

FORECAST REPORT

RUSSIAN ATTACK ON UKRAINE BURDENS ECONOMIC GROWTH

The economic conditions in the markets are a significant factor regarding the extent that the TAKKT Group will be able to use the opportunities described in the risk and opportunities report. Material influencing factors for the 2022 economic development are the pandemic, increased inflation and continued difficulties in global supply chains. Despite these challenges, comparatively high GDP growth rates for 2022 were forecast for Europe and North America in January and February.

However, these forecasts had not yet taken into consideration the Russian attack on Ukraine and its economic consequences. The war is likely to weigh on growth through rising prices for raw materials and energy and the resulting weakening of economic momentum. It is currently not possible to predict how severe this burden will be and how long it will last. Current forecasts are therefore subject to great uncertainty.

- In a mid-March 2022 estimate, Berenberg Bank adjusted its growth expectation for the eurozone downward due to the war and expected GDP growth of 3.2 percent in 2022. For Germany, the bank expected economic growth of 2.8 percent.
- In a mid-March assessment, the Conference Board research institute also saw negative economic consequences from the war for the US. According to the estimate, GDP growth in 2022 should be 3.0 percent.

DETERIORATION OF INDUSTRY-SPECIFIC INDICATORS EXPECTED

The statements regarding the fundamental business prospects are complemented by the performance of relevant industry indicators. For example, purchasing manager indexes are indicators of the order trend of the I&P division, especially for KAISER+KRAFT with a time delay of three to six months. Values under 50 points generally signal a decline, while levels above 50 indicate an increase in order intake. The economic recovery after the decline caused by the pandemic put the 2021 figures in the eurozone and Germany consistently well above 50 points. In February 2022, the values were 58.4 points for Germany and 58.2 points for the eurozone, indicating positive general conditions for the I&P division.

The other industry indicators also showed an overall positive picture at the beginning of 2022. The Restaurant Performance Index provides information about the situation of the US restaurant industry and is

a relevant indicator for the FoodService division. In January, it was at 103.2 points and thus above the expansion threshold of 100. This indicates a continued positive business performance among US restaurant operators, now that the interim negative effects caused by the omicron variant of the virus have been overcome. TAKKT also expects a good overall environment for the office furniture market in the US.

The effects of the war in Ukraine are not yet reflected in the industry-specific indicators mentioned above. TAKKT expects the values to decline from March onwards. The economic indicator of the Centre for European Economic Research (ZEW), which is meaningful for the German economy, fell more sharply than ever before in mid-March and dropped into clearly negative terrain.

CUSTOMER FOCUS AND STRATEGIC INITIATIVES TO CONTRIBUTE TO HIGH GROWTH

In 2022, TAKKT intends to build on the strong increase in sales from last year and maintain the pace of organic growth at a high level. An even stronger focus on the expansion of the e-commerce business and the further growth initiatives described in the Corporate goals and strategy section starting on page 39 are expected to contribute to this. TAKKT expects additional contributions to growth from the reduction of high order backlog. Assuming that the impact of the war in Ukraine on business development remains limited, the Group aims to achieve high single-digit percentage organic sales growth in 2022. In this case, the e-commerce business is expected to achieve double-digit organic growth.

POTENTIAL EFFECTS ON SALES AND EARNINGS FROM ACQUISITIONS AND DISPOSALS

TAKKT intends to tap into additional growth potential through acquisitions in the future. They would contribute to sales in 2022 from the acquisition date, if applicable. The Group decided at the end of 2021 to continue and further develop the activities of Hubert and Central under the umbrella of TAKKT. Nevertheless, changes in the composition of the Group through divestments cannot be ruled out in 2022 if individual companies do not develop as expected. TAKKT presents the effects of acquisitions and disposals on sales and earnings in the financial reporting in a transparent manner.

US DOLLAR AFFECTS KEY FIGURES

In addition to the acquisitions and disposals, fluctuations in exchange rates also have an impact on reported sales growth and earnings. TAKKT generates approximately 40 percent of its sales in North America. Fluctuations in the exchange rate of the US dollar therefore have a significant impact on the Group's key figures

reported in euros (translation risk). When translated into the reporting currency of euros, a strong US dollar leads to higher sales. When the dollar is weaker compared to the euro, Group sales are diminished. This can be illustrated using the following scenarios:

- If the EUR/USD exchange rate increases by five percent against the previous year (i.e., the US dollar becomes weaker), the increase in reported sales (in euros) will be around two percentage points below the currency-adjusted growth.
- If the EUR/USD exchange rate decreases by five percent against the previous year (i.e., the US dollar becomes stronger), the increase in reported sales (in euros) will be around two percentage points higher than the currency-adjusted growth.

In addition to the fluctuation effects from the US dollar mentioned above, fluctuations in other currencies such as from the British pound can also have an impact on the reported Group key figures. To illustrate currency effects clearly and depict business performance objectively, the Group does not only report sales development in the reporting currency but also adjusts for currency effects.

