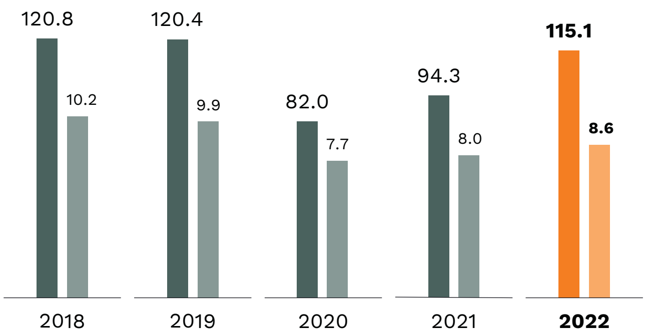
FINANCIAL POSITION

TAKKT has a centralized system of financial management that ensures the creditworthiness and financing capability of the Group for the long term. In addition to the payment of a dividend, it is also intended to provide the Group with sufficient financial flexibility to seize acquisition opportunities at short notice. In 2022, TAKKT generated significantly higher free cash flow than in the previous year despite a further increase in net working capital.

TAKKT cash flow in EUR million **and cash flow margin** in %



Centralized financial management limits financial risks

The financial management of the TAKKT Group includes the management and allocation of all financial resources with the primary goal of securing liquidity at any time. In addition, TAKKT pursues the following goals within the scope of financial management:

- Safeguarding the independence and flexibility of the Group and of all the Group companies through a diversified financing structure with sufficient available credit lines at all times.
- Limiting financial risks through the hedging of interest and currency risks as well as limiting counterparty risks.
- Optimization of financing conditions through an appropriate mix of short and long-term financing instruments.
- Efficient use of the Group's internal liquidity through the use of cash pooling agreements, whereby liquidity surpluses of the individual companies are used for financing the liquidity requirements of other Group companies.

High positive TAKKT cash flow

One of the key strengths of the TAKKT business model is its strong internal financing power. In the past fiscal year, the Group increased the TAKKT cash flow significantly to EUR 115.1 (94.3) million due to the strong growth and positive currency effects. TAKKT cash flow rose at a similar pace to EBITDA. The cash flow margin (i.e., the TAKKT cash flow in relation to sales) increased to 8.6 (8.0) percent. The TAKKT cash flow per share was EUR 1.76 (1.44).

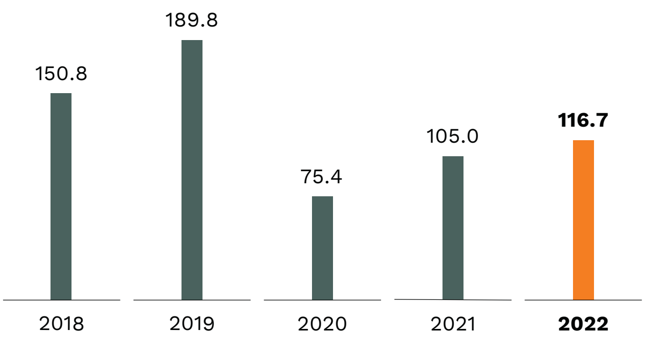
At EUR 31 (38) million, the cash outflow for building up net working capital was slightly lower than in the previous year. In expectation of continuing price increases due to high inflation and to improve delivery capacity, TAKKT placed larger orders in the first half of the year and expanded its inventory levels by around EUR 40 million. In the second half of the year, the Group benefited from the improved delivery capacity and sold off existing inventories. As a result, total cash outflow for the buildup of inventories was EUR 15 million in 2022. Trade receivables also increased due to the good growth trend and rose by EUR 16 million. Cash flow from operating activities increased significantly and came to EUR 84.4 (56.3) million.

Overall, the business model of the TAKKT Group is not very capital intensive. At EUR 14.6 (18.3) million, capital expenditure in 2022 was below the previous year's figure as well as slightly below expectations at the beginning of the year. The capital expenditure ratio (the ratio of capital expenditure for maintenance, expansion and modernization of the business operations to sales) came to 1.1 (1.6) percent. At EUR 0.6 (13.9) million, the cash inflow from disposals was not relevant in the year under review. In the previous year, TAKKT received a gain of EUR 13.4 million from the sale of investments.

