CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income of the TAKKT Group *in EUR thousand*

	Notes	2019	2018
Sales	(1)	**1,213,672**	**1,181,089**
Changes in inventories of finished goods and work in progress		–62	195
Own work capitalized		1,902	1,975
Gross performance		**1,215,512**	**1,183,259**
Cost of sales		714,133	692,721
Gross profit		**501,379**	**490,538**
Other operating income	(2)	6,820	9,244
Personnel expenses	(3)	190,821	174,320
Other operating expenses	(4)	167,206	175,393
EBITDA		**150,172**	**150,069**
Depreciation, amortization and impairment of property, plant and equipment and other intangible assets	(5)	41,361	27,532
Impairment of goodwill	(6)	0	0
EBIT		**108,811**	**122,537**
Income from associated companies		–1,196	–684
Finance expenses	(7)	–6,616	–5,858
Other finance result	(8)	–420	911
Financial result		**–8,232**	**–5,631**
Profit before tax		**100,579**	**116,906**
Income tax expense	(9)	25,891	28,827
Profit		**74,688**	**88,079**
attributable to owners of TAKKT AG		74,688	88,079
attributable to non-controlling interests		0	0
Weighted average number of issued shares in million		65.6	65.6
Basic earnings per share (in EUR)	(10)	1.14	1.34
Diluted earnings per share (in EUR)	(10)	1.14	1.34

Consolidated statement of comprehensive income of the TAKKT Group *in EUR thousand*

	2019	2018
Profit	**74,688**	**88,079**
Actuarial gains and losses resulting from pension provisions recognized in equity	–13,146	–1,513
Tax on actuarial gains and losses resulting from pension provisions	3,820	587
Gains and losses resulting from the subsequent measurement of investment in equity instruments recognized in equity	–2,370	230
Deferred tax on subsequent measurement of investment in equity instruments	71	–71
Other comprehensive income after tax for items that will not be reclassified to profit and loss in future	**–11,625**	**–767**
Income and expenses from the subsequent measurement of cash flow hedges recognized in equity	–1,880	524
Income recognized in the income statement	–468	–443
Tax on subsequent measurement of cash flow hedges	513	5
Other comprehensive income after tax resulting from the subsequent measurement of cash flow hedges	**–1,835**	**86**
Income and expenses from the adjustment of foreign currency reserves recognized in equity	7,946	11,311
Income recognized in the statement of income	368	0
Other comprehensive income after tax resulting from the adjustment of foreign currency reserves	**8,314**	**11,311**
Other comprehensive income after tax for items that will be reclassified to profit and loss	**6,479**	**11,397**
Other comprehensive income (Changes to other components of equity)	**–5,146**	**10,630**
attributable to owners of TAKKT AG	–5,146	10,630
attributable to non-controlling interests	0	0
Total comprehensive income	**69,542**	**98,709**
attributable to owners of TAKKT AG	69,542	98,709
attributable to non-controlling interests	0	0

Detailed information on other comprehensive income can be found on page 132.

Consolidated statement of financial position of the TAKKT Group *in EUR thousand*

Assets	Notes	12/31/2019	12/31/2018
Property, plant and equipment	(11)	153,902	100,353
Goodwill	(12)	591,183	567,336
Other intangible assets	(13)	79,577	80,476
Investments in associated companies	(14)	353	1,049
Other assets	(15)	8,617	7,737
Deferred tax	(16)	1,835	1,669
Non-current assets		**835,467**	**758,620**
Inventories	(17)	124,428	128,616
Trade receivables	(18)	101,312	107,893
Other receivables and assets	(19)	25,826	29,724
Income tax receivables		9,805	9,124
Cash and cash equivalents	(20)	3,823	3,103
Current assets		**265,194**	**278,460**
Total assets		**1,100,661**	**1,037,080**

Equity and liabilities	Notes	12/31/2019	12/31/2018
Share capital		65,610	65,610
Retained earnings		590,506	571,587
Other components of equity		–11,898	–6,752
Total equity	(21)	**644,218**	**630,445**
Financial liabilities	(22)	118,331	115,778
Other liabilities	(23)	0	2,423
Pension provisions and similar obligations	(24)	79,943	62,992
Other provisions	(25)	3,859	4,687
Deferred tax	(16)	65,430	64,376
Non-current liabilities		**267,563**	**250,256**
Financial liabilities	(22)	75,314	38,148
Trade payables	(26)	39,682	38,234
Other liabilities	(27)	52,349	60,050
Provisions	(25)	15,396	14,088
Income tax payables		6,139	5,859
Current liabilities		**188,880**	**156,379**
Total equity and liabilities		**1,100,661**	**1,037,080**

Consolidated statement of changes in total equity of the TAKKT Group *in EUR thousand*

	Share capital	Retained earnings	Other components of equity	**Total equity**
Balance at 01/01/2019	**65,610**	**571,587**	**–6,752**	**630,445**
Transactions with owners	0	–55,769	0	–55,769
thereof dividends paid	0	–55,769	0	–55,769
Total comprehensive income	0	74,688	–5,146	69,542
thereof Profit	0	74,688	0	74,688
thereof Other comprehensive income (Changes to other components of equity)	0	0	–5,146	–5,146
Balance at 12/31/2019	**65,610**	**590,506**	**–11,898**	**644,218**

	Share capital	Retained earnings	Other components of equity	Total equity
Balance at 01/01/2018	**65,610**	**519,594**	**–17,382**	**567,822**
Transactions with owners	0	–36,086	0	–36,086
thereof dividends paid	0	–36,086	0	–36,086
Total comprehensive income	0	88,079	10,630	98,709
thereof Profit	0	88,079	0	88,079
thereof Other comprehensive income (Changes to other components of equity)	0	0	10,630	10,630
Balance at 12/31/2018	**65,610**	**571,587**	**–6,752**	**630,445**

For further information on Total equity, refer to page 132.

Consolidated statement of cash flows of the TAKKT Group *in EUR thousand*

	Notes	2019	2018
Profit		74,688	88,079
Depreciation, amortization and impairment of non-current assets	(5)/(6)	41,361	27,532
Deferred tax expense	(9)	3,284	4,567
Other non-cash expenses and income		1,129	5,584
Result from disposal of non-current assets		–97	–4,919
TAKKT cash flow		**120,365**	**120,843**
Change in inventories		5,576	–20,946
Change in trade receivables		6,823	–1,240
Change in trade payables		818	1,953
Change in provisions		4,043	–692
Change in other assets/liabilities		–6,833	–497
Cash flow from operating activities		**130,792**	**99,421**
Proceeds from disposal of non-current assets		936	8,328
Capital expenditure on non-current assets	(11)/(13)	–24,665	–24,996
Proceeds from the disposal of consolidated companies		0	0
Cash outflows for the acquisition of consolidated companies		–20,737	–57,722
Cash flow from investing activities		**–44,466**	**–74,390**
Proceeds from Financial liabilities		167,764	123,858
Repayments of Financial liabilities		–197,653	–112,615
Dividend payments to owners of TAKKT AG		–55,769	–36,086
Cash flow from financing activities		**–85,658**	**–24,843**
Cash and cash equivalents at 01/01/		3,103	3,053
Increase/decrease in Cash and cash equivalents		668	188
Non-cash increase/decrease in Cash and cash equivalents		52	–138
Cash and cash equivalents at 12/31/	(19)	**3,823**	**3,103**

For further information on Consolidated statement of cash flows, refer to page 152 et seq.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2019

1. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The consolidated financial statements of TAKKT AG, Stuttgart, have been drawn up in accordance with the regulations issued by the International Accounting Standards Board (IASB) and section 315e of the German Commercial Code (HGB). The interpretations (IFRIC – International Financial Reporting Interpretations Committee and SIC – Standards Interpretations Committee) by the IFRS Interpretations Committee (IFRS IC) have been taken into account. All International Financial Reporting Standards (IFRS) valid at the closing date and approved by the Commission of the European Union (EU) have been applied.

TAKKT AG, Stuttgart/Germany, registered under HRB 19962 with the German Commercial Register of the Stuttgart local court, is the Group's parent company. The consolidated financial statements as of December 31, 2019, prepared in accordance with IFRS, the management report of TAKKT AG and of the TAKKT Group, the separate financial statement of TAKKT AG prepared in accordance with the HGB and all other required documentation according to section 325 of HGB will be submitted to the Federal Gazette (Bundesanzeiger).

The consolidated financial statements have been prepared in euros. Unless specified differently, figures are rounded on the nearest thousand. In order to improve clarity, various items are grouped in the statement of financial position and statement of income. A breakdown of the individual amounts is provided in the notes. The balance sheet has been divided into current and non-current items in accordance with IAS 1. Assets and liabilities are classified as current if they are due within twelve months. The statement of income was prepared in accordance with the nature of expense method.

The consolidated financial statements and the combined management report of TAKKT AG and the Group were approved by the Management Board for submission to the Supervisory Board on March 24, 2020.

NEW REPORTING STANDARDS

The following reporting standards and interpretations, having been passed or amended by IASB and IFRS IC and endorsed by the EU, were mandatory for the first time in the 2019 financial year for TAKKT:

Standard		Status	Applicable from
IFRS 16	Leases	new	01/01/2019
IFRIC 23	Uncertainty over Income Tax Treatments	new	01/01/2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	amended	01/01/2019
Amendments to IAS 28 (2017)	Long-term Interests in Associates and Joint Ventures	amended	01/01/2019
AIP 2015 – 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle	amended	01/01/2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	amended	01/01/2019

In particular, IFRS 16 Leases is applied in the TAKKT Group.

IFRS 16 Leases

IFRS 16 replaces the previously applicable provisions of IAS 17 Leases and the related interpretations. With the new IFRS 16, the previous differentiation between finance and operating leases for lessees under IAS 17 is no longer required. From January 01, 2019, the lessee must recognize assets for the acquired right-of-use assets and liabilities from basically all leases in the statement of financial position. The lease liability is the present value of the future lease payments. At the commencement date of the lease term, the amount of the right-of-use asset corresponds to the amount of the lease liability. The presentation in the income statement is basically a financing transaction so that the right-of-use asset is amortized on a straight-line basis and the lease liability is measured at amortized cost using the effective interest method. The regulations of IAS 36 for the calculation and recognition of impairments also apply to capitalized right-of-use assets. In addition, IFRS 16 requires disclosures in the notes going beyond the disclosure requirements of IAS 17. A description of the new accounting policies used is included in the accounting and valuation principles on page 108 et seqq.

TAKKT applies the standard from the mandatory first-time adoption date on January 01, 2019. Introducing IFRS 16, the modified retrospective method was applied. Prior period comparative figures were not restated. At transition date the right-of-use assets initially to be capitalized were generally measured at the amount of the corresponding lease liability. In the valuation of the right-of-use asset at the time of initial application, initial costs directly attributable to the right-of-use asset were not taken into account. At the time of first-time adoption of IFRS 16, there were no onerous leases, so no impairment of the right-of-use assets was required. For the purpose of the assessment of extension and termination options, the actual facts at initial application date of IFRS 16 were used and not the retroactively determined exercise probability at the beginning of the contract.

The leases were discounted using the incremental borrowing rate as at January 01, 2019. The weighted incremental borrowing rate used for the initial recognition of leases on January 01, 2019 amounted to 2.7%.

As a result of the first-time application, right-of-use assets amounting to EUR 55.4 million and lease liabilities amounting to EUR 57.4 million were recognized in the consolidated balance sheet as of January 01, 2019; the difference between the two items results from the consideration of deferred balance sheet items on the assets and liabilities side as of December 31, 2018. Accordingly, total assets of TAKKT increased by EUR 55.0 million as of January 01, 2019. The right-of-use assets capitalized for the first time relate mainly to real estate (in particular office buildings and warehouses) as well as vehicles.

TAKKT makes use of practical expedients for leased assets of low value as well as for short-term lease contracts (12 months or less, excluding real estate). TAKKT does not apply the standard to leases involving intangible assets. The corresponding lease payments continue to be recognized as lease expenses according to the respective practical expedients.

For leases previously classified as finance leases in the role as lessee TAKKT had already recognized assets and liabilities before 2019. In these cases, the existing book value prior to the initial application of IFRS 16 of the leased asset as well as the book value of the lease liability according to IAS 17 were used as initial book value of the right-of-use asset and the lease liability in accordance with IFRS 16. The valuation principles of IFRS 16 were only applied subsequently.

The difference between the minimum lease payments of around EUR 63 million stated as of December 31, 2018 and the lease liabilities of around EUR 57 million recognized for the first time as of January 01, 2019 resulted from the following items. About EUR 4 million relate to lease-related obligations that are outside the scope of IFRS 16 as well as lease obligations that have not been recognized on the balance sheet due to the above-mentioned practical expedients. The discounting effect of around EUR 6 million also has a diminishing effect. An increase of around EUR 4 million is due to consideration of extension options which were assessed as reasonably certain.

The following overview summarizes the effects on the consolidated balance sheet from the first-time application of IFRS 16.

