FISCAL YEAR

GENERAL CONDITIONS

In 2019, economic growth in the eurozone and US was below the figures of the previous year. The political uncertainty surrounding the international trade conflicts and discussions regarding Brexit had a negative impact. GDP growth in Germany slowed markedly and was only slightly positive. In the US and Germany, momentum was considerably stronger in the first quarter compared to the rest of the year. The eurozone as a whole also saw a decline in growth rates over the course of the year. Overall, the relevant industry-specific indicators for TAKKT, and especially the Purchasing Managers' Index in Europe, continued to deteriorate.

OVERALL ECONOMIC CONDITIONS

In the forecast for 2019, TAKKT had expected declining growth rates for the US as well as the eurozone. Especially in Germany, the downturn in growth compared to prior year was expected to be more pronounced. In the US, the economy developed only slightly weaker than anticipated. For the eurozone and Germany, it was bleaker than TAKKT had expected.

In 2019, the GDP for the eurozone increased by 1.2 (1.8) percent and thus less strongly than in the previous year. The German economy grew by 0.6 (1.5) percent, resulting in a much weaker development than the rest of Europe. In the second and third quarter, economic performance was only at the level of the previous year. This is mainly attributable to the lower demand in the manufacturing industry and structural challenges in the automobile sector.

Although growth in the US of 2.3 (2.9) percent for the year as a whole remained below the level of the previous year, it was still significantly above that of the eurozone. After a strong first quarter, growth decreased over the rest of the year. As in the previous year, the persistently high level of private consumption was the main driver of economic development.

GDP growth for the eurozone, Germany and the USA

	GDP growth in percent		
	Actual 2018	Forecast 2019	**Actual 2019**
Eurozone	1.8	1.6	1.2
Germany	1.5	1.0	0.6
USA	2.9	2.5	2.3

Sources: Statistical offices, International Monetary Fund

INDUSTRY-SPECIFIC CONDITIONS

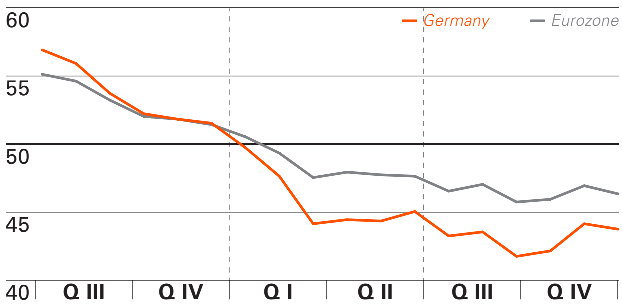
Among other things, TAKKT uses different Purchasing Managers' Indexes (PMI) in order to better assess the anticipated development in the sales regions in the medium term. This refers to data from the manufacturing industry, which is compiled by different research institutes together with national associations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

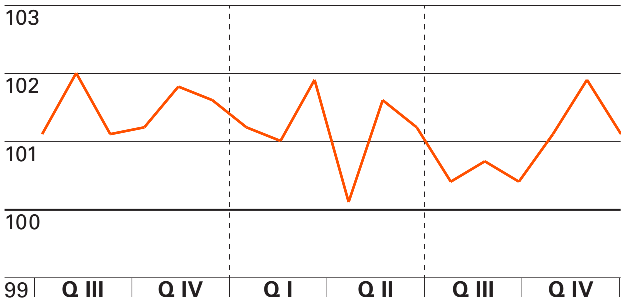
As in 2018, the PMI also decreased further for the eurozone in 2019. After an annual high of 50.5 points in January, the PMI dropped during the course of the year to below the reference value for the first time in around four years. The index reached its lowest level in September with 45.7 points. Then it rose slightly. The PMI for Germany also saw a steep drop with values below those of the eurozone throughout the entire year. The September value of 41.7 points was at a level not seen since the 2009 financial crisis.

Purchasing Managers' Indexes July 2018 to December 2019



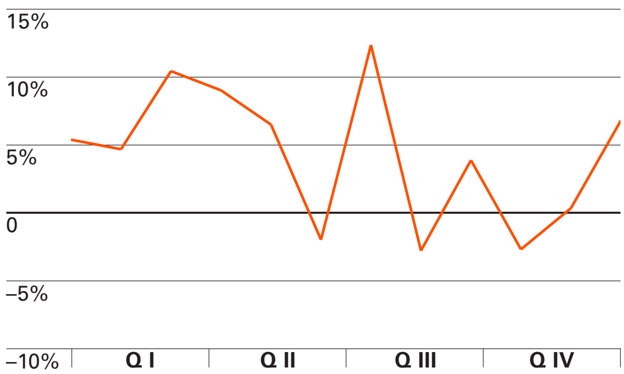
For the Central and Hubert groups in the US, the Restaurant Performance Index (RPI) is a relevant industry indicator. The RPI is based on a survey of restaurant operators in the United States and takes into consideration assessments of the future as well as the current situation. A value greater than 100 indicates market growth, whereas a value lower than 100 represents a downward trend. In 2019, values of slightly over 100 points could be observed for all months. Compared to the previous year, the values were slightly lower on average at 101.1 (101.4) points and thereby continued to show a slightly positive market assessment.

Restaurant Performance Index July 2018 to December 2019



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 2019, the order intake reported by BIFMA was 4.4 percent above the previous year's level. Performance over the course of the year was once again uneven. Order intake grew strongly especially at the beginning of the year. The second half of the year began with high growth in July. After that, however, the figures declined slightly.

BIFMA order intake in 2019 compared to the corresponding month of the previous year



On the whole, economic conditions in the 2019 financial year developed weaker than expected at the beginning of the year. Political uncertainties such as international trade conflicts and Brexit discussions had a negative impact. The slowdown in economic growth in the eurozone and particularly in Germany was more pronounced than expected, also as a result of the weaknesses in the automobile industry. In the US, the growth trend was downward. However, industry-specific conditions remained stable.

BUSINESS DEVELOPMENT

After a strong start to the year, the Group's organic growth declined over the course of the year. The different basis of comparison in the previous year's quarters also contributed to this. In 2018, after a weak start to the fiscal year, TAKKT achieved good organic growth over the remainder of the year. At the same time, demand from individual customer groups in Europe abated significantly during the course of the year. In addition, the termination of a business relationship with a major Hubert customer impaired organic growth starting in March. The additional contributions of acquisitions as well as currency effects from the US dollar had a positive impact on sales in euros in the fiscal year.

TAKKT EUROPE FEELS THE WEAK ECONOMIC ENVIRONMENT

While all three divisions in the TAKKT EUROPE segment were able to generate good organic growth in the first quarter, the pace slowed in the subsequent quarters. The last quarter in particular showed a marked slowdown in business performance. Factors contributing to this were the downward economic trend over the course of the year and the resulting challenging market environment, which was weaker than expected, especially in Germany. Within the segment, the respective divisions showed different growth trends.

The business of the KAISER+KRAFT group still performed slightly better than at the beginning of 2018. However, starting in the second quarter the negative trend of the PMI was reflected in the sales figures. Amid the challenging economic climate, demand from individual customer groups dropped in the subsequent quarters, especially in the automobile and mechanical engineering industries. In the fourth quarter, organic sales performance saw a decline in the high single-digit percentage range.

The ratioform group was able to continue the strong growth from 2018 and had a good start to 2019 with high single-digit growth. In the second quarter, adjustments to the sales structure as well as the strong comparison basis from the previous year contributed to a slight decrease in sales. In the third quarter, however, ratioform was able to realize slight growth. The difficult economic environment and strong previous year's quarter resulted in a high single-digit percentage drop in sales in the fourth quarter.

The Newport group performed more robustly compared to the weak economic development. After a strong first quarter with double-digit organic sales growth, organic business development slackened somewhat from quarter to quarter and was in the mid- to high single-digit range in the last quarter. In addition to internal growth, the group was also able to grow through acquisitions. At the beginning of May, Newport acquired XXLhoreca, a Dutch e-commerce provider of food service equipment.

REALIGNMENT OF HUBERT HAS A NEGATIVE IMPACT ON TAKKT AMERICA'S GROWTH

The TAKKT AMERICA segment started the year under review with strong organic growth. However, business performance saw a decline in the subsequent quarters. The loss of a major Hubert customer in particular had a negative impact on organic growth of around three and a half percentage points. Without this effect, the segment would have increased slightly in the fiscal year.

In January, TAKKT decided to reposition the Hubert group and focus it on more attractive customer groups. Related to this was the termination of a business relationship with a major customer starting in March. While Hubert was still able to generate good organic growth in the first quarter, the missing sales to the major customer in the subsequent quarters resulted in a decline in the double-digit percentage range. Hubert was, however, able to grow in the business with other customers.

Organic sales development at Central was solid in almost all quarters. It was only in the second quarter that business declined in the low single-digit percentage range.

