

CORPORATE GOALS AND STRATEGY

Following a review in the second half of the year, TAKKT has defined a new strategic positioning at the end of 2021. The new strategy will speed up the Group's transformation into a more strongly integrated, customer-focused and growth-oriented company. It comprises the three pillars of Growth, OneTAKKT and Caring and the measures and goals affiliated with them. As part of the new strategy, TAKKT intends to increase sales to EUR two billion by 2025, to generate EBITDA of EUR 240 million and to do even more justice to the interest of important stakeholders.

NEW STRATEGIC FOCUS

TAKKT is aiming to position itself as a more integrated, customer-focused and growth-oriented company in the future. With this goal in mind, the Group launched an organizational transformation process in 2020 as a first step, focusing on two segments. A joint team led by CEO Maria Zesch comprising representatives of TAKKT AG and the business units conducted a review of the strategic and organizational structure last year. The results of the review served as confirmation of the Group's fundamental focus on greater integration and more growth. Further results were the acceleration of the transformation process and an even more compact corporate structure.

This prompted TAKKT to make adjustments to its organizational structure in a second transformation step at the beginning of 2022. In the future, the company will address the market through customer-oriented operating divisions that will be supported by various Group functions. Integrating these functions at Group level, for example for technology or logistics, offers greater advantages than operating parallel structures in the segments. This is why TAKKT will be integrating key support functions and bundling and strengthening tasks that are critical to the Group's success. The focus will be on operations (warehousing and logistics), technology & data, finance and HR. The Group expects the new orientation to enable a more efficient utilization of resources.

Each division has a focused product portfolio that is geared to the customer target groups, namely industry/logistics, service providers, HoReCa (hotels, restaurants, catering). The organizational alignment along product categories and sales markets allows the company to realize greater sales potential. The work of the divisions will focus on market and customer-related functions such as sales, marketing, e-commerce and category management.

STRATEGIC GOALS FOR 2025

The new orientation is also associated with new, ambitious strategic goals that TAKKT is aiming to achieve by 2025. As part of a comprehensive approach, these goals include financial aspects such as a significant increase in sales, earnings and free cash flow as well as moves to address the concerns of key stakeholders by improving customer satisfaction and employee motivation and conserving natural resources. The strategy is based on three pillars Growth, OneTAKKT and Caring. The table below gives an overview of TAKKT's new strategic goals.

Strategic goals until 2025	
GROWTH	<ul style="list-style-type: none"> Sales of EUR two billion
OneTAKKT	<ul style="list-style-type: none"> EBITDA of EUR 240 million TAKKT free cash flow of EUR 150 million
CARING	<ul style="list-style-type: none"> Customer NPS of 60 Employee NPS of 50 Share of women in executive positions of 45 percent Share of "enkelfähig" products of 40 percent Complete reduction or compensation of CO₂ emissions (Scope 1 and Scope 2)

GROWTH

TAKKT is aiming to use its new strategic orientation and a clear customer focus to increase its business volume to EUR 2 billion by 2025. Slightly more than half of the additional sales is expected to come from organic growth and the rest from value-creating acquisitions.

Organic growth

TAKKT is aiming to achieve a marked increase in the Group's sales over the coming years and raise the organic growth rate to an average of ten percent per year. In the years prior to the coronavirus pandemic, the Group averaged organic growth in the low to mid single-digit range. TAKKT is convinced that the new orientation and strategy will allow it to achieve much higher growth rates in the future. The products that the divisions offer allow them to address a very large and fragmented market in which even leading brands like KAISER+KRAFT have a market share that is only in the very low single-digit percentage range, meaning they offer a lot of potential for growth.

