FINANCIAL POSITION

TAKKT has a centralized financial management, which 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. Despite the high dividend payment and cash outflows for building up net working capital, liabilities to banks at the end of the year were at a very low level.

CENTRALIZED FINANCIAL MANAGEMENT LIMITS FINANCIAL RISKS

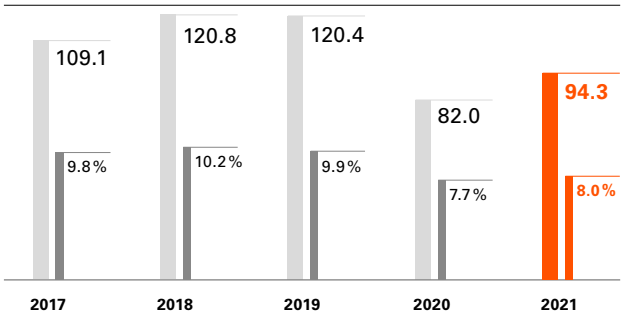
The financial management of the TAKKT Group includes the management and allocation of all financial resources with the primary goal of securing liquidity at any time. In addition, TAKKT pursues the following goals within the scope of financial management:

- 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. This goal proved to be appropriate, especially in the difficult environment at the start of the coronavirus pandemic in March and April 2020.
- 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 capability. In the past fiscal year, the Group was able to significantly increase TAKKT cash flow to EUR 94.3 (82.0) million as a result of the dynamic business development. The increase was lower compared to the development of EBITDA. This was mainly due to non-cash effects from the valuation of inventories, which had a negative impact on earnings in the previous year. The cash flow margin (i.e., the TAKKT cash flow in relation to sales) came to 8.0 (7.7) percent. The TAKKT cash flow per share was EUR 1.44 (1.25).

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



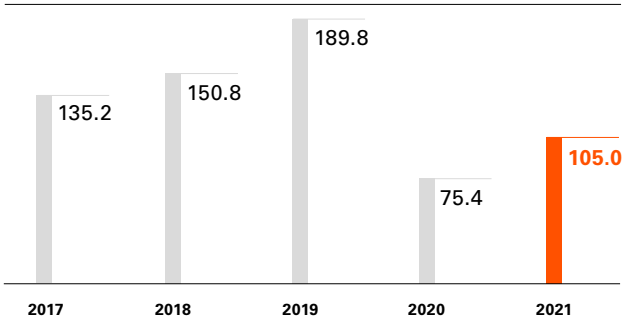
In contrast to the previous year, the changes in net working capital in the reporting period resulted in a cash outflow of EUR 38.0 million. Trade receivables rose significantly due to the good growth trend. Inventories also increased significantly. This was caused in part by the upturn in business and rising purchasing and transport prices. Furthermore, in view of the significantly longer delivery times for orders, inventories have been built up to improve delivery capacity. In the previous year, however, TAKKT was able to release EUR 38.5 million in cash through extensive measures to reduce net working capital. As a result, cash flow from operating activities was at EUR 56.3 (120.5) million, which was significantly below the level of the previous year.

Overall, the business model of the TAKKT Group is not very capital intensive. After the Group significantly reduced capital expenditures in the previous year due to the coronavirus crisis, in 2021 these increased as expected and amounted to EUR 18.3 (13.3) million. These were mainly related to capital expenditures in regard to ERP systems and web shops. The capital expenditure ratio (the ratio of capital expenditure for maintenance, expansion and modernization of the business operations to sales) came to 1.6 (1.2) percent. Cash inflow from disposals came to EUR 13.9 (22.6) million in 2021. In the year under review, this resulted mainly from the sale of other investments for a total of EUR 13.4 million. Of this amount, more than EUR 10 million resulted from the sale of the start-up investment parcelLab. In the previous year, TAKKT realized cash inflow of EUR 21.9 million from the sale of a property in the US.

As expected, due to the opposing development of net working capital and lower cash inflows from disposals, the free TAKKT cash flow of EUR 51.9 (129.8) million in the year under review was significantly lower than in the previous year. In addition to the payment of a dividend for the 2020 fiscal year, TAKKT also made up for the base dividend suspended in the previous year. This corresponded to a total distribution to shareholders of EUR 72.2 million in the year under review.

