

# **DOMCO TARKETT INC.**

## **Press Release**

**For Immediate Release**

### **Domco Tarkett Inc. Announces Results for the First Quarter of 2003**

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#### **DOC/TSX**

**Farnham, Quebec, April 30, 2003** — Domco Tarkett Inc. announces its financial results for the first quarter ended March 29, 2003. As almost 85% of the Corporation's sales are recorded in the United States, it was decided to present the financial statements in U.S. dollars effective January 1, 2003. For comparative purposes, results for the first quarter of fiscal 2002 and the balance sheet as at December 31, 2002 are also expressed in U.S. dollars. For the first three months of 2003, Domco Tarkett Inc. achieved **consolidated net sales** of \$101.9 million, up 1.4% over \$100.5 million for the corresponding period of 2002. Sales of residential resilient flooring decreased from \$35.1 million to \$34.6 million, while sales of commercial resilient flooring went from \$37.2 million to \$35.6 million. Sales of hardwood flooring rose 12.2% to \$31.7 million, compared with \$28.3 million for the same period in 2002. It should be noted that the Hardwood Division accounted for 31.1% of consolidated net sales, up from 28.1% in the first quarter of 2002.

**Earnings before interest, income taxes, depreciation and amortization (EBITDA)** amounted to \$5.6 million, compared with \$6.4 million for the first quarter of 2002. Administrative, distribution and selling expenses were further reduced during the quarter. The Corporation lowered them by more than \$1 million to \$22.1 million, or 21.7% of consolidated sales, down from \$23.2 million or 23.0% of consolidated sales in the first quarter of 2002. However, the decline in the Hardwood Division's profit margin had a negative impact on EBITDA, due to the increase in raw material prices, primarily lumber.

Domco Tarkett Inc. posted **net earnings of \$1.4 million or \$0.05 per share** for the first quarter of 2003, compared with \$1.5 million or \$0.06 per share for the first quarter of 2002.

#### **Financial Results**

(in thousands of U.S.dollars, except per-share amounts)

<u>1<sup>st</sup> quarters ended</u>	<u>March 29, 2003</u>	<u>March 30, 2002</u>
Revenues	<b>101,903</b>	100,512
Net earnings	<b>1,382</b>	1,462
Per share		
Basic	<b>0.05</b>	0.06
Fully diluted	<b>0.05</b>	0.06

### **Cash Flows**

Operating activities used cash flows of \$10.3 million during the first quarter of 2002, compared with \$6.1 million in the same quarter of 2002.

The net decrease in cash and cash equivalents was \$6.0 million, versus a decrease of \$21.4 million for the corresponding period of 2002, when the Corporation repaid \$13.9 million in long-term debt.

Capital expenditures totalled \$0.8 million for the period, compared with \$1.8 million for the first quarter of 2002.

### **Financial Position and Outlook**

As at March 29, 2003, the Corporation posted **total assets** of \$315.1 million, up from \$299.4 million as at December 31, 2002.

**Shareholders' equity** totalled \$168.4 million, versus \$163.5 million as at December 31, 2002.

The Corporation had a **total net indebtedness to shareholders' equity** of 0.31:1 as at March 29, 2003, compared with 0.25:1 as at December 31, 2002 and 0.40:1 as at March 30, 2002.

"We will continue actions to improve our profitability with a special focus on the hardwood business where our performance has deteriorated during the last twelve months, offsetting the progress in our resilient business. We are determined to develop the level of our sales, but we must remain prudent, in light of the uncertainty in the U.S. economy and current market conditions," indicated Ulf Mattsson, President and Chief Executive Officer.

### **Dividend**

The Corporation's Board of Directors declared today a dividend of Cdn\$0.05 per common share payable on July 2, 2003 to shareholders of record as at May 12, 2003.

### **Profile**

Domco Tarkett Inc. is positioned as the second largest manufacturer of resilient and hardwood flooring in North America, with ten manufacturing plants and a distribution network extending across Canada and the United States. The Corporation's core businesses are split into three divisions. **Domco Tarkett Commercial** (Houston, Texas) manufactures and distributes tiles under the Azrock<sup>®</sup>, Tarkett<sup>®</sup> and Nafco<sup>®</sup> brands, while also being responsible for the Tarkett Sommer<sup>®</sup> line of specialty products. **Domco Tarkett Residential** (Farnham, Quebec) manufactures the Domco<sup>®</sup> and Tarkett<sup>®</sup> lines of resilient sheet flooring and markets a line of laminate floors. The division's U.S. sales and marketing headquarters are based in Whitehall, Pennsylvania. **The Hardwood Division** (Johnson City, Tennessee) manufactures a range of prefinished and unfinished solid and engineered plank and strip products under the Harris-Tarkett<sup>®</sup> brand. The Corporation is headquartered in Farnham, Quebec.

