Tarkett

Press release

Tarkett Group

FY 2020 results:
Sequential sales improvement in H2 versus H1
Stable adjusted EBITDA and increase of margin
Significant deleveraging

FY 2020 Results

- **Net revenues down -12.0% in 2020 (-9.5% organically) reflecting progressive recovery in H2;**
- **Stable Adjusted EBITDA compared to 2019 at €277.9 million in 2020, including €14.8 million of insurance indemnification received in December for the loss generated by Q2 cyber-attack;**
- **Adjusted EBITDA margin up 120 basis point year-on-year at 10.6% thanks to significant cost savings and lower purchasing costs;**
- **€105.9 million of cost reduction in 2020, including a successful mitigation plan and €46.3 million of structural savings;**
- **Net loss of -€19.1 million, impacted by non-cash impairment charge taken in H1 2020 (H1 net loss: -€64.9 million, H2 net profit: €45.8 million);**
- **Solid free cash-flow generation of €163.5 million in 2020 compared to €105.1 million in 2019 (free cash flow excluding implementation of factoring programs);**
- **Significant debt reduction with reported financial leverage at 1.7x (after IFRS16 application) at end of December 2020 compared to 2.3x at end of December 2019;**
- **Solid fundamentals to cope with a muted recovery and inflation in purchasing costs in 2021, mid-term financial objectives still valid but the environment may slightly delay the timing of the profitability objective.**

Paris, February 18, 2021: The Supervisory Board of Tarkett (Euronext Paris: FR0004188670 TKTT) met today and reviewed the Group's consolidated results for the full year 2020.

The Company uses alternative performance indicators (not defined by IFRS) described in appendix 1 (page 8):

€ million	FY 2020	FY 2019	Change
Net sales	**2,632.9**	**2,991.9**	**-12.0%**
of which organic change	*-9.5%*	-	
Adjusted EBITDA	**277.9**	**280.0**	**-0.8%**
% net sales	*10.6%*	*9.4%*	
Result from operations (EBIT)	**47.4**	**96.6**	**-50.9%**
% net sales	*1.8%*	*3.2%*	
Net profit attributable to owners of the Company	**-19.1**	**39.6**	**-148.2%**
Fully diluted Earnings per share (€)	*-0.29*	*0.61*	
Free cash-flow	**163.5**	**231.4**[(1)]	**-29.3%**
Net Debt	**473.8**	**636.8**	**-25.6%**
Leverage (net debt to adjusted EBITDA)	*1.7x*	*2.3x*	

[(1)] FCF benefited from the implementation of factoring programs in 2019 (positive net contribution of €126.3million)

Commenting on these results, **CEO Fabrice Barthélemy** said: *"Our performance in 2020 demonstrated the resilience of our business model in a depressed and complex environment. Thanks to structural savings and a rigorous mitigation plan, we have been able to improve our Adjusted EBITDA margin by 120 basis points. We have tightly managed working capital, generated strong free cash-flow and deleveraged significantly. Demand continued to pick-up sequentially in Q4, and we ended the year in a healthy financial situation.*
We have implemented new cost reduction actions in the fourth quarter while pursuing our Change to Win top line initiatives. We are also continuing to tackle the climate emergency through eco-design, circular economy and reduction of our greenhouse gas emissions at our industrial sites. We are well advanced on our strategic roadmap. The environment, however, remains challenging and we are cautious on the pace of recovery."

1. Q4 2020 key highlights

Sales at €619.1 million, down -7.9% in Q4 2020 reflected an organic change of -1.5% and a negative forex impact of -6.4% mainly driven by the US dollar, the Russian ruble and the Brazilian real.