As a result of the good earnings development and lower net working capital, the free TAKKT cash flow rose significantly to EUR 70.4 (51.9) million. Payment for the base and special dividend amounted to EUR 72.2 million and was thus at a comparable level to the free TAKKT cash flow. In addition, EUR 6.5 million was used until the end of the year to buy back treasury shares.

Net financial liabilities (i.e., financial liabilities less cash and cash equivalents) increased slightly to EUR 116.7 (105.0) million at the end of 2022. A higher percentage of the liabilities resulted from the leasing of buildings, plant and equipment, which are reported as lease liabilities in accordance with IFRS 16. Cash and cash equivalents came to EUR 7.6 (2.8) million as of December 31, 2022. For further details on the generation and usage of cash flow, please refer to the cash flow statement of this annual report.

Development of net financial liabilities in EUR million



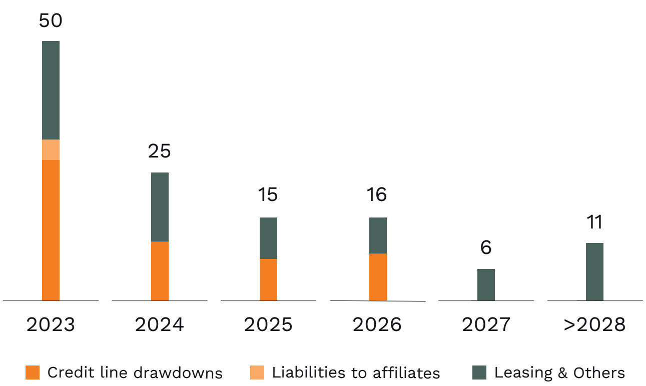
Diversified Financing

TAKKT places great importance on the conservative, long-term oriented and diversified financing of the business. The financing activities of the Group are centrally managed with funding mainly denominated in the EUR and USD currencies. TAKKT primarily uses the following financing instruments:

- Dedicated bilateral credit lines with twelve financial institutions are the focus of the financing portfolio. Short-term (terms of less than 18 months) and long-term (terms of more than 18 months) credit lines have mainly been concluded. These are renewed for an additional year on an annual basis. Long-term credit lines are mainly concluded for five-year periods. The credit agreements are unsecured and do not include any financial covenants. At the end of 2022, there were liabilities to banks from financing activities in the amount of EUR 55.1 (22.7) million.
- Leased buildings and plant installations are reported as finance leases in accordance with IFRS 16. Lease liabilities as of the end of the reporting period came to EUR 63.4 (75.4) million.

The maturity structure of the financial liabilities as of the end of the reporting period is as follows:

Maturity profile of financial liabilities in EUR million



In addition to the credit line drawdowns, the Group also had free approved credit lines of EUR 204.1 (235.3) million available to it, of which EUR 80.7 (104.3) million are short-term credit lines and EUR 123.4 (131.0) million are long-term credit lines. TAKKT therefore has sufficient financial flexibility to seize acquisition opportunities at short notice, regardless of the current situation in the capital market.

Managerial presentation of free TAKKT cash flow in EUR million

	2018	2019	2020	2021	2022
TAKKT cash flow	**120.8**	**120.4**	**82.0**	**94.3**	**115.1**
Change in net working capital as well as other adjustments	– 21.4	10.4	38.5	– 38.0	– 30.7
Cash flow from operating activities	**99.4**	**130.8**	**120.5**	**56.3**	**84.4**
Capital expenditure in non-current assets	– 25.0	– 24.7	– 13.3	– 18.3	– 14.6
Proceeds from disposal of non-current assets	8.3	1.0	22.6	13.9	0.6
Free TAKKT cash flow	**82.7**	**107.1**	**129.8**	**51.9**	**70.4**

The independence and degree of flexibility available to the TAKKT Group in its business decisions are ensured in the long term through the diversification of the financing portfolio with regard to financing sources and terms. The relationship of trust that the company has built with its lenders over many years also contributes to this. Regular face-to-face meetings and an annual Bankers' Day are held to provide detailed information on the current development and performance of the company.