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For information:

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[www.domcotarkett.com](http://www.domcotarkett.com)

**Consolidated Statements of Income**

(in thousands of U.S.dollars, except per share amount)

	<b>3 months ended March 29, 2003 (unaudited)</b>	<b>3 months ended March 30, 2002 (unaudited) (restated)</b>
	\$	\$
<b>Revenues</b>	<b>101,903</b>	100,512
Cost of goods sold	<u>74,047</u>	<u>70,904</u>
<b>Gross Margin</b>	<b>27,856</b>	29,608
<b>Expenses:</b>		
Administrative, distribution and selling expenses	<u>22,133</u>	<u>23,158</u>
Earnings before depreciation, interest, exchange and provision for income taxes	<u>5,723</u>	<u>6,450</u>
<b>Other expenses:</b>		
Depreciation	<b>3,204</b>	3,525
Interest on long-term debt	<b>566</b>	1,242
Other interest expense (income)	<b>10</b>	(71)
Foreign exchange loss	<u>80</u>	<u>89</u>
	<b>3 860</b>	4 785
Earnings before provision for income taxes	<b>1,863</b>	1,665
Provision for (recovery of) income taxes:		
Current	<b>(237)</b>	237
Future	<u>718</u>	<u>(34)</u>
	<b>481</b>	203
<b>Net earnings</b>	<u><b>1,382</b></u>	<u>1,462</u>
<b>Earnings per share</b>		
Basic	<u><b>0.05</b></u>	<u>0.06</u>
Diluted	<u><b>0.05</b></u>	<u>0.06</u>

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**Consolidated Statements of Retained Earnings**  
(in thousands of U.S.dollars)

	<b>3 months ended March 29 2003 (unaudited)</b>	<b>3 months ended March 30 2002 (unaudited)</b>
		(restated)
	\$	\$
<b>Retained earnings, beginning of period</b>	<b>49,046</b>	40,083
Net earnings	<u>1,382</u>	<u>1,462</u>
<b>Retained earnings, end of period</b>	<b><u>50,428</u></b>	<b><u>41,545</u></b>

**Consolidated Statements of Cash Flows**  
(in thousands of U.S.dollars)

	<b>3 months ended March 29, 2003 (unaudited)</b>	3 months ended March 30, 2002 (unaudited)
		(restated)
	\$	\$
<b>Cash flows from operating activities:</b>		
Net earnings	1,382	1,462
Adjustments to determine net cash from operating activities:		
Depreciation	3,204	3,525
Amortization of deferred financing charges	81	126
Future income taxes	718	(34)
Other	(56)	2,132
Net change in non-cash balances related to operations	<u>(15,653)</u>	<u>(13,277)</u>
	<u>(10,324)</u>	<u>(6,066)</u>
<b>Cash flows used in financing activities:</b>		
Proceeds of long-term debt	6,000	-
Repayment of long-term debt	(58)	(13,852)
Issuance of common shares	10	-
Increase in deferred financing charges	-	(238)
	<u>5,952</u>	<u>(14,090)</u>
<b>Cash flows used in investing activities:</b>		
Purchase of property, plant and equipment	<u>(842)</u>	<u>(1,831)</u>
	<u>(842)</u>	<u>(1,831)</u>
Effect of changes in exchange rates on cash and cash equivalents	<u>(740)</u>	568
<b>Net decrease in cash and cash equivalents</b>	<b>(5,954)</b>	<b>(21,419)</b>
Cash and cash equivalents, beginning of period	<u>9,560</u>	<u>35,378</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>3,606</u></u>	<u><u>13,959</u></u>

**Consolidated Balance Sheets**  
(in thousands of U.S.dollars)

	March 29, 2003 (unaudited)	December 31, 2002	March 30, 2002 (unaudited) (restated)
	\$	\$	\$
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	3,606	9,560	13,959
Accounts receivable	51,714	37,026	46,624
Income taxes recoverable	-	-	1,686
Inventories	89,562	81,266	88,318
Prepaid expenses	2,352	3,102	2,333
Future income taxes	5,931	6,148	5,850
	<u>153,165</u>	<u>137,102</u>	<u>158,770</u>
Property, plant and equipment	98,438	98,925	100,617
Goodwill, net of accumulated amortization	13,660	13,660	13,660
Other assets	20,932	20,189	18,127
Future income taxes	28,925	29,560	30,036
	<u>315,120</u>	<u>299,436</u>	<u>321,210</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	61,700	57,499	60,562
Income taxes payable	3,844	3,907	-
Future income taxes	1,968	1,697	5,000
Current portion of long-term debt	17,768	11,754	9,736
	<u>85,280</u>	<u>74,857</u>	<u>75,298</u>
Long-term debt	38,008	38,045	65,737
Accrued employees' future benefit liabilities	16,714	16,072	16,895
Future income taxes	6,712	6,955	8,129
	<u>146,714</u>	<u>135,929</u>	<u>166,059</u>
<b>Shareholders' equity:</b>			
Capital stock and contributed surplus	117,575	117,565	117,565
Retained earnings	50,428	49,046	41,545
Cumulative translation adjustments	403	(3,104)	(3,959)
	<u>168,406</u>	<u>163,507</u>	<u>155,151</u>
	<u>315,120</u>	<u>299,436</u>	<u>321,210</u>