energy consumption within the production lines themselves. As a result, it commissioned a detailed energy audit to identify and quantify the potential losses and savings. Special flowmeters were installed at strategic points to build up a picture of the process plant's air consumption.

A clear baseline was established followed by analysis of the potential savings. The team realized that there was potential for major gains to be made by installing new electric compressors. Taking a prudent approach to capital spend, new equipment was secured on loan for a trial period. The carefully monitored tests that followed confirmed the clear potential for long-term savings. On the strength of the trial, the team decided on a targeted capital investment: adding both flow monitoring equipment and electric compressors to both the plant's extrusion line.

Case study: Tarkett, Russia – Fine tuning of process pressures to cut electricity use

At Tarkett's Mytischi laminate plant (Moscow, Russia) a detailed analysis was carried out on the site's most energy-intensive equipment. Unsurprisingly, the work identified compressors as a key area. However, the team at this site took the decision to focus on optimizing existing equipment, rather than installing new equipments. With the integrity of the process line a paramount consideration, the team has successfully reduced the operating pressure on the process line. This reduction of 1bar (the equivalent of reducing outside atmospheric pressure to an almost total vacuum) has delivered a significant reduction in electricity consumption while maintaining complete integrity of the process line.

Working to boost renewables

Developing the use of renewables on-site represents a high-potential local opportunity for us. Here, we pursue a number of options: waste wood from our manufacturing is used as biomass for energy; and geothermal and solar energy are in use in a number of administrative buildings including factories, including those on Desso's carpet plant in Dendermonde (Belgium), Tarkett's linoleum plant at Narni (Italy) and Waalwijk (Netherlands).

But on-site action is only one part of Tarkett's approach to developing renewables. A second key thread is to encourage external green energy sources such as hydropower, wind, or solar; for example, by buying electricity that is certified as being renewable-generated. In 2016, over the course of the year, five production sites put in place renewable energy contracts and secured 100% renewable electricity supplies. These were Dendermonde (Belgium), Goirle (Netherlands), Jacarei (Brazil), Narni (Italy), and Waalwijk (Belgium).

Case study: Tarkett, USA – Headquarters and nearby sites switch to 100% green energy

At Tarkett's US headquarters (Solon, Ohio, USA) and all its other manufacturing sites in Ohio, we have now completed a move to 100% green electricity consumption by the end of 2016. This major step will boost demand for green, carbon-neutral generation by an estimated 30 million kWh/yr-equivalent to the energy consumed by over 8,000 EU households [(1)]. All energy purchased will be certified by ENGIE Resources-the third-largest non-residential electricity provider in the USA. ENGIE will supply Renewable Energy Certificates (RECs) that allow Tarkett to demonstrate its commitment to green generation and the growth of renewables in the energy mix.

(1) Source of consumption figures: World Energy Council; see https://www.wec-indicators.enerdata.eu/household-electricity-use.html.

Bearing down on emissions in transport and raw materials

Despite our formal indicator for greenhouse gas emissions being site focused, Tarkett works to reduce emissions across the entire range of its activities. Among these off-site areas of focus, we act both on selecting recycled raw materials that don't deplete scarce virgin resources (see Section 3.3.2.3) and optimizing transport.

For example:

- In Brazil: At Tarkett's Jacarei site, an alternative supplier for a key raw material for the production of vinyl flooring has been identified and selected. This supplier is 650km closer to our site than the previous one – with a proportional saving in fossil fuel consumption and greenhouse emissions.
- In Northern Europe: action to optimize modes of transport has led to less energy-intensive options being selected. For example, on some routes, products are now being transported by ship rather than trucks.

Focus on Transport in Ronneby, Sweden: Reducing our carbon footprint

In Sweden, we have increased transport efficiency to & from the vinyl production site in Ronneby:

Switching from road to rail

- Inbound goods from Tarkett facilities by rail eliminates 500 fully loaded trucks per year
- Outbound goods to Tarkett distribution centers by rail eliminates 330 fully loaded trucks per year

By 2020, ensuring that 100% of the transporters we work with commit to the same environmental targets.

Source locally where possible for incoming flow of raw/indirect material.

Together with our suppliers continuously search to optimize logistic flow and transport technology.

We also changed our on-site forklifts, switching from diesel to electric vehicles.

Developing a comprehensive understanding of our total impact on climate change

In 2016, Tarkett updated its full-life-cycle assessments (LCAs) of a number of its European-produced products, such as linoleum, some heterogeneous vinyl collections, and the vinyl homogeneous iQ collection. A part of this analysis, Scope 3 emissions are taken into account, which includes the assessment of raw materials production and transport, as well as the usage phase – depending on the application (evaluation of the impact of cleaning and maintenance is different for healthcare facilities and offices). The calculations are done by LCA experts at LIST (the Luxembourg Institute of Science and Technology), combining real data, generic data and assumptions from experts.

For example, we measured the total climate change impact of our linoleum flooring in the healthcare sector, and of our vinyl heterogeneous compact range used in offices. In both cases, the highest contribution is from the use phase (with the assumption of 10 years) and the raw material extraction. The transport of raw materials and finished goods contributes for a very limited part of the total emissions.

In addition to the continuous progress we make at our manufacturing plants through the World Class Manufacturing Program (see Section 3.2.3.3) and by extending the use of recycled materials (see Section 3.3.2.3), we also aim to better understand and reduce the entire carbon footprint of our activities. Aligned with our commitment to the Paris pledge signed at the COP 21 talks, Tarkett will continue to extend LCA to additional product ranges and expand the calculation of our impact on climate change to Scope 3, which will reveal where there is room for improvement. We will also continue to share information on the Carbon Disclosure Platform (CDP) on our customers and investors request.

Safeguarding tomorrow – planning for climate change adaptation today

The Group continually monitors and plans for industrial and environmental risks; and climate-change-related factors (such as floods and storms) are a part of this activity (see Section 3.2.3.1). We operate carefully thought out on-site emergency plans, and, of course, continue to develop our products, such as artificial turf, that can help others in their efforts toward climate-change adaptation.

In 2016 we increased provision for environmental risk to €1,273K, compared with €152K in 2015. "The increase in environmental provision is mainly due to additional work to be performed to improve the quality of an existing soil remediation action in one of the plant of the Group."

3.2.3.4 Minimizing waste – how Tarkett reuses and recycles

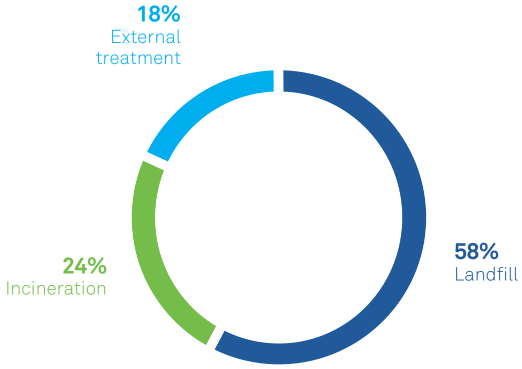
Operational efficiency and cost-reduction plans are a core part of Tarkett's approach to applying its World Class Manufacturing Program. These plans are developed, defined, and implemented – on a global scale – across our manufacturing sites. And recycling of materials forms a key thread.

Tarkett places an emphasis on taking the broadest possible approach to stewardship of its waste resources. Accordingly, we have developed a wide range of systems to recover waste. We collect a wide range of defective products and production waste material – returning them to our manufacturing process streams. These systems are described in detail in Section 3.3.2.3, which discusses how we do this, in the context of our commitment to a circular economy.

Recycling has a double benefit. First, it helps optimize our use of raw materials, making good environmental sense and good business sense. Second, it minimizes absolute waste production. We continue to tackle residual amounts of waste that have not yet been incorporated into circular flows, but our overall ambition is clear: to eliminate all waste bound for landfill, by 2020.

KPI: Industrial waste going to landfill, incineration or for external treatment, including hazardous waste: **105 g/m².**

Non-recycled waste by type (tons)



Case Study – Tarkett, Brazil: New recycling unit can cut waste-to-landfill by close to 1,000 tons a year

A new recycling unit has been brought on stream at Tarkett's Jacarei site in Brazil. It can recycle over 960 tonnes of material a year – equivalent to the mass of waste generated by over 600 individuals.

Its input stream comprises, for the most part, waste material from the LVT production line, but also PVC being returned from consumers, which is supplied to us by external companies. Its output is put to immediate reuse nearby in both LVT and VCT production.

In addition, the center recycles 85% of the solid waste generated in the site's heterogeneous vinyl coating line, which is then returned for use in the LVT core layer. In a similar vein, plasticizers are filtered and put to use in the manufacturing of accessories, such as baseboards. And this circular approach is a rapidly growing area – with demand for such reusable material now outstripping supply.

3.2.3.5 Local environmental impacts and footprint

Taking into account the local impacts

Tarkett has a strong corporate focus on global issues like climate change and resource scarcity, but it is equally committed to local issues and local communities. Tarkett does not have to deal with a number of the challenges that face other industrial plants, such as direct emissions to air, or needing to treat highly polluted effluents on site. However, manufacturing in the flooring sector still has some local impacts, which we are careful to steward. A number of these, such as noise pollution, are tracked formally through our environmental management system. In keeping with our emphasis on dialog and openness, we share our internal data transparently with the relevant local authorities.

Careful thinking about space for expansion has local and global benefits

Tarkett has grown substantially in recent years, often through acquisitions. As we expand, we apply the principle of reusing existing space wherever possible. Examples of this approach over the last two years are:

- at Tarkett's Florence (USA) and Otradny (Russia) plants, the installation of additional production lines was achieved entirely by using existing indoor space – with no additional construction;
- at our Beijing (China) and Jaslo (Poland) sites, we chose to increase production capacity through the purchase of existing industrial unit space – not through new build.

In addition to minimizing visual impacts and disruption to local communities, this approach of reusing existing space also has benefits for the global issues we track. For example, it also leads to reduced greenhouse emissions and lower raw material requirements.

3.3 Meeting tomorrow's challenges through innovation

3.3.1 Increasing, Urban and Aging population: Tarkett and the challenges of tomorrow's demographics

3.3.1.1 A world facing rapid population growth

In the decades to come, the world population will explode: according to the World Business Council for Sustainable Development (WBCSD), it's highly likely that there will be more than nine billion people sharing our planet by 2050. And with this growth will come about three billion additional middle-class people who will rapidly adopt the aspirations and norms of urban life and a consumer society.

On the surface of it, that might seem like straightforward good news for a flooring sector company like Tarkett. But the reality is more complex and challenging. We are firmly of the view that today's advanced economies models for business – in general, and manufacturing – in particular, are simply not sustainable. The global growth on offer can only be good news, for companies and citizens, if a new paradigm for Corporate Social Responsibility is adopted.

That's why Tarkett is working hard to drive the principles of the circular economy – both adopting them in our own processes, and strongly encouraging others to do so. Our responsibility doesn't end at the factory gate: we believe that we have a duty to help build a sustainable world for tomorrow, bringing all our influence and expertise to bear on the task.

We have a long-standing commitment to the development of innovative flooring. This goes beyond delivering excellence on the traditional dimensions of design, cost, and performance – though those aspects are vitally important. By innovation, we also mean flooring that improves the spaces people live in and benefits their well-being.

3.3.1.2 Key areas where Tarkett can make a difference

Our commitment to eco-innovation, inspired by the Purpose Pillar of Tarkett's sustainable development strategy, is a key driver of our action. More concretely, it focuses on four core issues that arise directly from the rapid population growth discussed above:

- Resource scarcity: Even now some resources have been heavily depleted, a trend that can only accelerate as demand in emerging markets grows exponentially. Transition to a circular economy, where products are designed so that their safe materials can be recovered and recycled, indefinitely, is the surest way to preserve the planet's natural resources.
- Climate change: Much better use of resources is a key component in all scenarios described by experts that involve keeping climate change under control. Therefore, approaches that combine reductions in virgin raw material needs and energy consumption, and promoting cleaner production processes through the use of renewable resources and energy, can successfully make an impact in this area.
- Urbanization: As population growth continues to gather pace, so does urbanization. The United Nations estimates that, by 2050, 64% of all people will live in cities. As a result, hard thinking by designers and manufacturers is urgently needed; hard thinking to conceive and bring to market solutions providing the maximum number of people with access to pleasant and healthy spaces in which to live, work, and play. And all of this must be delivered while meeting expectations of modular designs, customization, and innovation in the real estate market.
- Aging populations: Strong population growth compounded with overall improvements in living standards will drive a demographic that has its outworking in an aging population. By 2050, the World Business Council for Sustainable Development (the WBCSD) estimates that 34% of the world's population will be aged 60 or over. Floor coverings, particularly in hospitals or retirement homes, have a strong part to play in this story. In the future they will increasingly need to be designed to provide innovative solutions that help maintain older people's autonomy and quality of life.

3.3.1.3 Tarkett's approach to meeting the challenges

Tarkett is squarely committed to tackling these four global challenges head on. Our 2020 sustainability strategy, which has its outworking in our Research & Innovation Roadmap and our operations-including the World Class Manufacturing (WCM) program, addresses this through two key elements in our strategic and operating philosophy:

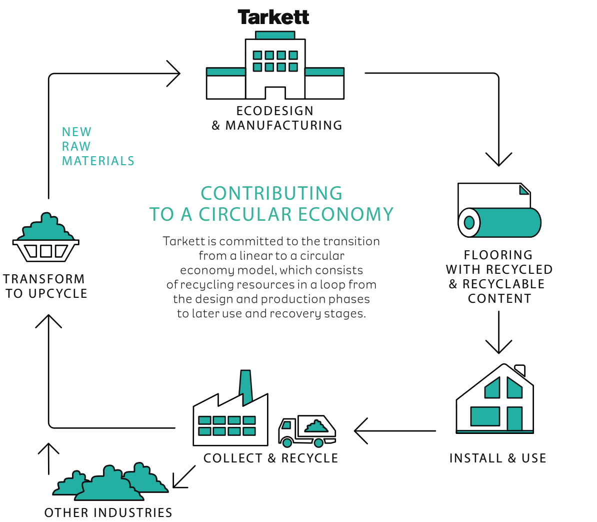
- Cradle to Cradle® principles: By wholeheartedly embracing the C2C principles within our "Closed-Loop Circular Design" approach, we aim to create loops in which healthy materials are endlessly recycled and renewed. This circular approach is an innovative driver to move beyond the traditional, linear manufacturing logic – extraction, production, consumption, and disposal. For us, it's no longer about a product's "end of life", but about its "end of use." By applying the Cradle to Cradle® principles at our manufacturing sites, we also aim to respect our environment and use resources responsibly (i.e. water, energy, and raw materials).
- True collaboration: We see this as essential to the success of the ambitious projects we engage in with partners in our value chain. It's also vital for our wider engagement in a series of partnerships and external collaborative initiatives with other industrial groups, such as the major environmental player, Veolia, in France, or non-profit organizations, such as NXT Health, Practice GreenHealth, and the Center for Health Design in North America. In North America, Tarkett also partners with the US Chamber of Commerce to promote the development of the circular economy.

3.3.2 Driving the transition to a collaborative circular economy

3.3.2.1 Our strong commitment to a circular economy

Making better use of our resources has been a focus for a number of years. As a result of our strong commitment to the concept of the circular economy, Tarkett has put in place a number of important initiatives and steps. Our aim is to transform the company into a leader in this field – in both thought and action.

In contrast, a circular philosophy involves a complete change of mindset, to design products that can be recycled several times over, and to develop the technologies and services that allow these products to re-enter the cycle.



We pursue these goals in close partnership with institutions such as the Ellen MacArthur Foundation (and its Circular Economy 100 program) and the scientific institute EPEA (Environmental Protection Encouragement Agency).

In keeping with our desire to provide both thought and practical leadership, Tarkett also contributes to broader debates. We are committed to playing a meaningful role in the World Economic Forum's (WEF's) discussions, with a view to fostering greater engagement in the circular economy and related initiatives within the WEF, such as "The Future of Construction."

By adhering to this circular philosophy, **our goal is to design products today that will be the raw materials of tomorrow, and to choose healthy and safe materials that can be perpetually recycled**. We develop this philosophy within the Group based on four pillars described in detail in this section:

1. eco-designing recyclable and recycled products;
2. recovering and recycling production waste;
3. fostering business models and logistics loops for the efficient recovery of scrap or used floorings;
4. developing recycling technologies and capabilities, either in-house (in an internal cycle) or through partnerships.

3.3.2.2 Selecting good-quality materials: Respecting health and the environment

Eco-design for Good Materials

The Good Materials Pillar in our Closed-Loop Circular Design approach addresses Tarkett's capacity to use sustainable **materials that are positive for people's health and the environment**.

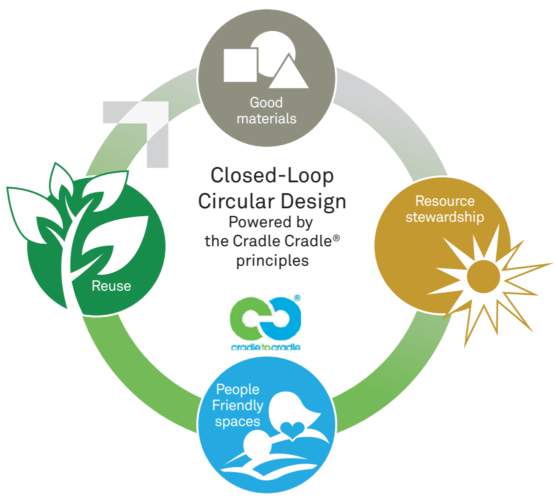
We strongly believe it is our responsibility to produce **products that contribute to healthier living**, working, and leisure spaces. With most people spending about 90% of their time indoors these days, healthy interiors are now becoming a real and important factor when buying or constructing real estate.

Case study: Tarkett leads the debate in the responsible use of PVC

Tarkett is at the forefront of the debate on the responsible use of PVC. As long as chlorine continues to be generated, a better option (from a Cradle to Cradle® point of view) appears to be converting it to PVC used only for durable goods, such as flooring designed, using safe materials and with a manageable post-use recycling chain in place. By applying Cradle to Cradle® principles, from 2011 on, to each step of the product's life, we support Responsible Use of PVC in production, commercialization, sourcing practices and legislation. In doing this, Tarkett substitutes phthalate plasticizers, while take-back systems for the safe and productive post-use management are being established.

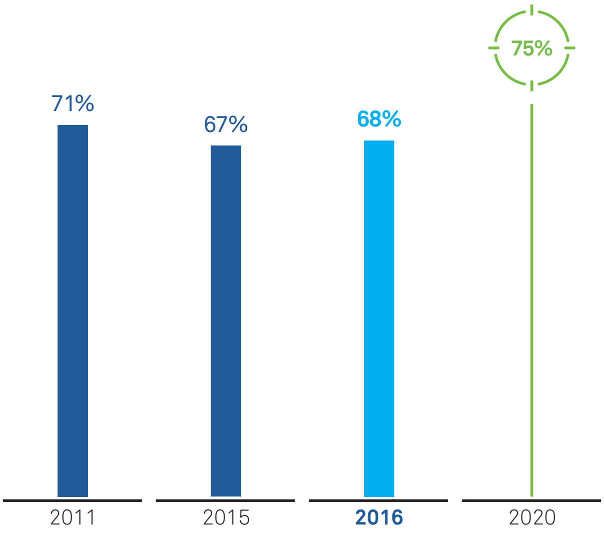
We began working with the EPEA on the issue in 2010 and signed a PVC Charter in 2013, after a series of workshops. In 2016, we took part in a panel discussion at the Greenbuild Conference and the Living Product Challenge in the USA and we will continue promoting the "Responsible use of PVC" to other industries.

Moreover, from an environmental point of view, we are also firmly of the opinion that primary resources should not contribute to the depletion of natural resources. For that reason, using **mineral abundant, rapidly renewable, and recycled materials** is a priority for Tarkett.

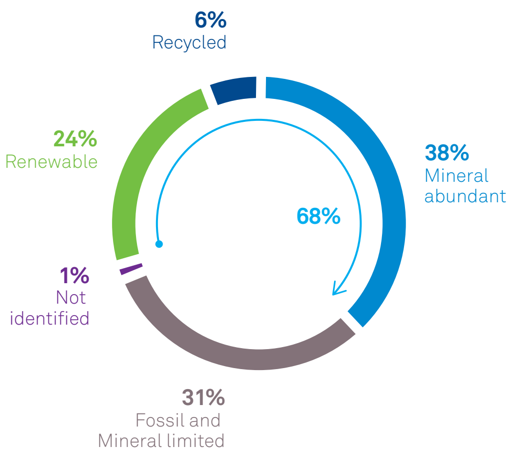


A concrete manifestation of this commitment is the quantity of materials at the beginning of our supply chain that do not contribute to resource scarcity:

Share of Group materials that do not contribute to resource scarcity (% of purchased volume)



Total Group materials (at the start of our supply chain) that do not contribute to resource scarcity (% of purchased materials)



Material health assessment and improvement
Always mindful of the importance of anchoring our approach in practical terms, Tarkett works in close partnership with the EPEA, a scientific research institute, to evaluate its products and materials against the Cradle to Cradle® chemical hazard profiling methodology and its 24 health and environmental criteria. The optimization of our product compositions is at the core of our "Closed-Loop Circular Design" strategy powered by Cradle to Cradle® principles and the circular economy. The results of these assessments allow us to better understand and improve the impact of our products and to more carefully select our raw materials by sharing C2C inspired specifications with our suppliers.

KPI: 95% of our raw materials have been assessed against the C2C principles, and our aim is to fully assess our entire raw-material portfolio by the end of 2020. This represents **2,738 materials assessed** since 2010.

Further to this work with the EPEA, in 2016 in North America, we launched the Material Health Statements (MHSs) which is a new transparency tool for our clients. An MHS is a disclosure about a product's ingredients, based on a detailed assessment of the materials it contains. It is based on a chemical composition assessment obtained through a Cradle to Cradle® material assessment process carried out by a third party. Once the materials have been evaluated, they are given a color-coded rating. This makes the MHS easy to read and understand – even for non-experts – and informs users about the composition of a Tarkett product.

By the end of 2016, we were able (in North America) to produce nine MHSs for the following products: vinyl floorings (Johnsonite iQ homogenous flooring), luxury vinyl tiles (Tandus Centiva Victory® Series), linoleum (Harmonium, Veneto Essenza Natural Clay, Veneto Acoustiflor), and rubber (Baseworks, Rubber Sheet, Rubber Stair Treads, Rubber Tiles).

Cradle to Cradle® principles
Based on its Closed-Loop Circular Design and respect for human health and the environment at every stage of a product's lifecycle (design, production, use, and recycling), Tarkett applies Cradle to Cradle® principles for all its products and is committed to the development of the circular economy.

In recent years Tarkett has obtained several Cradle to Cradle® certifications.

The Cradle to Cradle Certified™ Product Standard is another tool that illustrates Tarkett's eco-design approach of a product based on the five C2C qualitative criteria listed below:

Focus: Cradle to Cradle® qualitative criteria headings for materials selection

- Material health
- Material reuse
- Renewable energy and carbon management
- Water stewardship
- Social fairness

Product assessments are performed by the EPEA, and through our commitment to the circular economy powered by Cradle to Cradle® principles, our products have achieved Cradle to Cradle® certification in several categories of flooring over the last few years.

Focus: Tarkett Cradle to Cradle Certified™ product category

		Gold	Silver	Bronze
Carpet	Gold Collection	X		
	EcoBase® carpet tile backing	X		
	ethos® carpet tiles backing		X	
	Desso carpet			X
Linoleum	Veneto Essenza 100% linen	X		
	Linoleum Silencio/Acoustic/Ecopure			X
	Linoleum linosom		X	
Rubber	Rubber tile and sheet			X
	Rubber wall base			X
Wood			X	
Resilient flooring	Evolay			X
	iQ One	X		
Artificial turf			X	
Hybrid turf	GrassMaster		X	
Adhesives	Tandus Centiva adhesive, floor primer and Tarkett Vinyl Tile and plank adhesive	X		
	Tandus Centiva Pressure sensitive adhesive, Tandus Centiva Adhesive, Tarkett Resilient flooring and sports spray adhesive		X	

Moreover, we ensure that this certification is kept up-to-date, which challenges us to continually improve in accordance with the latest standards 3.0 and 3.1, guaranteeing a higher level of sustainability.

For example, rubber tiles, sheet floors, and rubber accessories (our BaseWorks® products) stepped up, from basic to bronze certification, in 2015. A further example: 93% of Desso commercial carpet tiles (by sales) were C2C certified in 2015 (equivalent to 78% of total products sold, by volume).

When manufacturing wood flooring products, Tarkett selects its woods based on respect for natural cycles and the degree of natural abundance. Moreover, Tarkett has put considerable effort into identifying and establishing partnerships with FSC® and PEFC™ certified suppliers. Since 2012, this has resulted in Tarkett being Cradle to Cradle® Silver Version 3.1 certified, for wood floor product lines manufactured at its four production sites (Backa Palanka (Serbia), Hanaskog (Sweden), Kalush (Ukraine) and Orzechowo (Poland)).

In 2016, major achievements included:

- The gold certification obtained for some of our adhesives in North America, Tandus Centiva adhesive, Floor primer and Tarkett Vinyl Tile and plank adhesive, and Silver level for some other adhesives. This involved working in close partnership with the adhesive supplier: an opportunity to engage them collaboratively in circular economy principles and in the use of healthy materials.
- In 2016, Tarkett launched iQ One, a non-PVC, multi-polymer-based product which is Cradle to Cradle Certified™ Gold. iQ One was developed as a result of extensive research and has proved a product of choice for public spaces, where there are demanding requirements in terms of durability, function, and sustainability.

3.3.2.3 Capitalizing on reuse opportunities over the whole product life cycle

As a result of the Group's commitment to Closed-Loop Circular Design principles and the implementation of operational improvement programs like the WCM, Tarkett works both to keep waste sent to landfill to a strict minimum (under the Resource Stewardship Pillar – see Section 3.2.3.4 for more detail) and to exploit new opportunities to use recycled materials in our products (under the Good Materials Pillar- see Section 3.3.2.2).

But putting Cradle to Cradle® principles firmly in place requires an even deeper commitment, in order to increase the proportion of recycled contents within our products, and, of course, to recycle materials. These concepts may sound simple, but delivering them successfully is challenging. Tarkett has been rising to these challenges for a number of years, through the Reuse Pillar of the Closed-Loop Circular Design.

Maximizing recycled raw materials by developing recycling processes

In recent years, Tarkett has made real progress in increasing the use of recycled materials in its manufacturing processes. The Group has a threefold focus in this area.

First, we directly recycle our own manufacturing waste (such as scraps and trimmings) or send industrial waste for external recycling in other industries. To do this we have installed systems across a range of sites that gather and recycle waste and production scraps.

Selected examples of this are:

- in Canada – Farnham: The R&D department developed a process to treat and recycle the plasticizer generated through our product-manufacturing processes. The plasticizer is part of high-temperature vapors that were formerly burnt. An industrial process was developed in 2015 to recover the plasticizer, as a clean liquid, and reinject it into the production process for new vinyl floorings. With this innovation, 100% of the plasticizer is recycled;
- FieldTurf, Tarkett's world-leading artificial turf company, commercializes Versatile, an underlay for sports surfaces made from recycled turf, with unique drainage and shock absorption properties;
- in Italy, at Tarkett's Narni site, selected waste from linoleum production is used to produce packaging stoppers for flooring rolls. This waste is processed at the internal recycling center, where it is transformed into a powder before dispatch to an external company to be transformed into recycled-based stoppers.

Second, we source viable recycled materials from others, thus transforming waste or by-products from other companies into raw materials that we can use.

Selected examples of successes in this area are listed below:

- in Brazil, the recycling center has been extended, adding a new recycling unit at Tarkett's Jacarei production site (see box "Case Study" below);
- Desso partners with a yarn supplier, Aquafil, to use Econyl® regenerated nylon fiber. Over 50% of the Desso carpet tile range (by sales) is available with Econyl® yarn. This fiber, made from 100% regenerated nylon, also incorporates post-consumer fiber waste from Desso's Refinity® plant;
- in the Netherlands, working in partnership with local drinking water companies, Desso, a Tarkett brand has developed a technique to upcycle re-engineered calcium carbonate (the chemical present in lime scale), which is produced in water treatment. The calcium carbonate is processed in accordance with Cradle to Cradle® criteria to be used in the EcoBase® carpet backing, which has achieved C2C Gold level certification;
- in 2016, Desso continued its support for the ocean protection project "Healthy Seas, a Journey from Waste to Wear"). The initiative aims to remove waste, in particular fishing nets for the purpose of creating healthier seas and recycling marine litter into regenerated yarn, some of which is being used to produce new Desso carpets;
- in North America, Tandus Centiva has perfected a carpet tile sub-layer, ethos®, made of recycled PVB from windshields and safety glass. The ethos® carpet tile sub-layer has been Cradle to Cradle® Silver certified.

Finally, we recycle used flooring or installation offcuts from our customers' sites.

- in Luxembourg, the Clervaux site operates a recycling center for both post-production scraps (from Backa Palanka (Serbia), Clervaux, Sedan (France), Jaslo (Poland), Konz (Germany), and Ronneby (Sweden) and clean post-installation flooring. The center produces sub-layers for its own vinyl flooring production lines and for those at Tarkett's Konz (Germany), Lenham (UK), and Sedan (France) sites. Another portion of this recycled material is also used in the site's LVT product line;
- in the US, the Dalton Environmental Center in Georgia recovers manufacturing waste and post–use commercial carpet, processing it ready for reuse in the manufacture of ER3 backing for Tandus carpets.

Taken together, these initiatives resulted in 6% recycled materials (by volume of materials purchased which is about 80,000 tons) in 2016, compared with 5% in 2015, and 3.6% in 2011. This figure also includes, for the first time, internal recycling at Otradny in Russia.

Case Study: The Brazilian production site initiative personifies circular economy principles

In our production site at Jacarei (Brazil), Tarkett extended its recycling unit in 2016, enabling the recycling of over 960 tons of production waste and trimmings every year for reuse in vinyl tiles flooring (LVT and VCT) production. The material used in Jacarei is recycled PVC from external suppliers: used industrial blister packaging (which had already been sent to us), post-consumption recycled blister packaging from the pharmaceutical industry, and PVC from the recycling of phone SIM Cards.

In Brazil, a "Powered by Sustainability" project was launched in 2015 for the VCT production line. This was then extended to the core layer of the LVT product, developed using circular economy principles and aligned with Tarkett's 2020 objectives. Our ambition is to use materials that are recycled and produce zero waste in our production processes. The challenge was to develop a sustainable product, using recycled raw materials thus avoiding the use of natural resources and sending waste to landfill. This project was developed using the existing infrastructure in Jacareí and in partnership with emerging recycled-PVC suppliers in Brazil.

Closing the loop: From end of life to end of use

As exposed above, Tarkett no longer thinks in terms of a product's *end of life*, but rather of its *end of use*. This evolution comes with a number of technical, logistical and economic challenges in a highly competitive sector like flooring.

On our sites, clean waste and used flooring need to be collected efficiently and transported to one of our recycling centers. eco-design has allowed Tarkett to develop products that are easier to uninstall or disassemble. But that is not enough. To be effective, the system requires good cooperation from customers and support for change (to encourage recycling rather than landfill). From a logistical point of view, the challenge is to set up a cost-effective and efficient service for each stakeholder by creating a network of collection partners.

From a technical point of view, the system requires high-level recycling technologies and processes to separate, disassemble, sort and transform used materials into new, high-quality raw materials, while respecting people's health and the environment.

ReStart®, a collection and recycling program that maximizes material reuse

We developed the ReStart® Program to meet our customers' needs to deal with post-installation and post-use flooring. The program is a key element in our circular economy model providing us with high-quality secondary materials.

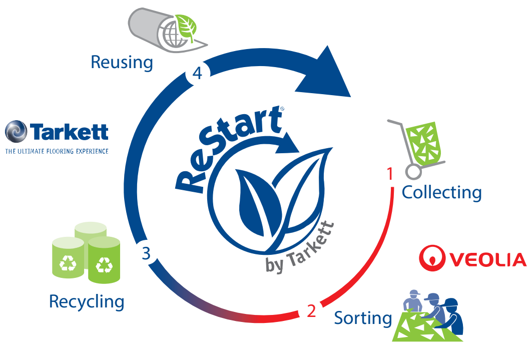
Through the ReStart® program, Tarkett works in close partnership with its customers to collect and sort post-installation flooring in both Europe and North America, as well as post-use flooring in North America. Our goal is to broaden our network of local partners in order to increase the volumes collected, thus facilitating the recycling of high quality resources at one of Tarkett's seven recycling centers.

KPI: Quantity of post-installation or post-consumer products collected (in metric tons): **8,900 tons in 2016**, compared with 9,900 tons in 2015. The 2020 objective is to double volumes compared with 2010 (to about 38,000 tons compared with 19,000 tons in 2010).

Case study: France – Tarkett partners with Veolia to accelerate the ReStart® Program

In 2016, Tarkett partnered with Veolia to accelerate the ReStart® program in France, and help boost the transition to the circular economy in the country. Veolia collects and sorts good-quality post-installation flooring from our customers. The vinyl and linoleum flooring is then recycled at Tarkett's production sites. This partnership has a number of ambitious aims, including to:

- Double the number of collection centers (of this type) in France
- Branch out into other geographical areas
- Research new viable separation and recycling technologies



Case study: USA – Tarkett partners with Coppin State University (CSU, Maryland) to implement a recovery, recycling, and reuse program for carpet

This program targets carpets that are removed or replaced on the school's campus. CSU is in the process of executing an ambitious Climate Action Plan. Its outworking includes policies and practices designed to reduce the university's greenhouse emissions. But our partnership is about more than that: it's also about making climate neutrality and sustainability a key part of the educational curriculum, and boosting research on climate change and environmental sustainability.

Any collected flooring materials that do not strictly comply with Tarkett's quality specifications for "Good Materials" are transformed and put to use in other industries. Tarkett is a major player in France in this domain, where SFEC (*Syndicat Français des Enducteurs Calandreurs*, the French Union of Coating and Calendaring Companies) has implemented the "PVC Next" recycling programme.

Since 2009, Desso has operated a take-back program for used carpets: the ReStart Program (formerly called Take Back™) integrates recycled materials into new carpet products. Broadloom may be returned in containers and carpet tiles are returned stacked on industrial pallets. For the Dutch and Belgium markets Desso offers a specially developed take-back system called RollerDoc™ to ease de-installation and collection. RollerDocs™ are half the size of a typical pallet and are rollable. They can be moved through buildings easily because they fit through any door or lift. RollerDocs™ offers a convenient solution for renovation projects.

In parallel, Desso has developed a pilot separation and purification line, called Refinity® co-financed by the LIFE+ program from the European Union. The objective of the Refinity® program is to develop an innovative separation technique which separates the yarn and other fibers from the backing. After an additional purification stage, the yarn (with the required purity) is returned to the yarn manufacturer for the production of regenerated yarn. In the entire process, some virgin material is needed to compensate for losses and process inefficiency. Today's bitumen carpet backing is recycled as a valuable raw material for the road industry. Non-recyclable fractions are used as secondary fuel in the cement industry.

These types of partnerships are a very real help in accelerating the shift to a circular economy. In addition, in keeping with our objective of being a leader in our sector, we are constantly seeking new ways to attract customers to partner with us in this transition.

In order to facilitate the recovery of our products, the "Desso Carpet Lease service" (developed with DDL, a global financial solutions partner) is being offered in Europe: based on the functionality economy principles, customers can now lease their flooring from us in its entirety. By doing this, we own the product over its whole life cycle (including after use) – and we handle it entirely too – from installation, through maintenance, to return and recycling. Ultimately, the objective of this service will be to ensure volumes of high quality materials for recycling, and to avoid customers' waste being sent to landfill. Nevertheless, this concept of leasing is still at an early stage; more time is required to engage customers and strengthen the business model.

Through its sports brand FieldTurf, Tarkett also offers recycling solutions for the various elements composing artificial turf, such as underlay or sand and rubber infill.

Tarkett's Green Tour: Spreading the word about the circular economy

As previously mentioned in this report, Tarkett's aim is to establish itself both as a leading player in Cradle to Cradle® and the circular economy – but also as a leading thinker. To that end, we capitalize on all opportunities to carry the message to others. That's why we launched our Green Tour to showcase how a manufacturing plant puts sustainability into action. It also explains how the Group is driving toward the circular economy in all aspects of its manufacturing, by implementing Tarkett's Closed-Loop Circular Design approach and by applying Cradle to Cradle® principles. In addition, the tour helps boost the ReStart initiative in EMEA, helping installers, contractors, architects, as well as building owners, to understand clearly how they can work with Tarkett to reduce waste going to landfill and increase reuse of flooring resources.

Case Study: Tarkett Sweden, Ronneby Green Tour manufacturing and transport

After Narni in Italy and Clervaux in Luxembourg, Tarkett held its third Green Tour, in 2016, in Ronneby, Sweden. The tour highlights two key areas from a sustainability perspective: transport initiatives that reduce Tarkett's carbon footprint, and Ronneby's unique manufacturing-line configuration. This production set-up optimizes material use, reduces energy consumption, and integrates recycled content directly into the production line.

Ronneby teams were proud to welcome 140 sales and marketing employees to showcase how the manufacturing plant implements Tarkett's Close Loop Circular Design approach, and explain how sustainability is fully integrated into their day-to-day activities.

3.3.3 Developing the positive contribution of our products

3.3.3.1 People friendly spaces

Committed to better living spaces, Tarkett's vision for the future is integrated within the Group's strategy at multiple levels and is aligned, among other things, with two key United Nations sustainable development Goals: Good health and well-being, and Sustainable cities and communities.

This vision, supplemented by the Cradle to Cradle® principles, nourishes the Group's reflections and innovation axes leading to a positive contribution to these objectives:

- ensuring healthy lives and promoting well-being for all, at all ages; and
- making cities and living spaces inclusive, safe and sustainable.

The next two sections describe how the People friendly spaces Pillar of our Closed-Loop Circular Design has already allowed us to develop ground-breaking innovations in these fields, thus making a positive contribution in this area.

3.3.3.2 Healthy lives and well-being at all ages

In a world with a rapidly-expanding older population, we firmly believe that innovative flooring solutions can play an important role in helping older people thrive, live independently, and maintain their confidence in doing so.

Tarkett's innovations in this area include:

- **Healing Environments:** using colors and materials to enhance well-being and stimulate mobility and cognitive abilities (for example, the Alzheimer Color Study carried out by Tarkett).
- **Connected living spaces:** see box on this page.

Case study: FloorInMotion™ Care – an intelligent floor that can call for help

Tarkett has developed and commercialized the first intelligent, connected floor: a practical answer to the problem of an aging population. The floor incorporates FloorInMotion™ – an intelligent monitoring system – which purpose is to offer much more than mere flooring for those in nursing or sheltered accommodation. This connected floor is designed to detect falls, send alerts, and monitor patients' movements, thus providing information to care givers. As a result of this groundbreaking design, Tarkett has received the Batiactu Construction & Innovation Trophy in France, and a Luxembourg Healthcare Summit award in 2015.

Moreover, all the innovations contributing to indoor environment and air quality, which are described in the previous Section (asthma and allergy-friendly solutions, non-phthalate plasticizers and low VOC – Volatile Organic Compounds – emissions products) also contribute to providing older people with healthy living spaces.

3.3.3.3 Sustainable cities and communities

Today's world is characterized by increasing migrations and population growth towards and in urban areas. In this urban world, most people spend 90% of their time indoors.

At Tarkett, we are convinced that we can positively contribute to the major challenges that accompany this phenomenon by creating modern and pleasant urban living spaces. By pleasant, we mean healthy and safe spaces that are conceived and designed for well-being, while meeting construction-sector requirements in terms of incorporating advanced materials, offering modular designs, and being customizable.

We take up this theme in the People friendly spaces pillar of our Closed-Loop Circular Design approach, where innovative Tarkett products help improve indoor air quality and contribute to healthy indoor spaces. These products enhance well-being for everyone, in the spaces where they are used, and can also offer special benefits for older people, children, and asthma or allergy sufferers.

Some concrete examples of our work in this area are:

Indoor air quality, with asthma and allergy-friendly flooring and low Total Volatile Organic Compound (TVOC) emissions and a dust-capture system:

- Since 2011, Tarkett has been a pioneer in developing flooring products with low, or extremely low, TVOC emissions in nearly all of its product lines. Tarkett offers products with TVOC emissions of 10 to 100 times lower than the strictest standards in the world.

KPI: The percentage (% of m² produced) of flooring that is low VOC emissions (< 100µg/m³): **92%** in 2016.
The 2020 objective is 100%.

KPI: The percentage (% of m² produced) of flooring which VOC emissions are below the limits of detection (< 10µg/m³): 48% in 2016.

3

- In 2016, Tarkett launched iQ One, a multi-polymer-based product, Cradle to Cradle certified™ Gold, with low levels of TVOC emissions. iQ One (a non-PVC flooring) was developed after extensive research and is the ideal choice for healthcare spaces (see Section 3.2.2. Cradle to Cradle certifications).
- In 2015, the vinyl product, Starfloor Click, was recommended by the Swedish Asthma and Allergies Association – the first time that a flooring solution had been included on its list. The Asthma and Allergy Association in Sweden's choosing to recommend Starfloor Click indicates that Tarkett is on track to develop flooring that contributes to a better indoor environment: non-phthalate plasticizers, with extremely low emissions, and, in addition, non-glue installation.
- In 2012, the Asthma and Allergy Foundation of America (AAFA) awarded asthma and allergy friendly™ certification to FiberFloor®. This success was followed by several other vinyl flooring certifications, for hotels, stores (I.D. Inspiration™), hospitals (the vinyl floor iQTM) and indoor sports (Omnisports 6.5mm and 8.3mm). More recently, in 2016, Tarkett received this same certification for its Acczent & Ruby vinyl sheet flooring.
- The Desso AirMaster® carpet tile with EcoBase® backing collection contributes to better indoor air quality. Its patented technology captures four times more fine dust than standard carpet solutions. In 2015, this product became the first in the world to receive Gold Plus certification from the independent German test institute, the GUI.

A healthy indoor environment with health-friendly flooring materials, such as non-phthalate plasticizers:

- Phthalates, a class of chemicals mostly used in plastics to provide flexibility, have been the subject of scientific debate about their potential impact on human health. Tarkett has been proactive in seeking alternatives to these materials. To that end, we have invested significantly in research and development into non-phthalate plasticizers. As a result, we have been able to modify our formulations and processes in order to manufacture our products with non-phthalate plasticizers technology.
- All vinyl sites in Europe and North America use non-phthalate plasticizer technology (with the exception of recycled content for some products). Both carpet and vinyl sites in China also use this technology. In 2016, we extended the deployment of this technology to some collections in Brazil, Serbia and the Ukraine.

KPI: The percentage (% of m² produced) of vinyl flooring that is non-phthalate (except recycled content): **57%** in 2016.
The 2020 objective is 100%.

Tarkett products contain a range of features that **create pleasant spaces thus enhancing people's well-being and comfort**. Some selected examples are:

- **Color perception:** inspiring patterns and colors.
- **Acoustic:** sound absorbing products that improve acoustic environments in buildings: our SoundMaster® carpet improves noise insulation (+15dB) and sound absorption (+100% improvement, compared with standard carpet designs.
- **Safety and hygiene:** anti-slip and joint-free flooring, and wet room solutions; sports surfaces that enhance safety for athletes.
- **Installation:** products designed for easy installation, maintenance, and removal: the modular, loose-lay, and locking Luxury Vinyl Tiles line, requiring zero adhesive; Quick-Fix system carpet tiles (made in partnership with Velcro®) and Tandus Tape+: these ensure that carpets can be installed, reinstalled, and recycled easily, with no damage to the flooring surface.
- **Maintenance:** eco-friendly maintenance and cleaning systems, such as our "drybuffing" system for vinyl floors, which reduces the need for water and detergents. Dry buffing of the iQ Natural Vinyl floor requires 18% less water, 2.3 times less detergent, and, as a result, 20% less electricity. On the basis of a 20-year life cycle, this floor can reduce the product's impacts on resource scarcity and climate change by some 40%.

Through its social and societal responsibility policy (see Section 3.2.1), the Group also contributes to the "Sustainable Cities and Communities" challenge of the United Nations sustainable development Goals.

Appendices

Under French ICPE (*Installations Classées pour la Protection de l'Environnement* – Classified Installations for Environmental Protection Purposes), Tarkett's Sedan Vinyl production facility is ranked as an Authorization-level Classified-Installation (by a July 2008 prefectural decree) with regard to the processing and storage of plastic materials.

Under this regime, the site is subject to authorization for the following activities:

- 2450-2-a Rotogravure printing;
- 2663-2-b Storage of polymers (for finished products);
- 2662-2 Storage of polymer (for raw materials).

The Sedan site has entrusted its regulatory monitoring activities to an expert consultancy in this area, enabling it, in particular, to identify developments in ICPE regulations.

As a result, the site has provided all relevant information to the authorities with respect to the new IPCE Sections 3000 and 4000.

The site has put in place a POI (Plan d'Opération Interne – Internal Operations Plan) in the event of a major fire or pollution event, and has an internal team of firefighters who are on standby 24 hours a day, 7 days a week.

The quality of organization and planning at the site means it has a reputation for operating to the highest standards. The site is certified to ISO 9001 (quality), ISO 14001 (environment), ISO 50001 (energy), and OHSAS 18001 (security) standards; and it was confirmed, in September 2016, as having achieved Bronze Level in Tarkett's World Class Manufacturing (WCM) Program.

As a result of its proactive policy, the site has significantly reduced its environmental impact in recent years, and especially since 2011. Since 2011, industrial emissions of VOCs (Volatile Organic Compounds) have been reduced to a third of previous levels; water consumption was cut by half between 2012 and 2014; and non-recyclable waste has been reduced by a factor of over 4.5. To achieve this, the site uses a structured approach to analysis and reducing environmental impacts.

Finally, to protect the environment against accidental pollution, the site has installed hydrocarbon separators on stormwater discharges and a continuous-pollution-level analyzer on its industrial water discharges.

The application for authorization to operate the Auchel site was filed with the Prefecture in January 2016.

The submission was prepared by Enviro Conseil.

The site facilities at Auchel fall under the Registration regime (the regulatory level below Authorization). The version of the nomenclature used to determine this ranking was Release 27.01 (October 2015).

The site is subject to Registration for Sections 2661.1 and 2661.2 – Polymer Processing.

The following topics were classified as being subject to Declaration (the regulatory level below Registration):

- 2662 – Storage of polymers
- 2663.2 – Storage of tires and products in which at least 50% of the total unit weight consists of polymers
- 4719 – Acetylene Storage

Section 2910.A – Combustion, excluding facilities under the headings 2770 and 2771, was classified as being subject to Declaration with periodic controls.

Food Waste

At Tarkett, food waste related stakes are limited to catering services in our headquarters in France for example, and are handled through our service providers' own action plans.

3.4 Social and environmental report

3.4.1 Sustainable development Dashboard

Social Indicators

Indicator		2016 vs 2015	2016 vs base year	2016	2015	2014
Safety, Respect and Integrity						
Frequency of accidents, plants only	Lost time accident frequency rate (FR0t)	-42% ●	-69% ● (vs 2010)	1.34	2.32	2.30
	Recordable LTA frequency rate (FR1t)	-43% ●	-41% ● (vs 2013)	3.56	6.26	6.01
	Total accident frequency rate (FR2t)	-26% ●	-22% ● (vs 2013)	19.0	25.6	22.1
	Severity	-37% ●	-42% ● (vs 2013)	0.044	0.070	0.070
Number of fatal accidents – plants only		-	-	-	-	-
Progress on "Ensure respect and integrity through adhesion to Tarkett values" in employee feedback survey		-1.5pt ●	+5.5pts ● (vs 2010)	61.5	-	63.0
Talent development, Empowerment and Diversity						
Share of women in top management positions		-	+2pts ● (vs 2011)	18%	18%	16%
Share of women in management positions		+1pt ●	+1pt ● (vs 2015)	26%	25%	-
Share of employees having received training		-4pts ●	+17pts ● (vs 2011)	54%	58%	57%
Training hours *(thousand hours)*		-6%	+28% ● (vs 2013)	255	273	266
Training costs *(million €)*		-5%	+18% (vs 2013)	3.2	3.3	3.1
Share of management positions filled with internal candidates		-4pts ●	-4pts ● (vs 2015)	45%	49%	N
Share of people who benefited from an annual appraisal and development plan		-1pt ●	-1pt ● (vs 2015)	56%	57%	N
Proactive internal communication and Social dialogue						
Progress on "Listen to employees and engage in social dialogue" in employee feedback survey		+1pt ●	+6.5pts ● (vs 2010)	60.0	-	59.0
Progress on "Communicate proactively towards all employees" in employee feedback survey		-1.6pt ●	+6pts ● (vs 2010)	61.7	-	63.3
Involvement with local communities						
Number of external people who received Tarkett Academy training		-10%	+6% (vs 2011)	3,575	3,974	3,754

● Positive evolution.
● Negative evolution.

Indicator		2016 vs 2015	2016 vs base year	2016	2015	2014
Other social indicators						
Number of employees		+0.5%	+2.1% (vs 2014)	12,428	12,367	12,177
Share of part-time employees		+0.1pt	+1.1pt (vs 2014)	3,0%	2,9%	1,9%
Share of women among permanent employees		+1pt	+1pt (vs 2014)	28%	27%	27%
Age	above 60 yrs			5.8%	5.4%	5.0%
	50 to 59 yrs			22.8%	22.5%	21.1%
	40 to 49 yrs			28.5%	28.2%	27.4%
	30 to 39 yrs			28.6%	29.1%	28.7%
	20 to 29 yrs			13.8%	14.5%	15.7%
	Under 20 yrs			0.5%	0.3%	0.3%
Geographies (1)	EMEA			38%	37%	34%
	North America			31%	30%	30%
	CIS, APAC, LATAM			31%	33%	36%
Hirings and terminations	Hirings	-11%	-13% (vs 2014)	1,883	2,111	2,163
	Terminations	+18%	+38% (vs 2014)	1,691	1,434	1,224
	Number of permanent contracts ended by employee (e.g. resignation, retirement)			1,102		
	Number of permanent contracts ended by employer (e.g. lay-off)			589		
Permanent employee turnover rate		+2pts	+3pts (vs 2014)	14%	12%	11%
Absenteeism rate – plants only		-	+0.2pt (vs 2014)	2.5%	2.5%	2.3%
Absenteeism rate		-	-	2.3%	-	-
Share of disabled employees		+0.1pt	-0.2pt (vs 2014)	1.4%	1.3%	1.6%
Total compensation and benefits *(€m)*		+3%	-	639	618	531

(1) EMEA: Europe, Middle-East, Africa; CIS: Commonwealth of Independant States; APAC: Asia Pacific; LATAM: Latin America.
N = Data not available.

