

DOMCO TARKETT INC.

Press Release For Immediate Release

Domco Tarkett Inc. increases its net earnings by 23.1% in 2002

- Increase of 95.5% in net earnings (before adjustment according to the new CICA accounting standard regarding goodwill impairment)
- Repayment of \$62.2 million in long-term debt in 2002 — debt reduced by \$101.6 million over past two years
- 7.2% sales growth in the fourth quarter

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Farnham, Quebec, March 13, 2003 — During the fiscal year ended December 31, 2002, Domco Tarkett Inc. recorded **net earnings** of **\$16.0 million** or **\$0.63 per share**, up from \$8.2 million or \$0.32 for the previous year, an increase of 95.5%. Net earnings grew by 23.1% over the net earnings of \$13.0 million or \$0.51 per share for 2001, adjusted according to the new CICA accounting standard regarding goodwill impairment.

“This result reflects the continuous reduction in net debt combined with the decline in interest rates; the net interest on this debt was in fact cut by \$2.8 million in 2002. In addition, operating costs were lowered by about \$3 million. We also had to assume non-recurring restructuring costs of \$3.6 million during the fiscal year. Without these costs, **earnings before interest, income taxes, depreciation and amortization (EBITDA)** would reach **\$53.3 million** rather than \$49.7 million, compared with \$49.1 million in 2001,” indicated Ulf Mattsson, President and Chief Executive Officer.

The Corporation achieved **sales** of **\$667.2 million** in 2002, up from \$649.6 million in 2001, an increase of about 3%. Sales of resilient flooring totalled \$464.3 million, holding fairly steady compared with 2001. The Hardwood Division’s sales grew by 10.5% to reach \$202.9 million, or 30.4% of Domco Tarkett’s revenues. As in 2001, the Corporation realized 84.7% of its sales in the United States and the balance mainly in Canada.

“The fact that our profitability in the commercial and residential resilient sector was strengthened in the second half of 2002 is one of last year’s highlights and a first positive effect of the reorganization implemented mostly in 2002. This sector efficiently streamlined its operations and successfully launched several innovative products while expanding its distribution network. We are confident it will stay on track in 2003,” added Mr. Mattsson.

Financial Highlights

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

| Periods ended December 31 | Q4 2002 | Q4 2001* | Q4 2001 | Year 2002 | Year 2001* | Year 2001 |
|---------------------------|----------------|-------------|------------|----------------|---------------|--------------|
| Revenues | 149,153 | 139,174 | 139,174 | 667,218 | 649,621 | 649,621 |
| Net earnings (loss) | 803 | (1,449) | (2,709) | 15,950 | 12,995 | 8,160 |
| Per share | | | | | | |
| Basic | 0.03 | (0.06) | (0.11) | 0.63 | 0.51 | 0.32 |
| Fully diluted | 0.03 | (0.06) | (0.11) | 0.63 | 0.51 | 0.32 |

*After adjustment according to the new CICA accounting standard regarding goodwill impairment

Results for the fourth quarter of 2002

Although the fourth quarter is generally the fiscal year's weakest period at Domco Tarkett, the last quarter of 2002 showed a distinct improvement in net earnings. Whereas the Corporation incurred a net loss of \$1.4 million (adjusted) in the fourth quarter of 2001, it posted a **net profit** of **\$803,000** in the equivalent quarter of 2002. **Sales** rose to **\$149.2 million**, up 7.2% over the corresponding period of 2001.

Financial position and outlook

During the fiscal year, the Corporation lightened its balance sheet considerably, reducing its long-term debt (including the current portion) by almost half to \$78.6 million as at December 31, 2002, down from \$142.3 million a year earlier. Domco Tarkett had **total net debt** of \$63.5 million at the close of fiscal 2002, compared with \$85.8 million as at December 31, 2001. It should be noted that the Corporation has repaid a total of \$101.6 million in long-term debt over the past two years.

Shareholders' equity amounted to \$257.9 million, down from \$319.1 million as at December 31, 2001. This decrease of \$61.2 million was due mainly to the adoption of the new accounting standard regarding goodwill impairment.

