ANNUAL REPORT | 2003

Tarkett

TARKETT – AT A GLANCE

		2003 in €	2002 in € restated[e]	2001 in €	2000 in €	1999 in €
I. Invoiced sales						
Total	in millions	1,394.3	1,437.3	1,429.3	1,406.2	1,355.2
of which						
Domestic	%	7.9	7.8	9.2	9.7	12.4
Foreign	%	91.1	92.2	90.8	90.3	87.6
II. Result						
EBITA [a]	in millions	105.3	90.9	85.6	90.2	89.8
Net profit after minority interest	in millions	42.3	28.8	19.3	15.1	10.6
Earnings per share	€	1.11	0.75	0.50	0.39	0.31
Dividend	in millions	10.3[d]	8.4[d]	6.9[d]	5.9[d]	4.9
Dividend per share	€	0.27[d]	0.22[d]	0.18[d]	0.15[d]	0.12
III. Assets						
Non current assets	in millions	504.1	542.7	568.0	600.1	626.8
Current assets	in millions	486.2	531.3	587.0	624.5	583.4
(of which cash)	in millions	(42.7)	(62.8)	(79.4)	(90.4)	(76.6)
Total assets	in millions	990.3	1,074.0	1,155.0	1,224.6	1,210.2
IV. Equity and liabilities						
Equity incl. minority interests	in millions	294.6	316.9	324.5	330.8	312.7
(of which capital stock)	in millions	(97.9)	(97.9)	(97.9)	(97.9)	(97.9)
Liabilities	in millions	695.7	757.1	830.5	893.8	897.5
Total Equity and liabilities	in millions	990.3	1,074.0	1,155.0	1,224.6	1,210.2
V. Key figures						
Equity/Assets ratio	%	29.7	29.5	28.1	27.0	25.8
Number of employees	(annual average)	6,977	7,273	7,277	7,215	7,981
Profit margin [b]	%	7.6	6.3	6.0	6.4	6.6
Return on capital employed [c]	%	13.2	9.9	8.6	9.0	8.8

(a) Earnings before goodwill amortization, financial items and taxes.
(b) EBITA in percent of invoiced sales.
(c) EBITA after goodwill amortization divided by the average balance sheet total after deducting short-term non-interest bearing liabilities and interest bearing assets.
(d) Proposal for approval to the Annual General Meeting (for 2003 on June 8, 2004)
(e) See section "accounting for samples and displays" of the notes.

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DEAR SHAREHOLDERS, DEAR FRIENDS AND EMPLOYEES OF TARKETT

The economic framework conditions on important core markets were not positive for our business. This particularly affected our business in West Europe in the first half-year.

Nevertheless, we managed to close the business year 2003 with improved results. Although the Tarkett Group suffered a slight decrease in sales, we were able to increase our EBITA and more significantly our net profit (for the fourth year in succession). The key figures in detail: for the past business year, the Tarkett Group recorded sales of Euro 1,394.3 million compared to Euro 1,437.3 million for 2002. This decrease of 3 % is predominantly due to negative currency effects concerning our North America business. At constant exchange rates, however, the situation looks more positive, with sales up by almost 3 %. This development is mainly attributable to the contribution made by our joint venture with Sintelon – today operating as Tarkett East Europe – that we are now consolidating at 50% on a full year basis. Our EBITA for 2003 amounted to Euro 105.3 million, 16 % above the previous year's figure of Euro 90.9 million, so that our EBITA margin reached 7.6 % of sales. We can also report a positive net profit figure of Euro 42.3 million, a 43 % increase compared to our net profit of Euro 29.9 million for 2002. This corresponds to an increase in earnings per share to Euro 1.11, compared to Euro 0.78 in 2002.(1) As in previous years, we continued to reduce our debt according to plan: today the company's debt amounts to Euro 270.3 million compared to Euro 301 million in 2002 – a reduction of 31 million Euro or 10 %. With this, we now have a debt to equity ratio of less than 0.9. These are the most important key figures for Tarkett AG in 2003.

I would now like to explain some of the actions concerning the Group's strategic alignment that we are implementing for the future of our business. They relate to the Group's globalization course and the concentration on our core products. Tarkett – this is the name and the brand with which our Group and its associated companies operate on the world markets since the end of 2003. The reasoning behind this decision is our clear positioning as a global company that markets its core products on all international markets. This is the clear result of the studies we made preceding the decision-making process. In most of the countries, the new name has already been introduced. We presented the new face of the Group to our customers and partners – and received a great deal of positive feedback. The implementation of the Marketing tools on all markets in Europe, East Europe and North America is progressing at full speed. We support this realignment with an extensive campaign in the TV and print media that addresses the end consumer. The goal is to develop a brand awareness for Tarkett and its flooring products – especially in the Residential business. Our investment here will amount to about Euro 8.5 million in 2004 alone.

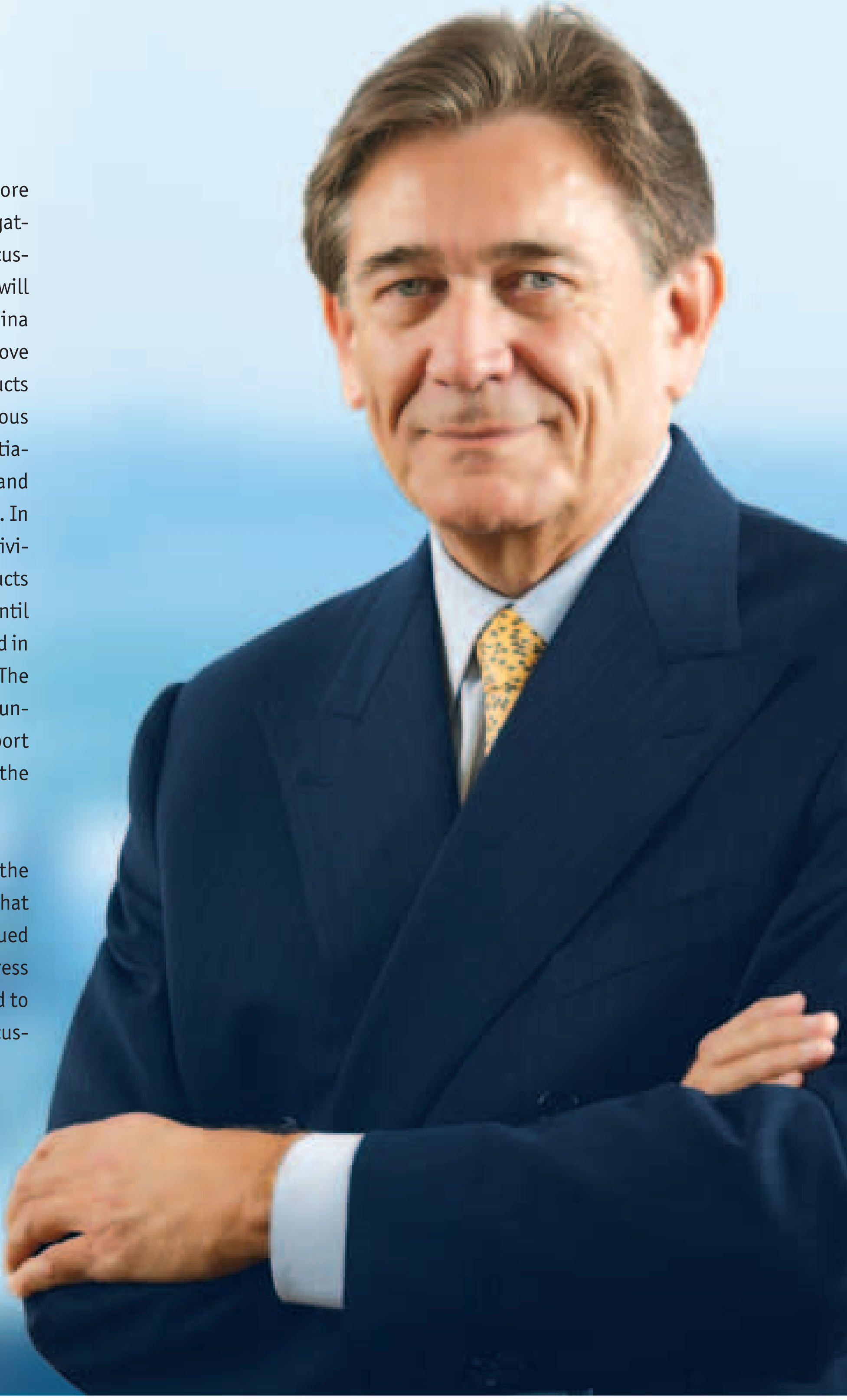
(1) see Management report for details.

To enhance our global presence, for our core products, we are currently involved in investigating cooperations, partership acquisitions, focusing on the East Europe and countries which will soon join the EEC, in Asia, particularly in China and in North America, where we intend to improve our position in the segment of specialty products for the Commercial business. Our continuous trend of debt reduction now allows to take initiatives along this line. In line with our global brand approach, we have realigned our organization. In order that the Residential and Commercial divisions could market and distribute their products globally, the North America division, which until now operated independently, will be integrated in the Residential and Commercial divisions. The new global profile of the Group will serve to bundle strengths, trigger synergy effects and support the growth course of the Tarkett Group on the world markets.

This concludes my overview and summary of the business year 2003. Let me wind up by saying that the positive trend for the Group also continued during the previous year. I would like to express my gratitude to all employees who contributed to this success as well as to our partners and customers.

Yours faithfully

Marc Assa
Chairman of the Management Board
Tarkett AG



THE TARKETT SHARE

In 2003, the stock exchange climate for the Tarkett share were difficult. At the beginning of the year, the downward trend of the important indices continued. The main reasons for this development were the strong restraint shown by investors, the weak economic environment and the imminent conflict in the Middle East. The summer brought a change in the development on the stock markets.

The Tarkett share anticipated this positive development already at the beginning of the year.

Between the start of the stock exchange year on 2nd January and 30th May, the share showed a positive trend in its closing price on Frankfurt Stock Exchange from Euro 6.47 up to Euro 7.02. By the last trading day on 30th December, the share price had once again increased significantly and reached Euro 9.85. Thus, the price of the Tarkett share increased by more than 52 % within the reporting period. The significance of this figure becomes clear when using the CDAX index as a benchmark.

This positive price development has accompanied the continued increase in net profit to Euro 42.3 million. With the global name and brand presence of "Tarkett" we will also give new impetus to the positioning of the Tarkett share on the stock market. After the end of Sommer Luxemburgs' public offer to the outstanding minor shareholders of the former Tarkett Sommer AG the holding company held app. 94 % of the shares in Tarkett Sommer AG, today Tarkett AG.

During the annual general meeting the Management Board will propose to the shareholders to pay a dividend of Euro 0.27 for the business year 2003.

The Tarkett share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Driven by the decline of the US dollar, Tarkett's sales fell by 3.0 % below 2002 figure. Tarkett improved profitability by 16 % for the EBITA; 43 % for the net result[(1)] and reduced financial debt by another 10 %. This favourable development in a difficult economic environment in the mature markets is mainly attributable to our focus on innovation, growth markets and productivity improvements.

[Invoiced Sales]

With the first quarters stronger than previous year due to the consolidation of the Joint Venture (JV) only in the second semester of 2002, Tarkett recorded in 2003 sales of € 1,394.3 million. At constant exchange rates sales would have grown by 2.7 % whereas at constant exchange rates and constant perimeter sales would have remained flat.

By region, growth rates were achieved in Eastern Europe of 23.8 % mainly relating to the resilient residential product range and to the contribution of the JV with Sintelon; Western Europe sales increased, after prior year's decline, by 1.1 % (1.8% at constant exchange rates). North American sales expressed in Euros decreased by 17.7 %, and by 1.0 % at constant exchange rate, respectively.

Per business area, our core business of resilient products declined by 3.4%, opposed to an increase of 2.7% at constant exchange rates. Residential resilient products posted a 2.7% growth (7.6% at constant exchange rates) mainly attributable to the joint venture. The sales of our commercial resilient products decreased by 7.3% (-1.2% at constant exchange rates) reflecting in particular a difficult environment in North America. The carpet business, mainly focussed on commercial applications, decreased by 2.6 % (-1.7 % at constant exchange rates), following the general trend in office space construction. Our wood sales worldwide fell by 5.4 %, although growing by 3.5 % at constant exchange rates, attributable to the development of our North American sales, whereas the European business showed first signs of recovery. Our laminate product sales continued to grow at 9.6% (at comparable exchange rates: 14.4 %), supported by product innovation like new surface features and a positive market trend.

[EBITA]

The 2003 EBITA of € 105.3 million surpasses prior year's level by 16 %. In 2003, the European divisions increased their profitability, attributable to the ongoing efforts to reduce overhead (indirect) cost, to the positive contribution of the JV with Sintelon and to the attractiveness of our commercial product offer outbalancing the negative effects of pricing and volume pressures. In North America, our profitability decreased by 50%, due to sharp rises in raw material prices that could not be passed to our customers and as well as by the very competitive situation in the resilient markets from a volume point of view. A harmonization in accounting methodology was adopted by the company to comply with the proposed treatment under IAS 38.57 with respect to samples and displays. These changes were applied retroactively to 2002 as well. Variances versus the originally published figures are presented in brackets, italicised.

[Goodwill Amortization]

The goodwill amortization reflects acquisitions of the past. The most significant goodwills refer to Tarkett Group in 1994, Sommer Flooring in 1997, Stuart Flooring 1998 and the joint venture companies with Sintelon in 2002. Goodwill is being amortized over 20 years. The expense remained at about prior year's level.

[Net Financial Items]

Net financial items for 2003 amounted to a total of € -23.5 million compared to € -23.9 million in the previous year, They include in 2003 about Euro 1.5 million cost relating to the privatisation of Domco Tarkett and Euro 1.0 million cost, relating to lower discount rates to compute pension costs.