Sales performance was better than anticipated at the end of Q3, mostly driven by the recovery in residential activities in all geographies and a sequential improvement of some commercial end-user segments versus Q3 2020. The performance in North America was supported by a favorable comparison basis, as sales were penalized by ERP-related operational issues in commercial carpet in Q4 2019. Commercial activities were still lagging behind during the quarter as the Workplace and Hospitality end-user segments remained penalized by the resurgence of the pandemic and the lack of visibility which affected investment decisions. As expected, Sports remained on downward trends in Q4 as the context weighted negatively. Nevertheless, the rate of organic decline in Sports was only single-digit after a double-digit decline in Q3 2020.

in euro millions	Q4 2020	Q4 2019	% change	Organic change
EMEA	205.3	216.4	*-5.1%*	*-4.7%*
North America	152.3	166.6	*-8.5%*	*-1.3%*
CIS, APAC & LATAM	148.4	160.8	*-7.7%*	*+6.3%*
Sports	113.0	128.7	*-12.2%*	*-6.2%*
TOTAL	**619.1**	**672.5**	***-7.9%***	***-1.5%***

Adjusted EBITDA amounted to €53.8 million in Q4 2020 compared to €38.4 million in Q4 2019 with margin up 300 basis points at 8.7% thanks to:

- Insurance indemnification related to May 2020 cyber-attack of €14.8 million, received before year end (reported in the volume effect on FY 2020 bridge page 10, but presented in one-offs in Q4 and H2 bridge page 11);
- Strong cost reduction (+€21.7 million versus 2019) and lower purchasing costs (+€4.6 million versus Q4 2019);

The weak ruble penalized the results and the "lag effect" (net of price and currency effects in the CIS) was negative by -€9.5 million.

The Group focus on circular economy and reduction of its carbon footprint have been recognized by improved ratings both from the Carbon Disclosure Project (CDP rating: B – management level compared to C in 2018) and EcoVadis (Platinum versus Silver, the highest level in sustainability ratings a company can reach).

Tarkett GHG emissions intensity (scope 1 and 2, kg CO2 e/sqm) has been reduced by 27% between 2010 and 2020 versus a target of -20%. Recycled content in raw materials amounted to 13% in 2020 versus 10% in 2018.

2. Group FY 2020 results

Group net revenues amounted to €2,632.9 million, down -12.0% on a reported basis and down -9.5% organically. The negative currency impact was mostly driven by the US dollar and the Russian ruble and mainly occurred in H2. Like-for-like revenues were impacted by the Covid-19 pandemic during the whole year. In Q2 in particular, restrictions enforced due to the pandemic resulted in a significant sales drop in all flooring markets while Sports remained more resilient. The activity was also disrupted in May by a cyber-attack. In H2, revenues benefited from a global rebound in residential activities and a sustained level of activity in Healthcare and Education, while Hospitality and Workplace remained depressed with investment decisions being postponed. Organic change sequentially improved compared to H1 (-12.6% in H1 / -6.7% in H2), but was still penalized by the pandemic and restrictions.

Adjusted EBITDA amounted to €277.9 million in 2020 compared to €280.0 million in 2019 and reached 10.6% of net sales compared to 9.4% in 2019. H1 decline caused by the outburst of the pandemic and the first waves of strict lockdown were fully offset by the profit recovery in H2. Earnings in H2 2020 were positively impacted by the structural cost reduction measures and the decrease in raw material prices. In addition, H2 Adjusted EBITDA benefited from the aforementioned cyber insurance indemnities.

The slowdown of activity penalized the Adjusted EBITDA by -€113.5 million in 2020 (including +€14.8 million of insurance indemnification offsetting the impact of the cyber-attack in Q2).

In response to the health crisis, Tarkett implemented with success a mitigation plan while pursuing its Change to Win initiatives to improve the cost structure. In sum, the Group delivered €105.9 million of cost savings in 2020.

The mitigation plan was introduced at the early stage of the pandemic and maintained during the course of the year. These measures yielded €44.3 million of savings, mostly in Q2 and Q3, out of which €14.6 million was helped by governmental support measures such as furlough schemes. In 2020, Tarkett also pursued its optimization program across its manufacturing sites, while substantially accelerating its SG&A cost savings plan. Net productivity gains and SG&A cost savings totaled €61.5 million, out of which €46.3 million is structural.