This should be driven in particular by even stronger e-commerce growth. The evolution of TAKKT's business model has already been connected with a steady increase in the e-commerce business in recent years, which by now accounts for well over half of the business volume. TAKKT believes that the changes in customer behavior and the increasing shift towards e-commerce will accelerate further in the B2B sector due to the experience of the pandemic. In the future, the Group intends to achieve organic e-commerce growth of 15 percent per year on average in the long term. Relevant e-commerce functions will be coordinated Group-wide and managed within the divisions to achieve this. The project will involve improving and further standardizing the web shop technologies and the methods for measuring success, efficiency gains resulting from the shared use of the IT infrastructure, as well as measures to expand Group-wide cooperation.

On division level, the different sales brands will cooperate more closely in marketing and sales to offer their customers a wide product range of various product groups. This way, for example, a logistics buyer will be able to procure products for the storage and transport of their goods as well as packaging from a single source. With this increase in cross-selling, TAKKT expects an increase in business volume with its existing customer base and therefore positive contributions to growth. In addition to increasing e-commerce and expanding cross-selling, the Group believes that sustainable products and business models offer considerable growth potential.

TAKKT also sees a major opportunity for additional growth in an improved and intelligent pricing strategy and has launched a Group-wide project to this end. The aim is to expand the functions involved in this, to define prices that are geared more towards customer and competitive data, and to use algorithms for flexible and customer-specific pricing.

Greater strength through acquisitions

In addition to organic growth, TAKKT also wants to continue to grow through acquisitions. For this, suitable companies are sought whose products and solutions strengthen and complement the existing activities. With a view to strengthening existing businesses, TAKKT makes sure that an acquisition target has an attractive customer base. Another aim is to enhance the added value within the Group through future acquisitions. TAKKT also wants to acquire companies offering products or services that expand the existing range of services for customers. These could be, for example, solutions for manufacturing, refining or adapting products as well as service offerings.

With regard to acquisitions, TAKKT aims to achieve a strong integration of a target company. This allows the acquired companies to benefit from the competencies and expertise at the divisional and Group level (e.g., in logistics, IT, data & analytics, purchasing and marketing). In addition to taking advantage of synergies, growth will be accelerated through improved scalability. Both result in a higher increase in value as opposed to the acquired company continuing to operate independently.

ONETAKKT

One key component of the new strategic orientation is a more compact and integrated corporate structure. This includes both the central coordination and management of key Group functions, like logistics and IT, and much greater cooperation in the marketing activities of the various brands within a division. TAKKT expects this more compact line-up to bolster growth, but also to improve profitability through economies of scale and the more efficient use of resources. Starting from an EBITDA margin in the high single digits last year, the Group aims to increase its profitability by two to three percentage points and lift its EBITDA to EUR 240 million by 2025.

Improvement in profitability, earnings and free TAKKT cash flow

TAKKT achieves high levels of profitability by positioning itself as a B2B distance seller in attractive niche markets and using efficient processes. The starting point is a gross profit margin, which should exceed 40 percent for the Group average. The relatively high margin results from the market position as a provider of business equipment as well as from targeted long-term measures such as the expansion of private labels and increasing the share of direct imports from Asia and Eastern Europe. The current environment with mounting inflation rates poses new challenges in terms of pricing, which TAKKT intends to address through a margin management project.

TAKKT aims to significantly increase absolute EBITDA to EUR 240 million by 2025. In addition to high organic growth, acquisitions are also expected to contribute to this. The Group also aims to increase the EBITDA margin from currently below ten percent by two to three percentage points. Two main effects will contribute to this. First of all, organic growth and better infrastructure utilization should reduce the cost ratios for marketing, personnel and other expenses. Second, TAKKT expects to see considerable economies of scale and efficiency gains from the stronger integration of Group functions, as well as from moves to expand cooperation between the various brands within a division.

TAKKT's business model is not only characterized by above-average profitability, but also enables the company to generate high free cash flows. In addition to sales and earnings growth, the change in net working capital is another decisive factor in free cash flow development. The Group will be paying even more attention to allocating capital as efficiently as possible. The goal is to achieve a long-term increase in the free TAKKT cash flow to EUR 150 million by 2025.