Environmental Indicators

Indicator	2016 vs 2015	2016 vs base year	2016	2015	2014	2020 Objective
Good materials						
Share of raw materials for which material assessment has been performed *(% of purchase volume)*	+15pts ●	+87pts ● (vs 2011)	95%	80%	75%	100%
Share of materials at the start of supply chain which do not contribute to resource scarcity *(% of purchase volume)*	+1pt ●	-3pts ● (vs 2011)	68%	67%	68%	75%
Resource stewardship						
Fresh water consumption *(liters/m²)*	0,26% ●	-35% ● (vs 2010)	3.33	3.32	3.56	
Share of manufacturing sites that have implemented closed-loop water circuits (or do not use water in their process)	+3pts ●	-1pt ● (vs 2010)	60%	57%	61%	100%
Energy consumption *(kWh/m²)*	-3% ●	-6% ● (vs 2010)	4.09	4.21	4.37	
Greenhouse gas emissions *(kgCO_2e/m²)*	-8% ●	-7% ● (vs 2010)	0.94	1.02	1.04	-20% vs 2010
People-friendly spaces						
Non-phthalate products *(% of m² produced, vinyl flooring only)*	+2pts ●	+57pts ● (vs 2010)	57%	55%	38%	100%
Low VOC emission products *(% of m² produced, flooring only) (< 100 µg/m³ after 28 days)*	-	+71pts ● (vs 2010)	92%	92%	90%	100%
Undetectable VOC emissions products *(% of m² produced, flooring only)*	-1pt ●	+48pts ● (vs 2010)	48%	49%	48%	
Recycling and Reuse						
Non-recycled waste *(g/m²)*	-16% ●	-16% ● (vs 2015)	105	125	-	
Waste to landfill *(thousand metric tonnes)*	-9% ●	-9% ● (vs 2015)	18.4	20.3	-	0 waste to landfill
Share of non-recycled waste sent to landfill	-5pts ●	-5pts ● (vs 2015)	58%	63%	-	
Post-installation or post-consumer products collected *(metric tonnes)*	-10% ●	-53% ● (vs 2010)	8,900	9,900	13,500	Double volume vs 2010

● Positive evolution.
● Negative evolution.

Corporate Governance indicators

Indicator	2016 vs 2015	2016 vs base year	2016	2015	2014
Percentage of targeted employees who completed the e-learning training on Code of Ethics	+26pts ●	+26pts ● (vs 2014)	99%	73%	73%
Share of raw materials purchased with suppliers committing to UN Global Compact *(% of purchase value)*	-8pts ●	+22pts ● (vs 2011)	64%	72%	59%
Audited entities	+5pts ●	+45pts ● (vs 2011)	97%	92%	85%

● Positive evolution.
● Negative evolution.

3.4.2 Methodology

The Tarkett Group's sustainable development dashboard is an essential tool for monitoring and guiding performance. Its principal objective is to provide the Group with relevant indicators to evaluate the deployment of its strategy and fulfil its regulatory obligations. Progress is measured against a base year set for each indicator.

Tarkett is subject to the French law known as "Grenelle 2" and in accordance with that law, its corporate, environmental and social information has been verified by an independent third-party organization (the report on corporate, environmental and social information by one of the Statutory Auditors, appointed as an independent third-party organization, is attached as an annex).

Guiding frameworks
The Sustainability dashboard was constructed based on the following frameworks:

- the Group's sustainable development strategy: each strategic initiative relies on one or more quantified indicators, certain of which are the subject of long-term objectives;
- the Grenelle 2 law: the social, environmental and societal information required by Article L.225-102-1 of the French Commercial Code is included in the form of indicators or quantified statistics in the dashboard (the qualitative information is presented in other sections of the management report);
- the UN Global Compact: in connection with the Group's voluntary commitment, the dashboard is a tool for managing performance in every dimension of the Global Compact;
- the Global Reporing Initiative G4 Sustainability Reporting Guidelines. This report contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines. A GRI content table (see Section 3.4.3) indicates where the relevant standard disclosures can be found in this report.

The dashboard is built around three dimensions: Social Responsibility, Environmental Responsibility, and corporate governance.

Methodological Procedures
The Tarkett Sustainability dashboard sets out the list of performance indicators (KPI) for each strategic initiative along with the management level supervisors and the KPI owners. Definitions are provided for each of the indicators along with a specific consolidation file. The reporting procedure is summarized in a single file that consolidates the separate files and reports the synthesis in a single dashboard.

This procedure also appoints the individuals responsible for each indicator, as well as the scope, definitions, units, sources and consistency checks.

The reporting period for published information is the same as the one for financial reporting (January 1, 2016 through December 31, 2016). The source of data and the frequency of monitoring vary depending on the indicator:

- Indicators on water, energy, waste, safety and absenteeism: collected and monitored monthly at Group level by the World Class Manufacturing organization, through a dedicated scorecard for each manufacturing site;
- Indicators on social statistics: collected annually under the responsibility of the local Human Resources departments on a special form and consolidated at the Group level;
- Indicators on materials ("Good materials"): put together annually under the responsibility of the Research and Innovation Group (R&I), on the basis of purchasing data and classification of materials;
- Indicators on products ("People-friendly spaces"): put together annually under the responsibility of the R&I Group, on the basis of volume data by site and of the production mix of the various product types;
- Indicators on employee satisfaction: measured every two years through the internal employee satisfaction survey;
- Other indicators (Tarkett Academy, financial indicators, external recycling, audit, suppliers): collected annually, with each indicator having a single responsible party and a dedicated collection format.

The reference or base year is 2010 for the majority of the progress indicators. For certain progress indicators and for most of the labour statistics, the base year is 2011. In other cases, data collection and consolidation are more recent. The base year is indicated in the dashboard for each indicator (see dashboard in Section 3.5 for detail).

Scope of reporting and methods of consolidation
The scope of reporting is Group-wide, covering all activities of which the Group has operational control, except for Cuzorn, where production ceased in the fourth quarter of 2014. The

recently acquired site Renner (US) has not yet been integrated into the Human Resources and WCM environmental reporting.

Joint ventures at 50% of ownership or below are consolidated at only the relative share of headcount (e.g. Laminate Park – Eiweiler site a 50/50 joint venture) for total permanent headcount and 100% consolidated with respect to safety and absenteeism indicators. The Eiweiler site is included pursuant to the rules explained below with respect to environmental indicators. Other entities (above 50% of ownership with control) are consolidated at 100%.

However, the scope may vary by indicator as a function of the relevance of the subjects and the maturity of the entities:

- safety indicators: in 2016 the reporting has been extended to include the sales networks and other offices, thus covering the whole group within the scope of reporting. Values are given for both this new scope "Group" and for the previous scope "plants only" which concerns all manufacturing plants and one distribution centre;
- absenteeism indicators: in 2016 the reporting has been extended include the sales networks and other offices, thus covering the whole Group within the scope of reporting (with a few listed exceptions where absenteeism hours are not tracked locally). Values are given for both this new scope "Group" and for the previous scope "plants only" which concerns all manufacturing plants;
- environmental manufacturing indicators – water, energy, greenhouse gas emissions and waste indicators: all industrial sites within the scope of reporting, except for:
  - consumption for the MDF line at the Eiweiler site, is included in the performance indicators pro rata (below 50%) to the production of semi-finished products for the laminate flooring line at the same site;
- environmental performance per square metre of floor covering indicators: Intensity ratios are calculated by dividing the (numerator) environmental manufacturing indicators by the (denominator) volume of finished goods – floor covering in square metres. The volume of semi-finished goods is not included;
- indicators on materials: purchases of raw materials only (excluding indirect purchases and finished products);
- indicators on products: sites that manufacture finished products for which the characteristic measured by the indicator is relevant (for example: wood sites are excluded from the indicator on the percentage of products without phthalates), as well as subcontracted flooring products;
- indicator on suppliers: direct purchases of raw materials and main outsourced finished goods (excluding Sport). In 2016, reporting newly included spend for Jacarei, Beijing, Suzhou, Backa Palanka – Sintelon, Dalton, Truro and Calhoun);
- for the other indicators and in order to specify certain specific cases, details on scope by indicator are indicated in the table of definitions and methodological comments below.

Indicator Definitions

Indicator	Scope	Definition
Social		
Lost time accidents (LTA)	All sites & industrial sites only	Accidents leading to an employee's absence of one or more working days
Lost time accident frequency rate (FR0t)	All sites & industrial sites only	Frequency rate = # LTA x 1,000,000/worked hours
Recordable accident frequency rate (FR1t)	Industrial sites only	# LTA + # LTA < 24 hours x 1,000,000/worked hours
Total accident frequency rate (FR2t)	Industrial sites only	# LTA + #LTA < 24hours + # first-aid care x 1,000,000/worked hours
Accident severity rate	All sites & industrial sites only	Severity rate = # of working days lost x 1,000/worked hours
Total accidents	Industrial sites only	Total accidents = # LTA with absence of one or more working days + # accidents with employee returning to work next day + # accidents treated at work
Progress on "Ensure respect and integrity through adhesion to Tarkett values"	Group	Average score to 2 questions in the biennial (every two years) employee feedback survey: "I believe that Tarkett's values provide employees with clear guidance" and "I believe that manager conduct is consistent with Tarkett values"
Share of women in top 100 management positions		The top 100 management positions include CEO and the first two hierarchical levels of the organization
Training hours	Group, except Dendermonde, San Cugat and Desso UK sales network	Training in Tarkett is considered as a development activity, with a specific support, and confirmation of attendance
Share of employees having received training		An employee is considered as "having received training" if the cumulative number of training hours received over the full year exceeds 1 full day (8 hours)
Share of management positions filled with internal candidates	Group, except Laminate Park	Management position: position with at least one direct report Internal candidate: candidate who is already a Tarkett employee
Share of people who benefited from an annual appraisal and development plan	Group, except Absteinach & Laminate Park	The annual appraisal ("Performance and Development Dialogue" and "Polyvalence Matrix") is an annual exchange between the employee and his/her manager to discuss achievements, skills, opportunity for improvement and development program

Indicator	Scope	Definition
Progress on "Listen to employees and engage in social dialogue"	Group	Average score to 2 questions in the biannual employee feedback survey: "In my department, differing views are openly discussed when making decisions" and "Sufficient effort is made to get the opinions and thinking of people who work in Tarkett"
Progress on "Communicate proactively towards all employees"		Average score to 3 questions in the biannual employee feedback survey: "My manager does a good job of keeping me informed about matters that affect me", "Senior management does a good job of explaining the reasons behind important business decisions" and "Overall, I receive enough information at Tarkett"
Number of external people who received Tarkett Academy training		Number of people outside of Tarkett having received a training at one of the centres of the Tarkett Academy (technical training in flooring installation and maintenance)
Number of employees		Total workforce as of December 31, 2016 and temporary workforce in equivalent full time, according to the methodology of the financial report
Share of part-time employees		% = # part-time employees as of December 31, 2016/ # permanent employees (including fixed term > 6 months & part-time) + temporary contracts as of December 31, 2016
Share of permanent employees (gender, age and region)		% of permanent employees (including fixed term > 6 months and part-time, excluding temporary contracts)
Permanent hirings and departures		Number of permanent contract employees (including fixed term > 6 months and part-time) added to the payroll (hirings) or removed (employer's initiative or employee's initiative) from the payroll (departures) over the course of the reporting period
Permanent employee turnover rate		% of employees who left the company over the year: # permanent contract departures (including fixed term > 6 months and part-time)/average permanent headcount (where average permanent headcount = (headcount N-1 + headcount N)/2)
Absenteeism rate	Plants only = all manufacturing plants & Group = all sites except: Desso UK and France Sales Network; Solon & Resilient Sales; Gouda – FieldTurf Benelux and Beynon commercial offices	Absenteeism rate = lost hours/planned hours Lost hours are hours of absence for illness (up to 30 days), work-related accidents, strikes or other unforeseen absences.

Indicator	Scope	Definition
Environment		
Share of raw materials for which material assessment has been performed *(% of purchase volume)*	All raw materials	Share of materials purchased (in metric tonnes), for which an impact study was carried out pursuant to Cradle-to-Cradle principles. Tarkett uses ABC-X classification, which evaluates risks related to the impact of chemical substances on the environment and the recyclability of those substances
Share of materials at the start of supply chain which do not contribute to resource scarcity *(% of purchase volume)*		Materials characterized based on resources used in their production process (fossil, limited minerals, abundant minerals, renewable, recycled)
Fresh water consumption *(liters/m²)*	Manufacturing sites [1]	Total water consumption (from all sources except collected rainwater) per m² of finished goods flooring covering
Share of manufacturing sites that have implemented closed-loop water circuits (or do not use water in their process)		The presence of a closed-loop water circuit is evaluated as being when at least 98% of total manufacturing process water consumption is from recycled and reused water as estimated based on flow calculations. Where flow calculations are not yet available status based on site declaration given in 2015
Energy consumption *(kWh/m²)*		Total energy consumption (electricity, gas, fuel and renewables) per m² of finished goods flooring covering. Renewables correspond to onsite production and consumption of biomass, photovoltaic and geothermal energy
Greenhouse gas emissions *(kgCO_2e/m²)*		Estimate of greenhouse gas (GHG) emissions (reported as CO_2 equivalent) per m² of finished goods floor covering > Scope 1: direct emissions related to gas and fuel consumption (biomass consumption is considered as zero emissions) > Scope 2: indirect emissions related to electricity consumption 2016 GHG emissions calculated using emission factors published by DEFRA in 2015 or using specific electricity supplier' emissions factors provided by the plant where available. Where 100% renewable electricity is procured an emission factor of zero is considered for the related electricity consumption.

(1) Exceptions listed in the methodological note.
Group = all sites with listed exceptions.
Plant only = all manufacturing plants.

Indicator	Scope	Definition
Phthalate free products *(% of m² vinyl floor covering produced)*	Vinyl floor covering and accessories, rubber, carpet (semi-finished products not included)	Products "without added phthalates" mean that no phthalate plasticizers (DOP or DINP) are contained in virgin raw material in the product composition, but recycled material content could contain some residual phthalates
Products with low Volatile Organic Compound (VOC) emissions *(% of m² flooring produced)*	Indoor flooring (semi-finished products not included)	Total VOC emissions (TVOC) ≤ 100 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods (wood floorings: excluding natural emissions coming from wood itself)
Products with undetectable VOC emissions *(% of m² flooring produced)*		TVOC, Semi VOC and formaldehyde emissions ≤ 10 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods
Non-recycled waste *(g/m²)*	Manufacturing sites [1]	Quantity of non-recycled waste per m² of finished goods flooring covering Non-recycled waste is non-hazardous and hazardous waste sent to landfill, to external incineration or sent for other external treatment
Waste to landfill *(metric tonnes)*		Quantity of non-recycled waste sent directely to landfill
Post-installation or post-consumer products collected *(metric tonnes)*	Group	Quantity of post-consumer (= post-installation and post-use waste collected to be recycled into our products, excluding Tarkett internal post-manufacturing waste (even from a different entity)
Corporate Governance		
Percentage of employees who completed the training on Code of Ethics	Employees with email address	Share of employees who were requested to complete the e-learning training on Code of Ethics who completed 100% of the online e-learning module
Share of raw materials purchased with suppliers committing to UN Global Compact	Direct purchases of raw materials and main outsourced finished goods (excluding Sports)	Share of direct purchases from suppliers who have committed contractually to abide by the principles of the UN Global Compact
Audited entities	Group	Share of operating assets of entities audited over the course of the last 4 years

(1) Exceptions listed in the methodological note.
Group = all sites with listed exceptions.
Plant only = all manufacturing plants.

3.4.3 Concordance Table Grenelle 2/GRI/Tarkett Report

Tarkett has developed a reporting system that follows and goes beyond French law's requirement, based on challenging frameworks and guidelines published by international bodies such as the Global Reporting Initiative (GRI).

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
GRI (G4) – GENERAL STANDARD DISCLOSURES				
Strategy and analysis	G4-1	Statement from the most senior decision-maker of the organization	3.1.1	II.a) 1.1
Organizational profile	G4-3	Name of the organization	Report cover	II.a) 1.1
	G4-4	Primary brands, products, and services.	1.4.4 and 1.6.1	-
	G4-5	Location of the headquarters.	7.1.1	-
	G4-6	Countries where the organization operates	1.4.3 and 1.5	-
	G4-7	Nature of ownership and legal form	1.7 and 7	-
	G4-8	Markets served	1.5	-
	G4-9	Scale of the reporting organization	3.4	I.a) 1.1
	G4-10	Details of workforce. Number of employees by category	3.2.1.2	I.a) 1.2
	G4-11	Percentage of employees covered by collective bargaining agreements	3.2.1.4	I. c) 2
	G4-12	Organization's supply chain	3.2.2.1	III.c) 2
	G4-14	Explanation of how the organization addresses the precautionary approach	3.1.1.1 and 3.3.1.3	-
	G4-15	Subscription or endorsement of externally developed economic, environmental and social charters, principles, or other initiatives	3.1.2.2 and 3.1.3.1	PG3
	G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations	3.1.3.1	I.a) 1.1
Identified material aspects and boundaries	G4-17	Entities included in the organization's Consolidated Financial Statements	5.2	PG4
	G4-18	Process for defining the report content and the Aspect Boundaries	3.1.3.2	PG4
	G4-19	Material Aspects identified in the process for defining report content	3.1.3.2	-
	G4-20	Aspect Boundary and limitations of material aspects within the organization	3.1.3.2 and 3.4	PG2
	G4-21	Aspect Boundary and limitations of material aspects outside the organization	3.1.3.2 and 3.4	-
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	n.a.	PG1
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	3.1.3.2 and 3.4	PG1
Stakeholder engagement	G4-24	Stakeholder groups engaged by the organization	3.1.3	III. b) 1
	G4-25	Basis for identification and selection of stakeholders with whom to engage	3.1.3.2	-
	G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	3.1.3	III. b) 1
	G4-27	Key topics and concerns that have been raised through stakeholder engagement	3.1.3.2	III. b) 1

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
Report profile	G4-28	Reporting period	3.4	-
	G4-29	Date of most recent previous report	3.4	-
	G4-30	Reporting cycle	3.4	-
	G4-31	Contact point for questions	3.4	-
	G4-32	GRI Content Index	3.4	PG3
	G4-33	External assurance for the report	3.4	PG5, PG6, PG7
Governance	G4-34	Governance structure of the organization	2.1 and 2.2	-
Ethics and integrity	G4-56	Organization's values, principles, standards and norms of behavior	3.2.1.3	III.d) 1
GRI (G4) – SPECIFIC STANDARD DISCLOSURES				
Economic				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.1.1.1 and 3.3.1.3	-
Economic performance	G4-EC1	Direct economic value generated and distributed	4	I.a). 3.1
Indirect economic impacts	G4-EC8	Significant indirect economic impacts, including the extent of impacts	3.2.2.2	III.a).
Environmental				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	Global DMA in sections 3.2.3.1 and 3.3.1.3 Specific DMA sections 3.2.3.2 to 3.2.3.5	-
Materials	G4-EN1	Materials used by weight or volume	3,4	II.c). 2.1
	G4-EN2	Percentage of materials used that are recycled input materials	3.3.2.3	II.c). 2.2
Energy	G4-EN3	Energy consumption within the organization	3.2.3.3	II.c). 3.1
	G4-EN5	Energy intensity	3.2.3.3	-
Water	G4-EN8	Total water withdrawal by source	3.4	II.c). 1.1
	G4-EN9	Water sources significantly affected by withdrawal of water	3.4	II.c). 1.2
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	3.2.3.3	II.d). 1
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	3.2.3.3	II.d). 1
	G4-EN18	Greenhouse gas (GHG) emissions intensity	3.2.3.3	II.d). 1
Effluents and waste	G4-EN23	Total weight of waste by type and disposal method	3.2.3.4	II.b). 2
Products and services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	3.3.2	II.d). 2
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	3.3.2.3 (1)	II.b). 2
Supplier environmental assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	3.2.2.1	III.c). 2

(1) Except packaging.

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
Social				
Labor practices and Decent Work				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.2.1.1	-
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	3.2.1.2	I.a). 1.1, I.a). 1.2, I.a). 1.3, I.a). 1.4, I.a). 2.1, I.a). 2.2
Occupational health and safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	3.2.1.2 and 3.2.1.6	I.b) 2, I.d) 3
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	3.2.1.4	I.d) 2
Training and education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.2.1.5 (1)	I.e). 2
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	3.2.1.5	I.e). 1
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	3.2.1.5 (1)	I.e). 1 (1)
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	3.2.1.2 and 3.2.1.3 (1)	I.a). 1.2, I.a). 1.3, I.a). 1.4, I.f). 1, I.f). 2.2, I.f). 3
Human Rights				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.2.2.1	-
Investment	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	3.2.1.3 and 2.1.5	I.e). 2, III.e).
Freedom of association & collective bargaining	G4-HR4	Operations and suppliers in which the right to exercise freedom of association and collective bargaining may be violated	none	I.g). 1
Child labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	none	I.g). 4
Forced or compulsory labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	none	I.g). 3
Society				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.2.1.3	-
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	3.2.1.5	III.d). 1

(1) No disclosure by gender and by employee category.

INDICATORS			Registration Document correspondence	Grenelle II (article 225) correspondence
CATEGORY	G4 CODE	DESCRIPTION	Section	Article 225 Ref.
Product responsibility				
Generic Disclosures on Management Approach	G4-DMA	Generic Disclosures on Management Approach	3.1.1.1 and 3.3.1.3	-
Customer health and safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	3.3.2.2 and 3.3.3	III.d). 2

3.4.4 Report of an Independent third-party Organization

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

To the Shareholders,

In our capacity as Statutory Auditor of Tarkett S.A., (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049 [(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility
The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the procedures used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control
Our independence is defined by regulatory texts, the French Code of Ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditor's responsibility
On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between October 2016 and February 2017 during a nine week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and with ISAE 3000 [(2)] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work
On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code the limitations set out in the methodological note, presented in the section 3 of the management report.

Conclusion
Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

(1) Whose scope is available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted approximately twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important (1):

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us (2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 22% of headcount considered as material data (3) of social issues and between 20% and 36% of environmental data considered as material data of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

(1) Quantitative social information: Total headcount on 31 December 2016 (split by gender, age and geographical region); Recruitments; Departures including layoffs; Training hours; Absenteeism rate; Frequency rate of work-related accidents and Severity rate of work-related accidents.
Quantitative environmental information: Energy consumption; Water consumption; Quantity of non-recycled waste; Quantity of waste collected post-installation and post-consumer waste recovered; Quantity of phthalate-free products and Greenhouse Gas emissions
Qualitative social information: Organization of social dialogue including information procedures, consultation and negotiation with the employees; Policies implemented regarding training; Occupational health and safety conditions.
Qualitative environmental information: The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Energy consumption and measures implemented to improve energy efficiency and renewable energy use; Measures regarding waste prevention, recycling and disposal.
Qualitative societal information: Action implemented against corruption; Integration of social and environmental issues into the company procurement policy.

(2) Social and environmental information: Konz (Germany); Jaslo (Poland); Tarkett industrial Beijing (China); Tandus Asia (China); Desso BE/Dendermonde (Belgium); Lenham (UK).
Security and environmental information: Eiweiler (Germany).
Social information only: Calhoun Tandus (USA); UK SNW (UK); Aspen (Turkey); Tarkett Kaz (Kazakhstan); Australia; Tarkett Floor covering Shanghai (China).
Environmental information only: Dalton (USA). Verification work was carried out only on indicators related to energy consumption, non-recycled waste and waste collected post-installation and post-consumer.

(3) See list of quantitative environmental disclosed in the footnote on page 120 of the present report.

4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

4.1 Analysis of activity in 2016

The following information concerning the Group's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements as of and for the year ended December 31, 2016 and the notes thereto, free English language translations of which are included in Sections 5.1 and 5.2.

The Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union for the fiscal years in question. The Consolidated Financial Statements as of and for the year ended December 31, 2016 have been audited by the Company's Statutory Auditors. The report of the Company's Statutory Auditors is presented in Section 5.9, "Statutory Auditors' Report on the Consolidated Financial Statements".

4.1.1 Overview

4.1.1.1 Introduction

The Group is a global leader in flooring and sports surfaces offering the most extensive geographical base and one of the most comprehensive product lines in the industry. The Group's business is organized into four segments: three geographical segments for flooring (EMEA, North America and CIS, APAC and Latin America) and one global segment for sports surfaces.

Key figures

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Consolidated results of operations		
Net revenue	2,739.3	2,714.8
Organic growth [(1)]	*+1.7%*	*-0.3%*
Adjusted EBITDA [(1)]	334.4	285.3
% of net sales	*12.2%*	*10.5%*
Adjusted EBIT	213.7	161.4
% of net sales	*7.8%*	*5.9%*
Result from operating activities (EBIT)	190.7	164.6
% of net sales	*7.0%*	*6.1%*
Net result for the period – Group Share	118.6	83.3
Dividends per share *(in euros)* [(3)]	0.60	0.52
Return on invested capital (ROIC) [(1)]	9.3%	7.0%
Consolidated financial position		
Shareholders' Equity	935.2	836.7
Net debt [(2)]	378.2	482.3
Total Balance Sheet	2,168.2	2,121.0
Consolidated cash flows		
Cash generated from operations	297.3	271.4
Capital expenditures	(91.5)	(79.3)
Cash flow from operations [(1)]	205.8	192.2
Free cash flow [(1)]	148.0	173.4
Market capitalization as of December 31	**2,172**	**1,831**
Workforce at December 31	**12,428**	**12,367**

(1) See Section 4.7.
(2) Net Debt – See Section 4.3.3 and Section 5.2, Note 7 "Financing and Financial Instruments".
(3) 2016: amount to be proposed for distribution at the Annual Shareholders' Meeting on April 27, 2017.

4.1.1.2 Principal Factors Affecting the Group's Results of Operations

Revenue Recognition

Consolidated net revenues are equal to revenues, excluding taxes on sales, of the Group's products and services, as well as transportation costs and customs duties that are invoiced to customers, net of rebates, discounts, returns and intragroup sales.

The countries and regions where the Group operates have different demand trends, primarily as a result of local economic conditions, which affect the renovation and construction markets. The choice of flooring solutions in each market is influenced by local lifestyles, end-user tastes, climate and the condition of existing flooring, among other factors.

The Group estimates that the large majority of its revenues for the financial years under review were generated by renovation projects. The construction of new housing and commercial buildings represented a small percentage of revenues during this period.

The Group's organic revenue growth (see Section 4.7) (i.e. the positive or negative variation of sales due to changes in sales volumes and prices, excluding the effects of changes in scope of consolidation and exchange rates) depends mainly on the following factors:

- The Group's competitive advantage in its principal markets, which in turn depends primarily on its ability to offer a wide range of residential products that satisfy consumer trends and tastes in each country; its offer of commercial products that comply with the specifications of renovation projects and applicable regulatory standards; maintaining close relationships with customers, such as distributors, and specifiers, such as architects and installers; the quality of the Group's products and services; and the competitiveness of its prices.
- The growth potential and structure of each of the Group's markets. For example, in the European Union, demand for the Group's products is mostly concentrated within the northern countries (the Nordic countries, Germany, the United Kingdom and Poland), with consumers in the southern countries tending to prefer ceramic floors. In addition, in North America and Europe, public spending policies have a significant impact on the commercial flooring market in public hospitals, schools and universities, as well as on the sports surfaces market.
- The Group's product promotion strategy is different in each market. In certain markets, the Group concentrates its sales efforts on products with high added value and strong margins, while in other markets it may pursue a volume-maximizing strategy in order to gain or retain market share. These strategic decisions have an impact on the mix of products sold and, as a result, on revenues and margins.
- Economic conditions more generally, as buyers tend to carry out renovation and construction projects during periods of economic growth.

Cost of sales

The Group's cost of sales is composed primarily of variable costs, due to the large effect of the cost of raw materials, and, to a lesser extent, transportation and logistics costs. The primary components of cost of sales include the following:

- Raw materials used in the Group's manufacturing processes. The Group primarily uses PVC and plasticizers, the cost of which is related in part to the price of crude oil. Wood is another raw material that the Group uses. In 2016, the Group's raw materials costs consisted mostly of PVC and plasticizers (approximately 33%), wood (approximately 8%), fiberglass (approximately 4%) and packaging (approximately 2%). For developments about recent trends in the prices of raw materials used by the Group, see Section 1.6.2.1, "Raw Materials and Suppliers".
- Labor costs, consisting principally of salaries and benefits of production personnel. These costs vary depending on the number of employees and average level of salaries and benefits. In order to control labor costs, the Group uses temporary workers in certain factories to handle the seasonality of some of its activities. Labor costs were stable, increasing by 0.2 point as a percentage of net sales from 2015 to 2016 (excluding restructuring costs).
- Transportation and logistics costs, which depend on fuel prices and the Group's operational efficiency (including, for example, its ability to ship products in fully loaded trucks, the location of production sites and the distance from the points of delivery to final customers).
- Other costs, including energy costs such as electricity and gas, maintenance costs associated with the Group's various factories and depreciation and amortization of production and logistics assets.

Purchases of raw materials and similar products, labor costs and transportation and logistics costs represented 55%, 17% and 10%, respectively, of the Group's 2016 cost of sales.

Several years ago the Group launched its WCM (World Class Manufacturing) program, whose main objectives are the following:

- reinforcing quality and customer service;
- reducing work-related accidents and the impact of the Group's operations on the environment; and
- improving the productivity and performance of the Group's production sites.

The success of this program depends on systematically applying best practices at the Group's 34 production sites, actively managing purchases (particularly PVC and plasticizer purchases) and optimizing the Group's raw material supply chain. The Group believes that this program has enabled it to realize cumulative savings of €255 million over the 2011-2016 period (more than 2% of cost of sales each year).

Selling, General and Administrative Expenses

Selling expenses include compensation of the Group's sales force, advertising and marketing costs and the cost of providing samples to customers and decision-makers such as architects and installation companies. The level of selling expenses is tied in part to the number of product or collection launches, which require specific sales efforts.

General and administrative expenses include administrative personnel costs at the central and division levels, which are managed through a decentralized model. Expenses relating to the management of information systems as well as amortization and depreciation of related investments are also included in administrative expenses.

Research and development

Innovation is critical to the Group's success, ensuring product quality, compliance with regulatory standards and reduced environmental impact. The Group seeks to maintain the highest level of excellence while controlling Research and Development costs, which are small as compared with other operational expenses. These costs include compensation of Research and Development personnel as well as amortization and depreciation of patent-related expenses. Research and development costs represented 1% of the Group's consolidated net revenue in 2016.

Financial income and expense

Net financial costs include interest expense incurred on borrowings and their transactional costs, interest income on investments of cash balances, discounting charges relating to retirement commitments, and gains and losses on financial and hedging instruments, to the extent recognized in the Group's income statement.

Total income tax

Income tax expense includes corporate income taxes payable by the Group's entities, as well as withholding taxes on dividends paid (in particular, dividends paid by the Group's Russian and Serbian entities), as well as changes in the deferred tax assets on the Group's balance sheet.

4.1.1.3 Segment Information

The Group's four segments are as follows:

- EMEA (Europe, Middle East and Africa; 33.1% of 2016 revenue). The EMEA flooring segment produces and distributes vinyl and linoleum resilient flooring, carpet (primarily in carpet tiles for commercial use), wood flooring, and laminate flooring. Resilient flooring represents the large majority of revenues (more than 60% in 2016), followed by carpet, whose share within the segment was increased by the consolidation of Desso. These products are used in the residential and commercial markets, with the commercial market predominating. France was the largest country in the segment, with about 17% of revenue (or approximately 6% of the Group's total revenue). The Nordic countries (Sweden, Norway, Finland and Denmark) together represented slightly more revenue than France and slightly less than a quarter of the segment's consolidated net revenues, with the principal contributors being Sweden and Norway. The other significant countries are Germany and, to a lesser extent, the United Kingdom. The countries of Southern Europe (including primarily Spain and Italy) represented less than 3% of the Group's 2016 consolidated net revenues (10% of the EMEA segment's consolidated net revenues).
- North America (29.8% of revenues in 2016). The North American flooring segment offers products to both commercial end-users (representing about 80% of the segment's 2016 consolidated net revenues) and residential end-users. Historically, the Group's products in this market have been primarily rubber flooring and accessories (sold under the Johnsonite brand name) and resilient flooring, including vinyl flooring for the residential market and VCT flooring, the Group's lower cost homogeneous vinyl product for the commercial market. The Group has also introduced additional lines of resilient flooring for the commercial market, supplied by its European factories. It complemented its resilient flooring lines in 2010 with the acquisition of Centiva, which manufactures LVT for the commercial market. Finally, with its Tandus products, the Group is a major supplier of commercial carpeting.
- CIS, APAC and Latin America (20.1% of revenues in 2016). The CIS countries (primarily Russia, Ukraine and Kazakhstan) represent the large majority of this segment's revenues-about 75% in 2016. Residential vinyl flooring is the primary product sold in these countries. The Group also has substantial wood flooring and laminate flooring products in these markets. Sales in Latin America are mainly in Brazil, and activity in the Asia Pacific region is concentrated in Australia and China.
- Sports Surfaces (17.0% of revenues in 2016). the Group's sports surface segment includes the production, distribution and installation of artificial turf, primarily for sports fields, and athletic tracks, as well as other products (such as artificial grass for residential landscaping purposes and indoor sports flooring). The Group sells sports surfaces primarily to public establishments, elementary schools, high schools and universities, mainly in North America (approximately 80% of the segment's consolidated net revenues in 2016) and, to a lesser extent, in Europe. Most of the Group's sales in this segment comprise installation services, and a portion consists of "turnkey" solutions, for which the Group provides civil engineering services.

4.1.1.4 Exchange Rate Fluctuations

Exchange rate fluctuations have a direct impact on the Group's Consolidated Financial Statements, due to the conversion into euros of income statement and balance sheet items of the Group's foreign subsidiaries located outside the euro zone. The principal currencies for which the Group bears this risk are the U.S. dollar (41.9% of consolidated net revenues in 2016), the Swedish krona (7.6%), the pound sterling (2.9%), the Canadian dollar (1.9%), the Brazilian real (1.4%) and the Australian dollar (1.3%).

The Group seeks to develop production capacity in the geographic regions where it distributes its products, thereby creating a natural hedge for a significant portion (although not all) of its gross margin and operating income against exchange rate fluctuations. It enters into derivative contracts to manage the remaining exchange rate risk (especially the risk related to the lag between the time customers are invoiced and the time the Group is paid) with respect to certain currencies (see Note 7.5, "Financial Risks and Financial Instruments," in Section 5.2).

The functional currency of the Group's entities in Russia and the other CIS countries is the euro. Products are sold in rubles, but the Group's policy is to reflect exchange rate fluctuations between the ruble and the euro in its product prices. Only the impact of the lag between the exchange rate fluctuation and the price increase is treated as an exchange rate effect in the analysis at constant scope of consolidation and exchange rates presented in the analysis below. Although a significant portion of the Group's Russian operating expenses are in euros (since PVC and plasticizers are for the most part imported from the European Union), labor, logistics and transportation costs, as well as other production costs such as energy and maintenance, are almost entirely in rubles.

4.1.1.5 Seasonality

The Group's activities are to some extent seasonal, with an increase in sales generally occurring in the second and third quarters of the year, whereas its working capital requirements are generally higher in the first two quarters of the year. Sales of sports surfaces are particularly influenced by seasonality, as installation work is mainly done between May and October, with a peak in activity during the summer. Moreover, in certain geographic regions, winter climate conditions can affect work sites and, therefore, flooring installation. In the educational sector, demand is generally higher during school vacation.

In 2016, 55.3% of the Group's consolidated net revenues were generated in the second and third quarters, as compared with 44.7% in the first and fourth quarters.

4.1.1.6 Turnaround of Certain Businesses

Despite an overall growth in recent years, the Group has encountered isolated situations in which certain businesses have required specific actions to return to profitability. Recent turnaround programs include the following:

- Wood flooring in Western Europe. The European market for wood flooring was affected by reduced levels of activity as a result of the economic climate, as well as by a particularly competitive environment. The Group therefore launched several initiatives in order to reduce production costs. The Group transferred a portion of its engineered multi-layer wood flooring production from Hanaskog, Sweden to sites in Poland and Ukraine, thereby bringing the manufacturing sites closer to the sources of wood and enabling the Group to reduce transportation and manufacturing costs. In 2014, the Group also announced a plan to sell or close Tarkett Bois's production plant in France, in order to rightsize its production capacity and improve the profitability of its wood flooring business. The site, which the Group still owns, ceased all production activity at the end of 2014.
- VCT business in the United States. The Group decided to consolidate its VCT production at its Florence, Alabama site and close its Houston, Texas site. Realized in July 2014, this transfer of production allows to generate significant savings, particularly with respect to factory indirect costs, as well as a reduction in working capital requirements. The temporary difficulties encountered during the starting phase of the new line in Florence have been resolved and production is now back to normal.

4.1.1.7 Acquisitions

The Group has completed 20 acquisitions in the last nine years in connection with its growth strategy. Most of the companies the Group acquired were of moderate-size or mid-size and had product lines or activities in markets that complement those of the Group. For more information, see Section 4.2.1, "Principal investments in 2016 and 2015".

The Group did not complete any acquisitions in 2016. However, this remains a priority component of its strategy, and the Group's financial condition at the end of 2016 allows for the possibility of external growth transactions.

4.1.1.8 Presentation of Accounting and Financial Information

Adjusted EBITDA

To evaluate its business performance, the Group uses an indicator that it calls "adjusted EBITDA" (see Section 4.7), which is equal to operating income before depreciation, amortization and before certain revenues or expenses considered as unusual or non-recurring, such as:

- restructuring costs intended to grow the Group's future profits;
- gains or losses on significant asset sales;
- costs relating to corporate and legal restructuring, including legal fees and acquisition costs as well as the impact on margins of recording inventory of acquired companies in the Group's balance sheet at fair value;
- management fees invoiced by the shareholders of the Company; and
- expenses relating to share-based payments without any related cash payment;
- management believes that adjusted EBITDA is a useful indicator because it measures the performance of the Group's activities without taking into effect past expenditures (depreciation and amortization) or unusual costs that are not representative of trends in the Group's results of operations. EBITDA and adjusted EBITDA are not standardized accounting terms with generally accepted definitions. They should not be taken as a substitute for operating income, net income or cash flows, nor should they be treated as a measure of liquidity. Other issuers may calculate EBITDA and adjusted EBITDA differently.

The following table reconciles adjusted EBITDA to operating income for the 2015 and 2016 fiscal years.

Adjusted EBITDA *(in millions of euros)*	**Fiscal year ended December 31**		
	2016	**2015**	**Change**
Result from operating activities (EBIT)	190.7	164.6	+15.8%
Depreciation and amortization	123.1	125.5	
EBITDA	313.8	290.1	+8.2%
Adjustments			
Restructuring costs	5.0	9.0	
Gains/losses on asset sales	2.4	(28.2)	
Costs related to business combinations	4.6	10.9	
Costs related to share-based payments	8.7	2.0	
Other [(1)]	2.3	1.5	
Adjusted EBITDA	**334.4**	**285.3**	**+17.2%**

(1) "Other" includes management fees invoiced by the shareholders of the Company.

The adjustments used in determining adjusted EBITDA for each fiscal year are described in the comparative analyses of the Group's results of operations presented below.

Estimates and assumptions used in preparing financial statements

The preparation of the Group's Consolidated Financial Statements in accordance with IFRS requires it to make a number of estimates and assumptions that have an effect on the amounts of its assets and liabilities, as well as on its income and expenses. Management continually revisits these estimates and assumptions based on its experience and other reasonable factors used in its evaluation. Actual results may differ significantly from these estimates.

These estimates and assumptions relate primarily to the following:

- impairment of goodwill;
- provisions for retirement and other employee benefit obligations;
- other provisions for litigation, warranties and potential liabilities;
- deferred tax assets (tax loss carryforwards, in particular);
- the fair value of consideration paid, acquisitions of minority interests, and acquired assets and liabilities; and
- accounting treatment of Financial Instruments.

The management estimates used in connection with the preparation of the Group's financial statements, particularly those relating to the application of accounting techniques and the inclusion of uncertainties, are described in more detail in Note 1.2, "Significant Accounting Principles" to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Group's Consolidated Financial Statements".

Goodwill

Goodwill represents the difference between the cost of a business combination and the Group's share of the fair value of the identifiable assets acquired and liabilities assumed on the date control is transferred, corresponding, for example, to the value that the Group assigns to expected synergies and profits.

Therefore, evaluation of goodwill may rely on assumptions relating to future cash flows (see Notes 5.1 and 5.3 to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Group's Consolidated Financial Statements").

Goodwill is allocated to cash-generating units ("CGUs"), whose accounting value is tested for impairment annually or whenever there is any indication of an impairment loss. Impairment tests seek to determine whether the net recoverable value of an asset or CGU is less than its net book value. If the net recoverable value is lower than the net book value, an impairment charge is recorded in the income statement in the amount of the difference, allocated first to reduce goodwill of such CGU.

The recoverable value of an asset or a CGU is equal to the higher of the market value minus cost to sell, or the value in use. Value in use is determined by discounting estimated future cash flows for each CGU using certain assumptions and estimates of management. Market value is the price that could be obtained under normal competitive conditions from an informed buyer minus the cost to sell.

The calculations used to determine value in use are subject to management's judgment. Cash flows used to calculate value in use are derived from the Group's budgets and business plans, which are in turn based on assumptions relating to revenues, adjusted EBITDA, working capital requirements and investments. If other assumptions or projections were to be used, impairment testing would produce different values in use.

Management conducts impairment testing using its best estimate of the future activity of the CGU in question over the next three years, discounted to present value. After-tax discount rates vary depending on the risk premium used for each geographic market, which were 7.7% for EMEA and North America, 7.7% for APAC, 8.1% for Latin American and 11.4% for the CIS. The primary assumptions for sales growth through 2019 range from 2% (for certain CGUs in Europe) to 4% (essentially in emerging markets). The value in use calculation also includes the CGU's end value, which projects standard cash flows to infinity with an annual growth rate of between 2% and 4%, depending on the geographic market.

For more information, see Note 5.3 to the Group's Consolidated Financial Statements, included in Section 5.2, "Notes to the Consolidated Financial Statements".

Provisions for retirement and similar obligations

In accordance with the laws and practices of each country where the Group operates, it maintains retirement, health and disability plans and retirement packages for eligible employees and former employees, as well as for their beneficiaries who meet required conditions. As of December 31, 2016 the Group had such retirement commitments in the United States, Canada, the United Kingdom and Germany, as well as in France, Italy, Sweden, Serbia and Russia.

In accordance with IAS 19, these commitments are valued or updated every six months by independent actuaries. Accounting for actuarial values is based on predicted changes in salaries, medical costs, long-term interest rates, average seniority and life expectancy. An expected rate of return on funds invested is calculated for each plan in accordance with its composition and the projected return of comparable markets. Actuarial values and rates of return are sensitive to changes in predictions and estimates, which are based on assumptions. For more information, see Note 4.1 to the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2016 included in Section 5.2, "Notes to the Consolidated Financial Statements". As of December 31, 2016, the Group had €254.7 million in liabilities relating to employee benefit commitments, of which €100.6 million are covered by funds invested pursuant to the Group' various plans, and the remaining €154.1 million relate to unfunded or partially funded plans for which provisions have been recorded. The most significant of these liabilities are in the United States, Canada, the United Kingdom and Germany; the entities in these countries maintain sufficient externally-managed investments to cover nearly 50% of their liabilities.

For more information on provisions for retirement and similar obligations, see Note 4.1 to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Consolidated Financial Statements".

Provisions for Litigation, Product Warranties and Restructuring Costs

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions for litigation, warranties and other potential liabilities are recorded when, at the close of the fiscal year, there exists a legal or implicit obligation resulting from a past event that is more likely than not to result in a cash outflow to a third party, and whose amount can be reliably estimated. The amount recorded as a provision is management's best estimate of the expenditure required to settle the current obligation as of the closing date. Where the time value of money has a significant effect, future outflows are discounted to present value. These provisions relate to environmental, legal, tax and other risks.

The probability of an outflow is calculated based on management's analysis and assumptions and estimates that depend, in turn, on the nature of the risk. For example, in determining the amount of provisions for litigation, the Group's management must evaluate the probability of an unfavorable decision, as well as the amount of potential damages. These items are by their nature uncertain. On the other hand, a warranty provision is recorded at the time a given product is sold, with the amount based on historical data on warranty payments. An additional provision is recorded when an event occurs that may give rise to warranty claims for greater amounts than the hypothetical provision. A restructuring provision is recorded when management approves a detailed restructuring plan and the restructuring is announced publicly or implemented. The provision may prove higher or lower than the amount actually incurred. Provisions may also be reversed, if necessary.

As of December 31, 2016, the Group had €44.8 million in provisions for warranties, restructurings, claims and litigation. For more information on estimation of and accounting for provisions or their impact on the Group's results of operations, see Note 6.1 to the Group's Consolidated Financial Statements, included in Section 5.2, "Notes to the Consolidated Financial Statements".

Deferred tax assets

In accordance with IAS 12 (Income Taxes), the Group recognizes deferred tax assets and liabilities on its balance sheet. A deferred tax asset must be recognized for all temporary differences deductible in the future, unused tax loss carryforwards or income tax credits if it is probable that the Group will have future taxable profits that will allow these future tax savings to be utilized.

A deferred tax asset is recognized when it is probable that the Group will use it in the future. Management must use its judgment in determining the amount of the net tax asset to recognize. Projected net taxable profits are estimated on the basis of Management's budget and assumptions, as well as models relating to market conditions. These assumptions and models may have a significant impact on the amounts of deferred tax assets recognized on the Group's balance sheet.

The Group had €39.4 million in deferred tax assets relating to tax loss carryforwards and unused tax credits, of which €24.1 million related to the Group's North American (United States) tax consolidation group, €6.5 million related to the Serbian subsidiaries.

For more information, see Note 8.2 to the Group's Consolidated Financial Statements, included in Section 5.2, "Notes to the Consolidated Financial Statements".

4.1.2 Comparison of results of operations for the years ended December 31, 2016 and December 31, 2015

The analysis below discusses the Group's results of operations for the fiscal year ended December 31, 2016.

4.1.2.1 Overview

The key figures of the consolidated financial statement are presented in the table below and commented in Sections 4.1.2.2 to 4.1.1.8:

Tarkett Consolidated Results of Operations *(in millions of euros, except percentages)*	**Fiscal year ended December 31**		
	2016	**2015**	**Change**
Net revenue	2,739.3	2,714.8	+0.9%
Gross profit	742.9	669.4	+11.0%
As a percentage of consolidated net revenue	*27.1%*	*24.7%*	
Adjusted EBITDA	334.4	285.3	+17.2%
As a percentage of consolidated net revenue	*12.2%*	*10.5%*	
Result from operating activities	190.7	164.6	+15.8%
As a percentage of consolidated net revenue	*7.0%*	*6.1%*	
Net Profit Attributable to Owners of the Parent Company	118.6	83.3	+42.4%

The tables below show the breakdown of the Group's principal performance indicators by segment. Changes in these indicators as compared with the previous year are discussed in Sections 4.1.2.2 through 4.1.2.8:

2016 *(in millions of euros)*	**Flooring**			**Sports Surfaces**	**Central**	**Group**
	EMEA	**North America**	**CIS, APAC and Latin America**			
Net revenue	906.5	816.7	549.6	466.5	-	2,739.3
Gross profit	289.7	244.8	109.4	99.8	(0.8)	742.9
% of net sales	*32.0%*	*30.%*	*19.9%*	*21.4%*	*(0.0%)*	*27.1%*
Adjusted EBITDA	136.7	113.0	81.0	54.1	(50.4)	334.4
% of net sales	*15.1%*	*13.8%*	*14.7%*	*11.6%*	*0.0%*	*12.2%*
Adjustments	(3.5)	(5.4)	(2.3)	(1.3)	(8.1)	(20.6)
EBITDA	133.2	107.6	78.7	52.8	(58.5)	313.8
% of net sales	*14.7%*	*13.2%*	*14.3%*	*11.3%*	*(0.0%)*	*11.5%*
Result from operating activities (EBIT)	93.2	54.9	35.9	37.2	(30.5)	190.7
% of net sales	*10.3%*	*6.7%*	*6.5%*	*8.0%*	*0.0%*	*7.0%*
Capital expenditures	35.8	23.6	14.1	10.0	8.0	91.5

2015 *(in millions of euros)*	**Flooring**			**Sports Surfaces**	**Central**	**Group**
	EMEA	**North America**	**CIS, APAC and Latin America**			
Net revenue	917.6	771.2	586.7	439.3	-	2,714.8
Gross profit	285.7	209.0	89.2	85.0	0.5	669.4
% of net sales	*31.1%*	*27.1%*	*15.2%*	*19.3%*		*24.7%*
Adjusted EBITDA	137.5	84.0	66.9	41.4	(44.5)	285.3
% of net sales	*14.9%*	*10.9%*	*11.4%*	*9.4%*		*10.5%*
Adjustments	(12.6)	24.6	(2.8)	(0.9)	(3.6)	4.7
EBITDA	125.1	108.6	64.1	40.4	(48.1)	290.1
% of net sales	*13.6%*	*14.1%*	*10.9%*	*9.2%*		*10.7%*
Result from operating activities (EBIT)	85.5	62.0	19.6	23.1	(25.6)	164.6
% of net sales	*9.3%*	*8.0%*	*3.3%*	*5.3%*		*6.1%*
Capital expenditures	29.6	14.6	20.8	8.4	5.9	79.3

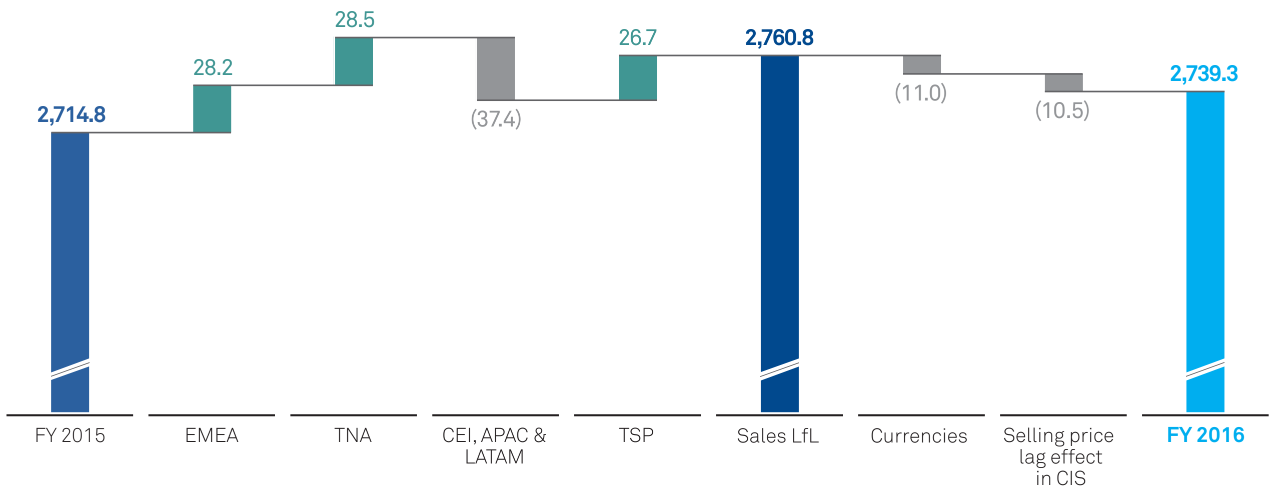
4.1.2.2 Net revenue

In 2016, the **Group's revenues** totaled **€2,739 million**, as compared with €2,715 million in 2015, an increase of 0.9%.

