

## COMPANY PERFORMANCE

TAKKT provides information on the development of the key performance figures in the Corporate performance section. As described in the Management system section, the key figures that are relevant for controlling were adjusted as a result of the organizational realignment. The following presentation is based on the management system explained in the 2019 annual report as well as the management system adjusted in 2020, which is described starting on page 47. In 2020, the operational, financial and value-based figures were mostly below the target values due to the coronavirus pandemic. The product range key figures hardly changed compared to the previous year. During the year under review, the measures of the digital agenda launched in 2016 were merged into TAKKT 4.0. The Group has made considerable progress with the relevant indicators since the start of the initiative. There were further improvements in many of the sustainability indicators in 2020.

### FINANCIAL KEY FIGURES IMPACTED BY THE PANDEMIC

The short-term development of the key figures of organic sales development, gross profit margin and EBITDA and the key figures for order intake compared to the previous year is explained in the Sales and earnings review section of this annual report. The TAKKT cash flow and capital expenditure ratio are described in the Financial position section.

Looking back over a longer period, organic sales development was shaped by the economic conditions of the individual fiscal years. In 2017 and 2019, the growth rates were below the target values due to difficult economic conditions; in the year under review, the pandemic had a significant negative impact. The number of orders and average order value developed as expected for the most part until 2019. Aside from structural and currency effects, there was little change in the average order value, whereas the number of

orders developed according to the economic conditions. In 2020, the pandemic-related change in customers' ordering behavior led to a decline in both indicators.

The gross profit margin decreased in recent years due to structural effects from the acquisitions. In addition, TAKKT now pays slightly higher freight costs or generates lower freight margins than a few years ago. In addition to the lower freight margin, the gross profit margin was temporarily impacted by lower supplier discounts and effects from the valuation of inventories in the year under review. It therefore dropped slightly below the target value of 40 percent.

The development of EBITDA is influenced by the economic environment as well as one-time gains and expenses. Another influencing factor since 2016 has been the expenses related to implementing the digital transformation. Beginning in 2019, reported EBITDA has benefited from the adoption of IFRS 16 by around EUR 10 million. After achieving very high earnings in 2016 with strong growth and bolstered by one-time gains, EBITDA remained stable for a long time at EUR 150 million. In 2020, it declined significantly due to the weak sales development as a result of the pandemic.

The high level and stable development of the TAKKT cash flow over the past years are an indicator of the Group's high internal financing capability. Only in the year under review was there a significant decline. The free TAKKT cash flow maintained on a high level as well and was well above EUR 70 million over the last five years. In 2018 and in 2020, it benefited from proceeds from the sale of real estate. The investment requirement in the past five years – measured as the capital expenditure ratio as a percentage of sales – was between one and two percent. The long-term average target value was thus achieved.

### Development of financial key figures

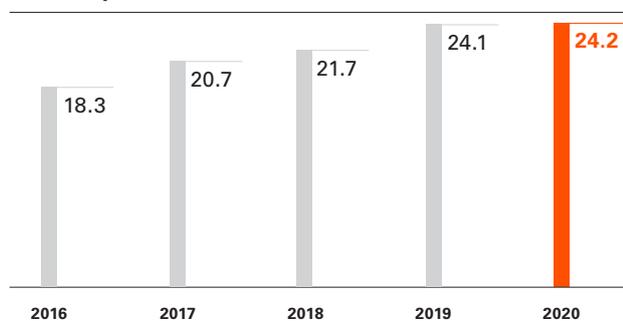
	2016	2017	2018	2019	2020
Organic sales development in percent	5.2	0.4	3.4	-1.4	-11.8
Number of orders in thousands	2,409	2,465	2,676	2,642	2,535
Average order value in EUR	469	458	449	460	425
Gross profit margin in percent	42.6	42.5	41.5	41.3	39.7
EBITDA	171.3	150.3	150.1	150.2	92.6
TAKKT cash flow	125.6	109.1	120.8	120.4	82.0
Free TAKKT cash flow	101.4	73.0	82.7	107.1	129.8
Capital expenditure ratio in percent	1.5	2.1	1.8	1.8	1.2

### PRODUCT RANGE KEY FIGURES SHOW LONG-TERM POSITIVE TREND

TAKKT wants to expand its business with private labels as well as direct imports. While the Group had previously recorded and reported private labels as a share of order intake and direct imports as a share of purchasing volume, these two key figures are now reported as shares of sales. The figures for 2019 and 2020 are shown based on the new calculation logic and the figures up to 2018 according to the old logic. As a result, the previous-year figures are not identical to the values stated in the 2019 Annual Report.