Purchasing costs improved by +€28.5 million compared to 2019, mainly reflecting lower oil prices. Freight costs started to bounce back in Q4, and freight forwarders faced a lack of capacity. Wage inflation amounted to -€15.1 million in 2020, reflecting salary increases implemented late 2019 and early 2020.

Exchange rates (CIS countries excluded) had a negative effect amounting to -€9.1million. This decrease reflected the depreciation of the dollar versus the euro and negative exchange rate fluctuations in Norway, Sweden and Brazil. Most of the selling price increases implemented 2020 aimed at mitigating this negative forex impact. Overall pricing increases generated a positive impact of +€8.5 million. The net impact of currency and selling price movements in the CIS countries also had a negative effect (lag effect of -€13.5 million) driven by the significant devaluation of the ruble.

EBIT amounted to €47.4 million and Adjusted EBIT to €119.4 million. **The adjustments to EBIT** (details in page 9) represented €72.0 million in 2020, compared to €25.2 million in 2019, including €53.1 million of non-cash asset impairments in H1 2020 mostly related to the impact of the pandemic on the Hospitality business. These adjustments also included restructuring costs of €14.5 million due to the global SG&A cost savings program and footprint rationalization in Europe.

Financial expenses decreased by €5.1 million to reach €33.7 million in 2020 as a result of lower interest-bearing financial debt and decrease of US dollar interest rates. **Income tax** charge amounted to €31.5 million in 2020. **Net loss** amounted to -€19.1 million, representing a fully diluted EPS of -€0.29. Restated from the post-tax effect of the impairment charge, net income would have amounted to €22.7 million compared to €39.6 million in 2019.

3. Cost reduction

Q4 2020 cost reduction

€ million	Productivity gains and SG&A	*o/w structural actions*	Covid-19 specific measures	*o/w governmental support*	Total cost reduction
Gross profit	4.6	*4.6*	0.0	*0.1*	4.6
SG&A	11.1	*7.0*	6.0	*0.2*	17.2
Total Q4	**15.7**	***11.6***	**6.0**	***0.4***	**21.7**

FY 2020 cost reduction

€ million	Productivity gains and SG&A	*o/w structural actions*	Covid-19 specific measures	*o/w governmental support*	Total cost reduction
Gross profit	26.3	*26.3*	12.1	*8.9*	38.4
SG&A	35.2	*20.0*	32.2	*5.8*	67.4
Total FY	**61.5**	***46.3***	**44.3**	***14.6***	**105.9**

4. Net sales and Adjusted EBITDA by segment

For ease of comparison, figures for 2020 are presented in the table below for the full year and in appendix 3 (page 11) for the second half of the year.

	Net Sales				Adjusted EBITDA			
€m	FY 2020	FY 2019	% change	Organic change	FY 2020	FY 2019	FY 2020 Margin	FY 2019 Margin
EMEA	823.6	910.4	*-9.5%*	*-9.0%*	108.9	105.3	*13.2%*	*11.6%*
North America	694.5	825.9	*-15.9%*	*-14.1%*	58.9	59.9	*8.5%*	*7.3%*
CIS, APAC & LATAM	527.9	587.4	*-10.1%*	*-2.0%*	97.4	85.8	*18.4%*	*14.6%*
Sports	586.9	668.1	*-12.1%*	*-11.1%*	60.5	75.2	*10.3%*	*11.2%*
Central Costs	-	-	-	-	(47.8)	(46.1)	-	-
TOTAL	**2,632.9**	**2,991.9**	***-12.0%***	***-9.5%***	**277.9**	**280.0**	***10.6%***	***9.4%***

The EMEA segment reported net revenues of €823.6 million, down -9.5% compared to 2019 and mainly reflected an organic decline. Organic trends progressively improved in H2 thanks to sustained growth in residential business. In Commercial, resilient products have also progressively recovered and are supported by a sound level of activity in Healthcare and Education. Commercial carpet remained weak until year end as the Workplace segment was still penalized by the pandemic and restrictions. France and Germany were at the forefront of the sequential improvement in H2.