STABLE GROSS PROFIT MARGIN DESPITE HIGH INFLATION

TAKKT aims to keep the Group's gross profit margin above the 40 percent mark in the long term. The current high inflation rates and especially further increases in energy prices are a particular challenge for managing the own price setting. All Group companies generally pass on the higher price levels for products and transportation of goods in full to customers to keep margins stable. Price adjustments are made much more frequently and to a greater extent than in previous years. Temporary effects and time delays may nevertheless have a temporary negative impact on the gross profit margin. Overall, the Group expects a stable development of the gross profit margin slightly above 40 percent in 2022.

FURTHER IMPROVEMENTS IN EARNINGS AND ACCELERATION OF THE TRANSFORMATION

Earnings development in 2022 will be significantly influenced by the level of organic growth and the implementation of the Group's new, integrated position. The expected continuation of high organic growth should contribute to higher EBITDA in 2022. In addition, TAKKT anticipates a noticeable positive impact on profitability, which should result from continued good growth. Better utilization of the infrastructure, positive economies of scale and more efficient use of resources should have a positive impact on the EBITDA margin of around one percentage point.

At the same time, TAKKT expects higher expenses for implementing the transformation and strategic initiatives, which will offset the positive effects on the margin. Overall, the costs related to the transformation should have a volume of around EUR 20 million. Of this, a high single-digit million-euro amount is attributable to one-time expenses for structural changes, while TAKKT intends to invest a low double-digit million-euro amount in 2022 in building up the Group functions and the more integrated position. As a result of the higher transformation costs, the reported EBITDA margin in 2022 is expected to be around the level of the previous year. In the following years, profitability is expected to increase noticeably with decreasing one-time costs and increasingly positive contributions from economies of scale due to the strong growth and the more integrated positioning.

If the effects from the war in Ukraine remain limited and organic growth is in line with expectations, TAKKT expects EBITDA to reach an amount of EUR 110 to 130 million. In addition to growth and transformation costs, currency effects and possible acquisitions and divestments may have a noticeable influence on earnings. Corresponding effects from currency fluctuations, acquisitions and divestments are not included in the forecast.

INCREASE IN TAKKT CASH FLOW AND FREE TAKKT CASH FLOW, STABLE CAPITAL EXPENDITURE RATIO

Essentially the same influencing factors are relevant for the development of the TAKKT cash flow as for EBITDA. The Group therefore expects an increase in TAKKT cash flow to between EUR 90 and 110 million in the current year. TAKKT's free cash flow in 2021 was negatively impacted by the value of net working capital. Due to the high growth, TAKKT also expects net working capital to increase in the current year. However, the increase is expected to be significantly lower than in the previous year. TAKKT free cash flow should therefore increase noticeably more than EBITDA and TAKKT cash flow. Capital expenditures for the maintenance, expansion and modernization of the existing business are again expected to account for slightly less than two percent of sales.

STABLE DEVELOPMENT OF CNPS AND ENPS, INCREASE IN THE PROPORTION OF WOMEN IN MANAGEMENT POSITIONS

TAKKT has set long-term targets with regard to the likelihood to recommend among customers and employees and continuously work on measures that contribute to achieving these goals. In the current year, the Group expects a slight improvement in the eNPS, which provides information about the attractiveness of the TAKKT Group as an employer. The cNPS, which indicates a customer's willingness to recommend, should not change much in 2022 and will likely be around the same high level as in the previous year. TAKKT is convinced of the benefits of more diverse teams and intends to further increase the proportion of women among executive personnel. For 2022, TAKKT anticipates a slight increase. However, the share can also stagnate or even decline slightly within a single year due to personnel changes.

GROWTH IN SUSTAINABLE PRODUCTS AND PROJECT TO REDUCE CO₂

TAKKT expects to make further progress on the topic of sustainability in 2022. The Group will significantly expand its offering with sustainable products classified as "enkelfähig." Around 15 percent of the business is expected to be accounted

for by these products in 2022. To combat climate change, TAKKT aims to completely reduce or offset its CO₂ emissions (Scope 1 and Scope 2 according to the GHG Protocol) by 2025. In 2022, the Group will extend the emissions survey to all activities and define and initiate a project with specific targets for their gradual reduction.

DIVIDEND PROPOSAL

TAKKT intends to continue to allow shareholders to participate in the Company's success by paying dividends. The Management Board proposes to distribute a dividend totaling EUR 1.10 per share for the past financial year. This comprises a base dividend of EUR 0.60 per share plus a special dividend payment of EUR 0.50.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENTS OF THE GROUP

Business performance in 2022 will also depend on the impact of the war in Ukraine. If these impacts remain limited, the Management Board of TAKKT AG expects high single-digit percentage organic sales growth for 2022. EBITDA is expected to be between EUR 110 and 130 million with the planned organic growth and excluding acquisitions or divestments.

TAKKT cash flow and TAKKT free cash flow are also expected to increase, while the capital expenditure ratio will change only slightly. TAKKT expects a slight increase in the willingness of employees to recommend the company to others and a stable development in the willingness of customers to recommend the company to others. The sustainability indicators should continue to improve overall.

GUARANTEE

This annual report and the forecast report include forward-looking statements and information. These statements are estimates made by TAKKT Management based on all the information available to them when the annual report went to press. Should the basic assumptions not be realized, or other opportunities and risks arise, the actual results may differ from those expected. TAKKT Management therefore cannot accept any liability for these statements.