An important part of the new strategy is the repositioning of activities that do not currently perform according to expectations. This relates in particular to Displays2go and Hubert, whose market environment has changed for the long term during the pandemic. TAKKT has launched extensive repositioning projects at both companies. These involve redefining the customer groups and markets that the companies focus on and reviewing the product range and additional services that are offered. The aim is to generate stronger growth and to return to previous levels of profitability.

CARING

The new strategy is not limited to improving the company's financial success, but pursues a comprehensive approach. TAKKT is convinced that addressing the concerns of all important stakeholder groups is the prerequisite for sustainable financial success. This is why TAKKT has set itself ambitious goals for 2025 relating to customer satisfaction, employee engagement, and the environment and climate.

Increasing customer satisfaction

By focusing more strongly on the customer, TAKKT wants to improve their shopping experience and satisfaction. This can be measured with the customer NPS (cNPS), which shows a customer's willingness to recommend and is monitored continuously. TAKKT's goal is to achieve a cNPS of 60 points. To this end, the various business units are working on improving customer satisfaction further in a targeted manner. This includes continuously developing the product range with new, innovative products, providing better advice and problem-solving expertise in customer service, and even faster and more reliable delivery to customers. The more integrated structure will also allow customers to benefit from standardized processes for order entry, processing and delivery, and consequently from higher process quality.

Dedicated and motivated employees

Dedicated employees are the key element for excellent performance and the best customer service. The Group wants to further strengthen employees' identification with the company and its attractiveness as an employer. While the cNPS indicates a customer's willingness to recommend, the employee NPS (eNPS) provides information about the attractiveness of the employer and the willingness of employees to recommend it to others. This value is measured on a regular basis. TAKKT's goal is to achieve an eNPS of 50 points in the long term. In order to achieve this, the business units are working on specific measures to boost employee commitment and identification with the company. This can include factors such as development opportunities or improving communication within the company. Details on the calculation of cNPS and eNPS can be found in the Management system section starting on page 43.

TAKKT is convinced of the advantages of assembling diverse teams at all hierarchical levels. Diversity refers to attributes such as cultures, nationalities, ethnic and social backgrounds, age, sexual orientation and also genders. The Group has set itself the goal of significantly increasing the share of women in executive positions by 2025, to 45 percent.

Preserving natural resources and combating climate change

TAKKT has also revised its sustainability strategy and defined new goals as part of its new orientation. The Group is convinced that sustainability represents competitive advantages across all stages of the value chain and enhances company value for the long term. As a result, the Group aims to differentiate itself even more from other market players in this area. In addition to further improvements in the company's own processes and in the supply chain, the main focus will be on products. In addition, TAKKT intends to review the feasibility of business models that do justice to the idea of the circular economy.

Sustainable product ranges are increasingly sought-after, making them an important growth driver. At the beginning of 2022, TAKKT introduced a product classification system to help it measure the sustainability of its products and make this information visible, namely a rating system using criteria that determines whether products add value for the generations to come. By 2025, TAKKT wants to increase the share of "enkelfähig" products to 40 percent and thus make a significant contribution to resource-conserving business.

Moreover, TAKKT is committed to combating climate change. By 2025, all direct and indirect CO₂ emissions (Scope 1 and Scope 2 according to the GHG Protocol) that result from the consumption of electricity, heat and steam will be reduced or offset. 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.

Further details on these sustainability goals and measures are presented in the new sustainability report, which will be published together with this annual report.

MANAGEMENT SYSTEM

In the course of its organizational and strategic realignment, TAKKT adjusted individual key indicator targets to reflect the new strategy and has revised its key performance indicators in the area of sustainability. The system takes both the financial and the operational perspective into account. The Group's three divisions are managed based on the same key figures.