Adjustment of balance sheet items as per January 01, 2019 due to IFRS 16 *in EUR million*

	12/31/2018	Adjustments IFRS 16	1/1/2019
Assets			
Property, plant and equipment	100.4	55.4	155.8
Current Other receivables and assets	29.7	−0.4	29.3
	130.1	**55.0**	**185.1**
Liabilities			
Non-current Financial liabilities	115.8	47.2	163.0
Non-current Other liabilities	2.4	−2.4	0.0
Current Financial liabilities	38.1	10.2	48.3
	156.3	**55.0**	**211.3**

None of the other amended IFRS requiring first-time application in the current financial year has a significant impact on the net assets, financial position and results of operations of TAKKT Groups consolidated financial statements.

The IASB and IFRS IC have passed new and revised standards which TAKKT must only apply starting January 01, 2020 or later. Some of these standards still have to be approved by the EU prior to their application. Specifically, these include the following reporting standards and interpretations:

Standard		Status	Applicable from
Not yet endorsed by the EU-commission			
IFRS 17	Insurance contracts	new	01/01/2021
Amendments to IFRS 9 and IAS 39 and IFRS 7	Interest Benchmark Reform	amended	01/01/2020
Amendments to IFRS 3	Definition of Business	amended	01/01/2020
Amendments to IAS 1 and IAS 8	Definition of Material	amended	01/01/2020
Amendments to Framework IFRS	References to the Conceptual Framework in IFRS Standards	amended	01/01/2020

The option of applying standards already approved by the IASB early is not utilized. According to current estimates, an earlier application would have had no material effects on net assets, financial position and results of operations. According to current estimates, the other new or amended standards will not have material effects on net assets, financial position and results of operations.

The consolidated financial statements have been prepared using the same accounting and valuation principles as in the previous year.

SCOPE OF CONSOLIDATION

TAKKT is a B2B direct marketing specialist for business equipment and is active in more than 25 countries. The consolidated financial statements include all companies that are controlled by TAKKT according to IFRS 10. The fully consolidated subsidiaries are 100 percent investments. Thus, besides TAKKT AG, 16 (15) domestic and 45 (55) foreign companies are included in the consolidated financial statements.

The number of fully consolidated companies has changed as follows in comparison to December 31, 2018.

Event	Subsidiary	Segment
Liquidation	Kaiser + Kraft Limited Sirketi, Istanbul/Turkey	TAKKT EUROPE
Liquidation	Optley Ltd., Gloucester/UK	TAKKT EUROPE
Liquidation	Powell Mail Order Ltd., Llanelli/UK	TAKKT EUROPE
Merger	Hubert Schweiz AG, Zug/Switzerland	TAKKT EUROPE
Merger	TRT Banners LLC, Pepper Pike/USA	TAKKT AMERICA
Merger	Suntwist Corp., Maple Heights/USA	TAKKT AMERICA
Merger	Popupbanner LLC, Deerfield Beach/USA	TAKKT AMERICA
Merger	Vinylbanner LLC, New York/USA	TAKKT AMERICA
Merger	NBF Service LLC, Milwaukee/USA	TAKKT AMERICA
Merger	Dallas Midwest LLC, Dallas/USA	TAKKT AMERICA
Merger	Officefurniture.com LLC, Milwaukee/USA	TAKKT AMERICA
Acquisition	Juma International B.V., Wormerveer/Netherlands	TAKKT EUROPE
Foundation	Davpack Kartons und Verpackungsmaterialien GmbH, Markkleeberg/Germany	TAKKT EUROPE

Furthermore, two (two) domestic associated companies were included in the consolidated financial statements.

On December 31, 2019, TAKKT AG was a 50.2 (50.2) percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg/Germany, which is registered in the German Commercial Register of the local court of Duisburg under the number HRB 25. The TAKKT Group will therefore be included in the latter's consolidated financial statements, which are available at the Federal Gazette (Bundesanzeiger).

PRINCIPLES OF CONSOLIDATION

Subsidiaries are fully consolidated from the date TAKKT AG has obtained control over the investee according to IFRS 10 Consolidated Financial Statements either directly or indirectly. Control exists if TAKKT holds decision-making power over the relevant activities of the investee based on voting or other rights, if it has exposure or rights to the variable returns from its involvement with the investee and if it has the ability to use its decision-making power over the investee to affect the amount of the variable returns.

A structured entity is an entity that has been designed in a way that voting or similar rights are not the dominant factor in deciding who controls the entity. A structured entity´s activities are often limited, its objective is narrow and well-defined or its equity is insufficient. The entity is subject to consolidation if TAKKT controls it according to IFRS 10 Consolidated Financial Statements.

Associated companies are included in the consolidated financial statements from the date TAKKT has the ability to exercise significant influence on operating and financial policy. Significant influence is generally assumed if the Group holds a share of voting rights of 20 percent to 50 percent. Associated companies are generally included in the consolidated financial statements using the equity method.

A subsidiary is deconsolidated at the date TAKKT has lost control of the subsidiary.

The consolidated financial statements and all separate financial statements have the same balance sheet date, December 31, 2019. The separate financial statements of the domestic and foreign subsidiaries included in the financial statements were prepared using uniform accounting and valuation principles.

Business combinations are accounted for in accordance with IFRS 3 Business Combinations using the acquisition method. Basis are the fair values at the date on which TAKKT Group obtained control over the acquired company. The part of the purchase price which was transferred in a business combination in the expectation of future positive inflows of funds from the business combination and which cannot be allocated to the fair value of identified or identifiable assets within the scope of the complete new valuation method is reported as goodwill in non-current assets.

In accordance with IFRS 3 Business Combinations, the respective goodwill is not amortized but subjected to an impairment test according to IAS 36 Impairment of Assets once a year or during the year if indicated by the occurrence of triggering events. Additional details on this can be found on page 110 et seq. Incidental costs incurred during a business combination are recorded as expense.

Capital consolidation was carried out by eliminating the carrying amount of the investments against the shareholder´s share of the subsidiary´s equity.

Intercompany profits and losses, sales, expenses and income as well as all receivables and liabilities between the Group subsidiaries were eliminated. Guarantees and warranties that TAKKT AG or a consolidated subsidiary issues in favor of other consolidated subsidiaries are eliminated.

Intercompany profits contained in current and non-current assets resulting from intercompany deliveries and services were eliminated.

Deferred taxes were recognized for consolidation transactions in accordance with IAS 12 Income Taxes, provided that the tax differences are expected to reverse in future financial years.

Within TAKKT Group there are no non-controlling interests in equity, profit and comprehensive income.

CURRENCY TRANSLATION

TAKKT AG's reporting currency is euro. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, currency is translated using the functional currency method. Since all companies manage their businesses financially autonomously, the respective local currency is identical to the functional currency. Under the functional currency concept, assets and liabilities of all subsidiaries not reporting in euros are translated using the closing rate on the reporting date, whereas income and expenses are translated using the average exchange rate for the year. Currency differences from the translation of foreign financial statements into the Group currency are recorded in Other comprehensive income without any effect on profit.

If a foreign business operation is disposed of, currency differences, which until then were recorded in Other comprehensive income without any effect on profit, are recorded in the statement of income.

The TAKKT Group does not operate subsidiaries in high-inflation countries.

In the separate financial statements of the TAKKT Group companies, transactions in foreign currencies are translated at the rate prevailing at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rate prevailing at the reporting date. Exchange differences are primarily recognized under Other operating expenses in the statement of income of the separate financial statements.

Material exchange rates for TAKKT Group

		Year-end rates		Average rates	
Currency	Country	2019	2018	2019	2018
USD	USA	1.1234	1.1450	1.1193	1.1798
CHF	Switzerland	1.0854	1.1269	1.1121	1.1546
GBP	UK	0.8508	0.8945	0.8773	0.8846
SEK	Sweden	10.4468	10.2548	10.5868	10.2542
CAD	Canada	1.4598	1.5605	1.4851	1.5288

ACCOUNTING AND VALUATION PRINCIPLES

Sales include sales of products and services less cash discounts, rebates and accruals from customer loyalty programs. In principle, sales are recognized when the control over the products or services is transferred to the customer. This occurs either at a certain point in time or over a certain period of time. TAKKT fulfills the performance obligations essentially at a certain point in time. This is the case if the customer has the ability to use the asset and decide its further use. The sale of the various products and services generally takes place at customary payment terms and does not include a financing component. The consideration received does not comprise any variable purchase price components. Sales are recorded at the fair value of the consideration expected. Return rights of customers are taken into account through the recognition of an asset from return claims and the recognition of a refund liability. Material guarantees above and beyond the legal requirements are not granted. Loyalty award credits which are granted as part of a customer loyalty program are deferred in sales by forming a contractual liability measured at fair value under Current Other liabilities.

Other operating income is realized if the incoming economic benefit is probable and the amount can be determined reliably.

Advertising costs are expensed as soon as the company has the right to access the advertising material and/or has received the service associated with the advertising activities.

Impairments are carried out if the asset's recoverable amount has fallen below the book value (amortized cost). The recoverable amount is defined as the higher value of the asset's fair value less cost to sell and the present value of future cash flows from the usage of the asset (value in use).

Interest income and interest expenses not requiring capitalization in accordance with IAS 23 are recognized in the proper period using the effective interest method.

Income tax expense includes income tax as well as deferred tax expense that is recognized in profit or loss. The income tax for the year is determined based on the taxable income according to the tax regulations of the specific countries and taking the respective applicable tax rate into account.

Property, plant and equipment is capitalized at acquisition or manufacturing costs less scheduled depreciation and any impairments. If the reasons for an impairment no longer exist, the impairment is reversed. The new value must not exceed the amortized cost. The costs of self-constructed property, plant and equipment include direct costs as well as those portions of overhead costs directly attributable to the construction.

Property, plant and equipment is generally depreciated using the straight-line method over its useful economic life, which in the case of leasehold improvements maximally equals the term of the underlying lease agreements. Depreciation is based on the following useful lives in the Group:

	Useful life in years	
	2019	2018
Buildings (incl. leasehold improvements)	1–50	5 – 50
Plant, machinery and equipment	2 – 16	2 – 16

Net book values and useful lives are reviewed at each reporting date and adjusted, if necessary.

According to IFRS 16, a lease is an agreement under which the lessor transfers control of the use of an identified asset to the lessee for an agreed period in return for payment of a fee. TAKKT as lessee recognizes a right-of-use asset for the leased asset as well as a corresponding lease liability for generally all leases. TAKKT makes use of practical expedients for leased assets of low value as well as for short-term leases (12 months or less, excluding real estate). TAKKT does not apply the standard to leases involving intangible assets. The lease payments for which TAKKT makes use of practical expedients continue to be recognized as lease expenses in accordance with the practical expedients.

The lease liability is generally measured as the present value of future lease payments. The valuation of the lease liability includes the fixed lease payments less incentives to be received as well as lease payments dependent on an index or an (interest) rate. Additionally, expected payments in connection with residual value guarantees and payments based on purchase options deemed reasonably certain as well as lease payments based on the reasonably certain exercise of extension and termination options are considered. If possible, the interest rate underlying the lease contracts is used to determine the present value. Usually this rate is not available at TAKKT thus the lessee's incremental borrowing rate is used in these cases. The incremental borrowing rate is determined using the build-up approach in which the risk-free interest rate represents the basis which is adjusted for the credit risk of the lessee, the lease term as well as the underlying currency of the lease. Lease liabilities are recognized as non-current and current financial liabilities depending on their maturity. The lease liability is subsequently measured at amortized cost using the effective interest method meaning the lease instalments are divided into a repayment and an interest component. The interest portion is recognized as finance expense.

At the commencement date of the lease term, the amount of the right-of-use asset generally corresponds to the amount of the lease liability. Deviations may result from the consideration of initial costs incurred in connection with obtaining the lease, any advance payments made and lease incentives received prior to the commencement date as well as any costs of vacating and demolition. The right-of-use assets are recognized at acquisition costs less scheduled depreciation and any impairments. The right-of-use assets are depreciated on a straight-line basis over the expected useful economic life or throughout the shorter lease term. If the exercise of a purchase option is assessed reasonably certain and if the transfer of ownership is expected at the end of the lease term, the right-of-use asset is depreciated throughout the useful economic life of the underlying asset.

Contracts can contain both lease and non-lease components. TAKKT assigns the transaction price to these components on the basis of their relative stand-alone selling prices. Leases for vehicles constitute an exception. In these cases, TAKKT makes use of the option not to split lease and non-lease components but to account the whole contract as a lease contract.

TAKKT is exposed to possible future increases in variable lease payments that may result from a change in index or (interest) rate. These possible changes to the lease payments are not considered in the lease liability until they take effect. Accordingly lease liabilities are adjusted as soon as changes in an index or (interest) rate affect the lease payments.

When determining the lease term, extension and termination options are taken into consideration if the exercise of these options is considered reasonably certain. When determining the lease term at the date of availability, TAKKT considers all facts and circumstances that provide an economic incentive to exercise extension options or non-exercise termination options. A reassessment of the original estimate is carried out when a significant event or change in circumstances occurs and this possibly affects the previous assessment if the significant event or change in circumstances is within the lessee's control. The assessment is reviewed at the latest when an extension or termination option is in fact being exercised (or not exercised).