The EMEA segment recorded an Adjusted EBITDA margin of 13.2%, up 160 basis point compared to 2019. The volume decrease was fully offset by cost reduction and lower purchasing costs. On top of the structural actions at the SG&A level and further footprint optimization, a vigorous mitigation plan was deployed at the end of March and various measures are still in place.

The North American segment reported net revenues of €694.5 million, down -15.9% compared to 2019, reflecting an organic change of -14.1% and a negative forex impact related to the depreciation of the dollar versus the euro over the period. After a good start of the year, the level of activity was significantly down in Q2 2020 with the deployment of shelter-in-place measures and travel restrictions. Sales trends sequentially improved in Q3 and Q4. This improvement was led by growth in Residential resulting from increased home renovation and some commercial success at key distributors. The recovery of commercial activities was slow and muted in H2 and the level of activity remained weak. Workplace and Hospitality were still penalized by the high level of uncertainties over H2.

The Adjusted EBITDA margin amounted to 8.5% in 2020 compared to 7.3% in 2019. The significant decline in activity was largely offset by strong cost reduction and lower purchasing costs. The strategic initiatives to restore the profitability were topped by drastic cut in discretionary spending and furlough schemes, mostly in Q2 and Q3. As part of the recovery plan, a simplified organization has been implemented and additional cost saving actions are being deployed.

Net revenues in **the CIS, APAC and Latin America segment** amounted to €527.9 million, down -10.1% in 2020, largely driven by unfavorable exchange rate fluctuations. The organic change was limited to -2.0% in 2020. After a steep decline in activity in Q2, sales recovered in H2 in CIS countries. Volumes increased driven by a dynamic demand and some replenishment of inventories at distributors. This good performance was, however, partially offset by a negative lag effect (net effect of currency and selling price adjustments) in H2. The level of activity in APAC remained disrupted all along 2020 as some countries were affected by second waves of Covid-19 and lockdown. Revenue trends were, however, improving toward year end, in particular in Australia. After a severe drop in Q2, sales recovered in Latin America in H2 and recorded solid growth, mainly driven by price increases.

The CIS, APAC and Latin America segment recorded an Adjusted EBITDA margin of 18.4%, up 380 basis points. Profitability increased thanks to a strong productivity level and significant SG&A cost reduction. These savings are both structural and related to specific Covid-19 measures, including temporary wage cost reduction. Purchasing costs also decreased while their localization in CIS increased. The return to growth in CIS countries also supported this rocket margin increase.

Net revenues of the **Sports segment** amounted to €586.9 million, down -12.1% mostly reflecting the revenue decline on a like-for-like basis. After showing strong resilience in H1 thanks to the sustained level of business in North America despite shelter-in-place measures, sales were slowed down in H2. The business has been affected by projects being delayed, postponed or cancelled. This mostly affected Q3, which is the peak season quarter. Sales trends sequentially improved in Q4 but activity remained weaker than 2019. The slowdown mostly affected the artificial turf business, which had been particularly buoyant over the past few years. Conversely, running tracks activity was solid and up compared to 2019.

The Sports recorded an Adjusted EBITDA margin of 10.3%, down 90 basis point compared to last year. However, 2019 margin included a positive IP settlement. Restated from this one-off, the Adjusted EBITDA margin was roughly stable year-on-year thanks to significant cost reduction and a higher level of efficiency.

5. Balance sheet and cash flow statement

In the context of Covid-19 pandemic, Tarkett took all necessary actions to protect its cash-flows and adapt the Group to this new environment.

Given the decrease in activity and the tight management of customer receivables and inventory, Tarkett recorded a positive change in working capital of €64.5 million at the end of December. The factoring programs which were implemented in 2019 amounted to a net funding of €131.0 million at the end of December 2020, slightly above end of December 2019 (€126.3 million). Customer payments were not reduced or delayed significantly during the whole year, and the level of default remained low. Tarkett successful managed its inventory down to 80 days of inventory at end 2020 versus 85 days at end 2019. Working capital reached a low point at the end of December.

