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Annual report of TAKKT AG

Balance Sheet of TAKKT AG, Stuttgart, at 31 December 2010 under HGB in EUR '000

Assets	Notes	2010	2009
Fixed assets	(1)		
Intangible		1	1
Tangible		498	518
Financial		372,521	416,211
		373,020	416,730
Current assets			
Other debtors	(2)	53,517	53,588
Cash and bank balances		8	13
		53,525	53,601
Prepaid expenses	(3)	15	15
Total assets		426,560	470,346
Equity and liabilities	Notes	2010	2009
Shareholders' equity			
Issued capital	(4)	65,610	65,610
Capital reserves		215,600	215,600
General reserves		27,212	27,212
Retained earnings		26,458	42,398
		334,880	350,820
Provisions	(5)	15,882	10,024
Liabilities	(6)	75,798	109,502
Total equity and liabilities		426,560	470,346

Profit and Loss Account of TAKKT AG, Stuttgart, for the year ending 31 December 2010 under HGB in EUR '000

	Notes	2010	2009
Other income		3,269	4,341
Personnel expenses	(7)	5,258	7,992
Depreciation of intangible and tangible assets		111	124
Operating taxes		23	2
Other operating expenses		5,090	4,932
		-7,213	-8,709
Income from investments	(8)	30,571	35,596
Financial investment depreciation		12,903	0
Interest result	(9)	837	1,760
Profit before extraordinary expenses and income taxes		11,292	28,647
Extraordinary expenses	(10)	1,810	0
Income taxes	(11)	4,427	862
Net income		5,055	27,785
Retained earnings brought forward		21,403	14,613
Earnings appropriated to reduction of general reserves		0	57,888
Earnings appropriated to reduction of issued capital		0	7,289
Transfer to capital reserves		0	-7,289
Offset with cancellation of shares		0	-57,588
Retained earnings		26,458	42,398

Fixed Assets of TAKKT AG, Stuttgart, for the financial year 2010 under HGB in EUR '000

	01.01.2010	Cost		31.12.2010
		Additions	Disposals	
Intangible				
Concessions, commercial and similar rights	109	0	0	109
	109	0	0	109
Tangible				
Leasehold improvements	102	0	0	102
Other equipment	1,114	126	48	1,192
	1,216	126	48	1,294
Financial				
Investment in affiliated companies	306,211	0	30,787	275,424
Loans to affiliated companies	110,000	10,000	10,000	110,000
	416,211	10,000	40,787	385,424
Fixed assets	417,536	10,126	40,835	386,827

	Cumulative depreciation			Net book values		
	01.01.2010	Additions	Disposals	31.12.2010	31.12.2010	31.12.2009
	108	0	0	108	1	1
	108	0	0	108	1	1
	53	9	0	62	40	49
	645	102	13	734	458	469
	698	111	13	796	498	518
	0	12,903	0	12,903	262,521	306,211
	0	0	0	0	110,000	110,000
	0	12,903	0	12,903	372,521	416,211
	806	13,014	13	13,807	373,020	416,730

Notes of TAKKT AG, Stuttgart, for the financial year 2010

A. General information

The accounts of TAKKT AG for the year ended 31 December 2010 have been prepared for the first time in accordance with the requirements of the German Commercial Code (HGB) for large business corporations as modified by the German Accounting Law Modernization Act (BilMoG).

For the sake of clarity, certain amounts in the balance sheet and the profit and loss account are presented in summarised form. A breakdown of the individual amounts is provided in the notes. The items in the annual financial statements are presented, structured, disclosed and valued using the same principles as in the previous year, unless the German Accounting Law Modernization Act (BilMoG) has given rise to changes since the previous year. As per Section 67 (8) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), the previous year's figures have not been restated. The application of the German Accounting Law Modernization Act (BilMoG) primarily altered the way in which pension provisions are valued and hedge relationships are recognised.