TAKKT acts as lessor for a small number of leases. These are classified as operating leases. In these cases the underlying asset (or in the case of subleases the right-of-use asset from the main lease) continues to be recognized in the balance sheet. The lease payments received are recognized as lease income.

Prior to January 01, 2019 leases were classified as either finance or operating leases according to IAS 17. As far as the TAKKT Group, as lessee in lease transactions, bore all material rewards und risks from the underlying asset and was therefore to be regarded as the economic owner, the requirements for finance leases according to IAS 17 were met. In case of a finance lease, the lessee, as economic owner of the leased asset, had to capitalize the asset within property, plant and equipment and depreciate it on a straight-line basis over the shorter of its useful life or the lease term. The corresponding lease liability to the lessor was classified as financial liability in accordance with its maturity and the contractual payments were divided into interest and repayment. The interest portion was distributed over the lease term affecting net income. In contrast, in case of operating leases, the lessor was considered the economic owner of the leased asset. In these cases the lessee only had to recognize the lease payments in profit or loss on a straight-line basis over the lease term. In case of operating leasing, leasing incentives received were included as a component of the overall lease expenses and were deferred over the lease term.

For goodwill and intangible assets with an indefinite useful life, as these do not generate any independent cash flows, recoverability of the capitalized book value is reviewed once a year or, if indicated by triggering events also during the year, at the level of cash generating units in accordance with IAS 36 Impairment of Assets. In the year under review, the TAKKT Group had a total of 11 (10) cash generating units.

The impairment test is based on a detailed plan of the future cash flows before interest and taxes less capital expenditure on maintenance and replacements less changes in the net working capital for a period of five years and perpetuity following the detailed planning period. This detailed planning is based on financial plans approved by the responsible management, which are also used for internal purposes. The main assumptions for planning relate to the underlying sales growth and operational margin in the detailed planning period as well as the growth in perpetuity for the years following it. When detailed plans are produced, past developments and expectations regarding future market trends are taken into account. The growth in perpetuity is determined that it lies below the long-term average organic growth and below the long-term average expected future market growth. The determined cash flows are discounted individually with the weighted average cost of capital (WACC) before tax calculated for every cash generating unit in order to determine the value in use of the cash generating unit. Based on a WACC rate after taxes derived from the Capital Asset Pricing Model, the WACC rate before tax is calculated using an iterative procedure for which the value in use before tax equals the value in use after tax. Cost of equity was determined using a risk-free interest rate as well as a risk markup per cash generating unit resulting from a market risk premium and an average relevered beta factor of the peer group. Cost of debt consists of a risk-free interest rate plus a risk markup (credit spread).

The recoverable amount – i.e. the higher of value in use or fair value less costs to sell, which may be calculated subsequently – is then compared with the respective book value. If this amount is below the book value of the cash generating unit, an impairment is recognized on goodwill and, if required, on the other assets of the cash generating unit concerned.

Brands are entered with an indeterminate useful life as long as the right of use for the brands can be utilized indefinitely and the level of awareness is permanently maintained by advertising.

Purchased **intangible assets with a determinable useful life** are valued at acquisition cost plus incidental acquisition costs less amortization using the straight-line or declining balance method in line with usage and any impairment. The net book values and useful lives are reviewed at every reporting date and adjusted if necessary.

Amortization within the Group was based on the following useful lives:

	Useful life in years	
	2019	2018
Goodwill	indefinite	indefinite
Brands	indefinite	indefinite
Customer relationships	3 – 11	3 – 11
Supplier relationships	5	5
Domain names	10	10
Catalog-/web design	3 – 10	1 – 10
Software, licenses and similar rights	2 – 7	2 – 7

If not subject to capitalization according to IAS 38 Intangible Assets, **research and development costs** are recognized in the statement of income when incurred. Development costs are capitalized when the recognition criteria of IAS 38 are met. **Internally generated intangible assets** are recognized at acquisition and manufacturing costs less scheduled amortization and impairment. Capitalized development costs include all directly attributable costs and proportionate overhead costs and are amortized over the expected useful life using the straight-line method.

Investments in associates are accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures. Based on the acquisition costs of the shares in the associated company, the respective carrying amount of the investment is increased or decreased by any changes in equity affecting profit or not affecting profit as far as these changes are attributable to the shares of TAKKT. Dividends received from the investee reduce the book value. Goodwill included in the carrying amount is determined in accordance with the principles of full consolidation and is not amortized. An impairment test is performed if there are substantial indications of a potential impairment for the entire carrying amount of the investment.

Financial assets and financial liabilities are divided into the following measurement categories:

Financial assets:
• Debt instruments measured at amortized cost
• Debt instruments measured at fair value through other comprehensive income
• Debt instruments, derivatives and equity instruments measured at fair value through profit and loss
• Equity instruments measured at fair value through other comprehensive income

Financial liabilities:
• Financial liabilities measured at amortized cost
• Financial liabilities measured at fair value through profit and loss

The classification of financial assets into the different categories is based on the way in which they are managed (the so-called business model condition in accordance with IFRS 9) and on the characteristics of the asset´s contractual cash flows (so-called cash flow condition according to IFRS 9).

The classification is determined at the date of acquisition and reviewed as of each reporting date. Financial assets are initially recognized at fair value and, provided they are not subsequently measured at fair value through profit or loss, plus transaction costs.

Depending on the underlying "business model", debt instruments whose cash flow characteristics consist exclusively of interest and repayments of outstanding principal are classified as subsequently measured either at amortized cost ("hold") or at fair value through other comprehensive income ("hold and sell"). All remaining debt instruments are measured at fair value through profit or loss. Debt instruments valued at amortized cost are generally accounted for using the effective interest method and are subject to the impairment requirements of IFRS 9.

For equity instruments, a valuation at fair value through profit or loss is required. This does not apply to equity instruments that are not held for trading and for which the option to measure at fair value through other comprehensive income is irrevocably exercised upon initial recognition. This option, which is exercisable on a case-by-case basis, is used in the TAKKT Group exclusively for investments in unlisted corporate entities. Gains and losses from changes in fair value are recognized in other comprehensive income with no effect on income. Such changes in value recognized in other comprehensive income are never reclassified to the income statement. Dividend payments, on the other hand, are recognized in profit or loss. The equity instruments are not subject to any impairment requirements.

For debt instruments, derivatives and equity instruments of the category at fair value through profit or loss, directly attributable transaction costs and changes in fair value are to be recognized in profit or loss in the income statement. They are not subject to any impairment requirements. In the TAKKT Group, only venture capital funds and derivatives for which no formal hedge accounting is applied are within this measurement category.

IFRS 9 uses the expected credit losses model as the impairment model for financial assets. In principle, expected credit losses must be taken into account when the financial asset is recognized for the first time. In order to determine the expected credit losses on debt instruments, which are measured subsequently at amortized cost, rating-dependent probabilities of default and market default rates are to be used for each financial instrument. At TAKKT, mainly the trade receivables are in the scope of application of this new model.

Financial liabilities, which are not classified into the measured at fair value through profit and loss category, after initial recognition are measured at amortized cost, using the effective interest method where appropriate. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading. At TAKKT, these are exclusively derivatives which are classified as held for trading and which are not included as hedging instruments within hedge accounting.

Purchases and sales of financial assets or securities of all categories are accounted for on the Settlement Date.

Financial assets and liabilities are reported net in the balance sheet if there is currently a legally enforceable right to offset. In addition, there must be an intention to settle on a net basis or to settle the associated liability and realize the financial asset simultaneously. Otherwise, the financial asset and liability are shown without offsetting in the balance sheet. Accordingly, related expenses and income are reported net to a limited extent.

Fair values for every financial instrument category according to IFRS 7 generally correspond to book values. This applies directly to financial instruments that are shown in the balance sheet at fair value. For financial assets and liabilities measured at amortized cost, the book value generally represents a sufficient approximation of the fair value. If this is not the case, additional details are provided. The other receivables and payables are either current or subject to a variable market interest rate.

The input factors used for the valuation techniques to measure fair value are divided into the following levels:

Level 1: Quoted prices in active markets accessible to the company for the identical asset or liability.

Level 2: Input factors other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Input factors for the asset or liability that are unobservable.

Sometimes, the input factors used to measure the fair value of an asset or liability might be categorized within different levels of the valuation hierarchy. In such cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Financial instruments at TAKKT recognized at fair value relate to investments, derivative financial instruments and contingent considerations. They are subject to a recurring fair value measurement. Derivative financial instruments are included in current Other receivables and assets as well as in current Other liabilities and relate to level 2. The investments as well as contingent considerations included in current Other liabilities relate to level 3.

Should it prove necessary to reclassify assets and liabilities carried at fair value on a recurring basis into a different level – for example because an asset is no longer traded on an active market or is being traded for the first time – they are reclassified at the end of the reporting period.

The fair value of financial instruments traded on an active market is based on the prices quoted on the reporting date. When level 2 assets and liabilities are measured at fair value on a recurring basis, the discounted cash flow method is used. This means that the future cash flows which the financial instruments are expected to generate are discounted using maturity-matched market interest rates. The creditworthiness of the respective debtor is taken into account by considering risk premiums depending on rating and term in the discount factors. The risk premiums are determined using prices for fixed-income securities observable on markets.

The valuation of venture capital funds is based on the so-called Adjusted Net Asset Method. Under this method, the fair values of the individual investments, determined by the fund on the basis of recognized valuation methods, are aggregated and adjusted for appropriate illiquidity discounts for the overall fund. In the case of investments in unlisted corporate entities, the valuation is derived from additional capital contributions by the investors or from the share price a third and new party has to pay in the course of another round of financing (Price of Recent Investment Valuation Method).

The contingent considerations´ fair value is calculated by risk-adjusted discounting the most likely expected value for the amount to be paid.

Inventories are recognized at the lower of acquisition respectively manufacturing costs or net realizable value. In general, a value based on the FIFO method (first in, first out) is applied. The manufacturing costs include not only the directly attributable materials used for production and wages but also appropriate portions of the indirect material and production overhead costs. There are no relevant borrowing costs due to the nature of the company's business. Obsolescence reserves were made, taking into account the expected selldown period of the inventories. If the reasons for the write-downs no longer apply, the original reserves are released.

Trade receivables are initially recognized at the transaction price, which corresponds to the consideration paid in exchange for the transfer of goods or services to a customer. They are subsequently measured at amortized cost in accordance with the effective interest method. The simplified impairment approach is applied, under which the expected credit losses over the term are measured by an impairment matrix for initial recognition and subsequent measurement at TAKKT. In addition to the age of the receivables, the general credit risk and past experience, current and predicted conditions are taken into account. Trade receivables are derecognized if, according to a reasonable assessment, no recovery is possible.

The investments (equity and debt instruments) and derivatives included in other assets are measured at fair value, the remaining assets at amortized cost.

Income tax receivables and payables are measured using the amount expected to be received from or paid to the tax authorities. Calculation of the amount is based on the tax rates and laws applicable as of the closing date in the countries in which the taxable income is generated.

Derivative financial instruments such as forward foreign exchange contracts and interest rate swaps are generally used for hedging purposes to reduce currency and interest risks from operating activities or the financing requirements resulting from these activities. At TAKKT, derivative financial instruments are used to either hedge the fair value of a balance sheet asset or liability (fair value hedge) or to hedge a future cash flow from a firm commitment or forecast transaction (cash flow hedge). They are not undertaken for trading purposes or for reasons of speculation.

The fair value of a forward foreign exchange contract corresponds to the difference in the present values of the nominal amount at the fixed forward rate and the nominal amount at the forward rate at the reporting date. The fair value of an interest rate swap is equal to the present value of the future cash flows resulting from this derivative instrument. The cash flows are discounted using rating- and maturity-matched interest rates in line with the interest rate curves of the respective currency.

Accounting for derivative financial instruments occurs in Other receivables and assets or in Other liabilities as soon as purchase or sales contracts are made.

According to IFRS 9, all derivative financial instruments are to be recognized at fair value, irrespective of their purpose or intention. Fair value changes in derivative financial instruments for which hedge accounting is applied are recognized either in the income statement (fair value hedge) or, if it is a cash flow hedge, in other comprehensive income, taking into account deferred taxes. Derivative financial instruments for which no formal hedge accounting is used are to be classified into the category debt instruments, derivatives and equity instruments measured at fair value through profit or loss.

In a fair value hedge, derivatives are used to hedge balance sheet positions. The results from the fair value measurement of the hedging instruments are recognized in profit or loss. The changes in fair value of the underlying transactions attributable to the hedged risk are also recognized in profit or loss as book value adjustments. As part of a cash flow hedge, derivatives are used to hedge future cash flow risks from existing underlying transactions or planned transactions. The hedge-effective portion of the fair value changes in derivatives is initially recognized in other comprehensive income.

The treatment of amounts recognized in other comprehensive income depends on the nature of the underlying transaction. If the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the amount recognized in other comprehensive income is taken into account when determining the initial cost or other carrying amount. For all other types of hedged underlying transactions, reclassifications to profit and loss are made at the same time as the underlying transaction has an impact on profit and loss. The hedge-ineffective portion of the fair value changes in derivatives is recognized directly in the income statement. Changes in the fair value of derivative financial instruments are recognized immediately in profit or loss in cases where hedge accounting is not applied.