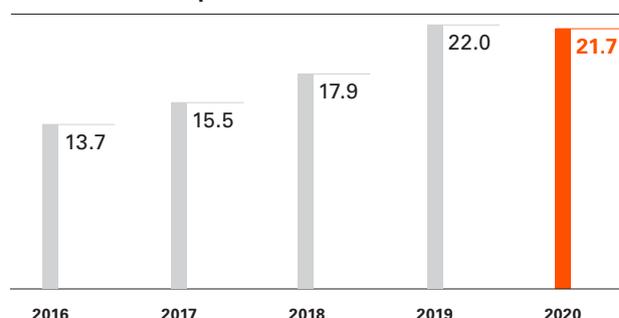
During the coronavirus pandemic, changes in the demand behavior of customers and the temporary impact of the crisis on delivery routes partially resulted in a different composition in the product mix of the business units. With regard to the private labels, most of the business units were still able to increase their share of sales further although not as strongly as in previous years. At the Group level, this resulted in a nearly identical share of sales of private labels of 24.2 (24.1) percent compared to the previous year. The positive trend is expected to continue in the coming years.

#### Share of private labels *in %*



The share of direct imports also declined at KAISER+KRAFT in 2020, while the activities of Newport and NBF in particular were able to increase their shares. At the Group level, the overall share of direct import sales decreased slightly to 21.7 (22.0) percent. TAKKT expects the volume of direct imports to increase again in the future and the trend of the previous years to continue.

#### Share of direct imports *in %*



#### VALUE-BASED FIGURES:

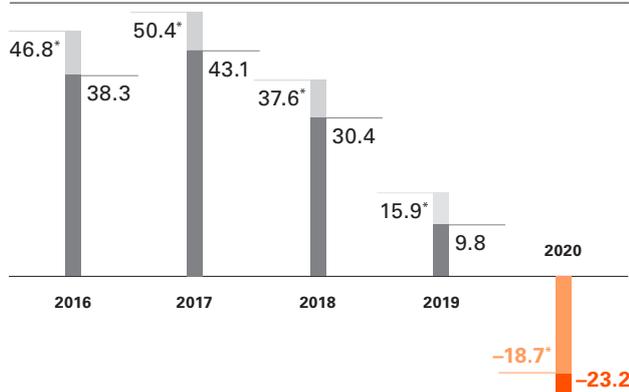
##### TAKKT VALUE ADDED AND ROCE SIGNIFICANTLY LOWER

Due to the significantly lower earnings during the pandemic, the TAKKT value added also decreased significantly in the year under review to minus EUR 23.2 (plus 9.8) million.

The operating result after tax generated for calculation of the TAKKT value added decreased over the previous year by a total of EUR 39.1 million and amounted to EUR 42.2 (81.3) million. The average capital employed decreased slightly due to the decline in fixed assets. The weighted average cost of capital (WACC) after tax used to calculate the total cost of capital came to 7.5 (7.8) percent. TAKKT assumed a value-based capital structure of 70 percent equity and 30 percent debt capital for this. The cost of shareholders' equity was nine percent. An imputed cost of four percent is used for debt capital for 2020. Total cost of capital in 2020 thus came to EUR 65.4 (71.5) million.