As at December 31, 2002, the **total net debt to shareholders' equity ratio** stood at 0.25:1, compared with 0.27:1 a year earlier.

"In 2003, we are further strengthening the measures focused on improving profits in our three divisions, where the sales and marketing teams are stepping up their efforts to increase sales and take advantage of the potential of their respective markets. We now benefit from a decentralized structure with strong leadership of each division, and we are making good progress implementing an entrepreneurial culture. We have also enhanced our innovativeness Corporation-wide. We hope that American consumer confidence will not be seriously affected by international events, which are currently having a downward impact on consumption indexes." concluded Mr. Mattsson.

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®, Tarkett® and Nafco® brands, while also being responsible for the Tarkett Sommer® line of specialty products. **Domco Tarkett Residential** (Farnham, Quebec) manufactures the Domco® and Tarkett® 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® brand. The Corporation is headquartered in Farnham, Quebec.

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For information:

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Consolidated Statements of Income
(in thousands of dollars, except per share amounts)

| | 3 months ended December 31, 2002 (unaudited) | 3 months ended December 31, 2001 (unaudited) (Restated) | 12 months ended December 31, 2002 (audited) | 12 months ended December 31, 2001 (audited) (Restated) |
|---|---|--|--|---|
| | \$ | \$ | \$ | \$ |
| Revenues | 149,153 | 139,174 | 667,218 | 649,621 |
| Cost of goods sold | 106,981 | 100,340 | 474,408 | 456,530 |
| Gross Margin | 42,172 | 38,834 | 192,810 | 193,091 |
| Expenses: | | | | |
| Administrative, distribution and selling expenses | 33,042 | 35,036 | 142,440 | 145,309 |
| Income before depreciation, interest on long-term debt, provision for income taxes and amortization of goodwill | 9,130 | 3,798 | 50,370 | 47,782 |
| Other expenses: | | | | |
| Depreciation | 5,808 | 5,736 | 22,316 | 23,597 |
| Amortization of goodwill | -- | 1,968 | -- | 7,555 |
| Interest on long-term debt | 1,467 | 2,014 | 6,167 | 10,525 |
| Other Interest income | 12 | (288) | (227) | (1,689) |
| Foreign exchange loss (gain) | (196) | (1,548) | 677 | (1,351) |
| | 7,091 | 7,882 | 28,933 | 38,637 |
| Earnings before provision for income taxes | 2,039 | (4,084) | 21,437 | 9,145 |
| Provision (recovery) for income taxes: | | | | |
| Current | 14,415 | (2,492) | 13,540 | 577 |
| Future | (13,179) | 1,117 | (8,053) | 408 |
| | 1,236 | (1,375) | 5,487 | 985 |
| Net earnings | 803 | (2,709) | 15,950 | 8,160 |
| Earnings per share | | | | |
| Basic | 0.03 | (0.11) | 0.63 | 0.32 |
| Diluted | 0.03 | (0.11) | 0.63 | 0.32 |

Consolidated Statements of Retained Earnings
(in thousands of dollars)

| | 3 months ended December 31, 2002 (unaudited) | 3 months ended December 31, 2001 (unaudited) (Restated) | 12 months ended December 31, 2002 (audited) | 12 months ended December 31, 2001 (audited) (Restated) |
|--|---|--|--|---|
| | \$ | \$ | \$ | \$ |
| Retained earnings, beginning of period | 72,089 | 124,221 | 121,275 | 113,352 |
| Adoption of new accounting standard regarding goodwill impairment, net of related income taxes of \$37,593 | -- | -- | (64,333) | -- |
| Adoption of new accounting standard regarding foreign currency translation, net of related income taxes of \$161 | (301) | (538) | (301) | (538) |
| Net earnings | 803 | (2,709) | 15,950 | 8,160 |
| | 72,591 | 120,974 | 72,591 | 120,974 |
| Dividends on common shares | (1,906) | -- | (1,906) | -- |
| Retained earnings, end of year | 70,685 | 120,974 | 70,685 | 120,974 |