B. Accounting policies

Intangible assets acquired against payment are valued at their respective cost of acquisition, less scheduled cumulative amortisation. Intangible assets are depreciated over their useful life, using the straight-line method.

Tangible assets are disclosed at their respective cost of acquisition or production which must be capitalised under German tax regulations, less scheduled depreciation, as applicable.

Tangible assets are depreciated over a useful life of generally three to 15 years, using the straight-line method.

Since 2008, depreciable movable low-value assets from EUR 150 to EUR 1,000 were included in a collective item and depreciated over a period of five years using the straight-line method pursuant to § 6 (2 a) of the German Income Tax Act (EStG).

Financial assets are valued at the lower of the cost of acquisition or the present fair value. In the year under review, an impairment charge of EUR 12,903,000 was necessary on the value of the affiliated companies to their lower current value. The shares in Topdeq Service GmbH were accordingly valued using a DCF calculation based on a 15-year plan. This plan rests on key assumptions regarding the underlying turnover growth, the profit margin and the growth of the perpetuity. The actual future figures may deviate from the assumptions and estimates made.

Other debtors are disclosed at nominal value.

Pension provisions are calculated using the actuarial projected credit unit method with the underlying biometric probabilities being provided by the 2005 G edition of Prof. Dr Klaus Heubeck's mortality tables. When determining the assumed rate of interest with identical maturity, the average market interest rate for the last seven years was used, as calculated and published by the German Bundesbank. This is based on an assumed remaining term of 15 years. Use of this interest rate is in line with the option granted in § 253 (2) sentence 2 of the German Commercial Code (HGB). The assumed rate of interest utilised on the balance sheet date was 5.17 percent. Anticipated future remuneration and pension increases are considered when calculating the liability. At present, the calculations assume annual adjustments of 2.75 percent to remuneration and 1.9 percent to pensions. The valuation takes general probabilities of employee turnover into account. These were calculated depending on age and time in employment. In the previous year, the pension liabilities were entered at their fractional value in accordance with § 6 a of the German Income Tax Act (EStG) based on an interest rate of 5.5 percent using actuarial theory. The first-time application of the German Accounting Law Modernization Act (BilMoG) gave rise to a difference of EUR 1,809,695.00 as of 01 January 2010. This was carried in full and recorded under extraordinary expenses. The remaining provisions provide adequate coverage for all identifiable and contingent commitments and are carried at amounts required to meet these commitments in accordance with sound business judgement. Future price and cost increases are taken into consideration, provided that there are sound, objective reasons to believe that they may occur.

Provisions with a remaining term of over one year are discounted using the average market interest rate as calculated by the German Bundesbank for the seven years previous to the balance sheet date. This interest rate corresponds to the remaining term of the provisions. The first-time application of the German Accounting Law Modernization Act (BilMoG) did not give rise to any changes as of 01 January 2010.

The company refrained from carrying obligations in connection with long-service payments for ten years of service.

Partial retirement provisions are calculated based on the part-time salary, the top-up amount and the employer's social security contributions.

Liabilities are disclosed at their fulfilment amount.

Currency translation

Currency translation of receivables and liabilities in foreign currencies with a remaining term of up to one year is made in accordance with the German Accounting Law Modernization Act (BilMoG) at the spot exchange rate prevailing on the balance sheet date. Book gains resulting from currency conversion are therefore included in these annual financial statements for the first time. For remaining terms exceeding one year, the exchange rate on the date of origin is utilised for booking purposes. If there are changes in the exchange rate in the time leading up to the balance sheet date, the year end exchange rate is used for the subsequent valuation, with the lower of cost or market being applied to the receivables and the higher of cost or market being applied to the payables, provided that no hedging relationships have been recognised. With respect to foreign-currency receivables and payables for which hedging relationships were recognised, the so-called 'gross hedge presentation method' was used for intercompany loans while the 'net hedge presentation method' was utilised for future performances.