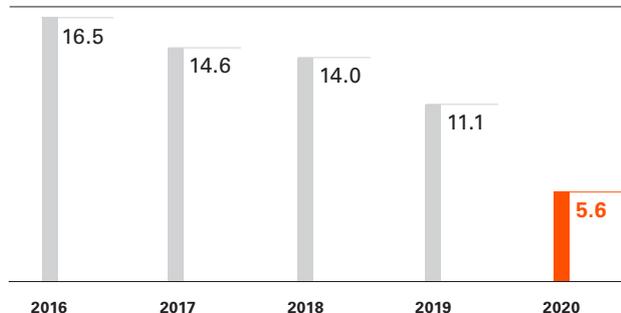
With regard to the absolute value of the TAKKT value added, the amortization of intangible assets from purchase price allocations reduced the generated operating profit after tax in the year under review by a total of EUR 4.5 (6.1) million. Without the amortization of intangible assets and the related tax effect, the TAKKT value added would have come to minus EUR 18.7 (plus 15.9) million.

With the exception of 2020, TAKKT was able to significantly exceed the goal of having a TAKKT Value Added significantly greater than zero in the past five years. The very high figures in 2016 and 2017 were also attributable to positive one-time gains in those years.

**TAKKT Value Added** in EUR million

\* Adjusted for scheduled amortization of intangible assets resulting from acquisitions and the related tax effect.

The return on capital employed (ROCE) of 5.6 (11.1) percent in the year under review was significantly below the figure of the previous year. As with the TAKKT Value Added, this was due to the decline in earnings during the pandemic. As a result, the long-term ROCE target of over ten percent was not achieved in the past fiscal year.

**ROCE** in %**EMPLOYEE AND CUSTOMER PERSPECTIVE**

Since 2020, all of the business units have been gathering key figures, which provide information about the current development of the customer and employee perspective. For customers, it is the cNPS and for employees the eNPS. The definition and calculation method used for these key figures is described in detail in the Management system section on page 48. In 2020, TAKKT achieved an average cNPS of 57 and an eNPS of 12 at the Group level.

**COMPLETION OF THE DIGITAL AGENDA**

At the end of 2016, TAKKT launched a four-year digital agenda. Within this time frame, the Group wanted to invest around EUR 50 million for the digital transformation. In order to measure the success of the agenda, TAKKT used specific progress indicators, which provide information on the number of measures started and completed, jobs created, costs and capital expenditures and the development of the e-commerce business.

TAKKT has made considerable progress since the start of the initiative. In total, well over 100 measures and projects have been completed in the various business units and transferred to normal operations. These included the building of internal teams for web shop development and data analysis, providing the technical infrastructure, performing customer journey analyses, and changing and directing the internal organization towards customer groups. Around 40 measures will be developed further and continued as part of TAKKT 4.0.

In addition, TAKKT has expanded the digital expertise in the Group in many areas and created almost 90 new positions for this. Costs and capital expenditure in connection with the digital agenda developed as expected over the years. In 2020, costs were slightly lower compared to the previous year due to the pandemic. In the

**Indicators for the implementation of the digital agenda**

	2016	2017	2018	2019	2020
Measures launched (cumulative)	53	100	114	157	162
Measures completed (cumulative)	7	27	44	92	123
Newly created positions as part of the digital agenda (cumulative)	26	78	98	85	87
Personnel expenses in EUR million	0.6	4.4	7.3	8.0	7.4
Additional personnel expenses (in the financial year) in EUR million	0.6	3.9	2.9	0.7	-0.6
Other expenses in EUR million	1.9	3.8	4.0	2.9	2.1
Capital expenditure (without the TAKKT investment company) in EUR million	1.4	8.7	8.4	6.0	4.7
Capital expenditure of the TAKKT investment company in EUR million	1.0	4.5	2.3	3.0	0.3
Organic growth of order intake via e-commerce in percent	10.6	7.9	11.6	2.0	-3.6
Share of e-commerce as percentage of order intake	43.9	46.8	52.1	55.0	60.0

period from 2016 to 2020, TAKKT invested a total of around EUR 51 million in the digital transformation. Around EUR 30 million related to capital expenditures in non-current assets, primarily for IT infrastructure, around EUR 15 million went to other costs and just over EUR 7 million to the creation of additional positions. In addition, the TAKKT investment company invested around EUR 11 million in start-ups.