ORGANIC GROWTH

- The organic sales development serves as a measure for the growth of the company without the inclusion of company acquisitions and disposals or the impact of fluctuating exchange rates. The short-term development of sales is influenced by the economic cycles. With the new structure and its strategic initiatives, the Group wants to achieve average annual organic growth of ten percent over the long term. More information regarding the growth ambitions can be found in the "Corporate goals and strategy" section starting on page 39.
- Organic e-commerce growth reflects the development of the online business adjusted for acquisitions, disposals and the effects of currency fluctuations. For this, TAKKT includes order intake via e-procurement systems, web shops, online marketplaces and orders placed through traditional channels that were initiated over the internet. TAKKT believes that this area offers considerable growth potential and is aiming to increase its e-commerce business organically by an annual average of 15 percent in the long term.

Definition and target values

Key figure	Definition	Target values
Organic development of sales	Benchmark for company growth without acquisitions	10 percent p.a. on average in the long term
Organic e-commerce development	Benchmark for e-commerce growth without acquisitions	15 percent p.a. on average in the long term

COSTS AND EARNINGS

- The gross profit is calculated by deducting the material costs (cost of sales and freight costs) from sales and adding other changes in inventory whose sum is not significant and own work capitalized. The TAKKT Group pursues the goal of achieving a gross profit margin – gross profit in relation to sales – of over 40 percent. The reason for this is the company's focus

on the benefit to the customer and the provision of versatile additional services as opposed to the mere distribution of goods. TAKKT will pass higher prices for products and shipping due to increased inflation on to its customers in full.

- EBITDA is an important key figure for the short-term operating earning power of the individual Group companies because the effects of the country-specific differences in tax rates and financing structures are not relevant for this key figure. As the figure does not include depreciation and amortization of non-current assets, it permits a direct comparison between existing and newly acquired companies. TAKKT intends to increase EBITDA sustainably to EUR 240 million by 2025. The Group is also aiming to improve its profitability as against the 2021 level and increase the EBITDA margin by two to three percentage points in the medium to long term. Detailed information regarding the earnings targets can be found in the “Corporate goals and strategy” section starting on page 39.

Definition and target values

Key figure	Definition	Target values
Gross profit margin	Measure for added value (e.g., for customers and suppliers)	Stable at over 40 percent of sales
EBITDA	Measure for operating profitability	Sustainable increase to EUR 240 million by 2025

CASH

- The TAKKT cash flow is calculated from EBITDA less financial result, current income tax and the balance from other non-cash expenses and income as well as non-cash income and losses on disposals of fixed assets. TAKKT cash flow shows the operational cash flow earned in the reporting period before the effects from the changes in net working capital. As with EBITDA, the company also wants to increase TAKKT cash flow over the long term. In 2025, its value is expected to be EUR 190 million.
- The free TAKKT cash flow is calculated from the cash flow from operating activities, which includes effects from changes in net working capital, less capital expenditures in non-current assets and adding proceeds from the disposal of non-current assets and, if applicable, from the disposal of consolidated companies. It thus provides information about the cash surplus, which the company can use for the repayment of liabilities, dividend payments and the financing of acquisitions. As with EBITDA and the TAKKT cash flow, free TAKKT cash flow is also expected to increase

sustainably. The target for 2025 is EUR 150 million. One-time effects from the sale of real estate, consolidated companies or investments can have a material impact on this key figure in individual fiscal years.

- The capital requirements for maintenance, expansion and modernization of the business operations are comparatively small at the established companies of the TAKKT Group. At the same time, IT infrastructure is becoming more important, fueling a corresponding need for investment, for example in web shop technology and ERP. The capital expenditure ratio is expected to average two percent of sales over many years. In individual fiscal years in which, for example, a business unit’s warehouse capacities are expanded significantly or substantial IT investments are made, the ratio can exceed two percent.