The D2G group showed consistent, solid low single-digit organic growth in the year under review. In the second quarter, a start was made to integrate the activities of Post-Up Stand, which specializes in customized printed advertising banners, into Displays2go.

In the first half of the year, NBF benefited from the favorable conditions in the US furniture market, recording low double-digit organic growth in the first quarter, which was also due to the weak previous-year quarter. In the second quarter, this declined to a mid-single-digit percentage level, as expected. In the second half of the year, business was subdued. Organic sales at NBF declined slightly in the third quarter and showed mid-single-digit decline in the fourth quarter. This was mainly attributable to a very strong comparison basis in the second half of 2018, with NBF achieving a double-digit percentage increase.

DIGITAL TRANSFORMATION MOVING FORWARD

The share of order intake via e-commerce channels increased further in the fiscal year. It came to 55.0 percent compared to 52.1 percent in the prior year. Similar to overall business performance, organic e-commerce growth was negatively affected by the deteriorating conditions as well as by the loss of the e-commerce business with a major Hubert customer. In 2019, it was plus 2.0 percent. In addition to organic growth, acquisition effects also contributed to the increase in the e-commerce business.

The TAKKT investment company was able to make another investment in the first quarter. Established in 2012, the start-up Profishop is a high-growth B2B e-commerce platform for consumables and equipment for business, storage, manufacturing and building services.

Information on the development of the progress indicators in the fiscal year can be found in the "Company performance" section (page 64 et seq.).

ORGANIZATIONAL REALIGNMENT ANNOUNCED

In November, TAKKT announced an organizational realignment called TAKKT 4.0. It includes a focus on two customer types with two business models, a transformation of the organization in order to allocate responsibilities and leadership at the relevant level and a strengthening of operational excellence.

Further information on TAKKT 4.0 can be found in the "Organization and business areas" and "Corporate goals and strategy" sections.

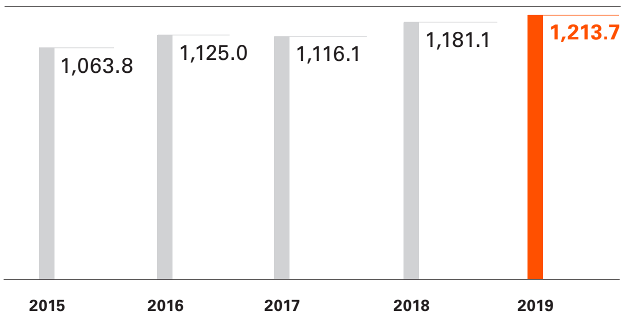
SALES AND EARNINGS REVIEW

In 2019, TAKKT increased sales by 2.8 percent. The Group benefited from the contributions of acquisitions and positive currency effects. In organic terms (i.e., adjusted for the effects of acquisitions, disposals and exchange rates), sales were 1.4 percent below the level of the previous year. Both segments showed identical organic sales development. In Europe, the weak economic conditions had a notable impact. The US business suffered from the loss of a major customer at Hubert. However, adjusted for this affect, it achieved slight organic growth. In addition to the downward trend in organic sales, the EBITDA margin was also negatively affected by one-time effects and came to 12.4 percent.

ACQUISITIONS AND STRONGER US DOLLAR RESULT IN SALES INCREASE

TAKKT generated sales of EUR 1,213.7 (1,181.1) million in the 2019 fiscal year. Reported sales growth came to 2.8 percent. The Group benefited from positive currency effects in the amount of 2.6 percentage points, primarily as a result of the stronger US dollar. In addition, the acquisitions of OfficeFurnitureOnline, Runelandhs and XXLhoreca made contributions to sales totaling two percentage points, whereas the closure of Hubert's European activities had a negative impact of 0.4 percentage points. Organically (i.e., adjusted for the mentioned effects), Group sales were down 1.4 percent on the previous year. As expected, termination of the business relationship with a major customer at Hubert as of the beginning of March had a significant impact on organic growth. The loss of the corresponding volume had a negative impact on organic growth of one and a half percentage points.

SALES *in EUR million*

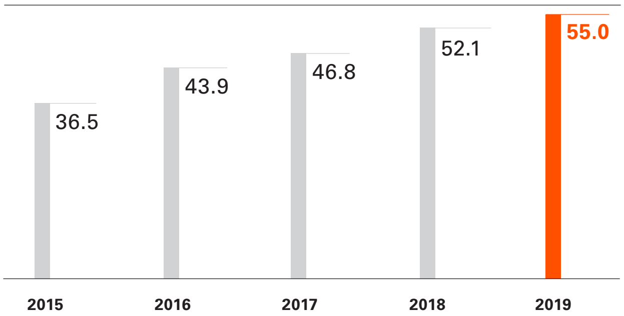


MANAGEMENT REPORT

FURTHER INCREASE IN ORDER INTAKE VIA E-COMMERCE

In the omnichannel approach, it is important to differentiate between marketing and sales impulses on the one hand and the order intake method on the other. When allocating incoming orders, only the method by which the order has been received can be determined directly. Indirect conclusions about marketing or sales impulses can, however, be a valuable source of information with respect to the diverse internal links in omnichannel models.

E-commerce share in order intake *in %*

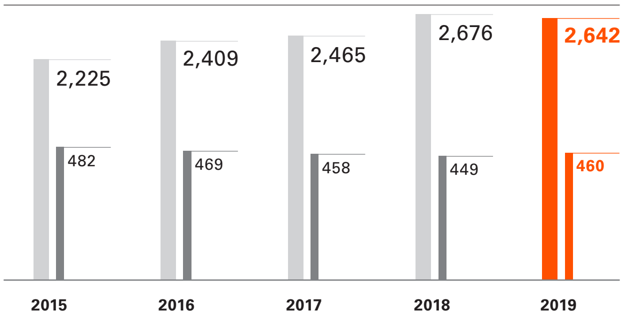


Order intake via e-commerce rose again in the year under review. The share of total order intake increased to 55.0 (52.1) percent. E-commerce also includes orders that were placed with TAKKT companies through traditional channels but initiated via the internet. The renewed increase in orders through e-commerce can be attributed to the further intensification of e-commerce activities – including the implementation of the digital agenda. Acquisitions also contributed to the increase since their business models have a significantly higher e-commerce share than the TAKKT Group on average. Order intake from traditional sales activities such as print advertising, telesales and field sales declined and represented a little less than half of order intake with a share of 45.0 (47.9) percent.

SLIGHT ORGANIC DECLINE IN NUMBER OF ORDERS

The number of orders in the year under review at 2.6 (2.7) million was slightly below the level of the previous year. The acquisitions had a positive effect on the development of order numbers, whereas the phase-out of Hubert Europa had a negative impact. Adjusted for these changes to the portfolio of the TAKKT Group, the number of orders was 3.3 percent lower than in 2018. However, the average order value increased and also benefited from the stronger US dollar. On average, the volume of one individual customer order came to EUR 460 (449) in the year under review. The value was only slightly above the level of the previous year in organic terms.

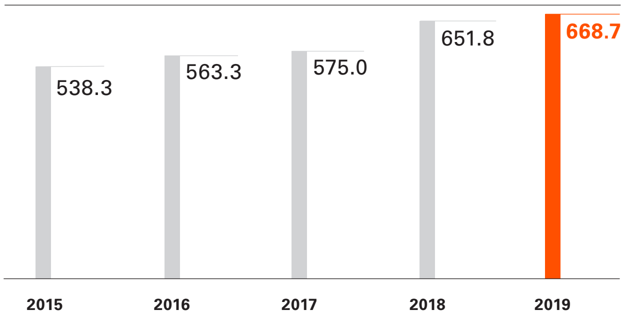
Number of orders *in thousands*
Average order value *in EUR*



TAKKT EUROPE: NEWPORT AS GROWTH DRIVER

In the TAKKT EUROPE segment, sales increased in 2019 by 2.6 percent to EUR 668.7 (651.8) million. The share of the segment in Group sales thus remained virtually unchanged at 55.1 (55.2) percent. The acquisition of OfficeFurnitureOnline and Runelandhs in 2018 and XXLhoreca in May 2019 resulted in significant additional contributions to sales. Currency effects were slightly positive. Acquisitions and exchange rates had a positive overall impact on sales development of 4.0 percentage points. Organic sales development was slightly negative at minus 1.4 percent, with the average order value declining more sharply than the number of orders.

Sales TAKKT EUROPE *in EUR million*



Due to the challenging economic conditions, Newport was the only one of the three European divisions able to achieve organic growth in 2019. The restrained economic development in Europe and especially in Germany had a noticeable impact on the demand from KAISER+KRAFT customers. The group operates a relatively cyclical business model with the sale of plant, warehouse and business equipment. In particular, customers from the mechanical engineering and automotive industries placed considerably fewer orders during the course of the year than in the previous year. Only in individual European countries such as Switzerland the business development was stable. Organic sales development saw an overall decline in the mid-single-digit percentage range.