The Group also reduced its capital spending as announced in March. **Capex** amounted to €74.1 million, down -€50.5 million compared to last year. After two years of higher capital spending, the Group decided to focus on productivity, safety and targeted capacity investment in LVT to preserve its cash-flows.

Successful roll-out of these actions generated a positive **free cash-flow** of €163.5 million in 2020, compared to €105.1 million in 2019 (2019 reported free cash-flow of €231.4 million included a net cash positive impact of €126.3 million related to the implementation of factoring programs).

Reported net financial debt amounted to €473.8 million at the end of December including €108.8 million of leases recorded under IFRS 16 (€636.8 million at the end December 2019). This represents a **financial leverage of 1.7x** Adjusted EBITDA at the end of December 2020, which is at the low end of the mid-term target range set up by the Group as part of Change to Win strategic roadmap (between 1.6x and 2.6x at each year end for the period 2019-2022). The documentation of Tarkett financing agreements provides that the effect of changes in accounting standards should be neutralized. Accordingly, net debt and adjusted EBITDA are considered before IFRS 16 and the applicable leverage ratio is 1.5x at the end of December 2020.

On top of this healthy financial structure, the Group ended the year with a **strong level of liquidity** of €1,203.6 million, out of which €875.0 million in undrawn committed credit lines and €328.6 million in cash.

6. Dividend, contemplated PGE reimbursement

Given the latest developments regarding the Covid-19 situation, the level of near-term uncertainty remains high and the management will remain focused on preserving its cash-flows in 2021. In addition, the distribution policy is based on a pay-out ratio comprised between 30% and 50% of the reported net income, which is a loss in 2020. The management Board will therefore not propose in 2021 the payment of a dividend in respect of 2020.

Given its sound financial situation at year end, the Group contemplates to reimburse the €70 million loan, granted within the "PGE" framework (guaranteed by the French State). The Group will also consider seizing bolt-on acquisition opportunities to strengthen in selected geographies or segments, or support its sustainability focus.

7. 2021 Outlook and mid-term financial objectives

Significant uncertainties remain on demand level with the resurgence of the pandemic and new restriction measures taken globally since January 2021. The lack of visibility is therefore still weighting on investment decisions and sales in several end-user segments (mainly Workplace, Hospitality, Sports). As a result, Tarkett expects the volume recovery to be spread over 2021 and 2022, implying a muted recovery of commercial activities in 2021. Residential is expected to keep on growing, but could be affected if stricter lockdown measures are applied across Tarkett's key regions. The Group anticipates a challenging Q1 and improvement in activity from Q2.

In this context, Tarkett is pursuing its Change to Win strategic roadmap to foster sustainable growth and gain market shares. This includes leveraging its strong expertise in Healthcare and Education, developing innovative and environmentally-friendly solutions for customers, and accelerating the deployment of an ambitious circular economy program.

The Group will maintain a strong focus on improving its cost base and pursue its cost reduction initiatives, including actions on its industrial footprint and on the SG&A cost base. Tarkett expects its structural actions to achieve €30 million of annual cost savings in 2021 and 2022.

Lower purchasing costs supported the margin recovery in 2020, but the pick-up in oil prices in H2 2020, a recovering demand and capacity reduction at suppliers will result in raw material inflation from H1 2021. Freight costs are also on the rise. Current trends suggest that purchasing cost inflation could generate a negative impact on 2021 Adjusted EBITDA of around €50 million. Tarkett will manage proactively its selling prices to mitigate this inflation.

Given the lack of visibility on the economic recovery, Tarkett will also remain selective in its capital spending and will tightly monitor working capital. The Group's priority is to preserve cash-flow to nurture its development.