Deferred taxes are recognized for all temporary differences between the relevant tax balance sheet and the IFRS balance sheet – with the exception of goodwill, if it is not tax deductible – as well as for loss carry forwards. Deferred tax assets are impaired if their realization cannot be expected with a significant degree of confidence. For the probable use of losses, the five-year budget of the individual company and its loss history are considered. Deferred taxes were calculated using the respective local tax rates. Tax rate changes determined at the reporting date have been taken into account for the calculation of deferred taxes. The netting of deferred taxes is carried out according to the rules of IAS 12 if they relate to the same tax authority and the right to offset current tax refund claims and liabilities is legally enforceable. Provided that items were entered in Other comprehensive income with no effect on profits and loss and imply a change in deferred taxes, these deferred taxes were also recognized in Other comprehensive income with no effect on profit and loss. All other changes in deferred taxes are recognized in the statement of income.

In accordance with IAS 19 Employee Benefits, pension provisions and similar obligations are calculated using the actuarial projected unit credit method. Determination of the defined benefit obligations is carried out by independent actuaries on an annual basis. In calculating these contractual obligations, prevailing long-term capital market interest rates as well as current assumptions about future salary and pension increases are considered in addition to biometric calculation bases. The actuarial interest rate is determined using a yield curve approach per currency area on the basis of yields on fixed-rate corporate bonds rated at least by one well-known rating agency with a rating of at least AA. For the eurozone, the corporate bonds of the iBoxx ™ Corporates AA are applied. The probability of employee fluctuation was considered, depending on the job tenure in the company and the age of the beneficiaries. Direct pension commitments in Germany are derived using Prof. Dr. Klaus Heubeck's biometric calculation tables 2018 G.

Actuarial gains and losses resulting from changes in actuarial assumptions and / or from deviations between previous actuarial assumptions and actual developments are recognized immediately in Other comprehensive income as soon as they are incurred with no effect on profits and taking deferred taxes into account. The actuarial gains and losses immediately recorded in Other comprehensive income and associated deferred taxes are not reclassified to profit and loss in subsequent periods. The actuarial gains and losses recorded in a given reporting period and the applicable deferred taxes are presented separately in the statement of comprehensive income.

Net interest expense is determined by applying the actuarial interest rate determined at the end of the prior financial year to the pension provisions calculated at this point. The same interest rate is used for pension obligations and plan assets. Net interest expense is reported in Finance expenses. Current and past service costs are reported in Personnel expenses. Past service costs arising from plan amendments and curtailments are recognized in profit and loss in the period in which they occur.

With the exception of other personnel-related provisions calculated in accordance with IAS 19 Employee Benefits respectively IFRS 2 Share-based Payment, Other provisions are made on the basis of IAS 37 Provisions, Contingent Liabilities and Contingent Assets at the best estimate of the amount to be paid if a current legal or factual external obligation exists which is based on transactions or incidents in the past. The outflow of resources must be probable and calculable. Other provisions with a maturity of over one year are discounted using maturity-matched interest rates. Provisions are reviewed on a regular basis and adjusted to the best estimate currently available if new insights are obtained or circumstances have changed. If it is not probable any more that fulfilling the obligation is connected to the outflow of resources, a provision is released. Restructuring provisions are created if a detailed, formal restructuring plan has been approved and those affected have valid expectation that it will be implemented. The restructuring provisions only include costs that are directly related to the measures.

Classified as **cash-settled share-based payment** in accordance with IFRS 2 Share-based Payment, the yearly reissued long-term performance cash plans of the Management Board contain a share-based component which is dependent on the development of total shareholder return (TSR). The development of the share price and the dividend payment is taken into account in the calculation of the TSR. The measurement of the share-based component is carried out by using a binomial method. The expense for the benefits received or liability to settle these benefits is recorded after the claims are earned. The liability is reassessed on each reporting date and on the settlement date. Changes in fair value are recorded in the respective year under review through profit and loss.

Liabilities are initially recognized at the amount to be paid and, with the exception of derivative financial instruments and contingent considerations, subsequently measured at amortized costs (using the effective interest method where appropriate).

The short-term portions of non-current assets and liabilities whose remaining terms are less than one year are generally disclosed under the current balance sheet items.

If IFRS 3 Business Combinations is not applicable, **contingent liabilities and assets** are generally not recognized in the balance sheet but stated and explained in the notes.

The consolidated financial statements are prepared on the basis of certain **assumptions** and **estimates** which have an effect on the amount and presentation of the reported assets, liabilities, income, expenses and contingent liabilities and assets. The premises underlying these assumptions and estimates are based on the management knowledge available at that given time. The assumptions and estimates primarily concern the items set forth below.

During the acquisition of companies all identifiable assets, liabilities and contingent liabilities are measured at fair value within the scope of the purchase price allocation. The fair value is determined by recognized valuation methods depending on the type of asset. These valuations are closely related to the management's assumptions concerning the future development of the assets and the applied discount rates. The recognized fair values represent key estimates as well as the goodwill derived from the purchase price allocation.

In addition to the determination of fair values of the assets, liabilities and contingent liabilities acquired, the valuation of contingent consideration for business combinations is based on management's estimates and assumptions regarding the future development of the acquired entity. Deviations of the future actual development of the entity compared to the expected development may affect the amount of contingent consideration and the profit after taxes.

Impairment tests of goodwill and other intangible assets with indefinite useful lives are based on forward-looking assumptions. These assumptions consider past developments and assumptions concerning the future development of markets. The main assumptions are the future sales growth and operational margin in the detailed planning period, estimated growth rates after the detailed planning period, weighted average cost of capital and tax rates. The premises above and the underlying calculation model can significantly influence the individual values and ultimately the amount of a possible impairment.

In the case of trade receivables, the determination of the allowance for expected credit losses relies to a large extent on estimates and assessments. At every reporting date an impairment analysis is conducted to measure the expected credit losses. The impairment rates are based on the aging structure of the receivables, past experience and the assessment of the current and forecast creditworthiness of customers.

The actual payments received may differ from the carrying amounts. Valuation allowances for inventories are mainly based on the experienced selldown period of the single products.

The key assumptions and estimates for the measurement of provisions, especially those for pensions, litigations, onerous contracts and restructuring measures, concern the probability of the provisions being used, the amount of the obligation and, in the case of non-current provisions, the interest rates applied. In addition, pension obligations under defined benefit plans require actuarial assumptions regarding salary and pension trends, life expectancies and employee turnover. Obligations from expected customer credit notes need to be assessed based on the experience in regard to customer credit notes issued in the past. The actual development, and hence actual payments due in the future, may deviate from the expected development and the recognized provisions.

Deferred tax assets and liabilities are measured on the basis of management's assumptions and estimates. In addition to the interpretation of the tax regulations applicable to the taxable entity concerned, the key factor in the calculation of deferred tax assets in respect of temporary differences and tax loss carryforwards is an assessment of the likelihood that adequate taxable income will be generated in future or that appropriate tax planning opportunities for utilizing tax loss carryforwards will be implemented.

All assumptions and estimates are based on the circumstances prevailing on the reporting date and are examined on an ongoing basis. Although the assumptions and estimates are made with management's best knowledge, future events and changes in general circumstances often give rise to differences between the actual amounts and the estimates. This applies in particular to obligations where existence, amount and timing of occurrence are uncertain. In case of differences, the assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted accordingly.

2. NOTES TO THE INCOME STATEMENT

(1) Sales *in EUR thousand*

	2019	2018
Sales with third parties	1,213,027	1,180,785
Sales with affiliated companies	645	304
	1,213,672	**1,181,089**

Sales are generated mainly by selling goods. Sales resulting from the provision of services are of minor significance.

Sales with affiliated companies related to majority shareholder Franz Haniel & Cie. GmbH, Duisburg/Germany, as well as to subsidiaries of the majority shareholder that are not included in the consolidated financial statements of TAKKT AG. A listing of sales with affiliated companies can be found under related-party transactions on page 165 et seq.

In the financial year, revenues of EUR 7.0 million (EUR 6.2 million) were generated which had been recognized at the beginning of the financial year under liabilities from contracts with customers.

Sales from a distribution perspective are as follows:

Sales according to sales channel *in EUR thousand*

	TAKKT EUROPE	TAKKT AMERICA	2019	TAKKT EUROPE	TAKKT AMERICA	2018
E-Commerce	387,855	279,562	667,417	331,404	283,166	614,570
Other	280,861	265,394	546,255	320,177	246,342	566,519
	668,716	**544,956**	**1,213,672**	**651,581**	**529,508**	**1,181,089**

(2) Other operating income *in EUR thousand*

	2019	2018
Rental income	640	631
Income from the disposal of non-current assets	164	4,999
Adjustments to contingent considerations	2,800	0
Other income	3,216	3,614
	6,820	**9,244**

Further information to the contingent considerations can be found on page 164.

In prior year the position Income from the disposal of non-current assets related mainly to the sale of an office building in the U.S. with an amount of EUR 4,897 thousand. The sale took place with a sales price less additional charges at an amount of EUR 7,527 thousand. The property is leased back under usual conditions with a fixed contract term of ten years.

(3) Personnel expenses *in EUR thousand*

	2019	2018
Wages and salaries	156,931	143,964
Social security costs	26,971	25,645
Retirement costs	6,592	5,365
Release of personnel-related provisions	–679	–1,679
Other	1,006	1,025
	190,821	**174,320**

For the number of employees in the Group please refer to the segment reporting on page 154 et seqq.

(4) Other operating expenses *in EUR thousand*

	2019	2018
Impairment on financial assets	1,383	1,115
Release of provisions	–543	–2,804
Leasing	1,977	14,261
Foreign exchange differences	–1,279	82
Adjustments to contingent considerations	0	2,000
Operating taxes	2,573	2,228
Operating expenses	132,656	127,748
Administrative expenses	30,439	30,763
	167,206	**175,393**

Impairment on financial assets mainly relates to the change in valuation allowances on trade receivables and full write-offs of trade receivables where they cannot be recovered. Write-offs amounted to EUR 1,566 thousand (EUR 1.330 thousand). Subsequent payments received on written off receivables are included with EUR 535 thousand (EUR 250 thousand).

Further information to the contingent considerations can be found on page 164.

A major part of operating expenses is print and online advertising costs.

Operating taxes include real estate tax, car tax, taxes on capital and assets and the French Contribution Ѐconomique Territoriale for example.

(5) Depreciation, amortization and impairment of property, plant and equipment and other intangible assets *in EUR thousand*

	2019	2018
Property, plant and equipment	25,185	12,616
Other intangible assets	16,176	14,916
	41,361	**27,532**

Depreciation and amortization comprise scheduled amortization amounting to EUR 8,856 thousand (EUR 10,364 thousand) relating to intangible assets recorded in conjunction with purchase price allocations.

In the current financial year, impairments were made in accordance with IAS 36 Impairment of property, plant and equipment amounting to EUR 267 thousand (EUR 16 thousand). In 2019, an amount of EUR 52 thousand relates to office furniture and equipment that could no longer be used due to the termination of Hubert's activities in Europe. In addition, EUR 215 thousand (EUR 0 thousand) in 2019 resulted from impairment losses on right-of-use assets that according to IFRS 16 are subject to the regulations of IAS 36. The underlying assets of the impaired right-of-use assets mainly relate to rented office buildings that have already been terminated at the next possible date but which are no longer used during the remaining term of the lease.

Impairments of intangible assets in accordance with IAS 36 were recognized with an amount of EUR 22 thousand (EUR 126 thousand). In prior year these related to the webshop and software of the finished Hubert activities in Europe.

The recoverability of the capitalized book value of intangible assets with an indefinite useful life, as these do not generate any independent cash flows, is reviewed together with the goodwill at the level of cash generating units. No need for impairment was derived from the impairment tests in both the 2018 and 2019 financial years. Further information can be found in the following section Impairment of goodwill. Please refer to the details on page 127 for information about the book values of intangible assets with an indefinite useful life.

(6) Impairment of goodwill

The following table shows the book values of the material goodwills as well as the key assumptions used for the purpose of impairment testing:

	Book values of goodwill (in EUR thousand)		WACC (before taxes) (in percent)		Growth of Perpetuity rate (in percent)	
	2019	2018	2019	2018	2019	2018
Kaiser+Kraft group	124,018	124,255	7.0	8.5	1.0	1.0
Ratioform group	152,656	152,656	6.7	7.5	2.0	2.0
Equip4work	31,132	29,611	7.0	8.0	2.0	2.0
Hubert group	72,175	70,813	6.7	7.7	2.0	2.0
Central group	64,573	63,355	6.6	7.8	2.0	2.0
D2G group	81,276	79,743	6.8	8.1	2.0	2.0
NBF group	41,505	40,722	6.8	8.1	2.0	2.0

The compound annual growth rate in external sales in the detailed planning period is between 1.3 (2.9) percent and 6.6 (7.6) percent for the material cash generating units.

Please refer to the details on page 110 for information about the general procedure with regard to impairment testing. The evidence for recoverability at all cash generating units is based on the value in use. No need for impairment was derived from the impairment tests in both the 2018 and 2019 financial years.