Organic e-commerce growth significantly exceeded organic sales in all fiscal years. TAKKT was able to increase the e-commerce share in five years from around 44 percent to 60 percent in the last fiscal year.

### MOST SUSTAINABILITY GOALS ACHIEVED

TAKKT defined a set of sustainability indicators as non-financial performance indicators and set concrete goals and measures to be achieved in six focus areas by the end of 2020 in order to systematically manage and document the progress. TAKKT was able to make further progress in many focus areas. The current multi-year overview for the key figures and initiatives that are relevant for the focus areas is shown in the table on page 70.

- **Sourcing:** For TAKKT, as a commercial enterprise with diverse supplier relationships, an important part of the value chain exists already in the manufacturing and procurement of goods. For this reason, TAKKT places strong emphasis on sustainability in its supply chain and evaluates the sustainability performance of a large number of its suppliers. In the area of purchasing, TAKKT was not able to fully achieve the target values set for 2020. The share of purchase volume from evaluated suppliers decreased slightly in 2020 to 49.1 percent, just below the target corridor of 50 to 60 percent. For the share of certified direct imports, TAKKT set a target value of 30 to 40 percent. In the year under review, this value was 54.2 percent, thereby exceeding the defined target. The share of sales generated through sustainable products increased further to 10.8 percent, which was slightly below the target value of at least 12 percent.
- **Marketing:** Advertising efforts are always connected with the use of non-renewable resources. TAKKT is working to constantly reduce their use. All of the targets in the area of marketing were achieved. By using advertising material more efficiently, the Group only used 2.8 kg of printed advertising materials per order in the year under review, thereby achieving a further reduction in consumption compared to the previous year. The target of producing fully carbon-neutral print advertising was also met in the year under review. The paper for catalogs and other print media comes almost exclusively from certified sustainable

sources (FSC/PEFC). In addition to the print area, TAKKT also wants to expand its sustainability efforts to the e-commerce business. This involves offsetting the emissions from operating and using the web shops. In the reporting period, 15 web shops of key companies were operated in a carbon-neutral manner, thereby also meeting this target for 2020.

- **Logistics:** Distance selling is proven to cause significantly lower CO<sub>2</sub> emissions than sales through local store-based retailers. TAKKT's goal is to make delivery of the products as low on emissions as possible and is now handling 93.5 percent of Group-wide parcel delivery carbon-neutrally. The Group was thus not able to fully achieve its self-imposed target value of 100 percent. The same applies for general cargo shipping. Compared to the previous year, TAKKT was able to significantly increase the share of carbon-neutral general cargo shipments from the central warehouses in Europe and warehouses in the US to 87.1 percent and thus just slightly below the target value of at least 90 percent.
- **Resources and Climate:** The efficient use of resources and reducing emissions is ideally achieved based on reliable data. TAKKT has been creating ISO-14064-1-certified carbon footprints for this purpose for an increasing number of Group companies. In the year under review, certified carbon footprints were prepared for 16 major companies, thereby achieving its target of 15 to 18 companies. In addition, certified environmental and energy management systems are being introduced gradually and energy consumption per order is being measured at German and US locations. TAKKT was able to fully meet the targets set in these areas. In the year under review, 10 companies had a certified environmental management system (target: 10 to 13 companies) and 6 companies had a certified energy management system (target: 5–8 companies). Energy consumption per order was also significantly reduced as planned.
- **Employees:** As part of the digital agenda, TAKKT recruited many new employees with highly developed digital skills. Now it is important to advance and retain them in the company for the long term. The share of retained "digital talents" is currently 61.7 percent and thus above the target of more than 50 percent. TAKKT is convinced of the added value of having mixed management teams and considers it a Group-wide duty to ensure the same career development opportunities for women and men across countries and divisions. At the end of 2020, the share of women in top executive positions was 14.0 percent, putting it above the target value of more than 10 percent.