[Result associated companies]

The Euro 0.7 million is the pro rata result attributable to the minority share acquired in Sintelon in the course of 2003.

[Net Profit]

The 2003 net profit after minority interest of € 42.3 million increased as compared to last year's € 28.8 million [*€ 29.9 million*] with minority interest decreasing from € 0.9 million [*€ 1.2 million*] to Euro 0.2 million relating to Domco Tarkett which was taken private in 2003.

(1) as compared to last year's restated figures; compared to the originally published figures EBITA grew by 13% and Net result by 41.5%, respectively.

[Earnings per share]

With the number of issued shares entitled to dividend nearly unchanged in 2003, earnings per share increased at the same pace as the net result, i.e. from € 0.75 [*€ 0.78*] to € 1.11 by 48% [*45%*].
Supervisory and management boards therefore propose a dividend increase from 0.22 Euro to 0.27 Euro to the shareholders.

[Financial position]

Net financial debt (interest bearing loans and borrowings including shareholders' loan, less cash and cash equivalents) was reduced by € 31 million to € 270 million in 2003. This positive development is the net result of the successful monitoring of the working capital and of our ongoing strong cash flow on the one hand, but on the other hand the financing of the Domco Tarkett privatisation and of the Sintelon minority shareholding acquisition. Our capital expenditures could be increased, accounting for 3.5% of sales, versus last year's 2.8 %. After refinancing the syndicated facilities in late 2002, we shall face the repayment of the bond of Euro 115 million which will mature in December 2004; various scenarios are being investigated for the refinancing of this bond.

[Voluntary purchase offer by Sommer]

In 2002 Tarkett SA (at the time of the offer: Sommer) initiated a voluntary purchase offer on all outstanding shares of Tarkett AG. The offer period ended on January 31st ,2003. As of 2004, Tarkett SA owns 94,9 % of Tarkett AG.

[Financial policies – Exchange risks]

To cope with the volatility of the foreign exchange markets, Tarkett adopted a policy to centralize positions in foreign currencies to protect the company through centrally managed derivatives against currency market influences. Tarkett introduced already in 2001 the policies to secure the approval of the instruments used under IFRS as non-speculative hedging. Tarkett’s currency risks are mainly composed of the Swedish Krona because of our substantial manufacturing operations in Sweden and to a lesser extent of the British pound and of the US-$ due to Euroland sales to the corresponding markets. Tarkett is following the policy of securing up to 75 % of significant cash flows through derivative instruments like forward contracts, options and the like. The JV companies in Russia and East Europe do their business nearly exclusively on a hard currency or hard currency indexed base.
The respective contracts are entered usually in the beginning and in the middle of the year based on the current projections of the following 6 months' period; the business projections and currency market developments are regularly reviewed by the management. The Projected hedge needs and actual cash flows are regularly compared to improve our decision making process Regarding balance sheet items it is our policy to balance assets and liabilities in the same currencies. This target is followed through foreign currencies, loans and forward contracts.

[Cash Flow]

Net Cash flow from operating activities in 2003 amounted to Euro 117.9 million as compared to the Euro 153.9 million in 2002. The development resulted in a slightly improved gearing. It incorporates the net effects of increased investments including the acquisition of all outstanding shares of Domco Tarkett Inc. and of a minority interest in Sintelon on one hand and improved profitability and favourable influence from the working capital management on the other hand.

[Personnel]

Tarkett’s manpower amounted to 6.977 in 2003 including the Joint Venture as compared to last year’s 7.273.

[Risks of the future development]

The risk management system implemented in 1999 in accordance with the legislation of the Federal Republic of Germany under which Tarkett is incorporated identifies and monitors the risks Tarkett is exposed to in their business. The findings are regularly reported to both management and the supervisory board. The monitoring of the following risks is being covered:

1. Strategic Product Risks

These risks mainly refer to a strong pressure on prices world-wide in particular for the Group's core products: resilient floorings. Moreover, these products are affected by environmental discussions from time to time. The countermeasures of the Corporation are twofold. On one hand the R&D resources are focused to secure the availability of new innovative products, enlarging our competitive edge thru additional benefits to the end customer. On the other hand, Tarkett has been investing constantly during the past years into the technology and the know how of chlorine free alternatives in the field of resilient as well as textile tile floorings. The entry into the laminate and linoleum businesses further reduces Tarkett's exposure to the growth of substitute to resilient residential floorings. This policy is accompanied by the exit from non-core businesses with below-average long-term perspectives.

2. Strategic Country Risks

The geographical distribution of the Group's business includes various risks. Tarkett predominant growth market Eastern Europe which collapsed in 1998 has been further recovering in 2003. This market now makes up for 12.5 % of our sales figures. Tarkett reached its strategic objective of securing its presence on this growth market by closing the agreement with the Sintelon Group and putting the joint venture into effect by July 15th, 2002. Regarding export business into such areas, Tarkett secures the proceeds of the sales by insurance covers or other instruments where it seems appropriate.

3. Raw material costs as a part of Supply Risks

The prices of raw material in Europe and in the USA are exposed to significant fluctuations. Adjustments of selling prices due to raw material cost variations can generally only be effected with a time lag.

4. Currency Risks and derivative instruments

The development of the foreign exchange markets is regularly monitored. Conclusions and decisions are taken within the finance committee meeting quarterly. Currency exposures are managed by appropriate hedging transactions which qualify as such under IAS 39, as well. Such actions usually cover the net cash flow of a 6 months-period. It is secured that such transaction are exclusively carried out by the central treasury department.

5. Interest Risks

Interest risks are also regularly considered within the above mentioned finance committee. The Management Board makes use of hedging provided an anticipation of fundamental capital market changes.

6. Legal Risks

Legal Risks or legal affairs (especially litigations) of any significance are centrally evaluated and regularly reported to a member of the Management Board.

Summary

None of the above mentioned risks can be characterised as developments that might endanger the continued existence of the company according to § 91 (2) AktG, neither is the Management Board aware of any other comparable risks exposure.

[Outlook]

In the context of an overall improved economic environment, we anticipate for 2004 at comparable exchange rates to maintain sales at about last year's level. Earnings should improve slightly assuming there will be no surge in raw material prices. In this context, we shall continue to focus on our four key strategic targets:

1. Innovative products

After the innovation offensive of the last years in the fields of resilient and wood products, primarily for residential applications, we are continuously developing new products in all areas. In 2004, we will work on projects aiming at bringing on the market new surface textures, new innovative aspects with more pronounced relief and sharper designs, increased sound damping characteristics, self locking or self gluing system particularly for hard wood and laminate floorings and increased modular products offer.

2. Focus on sales and marketing

Having chosen Tarkett for our corporate identity and for our main brand in 2003 we shall start in 2004 to make this brand known to the end consumer through an 8 Mio Euro investment in communication, including TV commercials, magazine advertisements and point of sales support. With this investment we shall seek to upgrade the range of resilient core products and to make our brand more notorious.

3. Focus on growth markets

We launched throughout the company a program to identify objectives and to define action plans to ensure "profitable growth" for the future. New countries like China, India, Mexico or the new East European EEC members, and new products like ceramics will be targeted in the initiatives we will take in 2004.

4. Continuous productivity improvement

The past year demonstrated our capability to secure earnings in an overall flat sales growth environment by putting emphasis on productivity and cost savings through our Tarkett++ efficiency improvement program. This policy will be actively pursued in the context of increased price pressure and competition. We will also continue to focus on reducing the overheads level in particular by introducing further standardization of IT applications accompanied by a reengineering of our business processes.

[Development of the business of Tarkett AG]

Tarkett AG is a company controlled by Tarkett Holding S. A., Luxembourg, which in turn was a subsidiary of Tarkett S.A., Luxemburg, an affiliate of Tarkett S.A., France, at December 31th, 2003. In this respect the Management of Tarkett AG prepared a report in accordance with para 312 AktG (German Stock company code) which ends with the following conclusion: "Our company has received for all transactions which are listed in the report on related party transactions, a correct equivalent at the time at which the transaction took place". Tarkett AG is the managing holding company of an international group of affiliated companies. It does not have an own operative business. Therefore, the financial position and the earnings position of Tarkett AG are determined by the development of the business of its subsidiaries.

Balance sheet main items are financial assets and equity, whereas the income statement's drivers are Other operational income (12.1 M€ vs. 18.4 M€ in 2002), Net financial result (11.6 M€ vs. 5.0 M€ in 2002), and General and administrative expenses (16.8 M€ vs. 13.5 M€ in 2002). The decrease in Other operational income is attributable to positive one time effects due to the sale of licenses and know how in 2002 which did not occur in 2003, whereas the increase in financial earnings is mainly due to a higher profit distribution of affiliates; in the 'fiscal year' 2003 Tarkett International AB distributed and paid a dividend of 2.1 Mio € to Tarkett AG. The increase in general and administrative expenses is attributable to the launching of our project to standardize the IT sales application and to the recognition of provisions.
The profit of Tarkett AG amounted to 6.6 Mio € compared to 9.9 Mio € in the previous year. With respect to the net creditor position of AG the decision was taken not to make use of the dividend payment capability of our affiliates and to distribute the dividend partly out of retained earnings in order to leave funds where they are used for the operations.

[Outlook for Tarkett AG

In accordance with the group outlook we anticipate for Tarkett AG for 2004 rather constant earnings and expenses and a dividend to shareholders following the development of the group results.

The Management Board
Tarkett Aktiengesellschaft

Frankenthal, 1 March 2004

RESIDENTIAL EUROPE

In the business year 2003, Residential Europe achieved total sales amounting to Euro 572.9 million – an increase of almost 11 % in comparison to the previous year's sales figure of Euro 527.4 million. This growth is mainly attributable to the contribution made by the joint venture with Sintelon – today operating as Tarkett East Europe – that has for the first time been consolidated over the full year. North Europe was stable, predominantly supported by a slight increase in the hardwood sector. On the large volume markets, Germany managed to turn the downward trend into a slight plus of 0.3 %. As a result of the newly implemented key account strategy, the UK was even able to increase sales by an excellent 16 %. On the other hand, however, France suffered a sales decrease of 2.6 % due to the continued strong competitive and price pressures, especially in the resilient floorings segment. Sales growth was also achieved in South Europe, with the exception of Switzerland and Austria. The important Spanish market reported a plus of 10 %, achieved against fierce competition and mainly due to a strong increase in sales of laminates. Already mentioned: the continued strong growth on the East European markets to which the joint venture makes significant contributions to sales. By product category: The development in the resilient floorings segment was mixed: growth in the East European markets was able to compensate for the slight decrease in resilient floorings sales experienced in West Europe. The hardwood business decreased slightly by 0.9 %. As a result of the well-positioned product range, laminates grew by approximately 19 % all over Europe and confirmed the positive trend of the past years. The development of the EBITA was even stronger than the upward trend in sales: Residential Europe managed to double its 2002 figure of Euro 22 million to Euro 42.5 million. Increasing profitability and growing sales: these are also the key topics on the agenda of the Residential division for the near future. And it is for this reason that the implementation of a new brand and marketing strategy has been initiated under the Tarkett name. This strategy is being pursued simultaneously at three levels and includes the following key elements:

1. The concentration of distribution on successful distribution channels and partners, including the expansion of the key account approach.
2. The development of differentiated and segment-specific product offers for the individual markets.
3. Strong investments in the development of the Tarkett brand through media campaigns.

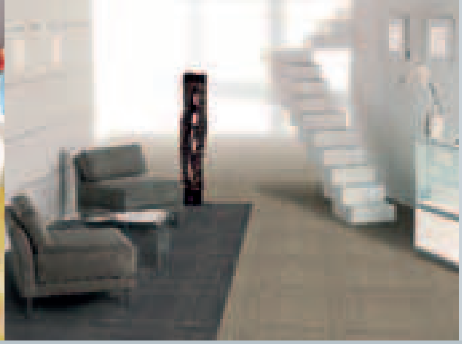
The successful marketing of the new distribution concepts, the core of which is a shop-in-shop concept, has been initiated in the important prospect markets France, UK, Poland and the Benelux countries. In addition to the brand development and partner-marketing measures, an even more differentiated and segment-specific development of the residential products for the individual markets will be initiated and intensified. We will support this operative realignment with an extensive media campaign in the four mentioned prospect regions. This will address the end consumer who we intend to reach through advertising in the TV and print media, the goal being to develop a brand awareness for Tarkett and its residential products.

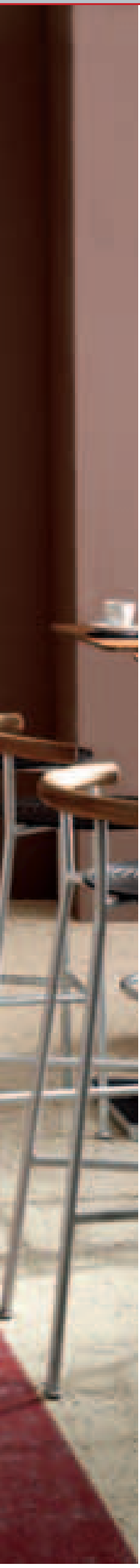
With this three-level strategy, the Residential division focuses on significantly increasing the sales of its core products and intends to become the reference brand for the industry.

EUR IN MILLIONS	2003	2002
Invoiced sales	572.9	527.4
EBITA	42.5	22.0
Net operating assets*	175.0	166.5
Investments**	20.3	18.9

** Balance sheet total after deducting short-term non interest bearing liabilities, interest-bearing assets and Goodwill.*
*** Excluding leased assets.*


COFFEE



COMMERCIAL EUROPE

In the business year 2003, Commercial Europe recorded sales of Euro 437 Mio compared to Euro 443 Mio in the previous year. This slight minus of 1.3 % results from a decrease in sales attributable to the negative investment climate in the construction industry in numerous European markets and from a negative impact of exchange rate (-0.4%) An exception to this development is the positive sales growth of 3.7 % seen in France, the largest volume market. A look at some individual markets: North Europe decreased by 6%. Even though Germany also reported a slight minus, they managed to limit the sales decrease to a lower level than the other market participants. The divisions business on the East European markets was characterized by a continuous positive development and reached a plus of 3.5 %.