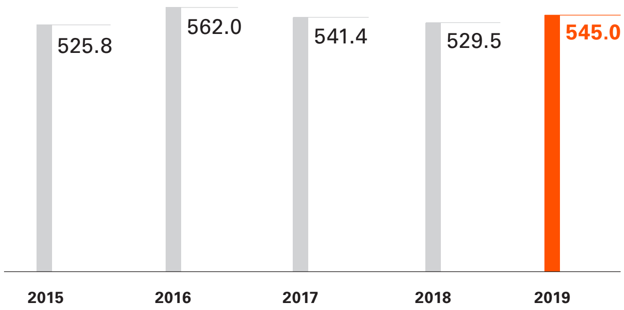
After good growth in the previous year, packaging specialist ratioform suffered a very low single-digit organic decline in sales in 2019 due to the slowdown in the economic environment. Particularly in Germany, business fell short of expectations.

Business performance at Newport was much more positive. The group, in which the European Web-focused activities are bundled, benefited significantly from the additional contributions made by the acquisitions of OfficeFurnitureOnline and XXLhoreca. Organically as well, sales developed very favorably with low double-digit growth. Within Newport, the strongest organic growth was driven by the activities of Certeo.

TAKKT AMERICA: LOSS OF A MAJOR CUSTOMER HAS A NEGATIVE IMPACT ON GROWTH

The TAKKT AMERICA segment benefited from the higher US dollar exchange rate in 2019 and increased its sales to EUR 545.0 (529.5) million. Its share of Group sales was thus virtually unchanged at 44.9 (44.8) percent. The phase-out of Hubert Europa had a negative impact on sales. Adjusted for this as well as the currency effect, organic sales development was minus 1.4 percent. The loss of a major Hubert customer as of March had a negative impact on organic growth in America of three and a half percentage points. Based on organic performance, the number of orders also decreased significantly over the previous year due to this effect, while the average order value increased.

Sales TAKKT AMERICA *in EUR million*



With the exception of Hubert, all US divisions were able to grow organically in the past fiscal year. Adjusted for the aforementioned effect of the loss of business with a major customer, Hubert was able to show low single-digit organic growth in 2019 after several years of significantly declining sales. The group developed new customer groups for its business with food service equipment and sales promotion products. The Central group, which specializes in restaurant equipment, also achieved low single-digit organic growth.

Both the D2G group and NBF achieved low single-digit organic growth. At D2G, the specialist for display products, development of the Post-Up Stand sales brand was below average. At NBF, which is specialized in office equipment, a significant deterioration in demand could be observed over the course of the year, following the very favorable development of the previous year.

Key sales and earnings figures

	2015	2016	2017	2018	2019
Sales (in EUR million)	**1,063.8**	**1,125.0**	**1,116.1**	**1,181.1**	**1,213.7**
TAKKT EUROPE	538.3	563.3	575.0	651.8	668.7
TAKKT AMERICA	525.8	562.0	541.4	529.5	545.0
EBITDA (in EUR million)	**157.3**	**171.3**	**150.3**	**150.1**	**150.2**
TAKKT EUROPE	98.4	107.1	97.1	98.6	105.9
TAKKT AMERICA	68.9	77.1	64.8	64.5	60.4
EBITDA margin (in percent)	**14.8**	**15.2**	**13.5**	**12.7**	**12.4**
TAKKT EUROPE	18.3	19.0	16.9	15.1	15.8
TAKKT AMERICA	13.1	13.7	12.0	12.2	11.1

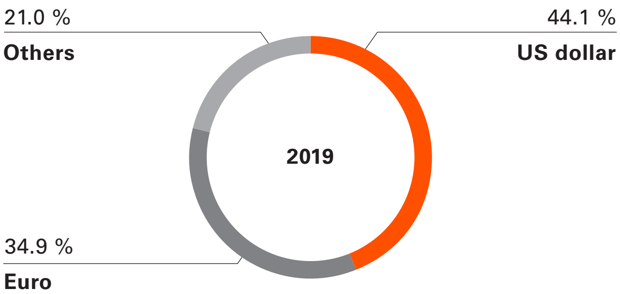
SALES BY REGION: GERMAN SHARE OF SALES DECREASES

Affected by the differing performance of business in the individual countries as well as acquisition and currency effects, the regional sales spread developed as follows:

- Sales of the business in Germany was influenced by the weak economic environment and decreased to EUR 260.8 (269.5) million. Its share of Group sales therefore came to 21.5 (22.8) percent.
- Sales of the other European business grew to EUR 407.9 (386.8) million, mainly as a result of the acquisitions. Its share of consolidated sales increased to 33.6 (32.8) percent.
- Due to the stronger exchange rate of the US dollar, sales in North America increased to EUR 545.0 (524.8) million. Its share of Group sales therefore came to 44.9 (44.4) percent.

34.9 (36.0) percent of the consolidated turnover was realized in the reporting currency of euros. The portion in US dollars came to 44.1 (43.7) percent. Other currencies, such as the Swiss franc, the British pound and the Swedish krona, had a total share of 21.0 (20.3) percent.

Sales by currency



GROSS PROFIT MARGIN STABILIZED

In 2019, the Group's gross profit margin of 41.3 (41.5) percent was at about the same level of the previous year. In Europe, the gross profit margin decreased slightly, mainly due to the effect of the acquisitions, which generate a lower gross profit margin than the other European activities. In the US on the other hand, the margin increased slightly, also as a result of the discontinuation of Hubert's European business.

PERSONNEL EXPENSES NEGATIVELY AFFECTED BY STRUCTURAL ADJUSTMENTS

Personnel expenses increased in the year under review by 9.5 percent to EUR 190.8 (174.3) million. Besides currency effects and the acquisitions, the increase was mainly attributable to one-time costs for structural adjustments at various companies. Adjusted for portfolio and currency effects, personnel expenses increased by 7.9 percent compared to the previous year. The personnel expense ratio as a percentage of sales increased to 15.7 (14.8) percent due to the declining organic sales trend and one-time expenses.

FLEXIBLE MANAGEMENT OF MARKETING COSTS

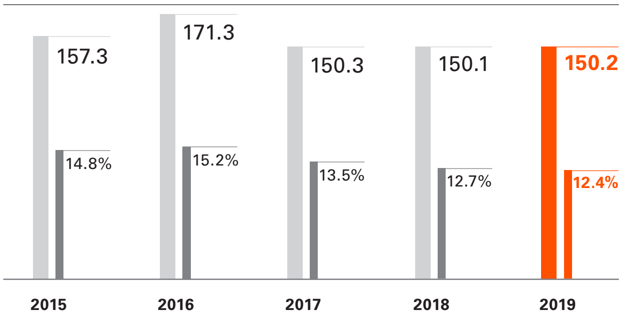
Despite the positive currency effect and acquisitions, marketing costs only increased minimally in absolute terms compared to the previous year. The marketing cost ratio even declined slightly in relation to sales. In organic terms, expenditures for print and online marketing were also below the level of the previous year in relation to sales. In 2019, TAKKT took early steps to flexibly manage its marketing budgets due to the deterioration of economic conditions. In 2019, a structural shift was also observable within advertising costs from print to online.

EBITDA MARGIN OF GROUP WITHIN TARGET CORRIDOR

The main key performance indicator for the TAKKT Group for operational profitability is EBITDA (earnings before interest, taxes, depreciation and amortization). In the year under review, EBITDA remained nearly constant in comparison to the previous year at EUR 150.2 (150.1) million. Positive effects resulted from changes in exchange rates and the additional contributions from acquisitions. At Hubert, a positive and negative effect on earnings essentially balanced each other out. The absence of EBITDA due to the termination of business with a major customer and the savings from the phase-out of unprofitable activities in Europe were at a comparable level. As expected, the first-time adoption of accounting standard IFRS 16 had a positive effect on EBITDA of EUR 12.4 million.

In addition to these factors, earnings were affected by one-time effects in both 2018 and 2019. In the previous year, TAKKT realized a one-time gain of EUR 4.9 million from the sale of an office building and a one-time expense for the creation of a variable purchase price liability in the amount of EUR 2.0 million. One-time costs totaling EUR 11.2 million were incurred in the year under review. Of these, EUR 5.9 million were the result of adjustments to the cost structure due to the regressive business development. EUR 5.3 million were incurred as part of the first steps of the TAKKT 4.0 organizational realignment. At the same time, TAKKT generated a one-time gain of EUR 2.8 million from the release of an outstanding variable purchase price liability for XXLhoreca recognized in profit and loss. Despite very good growth, XXLhoreca's profitability in 2019 was below the threshold specified for the payment of the purchase price. EBITDA in the year under review includes personnel and other expenses for the implementation of the digital agenda in the amount of EUR 10.9 (11.3) million.