C. Notes to the balance sheet and the profit and loss account

I. Balance sheet

(1) Fixed assets

The schedule of fixed assets, which is disclosed separately, is an integral part of the notes to the accounts.

(2) Other debtors *in EUR '000*

	2010	2009
Amounts due from affiliated companies	52,386	52,223
Other assets	1,131	1,365
	53,517	53,588

Under other assets, an amount of EUR 108,000 (2009: EUR 102,000) is due from Franz Haniel & Cie. GmbH, Duisburg, under the group VAT election.

(3) Prepaid expenses

This includes expenses for the designated sponsoring of the TAKKT share. The amount is released over the life of the sponsorship.

Deferred tax assets

There are temporary and quasi-permanent differences in the treatment of pension provisions on commercial balance sheets and tax balance sheets and on various items of the tax group companies. There are no tax loss carry-forwards. As a general rule, the tax rate used for valuation is 30.7 percent. The resultant total deferred tax assets were not capitalised as is permitted under § 274 (1) sentence 2 of the German Commercial Code (HGB).

(4) Issued capital

The issued capital of TAKKT AG is unchanged at EUR 65,610,331. It is divided into 65,610,331 no name non-par-value shares. The AGM authorised the Management and Supervisory Boards on 04 May 2010 to purchase own shares. No use was made of this right in the financial year 2010. In accordance with the resolution of the AGM on 06 May 2009, the Management Board is authorised until 29 October 2014 to increase the issued capital by an amount of up to EUR 32,805,165.50 once or several times by issuing new bearer shares. This is subject to the approval of the Supervisory Board and has to take into consideration the subscription rights of the shareholders. With the approval of the Supervisory Board, the Management Board is, however, entitled to exclude residual amounts from the shareholders' statutory subscription right.

General reserves

As in the previous year, the entry refers to other general reserves.

(5) Provisions in EUR '000

	2010	2009
Pension	7,486	5,636
Taxes	4,155	437
Other	4,241	3,951
	15,882	10,024

Other provisions include amounts for personnel costs (EUR 2,844,000), outstanding invoices (EUR 498,000), Supervisory Board compensation (EUR 273,000), costs of the annual report (EUR 151,000), costs of the Annual General Meeting (EUR 146,000) and legal and consulting costs (EUR 107,000).

(6) Liabilities in EUR '000

	31.12.2010	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term over 5 years	31.12.2009
Banks	43	43	0	0	42,358
Trade creditors	235	235	0	0	231
Affiliated companies	72,848	72,848	0	0	64,024
Others	2,672	2,672	0	0	2,889
	75,798	75,798	0	0	109,502

Regarding trade creditors, normal ownership retention rights apply to the goods delivered.

Other liabilities in EUR '000

	2010	2009
Tax liabilities	67	66
Miscellaneous	2,605	2,823
	2,672	2,889

Miscellaneous includes EVA® certificates issued to employees.

II. Profit and loss account

The profit and loss account is drawn up in accordance with § 275 (2) of the German Commercial Code (HGB) and the "type of expenditure" method with the following exceptions:

- The item "Personnel expenses" as per § 275 (2) no. 6 of the German Commercial Code (HGB) is not subdivided into "Wages and salaries" and "Social security costs and pension expenses" as referenced by § 275 (2) no. 6 a) and 6 b) respectively of the German Commercial Code (HGB).
- The description "Operating taxes" is used instead of the item specified under § 275 (2) no. 19 of the German Commercial Code (HGB) ("Other taxes") and this item is listed above the line for "Other operating expenses".
- The items specified under § 275 (2) nos. 11 and 13 of the German Commercial Code (HGB) are not used. The item "Interest result" is used instead.
- Instead of "Result of ordinary business activities" as specified under § 275 (2) no. 14 of the German Commercial Code (HGB), the description "Profit before extraordinary expenses and income taxes" is used.

