

# DOMCO TARKETT INC.

## PRESS RELEASE

For immediate release

### DOMCO TARKETT REPORTS FIRST QUARTER RESULTS

**Farnham, Quebec, April 30, 2002** - For the first quarter, Domco Tarkett Inc. (TSE: DOC) reported operating profits of \$10.1 million (or 6.3% of consolidated sales) compared to \$13.1 million (or 8.1% of consolidated sales) for the first quarter a year ago. Net earnings increased 15% to \$2.3 million or \$0.09 per share fully diluted in the first quarter ended March 30, 2002 compared to \$2.0 million or \$0.08 per share posted a year ago. This increase is largely due to the non-amortization of goodwill in line with the new accounting standards.

Revenues for the quarter ended March 30, 2002 decreased 1.7% to \$160.2 million from the \$163.1 million posted a year ago. 84.3% of revenues were generated in the U.S., compared to 85.8% for the same period in 2001.

"We continue our strategy to grow our hardwood business and reverse the negative trend of our resilient business. Even though our earnings per share increased, I am not satisfied with our operating performance," stated Domco Tarkett President and CEO, Ulf Mattsson.

Revenue and earnings for the first quarter were as follows:

<b>Financial highlights</b>		
(in thousands of dollars, except per share data)		
	<b>Three months ended March 30<sup>th</sup>, 2002</b>	<b>Three months ended March 31<sup>st</sup>, 2001</b>
Revenues	<b>160,219</b>	163,054
Net income	<b>2,327</b>	1,953
Earnings per share		
Basic	<b>0.09</b>	0.08
Diluted	<b>0.09</b>	0.08

#### Operating Results

Sales in the hardwood-flooring segment grew by 6.8% to \$46.4 million, compared to \$43.4 million one year ago. The segment accounted for 29.0% of consolidated net sales, compared to 26.6% during the first quarter of 2001.

In the resilient flooring segment, the Company posted net sales of \$113.8 million compared to \$119.6 million in the same quarter last year, a decrease of 4.9%.

The higher percentage of sales in the hardwood segment resulted in a consolidated gross margin of 29.5% compared to 30.3% for the first quarter a year ago. The resilient flooring segment traditionally carries higher margins.

The decline in earnings before interest, taxes, depreciation and amortization (EBITDA) is partially due to a \$1.6 million non-recurring restructuring expense. The balance is explained by the lower sales.

Net income improved from \$2.0 million last year to \$2.3 million. This change combines a lower operating profit, reduced financial interests and the positive impact of the non-amortization of goodwill in line with the new accounting standards.

Repayment of long-term debt during the first quarter was \$22.1 million, compared to \$4.4 million for the same period last year. As a result, long-term debt decreased significantly to \$104.8 million as at March 30, 2002 or \$120.3 million, when including the current portion of long-term debt. This compares with \$158.9 million and \$176.0 million respectively a year ago.

### **Dividends**

The Board has decided not to declare any dividend, enabling the Corporation to retain all earnings and, in turn, to maximize its financial strength.

### **Commentary**

Mr. Mattsson said: "In the first quarter, our performance was far from our potential. I am convinced we are taking the right actions and am cautiously optimistic about improvements in the economy and market demand."

"We continue to make solid progress in our hardwood segment and must concentrate on building sales in resilient flooring, notably in the residential sector. To this end, we have been focused on new product development. Our new patent pending TruTex™ sheet vinyl has been received with enthusiasm and is creating a lot of excitement among our customers. During the fourth quarter of the past fiscal year we took decisive measures to improve profitability. We intend to maintain this course and expect that the benefits of our realigned divisions and cost reduction program will begin to be evident in the second half of the year."

### **Profile**

Domco Tarkett Inc. headquartered in Farnham, Quebec, Canada, is the second largest North American manufacturer of resilient and hardwood flooring. With ten manufacturing facilities and extensive distribution networks serving all regions of Canada and the United States, Domco Tarkett offers one of the most comprehensive, high-quality product lines in the flooring industry. Its products are sold to commercial and residential users under the Azrock, Domco, Harris Tarkett, Nafco and Tarkett brands. Domco Tarkett employs approximately 2,300 people.