EBITDA *in EUR million*/**margin** *in %*

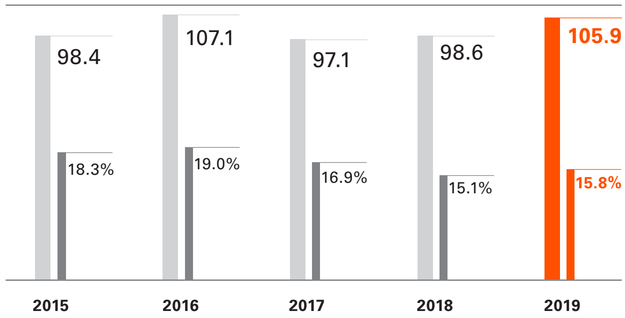


The EBITDA margin of 12.4 (12.7) percent was within the Group's long-term target corridor. Despite the positive effect of around one percentage point due to the adoption of IFRS 16, the margin declined compared to the previous year due to higher one-time expenses. Adjusted for the aforementioned one-time effects in both years and the influence of IFRS 16, the EBITDA margin was less than half a percentage point below the previous year.

TAKKT EUROPE: SLIGHT INCREASE IN EBITDA

In the TAKKT EUROPE segment, EBITDA increased by 7.4 percent to EUR 105.9 (98.6) million. The reasons for the increase were the additional contributions from acquisitions and the first-time adoption of IFRS 16. In addition, earnings in Europe were negatively affected by one-time costs totaling EUR 6.4 million for structural adjustments to the cost structure and for TAKKT 4.0. The one-time gain from the adjustment of the variable purchase price liability of EUR 2.8 million, conversely, had a positive effect on the result.

EBITDA TAKKT EUROPE *in EUR million*/**margin** *in %*

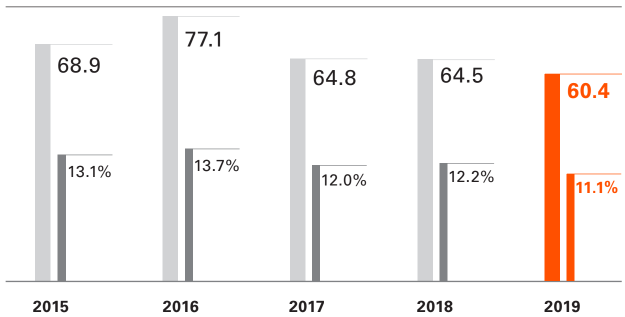


The EBITDA margin of the TAKKT EUROPE segment rose to 15.8 (15.1) percent. The first-time adoption of IFRS 16 and the release of the purchase price liability had a positive impact on the margin. However, the aforementioned one-time expenses and lower profitability of the acquired companies had a negative impact on the margin. Adjusted for these effects, the EBITDA margin decreased only slightly. The KAISER+KRAFT group was the most profitable unit of the segment again in 2019. The EBITDA margin for ratioform also remained above the target corridor for the Group as a whole.

TAKKT AMERICA: DECLINE IN EARNINGS AFTER ABSENCE OF ONE-TIME GAIN

EBITDA in the TAKKT AMERICA segment decreased by 6.4 percent to EUR 60.4 (64.5) million. This decline was attributable to the aforementioned one-time gain of EUR 4.9 million in the previous year and the one-time expense of EUR 2.1 million for the adjustment of the cost structure in the year under review. The absence of EBITDA due to the termination of business with a major customer and the savings from the phase-out of unprofitable activities in Europe were at a comparable level. On the other hand, the first-time adoption of IFRS 16 had a positive effect.

EBITDA TAKKT AMERICA *in EUR million*/**margin** *in %*



The EBITDA margin decreased to 11.1 (12.2) percent. Adjusted for the effect of IFRS 16, the expenses for structural adjustments and the one-time effect from the sale of real estate in the previous year, the EBITDA margin would have declined by around half a percentage point. While Hubert achieved a high single-digit EBITDA margin, all the other US divisions generated double-digit profitability.

DEPRECIATION AND AMORTIZATION SIGNIFICANTLY ABOVE THE PREVIOUS YEAR DUE TO ADOPTION OF IFRS 16

Due to the first-time adoption of IFRS 16, depreciation and amortization increased significantly by around EUR 14 million to EUR 41.4 (27.5) million in the year under review. Of this, EUR 12.0 million related to the amortization of rights of use resulting from the adoption of IFRS 16. In the year under review, amortization of intangible assets from the acquisitions came to EUR 8.9 (10.4) million. While depreciation on property, plant and equipment had hardly changed without the rights of use resulting from IFRS 16, depreciation on other intangible assets increased significantly as a result of investments in ERP systems. Extraordinary expenses such as the impairment of recognized goodwill were not incurred in 2019 or in the previous year. EBIT (earnings before interest and taxes) came to EUR 108.8 (122.5) million, which was 11.2 percent lower than in the previous year. The EBIT margin fell to 9.0 (10.4) percent.

The financial result decreased to minus EUR 8.2 (minus 5.6) million, partly due to the higher expenditure for the accrued interest on finance leases resulting from IFRS 16. This resulted in profit before tax of EUR 100.6 (116.9) million.

TAX RATIO LITTLE CHANGED

The tax ratio increased slightly to 25.7 (24.7) percent compared to the previous year. In both years, there were favorable effects on the tax ratio. In the year under review, the release of the purchase price liability for XXLhoreca recognized in profit and loss reduced the tax ratio. In the previous year, TAKKT was able to use tax loss carryforwards to a greater extent and also realized higher tax gains relating to prior periods. Adjusted for these effects, the tax ratio came in at 26.5 (27.2) percent.

The profit for the period decreased by 15.2 percent to EUR 74.7 (88.1) million. Earnings per share decreased accordingly to EUR 1.14 (1.34) based on the unchanged weighted average number of shares of 65,610,331.

FINANCIAL POSITION

TAKKT has centralized financial management, which ensures the creditworthiness and financing capability of the Group for the long term. The Group can make use of expansion opportunities on short notice at any time. The financing structure is balanced and optimized. In the year under review, financial liabilities increased noticeably due to the first-time adoption of the IFRS 16 accounting standard. Despite the challenging business development, the Group was able to significantly increase the free TAKKT cash flow by reducing inventories.

CENTRALIZED FINANCIAL MANAGEMENT LIMITS FINANCIAL RISKS

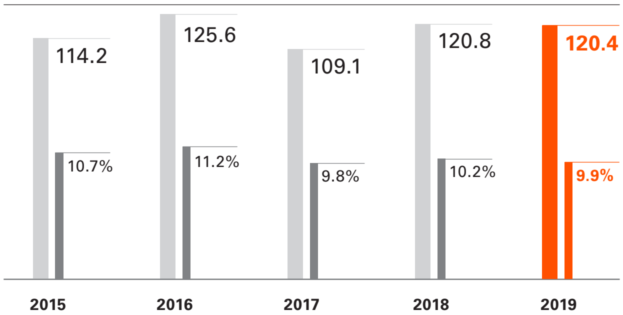
The financial management of the TAKKT Group includes the management and allocation of all financial resources with the primary goal of ensuring that liquidity is available at all times. In addition, TAKKT pursues the following goals within the scope of financial management:

- 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.
- 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. The Group achieved a high cash surplus also this year. As with EBITDA, the TAKKT cash flow of EUR 120.4 (120.8) million was roughly at the same level as the previous year. As discussed in the 2018 annual report, TAKKT adjusted the definition of the TAKKT cash flow as of the beginning of 2019. According to the new definition, the TAKKT cash flow disclosed for the previous year is EUR 0.6 million higher than in the value published a year ago. The cash flow margin (i.e., the TAKKT cash flow in relation to sales) came to 9.9 (10.2) percent. The first-time adoption of IFRS 16 had a positive impact of around one percentage point on the cash flow margin. The TAKKT cash flow per share was EUR 1.83 (1.84).

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



Cash flow from operating activities increased by about EUR 31 million from EUR 99.4 to 130.8 million. One of the main reasons for this was the different development of inventory. In 2018, against the backdrop of discussions regarding imposing increased import tariffs for goods from China, the US companies increased the volume of direct imports and built up inventories. This effect partially reversed in the year under review through the reduction of inventory. Compared to the previous year, this led to an overall

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

	2015	2016	2017	2018	2019
TAKKT cash flow	**114.2**	**125.6**	**109.1**	**120.8**	**120.4**
Change in net working capital as well as other adjustments	–26.9*	–8.9	–8.7	–21.4	10.4
Cash flow from operating activities	**87.3**	**116.7**	**100.4**	**99.4**	**130.8**
Capital expenditure in non-current assets	–14.2	–17.4	–27.8	–25.0	–24.7
Proceeds from disposal of non-current assets	0.3	0.5	0.4	8.3	1.0
Proceeds from the disposal of consolidated companies	16.1	1.6	0.0	0.0	0.0
Free TAKKT cash flow	**89.5**	**101.4**	**73.0**	**82.7**	**107.1**

* *this includes the partial amount of EUR 16.2 million from the payment made for the remaining purchase price liability for GPA*

positive effect on cash flow from operating activities of around EUR 27 million.