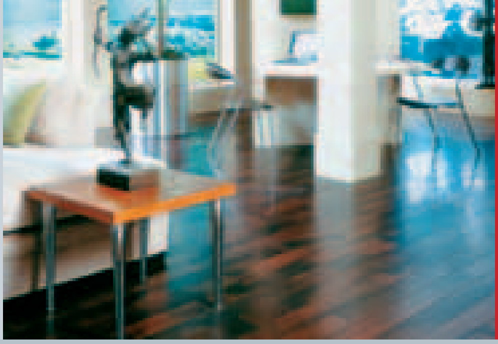
The important prospect market China also recorded a significant growth of 7.4 %. The sport segment reported a positive development due to the success of artificial grass and the introduction of new wood floorings for that area.

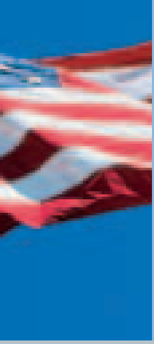
The mixed development with respect to sales is in contrast to a clear plus in EBITA, which reached Euro 68.8 Mio in 2003 – an increase of more than 7% compared to the previous years' Euro 64.1 Mio. Against the background of this increase, the Commercial Division will continue its successful strategy of a segment-oriented market penetration with a profitable product mix.The forecasted sales growth will be realized on the one hand by means of a consistent diversification in the new market segments as the shop and sport areas and an extended presence on the prospect markets in East Europe and China, on the other. At the same time, targeted acquisitions in specific countries or market segments will serve to generate external growth and consolidate the market position. Of course, the basis for this is the intensified introduction of innovative and highly specialized products that will help to expand the strong market position of Tarkett Commercial.

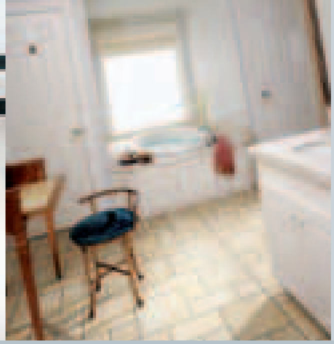
So will new resilient products strengthen the overall product portfolio. Two examples: Megalit will enable Commercial to enter a new dimension in the area of design. A new manufacturing technique makes it possible to use so called "flakes" – large sized PVC flakes with transparent particles – to produce a top class flooring that is particularly suitable for hospitals and shops. The new DecoStructure carpet tile, which is the result of a new investment, will allow to offer a High-end-range of products, showing new design offers for the office sector.

EUR IN MILLIONS	2003	2002
Invoiced sales	437.0	443.0
EBITA	68.8	64.1
Net operating assets*	118.1	122.4
Investments**	14.5	12.1

* *Balance sheet total after deducting short-term non interest bearing liabilities, interest-bearing assets and Goodwill.*
** *Excluding leased assets.*







DIVISION NORTH AMERICA

Turnover for the North American business reached 384 million Euros and was impacted in a major way by the negative Dollar-Euro exchange rate. In Dollar at constant exchange rates the turnover decreased 1.2 % whereas in Euros by 17.7 % . The EBITA reached 8.7 million Euros in 2003 compared to 17.6 million Euros in 2002. The deterioration of the EBITA is explained by major increases raw material prices, and the reduction in sheet vinyl and semi-flexible tile volumes as well as by the foreign exchange effect. In 2003 a major corporate identity project was implemented to clarify the brand architecture and marked the final step in the integration of a number of merged companies in North America. This project was expanded into a global initiative and lead to the choice of Tarkett as the corporate brand.

The residential division turnover decreased primarily because of the negative market development of sheet vinyl. In addition to the defensive cost cutting a number of initiatives to take market share has been initiated in the residential division: a new merchandising system, the preparation and test launch of the new category of sheet vinyl, Fiber floor, has shown great promise, and the sales force has been upgraded in the US. The wood division turnover increased. The first six months of the year was challenging with no sales growth and increased lumber prices. The second half showed double digit growth and a recovery in EBITA % margin. A highlight was winning the Home Depot "vendor of the year" award for extraordinary performance. The commercial division turnover decreased because of the negative development of semi-flexible tiles. To improve the performance, cost cutting measures have been taken, the distribution network has been strengthened, a new premium tile collection was launched to improve the product mix, and the sales force has been refocused.

To address the over capacity of semi-flexible tiles, a manufacturing joint venture with Mannington was successfully consummated where Tarkett sold 50% of it's manufacturing facility in Vailsgate in New York state. The luxury vinyl tile business, Nafco, continued to show an excellent development recording a double digit growth.

The privatization of Domco Tarkett in the first half year 2003 will contribute to reduce costs of the North American entity and simplify the organization. In addition in the context of the global approach a re-alignment of the organization with the integration of the North American division in the Division Commercial and the Division Residential has been achieved.

EUR IN MILLIONS	2003	2002
Invoiced sales	384.4	466.9
EBITA	8.7	17.6
Net operating assets*	140.5	166.0
Investments**	10.4	10.9

** Balance sheet total after deducting short-term non interest bearing liabilities, interest-bearing assets and Goodwill.*
*** Excluding leased assets.*

Supervisory Board

PROF. DR. DIETER FEDDERSEN
Chairman

DR. VOLKERT KLAUCKE
Member

PHILIPPE CHAUBEAU
Member

DIDIER DECONINCK
Member

ALEXANDER FREIHERR VON ENGELHARDT
Member

PIERRE-PHILIPPE SIMPHLET
Member
(since June 26th, 2003)

ALFONS KOHL
Deputy Chairman

GUIDO GROSS
Member

HEIDELINDE KOCH
Member
(since March 7th, 2003)

REPORT OF THE SUPERVISORY BOARD

During the 2003 financial year, the Supervisory Board has been kept up to date in writing and in regular meetings on the development of business, the general state of the Company and on fundamental questions of business policy, especially the reduction of the Company's indebtedness, measures in relation to the net working capital and increasing productivity and material business transactions. The material business transactions included the public offer of Luxembourg-based Sommer SA for the shares of Tarkett Aktiengesellschaft, the takeover bid for the shares of the outstanding shareholders of Domco Tarkett Inc., the choice of the corporate identity and various acquisition projects.

The Supervisory Board met four times in regular and three times in extraordinary meetings. The extraordinary meetings in January and April were related to the privatisation of Domco Tarkett Inc. and the acquisition of a participation in Sintelon AD, Serbia.

According to Article 9.1 of its rules of procedure, the Supervisory Board established a Main Committee. This met once in the reporting year. It dealt chiefly with matters relating to the Management Board and made the necessary resolutions.

The Supervisory Board examined and subsequently approved the report of the Management Board on relations to affiliated companies in line with Article 312 AktG (German Stock Corporation Act as well as the audit report submitted by the auditors KPMG Deutsche Treuhand-Gesellschaft AG. As the audit was concluded without objections, the auditors issued the following certificate to the report on relations to affiliated companies: "In line with our audit and assessment in accordance with professional standards, we confirm that

(1) the facts listed in the report are correct;

(2) the consideration of the company for legal transactions listed in the report was not inappropriately high."

The Supervisory Board raises no objections against the declaration of the Management Board that the Company received an adequate quid pro quo for each legal transaction with affiliated companies and no detriment accrued to the Company as a result of legal transactions with affiliated companies.

In the 2003 financial year, the Supervisory Board also examined the Fifth Risk Management Report submitted by the Management Board pursuant to Article 91 (2) AktG (German Stock Corporation Act) and satisfied itself that the auditors confirmed that the Company's early warning system complied with legal requirements.

Together with the Management Board and in agreement with the auditors and legal advisors, the Supervisory Board ensured compliance with the German Corporate Governance Code and together with the Management Board resolved on the Declaration of Conformity pursuant to Article 161 of the Stock Corporation Act as it has been published. The rules of procedure for the Company bodies were adjusted accordingly.

On the basis of the written and verbal reports of the Management Board, the Supervisory Board monitored the management of the Company. The Management Board discussed all important issues and transactions with the Supervisory Board.

The consolidated financial statements, the annual financial statements of Tarkett Aktiengesellschaft, the Group management report and the management report for Tarkett Aktiengesellschaft as well as the report on relations to affiliated companies for the 2003 financial year were audited by KPMG Deutsche Treuhand-Gesellschaft AG and presented to the Supervisory Board by the auditors together with their audit reports prior to the balance sheet meeting of the Supervisory Board on March 22nd, 2004. In this meeting, the auditors elucidated these reports to the Supervisory Board.

The consolidated financial statements and the Tarkett Aktiengesellschaft annual financial statements were granted an unqualified audit opinion. The Supervisory Board took note of the result of the audit with approval. The Supervisory Board examined the consolidated financial statements, the Tarkett Aktiengesellschaft annual financial statements, the joint Management report for the Group and Tarkett Aktiengesellschaft and the proposal for the appropriation of profits. In line with the concluding result of its examination, the Supervisory Board raised no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements of the Tarkett Aktiengesellschaft for the 2003 financial year. The Tarkett Aktiengesellschaft annual financial statements for the 2003 financial year are thus adopted. The Supervisory Board agreed with the proposal of the Management Board for the appropriation of profits.

In the course of the 2003 financial year, the following changes occurred with respect to the composition of the Supervisory Board: Heidelinde Koch was appointed as Employee Representative in the Supervisory Board by court on March 7th, 2003. By way of resolution of the Annual General Meeting on June 26th, 2003, Pierre-Philippe Simphlet was appointed member of the Supervisory Board. Mr. Simphlet took the place of Dr. Dott, the member of our Supervisory Board member who died on August 22nd, 2002. There were no changes in the Board of Management.

The Supervisory Board thanks the Management Board and all employees in the Group for their dedication and hard work.

As Chairman of the Supervisory Board, I would like to thank you for your constructive and committed cooperation in the Supervisory Board.

Frankenthal, April 2004

Prof. Dr. Dieter Feddersen
Chairman

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31ST, 2003 TARKETT GROUP

INCOME STATEMENT

	Note	2003 EUR in millions	2002 EUR in millions restated
Invoiced sales	(1)	**1,394.3**	**1,437.3**
Sales reductions	(1)	-45.1	-45.6
Net sales		**1,349.2**	**1,391.7**
Cost of sales		-870.3	-893.6
Gross operating profit		**478.9**	**498.1**
Selling expenses		-268.9	-287.3
Research and development expenses	(2)	-10.9	-11.3
General and administrative expenses		-90.7	-94.3
Other operating income and expenses	(3)	-3.1	-14.3
Earnings before goodwill amortization. financial items and taxes (EBITA)		**105.3**	**90.9**
Goodwill amortization		-14.0	-14.4
Net financial items	(4)	-23.5	-23.9
Result in associated companies		0.7	-
Profit before taxes		**68.5**	**52.6**
Taxes	(5)	-26.0	-22.9
Net profit for the year		**42.5**	**29.7**
Minority interests		-0.2	-0.9
Net profit after minority interest		**42.3**	**28.8**

Earnings per share			
Basic earnings per share (in EUR)	(30)	1.11	0.75
Diluted earnings per share (in EUR)	(30)	1.11	0.75

BALANCE SHEET

ASSETS	Note	Dec. 31, 2003 EUR in millions	Dec. 31, 2002 EUR in millions restated
Tangible assets	(6)	270.5	291.9
Intangible assets	(6)	173.5	195.3
Financial assets	(6)	20.8	5.6
Deferred tax assets	(16)	38.5	46.4
Other non current assets	(9)	0.8	3.5
Non current assets		**504.1**	**542.7**
Inventories	(7)	199.5	210.6
Trade receivables	(8)	209.2	225.1
Other receivables	(9)	34.8	32.8
Cash and cash equivalents	(10)	42.7	62.8
Current assets		**486.2**	**531.3**
TOTAL ASSETS		**990.3**	**1,074.0**

EQUITY AND LIABILITIES	Note	Dec. 31, 2003 EUR in millions	Dec. 31, 2002 EUR in millions restated
Capital stock		97.9	97.9
Capital reserves		82.3	82.3
Retained earnings		71.9	70.4
Net profit for the year		42.3	28.8
Equity		**294.4**	**279.4**
Minority interests		0.2	37.5
Equity and minority interests	(11)	**294.6**	**316.9**
Interest-bearing loans and borrowings	(12)	107.3	348.1
Other financial liabilities	(13)	0.7	1.2
Deferred tax liabilities	(16)	8.6	6.3
Provisions	(17)	91.4	92.7
Non current liabilities		**208.0**	**448.3**
Trade payables	(14)	158.5	179.9
Other liabilities	(15)	106.3	87.7
Interest-bearing loans and borrowings	(12)	205.4	15.8
Other financial liabilities	(13)	0.7	1.8
Provisions	(17)	16.8	23.6
Current liabilities		**487.7**	**308.8**
TOTAL EQUITY AND LIABILITIES		**990.3**	**1,074.0**