The sensitivity analyses led to the following results.

In the case of the Hubert cash-generating unit, the value in use exceeds the book value by a low double-digit million euro amount. With a 1.2 percentage points increase in the weighted average cost of capital before tax or with a decrease of one percentage point in growth of perpetuity rate or with a decrease of around 20 percent in cash flows before interest and taxes, the carrying amount equals the value in use.

For all other cash generating units, the values in use exceed the book values for all sensitivity analyses.

Additional details on goodwill can be found in the corresponding notes on page 126. A description of the cash generation units can be found in the corresponding notes in the segment reporting on page 154 et seq.

(7) Finance expenses *in EUR thousand*

	2019	2018
Interest portion of lease liabilities	–2,669	–1,289
Interest portion of pension provisions	–1,201	–1,149
Interest portion of purchase price liabilities	0	–35
Interest on financial liabilities	–2,746	–3,385
	–6,616	**–5,858**

Further information can be found in the table for the net result of the financial instruments categories on page 144 and interest rate hedges on page 149 et seq.

(8) Other finance result *in EUR thousand*

	2019	2018
Valuation of financial instruments	–146	201
Interest and similar income	104	710
Other financial expenses	–378	0
	–420	**911**

More details on the use of derivative financial instruments are disclosed in the Risk and opportunities report on page 70 et seqq. as well as in the notes on page 141 et seqq.

(9) Income tax expense

Income tax expense includes current tax paid respectively due in the individual countries as well as deferred taxes recognized in the income statement. The income tax rates applied for the individual countries range between 9.0 (9.0) percent and 31.0 (33.3) percent.

Breakdown of income tax expense *in EUR thousand*

	2019	2018
Current tax	22,607	24,260
Deferred tax	3,284	4,567
	25,891	**28,827**

Current tax expense includes income of EUR 128 thousand (EUR 645 thousand) relating to prior periods. Deferred tax expense of EUR 561 thousand (income of EUR 2,262 thousand) results from the changes of allowances on deferred tax assets. Deferred tax income of EUR 20 thousand (EUR 61 thousand) results from tax rate changes. In the financial year, write-downs on deferred tax assets in the amount of EUR 0 thousand (EUR 68 thousand) were reversed.

The difference between the actual income tax expense and the income tax expense calculated at a rate of 30.7 (30.7) percent for TAKKT AG is made up as follows:

Tax rate reconciliation *in EUR thousand*

	2019	2018
Profit before tax	**100,579**	**116,906**
Expected average tax expense	30,878	35,890
Changes in tax rates	−20	−61
Differences between local and Group tax rates	−6,737	−6,147
Non-deductible expenses	1,434	1,825
Non-taxable income	−598	−370
Allowance for deferred tax assets	561	−2,262
Taxes relating to prior years	−128	−645
Other differences	501	597
Income tax expense per the consolidated income statement	**25,891**	**28,827**
Tax ratio (in percent)	25.7	24.7

The calculated tax rate of 30.7 percent is based on the tax rates applicable in Germany in 2019. A corporation tax of 15.0 percent, the solidarity surcharge of 5.5 percent and the average municipal trade tax rate for the German Group companies were taken into account.

The tax ratio increased slightly to 25.7 (24.7) percent. In both years there were relieving effects on the tax rate. In 2019, the income from the release of the purchase price liability for XXLhoreca reduced the tax ratio. In the previous year TAKKT was able to use tax loss carryforwards to a greater extent and also generated higher tax income from prior periods. Adjusted for these effects the tax rate was 26.5 (27.2) percent.

(10) Earnings per share

	2019	2018
Number of shares issued (in thousand)	65,610	65,610
Weighted average number of shares issued (in thousand)	65,610	65,610
Profit (in EUR thousand)	74,688	88,079
Basic earnings per share (in EUR)	1.14	1.34
Diluted earnings per share (in EUR)	1.14	1.34
TAKKT cash flow (in EUR thousand)	120,365	120,843
TAKKT cash flow per share (in EUR)	1.83	1.84

Basic and diluted earnings per share are calculated by dividing the profit by the weighted average number of shares issued.

As potential shares (mainly stock options and convertible bonds), which could dilute the earnings per share, were not issued, basic and diluted earnings per share are identical.

3. NOTES TO THE BALANCE SHEET

(11) Property, plant and equipment *in EUR thousand*

	Land, buildings and similar assets	Plant, machinery and equipment	Payments on account	Total
Acquisition costs				
Balance at 01/01/2019 after adjustments IFRS 16*	197,525	92,812	884	291,221
Currency translation	1,381	624	3	2,008
Changes in scope of consolidation	11	38	0	49
Additions	12,955	8,784	772	22,511
Transfers	727	437	–1,163	1
Disposals	–863	–4,197	0	–5,060
Balance at 12/31/2019	**211,736**	**98,498**	**496**	**310,730**
Cumulative depreciation and impairment				
Balance at 01/01/2019	69,342	66,041	0	135,383
Currency translation	283	427	0	710
Additions	16,491	8,694	0	25,185
Transfers	0	0	0	0
Disposals	–779	–3,671	0	–4,450
Balance at 12/31/2019	**85,337**	**71,491**	**0**	**156,828**
Net book values				
Balance at 12/31/2019	**126,399**	**27,007**	**496**	**153,902**

* *Explanations on the effects of the first-time application of IFRS 16 can be found under "Basis of consolidated financial statements" in section 1.*

Details on impairments in accordance with IAS 36 Impairment of Assets can be found on page 110 et seq.

Until December 31, 2018, IAS 17 had been applied. The book value of property, plant and equipment acquired under a finance lease came to EUR 24,697 thousand as of December 31, 2018. Leased assets were shown under land and buildings with EUR 23,793 thousand and under equipment with EUR 904 thousand.

TAKKT applies IFRS 16 since January 01, 2019 and has since recognized leased assets as right-of-use assets. Property, plant and equipment of EUR 153,902 at reporting date includes EUR 78,742 thousand (EUR 75,656 thousand) property, plant and equipment legally owned by TAKKT and EUR 75,160 thousand (EUR 24,697 thousand) right-of-use assets for leased assets. Information on leases as of reporting date can be found on page 157 et seq.

As in the previous year, tangible assets legally and economically owned by the Group, with the exception of the capitalized right-of-use assets, were not subject to any restraints on disposal rights.

Purchase commitments for Property, plant and equipment amount to EUR 404 thousand (EUR 419 thousand).

	Land, buildings and similar assets	Plant, machinery and equipment	Payments on account	Total
Acquisition costs				
Balance at 01/01/2018	142,521	84,412	1,126	228,059
Currency translation	1,143	1,043	9	2,195
Changes in scope of consolidation	2,433	370	0	2,803
Additions	2,953	7,664	771	11,388
Transfers	617	405	−1,022	0
Disposals	−6,431	−2,278	0	−8,709
Balance at 12/31/2018	**143,236**	**91,616**	**884**	**235,736**
Cumulative depreciation and impairment				
Balance at 01/01/2018	67,639	59,507	0	127,146
Currency translation	627	774	0	1,401
Additions	4,799	7,817	0	12,616
Transfers	0	0	0	0
Disposals	−3,723	−2,057	0	−5,780
Balance at 12/31/2018	**69,342**	**66,041**	**0**	**135,383**
Net book values				
Balance at 12/31/2018	**73,894**	**25,575**	**884**	**100,353**

(12) Goodwill *in EUR thousand*

	2019	2018
Acquisition costs		
Balance at 01/01/	580,196	526,710
Currency translation	6,382	10,873
Additions	17,465	42,613
Disposals	0	0
Balance at 12/31/	**604,043**	**580,196**
Cumulative impairment		
Balance at 01/01 / 12/31	**12,860**	**12,860**
Net book values		
Balance at 12/31/	**591,183**	**567,336**

The addition to goodwill relates to the acquisition of XXLhoreca (Juma International B.V.) within TAKKT EUROPE. In the previous year the increase in goodwill was due to the acquisition of Equip4work Ltd. and Runelandhs Försäljnings AB. For further information concerning the acquisitions, please refer to page 158 et seqq.

The accumulated scheduled amortization of goodwill until 2004 was offset against acquisition costs due to the impairment-only approach that is applied since 2005 at TAKKT.

Book value of goodwill *in EUR thousand*

Cash generating units	2019	2018
Kaiser+Kraft group	124,018	124,255
ratioform group	152,656	152,656
BiGDUG	4,160	3,957
Equip4work	31,132	29,611
Mydisplays	2,224	2,224
XXLhoreca	17,464	-
Hubert group	72,175	70,813
Central group	64,573	63,355
D2G group	81,276	79,743
NBF group	41,505	40,722
	591,183	**567,336**

In the previous year, the goodwill of the Kaiser+Kraft group was allocated to the new cash generating unit BiGDUG and the remaining cash generating unit Kaiser+Kraft group on the basis of their fair values.

(13) Other intangible assets *in EUR thousand*

	Brands with undefined useful life	Customer lists	Other (purchase price allocation)	Software, licenses and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01/01/2019	28,497	65,495	33,295	41,581	18,200	187,068
Currency translation	352	398	1,119	225	45	2,139
Changes in scope of consolidation	0	150	5,300	0	0	5,450
Additions	0	0	0	3,887	5,072	8,959
Transfers	0	0	0	17,724	–17,724	0
Disposals	0	0	0	–559	–19	–578
Balance at 12/31/2019	**28,849**	**66,043**	**39,714**	**62,858**	**5,574**	**203,038**
Cumulative amortization and impairment						
Balance at 01/01/2019	760	56,689	20,112	29,031	0	106,592
Currency translation	15	395	699	132	0	1,241
Additions	0	4,124	4,732	7,320	0	16,176
Reversal of impairment	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–548	0	–548
Balance at 12/31/2019	**775**	**61,208**	**25,543**	**35,935**	**0**	**123,461**
Net book values						
Balance at 12/31/2019	**28,074**	**4,835**	**14,171**	**26,923**	**5,574**	**79,577**

Details on impairments in accordance with IAS 36 Impairment of Assets can be found on page 110 et seq.

As in the previous year, intangible assets were not subject to any restraints on disposal.

The acquired brands are reported at their book value as intangible assets with an indefinite useful life. The customer lists have a remaining useful life between 1 and 4 years and are reported at net book value. The distribution on business units is as follows:

	Book values of brands (in EUR thousand)		Book values of customer lists (in EUR thousand)	
	2019	2018	**2019**	2018
Kaiser+Kraft group	0	0	1,420	1,870
Ratioform group	10,200	10,200	2,819	5,377
Newport group	0	0	596	850
Central group	11,216	11,004	0	709
NBF group	6,658	6,533	0	0

Purchase commitments for intangible assets amount to EUR 123 thousand (EUR 379 thousand).

	Brands with undefined useful life	Customer lists	Other (purchase price allocation)	Software, licenses and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01/01/2018	27,668	74,298	34,956	37,773	11,673	186,368
Currency translation	829	1,408	931	326	78	3,572
Changes in scope of consolidation	0	3,251	11,521	200	0	14,972
Additions	0	0	0	2,195	8,202	10,397
Transfers	0	0	0	1,753	–1,753	0
Disposals	0	–13,462	–14,113	–666	0	–28,241
Balance at 12/31/2018	**28,497**	**65,495**	**33,295**	**41,581**	**18,200**	**187,068**
Cumulative amortization and impairment						
Balance at 01/01/2018	725	63,151	28,485	24,852	0	117,213
Currency translation	35	1,372	1,003	233	0	2,643
Additions	0	5,628	4,737	4,551	0	14,916
Reversal of impairment	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	–13,462	–14,113	–605	0	–28,180
Balance at 12/31/2018	**760**	**56,689**	**20,112**	**29,031**	**0**	**106,592**
Net book values						
Balance at 12/31/2018	**27,737**	**8,806**	**13,183**	**12,550**	**18,200**	**80,476**

(14) Investments in associated companies *in EUR thousand*

The following table shows the summarized aggregate financial information of the individually non-significant associated companies accounted for using the equity method.

	2019	2018
Profit/Total comprehensive income	–1,196	–684
Book value	353	1,049

The profit includes an impairment of EUR 532 thousand (EUR 0 thousand).

(15) Other assets *in EUR thousand*

	2019	2018
Investments in corporate entities	7,499	6,990
Investment in venture capital funds	632	372
Other	486	375
	8,617	**7,737**

(16) Deferred tax

Deferred tax on loss carry forwards *in EUR thousand*

	2019	2018
Deferred tax on loss carry forwards (gross)	2,573	2,217
Allowance	–2,438	–2,003
Deferred tax on loss carry forwards (net)	**135**	**214**

Expiration of impaired loss carry forwards *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	unlimited	Total
2019	2,307	5,167	2,371	1,876	11,721
2018	787	5,095	2,116	1,877	9,875

Deferred tax assets and liabilities result from recognition and valuation differences for the following balance sheet positions:

Deferred tax assets and liabilities *in EUR thousand*

	Assets		Liabilities	
	2019	2018	**2019**	2018
Property, plant and equipment and other intangible assets	3,261	3,039	32,099	18,947
Goodwill	0	0	76,896	71,410
Inventories	2,721	2,768	151	137
Trade receivables and other assets	853	1,303	767	646
Non-current provisions	16,977	12,339	0	0
Current provisions	1,026	259	187	192
Financial liabilities	17,871	6,529	0	0
Other liabilities	3,359	2,301	85	5
Fair value of derivative financial instruments	841	155	454	277
Loss carry forwards	135	214	0	0
Subtotal	**47,044**	**28,907**	**110,639**	**91,614**
Netting	−45,209	−27,238	−45,209	−27,238
Consolidated balance sheet	**1,835**	**1,669**	**65,430**	**64,376**

Deferred taxes of EUR 388 thousand (minus EUR 122 thousand) on the market value of original and derivative financial instruments classified as cash flow hedges as well as deferred taxes of EUR 11,660 thousand (EUR 7,827 thousand) on actuarial gains and losses for the evaluation of pension provisions were recorded with no effect on profit and loss.