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### **FOR FURTHER INFORMATION PLEASE CONTACT:**

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### **Forward-looking statement**

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

**Domco Tarkett Inc.**  
**Consolidated Balance Sheets**  
**(in thousands of dollars)**

	<b>March 30, 2002 (unaudited)</b>	December 31, 2001	March 31, 2001 (unaudited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 22,253	\$ 56,484	\$ 39,162
Accounts receivable	74,329	55,330	90,748
Income taxes recoverable	2,680	2,990	2,385
Inventories	147,658	133,592	145,064
Prepaid expenses	3,716	4,955	9,901
Future income taxes	-	2,275	-
	<u>250,636</u>	<u>255,626</u>	<u>287,260</u>
Property, plant and equipment	160,404	163,009	164,461
Goodwill, net of accumulated amortization	133,982	133,786	137,933
Other assets	22,388	23,881	26,298
	<u>\$ 567,410</u>	<u>\$ 576,302</u>	<u>\$ 615,952</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 96,548	\$ 84,375	\$ 98,474
Current portion of long-term debt	15,521	15,499	17,189
	<u>112,069</u>	<u>99,874</u>	<u>115,663</u>
Long-term debt	104,798	126,778	158,859
Accrued employees' future benefit liabilities	26,935	25,395	25,966
Future income taxes	1,375	4,847	3,533
	<u>245,177</u>	<u>256,894</u>	<u>304,021</u>
<b>Shareholders' equity</b>			
Capital stock and contributed surplus	166,931	166,931	166,931
Retained earnings	123,602	121,275	115,305
Cumulative translation adjustments	31,700	31,202	29,695
	<u>322,233</u>	<u>319,408</u>	<u>311,931</u>
	<u>\$ 567,410</u>	<u>\$ 576,302</u>	<u>\$ 615,952</u>

Domco Tarkett Inc.  
**Consolidated Statements Of Cash Flows**  
**(Unaudited)**  
**(in thousands of dollars)**

	<b>3 Months Ended March 30, 2002</b>	<b>3 Months Ended March 31, 2001</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 2,327	\$ 1,953
Adjustments to determine net cash from operating activities		
Depreciation	5,629	5,988
Amortization	274	2,057
Future income taxes	(53)	53
Other	341	(3)
Net change in non-cash working capital items related to operations	<u>(17,536)</u>	<u>(20,679)</u>
	<u>(9,018)</u>	<u>(10,631)</u>
 <b>Cash flows used in financing activities</b>		
Repayment of long-term debt	(22,082)	(4,430)
Other	(383)	(110)
	<u>(22,465)</u>	<u>(4,540)</u>
 <b>Cash flows used in investing activities</b>		
Purchase of property, plant and equipment	(2,911)	(990)
Business acquisition	-	(1,038)
	<u>(2,911)</u>	<u>(2,028)</u>
 Effect of changes in exchange rates on cash and cash equivalents	<u>163</u>	<u>2,454</u>
 <b>Net decrease in cash and cash equivalents</b>	<b>(34,231)</b>	<b>(14,745)</b>
 Cash and cash equivalents, beginning of period	<u>56,484</u>	<u>53,907</u>
 <b>Cash and cash equivalents, end of period</b>	<u><u>\$ 22,253</u></u>	<u><u>\$ 39,162</u></u>

Domco Tarkett Inc.  
Consolidated Statements of Income  
(Unaudited)  
(in thousands of dollars, except per share amounts)

	3 Months Ended March 30, 2002	3 Months Ended March 31, 2001
<b>Revenues</b>	\$ 160,219	\$ 163,054
Cost of goods sold	113,030	113,723
<b>Gross Margin</b>	<u>47,189</u>	<u>49,331</u>
<b>Expenses</b>		
Administrative, distribution and selling expenses	<u>37,133</u>	<u>36,184</u>
Income before depreciation, interest on long-term debt, provision for income taxes and amortization of goodwill	<u>10,056</u>	<u>13,147</u>
<b>Other expenses</b>		
Depreciation	5,629	5,988
Amortization of goodwill	-	1,842
Interest on long-term debt	1,783	3,126
	<u>7,412</u>	<u>10,956</u>
Income before provision for income taxes	<u>2,644</u>	<u>2,191</u>
Provision for income taxes		
Current	370	187
Future	(53)	51
	<u>317</u>	<u>238</u>
<b>Net income</b>	<u>\$ 2,327</u>	<u>\$ 1,953</u>
<b>Earnings per share</b>		
Basic	<u>\$ 0.09</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.08</u>