The Group's mid-term financial objectives remain valid thanks to Change to Win strategic initiatives:
- Organic growth CAGR above GDP growth in key regions in 2021 and 2022;
- Adjusted EBITDA margin at least at 12% by 2022;
- Net debt to adjusted EBITDA comprised between 1.6x and 2.6x at each year end of 2021 and 2022.

The increase in purchasing costs combined with uncertainties about the pace of recovery could slightly delay the timing of the profitability objective. Nevertheless 2020 performance demonstrated the resilience of Tarkett business model in a depressed environment.

This press release may contain forward-looking statements. Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets. These statements are by their nature subject to risks and uncertainties as described in the Company's annual report registered in France with the French Autorité des Marchés financiers available on its website (www.tarkett.com). These statements do not reflect the future performance of the Company, which may differ significantly. The Company does not undertake to provide updates of these statements.

The audited consolidated financial statements for 2020 results are available on Tarkett's website https://www.tarkett.com/en/content/financial-results. The analysts' conference will be held on Friday February 19, 2021 at 11:00 am CET and an audio webcast service (live and playback) along with the results presentation will be available on https://www.tarkett.com/en/content/financial-results.

Financial calendar

- April 28, 2021: Q1 2021 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- April 30, 2021: Annual General Meeting
- July 29, 2021: H1 2021 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- October 28, 2021: Q3 2021 financial results - *press release after close of trading on the Paris market and conference call the following morning*

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About Tarkett

With a history of 140 years, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of € 2.6 billion in 2020. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood, laminate, artificial turf and athletics tracks, the Group serves customers in over 100 countries across the globe. Tarkett has more than 12,000 employees and 33 industrial sites, and sells 1.3 million square meters of flooring every day, for hospitals, schools, housing, hotels, offices, stores and sports fields. Committed to change the game with circular economy and to reducing its carbon footprint, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles, fully aligned with its Tarkett Human-Conscious Design™ approach. Tarkett is listed on Euronext Paris (compartment B, ISIN: FR0004188670, ticker: TKTT). www.tarkett.com

Appendices

1. Reconciliation table for alternative performance indicators (not defined by IFRS)

- **Organic growth** measures the change in net sales as compared with the same period in the previous year, at constant scope of consolidation and exchange rates. The exchange rate effect is calculated by applying the previous year's exchange rates to sales for the current year and calculating the difference as compared with sales for the current year. It also includes the impact of price adjustments in CIS countries intended to offset movements in local currencies against the euro. In 2020, a -€34.9 million negative adjustment in selling prices was excluded from organic growth and included in currency effects.
- **Scope effects reflect:**
  - current-year sales for entities not included in the scope of consolidation in the same period in the previous year, up to the anniversary date of their consolidation;
  - the reduction in sales relating to discontinued operations that are not included in the scope of consolidation for the current year but were included in sales for the same period in the previous year, up to the anniversary date of their disposal.

€ million	Net Sales 2020	Net Sales 2019	% Change	o/w exchange rate effect	o/w scope effect	o/w organic change
Total Group – Q1	610.7	624.5	-2.2%	0.7%	-	-2.9%
Total Group – Q2	626.3	787.8	-20.5%	-0.2%	-	-20.3%
Total Group - H1	**1,237.0**	**1,412.3**	**-12.4%**	**0.2%**	**-**	**-12.6%**
Total Group – Q3	776.9	907.1	-14.4%	-3.8%	-	-10.5%
Total Group – Q4	619.1	672.5	-7.9%	-6.4%	-	-1.5%
Total Group – H2	**1,395.9**	**1,579.6**	**-11.6%**	**-4.9%**	**-**	**-6.7%**
Total Group – FY	**2,632.9**	**2,991.9**	**-12.0%**	**-2.5%**	**-**	**-9.5%**

- **Adjusted EBITDA** is the operating income before depreciation, amortization and the following adjustments: restructuring costs, gains or losses on disposals of significant assets, provisions and reversals of provisions for impairment, costs related to business combinations and legal reorganizations, expenses related to share-based payments and other one-off expenses considered non-recurring by their nature.