CASH FLOW

	2003 EUR in millions	2002 EUR in millions restated
Cash flows from operating activities:		
Net profit before taxes	68.5	52.6
Adjustments for		
Depreciation and amortization	65.0	75.3
Gain (loss) on sale of fixed assets	-3.5	-2.7
Net financial items	23.5	23.9
Change in provisions	-0.2	10.0
Operating profit before working capital changes	**153.3**	**159.1**
Effect of changes in assets and liabilities:		
Decrease (increase) in trade receivables	13.9	7.1
Decrease (increase) in other receivables	13.2	-2.7
Decrease in inventories	2.7	15.0
Increase (decrease) in trade payables	-32.2	16.4
Increase (decrease) in other payables	9.4	5.3
Cash generated from operations	**160.3**	**200.2**
Interest paid	-22.1	-20.1
Other financial	-2.9	-5.1
Income taxes paid	-17.4	-21.1
Net cash from operating activities	**117.9**	**153.9**
Cash flows from investing activities:		
Acquisition of subsidiaries net of cash acquired	-43.2	-36.2
Disposals of subsidiaries net of cash disposed of	-	-
Capital expenditures	-48.0	-40.8
Proceeds from fixed asset sales	10.5	1.0
Net cash used in investing activities	**-80.7**	**-76.0**
Cash flows from financing activities:		
Proceeds from issuance of stock	-	-
Proceeds from loans	113.4	189.4
Repayments on loans	-159.1	-271.8
Payment of finance lease liabilities	-1.4	-1.4
Dividends paid	-8.1	-7.2
Net cash used in financing activities	**-55.2**	**-91.0**
Effect of exchange rate change on cash	-2.1	-3.5
Net increase (decrease) in cash	**-20.1**	**-16.6**
Cash balance, beginning of period	62.8	79.4
Cash balance, end of period	**42.7**	**62.8**

STATEMENT OF CHANGES IN EQUITY (including minority interests)

Year Ended December 31st, 2003 EUR in millions	Capital stock	Capital reserves	Retained earnings	Currency translation adjustment	Fair Value Measurement of Financial Instruments	Equity	Minority interests	Equity and minority interests
At December 31st, 2002 (2) (restated)	97.9	82.3	94.4	8.3	-3.5	**279.4**	37.5	**316.9**
Dividends	-	-	-8.1	-	-	**-8.1**	-	**-8.1**
Net profit 2003	-	-	42.3	-	-	**42.3**	0.2	**42.5**
Change in minority interests	-	-	0.2	-	-	**0.2**	-37.5	**-37.3**
Consolidation Impacts	-	-	1.5	-12.4	0.6	**-10.3**	-	**-10.3**
Foreign currency translation difference	-	-	-	-9.1	-	**-9.1**	-	**-9.1**
At December 31st, 2003	**97.9**	**82.3**	**130.3**	**-13.2**	**-2.9**	**294.4**	**0.2**	**294.6**

Year Ended December 31st, 2002 EUR in millions	Capital stock	Capital reserves	Retained earnings	Currency translation adjustment	Fair Value Measurement of Financial Instruments	Equity	Minority interests	Equity and minority interests
At December 31st, 2001 (1) (restated)	97.9	82.3	87.3	9.4	-2.6	**274.3**	42.8	**317.1**
Dividends	-	-	-6.9	-	-	**-6.9**	-0.3	**-7.2**
Net profit 2002	-	-	28.8	-	-	**28.8**	0.9	**29.7**
Change in minority interests	-	-	-	-	-	**-**	-0.9	**-0.9**
Consolidation Impacts	-	-	-14.8	26.6	-0.9	**10.9**	1.2	**12.1**
Foreign currency translation difference	-	-	-	-27.7	-	**-27.7**	-6.2	**-33.9**
At December 31st, 2002 (restated)	**97.9**	**82.3**	**94.4**	**8.3**	**-3.5**	**279.4**	**37.5**	**316.9**

(1) At December 31st, 2001, Equity is restated to take into account the harmonization of Group accounting policy related to samples and displays costs. Impacts of changes on 2001 retained earnings are a decrease of 5.4 millions Euros, on currency translation a decrease of 0.2 million Euros, on minority interests a decrease of 1.8 millions Euros.

(2) At December 31st, 2002, Equity is restated to take into account the harmonization of Group accounting policy related to samples and displays costs. Impacts of changes on 2002 retained earnings are a decrease of 6.5 millions Euros, on currency translation an increase of 0.8 millions Euros, on minority interests a decrease of 1.9 millions Euros.

SEGMENT INFORMATION

	Invoiced Sales		EBITA	
	2003 EUR in millions	2002 EUR in millions	2003 EUR in millions	2002 EUR in millions restated
By division				
Commercial Europe	437.0	443.0	68.8	64.1
Residential Europe	572.9	527.4	42.5	22.0
North America	384.4	466.9	8.7	17.6
Group common items	-	-	-14.7	-12.8
Tarkett Sommer Group	**1,394.3**	**1,437.3**	**105.3**	**90.9**

	2003 EUR in millions	2002 EUR in millions	2003 EUR in millions	2002 EUR in millions restated
By business area				
Resilient Flooring Europe	605.3	569.0	98.4	77.0
Wood Flooring Europe	143.9	144.0	1.7	-8.4
Textile Flooring Europe	148.9	152.9	3.8	7.7
Other Europe	111.8	104.5	7.3	9.7
Resilient Flooring North America	260.6	327.8	5.1	6.7
Wood Flooring North America	123.8	139.1	6.7	9.4
Other North America	-	-	-3.0	1.6
Group common items	-	-	-14.7	-12.8
Tarkett Sommer Group	**1,394.3**	**1,437.3**	**105.3**	**90.9**

	2003 EUR in millions	2002 EUR in millions	2003 EUR in millions	2002 EUR in millions restated
By region				
Germany	220.8	248.8	10.2	-2.5
France and Luxemburg	307.0	293.8	24.9	33.2
Sweden	158.5	163.6	31.4	26.3
North America	384.4	466.9	9.1	17.0
Other countries	323.6	264.2	29.7	16.9
Tarkett Sommer Group	**1,394.3**	**1,437.3**	**105.3**	**90.9**

* Balance sheet total after deducting short-term non-interest bearing liabilities, interest-bearing assets and Goodwill.

** Excluding leased assets and advance payments made disposals

Net operating assets *		Investments **	
December 31st, 2003 EUR in millions	December 31st, 2002 EUR in millions restated	2003 EUR in millions	2002 EUR in millions
118.1	124.4	14.5	12.1
175.0	166.5	20.3	18.9
140.5	166.0	10.4	10.9
4.8	16.7	1.6	-0.2
438.4	**473.6**	**46.8**	**41.7**

December 31st, 2003 EUR in millions	December 31st, 2002 EUR in millions restated	2003 EUR in millions	2002 EUR in millions
201.0	184.0	23.7	24.2
46.8	48.3	5.7	2.2
44.4	46.9	5.5	4.0
1.0	11.7	-	0.7
98.6	99.2	5.2	5.9
58.7	70.4	3.4	3.9
-18.0	-5.0	1.7	1.0
5.9	18.1	1.6	-0.2
438.4	**473.6**	**46.8**	**41.7**

December 31st, 2003 EUR in millions	December 31st, 2002 EUR in millions restated	2003 EUR in millions	2002 EUR in millions
38.5	36.2	0.7	1.7
101.3	120.2	15.2	15.5
59.2	58.1	10.1	5.6
131.2	160.3	10.4	10.9
108.2	98.8	10.4	8.0
438.4	**473.6**	**46.8**	**41.7**

TANGIBLE, INTANGIBLE AND FINANCIAL ASSETS

	Acquisition Costs						
	At Dec. 31st, 2002 Restated	Changes in the scope of consolidation	Additions	Disposals	Transfers	Currency translation differences	At Dec. 31st, 2003
Tangible Assets							
Real property and rights equivalent to real property and buildings including buildings located on third party properties	228.1	0.1	7.2	-7.0	-	-9.1	219.3
Leased buildings	9.7	-0.4	0,3	-	-	-0.3	9.3
Technical equipment and machinery	627.3	-0.2	36.0	-62.7	-	-20.6	579.8
Leased equipment	0.6	-	0.3	-	-	-	0.9
Advance payments made *)	1.2	-	3.1	-0.9	-	-	3.4
Tangible Assets	**866.9**	**-0.5**	**46.9**	**-70.6**	**-**	**-30.0**	**812.7**
Intangible Assets							
Concessions, industrial property rights and similar rights and values, licenses on such rights and values, capitalized development costs	9.7	-	1.1	-0.5	-	-	10.3
Goodwill	363.3	-	-2.2	-	-	-7.6	353.5
Intangible Assets	**373.0**	**-**	**-1.1**	**-0.5**	**-**	**-7.6**	**363.8**
Financial Assets							
Shareholdings	3.5	-	13.4	-	-	-0.1	16.8
Long-term investments	0.1	-	-	-	-	-	0.1
Other long-term financial investments	2.0	-	0.4	-	-	1.5	3.9
Financial Assets	**5.6**	**-**	**13.8**	**-**	**-**	**1.4**	**20.8**

*) Equipment which is currently under construction has been allocated to individual items under tangible assets.

Accumulated Depreciation								Book Values	
At Dec. 31st, 2002 restated	Changes in the Scope of consolidation	Depre-ciation	Disposals	Used reversed	Transfers	Currency translation differences	At Dec. 31st,2003	At Dec. 31st,2003	At Dec. 31st,2002 restated
97.1	-	8.3	-5.2	2.9	-	-3.9	99.2	120.1	131.0
4.4	-	0.5	-	-	-	-	4.9	4.4	5.3
473.1	-	36.4	-58.2	1.9	-	-15.6	437.6	142.2	154.2
0.4	-	0.1	-	-	-	-	0.5	0.4	0.2
-	-	-	-	-	-	-	-	3.4	1.2
575.0	**-**	**45.3**	**-63.4**	**4.8**	**-**	**-19.5**	**542.2**	**270.5**	**291.9**
7.5	-	0.9	-0.1	-	-	-	8.3	2.0	2.2
170.2	-	14.0	-	-	-	-2.2	182.0	171.5	193.1
177.7	**-**	**14.9**	**-0.1**	**-**	**-**	**-2.2**	**190.3**	**173.5**	**195.3**
-	-	-	-	-	-	-	-	16.8	3.5
-	-	-	-	-	-	-	-	0.1	0.1
-	-	-	-	-	-	-	-	3.9	2.0
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20.8**	**5.6**

[General]

The accompanying consolidated financial statements of Tarkett AG and its subsidiaries are prepared in accordance with accounting principles generally promulgated by the IFRS ("International Financial Reporting Standards"), which were effective on December 31, 2003. Because of § 292 a HGB (German Commercial Code) the company does no longer prepare any consolidated financial statements that comply with the German Commercial Code (HGB).

The following differences exist to the accounting and valuation principles according to HGB :

- In the local entities, according to IAS 21, foreign currency monetary items in the balance sheet are reported using the closing rate, whereas under HGB the "*Imparitätsprinzip*" applies. This results in unrecognized exchange gains.
- The definition of timing differences when calculating deferred taxes according to IAS 12 is more extensive compared to HGB. In contrast to HGB deferred taxes on tax loss carry forwards have to be recognized.
- Other provisions should only include obligations against third parties (IAS 37). Furthermore, the requirements related to the probability of the future outflow of resources are more restrictive.

The consolidated financial statements of Tarkett Group are prepared in Euro.

For one subsidiary, Tarkett Vertriebs GmbH & Co KG, Frankenthal, the exemption clause of § 264 b HGB (German Commercial Code) was applied.

[Scope of Consolidation at December 31st 2003]

The consolidated financial statements of the Tarkett Group include Tarkett AG and 51 subsidiaries that are accounted for by use of the purchase method of accounting as well as 2 companies, which are consolidated using the equity method, and 8 companies by proportional method.

The financial statements of the individual subsidiaries have been prepared at the same Balance Sheet date (Dec 31) as the consolidated financial statements of the Tarkett Group.

Joint Ventures with the Yugoslavian Sintelon Group

Two new companies jointly controlled by Tarkett and Sintelon have been created: Tarkett Moscow and Tarkett Ukrainia and Balkans. They are consolidated since January 1st, 2003 using the proportional method.

Voluntary purchase offer of Canada Inc. Subsidiary of Tarkett AG to the external Shareholders of Tarkett Inc. Canada

On April 30th 2003, Tarkett AG announced its intention to acquire the remaining shares of Tarkett Canada, in which Tarkett AG already holds a stake of 73.80%. This offer was launched on July 4th, 2003 for a price of 7.50 Canadian Dollars per share.

The acceptance period of this voluntary public tender offer ended mid-August 2003. At this date, Canada Inc. held 24,137,317 shares or 93.15% of Domco Tarkett.

Tarkett AG then communicated its intention to make an offer to acquire all of the issued and outstanding common shares of Domco Tarkett not already owned by Tarkett AG or an affiliate.

At a special meeting of shareholders of Domco Tarkett Inc. held at October 30th, 2003, shareholders approved a resolution to amalgamate Domco Tarkett with Canada Inc. The company resulting from the amalgamation will be named Tarkett Inc.

As a result of the amalgamation, it will own indirectly 100% of the common shares of Tarkett Inc.

The total consideration paid for the acquisition of the shares amounted to EUR 35.8 millions that were paid in cash. And a goodwill of EUR 2.2 millions was recorded.

Besides a significant decrease in minorities there are no other material effects on the consolidated financial statements.

The Toronto Stock Exchange has approved the delisting of Domco Tarkett shares as a consequence of the privatization, subject to customary conditions. The company will cease shortly to be a reporting issuer under the securities laws across Canada.

Other Changes

- Vails Gate Manufacturing LLC has been created at end of September 2003. It's a new company jointly controlled by Tarkett Inc. and Mannington Mills, Inc. and is consolidated by proportional method. There were no material effect on the financial statements of Tarkett Group;
- 23.07% of shareholdings of Sintelon AD has been acquired by Tarkett SAS. As a result, Sintelon AD is consolidated by equity method at the end of December 2003. The total consideration paid for the acquisition amounted to EUR 9,7 millions that were paid in cash. A badwill of EUR 4.4 millions was recorded;
- Tarkett Sommer Vertriebs GmbH & Co KG, and Tarkett Sommer International GmbH have merged. The new company is called Tarkett

Vertriebs GmbH and Co KG ;

_Tarkett Energi AB, Tarkett Soft Data AB, Svegab Svensk Golvdistribution AB, Svegab Svensk Golvdistribution Umea AB (Sweden) have been liquidated.