The business model of the TAKKT Group is not very capital intensive, which is why capital expenditure is generally rather low. TAKKT's long-term average capital expenditure ratio (the ratio of capital expenditure for maintenance, expansion and modernization of the business operations to sales) is one to two percent – not including investments by the TAKKT investment company (TBG). The capital expenditure rate in the year under review was at the upper end of this range with 1.8 (1.8) percent.

The total capital expenditure in non-current assets was slightly below the previous year's level at EUR 24.7 (25.0) million. Major individual capital expenditures related to the order processing system at KAISER+KRAFT, the renovation of the office spaces at the headquarters in Stuttgart and TBG's investments.

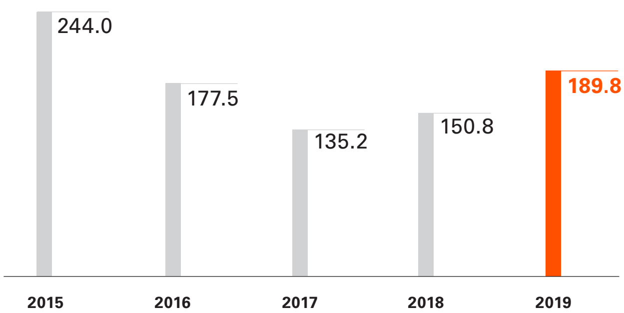
After deducting the total capital expenditure in non-current assets and cash inflows from disposals, the remaining free TAKKT cash flow in the year under review came to EUR 107.1 (82.7) million. In the previous year, the free TAKKT cash flow benefited from the sale of an office property in the US for around EUR 8 million, while only inflows from disposals of around EUR 1 million were recorded in the fiscal year.

The free TAKKT cash flow in the year under review was offset by the purchase payments for the acquisition of XXLhoreca in the amount of EUR 18.7 million, the payment for a variable purchase price component for Mydisplays in the amount of EUR 2.0 million, and the dividend payment of EUR 55.8 million.

The strong cash flow-based business model of the TAKKT Group allows a significant reduction of net financial liabilities in years without acquisitions. In years with acquisition activities, conversely, there is generally an increase.

However, the reported net financial liabilities (i.e., financial liabilities less cash and cash equivalents) increased to EUR 189.8 million compared to EUR 150.8 million at the end of 2018. The adoption of IFRS 16 alone resulted in an increase in reported net financial liabilities of around EUR 58 million. A more detailed presentation of the effects of IFRS 16 can be found in the notes on the assets position.

Development of net financial liabilities *in EUR million*



Taking into account all of the financing activities of the Group, cash and cash equivalents came to EUR 3.8 (3.1) million as of December 31, 2019. For details on the generation and usage of cash flow, please refer to the cash flow statement of this annual report.

DIVERSIFIED FINANCING, BALANCED MATURITY PROFILE

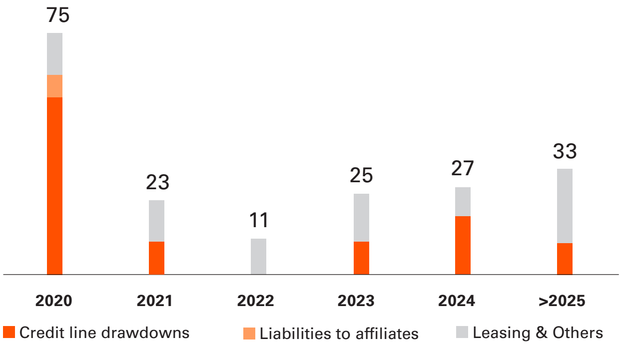
TAKKT places great importance on the conservative, long-term oriented and diversified financing of the business. The financing activities of the Group are centrally managed with funding mainly denominated in the EUR and USD currencies. TAKKT primarily uses the following financing instruments:

- Formally approved bilateral credit lines with 13 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 concluded almost exclusively for five-year periods. The credit agreements are unsecured and do not include any financial covenants. As of the reporting date, liabilities to financial institutions came to EUR 102.7 (119.4) million.

- Individual buildings and plant installations are leased by TAKKT. Lease liabilities as of the end of the reporting period came to EUR 77.2 (26.4) million. The sharp increase in lease liabilities is mainly due to the first-time adoption of IFRS 16. A more detailed presentation of this can be found in the notes on the assets position.

The maturity structure of the financial liabilities as of the end of the reporting period is as follows:

Maturity profile of financial liabilities of the TAKKT Group
in EUR million



In addition to the credit line drawdowns, the Group also had free approved credit lines of EUR 151.8 (157.4) million available to it, of which EUR 69.3 (71.2) million are short-term credit lines and EUR 82.5 (86.2) million are long-term credit 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 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 concluded 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 the finance volume. 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 ON CAPITAL MANAGEMENT IN THE TARGET CORRIDOR

All covenants used by TAKKT internally for the long-term management of its financial structure are within the internally set target corridor as of the reporting date. They thus underscore the solid financing of the Group and provide the framework for future growth. TAKKT strives to achieve a balance between security and profitability. The objective is to ensure sufficient financial scope for growth and difficult times on the one hand as well as an appropriate interest return on total capital employed on the other.

As of the end of the reporting period, the equity ratio of 58.5 (60.8) percent was slightly below the value of the previous year and thus within the target corridor of 30 to 60 percent. Gearing increased to 0.3 (0.2) in the year under review with the increase in net financial liabilities due to the adoption of IFRS 16. At the same time, average net borrowings increased, which is why the debt repayment period rose to 1.7 (1.4) years. The net financing expenses increased significantly compared to 2018; at the same time, the operating result before amortization of goodwill decreased, whereby the interest cover has now decreased to a still very high level of 16.7 (23.8). 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	2015	2016	2017	2018	2019
Equity ratio	30 to 60 percent	49.1	55.2	61.2	60.8	58.5
Debt repayment period	< 5 years	2.2	1.6	1.4	1.4	1.7
Interest cover	> 4	14.4	18.3	16.3	23.8	16.7
Debt-equity-ratio (gearing)	< 1.5	0.5	0.3	0.2	0.2	0.3

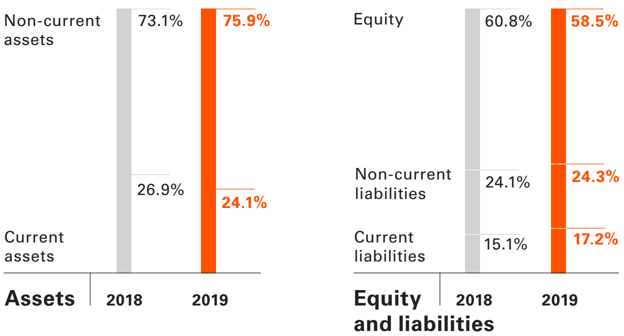
ASSETS POSITION

The first-time adoption of the new IFRS 16 leasing standard results in a significant increase in total assets, particularly due to an increase in non-current assets as well as non-current liabilities. As a result, the balance sheet ratios change only slightly. TAKKT continues to have a very solid financing structure.

ASSETS INCREASE AS A RESULT OF IFRS 16 AND ACQUISITIONS

The total assets of the TAKKT Group increased mainly due to the adoption of IFRS 16 as well as the acquisitions executed from EUR 1,037.1 million to EUR 1,100.7 million. In particular, around EUR 55 million of that increase was attributable to the newly recognized lease contracts. The acquisition effect of the initial consolidation of XXLhoreca amounting to around EUR 25 million as well as currency effects of about EUR 12 million were offset in large part by an operating decline of EUR 28 million.

Balance sheet structure of the TAKKT Group



Non-current assets of EUR 835.5 (758.6) million made up 75.9 (73.1) percent of the assets. The initial consolidation of XXLhoreca increased non-current assets by EUR 23.0 million, of which EUR 17.5 million related to the increase of goodwill and EUR 5.5 million to the intangible assets identified as part of the purchase price allocation. The remaining increase is mainly due to the first-time adoption of IFRS 16 and the recognition of lease contracts in the amount of EUR 55.4 million as of January 1, 2019. As a result of IFRS 16, depreciation increased significantly by EUR 12.0 million. Additions from leases concluded in the 2019 fiscal year came to EUR 10.3 million. Further amortization and depreciation of tangible assets and intangible assets in the amount of EUR 29.4 million were countered by additions to fixed assets of EUR 24.7 million.