(7) Personnel expenses in EUR '000

	2010	2009
Salaries	4,552	6,346
Social insurance	364	329
Pension costs	342	1,317
	5,258	7,992

(8) Income from investments

This includes EUR 35,435,000 (EUR 31,605,000) from the profit transfer agreement with KAISER + KRAFT EUROPA GmbH, Stuttgart, EUR 6,652,000 (EUR 3,375,000) in respect of inter-company tax charges of KAISER + KRAFT EUROPA GmbH, the loss transfer from Topdeq Service GmbH, Pfungstadt, of EUR 19,208,000 (loss transfer: EUR 1,516,000), and the dividend payment from TAKKT America Holding, Milwaukee, amounting to EUR 7,785,000 (EUR 2,132,000).

(9) Interest result in EUR '000

	2010	2009
Interest and similar income:		
– from affiliated companies	2,545	3,099
– from non-affiliated companies	1	2
	2,546	3,101
Interest and similar expenses:		
– to affiliated companies	–243	–394
– to non-affiliated companies	–1,081	–947
– interest portion of pension provision	–385	0
	–1,709	–1,341
	837	1,760

(10) Extraordinary expenses

This item includes expenses totalling EUR 1,810,000 arising from changes to pension provisions as specified the German Accounting Law Modernization Act (BilMoG) as of 01 January 2010.

(11) Income taxes in EUR '000

	2010	2009
Corporation tax	2,246	312
Trade tax	2,183	439
Prior years' tax	–2	85
Withholding tax	0	26
	4,427	862

Exchange rate gains

Other operating income includes unrealised exchange rate gains of EUR 1,000.

Income and expenses relating to prior periods

Other operating income includes income of EUR 179,000 relating to prior years. This income is primarily derived from the release of provisions and refunds of tax credits paid for employees representing the company abroad.

Expenses of EUR 21,000 relating to prior years have been included under operating taxes.

Other operating expenses include expenses of EUR 130,000 relating to prior years. These are primarily expenses for which no sufficient provisions have been formed.

Income of EUR 2,000 relating to prior years has been included under income tax.

D. Other information

Shareholdings

Details about group companies in which TAKKT AG holds at least one fifth of the shares as well as details about all shareholdings in large corporations in which TAKKT AG holds at least five percent of voting rights (share ownership) are provided in TAKKT AG's financial statements. A list of group companies can also be found in the annual report of TAKKT Group.

Personnel

The average number of employees during the year was 29.

Notification from shareholders

Outside the requirements of the German securities trading act (WpHG), Franz Haniel & Cie. GmbH, Duisburg, notified us voluntarily in January 2011 that at 31 December 2010 they owned 70,4 percent of the shares.

German Corporate Governance Code

The declaration on the recommendations made by the "Government Commission on the German Corporate Governance Code" required under § 161 of the German Stock Corporation Act (AktG) was issued on 31 December 2010 and made available to the shareholders on the web site of TAKKT www.takkt.com in the Share/Corporate Governance section.

Auditor fees

Pursuant to § 285 (17) of the German Commercial Code (HGB), the information on auditor fees is included in the company's consolidated financial statements.

Contingent liabilities and other financial commitments

TAKKT AG has given guarantees of USD 9,961,000 (USD 902,000), EUR 873,000 (EUR 535,000) and GBP 108,000 (GBP 162,000) for rental commitments of subsidiaries as well as EUR 0 (EUR 116,000) for payments in advance of subsidiaries. At the balance sheet date, no rent was outstanding.

As collateral for the liabilities or commitments of affiliated companies to banks, TAKKT AG has issued letters of comfort amounting to EUR 131,015,000 (EUR 122,553,000). This includes commitments arising from lease contracts amounting to EUR 16,214,000 (EUR 17,963,000).

TAKKT AG is jointly and severally liable for EUR 5,150,000 (EUR 6,990,000) relating to liabilities of subsidiaries to an affiliated company, which is not included in the TAKKT AG consolidated financial statements.