[Scope of consolidation at December 31st 2002]

The consolidated financial statements of the Tarkett Group include Tarkett AG and 55 subsidiaries that are accounted for by use of the purchase method of accounting as well as one minor company, which is consolidated using the equity method, and 5 companies that are consolidated by proportional method.

The financial statements of the individual subsidiaries have been prepared at the same balance sheet date (Dec 31st) as the consolidated financial statements of the Tarkett Group.

Joint Ventures with the Yugoslavian Sintelon Group

Two joint ventures between Tarkett and Sintelon have been created and have come into force in July 2002. These Joint Ventures produce and market primarily resilient floorings in Russia, Ukrainia, Serbia, Balkan and ex CIS countries.

One 50/50 Joint Venture includes the newly formed Company STS DOO (Yugoslavia) and its subsidiaries Intermaks (Ukrainia) and STS Trade (Yugoslavia).

The other 50/50 Joint Venture includes the existing Russia Company Sinco, whose name changed into STS ZAO Sinko and that holds the companies STS Sintertrade (Russia) and Stromaiplan (Russia).

Accounts of STS DOO, Intermaks, STS Trade, STS ZAO Sinko and STS Sintertrade are consolidated since July 1st, 2002 using the proportional method.

They have been adjusted to reflect IFRS (International Financial Reporting Standards) Norms.

The Company Stroimaplan in Russia has not been consolidated, as its activities are not significant and will be comprised in already consolidated companies in Tarkett Group, or sold outside of the Group at the beginning of 2003. Stromaiplan is held 100% by STS ZAO Sinko (50% in Tarkett Group). Its net result amounts to 121 K Euros (60 K Euros for Tarkett Group) over the whole year 2002.

The total consideration paid for the acquisition of the joint venture with Sintelon amounted to EUR 43,4 millions of which EUR 36,2 millions were paid in cash and EUR 7,2 millions were contributed in kind.

Other Changes

_Tarkett Investissement SAS has been created in April 2002 in order to own the two joint-ventures with Sintelon,

_Companies Geroclair, Timberger, Tarkett Investissement and Tarkett SAS (France) have been merged. The new Company is Tarkett SAS (France),

_Sommer Central Europe SRO (Czech Republic) has been liquidated,

_Sommer Dätwyler AG (Switzerland) has been liquidated,

_Sommer Hungary Kft (Hungary) has been liquidated.

[Effect of Joint Ventures with the Yugoslavian Sintelon Group]

The effect of joint ventures on the Group Balance Sheet and Income Statement is as follows :

EUR in millions	Dec 31st, 2003	Dec 31st, 2002
Non-current assets	34.1	31.7
Current assets	28.6	16.9
Non-current liabilities	(1.4)	–
Current liabilities	(6.2)	(8.7)
Net assets	**55.1**	**39.9**
Income	94.2	41.1
Expenses	(79.2)	(35.5)
Income after taxes	**15.0**	**5.6**

[Methods of consolidation]

The consolidated financial statements include according to IAS 27 all subsidiaries directly or indirectly controlled by Tarkett AG. Control is presumed to exist when more than 50% of the voting power is held. The Companies in which Tarkett has an exclusive control are consolidated according to the Global Method. Companies jointly controlled by Tarkett and other shareholders are consolidated according to the Proportional Method.

The results of operations of a subsidiary are included in the consolidated financial statements as from the date of control. The results of operations of a subsidiary disposed of are included in the consolidated financial statements until the date of disposal.

In preparing consolidated financial statements the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The assets and liabilities of the subsidiary recognized should be measured at their fair values on the date of acquisition. Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction are described as goodwill and recognized as an asset.

Goodwill is amortized by recognizing it as an expense over its useful life in line with IAS 22. Intra-group balances and intra-group transactions, including sales, expenses and dividends, are eliminated. Unrealized profits resulting from intra-group transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated.

Minority interests are presented in the consolidated balance sheet separately from liabilities and the parent shareholders' equity. Minority interests in the income of the group are also separately presented.

HARMONIZATION OF THE GROUP ACCOUNTING POLICY

[Accounting for samples and displays]

During 2003, Tarkett harmonized its accounting policy with respect to the treatment of marketing costs that relate to sample and display given free to customers to promote products. Some group companies had capitalized such costs as long as the respective materials are still under the control of the entity.

Tarkett has now decided to harmonize the group policy and to expense these costs when incurred in order to conform with the proposed treatment under IAS 38.57. This change will result in a more appropriate presentation of sample and display costs in the financial statements of Tarkett and has been accounted for in accordance with the earlier application of the revised IAS 8 (accounting policies, changes in accounting estimates and errors). If a Group Company however sells those samples to retailers, samples are treated as inventory at lower of cost or net realizable value as long as he has control of them.

The effect of the harmonization has been accounted for retrospectively. The comparative statements for 2002 have been restated to conform to the changed policy. The effect of the change is an increase in selling costs of EUR 1.5 million (2003) and EUR 2.3 millions (2002). Opening retained earnings for 2002 have been reduced by EUR 5.4 millions, which is the amount of the adjustment relating to periods prior to 2002, net of deferred taxes.

[Foreign currency translation]

As the companies of the Tarkett Group carry out their activities independently they are considered to be "foreign entities" according to IAS 21. In translating the financial statement of a foreign entity for incorporation in its consolidated financial statements the following procedures are used in accordance with IAS 21. The assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing rate. Income and expense items of the foreign entity are translated at annual average exchange rates. All resulting exchange differences are offset against equity without affecting the result.

Exchange differences arising on a foreign currency liability accounted for as a hedge of a net investment in a foreign entity is classified as equity until disposal of the net investment. Exchange differences arising on a monetary item that, in substance, forms part of a net investment in a foreign entity should be classified as equity until the disposal of the net investment.

In the local entities, according to IAS 21, foreign currency monetary items in the balance sheet are reported using the closing rate. Exchange differences are recognized as income or as expenses in the period in which they arise. Items hedged throughout the Group are translated at the hedging rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

When measurement currency reflects the economic substance of the underlying transactions in foreign entities and there are no significant changes in the economic substance, EURO may be considered as appropriate measurement currency. Income and Expense items for all periods presented were translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates.

ACCOUNTING POLICIES

[Tangible assets]

Tangible assets are carried at their cost less accumulated depreciation. Costs occurring subsequently are capitalized. For tangible assets produced by Tarkett, the amounts capitalized include costs directly attributable to the asset and an appropriate portion of general overhead costs and depreciation. Financing costs are not capitalized. If the acquisition cost was in a foreign currency later exchange rate differences do not have an impact on the original valuation of the asset.

The depreciable amount is allocated on a systematic basis over their useful life. According to the pattern in which economic benefits of the assets are consumed the straight-line method and the diminishing balance sheet method are used based upon the following useful lives :

Buildings	20-40 years
Land improvements	8-20 years
Machinery and technical equipment	5-15 years
Other equipment and furniture	2-10 years

If necessary, the carrying amount is reduced to the recoverable amount and the amount of the reduction is recognized as an expense. In determining the recoverable amount expected future cash flows are discounted to their present values (IAS 36). A subsequent increase in the recoverable amount is written back when the original circumstances no longer apply.

[Intangible assets]

Intangible assets are measured at their cost. They are amortized by recognizing them as an expense over their useful life over a period of 3-5 years using the straight-line method.
Exceptional write-downs under IAS 36 are charged where required and these are subsequently reversed if the original reasons for the write-down do no longer apply.
Goodwill concerning acquisitions with a long-term strategic significance are amortized over a period of 20 years in accordance with IAS 22. Other goodwill is amortized over a shorter period of time.
If the criteria for asset recognition of IAS 38 are met, development costs are capitalized and amortized over their useful live.

[Financial assets]

Financial assets are carried at their cost less accumulated depreciation.

[Leased assets]

If plant and equipment are rented respectively leased and substantially all the risks and rewards incident to ownership are transferred to a Group company (finance lease), they are recognized at the present value of the minimum lease payments in accordance with IAS 17, and depreciated over their useful life. The present value of the minimum lease payments is recognized as liabilities.
For operating leases, rental expenses are recognized as expenses in the period in which they are incurred.

[Government grants]

According to IAS 20 government grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the asset. Thus, it is recognized as income over the life of a depreciable asset by reducing the depreciation charge.
Other grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with conditions attaching to them. Grants are recognized in the income statement on a systematic basis over the periods necessary to match them with the related costs.

PRINCIPLE OF IAS 39

[Derivative financial instruments]

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative instruments include primarily interest rate swaps, interest rate options, forward exchange contracts and currency options. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments, with gains and losses reported in the income statement.
Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.
The fair value of interest swaps, interest options and foreign currency options is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account the current interest rates and the current creditworthiness of the swap counter parties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.
Control mechanisms are in place to limit any risks involved in these transactions; trading, operating and risk management are separated. The contracts are only handled via banks of highest financial standing. The contracts are concluded solely to provide security for the basic operating business and related financing operations. Profits and losses from the development of market values are compensated by corresponding changes in the value of business on which they are based.

[Hedging]

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of highly probable forecasted transactions, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognised in the income statement immediately.

Hedges of monetary assets and liabilities

When a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Hedges of net investment in foreign operation

When a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in equity.

[Inventories]

According to IAS 2 inventories are valued at the lower of cost or net realizable value. Inventories are primarily valued according to the first-in, first-out (FIFO) method.

The costs include direct production costs as well as general overheads attributable to the production process and an appropriate portion of depreciation on production facilities.

Financing costs are not capitalized, but recognized as an expense in the period in which they are incurred (IAS 23).

Net realizable value is estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

[Receivables and other assets]

Receivables and other assets are measured at nominal value. On the balance sheet date, sufficient provisions for loss and transfer risks for receivables were taken into account.

[Stock Options]

Stock options are neither recognized in the balance sheet nor in the income statement.

[Cash and cash equivalents]

The cash and cash equivalents correspond to the equivalent items in the cash flow statement in accordance with IAS 7.

[Minority interests]

Minority interests are calculated on the basis of the equity shown in the consolidated balance sheet prepared in accordance with the uniform accounting policies applied by the Tarkett Group.

[Interest-bearing loans and borrowings]

Interest-bearing loans and borrowings are carried at the settlement value.

[Liabilities]

Liabilities are carried at the settlement value.

[Provision for pensions and other similar obligations]

Within the Tarkett Group, there are different systems for old age provisions dependent on the legal, economic and fiscal circumstances of the country concerned. Obligations arising from current pensions as well as vested rights to future pension payments are provided for. For defined benefit plans the obligations are determined using the projected unit credit method, as stated in IAS 19. For such obligations the computation is made according to the corridor approach.

Obligations similar in nature to pensions such as post retirement healthcare costs (USA) and long-service leave benefits (France) are accrued over the period of employment, using a valuation method similar to the projected unit credit method. Valuation of these obligations is carried out yearly by independent qualified actuaries.

[Other provisions]

In accordance with IAS 37 other provisions are recorded if it is probable that future events will confirm that an asset has been impaired or a liability incurred at the balance sheet date and a reasonable estimate of the amount of the resulting loss can be made.

The carrying value of provisions is based on the amounts used to cover future payment obligations, recognizable risks and uncertain obligations of the Group. Provisions are discounted where required.

[Deferred Taxes]

According to IAS 12 deferred taxes are recognized for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. According to the liability method the tax rates used are the ones enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

[Net Sales]

Net sales include the amounts receivable for goods sold and services provided after deducting volume discounts and sales taxes, and after eliminating sales within the group. In relation to the sale of goods, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

[Cost of sales]

Cost of sales comprises costs of purchase, cost of conversion and other costs. In accordance with IAS 2 cost of conversion consists of direct production costs as well as general overheads attributable to the production process and depreciation of factory buildings and equipment.

[Selling expenses]

Selling expenses represent costs incurred by marketing departments and sales forces as well as costs of advertising, logistics and sales commissions.

[Research and development costs]

According to IAS 38 research costs are recognized as an expense in the period in which they are incurred. Development costs are capitalized when the requirements of IAS 38 are met.

[General administration expenses]

This item includes salaries and overheads for management and administrative functions unless these are not charged to cost centers as internal services.

[Borrowing costs]

According to IAS 23 borrowing costs are recognized as an expense in the period in which they are incurred.