The Group recorded **organic growth of +1.7%**, excluding the contribution of acquisitions and fluctuations in exchange rates € (22) million, of which € (11) million resulted from the lag between changes in exchange rates and the corresponding price increases in Russia. The Group succeeded in offsetting the decrease in volumes and in the mix of products in the CIS region, which was due in particular to the very difficult economic circumstances in Russia, by significantly increasing sales in the EMEA and Sport Surfaces segments.

4

The chart below presents the key factors explaining the evolution of net revenue between 2015 and 2016:



EMEA
In the **EMEA** zone, Tarkett recorded **organic growth** of 3.1%, due in particular to the Nordic countries, Germany, and the Netherlands. Sales in France were stable over the year, while the second half of the year was affected by declining sales in the United Kingdom, the Middle East, and Turkey.

North America
In **North America**, **sales** recovered, with organic growth of 3.7%, in particular in the commercial market, despite weaker demand for carpet. A large share of the lost VCT volumes was recovered.

CIS, APAC and Latin America
The **CIS, APAC and Latin America** segment recorded a 6.4% decrease in organic sales, reflecting only volumes and the mix of products. The fourth quarter saw recovery in sales in Russia, and the product mix ceased to worsen.

In Asia Pacific, sales declined compared with the previous year, although there was a strong recovery in China in the last quarter. Latin America recorded slight organic growth despite a difficult economic environment in the last half in Brazil.

Sports Surfaces
The **Sports Surfaces** segment continued its strong growth, with **sales** up 6.1% on a comparable basis in 2016, owing to continued growth in artificial turf sales in North America and in Europe. The athletic track activity in North America was particularly dynamic in 2016.

4.1.2.3 Gross profit

The Group's gross profit increased by 11.0% from €669.4 million in 2015 to €742.9 million in 2016. Gross profit represented 27.1% of revenues in 2016, an increase of 2.4 points as compared with 2015.

This improvement is primarily the result of:

- the contribution of additional sales volumes;
- the continued effort to increase productivity through the WCM program, which generated net production cost savings;
- the favorable change in raw materials costs.

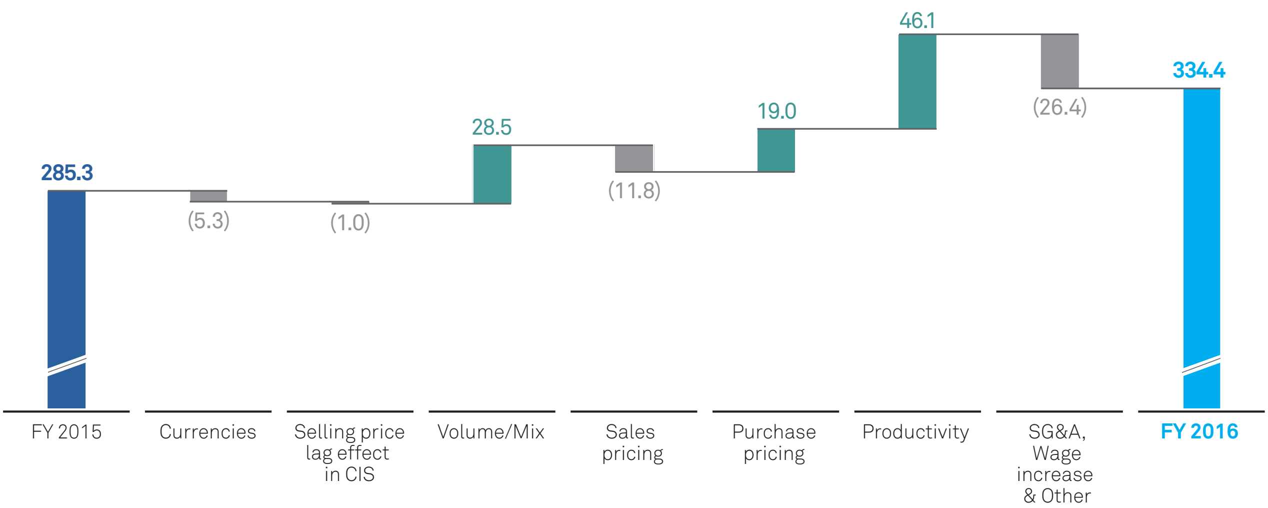
4.1.2.4 Result from operating activities

The Group's 2016 operating income was €190.7 million, an increase of 15.8% compared with €164.6 million in 2015. Operating income represented 7.0% of revenues in 2016 compared with 6.1% of revenues in 2015.

4.1.2.5 Adjusted EBITDA

Adjusted EBITDA was €334.4 million in 2016-an increase of 17.2% as compared with €285.3 million in 2015. The ratio of adjusted EBITDA to consolidated net revenues went from 10.5% in 2015 to 12.2% in 2016.

The main factors explaining the change in the Group's adjusted EBITDA in 2015 are the ones described in the improvement in gross profit, as presented in the chart below:



The main factors in the per-segment changes in adjusted EBITDA are as follows:

- EMEA: adjusted EBITDA margin was stable at 15.1%, as compared with 15.0% in 2015, due to improved productivity and growth in volumes and despite negative foreign exchange effects.
- North America: adjusted EBITDA margin increased to 13.9% from 10.9% in 2015, due to growth in sales, the favorable evolution of raw materials costs, a better product mix, and recovery of manufacturing performance.
- CIS, APAC and Latin America: adjusted EBITDA margin for this segment increased to 14.7% from 11.4% in 2015, due to cost optimization and a slight improvement in the product mix in the CIS.
- Sports Surfaces: adjusted EBITDA margin improved, reaching 11.6% in 2016, as compared with 9.4% of revenue in 2015, due to the growth in volumes in North America and Europe and to productivity-improvement initiatives.

Centralized costs not allocated among segments increased by €5.9 million, as a result of significant investments in initiatives to improve the customer experience, improve information systems, and pursue research and development projects.

4.1.2.6 Financial income and expense

The Group's financial result was -€21.0 million in 2016, as compared with -€31.9 million in 2015. This change resulted from the decreased impact of currency volatility in the CIS countries on monetary assets recorded in foreign currency, as well as to a decrease in interest paid, due in turn to lower debt volumes and the partial refinancing of a line of credit at a lower cost.

4.1.2.7 Income Tax Expense

Income tax expense for 2016 was €53.0 million, an 8.4% increase as compared with €48.9 million in 2015.

This increase is essentially due to the increase in the Group's operating income. In addition, applying IAS 12.41 on the recognition of deferred tax assets for temporary differences between the assets' tax basis (calculated at the rate on the balance sheet date) and their book value in the financial statements (calculated at the historical rate) led to the recognition of deferred income tax income of €5.0 million, as compared with an expense of €4.3 million in 2015). This income was due to foreign currency translation on the non-monetary assets and liabilities of entities whose functional currency is not the local currency, in the context of a significant increase in the value of the Russian currency (see Note 8, "Income Tax," in Section 5.2, "Notes to the Consolidated Financial Statements").

4.1.2.8 Net Profit

The Group's net profit was €119.3 million in 2016, as compared with €83.5 million in 2015. Net profit attributable to non-controlling interests was €0.7 million in 2016 as compared with €0.2 million in 2015.

As a result, net profit attributable to owners of the Company was €118.6 million in 2016 and €83.3 million in 2015.

4.2 Investments

4.2.1 Principal investments in 2016 and 2015

Cash used in investing activities was €91.7 million in 2016, as compared with €46.3 million in 2015.

Investment in property, plant and equipment and intangible property increased slightly in 2016. Investments in property, plant and equipment include acquiring and constructing new factories as well as purchasing new equipment following the acquisition or creation of new entities. They also include "ongoing investments," which consist of all investments in property, plant and equipment other than those relating to new factories and acquisitions. the Group's objective is to maintain its ongoing investments in the order of approximately 3.5% of annual consolidated net revenues.

The table below shows the Group's main investments in 2016 and 2015.

(in millions of euros)	For the year ended December 31	
	2016	**2015**
Acquisition of subsidiaries net of cash acquired	(0.1)	(2.3)
Acquisition of property, plant and equipment and intangible property	(91.9)	(80.6)
Proceeds of disposals and dividends received	0.7	36.2
Effect of changes in the scope of consolidation	(0.4)	0.4
Cash flows from investing activities	**(91.7)**	**(46.3)**

4.2.1.1 Principal Investments in 2016

The Group's main investments in 2016 were as follows:

- **EMEA:** finalizing installation of a new LVT production line in Jaslo (Poland);
- **North America:** purchase of a machine for mixing the lower layer of carpet tiles in Dalton, and finalizing installation of the new headquarters for the North America Division in Solon;
- **Asia-Pacific:** finalizing installation of a new homogeneous-flooring production line at the Beijing site.

4.2.1.2 Principal Investments in 2015

The Group's main investments in 2015 were as follows:

- **EMEA:** installation of a new LVT production line in Jaslo, Poland; deployment of new SAP-platform logistics modules at the industrial sites and warehouses;
- **North America:** roll-out of the SAP IT platform to all of the vinyl-flooring production and storage sites;
- **Asia-Pacific:** installation of a new homogeneous-flooring production line at the Beijing site; and
- **Sport Surfaces:** increased fiber production capacities for artificial turf.

4.2.2 Principal investments underway

Principal investments underway in 2017 continue the prior year's projects, in particular with regard to productivity, maintenance, and deployment of SAP at the recently acquired companies (Desso and Tandus).

These investments are financed by available cash as well as by drawdowns from the Group's credit facilities. For more information on the Group's credit facilities, see Section 4.3, "Liquidity and Capital Resources".

4.2.3 Principal future investments

The Group continually seeks new investment opportunities, rigorously analyzing the potential for a attractive return on its investment. With respect to investments, the Group's main objectives are to continually improve competitiveness, reinforce operational excellence, and acquire and modernize equipment in order to support the Group's expected growth.

The Group intends to pursue a strategy of external growth based on three main objectives: geographical development, the expansion of its product lines, and industry consolidation. For more information, see Section 1.3, "Strategy".

4.3 Liquidity and Capital Resources

For a description of the Company's share capital and financial structure, see Notes 7.2, "Net Debt," 7.3, "Other Financial Liabilities," and 9.1, "Share Capital" to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Consolidated Financial Statements."

4.3.1 Overview

The Group generates significant net cash from its operating activities. This cash flow represents the Group's principal source of liquidity and is more than sufficient to finance its ongoing investments.

The Group's objective is to maintain its ongoing investments in the order of approximately 3.5% of consolidated net revenues. Current investments are defined as investments in tangible and intangible assets other than acquisitions and factory construction.

Investments in the Group's growth (primarily factory construction and acquisitions) are financed through debt and the Group's own financial resources, in line with its policy of maintaining a sound financial structure. the Group's most recent significant acquisition, the purchase of Desso in December 2014, was financed through a drawdown from its syndicated credit line.

As of December 31, 2016, the Group's net debt was €378.2 million, a decrease of €104.1 million from net debt of €482.3 million as of December 31, 2015. the Group's shareholders' equity attributable to equity holders of the parent totaled €932.9 million as of December 31, 2016, as compared with €834.8 million as of December 31, 2015, resulting in a ratio of net debt to shareholders' equity of 0.40x (as compared with 0.58x as of December 31, 2015) and a ratio of net debt to adjusted EBITDA for the 12-month period ended December 31, 2016 of 1.1x (as compared with 1.7x for the 12-month period ended December 31, 2015).

As of December 31, 2016, cash and cash equivalents totaled €93.1 million, as compared with €67.9 million as of December 31, 2015. In addition, the total amount available under the Group's bank loans as of December 31, 2016 was €787.1 million.

In 2016, the Group decided to distribute a dividend of €33.0 million to its shareholders based on 2015 net profit.

The Group believes its available credit lines are sufficient to cover its liquidity needs for the next fiscal year.

4.3.2 Cash flow

(in millions of euros)	December 31, 2016	December 31, 2015
Cash flows from operating activities		
Net profit before tax	172.3	132.4
Adjustments for:		
Depreciation and amortization	123.1	125.5
(Gain) loss on sale of fixed assets	0.4	(27.2)
Net finance costs	21.0	31.9
Change in provisions and other non-cash items	0.3	(0.2)
Share of profit of equity accounted investees (net of tax)	(2.6)	0.3
Operating cash flow before working capital changes	314.5	262.7
Changes in working capital	(17.2)	8.7
Cash generated from operations	297.3	271.4
Other operating items (tax and financial items)	(58.5)	(54.9)
Net cash (used in)/from operating activities	**238.8**	**216.5**
Net cash from/(used in) investment activities	**(91.7)**	**(46.3)**
Net cash from/(used in) financing activities	**(122.7)**	**(240.4)**
Net increase/(decrease) in cash and cash equivalents	**24.4**	**(70.2)**
Cash and cash equivalents, beginning of period	67.9	135.1
Effect of exchange rate fluctuations on cash held	0.8	3.0
Cash and cash equivalents, end of period	**93.1**	**67.9**

4.3.2.1 Cash flows from operating activities

Net cash from operating activities was €314.5 million in 2016, an increase of €51.8 million as compared with 2015. This increase was primarily due to the improvement in adjusted EBITDA, as discussed in Section 4.1.1.8, "Presentation of Accounting and Financial Information."

Changes in the Company's working capital requirements had a positive effect on net cash flow from operating activities of €17.2 million in 2016, as compared with €8.7 million in 2015. This increase was in line with the Group's increase in activity.

4.3.2.2 Cash flows from investing activities

Cash flow used in investing activities increased from €46.3 million in 2015 to €91.7 million in 2016, since the Houston, Texas site was sold in 2015 for €35.7 million. the Group's main investments during the period are described in Section 4.2, "Investments."

4.3.2.3 Cash from financing activities

Net cash flow from financing activities improved significantly, from -€240.4 million in 2015 to -€122.7 million in 2016, in particular due to good cash flow from operating activities.

4.3.3 Financial debt

4.3.3.1 Summary of Net Financial Debt

As of December 31, 2016, the Group's net debt was €378.2 million. the Group's gross debt as of the same date was €471.3 million. Net financial debt decreased in 2016, principally due to the increase in cash flows from operating activities.

4.3.3.2 Cash and cash equivalents

As of December 31, 2016 and December 31, 2015, cash and cash equivalents totaled €93.1 million and €67.9 million, respectively. As of December 31, 2016, the principal concentrations of available cash were located primarily in Serbia (€19.1 million) and in the Group holding company (€24.5 million). As of December 31, 2015, available cash was located primarily in Serbia (€17.0 million) and in Canada (€10.6 million).

4.3.3.3 Gross Financial Debt

As of December 31, 2016, the Group's gross debt was composed principally of a term loan for €150 million and a German private placement known as a "Schuldschein," with a balance of €303.6 million at year-end. The €650 million revolving syndicated credit facility had not been drawn down as of December 31, 2016. The table below presents the Group's total gross debt as of the dates indicated.

(in millions of euros)	December 31, 2016		December 31, 2015	
	Long-term	Short-term	Long-term	Short-term
Bank loans (unsecured)	152.3	4.2	536.6	4.5
Private placement (unsecured)	303.6	-	-	-
Other loans (unsecured)	0.3	0.1	-	0.2
Bank overdrafts (unsecured)	-	6.1	-	4.0
Finance lease obligations	3.8	0.9	4.0	0.9
Interest bearing loans and borrowings	460.0	11.3	540.6	9.6
Total interest bearing loans and borrowings		**471.3**		**550.2**

As of December 31, 2016, the Group's principal sources of debt were the following:

- **Revolving syndicated credit facility (RCF):** the RCF is a €650 million floating rate multi-currency Revolving Credit Facility entered into on June 22, 2015. It also includes two swingline loans in euros and US dollars for a total amount of €60 million. Under this loan, the Group is required to comply with the financial covenants described in Section 4.3.4, "Revolving Syndicated Multi-Currency Credit Facility".
- **June 2016 Schuldschein loan:** this private placement was entered into to extend the average maturity of the Group's financing capacity, refinance a portion of the October 2013 term loan at lower cost, and diversify the Group's sources of financing.
- **October 2013 term loan:** this syndicated five-year loan, initially totaling €450 million, was reduced to €150 million through the issuance of the Schuldschein. Under this loan, the Group is required to comply with the financial covenants described in Section 4.3.5, "October 2013 Term Loan."
- **European factoring agreement:** the Group has a French-law, German-law, and Spanish-law assignment of receivables line of credit, the maturity of which was extended until December 31, 2018 pursuant to an amendment dated June 3, 2016. This revolving financing mechanism takes the form of a pledge of special purpose bank accounts dedicated to recovery of the assigned receivables, but its balance is generally zero in the ordinary course of business. The assigned receivables are recorded in accounts receivable for purposes of calculating working capital requirements (with an offsetting liability being recorded on the Group's balance sheet). The Group can borrow up to €50 million under this facility at a floating rate of one-month Euribor plus 0.45%, but uses the facility only to supplement its other sources of funds. As a result, there were no amounts outstanding under the facility as of December 31, 2015 or December 31, 2016.

The following table provides a summary of the maturities and interest rates applicable to the Group's debt as of December 31, 2016:

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

4.3.4 Revolving Syndicated Multi-Currency Credit Facility

The Group's principal reserve source of financing is the RCF, which is available for a term of five years as from June 22, 2015, under which Tarkett is the borrower. This line of credit was unused as of December 31, 2016, as compared with €81.7 million as of December 31, 2015. The RCF includes a €650 million floating-rate credit line that can be drawn in several currencies for periods of between two weeks and six months, and two swinglines in an aggregate amount of €60 million, which can be drawn for periods of one to five days.

Interest Rates under the RCF

The effective interest rate for each drawdown under the RCF is composed of a base rate plus an applicable margin. The base rate is Euribor for drawdowns in euro and Libor for drawdowns in US dollar. The applicable margin is determined based on the Group's leverage ratio (as defined below) at the end of the most recent half-year period. The relationship between the leverage ratio and the applicable margin is summarized in the table below.

Leverage Ratio	Applicable Margin
≤ 1.00x	0.45%
1.00x ≤ 1.50x	0.55%
1.50x ≤ 2.00x	0.60%
2.00x ≤ 2.50x	0.75%
2.50x ≤ 3.00x	0.90%
3.00x ≤ 3.50x	1.25%

The last tranche, from 3.00 to 3.50, applies only under certain conditions, described below.

Financial Covenants

The RCF requires the Group to comply with several financial covenants so long as the funds remain available. Failure to comply with these covenants could result in the loan's repayment being accelerated.

Leverage Ratio

The first financial covenant limits the Group's indebtedness and leverage. Under this covenant, known as the "leverage ratio", the Group's net debt as of the end of each half-year must be less than three times its adjusted EBITDA (as defined in the loan agreement) over the twelve months preceding the end of the relevant half-year. However, under the RCF, net debt of up to three and a half times adjusted EBITDA is permitted for a limited time if the ratio is the result of an acquisition or investment of more than €50 million. As of December 31, 2016 and December 31, 2015, the Group was in compliance with this covenant, with leverage ratios of, respectively, 1.1x and 1.7x adjusted EBITDA over the period.

Net Interest Cover

The second financial covenant concerns the Group's "net interest cover", which is the ratio of adjusted EBIT to net interest expense. This covenant requires the Group to maintain gross operating income (adjusted EBIT) of at least 2.5 times its total net interest on financial debt and cash. As of the end of 2016 and the end of 2015, the Group was in compliance with this covenant, with a ratio of net interest cover to adjusted gross operating income ("adjusted EBIT") of, respectively, 23.0x and 13.1x.

The table below presents the status of the Group's financial covenants as of December 31, 2016 and December 31, 2015.

	Definition	Required ratio	As of December 31	
			2016	2015
			Actual Ratio	
Leverage Ratio	Net Debt to Adjusted EBITDA	Ratio < 3.0x	1.1x	1.7x
Net Interest Cover	Adjusted EBIT to net interest expense	Ratio > 2.5x	23.0x	13.1x

Change of Control Provisions

The RCF syndicated credit facility contains a change of control clause in the event that the Deconinck family ceases to control the Company. For this purpose, the Deconinck family is defined as "Ms. Catherine la Bonnardière (née Deconinck), Mr. Bernard André Deconinck, Mr. Didier Deconinck, Mr. Éric Deconinck and their children and spouses, acting individually or collectively and directly or indirectly through a company held exclusively by them." If the Group were to fail to reach an agreement with its banks in such case, each lender would have the right to demand immediate repayment of its portion of the loan. The word "control" as used in this clause is defined by the French Commercial Code and includes actions "in concert", as defined in such Code.

4.3.5 October 2013 Term Loan

The Company signed a term loan (the "Euro Term Loan Facility" or "ETLF") with a group of banks on October 16, 2013, with respect to Tranche A, and on December 6, 2013, with respect to Tranche B. The total amount of the facility is €450 million, with a maturity date of October 16, 2018. This loan was partially repaid in the amount of €300 million on June 21, 2016.

The agreement contains, in all material respects, the same covenants as the RCF. However, the leverage ratio is strictly limited to a maximum of 3.0x.

The effective interest rate is equal to Euribor plus an applicable margin based on the Group's leverage ratio for the most recent half-year period. The relationship between the leverage ratio and the margin applicable to the ETLF is summarized in the table below.

Leverage Ratio	Applicable Margin
≤ 1.00x	1.25%
1.00x ≤ 1.50x	1.50%
1.50x ≤ 2.00x	1.75%
2.00x ≤ 2.50x	2.00%
2.50x and above	2.25%

The ETLF agreement contains a change of control clause that can result in acceleration of repayment. The change of control provision will apply only in the event that the Company is controlled by a person or "group in concert" other than the Deconinck family. The mere loss of control by the Deconinck family, without acquisition of control by a third party, will not trigger the provision.

4.3.6 German-law private placement (Schuldschein)

On June 21, 2016, Tarkett issued debt in a German private placement (known as a "Schuldschein") in the following tranches:

- €56.5 million at fixed rate for five years;
- €67.5 million at floating rate for five years;
- USD 56.5 million at floating rate for five years;
- €91 million at fixed rate for seven years;
- €35 million at floating rate for seven years.

The main legal and financial covenants under the agreement are similar to those under the June 2015 revolving syndicated credit facility. The proceeds from this issuance were used for the partial early repayment of €300 million of the €450 million term loan entered into in October 2013, the outstanding balance of which was thus reduced to €150 million.

4.3.7 Total other liabilities

The minority shareholders of Morton Extrusionstechnik (MET) and FieldTurf Benelux BV (formerly AA SportSystems) hold put options that enable them to require the Group to acquire their respective shares. The Group fully consolidates these companies in its financial statements, as if the minority shares had been acquired by Tarkett. The Group records the present value of the estimated exercise price of the put options under "other liabilities" in its balance sheet. As of December 31, 2016, the total amount of other liabilities corresponding to these options was €3.3 million.

4.3.8 Shareholders' equity

Shareholders' equity was €935.2 million and €836.7 million as of December 31, 2016 and December 31, 2015, respectively. Changes in shareholders' equity in 2016 resulted primarily from changes in the Group's net income, as described in Section 4.1.2.8, "Net Income".

4.3.9 Return on invested capital

The Group uses the indicator Return on Invested Capital, or "ROIC," to measure the effectiveness of the Group's capital allocation and to measure the financial return generated by its investments.

ROIC corresponds to the ratio between (1) the operating income before financial items and after taxes and (2) the invested capital (which corresponds to tangible and intangible assets (including goodwill), plus working capital).

ROIC is not a standardized accounting term corresponding to a generally accepted definition. It should not be taken as a substitute for operating income, net income or cash flows from operating activities, nor should it be treated as a measure of liquidity. ROIC may be calculated differently by other companies with businesses that are similar to or different from that of the Group. See Section 4.7 for more detail on the calculation of ROIC. The following table shows ROIC for 2016 and 2015.

The Group's ROIC is as follows:

(in millions of euros)	For the year ended December 31	
	2016	2015
Return on invested capital (ROIC) (A/B)	**9.3%**	**7.0%**

4.3.10 Off-balance sheet commitments

Lease commitments

The Group's lease commitments mainly relate to buildings, vehicles, computer equipment and software, as well as offices. Total future minimum lease payments pursuant to the Group's operating leases totaled €82.3 million as of December 31, 2016, and included the following:

Operating leases	December 31, 2016	December 31, 2015
Future minimum lease payments		
Less than 1 year	26.2	22.1
1 to 5 years	49.3	26.4
More than 5 years	6.8	2.9
Total future minimum lease payments	**82.3**	**51.4**

The total net carrying amounts of assets under financial leases included in the Group's consolidated balance sheet totaled €4.0 million as of December 31, 2016, and the present value of future minimum payments was €4.7 million.

Guarantees and Off-Balance Sheet Commitments

The following table presents guarantees given by the Company as of December 31, 2016 (including those relating to debt already included on the balance sheet), as well as guarantees received from customers:

Group Off-Balance Sheet Commitments *(in millions of euros)*	year ended December 31, 2016	year ended December 31, 2015
Federal Insurance Company	(90.9)	(57.0)
Factoring	-	-
Swedish retirement insurance company (Pri-Pensionsgaranti)	(19.2)	(19.4)
Other	(12.1)	(11.0)
Tarkett SA parent company guarantees	(122.2)	(87.4)
Other commitments given to subsidiaries	15.6	20.4
Commitments given	(137.8) (1)	(107.8) (1)
Corporate or personal guarantees from clients or other debtors	7.9	5.2
Commitments received	7.9	5.2

(1) Includes a parent company guarantee given by Tarkett Inc.

The foregoing commitments include the following:

- a counter guarantee provided to Federal Insurance Company ("FIC") pursuant to a general indemnity agreement for a maximum amount of USD 75.0 million to permit FIC to issue bonds on behalf of FieldTurf Tarkett Inc. As of the end of the fiscal year, the amount outstanding subject to this guarantee was the dollar equivalent of €96.0 million, including numerous expired guarantees in the process of discharge;
- a guarantee covering 50% of two credit lines for a maximum €5 million each granted to the Group's Laminate Park GmbH & Co KG joint venture;
- a guarantee given to the retirement insurance company Pri-Pensions to insure Tarkett AB's employee benefit commitments in the amount of SEK 183.5 million;
- a guarantee for raw materials provided by a supplier of the Group's subsidiary Morton Extrusionstechnik (MET) in order to secure its debt for an amount of up to €7.0 million, of which €3.6 million was used as of December 31, 2016;
- a security on special purpose accounts given by Tarkett S.A. to a lending bank under an assignment of receivables credit line for a maximum of €50.0 million. However, no assignment subject to the surety was in progress at year-end.
- a guarantee provided by Tarkett S.A. to certain subsidiaries, including Tarkett Limited (United Kingdom), Desso Holding (Netherlands), Tarkett Asia-Pacific (China), and FieldTurf Poligras (Spain) in order to enable them to obtain financing in an amount of €12.7 million, as of year-end 2016.

Other

One of the Group's subsidiaries is a defendant in a group of cases in the United States relating to injuries allegedly caused by asbestos. In addition to provisions recorded, the Group maintains three funds (for a total amount of USD 28.4 million as of December 31, 2016) as well as insurance policies in respect of this litigation and the possibility of additional cases being brought. For more information, see Section 4.5, "Legal and Administrative Proceedings."

In addition, the Group is currently engaged in a proceeding to rectify the terms of a 2008 sale of a preferred share of FieldTurf Tarkett Inc. by Tarkett France to Tarkett Inc. for a total of USD 36.2 million. Pursuant to Canadian tax legislation, the capital gains realized in connection with the Tarkett France transaction should have been treated by Tarkett Inc. as a distribution of dividends subject to withholding tax. Tarkett Inc. and Tarkett France filed a motion for rectification of documents and declaratory judgment before the Quebec courts in order to reduce the price of the sale by USD 21.3 million. Given the timeframe and the uncertainty as to whether the requested rectification will be granted, the Group's financial statements as of December 31, 2016 include a provision for CAD 4.3 million.

4.4 Material contracts

See Section 4.3.4, "Revolving Syndicated Multi-Currency Credit Facility" and Section 4.3.5, "October 2013 Term Loan."

4.5 Legal proceedings

The Group may be involved in legal, administrative or regulatory proceedings in the ordinary course of its business. The Group sets aside a provision for the cases that it considers likely to result in financial loss for Tarkett or one of its subsidiaries.

The aggregate amount of provisions relating to legal proceedings was €11.7 million as of December 31, 2016.

As of the date of this Registration Document, apart from the matters described below, the Group is not aware of any governmental, legal or arbitration proceedings (including any threatened or suspended proceedings) that could have or have had in the past 12 months a material effect on the Group's financial condition or the profitability of Tarkett or the Group.

Germany

Appraisal Procedure Relating to Valuation of Tarkett Holding GmbH Shares

In August 2006, a former minority shareholder of Tarkett AG (now known as Tarkett Holding GmbH) initiated an appraisal procedure relating to the valuation of Tarkett Holding GmbH shares before the Court of Frankenthal in Germany. The purpose of the procedure is to determine whether the share price paid by Tarkett S.A. to former minority shareholders of Tarkett AG in connection with the privatization of Tarkett AG in 2005 was appropriate. Fifty-five shareholders are currently party to the procedure. According to the initial opinion of a court-appointed expert in October 2011, the share price paid was insufficient. After objections by the parties, the expert submitted a supplemental report in August 2012, in which the value of the shares was determined to be higher than the value initially presented in the October 2011 report. Following further objections, the court ruled on July 1, 2013 that the share price paid by Tarkett should have been €1.62 higher than the share price of €19.50 that was actually paid. As the procedure covers 1,150,000 shares, the potential impact of this decision is approximately €1.9 million, excluding interest. Tarkett has filed an appeal, pending which the judgment cannot be executed.

France

French Competition Authority Investigation

In late March 2013, the French Competition Authority initiated an investigation of several flooring manufacturers, including Tarkett, in relation to potentially anti-competitive practices in the French vinyl flooring market. To date, the investigation is continuing, and it is currently unclear when it will be concluded. It is too early for the Group to evaluate the potential consequences of the investigation. In the event the Group were to be found liable, the financial consequences could be significant.

United States

Asbestos Litigation

Domco Products Texas Inc. Domco Products Texas Inc. ("Domco"), a subsidiary that Tarkett acquired in 1991 (then known as Azrock Industries ("Azrock")), is subject to several lawsuits related to its production of vinyl floor tiles containing asbestos between 1940 and 1982. As of December 31, 2016, there were 1,036 pending lawsuits filed against Domco in multiple U.S. jurisdictions. Of the 1,036 lawsuits pending, 52 are cases involving both an identification of Azrock products and a diagnosis of mesothelioma. Among all of the claims filed over approximately the last 15 years, three reached the verdict stage-two of which were granted in favor of Domco, and one of which was granted to a plaintiff in the State of Washington, requiring Domco to pay an amount of USD 1,071,705 (USD 371,000 after offsets).

As of December 31, 2016, Domco had succeeded in obtaining dismissal of 1,002 cases since 2010, and had entered into approximately 15 to 42 settlements per year since 2010 for an aggregate amount of USD 14.8 million (or an average of USD 2.1 million per year). Domco maintains insurance (including cost-sharing policies) to cover the liabilities associated with these claims. Domco also covers a portion of these expenses itself. For further information on the Group's management of these cases, see Section 4.3.10, "Off-Balance Sheet Commitments".

Duraspine fiber litigation

In December 2016, two customers commenced proceedings against FieldTurf in the New Jersey courts regarding the quality of their sports fields manufactured with Duraspine fiber. The plaintiffs moved to certify the case as a class action, but the court has not yet announced its ruling. As of the date hereof, no other customers have joined these two cases.

4.6 Future prospects

For purposes of preparing its internal budgets and planning its operations and investments, the Group makes estimations regarding outlook and sets certain objectives relating to its results of operations. These estimations and the Group's goals, summarized below, are based on information, assumptions and estimates that the Group's management considers to be reasonable as of the filing date of this Registration Document. These estimations and objectives are not projections or profit forecasts, but result from the Group's strategic orientation and action plan.

4.6.1 Evolution of recent results

For a detailed analysis of the Group's results of operations in 2015 and 2016, see Section 4.1.2, "Comparison of Results of Operations for the Years Ended December 31, 2016 and 2015".

4.6.2 Medium-term outlook

4.6.2.1 Macro-Economic Climate

The Group expects its growth to depend to a certain extent on increases in gross domestic product ("GDP") in the main geographic regions in which it operates.

The Group uses the GDP growth forecasts published by the International Monetary Fund (the "IMF") as a reference.

For the main geographic markets in which the Group does business, the January 2017 publication shows:

- in the United States, more sustained growth in 2017 (+2.3%) than in 2016 (+1.6%);
- in the euro zone, growth stabilized at about +1.6% per year;
- in Russia and in Brazil, a very gradual return to positive, though not strong, growth (Russia: +1.1% in 2017; Brazil: +0.2% in 2017, +1.5% in 2018).

GDP growth forecasts	2016	2017	2018
United States	1.6%	2.3%	2.5%
Euro Area	1.7%	1.6%	1.6%
Germany	1.7%	1.5%	1.5%
France	1.3%	1.3%	1.6%
UK	2.0%	1.5%	1.4%
Sweden	3.6%	2.6%	2.2%
Russia	-0.6%	1.1%	1.2%
Brazil	-3.5%	0.2%	1.5%
China	6.7%	6.5%	6.0%
World	3.1%	3.4%	3.6%

Source: IFM – World Economic Outlook – January 2017, except Sweden – October 2016.

4.6.2.2 Outlook for the Group

Thanks to the quality of the Group's products, its broad geographic footprint and its exposure to diversified markets, the Group believes that it is well positioned to continue to grow over the coming years.

At an Investor Day in October 2016, the Group unveiled the objectives of its 2017-2020 strategic plan.

The financial goals (excluding strategic acquisitions) are summarized as follows:

- **net sales of approximately €3.5 billion** (1);
- **adjusted EBITDA margin** (2) **greater than 12%**, and **Return on Invested Capital (ROIC)** (3) **greater than 9%**;
- approximately **€500 million** in additional sales as a result of acquisitions;
- maintenance of a strong financial structure, with a **debt ratio** (4) **of below 2.5x**;
- commitment to shareholders: **minimum annual dividend of €0.60 per share**.

(1) Net sales including acquisitions; organic growth outperforming estimated market growth.
(2) Adjusted EBITDA: adjustments include expenses related to restructurings, acquisitions, and certain other non-recurring items.
(3) Defined as operating income after taxes [Adjusted EBIT * (1 – standard tax rate of 35%)] divided by capital employed [Goodwill + Property, plant and equipment and intangible assets + working capital].
(4) Net debt divided by adjusted EBITDA.

To achieve these objectives, the Group defined four main strategic initiatives:

1. An exceptional customer experience
The Group's goal is to become the easiest company to work with in the flooring industry. Tarkett intends to create value for its customers by offering them a complete portfolio of innovative solutions and acting as a multi-specialist partner. The Group aims to offer an incomparably smooth customer experience at every step in the process, as well as exemplary customer service, in order to increase customer satisfaction and loyalty. Reaching this goal also requires solid IT infrastructure and coordinated digital platforms, which are in development.

2. Leadership in design, innovation, and sustainable development
Design, innovation, and sustainable development are essential components of the Group's success and differentiation in its 2020 strategic plan. The Group aims to continue investing in innovation in order to satisfy its customers' increasing demand for a healthy environment and for unique and modular living spaces. To that end, Tarkett will continue to develop sustainable products and solutions and will expand the personalized and interactive services that it offers.

3. Commercial and operational excellence
In recent years, Tarkett has demonstrated commercial and operational excellence. The Group will continue to pursue excellence, in particular through its proven World Class Manufacturing program, as well as through its expert supply chain management and sales force.

4. Creating value through acquisitions
With 20 successful acquisitions since 2008, Tarkett intends to continue pursuing its external growth strategy with three aims: expanding its product portfolio, expanding geographically, and achieving cost synergies.

The data, assumptions and estimates set forth herein may change as a result of uncertainties related to, among other things, the Group's economic, financial, competitive or regulatory environment or as a result of other factors of which the Group may be unaware as of the filing date of this Registration Document. In addition, the occurrence of one or more of the risks described in Chapter 6, "Risk Factors and internal control," could negatively affect the Group's business, income, financial situation or prospects, and hence undermine its ability to meet the objectives set forth in this section. Furthermore, the estimates expressed above are based on the assumed success of the Group's strategy as presented in Section 1.3, "Strategy". Therefore, the Group can give no assurances or provide any guarantee that the objectives set forth above will be met, and does not undertake to publish corrections or communicate updates to this information in the future.

4.7 Non-IFRS financial indicators

The Tarkett Group uses the following non-IFRS financial indicators:

- organic growth;
- adjusted EBITDA;
- operating cash flow;
- free cash flow (annual results only);
- return on invested capital ("ROIC").

These indicators are calculated as follows:

Organic growth

- This indicator measures the evolution of net revenue as compared with the same period in the previous year, excluding foreign exchange effects and changes in the scope of consolidation.
- The foreign exchange effect is obtained by applying the previous year's exchange rates to the current year's sales and calculating the difference from the current year's sales. It also includes the effect of price adjustments in the CIS countries that are intended to offset local currency fluctuations against the euro.
- The consolidation effect consists of:
  - the current year's sales by entities that were not consolidated during the same period of the previous year, until the anniversary of their consolidation,
  - the reduction in sales relating to activities that have been sold, which are not consolidated in the current year but were included in sales for the same period during the previous year, until the anniversary of their disposal.

> The evolution of net sales for the year is broken down as follows:

(in millions of euros)	2016	2015	Change *(as a %)*	Of which exchange rate effect	Of which consolidation effect	Of which organic growth
Group Total	**2,739.3**	**2,714.8**	**+0.9%**	**(0.8)**	**0%**	**+1.7%**

Adjusted EBITDA

> Operating income before depreciation, amortization and the following adjustments:

- restructuring costs to improve the future profitability of the Group,
- gains or losses on disposals of significant assets,
- provisions and reversals of provisions for impairment,
- costs related to business combinations and legal reorganizations,
- expenses relating to share-based payments,
- other one-off expenses considered non-recurring by their nature.

Below is a reconciliation of operating income (EBIT) to Adjusted EBITDA, as well as the distribution of adjustments by type:

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

Operating cash flow

> Cash flow from operations minus current investments.

> Current investments are defined as investments in tangible and intangible assets other the construction of new factories or distribution sites and the acquisition of companies or activities.

> Annual operating cash flow is broken down as follows:

(in millions of euros)	2016	2015
Cash generated from operations	297.3	271.4
Acquisitions of intangible assets and property, plant and equipment	(91.9)	(80.6)
Restatement of capital investments	0.4	1.3
Operating cash flow	**205.8**	**192.2**

Free cash flow (annual results only):

- Operating cash flow, as defined above, plus or minus the following inflows and outflows:
  - net interest received (paid),
  - net income taxes collected (paid),
  - miscellaneous operating items received or paid, and
  - proceeds (losses) from sale of property, plant and equipment.
- Free cash flow is broken down as follows:

(in millions of euros)	2016	2015
Net operating cash flow	205.8	192.2
Net interest paid	(15.3)	(22.7)
Net income taxes paid	(41.1)	(32.9)
Miscellaneous operating items	(2.1)	0.7
Proceeds from sale of property, plant and equipment	0.7	36.2
Free cash flow	**148.0**	**173.4**

Return on invested capital ("ROIC"):

- the ratio between:
  - operating income before financial items and after taxes,
  - capital invested (which corresponds to the sum of property, plant and equipment, intangible assets (including goodwill), and net current assets).

Operating income before financial items and taxes is calculated as follows:

(in millions of euros)	For the year ended December 31	
	2016	2015
Result from operating activities	190.7	164.6
Exceptional items		
Restructuring costs	5.0	9.0
Gains/losses on asset sales/impairment	2.4	(26.6)
Unusual items from business combination	4.6	10.9
Share-based payment	8.7	2.0
Consulting fees and other provisions	2.3	1.5
Adjusted EBIT	**213.7**	**161.4**
Standard tax rate	35%	35%
Operating income before financial items and after taxes/NOPAT [1] (A)	**138.9**	**104.9**

(1) NOPAT: Net Operating Profit After Tax.

Capital invested is calculated as follows:

(in millions of euros)	For the year ended December 31	
	2016	2015
Property, plant and equipment	488.6	499.4
Intangible assets	108.5	124.2
Goodwill	550.4	538.4
Working capital [1]	347.8	327.3
Total capital invested (B)	**1,495.3**	**1,489.3**

(1) Working capital is defined as inventory, trade receivables, other receivables, deferred tax assets and liabilities, trade payables, other liabilities and other short-term provisions, restated for financial items (€8.7 million) and amounts payable on assets (€4.5 million).

The Group's ROIC is as follows:

(in millions of euros)	For the year ended December 31	
	2016	**2015**
Return on invested capital (ROIC) (A/B)	**9.3%**	**7.0%**

5 FINANCIAL STATEMENTS

5.1 Consolidated Financial Statements as of December 31, 2016

The Group's Consolidated Financial Statements as of December 31, 2016, prepared in accordance with the IFRS as adopted by the European Union, appear in the section below. The related Statutory Auditors' Report is presented in Section 5.9. "Statutory Auditors' Report on the Consolidated Financial Statements".

The Consolidated Financial Statements and Company Financial Statements as of December 31, 2015 and the related Statutory Auditors' reports appear respectively on pages 122 and 191 (for the Consolidated Financial Statements) and pages 170 and 192 (for the annual accounts) of the April 1, 2016 Registration Document filed with the AMF under the number R.16-016 and are incorporated by reference in the present Registration Document.

The Consolidated Financial Statements and Company Financial Statements of the Group as of December 31, 2014 and the related Statutory Auditors' reports appear respectively in pages 112 and 177 (for the Consolidated Financial Statements) and on pages 158 and 178 (for the Annual accounts) of the April 2, 2015 Registration Document filed with the AMF under the number R.15-016 and are incorporated by reference in the present Registration Document.

Consolidated income statement

(in millions of euros)	Note	**2016**	**2015**
Net revenue		2,739.3	2,714.8
Cost of sales		(1,996.4)	(2,045.4)
Gross profit		742.9	669.4
Other operating income	(3)	13.0	40.1
Selling and distribution expenses		(318.7)	(304.4)
Research and development		(37.3)	(34.8)
General and administrative expenses		(188.9)	(185.4)
Other operating expenses	(3)	(20.3)	(20.3)
Result from operating activities	(3)	190.7	164.6
Financial income		1.4	2.1
Financial expenses		(22.4)	(34.0)
Financial income and expense	(7)	(21.0)	(31.9)
Share of profit of equity accounted investees (net of income tax)		2.6	(0.3)
Profit before income tax		172.3	132.4
Total income tax	(8)	(53.0)	(48.9)
Profit from continuing operations		119.3	83.5
Profit (loss) from discontinued operations (net of income tax)		-	-
Net profit for the period		119.3	83.5
Attributable to:			
Owners of Tarkett		118.6	83.3
Non-controlling interests		0.7	0.2
Net profit for the period		**119.3**	**83.5**
Earnings per share:			
Basic earnings per share *(in euros)*	(9)	1.87	1.31
Diluted earnings per share *(in euros)*	(9)	1.86	1.31

Consolidated statement of comprehensive income

(in millions of euros)	**2016**	**2015**
Net profit for the period	119.3	83.5
Other comprehensive income (OCI)	-	-
Foreign currency translation differences for foreign operations	19.7	48.5
Changes in fair value of cash flow hedges	0.5	1.0
Income tax on other comprehensive income	(0.1)	(0.3)
OCI to be reclassified to profit and loss in subsequent periods	20.1	49.2
Defined benefit plan actuarial gain (losses)	(10.4)	16.1
Other comprehensive income (OCI)	-	(0.9)
Income tax on other comprehensive income	10.2	(2.7)
OCI not to be reclassified to profit and loss in subsequent periods	(0.2)	12.5
Other comprehensive income for the period, net of income tax	19.9	61.7
Total comprehensive income for the period	**139.2**	**145.2**
Attributable to:		
Owners of Tarkett	138.8	145.0
Non-controlling interests	0.4	0.2
Total comprehensive income for the period	**139.2**	**145.2**

Consolidated statement of financial position

Assets

(in millions of euros)	Note	December 31, 2016	December 31, 2015
Goodwill	(5)	550.4	538.4
Intangible assets	(5)	108.5	124.2
Property, plant and equipment	(5)	488.6	499.4
Other financial assets	(7)	34.9	28.7
Deferred tax assets	(8)	94.0	103.1
Other non-current assets		0.2	0.3
Non-current assets		1,276.6	1,294.1
Inventories	(3)	396.3	376.5
Trade receivables	(3)	343.4	322.0
Other receivables	(3)	58.8	60.5
Cash and cash equivalents	(7)	93.1	67.9
Current assets		891.6	826.9
Total assets		**2,168.2**	**2,121.0**

Equity and liabilities

(in millions of euros)	Note	December 31, 2016	December 31, 2015
Share capital	(9)	318.6	318.6
Share premium and reserves		145.8	145.8
Retained earnings		349.9	287.0
Net result for the period		118.6	83.3
Equity attributable to equity holders of the parent		932.9	834.8
Non-controlling interests		2.3	1.9
Total equity		935.2	836.7
Interest-bearing loans	(7)	460.0	540.6
Other financial liabilities	(7)	4.1	4.4
Deferred tax liabilities	(8)	38.6	47.9
Employee benefits	(4)	154.1	145.5
Provisions and other non-current liabilities	(6)	58.7	46.9
Non-current liabilities		715.5	785.3
Trade payables	(3)	270.3	247.7
Other liabilities	(3)	193.5	191.9
Interest-bearing loans and borrowings	(7)	11.3	9.5
Other financial liabilities	(7)	4.4	5.5
Provisions and other current liabilities	(6)	38.0	44.4
Current liabilities		517.5	499.0
Total equity and liabilities		**2,168.2**	**2,121.0**

Consolidated statement of cash flows

(in millions of euros)	Note	2016	2015
Cash flows from operating activities			
Net profit before tax		172.3	132.4
Adjustments for: Depreciation and amortization		123.1	125.5
(Gain) loss on sale of fixed assets		0.4	(27.2)
Net finance costs		21.0	31.9
Change in provisions and other non-cash items		0.3	(0.2)
Share of profit of equity accounted investees (net of tax)		(2.6)	0.3
Operating cash flow before working capital changes		314.5	262.7
(Increase)/Decrease in trade receivables		(17.2)	(0.5)
(Increase)/Decrease in other receivables		(2.2)	5.1
(Increase)/Decrease in inventories		(15.3)	(13.0)
Increase/(Decrease) in trade payables		19.3	12.8
Increase/(Decrease) in other payables		(1.8)	4.3
Changes in working capital		(17.2)	8.7
Cash generated from operations	(3)	297.3	271.4
Net interest paid		(15.3)	(22.7)
Net income taxes paid		(41.1)	(32.9)
Other		(2.1)	0.7
Other operating items		(58.5)	(54.9)
Net cash (used in)/from operating activities		**238.8**	**216.5**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	(0.1)	(2.3)
Acquisitions of intangible assets and property, plant and equipment	(5)	(91.9)	(80.6)
Proceeds from sale of property, plant and equipment	(5)	0.7	36.2
Effect of changes in the scope of consolidation		(0.4)	0.4
Net cash from/(used in) investment activities		**(91.7)**	**(46.3)**
Net cash from/(used in) financing activities			
Acquisition of NCI without a change in control		(4.2)	(8.0)
Proceeds from loans and borrowings		491.0	510.5
Repayment of loans and borrowings		(567.3)	(719.0)
Payment of finance lease liabilities		(0.1)	0.2
Acquisition of treasury shares		(9.1)	-
Dividends		(33.0)	(24.1)
Net cash from/(used in) financing activities		**(122.7)**	**(240.4)**
Net increase/(decrease) in cash and cash equivalents		24.4	(70.2)
Cash and cash equivalents, beginning of period		67.9	135.1
Effect of exchange rate fluctuations on cash held		0.8	3.0
Cash and cash equivalents, end of period		**93.1**	**67.9**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium and reserves	Translation reserves	Reserves	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2015	318.6	145.8	(47.1)	303.3	720.6	5.2	725.8
Net profit for the period	-	-	-	83.3	83.3	0.2	83.5
Other comprehensive income	-	-	48.5	13.2	61.7	-	61.7
Total comprehensive income for the period	-	-	48.5	96.5	145.0	0.2	145.2
Dividends	-	-	-	(24.1)	(24.1)	-	(24.1)
Own shares (acquired)/sold	-	-	-	1.2	1.2	-	1.2
Share-based payments	-	-	-	(1.1)	(1.1)	-	(1.1)
Acquisition of NCI without a change in control	-	-	-	(6.7)	(6.7)	(3.6)	(10.3)
Other	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	(30.7)	(30.7)	(3.6)	(34.3)
Year ended December 31, 2015	**318.6**	**145.8**	**1.4**	**369.0**	**834.8**	**1.9**	**836.7**
Balance at January 1, 2016	318.6	145.8	1.4	369.0	834.8	1.9	836.7
Net profit for the period	-	-	-	118.6	118.6	0.7	119.3
Other comprehensive income	-	-	20.0	0.2	20.2	(0.3)	19.9
Total comprehensive income for the period	-	-	20.0	118.8	138.8	0.4	139.2
Dividends	-	-	-	(33.0)	(33.0)	-	(33.0)
Own shares (acquired)/sold	-	-	-	(9.1)	(9.1)	-	(9.1)
Share-based payments	-	-	-	2.0	2.0	-	2.0
Acquisition of NCI without a change in control	-	-	-	(0.1)	(0.1)	-	(0.1)
Other	-	-	-	(0.5)	(0.5)	-	(0.5)
Total transactions with shareholders	-	-	-	(40.7)	(40.7)	-	(40.7)
Year ended December 31, 2016	**318.6**	**145.8**	**21.4**	**447.1**	**932.9**	**2.3**	**935.2**

5.2 Notes to the consolidated financial statements

Note 1 > Basis of preparation

1.1 General information

Tarkett's Consolidated Financial Statements as of and for the year ended December 31, 2016 comprise the Company and its subsidiaries (hereafter the "Group") as well as its interests in associates and joint ventures.

