

## FISCAL YEAR

### GENERAL CONDITIONS

The spread of the coronavirus and the related mitigation measures had a massive impact on economic development in 2020. The global economy plunged into a deep recession in the second quarter. North America as well as Europe recorded a significant drop in GDP. The relevant industry-specific indicators for TAKKT also reacted very negatively to the crisis in the spring, with sharp declines in some cases. After particularly pessimistic assumptions regarding economic performance did not materialize and in view of a rapid stabilization in the industrial sector, the European Purchasing Managers' Indexes bounced back strongly from their lows in the second half of the year.

### OVERALL ECONOMIC CONDITIONS

In the spring of 2020, economic expectations for the eurozone and US were subject to a great deal of uncertainty due to the rapid spread of the coronavirus. TAKKT therefore assumed negative growth rates in the target markets for the annual forecast. This expectation has been confirmed. The year 2020 was marked by economic crisis, also from a global perspective. The downturn in economic performance in the eurozone and North America was greater than in 2009 during the global financial and economic crisis.

The eurozone saw a 6.8 percent drop in GDP in 2020. The decline in the southern European countries and especially France was well below this figure. Economic performance in Germany dropped by 5.0 percent compared to the previous year. The slightly better development in Germany was mainly attributable to the recovery in the manufacturing industry as a result of rising exports after the second quarter. Economic activity in the US showed a decline of 3.5 percent during the crisis and was thus more stable than in Europe. Extensive fiscal measures and increased private consumption contributed significantly to this.

### GDP growth for the eurozone, Germany and the USA

|          | GDP growth in percent |               | Actual 2020 |
|----------|-----------------------|---------------|-------------|
|          | Actual 2019           | Forecast 2020 |             |
| Eurozone | 1.2                   | Negative      | -6.8        |
| Germany  | 0.6                   | growth rates  | -5.0        |
| USA      | 2.3                   | expected      | -3.5        |

Sources: Statistical offices

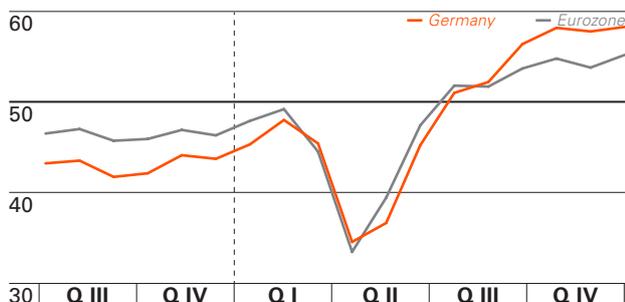
### INDUSTRY-SPECIFIC CONDITIONS

Among other things, TAKKT uses different Purchasing Managers' Indexes (PMI) in order to better assess the anticipated development in the sales regions in the medium term. This refers to data from the manufacturing industry, which is compiled by different research institutes together with national associations and aggregated in an index. For TAKKT, Purchasing Manager Indexes are understood to be indicators for order intake from the manufacturing industry with a lead time of three to six months. The PMI values are particularly relevant for the equipment business of the European KAISER+KRAFT group.

- Values below the reference level of 50 points indicate that market volumes are in decline and that sales potential is deteriorating.
- By contrast, values over 50 suggest increased market volume and a better business outlook.

The coronavirus pandemic led to a drastic decline in the PMI for the eurozone in March and April 2020. The year's low of 33.4 points in April was also the index's lowest level since records began. Rebounding demand for exports and the related pickup in industry helped drive the PMI's significant recovery in the following months. As of July, the index was consistently above the reference value of 50 points. The highest level was in December with 55.2 points. The PMI for Germany developed in line with the values for the eurozone for the most part and also increased sharply again in the second half of the year. The annual high was 58.3 points in December.

**Purchasing Managers' Indexes July 2019 to December 2020**



For the Central and Hubert groups in the US, the Restaurant Performance Index (RPI) is a relevant industry indicator. The RPI is based on a survey of restaurant operators in the United States and takes into consideration assessments of the future as well as the current situation. A value greater than 100 indicates market growth, whereas a value lower than 100 represents a downward trend. In 2020, the values were consistently below 100 points from March onward. The average of the monthly values also showed a declining trend at 98.0 (101.1). The challenging conditions for the sector during the coronavirus pandemic was thus reflected in a pessimistic market assessment.