No impairment of goodwill was necessary on the basis of the impairment tests performed. With 53.7 (54.7) percent, goodwill continues to make up the major share of assets reported on the balance sheet.

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 the conditions of IAS 38. This is not the case with regard to the intangible assets generated within the TAKKT Group. Accordingly, these figures are not recorded. 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

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

	2015	2016	2017	2018	2019
Non-current assets	**735.6**	**729.9**	**692.6**	**758.6**	**835.5**
in % of Total assets	76.3	74.9	74.6	73.1	75.9
Current assets	**228.6**	**244.1**	**235.8**	**278.5**	**265.2**
in % of Total assets	23.7	25.1	25.4	26.9	24.1
Total assets	**964.2**	**973.9**	**928.5**	**1,037.1**	**1,100.7**
Total Equity	**473.4**	**537.8**	**567.8**	**630.4**	**644.2**
in % of Total equity and liabilities	49.1	55.2	61.2	60.8	58.5
Non-current liabilities	**314.8**	**243.4**	**222.8**	**250.3**	**267.6**
in % of Total equity and liabilities	32.6	25.0	24.0	24.1	24.3
Current liabilities	**176.0**	**192.8**	**137.8**	**156.4**	**188.9**
in % of Total equity and liabilities	18.3	19.8	14.8	15.1	17.2
Total equity and liabilities	**964.2**	**973.9**	**928.5**	**1,037.1**	**1,100.7**

recognition in the balance sheet 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 comes to a total of EUR 47.1 (49.7) million. The value of the brands with an indefinite useful life recognized as of December 31, 2019 came to EUR 28.1 (27.7) million.

Current assets came to EUR 265.2 (278.5) million or 24.1 (26.9) percent of total assets as of December 31, 2019. Inventories of EUR 124.4 (128.6) million as well as trade receivables of EUR 101.3 (107.9) million together amounted to 85.1 (84.9) percent of current assets. While trade receivables decreased mainly due to the weaker business performance compared to the previous year's quarter, the decline in inventories was largely a consequence of the reduction of direct imports from Asia, which had been built up at the US companies in the previous year, as a result of higher tariffs.

The payment behavior of the customers was unchanged and reliable as usual with a payment period of 32 (32) days for accounts receivable. The loss of receivables remained very low as in the previous year with a write-off rate of below 0.2 percent. Consequently, there was no significant impact on the development of trade receivables.

In the TAKKT Group, there are no off-balance-sheet financial instruments such as the sale of receivables or asset-backed securities.

INCREASE IN SHAREHOLDERS' EQUITY AND LIABILITIES

In addition to profit for the period of EUR 74.7 million and the dividend payment of EUR 55.8 million, positive currency effects of EUR 8.3 million as well as negative effects recognized directly in equity of EUR 13.4 million, mainly from the remeasurement of retirement benefit obligations, also contributed to the increase in total equity to EUR 644.2 (630.4) as of December 31, 2019. The total equity ratio of 58.5 (60.8) percent was slightly below the value of the previous year and thus within the target corridor of 30 to 60 percent.

Accounting for 24.3 (24.1) percent of the equity and liabilities were non-current liabilities amounting to EUR 267.6 (250.3) million. The increase in non-current liabilities was mainly attributable to the increase in pension provisions of EUR 16.9 million from EUR 63.0 million to EUR 79.9 million. Non-current financial liabilities increased from EUR 115.8 to EUR 118.3 million. As a result, the decline in long-term bank liabilities of around EUR 42 million was more than offset by the increase in lease liabilities of around EUR 47 million due to IFRS 16. Deferred taxes amounted to EUR 65.4 (64.4) million. They exist mainly as a result of the taxable reduced market value of goodwill in the US Group companies.

Current liabilities of EUR 188.9 (156.4) million made up 17.2 (15.1) percent of total assets. The increase resulted from the higher short-term bank liabilities of around EUR 26 million as well as higher lease liabilities of around EUR 11 million.

COMPANY PERFORMANCE

TAKKT was able to achieve most of the target values of the financial, product range-specific and value-based key performance indicators in the past year under review. Further progress was made in implementing the digital agenda. In addition, the Group realized improvements with respect to the sustainability indicators.

SOLID FINANCIAL KEY FIGURES

The short-term development of the organic sales performance, gross profit margin, EBITDA margin, and order intake key figures compared to the previous year was explained in detail in the "Sales and earnings review" section of this annual report. The development of TAKKT cash flow and the capital expenditure ratio can be found in the "Financial position" section.

Looking back over a longer period of time, TAKKT has been able to realize organic growth of between three and five percent in most of the fiscal years. Lower values with this key figure – such as in 2017 and 2019 – were due to unfavorable conditions that had a negative impact on the growth of the TAKKT Group. The value and growth drivers number of orders and average order value, which impact sales growth, have performed as expected for the most part over the past five years. The long-term organic growth was mainly attributable to the higher number of orders. Aside from structural and currency effects, there was little change in the average order value.

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 2019, as in previous years, additional negative effects on the gross profit margin from individual markets were offset by various margin improvement initiatives, such as the expansion of private labels and direct import shares. The target value defined in the management system of over 40 percent of sales was soundly achieved for all the years under review.

The performance of the EBITDA margin is influenced by the economic environment and – as in 2019 as well – by one-time gains and expenses. Another influencing factor since 2016 has been the expenses related to implementing the digital transformation. Beginning in 2019, the EBITDA margin has benefited from the adoption of IFRS 16 by around one percentage point. In the past five years, TAKKT achieved an EBITDA margin at least within the target corridor and thus high operational profitability – even in the years with weaker organic sales performance.

Between 2015 and 2019, the TAKKT cash flow margin was always above the defined target value of eight percent of sales. A TAKKT cash flow margin close to or even exceeding 10 percent has always been achieved over the last five years, which is an indicator of the high internal financing capability of the TAKKT Group. As with the EBITDA margin, IFRS 16 also had a positive effect of around one percentage point on the cash flow margin. 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. The upward trend in recent years is mainly attributable to capital expenditure for the digital transformation as well as the modernization of locations.

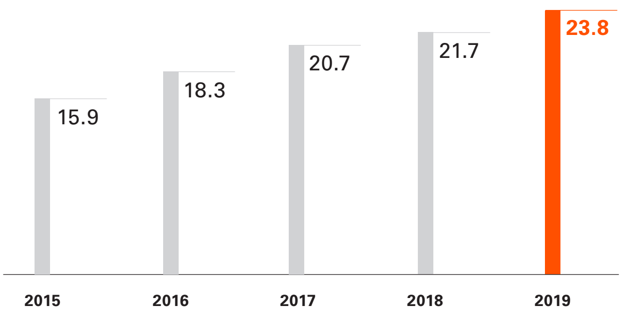
POSITIVE DEVELOPMENT OF PRODUCT RANGE FIGURES

The share of private labels in order intake grew further in the year under review to 23.8 (21.7) percent. Nearly all divisions contributed to the positive development. Of special note are the above-average increases at Hubert, NBF and especially D2G. NBF still has the highest share of private labels within the TAKKT Group. TAKKT has thus been able to continuously increase the share of private labels in the past five years.

Development of financial key figures

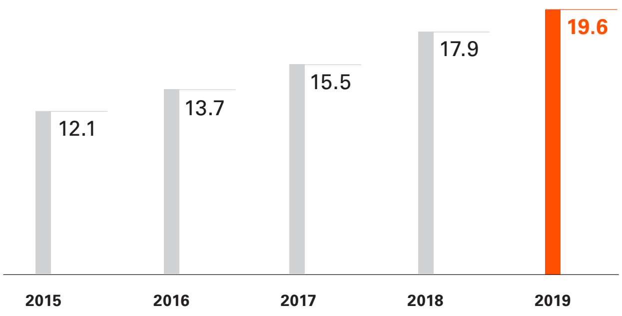
	2015	2016	2017	2018	2019
Organic sales development in percent	4.7	5.2	0.4	3.4	– 1.4
Number of orders in thousands	2,225	2,409	2,465	2,676	2,642
Average order value in EUR	482	469	458	449	460
Gross profit margin in percent	42.6	42.6	42.5	41.5	41.3
EBITDA margin in percent	14.8	15.2	13.5	12.7	12.4
TAKKT cash flow margin in percent	10.7	11.2	9.8	10.2	9.9
Capital expenditure ratio in percent	1.3	1.5	2.1	1.8	1.8

Share of private labels in order intake *in %*



At the Group level, the share of purchase volume from direct imports increased to 19.6 (17.9) percent in the year under review. TAKKT EUROPE benefited from the high share of the Newport group and especially at OfficeFurnitureOnline. The KAISER+KRAFT group remained at a similar high level. The divisions of TAKKT AMERICA were also able to increase the share of direct imports. The strongest increase could be seen at Hubert, while the D2G group has the highest share within the Group. Overall, TAKKT has steadily increased the share of direct imports over the past few years.