TAKKT AG is liable for phased retirement wage and salary reserves of up to EUR 622,000 arising from partial retirement employment relationships of subsidiaries. This liability is offset against recourse claims in the same amount against the subsidiaries.

The debtors for whom guarantees and/or letters of comfort have been issued have previously met their obligations in full. As it can be assumed that this will continue to be the case, TAKKT AG considers it highly unlikely that recourse will be made to the guarantees and/or letters of comfort. As a result, it was not necessary to carry any associated liabilities.

There are commitments from rental and lease agreements (EUR 2,593,000) and a liability arising from investments made in the Group's fixed tangible assets (EUR 14,000). Furthermore, commitments exist arising from service agreements with two affiliated companies, which are not consolidated in the TAKKT AG Group financial statements.

Profit and loss transfer agreements exist with two subsidiaries.

Within the scope of the tax integration and in accordance with § 73 German general tax code (AO), the company is liable for the value added tax of Franz Haniel & Cie. GmbH, Duisburg.

Derivative financial instruments

TAKKT AG generally assumes the finance function for the individual subsidiaries. In this role, TAKKT AG enters into contracts for derivative financial instruments with banks which can be attributed to underlying business operations of individual subsidiaries. In general, these are foreign exchange contracts for goods sold as intra-group transactions. Based on the budgets of the respective subsidiaries, the expected amounts in foreign currencies are calculated and 60 to 70 percent of these amounts are hedged on the due date (micro hedges). Internally, TAKKT AG has been indemnified by its subsidiaries with regard to these financial instruments. In addition, inter-company loans involving more than one currency are hedged with foreign exchange contracts (micro hedges).

Additional interest rate derivative instruments can be utilised when refinancing the debt of TAKKT AG. Anticipated repayments are deducted from the total debt; the remaining net amounts are hedged.

The total nominal value of all derivative financial instruments at the balance sheet date can exceed the volume of hedged items at the balance sheet date. As part of a continuous hedging strategy, derivatives can be held where the hedging periods begin at later dates in subsequent financial years. These derivatives count as nominal volumes, but not as hedging volumes, since the hedging becomes effective at a later date.

Both the marketability of the instrument and the rating of the party to an agreement is considered before concluding contracts for derivative financial instruments. Such contracts are also subject to strict controls: in addition to limiting the number of people who are authorised to make such transactions, the Group also ensures that dealing and posting procedures relating to such transactions are kept strictly separate.

Currency hedging *in EUR '000*

	Nominal value		Market value	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	343	13,250	5	-5

Valuation methodology

The market values of foreign exchange contracts are determined using a treasury system from SAP AG.

The market value of a foreign exchange contract corresponds to the present value of the difference between the nominal amount at the fixed forward rate and the current forward rate on the reporting date.

The cash flows are discounted using maturity-matched interest rates in line with the interest rate curves of the respective currency.

Due to the hedged volume of around 60 to 70 percent of future supplies of goods, the hedging instruments have an effectiveness of almost 100 percent.

The hedging relationships' effectiveness has been determined both retrospectively and prospectively.

Representative Bodies

Supervisory Board

Prof. Dr Klaus Trützscher, Essen, born 11 December 1948

Chairman

Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg

Chairman of the Supervisory Board of Wuppermann AG, Leverkusen

Chairman of the Supervisory Board of Zwiesel Kristallglas AG, Zwiesel

Member of the Supervisory Board of Bilfinger Berger SE, Mannheim

Member of the Supervisory Board of Celesio AG, Stuttgart

Member of the Advisory Board of Wilh. Werhahn KG, Neuss

Prof. Dr Jürgen Kluge, Düsseldorf, born 02 September 1953, since 04 May 2010

Deputy Chairman

Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg

Chairman of the Supervisory Board of Celesio AG, Stuttgart

Chairman of the Supervisory Board of METRO AG, Düsseldorf

Member of the Supervisory Board of SMS GmbH, Düsseldorf

Dr Dr Peter Bettermann, Weinheim, born 29 May 1947

Managing Partner and Speaker of the Management Board of Freudenberg & Co. KG, Weinheim