Consolidated Statements of Cash Flows
 (in thousands of dollars)

| | 3 months ended December 31, 2002 (unaudited) | 3 months ended December 31, 2001 (unaudited) (Restated) | 12 months ended December 31, 2002 (audited) | 12 months ended December 31, 2001 (audited) (Restated) |
|--|---|--|--|---|
| | \$ | \$ | \$ | \$ |
| Cash flows from operating activities: | | | | |
| Net earnings | 803 | (2,709) | 15,950 | 8,160 |
| Adjustments to determine net cash from operating activities: | | | | |
| Depreciation | 5,808 | 5,736 | 22,316 | 23,597 |
| Amortization of goodwill | -- | 1,968 | -- | 7,555 |
| Amortization of deferred financing charges | 329 | 274 | 1,280 | 904 |
| Future income taxes | (13,179) | 1,117 | (8,053) | 408 |
| Other | (3,966) | (639) | (1,250) | (86) |
| Net change in non-cash balances related to operations | 24,497 | 23,696 | 9,259 | 17,360 |
| | <u>14,292</u> | <u>29,443</u> | <u>39,502</u> | <u>57,898</u> |
| Cash flows used in financing activities: | | | | |
| Repayment of long-term debt | (6,397) | (6,931) | (62,153) | (39,398) |
| Dividends | (1,906) | -- | (1,906) | -- |
| Increase in deferred financing charges | -- | (298) | (443) | (818) |
| | <u>(8,303)</u> | <u>(7,229)</u> | <u>(64,502)</u> | <u>(40,216)</u> |
| Cash flows used in investing activities: | | | | |
| Purchase of property, plant and equipment | (8,632) | (8,526) | (17,370) | (16,598) |
| Proceeds from disposal of property, plant and equipment | 347 | 491 | 399 | 568 |
| Business acquisition, net of cash | -- | (238) | -- | (1,331) |
| | <u>(8,285)</u> | <u>(8,273)</u> | <u>(16,971)</u> | <u>(17,361)</u> |
| Effect of changes in exchange rates on cash and cash equivalents | (210) | (87) | 569 | 2,256 |
| Net (decrease) increase in cash and cash equivalents | (2,506) | 13,854 | (41,402) | 2,577 |
| Cash and cash equivalents, beginning of period | <u>17,588</u> | 42,630 | <u>56,484</u> | 53,907 |
| Cash and cash equivalents, end of year | <u><u>15,082</u></u> | <u>56,484</u> | <u><u>15,082</u></u> | <u>56,484</u> |

Consolidated Balance Sheets
(in thousands of dollars) (audited)

| | December 31, 2002 | December 31, 2001 (Restated) |
|---|----------------------|------------------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 15,082 | 56,484 |
| Accounts receivable | 58,411 | 52,390 |
| Income taxes recoverable | -- | 1,957 |
| Inventories | 128,209 | 126,296 |
| Prepaid expenses | 4,882 | 4,955 |
| Future income taxes | 9,700 | 8,807 |
| | <u>216,284</u> | <u>250,889</u> |
| Property, plant and equipment | 156,062 | 163,009 |
| Goodwill, net of accumulated amortization | 21,551 | 133,786 |
| Other assets | 31,855 | 31,748 |
| Future income taxes | 46,635 | 18,364 |
| | <u>472,387</u> | <u>597,796</u> |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 90,646 | 81,435 |
| Income taxes payable | 6,265 | -- |
| Future income taxes | 2,677 | 8,774 |
| Current portion of long-term debt | 18,543 | 15,499 |
| | <u>118,131</u> | <u>105,708</u> |
| Long-term debt | 60,020 | 126,778 |
| Accrued employees' future benefit liabilities | 25,356 | 25,395 |
| Future income taxes | 10,972 | 20,808 |
| | <u>214,479</u> | <u>278,689</u> |
| Shareholders' equity: | | |
| Capital stock and contributed surplus | 166,931 | 166,931 |
| Retained earnings | 70,685 | 120,974 |
| Cumulative translation adjustments | 20,292 | 31,202 |
| | <u>257,908</u> | <u>319,107</u> |
| | <u>472,387</u> | <u>597,796</u> |