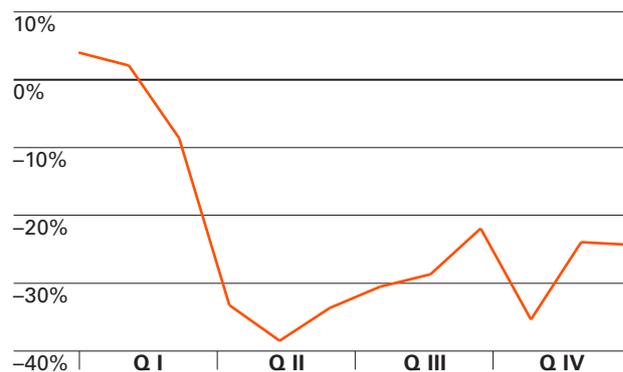
**Restaurant Performance Index July 2019 to December 2020**



BIFMA's assessment of the order intake of furniture manufacturers is an industry indicator for the environment of the US-based NBF group. BIFMA ("Business and Institutional Furniture Manufacturers Association") gathers the approximate order intake of the past month by means of a survey of companies in its industry. This order intake, which covers a good portion of the industry according to BIFMA, is compared with the figure of the previous year. A forecast function like the PMI, and to a lesser extent also the RPI, is not part of the BIFMA assessment. For the full year of 2020, the order intake reported by BIFMA was 22.4 percent below the level of the previous year. After a slightly positive trend at the beginning of the

year, order intake experienced significant double-digit decreases from March onward. At the end of the year, the decline was milder but remained firmly in the double digits.

**BIFMA order intake in 2020 compared to the corresponding month of the previous year**



On the whole, the economic situation in the year under review was largely influenced by the coronavirus pandemic and the ensuing recession. After the significant slump in the spring, economic activity rallied to some extent. The strong expansionary monetary policy of the central banks and economic stimulus packages introduced by governments in Europe and the US also contributed to this. As far as the industry-specific conditions are concerned, the PMI in Europe in particular improved over the course of the year as a result of the upswing in industry. The other sectors, however, did not show such a significant improvement.

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## BUSINESS DEVELOPMENT

TAKKT's business development in the year under review was heavily influenced by the coronavirus pandemic and its consequences. After starting 2020 in line with expectations, business volume dropped by more than 30 percent within a short time from mid-March as a result of the economic impact of the pandemic. Beginning in May, the slowdown in the rate of infections in Europe and the easing of protective restrictions resulted in a noticeable improvement in order figures. Business stabilized further over the second half of the year. The recovery was, however, less dynamic than within the second quarter. The renewed lockdown in many target markets in the fourth quarter did not have a strong impact on the demand behavior of customers. Due to the different positioning in terms of product portfolio and industries, performance in the individual business units varied widely in some cases during the course of the year.

### RESPONSE TO THE CORONAVIRUS PANDEMIC

TAKKT responded immediately to the challenges presented by the coronavirus pandemic. In the first weeks from mid-March, the top priority was keeping the employees safe, maintaining operations, and securing financial liquidity and the ability to act. Most of the employees have been working from home since then in order to minimize the risk of infection among staff. Extensive protective measures were taken in the warehouses and for other activities that require employees to be physically present at the workplace, including strictly separated shifts. In order to ensure its financial ability to act and independence at all times, TAKKT extended existing credit lines with banks ahead of time and increased the volumes during the crisis. In addition, the Group implemented flexible cost and cash flow management. This allowed TAKKT to significantly decrease personnel and marketing costs, especially in the second and third quarter. The targeted reduction of receivables enabled a substantial release of capital and boosted cash flow.

As the infection rate slowed down in Europe, TAKKT started to focus more on participating in the economic recovery from May onward. The Group profited from growing demand from companies preparing to restart operations, good business with products that were needed as a result of the pandemic (e.g., for health protection and hygiene), and from an increased number of customers ordering office furniture for their work at home. In the second half of the year, TAKKT continued its flexible cost management while increasing its focus on promoting growth. TAKKT also focused on identifying and taking advantage of opportunities to develop new additional business. In addition to organic initiatives, this also included examining potential acquisitions.