Use of derivative financial instruments only for hedging purposes

As a global player, TAKKT is exposed to risks arising from fluctuations in exchange rates and market interest rates. The purpose of financial risk management is to regularly monitor these financial risks and limit them insofar as it is economically advisable. In dealing with derivative financial instruments, harmonized regulations ensure that no financial transactions are conducted outside of an established framework without the prior approval of the Management Board. Derivative financial instruments are only used for hedging purposes in relation to the hedged item. In addition, financial transactions are carried out exclusively with business partners who have been approved for this purpose and meet a certain credit rating. In line with the hedging policy, TAKKT's goal for interest rate risks is generally a hedge ratio of 60 to 80 percent of the finance volume. In the fiscal year and previous year, no use was made of interest rate swaps for hedging purposes. Net foreign currency cash flows are hedged at an average rate of 50 percent for a rolling twelve-month period. Details on the use and evaluation of these financial instruments can be found in the risk report as well as the notes to the consolidated financial statements.

Internal covenants remain at a very good level

Most of the covenants used by TAKKT internally for the long-term management of its financial structure were within the internally set target corridor as of the reporting date. The equity ratio was even above the target corridor. This underscores the solid financing of the Group and provides the framework for future growth. TAKKT strives to achieve a balance between financial independence and return on total capital. The objective is to ensure sufficient financial scope for growth and difficult times on the one hand as well as an appropriate return on total capital employed on the other.

As of the end of the reporting period, the equity ratio of 62.4 (62.2) percent was virtually unchanged compared to the previous year and still slightly above the target corridor of 30 to 60 percent. The gearing remained unchanged at 0.2 (0.2). Average net borrowings rose more sharply than the TAKKT cash flow. As a result, the debt repayment period increased slightly to 1.2 (0.9) years. The significant increase in net financing expenses, together with only a slight rise in operating profit before amortization of goodwill, led to a decline in interest cover to 14.4 (20.1). The interest cover was thus again significantly above the target value. The method of calculation and definition of the key figures are presented in the notes to the consolidated financial statements.

Internal covenants

	Self-imposed target	2018	2019	2020	2021	**2022**
Equity ratio in percent	30 to 60	60.8	58.5	64.7	62.2	62.4
Debt repayment period in years	< 5	1.4	1.7	1.4	0.9	1.2
Interest cover	> 4	23.8	16.7	11.0	20.1	14.4
Debt-equity-ratio (gearing)	< 1.5	0.2	0.3	0.1	0.2	0.2

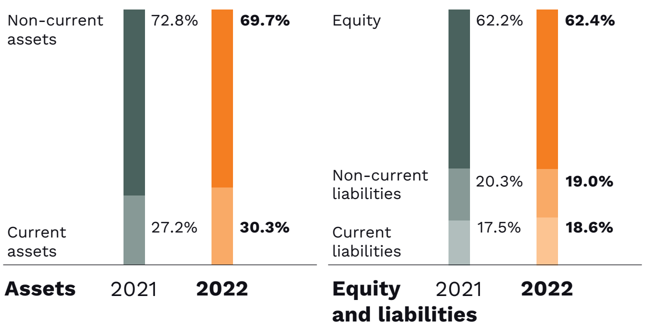
ASSETS POSITION

TAKKT's balance sheet structure remained very solid in 2022 with only minimal changes. The Group therefore continues to enjoy strong financial stability.

Assets impacted by currency effects

On December 31, 2022, total assets amounted to EUR 1,121.5 (1,115.4) million and were virtually unchanged compared to the previous year. Currency effects, caused primarily by the change in the US dollar closing rate, had a positive impact of around EUR 23 million on assets reported in euros. The value of current assets increased significantly as a result of the higher trade receivables and inventories. In contrast, non-current assets declined slightly.

Balance sheet structure of the TAKKT Group



As of the end of the reporting period, non-current assets of EUR 781.5 (812.2) million made up 69.7 (72.8) percent of the assets. Of this amount, EUR 113.9 (126.4) million were tied up in property, plant and equipment. The decrease was mainly attributable to scheduled amortization of rights-of-use from leases.

The majority of non-current assets consists of goodwill from past company acquisitions, which at 53.8 (52.9) percent represents a good half of the total assets. No impairment of goodwill was necessary on the basis of the impairment tests performed. Exchange rates had a positive impact of EUR 13.1 million on goodwill.