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

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

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

The Group's Consolidated Financial Statements as of and for the year ended December 31, 2016 were finalized by the Management Board on February 7, 2017 and reviewed by the Supervisory Board on February 9, 2017. They will be submitted for shareholder approval on April 27, 2017.

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, 2016 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of such date, which are available at http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm. These standards have been applied consistently for the fiscal years presented.

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

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

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

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

c) New standards and interpretations not adopted

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

- IFRS 15: Revenue from contracts with customers. On May 28, 2014, the IASB published a new standard on accounting for revenue to replace most of the existing IFRS provisions, in particular IAS 11 and IAS 18. At this stage of its analysis, given the manner in which the Group's customer relations are structured, the Group believes that the application of IFRS 15 will not have a major impact. The new standard has been adopted by the European Union and will apply beginning January 1, 2018.
- IFRS 16: Leases. On January 16, 2016, the IASB published IFRS 16, "Leases". IFRS 16 will replace IAS 17 and the related IFRIC and SIC interpretations and will eliminate the distinction between operating leases and finance leases. This standard, applicable as of January 1, 2019 (or 2018, if adopted early) and not adopted by the European Union, requires lessors to record all leases with terms of over one year in the manner currently required for finance leases under IAS 17, and thus to record an asset and a liability for the rights and obligations created by a lease agreement.
- IFRS 9: Financial Instruments. On July 24, 2014, the IASB published a new standard on Financial Instruments that replaces most of the existing IFRS provisions on Financial Instruments, in particular IAS 39. The new standard, which has been adopted by the European Union on November 22, 2016, will apply beginning January 1, 2018. IFRS 9 modifies the rules for recording hedging transactions, the classifications for financial assets and liabilities, and recognition of credit risk with respect to financial assets based on expected losses rather than incurred losses. Given the nature of the Group's transactions, this standard is not expected to have a significant impact.

The effects of these standards on the Consolidated Financial Statements are being analyzed. At this stage, it is not possible to estimate reliably the impacts of these standards on the Consolidated Financial Statements.

1.2.2 Accounting estimates and judgments

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

These judgments and estimates relate principally to:

	Notes
Measurement of the fair value of the consideration transferred, NCI and assets acquired and liabilities assumed	2
Impairment testing of assets	5.3
Accounting treatment of Financial Instruments	7.5
Provisions for employee benefits	4.1
Valuation of deferred tax assets	8.2
Determination of other provisions (warranties and disputes)	6

Management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and information deemed significant given the current environment. Actual results may differ significantly from these estimates.

The Group's Consolidated Financial Statements have been prepared on the basis of historical cost with the exception of the following assets and liabilities, which have been measured at fair value: derivatives, investments held for trading, available-for-sale financial assets, pension plan assets and other assets when required. The carrying amount of assets and liabilities subject to fair value hedging has been adjusted in line with the changes in fair value attributable to the hedged risks.

Note 2 > Changes in scope of consolidation

2.1 Consolidation methods

2.1.1 Full consolidation

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

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

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

2.1.2 Equity method accounting for joint ventures and associates

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

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

The accounting policies described hereafter have been applied to all the periods presented in the Consolidated Financial Statements and have been uniformly applied by all Group entities acquired prior to December 31, 2016 (see Note 2.4 "Changes in Scope of Consolidation").

2.2 Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

Acquisition of NCI without a change in control

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

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

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

Share put options granted by the Group

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

2.3 Foreign currency translation

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

The functional currency of the Commonwealth of Independent States ("CIS") is the euro. After analyzing the primary and secondary indicators set forth in IAS 21.9, the Group has confirmed this choice for the 2016 financial statements.

The Group presents its financial statements in euros.

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

Some items are covered by hedging transactions; the accounting treatment for those transactions is described in Note 7.5.1.

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

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

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

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

2.4 Changes in the scope of consolidation

The Tarkett Group's scope of consolidation is as follows. Note 12 provides a list of principal consolidated entities.

Number of companies	Dec. 31, 2015	Mergers	Acquisitions	Liquidations	Dec. 31, 2016
Fully consolidated companies	88	(1)	-	(2)	85
Equity-accounted companies	1	-	-	-	1
Total	**89**	**(1)**	**-**	**(2)**	**86**

2.4.1 Transactions completed in 2016

a) Mergers

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

b) Liquidations

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

In June 2016, Desso Sports Systems GmbH was liquidated.

2.4.2 Transactions completed in 2015

a) Mergers

In April 2015, Tarkett Jaslo Sp z.o.o. was merged into Tarkett Polska Sp z.o.o.

In June 2015, Desso Holding BV was merged into STAP B BV. Following the merger, STAP B BV was renamed Desso Holding BV.

In July 2015, Desso Asia Ltd and Desso Trading Asia Ltd were merged into Tarkett Hong Kong.

In September 2015, Desso GmBH was merged into Tarkett GmBH.

In November 2015, Desso SA was merged into Tarkett Floors, SL.

b) Acquisitions

On April 30, 2015, through its subsidiary Beynon Sports Surfaces Inc., Tarkett acquired certain assets of California Track and Engineering ("CTE"), a company specialized in the sale and installation of athletic tracks. Certain key employees of the company joined the Group following the transaction. In addition, CTE has since ceased all commercial installation activity.

On December 31, 2015, Tarkett acquired Ambiente Textil Handelsgesellschaff m.b.h.

Ambiente has been fully consolidated and held at 100% since its acquisition by Tarkett.

Information relating to goodwill generated by these acquisitions is included in Note 5.1.

c) Liquidations

In July 2015, Desso Pty Ltd was removed from the trade register.

In December 2015, Desso Masland Hospitality LLC was liquidated.

d) Acquisition option

In August 2015, Tarkett exercised its option to acquire the 49% minority interest in Easyturf. Easyturf, which was already fully consolidated, is now 100% owned by the Group.

2.5 Joint ventures

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

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

Note 3 > Operating Data

3.1 Components of the income statement

3.1.1 Revenue recognition

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

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

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

3.1.2 Operating result

a) Grants

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

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

b) Expenses

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

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

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

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

c) Other operating income and expenses

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

3.1.3 Adjusted EBITDA

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

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

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

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

(in millions of euros)		Of which adjustments:					
	2015	Restructuring	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other	2015 adjusted
Net revenue	2,714.8	-	-	-	-	-	2,714.8
Cost of sales	(2,045.4)	(6.0)	0.2	(5.8)	(0.3)	-	(2,033.5)
Gross profit	669.4	(6.0)	0.2	(5.8)	(0.3)	-	681.3
Other operating income	40.1	-	28.0	-	(0.8)	0.7	12.2
Selling and distribution expenses	(304.4)	(1.8)	-	(0.1)	(0.3)	(1.3)	(300.9)
Research and development	(34.8)	(0.1)	-	-	(0.1)	-	(34.6)
General and administrative expenses	(185.4)	(0.6)	(1.6)	(0.2)	(1.4)	(0.7)	(180.9)
Other operating expenses	(20.3)	(0.5)	-	(4.8)	0.9	(0.1)	(15.8)
Result from operating activities (EBIT)	164.6	(9.0)	26.6	(10.9)	(2.0)	(1.5)	161.4
Depreciation and amortization	125.5	-	1.6	-	-	-	123.9
EBITDA	**290.1**	**(9.0)**	**28.2**	**(10.9)**	**(2.0)**	**(1.5)**	**285.3**

3.2 Segment information

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

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

5

By operating segment

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

2015 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Net revenue	917.6	771.2	586.7	439.3	-	2,714.8
Gross profit	285.7	209.0	89.2	85.0	0.5	669.4
% of net sales	*31.1%*	*27.1%*	*15.2%*	*19.3%*		*24.7%*
Adjusted EBITDA	137.5	84.0	66.9	41.4	(44.5)	285.3
% of net sales	*14.9%*	*10.9%*	*11.4%*	*9.4%*		*10.5%*
Adjustments	(12.6)	24.6	(2.8)	(0.9)	(3.6)	4.7
EBITDA	125.1	108.6	64.1	40.4	(48.1)	290.1
% of net sales	*13.6%*	*14.1%*	*10.9%*	*9.2%*		*10.7%*
EBIT	85.5	62.0	19.6	23.1	(25.6)	164.6
% of net sales	*9.3%*	*8.0%*	*3.3%*	*5.3%*		*6.1%*
Ongoing capital expenditures	29.6	14.6	20.8	8.4	5.9	79.3

Information on activity in France and in other significant countries

The Group's activity in France represented less than 10% of revenue in 2016 and in 2015.

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 2016 and in 2015.

Tarkett considers the threshold for significance to be 25% of revenue. Only the United States is above that threshold, with 41.0% of the Group's consolidated revenue in 2016 (38.6% in 2015).

The United States represents 42.0% of the Group's total non-current assets as of December 31, 2016 (42.0% on December 31, 2015).

None of Tarkett's customers represents more than 10% of its sales. In 2016, the largest customer represented 3% of the Group's consolidated net revenues, as compared with 3% in 2015.

3.3 Other operating income – Other operating expenses

(in millions of euros)	2016	2015
Losses on disposal of fixed assets	-	28.3
Other operating income	13.0	11.8
Other operating income	13.0	40.1
Losses on disposal of fixed assets	(0.4)	(1.1)
Other operating expenses	(19.9)	(19.2)
Other operating expenses	(20.3)	(20.3)
Total other operating income and expenses	**(7.3)**	**19.8**

As of December 31, 2015, the line item "Gains on disposal of fixed assets" primarily comprises capital gains on the €28 million sale of the Houston site in the United States.

3.4 Breakdown of working capital requirements

3.4.1 Inventories

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

(in millions of euros)	December 31, 2016	December 31, 2015
Raw materials and supplies	134.7	124.0
Work in progress	63.5	60.5
Finished goods	241.2	238.3
Samples	1.5	1.4
Consumables and spare parts	22.1	22.4
Total Gross Value	463.0	446.6
Provision for inventory depreciation	(66.7)	(70.1)
Total net inventory	**396.3**	**376.5**

Detail of the provision for inventory depreciation

(in millions of euros)	Dec. 31, 2015	Allowance	Decrease	Foreign exchange gain & loss	Other	Dec. 31, 2016
Raw materials and supplies	(16.2)	(1.9)	1.9	(0.5)	0.0	(16.7)
Work in progress	(10.9)	(0.9)	5.3	(0.0)	(0.3)	(6.9)
Finished goods	(36.8)	(8.6)	8.3	(0.5)	0.7	(36.9)
Samples	(0.4)	(0.2)	0.1	(0.0)	0.1	(0.4)
Consumables and spare parts	(5.8)	(0.7)	0.4	0.1	0.2	(5.8)
Total provision for inventory depreciation	**(70.1)**	**(12.3)**	**16.0**	**(1.0)**	**0.7**	**(66.7)**

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

Cost of raw materials was €1,100.0 million in 2016, as compared with €1,185.0 million in 2015.

3.4.2 Trade receivables

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

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

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

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

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

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

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Related party receivables	12.1	8.8
Third party receivables	353.5	336.1
Total Gross Value	365.6	344.9
Provisions for doubtful receivables	(22.2)	(22.9)
Total Trade Receivables	**343.4**	**322.0**

The variation of the provision for doubtful receivables amounts to €0.7million and is mainly explained as follows:

- €(2.4) million of allowance;
- €3.0 million of reversals;
- €0.1 million of foreign exchange impact.

Detail of unimpaired overdue receivables

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Receivables, trade overdue 0-180 days	31.3	33.9
Receivables, trade overdue 181-270 days	0.7	0.3
Receivables, trade overdue 271-360 days	0.4	0.4
Receivables, trade overdue >360 days	1.5	-
Receivables, bankruptcy procedure/legal cases	1.1	1.2
Total unimpaired overdue Receivables	**35.0**	**35.8**

3.4.3 Other receivables

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Total other receivables non-current	**0.2**	**0.3**
Prepaid expenses current	16.1	17.8
Income tax receivable current	8.9	12.3
VAT and other taxes	13.0	12.4
Other accounts receivable and other assets current	20.8	18.0
Total other receivables current	**58.8**	**60.5**

3.4.4 Trade payables

Trade payables are stated at their repayment amounts. Payables due more than a year in the future are discounted to net present value.

(in millions of euros)	December 31, 2016	December 31, 2015
Trade payables	93.9	243.3
Trade notes payable	176.4	4.4
Trade payables	**270.3**	**247.7**

3.4.5 Other liabilities

(in millions of euros)	December 31, 2016	December 31, 2015
Liabilities related to employees	103.4	101.7
Current tax	14.3	16.8
VAT and other taxes	15.6	13.8
Sales rebates	37.9	36.0
Other liabilities	22.3	23.6
Total other liabilities	**193.5**	**191.9**

3.5 Net cash flow from operations and free cash flow

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

Net cash flow from operations is defined as follows:

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

(in millions of euros)	2016	2015
Cash generated from operations	297.3	271.4
Acquisitions of intangible assets and property, plant and equipment	(91.9)	(80.6)
Restatement of non-recurring investments	0.4	1.3
Net cash flow from operations	**205.8**	**192.2**

Net cash flow from operations is composed of the following items:

- operating cash flow, as defined above.

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

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

(in millions of euros)	2016	2015
Net cash flow from operations	205.8	192.2
Net interest paid	(15.3)	(22.7)
Net income taxes paid	(41.1)	(32.9)
Miscellaneous operational items	(2.1)	0.7
Proceeds from sale of property, plant and equipment	0.7	36.2
Free cash flow	**148.0**	**173.4**

Note 4 > Employee benefits

4.1 Post-employment benefits

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

Description of plans

As of December 31, 2016, the Group's largest retirement plans were in the United States, Germany, Sweden, Canada and the United Kingdom. Those five countries represent more than 87% of total commitments under defined benefits plans.

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

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

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

The weighted average duration of defined benefit obligation is 14 years.

Special Events

No major special events occurred in 2016.

Assumptions

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

Amounts recognized in the statement of financial position *(in millions of euros)*	**December 31, 2016**			**December 31, 2015**		
	Pensions	**Post-employment healthcare benefits**	**Total**	**Pensions**	**Post-employment healthcare benefits**	**Total**
Defined benefit obligations	246.3	8.4	254.7	228.9	11.1	240.0
Fair value of plan assets	(100.6)	-	(100.6)	(94.5)	-	(94.5)
Net liability booked in the statement of financial position	**145.7**	**8.4**	**154.1**	**134.4**	**11.1**	**145.5**

Amounts recognized in the income statement *(in millions of euros)*	December 31, 2016			December 31, 2015		
	Pensions	Post-employment healthcare benefits	Total	Pensions	Post-employment healthcare benefits	Total
Current service cost	3.6	1.5	5.1	3.3	4.5	7.8
Past service cost	-	-	-	0.1	-	0.1
(Gain)/loss on settlements	-	-	-	(1.5)	-	(1.5)
Interest expense	4.4	0.2	4.6	4.3	0.2	4.5
Remeasurements of other long-term benefits	0.1	-	0.1	(0.2)	-	(0.2)
Administrative expenses and taxes	1.4	-	1.4	1.1	-	1.1
Total expenses included in income statement	**9.5**	**1.7**	**11.2**	**7.1**	**4.7**	**11.7**

Amounts recognized in statement of comprehensive income (gross of tax) *(in millions of euros)*	December 31, 2016			December 31, 2015		
	Pensions	Post-employment healthcare benefits	Total	Pensions	Post-employment healthcare benefits	Total
Effect of changes in demographic assumptions	(1.9)	-	(1.9)	(0.2)	-	(0.2)
Effect of changes in financial assumptions	13.7	0.7	14.4	(13.7)	-	(13.7)
Effect of experience adjustments	0.6	1.3	1.9	(6.0)	(0.1)	(6.1)
(Return) on plan assets (excluding interest income)	(4.0)	-	(4.0)	3.9	-	3.9
Total pension cost/(income) recognized in the OCI	**8.4**	**2.0**	**10.4**	**(16.0)**	**(0.1)**	**(16.1)**

Change in net liabilities recognized in the balance sheet *(in millions of euros)*	December 31, 2016			December 31, 2015		
	Pensions	Post-employment healthcare benefits	Total	Pensions	Post-employment healthcare benefits	Total
Balance sheet liability/asset at beginning of year	134.4	11.1	145.5	149.1	6.3	155.4
Total expenses recognized in income statement	9.5	1.7	11.2	7.1	4.7	11.7
Amounts recognized in OCI in the financial year	8.4	2.0	10.4	(16.0)	(0.1)	(16.1)
Business combinations/ divestitures/transfers	2.4	-	2.4	(0.6)	-	(0.6)
Employer contributions	(4.1)	-	(4.1)	(4.7)	-	(4.7)
Benefit payments from employer	(4.8)	(6.5)	(11.3)	(4.7)	(0.2)	(4.9)
Exchange rate adjustment (gain)/loss	(0.2)	0.2	0.0	4.2	0.4	4.6
Balance sheet liability/asset at end of year	**145.6**	**8.5**	**154.1**	**134.4**	**11.1**	**145.5**

Change in benefit obligation *(in millions of euros)*	**December 31, 2016**			**December 31, 2015**		
	Pensions	**Post-employment healthcare benefits**	**Total**	**Pensions**	**Post-employment healthcare benefits**	**Total**
Benefit obligation at beginning of year	228.9	11.1	240.0	247.9	6.3	254.2
Current service cost	3.6	1.5	5.1	3.3	4.5	7.8
Past service cost	-	-	-	0.1	-	0.1
(Gain)/loss on settlements	-	-	-	(1.5)	-	(1.5)
Interest expense	8.1	0.2	8.3	8.2	0.2	8.4
Benefit payments from plan	(7.5)	-	(7.5)	(16.8)	-	(16.8)
Benefit payments from employer	(4.8)	(6.5)	(11.3)	(4.7)	(0.2)	(4.9)
Plan participants' contributions	0.3	-	0.3	0.1	-	0.1
Expenses paid	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Business combinations/ divestitures/transfers	5.6	-	5.6	(0.3)	-	(0.3)
Effect of changes in demographic assumptions	(1.9)	-	(1.9)	(0.2)	-	(0.2)
Effect of changes in financial assumptions	13.8	0.7	14.5	(13.7)	-	(13.7)
Effect of experience adjustments	0.6	1.3	1.9	(6.1)	(0.1)	(6.2)
Exchange rate adjustment (gain)/loss	(0.4)	0.2	(0.2)	12.7	0.4	13.1
Benefit obligation at end of year	**246.2**	**8.5**	**254.7**	**228.9**	**11.1**	**240.0**

Change in plan assets *(in millions of euros)*	**December 31, 2016**			**December 31, 2015**		
	Pensions	**Post-employment healthcare benefits**	**Total**	**Pensions**	**Post-employment healthcare benefits**	**Total**
Fair value of plan assets as of January 1	94.5	-	94.5	98.8	-	98.8
Interest expense	3.7	-	3.7	4.0	-	4.0
Employer contributions	4.1	-	4.1	4.7	-	4.7
Employer direct benefit payments	4.8	0.2	5.0	4.7	0.2	4.9
Plan participants' contributions	0.3	-	0.3	0.1	-	0.1
Benefit payments from plan	(7.5)	-	(7.5)	(16.8)	-	(16.8)
Benefit payments from employer	(4.8)	(0.2)	(5.0)	(4.7)	(0.2)	(4.9)
Expenses paid	(1.6)	-	(1.6)	(1.1)	-	(1.1)
Business combinations/ divestitures/transfers	3.2	-	3.2	0.3	-	0.3
(Return) on plan assets (excluding interest income)	4.0	-	4.0	(3.9)	-	(3.9)
Exchange rate adjustment (gain)/loss	(0.1)	-	(0.1)	8.5	-	8.5
Fair value of plan assets as of December 31	**100.6**	**-**	**100.6**	**94.5**	**-**	**94.5**

	December 31, 2016		December 31, 2015	
	Pensions	Post-employment healthcare benefits	Pensions	Post-employment healthcare benefits
Discount rate	3.12%		3.70%	
Including:				
United States	4.00%	3.50%	4.50%	4.50%
Germany	1.25%		2.00%	
Sweden	3.00%		3.50%	
United Kingdom	2.50%		3.60%	
Canada	4.00%		4.20%	
Salary increases	2.71%		2.62%	
Inflation	2.29%		2.28%	

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

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

Allocation of plan assets by type of investment

	December 31, 2016	December 31, 2015
Shares	47.5%	48.4%
Bonds	28.6%	29.5%
Insurance contracts	12.2%	9.3%
Cash & cash equivalent	8.3%	9.0%
Real Estate	3.4%	3.8%

Sensitivity to discount rate assumptions

(in millions of euros)	December 31, 2016	December 31, 2015
Increase of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(17.0)	(15.0)
Decrease of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	18.3	16.6

Sensitivity to inflation rate assumptions

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

Benefits to be paid in the next five years

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

(in millions of euros)	December 31, 2016	December 31, 2015
2016	-	11.8
2017	11.8	10.5
2018	10.7	11.2
2019	11.1	11.8
2020	11.5	12.0
2021	11.4	-
Total	**56.6**	**57.3**

4.2 Personnel costs and compensation of senior management

(in millions of euros)	December 31, 2016	December 31, 2015
Wages and salaries	(639.4)	(618.2)
Pension costs	(5.1)	(6.7)
Total Personnel costs	**(644.5)**	**(624.9)**
Employees *(average number)*	12,621	12,624

Key management personnel compensation

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

Key management personnel received the following compensation:

(in millions of euros)	December 31, 2016	December 31, 2015
Short-term employee benefits	9.1	6.8
Retirement benefits	-	-
Other long-term benefits	-	-
Lump-sum retirement payments	0.3	-
Share-based payments	3.1	1.2
Total	**12.5**	**8.0**

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

4.3 Share-based payment transactions

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

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

In 2016, the LTI 2013 plan resulted in a cash payment of €6.6 million.

	LTIP 2014	LTIP 2015	LTIP 2016
Grant date	April 1, 2015	Dec. 21, 2015	Dec. 1, 2016
End of the vesting period	June 30, 2017	June 30, 2018	June 30, 2019
Number of shares	235,600	333,030	308,595
Estimated value as of the plan's start date *(in euros)*	21.01	27.38	32.00
Estimate of number of shares to be delivered as of December 31, 2016	146,543	358,007	308,595
Form of settlement	The Group may distribute either shares or the equivalent value in cash calculated at market price		
Expenses 2016 *(in millions of euros)*	(2.0)	(5.1)	(0.4)
Expenses 2015 *(in millions of euros)*	(1.1)	(0.1)	-

Note 5 > Tangible and intangible assets

5.1 Goodwill

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

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

Goodwill is allocated to cash-generating units and is not amortized, but instead is tested at least annually for impairment on the basis described in Note 5.3, or following any event that could lead to a loss of value.

Subsequently, goodwill is measured at cost less accumulated impairment losses.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

The changes in goodwill can be analyzed as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
Opening carrying amount	538.4	532.6
Goodwill on acquisitions during the period	-	1.5
Adjustment to initial purchase price allocation	1.7	(28.7)
Foreign exchange gain & loss	10.3	33.0
Closing carrying amount	**550.4**	**538.4**

5.1.1 Allocation of goodwill between the various CGU's

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

(in millions of euros)	December 31, 2016		December 31, 2015	
	Gross value	Net value	Gross value	Net value
Resilient and miscellaneous	70.6	70.0	71.1	70.5
Carpet	33.5	33.5	31.8	31.8
Wood	-	-	-	-
Laminate	-	-	-	-
EMEA	104.1	103.5	102.9	102.3
Commercial (out of carpet)	77.3	60.3	75.5	58.5
Tandus & Centiva	200.5	200.5	194.0	194.0
Residential	-	-	-	-
North America	277.8	260.8	269.5	252.5
CIS	96.5	95.5	96.5	95.5
Asia Pacific	-	-	-	-
Latin America	0.1	0.1	0.1	0.1
CIS, APAC and Latin America	96.6	95.6	96.6	95.6
Athletic tracks	40.9	34.7	39.1	33.5
Synthetic grass & other	56.2	55.8	54.8	54.5
Sports Surfaces	97.1	90.5	93.9	88.0
Total goodwill	**575.6**	**550.4**	**562.9**	**538.4**

5.2 Tangible and intangible assets

5.2.1 Intangible assets

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

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

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

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

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

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

5.2.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

(in millions of euros)	December 31, 2016	December 31, 2015
Research and development	4.9	4.0
Patents	23.7	32.8
Trademarks	37.6	40.8
Software	35.3	37.3
Other intangible assets	4.6	4.4
Advance payments and fixed assets in progress	2.4	4.9
Intangible assets	**108.5**	**124.2**
Goods and real property	215.2	226.0
Technical equipment and machinery	233.0	230.6
Leased equipment	4.0	4.4
Advance payments and fixed assets in progress	36.4	38.4
Property, plant and equipment	**488.6**	**499.4**

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

Acquisition costs *(in millions of euros)*	Dec. 31, 2015	Acquisitions	Disposals	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2016
Research and development	11.9	2.0	-	-	0.0	(0.5)	13.4
Patents	148.0	(0.0)	(0.2)	-	(0.0)	4.9	152.7
Trademarks	57.8	(0.0)	-	-	-	0.4	58.2
Software	115.4	10.2	(1.6)	-	4.3	2.1	130.4
Other intangible assets	8.8	1.4	-	-	(0.0)	0.2	10.4
Advance payments and fixed assets in progress	4.9	2.4	(0.1)	-	(4.8)	0.0	2.4
Intangible assets	**346.8**	**16.0**	**(1.9)**	**-**	**(0.5)**	**7.1**	**367.5**
Goods and real property	505.1	5.5	(2.3)	(0.0)	4.4	3.8	516.5
Leased buildings	0.3	-	-	-	-	-	0.3
Technical equipment and machinery	1,264.1	23.8	(22.5)	(0.1)	43.3	7.1	1,315.7
Leased equipment	7.0	0.8	-	-	0.3	(0.1)	8.0
Advance payments and fixed assets in progress	38.5	47.1	(0.3)	-	(49.1)	0.2	36.4
Property, plant and equipment	**1,815.0**	**77.2**	**(25.1)**	**(0.1)**	**(1.1)**	**11.0**	**1,876.9**

Accumulated depreciation and amortization *(in millions of euros)*	Dec. 31, 2015	Allowance	Disposals	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2016
Research and development	(8.0)	(0.9)	-	-	(0.1)	0.5	(8.5)
Patents	(115.2)	(9.7)	0.1	-	0.0	(4.2)	(129.0)
Trademarks	(17.1)	(3.5)	-	(0.3)	-	0.3	(20.6)
Software	(78.0)	(17.3)	1.6	(0.0)	0.1	(1.5)	(95.1)
Other intangible assets	(4.3)	(1.6)	-	0.3	0.0	(0.2)	(5.8)
Intangible assets	**(222.6)**	**(33.0)**	**1.7**	**-**	**-**	**(5.1)**	**(259.0)**
Goods and real property	(279.1)	(21.6)	2.2	0.0	(0.3)	(2.5)	(301.3)
Leased buildings	(0.3)	-	-	-	-	(0.0)	(0.3)
Technical equipment and machinery	(1,033.5)	(67.0)	22.0	0.1	1.1	(5.4)	(1,082.7)
Leased equipment	(2.6)	(1.4)	-	-	0.0	0.0	(4.0)
Property, plant and equipment	**(1,315.6)**	**(90.0)**	**24.2**	**0.1**	**0.8**	**(7.8)**	**(1,388.3)**

5.3 Impairment of assets

5.3.1 Non-financial assets

Annual impairment testing

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

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

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

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

Cash generating units

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

Impairment process

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

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

The discount rate is an after-tax rate applied to after-tax cash flows. The following assumptions were used for 2016:

	Discount rate after tax	Perpetual growth rate
EMEA	7.7%	2%
North America	7.7%	2%
CIS	11.5%	4%
APAC	8.1%	4%
Latin America	11.4%	4%
Sports Surfaces	7.7%	2%

Operating assumptions

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

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

Sensitivity analysis

The sensitivity analysis was carried out on three assumptions:

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

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

In 2016, the combination of an increase in the discount rate of 50 basis points and a decrease in the growth rate of 50 basis points would not result in additional impairment.

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

Impairment losses

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

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

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

5.3.2 Non-derivative financial assets

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

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

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

Impairment testing

Impairment losses recognized during 2016 and 2015 can be broken down as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
EMEA CGU – Laminate	-	(0.5)
Total	**-**	**(0.5)**

Since the entity in question is consolidated through the equity method, the charge is recorded in the income statement in “share in profit of equity-accounted investees,” and its counterpart is recorded in “other financial assets” in the consolidated statement of financial position.

5.4 Lease commitments

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

Operating lease payments

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

Capital lease payments

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

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

(in millions of euros)	December 31, 2016	December 31, 2015
Less than 1 year	26.2	22.1
1 to 5 years	49.3	26.4
More than 5 years	6.8	2.9
Total future minimum lease payments	**82.3**	**51.4**

Note 6 > Provisions

6.1 Provisions

Provisions are recorded in liabilities where the amount or the timing of a liability is uncertain. They arise from environmental risks, 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 and a weighting of all possible outcomes against their associated probabilities.

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

(in millions of euros)	Dec. 31, 2015	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2016
Product warranty provision	2.3	1.5	(0.2)	-	-	0.1	3.7
Restructuring provisions	-	-	-	-	-	0.0	-
Claims & litigation provisions	3.0	0.1	(0.3)	-	-	0.3	3.1
Other provisions	3.6	1.3	(0.2)	-	0.2	(0.0)	4.9
Provision for additional tax assessments	1.8	0.1	(1.3)	-	-	(0.0)	0.6
Financial liabilities (1)	36.2	10.0	(1.4)	-	-	1.6	46.4
Total Provisions – long-term	46.9	13.0	(3.4)	-	0.2	2.0	58.7
Product warranty provision	24.2	5.8	(5.1)	(0.0)	-	0.7	25.6
Restructuring provisions	8.8	2.3	(7.4)	0.0	0.1	(0.0)	3.8
Claims & litigation provisions	11.3	1.2	(4.3)	-	0.3	0.1	8.6
Other provisions	0.1	-	(0.1)	-	-	-	-
Total Provisions – short-term	44.4	9.3	(16.9)	(0.0)	0.4	0.8	38.0
Total Provisions	**91.3**	**22.3**	**(20.3)**	**(0.0)**	**0.6**	**2.8**	**96.7**

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

The €4.3 million reversal in provisions for claims and litigation includes €1.4 million of unused reversal.

(in millions of euros)	Dec. 31, 2014	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2015
Product warranty provision	2.7	-	(0.4)	-	(0.1)	0.1	2.3
Restructuring provisions	-	-	-	-	-	-	-
Claims & litigation provisions	1.1	2.2	(0.1)	-	-	(0.2)	3.0
Other provisions	4.3	0.2	(0.1)	-	(0.8)	-	3.6
Provision for additional tax assessments	2.1	0.2	(0.5)	-	-	-	1.8
Financial liabilities [(1)]	34.3	-	(1.9)	-	-	3.8	36.2
Total Provisions – long-term	44.5	2.6	(3.0)	-	(0.9)	3.7	46.9
Product warranty provision	27.9	3.3	(9.7)	2.2	(1.9)	2.4	24.2
Restructuring provisions	14.3	1.1	(6.8)	-	0.1	0.1	8.8
Claims & litigation provisions	8.2	3.9	(3.1)	-	2.0	0.3	11.3
Other provisions	-	0.1	-	-	-	-	0.1
Total Provisions – short-term	50.5	8.4	(19.6)	2.2	0.2	2.7	44.4
Total Provisions	**95.0**	**11.0**	**(22.6)**	**2.2**	**(0.7)**	**6.4**	**91.3**

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

6.2 Potential liabilities

Asbestos

In the United States, the Group has been a defendant in lawsuits by third parties relating to personal injury from asbestos. Expected costs of the current or future cases are covered by Group's insurances, sellers' guarantees granted by third-parties and by provisions that management, based on the advice and information provided by its legal counsel, considers to be sufficient.

Other

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

The investigations are still ongoing. Their timeline is currently not known and it is not yet possible to evaluate their possible consequences.

Note 7 > Financing and Financial Instruments

7.1 Financial result

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

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

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

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Interest income on loan assets & cash equivalents	0.8	1.4
Other financial income	0.6	0.7
Total financial income	1.4	2.1
Interest expenses on loans and overdrafts	(9.8)	(13.5)
Leasehold & similar rights	(0.3)	(0.2)
Commission expenses on financial liabilities	(4.7)	(5.3)
Cost of loans and debt renegotiation	(0.8)	(0.4)
Interest on provisions for pensions	(6.1)	(5.4)
Foreign exchange gains or losses	1.8	(9.4)
Impairment on financial assets	(0.1)	(0.2)
Changes in value of interest rate derivative instruments to hedge debt	(2.0)	0.6
Other financial liabilities	(0.2)	(0.2)
Total financial expenses	(22.4)	(34.0)
Financial result	**(21.0)**	**(31.9)**

7.2 Net debt – Interest-bearing loans and borrowings

7.2.1 Significant accounting policies

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

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

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

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

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

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

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

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

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

Non-derivative financial liabilities

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

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

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

7.2.2 Net Debt

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

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

(in millions of euros)	December 31, 2016		December 31, 2015	
	Long-term	Short-term	Long-term	Short-term
Bank loans (unsecured)	152.3	4.2	536.6	4.5
Issuance of unsecured notes	303.6	-	-	-
Other loans (unsecured)	0.3	0.1	-	0.2
Bank overdrafts (unsecured)	-	6.1	-	4.0
Finance lease obligations	3.8	0.9	4.0	0.9
Interest bearing loans and borrowings	**460.0**	**11.3**	**540.6**	**9.6**
Total interest bearing loans and borrowings		**471.3**		**550.2**
Cash and cash equivalents		(93.1)		(67.9)
Net debt		**378.2**		**482.3**

On June 21, 2016, Tarkett entered into a debt issuance through in a German private placement (known as a "Schuldschein") in the following tranches:

- €56.5 million at fixed rate for five years;
- €67.5 million at floating rate for five years;
- USD 56.5 million at floating rate for five years;
- €91.0 million at fixed rate for seven years;
- €35.0 million at floating rate for seven years.

The main legal and financial covenants under the agreement are the same as those under the revolving syndicated credit facility entered into in June 2015. The proceeds from this issuance were used for a partial early repayment of €300.0 million of the €450.0 million term loan entered into in October 2013, the outstanding balance of which was thus reduced to €150.0 million.

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

- a €150.0 million syndicated term facility drawn down in two tranches in October 2013 and January 2014, and maturing in full in October 2018;
- the above-mentioned "Schuldschein" for €250.0 million and USD 56.5 million entered into on June 21, 2016 and of which €126.0 million matures in June 2023, with the remainder maturing in June 2021;
- a €650.0 million multicurrency revolving syndicated credit facility entered into in June 2015, and which had not been used as of December 31, 2016.

A French-law, German-law, and Spanish-law assignment of receivables line of credit for €50.0 million had not been used as of December 31, 2016. Its maturity was extended until December 31, 2018 pursuant to an amendment entered into on June 3, 2016.

7.2.3 Details of loans and borrowings

December 31, 2016 *(in millions of euros)*	**Currency of draw-down**	**Interest rate**	**Total**	**12 months or less until 12/31/2017**	**2 years until 12/31/2018**	**3 to 5 years until 12/31/2021**	**More than 5 years**
Unsecured loans							
Term Facility Europe	EUR	0.40% - 1.75%	154.6	2.3	152.3	-	-
Other bank loans	EUR-BRL	1.75% - 20.27%	1.9	1.9	-	-	-
Total bank loans			156.5	4.2	152.3	-	-
Private Placement Europe	EUR	1.25% - 1.65%	250.0	-	-	124.0	126.0
Private Placement Europe	USD	2.74%	53.6	-	-	53.6	-
Other loans		0.50%	0.4	0.1	0.1	0.2	-
Bank overdrafts			6.1	6.1	-	-	-
Finance lease obligations			4.7	0.9	1.0	2.1	0.7
Total interest-bearing loans			**471.3**	**11.3**	**153.4**	**179.9**	**126.7**

December 31, 2015 *(in millions of euros)*	**Currency of draw-down**	**Interest rate**	**Total**	**12 months or less until 12/31/2016**	**2 years until 12/31/2017**	**3 to 5 years until 12/31/2020**	**More than 5 years**
Unsecured loans							
Term Facility Europe	EUR	0.4% - 2.0%	457.0	2.3	2.3	452.4	-
Revolving Facilities Europe	USD	1.4%	81.7	-	-	81.7	-
Other bank loans	EUR-BRL	1.7% - 4.8%	2.4	2.2	0.2	-	-
Total bank loans			541.1	4.5	2.5	534.1	-
Other loans	EUR	0.5%	0.2	0.2	-	-	-
Bank overdrafts	EUR-USD-SEK	0.5% - 5.5%	4.0	4.0	-	-	-
Finance lease obligations			4.9	0.9	1.1	2.9	-
Total interest-bearing loans			**550.2**	**9.6**	**3.6**	**537.0**	**-**

7.2.4 Financial ratio covenants

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

The Group is in compliance with all of its banking commitments as of December 31, 2016, as well as with the financial ratio covenants, as detailed below:

Net debt/Adjusted EBITDA *(in millions of euros)*	**December 31, 2016**	**December 31, 2015**
Net debt	378.2	482.3
Adjusted EBITDA	334.4	285.3
Ratio (1)	1.1	1.7

(1) Must be below 3.0.

Adjusted EBIT/Net interest *(in millions of euros)*	**December 31, 2016**	**December 31, 2015**
Adjusted EBIT	213.7	161.4
Net interest	9.3	12.3
Ratio (2)	23.0	13.1

(2) Must be above 2.5.

7.2.5 Cash and cash equivalent by nature

(in millions of euros)	December 31, 2016	December 31, 2015
Current cash	23.3	20.2
Remunerated cash balances	66.8	44.3
Short term treasury notes and Money Market funds	3.0	3.4
Cash and cash equivalents	**93.1**	**67.9**

7.3 Other financial liabilities

(in millions of euros)	December 31, 2016	December 31, 2015
Fair value of derivatives non-current	-	-
Other financial liabilities non-current	4.1	4.4
Other financial liabilities non-current	**4.1**	**4.4**
Accrued interest expenses current	1.5	3.2
Fair value of derivatives non-current	0.2	0.6
Other financial liabilities current	2.7	1.7
Other financial liabilities current	**4.4**	**5.5**

Written put options or forward contracts granted to non-controlling shareholders

As of December 31, 2016, the amount of debt booked in the Group's Consolidated Financial Statements relative to share put options on non-controlling shareholders was €3.3 million (€3.2 million as of December 31, 2015).

As of December 31, 2016, this debt is composed of two options, granted to non-controlling shareholders of:

- Morton Extrusionstechnik (M.E.T GmbH) for €3.2 million, corresponding to 49% of residual shares held by non-controlling interests;
- FieldTurf Benelux BV for €0.06 million, corresponding to 49% of residual shares held by non-controlling interests.

7.4 Other financial assets

(in millions of euros)	December 31, 2016	December 31, 2015
Long-term investments	-	1.2
Financial investments and receivables – Long-term [(1)]	34.9	27.5
Loan receivables – Long-term	-	-
Security deposit – Long-term	-	-
Other financial assets	**34.9**	**28.7**

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

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

Acquisition costs *(in millions of euros)*	Dec. 31, 2015	Increases	Decreases	Transfer	Foreign exchange differences	Dec. 31, 2016
Long-term investments	1.2	-	-	(1.2)	-	-
Financial investments and receivables – Long-term	29.9	9.8	(4.6)	1.2	1.6	37.9
Loan receivables – Long-term	-	-	-	-	-	-
Security deposit – Long-term	-	-	-	-	-	-
Other financial assets	**31.1**	**9.8**	**(4.6)**	**-**	**1.6**	**37.9**

Accumulated depreciation and amortization *(in millions of euros)*	**Dec. 31, 2015**	**Allowance**	**Disposals**	**Decrease**	**Impairment losses**	**Transfer**	**Foreign exchange differences**	**Dec. 31, 2016**
Security deposit – Long-term	-	-	-	-	-	-	-	-
Financial investments and receivables – Long-term	(2.4)	-	-	-	-	-	(0.6)	(3.0)
Other financial assets	**(2.4)**	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(3.0)**

7.5 Financial risks and Financial Instruments

7.5.1 Derivative instruments

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

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

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

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

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

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

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

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

7.5.2 Financial market risks

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

Fair value of derivative Financial Instruments

The totals are as follows:

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Currency swaps	0.4	(0.5)
Forward exchange contracts	1.1	-
Options	0.6	1.6
Total currency derivatives	**2.1**	**1.1**
Cash flow hedges	0.4	0.6
Total interest rate derivatives	**0.4**	**0.6**

a) Interest rate risk

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

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

Before interest rate hedge

(in millions of euros)	December 31, 2016	December 31, 2015
Fixed rate debt	152.7	0.5
Floating rate debt	318.6	549.7
Cash and cash equivalents	(93.1)	(67.9)
Net Debt	**378.2**	**482.3**

After interest rate hedge

(in millions of euros)	December 31, 2016	December 31, 2015
Fixed rate debt	152.7	0.5
Capped floating rate debt	104.4	101.0
Floating rate debt	214.2	448.7
Cash and cash equivalents	(93.1)	(67.9)
Net debt	**378.2**	**482.3**

Sensitivity analysis

Sensitivity to interest-rate fluctuations is calculated on the basis of interest-bearing non-derivatives and derivative Financial Instruments. Non-derivative Financial Instruments are the interest-bearing borrowings net of cash and cash equivalents, and net of interest-bearing loans granted to third parties or joint-ventures. The analysis is based on the assumptions of constant debt and constant debt management policy over one year, using indebtedness and market rates as of December 31, 2016.

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

(in millions of euros)	December 31, 2016	December 31, 2015
Increase of 100 basis points Increase/(Decrease) in financial expense	2.3	4.8
Decrease of 100 basis points [(1)] Increase/(Decrease) in financial expense	(0.5)	(0.4)

(1) With a floor of 0%.

b) Exchange rate risk

Transaction risk

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

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

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

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

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

Currency of Exposure *(in millions of euros)*	**December 31, 2016**				**December 31, 2015**			
	USD	**GBP**	**AUD**	**EUR**	**USD**	**GBP**	**AUD**	**EUR**
Financial receivables and liabilities	11.9	(1.8)	5.3	-	66.1	(5.2)	3.3	19.5
Trade receivables and payables	7.5	0.5	3.1	7.0	(3.9)	4.2	2.6	6.6
Nominal amount of derivatives	(11.9)	1.8	(5.3)	-	(66.1)	5.2	(3.3)	(19.5)
Net recorded exposure to main currencies	**7.5**	**0.5**	**3.1**	**7.0**	**(3.9)**	**4.2**	**2.6**	**6.6**

Tarkett uses forward exchange contracts and options when hedging with derivatives its exposure to foreign currency risk for periods of from six to eighteen months of future cash flows.

Tarkett classifies the currency hedging contracts covering operating transactions as cash flow hedges and records them at fair value in the balance sheet. The fair value of these contracts at the balance sheet date is to an unrealized liability of €1.7 million (as compared with an unrealized liability of €1.6 million in 2015). The amount of fair value directly recorded in equity is to an unrealized liability of €0.8 million (as compared with an unrealized liability of €0.3 million in 2015). The difference is recorded in the income statement and represents the change in the time value of currency options hedging forecast transactions and in the fair value of forward contracts or options hedging recognized transactions.

The effect on the income statement of the change in value of these contracts at year end, including premiums paid during the year, represents an expense of of €1.2 million (as compared with income of €0.1 million in 2015), and all the potential gains and losses reported directly in equity are expected to enter into the determination of profit and loss of the coming 12 months.

Monetary items denominated in foreign currencies

When financing its foreign subsidiaries, the Group incurs exposure to foreign currency risk on intra-group loans and borrowings denominated in foreign currencies. The Group minimizes this risk either (i) by borrowing in the same currency or (ii) by entering into currency swaps or forwards reflecting the maturity of the hedged item. At December 31, 2016, the main financial exposures so covered are the euro against the US dollar for €11.9 million, against the Polish zloty for €26.9 million, against the Canadian dollar for €24.2 million, and against the Swedish crown for €11.8 million. The fair value of these contracts at the balance sheet date amounted to unrealized income of €0.4 million.

7.5.3 Liquidity risks

a) Future cash flows on Financial Instruments

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

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

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

Interest-bearing loans *(in millions of euros)*	December 31, 2015		Less than 12 months		2 years		3 to 5 years		More than 5 years	
	Carrying amount	Total future cash flows	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest
Total interest-bearing loans										
Bank loans	541.1	571.6	4.5	9.9	2.5	9.8	534.1	10.8	-	-
Bonds	-	-	-	-	-	-	-	-	-	-
Other loans	0.2	0.3	0.2	0.1	-	-	-	-	-	-
Bank overdrafts	4.0	4.0	4.0	-	-	-	-	-	-	-
Finance leases	4.9	4.9	0.9	-	1.1	-	2.9	-	-	-
Total	550.2	580.8	9.6	10.0	3.6	9.8	537.0	10.8	-	-
Other financial liabilities										
Trade payables	247.7	247.7	247.7	-	-	-	-	-	-	-
Other financial liabilities, non-current	4.4	4.4	-	-	1.1	-	3.2	-	0.1	-
Other financial liabilities, current	5.5	5.5	5.5	-	-	-	-	-	-	-
Total	257.6	257.6	253.2	-	1.1	-	3.2	-	0.1	-
Total financial liabilities	**807.8**	**838.4**	**262.8**	**10.0**	**4.7**	**9.8**	**540.2**	**10.8**	**0.1**	**-**

b) Liquidity position

As of the balance sheet date, net debt totals €378.2 million. The Group's debt capacity is €1,258.4, of which €471.3 million has been used (See Note 7.2.2). Including cash and cash equivalents, the liquidity position of the Group amounts to €880.2 million, which is enough to cover the financial obligations related to the current net debt.

(in millions of euros)	December 31, 2016	December 31, 2015
Amount available on credit facilities	787.1	710.1
Cash and cash equivalents	93.1	67.9
Total	**880.2**	**778.0**

7.5.4 Credit risk

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

The financial assets potentially bearing this risk are mainly:

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

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

a) Customer credit risk

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

The total of receivables overdue over 60 days amounts to approximately 9.0% of total accounts receivable as of December 31, 2016 (9.0% of total accounts receivable as of December 31, 2015).

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

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

b) Credit risk management on equities and derivatives

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

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

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

7.5.5 Fair value of financial assets and liabilities

Fair value method

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

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

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

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

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

The derivative Financial Instruments (swaps, caps, floors etc.) They are therefore measured using the valuation models commonly employed by operators in the market.

In particular:

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

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

The fair value of non-quoted borrowings is calculated on the basis of the present value of the contractual cash flows discounted at the market rate of interest, including the applicable risk premium.

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 given the limited credit periods granted and received within the Group.

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

December 31, 2015 *(in millions of euros)*	Fair Value Category	Hedging Derivatives	Cash	Assets designated at fair value through profit and loss	Loans and receivables	Liabilities at amortized cost	Carrying amount	Fair value
Non current financial assets valued at amortized value	Level 2	-	-	-	12.2	-	12.2	12.2
Non current financial assets valued at fair value	Level 2	-	-	17.8	-	-	17.8	17.8
Accounts receivable	-	-	-	-	322.0	-	322.0	-
Cash and cash equivalents	Level 2	-	67.9	-	-	-	67.9	67.9
Interest-bearing loans and borrowings	Level 2	-	-	-	-	550.2	550.2	550.2
Other financial liabilities, non-current	Level 2	-	-	-	-	4.4	4.4	4.4
Other financial liabilities, current	Level 2	0.7	-	-	-	4.8	5.5	5.5
Accounts payable	-	-	-	-	-	247.7	247.7	-

7.6 Guarantees

Tarkett:

- has granted a General Indemnity Agreement of a maximum amount up to USD 75.0 million in favor of Federal Insurance Company in consideration of an agreement to execute security bonds in favor of FieldTurf Tarkett Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total USD 96.0 million;
- has granted a guarantee given to the Swedish retirement insurance company Pri-Pensionsgaranti to insure Tarkett AB's employee benefit commitments in the amount of SEK 183.5 million;
- has granted a guarantee covering 50% of two lines of credit for a maximum amount of €5.0 million, each granted to its joint venture Laminate Park GmbH & Co KG;
- has granted a guarantee to a raw materials supplier of its subsidiary Morton Extrusion Technik (M.E.T GmbH) to secure its payables up to €7.0 million;
- has granted sureties on special purpose bank accounts to the bank operating a credit line by factoring of European receivables, of which none was drawn down at year end. In addition, Tarkett has granted its guarantee as parent company to the lenders of Tarkett Limited (GB), Desso Holding (Netherlands) and Tarkett Asia Pacific (Shanghai) Management Co Ltd (China) to obtain overdraft facilities or letters of credit for a total amount equal to €12.7 million as of the balance sheet date.