CONSOLIDATED COMPANIES

F: Fully Consolidated E: Accounted for by the Equity Method P: Accounted for by the Proportional Method

Companies (Last Company Name)	Domicile	Country	% Ownership December 31st 2003	% Ownership December 31st 2002	Equity December 31st 2003 TEUR	Result 2003 TEUR	Consolidation Method
Germany							
Sommer Bodenbeläge GmbH	Frankenthal	Germany	100	100	-1,786	-29	F
Tarkett Vertriebs GmbH & Co. KG							
(Tarkett Sommer Vertriebs GmbH & Co. KG)	Frankenthal	Germany	100	100	60,830	--	F
Tarkett GmbH							
(Tarkett Sommer GmbH)	Konz	Germany	100	100	11,501	--	F
Tarkett AG							
(Tarkett Sommer AG)	Frankenthal	Germany	Mother Company		309,194	6,612	F
Tarkett Pegulan Vermögensverwaltungs-GmbH	Frankenthal	Germany	100	100	8,181	--	F
ETS Flooring GmbH	Wismar	Germany	49	49	4,468	-2,318	E
France							
Tarkett SAS							
(Tarkett Sommer SAS)	Nanterre	France	100	100	85,507	8,134	F
Polystyl SA	Templemars	France	100	100	2,249	-324	F
Nordic countries							
Tarkett AB							
(Tarkett Sommer AB)	Ronneby	Sweden	100	100	81,822	36,536	F
Tarkett Sverige AB							
(Tarkett Sommer Försäljnings AB)	Stockholm	Sweden	100	100	277	-239	F
Tarkett Logistik AB							
(Tarkett Sommer Logistik AB)	Ronneby	Sweden	100	100	23,860	--	F
Tarkett International AB	Ronneby	Sweden	100	100	41,692	5,612	F
Nyland Interiör AB	Ronneby	Sweden	100	100	55,061	--	F
Sommer AB	Ronneby	Sweden	100	100	361	--	F
Tarkett A/S							
(Tarkett Sommer A/S)	Greve Strand	Denmark	100	100	2,365	965	F
Meltex A/S	Ishöj	Denmark	100	100	-384	-234	F
Tarkett OY							
(Tarkett Sommer OY)	Helsinki	Finland	100	100	540	-271	F
Tarkett AS							
(Tarkett Sommer AS)	Drammen	Norway	100	100	1,885	1,244	F
Other European countries							
Tarkett Benelux BV							
(Tarkett Sommer Benelux BV)	Breda	Netherlands	100	100	292	54	F
SA Tarkett NV							
(SA Tarkett Sommer NV)	Brussels	Belgium	100	100	731	662	F
Tarkett Capital SA	Wiltz	Luxemburg	100	100	255	90	F
Tarkett Luxemburg SA							
(Tarkett Sommer Luxemburg SA)	Lentzweiler	Luxemburg	100	100	125,942	16,108	F
Tarkett GesmbH							
(Tarkett Sommer GesmbH)	Vienna	Austria	100	100	1,038	170	F
Tarkett GmbH							
(Tarkett Sommer GmbH)	Oberentfelden	Switzerland	100	100	233	111	F
Tarkett Spa							
(Tarkett Sommer Spa)	Narni	Italy	100	100	9,815	625	F
Tarkett – Revestimientos SA							
(Tarkett Sommer SA)	Berriozar	Spain	100	100	16,023	2,814	F
Tarkett – Produtos Internacionias,SA							
(Tarkett Sommer SA)	Lisbon	Portugal	100	100	1,413	35	F
Tarkett Ltd.	Worcester	Great Britain	100	100	1,301	290	F
Tarkett UK Ltd.							
(Tarkett Sommer Ltd.)	Worcester	Great Britain	100	100	2,756	138	F
Tarkett Polska Sp. z o.o.	Orzechowo	Poland	92.8	92.8	2,272	315	F
Tarkett Sp. z o.o.							
(Tarkett Sommer Polska Sp. Z.o.o.)	Warsaw	Poland	100	100	163	11	F
Tarkett Monoprosopi Ltd.							
(Tarkett Sommer Monoprosopi Ltd.)	Athens	Greece	100	100	70	-16	F
Tarkett Ltd.	Mullingan	Ireland	100	100	5,284	-8	F

CONSOLIDATED COMPANIES

F: Fully Consolidated E: Accounted for by the Equity Method P: Accounted for by the Proportional Method

Companies (Last Company Name)	Domicile	Country	% Ownership December 31st 2003	% Ownership December 31st 2002	Equity December 31st 2003 TEUR	Result 2003 TEUR	Consolidation Method
North America							
Tarkett Wood Inc.							
(Harris-Tarkett Inc.)	Johnson City	USA	100	73.8	-2,223	-2,116	F
Stuart Flooring Corporation	Stuart	USA	100	73.8	8,166	4,390	F
Tarkett Inc.	Wilmington	USA	100	73.8	11,045	-1,237	F
Tarkett Holding Inc.	Wilmington	USA	100	73.8	17,633	0	F
Tarkett North America Inc.	Wilmington	USA	100	73.8	3,204	1,425	F
Tarkett North America Holding Inc.	Wilmington	USA	100	73.8	161,571	2,432	F
Canada Inc.	Farnham	Canada	100	73.8	154,686	383	F
Tarkett Inc.							
(Domco Tarkett inc.)	Farnham	Canada	100	73.8	156,818	947	F
Tarkett NS Inc.							
(Domco Tarkett NS Inc.)	Halifax	Canada	100	73.8	23,615	-1,451	F
Tarkett Finance L.P.							
(Domco Finance L.P.)	Wilmington	USA	100	73.8	82,355	-13	F
Tarkett Nova Scotia Co							
(Domco N.S. Co.)	Halifax	Canada	100	73.8	260,996	3	F
Tarkett Enterprises Inc.							
(Domco Enterprises Inc.)	Wilmington	USA	100	73.8	226,381	959	F
Tarkett Texas Holding Inc.							
(Domco Tarkett Holding Inc.)	Wilmington	USA	100	73.8	6,370	771	F
Tarkett USA Inc.							
(Domco Tarkett U.S.A. Inc.)	Alabama	USA	100	73.8	-15,242	-3,024	F
Tarkett. Floor Products Texas Inc.							
(Domco Inc. Floor Products (Texas))	Wilmington	USA	100	73.8	18,222	-3	F
Tarkett Alabama Inc.							
(Domco Inc. Floor Products (Alabama))	Florence	USA	100	73.8	-37,811	1,854	F
"DBA" Tarkett Texas							
(Domco Products Texas L.P.)	Wilmington	USA	100	73.8	4,957	-1,567	F
Tarkett Texas Asset Management Co.							
(Domco Assett Management Co.)	Wilmington	USA	100	73.8	5,407	-12	F
Vails Gate Manufacturing LLC	Wilmington	USA	50	0	11,421	64	P
Eastern Countries							
Tarkett d.o.o.							
(STS d.o.o.)	Backa Palanka	Serbia	50	50	51,436	10,384	P
Tarkett Trade d.o.o.							
(STS Trade d.o.o.)	Backa Palanka	Serbia	50	50	231	106	P
ZAO Tarkett							
(ZAO STS)	Moscow	Russia	50	50	64,930	20,041	P
Zao Tarkett Rus							
(ZAO Sintertrade)	Moscow	Russia	50	50	-1,163	437	P
Tarkett UA							
(DOO Intermarks)	Kiev	Ukrainia	50	50	232	156	P
Tarkett Moscow							
(Tarkett Sommer SA Representative Offi)	Moscow	Russia	50	0	364	-324	P
Tarkett Ukrainia and Balkans	Kiev	Ukrainia	50	0	246	64	P
Sintelon AD	Backa Palanka	Serbia	23.07	0	67,290	-1,294	E
Other countries							
Tarkett Asia Pacific Ltd.							
(Tarkett Sommer Asia Pacific Ltd.)	Hong Kong	PRof China	100	100	94	1	F
Tarkett Australia Pty. Ltd.							
(Tarkett Sommer Australia Pty. Ltd.)	Castle Hill	Australia	100	100	5,584	787	F

1.] Invoiced Sales

The breakdown of sales by division, business area and by region is shown in the segmental reporting. Sales reductions contain mainly bonuses and cash discounts.

2.] Research and Development Expenses

This item includes costs for research departments and process development, as well as costs for external research and development services.

3.] Other Operating Income and Expenses

EUR in millions	2003	2002
Result from deconsolidation of subsidiaries	-	-
Bad Debts	-1.8	-6.6
Income (expense) from ETS	-1.1	1.5
Other Operating Income	3.5	3.1
Other Operating Expenses	-3.7	-12.3
	-3.1	**-14.3**

This position includes all other operating income and expenses that cannot be directly attributed to function sectors.

4.] Net Financial Items

EUR in millions	2003	2002
Interest Income		
Related parties	-	-
Interest earned on financial deposits	0.8	1.6
Interest Expenses		
Related parties	-11.7	-7.6
DM Bond	-0.2	-0.2
Financial Institutions	-3.5	-9.2
Interest charge finance leases	-0.4	-0.5
Interest on provision for pensions and other similar obligations	-5.8	-4.8
Expenses related to raise of funds and re-negotiation of loans	-0.3	-1.2
Exchange rate gains/losses	0.5	-0.2
Other Financial Income and expenses	-2.9	-1.8
	-23.5	**-23.9**

5.] Income Taxes

EUR in millions	2003	2002 restated
Current Tax Expense	-11.9	-16.7
Deferred Taxes	-14.1	-6.2
	-26.0	**-22.9**

A reconciliation of income taxes determined using the statutory federal German rate of 39.59% to actual income taxes provided is as follows :

EUR in millions	2003	2002 restated
Income tax at German federal statutory rate	26.8	20.1
Effect of :		
Difference in tax rates for foreign subsidiaries	-8.4	-5.4
Goodwill amortization and other non-deductible items	3.8	4.2
Effect on not valued tax losses	-4.1	-0.4
Tax relating to previous years	7.0	4.0
Other	0.9	0.4
Provision for income taxes	**26.0**	**22.9**
Effective rate	38%	43%

The statutory federal German rate of 39.59% based on the German corporate income tax of 26.5% taking into account the solidarity contribution (5.5%) and the business activity tax.

Deferred tax assets on tax losses carried forward have been recognized for an amount of EUR 16.5 million (Tax Basis of EUR 56.5 million). For tax loss carry forward for German corporate income tax (EUR 25.1 million), German municipal income tax (EUR 40.4 million) and Swedish corporate income tax (EUR 16.9 million) no deferred tax asset has been recognized, because the future utilization of the tax loss carry forward is not probable.

6.] Tangible, intangible and financial assets

For a detailed breakdown of the items and their changes see "Tangible, intangible and financial assets".
Impairment losses were recognised in 2002 for an amount of 5.5 millions Euros that were recorded in Residential Europe.
Impairment losses are recognised in 2003 for an amount of 5.7 millions Euros that were recorded mainly in Textile Europe.

7.] Inventories

EUR in millions	Dec. 31st, 2003 Total Inventory	Dec. 31st, 2003 Whereof value to NRV	Dec. 31st, 2002 Total Inventory (Restated)	Dec. 31st, 2002 Whereof value to NRV (Restated)
Raw materials and supplies	47.8	2.7	47.7	0.8
Work in process	19.9	2.6	22.7	6.2
Finished goods and merchandises	131.8	6.2	140.2	29.9
	199.5	**11.5**	**210.6**	**36.9**

8.] Trade Receivables

EUR in millions	Dec. 31st, 2003 Current	Dec. 31st, 2002 Current
Related party receivables	3.2	-
Trade receivables	206.0	225.1
	209.2	**225.1**

9.] Other Receivables

EUR in millions	Dec. 31st, 2003 Non Current	Dec. 31st, 2003 Current	Dec. 31st, 2002 Non Current (Restated)	Dec. 31st, 2002 Current (Restated)
Prepaid Expenses	-	9.7	-	12.0
Income taxes and similar taxes	-	6.9	-	6.9
Related party receivables	-	-	-	-
Other accounts receivable and other assets	0.8	18.2	3.5	13.9
	0.8	**34.8**	**3.5**	**32.8**

10.] Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks.

11.] Equity

Capital Stock

The capital stock at December 31st, 2003 amounted to EUR 97,905,617.92, comprising 38,244,382 ordinary shares with a calculated value of the share capital of EUR 2.56 per share. The shares are registered for public trading.
Conditional but unissued capital amounted to EUR 11,611,182.08.

Following legal proceedings (§ 71 Sec 1 N°3 and § 305 of the German Stock Corporation act), Tarkett AG bought back 9,140 shares at the conditions stipulated by the Court judgement. These shares have been accounted for in accordance with SIC 16.

Conditional Capital I

In the shareholders' meeting held on May 31st, 1995 the articles of corporation were changed. This change authorized the Management Board, with consent of the Supervisory Board, to issue until July 1st, 1998 option rights on the purchase of ordinary shares of the Company up to a total amount of DM 4,550,000.00 (EUR 2,326,378.06) (conditional capital I). These option rights could only be issued to employees and members of the boards of the Company and its affiliates. According to the authorization of the Management Board with consent of the Supervisory Board the exercise price is DM 38.50 (EUR 19.68) per share.
In 1995 and 1997, the Management Board, with consent of the Supervisory Board issued options for shares to a total nominal value of DM 4,550,000.00 (EUR 2,326,378.06; 910,000 shares).
In connection with the dilution of equity the exercise price may be reduced if, prior to the end of the option deadline, the Company increases its capital by granting subscription rights to the shareholders, or if it issues a convertible bond or grants separate option rights, respectively, without granting subscription rights to the holders of said options as they would be entitled to. The option rights may be exercised only between June 30th, 2000 and June 30th, 2005, with the exception that before June 30th, 2000 a shareholder or a related party of the shareholder according to § 15 AktG (Stock Corporation Law) acquires directly or indirectly more than 50% of the at that time issued shares. In this case, the options for shares can be exercised immediately. In December 1997 Sommer Allibert SA became the major shareholder.
Employees to whom 125,989 options for shares were issued, had ceased their employment by December 31st, 1997, which means that these options expired. The number of shares issued thus remains at 42,983 as in prior year.