€ million	Adjusted EBITDA 2020	Adjusted EBITDA 2019	% margin 2020	% margin 2019
Total Group – Q1	42.4	43.1	6.9%	6.9%
Total Group – Q2	64.0	83.6	10.2%	10.6%
Total Group – H1	**106.3**	**126.7**	**8.6%**	**9.0%**
Total Group – Q3	117.7	115.0	15.2%	12.7%
Total Group – Q4	53.8	38.4	8.7%	5.7%
Total Group – H2	**171.5**	**153.4**	**12.3%**	**9.7%**
Total Group – FY	**277.9**	**280.0**	**10.6%**	**9.4%**

€ million	FY 2020	Of which adjustments					FY 2020 adjusted
		Restucturing	Gains/losses on assets sales / impairment	Business combination	Share-based payments	Other	
Result from operating activities (EBIT)	**47.4**	**14.5**	**49.6**	**2.4**	**2.9**	**2.7**	**119.4**
Depreciation and amortization	211.2	(1.2)	(53.1)	-	-	(0.2)	156.8
Others	1.7	-	-	-	-	-	1.7
EBITDA	**260.2**	**13.3**	**(3.5)**	**2.4**	**2.9**	**2.6**	**277.9**

- **Free cash-flow** is defined as cash generated from operations, plus or minus the following inflows and outflows: working capital, payment of lease liabilities, net capital expenditure (investments in property plant and equipment and intangible assets net from proceeds), net interest received (paid), net income taxes collected (paid), and miscellaneous operating items received (paid).

Free cash-flow reconciliation table (in € million)	FY 2020	FY 2019
Operating cash flow before working capital changes excl. payment for lease liabilities	**248.6**	**258.2**
Payment of lease liabilities	(31.7)	(31.9)
Operating cash flow before working capital changes	**216.9**	**226.3**
Change in working capital	64.5	190.4
o/w change in factoring programs (implemented in 2019)	*4.7*	*126.3*
Net interest paid	(17.4)	(22.7)
Net taxes paid	(25.1)	(30.5)
Miscellaneous operational items paid	(6.4)	(11.2)
Acquisitions of intangible assets and property, plant and equipment	(74.1)	(124.6)
Proceeds from sale of property, plant and equipment	5.2	3.7
Free Cash Flow	**163.5**	**231.4**

- **Net financial debt** is defined as the sum of interest bearing loans and borrowings 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 leases recorded under IFRS 16 since the application of the new accounting norm.

- **Financial leverage** is the ratio financial net debt including leases recorded under IFRS 16 to LTM (Last Twelve Months) Adjusted EBITDA. As per our credit documentation, the financial leverage retained for the covenant is calculated before IFRS16 application. At the end of December, the financial leverage as per our credit documentation was at 1.5x Adjusted EBITDA. The covenant attached to our bank loans is tested at the end of each semester. It has to be below 3.5x at end of June and below 3.0x at end December. Tarkett obtained from its banking partners a covenant holiday for 2020. The Schuldschein private placements are also subject to a leverage covenant. It is only tested once a year and has to be below 3.0x at the end of December.

in million euros		December 2020	June 2020	December 2019
Net Financial Debt	**A**	**473.8**	**728.0**	**636.8**
of which Lease Liabilities		108.8	97.2	89.3
Net Financial Debt pre-IFRS 16	**B**	**364.9**	**630.8**	**547.5**
Adjusted EBITDA LTM	C	277.9	259.7	280.0
Lease charge		(30.9)	(31.2)	(30.5)
Adjusted EBTIDA LTM pre-IFRS16	D	247.0	228.5	249.5
Financial leverage [(1)]	**A/C**	**1.7x**	**2.8x**	**2.3x**
Leverage as per covenant [(2)]	**B/D**	**1.5x**	**2.8x**	**2.2x**
IFRS16 impact on leverage		0.2x	0.0x	0.1x

[(1)] *Reference for Mid-term objective: Leverage comprised between 1.6x and 2.6x at year-end*

[(2)] *Credit documentation is based on pre-IFRS 16 accounting standards - Covenant is 3.5x end of June, 3.0x end of December*

2. Bridges (€ million) FY 2020, H2 and Q4

Cyber-insurance indemnification to Q2 2020 cyberattack amounted to €14.8 million, was paid before year end by the insurer and therefore included in Q4 Adjusted EBITDA. While it is presented as a one-off in H2 and Q4 bridges, it has been reported in the volume effect in FY 2020 bridge analysis, as the cyber-attack impacted H1 performance.