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

Note 8 > Income tax expense

8.1 Income tax

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

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

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

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

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

(in millions of euros)	2016	2015
Current tax	(41.6)	(40.8)
Deferred tax	(11.4)	(8.1)
Total income tax	**(53.0)**	**(48.9)**

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2016 and 2015 can be reconciled as follows to the actual income tax charge:

(in millions of euros)	2016	2015
Pre-tax profit from continuing operations (a)	172.3	132.4
Profit from equity-accounted subsidiaries (b)	2.6	(0.3)
Pre-tax profit from fully consolidated activities (a-b)	169.7	132.7
Income tax at nominal French income tax rate (34.43%)	(58.4)	(45.6)
Effect of:	-	-
Taxation of foreign companies at different rates	12.3	9.0
Exchange rate effects on non-monetary assets	5.0	(4.3)
Changes in unrecognized deferred tax assets	6.7	1.3
Permanent differences	(13.4)	2.3
Taxes on dividends (Withholding at the source, 3% contribution)	(3.3)	(8.9)
Other items	(1.9)	(2.7)
Income tax expenses	**(53.0)**	**(48.9)**
Effective rate	**31.2%**	**36.9%**

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

Exchange rate effects on non-monetary assets
The deferred tax income of €5.0 million is due to the effect of changes in the exchange rate on non-monetary assets and liabilities of entities whose functional currency is different from the local currency. Recognition of this income is required by IFRS, even if the revalued tax basis does not generate any tax obligation in the future.

Tax effects relating to distributions
Tax effects related to distributions primarily relate to withholding tax, the portion of dividends taxable in France ("*quote-part de Frais et Charges*") and the French 3% contribution.

8.2 Deferred tax

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The following temporary differences are not provided for:

- goodwill not deducted for tax purposes;
- the initial recognition of assets or liabilities, other than in the context of transactions involving business combinations, that affect neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred income tax asset is recognized only to the extent that it is probable that there will be future taxable profits over the next five years against which this asset can be utilized.

In accordance with IAS 12, where an entity's tax return is prepared in a currency other than its functional currency, changes in the exchange rate between the two currencies generate temporary differences with respect to the valuation of non-monetary assets and liabilities. As a result, deferred tax is recognized in profit or loss.

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

(in millions of euros)	2016	2015
Deferred tax on tax loss carryforwards	39.4	56.7
DTA for pensions and healthcare benefits	46.6	42.8
Other items temporarily non deductible	46.8	53.6
Change in unrecognized deferred tax assets	(1.3)	(14.8)
Internal profit eliminations	6.6	5.6
Netted against deferred tax assets	(44.1)	(40.8)
Total Deferred tax assets	**94.0**	**103.1**
Fixed assets revaluation	63.2	68.9
Other deferred tax liabilities	19.5	19.8
Netted against deferred tax assets	(44.1)	(40.8)
Total Deferred tax liabilities	**38.6**	**47.9**

The Group had €39.4 million in deferred tax assets related to tax loss carryforwards and unused tax credits, of which €24.1 million related to the Group's North American (United States) tax consolidation group, and €6.5 million related to the Serbian subsidiaries.

This amount of €39.4 million is divided as follows: €18.5 million of net deferred tax assets for tax loss carryforwards, and €20.9 million of net unused tax credits.

As of December 31, 2016, unrecognized deferred tax assets related to loss carryforwards amount to €36.9 million.

Note 9 > Shareholders' equity and earnings per share

9.1 Share capital

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

	December 31, 2016	December 31, 2015
Share capital *(in euros)*	318,613,480	318,613,480
Number of shares	63,722,696	63,722,696
Par value *(in euros)*	5.0	5.0

9.2 Earnings per share & dividends

Weighted average number of shares outstanding (basic earnings)

(in thousands of shares)	December 31, 2016	December 31, 2015
Number of shares outstanding at year-end	63,723	63,723
Weighted average number of treasury shares held by Tarkett	(211)	(224)
Weighted average number of shares outstanding (undiluted)	**63,512**	**63,499**

Basic earnings per share

Basic earnings per share as of December 31, 2016 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period (and after deduction of the weighted average number of treasury shares).

	December 31, 2016	December 31, 2015
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	118.6	83.3
Weighted average number of shares outstanding (undiluted)	63,512	63,499
Basic earnings per share *(in euros)*	**1.87**	**1.31**

Weighted average number of shares outstanding (diluted earnings)

(in thousands of shares)	December 31, 2016	December 31, 2015
Number of shares outstanding at year-end	63,723	63,723
Weighted average number of treasury shares held by Tarkett	(211)	(224)
Impact of share-based payment plans	191 (1)	183 (1)
Weighted average number of shares outstanding (diluted)	**63,703**	**63,682**

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

Diluted earnings per share

Diluted earnings per share as of December 31, 2016 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period and the weighted average number of potential shares outstanding (and after deduction of the weighted average number of treasury shares).

	December 31, 2016	December 31, 2015
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	118.6	83.3
Weighted average number of shares outstanding (diluted)	63,703	63,682
Basic earnings per share *(in euros)*	**1.86**	**1.31**

Dividends

Tarkett paid dividends in the amount of €0.52 per share to its shareholders on July 7, 2016, in accordance with the decision of the General Shareholders' Meeting of April 26, 2016. In 2015, the Group had paid a dividend of €0.38 per share.

Note 10 > Related parties

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

1. Joint ventures;
2. The Group's principal shareholder, Société Investissement Deconinck ("SID");
3. The members of Tarkett's Management Board and Supervisory Board.

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

10.1 Joint ventures

All transactions between fully consolidated entities are eliminated in consolidation.

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

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

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

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Joint ventures		
Sale of goods to Tarkett	24.8	25.8
Purchase of services from Tarkett	(0.9)	(1.2)
Loans from Tarkett	9.2	9.2

10.2 Principal shareholders

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

As of December 31, 2016, SID had invoiced a total of €500 thousand in fees under the Assistance Agreement (as at December 31, 2015).

As of December 31, 2016, Tarkett had invoiced a total of €75.0 thousand in fees under the Service Agreement (as at December 31, 2015).

KKR International Flooring 2 SARL (KKR) held 21.5% of Tarkett's share capital as of December 31, 2015. KKR sold its remaining stake in Tarkett's share capital in 2016.

10.3 Members of Tarkett's Management Board and Supervisory Board

None.

Note 11 > Subsequent events

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

Note 12 > Statutory auditor fees

Amount (excluding taxes) *(in thousands of euros)*	2016			2015		
	KPMG S.A.	Mazars	Praxor Audit S.A.	KPMG S.A.	Mazars	Praxor Audit S.A.
Audit						
Statutory audit, certification, audit of the individual company and Consolidated Financial Statements	1,512	813	6	1,522	851	32
Other services directly related to the statutory audit assignment	60	4	-	66	-	-
Subtotal	1,572	817	6	1,588	851	32
Other services rendered by the firms to fully consolidated subsidiaries						
Legal, tax, employee-related	135	-	-	51	-	-
Other	-	-	-	-	-	-
Subtotal	135	-	-	51	-	-
Total	**1,707**	**817**	**6**	**1,659**	**851**	**32**

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Note 13 > Principal consolidated entities

Companies	Country	Consolidation method	Percentage interest as of December 31, 2016	Percentage interest as of December 31, 2015
G: Fully consolidated E: Accounted for using the equity method NC: Not consolidated				
EMEA				
Tarkett AB	Sweden	G	100%	100%
Tarkett AS	Norway	G	100%	100%
Tarkett OY	Finland	G	100%	100%
Tarkett Belux	Belgium	G	100%	100%
Desso NV	Belgium	G	100%	100%
Tarkett A/S	Denmark	G	100%	100%
Tarkett Polska SP. z.o.o.	Poland	G	100%	100%
Tarkett Aspen Zemin AS	Turkey	G	70%	70%
Laminate Park GmbH & Co KG	Germany	E	50%	50%
Tarkett Holding GmbH	Germany	G	100%	100%
M.E.T GmbH	Germany	G	100%	100%
Tarkett	France	Parent company	100%	100%
Tarkett Services	France	G	100%	100%
Tarkett France	France	G	100%	100%
Tarkett Bois SAS	France	G	100%	100%
FieldTurf Tarkett SAS	France	G	100%	100%
Desso SAS	France	G	100%	100%
Tarkett GDL SA	Luxembourg	G	100%	100%
Tarkett Capital SA	Luxembourg	G	100%	100%
Somalré	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%
FieldTurf Poligras SA	Spain	G	100%	100%
FieldTurf Benelux BV	Netherlands	G	100%	100%
Desso BV	Netherlands	G	100%	100%
Desso Sports BV	Netherlands	G	100%	100%
Desso Sports System BV	Netherlands	G	100%	100%
Desso Refinity BV	Netherlands	G	100%	100%
Desso Holding BV	Netherlands	G	100%	100%
Tarkett Ltd	Great Britain	G	100%	100%
Desso Ltd	Great Britain	G	100%	100%
Desso Czech Republic	Czech Republic	G	100%	100%
Tarkett Schweiz	Switzerland	G	100%	100%
Desso Ambiente Textil Handelsgesellschaft m.b.h	Austria	G	100%	100%
North America				
Tarkett Inc. (Delaware) (TKT)	United States	G	100%	100%
Tandus Centiva Inc.	United States	G	100%	100%
Tandus Centiva US LLC	United States	G	100%	100%
Tarkett Enterprises Inc.	United States	G	100%	100%

Companies	Country	Consolidation method	Percentage interest as of December 31, 2016	Percentage interest as of December 31, 2015
Domco Products Texas Inc. (AZR)	United States	G	100%	100%
Tarkett Alabama Inc. (NAF)	United States	G	100%	100%
Tarkett Finance Inc.	United States	G	100%	100%
Tarkett USA Inc. (DUS)	United States	G	100%	100%
Texas Tile Manufacturing LLC	United States	G	100%	100%
L.E.R. Inc.	United States	G	100%	100%
Easy Turf	United States	G	100%	100%
Beynon Sport Surfaces Inc.	United States	G	100%	100%
FieldTurf Tarkett USA Holding	United States	G	100%	100%
FieldTurf USA Inc.	United States	G	100%	100%
Diamond W	United States	G	100%	100%
Desso (U.S.A.) Inc.	United States	G	100%	100%
Tarkett Inc.	Canada	G	100%	100%
Nova Scotia Ltd	Canada	G	100%	100%
Tandus Centiva Limited	Canada	G	100%	100%
Tandus Centiva GP	Canada	G	100%	100%
FieldTurf Inc.	Canada	G	100%	100%
Johnsonite Canada Inc.	Canada	G	100%	100%
CIS, APAC and Latin America				
Tarkett Australia Pty. Ltd	Australia	G	100%	100%
Tarkett Brasil Revestimentos LTDA	Brazil	G	100%	100%
Tarkett Flooring Mexico	Mexico	G	100%	100%
Tarkett Asia Pacific (Shanghai) Management Co. Ltd	China	G	100%	100%
Tarkett Hong Kong Ltd	Hong Kong	G	100%	100%
Tarkett Industrial (Beijing) Co. Ltd	China	G	100%	100%
Tandus Flooring (Suzhou) 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	Serbia	G	100%	100%
Sintelon RS	Serbia	G	100%	100%
Sintelon doo	Serbia	G	100%	100%
Galerija Podova	Serbia	G	100%	100%
Tarkett UA	Ukraine	G	100%	100%
Sintelon UA (1)	Ukraine	G	0%	100%
Vinisin	Ukraine	G	100%	100%
Tarkett Kazakhstan	Kazakhstan	G	100%	100%
Vinisin Kft	Hungary	G	100%	100%
Tarkett Bel	Belorussia	G	100%	100%
Galerija Podova – Sintelon (1)	Bosnia	G	0%	100%
Tarkett Flooring Singapore	Singapore	G	100%	100%
Tarkett Flooring India Private	India	G	100%	100%

(1) See Note 2.4.

The percentages of equity and voting rights held for each entity of the Group are identical. They include put options, where applicable.

5.3 Company financial statements as of December 31, 2016

Balance sheet assets

(in euros)	Fiscal year ended 12/31/2016			12/31/2015	Change
	Gross	Prov. amort.	Net	Net	
Start-up costs					
Research and development					
Concessions, patents and similar rights	27,412,294	17,774,545	9,637,749	6,150,569	3,487,179
Goodwill	3,939,892		3,939,892	3,939,892	
Other intangible assets				37,166	(37,166)
Intangible assets in progress	714,095		714,095		714,095
Advances and deposits on intangible assets					
Land					
Buildings	105,795	100,916	4,880	23,859	(18,980)
Technical facilities, equipment and machinery			-	-	-
Other property, plant and equipment	8,335,618	4,323,192	4,012,426	5,536,075	(1,523,648)
Fixed assets under construction					
Advances and deposits					
Investments accounted for by the equity method					
Other equity investments	1,220,495,859	24,988,985	1,195,506,874	1,214,551,460	(19,044,586)
Receivables relating to equity investments					
Other fixed investments	668,940		668,940	434,331	234,609
Loans	288,758,101		288,758,101	363,518,390	(74,760,289)
Other financial assets	824,765		824,765	824,365	400
Total (I)	**1,551,255,359**	**47,187,638**	**1,504,067,722**	**1,595,016,105**	**(90,948,384)**
Raw materials, supplies					
Work-in progress, goods					
Work-in-progress, services					
Intermediate and finished products					
Merchandise					
Advances and deposits on orders	42,536		42,536	108,343	(65,807)
Trade receivables	10,650,460	4,939	10,645,521	7,991,120	2,654,401
Other receivables					
– Supplier receivables	775,879		775,879	1,831	774,047
– Personnel	17,220		17,220	22,929	(5,709)
– Social welfare bodies					
– Government, income taxes	2,801,737		2,801,737	4,356,305	(1,554,568)
– Government, revenue taxes	2,015,272		2,015,272	731,838	1,283,434
– Other	422,389,677		422,389,677	444,028,611	(21,638,934)
Marketable securities	9,033,000		9,033,000	2,439,600	6,593,400
Available funds	21,971,446		21,971,446	5,682,496	16,288,950
Cash Instruments	2,558,646		2,558,646	2,593,546	(34,900)
Expenses recorded in advance	2,381,765		2,381,765	3,393,253	(1,011,488)
Total (II)	**474,637,636**	**4,939**	**474,632,697**	**471,349,871**	**3,282,826**
Charges allocated among several fiscal years (III)					
Bond redemption premiums (IV)					
Unrealized foreign exchange losses (V)	6,305,271		6,305,271	2,545,701	3,759,570
Total assets (I to V)	**2,032,198,266**	**47,192,577**	**1,985,005,689**	**2,068,911,678**	**(83,905,988)**

Balance sheet liabilities

(in euros)	Fiscal year ended 12/31/2016	12/31/2015	Change
Share capital, company or individual (of which paid up: 318,613,480)	318,613,480	318,613,480	
Premiums (issuance, merger, contribution, etc.)	113,982,295	113,982,295	
Revaluation differences			
Legal reserve	31,861,348	31,861,348	
Statutory or contractual reserves			
Regulated reserves			
Other reserves			
Retained earnings	744,255,618	723,172,152	21,083,466
Results of the fiscal year	9,769,475	54,159,597	(44,390,122)
Investment grants			
Regulated provisions	1,241,674	803,131	438,543
Total (I)	**1,219,723,889**	**1,242,592,003**	**(22,868,113)**
Proceeds from issuance of equity securities			
Conditional advances			
Total (II)	**-**	**-**	**-**
Provisions for risks	637,473	570,801	66,672
Provisions for charges	25,544,502	20,354,371	5,190,131
Total (III)	**26,181,974**	**20,925,172**	**5,256,803**
Convertible bonds			
Other bonds	-		
Borrowings and debts from credit institutions			
– Borrowings	460,051,134	540,526,936	(80,475,801)
– Bank overdrafts and loans	-		
Other borrowings and financial debt			
– Other			
– Shareholder			
Advances and deposits received on orders in progress			
Trade Payables	12,708,608	9,076,229	3,632,379
Tax and social security liabilities			
– Personnel	4,166,089	3,670,452	495,638
– Social welfare bodies	950,735	1,223,703	(272,968)
– Government, income taxes	849,694	485,087	364,607
– Government, revenue taxes	314,386	124,548	189,838
– Government, guaranteed bonds			
– Other taxes and related	196,950	374,865	(177,915)
Liabilities on fixed assets	544,026	36,710	507,316
Other liabilities	254,253,385	247,022,443	7,230,942
Cash Instruments			
Income recorded in advance	552,504	682,500	(129,996)
Total (IV)	**734,587,512**	**803,223,472**	**(68,635,960)**
Unrealized foreign exchange gains (V)	4,512,313	2,171,031	2,341,283
Total liabilities (I to V)	**1,985,005,689**	**2,068,911,678**	**(83,905,988)**

Income statement

(in euros)			Fiscal year ended 12/31/2016	12/31/2015	Change	%
	France	Exports	Total	Total		
Sales of merchandise						
Produced goods sold						
Produced services sold	5,483,301	34,867,642	40,350,943	33,433,175	6,917,768	21
Net revenue			**40,350,943**	**33,433,175**	**6,917,768**	**21**
Inventory						
Capitalized production						
Operating subsidies received						
Reversal of depreciation and provisions, transfer of expenses			138,890	981,247	(842,358)	(86)
Other income			167,111	81,309	85,802	106
Total operating income			**40,656,944**	**34,495,732**	**6,161,212**	**18**
Purchases of merchandise for resale (including customs duties paid)						
Change in inventories (merchandise)						
Purchases of raw materials and other supplies						
Changes in inventory of raw materials and other supplies						
Other purchases and external expenses			35,291,214	26,479,901	8,811,313	33
Taxes and similar payments			1,682,234	1,104,925	577,309	52
Salaries and wages			10,388,569	8,895,757	1,492,812	17
Social security contributions			4,098,957	3,991,085	107,872	3
Allocations to depreciation on fixed assets			5,715,150	4,801,039	914,112	19
Allocations to provisions on fixed assets						
Allocations to provisions on current assets						
Allocations to provisions for risks and expenses			14,187,991	14,435,997	(248,006)	(2)
Other expenses			419,754	423,693	(3,939)	(1)
Total operating expenses			**71,783,869**	**60,132,396**	**11,651,473**	**19**
Operating result			**(31,126,925)**	**(25,636,665)**	**(5,490,261)**	**(21)**
Allocated gain or transferred loss						
Loss borne or gain transferred						
Financial income from equity investments			25,355,400	86,700,219	(61,344,819)	(71)
Income from other securities			27,028,967	25,655,433	1,373,535	5
Other interest and similar income			333,178	308,456	24,721	8
Reversal of provisions and transfer of expenses						100
Foreign exchange gains				94,732	(94,732)	(100)
Net income from disposals of marketable securities						
Total financial income			**52,717,545**	**112,758,840**	**(60,041,295)**	**(53)**
Financial allocations to depreciation and provisions			3,615,085		3,615,085	100
Interest and similar expense			11,708,465	17,010,116	(5,301,651)	(31)
Foreign exchange losses			158,885		158,885	100
Net income from disposals of marketable securities						
Total financial expenses			**15,482,435**	**17,010,116**	**(1,527,681)**	**(9)**
Financial result			**37,235,110**	**95,748,724**	**(58,513,614)**	**(61)**
Current result before taxes			**6,108,184**	**70,112,059**	**(64,003,875)**	**(91)**

Income statement (continued)

(in euros)	Fiscal year ended 12/31/2016 Total	12/31/2015 Total	Change	%
Exceptional operating income				
Exceptional income on capital transactions				
Reversal of provisions and transfer of expenses	9,332,355	3,414,264	5,918,091	173
Income from disposals of assets				
Other exceptional income		394,187	(394,187)	(100)
Total exceptional income	**9,332,355**	**3,808,451**	**5,523,904**	**145**
Exceptional operating expense	132,873	40,132	92,741	231
Exceptional expense on capital transactions				
Exceptional allocations to depreciation and provisions	3,418,200	21,929,957	(18,511,757)	(84)
Other exceptional expenses	296,157	123,617	172,540	140
Total exceptional expenses	**3,847,229**	**22,093,706**	**(18,246,477)**	**(83)**
Exceptional result	**5,485,126**	**(18,285,255)**	**23,770,381**	**(130)**
Employee profit-sharing				
Income tax	(1,823,838)	2,332,793	(4,156,631)	(178)
Total income	**100,744,116**	**153,395,815**	**(52,651,699)**	**(34)**
Total expenses	**90,974,641**	**99,236,218**	**(8,261,577)**	**(8)**
Net Profit	**9,769,475**	**54,159,597**	**(44,390,122)**	**(82)**
Of which Equipment leasing				
Of which Property leasing				

5.4 Notes to company financial statements

Note 1 > Accounting principles

The annual financial statements were prepared in accordance with Regulation 2014-03 of the *Autorité des Normes Comptables* (French accounting standards authority) approved by ministerial decree dated September 8, 2014 with respect to the *Plan Général Comptable* (General Accounting Code).

1.1 Accounting principles

General accounting conventions were applied in compliance with the principle of prudence and in accordance with the following assumptions:

- continuity of operations;
- maintenance of accounting principles from one fiscal year to the next;
- independence of fiscal years.

And in accordance with the general rules concerning preparation and presentation of annual accounts.

The primary method used to value recorded items is the historical cost method.

The main methods used are detailed below.

1.2 Tangible and intangible assets

The primary method used to value recorded items is the historical cost method.

The main methods used are as follows:

1.2.1 Intangible assets

Intangible assets primarily comprise licenses, software and capitalization of external costs for implementing software within the Group's subsidiaries, grouped together under the item "concessions and patents".

Gross value consists of acquisition cost.

Software and software licenses are depreciated on a straight-line basis over a period of 1 to 5 years.

For tax purposes, software licenses are depreciated over a period of 1 year. Accelerated tax depreciation is recorded in that regard.

1.2.2 Property, plant and equipment

Property, plant and equipment primarily constitute office equipment, computer equipment, fixtures and facilities.

The gross value of these items corresponds to their initial value upon acquisition, taking into account the costs required to make them usable.

Depreciation is calculated on a linear basis over the expected useful life of the items.

Depreciation for impairment is calculated on a linear or declining balance basis depending on the expected useful life:

Office and computer equipment and other property, plant and equipment are depreciated on a straight-line basis over a period of 3 years.

1.3 Financial assets and marketable securities

Financial assets primarily comprise equity securities and guarantees paid.

Gross value consists of acquisition cost, excluding fees.

Where the use value is lower than the gross value, an impairment provision is recorded for the difference. The use value is calculated based on criteria such as the net condition, changes in profitability and value in use of the subsidiary. The following items may also be taken into consideration for this valuation: expertise, profitability, shareholders' equity.

1.4 Receivables and liabilities

Receivables and liabilities are valued at their nominal value.

Receivables, where necessary, have been impaired by provision to take into account likely difficulties in recovery.

1.5 Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate as of the date of the transaction.

Assets and liabilities denominated in foreign currency as of the balance sheet date are converted into euros using the exchange rate on such date. Exchange differences resulting form the conversion are recorded in conversion rate adjustments. Unrealized exchange losses that are not offset and not covered by hedging instruments are the subject of provisions for risk.

1.6 Provisions

1.6.1 Provisions for pensions and similar obligations

Provisions have been calculated by an outside actuary on the basis of data as of December 31, 2016, in accordance with the main assumptions described below:

- inflation rate: 1.25%;
- discount rate: 1%;
- salary indexation rate: 2%;
- retirement age: 65.

1.6.2 Other provisions for risks and expenses

Provisions are recorded at the end of the fiscal year to cover risks and expenses relating to the following:

- exchange rate risks;
- obligation of the Company to a third party likely or certain to result in an outflow of resources without expected consideration.

1.7 Provision for long-term employee incentive plans (LTIP)

The Tarkett Group, for which Tarkett is the holding company, regularly implements share grant plans.

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

In accordance with CNC (the French accounting regulation agency) Notice No. 2008-17 dated November 6, 2008 on the accounting treatment of free share grant plans for employees, a provision of €24,054,718 was recorded as of December 31, 2016 (€18,975,698 on December 31, 2015) to cover Tarkett's obligation to deliver shares to the beneficiaries at the time of the definitive share grant.

The provision relating to shares not distributed at the balance sheet date is valued at a price of €34.09. Of note in 2016 are the vesting of the 2011 (for non-French resident employees) and 2013 LTIP and the creation on December 1 of a new LTIP with 308,595 shares.

	LTIP 2014	LTIP 2015	LTIP 2016
Grant date	April 1 2015	December 21 2015	December 1 2016
End of vesting period	July 1 2017	July 1 2018	July 1 2019
Number of remaining shares	235,600	333,030	308,595
Stock price as of 12/31/2016	34.09	34.09	34.09
Provision recorded as of 12/31/2016	(5,255,565)	(11,126,144)	(7,673,009)
Payment method	At the option of the company: distribution of shares or their cash value calculated at the market price		
Expense 2016	(1,801,526.0)	(3,878,076.0)	(7,673,009.0)
Expense 2015	(3,454,039.0)	(7,248,068.0)	-

1.8 Significant events

1.8.1 Capital increase of FieldTurf Tarkett and Impairment of Shares

In accordance with the resolutions adopted on December 16, 2016, FieldTurf Tarkett carried out a capital decrease by imputation of previous years' losses (carried forward) for a total of €3,615,085. On December 21, 2016, Tarkett carried out a capital increase of its subsidiary FieldTurf Tarkett in the same amount, by issuance of new shares, fully paid in cash exclusively by offset of receivables.

Thus, FieldTurf Tarkett's share capital remained unchanged at €8,639,000 and Tarkett remained the only shareholder following the transaction.

In addition, on December 31, 2016, the shares of FieldTurf Tarkett were impaired in the amount of €3,615,085, bringing their net value on Tarkett's books to €8,639,000, the value of FieldTurf Tarkett's share capital.

1.8.2 Capital decrease of Tarkett INC (Canada) and decrease in the value of the shares held by Tarkett

On September 27, 2016, Tarkett Inc. reclassified some intangible assets (trademarks and patents) for a total of CAD 27,184,242 and decided to distribute the amount received to its shareholders, decreasing Tarkett Inc.'s share capital by the same amount. As a result of this transaction, the Tarkett Inc. shares held by Tarkett were devalued by the amount of CAD 27,184,242 on December 13, 2016.

1.8.3 Partial repayment of the 2013 term loan and entry into new Schuldschein loans

On June 21, 2016, Tarkett entered into a German-law private placement called a "Schuldschein" for a total of €250 million and USD 56 million. These loans were entered into in order to lengthen the average maturity of Tarkett's financing capacity, to diversify the Group's sources of financing, and to repay €300 million of the term loan entered into in October 2013. Thus, the term loan's outstanding balance was reduced from €450 million to €150 million as of December 31, 2016.

1.8.4 Exit of KKR

On November 3, 2016, KKR International Flooring 2 S.A.R.L exited from its shareholding in Tarkett.

1.8.5 Own shares

On November 3, 2016, Tarkett purchased 300,000 of its own shares to supply the Long Term Incentive Plans (LTIPs).

1.8.6 Tax audit

The tax audit of fiscal years 2013 and 2014 was completed at the end of December. In that regard, a €1.8 million provision was recorded in the financial statements.

1.9 Subsequent events

None.

Note 2 > Financial statements

2.1 Statement of fixed assets

(in euros)	Gross value of Fixed Assets at the beginning of the fiscal year	Increases	
		Revaluation during the fiscal year	Acquisitions, creations, inter-item transfers
Start-up costs, research and development			
Other intangible assets	23,822,319		7,529,867
intangible assets in progress			714,095
Land			
Construction on own land			
Construction on third-party land			
General facilities, fixtures, constructions	105,795		
Technical facilities, equipment and machinery			
Other facilities, fixtures, improvements			
Transportation equipment			
Office equipment, IT equipment, furniture	8,242,949		92,669
Recoverable packaging and other			
Property, plant and equipment in progress	-		-
Advances and deposits			
Total	**32,171,063**		**8,336,631**
Investments accounted for by the equity method			
Other equity investments	1,235,925,360		3,615,085
Other fixed investments	434,331		234,609
Loans and other financial assets	364,342,755		2,800
Total	**1,600,702,446**		**3,852,494**
Total general	**1,632,873,509**		**12,189,125**

(in euros)	Decreases		Gross value fixed assets at end of fiscal year	Leg. Reev. Orig. Val. at end of fiscal year
	By inter-item transfer	By disposal or decommissioning		
Start-up costs, research and development				
Other intangible assets			31,352,186	
Other ongoing intangible assets			714,095	
Land				
Construction on own land				
Construction on third-party land				
General facilities, fixtures, constructions			105,795	
Technical facilities, equipment and machinery				
Other facilities, fixtures, improvements				
Transportation equipment				
Office equipment, IT equipment, furniture			8,335,618	
Recoverable packaging and other				
Property, plant and equipment in progress				
Advances and deposits				
Total	**-**	**-**	**40,507,694**	**-**
Investments accounted for by the equity method				
Other equity investments		19,044,586	1,220,495,859	
Other fixed investments			668,940	
Loans and other financial assets		74,762,689	289,582,866	
Total	**-**	**93,807,275**	**1,510,747,665**	**-**
Total general	**-**	**93,807,275**	**1,551,255,359**	**-**

2.2 Statement of depreciation

(in euros)				Changes in the period
	Beginning of the fiscal year	Changes during the fiscal year	Write-backs on disposals	End of fiscal year
Total Intangible Assets	**13,694,693**	**4,079,852**		**17,774,545**
Land				
Construction on own land				
Construction on third-party land				
General facilities, fixtures, constructions	81,936	18,980		100,916
Technical facilities, equipment and machinery				
General facilities, other fixtures				
Transportation equipment				
Office equipment, IT equipment, furniture	2,706,874	1,616,318		4,323,192
Recoverable packaging and other				
Total Property, Plan and Equipment	**2,788,810**	**1,635,298**		**4,424,108**
Total general	**16,483,503**	**5,715,150**		**22,198,653**

(in euros)			Breakdown of depreciation charges for the fiscal year		Movements affecting the provisions for accelerated depreciation
	Linear	Declining-balance	Exceptional	Additions	Reversals
Total Intangible Assets	**4,079,852**				
Land					
Construction on own land					
Construction on third-party land					
General facilities, fixtures, constructions	18,980				
Technical facilities, equipment and machinery					
General facilities, other fixtures					
Transportation equipment					
Office equipment, IT equipment, furniture	1,616,318				
Recoverable packaging and other					
Total Property, Plant and Equipment	**1,635,298**				
Total general	**5,715,150**				

2.3 Statement of provisions

Provisions *(in euros)*	**Beginning of the fiscal year**	**Increases**	**Decreases Reversals**	**End of fiscal year**
For reconstruction of deposits				
For investments				
For price increases				
Accelerated depreciation	803,131	978,600	540,056	1,241,674
Exceptional 30% increases				
For setting up abroad prior to Jan. 1, 1992				
For setting up abroad after Jan. 1, 1992				
For start-up loans				
Other regulated provisions				
Total	**803,131**	**978,600**	**540,056**	**1,241,674**
For litigation				
For customer warranties				
For losses on futures contracts				
For fines and penalties				
For foreign exchange losses				
For provisions for pensions and obligations	570,801	66,672		637,473
For taxes				
For replacement of fixed assets				
For major repairs				
For paid vacation expenses				
Other provisions	20,354,371	14,121,320	8,931,189	25,544,502
Total	**20,925,172**	**14,187,992**	**8,931,189**	**26,181,975**
On intangible assets				
On tangible assets				
On investments accounted for by the equity method				
On equity securities	21,373,900	3,615,085		24,988,985
On other financial assets				
On inventories and work in progress				
On customer accounts	4,939			4,939
Other impairment				
Total Impairment	**21,378,839**	**3,615,085**		**24,993,924**
Total general	**43,107,142**	**18,781,677**	**9,471,245**	**52,417,574**
Additions and reversals:				
– operational		14,121,320	8,931,189	
– financial		3,615,085		
– exceptional		1,045,272	540,056	

The change in Other Provisions was essentially due to 2016 LTIP transactions, namely the vesting of the 2011 and 2013 plans, as well as the setting up of a new 2016 plan. Financial provisions also increased by €3.6 million, due to the provision recorded on the new shares of the subsidiary FieldTurf Tarkett S.A.S.

2.4 Statement of maturities of receivables and debts

Statement of receivables *(in euros)*	**Gross amount**	**Up to one year**	**More than 1 year**
Receivables relating to equity investments			
Loans	288,758,101		288,758,101
Other financial assets	824,765	824,765	
Doubtful or disputed customers			
Advances and deposits on orders	42,536	42,536	
Other customer receivables	10,650,460	10,650,460	
Receivables on securities lent			
Debtor suppliers	775,879	775,879	
Personnel and related receivables	17,220	17,220	
Social security and other social welfare agencies			
State and other public authorities:			
– Income tax	2,801,737	131,913	2,669,824
– VAT	2,012,256	2,012,256	
– Other taxes and related payments	3,016	3,016	
– Other			
Group and shareholders	422,377,859	422,377,859	
Other debtors	11,818	11,818	
Expenses recorded in advance	2,381,765	2,381,765	
Total general	**730,657,412**	**439,229,487**	**291,427,925**

Statement of liabilities *(in euros)*	**Gross amount**	**Up to one year maximum**	**More than 1 year up to 5 years**	**More than 5 years**
Convertible bonds				
Other bonds				
Borrowings and debts from credit institutions:				
– up to 1 year maximum	6,624,834	6,624,834		
– more than 1 year	453,426,300		453,426,300	
Other borrowings and financial debt				
Trade payables	12,708,608	12,708,608		
Personnel and related receivables	4,166,089	4,166,089		
Social security and other social welfare agencies	950,735	950,735		
State and other public authorities:				
– Income tax	849,694	849,694		
– VAT	314,386	314,386		
– Guaranteed bonds				
– Other taxes	196,950	196,950		
Payables on fixed assets	544,026	544,026		
Group and shareholders				
Other liabilities	254,253,385	254,253,385		
Debt representing borrowed securities				
Prepaid income	552,504	130,000	422,504	
Total general	**734,587,512**	**280,738,708**	**453,848,804**	

2.5 Table of supplier payment terms

Trade payables *(in euros)*	Total	Not yet due	Less than 30 days overdue	From 30 to 60 days overdue	From 60 to 90 days overdue
As of 12/31/2016	10,963,886	11,547,217	146,667	69,775	(799,773)
As of 12/31/2015	8,616,344	8,916,909	(250,399)	10,713	(60,879)

2.6 Information about related entities

(in euros)	Amount concerning enterprises		Amount of liabilities and receivables represented by bills of exchange
	Related	With which the Company has an equity link	
Share capital not called			
Advances and deposits on intangible assets			
Advances and deposits on intangible assets			
Equity investments	1,195,506,874		
Receivables relating to equity investments			
Loans	288,758,101		
Other fixed investments			
Other financial assets			
Advances and deposits on orders			
Customer receivables	10,641,894		
Other receivables	422,377,859		
Share capital subscribed and called but not paid			
Marketable securities			
Available funds			
Convertible bonds			
Other bonds			
Borrowings and debts from credit institutions			
Other borrowings and financial debt			
Advances and deposits received on orders in progress			
Trade payables	750,100		
Tax and social security liabilities			
Payables on fixed assets			
Other liabilities	254,210,795		
Income from equity investments	25,355,400		
Other financial income	27,028,967		
Financial expenses	1,200,848		

2.7 Goodwill

Description *(in euros)*	**Purchased**	**Revalued**	**Received in contribution**	**Amount**
Merger loss – Partholdi			3,939,892	3,939,892

2.8 Proceeds and credit notes to be received

Amount of proceeds and credit notes to be received included in the following balance sheet items *(in euros)*	**Amount including tax**
Financial assets	
– Receivables relating to equity investments	
– Other financial assets	
Receivables	
– Customer receivables	
– Other receivables (including assets to receive)	389,454
Marketable securities	
Available funds	
Total	**389,454**

2.9 Expenses to be paid and credit notes to be issued

Amount of proceeds and credit notes to be received included in the following balance sheet items *(in euros)*	**Amount including tax**
Convertible bonds	
Other bonds	
Borrowings and debts from credit institutions	1,784,050
Other borrowings and financial debt	-
Trade Payables	11,817,819
Tax and social security liabilities	4,732,012
Payables on fixed assets	
Other liabilities (including credit notes to be issued)	36,370
Total	**18,370,251**

2.10 Income and expenses recorded in advance

(in euros)	**Expenses**	**Income**
Operating Expenses/Income	1,761,852	552,504
Financial Expenses/Income	619,913	
Exceptional Expenses/Income		
Total	**2,381,765**	**552,504**

2.11 Breakdown of net revenues

Breakdown by type of activity *(in euros)*	**Amount**
Sales of merchandise	
Sales of finished products	
Services	40,350,943
Total	**40,350,943**

Breakdown by geographic market *(in euros)*	**Amount**
France	5,483,301
Abroad	34,867,642
Total	**40,350,943**

2.12 Financial commitments

2.12.1 Discounted bills pending maturity

None.

2.12.2 Guarantees

Beneficiary	**Commitments given**	**Maximum commitments**	**Purpose**	**In favor of**
	Amount	**Amount**		
Barclays London	GBP 0	GBP 1,500,000	Credit Line	Tarkett Ltd.
Petrofina	EUR 3,606,980	EUR 7,000,000	B&S Orders	Morton Extrusion Technik

2.12.3 Other commitments given

Beneficiary	**Commitments given**	**Maximum commitments**	**Purpose**	**In favor of**
	Amount	**Amount**		
Federal Insurance Company	USD 95,799,177	USD 75,000,000	Completion guarantees	FieldTurf Inc.
Commerzbank	EUR 4,726,515	EUR 5,000,000	Credit Line	Desso Holding
Pri-Pensionsgaranti	SEK 183,499,252	SEK 183,499,252	Retirement commitments	Tarkett AB
Banque Générale du Lux.	EUR 0	EUR 2,500,000	Credit Line	Laminate Park GmbH
Fortis GmbH	EUR 0	EUR 2,500,000	Credit Line	Laminate Park GmbH
SETEPP	EUR 482,115	EUR 482,115	Rent	
HSBC Bank (China)	0 RMB	44,000,000 RMB	Credit Line	

2.12.4 Exchange rate derivative instruments

Counterparty	Amount	Nature	Expiration Date
Bank	CHF 400,000	Currency swap	Jan-17
Bank	GBP 1,500,000	Currency swap	Jan-17
Bank	AUD 7,800,000	Currency swap	Jan-17 & June-17
Bank	CAD 34,365,500	Currency swap	Jan-17 & March-17
Bank	USD 12,585,000	Currency swap	Jan-17
Bank	PLN 118,885,000	Currency swap	Jan-17 & June-17
Bank	SEK 113,000,000	Currency swap	Jan-17

These Financial Instruments were entered into for hedging purposes.

2.12.5 Interest rate derivative instruments

Counterparty	Amount	Nature	Expiration Date
Bank	USD 110,000,000	Guaranteed interest rate interest rate options	Sept-17 & May-20

2.12.6 Other commitments received

As of December 31, 2016, Tarkett has unused drawdown capacity of €650 million on confirmed revolving credit facilities and of €50 million on assignment of receivables credit lines.

2.13 Breakdown of income tax

(in euros)	Profit before income tax	Taxes
Current result	6,108,184	
Exceptional result (and investments)	5,485,126	
Accounting result	9,769,475	(1,823,838)

2.14 Breakdown of income tax

Nature of the income tax *(in euros)*	2016 Tax	2015 Tax
3% contribution on dividends	(970,295)	(711,677)
Tax consolidation income	698,337	3,532,692
Tax charge on tax consolidation	(139,079)	
Tax credits	-	(485,088)
Provision for tax audit [(1)]	(1,468,327)	
Other	55,526	(3,134)
Total	**(1,823,838)**	**2,332,793**

(1) The amount of €1,468,327 does not include penalties and incidental costs on the calculation of the CVA for the audited periods.

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2.15 Tax consolidation

Tarkett opted for the tax consolidation regime as from January 1, 2009 for calculation of the corporate income tax as well as for the additional contribution on this tax.

In 2009, Tarkett put in place a tax consolidation group with its French subsidiaries FieldTurf Tarkett S.A.S. and Tarkett France S.A.S. In 2012, Tarkett Bois entered the tax consolidation group, as did Desso SAS in 2015.

Under the principle of neutrality, income tax expense is borne by each of the consolidated companies as it would be in the absence of a tax consolidation option.

Any tax savings resulting from the consolidation are recorded on Tarkett's accounts.

2.16 Deferred and unrealized tax position

(in thousands of euros)	12/31/2016		12/31/2015	
	Basis	**Corresponding Tax**	**Basis**	**Corresponding Tax**
Total deferred/unrealized taxes	18,928	6,517	19,677	6,775
Deficit in own funds	32,231	11,097	34,856	12,001
Deficit related to tax consolidation	(44,298)	(15,252)	(41,295)	(14,218)
Total deficit that may be carried over for tax purposes	**(12,067)**	**(4,155)**	**(6,439)**	**(2,217)**

2.17 Compensation of senior executives

(in euros)	**Amount**
Compensation allocated to members:	
– of management bodies	2,695,576
– of supervisory bodies	418,460

2.18 Average headcount

	Salaried personnel	**Personnel made available to the company**
Executives	46	
Supervisors and technicians	2	
Employees	4	
Workers		
Total	**52**	

2.19 Related parties

Transactions carried out by the company with related parties are entered into under ordinary market conditions.

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

As of December 31, 2016, SID had invoiced a total of €500,000 in fees under the Assistance Agreement (the same as the figure as of December 31, 2015).

As of December 31, 2016, Tarkett had invoiced a total of €75.0 thousand in fees under the Service Agreement (the same as the figure as of December 31, 2015).

2.20 Identity of parent companies consolidating the company's accounts

Société d'Investissement Deconinck (SID) holds more than 50.18% of the Company.

2.21 Shareholders' equity

Changes in shareholders' equity *(in euros)*	**Amount at the beginning of the fiscal year**	**Results of the fiscal year**	**Capital transactions**	**Allocation of results**	**Dividends paid**	**Amount at the end of the fiscal year**
Share capital, company or individual	318,613,480					318,613,480
Issuance, merger, and contribution premiums	113,982,295					113,982,295
Revaluation surplus						
Legal reserve	31,861,348					31,861,348
Statutory or contractual reserves						
Regulated reserves						
Other reserves						
Retained earnings	723,172,152			54,159,597	(33,076,131)	744,255,618
Results of the fiscal year	54,159,597	9,769,475		(54,159,597)		9,769,475
Total net situation	**1,241,788,872**	**9,769,475**	**-**	**-**	**(33,076,131)**	**1,218,482,216**
Investment grants						
Regulated provisions	803,131	438,543				1,241,674
Shareholders' Equity	**1,242,592,003**	**10,208,019**	**-**	**-**	**(33,076,131)**	**1,219,723,889**

2.22 Composition of share capital

	Number	**Par value** *(in euros)*
Shares comprising the share capital at the beginning of the fiscal year	63,722,696	5.00
Shares issued during the fiscal year		
Shares repaid during the fiscal year		
Shares comprising the share capital at the end of the fiscal year	63,722,696	5.00

2.23 Table of subsidiaries and equity investments

Subsidiaries and equity investments *(in thousands of euros)*	**Share capital**	**Reserves and retained earnings**	**Share of capital held** *(in %)*	**Gross value of securities held**	**Net value of securities held**	**Loans and avances granted by the Company**	**Guarantees given by the Company**	**Revenues excl. tax of previous fiscal year**	**Result of previous fiscal year**	**Dividends received by the Company during the year**
A – Detailed information on subsidiaries and equity investments										
– Subsidiaries (more than 50% of share capital held)										
Tarkett GDL	274,123	345,575	62,885	100	498,050	498,050			248,659	
FieldTurf Tarkett	8,639	5,381	10	100	33,629	8,640	14,326		57,078	
Tarkett Inc.	82,545	81,962	24,261	100	14,181	14,181			90,686	
Tarkett Finance Inc.	403,058	(47,560)	(50,467)	100	287,952	287,952			-	
Tarkett Doo	64,264	38,679	5,912	100	252,605	252,605	14,000		63,436	19,000
Tarkett Services	50	-	-	100	50	50			-	
– Equity investments (10-50% of capital held)										
AO Tarkett	15,254	44,260	30,777	50	134,030	134,030	33,500		214,455	6,355
B – Overall information concerning other subsidiaries and equity investments										
N/A										

5.5 Results over the course of the last five years

Results of the Company over the last five years (and other characteristic items)

Nature of information *(in euros)*	**Fiscal Year 2016**	**Fiscal Year 2015**	**Fiscal Year 2014**	**Fiscal Year 2013**	**Fiscal Year 2012**
Capital at end of fiscal year					
Share capital	318,613,480	318,613,480	318,613,480	318,613,480	316,108,260
Number of existing ordinary shares	63,722,696	63,722,696	63,722,696	63,722,696	15,144,176
Number of existing shares with preferred dividend rights (non-voting)					661,237
Maximum number of future shares to be created					
– by conversion of bonds					
– by exercise of subscription rights					
Operations and results of the fiscal year					
Revenues, excl. tax	40,350,943	33,433,175	30,921,575	28,191,508	29,323,169
Result before taxes, employee participation and allocation to depreciation and provisions	26,618,892	88,598,285	114,456,478	248,245,011	160,634,147
Income tax	(1,823,838)	2,332,793	2,795,870	(911,862)	5,088,731
Allocations to depreciation and provisions	(15,025,579)	(36,771,481)	(6,105,232)	(9,797,441)	(3,466,539)
Result after taxes, employee participation and allocation to depreciation and provisions	9,769,475	54,159,597	111,147,117	237,535,708	162,256,340
Result distributed for the fiscal year in question	33,076,131	24,154,660	39,508,072	125,430,592	-
Earnings per share					
Result after taxes and employee participation but before allocation to depreciation and provisions	0.39	1.43	1.84	3.88	10.49
Result after taxes, employee participation and allocation to depreciation and provisions	0.15	0.85	1.74	3.73	10.27
Dividend allocated to each share, net of tax credit (1)	0.60 (2)	0.52	0.38	0.62	2.00
Workforce					
Average workforce employed during the year	52	46	50	48	50
Amount of payroll for the year	10,388,569	8,895,757	6,507,062	8,530,231	6,085,840
Amount paid in employee benefits for the year (social security, service projects)	4,098,957	3,991,085	3,038,464	3,434,336	2,558,859

(1) 2013: Dividend of 8 euros on the basis of old shares, of which the par value was divided by 4.
(2) Amount which will be submitted to the Shareholders' General Meeting of April 27, 2017.

5.6 Table of subsidiaries and equity investments

5.6.1 Principal subsidiaries

The Group consists of Tarkett and its subsidiaries (See Section 1.7 "Simplified Organizational Chart").

Tarkett is the Group's parent company and the head of the French tax consolidation group that has been in place since January 1, 2009.

The Company's principal direct and indirect subsidiaries as of December 31, 2016 are described below. None of the Group's subsidiaries is a listed company.

Tarkett GDL S.A. is a Luxembourg limited liability corporation (*société anonyme*) with share capital of €274,123,080, the registered office of which is located at 2, Op der Sang, L-9779, Lentzweiler, Luxembourg. It is registered with the Trade and Companies Register of Luxembourg under number B 92165. Tarkett holds all of the share capital and voting rights of Tarkett GDL S.A., the principal activity of which is the manufacture of resilient flooring, primarily for the residential market. Tarkett GDL S.A. is the head of the group of subsidiaries making up the EMEA segment, and also houses the Group's research and development activities.

Tandus Centiva Inc. (formerly Tandus Flooring Inc.) is a U.S. company with share capital of USD 10, the registered office of which is located at Corporate Trust Center, 1209 Orange Street, Wilmington, DE, 19801, County of New Castle, United States of America. It is incorporated in Delaware under number 58 2151061. Tarkett Enterprises Inc. directly holds all of the share capital and voting rights of Tandus Centiva Inc., the principal activity of which is the design, manufacture and sale of carpet flooring and the sale of LVT manufactured by another subsidiary of the Group, mainly in the United States.

AO Tarkett is a Russian non-listed stock company with share capital of RUB 376,000,000, the registered office of which is located at 1, Promishlenaya zona, Otradny, Samara Oblast 446300, Russia. It is registered under number 1026303207226. Tarkett directly and indirectly holds all of the share capital and voting rights of AO Tarkett, the principal activity of which is the manufacture of vinyl flooring, primarily for residential customers in the CIS region.

AO Tarkett RUS is a Russian non-listed stock company with share capital of RUB 10,000, the registered office of which is located at prospekt Andropova, d. 18, korp. 7, 115432 Moscow, Russia. It is registered under number 1027739892730. Tarkett indirectly holds all of the share capital and voting rights of AO Tarkett RUS, the principal activity of which is the distribution of flooring (primarily vinyl, wood and laminate) throughout Russia.

Tarkett AB is a Swedish limited liability company with share capital of SEK 43,000,000, the registered office of which is located at 10 Blekingelän 372 81 Ronneby, Sweden. It is registered with the Ronneby Trade Register under number 556003-9967. Tarkett indirectly holds all of the share capital and voting rights of Tarkett AB, the principal activity of which is the production of resilient flooring for commercial use, as well as wood flooring. This company also carries out the distribution in Sweden of flooring products manufactured at the EMEA segment's other sites.

Tarkett France is a French simplified stock company (*société par actions simplifiée*) with share capital of €7,700,000, the registered office of which is located at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France. It is registered with the Nanterre Trade and Companies Register under number 410 081 640. Tarkett indirectly holds all of the share capital and voting rights of Tarkett France, the principal activity of which is the manufacture and marketing of vinyl flooring for the commercial market and the marketing of flooring products manufactured by other EMEA segment sites in France.

FieldTurf Tarkett is a French simplified stock company (*société par actions simplifiée*) with share capital of €8,639,050, the registered office of which is located at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France. It is registered with the Nanterre Trade and Companies Register under number 452 835 242. Tarkett indirectly holds all of the share capital and voting rights of FieldTurf Tarkett, the principal activity of which is the manufacture, marketing and installation of sports surfaces.

See Note 12 in Section 5.2, "Notes to the Consolidated Financial Statements", for a list of consolidated subsidiaries. A breakdown of the Group's 2016 consolidated net revenues by geographic zone is set forth in Section 4.1.2, "Comparison of Results of Operations for the Years Ended December 31, 2015 and December 31, 2016".