Conditional Capital II

In the shareholders' meeting held on November 28th, 1997 the articles of corporation were changed authorizing the Management Board, with consent of the Supervisory Board, to issue until June 30th, 2002 a bond loan with warrants attached in the total nominal amount of up to DM 230 millions (EUR 117,6 millions) with a maximum duration of five years. To the holders of the bond loan with warrants attached stock options are granted in the total nominal amount of up to DM 37,500,000.00 (EUR 19,173,445.54) in accordance with the terms and conditions of the warrants.
At November 30th, 1999 the shareholders of Tarkett Sommer AG have been given the opportunity to subscribing to the bonds with warrants with an aggregate nominal value of DM 224,000,000.00 (EUR 114,529,381.39).
The aggregate nominal amount of DM 224,000,000.00 (EUR 114,529,381.39) comprises 2,240,000 bonds, pari passu among themselves, at DM 100.00 (EUR 51.13) each. Each bond has three warrants attached, each granting the option, subject to possible adjustments in accordance with the terms and conditions of the warrants, of subscription of one new Tarkett Sommer AG share, at an exercise price of DM 22.00 (EUR 11.25) per share, subject to any adjustment in accordance with dilution safeguards. The bonds are redeemable on December 16th, 2004 at their nominal value. 15 no-par shares of Tarkett Sommer AG, with a notional share of the authorised capital of EUR 2.56 entitle to subscription of one bond with three warrants at a nominal value of DM 100.00 (EUR 51.13).
The statutory subscription entitlement of shareholders has been excluded for the residual amount of DM 380,200.00 (EUR 194,393.17).
In 1999 the capital subscribed increased by DM 23,539,551.25 (EUR 12,035,581.44) from the issuance of 4,701,399 shares of the conditional but unissued capital.

Conditional Capital III

In the shareholders' meeting held on May 22nd, 2000, the articles of corporation were changed. The Management Board was authorized, with consent of the Supervisory Board, to issue until May 31st, 2005, once or several times, option rights on the purchase of ordinary shares of the company up to EUR 2,227,200 (870,000 shares) according to the details set out in the stock option plan. During 2000, 870,000 options for new shares were issued to executives and members of the management board. On December 31st 2002, options for 305,000 shares had expired; from the remaining 565,000 option rights outstanding on December 31st 2002 no dilution effects may originate. By December 31st 2003, all employees had waived their option rights so that no option rights are in existence any more.

[Minority Interests]

Minority interests are calculated on the basis of the equity shown in the consolidated balance sheet prepared in accordance with the uniform principles of accounting applied by the Tarkett Group.

12.] Interest-bearing loans and borrowings

	Dec. 31st, 2003		Dec. 31st, 2002	
EUR in millions	Non Current	Current	Non Current	Current
Bank loans (secured)	-	28.7	34.8	6.4
Bank loans (unsecured)	13.1	35.7	12.8	2.4
Bond loans (unsecured)	-	114.5	114.5	-
Loan from related party	90.0	21.0	181.0	-
Other loans (unsecured)	0.2	0.1	0.4	4.7
Bank overdrafts (unsecured)	-	4.9	-	1.6
Obligations under finance lease	4.0	0.5	4.6	0.7
	107.3	**205.4**	**348.1**	**15.8**

The North American 28.7 millions EUR Bank loans are collateralized by securities on receivables, inventories and the main fixed assets of the North American companies. The loans contain covenants. The unsecured bank loans include 34.3 Meuro drawn on a 50 Meuro asset-backed credit line with a guarantee deposit of 10% of the amount utilized.

Details of loans and borrowings

	Currency	Interest Rate Range	Terms	Dec. 31st, 2003 EUR in millions	Dec. 31st, 2002 EUR in millions
Bank loans North America	USD	2.17%	2004	13.5	16.4
	USD	2.03%	2004	15.2	24.8
Bond loan	EUR	5.13%	2004	114.5	114.5
Loan from related party	EUR	3.08%	2004	21.0	21.0
	EUR	3.12%	2007	90.0	160.0
Asset backed facility	EUR	2.43%	(1)	34.3	-
Other bank loans	EUR	3.75-5.05%	(2)	14.5	15.2
Other loans	CAD			0.3	5.1
Bank overdrafts				4.9	1.6
Obligations under financial leases				4.5	5.3
TOTAL				**312.7**	**363.9**
Current portion of bank loans				205.4	15.8
Non-current portion of loans				107.3	348.1

(1) one year tacitely renewable facility

(2) out of which 4 millions Euros to be repaid in 2005, 2006 and 2007

13.] Other financial liabilities

EUR in millions	Dec. 31st, 2003 Non Current	Dec. 31st, 2003 Current	Dec. 31st, 2002 Non Current	Dec. 31st, 2002 Current
Accrued interest expenses	-	-	-	-
Related party liabilities	-	-	-	
Other financial liabilities	0.7	0.7	1.2	1.8
	0.7	**0.7**	**1.2**	**1.8**

14.] Trade payables

EUR in millions	Dec. 31st, 2003 Current	Dec. 31st, 2002 Current
Trade payables	144.2	164.5
Trade notes payables	10.1	12.0
Related party payables	4.2	3.4
	158.5	**179.9**

15.] Other liabilities

EUR in millions	Dec. 31st, 2003 Current	Dec. 31st, 2002 Current restated
Liabilities related to employees	34.1	36.5
Income taxes and similar taxes	12.1	13.6
Bonus	12.9	13.3
Other liabilities	47.2	24.3
	106.3	**87.7**

16.] Deferred taxes

EUR in millions	Dec. 31st, 2003 Non Current	Dec. 31st, 2002 Non Current restated
Deferred tax assets		
Net operating loss and credit carry forwards	16.5	14.3
Goodwill	10.3	15.5
Liability for health care benefits	5.6	7.0
Expenses accrued only for book purposes	5.7	13.5
Internal profit eliminations	8.1	3.3
Netted against deferred tax liabilities	-7.7	-7.2
	38.5	**46.4**
Deferred tax liabilities		
Excess of tax over book depreciation	11.7	14.7
Other	4.6	-1.2
Netted against deferred tax assets	-7.7	-7.2
	8.6	**6.3**

17.] Provisions

EUR in millions	Dec. 31st, 2003 Non Current	Dec. 31st, 2003 Current	Dec. 31st, 2002 Non Current	Dec. 31st, 2002 Current
Provisions for pensions	65.2	-	62.3	-
Provisions for post retirement health care benefits (USA)	14.1	-	17.6	-
Provisions for guarantees	4.4	6.2	3.2	7.8
Other Provisions	7.7	10.6	9.6	15.8
	91.4	**16.8**	**92.7**	**23.6**

Provisions for litigations are included in other provisions.

Provisions for pensions and post retirement health care benefits

Independent qualified actuaries carry valuation of these obligations out yearly at the balance sheet date. Calculations are based on assumed future increases for the development of salaries and retirement benefits of 1.9% - 3% (prior year 3.0% - 5.0%) as well as a long-term capital market interest rate of 3.75% - 5.5% (prior year 5% - 7.5%).

EUR in millions	Dec. 31st, 2003 Provisions for Pensions	Dec. 31st, 2003 Provisions for post retirement health care benefits	Dec. 31st, 2002 Provisions for Pensions	Dec. 31st, 2002 Provisions for post retirement health care benefits
Present value of unfunded obligations at Dec.31st	59.7	15.0	63.1	19.6
Unrecognized actuarial losses	-1.7	-0.9	-5.8	-2.0
Transition obligation	-	-	-0.2	-
Net liability in balance sheet	**58.0**	**14.1**	**57.1**	**17.6**
Present value of funded obligations at Dec.31st	62.4		56.5	
Fair value of plan assets	-41.0		-41.0	
Unrecognised net actuarial losses	-14.2		-10.3	
Net liability in balance sheet	**7.2**		**5.2**	
Provisions	**65.2**	**14.1**	**62.3**	**17.6**

Total Assets for funded obligations amounted to EUR 65.2 millions (prior year 62.2 millions)

Amounts recognized in the income statement

	2003		2002	
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Current service cost	3.0	-	2.5	-
Interest on obligation	6.9	-0.6	6.9	-0.9
Expected return on plan assets	-3.0	-	-4.0	-
Net actuarial gains/losses recognized in year	0.8	0.1	-	0.4
Amortization of transition decrease	0.2	-	1.9	-
Changes due to curtailment, settlement or special termination	-	-	-	-
Total included in income statement	**7.9**	**-0.5**	**7.3**	**-0.5**

Movements in net liability are :

	2003		2002	
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Net liability at beginning of year	62.3	17.6	59.6	21.3
Adjustment of plan assets included in assets of prior year	-	-	-	-
Net expense recognized in the income statement	7.9	-0.5	7.3	-0.5
Contributions and benefits paid	-4.0	-	-3.9	-
Exchange differences on foreign plans	-1.0	-3.0	-0.7	-3.2
Net liability at end of year	**65.2**	**14.1**	**62.3**	**17.6**

Change in other provisions

	Provision for guarantees EUR in millions	Other Provisions EUR in millions	Total Other Provisions EUR in millions
Balance at December 31st, 2002	11.0	25.4	36.4
Utilizations	-0.9	-13.5	-14.4
Released	-0.3	-7.4	-7.7
Additions	3.2	20.1	23.3
Currency translation adjustment	-2.4	-6.3	-8.7
Balance at December 31st, 2003	**10.6**	**18.3**	**28.9**

18.] Financial instruments

Exposure to interest rate and currency 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 rates and interest rates. While transactions are subject to the risk of market changes, such changes are generally offset by opposite effects on the hedged items.

[Interest rate risk]

Hedging

The Group adopts a policy of ensuring that at least 75% of its exposure to change in interest rates on floating rate bank loans and deposits is protected against significant adverse changes, and accordingly has entered into Interest rate swaps and Caps (interest rate options), denominated in Euros and United States Dollars. At the balance sheet date, their portfolio carries a total notional amount of EUR 175.5 millions, maturing over the next 4 years. One of these instrument, with a notional of EUR 19.7 millions, is not yet in use and has a start deferred to 2004.

The Group estimates at fair value each class of financial instruments for which it is practicable to estimate a value. The financial instruments hedging the floating rate debt are classified as cash flow hedges and recorded at fair value. The fair value is calculated using the market rates prevailing at the balance sheet date as obtained from the group's financial institutions. This value represents the estimated amount that the Group would pay or receive if it was decided to settle the agreement at the balance sheet date. The fair value of the interest rates derivatives would result in a liability of EUR 0,8 millions (2002 : EUR 1,2 millions). This liability is due to certain deffered payment premiums, as well as to the fact that the caps are not activated as at the balance sheet date, because the actual rates in the market are lower than the upper limits rates guaranteed.

Effective interest rates and repricing analysis

With respect to interest-bearing financial assets and financial liabilities, the following table shows the effect of the derivatives on the interest rates paid as of the balance sheet date, as well as on the amortization of the debt.

2003							
EUR in millions	**Effective Interest rate**	**Total**	**Effect of derivatives**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Secured loans:							
USD floating rate loan	2.09 %	28.7	23.8	-	4.9	-	-
Effect of swaps and Caps USD	0.98 %	-	-23.8	-	23.8	-	-
Unsecured loans:							
Bond loan	5.13 %	114.5	-	-	114.5	-	-
Asset backed facility	2.43 %	34.3	30.0	4.3	-	-	-
Shareholder loans	3.08 %	21.0	-	21.0	-	-	-
Shareholder loans	3.12 %	90.0	90.0	10.0		-10.0	-
Effect of swaps and Caps EUR	0.17 %		-120.0	20.0		10.0	90.0
Fixed rate loans	3.75%-5.05 %	14.1	12.0	0.3	0.5	0.8	0.5
Interest rate swap	-2.71 %		-12.0	-	-	4.0	8.0
Other floating rate loans	-	0.7	-	0.7	-	-	-
Obligations under finance lease	-	4.5	-	0.2	0.3	0.8	3.2
Bank overdrafts	-	4.9	-	4.9	-	-	-
Total		**312.7**	**0.0**	**61.4**	**144.0**	**5.6**	**101.7**

2002							
EUR in millions	**Effective Interest rate**	**Total**	**Effect of derivatives**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Secured loans:							
USD floating rate loan	2.72 %	41.2	41.2	-7.6	1.5	6.1	-
Effect of swaps and Caps USD	0.51 %	-	-41.2	7.6	4.8	28.8	-
Unsecured loans:							
Bond loan	5.13 %	114.5	-	-	-	114.5	-
Shareholder loans	3.74 %	21.0	-	-	-	21.0	-
Shareholder loans	4.05 %	160.0	100.0	-		-40.0	100.0
Effect of swaps and Caps EUR	-0.15 %		-100.0	-		40.0	60.0
Fixed rate loans	6.0 %-6.5 %	4.6	-	-	4.6	-	-
Fixed rate loans	5.05 %	12.0	12.0	-	-	-	-
Interest rate swap	-1.61 %		-12.0	-	-	-	12.0
Other floating rate loans	-	3.7	-	0.3	2.3	0.6	0.5
Obligations under finance lease	-	5.3	-	0.3	0.4	0.7	3.9
Discount credit utilized	-	-	-	-	-	-	-
Bank overdrafts	-	1.6	-	1.6	-	-	-
Total		**363.9**	**0.0**	**2.2**	**13.6**	**171.7**	**176.4**

[Foreign currency risk]

The companies of the Group incur a foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than their functional currency. The main currencies giving rise to this risk are primarily Sterling Pounds, US and Australian Dollars, Swedish, Norwegian and Danish crowns.

The Group hedges at least 75% of its estimated exposure. This exposure includes all recognized trade receivables, trade payable and borrowings denominated in a foreign currency, as well as forecasted sales and purchases over a six months period.

Sale and purchase transactions in foreign currency

Tarkett uses forward exchange contracts and options to hedge its foreign currency risk. The contracts covering sale and purchase transactions are entered for a six-month period starting from the estimated maturity date of the underlying receivables and payables onwards. When necessary, the forward exchange contracts are rolled over.

Tarkett classifies its currency hedging contracts as cash flow hedges and states them at fair value. The fair value of these contracts at the balance sheet date was a potential gain of EUR 0.9 millions (2002: potential loss of EUR 0.3 millions). Out of this net fair value, the amount reported directly in equity is a potential gain of EUR 0.6 millions (2002: potential loss of EUR 0.4 millions). The difference is booked in the income statement and represents the time value of the currency options hedging forecasted transactions and the fair value of the forward contracts hedging recorded transactions.