Share of direct imports in purchase volume *in %*



VALUE-BASED FIGURES: TAKKT VALUE ADDED AND ROCE BELOW PREVIOUS YEAR

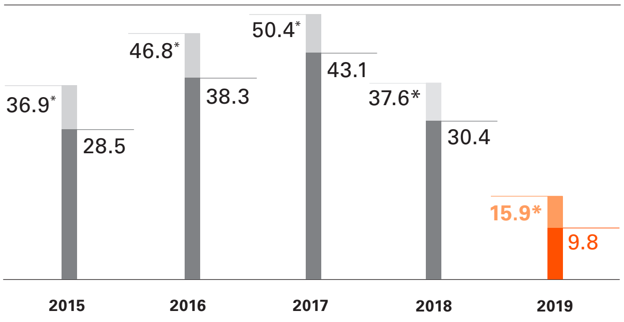
In 2019, the TAKKT value added was negatively impacted by one-time expenses and the broader capital base resulting from IFRS 16 and decreased significantly to EUR 9.8 (30.4) million.

The operating result after tax generated for calculation of the TAKKT value added decreased over the previous year by a total of EUR 12.6 million and amounted to EUR 81.3 (93.9) million. The average capital employed increased noticeably due to the recognition of lease contracts according to IFRS 16 and the acquisition of XXLhoreca. The negative effect on TAKKT value added due to the first-time application of IFRS 16 was around four million euros. The weighted average cost of capital (WACC) after tax used to calculate the total cost of capital remained unchanged at 7.8 (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 five percent is used for debt capital. This is derived from a long-term view of the average rates of interest on debt capital. Total cost of capital in 2019 thus came to EUR 71.5 (63.6) million.

With regard to the absolute value of the TAKKT value added, the amortization of intangible assets reduced the generated operating result after tax in the year under review by a total of EUR 6.1 (7.2) million. Without the amortization of intangible assets and the related tax effect, the TAKKT value added would have come to EUR 15.9 (37.6) million.

Based on the period of the past five years, TAKKT was able to exceed the goal of a TAKKT value added significantly greater than zero. The comparatively low figure for the year under review was negatively affected by the first-time adoption of IFRS 16 and one-time expenses. 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*

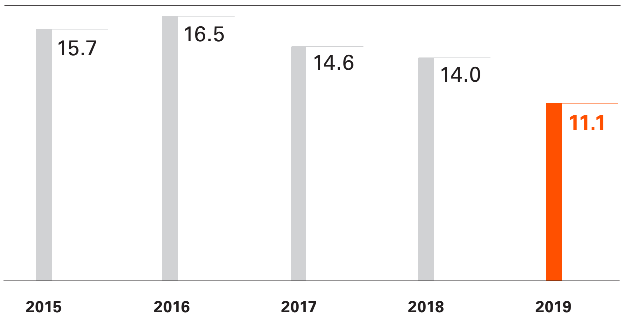


* *Adjusted for scheduled amortization of intangible assets resulting from acquisitions and the related tax effect.*

MANAGEMENT REPORT

The return on capital employed (ROCE) of 11.1 (14.0) percent in the year under review was below the figure of the previous year. As with the TAKKT value added, this was due to the decline in earnings as well as the increase in capital employed as a result of IFRS 16. Due to these effects, the ROCE target of over twelve percent was not achieved in the past fiscal year. The first-time application of IFRS 16 had a negative effect of around half a percentage point on ROCE.

ROCE *in %*



ADDITIONAL PROGRESS IN THE IMPLEMENTATION OF THE DIGITAL AGENDA

TAKKT uses specific progress indicators for a summary overview of the progress in the implementation of the digital agenda at the TAKKT Group level. These provide information on the number of measures started and completed, jobs created, costs and capital expenditures and the development of the e-commerce business.

In total, over 150 measures and projects for the implementation of the digital agenda have been defined at the divisional level. The number, scope and content of the measures and projects have undergone regular review during the implementation of the digital agenda and have been adjusted as required. By the end of 2019, TAKKT had launched 157 measures and projects. Of these measures, 92 have been completed and in many cases subsequently been integrated into the normal operations. These included the building of internal teams for web shop development or data analysis, providing the technical infrastructure, performing customer journey analyses, and changing and directing the internal organization towards customer groups.

One of the key goals of the digital agenda defined by TAKKT is the recruitment of digital talents. By the end of 2019, the Group had filled 85 positions with the required profile. The European companies hired significantly more than the companies in the US. The decline in the number of positions filled compared to the previous year was a consequence of the repositioning of Hubert and structural adjustments at KAISER+KRAFT.

With the implementation of the digital agenda, the following investments as well as personnel and other expenses were connected in 2019. Capital expenditures in non-current assets amounted to EUR 6.0 (8.4) million and other expenses amounted to EUR 2.9 (4.0) million. Personnel expenses for the positions created as part of the digital agenda increased to EUR 8.0 (7.3) million in total and thus EUR 0.7 million higher than in the previous year. In addition, the TAKKT investment company invested EUR 3.0 (2.3) million in start-ups.

TAKKT wants to significantly increase order intake via e-commerce over the course of the digital transformation. After good growth rates in previous years, the organic growth of order intake via e-commerce came to only 2.0 percent in 2019. In addition to the weak economic environment, the loss of the e-commerce business with a major Hubert customer had a negative impact of around two percentage points. Adjusted for this effect, the e-commerce

Indicators for the implementation of the digital agenda

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

business showed stable development in North America and increased significantly in Europe. This was the first time that the share of e-commerce in Europe significantly exceeded that of the US. The share of e-commerce in order intake for the Group grew from 52.1 to 55.0 percent.

CONTINUOUS INCREASE IN SUSTAINABILITY PERFORMANCE

TAKKT has defined a set of sustainability indicators as non-financial performance indicators with concrete goals and measures to be achieved in the focus areas by the end of 2020: In the area of purchasing, TAKKT wants to procure 50 to 60 percent of the Group's volume from evaluated suppliers and certify 30 to 40 percent from direct imports. The share of sales generated through sustainable products is expected to come to at least 12 to 15 percent of consolidated sales. In marketing, for example, paper consumption for print advertising per order will be reduced significantly. In addition, the share of carbon-neutral print advertising will be 100 percent. In logistics, the aim is for the share of parcel shipments that offset delivery-related carbon emissions to be 100 percent and general cargo shipments from central warehouses to be offset by at least 90 percent. In the area of resources & climate, certified carbon footprints are to be prepared for 15 to 18 major Group companies. TAKKT also wants to introduce a certified environmental management system in ten to thirteen major Group companies and an energy management system for five to eight companies. In addition, energy consumption per order is to be significantly reduced at all German and US locations. At the employee level, the quota of women in top management positions is to be at least ten percent. In the focus area society, at least 55 to 60 percent of the staff will receive paid leave for volunteer local and social involvement. The share of employees who participate in volunteer projects for non-profit organizations or social causes within the scope of occupational possibilities should be at least eight to twelve percent.

With these sustainability indicators, TAKKT's goal is to be able to systematically manage and document the progress in this area as well. Progress could once again be recorded in almost all focus areas in the year under review. In 2019, TAKKT made progress toward its goal of expanding its position as a role model for sustainability in the industry by 2020. 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 66. Five key figures from the program of measures from 2011 to 2016 were adopted. In 2017, the number of key figures examined was significantly broadened.

- 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 a strong emphasis on sustainability in its supply chain. The supplier evaluation program for measuring sustainability performance EcoVadis, which was launched as a pilot project in 2013, has since been expanded every year to include other subsidiaries and affiliate suppliers. The share of purchase volume from certified suppliers in the year under review was 51.6 percent. TAKKT was able to significantly increase the share of the purchase volume of direct imports from certified suppliers in 2019.

- Marketing: Advertising efforts are always connected with the use of non-renewable resources. TAKKT is working to constantly reduce their use. By using advertising material more efficiently, the Group only used 3.0 kg of printed advertising materials per order in the year under review. Today, already more than half of these printed advertising materials have been made carbon neutral. 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, additional web shops of major companies were rendered carbon neutral, whereby a total of 17 web shops are already operated in a carbon neutral manner.