Chairman of the Supervisory Board of BATIG Gesellschaft für Beteiligungen GmbH, Hamburg

Chairman of the Supervisory Board of British American Tobacco (Germany) GmbH, Hamburg

Member of the Supervisory Board of Evonik Industries AG, Essen

Deputy Chairman of the Advisory Board of Wilh. Werhahn KG, Neuss

Michael Klein, Leogang/Austria, born 05 April 1956, until 04 May 2010

Non-Executive-Chairman of Rapp Germany GmbH, Hamburg

Thomas Kniehl, Stuttgart, born 11 June 1965

Logistics employee at KAISER + KRAFT GmbH, Stuttgart

Chairman of the Joint Works Council of KAISER + KRAFT GmbH, Stuttgart,
and KAISER + KRAFT EUROPA GmbH, Stuttgart

Stefan Meister, Stuttgart, born 28 October 1965, since 04 May 2010

Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg

Member of the Supervisory Board of Straumann Holding AG, Basel/Switzerland

Member of the Board of the BPN Foundation, Bern/Switzerland

Prof. Dr Dres h.c. Arnold Picot, Gauting, born 28 December 1944

University professor at the Ludwig-Maximilians-Universität München

Chairman of the Supervisory Board of Sartorius AG, Göttingen

Chairman of the Supervisory Board of Sartorius Stedim Biotech GmbH, Göttingen

Member of the Supervisory Board of WIK GmbH, Bad Honnef

Member of the Supervisory Board of WIK-Consult GmbH, Bad Honnef

Member of the Advisory Board of Sartorius Stedim Biotech S.A., Aubagne/France

Management Board

Dr Felix A. Zimmermann, Stuttgart, born 27 June 1966
CEO, COO TAKKT AMERICA division

Dr Florian Funck, Stuttgart, born 23 March 1971
CFO
Member of the Supervisory Board of SmartLoyalty AG, Wiesbaden

Franz Vogel, Leinfelden-Echterdingen, born 22 October 1948
COO TAKKT EUROPE division

The remuneration for the members of the Management Board in the financial year was EUR 2,503,000. This includes the release of provisions in amount of EUR 300,000. Payments to retired Management Board members amounted to EUR 241,000. For previous Management Board members, a pension provision of EUR 3,718,000 has been made.

The reimbursement of expenses of the Supervisory Board amounted to EUR 8,000. A provision of EUR 273,000 has been made for remuneration.

On 31 December 2010, the members of the Management Board of TAKKT AG held 5,676 shares and the members of the Supervisory Board 3,007 shares in TAKKT AG.

Majority shareholder

TAKKT AG, Stuttgart, is a subsidiary of Franz Haniel & Cie. GmbH, Duisburg, and is included in the respective consolidated financial statements. These consolidated financial statements are published in the electronic Federal Bulletin (Bundesanzeiger).

E. Profit appropriation as proposed by the Management Board

The TAKKT AG balance sheet for the financial year discloses retained earnings of EUR 26,458,000. The Management Board proposes that EUR 20,995,000 (EUR 20,995,000) be distributed. The 65.6 million shares will attract a ordinary dividend of EUR 0.32 (EUR 0.32) per share. For 2010, no distribution of a special dividend is proposed. The balance should be carried forward.

Responsibility Statement of the Management Board

To the best of our knowledge and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the combined management report of TAKKT AG and the Group includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Stuttgart, 25 February 2011
TAKKT AG
Management Board

Dr Felix A. Zimmermann Dr Florian Funck Franz Vogel

Auditor's report

The complete financial statements and the combined management report of TAKKT AG and the Group were issued with an unqualified auditor's report by the auditors Ebner Stolz Mönning Bachem GmbH & Co. KG, Stuttgart.

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