Net financial liabilities (i.e., financial liabilities less cash and cash equivalents) increased to EUR 105.0 (75.4) million at the end of year. 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 2.8 (4.3) million as of December 31, 2021. 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*



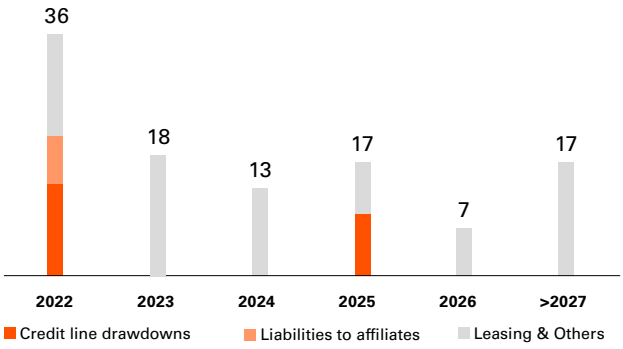
DIVERSIFIED FINANCING

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. As of year-end 2021, there were liabilities to banks from financing activities in the amount of EUR 22.7 (1.3) 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 75.4 (79.0) 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 235.3 (273.8) million available to it, of which EUR 104.3 (143.8) million are short-term credit lines and EUR 131.0 (130.0) million are long-term credit lines. In the previous year, TAKKT responded to the economic impact of the coronavirus pandemic by extending existing credit lines with banks ahead of time and increasing the committed volumes. Since business development was stable in 2021, TAKKT has reduced these lines. TAKKT therefore has sufficient financial flexibility to seize acquisition opportunities at short notice, regardless of the current situation in the capital market.

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

Managerial presentation of free TAKKT cash flow *in EUR million*

	2017	2018	2019	2020	2021
TAKKT cash flow	**109.1**	**120.8**	**120.4**	**82.0**	**94.3**
Change in net working capital as well as other adjustments	–8.7	–21.4	10.4	38.5	–38.0
Cash flow from operating activities	**100.4**	**99.4**	**130.8**	**120.5**	**56.3**
Capital expenditure in non-current assets	–27.8	–25.0	–24.7	–13.3	–18.3
Proceeds from disposal of non-current assets	0.4	8.3	1.0	22.6	13.9
Proceeds from the disposal of consolidated companies	0.0	0.0	0.0	0.0	0.0
Free TAKKT cash flow	**73.0**	**82.7**	**107.1**	**129.8**	**51.9**

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 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 a hedge ratio of 60 to 80 percent of net financial liabilities. Currency risks are hedged to around 70 percent of the net position. 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 that TAKKT uses internally for the long-term management of its financial structure were within the internally set target corridor as of the end of the reporting period. 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 for difficult times on the one hand as well as an appropriate return on total capital employed on the other.

As in the previous year, the equity ratio of 62.2 (64.7) percent at the end of the reporting period was slightly above the level of the target corridor of 30 to 60 percent. Gearing increased slightly to 0.2 (0.1) in the year under review due to the increase in net financial liabilities. The increase in TAKKT cash flow together with lower average net financial liabilities resulted in a decrease of the debt repayment period to 0.9 (1.4). In the year under review, TAKKT was able to decrease interest expenses compared to 2020. At the same time, the operating result before amortization of goodwill increased significantly, whereby the interest cover improved to 20.1 (11.0). 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	2017	2018	2019	2020	**2021**
Equity ratio in percent	30 to 60	61.2	60.8	58.5	64.7	62.2
Debt repayment period in years	< 5	1.4	1.4	1.7	1.4	0.9
Interest cover	> 4	16.3	23.8	16.7	11.0	20.1
Debt-equity-ratio (gearing)	< 1.5	0.2	0.2	0.3	0.1	0.2

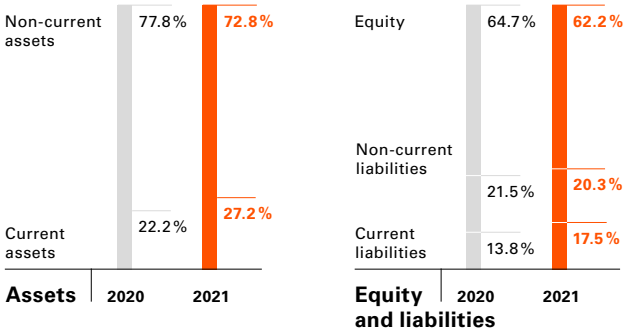
ASSETS POSITION

TAKKT's balance sheet structure remained very solid in 2021 with only minimal changes. The Group therefore continues to have strong financial stability.