Of the deferred tax assets in the amount of EUR 1,835 thousand (EUR 1,669 thousand), EUR 5 thousand (EUR 14 thousand) relate to companies which generated losses in the year under review or the previous year. The recognition of deferred tax assets is based on the positive results of the rolling five-year budget of the respective company taking into account the future expectations as well as the specific business development respectively on the loss history in the past.

In accordance with IAS 12.39, no deferred tax liabilities are reported for the retained earnings of subsidiaries because TAKKT is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

In the event of future dividend payouts, there would be a tax liability of EUR 5,445 thousand (EUR 4,915 thousand). Any foreign withholding tax and income tax effects at foreign intermediate holding companies were not taken into consideration for reasons of materiality.

(17) Inventories *in EUR thousand*

	2019	2018
Raw materials and supplies	5,767	5,368
Work in progress	1,250	1,376
Finished goods and purchased merchandise	114,919	119,656
Assets for rights from customer returns	664	705
Payments on account	1,828	1,511
	124,428	**128,616**

An obsolescence reserve of EUR 7,687 thousand (EUR 7,800 thousand) has been made on finished goods and purchased merchandise, taking the expected sell-down period of the inventories into consideration. Intercompany profits of EUR 112 thousand (EUR 96 thousand) were eliminated.

(18) Trade receivables

Development of allowances on trade receivables *in EUR thousand*

	2019	2018
Balance at 01/01/	3,712	3,608
Additions	999	497
Release	–624	–502
Currency translation and other changes	43	109
Balance at 12/31/	**4,130**	**3,712**

Additional information concerning the reconciliation from gross to net figures can also be found in section 4. Risk management and financial instruments (page 141 et seqq.).

TAKKT has not capitalized any overdue receivables that are not impaired.

(19) Other receivables and assets *in EUR thousand*

	2019	2018
Market value of derivative financial instruments	59	911
Other tax receivables	1,139	1,054
Bonus claims against suppliers	15,913	18,125
Deferred expenses	5,244	4,929
Other	3,471	4,705
	25,826	**29,724**

(20) Cash and cash equivalents *in EUR thousand*

	2019	2018
Checks, cash balances	330	81
Bank balances	3,493	3,022
	3,823	**3,103**

Bank balances comprises funds with a maturity of up to three months.

(21) Total equity

The consolidated statement of changes in total equity can be found on page 101. The fully paid-in share capital of TAKKT AG amounts to EUR 65,610,331 (EUR 65,610,331) and is divided into 65,610,331 (65,610,331) no-par-value bearer shares with a nominal value of EUR 1.00. The Management Board is authorized, according to the resolution of the Shareholders' Meeting on May 08, 2018, until May 07, 2023, to acquire treasury shares. In 2019 the Management Board did not use its authorization. In accordance with the resolution of the Shareholders' Meeting amending the statutes on May 08, 2018, the Management Board is authorized until May 07, 2023 to increase the issued capital by an amount of up to EUR 32,805,165.00 once or several times by issuing new no-par-value bearer shares, taking the subscription rights of the shareholders into account. With the approval of the Supervisory Board, the Management Board is, however, entitled to exclude residual amounts from the shareholders' statutory subscription right. No use was made of this authorization in 2019. Please refer to page 88 in the Management Report.

Retained earnings include earnings contributed by the Group as well as the consolidation adjustments and related deferred taxes affecting profit.

Other components of equity *in EUR thousand*

	Pension provisions	Equity instruments	Cash flow hedges	Tax	Foreign currency reserves	Total
Balance at 01/01/2018	**–25,250**	**0**	**4,543**	**5,873**	**–2,548**	**–17,382**
Changes in the scope of consolidation	0	0	0	0	0	0
Other comprehensive income	–1,651	230	84	543	11,424	10,630
thereof currency translation effects	–138	0	3	22	11,424	11,311
Balance at 12/31/2018 / 01/01/2019	**–26,901**	**230**	**4,627**	**6,416**	**8,876**	**–6,752**
Changes in the scope of consolidation	0	0	0	0	0	0
Other comprehensive income	–13,247	–2,370	–2,337	4,417	8,391	–5,146
thereof currency translation effects	–101	0	11	13	8,391	8,314
Balance at 31/12/2019	**–40,148**	**–2,140**	**2,290**	**10,833**	**17,267**	**–11,898**

The shareholders have a claim to the unappropriated profits of TAKKT AG, provided that the latter is not excluded from distribution to the shareholders by law or the statutes of the company, by way of a shareholders' resolution or as additional charge to the retained earnings.

Together with the Supervisory Board, the Management Board proposes to the Shareholders' Meeting that no dividend be paid for the 2019 fiscal year (previous year: EUR 55,769 thousand).

(22) Non-current and current financial liabilities *in EUR thousand*

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	**12/31/2019**
Liabilities to banks	55,116	37,544	10,000	102,660
Lease liabilities	12,216	42,110	22,915	77,241
Finance liabilities to affiliated companies	6,657	0	0	6,657
Other	1,325	5,762	0	7,087
	75,314	**85,416**	**32,915**	**193,645**
thereof long-term (maturity > 1 year)				118,331

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	12/31/2018
Liabilities to banks	29,402	82,977	6,987	119,366
Finance leases	6,797	9,896	9,746	26,439
Finance liabilities to affiliated companies	1,949	0	0	1,949
Other	0	6,172	0	6,172
	38,148	**99,045**	**16,733**	**153,926**
thereof long-term (maturity > 1 year)				115,778

The remaining terms of the liabilities to banks are equivalent to the terms of the respective utilized financing commitments. Additionally, TAKKT has unused credit lines amounting to EUR 151.8 million (EUR 157.4 million). Average net financial liabilities for the financial year amounted to EUR 199,199 thousand (EUR 166,422 thousand). Debt was weighted by months.

The liabilities to banks are unsecured. Liabilities resulting from finance lease contracts referred in 2018 to the central warehouse in Kamp-Lintfort/Germany and three rental properties of ratioform Verpackungen GmbH in Pliening/Germany as well as a racking system. Due to the transition to IFRS 16, lease liabilities as of December 31, 2019 primarily relate to office and warehouse buildings as well as vehicles. Explanations on the effects of the first-time application of IFRS 16 as of January 01, 2019 can be found on page 104 et seq.

At the reporting date, the item Other includes TAKKT Performance Bonds issued to TAKKT Group executives.

A schedule of liabilities to affiliated companies can be found in related-party transactions on page 165 et seq.

(23) Non-current Other liabilities

The Non-current Other liabilities in prior year related to the linearization of lease expenses over the lease term of operating leases and consisted mainly of a building cost subsidy given by the lessor to TAKKT AG and other lease incentives. As a result of the transition to IFRS 16, the deferred lease payments were offset against the right-of-use assets capitalized for the first time on January 01, 2019. Explanations on the effects of the first-time application of IFRS 16 as of January 01, 2019 can be found on page 104 et seq.

(24) Pension provisions and similar obligations

For many employees of the TAKKT Group, different pension commitments are in place depending on the legal, economic and tax situation of the particular country, which usually take the length of service as well as salary or final salary of the employee into consideration. These include defined benefit as well as defined contribution pension plans that cover retirement, disability and surviving dependents. The pension provisions include obligations from current pensions as well as the present value of obligations for employee benefits payable in the future.

The key defined benefit pension plans that apply to the TAKKT Group relate to German companies and are in place for the Management Board, executives and other employees. The resulting obligation is financed almost exclusively through provisions.

The Management Board Members are provided with a pension commitment with annual contributions amounting to ten percent of the sum of their basic salary and target bonus. Contributions are only paid as long as the individual is appointed to the Management Board. The performance-related bonus corresponds to a target achievement of 100 percent. An interest rate of five respectively six percent per year is guaranteed for contributions until pension payments begin. Board Members are entitled to pension payments when they leave the company but not earlier than the member's 60th birthday. In the case of disability or death, the amount from the pension plan is paid out that would have been paid out if contributions had been made up to the age of 63. Since the 2017 financial year, part of the pension commitment has been financed through a contractual trust arrangement. The assets held by the trustee are plan assets.

For certain executives, pension commitments are in place that cover benefits upon reaching the age of 65, disability and widow's / widower's or orphan´s pension. The annual contribution to the pension plan is eight percent of the annual fixed income of the respective executive. The German Commercial Code (HGB) reference interest rate of the German Federal Bank is used for the annual interest yield of the respective capital account. Payments are made generally in installments or on request as an annuity. Pension payments are still being made to former executives based on a plan that has been discontinued.

For many of the other employees of the German Group companies, there is a pension plan in place that regulates retirement pension upon reaching the age of 65, disability as well as widow's / widower's and orphan's pension. Depending on the completed years of service and the average remuneration of the last three work years subject to pension contributions and in accordance with the current valid works agreement, monthly fixed amounts in euros for each year of service will become due at the time of pension payout. In addition, specific employees have the option of converting salary into pension contributions. These amounts, which are referred to as deferred compensation, are converted into benefit components and paid out as pension benefits.

In Switzerland, pension commitments exist according to the BVG (Bundesgesetz über die berufliche Vorsorge; Swiss Federal Act on Occupational Retirement, Survivors´and Disability Pension Plans) for employees and executives, that cover retirement, disability and surviving dependents. The pension plans are financed by contributions from employees and the employer to a pension fund (collective foundation), that represent plan assets. Contributions as a percentage of the pensionable salary vary depending on salary and age. Payments are made annuitized or as a lump sum. To cover the pension claims, the plans are subject to minimum funding requirements from which future additional contribution obligations may arise.

In one Dutch company, there is a pension plan in place for 6 (6) employees that covers retirement pension after the age of 65 as well as disability and widow's/widower's and orphan´s pension. The amount of the pension is based on the employee's remuneration less the state pension plan. These pension commitments have been financed through contributions paid to an insurance company. Plan assets created in this process solely involve qualifying insurance policies. With effect on January 01, 2011, the underlying plan was discontinued. Claims arising afterwards are covered by a defined contribution plan.

The value of the pension provisions reported in the balance sheet is derived as follows:

Development of pension provisions *in EUR thousand*

	2019	2018
Present value of funded obligations	20,900	16,869
Present value of unfunded obligations	71,359	56,743
Total present value of obligations	**92,259**	**73,612**
Fair value of plan assets	– 12,316	– 10,620
Pension provision at 31.12.	**79,943**	**62,992**

For the pension plans described above, the following parameters are applied for the calculation of the present value of obligations:

Parameters *in percent*

	2019		2018	
	EUR	**CHF**	EUR	CHF
Actuarial interest rate	1.00	0.30	1.90	0.90
Salary trend	2.50	1.50	2.50	1.50
Pension trend	1.75	0.00	1.75	0.00

The actuarial interest rate is based on high-quality fixed-rate corporate bonds with a rating of at least AA from a recognized rating agency.

The weighted duration of the pension provisions as of December 31, 2019 is 21.4 (19.9) years.

All other commitments are not material and are determined using specific local accounting principles and parameters.

Development of pension provisions *in EUR thousand*

	Present value of obligation	Fair value of plan assets	Pension provisions
Balance at 01/01/2019	**73,612**	**10,620**	**62,992**
Current service cost	4,251	0	4,251
Past service costs and gains and losses on settlements and curtailments	–87	0	–87
Personnel expenses	**4,164**	**0**	**4,164**
Net interest expense	**1,326**	**125**	**1,201**
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	–554	0	–554
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	14,459	0	14,459
Experience gains/losses	–271	488	–759
Changes to other components of equity	**13,634**	**488**	**13,146**
Effect of changes in foreign exchange rates	490	350	140
Transfer of obligation	107	0	107
Changes in scope of consolidation	0	0	0
Contributions of plan participants	264	264	0
Contributions of employer	0	503	–503
Benefit payments	–1,338	–34	–1,304
Other Effects	**–477**	**1,083**	**–1,560**
Balance at 12/31/2019	**92,259**	**12,316**	**79,943**

	Present value of obligation	Fair value of plan assets	Pension provisions
Balance at 01/01/2018	**69,121**	**10,331**	**58,790**
Current service cost	3,255	0	3,255
Past service costs and gains and losses on settlements and curtailments	–380	–215	–165
Personnel expenses	**2,875**	**–215**	**3,090**
Net interest expense	**1,238**	**89**	**1,149**
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	616	0	616
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	1,416	0	1,416
Experience gains/losses	–537	–19	–518
Remeasurements of the pension provisions	**1,495**	**–19**	**1,514**
Effect of changes in foreign exchange rates	512	338	174
Transfer of obligation	0	0	0
Changes in scope of consolidation	0	0	0
Contributions of plan participants	261	261	0
Contributions of employer	0	488	–488
Benefit payments	–1,890	–653	–1,237
Other Effects	**–1,117**	**434**	**–1,551**
Balance at 12/31/2018	**73,612**	**10,620**	**62,992**

In addition to qualified insurance contracts (EUR 11,719 thousand, prior year EUR 10,260 thousand, without underlying active market), the plan assets to a small extent contain securities funds (EUR 585 thousand, prior year EUR 348 thousand, with underlying active market) as well as cash and cash equivalents (EUR 12 thousand, prior year EUR 12 thousand, with underlying active market). The plan assets do not include any of the Group's financial instruments or assets used by the Group. Employer contributions to plan assets are expected to come to EUR 878 thousand in 2020.