Customer and supplier relationships, brand names, web shops, domain names or internal expertise can, regardless of their significance for the TAKKT Group, only be recognized as intangible assets if they are in accordance with IAS 38. This is not generally the case with regard to the intangible assets generated within the TAKKT Group. Accordingly, these figures are not recognized. Where entire companies are acquired, some intangible assets are recorded in the consolidated financial statements as required by IFRS 3 for first-time consolidation as long as they are identifiable and can be measured independently. The corresponding recognition in the statement of financial position is a good indicator for the value potential of these assets.

Key figures for assets position (in EUR million)

	2018	2019	2020	2021	2022
Non-current assets	**758.6**	**835.5**	**781.1**	**812.2**	**781.5**
in % of Total assets	73.1	75.9	77.8	72.8	69.7
Current assets	**278.5**	**265.2**	**223.2**	**303.2**	**340.0**
in % of Total assets	26.9	24.1	22.2	27.2	30.3
Total assets	**1,037.1**	**1,100.7**	**1,004.3**	**1,115.4**	**1,121.5**
Total Equity	**630.4**	**644.2**	**649.6**	**694.0**	**699.8**
in % of Total equity and liabilities	60.8	58.5	64.7	62.2	62.4
Non-current liabilities	**250.3**	**267.6**	**215.8**	**226.3**	**213.6**
in % of Total equity and liabilities	24.1	24.3	21.5	20.3	19.0
Current liabilities	**156.4**	**188.9**	**138.9**	**195.0**	**208.1**
in % of Total equity and liabilities	15.1	17.2	13.8	17.5	18.6
Total equity and liabilities	**1,037.1**	**1,100.7**	**1,004.3**	**1,115.4**	**1,121.5**

At TAKKT, this mainly applies to the internet domains, web shops, brand names and customer relationships. As of the reporting date, the total value of these assets came to EUR 22.9 (36.1) million. In addition to scheduled amortization, the decrease is attributable to impairment losses of EUR 11.2 million on intangible assets in I&P. The brand landscape in the division is simplified and harmonized, thereby specifying the remaining useful life of individual brands. The value of the brands with indefinite useful life recognized as of December 31 decreased to EUR 18.8 (27.9) million.

Current assets increased significantly to EUR 340.0 (303.2) million. Inventories of EUR 163.1 (146.2) million as well as trade receivables of EUR 135.9 (119.4) million together accounted for 87.9 (87.6) percent of current assets. The increase in both items was due to growth as well as high inflation and price adjustments. In addition, TAKKT increased its inventories in the first half of the year in order to improve its delivery capacity. Currency effects contributed EUR 7.5 million to the increase in current assets.

Customers' payment behavior was low once again with a write-off rate of 0.1 (0.1) percent. Consequently, there was no significant impact on the development of trade receivables. The payment period for accounts receivable was 35 (31) days.

In the TAKKT Group, there are no off-balance-sheet financial instruments such as the sale of receivables or asset-backed securities.

Equity ratio stable above 60 percent

Total equity increased to EUR 699.8 (694.0) million in 2022. The negative effects from the high dividend payment of EUR 72.2 million and payments in connection with the share buy-back program of EUR 6.5 million were more than offset by positive effects. This is attributable to the addition from profit for the period of EUR 59.3 million, positive currency effects of EUR 15.8 million and positive effects recognized directly in equity of EUR 9.4 million, resulting primarily from the valuation of retirement pensions and other long-term equity investments. The equity ratio increased slightly to 62.4 (62.2) percent. It is therefore still slightly above the target corridor of 30 to 60 percent. Further information on the acquisition of treasury shares as part of the share buy-back program can be found in the notes on page 121.

Accounting for 19.0 (20.3) percent of the equity and liabilities were non-current liabilities amounting to EUR 213.6 (226.3) million. The decrease was mainly attributable to the lower pension provisions. The decline came to around EUR 26 million due to the significant increase in the actuarial discount interest rate. By contrast, non-current financial liabilities increased slightly to EUR 74.2 (71.7) million and deferred taxes more strongly to EUR 80.4 (68.1) million. The latter exist mainly as a result of the reduced tax value of goodwill in the US Group companies.

Current liabilities increased to EUR 208.1 (195.0) million, corresponding to a share of 18.6 (17.5) percent of total assets as of December 31, 2022. In addition to the higher financial liabilities, the increase was largely related to the rise in trade payables, due in part to the higher purchase prices in product procurement as a result of inflation. The currency effect due to the closing rate also contributed to the increase in current liabilities.