- Logistics: The direct marketing of goods is proven to cause significantly lower carbon emissions than sales through local distributors. Since 2012, TAKKT is increasing efforts to make delivery of the products as low on emissions as possible and is now handling 92.2 percent of Group-wide parcel delivery carbon-neutrally. Since 2014, carbon-neutral deliveries are carried out in Germany for general cargo as well. In the year under review, TAKKT rolled out carbon-neutral general cargo transport to other countries. Group-wide, the share of carbon-neutral cargo shipments from the central warehouses in Europe and warehouses in the US comes to 54.8 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 since 2011. In addition, certified environmental and energy management systems will be introduced gradually. Due to the weak order development, energy consumption per order at German and US locations increased slightly in the year under review.

- **Employees:** As part of the digital agenda, TAKKT managed to recruit many new employees with highly developed digital skills. Now it is important to advance and retain them in the company for the long term. In order to achieve this, continuous measures such as creating modern working environments are evaluated and implemented. The share of retained 'digital talents' is currently 65.9 percent. TAKKT is also 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. The share of women in top management positions is currently 15.1 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 was 68.8 percent in the year under review. Due in particular to the high level of commitment of our employees in the US, the share of Group employees who participated in such local projects came to 14.7 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	2015	2016	2017	2018	2019
Sourcing	Share of sourcing volume from certified suppliers	36.3%	40.5%	46.8%	44.2%	51.6%
	Share of direct imports sourcing volume from certified suppliers			39.8%	39.3%	60.2%
	Share of sales from sustainable product ranges	9.6%	9.8%	9.3%	9.5%	9.5%
Marketing	Carbon-neutral web shops for major companies			7	12	17
	Paper consumption print advertising materials per order			5.4kg	4.2kg	3.0kg
	Share of carbon-neutral advertising materials per year			12.1%	19.9%	60.5%
Logistics	Share of carbon-neutral parcel delivery			91.4%	93.5%	92.2%
	Share of carbon-neutral general cargo delivery from distribution center			44.7%	48.9%	54.8%
Resources & Climate	Major companies with carbon footprint	10	10	13	13	16
	Major companies with a certified environmental management system	3	3	6	6	9
	Major companies with a certified energy management system			4	4	4
	Energy consumption at GER/US locations per order in megajoule			70.6	66.7	71.3
Employees	New hires digital agenda: Share of retained "digital talents"			90.9%	89.9%	65.9%
	Diversity: Share of women in top executive positions			10.5%	12.3%	15.1%
Society	Percentage of employees who have the opportunity to take a paid leave for local volunteer involvement	37.9%	41.2%	65.7%	70.2%	68.8%
	Percentage of employees who took part in local volunteer projects			15.1%	18.0%	14.7%

** Five indicators were adopted from the program of measures from 2011 to 2016. Reporting of the other indicators started in 2017.*

COMPARISON OF ACTUAL AND FORECAST DEVELOPMENT

For the 2019 fiscal year, TAKKT expected an economic downturn in the Europe and North America regions. Based on this, it expected slight organic sales growth and an EBITDA margin within the target corridor of between 12 and 16 percent. After the economic development in the second half of the year proved worse than originally anticipated, especially in Europe, TAKKT adjusted its forecast in October to organic growth of between minus one and minus two percent and an EBITDA margin of 12 percent. In contrast, the key figures not affected by sales growth and earnings largely developed as forecast at the beginning of the year.

With regard to the financial key figures, the number of orders – as with sales – did not perform as positively as expected. The gross profit margin, TAKKT cash flow margin and capital expenditure ratio were in line with the level expected at the beginning of the year.

As in the previous year, the product range key figures also increased in 2019. The increase even slightly surpassed expectations. There were no significant changes in the risk indicators at the Group level compared to the previous year's figures.

The value-based key figures TAKKT value added and ROCE were lower than in the previous year. In addition to the expected effect from the first-time adoption of IFRS 16, the lower level of earnings used for the calculation, which was below the estimates, also had a noticeable effect. As a result, TAKKT value added and ROCE were lower than forecast at the beginning of 2019.

In terms of the indicators for the implementation of the digital agenda, the development of measures, costs and capital expenditures was in line with expectations. Contrary to the forecast, the number of jobs created as part of the agenda decreased due to a reduction at KAISER+KRAFT and Hubert. Given the weak economic environment, organic e-commerce growth did not reach the high forecast level. However, TAKKT was able to notably increase its e-commerce share as expected as a result of the acquisitions.

As forecast, the first-time adoption of IFRS 16 and the resulting increase in reported net financial liabilities had a negative impact on the internal covenants. These figures deteriorated slightly in 2019, though they are still well within the respective target values.

The development of the sustainability indicators in 2019 was mainly in line with the forecast. TAKKT was thus able to achieve further improvement in many indicators. In the logistics as well as the resources & climate focus areas, the expectation of a slight improvement in the key figures was not achieved in all cases. The share of carbon-neutral parcel shipments decreased slightly, while energy consumption per order increased slightly due to the weak order development.

Comparison of actual and forecast development

	2018	Forecast for 2019	Actual development 2019
Financial key figures			
Organic sales development in percent	3.4	Slight increase End of October 2019 adjusted to minus 1 to minus 2 percent	–1.4
Number of orders in thousands	2,676	Increase in number of orders and stronger development of the order numbers than the average order value	2,642
Average order value in EUR	449		460
Gross profit margin in percent	41.5	Slight decrease at TAKKT EUROPE; Stable at TAKKT AMERICA Nearly stable on Group level	41.3
EBITDA margin in percent	12.7	12 to 16 During the year specified to around 12 percent	12.4
TAKKT cash flow margin in percent	10.2	More than 9	9.9
Capital expenditure ratio in percent	1.8	At the upper end of the guideline between 1 and 2 or slightly above	1.8
Product range key figures			
Share of private labels in order intake in percent	21.7	Further increase	23.8
Share of direct imports in order intake in percent	17.9		19.6
Value-based figures			
TAKKT value added in EUR million	30.4	Slightly lower level than in the previous year	9.8
ROCE (Return on Capital Employed) in percent	14.0	Slightly below previous year's level	11.1
Indicators for the implementation of the digital agenda			
Measures launched (cumulative)	114	Launch of new measures	157
Measures completed (cumulative)	44	Completion of further measures and transfer to normal operations	92
Newly created positions	98	Around 130	85
Additional personnel expenses (cumulative) in EUR million	7.3	Further increase	8.0
Additional personnel expenses (in the financial year) in EUR million	2.9	On a similar level as in 2018	0.7
Other expenses in EUR million	4.0		2.9
Capital expenditure (without the TAKKT investment company) in EUR million	8.4		6.0
Capital expenditure of TAKKT investment company in EUR million	2.3		3.0
Organic growth of order intake via e-commerce in percent	11.6	Double-digit organic growth	2.0
Share of e-commerce in order intake in percent	52.1	Marked increase	55.0
Internal covenants for management of the financial structure			
Equity ratio in percent	60.8	At or slightly below the previous year's figure	58.5
Debt repayment period in years	1.4	Slight increase	1.7
Interest coverage	23.8	Lower than in the previous year	16.7
Gearing	0.2	Slight increase	0.3

	2018	Forecast for 2019	Actual development 2019
Risk indicators			
by regions in percent			
Share of sales of German business	22.8	No bigger changes	21.5
Share of sales of other European business	32.8		33.6
Share of sales of North American business	44.4		44.9
by customer groups in percent			
Manufacturing	28	No bigger changes	25
Trade	16		17
Service	23		25
Non-profit and Public Organizations	13		14
Others	20		19
Diversifikation von Produktsortimenten in Prozent			
Storage and Transport	17	No bigger changes	17
Plant and Environment	17		17
Office	25		27
Food and Dining	14		14
Packaging and Shipping	9		9
Sales promotion	13		13
Others	5		3
Sustainability indicators			
Share of sourcing volume from certified suppliers	44.2%	Slightly improved	51.6%
Share of direct imports sourcing volume from certified suppliers	39.3%		60.2%
Share of sales from sustainable product ranges	9.5%		9.5%
Carbon-neutral web shops for major companies	12	Noticeably improved	17
Paper consumption print advertising materials per order	4.2kg		3.0kg
Share of carbon-neutral advertising materials per year	19.9%		60.5%
Share of carbon-neutral parcel delivery	93.5%	Slightly improved	92.2%
Share of carbon-neutral general cargo delivery from distribution center	48.9%		54.8%
Major companies with carbon footprint	13		16
Major companies with a certified environmental management system	6		9
Major companies with a certified energy management system	4		4
Energy consumption at GER/US locations per order in megajoule	66.7		71.3
New hires digital agenda: Share of retained „digital talents"	89.9%	Slightly declined	65.9%
Diversity: Share of women in top executive positions	12.3%	constant	15.1%
Percentage of employees who have the opportunity to take a paid leave for local volunteer involvement	70.2%		68.8%
Percentage of employees who took part in local volunteer projects	18.0%		14.7%

MANAGEMENT REPORT