The following table shows the effect of the change of a significant actuarial assumption on the present value of the defined benefit obligations. All other assumptions regarding the original calculation remain unchanged, i.e., possible interactions between the individual assumptions are not taken into account.

Sensitivity analysis of present value of obligation *in EUR thousand*

	Present value of obligation	
	2019	2018
Actuarial interest rate		
Increase of 0.5 percentage points	83,375	66,941
Decrease of 0.5 percentage points	102,634	81,344
Salary trend		
Increase of 0.5 percentage points	93,825	74,786
Decrease of 0.5 percentage points	90,795	72,511
Pension trend		
Increase of 0.5 percentage points	96,539	76,892
Decrease of 0.5 percentage points	88,396	70,637
Mortality / Life expectancy		
Increase of 1 year	95,030	75,530
Decrease of 1 year	87,685	71,696

The following table shows the expected future pension benefit payments:

Expected maturity of pension benefits 2019 *in EUR thousand*

	2020	**2021–2024**	**2025–2029**
Expected Payments	1,473	6,517	11,377

Expected maturity of pension benefits 2018 *in EUR thousand*

	2019	2020–2023	2024–2028
Expected Payments	1,330	6,328	10,226

The risks associated with the defined benefit obligations relate to actuarial risks such as longevity as well as financial risks such as market price risks which influence the actuarial interest rate or inflation risks which could have an effect on the development of salary and pension trend. There is no intention to hedge these risks.

Defined Contribution Plans

Statutory pension insurance is an important component of retirement pension planning for most employees, especially in Germany. The employer contributions made to such insurance and recorded under Personnel expenses amounted to EUR 8,933 thousand (EUR 7,947 thousand) during the reporting period. The future level of such expenses largely depends on how the underlying pension insurance systems develop.

Some foreign companies, especially in the United States, have voluntary defined contribution plans for the payment of benefits after termination of employment. Affected US companies pay a pension contribution for their staff to an external fund after a certain time of service. Employer contributions depend on voluntary employee contributions and are limited up to 5.0 (5.0) percent of the employee's salary. Moreover, there are plans for certain US companies, that can lead to further employer contributions to an external fund depending on the sales development of the respective company. The companies cannot derive any claims from their contribution payments; accordingly there are no plan assets to be capitalized by these companies. Expenses for defined contribution plans amounted to EUR 2,428 thousand (EUR 2,274 thousand) in the year under review.

(25) Non-current other and Current provisions *in EUR thousand*

Development of Non-current other and Current provisions *in EUR thousand*

	01/01/2019	Currency translation	Changes in scope of consolidation	Usage	Transfers	Release	Additions	12/31/2019
Personnel obligations	3,293	0	0	–633	–584	–68	461	2,469
Other	1,394	15	0	–227	0	0	208	1,390
Long-term other provisions	**4,687**	**15**	**0**	**–860**	**–584**	**–68**	**669**	**3,859**
Staff bonuses	10,761	74	0	–10,310	584	–521	7,983	8,571
Personnel obligations	902	0	0	–812	0	–91	4,735	4,734
Other	2,425	25	0	–691	0	–543	875	2,091
Short-term provisions	**14,088**	**99**	**0**	**–11,813**	**584**	**–1,155**	**13,593**	**15,396**

	01/01/2018	Currency translation	Changes in scope of consolidation	Usage	Transfers	Release	Additions	12/31/2018
Personnel obligations	4,212	–5	0	–436	–672	–904	1,098	3,293
Other	1,609	23	0	–123	0	–300	185	1,394
Long-term other provisions	**5,821**	**18**	**0**	**–559**	**–672**	**–1,204**	**1,283**	**4,687**
Staff bonuses	9,444	141	34	–9,075	672	–471	10,016	10,761
Personnel obligations	1,559	10	0	–1,004	0	–304	641	902
Other	4,961	53	0	–433	0	–2,504	348	2,425
Short-term provisions	**15,964**	**204**	**34**	**–10,512**	**672**	**–3,279**	**11,005**	**14,088**

Non-current personnel obligations mainly comprise obligations for the performance cash plans of the Management Board and obligations for early retirement part-time working arrangements.

(26) Trade payables

With regard to trade payables, most of the goods delivered are subject to customary ownership retention rights.

(27) Current Other liabilities *in EUR thousand*

	2019	2018
Liabilities from contracts with customers	5,646	7,336
Fair value of derivative financial instruments	1,848	356
Uninvoiced goods and services	16,896	22,154
Other tax payables	9,042	8,824
Personnel liabilities	5,520	5,302
Social security contributions	982	887
Bonus liabilities to customers	2,154	2,430
Expected customer credit notes	2,809	2,897
Audit fees	927	795
Purchase price liabilities	0	2,000
Other	6,525	7,069
	52,349	**60,050**

Liabilities from contracts with customers contain customer payments on account and obligations from customer loyalty programs.

Obligations from expected customer credit notes mainly result from refund liabilities.

The contingent purchase price liability for Mydisplays reported in the previous year was paid in the fourth quarter of 2019 in the amount of EUR 2.0 million. Further explanations can be found on page 164 et seq.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In the risk and opportunities report contained in the Group management report on page 70 et seqq., TAKKT details the possible financial risks that pose a threat to the success of the TAKKT Group as well as its strategy to manage these risks. In addition to the liquidity and credit risks, in the area of financial risks TAKKT is also exposed to both opportunities and risks from fluctuations in exchange rates and interest rates on international capital markets due to its international presence. The Group's risk management system covers the uncertainties of future development of financial markets accordingly. Derivatives are used to reduce these risks. With this strategy, the risk management system supports the Group's financial performance.

Financial instruments held by TAKKT are assigned to the IFRS 9 categories as follows:

Reconciliation of financial instruments to IFRS 9-categories as of December 31, 2019 *in EUR thousand*

	Financial instrument category					No IFRS 9 category	Reconciliation to balance sheet	**Balance sheet item total**
	Debt instruments and derivatives measured at fair value through profit and loss	Equity instruments measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Contingent consideration from business combinations measured at fair value through profit and loss			
Non-current assets								
Debt instruments	632	0	0	0	0	-	-	
Equity instruments	0	7,499	0	0	0	-	-	
Other	0	0	486	0	0	-	-	
Other assets	632	7,499	486	0	0	0	0	8,617
Current assets								
Trade receivables	0		101,312	0	0	0	0	101,312
Other receivables and assets	40	0	19,383	0	0	19	6,384	25,826
Cash and cash equivalents	0	0	3,823	0	0	0	0	3,823
Assets	**672**	**7,499**	**125,004**	**0**	**0**			
Non-current liabilities								
Financial liabilities	0	0	0	53,306	0	65,025	0	118,331
Other liabilities	0	0	0	0	0	0	0	0
Current liabilities								
Financial liabilities	0	0	0	63,098	0	12,216	0	75,314
Trade payables	0	0	0	39,682	0	0	0	39,682
Other liabilities	8	0	0	29,941	0	1,840	20,560	52,349
Liabilities	**8**	**0**	**0**	**186,027**	**0**			

Reconciliation of financial instruments to IFRS 9-categories as of December 31, 2018 *in EUR thousand*

	Financial instrument category					No IFRS 9 category	Reconci-liation to balance sheet	Balance sheet item total
	Debt instruments and derivatives measured at fair value through profit and loss	Equity instruments measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Contingent consideration from business combinations measured at fair value through profit and loss			
Non-current assets								
Debt instruments	372	0	0	0	0	-	-	
Equity instruments	0	6,989	0	0	0	-	-	
Other	0	0	376	0	0	-	-	
Other assets	372	6,989	376	0	0	0	0	7,737
Current assets								
Trade receivables	0		107,893	0	0	0	0	107,893
Other receivables and assets	84	0	22,830	0	0	827	5,983	29,724
Cash and cash equivalents	0	0	3,103	0	0	0	0	3,103
Assets	**456**	**6,989**	**134,202**	**0**	**0**			
Non-current liabilities								
Financial liabilities	0	0	0	96,136	0	19,642	0	115,778
Other liabilities	0	0	0	2,423	0	0	0	2,423
Current liabilities								
Financial liabilities	0	0	0	31,351	0	6,797	0	38,148
Trade payables	0	0	0	38,234	0	0	0	38,234
Other liabilities	46	0	0	35,225	2,000	310	22,469	60,050
Liabilities	**46**	**0**	**0**	**203,369**	**2,000**			

The category Debt instruments and derivatives measured at fair value through profit and loss within non-current assets relates to an investment classified as debt instrument and within current assets and liabilities relates to derivatives which are to be classified as held for trading in accordance with IFRS 9. These derivatives are used exclusively for hedging purposes.

The equity instruments included in the category Equity instruments measured at fair value through other comprehensive income relate to investments in unlisted companies. They were designated as at fair value through other comprehensive income as they are held strategically and not for trading.

The column 'No IFRS 9 category' includes mainly lease liabilities with a book value of EUR 77,241 thousand (EUR 26,439 thousand) as well as derivatives.

The calculation method used for all financial instruments measured at fair value relates to level 3 for the reporting year and the previous year, except for the valuation of derivatives, which is attributable to level 2. A definition of the levels can be found on page 113.

The following overview shows a detailed reconciliation of the financial instruments that are measured at fair value within level 3 on a recurring basis without contingent considerations from acquisitions *in EUR thousand:*

	2019	2018
Balance at 01/01/	**7,361**	**4,276**
Addition	2,910	2,855
Fair value change recognized in profit or loss	230	0
Fair value change recognized in other comprehensive income	–2,370	230
Disposals	0	0
Balance at 12/31/	**8,131**	**7,361**
Unrealized gains or losses recognized in profit or loss relating to those financial instruments held at the reporting date	230	0

The fair value change recognized in other comprehensive income mainly results from the revaluation of a start-up investment as a consequence of a recent financing round.

In the year under review, no reclassifications were made between the individual levels.

The reconciliation of contingent liabilities can be found on page 164.

The book values of all financial instruments not carried at fair value in the balance sheet represent appropriate approximate values for fair values as of the closing date of the reporting period. Significant deviations between book values and fair values could arise with regard to the liabilities under finance lease contracts and other non-current financial liabilities.

The disclosures for these financial liabilities as of the closing date are as follows:

Financial liabilities by book value and fair value *in EUR thousand*

	Book Value 12/31/2019	Fair Value 12/31/2019	Book Value 12/31/2018	Fair Value 12/31/2018
Finance leases	-	-	26,439	32,502
Other non-current liabilities	7,087	8,249	6,172	7,458
	7,087	**8,249**	**32,611**	**39,960**

The fair value is determined using the same method assigned to level 2 as for assets and liabilities that are measured at fair value on a recurring basis applying the discounted cash flow-method.

The net result of the financial instrument categories recognized in the income statement is broken down as follows:

Net result of the financial instruments categories *in EUR thousand*

	From interest	At fair value	Currency translation	Valuation allowance	2019
Debt instruments and derivatives measured at fair value through profit and loss	0	224	0	0	224
Equity instruments measured at fair value through other comprehensive income	0	0	0	0	0
Financial assets measured at amortized cost	104	0	786	–1,383	–493
Financial liabilities measured at amortized cost	–2,698	0	–747	0	–3,445
Contingent consideration from business combinations measured at fair value through profit and loss	0	2,800	0	0	2,800
	–2,594	**3,024**	**39**	**–1,383**	**–914**

	From interest	At fair value	Currency translation	Valuation allowance	2018
Debt instruments and derivatives measured at fair value through profit and loss	0	–26	0	0	–26
Equity instruments measured at fair value through other comprehensive income	0	0	0	0	0
Financial assets measured at amortized cost	131	0	–426	–1,115	–1,410
Financial liabilities measured at amortized cost	–3,499	0	227	0	–3,272
Contingent consideration from business combinations measured at fair value through profit and loss	0	–2,000	0	0	–2,000
	–3,368	**–2,026**	**–199**	**–1,115**	**–6,708**

CREDIT RISK

TAKKT is exposed to credit risk both from operating business as well as from financial instruments. Credit risk in the operating business results from possible write-offs due to customer default. The possible loss cannot exceed the book value of the receivable from an individual customer. Given the high number of existing customer relationships, the risk can generally be seen as being comparatively low. A possible major economic downturn due to the corona crisis may lead to temporary higher default risks for TAKKT's receivables. As a result of the strong diversification of the customer structure described in the risk report on page 74 there is no exceptional concentration of risk in the operating business. Due to consistent creditworthiness assessments prior to transactions as well as stringent collection systems in the financial year write-offs on trade receivables remain very low at unchanged less than 0.2 percent of sales. Risks of write-offs are accounted for by customary ownership retention rights for goods delivered and by creating allowances.