The net effect of the fair value variations in the income statement of the year represents a profit of EUR 0.3 millions (2002 : charge of EUR 0.5 millions), and all the potential gains and losses reported directly in equity are expected to enter into the determination of profit and loss of next year.

Monetary items in foreign currency

When financing its foreign subsidiaries, Tarkett incurs a foreign currency risk on the intra-group loans and borrowings labelled in foreign currency. The group minimizes this risk by entering into currency swaps which follow the maturity of the hedged item. The aim of this transactions is that fluctuations in the swaps fair values will offset in the Profit and Loss account the foreign exchange gains and losses arising from the conversion of the hedged monetary items. The fair value of the hedging contracts as at the balance sheet date is an asset of EUR 0.2 millions, (2002: EUR 0.6 millions).

[Sensitivity analysis]

In managing interest rate and currency risk, Tarkett aims to reduce the impact of short-term fluctuations on Tarkett's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

[Fair values]

The fair value of the financial instruments is as follows:

EUR in millions	2003 Carrying amount	2003 Fair value	2002 Carrying amount	2002 Fair value
Interest rate derivatives				
Assets	0.8	0.8	0.0	0.0
Liability	-1.6	-1.6	-1.2	-1.2
S/Total	**-0.8**	**-0.8**	**-1.2**	**-1.2**
Foreign currency derivatives				
Assets	1.4	1.4	0.7	0.7
Liability	-0.2	-0.2	-0.4	-0.4
S/Total	**1.2**	**1.2**	**0.3**	**0.3**
Total	**0.4**	**0.4**	**-0.9**	**-0.9**

19.] Personal expenses and employees

	2003 EUR in millions	2002 EUR in millions
Wages and Salaries	223	234
Social Security Costs	60	65
Pension Costs	15	14
	298	**313**
	Number	**Number**
Employees (average number over the year)	**6.977**	**7.273**

These amounts exclude temporaries and include STS Companies.

20.] Material Consumption

Cost of raw materials, consumables and supplies which serve the activities of the business, i.e. for production operations, amounted as follows :

	2003 EUR in millions	2002 EUR in millions
Raw Material consumption	**463**	**557**

21.] Contingent liabilities

	2003 EUR in millions	2002 EUR in millions
Liabilities arising from warranties/guarantee agreements	0.2	0.6
Other contingent liabilities	0.3	0.2
	0.5	**0.8**

22.] Lease commitments

The Group's operating lease commitments are mainly lease commitments for vehicles, EDP hardware and software. In addition the Group has three finance lease commitments for buildings.

Future minimum lease payments under finance leases at December 31st, 2003 and future minimum rental commitments under operating leases having initial or remaining non-cancellable terms in excess of one year, are reflected below :

Finance lease payments are payable as follows :

	Dec. 31st, 2003		Dec. 31st, 2002	
EUR in millions	Finance leases	Operating leases	Finance leases	Operating leases
Not later than one year	0.5	13.1	1.2	14.0
Between one and two years	0.8	8.2	0.7	10.0
Between two and three years	0.6	6.1	0.7	7.0
Between three and four years	0.6	4.1	0.7	5.0
Between four and five years	0.5	0.8	0.7	2.0
Later than five years	1.7	1.0	2.2	2.0
Total minimum lease payments	**4.7**	**33.3**	**6.2**	**40.0**
Less : Imputed Interest	-0.2		-0.7	
Present value of minimum lease payments	**4.5**		**5.5**	

Rental and leasing expenses amounted to EUR 21.9 millions for 2003 and to EUR 20.5 millions for 2002.

23.] Other Commitments

	Dec. 31st, 2003 EUR in millions	Dec. 31st, 2002 EUR in millions
Leasing contracts (annual payments)	12.5	14.9
Liabilities from orders for		
Raw materials	19.8	19.0
Tangible assets	0.2	1.0
Other	2.4	2.0
	34.9	**36.9**

24.] Cash Flow statement

According to IAS 7 the cash flow statement reports cash flows during the period classified by operating, investing and financing activities.

25.] Segment information

Segmenting of the Tarkett Group has been done in accordance with management reporting structure.

For the reported divisions, business areas and regions, the sales, results and assets are disclosed in accordance with IAS 14.
According to the management reporting liabilities, depreciation and amortization are not presented separately.
Segmentation by region follows domiciles of the affiliated companies.

Inter-segment pricing is determined on arm's length basis.

26.] Other contingencies

[Abestos claim]

One of the Group's subsidiaries has been named co defendant in some Abestos related lawsuits involving personal injuries. It is the opinion of management, based on the advice and information provided by its legal counsels, that final determination of theses cases will not materially affect the Group's consolidated financial position or results of operations.

27.] Relations with related parties

In line with IAS 24 the members of the Management Board and the Supervisory Board as well as the main shareholder can be considered related parties.

[Major shareholder]

Ultimate parent company of the Tarkett Group is TARKETT SA (France) in which SIF S.A. France has a 62% stake.
According to § 20 Sec. 1 and 4 of the German Stock Corporation act, Tarkett Holding SA, Wiltz (Luxemburg) has reported to Tarkett Aktiengesellschaft that it owns a majority interest in Tarkett Aktiengesellschaft, stated as follows: "In accordance with § 20 Sec. 1 of the German Stock Corporation act, Tarkett Holding SA, Wiltz (Luxemburg) herewith declares that it directly owns more than 25 per cent of the share capital of Tarkett Aktiengesellschaft . Furthermore, in accordance with § 20 Sec. 4 of the German Stock Corporation act, Tarkett Holding SA, Wiltz (Luxemburg) declares that it directly owns a majority interest in Tarkett
Aktiengesellschaft in compliance with § 16 Sec. 1 of the German Stock Corporation act."
The Group has a loan from Tarkett SA with an interest rate at market conditions. At December 31st 2003, the loan amounted to EUR 21 millions (at Dec. 31st 2002 : EUR 21 millions). The remuneration comprises Euribor plus a margin of 60 basis points. The Group therefore expensed an amount of EUR 0.6 millions in 2003.
On November 25th 2002, a facility agreement was concluded between Tarkett SA (France) and Tarkett AB (Sweden). Tarkett SA (France) grants to Tarkett AB (Sweden) a facility of EUR 210 millions for a period of originally five years. At December 31st 2003, the facility was EUR 90 millions. The remuneration comprises Euribor plus a margin of 100 basis points on each advance under the facility and in addition, a commission amounting to 0.4% of the non utilized facility. Tarkett AB and its subsidiaries therefore expensed an amount of EUR 5.2 millions in 2003.
Charges for legal merger acquisitions and financial services were reinvoiced from Tarkett SA (France) for an amount of EUR 1.1 millions (2002 : 1.1 millions).
Moreover, Tarkett Luxemburg SA held a major part of the DM bond loan as of December 31st, 2003, with the total amount of EUR 111.1 millions (see Note 12 Interest Bearing Loans and Borrowings).

[Supervisory Board and Management Board]

Remuneration to the Supervisory Board amounted to EUR 0.2 million. An amount of less than EUR 0.1 millions was charged to the company for services by board members or by parties related to board members.
Remuneration to the Management Board amounted to EUR 1.6 millions including payments to defined benefit plans.
Remuneration to former members of the Management Board amounted to EUR 0.2 million,.
In the current year the remuneration to retired members of the Management Board amounted to EUR 0.5 millions. Provision related to former members of the Management Board amounted to EUR 7.1 millions, the same amount that last year.
Apart from the transactions mentioned above and other transactions included in the consolidated financial statements, no further transactions with related parties took place in 2003.

[Voluntary purchase offer of Sommer SA, Wiltz Luxembourg to the external shareholders of Tarkett AG, Frankenthal]

On November 27th, 2002, the Federal Financial Supervisory Authority approved the offer document for the voluntary purchase offer of Tarkett SA, and on November 28th, 2002, the execution of the voluntary purchase offer started.
Tarkett SA offered to purchase and acquire all the outstanding non per value bearer shares of Tarkett AG, each with a calculated notional value of EUR 2.56 per share at a purchase price of EUR 6.50 per share.
The acceptance period of this voluntary public Tender offer ended on January 31st, 2003. At this date, Tarkett SA Luxembourg held 35,865,110 shares in Tarkett AG or 93.78%. As of 2004, Tarkett SA owns 94.9 % of Tarkett AG.

28.] Corporate Governance

The declaration of compliance with the German Corporate Governance Code according to § 161 AktG was updated in December 2003, duly published, and is permanently available to all shareholders.

29.] Dividend

The Management Board proposes to pay a dividend of EUR 0.27 (prior year EUR 0.22) per share.

30.] Earnings per share

Earnings per share are calculated according to IAS 33 as follows:

[Basic earnings per share]

The calculation of basic earnings per share is based on net profit for the period attributable to ordinary shareholders, which equals reported net profit; and weighted average number of ordinary shares outstanding during the period.

	2003	2002
Weighted average number of ordinary shares	**38,244,382**	**38,244,382**

[Diluted earnings per share]

	2003	2002
Weighted average number of ordinary shares	38,244,382	38,244,382
Average number of issued share options under the stock option program for employees	741,028	741,028
Number of shares that would have been issued at fair value	-741,028	-741,028
Average number of issued share options under the stock option program 1999	2,018,601	2,018,601
Number of shares that would have been isued at fair value	-2,018,601	-2,018,601
Average number of issued share options under the stock option program 2000	565,000	565,000
Number of shares that would have been issued at fair value	-565,000	-565,000
Weighted average number of ordinary shares (diluted)	**38,244,382***	**38,244,382**

* 9,140 shares held by the Company are not entitled to dividends.

31.] Executive Bodies

Management Board	Supervisory Board assignments	
MARC ASSA, Chairman Graduate of Business school Steinsel (Luxemburg)	Tarkett SA, Wiltz (Luxemburg) Tarkett Holding SA, Wiltz (Luxemburg) Sauvagnat Allibert SA, Nanterre (France) Tarkett Inc., Farnham (Quebec / Canada) Tarkett DOO, Backa Palanka (Serbia) Tarkett ZAO, Otradny (Russia) Sintelon AD (Serbia) Qualipac SAS, Neuilly (France) Good Year SA (Luxemburg) BNP SA (Luxemburg) AXA SA (Luxemburg) Zodiac SA, Issy les Moulineaux (France)	 Chairman Chairman Chairman
MICHEL COGNET, Deputy Chairman Graduate of Business school Garches (France)	Tarkett Holding SA, Wiltz (Luxemburg) Tarkett SA, Wiltz (Luxemburg) Tarkett Inc., Farnham (Quebec / Canada) Sintelon AD (Serbia) Tarkett DOO, Backa Palanka (Serbia) Tarkett ZAO, Otradny (Russia) Qualipac SAS, Neuilly (France) Setepp SA, Nanterre (France)	 Chairman Chairman
DR. HARTMUT SCHNEIDER Graduate of National economics Heppenheim	None	

Supervisory Board

Representatives of Shareholders :	**Additional Supervisory Board assignments**	
PROF. DR. DIETER FEDDERSEN, Chairman Lawyer Kronberg	Drägerwerk AG, Lübeck Deutsche Beteiligungs AG, Frankfurt am Main SAI Automotive AG, Frankfurt am Main Gesellschaft für Industriebeteiligungen Dr. Joachim Schmidt AG & Co. Holding Kommanditgesellschaft, Berlin Sauerborn Trust AG, Bad Homburg	Chairman Chairman Chairman Chairman
DR. VOLKERT KLAUCKE Consultant Gersau (Switzerland)	Sterling Investment Ltd., Maine (USA) Nitty-Gritty AG, Brunnen (Switzerland) Belle Epoque AG, Brunnen (Switzerland)	Chairman Chairman
PHILIPPE CHAUBEAU Finance Consultant Meudon (France)	None	
DIDIER DECONINCK Engineer Paris (France)	Tarkett SA, Nanterre (France) Silgem SA, Lyon (France) CTBA, Paris (France)	
ALEXANDER VON ENGELHARDT Engineer Kronberg	Gesellschaft für Industriebeteiligungen Dr. Joachim Schmidt AG & Co. Holding Kommanditgesellschaft, Berlin Gütermann AG, Gutach Singulus Technologie AG, Kahl WashTec AG, Augsburg	Deputy Chairman Chairman Chairman
PIERRE-PHILIPPE SIMPHLET (since June 26th, 2003) Finance Director Levallois-Perret (France)	Setepp SA, Nanterre (France) Tarkett Holding SA, Wiltz (Luxemburg)	Chairman
Representatives of Employees :	**Additional Supervisory Board assignments**	
ALFONS KOHL, Deputy Chairman Konz	None	
GUIDO GROSS Clerk Frankenthal (Pfalz)	None	
HEIDELINDE KOCH, (since March 7th, 2003) Clerk Frankenthal (Pfalz)	None	

Frankenthal, in March 2004
Tarkett Aktiengesellschaft
The Management Board

EXECUTIVE MANAGEMENT BOARD

Marc Assa
CEO

Michel Cognet
COO

Regis de Boissieu
Commercial Europe

Bernard-André Deconinck
Purchasing, Investment, R&D

Ulf Mattsson
North America

Gildas Merian
Production System Efficiency

John Rietveldt
Residential Europe

Werner Ritschel
Human Resources

Dr. Hartmut Schneider
Finance

Bernard Soret
Controlling

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Tarkett Aktiengesellschaft, Frankenthal (Pfalz) (former Tarkett Sommer Aktiengesellschaft, Frankenthal (Pfalz)), for the business year from January 1st to December 31st, 2003. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the Group management report prepared by the Company's management for the business year from January 1st to December 31st, 2003, has not led to any reservations. In our opinion on the whole, the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from january 1st to December 31st, 2003, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Mannheim, March 12, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Reineke
Wirtschaftsprüfer
(German Public Auditor)

Woche
Wirtschaftsprüfer
(German Public Auditor)

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