5.6.2 Recent acquisitions and disposals

Acquisitions

The Group's 2016 acquisitions are described in Section 4.1.1.7, "Acquisitions".

Simplification Transactions

The simplification transactions carried out by the Group are described in Section 5.2, "Notes to the Consolidated Financial Statements" – Note 2.4.1, "Transactions Completed in 2016".

5.7 Dividend distribution policy

The following table presents total dividends and net dividends per share distributed by the Company during the last three fiscal years.

	Year distributed		
	2016	2015	2014
Total dividends *(in millions of euros)*	33.1 [(1)]	24.1 [(1)]	39.5 [(1)]
Net dividends per share *(in euros)*	0.52	0.38	0.62

(1) The amounts presented in the table represent total dividends after deduction of the dividend on treasury shares held by the Company.

In accordance with French law and the Company's Bylaws adopted on November 21, 2013, the General Shareholders' Meeting may decide to distribute a dividend upon a proposal of the Management Board and in view of the Supervisory Board's report.

The Company's dividend distribution policy reflects the Company's results of operations and financial condition, the realization of its objectives and the dividend distribution policies of its principal subsidiaries. Assuming no major acquisitions, the Company's goal is to distribute annual dividends representing approximately 40% of the Group's consolidated net profit attributable to owners of the Company. The Company can give no assurance, however, that this objective will be met. Future dividends will depend on the general condition of the Group's business and other factors deemed relevant by the Management Board.

For 2016, the Management Board will propose a dividend of €0.60 per share.

5.8 Statutory auditor fees

See Chapter 5, Note 12 of the Consolidated Financial Statements.

5.9 Statutory Auditors' Report on the Group's Consolidated Financial Statements

To the Shareholders:

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying Consolidated Financial Statements of Tarkett;
- the justification of our assessments;
- the specific verification required by law.

The Company Financial Statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2016 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.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("*Code de commerce*"), we bring to your attention the following matters:

- Accounting estimates:

  Notes 1.2.2 "Accounting estimates and judgments" and 6.2 "Potential liabilities" to the Consolidated Financial Statements disclose the assessments and significant estimates made by Tarkett's management.

  In connection with our audit, we considered that those assessments and estimates related mainly to tangible and intangible assets (Note 5), deferred tax (Note 8.2), provisions (Note 6) and post-employment benefits (Note 4.1).

  For these accounts, our work consisted in assessing the data and assumptions underlying the assessments and estimates, reviewing on a sample basis, the calculations performed by the Company, comparing prior years accounting estimates with the corresponding actual results, reviewing management's approval procedures for such estimates and reviewing that the disclosures relating to these estimates in the notes to the financial statements are appropriate.

These assessments were made as part of our audit of the Consolidated Financial Statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information relative to the Group, given in the parent company's management report.

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

Paris-La Défense, 9 February 2017

The Statutory Auditors,

KPMG Audit
Département de KPMG S.A.
Philippe Grandclerc, *Partner*
Renaud Laggiard, *Partner*

Mazars
Juliette Decoux, *Partner*
Éric Schwaller, *Partner*

5.10 Statutory Auditors' Report on the Company financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying annual financial statements of Tarkett;
- the justification of our assessments;
- the specific verifications required by law.

These company financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the company financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company and of the results of its operations at the end of the fiscal year.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("*Code de commerce*"), we bring to your attention the following matter:

- Asset value of marketable securities

  Your Company carries out an annual asset valuation of its marketable securities, as described in the "Financial Assets" section of the Note "Accounting Rules and Principles". We reviewed the approach used by the Company, and, on the basis of the information available to us at that time, we believe that the estimates used by the company as at 31 December 2016 are reasonable.

These assessments were made as part of our audit of the Company financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

In accordance with professional standards applicable in France, we have also carried out the specific verifications required by law.

We have no matters to report with respect to the fair presentation and consistency with the Company financial statements of the information given in the Management Board's management report and the documents provided to the shareholders on the financial condition and Company financial statements.

With respect to information provided pursuant to Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid to the company officers, as well as on the commitments given for their benefit, we have verified their consistency with the financial statements or with the data used to prepare such financial statements and, where applicable, with the information gathered by your company from the companies that control your company or are controlled by it. On the basis of that work, we attest to the accuracy and fair presentation of such information.

Pursuant to the law, we ensured that the various information with respect to the identities of your shareholders were provided to you in the management report.

Paris-La Défense, 24 February 2017

The Statutory Auditors,

KPMG Audit
Département de KPMG S.A.
Philippe Grandclerc, *Partner*
Renaud Laggiard, *Partner*

Mazars
Juliette Decoux, *Partner*
Éric Schwaller, *Partner*

6 RISK FACTORS AND INTERNAL CONTROL

6.1 Main risks

The Company has conducted a review of risks that could have a material adverse impact on its business, financial condition, financial results and prospects (or ability to attain its objectives) and is not aware of other significant risks except those set out in this Registration Document.

6.1.1 Risks relating to the Group and its industry

6.1.1.1 Risks Relating to Economic Cycles

The flooring industry depends heavily on the commercial and residential renovation market, and, to a lesser extent, on the new construction market. These markets can be affected by the cyclical nature of the general economy. The renovation business tends to be influenced, in particular, by changes in consumer confidence and disposable income, commercial and office occupancy rates, interest rates and the availability of credit. These factors can cause fluctuations in demand, and, as a result, in the Group's sales volumes and margins.

Global and regional economic cycles may have a negative impact on demand for flooring and sports surfaces and therefore on the Group's business, financial condition, financial results and future prospects. In particular, the Group has a strong presence in Russia and in the other countries of the Commonwealth of Independent States (CIS). These countries represented less than 20% of the Group's consolidated net revenue in 2016. Economic forecasts for this region seem to indicate that the situation is stabilizing (in January 2017, the IMF forecasted a 0.6% decrease in Russian GDP for 2016 and 1.1% growth in 2017).

To reduce this risk, the Group's policy is to diversify in order to achieve balance among the various markets where it does business. Thus, the Group does business in:

- several geographic regions;
- several product categories;
- both the commercial and the residential markets; and
- primarily in the renovation market, which is less sensitive to economic cycles than the new construction market.

6.1.1.2 Risks Relating to Public Spending

A significant portion of the Group's business consists of sales to public sector end-users, in particular educational and health care institutions and sports facilities. Public spending levels significantly affect the Group's activities in these sectors. In a context of important budgetary constraints, certain expenses may not be considered as a priority, for example, construction and renovation of sports infrastructure were significantly affected by the contraction of governmental budgets in Europe over the last few years. Moreover, public institutions may decide to postpone certain renovation projects in order to concentrate on other budgetary priorities. A decrease in public spending could have a negative effect on demand for the Group's products and thus have a material adverse effect on its business, financial condition, financial results and prospects.

The Group tries to reduce the effects of this risk by diversifying its activities, as described in Section 6.1.1.1 "Risks Relating to Economic Cycles".

6.1.1.3 Risks Relating to Fluctuations in Prices of Raw Materials and Energy

The Group's manufacturing processes use large quantities of raw materials and energy resources, which are a significant expense (see Section 1.6.2.1 "Raw Materials and Suppliers").

In 2016, the cost of these raw materials represented 55% of the Group's cost of sales. 53% of the cost of these raw materials is indirectly tied to crude oil prices and is affected by the volatility of these prices, in particular polyvinyl chloride ("PVC") and plasticizers. Energy consumption and transportation expense are also tied to crude oil prices. The Group is also exposed to fluctuations in the prices of other raw materials essential to its business, such as wood.

A future increase in raw material prices could have a material adverse effect on the Group's business, financial condition and financial results if it is unable to quickly and completely pass these additional costs on to customers, in particular as a result of the magnitude of the cost increase, delays resulting from backlogs, competitive pressures or market conditions.

In order to manage this risk, the Group implements the following actions:

- the Group develops preferred and sustainable relationships with its suppliers;
- the Group develops production processes that give it flexibility and reduce its dependence on certain types of suppliers;
- the Group tries to reflect increases in the price of raw materials in its product prices as rapidly as possible.

6.1.1.4 Risks Relating to the International Nature of the Group's Business and to Political Risks

The Group does business and maintains production capacity throughout the world, including in countries outside of the European Union and the United States. In particular, it is present in Russia and in the other countries of the CIS. Furthermore, the Group is developing its business in Asia Pacific (in particular, in China), and in Latin America (in particular, in Brazil). These countries have greater financial and political instability, as well as greater exposure to social unrest and infrastructure complications, than more mature markets.

The Group's commercial and financial results may be directly or indirectly affected by any unfavorable change in the economic, political or regulatory environment in the countries where it manufactures or sells its products. Thus, the direct and indirect consequences of civil conflicts, terrorist activity, political instability, or instability in the economic and regulatory framework in countries where the Group does business could have a material adverse effect on the level of investment in renovation and new construction in such countries and, as a result, on the Group's business, financial condition, financial results and prospects. Such events could lead, for example, to delays or losses in the delivery of the Group's products or the supply of raw materials, to a significant decrease in sales, or to an increase in security costs, insurance premiums or other costs necessary to ensure continuity of operations.

The Group is especially exposed to the risk of deterioration in the economic, political or regulatory environment of Russia and the other CIS countries. These countries represented less than 20% of the Group's consolidated net revenue in 2016. As a result, a material adverse change in the CIS countries could have a significant adverse effect on the Group's revenues, financial results and prospects.

The Group's international business exposes it to a multitude of local political and commercial risks, and its success depends on its capacity to adapt to economic, social and political changes in each of the countries where it is present. In addition, legislative or regulatory changes (including changes in tax law, capital controls, customs duties, import and export rules, employment law, intellectual property protection and health, safety and environmental rules) could significantly increase the Group's costs in the various countries where it is present or limit its capacity to freely transfer capital and could, as a result, adversely affect the Group's business, financial condition, financial results and prospects.

The Group's strategy for managing political risk, described below, is intended to cover the various consequences of such risk:

- increasing sale prices and working continuously to reduce production costs;
- accelerating the substitutability process for raw materials; and
- analyzing crisis scenarios and preparing appropriate plans.

Because one consequence of political instability is an impact on exchange rates, the actions taken with respect to foreign exchange risk also apply to risks relating to political instability.

6.1.1.5 Risks Relating to External Growth

The Group's strategy relies in part on external growth. Such growth may include acquisitions of companies or assets, equity investments or the creation of partnerships in its sector and in the geographic regions in which the Group hopes either to increase or reinforce its presence. See Note 2, "Changes in scope of Consolidation," in Section 5.2, "Notes to the Consolidated Financial Statements". However, the Group may be unable to identify attractive targets or enter into transactions at an opportune time or on satisfactory terms. Moreover, given the competitive environment, the Group may be unable to complete external growth transactions that meet its investment criteria, which could have a material adverse effect on the implementation of its strategy.

Furthermore, to obtain the necessary authorizations for acquisitions from competition authorities in one or more countries, the Group could be forced to accept certain conditions, such as the sale of certain assets or segments and/or undertakings restricting the conduct of its business.

External growth creates risks that include the following: (i) the business plan underlying the acquisition valuations may be based on assumptions that turn out not to be true, particularly with respect to synergies, expected savings and the evolution of the markets in question; (ii) the Group may fail to effectively integrate the acquired companies, their technologies, their product lines or their employees; (iii) the Group may be unable to retain certain key employees or customers of the acquired companies; (iv) the Group may increase its indebtedness in order to finance such acquisitions and (v) it may carry out acquisitions at a time that proves inopportune in the market in question. The anticipated benefits from future or past acquisitions may not materialize within the expected time periods or at the expected levels, which could affect the Group's financial condition, financial results and prospects.

In order to minimize this risk, the Group chooses targets in line with its strategy, conducts careful due diligence, negotiates detailed agreements, and implements business and consolidation plans developed in advance.

6.1.1.6 Risks Relating to the Quality of the Group's Products

The success of the Group's business depends on the quality and reliability of its products and customer relations. In the event that the Group's products repeatedly fail to satisfy customer requirements, its reputation and sales volumes could suffer. If there is a problem with respect to product quality or product certification, the Group does everything possible to respond appropriately to react to the needs of its customers. Nevertheless, it is possible that customers will encounter quality or reliability problems with the Group's products that are significant enough to have a material adverse effect on its financial results, reputation, business, financial condition or prospects.

In addition, in the event that the Group markets defective products, the relevant subsidiaries could incur tort or contract liability, which could lead to adverse effects on the Group's financial results, business, financial condition and prospects.

To market its products, the Group is required to obtain and maintain certifications in certain markets. These may be required by law or by industry standards that the Group must meet under the terms and conditions applicable to its renovation or construction projects.

The process of obtaining product certification can be long and costly. There can be no assurance as to the Group's ability to obtain or maintain certifications, or as to the length of time it will take to obtain them. Moreover, certification requirements change continually and require constant monitoring. If the product certifications were delayed, refused, suspended or withdrawn, the marketing of these products could be delayed or prohibited in the relevant countries. The Group could then run the risk of losing sales in important markets.

Finally, it is possible that one or more substances used in manufacturing the Group's finished products could be banned in one or more jurisdictions in which the Group's products are sold or manufactured. In that case, the Group might be forced to stop selling the affected products.

In order to attempt to manage the risk, the Group has put in place a testing and approval process for developing new products and changing the formulation of existing products, as well as a process for the approval of new components.

6.1.1.7 Risks Relating to Strong Competition in the Regions Where the Group Does Business

The flooring industry is highly competitive. The Group faces significant competition from a few large competitors, numerous local manufacturers and independent distributors (see Section 1.5.1, "General Presentation of the Flooring Market"). The arrival of new competitors, new products or new technologies developed by competitors could also affect the Group's competitive position.

The Group can provide no assurance that it will be able to maintain its margins in the face of competition, particularly if new entrants gain access to one or more of its markets, or if competition intensifies for any other reason. Maintaining the Group's competitive position could require additional investments in new products, new manufacturing facilities or the development of the Group's distribution network, marketing and sales activities. These competitive pressures could lead to reduced demand for the Group's products or force it to lower its prices. Such events could have a material adverse effect on the Group's business, financial condition, financial results and prospects.

6.1.1.8 Risks Relating to the Group's Dependence on Certain Suppliers

The Group relies on a limited number of suppliers for certain essential raw materials (see Section 1.6.2.1 "Raw Materials and Suppliers"). This is particularly the case for the manufacture of resilient flooring, for which the Group uses primarily raw materials derived from crude oil, such as PVC and plasticizers, which represent 53% of raw materials and for which the suppliers are large chemical companies, which are limited in number. Supply contracts are periodically renewed or renegotiated. An adverse change in the Group's relationship with one of its suppliers, non-compliance with undertakings under the contracts, the insolvency of a supplier or any increased concentration of suppliers could have a material adverse effect on the Group's business, financial condition, financial results and prospects.

With respect to the machines and equipment necessary for the Group's business, if one of the Group's suppliers breaches or terminates a supply contract, the Group might be unable to rapidly find a substitute supplier under satisfactory terms, which could have an adverse effect on the Group's business, financial condition, financial results or future prospects.

The Group seeks to reduce this risk by implementing the actions described in Section 6.1.1.3 "Risks relating to fluctuations in prices of raw materials and energy".

6.1.1.9 Risks Relating to Interruption or Security Breach of Information

The Group uses complex information systems including for production management, sales, logistics, accounting and reporting, which are essential for conducting its commercial and industrial activities. Although the Group has a policy of reinforcement of the security program of its information systems infrastructure and prevention against pirating, a failure of one of them could have a material adverse effect on the Group's business, financial condition, financial results and prospects.

6.1.1.10 Risks Relating to the Group's Retirement and Other Employee Benefit Commitments

The Group incurs significant obligations in connection with its retirement and health plans and other employee benefits, primarily in North America and Western Europe (in particular in Germany, the United Kingdom and Sweden). As of December 31, 2016, these retirement, health and other obligations totaled €254.7 million, of which €100.6 million were covered by dedicated assets.

The Group's financing requirements for these obligations depends on the future performance of the dedicated assets, the discount rates used to measure future obligations, actuarial forecasts, changes affecting retirement plans and applicable regulations. As a result of the large number of parameters that determine the Group's financial obligations for retirement and other employee benefits and the difficulty in predicting them, its future requirements to finance retirement, health and other employee benefit obligations could be larger than the amounts estimated as of December 31, 2016. In that event, these financial obligations could have a material adverse effect on the Group's financial condition and financial results. For more information, see Note 4, "Employee Benefits", included in Section 5.2 "Notes to the Consolidated Financial Statements", as well as Section 4.1.1.8, "Presentation of Accounting and Financial Information".

6.1.1.11 Risks Relating to Goodwill

As of December 31, 2016, the Group's goodwill totaled €550.4 million. Future events could lead to an impairment of intangible fixed assets and/or goodwill. As a result of the substantial amount of intangible fixed assets and goodwill on the Group's balance sheet, any significant impairment or depreciation charges could have an adverse effect on its financial condition and financial results for the fiscal year in which such charges were recorded.

6.1.2 Industrial risks

For a description of the principal safety and environmental regulations applicable to the Group, see Sections 1.6.4.3, "Standards Applicable to the Group's Products" and 3.2, "Environmental Information".

6.1.2.1 Risks Relating to Compliance with Environmental and Safety Regulations

The environmental, health, hygiene and safety regulations with which the Group must comply relate primarily to industrial safety, emissions or discharge of chemicals or dangerous substances (including industrial waste); their use, production, traceability, handling, transport, storage and elimination or exposure to such substances; and the remediation of industrial sites and environmental cleanup. The Group is subject to strict requirements with respect to safety, particularly concerning the fire-prevention standards applied to its products and manufacturing sites, as well as standards relating to the slip-resistance of the flooring it produces.

Complying with these regulations requires the Group to regularly incur significant expense. A violation of these rules could lead to fines or other civil, administrative or criminal sanctions, including the withdrawal of permits and licenses necessary to continue doing business. Changes to these laws and regulations or to their interpretation could lead to significant expense and/or investment, or could lead the Group to use more expensive substitute substances, to change its formulas and therefore to reduce the profitability of its products, which could adversely affect the Group's business, financial results and prospects.

6.1.2.2 Risks Relating to Industrial Accidents

Due to the toxicity and flammability of certain raw materials, the Group's finished products and manufacturing or supply processes, the Group's facilities present a number of safety, fire and pollution risks. In particular, manufacturing processes using flammable materials (chemical products and wood, for example) can create a significant risk of fire or explosion. In that event, the adverse consequences for the Group's business, financial condition, financial results or prospects could be significant.

The Group tries to minimize this risk through a long-standing industrial risk prevention program in partnership with its insurer.

6.1.2.3 Risks Relating to Exposure to Toxic or Dangerous Substances

In the past, the Group has used significant quantities of chemical, toxic or hazardous substances in manufacturing its products and has used various insulation materials (such as asbestos) in its industrial facilities. Some employees of the Group and, on occasion, third parties may have been exposed to these substances or to equipment containing toxic or hazardous substances prior to their progressive removal and replacement with substitute products. This could result in specific illnesses for which the Group's liability might be sought.

Moreover, some of the Group's products contain chemical substances that produce emissions during at least part of the product's life cycle. Although these emissions are lower than applicable thresholds under current regulations, the Group could be found liable if it were proven that the emissions had harmful effects on human health at lower levels than those currently believed to be safe. This could have consequences that would have a material adverse effect on the Group's financial condition and results of operations.

In the United States, the Group has been sued by third parties alleging past exposure to the asbestos contained in certain products manufactured at some of its sites until 1982. In the event that current or future lawsuits require the Group to pay amounts greater than those covered by the provisions it has recorded on its balance sheet, its insurance and the indemnification commitments provided by third parties, these proceedings could have a material adverse effect on the Group's financial condition and financial results (see Section 4.5, "Legal and administrative Proceedings").

6.1.3 Market risks

6.1.3.1 Exchange Rate Risk

As a result of the international nature of the Group's business, foreign exchange fluctuations have a direct accounting impact on its Consolidated Financial Statements, which results in transaction risk impacting income and expenses incurred in foreign currencies and risks relating to the conversion into euros of the balance sheets and income statements of the Group's subsidiaries outside the euro zone.

In 2016, a significant portion of the Group's revenue was earned in currencies other than the euro, in particular the U.S. dollar (approximately 40% of consolidated net revenues in 2016). The Group seeks to reduce the impact of exchange rate fluctuations on its results of operations by developing its production capacities in the monetary zones where it sells its products. However, significant and sustained movements in exchange rates could adversely affect the Group's financial results, financial condition and prospects.

In Russia and the other CIS countries, although the Group locally manufactures almost all of the products it sells in the region, it imports some of the raw materials used in production from Western Europe. Because the suppliers invoice these raw materials in euros, the Group has significant exposure to foreign exchange risk with the local currencies, given that approximately 60% of the costs of the CIS countries are denominated in euros. In this region, the Group's policy is not to use hedging instruments, but rather to reflect exchange rate fluctuations between the ruble and the euro in its product prices. The effectiveness of this strategy depends on the Group's ability to maintain its pricing policy, which it may not be able to do systematically in the future. This could have a material adverse effect on the Group's financial results, financial condition and future prospects.

Tarkett works to reduce this risk in the following ways:

- the Group locates its production facilities close to the markets in which it sells its products, and it pays production costs in local currency;
- the Group regularly adjusts product prices in certain markets to account for changes in exchange rates, in particular with respect to the ruble.

For more information, see paragraph 5.2 of Note 7, "Financing and Financial Instruments", included in Section 5.2, "Notes to the Consolidated Financial Statements" and Section 4.1.1.4, "Exchange Rate Fluctuations".

6.1.3.2 Interest-rate Risks

As of December 31, 2016, the Group's consolidated net debt (which is the sum of non-current interest-bearing loans and borrowings and current interest-bearing loans and borrowings, minus cash and cash equivalents) totaled €378.2 million, and its gross debt was €471.3 million, including €214.2 million in floating-rate debt and €257.1 million in fixed-rate debt or capped debt after taking into account interest-rate hedges. The Group uses a hedging policy intended to limit the impact of an increase in interest rates on its financial expenses. However, as of December 31, 2016, after hedging and given market rates, a simultaneous increase of 1% in all interest rates would translate into an increase in net financial expense of €2.3 million per year, before taxes, whereas a simultaneous decrease of 1%, or to zero, in interest rates would result in a decrease in net financial expense before taxes of €0.5 million.

For more information, see paragraph 5.2 of Note 7, "Financing and Financial Instruments", included in Section 5.2 "Notes to the Consolidated Financial Statements", and Section 4.3.3, "Financial debt".

6.1.3.3 Liquidity Risks

As of December 31, 2016, the Group's consolidated gross debt totaled €471.3 million. In addition, the Group had €787.1 million in available credit lines and available cash of €93.1 million as of the same date. the Group's debt repayment schedule is included in Section 4.3.3, "Financial Debt". the Group's next significant maturity date is in the second half of 2018, when the €153.4 million syndicated credit facility will expire.

The Group's credit agreements (primarily its syndicated credit lines with a maximum available amount of €650 million, a private placement for €250 million and USD 56.5 million, and its term loan with a maximum amount of €150 million) include certain covenants, including change of control provisions and financial ratios, in particular a net debt/EBITDA ratio not to exceed 3.0. These provisions are described in Section 4.3.4, "Revolving Syndicated Multi-Currency Credit Facility" and 4.3.5 "October 2013 Term Loan" in which the 2015 and 2016 ratios are presented. Breach of these covenants or ratios could cause the Group's creditors to accelerate the amounts due under the credit agreements. In that event, the Group could be unable to repay these amounts, or could be forced to refinance the debt on less favorable terms. Moreover, such a situation would make it difficult to put new financing in place, or could make such financing significantly more expensive, which could constitute an obstacle to the Group's growth strategy and to its ability to finance investments.

For more information, see paragraph 5.3 of Note 7, "Financing and Financial Instruments", included in Section 5.2 "Notes to the Consolidated Financial Statements", Section 4.3.4, "Revolving Syndicated Multi-Currency Credit Facility" and 4.3.5 and 4.3.6.

6.1.4 Legal risks

6.1.4.1 Risks Relating to the Protection of Intellectual Property

The Group's future growth depends on its ability to obtain, preserve and protect its patents, trademarks and other intellectual property rights.

Over the last several years, the Group has pursued an ambitious innovation policy, which necessitates protection to ensure that the Group retains the free use of its innovations and has the necessary legal tools to fight patent infringement and unfair competition.

As a result, the legal costs that the Group incurs to enforce compliance with its intellectual property rights could prove significant.

Conversely, the Group cannot guarantee that it will not infringe the rights of third parties. In that event, the Group could be ordered to pay significant damages, be forced to cease selling products that infringe the intellectual property rights in question and incur additional expenses to develop technology that respects the intellectual property rights of others, or be forced to enter into licenses permitting it to use the disputed technology. Since the Group conducts part of its business in countries where the protection of intellectual property rights is less developed than in Europe and North America, it cannot guarantee the level of protection that will be given to its portfolio of patents and trademarks nor can it avoid the risk of infringement, appropriation or illegal use of its intellectual property rights.

For more information on the Group's intellectual property rights, see Section 1.6.4.4 "Intellectual Property Rights".

6.1.4.2 Risks Relating to Legal and Administrative Proceedings

The Group's entities are subject to national and regional laws and regulations that vary from country to country. In the ordinary course of business, the Group is exposed or liable to be exposed to legal, arbitral and administrative proceedings.

The Group is the subject of various legal proceedings described in Section 4.5, "Legal and administrative Proceedings".

Moreover, in March 2013, the *Autorité de la Concurrence* (the French Competition Authority) launched investigations against several flooring manufacturers, including Tarkett, in relation to possible anti-competitive practices on the French market for vinyl flooring. Such litigation and investigations could have a material adverse effect on the Group's business, financial results, financial condition and prospects.

6.1.4.3 Tax Risk

As an international group doing business in many countries, the Group is subject to multiple tax laws and various regulatory requirements, which affect its commercial, financial and tax objectives.

Because tax laws and regulations in effect in the various countries where the Group does business do not always provide clear or definitive guidelines, the Group's structure, the conduct of its business and the relevant tax regime are based on its interpretation of applicable tax laws and regulations. The Group cannot guarantee that its interpretations of tax laws and regulations will not be questioned by the tax authorities, or that applicable laws and regulations in certain of these countries will not change, be interpreted differently or be applied inconsistently. More generally, any violation of tax laws and regulations in the countries where the Group or its subsidiaries are located or do business could lead to tax reassessments or the payment of late fees, interest, fines and penalties. Furthermore, the Group records deferred tax assets on its balance sheet to account for future tax savings resulting from differences between the tax values and accounting values of its assets and liabilities or tax loss carry forwards of Group entities. The effective use of these assets in future years depends on tax laws and regulations, the outcome of current or future audits and litigation and the expected future financial results of the entities in question.

This could have a negative impact on the Group's effective tax rate, cash flow and financial results.

6.2 Risk management

6.2.1 Organization of internal control and risk management

The Company's risk management and internal control systems, under the responsibility of the head of internal control and audit, use a variety of methods, procedures and actions in order to:

- identify, analyze and control risks that could have a material effect on the assets, results, operations or objectives of the business, whether they are operational, commercial, legal or financial in nature or whether they relate to compliance with laws and regulations;
- ensure operational efficiency and the efficient use of resources; and
- ensure the reliability of financial information.

6.2.2 Compliance procedures

The Group has developed compliance procedures with respect to antitrust laws, corruption and fraud risk, whether external or internal.

6.2.2.1 Compliance with Antitrust Laws

The Group's goal is to preserve a dynamic, healthy and loyal competition.

Moreover, beginning in 2011, the Group has implemented a competition compliance program, piloted by the Group's Legal Department and outside experts, intended to ensure strict compliance by all of the Group's employees with competition laws, regulations and rules.

This program is applicable in all of the countries where the Group operates and covers all of its activities, including where such activities are carried out through joint ventures.

It consists of informing employees about the Group's competition policy, supported by numerous awareness and training campaigns for the employees who are the most frequently confronted with competition-related issues.

In addition to the trainings conducted directly by the legal teams for the employees who are the most exposed to the risk of anti-competitive practices, online training was developed and made mandatory every three years since 2011 for a subset of employees.

Local legal departments participate actively in verifying that local competition regulations are followed in each of the geographical regions where the Group operates.

6.2.2.2 Prevention of Corruption

The prevention of corruption, under the responsibility of the Legal Department, is a major priority for the Group and its employees. Given the diversity of contexts in the geographic regions in which the Group operates and the significance of investments made, the Group is particularly cautious in regards to corruption risks. Although the large majority of the Group's customers in the most sensitive countries operate in the private sector, where corruption is less present than in the public sector, the Group is nevertheless not immune from a potential risk of corruption.

Therefore, beginning in 2012, supervised by the Group's Legal Department and with the cooperation of the local legal departments, the Group launched a specific action plan to fight corruption.

In connection with this action plan, the Group has put in place an anti-corruption policy and guidelines covering the delivery and receipt of gifts and relations with intermediaries, supported by training offered to the employees who are the most exposed to these risks.

In addition to the trainings conducted directly by the legal teams for the employees who are the most exposed to the risk of anti-competitive practices, online training was developed and made mandatory every three years beginning in 2012, for a subset of employees.

6.2.2.3 Prevention of Fraud

The prevention of and the fight against fraud, under the responsibility of the Internal Control and Audit Department, is a key element of the Group's internal control procedures. The fight against fraud is carried out as part of the Group's financial and internal control processes, and verifications are carried out by the Internal Control and Audit Department. The Group has used the following tools to raise awareness of fraud prevention and detection since 2011:

- publication of an internal fraud-prevention policy;
- publication of an article on so-called fraud, "To the Chairman," in the Group's internal newsletter;
- systematic internal reporting of any fraud that is discovered, in order to raise awareness and put in place additional controls, if necessary;
- in-person training of department heads and of the entire administrative staff of all of the Group's divisions;
- online training in 2016 for targeted groups of employees,

6.2.3 Internal control and risk management system

6.2.3.1 Organizational Framework

Tarkett's organization is decentralized, relying on local executives, and set in a framework that reflects the Group's philosophy with respect to ethics, organization and control.

This organizational framework relies on the following:

- a set of values and principles disseminated throughout the Group whenever new employees arrive and relayed by recurring training, in particular online, and reminders. These principles are embedded in the Company's Code of Ethics and policies on anti-trust compliance, corruption, and fraud prevention under the responsibility of the Legal Department and the Internal Control Department;
- the founding principles at the heart of the Group's values, such as responsibility and exemplary behavior, which are relayed throughout the organization and the various areas of responsibility and support;
- the harmonization of financial processes through implementation of an integrated information system used by the majority of the Group's entities; and
- an internal control manual, Tarkett Risks And Controls Evaluation ("TRACE"), based on the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and intended to provide reasonable assurance as to the achievement of the Group's objectives and the reliability of its financial information; internal function-specific procedures used by all of the Group's subsidiaries; and rules for delegation of authority and division of duties.

The primary participants in this system are as follows:

- Senior Management, which is ultimately responsible for risk management and internal control and which relies on the following:
  - the Group and division finance departments, on the one hand, and
  - the operational departments (divisional presidents) and functional departments on the other;
- the Internal Control and Audit Department is part of the Finance Department and reports functionally to the Audit Committee,
  - runs the internal control and risk management system, and
  - ensures compliance with Group rules at the entity level, evaluating risks in areas covered by its audits and recommending improvements relating to internal control.

The Internal Control and Audit Department also relies on a network of internal divisional auditors who manage these procedures within their areas.

The Audit Committee is responsible for monitoring the preparation and audit of accounting and financial information, as well as for ensuring the efficiency of risk-monitoring and internal control procedures to facilitate the Supervisory Board's review and approval thereof.

6.2.3.2 Identification and Evaluation of Risks

Risk Mapping

In 2010, Tarkett created a risk map that is updated every two years, or more frequently in the event of significant changes in the environment. The process for identifying risks uses a three-step method:

- the Internal Control and Audit Department, supported by outside experts, interviews members of the Executive Committee and key employees holding strategic positions at the Group level and in the divisions in order to identify risks within their areas;
- the Internal Control and Audit Department then creates a synthesis of the main risks, specifying their definition, potential causes, frequency, impacts (such as financial, human, legal or reputational) and the degree to which they are controlled; and
- the risk map and actions plans are then reviewed and approved by the Executive Committee and presented to the Audit Committee and to the Supervisory Board.

In 2013, the Group's risk map was sent to the operational divisions (geographic zones) in order to take regional or business specificities into account and to disseminate the Group's view of its risks more broadly throughout the Group.

In 2015, the risk map was fully updated through interviews with members of the Executive Committee and other key employees at the Group and divisional levels.

The relevant departments (whether operational divisions or cross-divisional functions) prepare actions plans based on the primary risks identified which are implemented by local managers under the responsibility of the division or functional managers.

Ongoing Monitoring

Risk-awareness is updated on an ongoing basis through monitoring procedures relating to both competition and technology, as well as actions by specialized departments (such as Insurance and World Class Manufacturing) that participate in oversight of fire, security, and environmental risks, in particular.

Monthly activity reviews enable the Group's operational entities to rapidly report information to Group management, and facilitate the identification of risks, updating of the risk map and implementation of action plans to manage the risks.

6.2.3.3 Control Activities

Control activities are defined in the TRACE manual. For each principal process this manual presents the major risks and objectives, as well as a description of the related controls, applicable to the Group as a whole. This mechanism constitutes a common reference for the management of the local entities, which is responsible for supplementing it locally with additional control activities for dealing with specific risks.

Self-Evaluations

The Group's subsidiaries are subject to an annual internal control self-evaluation intended to assess their compliance with the internal control manual. The self-evaluation is approved by the management of the relevant entities pursuant to their responsibility for implementing internal control and the quality of their self-evaluation. This self-evaluation is carried out using a dedicated software (e-TRACE from Enablon).

The Internal Control and Audit Department analyses and distributes a synthesis of the results to the interested parties. The results of the self-evaluation are reviewed at the divisional level with the Group's Chief Financial Officer, the Chief Financial Officer and internal controller for the relevant divisions, and the Internal Control and Audit Department. These results are then presented to the Audit Committee.

Action plans resulting from these reviews are implemented by local management under the responsibility of divisional or functional management.

Internal Control Testing and Internal Audits

Self-evaluation is reinforced by testing of key controls under the TRACE manual, carried out by internal divisional controllers, as well as by internal audits carried out by the Internal Control and Audit Department.

6.2.3.4 Steering

On the basis of an audit plan approved in advance by the Audit Committee, the five-member internal audit team carried out 35 audits in 2016. The audit plan is composed of repeated audits of subsidiaries, primarily of a financial nature, as well as of "transverse" audits with respect to an operational process or particular risk at the divisional level.

Each audit is the subject of a report that includes a rating and an action plan prepared by the relevant entities in order to correct any weaknesses that are discovered. The report is sent to the Audit Committee, Group management, and management of the relevant division and entity. An action plan monitoring process ensures that the identified weaknesses are corrected, and relies on:

- quarterly reporting on the entities' progress in implementing the action plan;
- since the beginning of 2013, follow-up monitoring by the division's internal controllers within 12 months following the internal audit; and
- monitoring by internal audit, if necessary, with respect to critical matters.

Internal Control Performance Indicators

The Internal Control and Audit Department has put in place and follows a series of quarterly internal control performance indicators, including the rate of compliance with 50 key controls identified by the manual, separation of duties risks, progress on action plans and coverage of tests carried out by the internal controllers.

6.2.4 Preparation and processing of accounting and financial information

Financial information is subject to a rigorous process relying on the following:

- a common reference: the financial statements are prepared in accordance with IFRS; this reference is communicated to the Group's subsidiaries through the Financial Manual, supplemented by monthly instructions. Moreover, the TRACE internal control manual described above includes various processes that affect the production of financial information (for example, with respect to closing, cash, payroll, procurement, sales, inventory, fixed assets, information technology, and consolidation);
- an integrated information system: most of the subsidiaries manage operational and financial flows using the Group's integrated SAP information system. The deployment of a single financial model within SAP ("One Finance") ensures homogenization and optimization of practices, as well as improved control;
- a unified reporting and consolidation system. Financial information is reported through the SAP/Business Objects Financial Consolidation ("B.O.F.C.") tool, which is used for all financial reporting, including budget; forecasts; and monthly, quarterly, interim and annual reports. This all-in-one system ensures consistency between internal steering and external communications;
- automated monitoring within the reporting tool; detailed activity reviews by the Group and divisional control teams; or specific analyses, such as with respect to changes in the scope of consolidation, currency effects or non-recurring operations, by the Group Consolidation teams ensure tight control of the financial information produced.

The principal participants in the process are as follows:

- the Finance Department, which relies on the central functional departments (Financial Control, which oversees Consolidation and Controlling, Treasury, Taxes, and Internal Control and Audit) and the divisional finance departments, which supervise the subsidiaries' financial controllers;

- the external auditors, who, through their work, contribute to improving the consolidated account preparation process. The combination of audits of the individual company accounts and audits of the consolidated accounts ensures a broad coverage of the Group. In 2016, 90% of the Group's revenues were covered by audits.

The reliability of the Group's accounting and financial information depends on the following:

- a strategic three-year plan, led by the Chairman of the Management Board and the Group Chief Financial Officer, in coordination with the operational divisions. This plan enables the Group to set annual strategic goals and the related annual financial objectives. This plan is approved annually by the Supervisory Board;
- an annual budgetary process. This process, led by the Group and divisional management teams, focuses on operational financial aggregates such as operating result, changes in working capital requirements and investment in tangible and intangible fixed assets. The financial items are consolidated month by month using the same tool that is used for consolidation of real results (B.O.F.C.) with a comparable level of granularity, permitting monthly and immediate comparison of monthly performance of operational financial aggregates with monthly budget objectives. The annual budget, which is generally prepared during the fourth quarter for the following year, is reviewed and approved by the Supervisory Board in December;
- two forecast processes per year: these forecasts focus on the same financial aggregates as the annual budget. These forecasts are generally performed in the second and fourth quarters, and are based on the real results for the months already ended. Their purpose is to estimate the remaining months' results through the end of the relevant fiscal year in order to compare the re-estimated year with the annual budgetary objectives. These forecasts are reviewed and approved by the Group's Management Board;
- complete monthly closings, including a full balance sheet, income statement through net income, and cash flow, reported and consolidated in the same way as the annual and interim accounts in B.O.F.C.; and
- monthly performance review meetings: these meetings, led by the Chairman of the Management Board, the Chief Financial Officer and the Group Financial Controller, are carried out for all operational divisions, which are generally represented by their president and their Chief Financial Officer. Variance analyses (such as with respect to volume, product mix, currency effects, effect of cost of purchases and cost of sales, industrial productivity, effects of monthly payments, non-recurring items, etc.) are reviewed in order to understand the main drivers of the month's performance and to define action plans for future months.

6.3 Insurance and coverage of risks

The Group's policy with respect to insurance is coordinated by the Legal Department, which is responsible for identifying the main insurable risks and quantifying their potential consequences, in order to:

- limit certain risks by recommending preventive measures in cooperation with the Group's other departments; or
- choose to cover risks of an exceptional nature through insurance, including risks with high potential magnitude but low frequency.

In connection with the Property Damage and Business Interruption insurance program, the Group actively mitigates industrial risks, by collaborating with FM Global, its property insurer, which provides expertise in engineering and fire prevention.

Each of the Group's subsidiaries is responsible for providing the Group's Department of Insurance and Prevention, which is part of the Legal Department, with the necessary information to identify and quantify insured or insurable risks at the Group level, and for implementing the proper methods to ensure business continuity if an event occurs. On these bases, the Department of Insurance and Prevention negotiates with the major insurance and reinsurance providers to put in place optimal insurance coverage for its risk-coverage needs.

The Group's local subsidiaries also enter into local insurance policies to cover risks suited to local coverage, such as automobile insurance.

The Group purchases insurance based on reasonable estimates of probable liability resulting from liability, property-casualty and other risks. This evaluation takes into account the analyses of insurance companies as the risk subscribers. The Group does not insure against risks for which there is no coverage available on the insurance market, for which the cost of insurance is disproportionaly high compared with the potential benefit or for which it believes the risk does not require insurance coverage.

These are complemented by local policies in certain countries where having only master policies is not allowed. The master insurance policies apply to the Group's overall operations, complementing local policies (difference-in-conditions/difference in limits, or "DIC DIL"), if the coverage in question proves insufficient or does not cover the event locally. The local policies are also implemented to take into account local legislative specificities or constraints in the country or countries in question. The Group also has a captive insurance company, enabling it to reduce the premiums paid to insurers and thus to reduce its insurance costs.

The Group's insurance policies contain exclusions, limits and deductibles that could expose it to unfavorable consequences in the event of a significant event or legal action against it. Moreover, it may be required to pay indemnification that is not covered by its insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under its insurance policies. the Group's primary insurance policies, implemented with insurance companies of international reputation, are the following:

- General liability insurance, which includes operational liability coverage and product liability coverage. The maximum coverage amount is €60 million. Professional liability insurance is also included in this policy, and is subject to a specific limit. General liability insurance covers all damages caused to third parties, such as bodily injury, property damage and consequential and non consequential financial losses;
- Property-Damage and business interruption insurance (maximum combined coverage of €400 million). All of the Group's facilities are covered by this policy if and to the extent that values of local sites exceed the policies deductibles;
- Director and officer liability insurance;
- Environmental liability insurance; and
- Transport insurance.

6.4 Report of the Chairman of the Supervisory Board on corporate governance and on internal control and risk management procedures

The report of the Chairman of the Supervisory Board on corporate governance and on internal control and risk management procedures, prepared in accordance with Article L.225-37 of the French Commercial Code, was approved by the Supervisory Board on February 9, 2017.

6.4.1 Corporate governance

Information relating to corporate governance is included in various sections of this Registration Document, as detailed in the table below.

Information required by Article L.225-37 of the French Commercial Code	Reference to sections of the Registration Document	
Composition of the Supervisory Board and application of the principle of balanced representation of men and women	Section 2.1.1.2	"Supervisory Board"
Conditions pursuant to which the work of the Supervisory Board is prepared and organized	Section 2.2.2	"Operation and Evaluation of the Supervisory Board"
Limits on the powers of the Management Board	Section 7.6.2.1	"Management Board"
Provisions of the Afep-Medef Code that the Company does not apply and the reasons for not applying them	Section 2.2.2.2	"Statement Relating to Corporate Governance"
Place where the Afep-Medef Code may be consulted	Section 2.2.2.2	"Statement Relating to Corporate Governance"
Specific terms relative to the participation of shareholders in the General Shareholders' Meeting	Section 7.6.5	"General Shareholders' Meeting (article 25 of the Bylaws)"
Principles and rules set by the Supervisory Board for determining the compensation and benefits of all kinds granted	Section 2.3	"Compensation and Benefits Granted to the Management and Supervisory Bodies"
Items that could have an impact on a tender offer	Section 7.8	"Events Likely to Have an Impact in the Event of a Tender Offer"

6.4.2 Internal control and risk management system

The Group's risk management and internal control system is discussed in Section 6.2, "Risk Management".

6.5 Report of the Statutory Auditors on the report of the Chairman of the Supervisory Board

To the Shareholders,

In our capacity as Statutory Auditors of Tarkett and in accordance with article L.225-235 of the French Commercial Code, we hereby present our report dealing with the report prepared by the Chairman of your company in accordance with article L.225-68 of the French Commercial Code for the financial year ending on December, 31st 2016.

The Chairman is responsible for preparing and submitting for the approval of the Supervisory Board, a report describing the internal control and risk management procedures implemented by the company and disclosing other information as required by article L.225-68 of the French Commercial Code dealing in particular with corporate governance.

Our own responsibility is to:

- communicate to you any observations we may have as to the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information; and
- attest that the report includes the other disclosures required by article L.225-68 of the French Commercial Code. It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information

Our professional standards require the application of procedures designed to assess the fair presentation of the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information.

Those procedures involve in particular:

- obtaining an understanding of the underlying internal control and risk management procedures in the area of the preparation and processing of financial and accounting information presented in the Chairman's report, and of the related documentation;
- obtaining an understanding of the work performed as a basis for preparing that information and the existing documentation;
- determining if any major internal control weaknesses in the area of the preparation and processing of financial and accounting information identified by us during the course of our engagement have been appropriately disclosed in the Chairman's report.

On the basis of the procedures performed, we have nothing to report on the information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information contained in the report of the Chairman of the Supervisory Board prepared in accordance with article L.225-68 of the French Commercial Code.

Other disclosures

We hereby attest that the report of the Chairman of the Supervisory Board includes the other disclosures required by article L.225-68 of the French Commercial Code.

Paris-La Défense, 22 February 2017

The Statutory Auditors,

KPMG Audit		Mazars	
Philippe Grandclerc Partner	Renaud Laggiard Partner	Juliette Decoux Partner	Éric Schwaller Partner

7 INFORMATION ABOUT THE COMPANY, ITS SHAREHOLDERS AND ITS SHARE CAPITAL

7.1 Information about the Company

7.1.1 Name, registration and corporate form

Tarkett is registered with the Nanterre Trade and Companies Register under number 352 849 327, and its registered office is located at 1, Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France (telephone number: +33 (0)1 41 20 40 40).

Tarkett is a French *société anonyme* with a Management Board and a Supervisory Board, governed in particular by the legislative and regulatory provisions of Book II of the French Commercial Code.

7.1.2 Date of Incorporation and Duration

The Company was incorporated on December 29, 1989 for a duration of ninety-nine years as from its registration with the Trade and Companies Register, or until December 29, 2088, unless dissolved earlier or extended.

7.2 Information about the share capital

7.2.1 Breakdown of share capital and voting rights

The table below shows the Company's shareholders as of December 31, 2016:

Shareholders	Number of shares	% of capital	Number of voting rights	% of voting rights
Société Investissement Deconinck ("SID")	31,975,071	50.18%	63,900,142	66.57%
Tarkett GDL SA	81,726	0.13%	0	0.00%
Tarkett [(1)]	319,618	0.50%	0	0.00%
Public	31,346,281	49.19%	32,085,038	33.43%
Total	**63,722,696**	**100.00%**	**95,985,180**	**100.00%**

(1) Treasury shares held directly by Tarkett include 19,618 shares held in the name and on behalf of Tarkett in connection with its liquidity agreement.

7.2.2 Subscribed share capital

The Company's share capital amounts to three hundred eighteen million six hundred thirteen thousand four hundred eighty euros (€318,613,480), divided into sixty-three million seven hundred twenty-two thousand six hundred ninety-six (63,722,696) shares of par value €5 each, all of the same class and fully paid up.

As of December 31, 2016, Tarkett has not issued any non-equity securities or securities giving access to the share capital, with the exception of the free shares described in Section 2.5.

As of December 31 2016, the General Shareholders' Meeting had not delegated powers or authorized the Management Board to issue any shares or other securities except as described in Section 7.4 "Financial Authorizations".

7.2.3 Shares controlled by the Company, treasury shares and purchase by the Company of its own shares

As of December 31, 2016, the Company directly holds 319,618 of its own shares, or 0.50% of the share capital, including 19,618 shares treasury shares held in connection with the liquidity agreement (See Section 7.2.4 "Share Buyback Program" for more information about the Company's share buyback program).

Tarkett GDL S.A., a wholly owned subsidiary of Tarkett, also holds 81,726 shares of the Company, or 0.13% of the share capital.

7.2.4 Share buyback program

7.2.4.1 Information on transactions carried out in connection with the Company's share buyback program during 2016 (excluding the Company's liquidity agreement)

Summary of share buyback program authorized in 2016

In accordance with Article L.225-209 et seq. of the French Commercial Code, the 11th resolution of the Annual Shareholders' Meeting of April 26, 2016 authorized the Management Board, for a period of 18 months expiring on October 26, 2017, to purchase or cause the purchase of its own shares up to a maximum of 10% of the number of shares outstanding as of December 31, 2015, namely 6,372,269 ordinary shares, and up to a maximum global limit of €15 million. The Shareholders' Meeting also decided in the same resolution that the number of shares held directly or indirectly in connection with this program may at no time exceed 10% of the Company's share capital. The maximum purchase price per share was fixed at €60.

This authorization was intended to enable the Company to purchase its own shares in order to do the following:

- to grant free shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code;
- to grant free shares to employees or officers of the Company or of an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under long term incentive plans ("LTIP");
- to cancel shares that are bought back but not allocated; or
- to maintain a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

Share buybacks

In accordance with Article L.225-111 of the French Commercial Code, transactions carried out in 2016 in connection with the Company's share buyback program in effect during the fiscal year are set forth below.

On August 1, 2016, the 101,650 treasury shares, all allocated for use by the LTIP 2011-2014, were paid to this plan's beneficiaries residing outside France, in accordance with its regulation's timetable. Following this payment, Tarkett no longer held any of its own shares.

Additionally, on November 4, 2016, the Management Board used the authority granted by the 11th resolution of the Annual Shareholders' Meeting held on April 26, 2016 to supply shares for use by the LTIP 2014-2017, 2015-2018, and 2016-2019 (see Section 2.5).

In that regard, the Company acquired 300,000 Tarkett shares at a price of €30.11 per share on Euronext Paris.

As a result, on December 31, 2016, excluding its liquidity agreement, the Company held 300,000 of its own shares (or 0.47% of its share capital), with a market value of €10,227,000 as of December 31, 2016.

7.2.4.2 Liquidity agreement

On August 1, 2014, the Company entered into a liquidity agreement for a 12-month, automatically renewable term with Exane BNP Paribas, in accordance with the AMAFI ethics code dated March 8, 2011 and approved by the AMF by decision dated March 21, 2011.

Under the liquidity agreement between Tarkett and Exane BNP Paribas, as of December 31, 2016, the following were in the liquidity account:

- €2,581,559; and
- 19,618 shares.

As of the liquidity agreement's entry into force on August 11, 2014, the account held €2,800,000.

In connection with the liquidity agreement, 684,673 shares have been exchanged in 2016, for a total of €20,338,881. The capital gain realized under the liquidity agreement in 2016 was €199,708.

Liquidity agreement management commissions totaled €50,000, excluding tax, in 2016.

7.2.4.3 Description of share buyback program to be submitted for the approval of the Combined Shareholders' Meeting on April 27, 2017 (20th resolution)

This description of the program is intended, pursuant to Articles 241-1 et seq. of the AMF's General Regulation, to describe the terms of the Company's share buyback program, which will be submitted for the approval of the Combined Shareholders' Meeting on April 27, 2017.