- **Society:** The social commitment of its employees is a matter of importance for TAKKT as well. The share of employees that can take paid leave from work for volunteer involvement increased significantly to 86.1 percent in the year under review (target: 55 to 60 percent). The share of Group employees who participated in such local projects in the year under review was 9.5 percent (target: 8 to 12 percent).

The non-financial statement for the TAKKT Group can be found on the following website: <http://www.takkt.de/nfs>

### Sustainability indicators\*

Focus area	Key figure	2017	2018	2019	2020
Sourcing	Share of sourcing volume from certified suppliers	46.8 %	44.2 %	51.6 %	49.1 %
	Share of direct imports sourcing volume from certified suppliers	39.8 %	39.3 %	60.2 %	54.2 %
	Share of sales from sustainable product ranges	9.3 %	9.5 %	9.5 %	10.8 %
Marketing	Carbon-neutral web shops for major companies	7	12	17	15
	Paper consumption for print advertising materials per order	5.4kg	4.2kg	3.0kg	2.8kg
	Share of carbon-neutral advertising materials per year	12.1 %	19.9 %	60.5 %	100.0 %
Logistics	Share of carbon-neutral parcel delivery	91.4 %	93.5 %	92.2 %	93.5 %
	Share of carbon-neutral general cargo delivery from distribution center	44.7 %	48.9 %	54.8 %	87.1 %
Resources and Climate	Major companies with carbon footprint	13	13	16	16
	Major companies with a certified environmental management system	6	6	9	10
	Major companies with a certified energy management system	4	4	4	6
	Energy consumption at GER/US locations per order in megajoule	70.6	66.7	71.3	51.0
Employees	New hires digital agenda: Share of retained "digital talents"	90.9 %	89.9 %	65.9 %	61.7 %
	Diversity: Share of women in top executive positions	10.5 %	12.3 %	15.1 %	14.0 %
Society	Percentage of employees who have the opportunity to take a paid leave for local volunteer involvement	65.7 %	70.2 %	68.8 %	86.1 %
	Percentage of employees who took part in local volunteer projects	15.1 %	18.0 %	14.7 %	9.5 %

\* The Newport companies are only included in the focus area employees for the sustainability indicators.

## COMPARISON OF ACTUAL AND FORECAST DEVELOPMENT

In view of the impact of the coronavirus pandemic on the economy, TAKKT anticipated negative economic development in Europe and North America at the end of March 2020. The high level of uncertainty did not permit a reliable outlook of business development for a long time, though TAKKT expected the pandemic to have a significant negative impact. At the time of the annual report's publication, TAKKT expected sales and earnings to be well below the respective figures from the previous year. After stabilization of the business environment, TAKKT refined its forecast in October and predicted sales of around EUR 1.05 billion and reported EBITDA of between EUR 85 and 95 million for 2020. In addition to sales and earnings, the other key figures and indicators were also affected by the crisis.

With regard to the financial key figures, the TAKKT cash flow and capital expenditure ratio as well as sales and EBITDA were below the previous year's figures as expected. The gross profit margin decreased more sharply than expected as a result of the lower freight margin, lower supplier discounts and effects from the valuation of inventories.

TAKKT was seeking a further increase in the product range key figures. Changes in the demand behavior of customers and the temporary impact of the crisis on delivery routes caused a shift in the product mix of the business units. Contrary to expectations, the share of direct imports in Group sales remained stable. As forecast, the value-based key figures TAKKT Value Added and ROCE were clearly below the previous year's figures due to the pandemic.

In terms of the indicators for the implementation of the digital agenda, the development of measures, positions created, costs and capital expenditures was in line with expectations. As expected, TAKKT was able to significantly increase the e-commerce share, which also had to do with the effects of the temporary lockdowns and the increased demand for home office products from private customers. Despite the slight negative trend in organic e-commerce growth due to the general pandemic-related downturn, it was significantly more stable than order intake as a whole.