ASSETS IMPACTED BY CURRENCY EFFECTS

Currency effects, especially from the stronger exchange rate of the US dollar, had a positive impact on assets reported in euros of around EUR 37 million as of the end of the reporting period. In addition, the increase in trade receivables and inventories in particular resulted in an increase in assets of around EUR 74 million. The total value of assets at year-end increased from EUR 1,004.3 million to EUR 1,115.4 million.

Balance sheet structure of the TAKKT Group



Non-current assets of EUR 812.2 (781.1) million account for around three-quarters of the assets. The majority of this consists of goodwill from past company acquisitions, which at 52.9 (56.5) percent represents a good half of the total assets.

No impairment of goodwill was necessary on the basis of the impairment tests performed. Currency effects led to an increase in the balance sheet item of EUR 21.9 million. Assets tied up in property, plant and equipment decreased to EUR 126.4 (131.6) million in the year under review. As in the previous year, this decline was mainly attributable to the restraint on capital expenditure, which resulted in significantly higher depreciation of property, plant and equipment than investment volume.

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 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. At TAKKT, this mainly applies to the internet domains, web shops, brand names and customer relationships. The reduced amortized value of these assets as of the end of the reporting period came to a total of EUR 36.1 (38.7) million. The value of the brands with an indefinite useful life recognized as of December 31, 2021 came to EUR 27.9 (26.6) million.

Key figures for assets position *(in EUR million)*

	2017	2018	2019	2020	2021
Non-current assets	**692.6**	**758.6**	**835.5**	**781.1**	**812.2**
in % of Total assets	74.6	73.1	75.9	77.8	72.8
Current assets	**235.8**	**278.5**	**265.2**	**223.2**	**303.2**
in % of Total assets	25.4	26.9	24.1	22.2	27.2
Total assets	**928.5**	**1,037.1**	**1,100.7**	**1,004.3**	**1,115.4**
Total Equity	**567.8**	**630.4**	**644.2**	**649.6**	**694.0**
in % of Total equity and liabilities	61.2	60.8	58.5	64.7	62.2
Non-current liabilities	**222.8**	**250.3**	**267.6**	**215.8**	**226.3**
in % of Total equity and liabilities	24.0	24.1	24.3	21.5	20.3
Current liabilities	**137.8**	**156.4**	**188.9**	**138.9**	**195.0**
in % of Total equity and liabilities	14.8	15.1	17.2	13.8	17.5
Total equity and liabilities	**928.5**	**1,037.1**	**1,100.7**	**1,004.3**	**1,115.4**

Current assets accounted for around one-quarter of total assets and amounted to EUR 303.2 (223.2) million as of December 31, 2021. Inventories and trade receivables comprised almost 90 percent of current assets. Both items increased significantly over the course of the year compared with the exceptionally low level at the end of 2020 due to the coronavirus crisis. Total inventories increased to EUR 146.2 (105.0) million. In order to meet rising demand and respond to the difficulties in supply chains, TAKKT increased inventories significantly. Positive currency effects also contributed to the increase in inventories. Trade receivables increased significantly to EUR 119.4 (86.9) million due to the dynamic sales growth.

Customers' payment behavior was low once again with a write-off rate of 0.1 (0.2) percent. Consequently, there was no significant impact on the development of trade receivables. The payment period for accounts receivable was 31 (28) 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 694.0 (649.6) million in 2021. Contributing factors include the addition from profit for the period of EUR 57.0 million together with positive effects from currency fluctuations and the valuation of investments as well as other effects recognized directly in equity totaling EUR 59.6 million. This was offset by the negative effect of the dividend payment in the amount of EUR 72.2 million. The equity ratio decreased slightly to 62.2 (64.7) percent. It is therefore still slightly above the target corridor of 30 to 60 percent.

Accounting for 20.3 (21.5) percent of the equity and liabilities were non-current liabilities amounting to EUR 226.3 (215.8) million. Non-current financial liabilities increased slightly to EUR 71.7 (67.8) million. Deferred taxes as of year-end amounted to EUR 68.1 (57.9) million. They exist mainly as a result of the reduced tax value of goodwill in the US Group companies.

Current liabilities increased significantly to EUR 195.0 (138.9) million, corresponding to a share of 17.5 (13.8) percent of total assets as of December 31, 2021. This was attributable to currency-related effects and an increase in trade payables as well as similar obligations, especially due to the high inventory order volume and considerably higher customer payments on account. Financial liabilities also increased.