### OMNICHANNEL COMMERCE STABILIZES IN SECOND HALF OF THE YEAR

The business units in the Omnichannel Commerce segment started 2020 in line with expectations. As a result of the coronavirus pandemic, order intake saw a sharp decline of over 30 percent in some cases starting in mid-March. Business stabilized already over the second quarter. This trend continued into the second half of the year, thereby helping to stem the decline in organic sales for the year as a whole.

In March and April, the equipment business of KAISER+KRAFT was particularly hard hit by the economic impact of the coronavirus pandemic. Many customers, such as major car manufacturers in Europe, had to temporarily shut down their operations. In addition, likelihood to invest suffered because uncertainty about the further development of the situation was high. After a low double-digit organic decline in sales in the first quarter, the sales volume experienced a very sharp drop in the second quarter. With the brighter economic outlook, especially in the industrial sector, the order situation improved noticeably as the year progressed, with sales performance stabilizing in the third quarter. Organic sales in the fourth quarter were only slightly below the level of the previous year.

The performance of ratioform during the coronavirus pandemic was relatively stable thanks to its product range, which is geared to meet the recurring need for packaging solutions. While organic growth showed negative single-digit percentage rates in the first two quarters, sales development improved in the second half of the year. In the final quarter, the demand for packaging solutions increased sharply in many European countries during the second lockdown. In the fourth quarter, ratioform was able to benefit from this with a low double-digit increase in organic sales.

In North America, the coronavirus pandemic led to a downturn in demand for office furniture and other office equipment at NBF. Organic sales development in the first quarter was only slightly negative, whereas in the second quarter there was a significant double-digit percentage decline. This was followed by a slow recovery in demand. In the third and fourth quarter, NBF was able to reduce the negative in organic sales.

After the first quarter was still negatively impacted by the loss of a major customer, Hubert was able to boost organic growth in the second quarter in comparison to the first quarter despite the difficult environment and achieve sales almost on par with the previous year's level. The company benefited from demand from canteens and cafeterias for products they needed to operate safely under the conditions of the coronavirus pandemic. The activities of many customers, such as foodservice businesses in educational institutions or sports facilities, were severely restricted or closed during the pandemic. This resulted in a significant drop in demand in the third quarter. In the fourth quarter, organic sales performance also saw a decline in the low double-digit range. At the end of June, TAKKT successfully completed the sale of a property at Hubert. Office and warehouse space were sold for around USD 25 million in the course of a sale and leaseback transaction.

For Central, smaller, often family-run restaurants represent the most important customer group. These businesses were severely affected by the protective measures against the pandemic in the year under review and in some cases had to shut down for a long period of time. As a result, the sales development of Central in the second quarter experienced a significant double-digit decline, which was well below that of the first quarter with a decrease in the mid-single-digit percentage range. Business steadily improved in the third and fourth quarters.

#### VERY DIFFERENT DEVELOPMENT OF THE BUSINESS UNITS IN WEB-FOCUSED COMMERCE

Overall, Web-focused Commerce showed the more stable development of the two segments during the pandemic. The two business units were impacted very differently by the coronavirus. Newport benefited from the good demand for products to facilitate working from home, whereas the event-oriented business of Displays2go was severely affected by the pandemic.

In 2020, Newport's activities profited from its strong e-commerce presence and the growing demand for home office products. Corporate and private customers purchased ergonomic office chairs, height-adjustable desks, and other products that make working from home easier and better. After a mid-single-digit organic gain in the first quarter, Newport delivered clear double-digit percentage growth over the remainder of the year.

On the other hand, demand for the Displays2go product range, which is geared to events such as conferences and trade fairs, saw a sharp decrease due to the coronavirus pandemic. New products such as infection control barriers or signage were only partially able to compensate for the decline in sales volume. After a decline in the low double-digit percentage range in the first quarter, organic development in the subsequent quarters was well in the negative double-digit range.

#### PROGRESS IN ORGANIZATIONAL TRANSFORMATION OF THE GROUP

The spread of the coronavirus and the challenges associated with it required a great deal of time and resources in 2020. Despite this, the Group was able to make good progress with the implementation of the new TAKKT 4.0 organizational structure. The focus in the Omnichannel Commerce segment was on the realignment of KAISER+KRAFT, which aims to achieve stronger growth and greater efficiency in the medium term. In June, Tobias Flaitz became a new Board Member and assumed responsibility for establishing and developing the Web-focused Commerce segment, and has been driving forward these activities since. In the second half of the year, extensive preparations were made for the creation of new structures within the segment.