In the year under review, TAKKT expected a deterioration of the internal covenants depending on the further development and consequences of the coronavirus pandemic. The covenants developed significantly better than anticipated due to the high level of free cash flow and positive earnings.

The sustainability indicators developed as forecast for the most part. TAKKT was thus able to achieve further improvement in many indicators. In the sourcing focus area, the expectation of further positive development was not achieved in all cases. For example, the share of the Group's purchase volume from evaluated suppliers and certified direct imports decreased slightly. In the indicators for the society and employees focus areas, there was little change as forecast, except for the share of retained "digital talents," which declined slightly as expected.

## Comparison of actual and forecast development

	2019	Forecast for 2020	Actual performance in 2020
<b>Financial key figures</b>			
Sales in EUR million	1213.7	Significantly below the level of the previous year Refined to EUR 1.05 billion in October 2020	1067.4
Gross profit margin in percent	41.3	Stable to slightly positive at the Group level At the end of July, adjusted for the downward trend	39.7
EBITDA in EUR million	150.2	Significantly below the level of the previous year Specified at EUR 85 to 95 million in October	92.6
TAKKT cash flow in EUR million	120.4	Significantly below the level of the previous year	82.0
Capital expenditure in EUR million	24.7	Significantly lower than in the previous year	13.3
<b>Product range key figures*</b>			
Share of private labels in percent	24.1	Further increase with slowdown in growth rates	24.2
Share of direct imports in percent	22.0		21.7
<b>Value-based key figures</b>			
TAKKT value added in EUR million	9.8	Well below the level of the previous year	-23.2
ROCE in percent	11.1		5.6
<b>Indicators for the implementation of the digital agenda</b>			
Measures launched (cumulative)	157	Additional progress in the implementation and completion of further measures	162
Measures completed (cumulative)	92		123
Newly created positions	85	Little change	87
Additional personnel expenses (cumulative) in EUR million	8.0	On a lower level than in 2019	7.4
Additional personnel expenses (in the financial year) in EUR million	0.7		-0.6
Other expenses in EUR million	2.9		2.1
Capital expenditure (without the TAKKT investment company) in EUR million	6.0		4.7
Capital expenditure of TAKKT investment company in EUR million	3.0		0.3
Organic e-commerce growth in percent	2.0		Significantly stronger organic growth than Group sales
Share of e-commerce as percentage of order intake	55.0	Significant increase	60.0
<b>Internal covenants</b>			
Equity ratio in percent	58.5	Deterioration depending on the development and consequences of the coronavirus pandemic	64.7
Debt repayment period in years	1.7		1.4
Interest coverage	16.7		11.1
Gearing	0.3		0.1

\* The product range key figures have only been reported as share of sales since 2020 and are therefore not identical to the figures stated in the 2019 annual report.

	2019	Forecast for 2020	Actual performance in 2020
<b>Sustainability indicators*</b>			
Share of sourcing volume from certified suppliers	51.6 %		49.1 %
Share of direct imports sourcing volume from certified suppliers	60.2 %		54.2 %
Share of sales from sustainable product ranges	9.5 %		10.8 %
Carbon-neutral web shops for major companies	17		15
Paper consumption for print advertising materials per order	3.0kg		2.8kg
Share of carbon-neutral advertising materials per year	60.5 %		100.0 %
Share of carbon-neutral parcel delivery	92.2 %		93.5 %
Share of carbon-neutral general cargo delivery from distribution center	54.8 %	Positive development	87.1 %
Major companies with carbon footprint	16		16
Major companies with a certified environmental management system	9		10
Major companies with a certified energy management system	4		6
Energy consumption at GER/US locations per order in megajoule	71.3		51.0
New hires digital agenda: Share of retained "digital talents"	65.9 %	Slightly declined	61.7 %
Diversity: Share of women in top executive positions	15.1 %		14.0 %
Percentage of employees who have the opportunity to take a paid leave for local volunteer involvement	68.8 %	Little change	86.1 %
Percentage of employees who took part in local volunteer projects	14.7 %		9.5 %

\* The Newport companies are only included in the focus area employees for the sustainability indicators.