Breakdown by objective of shares held by Tarkett

As of December 31, 2016, excluding its liquidity agreement the Company held 300,000 treasury shares (or 0.47% of its share capital), all of which were allocated to covering the LTIP 2014-2017, 2015-2018 and 2016-2019.

As of December 31, 2016, 19,618 shares were held in the liquidity account managed by Exane BNP Paribas.

Purpose of the share buyback program

Tarkett intends to purchase or cause the purchase of its own shares to accomplish the following objectives:

- to grant free shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code;
- to grant free shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under long term incentive plans;
- to cancel shares that are bought back but not allocated; or
- to maintain a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

Maximum percentage of Tarkett's share capital that may be acquired and maximum number and characteristics of shares that may be acquired in connection with the share buyback program

The maximum percentage of the share capital of which the buyback is authorized in connection with the program is 10% of the total shares making up the Company's share capital, namely a number of shares not to exceed 6,372,269 shares as of April 27, 2017, the date of the Combined Shareholders' Meeting, provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above is the number of shares bought less the number of shares resold during the period of the authorization. In addition, the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

The shares that the Company would be authorized to acquire would be Tarkett's ordinary shares exclusively, all of the same class, in bearer or registered form, listed for trading on Euronext Paris – Compartment A (ISIN Code FR0004188670).

Maximum Purchase Price

The maximum purchase price in connection with the share buyback program would be €60 per share.

In the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of free shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity, the maximum purchase price stated above would be adjusted in order to account for the effect of such transactions on the value of the shares.

Maximum amount of funds available for the purposes of this program

The total amount allocated to the share buyback program could not be greater than €15 million.

Buyback terms

Shares could be bought, sold or transferred at any time (other than during a tender offer for the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other derivative Financial Instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

Duration of the program

The share buyback authorization granted by the Combined Shareholders' Meeting on April 27, 2017 would be for a period of 18 months as from such Meeting, or until October 27, 2018.

This description will be sent to the AMF. It will be available free of charge at the Company's registered office, at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense Cedex, and on the Company's website (www.tarkett.com).

7.2.5 Share capital of any Company of the Group that is the subject of an option or of an agreement to put it under option

7.2.5.1 Morton extrusionstechnik GmbH

On July 9, 2010, FieldTurf Tarkett and Morton Holding GmbH ("MHG") entered into a Shareholders' Agreement governing their relationship as shareholders of Morton Extrusionstechnik GmbH ("MET"). FieldTurf Tarkett and MHG hold 51% and 49% of MET's share capital, respectively. MET manufactures fibers for synthetic turf. It is fully consolidated in the Group's Consolidated Financial Statements included in Section 5.1, "Group Consolidated Financial Statements". The Shareholders' Agreement provides for put and call options on MET's shares, which were updated by notarized deed dated January 28, 2014.

As a result, as from December 31, 2018, or earlier in the event of a change of control of FieldTurf Tarkett (other than in connection with a change of control of the entire Sports Surfaces segment), MHG may exercise a put option requiring FieldTurf Tarkett to acquire its entire 49% stake in MET. The exercise price for the put option was fixed at a minimum total amount of €3,340,000 and a maximum total amount of €7,000,000, based on the achievement of performance criteria through December 31, 2018.

In the event of a change in the CEO of MET occurring before December 31, 2018, FieldTurf Tarkett may exercise a call option enabling it to acquire all of MHG's shares of MET. The exercise price for the call option is fixed according to the same terms as the exercise price for the put option descried above, with achievement of the performance criteria being assessed on the option exercise date.

7.2.5.2 AA Sport System BV

On August 4, 2011, FieldTurf Tarkett and MarKno Beheer B.V. ("MarKno") entered into a Shareholders' Agreement governing their relationship as shareholders of AAsportsystems B.V., since renamed FieldTurf Benelux B.V. FieldTurf Tarkett and MarKno hold 51.11% and 48.89% of the share capital of FieldTurf Benelux B.V., respectively. FieldTurf Benelux B.V. sells and distributes outdoor sports surfaces in the Netherlands. It is fully consolidated in the Group's Consolidated Financial Statements included in Section 5.1, "Group Consolidated Financial Statements". The Shareholders' Agreement provides for put and call options on FieldTurf Benelux B.V.'s shares.

Since August 5, 2016, MarKno has had the right to exercise a put option requiring FieldTurf Tarkett to acquire all of its shares of FieldTurf Benelux B.V., and FieldTurf Tarkett has had the right to exercise a call option to acquire all of such shares. The exercise price for these options will be calculated based on FieldTurf Benelux B.V.'s EBITDA and net indebtedness.

In the event of the departure of one of MarKno's shareholders as an employee of FieldTurf Benelux B.V. and of the other MarKno shareholder's failure to exercise its option to acquire the shares held by the departing shareholder, FieldTurf Tarkett may exercise a call option to acquire half of MarKno's shares in FieldTurf Benelux B.V. The exercise price for these options will be calculated based on FieldTurf Benelux B.V.'s EBITDA and net indebtedness.

7.2.6 Pledges, guarantees and sureties

None.

7.2.7 History of the share capital over the past three fiscal years

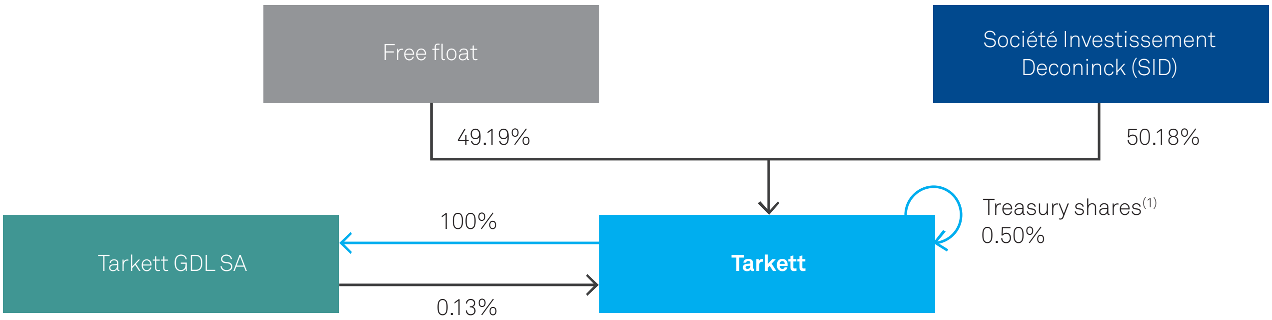
None.

7.3 Shareholder information

7.3.1 Simplified shareholder chart

The following simplified organizational chart shows the Group's ownership structure as of December 31, 2016.

Percentages represent percentages of the share capital.



(1) Treasury shares held directly by Tarkett do not include shares acquired in the name and on behalf of Tarkett in connection with its liquidity agreement.

7.3.2 Principal direct and indirect shareholders

As of December 31, 2016, to the Company's knowledge, the only shareholder directly or indirectly holding more than 5% of the Company's share capital or voting rights is Société Investissement Deconinck ("SID"). In addition, Tarkett GDL S.A. and the Company itself hold shares representing approximately 0.6% of the Company's share capital.

Société Investissement Deconinck ("SID")
SID, a French simplified stock company (*société par actions simplifiée*), having its registered office at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense Cedex, registered with the Nanterre Trade and Companies Register under number 421 199 274, is wholly owned, directly and indirectly, by the members of the Deconinck family. Its share capital is €42,333,415.07, divided into 277,689 shares of €152.45 par value each.

As of December 31, 2016, SID's shares of the Company represent 50.18% of the Company's share capital and 66.57% of its voting rights.

Shareholding by Executives and Employees
Certain officers and employees of the Group hold shares of the Company acquired in connection with the Company's incentive plans and free share plans. Shares received in connection with certain plans described in this Registration Document or purchased on the market may be held in bearer form or have been resold in whole or in part.

For a description of the Group's share plans and grants made thereunder, see Section 2.5, "Free Shares (LTIP)".

Treasury shares: shares held by Tarkett GDL SA (Luxembourg)
Tarkett GDL SA, a Luxembourg limited liability corporation (*société anonyme*) with share capital of €274,123,080, having its registered office at 2, Op der Sang, L-9779 Lentzweiler and registered with the Luxembourg Trade and Companies Register under number B 92 165, is a holding company that is wholly controlled by the Company and holds equity investments in various Group entities. It holds 81,726 shares of the Company as of December 31, 2016, representing approximately 0.13% of the Company's share capital.

Treasury shares: shares held by Tarkett

As of December 31, 2016, Tarkett holds 300,000 of its own shares, in addition to 19,618 shares held in connection with the liquidity agreement, representing approximately 0.50% of the Company's share capital.

The shares held by Tarkett (other than those held pursuant to the liquidity agreement) are intended to cover the LTIP 2014-2017, 2015-2018 and 2016-2019.

7.3.3 Shareholders' voting rights

Article 8 of the Company's Bylaws provides for a double voting right for all fully paid shares held in registered form by the same holder for a minimum period of two years. The duration of the shareholding prior to the date of the Company's initial public offering is not taken into account in determining whether the shares held by a shareholder carry double voting rights.

Since November 22, 2015, the Company has granted double voting rights to shares meeting the legal criteria.

In accordance with Article L.225-123 of the French Commercial Code, in the event of an increase in the Company's share capital through incorporation of reserves, profits or share premium, the newly issued shares will carry double voting rights if they are granted to a shareholder in relation to existing shares that already carry double voting rights.

Double voting rights may be exercised at any shareholders' meeting.

Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

A merger or spinoff of the Company has no effect on the double voting right, which may be exercised within the surviving company if the Bylaws of such company so provide.

7.3.4 Control of the company

As of December 31, 2016, SID holds 50.18% of the Company's shares and 66.57% of its voting rights.

However, the Company believes that there is no risk of control being exercised in an abusive manner. In that regard, it is noted that the Company complies with the provisions of the Afep-Medef Code on independence within the Supervisory Board and its committees. Thus, as of December 31, 2016, 44% of the members of the Supervisory Board were deemed independent, as were 66% of the members of each of its two specialized committees, which, moreover, are each chaired by an independent member (see Section 2.2.2.1).

To the Company's knowledge, as of December 31, 2016, there are no agreements whose implementation could, at a later date, result in a change in control of the Company.

7.3.5 Crossing of thresholds

During the fiscal year ended December 31, 2016 and as of the date of this Registration Document, the following crossings of thresholds have been reported to the Company:

Shareholder	Type of share	Date of transaction	Threshold	Direction	Shareholding following transaction
KKR International Flooring 2 S.à.r.l. and Société Investissement Deconinck	Acting in concert	4/27/2016	66.66% of the share capital	Decrease	41,978,533 shares (65.88% of the share capital)and 83,907,066 voting rights (78.75%)
KKR International Flooring 2 S.à.r.l.	Individual	4/27/2016	20% of the share capital and voting rights	Decrease	10,003,462 shares (15.70% of the share capital) and 20,006,924 voting rights (18.78%)
KKR International Flooring 2 S.à.r.l.	Individual	7/29/2016	15% of the share capital and voting rights	Decrease	6,503,462 shares (10.21% of the share capital) and 11,506,924 voting rights (11.34%)
KKR International Flooring 2 S.à.r.l. and Société Investissement Deconinck	Acting in concert	11/4/2016	66.66% of voting rights	Decrease	31,975,071 shares (50.18% of the share capital) and 63,900,142 voting rights (66.29%)
KKR International Flooring 2 S.à.r.l.	Individual	11/4/2016	5% and 10% of the share capital and voting rights	Decrease	0 share and 0 voting right

As of December 31, 2016, other than as described in Section 7.3.1, "Simplified Shareholder Chart," the Company has not been informed of any other shareholders holding, directly or indirectly, more than 5% of the Company's share capital or voting rights.

7.3.6 Changes in allocation of the share capital and voting rights over the last three years

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

	Dec. 31, 2016			Dec. 31, 2015			Dec. 31, 2014		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Société Investissement Deconinck (1)	31,975,071	50.18	66.57	31,975,071	50.18	58.93	31,975,071	50.18	50.32
KKR International Flooring 2 S.à.r.l. (1)	-	-	-	13,703,462	21.50	23.75	13,703,462	21.50	21.57
Acting in concert	-	-	-	45,678,533	71.68	82.68	45,678,533	71.68	71.89
Public	31,346,281	49.19	33.43	17,845,124	28.01	17.32	17,860,787	28.03	28.11
Tarkett	319,618	0.50 (2)	-	117,313	0.18 (2)	-	101,650	0.16 (3)	-
Tarkett GDL SA	81,726	0.13	-	81,726	0.13	-	81,726	0.13	-
TOTAL	**63,722,696**	**100**	**100**	**63,722,696**	**100**	**100**	**63,722,696**	**100**	**100**

(1) Société Investissement Deconinck and KKR International Flooring 2 acted in concert until KKR's exit from the Company's share capital (see Section 7.5 "Shareholders' Agreement").
(2) Treasury shares held directly by Tarkett include 19,618 shares held in the name and on behalf of Tarkett in connection with its liquidity agreement.
(3) Treasury shares held directly by Tarkett do not include shares acquired in the name and on behalf of Tarkett in connection with its liquidity agreement.

7.4 Financial authorizations

The table below shows financial authorizations in effect as of December 31, 2016.

Financial authorizations in effect as of December 31, 2016

Nature of authorizations	Expiration and duration of authorization	Maximum par value authorized	Usage in 2016
Delegation of authority to be given to the Management Board to trade in the Company's shares Combined General Meeting ("CGM"), April 26, 2016 (11th resolution)	October 26, 2017 (18 months)	10% of existing shares	Decision of the Management Board of November 4, 2016: buyback of 300,000 shares (i.e. 0.47% of existing shares)
Delegation of authority to be given to the Management Board to grant free shares to employees and/or certain company officers CGM, April 26, 2016 (12th resolution)	Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016	1.8% of existing shares	Decision of the Management Board of July 27, 2016: granting of 700,000 (1) free shares (i.e. 1.10% of existing shares) to the beneficiaries of the LTIP 2015-2018 and 2016-2019
Capital increase by incorporation of premiums, reserves or otherwise CGM, April 24, 2015 (14th resolution)	June 24, 2017 (26 months)	50 million euros	None
Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares CGM, April 24, 2015 (15th resolution)	June 24, 2017 (26 months)	10% of existing shares	None

(1) Based on a performance achievement of 100%. See Section 2.5.

The Combined Shareholders' Meeting on April 27, 2017 will be asked to renew all of these authorizations, which will expire in 2017.

Table of financial authorizations proposed for renewal at the Combined General Shareholders' Meeting on April 27, 2017

Nature of authorizations	Expiration and duration of authorization	Maximum par value authorized
Delegation of authority to be given to the Management Board to trade in the Company's shares (20th resolution)	October 27, 2018 (18 months)	10% of existing shares
Capital increase by incorporation of premiums, reserves or otherwise (21st resolution)	June 27, 2019 (26 months)	50 million euros
Delegation of authority to be given to the Management Board to grant free shares to employees and/or certain company officers (22nd resolution)	Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2017	1% of existing shares
Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares (23rd resolution)	June 27, 2019 (26 months)	10% of existing shares

It is noted that there are no other financial authorizations providing for increase(s) in the share capital or, more generally, dilution of the shareholding.

7.5 Shareholders' Agreement

In connection with the Company's initial public offering, on November 26, 2013, SID and KKR International Flooring 2 S.à.r.l. entered into a shareholders agreement (the "**Shareholders' Agreement**") constituting an action in concert to govern their relationship as shareholders of the Company.

In accordance with its terms, the Shareholders' Agreement was automatically terminated on November 4, 2016, when KKR International Flooring 2 S.à.r.l. sold all of its remaining shares of the Company.

To the Company's knowledge, since that date there has been no agreement or understanding between its shareholders.

7.6 Bylaws of the Company

The Company's Bylaws were drafted in accordance with French laws and regulations applicable to *Sociétés Anonymes* with Management and Supervisory Boards. The primary provisions described below are taken from the Company's Bylaws as adopted on November 21, 2013.

The Bylaws were modified by decision of the Supervisory Board on February 18, 2015 to reflect the transfer of the Company's registered office, which decision was ratified by the General Shareholders' Meeting on April 24, 2015.

The Internal Regulations of the Supervisory Board specify the conditions pursuant to which such Board operates.

7.6.1 Corporate purpose (Article 3 of the Bylaws)

The Company's purpose, in France and abroad, is as follows:

- to research, design, develop, operate, direct and manage all commercial, industrial, real estate or financial matters or businesses relating to activities in the flooring industry;
- to participate directly or indirectly in all transactions or undertakings by means of the creation of companies, establishments or groups of a real estate, commercial, industrial or financial nature or to participate in their creation or in the capital increase of existing companies;
- to manage a portfolio of equity investments and securities and the transactions related thereto;
- to own and manage any real property; and
- generally, to carry out any industrial, commercial, financial, securities or real estate transactions that may be directly or indirectly related to the purposes listed above.

7.6.2 Management and Supervisory Boards (Articles 11 to 23 of the Bylaws)

7.6.2.1 Management Board

Nomination (Articles 11 and 12 of the Bylaws)
The Company is administered and managed by a Management Board under the supervision of a Supervisory Board. The Management Board is composed of at least two and at most five members appointed by the Supervisory Board.

Members of the Management Board are appointed for a term of three years. The Supervisory Board must fill any vacancy within two months. Otherwise, any interested party may petition the presiding judge of the commercial court, ruling on an interim basis, to make a temporary appointment to fill the vacancy.

Members of the Management Board must be natural persons. Their terms are always renewable.

Any Member of the Management Board is automatically deemed to have resigned as of the close of the shareholders' meeting approving the financial statements for the fiscal year during which such member reached the age of 65.

Each member of the Company's Management Board is subject to applicable regulations with regard to the holding of multiple offices or positions. Members of the Management Board may not serve as a Managing Director, member of a Management Board, CEO or member of a Supervisory Board of any listed company outside of the Group.

Each Member of the Management Board must receive an opinion from the Supervisory Board before accepting any new office or position with a listed company that is not directly or indirectly controlled by the Company.

Removal (Article 11 of the Bylaws)
Members of the Management Board may be removed by the General Shareholders' Meeting or by the Supervisory Board. In the absence of cause, their removal may give rise to damages. The removal of a Member of the Management Board does not have the effect of terminating such member's employment agreement, if any, with the Company.

Chairman of the Management Board and Managing Directors (Article 14 of the Bylaws)
The Supervisory Board appoints one of the members of the Management Board to the position of Chairman.

The Chairman of the Management Board represents the Company in its relations with third parties. The Supervisory Board may grant the same representative power to one or more members of the Management Board, which members shall then hold the title of Managing Director.

The Chairman of the Management Board or the Managing Director(s) may delegate powers to a third party. The powers granted pursuant to such delegation, however, must be limited and relate to one or more specific purposes.

The Chairman of the Management Board or any member named a Managing Director by the Supervisory Board may validly make undertakings to third parties on behalf of the Company.

Management Board Meetings (Article 15 of the Bylaws)
It may be convened by its Chairman or by another member by any means, including orally.

Management Board meetings may be held at the registered office or at any other location indicated in the notice of meeting.

A Member of the Management Board may appoint another Member of the Management Board to represent him at a meeting. In the event of the Chairman's absence, the Management Board designates one of its members to chair the meeting. The Management Board may also designate a secretary, who need not be a Member of the Management Board.

The Management Board may validly meet as long as a majority of its current members are present (including by means of video or telephone conference) or represented.

Decisions are taken by a majority of the members present (including participation by video or telephone conference) or represented. In the event of a tie, the vote of the meeting's chairman does not prevail unless the meeting is chaired by the Chairman of the Management Board.

Minutes of Management Board meetings are recorded in a special ledger kept at the registered office and are signed by the Chairman of the Management Board and by the secretary or another Member of the Management Board. Copies or extracts of minutes may be certified by the Chairman, a Managing Director, or a Member of the Management Board.

Powers and Duties of the Management Board (Article 16 of the Bylaws and Article 3.2 of the Supervisory Board's Internal Regulations)
Subject to the powers that the law or the Company's Bylaws grant expressly to the Supervisory Board or the shareholders' meeting, and within the limits of the Key Decisions that require the prior authorization of the Supervisory Board, the Management Board has the broadest powers to act in all circumstances in the name and on behalf of the Company.

At least once per quarter, the Management Board presents a report to the Supervisory Board. Within three months after the close of each fiscal year, the Management Board finalizes and delivers the annual company and Consolidated Financial Statements, as well as the report to be presented to the annual shareholders' meeting, to the Supervisory Board for review. It also provides the Supervisory Board with a proposed allocation of the previous year's results.

In addition, the Supervisory Board may ask the Management Board at any time to provide a report on its management and current operations, in addition to provisional Company accounts, if necessary.

The Management Board convenes the General Shareholders' Meeting, sets its agenda and carries out its decisions.

Subject to Supervisory Board authorization, the members of the Management Board may allocate their management tasks among themselves. However, such allocation shall in no event have the effect of altering the collective nature of the Management Board's management of the Company.

The Company is bound by the actions of the Management Board even where they are not within the corporate purpose, unless the Company proves that the third party knew that the action exceeded such corporate purpose or could not have been unaware of that fact in light of the circumstances.

However, without prejudice to matters with respect to which prior authorization of the Supervisory Board is required by law, the Management Board must seek the prior authorization of the Supervisory Board before making any of the following decisions (“**Key Decisions**”) within the Company and/or its controlled subsidiaries, within the meaning of Article L.233-3 of the French Commercial Code (together, the “**Tarkett Group**”):

a) grants by any company of the Group of guarantees that exceed an annual aggregate threshold set by the Supervisory Board (although guarantees granted above such threshold will be deemed valid in respect of third parties acting in good faith);

b) transactions that result in a significant change in the primary business of the Group (flooring and sports surfaces) (although pursuing incidental new activities does not require the Supervisory Board’s prior authorization, unless it is otherwise a Key Decision);

c) provided that it exceeds a certain threshold (either global or per transaction type) set by the Supervisory Board (or failing that, by the Internal Regulations of the Supervisory Board), the acquisition or sale (and generally any transfer of ownership or investment) or collateralization of any asset of the Group as part of a project, such as asset contributions governed by the rules applicable to spin-offs, mergers, corporate restructurings (either internal or involving a third party);

d) listing shares of any Group company (apart from the Company) on a securities exchange;

e) the entry by any company in the Group into any loan whose nominal amount (i) exceeds a certain threshold set by the Supervisory Board (or failing that, by the Internal Regulations of the Supervisory Board) or (ii) results in an increase of the aggregate nominal amount of loans above the maximum global amount (in principal) authorized by the Supervisory Board for the applicable period (or failing that, by the Internal Regulations of the Supervisory Board), as well as any material modification thereto;

f) decisions pertaining to, or resulting in, amendments to the Company’s Bylaws and those of any Group company (i) whose assets’ book value is greater than a certain threshold set forth in the Internal Regulations of the Supervisory Board or (ii) that owns assets of strategic value for the Group, insofar as such modifications alter the rights of the Group company that controls such subsidiary;

g) approving joint venture agreements or agreements for other significant partnerships (i.e., those that involve asset contributions by any entity of the Group (including when made by way of a cash payment or of a set-off) that exceed a certain threshold set by the Internal Regulations of the Supervisory Board);

h) any material change in the accounting principles applied by the Company in preparing its Consolidated Financial Statements (annual or interim), apart from changes required under IAS or IFRS;

i) adopting the Group’s annual budget and any significant changes thereto;

j) adopting the Group’s strategic medium- or long-term plan as well as the annual update thereof (together with the annual budget);

k) the inclusion in the shareholders’ meeting agenda and the exercise of delegations granted by the shareholders’ meeting relating to the issuance of shares or other equity-linked securities by the Company (or by another Group company) to a non-Tarkett related party;

l) any acquisition or sale (and generally any transfer of ownership) of derivatives, foreign exchange contracts, swaps, option agreements or any other speculative financial instrument except when made (i) for the Group’s hedging purposes or (ii) as part of a buyback program relating to the Company’s shares;

m) implementing any bankruptcy proceeding of a Group company (i) whose number of employees exceeds a certain number set by the Internal Regulations of the Supervisory Board or (ii) with assets of strategic value for the Group (insofar as these modifications affect the rights of the Group company that controls such subsidiary);

n) any loan granted by the Group to a third party (apart from customer advances, employee advances and any loan granted in the ordinary course of business);

o) (i) recruiting or dismissing the Group’s senior executives defined under the Internal Regulations of the Supervisory Board, or (ii) any significant change to their compensation (including pension plans or specific departure conditions);

p) implementing or amending the management incentive plan (including any share or bonus incentive plan);

q) creating or amending any stock option plan or share award plan relating to shares of the Company or any Group company (or any similar securities) for the benefit of executives or employees of the Group, or of any category of them;

r) entering into or modifying any significant collective bargaining agreement, pension plan or redundancy plan that exceeds a certain number of employees set by the Internal Regulations of the Supervisory Board;

s) initiating, stopping or settling any dispute or litigation (including any tax-related dispute) or waiving certain claims that exceed in each case a certain threshold set by the Internal Regulations of the Supervisory Board;

t) appointing, re-nominating or removing the Company’s Statutory Auditors; and

u) any grants, corporate sponsorships or other type of donation that exceeds €100,000.

At least once per quarter, the Management Board presents a report to the Supervisory Board. Within three months after the close of each fiscal year, the Management Board presents the annual financial statements to the Supervisory Board for purposes of verification and review.

Compensation of Members of the Management Board (Article 12 of the Bylaws)
In its nomination decision, the Supervisory Board sets the form and amount of compensation for each Member of the Management Board.

7.6.2.2 Supervisory Board

Composition and Term in Office (Articles 17 to 19 of the Bylaws and Article 1 of the Internal Regulations of the Supervisory Board)
Members of the Supervisory Board serve for a term of four years. By way of exception, the General Shareholders' Meeting may decide when appointing certain members of the Supervisory Board that their term of office will be shorter than four years, in order to permit rolling renewal of the terms of the various members of the Supervisory Board.

Part of the Supervisory Board is renewed each year, such that the entire Supervisory Board is renewed on a rolling basis over a period of four years.

Members of the Supervisory Board may always be reelected.

The number of Supervisory Board members older than 75 may not be greater than one-third of the Board's then-current membership.

No Member of the Supervisory Board may be a Member of the Management Board. If a Member of the Supervisory Board is appointed to the Management Board, such member's term on the Supervisory Board ends as soon as the new appointment takes effect.

In the event of a vacancy in one or more seats by reason of death or resignation, the Supervisory Board may, between two shareholders' meetings, make interim appointments.

Interim appointments made by the Supervisory Board are submitted for ratification by the next Ordinary Shareholders' Meeting. A member appointed to replace another member remains in office only for the time remaining in predecessor's term.

If the number of members of the Supervisory Board falls below three, the Management Board must immediately convene an Ordinary Shareholders' Meeting to fill the vacancies.

If temporary appointments are not ratified, the prior votes and actions of the Supervisory Board remain valid.

The Supervisory Board ensures, to the extent possible, that at least one-third of its membership is composed of independent members and that the Audit Committee and the Nominations and Compensation Committee each include at least two independent members (including, in each case, the chairman). It is noted that the characterization of independence does not imply a value judgment as to the qualities and skills of the members of the Board.

At the time of each renewal or nomination of a Member of the Supervisory Board and at least once per year prior to the publication of the Company's annual report, the Board must evaluate the independence of each of its members (or candidates). During such evaluation, the Board, after receiving the opinion of the Nominations and Compensation Committee, examines the status of each of its members (or candidates) on a case-by-case basis with regard to the criteria referred to below, the specific circumstances and the position of the member or candidate in relation to the Company. The conclusions of this examination are brought to the attention of the shareholders in the annual report and, where applicable, to the shareholders' meeting in connection with the election of members to the Supervisory Board.

Members of the Supervisory Board may be removed at any time by the Ordinary Shareholders' Meeting.

Supervisory Board Officers (Article 20 of the Bylaws and Article 1.3 of the Supervisory Board's Internal Regulations)
The Supervisory Board elects a Chairman and a Vice Chairman from among its members, in accordance with the provisions of its Internal Regulations.

Powers and Duties of the Supervisory Board (Articles 16 and 22 of the Bylaws and Articles 1.4, 2.8, 2.9 and 3 of the Supervisory Board's Internal Regulations)
The Supervisory Board oversees the Management Board's management of the Company on an ongoing basis.

At any time during the year, the Supervisory Board carries out the controls and verifications that it deems appropriate and may obtain any documents that it deems useful for such purpose.

Within limits set by the Supervisory Board and with the power to sub-delegate, the Supervisory Board may authorize the Management Board to sell real property, to sell all or a portion of its equity investments, and to give security as well as deposits, backing or guarantees in the name of the Company.

A list of Management Board decisions that require prior approval of the Supervisory Board is included in Article 16 of the Company's Bylaws and Article 3.2 of the Supervisory Board's Internal Regulations (see Section 7.6.2.1, "Powers and Duties of the Management Board").

Each year at the Shareholders' Meeting, the Supervisory Board presents its comments on the Management Board's report and on the financial statements for the previous year.

It may delegate special authority to one or more of its members to accomplish one or more specific objectives.

The Supervisory Board may establish Internal Regulations providing, in particular, for the creation of one or more Supervisory Board committees, of which it determines the composition and powers and, where applicable, the compensation of each of its members. Members of the Supervisory Board and of the Management Board, as well as observers, are required to comply with such Internal Regulations.

Until he or she holds 1,000 Company shares, each Member of the Supervisory Board must use half of his attendance fees to acquire shares of the Company. When they take office, members of the Supervisory Board must convert their shares of the Company into registered form. Shares acquired at a later date must also be held in registered form.

Each Member of the Supervisory Board must comply with applicable regulations with respect to market abuse and inside information. Moreover, each member must report to the Company any transaction in the Company's securities, in accordance with applicable laws and regulations. The members of the Supervisory Board are reminded of these provisions on an annual basis and from time to time in the event of any significant change.

Information of the Supervisory Board
(Article 4.4 of the Supervisory Board's Internal Regulations)
The Management Board regularly apprises the Supervisory Board of developments in the Group's activity, financial results and financial condition, as well as of any commitments of the Company or the Group, in accordance with applicable provisions of the law, the Company's Bylaws or the Internal Regulations of the Supervisory Board or its committees.

Supervisory Board Meetings
(Articles 20 and 21 of the Bylaws and Article 5 of the Supervisory Board's Internal Regulations)
Supervisory Board meetings are convened by the Chairman. However, the Chairman is required to convene the Supervisory Board whenever at least one Member of the Management Board or at least one-third of the members of the Supervisory Board deliver a written reasoned request to the Chairman, within 15 days of receipt of such request. If the Chairman does not respond to such request, the authors of the request may convene the meeting themselves, indicating the meeting's agenda.

Supervisory Board meetings may be convened by any means, including email, with at least five (5) business days' notice. The notice period may be shortened on the proposal of the Chairman of the Supervisory Board if all members of the Supervisory Board are present or represented at the Supervisory Board meeting or if the members who are absent and not represented consent to the meeting being held in their absence.

Meetings take place at the Company's registered office or at any other location indicated in the notice of meeting.

The notice of meeting must contain the meeting agenda.

The Supervisory Board may validly deliberate only if at least one-half of its members are present. To the extent authorized by the law, members participating in a meeting by videoconference, telephone conference, or any other means permitted by law are deemed to be present for purposes of calculating quorum and majority.

Decisions of the Supervisory Board are taken by a simple majority of members present or represented. In the event of a tie, the vote of the Chairman of the Supervisory Board prevails; the vote of the meeting's chair does not prevail unless the meeting is chaired by the Chairman of the Supervisory Board.

Decisions of the Supervisory Board are recorded in minutes to be prepared within 15 days following the meeting and signed by the chairman of the meeting and one Member of the Supervisory Board (or, in the event that the meeting's chairman is unavailable, by at least two members of the Board), and kept in a special register held at the Company's registered office.

Copies or extracts of Supervisory Board minutes are certified by the Chairman of the Supervisory Board, the Vice Chairman of the Supervisory Board, or any Member of the Management Board.

Compensation of Members of the Supervisory Board
(Article 23 of the Bylaws and Article 7 of the Supervisory Board's Internal Regulations)
The shareholders' meeting may allocate an annual amount of attendance fees to members of the Supervisory Board as compensation for their functions.

Upon the recommendation of the Nominations and Compensation Committee, the Supervisory Board (i) freely distributes to its members the attendance fees allocated to the Board by the shareholders' meeting. A proportion determined by the Board and deducted from the amount of the attendance fees allocated to the Board is paid to the Committee members based in particular on their attendance at Committee meetings; (ii) determines the amount of the compensation allocated to the Chairman and to the Vice Chairman; (iii) may, moreover, allocate exceptional compensation to certain of its members for assignments or mandates that they are asked to perform.

Such compensation will be paid in addition to the attendance fees and pursuant to conditions provided for by law.

Observers (Article 26 of the Bylaws and Article 10 of the Supervisory Board's Internal Regulations)
The General Shareholders' Meeting and the Supervisory Board may each nominate observers (who may be individuals or entities) in a number not to exceed two. Observers are nominated for a renewable term of four years, although the body that appoints them may remove them at any time.

Observers are convened to Supervisory Board meetings as observers and may be consulted by the Supervisory Board. They may present observations to the shareholders' meeting on proposals submitted to them. They must receive notice of each Supervisory Board meeting pursuant to the same terms and conditions as those that apply to members of such Board. The Supervisory Board may entrust specific assignments to observers.

The Supervisory Board may, on the recommendation of the Nominations and Compensation Committee, authorize reimbursement of expenses incurred by observers in the interest of the Company.

7.6.3 Rights, privileges and restrictions on shares (Articles 6 to 9 of the Bylaws)

The Company's share capital is composed exclusively of ordinary shares.

The Company's ordinary shares are freely negotiable. The transfer of ordinary shares is carried out by transfer from account to account. Shares may be in registered or bearer form, at the option of the shareholder, pursuant to applicable regulations.

Whenever it is necessary to hold a specific number of shares to exercise any right, or in the event of an exchange or grant of securities giving the right to new shares in return for the return of a specific number of existing shares, any odd-lot shares or shares that fall short of the minimum number required will not provide shareholders with rights vis-à-vis the Company. It is the responsibility of shareholders to group their shares or to purchase or sell the necessary number of shares.

All fully paid shares held continuously in registered form by the same holder for at least two years benefit from double voting rights. The duration of the shareholding prior to November 22, 2013 is not taken into account in determining whether the shares held by a shareholder carry double voting rights.

In accordance with Article L.225-123 paragraph 2 of the French Commercial Code, in the event of an increase in the Company's share capital through incorporation of reserves, profits or share premium, the newly issued shares will carry double voting rights if they are granted to a shareholder in relation to existing shares that already carry double voting rights.

Double voting rights may be exercised at any shareholders' meeting. Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

Each share gives the right to a portion equal to the share of the capital that it represents with respect to ownership of corporate assets and liquidation proceeds.

Shares are indivisible vis-à-vis the Company.

7.6.4 Modifications to the rights of shareholders

To the extent that the Bylaws are silent, modification of the rights attached to the Company's shares is subject to applicable law.

7.6.5 Shareholders' meetings (Article 25 of the Bylaws)

Shareholders' meetings are convened subject to the conditions provided for by law. They meet at the Company's registered office or at any other location indicated in the notice of meeting.

The Management Board is authorized to decide at the time it convenes the shareholders' meeting to broadcast the meeting publicly by videoconference or any other means of tele-communication or transmission, including the Internet. A shareholder may give a proxy to another shareholder or to any other individual or entity to represent him at the shareholders' meeting.

The proxy, as well as, where applicable, its revocation, must be in writing and delivered to the Company in accordance with the conditions provided for by applicable regulations.

Shareholders may participate in meetings either in person or by proxy by proving their identity and their ownership of shares in the form in which such shares are held, pursuant to applicable laws and regulations.

Joint owners of indivisible shares are represented at meetings by one of the joint owners or by a proxy chosen by mutual agreement of the joint owners. In the event that the joint owners fail to reach an agreement as to the choice of a proxy, a proxy may be designated by order of the presiding judge of the commercial court, ruling on an interim basis at the request of the more diligent joint owner.

If the Management Board so provides in the notice of meeting, shareholders may also participate in such meeting by videoconference or other means of telecommunication or electronic transmission, including the Internet, pursuant to legal and regulatory requirements. Such shareholders are deemed present for purposes of calculating quorum and majority.

Meetings are chaired by the Chairman of the Supervisory Board, or, in his absence, by the Vice Chairman, or, in his absence, by any Member of the Supervisory Board specially delegated for such purpose by the Supervisory Board. Otherwise, the meeting elects its own chairman.

The two members of the meeting who are present, agree to serve such role and have the greatest number of voting rights serve as scrutineers.

The meeting officers designate a secretary, who need not be a shareholder.

An attendance sheet is kept at each meeting containing the information required by law.

Copies or extracts of the minutes of shareholders' meetings may be certified by the Chairman of the Supervisory Board, the Vice Chairman, a Member of the Management Board acting as Managing Director or by the secretary of the shareholders' meeting.

Ordinary and extraordinary shareholders' meetings voting pursuant to their respective quorum and majority requirements exercise the powers assigned to them by the law.

7.6.6 Statutory provisions likely to have an impact in case of a change of control of the Company

None.

7.6.7 Shareholding thresholds and identification of shareholders

7.6.7.1 Crossing of thresholds (Article 7 of the Bylaws)

Any individual or entity, acting alone or in concert with others, who comes to own, directly or indirectly, 1% or more of the share capital or voting rights of the Company and thereafter increases or decreases its shareholding by an amount greater than or equal to 1% of the share capital or voting rights, including above the legal threshold, must notify the Company thereof and provide the information required by the AMF by registered mail with acknowledgment of receipt, within four trading days from the date on which any such threshold is met or crossed.

The sanctions provided for by law for failure to comply with reporting obligations when legal thresholds are crossed shall not apply to thresholds provided for in the Bylaws except by request, recorded in the minutes of the shareholders' meeting, of one or more shareholders holding at least 1% of the Company's capital or voting rights.

Subject to the above provisions, this statutory obligation is governed by the same provisions as those governing the legal obligation, including legal or regulatory provisions with respect to assimilation with previously owned shares.

The Company reserves the right to disclose to the public and to the shareholders either the information reported to it or any failure by the person in question to comply with the above obligation.

7.6.7.2 Identification of shareholders (Article 7 of the Bylaws)

The Company has the right to apply applicable regulations to identify the holders of securities granting voting rights at shareholders' meetings, either immediately or in the future.

Holders who fail to comply with Tarkett's request for information within the time period provided for by applicable laws and regulations or who transmit incomplete or inaccurate information will not be permitted to exercise voting rights with respect to any such shares or other equity-linked securities and to receive dividends pertaining thereto (if any) until the date on which such holders comply with Tarkett's request for information.

7.6.8 Changes in share capital

To the extent that the Bylaws are silent, the share capital may be increased, decreased or redeemed by any means authorized by law.

7.6.9 Distribution of profits (Article 28 of the Bylaws)

Each fiscal year's net income is determined in accordance with applicable legal and regulatory provisions.

Under French law, Tarkett is required to allocate 5% of its net income in each fiscal year, after reduction for losses carried forward from previous years, if any, to a legal reserve fund until the amount in that fund equals 1/10 of the nominal amount of its share capital.

Upon proposal by Tarkett's Management Board and in light of the report of the Supervisory Board, Tarkett's shareholders may decide to allocate all or part of distributable profits to special or general reserves, to carry them forward to the next fiscal year as retained earnings, or to allocate them to the shareholders as dividends.

The annual shareholders' meeting for approval of the annual financial statements may grant an option to the shareholders to receive all or part of their dividends or interim dividends in cash or shares, in accordance with French law. Moreover, it may decide that for all or part of the dividends or interim dividends, reserves or premiums to be distributed, or for any share decrease, this distribution or decrease will be made in kind in the form of securities or assets of the Company. Each shareholder's share of the Company's profits and contribution to the Company's losses is equal to the proportion of the share capital held.

7.7 Equity investments in non-Tarkett Group entities

Information concerning entities in which the Company holds a fraction of the share capital likely to have a significant impact on the valuation of its assets and liabilities, financial condition or results of operations is included in Section 4.1.1.7, "Acquisitions", as well as in Note 2, "Scope of Consolidation", and Note 13, "Principal Consolidated Entities," included in Section 5.2, "Notes to the Consolidated Financial Statements".

7.8 Events likely to have an impact in the event of a tender offer

To the Company's knowledge, there are no agreements that could lead to a change in control.

The information required by Article L.225-100-3 of the French Commercial Code is included in this Registration Document as follows: the capital structure and direct and indirect holdings in the Company's capital of which the Company is aware are described and detailed in Section 7.2 "Information About the Share Capital".

Moreover, to the Company's knowledge and other than as described in Sections 2.3 "Compensation and Benefits Granted to the Management and Supervisory Bodies" and 2.4 "Other Information About the Company Officers", there are no agreements providing for indemnification of members of the Management Board or employees in the event of their dismissal due to a tender offer, nor has the Company entered into any agreement that could be modified or terminated in the event of a change of control of the Company.

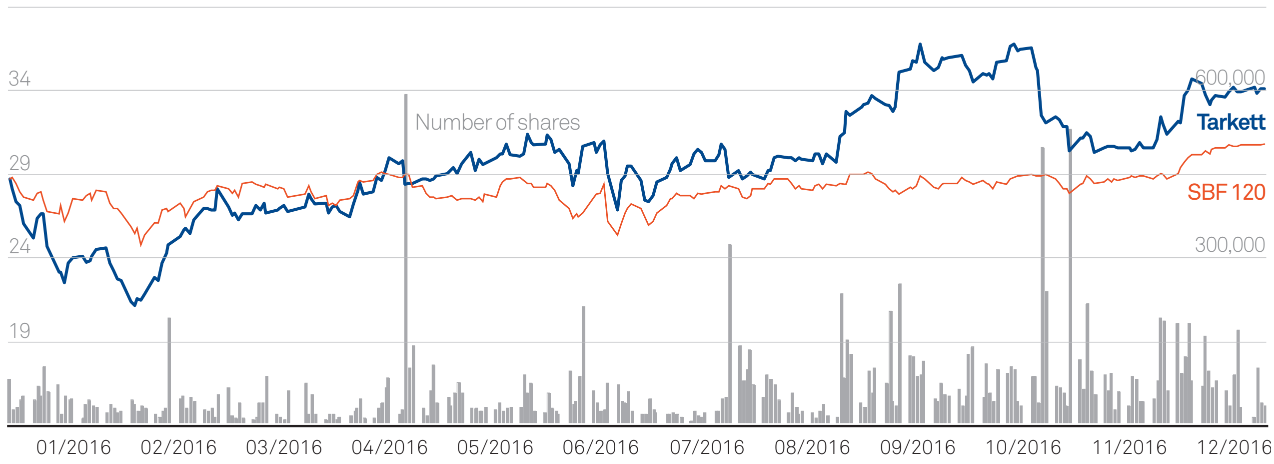
7.9 Stock Exchange information

Tarkett's shares are listed on Euronext Paris – Compartment A – ISIN Code: FR00004188670 – Stock symbol: TKTT.

	2016	2015	2014
Closing Share Price *(in euros)*			
High	€36.78	€29.00	€32.80
Low	€21.14	€17.09	€17.67
As of December 31	€34.09	€28.79	€17.90
Number of shares as of December 31	63,722,696	63,722,696	63,722,696
Market capitalization as of December 31 *(in millions of euros)*	2,172	1,835	1,141

Source: Euronext.

Changes in stock price



8 GENERAL SHAREHOLDERS' MEETING

8.1 Draft agenda and resolutions presented to the combined General Shareholders' Meeting of April 27, 2017

8.1.1 Agenda

1st Resolution:
Approval of the Company financial statements for the fiscal year ended December 31, 2016;

2nd Resolution:
Approval of the Consolidated Financial Statements for the fiscal year ended December 31, 2016;

3rd Resolution:
Allocation of the net result for the fiscal year ended December 31, 2016 and determination of the dividend;

4th Resolution:
Approval of regulated agreements and commitments within the meaning of Articles L.225-86 *et seq.* of the French Commercial Code;

5th Resolution:
Ratification of the cooptation of Ms. Agnès Touraine as a Member of the Supervisory Board;

6th Resolution:
Renewal of Ms. Agnès Touraine's term as a Member of the Supervisory Board;

7th Resolution:
Renewal of Mr. Jacques Garaïalde's term as an independent Member of the Supervisory Board;

8th Resolution:
Renewal of Ms. Guylaine Saucier's term as an independent Member of the Supervisory Board;

9th Resolution:
Renewal of the term of Mr. Nicolas Deconinck as an observer on the Supervisory Board;

10th Resolution:
Appointment of Ms. Sabine Roux de Bézieux as a Member of the Supervisory Board;

11th Resolution:
Approval of the principles and components used to determine, allocate, and grant the items making up Mr. Michel Giannuzzi's compensation in his capacity as Chairman of the Management Board;

12th Resolution:
Approval of the principles and components used to determine, allocate, and grant the items making up Mr. Fabrice Barthélemy's compensation in his capacity as a Member of the Management Board;

13th Resolution:
Approval of the principles and components used to determine, allocate, and grant the items making up Ms. Sharon MacBeath's compensation in her capacity as a Member of the Management Board;

14th Resolution:
Approval of the principles and components used to determine, allocate, and grant the items making up Mr. Didier Deconinck's compensation in his capacity as Chairman of the Supervisory Board;

15th Resolution:
Re-assessment of the total attendance fees allocated to the members of the Supervisory Board;

16th Resolution:
Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Michel Giannuzzi in his capacity as Chairman of the Management Board;

17th Resolution:
Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Fabrice Barthélemy in his capacity as a Member of the Management Board;

18th Resolution:
Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Vincent Lecerf in his capacity as a Member of the Management Board;

19th Resolution:
Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Didier Deconinck in his capacity as Chairman of the Supervisory Board;

20th Resolution:
Authorization to be granted to the Management Board to trade in the Company's shares;

21st Resolution:
Delegation of authority to be given to the Management Board to decide to increase the Company's share capital by incorporation of premiums, reserves, profits, or otherwise;

Extraordinary Shareholders' Meeting

22nd Resolution:
Authorization to be given to the Management Board to grant free shares to employees and/or certain officers of the Company or its related companies, duration of the authorization, maximum amount, duration of vesting and retention periods;

23rd Resolution:
Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares;

24th Resolution:
Amendment of the bylaws to determine the terms pursuant to which the members of the Supervisory Board representing the employees are appointed;

25th Resolution:
Amendment of the bylaws to take into account French Commercial Code's new wording regarding the conditions to attend Shareholders' General Meetings;

Ordinary Shareholders' Meeting

26th Resolution:
Powers to carry out the necessary formalities.

8.1.2 Resolutions on the agenda for the General Shareholders' Meeting

First Resolution
(Approval of the Company financial statements for the fiscal year ended December 31, 2016)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings and after reviewing (i) the report of the Chairman of the Supervisory Board; (ii) the report of the Management Board; (iii) the report of the Supervisory Board; and (iv) the report of the Statutory Auditors on the annual Company financial statements as of and for the fiscal year ended December 31, 2016, **approves** the Company financial statements as of and for the fiscal year ended December 31, 2016 as presented to them and including the balance sheet, income statement and annexes, showing net income of €9,769,475, as well as the transactions described in such financial statements and summarized in such reports.

Pursuant to Article 223 quater of the French General Tax Code, the General Shareholders' Meeting also takes note that total expenses and charges as referred to in Article 39-4 of the French General Tax Code were €51,258.72 for the most recently ended fiscal year.

Second Resolution
(Approval of the Consolidated Financial Statements for the fiscal year ended December 31, 2016)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings and after reviewing (i) the report of the Chairman of the Supervisory Board; (ii) the report of the Management Board; (iii) the report of the Supervisory Board; and (iv) the report of the Statutory Auditors on the Consolidated Financial Statements as of and for the fiscal year ended December 31, 2016, **approves** the Consolidated Financial Statements as of and for the fiscal year ended December 31, 2016 as presented to them and including the balance sheet, income statement and annexes, showing net income attributable to the owners of the company of €118.6 million, as well as the transactions described in such financial statements and summarized in such reports.

Third Resolution
(Allocation of the net result for the fiscal year ended December 31, 2016 and determination of the dividend)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and after reviewing the report of the Management Board, finding that the financial statements as of and for the fiscal year ended December 31, 2016 show a net profit of €9,769,475, **decides**, upon the proposal of the Management Board, to allocated and distribute the distributable profit as follows:

Distributable amount for 2016	
Profit for the fiscal year	€9,769,475
Retained earnings from prior years	€744,255,618
Total	**€754,025,093**
Allocation of distributable profit	
Dividend per share of €0.60, corresponding to a total amount of [(1)]	€38,041,846.80
Balance allocated to retained earnings	€715,983,246

(1) The total amount of the distribution referred to above is calculated on the basis of the number of shares with dividend rights as of December 31, 2016 (63,403,078 shares) and may change if the number of shares with dividend rights changes between January 1, 2017 and the ex-dividend date, in particular with respect to the number of treasury shares and final grants of free shares (where the recipient has dividend rights under the relevant plan).

As a result, the General Shareholders' Meeting sets the per-share dividend at €0.60 for the fiscal year ended December 31, 2016, attached to each of the shares with rights thereto.

The General Shareholders' Meeting **specifies** that the Company will not receive any dividend in respect of shares that it holds on the payment date. If, when the dividend is paid, the Company holds any of its own shares, the amounts corresponding to the dividends not paid in respect of such shares will be allocated to retained earnings. As a result, the General Shareholders' Meeting delegates authority to the Management Board to adjust the final amount of the distribution and the final amount of retained earnings, if necessary.

In accordance with Article 243 bis of the French General Tax Code, it is specified that when paid to shareholders who are natural persons and residents of France for tax purposes, this distribution is eligible for the 40% tax deduction provided for in Article 158 3.2 of the same Code. In addition, it is noted that since July 1, 2012, the social security contribution on dividend distributions has been 15.5%.

Dividends paid over the past three fiscal years	Year distributed		
	2016	2015	2014
Total dividends *(in millions of euros)*	33.1 [(1)]	24.1 [(1)]	39.5 [(1)]
Dividends per share *(in euros)*	0.52	0.38	0.62

(1) The amounts presented in the table represent total dividends after deduction of the dividend on treasury shares held by the Company.