Net sales by segment

FY 2019	2,991.9
+/- EMEA	(81.6)
+/- North America	(116.4)
+/- CIS, APAC & LATAM	(11.5)
+/- Sports	(74.3)
FY 2020 LfL	**2,708.0**
+/- Currencies	(40.3)
+/- Selling price lag effect in CIS	(34.9)
FY 2020	**2,632.9**

Adjusted EBITDA by nature

FY 2019	280.0
+/- Volume / Mix	(113.5)
+/- Sales Pricing	8.5
+/- Raw Material & Freight	28.5
+/- Salary Increase	(15.1)
+/- Productivity	26.3
+/- SG&A	35.2
+/- Covid-19 measures	44.3
+/- One-offs & Others	6.2
+/- Selling price lag effect in CIS	(13.5)
+/- Currencies	(9.1)
FY 2020	**277.9**

H2 2019	1,579.6
+/- EMEA	(20.7)
+/- North America	(36.6)
+/- CIS, APAC & LATAM	13.2
+/- Sports	(61.6)
H2 2020 LfL	**1,473.8**
+/- Currencies	(47.0)
+/- Selling price lag effect in CIS	(30.9)
H2 2020	**1,395.9**

H2 2019	153.4
+/- Volume / Mix	(50.5)
+/- Sales Pricing	7.2
+/- Raw Material & Freight	20.0
+/- Salary Increase	(7.2)
+/- Productivity	16.5
+/- SG&A	23.1
+/- Covid-19 measures	15.5
+/- One-offs & Others	13.5
+/- Selling price lag effect in CIS	(12.9)
+/- Currencies	(7.0)
H2 2020	**171.5**

Q4 2019	672.5
+/- EMEA	(10.1)
+/- North America	(2.1)
+/- CIS, APAC & LATAM	10.2
+/- Sports	(8.1)
Q4 2020 LfL	**662.3**
+/- Currencies	(25.5)
+/- Selling price lag effect in CIS	(17.8)
Q4 2020	**619.1**

Q4 2019	38.4
+/- Volume / Mix	(16.1)
+/- Sales Pricing	4.5
+/- Raw Material & Freight	4.6
+/- Salary Increase	(3.4)
+/- Productivity	4.6
+/- SG&A	11.1
+/- Covid-19 measures	6.0
+/- One-offs & Others	15.7
+/- Selling price lag effect in CIS	(9.5)
+/- Currencies	(2.0)
Q4 2020	**53.8**

3. H2 Net revenues and Adjusted EBITDA by division

	Net Sales				Adjusted EBITDA			
€m	H2 2020	H2 2019	% change	Organic change	H2 2020	H2 2019	H2 2020 Margin	H2 2019 Margin
EMEA	417.9	440.0	*-5.0%*	*-4.7%*	62.3	49.3	*14.9%*	*11.2%*
North America	336.8	396.7	*-15.1%*	*-9.1%*	26.3	18.5	*7.8%*	*4.7%*
CIS, APAC & LATAM	305.0	331.8	*-8.1%*	*+4.0%*	65.0	53.4	*21.3%*	*16.1%*
Sports	336.2	411.1	*-18.2%*	*-15.0%*	41.5	57.1	*12.4%*	*13.9%*
Central Costs	-	-	-	-	(23.7)	(24.9)	-	-
TOTAL	**1,395.9**	**1,579.6**	***-11.6%***	***-6.7%***	**171.5**	**153.4**	***12.3%***	***9.7%***