Definition and target values

Key figure	Definition	Target values
TAKKT cash flow	Measure for internal financing capability	Sustainable increase to EUR 190 million by 2025
Free TAKKT cash flow	Cash surplus available for acquisitions, repayments and dividend payments	Sustainable increase to EUR 150 million by 2025
Capital expenditure ratio	Capital requirements for maintenance, expansion and modernization of operations	Two percent of sales on average in the long term

CUSTOMER AND EMPLOYEE PERSPECTIVE

- TAKKT collects and analyzes the customer Net Promoter Score (cNPS) in all business units as an indicator of customer satisfaction. For the survey, customers are asked how likely they would be to recommend the respective brand to others. The likelihood was rated using a scale from 0 to 10 and customers were then grouped into three categories (promoters, detractors and passives). Those with a score of less than seven are considered detractors, while customers with a nine or ten are labeled promoters. The cNPS is calculated by subtracting the percentage of detractors from the percentage of promoters. It can thus generate a score between -100 and +100. At the Group level, TAKKT strives for a cNPS of over 60 points in the long term.
- While the cNPS indicates a customer’s willingness to recommend, the employee NPS (eNPS) provides information about the willingness of employees to recommend. The method used to determine the eNPS is the same as that for

the cNPS. Employees are classified as promoters, passives or detractors based on their willingness to recommend. The eNPS is calculated based on the responses. Since the relationship between employee and employer is much more multifaceted and complex than the one between customer and brand, eNPS values are generally lower than cNPS values. Employees can be dedicated and motivated top performers, even if they are dissatisfied with some working conditions and therefore not considered promoters based on their rating. A score of over 0 means that the majority of employees would recommend their employer to others. Due to the considerable strategic importance of a high recommendation rate, TAKKT's goal is to achieve an eNPS over 50 in the long term. The cNPS and eNPS are generally linked to one another: Satisfied employees are more dedicated, which has an indirect effect on customers due to the higher service quality. TAKKT has therefore set targets for both key figures and continuously works on the willingness to recommend among its employees and customers.

- TAKKT believes in the benefits of having a high level of diversity among its employees. Diversity comprises different dimensions. The current focus is on advancing women in executive positions. The Group has set itself the goal of having 45 percent of the executive positions filled by women by 2025.

Definition and target values

Key figure	Definition	Target values
cNPS	Measure of likelihood to recommend among customers	Values above 60 by 2025
eNPS	Measure of likelihood to recommend among employees	Sustainable increase to 50 by 2025
Share of women in executive positions	Measure of equal opportunity and diversity	Sustainable increase to 45 percent by 2025

SUSTAINABILITY

- A sustainable product range is a growth driver for TAKKT and a key factor allowing it to set itself apart from its peers. The Group applies an adequate product classification system with

this in mind. It takes into account the criteria of profitability, circularity, climate change, biodiversity, innovation and technological progress. Particularly sustainable products are awarded the "enkelfähig" label – testimony to their ability to add value for the generations to come – once a defined score threshold has been reached. The goal is to increase the share of sales of these products to 40 percent by 2025.

- TAKKT has committed to taking urgent action to combat climate change. Within the Group, this relates in particular to reducing CO₂ emissions wherever this is possible and makes sense. By 2025, the aim is to eliminate or offset direct and indirect emissions (Scope 1 and Scope 2 according to the GHG Protocol) resulting from the consumption of electricity, heat and steam, for example. Further details on the sustainability goals are presented in the sustainability report, which will be published together with this annual report.

Definition and target values

Key figure	Definition	Target values
Sales share of "enkelfähig" products	Measure for the sustainability of the product portfolio	Sustainable increase to 40 percent by 2025
CO ₂ emissions (Scope 1 and Scope 2)	Contribution to fight climate change through carbon neutrality	Complete reduction or compensation by 2025

OVERVIEW OF MANAGEMENT SYSTEM

Reporting on the key performance figures for the past fiscal year includes the key figures from the management system presented in last year's annual report. A presentation and analysis of the development of these key figures are included in the Sales and earnings review, Financial position, Assets position and Company performance sections. The key figures for the customer and employee perspective, together with the sustainability indicators, are relevant non-financial key figures for the management of the Group. Moreover, the forecast report looks at how TAKKT anticipates the partially revised key performance figures to develop in 2022.