The dividend will be detached from the shares at the end of the accounting day on July 4, 2017, and the dividend will be paid on July 6, 2017.

Fourth Resolution

(Approval of regulated agreements and commitments within the meaning of Articles L.225-86 *et seq.* of the French Commercial Code)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and having reviewed the special report of the Statutory Auditors on agreements and commitments governed by Articles L.225-86 *et seq.* of the French Commercial Code, **approves** such report as well as the agreement entered into during the fiscal year ended December 31, 2016 and authorized in advance by the Company's Supervisory Board.

Fifth Resolution

(Ratification of the cooptation of Ms. Agnès Touraine as a Member of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board, takes note of the resignation of Mr. Josselin de Roquemaurel dated November 14, 2016 and **ratifies** the appointment of Ms. Agnès Touraine, carried out on a provisional basis by the Supervisory Board at its meeting on December 5, 2016, for the remainder of her predecessor's term, which will expire at the General Shareholders' Meeting called in 2017 to approve the financial statements ending December 31, 2016.

Sixth Resolution

(Renewal of Ms. Agnès Touraine's term as a Member of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board and noting that the term of Ms. Agnès Touraine is expiring, **decides** to reappoint Ms. Agnès Touraine as a Member of the Supervisory Board for a term of four (4) years to expire at the close of the annual shareholders' meeting called in 2021 to approve the financial statements for the fiscal year ending December 31, 2020.

Ms. Agnès Touraine indicated in advance that she would accept the renewal of her term if this Meeting so decides and that she does not hold any position, nor is she subject to any measure, liable to render her ineligible.

Seventh Resolution

(Renewal of Mr. Jacques Garaïalde's term as an independent Member of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board and noting that the term of Mr. Jacques Garaïalde is expiring, **decides** to reappoint Mr. Jacques Garaïalde as a Member of the Supervisory Board for a term of two (2) years to expire at the close of the annual shareholders' meeting called in 2019 to approve the financial statements for the fiscal year ending December 31, 2018.

Mr. Jacques Garaïalde indicated in advance that he would accept the renewal of his term if this Meeting so decides and that he does not hold any position, nor is he subject to any measure, liable to render him ineligible.

Eighth Resolution

(Renewal of Ms. Guylaine Saucier's term as a Member of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board and noting that the term of Ms. Guylaine Saucier is expiring, **decides** to reappoint Ms. Guylaine Saucier as a Member of the Supervisory Board for a term of four (4) years to expire at the close of the annual shareholders' meeting called in 2021 to approve the financial statements for the fiscal year ending December 31, 2020.

Ms. Guylaine Saucier indicated in advance that she would accept the renewal of her term if this Meeting so decides and that she does not hold any position, nor is she subject to any measure, liable to render her ineligible.

Ninth Resolution

(Renewal of the term of Mr. Nicolas Deconinck as an observer on the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board and noting that the term of Mr. Nicolas Deconinck is expiring, **decides** to reappoint Mr. Nicolas Deconinck as an observer on the Supervisory Board for a term of four (4) years to expire at the close of the annual shareholders' meeting called in 2021 to approve the financial statements for the fiscal year ending December 31, 2020.

Mr. Nicolas Deconinck indicated in advance that he would accept the renewal of his term if this Meeting so decides and that he does not hold any position, nor is he subject to any measure, liable to render him ineligible.

Tenth Resolution

(Appointment of Ms. Sabine Roux de Bézieux as a Member of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board, **decides** to appoint Ms. Sabine Roux de Bézieux as a Member of the Supervisory Board for a term of four (4) years to expire at the close of the annual shareholders' meeting called in 2021 to approve the financial statements for the fiscal year ending December 31, 2020.

Ms. Sabine Roux de Bézieux indicated in advance that she would accept her appointment if this Meeting so decides and that she does not hold any position, nor is she subject to any measure, liable to render her ineligible.

Eleventh Resolution

(Approval of the principles and components used to determine, allocate, and grant the items making up Mr. Michel Giannuzzi's compensation in his capacity as Chairman of the Management Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **approves** the principles and the components used to determine, allocate, and grant the fixed, variable, long-term and exceptional components of the total compensation and benefits of all kinds payable to Mr. Michel Giannuzzi in his capacity as Chairman of the Management Board, as set forth in Sections 2.6.1.1, "Principles of the compensation of Management Board members" and 2.6.1.2 "Components of the compensation paid to Management Board members" of the 2016 Registration Document.

Twelfth Resolution
(Approval of the principles and components used to determine, allocate, and grant the items making up Mr. Fabrice Barthélemy's compensation in his capacity as a Member of the Management Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **approves** the principles and the components used to determine, allocate, and grant the fixed, variable, long-term and exceptional components of the total compensation and benefits of all kinds payable to Mr. Fabrice Barthélemy in his capacity as a Member of the Management Board, as set forth in Sections 2.6.1.1, "Principles of the compensation of Management Board members" and 2.6.1.2 "Components of the compensation paid to Management Board members" of the 2016 Registration Document.

Thirteenth Resolution
(Approval of the principles and components used to determine, allocate, and grant the items making up Ms. Sharon MacBeath's compensation in her capacity as a Member of the Management Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **approves** the principles and the components used to determine, allocate, and grant the fixed, variable, long-term and exceptional components of the total compensation and benefits of all kinds payable to Mr. Sharon MacBeath in her capacity as a Member of the Management Board, as set forth in Sections 2.6.1.1, "Principles of the compensation of Management Board members" and 2.6.1.2 "Components of the compensation paid to Management Board members" of the 2016 Registration Document.

Fourteenth Resolution
(Approval of the principles and components used to determine, allocate, and grant the items making up Mr. Didier Deconinck's compensation in his capacity as Chairman of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **approves** the principles and the components used to determine, allocate, and grant the fixed, variable, long-term and exceptional components of the total compensation and benefits of all kinds payable to Mr. Didier Deconinck in his capacity as Chairman of the Supervisory Board, as set forth in Section 2.6.1.3 "Principles and components of the compensation paid to Supervisory Board members" of the 2016 Registration Document.

Fifteenth Resolution
(Re-assessment of the total attendance fees allocated to the members of the Supervisory Board)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and after reviewing the report of the Management Board, **decides** that the maximum total attendance fees allocated to the Supervisory Board shall be €500,000 as from fiscal year 2017, until decided otherwise by the General Shareholders' Meeting.

Sixteenth Resolution
(Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Michel Giannuzzi in his capacity as Chairman of the Management Board)

The General Shareholders' Meeting, consulted in accordance with the recommendation of paragraph 26.1 of the Afep-Medef Corporate Governance Code of November 2016, which is the Company's reference code within the meaning of Article L.225-68 of the French Commercial Code, and pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **issues a favorable opinion** on the components of the compensation due or granted for the fiscal year ended December 31, 2016 to Mr. Michel Giannuzzi as set forth in Section 2.6.2.1 "Components of compensation due or granted to Michel Giannuzzi during the fiscal year ended December 31, 2016" of the 2016 Registration Document.

Seventeenth Resolution
(Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Fabrice Barthélemy in his capacity as a Member of the Management Board)

The General Shareholders' Meeting, consulted in accordance with the recommendation of paragraph 26.1 of the Afep-Medef Corporate Governance Code of November 2016, which is the Company's reference code within the meaning of Article L.225-68 of the French Commercial Code, and pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **issues a favorable opinion** on the components of the compensation due or granted for the fiscal year ended December 31, 2016 to Mr. Fabrice Barthélemy as set forth in Section 2.6.2.2 "Components of compensation due or granted to Fabrice Barthélemy during the fiscal year ended December 31, 2016" of the 2016 Registration Document.

Eighteenth Resolution
(Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Vincent Lecerf in his capacity as a Member of the Management Board)

The General Shareholders' Meeting, consulted in accordance with the recommendation of paragraph 26.1 of the Afep-Medef Corporate Governance Code of November 2016, which is the Company's reference code within the meaning of Article L.225-68 of the French Commercial Code, and pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **issues a favorable opinion** on the components of the compensation due or granted for the fiscal year ended December 31, 2016 to Mr. Vincent Lecerf as set forth in Section 2.6.2.3 "Components of compensation due or granted to Vincent Lecerf during the fiscal year ended December 31, 2016" of the 2016 Registration Document.

Nineteenth Resolution
(Advisory vote on the components of the compensation due or granted for the 2016 year to Mr. Didier Deconinck in his capacity as Chairman of the Supervisory Board)

The General Shareholders' Meeting, consulted in accordance with the recommendation of paragraph 26.1 of the Afep-Medef Corporate Governance Code of November 2016, which is the Company's reference code within the meaning of Article L.225-68 of the French Commercial Code, and pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, **issues a favorable opinion** on the components of the compensation due or granted for the fiscal year ended December 31, 2016 to Mr. Mr. Didier Deconinck as set forth in Section 2.6.2.4 "Components of compensation due or granted to Didier Deconinck during the fiscal year ended December 31, 2016" of the 2016 Registration Document.

Twentieth Resolution
(Authorization to be granted to the Management Board to trade in the Company's shares)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and having reviewed the report of the Management Board, **authorizes** the Management Board to purchase or cause the purchase of the Company's shares, with the power to sub-delegate as permitted by law, in accordance with Articles L.225-209 *et seq.* of the French Commercial Code, for the purpose of:

- granting free shares pursuant to Articles L.225-197-1 *et seq.* of the French Commercial Code; or
- granting free shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 *et seq.* of the French Commercial Code, and in particular under long term incentive plans; or
- cancelling shares that are bought back but not allocated; or
- maintaining a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

The Company may buy back a number of shares such that:

- the number of shares that the Company buys during the term of the share buyback program shall not exceed 10% of the shares making up the Company's share capital at any time, as adjusted following any transaction affecting it subsequent to this General meeting (such number being 6,372,269 shares as of December 31, 2016), provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above shall be the number of shares bought less the number of shares resold during the period of the authorization; and
- the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Shares may be bought, sold or transferred at any time (other than during a tender offer for the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other derivative Financial Instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

The maximum share purchase price in connection with this resolution is €60.

The General Shareholders' Meeting **delegates** to the Management Board, in the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of free shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity, the power to adjust the maximum purchase price stated above in order to account for the effect of such transactions on the value of the shares.

The total amount allocated to the share buyback program authorized above may not be greater than €15 million.

The General Shareholders' Meeting **grants** all powers to the Management Board, with the power to delegate as permitted by law, to decide upon and implement this authorization, to specify, if necessary, its terms and conditions, to carry out the share buyback program, and in particular to place any stock market order, to enter into any agreement, to allocate or reallocate the acquired shares for their intended purposes in accordance with applicable laws and regulations, to set the terms and conditions governing the maintenance of shareholder or option holder rights in accordance with legal, regulatory or contractual provisions, to file any declarations with the AMF or any other competent authority and to carry out all other formalities and, generally, to perform all necessary acts.

As of the date hereof and up to the amount, if any, that has not yet been used, this authorization cancels any power previously given to the Management Board to trade in the Company's shares. It is given for a period of 18 months as from the date hereof.

Twenty-First Resolution
(Delegation of authority to be given to the Management Board to decide to increase the Company's share capital by incorporation of premiums, reserves, profits, or otherwise)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, after reviewing the report of the Management Board, and in accordance with Article L.225-130 of the French Commercial Code:

delegates to the Management Board, with the power to sub-delegate as permitted by law, the authority to decide to increase the share capital one or more times in the proportions and at the times that it shall determine, by incorporation of premiums, reserves, profits, or otherwise as permissible under the law and the Bylaws, in the form of an issuance of new shares or an increase in the par value of the existing shares, or both. The maximum par value of the capital increases that may be carried out in that regard is €50,000,000 or the equivalent in any other currency or monetary unit determined by reference to more than one currency;

if the Management Board makes use of this delegation of authority, **delegates** all powers to the Management Board, with the power to sub-delegate as permitted by law, to implement this delegation, in order, in particular, to:

- set the total amount and nature of the amounts to be incorporated into the share capital, to determine the number of new shares to be issued and/or the amount by which the par value of existing shares will be increased, to set the dividend date or the effective date for the increase in the par value of existing shares, which dates may be retroactive;

- decide, in the case of free share distributions:
  - that fractional shares shall not be negotiable and that the corresponding shares shall be sold; the amounts realized in such sale shall be allocated to the holders of the rights as provided for by laws and regulations,
  - that the shares to be allocated pursuant to this delegation in respect of existing shares with double voting rights will benefit from such rights immediately upon issuance;
- determine and carry out any adjustments intended to take into account the effect of transactions in the Company's share capital, in particular in the event of a modification in the par value of its shares; capital increase by incorporation of reserves or by the free grant of shares or other equity instruments; stock split or reverse stock split; distribution of dividends, reserves, premiums or any other assets; amortization of capital; or any other transaction affecting the share capital or shareholders' equity (including in the event of a tender offer and/or a change in control), and to determine all other procedures in order to ensure, if necessary, that the rights of the holders of securities giving access to the share capital are preserved (including through adjustments in cash);
- take note of each capital increase and make the corresponding modifications to the Bylaws;
- generally, to enter into any agreement, take any measures, and carry out any formalities in connection with the issuance, listing, and financial servicing of the shares issued pursuant to this delegation, as well as to the exercise of the rights attached thereto.

This delegation is given for a period of twenty-six months from the date hereof.

Extraordinary Shareholders' Meeting

Twenty-Second Resolution
(Authorization to be given to the Management Board to grant free shares to employees and/or certain officers of the Company or its related companies, duration of the authorization, maximum amount, duration of vesting and retention periods)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to extraordinary shareholders' meetings and in accordance with applicable law, including Article L.225-197-1 *et seq.* of the French Commercial Code, after reviewing the report of the Management Board, and the special report of the Statutory Auditors:

authorizes the Management Board, as from the date of this General Shareholders' Meeting, and for a duration to expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017, to carry out, with the prior authorization of the Supervisory Board, one or more free grants of existing shares of the Company, subject to the performance conditions set by the Management Board and approved by the Supervisory Board and upon the proposal of the Nominations and Compensation Committee, pursuant to the terms set forth below.

The total number of existing shares of the Company to be granted pursuant to this Resolution may not represent more than 1% of the Company's share capital on the date of this Meeting, it being specified that the grants made pursuant to this Resolution to each of the members of the Company's Management Board must be authorized in advance by the Supervisory Board, must be fully subject to performance conditions, and may not represent more than 30% of the number of shares authorized by this Resolution.

The beneficiaries will be some or all of the eligible employees and/or company officers (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code and subject to compliance with Articles L.225-186-1 and L.225-197-6 of such Code) of the Company or of companies or groups that are related to the Company within the meaning of Article L.225-197-2 of the French Commercial Code, or certain categories thereof.

At the time of each grant decision, the Management Board shall determine, on the basis of the recommendations of the Nominations and Compensation Committee and as permitted by law, the vesting period following which the share grant shall become final. The vesting period may not be less than two years from the date of the share grant.

At the time of each grant decision, the Management Board shall determine, on the basis of the recommendations of the Nominations and Compensation Committee, where applicable, the retention period to which the grant beneficiaries will be bound, which period shall run from the vesting date of the shares and which may be eliminated, since the vesting period may not be less than two years.

In the event that a beneficiary becomes disabled, as defined in the second or third category set forth in Article L.341-4 of the French Social Security Code, the shares shall be definitively granted before the end of the remaining vesting period, and shall be immediately transferable.

The existing shares that may be granted pursuant to this Resolution shall be acquired by the Company, either pursuant to Article L.225-208 of the French Commercial Code, or, where applicable, under the share buyback program proposed in the Eleventh Resolution above, in accordance with Article L.225-209 of the French Commercial Code, or any other share buyback program that may apply at a later date.

In that regard, the General Shareholders' Meeting grants all powers to the Management Board, subject to the prior authorization of the Supervisory Board, to implement this authorization, and, in particular, to:

- determine the beneficiaries, the grant criteria (in particular with respect to performance and continued employment), the number of shares to be granted to each of them, the terms and conditions for the share grants and, in particular, the vesting period and retention period applicable to each grant, subject to the minimum periods defined by this Resolution;
- set, upon the proposal of the Nominations and Compensation Committee, pursuant to legal conditions and limits, the dates on which such free share grants shall be made;
- determine the dividend date for the newly issued shares, which date may be retroactive;
- decide the terms pursuant to which the number of shares granted will be adjusted in order to preserve the beneficiaries' rights; and
- more generally, enter into any agreements, prepare any documents, and carry out any formalities or filings with any bodies, and do all that may otherwise be necessary.

The Management Board shall inform the Ordinary Shareholders' Meeting each year of the grants carried out in connection with this Resolution, in accordance with Article L.225-197-4 of the French Commercial Code.

Twenty-Third Resolution
(Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to extraordinary shareholders' meetings, and after reviewing the report of the Management Board and the special report of the Statutory Auditors, **authorizes** the Management Board to decrease the share capital one or more times, in the proportions and at the times that it shall choose, by cancellation of any number of treasury shares that it shall decide within the limits authorized by law, in accordance with Articles L.225-209 *et seq.* and L.225-213 of the French Commercial Code.

The maximum number of shares that the Company may cancel during a twenty-four month period pursuant to this authorization shall be equal to ten percent (10%) of the Company's share capital at a given time, it being noted that this limit applies to the Company's share capital as adjusted, if applicable, to take into account transactions affecting the share capital after this General Shareholders' Meeting.

This authorization is given for a period of twenty-six months from the date hereof.

The General Shareholders' Meeting **grants** all powers to the Management Board, with the power to sub-delegate, to carry out the transaction or transactions necessary for the cancellation and capital decrease that may be performed pursuant to this authorization, to make the corresponding modifications to the Bylaws, and to carry out all formalities.

Twenty-Fourth Resolution
(Amendment of the Bylaws to determine the terms pursuant to which the members of the Supervisory Board representing the employees are appointed)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to extraordinary shareholders' meetings, after reviewing the report of the Management Board, **decides**, in accordance with Article L.225-79-2 of the French Commercial Code, to plan for the appointment of an employee to the Supervisory Board by setting up a Works' Council, and thus to add to the Company's Bylaws:

First, a new Article 29 within a new Title IX, which shall read as follows:

"*The delegates of the Works' Council shall exercise the rights granted to them by law.*

The delegates of the Works' Council may attend General Shareholders' Meetings, without participation or voting rights.

Moreover, the Works' Council may, as permitted by law, require the inclusion of draft resolutions on the agenda for General Shareholders' Meetings."

Second, a new Article 17 paragraph 4, which shall read as follows:

"*The Supervisory Board shall include one member representing the employees, who shall be appointed by the Company's Works' Council. The number of such representatives shall be two when the Supervisory Board has more than 12 members.*

The term of the Supervisory Board member or members representing the employees shall be four years and shall end at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the previous year and held during the year in which such member's term expires.

In the event that the conditions set forth in Article L.225-79-2 of the French Commercial Code are not satisfied at the end of a fiscal year, the terms of the Supervisory Board members representing the employees shall end at the close of the General Shareholders' Meeting having approved the financial statements for such year."

Twenty-Fifth Resolution
(Amendment of the bylaws to take into account French Commercial Code's new wording regarding the conditions to attend Shareholders' General Meetings)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to extraordinary shareholders' meetings, and after reviewing the report of the Management Board, **decides**, in compliance with the new wording of article R.225-85 of the French Commercial Code, to replace the expression "accounting registration" ("*enregistrement comptable*") by the expression "book-entry" ("*inscription en compte*") in article 25 ("Shareholders' Meetings'") paragraph 4 of the Company's Bylaws, which will be drafted as follows:

"Any shareholder can attend, personally or by proxy, the general meetings, upon justification of her or his identity and with a proof of ownership of the shares under the form of a book-entry of said shares, in the conditions prescribed by the law."

Ordinary Shareholders' Meeting

Twenty-Sixth Resolution
(Powers to carry out the necessary formalities)

The General Shareholders' Meeting **grants** all powers to the bearer of an original, a copy or an extract of the minutes of this General Shareholders' Meeting to carry out all filings, formalities, and publications required by law.

8.2 Management Board's report on the draft resolutions presented to the General Shareholders' Meeting of April 27, 2017

1. Approval of the Company and Consolidated Financial Statements for Fiscal Year 2016 (first and second resolutions)

In its first and second resolutions, the Management Board asks the Meeting to approve the Company financial statements and the Consolidated Financial Statements as of and for the fiscal year ended December 31, 2016, which show:

- with respect to the Company financial statements, an income statement showing net profit in the amount of €9,769,475 in 2016 as compared with €54,159,597 in 2015;
- with respect to the Consolidated Financial Statements, net income, Group Share, in the amount of €118.6 million in 2016 as compared with €83.3 million in 2015. Details of the financial statements and the corresponding Statutory Auditors' reports are included in Chapter 4, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Chapter 5, "Financial Statements," of the 2016 Registration Document.

2. Allocation of the results and determination of the dividend amount (third resolution)

The purpose of the third resolution is to ask the Meeting:

(i) to allocate the results;

(ii) to set the dividend at €0.60 per share, payable in cash, for the fiscal year ended December 31, 2016.

The dividend will be paid on July 6, 2017.

3. Regulated agreements and commitments (fourth resolution)

The fourth resolution presents to the Meeting the commitments or agreements referred to in Articles L.225-86 *et seq.* of the French Commercial Code that were entered into or remained in force during the fiscal year ended December 31, 2016, as presented in the Statutory Auditors' special report (included in Section 8.6 "Special Report of the Statutory Auditors on the regulated agreements and commitments" of the Registration Document). The Management Board notes that one new agreement was entered into and that those entered into in previous years continued during the fiscal year ended December 31, 2016.

4. Ratification of cooptation, renewals of terms, and appointments to the Supervisory Board (fifth through tenth resolutions)

At its meeting on December 5, 2016, the Supervisory Board took note of the resignation of Mr. Josselin de Roquemaurel as a Member of the Supervisory Board.

At the same meeting, after analysis by the Nominations and Compensation Committee, the Supervisory Board coopted **Ms. Agnès Touraine** as a member of the Board for the remainder of her predecessor's term, to expire at the close of the annual shareholders' meeting called in 2017 to approve the financial statements for the fiscal year ended December 31, 2016.

The Meeting is asked to ratify the cooptation of Ms. Agnès Touraine as a Member of the Supervisory Board (**fifth resolution**) as well as, following an analysis by the Nominations and Compensation Committee, to extend her term for a duration of four (4) years (**sixth resolution**).

Agnès Touraine is currently Chairwoman of the *Institut Français des Administrateurs* (IFA) and is also a founder and Chairwoman of Act III Consultants, a management consulting firm dedicated to digital transformation. Previously, she was the Chairwoman and CEO of Vivendi Universal Publishing, after spending 10 years at the Lagardère Group and five years at McKinsey.

She has a degree in law, a degree from Sciences Po Paris, and an MBA from Columbia University.

She is a member of the Board of Directors of Proximus (formerly Belgacom) and until mid-2016 was on the boards of Darty Plc and Neopost. She also serves on the boards of directors of various non-profit organizations, such as IDATE and the French American Foundation.

In addition, the terms of Mr. Jacques Garaïalde and Ms. Guylaine Saucier (independent members of the Supervisory Board) and of Mr. Nicolas Deconinck (observer) are expiring at the close of the General Shareholders' Meeting of April 27, 2017.

The Meeting is asked, upon the recommendation of the Nominations and Compensation Committee, to extend the term of **Mr. Jacques Garaïalde** as an independent Member of the Supervisory Board for a duration of two (2) years (**seventh resolution**).

Mr. Garaïalde was a Senior Adviser to Kohlberg Kravis Roberts & Co. ("KKR") from 2014 until December 31, 2016 and was a partner of KKR from 2003 to 2014. Previously, he was a partner of Carlyle, in charge of the technology fund. Between 1982 and 2000, he worked for the Boston Consulting Group, serving as Senior Vice President and Partner responsible for Belgium (from 1992 to 1995) and then France and Belgium (from 1995 to 2000).

Between 1979 and 1981, he held various positions within Esso France.

He was a trustee of the *École Polytechnique Charitable Trust* and a member of the Benefits Committee of the Institute of Genetic Illnesses.

The Meeting is asked, upon the recommendation of the Nominations and Compensation Committee, to extend the term of **Ms. Guylaine Saucier** as an independent Member of the Supervisory Board for a duration of four (4) years (**eighth resolution**).

Ms. Saucier was Chairwoman and CEO of the Gérard Saucier Ltée group from 1975 to 1989. A director of numerous large companies, including the Bank of Montreal, AXA Assurances Inc., Danone and Areva, she was also Chairwoman of the Mixed Committee on Corporate Governance (ICCA, CDNX, TSX) (2000-2001), Chairwoman of the Board of Director of the Canadian Institute of Chartered Professional Accountants (1999 to 2000) and a member of the Board of Directors of the Bank of Canada from 1987 to 1991. She was also named to chair the Quebec Chamber of Commerce.

She holds a business degree from the Ecole des Hautes Etudes Commerciales of Montreal. She is a certified director with the Institute of Corporate Directors, and received the title of Fellow from the CPA Order of Quebec.

The Meeting is asked, following the analysis of the Nominations and Compensation Committee, to extend the term of **Nicolas Deconinck** as an observer the Supervisory Board for a duration of four (4) years (**ninth resolution**).

Mr. Deconinck is an associate director of The Roxane Company, which specializes in Digital Strategies and Social Media.

He began his career as a Marketing Consultant at Orange Mobile and then became an IT Consultant for Bearing Point. He then founded Attractive, a chain of sports stores, and then SoActive, an English e-commerce site. He sold his company and then joined the fintech company EarlyMetrics, where he was in charge of international development.

He is a graduate of the University of Paris IX Dauphine and of Sciences Po Paris.

Finally, the Meeting is asked, following the analysis of the Nominations and Compensation Committee, to appoint **Ms. Sabine Roux de Bézieux** as a Member of the Supervisory Board for a duration of four (4) years (**tenth resolution**).

This appointment would have the effect of achieving a gender parity of 40% on the Board, in accordance with legal requirements.

Sabine Roux de Bézieux is a graduate of ESSEC. Following two years as an investment banker, she spent 13 years with the Andersen group in London and Paris. From 2002 to 2012, she managed her own advisory firm, Advanceo, before joining the boards of directors of several listed companies and becoming the CEO of Notus Technologies.

Ms. de Bézieux has been involved in charitable foundations for ten years, first with the ARAOK foundation, which she created with her husband in 2005, and then by creating Un Esprit de Famille (Family Spirit), which brings together French family foundations. She is also active in the non-profit arena, as chairwoman of United Way France, Espoir Niger, and Fondation de la mer.

Ms. Roux de Bézieux is an independent Board Member of three listed companies: ABC Arbitrage, Altur Investissement, and ANF Immobilier.

5. Approval of the principles and components used to determine, allocate, and grant the items making up the compensation of the members of the Management Board and of the Chairman of the Supervisory Board (eleventh through fourteenth resolutions)

Pursuant to the recent provisions of the "Sapin II" Law (Article L.225-82-2 of the French Commercial Code), the General Shareholders' Meeting is asked to approve the principles and components used to determine, allocate, and grant the fixed, variable, long-term, and exceptional items making up the total compensation and benefits of all kinds granted to **Mr. Michel Giannuzzi** (Chairman of the Management Board, **eleventh resolution**), **Mr. Fabrice Barthélemy** (Member of the Management Board, **twelfth resolution**), **Ms. Sharon MacBeath** (Member of the Management Board, **thirteenth resolution**), and **Mr. Didier Deconinck** (Chairman of the Supervisory Board, **fourteenth resolution**), as set forth in Section 2.6.1, "Consultation on the Principles and Components of the Compensation" of the Registration Document.

It is noted that all of these components of compensation were analyzed by the Nominations and Compensation Committee and are in compliance with the recommendations of the Afep-Medef Code.

6. Re-assessment of the total attendance fees allocated to the members of the Supervisory Board (fifteenth resolution)

The maximum amount of attendance fees authorized by the General Shareholders' Meeting of November 4, 2013 is €450,000.

In order to take into account the increase in the number of Supervisory Board members if the relevant resolutions presented to the General Shareholders' Meeting of April 27, 2017 are adopted, you are asked to authorize an increase of such amount to €500,000.

It is noted that such increase would have no effect on the allocation of attendance fees among the various members of the Supervisory Board as set forth in Section 2.6.1.3, "Principles and Components of the Compensation Paid to Supervisory Board Members," of the Registration Document.

7. Advisory vote on the components of the compensation due or granted to the members of the Management Board and to the Chairman of the Supervisory Board for the 2016 fiscal year (sixteenth through nineteenth resolutions)

Pursuant to the recommendation of Article 26.1 of the Afep-Medef Corporate Governance Code, as revised in November 2016, the Supervisory Board proposes to submit for an advisory vote of the General Shareholders' Meeting the components of the compensation due or granted for the 2016 fiscal year to Mr. Didier Deconinck (Chairman of the Supervisory Board), and to Messrs. Michel Giannuzzi (Chairman of the Management Board), Fabrice Barthélemy and Vincent Lecerf (members of the Management Board) as set forth in Section 2.6.2 "Consultation on the Components of the Compensation Due or Granted for the Fiscal year ended December 31, 2016," of the Registration Document.

You are asked to issue a favorable vote on the elements of the compensation due or granted for the fiscal year ended December 31, 2016 to Mr. Didier Deconinck (Chairman of the Supervisory Board), as well as to Messrs. Michel Giannuzzi (Chairman of the Management Board), Fabrice Barthélemy and Vincent Lecerf (members of the Management Board).

8. Authorization to be granted to the Management Board to trade in the Company's shares (twentieth resolution)

To ensure that the Company is at all times able to buy back its own shares, a resolution is submitted for your approval to authorize the Management Board, with the power to sub-delegate as permitted by law, to purchase or cause the purchase of shares of the Company, in order to carry out the following transactions:

- to grant free shares pursuant to Articles L.225-197-1 *et seq.* of the French Commercial Code; or
- to grant free shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 *et seq.* of the French Commercial Code, and in particular under long term incentive plans; or

- to cancel shares that are bought back but not allocated; or
- to maintain a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

The share buyback program could also be used in order to carry out any market practice permitted by the AMF, and, more generally, to carry out any transaction that complies with applicable regulations.

Tarkett's shareholding is subject to applicable regulations.

Purchases, sales and transfers could be carried out at any time, up to the limits authorized by applicable laws and regulations (other than during a tender offer), and by any means.

The Company could buy back a number of shares such that:

- the number of shares that the Company buys during the term of the share buyback program shall not exceed 10% of the shares making up the Company's share capital at any time, as adjusted following any transaction affecting it subsequent to this General meeting (such number being 6,372,269 shares as of December 31, 2016), provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above shall be the number of shares bought less the number of shares resold during the period of the authorization; and
- the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Shares could be bought, sold or transferred at any time (other than during a tender offer for the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other derivative Financial Instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

It is recommended that you set the maximum purchase price at €60 per share.

The General Shareholders' Meeting would delegate to the Management Board the power to adjust the maximum purchase price stated above in order to account for the effect of such transactions on the value of the shares, in the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of free shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity.

The total amount allocated to the share buyback program authorized above may not be greater than €15 million.

As of the date hereof and up to the amount, if any, that has not yet been used, this authorization would cancel any power previously given to the Management Board to trade in the Company's shares.

This authorization would be given for a period of eighteen months from the date hereof.

9. Delegation of authority to be given to the Management Board to decide to increase the Company's share capital by incorporation of premiums, reserves, profits, or otherwise (twenty-first resolution)

You are asked, pursuant to Article L.225-130 of the French Commercial Code, to renew the authorization granted to the Management Board on April 24, 2015 to carry out one or more capital increases by incorporation of premiums, reserves, profits, or otherwise, for a period of 26 months.

The maximum par value of the capital increases that could be carried out in that regard is €50,000,000.

This authorization would be given for a maximum period of twenty-six months from the date of the General Shareholders' Meeting.

10. Authorization to be given to the Management Board to grant free shares to employees and/or certain officers of the Company or its related companies, duration of the authorization, maximum amount, duration of vesting and retention periods (twenty-second resolution)

We ask you to grant the Management Board authorization to make free grants, subject to the achievement of performance conditions determined by the Management Board in agreement with the Supervisory Board and upon the recommendation of the Nominations and Compensation Committee, of existing shares of the Company not representing more than 1% of the Company's share capital on the date of the General Shareholders' Meeting to members or certain members of the salaried staff and/or certain company officers of the Company or its affiliated companies. We note that the grants that would be made under this Resolution to members of the Management Board would be approved in advance by the Supervisory Board, would be fully subject to performance conditions, and could not represent more than 30% of the shares covered by this Resolution.

This proposal takes into account the significant changes to the legal, tax, and employment regime governing free share grants introduced by Law No. 2015-990 of August 6, 2015 on growth, activity, and economic equality of opportunity (known as the "Macron Law") and the amendments made by the 2017 Finance Law.

In connection with the authorization, we ask you to provide that the Management Board will have the authority each time it makes a grant decision to determine, on the basis of the recommendations of the Nominations and Compensation Committee and pursuant to the law, the vesting period following which the share grant will become final, which period may not be less than two years from the share grant date.

We also ask you to provide that the Management Board will have the authority each time it makes a grant decision to determine, on the basis of the recommendations of the Nominations and Compensation Committee, where applicable, the retention period to which the grant beneficiaries will be bound, which period shall run from the vesting date of the shares and which may be eliminated, since the vesting period may not be less than two years.

We also ask you to provide that in the event that a beneficiary becomes disabled, as defined in the second or third category set forth in Article L.341-4 of the French Social Security Code, the shares shall be definitively granted before the end of the remaining vesting period, and shall be immediately transferable.

We propose that the existing shares that may be granted pursuant to this authorization be acquired by the Company, either pursuant to Article L.225-208 of the French Commercial Code, or, where applicable, under the share buyback program proposed in the twentieth resolution, in accordance with Article L.225-209 of the French Commercial Code, or any other share buyback program that may apply at a later date.

We ask you to grant this authorization as from the date of the General Shareholders' Meeting of April 27, 2017, for a duration to expire at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017,

Within that framework, you will be asked to grant all powers to the Management Board, subject to the limits set forth above and subject to the prior authorization of the Supervisory Board, to implement this authorization, and, in particular, to:

- determine the beneficiaries, the grant criteria (in particular with respect to continued employment and, where applicable, performance), the number of shares to be granted to each of them, the terms and conditions for the share grants and, in particular, the vesting period and retention period applicable to each grant, subject to the minimum periods defined by this Resolution;
- set, upon the proposal of the Nominations and Compensation Committee, pursuant to legal conditions and limits, the dates on which such free share grants shall be made;
- determine the dividend date for the newly issued shares;
- decide the terms pursuant to which the number of shares granted will be adjusted in order to preserve the beneficiaries' rights; and
- more generally, with the power to delegate and sub-delegate as permitted by law, enter into any agreements, prepare any documents, and carry out any formalities or filings with any bodies, and do all that may otherwise be necessary.

11. Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares (twenty-third resolution)

The Meeting is asked, pursuant to Article L.225-209 of the French Commercial Code, to renew for a period of 26 months the authorization given to the Management Board on April 24, 2015 to carry out one or more capital decreases by cancellation of treasury shares and/or shares acquired in connection with the share buyback program.

The maximum number of shares that the Company could cancel during a period of 24 months would be equal to 10% of the shares making up the Company's share capital.

It is noted that the Company did not cancel any shares during the fiscal year ended December 31, 2016.

This authorization would be given for a maximum period of twenty-six months from the date of the General Shareholders' Meeting.

12. Amendment of the Bylaws to determine the terms pursuant to which the members of the Supervisory Board representing the employees are appointed (twenty-fourth resolution)

The "Rebsamen Law," and specifically Article L.225-79-2 of the French Commercial Code, requires companies having reached certain thresholds (which your Company has exceeded) to appoint one or two (depending on whether the Board has more than 12 members) Supervisory Board members representing the employees.

The law provides that it is the responsibility of the General Shareholders' Meeting to amend the bylaws to determine the procedures by which the employee representative or representatives will be appointed.

The Management Board wished to provide for an appointment procedure that is adapted to the Company's particular needs, complies with best practices, and is not excessively complex.

Therefore, the General Shareholders' Meeting is asked to amend the Bylaws to provide in principle for the creation of a Works' Council and for the appointment by such Works' Council, as provided for by law, of one Supervisory Board member to represent the employees (since the Board has fewer than 12 members).

13. Amendment of the bylaws to take into account French Commercial Code's new wording regarding the conditions to attend Shareholders' General Meetings (twenty-fifth resolution)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to extraordinary shareholders' meetings, and after reviewing the report of the Management Board, decide, in compliance with the new wording of article R.225-85 of the French Commercial Code, to replace the expression "accounting registration" ("*enregistrement comptable*") by the expression "book-entry" ("*inscription en compte*") in article 25 ("Shareholders' Meetings'") paragraph 4 of the Company's Bylaws, which will be drafted as follows:

"Any shareholder can attend, personally or by proxy, the general meetings, upon justification of her or his identity and with a proof of ownership of the shares under the form of a book-entry of said shares, in the conditions prescribed by the law."

A recent decree under French law has modified the wording of the regulation regarding proof of ownership of the Company's shares, which is necessary to provide in order to attend shareholders' General Meetings.

While former regulations were referring to the need to justify the "accounting registration" ("*enregistrement comptable*"), new ones are now referring to the "book-entry" ("*inscription en compte*") of the securities.

It is only a change of language, which aims at clarifying an expression which could be have been misleading, and has no impact on the material conditions or in the deadlines governing the possibility to attend General Meetings.

Since this expression was mentioned into the bylaws of the Company, it is asked, through this resolution, to bring the corresponding change.

We hope that you will approve all of the resolutions submitted for your vote.

The Management Board

8.3 Observations of the Supervisory Board on the Management Board's report and the 2016 financial statements

Ladies and Gentlemen,

Our Company's Management Board has called this Annual Ordinary General Shareholders' Meeting, in accordance with law and the Company's Bylaws, in order to report to you on the activity and financial condition of our Company and of our Group during the fiscal year ended December 31, 2016, and to submit the financial statements for such fiscal year and allocation of the results for your approval.

We note that the Management Board distributed the annual financial statements, the Consolidated Financial Statements and the management report to the Supervisory Board within the legal time limits.

In accordance with Article L.225-68 of the French Commercial Code, we have examined the annual financial statements, the Consolidated Financial Statements, and the Management Board's management report, and we believe that such documents do not give rise to any particular observations.

We hope that all of the recommendations that the Management Board has made to you in its report will meet with your approval, and that you will decide to adopt the resolutions submitted to you.

The Supervisory Board

8.4 Management Board's management report on fiscal year 2016

The table below identifies the sections of the 2016 Registration Document containing all of the items of the Management Board's management report required by applicable laws and regulations.

Item in the Management Report	Section of the Registration Document
1. The Group's business	Section 1.4
2. Significant events in fiscal year 2016	Section 1.1
3. 2016 results of operations	Sections 5.1 to 5.4
4. Indebtedness	Sections 4.3.3 to 4.3.7
5. Financial risk management	Section 6.2
6. Description of the principal risks and uncertainties to which the Company is exposed	Section 6.1
7. Research and development	Section 1.6.4
8. Subsequent events	Section 5.2 (Note 11)
9. Information on trends and forecasts	Section 4.6
10. Allocation of results	Section 8.1.2
11. Table of results for the past five years	Section 5.5
12. Dividends	Section 5.7
13. Non tax-deductible expenses	Section 8.1.2
14. Offices and positions held by each Company officer	Section 2.1.1
15. Organization of the Company's senior management	Section 2.1.1
16. Subsidiaries and equity investments	Section 5.6
17. Shareholders	Section 7.3
18. Consultation on the principles and components of the compensation paid to Management Board members	Section 2.6.1
19. Consultation on the components of compensation due or granted during the fiscal year ended December 31, 2016	Section 2.6.2
20. Share subscription or purchase option plans and allocation of performance shares	Section 2.5
21. Delegations with respect to capital increases	Section 7.4
22. Transactions in the Company's securities carried out by the Company officers and related parties (Article L.621-18-2 of the French Monetary and Financial Code)	Section 2.8
23. Events likely to have an impact in the event of a tender offer	Section 7.8
24. Share buybacks	Section 7.2.4
25. Table of supplier and client payment terms	Section 5.4 (Note 2.5)
26. Labor, environmental, and social information	Sections 3.1, 3.2 and 3.3
27. Report of the Chairman of the Supervisory Board on corporate governance and on internal control and risk management procedures	Section 6.4

8.5 Special report of the Statutory Auditors on the free grant of shares

To the Shareholders,

In our capacity as your company's Statutory Auditors and in accordance with the terms of our engagement defined by article L.225-197-1 of the French Commercial Code, we hereby report to you on the project of authorization to allocate existing free shares to the members of salaried personnel and/or corporate officers of your company, or companies or groups related to it in the meaning of article L.225-197-2 of the French Commercial Code, an operation which is submitted to your approval.

The total number of shares that may be allocated for free under the twenty-third resolution may not exceed 1% of your company's share capital at the date of the present Shareholders' Meeting.

Your Executive Board proposes, on the basis of its report, to authorize it for a term expiring at the close of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2017, to allocate existing free shares of your company.

It is the responsibility of your Executive Board to prepare a report on this proposed operation. Our responsibility is to report on the information provided to you on the proposed operation.

We have performed the procedures that we have considered necessary regarding professional standards of the National Audit Authority (*Compagnie Nationale des Commissaires aux Comptes*) for this mission. These procedures consisted notably in verifying that the terms given in the Executive Board report are in compliance with the provisions of French law.

We have no matters to report on the information given in the Executive Board report in connection with the proposed operation to allocate existing free shares.

Paris-La Défense, 22 February 2017

The Statutory Auditors,

KPMG Audit

Philippe Grandclerc
Partner

Renaud Laggiard
Partner

Mazars

Juliette Decoux
Partner

Éric Schwaller
Partner

8.6 Special report of the Statutory Auditors on the regulated agreements and commitments

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

To the Shareholders,

In our capacity as your company's Statutory Auditors, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions as well as the reasons that justify the interest for the company of those agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-58 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of Statutory Auditors ("*Compagnie Nationale des Commissaires aux Comptes*") for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorized during the year

In accordance with article L.225-88 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorized by the Supervisory Board.

With FM Insurance Company Ltd.

Persons concerned: Michel Giannuzzi, Tarkett Management Board Chaiman and member of the Board of Directors and Audit Committee Chair of FM Insurance Company Co., the parent company of FM Insurance Company Ltd.

Mr. Michel Giannuzzi, Management Board Chairman of your company, became on 13 October 2016 a member of the Board of Directors and Audit Committee Chair of FM Insurance Company Co., parent company of FM Insurance Company Ltd, company that provides insurance policy to Tarkett.

The agreement was authorized by your Supervisory Board on 26 October 2016, and states the renewal of the insurance policy with FM Insurance Company Ltd. on 31 October 2016, as being necessary to the operations and concluded in the best interests of your company.

An expense of €57,694 has been recorded in the financial statements of your company under this agreement, for the year ended 31 December 2016.

Agreements and commitments previously approved by the shareholders' meeting

Agreements and commitments approved in prior years.

In accordance with article R.225-57 of the French Commercial Code, we have been informed of the following agreements and commitments approved in prior years and which remained current during the last year.

With *Société Investissement* Deconinck ("S.I.D.")

Persons concerned: Messrs Bernard-André Deconinck, Didier Deconinck and Eric Deconinck, members of Tarkett's Supervisory Board and shareholders of S.I.D., which holds more than 10% of Tarkett's voting rights.

> Service agreement

The agreement was authorized by your Supervisory Board on 17 December 2013, and states that your company provides in favor of S.I.D. legal, social and fiscal services necessary for its business. These services are necessary for the management of S.I.D. and will continue in 2017.

An income of €75,000, excluding taxes, has been recorded in the financial statements of your company under this agreement, for the year ended 31 December 2016.

> Assistance and guidance agreement

The agreement was authorized by your Supervisory Board on 9 October 2013, and states that S.I.D., which holds 50.18% of Tarkett's voting rights, assists Tarkett in defining its strategic objectives.

An expense of €500,000 has been recorded in the financial statements of your company under this agreement, for the year ended 31 December 2016.

With Mr. Michel Giannuzzi, Tarkett's Management Board Chairman

At the time of the listing of Tarkett's shares on NYSE Euronext Paris, Mr. Michel Giannuzzi's employment agreement was terminated, leaving in place his corporate office. In this context, the following agreements were authorized by your Supervisory Board on 27 September 2013.

> Retention bonus

A retention bonus in the amount of €300,000 will be paid to Mr. Michel Giannuzzi on 1 November 2017 if he remains with Tarkett on such date.

> Severance or other benefits due or likely to become due as a result of termination of service or change of functions

Subject to the performance requirements defined below, Mr. Giannuzzi will be entitled to a severance payment equal to two years of his gross base salary and bonus during the twelve months prior to his departure as Chairman of the Management Board and, if applicable, pursuant to his employment contract. In the event that Mr. Giannuzzi is to receive both severance pay and the non-compete payment described below, the total amount that he receives will be limited to two years of the gross base salary and bonus received during the 12 months prior to his departure as Chairman of the Management Board and, if applicable, pursuant to his employment contract.

Performance is measured by the extent of achievement of annual performance goals defined by the Supervisory Board upon the proposal of the Nominations and Compensation Committee, which serve as the basis for calculating variable compensation. The amount is equal to the average performance achieved by Mr. Giannuzzi during the three calendar years preceding his departure. In the event that his departure should occur before November 2017, performance will be measured by the extent of achievement of the annual performance goals used as the basis for calculating the variable portion of his compensation as Chairman of the Management Board and his compensation as an employee.

The severance payment is contingent on achieving 50% to 100% of the performance goals (i.e., no payment will be made unless the performance goal is reached to the extent of at least 50% and full payment will be received if the performance goal is achieved to the extent of 100%). The severance payment will be calculated in strict proportion to the extent of achievement of the performance goal.

Subject to achievement of the performance conditions, the Company will be required to pay this severance payment in the event of Mr. Giannuzzi's forced departure as Company officer (including, in particular, as a result of a change of control or a disagreement as to strategy) on the initiative of the Supervisory Board, regardless of whether Mr. Giannuzzi is removed or his mandate is not renewed. This payment would not be available in the event of serious or gross misconduct.

> Non-compete clause compensation

Mr. Giannuzzi benefits from a clause providing for payment in the event that the non-compete clause provided for in connection with his office is triggered.

Mr. Giannuzzi will receive compensation for his non-compete clause in an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board. This compensation will be payable in 24 monthly payments for the duration of the non-compete clause. This compensation will be deducted from Mr. Giannuzzi's severance payment, such that the total amount received as severance and non-compete payments will not exceed two years of gross base salary and bonus received during the 12 months preceding his departure. The Company has the right to waive the non-compete clause.

For the year ended on 31 December 2016, no amount was paid to Mr. Michel Giannuzzi, under any of the three above-mentioned agreements and commitments.

Paris-La Défense, 22 February 2017

The Statutory Auditors

KPMG Audit		Mazars	
Philippe Grandclerc	Renaud Laggiard	Juliette Decoux	Éric Schwaller

9 ADDITIONAL INFORMATION

9.1 Person responsible for the Registration Document

Mr. Michel Giannuzzi
Chairman of the Company's Management Board

9.2 Certification of the person responsible

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

I further declare that, to the best of my knowledge, the accounts have been prepared in accordance with applicable accounting standards and that they give a true and fair view of the assets, liabilities, financial position, and results of the Company and of all the companies included in the consolidation scope, and that the information provided in the management report and listed in the cross-reference table on page fairly presents the activity, results and financial position of the Company and of all the companies in the consolidation scope, and of the main risks and uncertainties to which they are exposed.

I obtained a statement from the Statutory Auditors at the end of their engagement in which they affirm that they have read the entire Registration Document, of which this document is a free translation from the original, and examined the information about the financial position and the accounts contained therein."

March 21, 2017

Michel Giannuzzi
Chairman of the Management Board

9.3 Name and position of the person responsible for financial information

Raphaël Bauer
Chief Financial Officer

Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense, France
Tel. +33 (0)1 41 20 40 40

9.4 Tentative financial disclosure schedule

The financial information that Tarkett discloses to the public will be available on Tarkett's website (www.tarkett.com).

For informational purposes only, Tarkett's financial disclosure schedule through December 31, 2017 is expected to be as follows:

	2017 Schedule
First quarter results	April 25, 2017
General Shareholders' Meeting	April 27, 2017
First half results	July 26, 2017
Third quarter results	October 24, 2017

9.5 Statutory Auditors

9.5.1 Statutory Auditors

KPMG Audit, a department of KPMG S.A.
Represented by Mr. Philippe Grandclerc and Mr. Renaud Laggiard

Tour Eqho
2 avenue Gambetta
92066 Paris-La Défense

KPMG S.A. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG S.A.'s term as statutory auditor was renewed at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

Cabinet Mazars
Represented by Ms Juliette Decoux and Mr. Éric Schwaller

61 rue Henri Regnault – Exaltis
92400 Courbevoie

Cabinet Mazars is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Cabinet Mazars was appointed statutory auditor at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

9.5.2 Alternate Statutory Auditors

KPMG AUDIT S.A
Represented by François Caubrière

Tour Eqho
2 avenue Gambetta
92066 Paris-La Défense

KPMG AUDIT S.A. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG AUDIT S.A. was appointed as alternate statutory auditor at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

Mr. Jérôme de Pastors
61 rue Henri Regnault – Exaltis
92400 Courbevoie

Mr. Jérôme de Pastors is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Mr. Jérôme de Pastors was appointed as alternate statutory auditor at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

9.6 Publicly available documents

Copies of this Registration Document are available at no charge at the Company's registered office. This document may also be consulted on the Company's website (**www.tarkett.com**) and on the AMF's website in its French version (**www.amf-france.org**).

During the period of validity of this Registration Document, the following French-language documents (or copies thereof) may be consulted:

- the Company's Bylaws;
- all reports, correspondence and other documents, historical financial information, evaluations and declarations prepared by an expert at the Company's request of which a portion is included or referred to in this Registration Document; and
- the historical financial information included in this Registration Document.

All of such legal and financial documents (in French and in English versions where available) relating to the Company and required to be made available to shareholders under applicable regulations may be consulted at the Company's registered office.

Regulated information (*information réglementée*) within the meaning of the AMF's General Regulation is available on the Company's website.

9.7 Correlation table

9.7.1 Annex 1 to the European regulation

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