Trade receivables *in EUR thousand*

	01/01/2019	Currency translation	Changes in scope of consolidation	Other changes	**12/31/2019**
Nominal value of receivables	111,605	1,273	395	−7,831	105,442
Valuation allowances	−3,712	−28	0	−390	−4,130
Book value of receivables	**107,893**	**1,245**	**395**	**−8,221**	**101,312**

	01/01/2018	Currency translation	Changes in scope of consolidation	Other changes	12/31/2018
Nominal value of receivables	106,523	1,446	3,520	116	111,605
Valuation allowances	−3,608	−22	0	−82	−3,712
Book value of receivables	**102,915**	**1,424**	**3,520**	**34**	**107,893**

The credit risk from derivative financial instruments consists in the risk of default of a contractual partner and therefore in the maximum amount of the recognized positive fair values less the negative fair values with the same contractual partner. Since financial transactions are only concluded and maintained with counterparties with good creditworthiness, the actual risk of default can be considered as rather low. Risk concentrations in the finance area are avoided by broadly spreading transactions and deals among a number of banks with good ratings. The banks' creditworthiness is checked continuously.

LIQUIDITY RISK

Liquidity risk is understood as the risk of not being able to meet payment obligations at any time. The following table lists the contractually agreed interest payments and repayments from original financial liabilities as well as incoming and outgoing payments from derivative financial liabilities and assets at December 31, 2019. There were no financial guarantees. Foreign currency amounts were translated into the reporting currency euro at the respective closing rate at the reporting date.

Maturity analysis as of December 31, 2019 *in EUR thousand*

	Cash flow 2020	Cash flow 2021	Cash flow 2022 – 2024	Cash flow 2025 – 2029	Cash flow 2030…
Original financial liabilities					
Liabilities to banks	–55,335	–10,060	–27,656	–10,002	0
Lease liabilities	–14,618	–13,015	–35,484	–19,080	–8,914
Finance liabilities to affiliated companies	–6,658	0	0	0	0
Trade payables	–39,682	0	0	0	0
Purchase price liability	0	0	0	0	0
Other liabilities	–31,324	–1,749	–5,456	0	0
Derivative financial receivables					
Outgoing payments	–33,762	0	0	0	0
Connected incoming payments	33,812	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–67,086	0	0	0	0
Connected incoming payments	65,204	0	0	0	0

Maturity analysis as of December 31, 2018 *in EUR thousand*

	Cash flow 2019	Cash flow 2020	Cash flow 2021 – 2023	Cash flow 2024 – 2028	Cash flow 2029…
Original financial liabilities					
Liabilities to banks	–31,182	–37,905	–46,661	–7,005	0
Finance leases	–8,004	–2,398	–11,306	–5,726	–8,827
Finance liabilities to affiliated companies	–1,949	0	0	0	0
Trade payables	–38,234	0	0	0	0
Purchase price liability	–2,000	0	0	0	0
Other liabilities	–35,830	–2,071	–7,522	0	0
Derivative financial receivables					
Outgoing payments	–50,663	0	0	0	0
Connected incoming payments	51,667	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–43,723	0	0	0	0
Connected incoming payments	43,307	0	0	0	0

TAKKT has considerable unused short- and long-term credit lines with a number of German and international banks amounting to EUR 151.8 million (EUR 157.4 million). Thus, the liquidity risk resulting from the maturities is largely negligible.

MARKET PRICE RISK

The term 'market price risk' relates to the risk that the fair value or the future cash flows of a financial instrument change due to fluctuations in market prices. In the case of TAKKT, market price risk mainly comprises currency and interest rate risks. In the following paragraphs, for each type of risk, the financial instruments on the books at the reporting date will be described in detail.

The following sensitivity analyses of market price risks show which effects on profits and equity there would have been if financial instruments recorded at the closing date had been affected by hypothetical changes in different relevant risk variables. The assumption is that the volume of financial instruments at the closing date was representative for the full year and that the assumed changes in risk variables at the closing date were reasonable.

CURRENCY RISK

The table below shows the hedged nominal volumes and the market values of the respective currency hedges. As in the previous year, contracts have maturities of up to one year. No netting of currency derivatives was undertaken.

Currency hedging *in EUR thousand*

	Nominal value		Market value	
	2019	2018	**2019**	2018
Assets				
Currency derivatives designated as cash flow hedges	3,715	28,458	19	793
Currency derivatives without hedge accounting	30,047	22,491	40	84
Liabilities				
Currency derivatives designated as cash flow hedges	51,700	20,827	–1,840	–310
Currency derivatives without hedge accounting	13,748	22,484	–8	–46
	99,210	**94,260**	**–1,789**	**521**

Non-derivative financial liabilities denominated in foreign currency were used to hedge the net investment in a foreign operation. In 2019 gains after taxes totaling EUR 0 thousand (EUR 0 thousand) resulting from the change in value of this hedge instrument were recorded in Other comprehensive income without affecting profit. There have been no notable ineffective portions of the net investment hedges.

CURRENCY DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

TAKKT is exposed to currency risks because a limited volume of purchases and sales of products and services (less than ten percent of consolidated sales) is in different currencies. Around 70 percent of the net foreign currency cash flows expected within TAKKT Group are hedged with currency instruments which can be designated as effective cash flow hedges and did not show any material ineffectiveness until the closing date. Exchange rate differences of the underlying currencies impact other components of equity through changes in the fair value of the hedge instruments. They are therefore considered in equity-related sensitivity calculations.

In the 2019 financial year, losses after deferred taxes totaling EUR 1,433 thousand (gains EUR 366 thousand) resulting from changes in the fair values of foreign exchange derivatives were recorded in Other comprehensive income without affecting profit. These changes in valuation represent the effective part of the hedge relationship. In addition, gains of EUR 377 thousand (EUR 242 thousand) recorded in Other comprehensive income were transferred to the statement of income (under Other operating expenses). With the payments taking place within the next twelve months, TAKKT expects that losses recorded in Other comprehensive income amounting to EUR 1,433 thousand after deferred taxes will be transferred to the statement of income.

Broken down by currency, the designated transactions underlying the cash flow hedges have the following maturities:

Underlying currency derivative transactions *in EUR thousand*

	2019		2018	
	Cash flow 2020	Cash flow 2021…	Cash flow 2019	Cash flow 2020…
CAD	4,788	0	5,098	0
CHF	16,593	0	16,233	0
CZK	1,442	0	1,206	0
DKK	1,021	0	1,067	0
GBP	7,734	0	3,635	0
HUF	2,017	0	2,202	0
NOK	1,736	0	1,673	0
PLN	–157	0	–724	0
RON	269	0	440	0
RUB	1,035	0	1,004	0
SEK	–251	0	–1,897	0
TRY	0	0	212	0
USD	–18,373	0	–13,894	0

CURRENCY DERIVATIVES WITHOUT HEDGE ACCOUNTING

Intercompany loans involving more than one currency are hedged with forward foreign exchange contracts. This locks in prices for intercompany financing transactions. Accordingly, the Group is not exposed to any risk from exchange rate movements. While the individual company can establish a relationship between the derivative instrument and the underlying transaction, the underlying transaction is eliminated in the context of the Group's debt consolidation. From the Group's perspective, the derivative is therefore no longer used for hedging purposes. Fluctuations in exchange rates in the underlying currencies trigger changes in market values with regard to the derivatives and the related intercompany loans causing counteracting changes in Other finance result and are therefore included in the profit-based sensitivity calculation.

Foreign currency receivables or payables against third parties at individual companies are also hedged economically using forward foreign exchange contracts, if necessary. Here, fluctuations in exchange rates of the underlying currencies also lead to counteracting fluctuations in profit through changes in market value of the derivative instrument as well as the corresponding receivables and payables and are therefore also included in the profit-based sensitivity calculation.

No fair value hedge accounting is applied.

The following table lists the effects of a theoretical change in the EUR/CHF, EUR/USD and EUR/GBP exchange rates on the profit before tax as well as on equity at the reporting date. Other exchange rate fluctuations have no material effect on profit or equity. Influences on the balance sheet and statement of income resulting from the translation of separate financial statements into the reporting currency euro (known as translation risks) are not included.

Sensitivity analysis for currency fluctuations *in EUR thousand*

12/31/2019	Increase/ decrease	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR/CHF	+ 10%	0	1,662
EUR/CHF	– 10%	0	– 1,662
EUR/USD	+ 10%	+ 55	– 405
EUR/USD	– 10%	– 55	405
EUR/GBP	+ 10%	+ 16	818
EUR/GBP	– 10%	– 16	– 818

12/31/2018	Increase/ decrease	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR/CHF	+ 10%	0	1,644
EUR/CHF	– 10%	0	– 1,644
EUR/USD	+ 10%	+ 24	– 624
EUR/USD	– 10%	– 24	624
EUR/GBP	+ 10%	+ 24	362
EUR/GBP	– 10%	– 24	– 362

INTEREST RATE RISK

The table below shows the hedged nominal volumes and the market values of the respective interest rate hedges. A netting of these instruments does not occur.

Interest rate hedges *in EUR thousand*

	Nominal value		Market value	
	2019	2018	**2019**	2018
Assets				
Interest rate derivatives designated as cash flow hedges	0	39,301	0	34
Interest rate derivatives without hedge accounting	0	0	0	0
Liabilities				
Interest rate derivatives designated as cash flow hedges	0	0	0	0
Interest rate derivatives without hedge accounting	0	0	0	0
	0	**39,301**	**0**	**34**

As per December 31, 2018 TAKKT had designated amortizing interest rate swaps with a nominal volume of USD 45,000 thousand as cash flow hedges in order to hedge future interest payments from the floating-rate USD debt.

TAKKT's objective with contracting interest rate swaps is to transform floating rate into fixed rate financing.

A potential change in creditworthiness and therefore the credit margin of the debtor is not part of this hedge. The effective part of the interest rate swaps is recorded at fair value without an effect on profits. In the case of interest rate swaps which qualify as cash flow hedges, changes in market interest rates cause fluctuations in both the other components of equity (changes in fair value) and the finance expense (compensation payments). These financial instruments are therefore taken into account in equity and profit-related sensitivity calculations.

In 2019, gains after deferred taxes of EUR 0 thousand (EUR 30 thousand) resulting from the change of fair values of interest rate swaps were recorded in Other comprehensive income without an effect on profits. Gains after deferred taxes recorded in equity amounting to EUR 25 thousand (EUR 71 thousand) were transferred to the statement of income (Finance expenses). These amounts represent the change in valuation of the effective part of the hedge relationship. As in the previous year, there has been no material ineffectiveness.

UNDERLYING INTEREST RATE DERIVATIVE TRANSACTIONS

The TAKKT Group is financed by means of long-term bilateral credit lines, which are usually made use of on a revolving basis with a short-term fixed-rate period. TAKKT uses derivative financial instruments to hedge against rising market interest rates and therefore potentially increasing future interest payments. The target hedge level for the interest rate risk is between 60 and 80 percent of the financing volume.

The table below shows the reporting periods in which the cash flows hedged as of December 31, 2019 are expected to occur. The anticipated hedged interest outpayments are the result of floating-rate US dollar liabilities with an initial nominal volume of USD 0 thousand (USD 45,000 thousand).

Underlying interest rate derivative transactions *in USD thousand*

2019	Cash flow 2020	Cash flow 2021	Cash flow 2022 – 2024	Cash flow 2025 – 2029	Cash flow 2030…
USD	0	0	0	0	0

2018	Cash flow 2019	Cash flow 2020	Cash flow 2021 – 2023	Cash flow 2024 – 2028	Cash flow 2029…
USD	854	0	0	0	0

Other financial instruments

Floating rate financial instruments are included in the profit-related sensitivity calculation since interest rate changes affect the financial result.

Non-interest-bearing financial instruments (e. g. trade receivables and payables) are generally not subject to interest rate risks. Only if changes in market interest rates have an influence on financial instruments recognized at fair value they are considered in the sensitivity calculation.

The following table lists the sensitivity of the profit before tax and equity in case of a theoretical change in the level of market interest rates relating to the financial instruments at the closing date which would have been exposed to such a change in the interest rate level. Financial instruments with a fixed interest rate and a remaining term of less than one year are included in the analysis. It is assumed, that the level is representative for the whole year and that the assumed change of the market interest level was possible.

Sensitivity analysis for interest rate fluctuations *in EUR thousand*

12/31/2019	Increase/ decrease in basis points	Effect on profit before tax	Effect on shareholders' equity without impact on profits
EUR	+100/–100	–992/+992	–104/+104
USD	+100/–100	–163/+163	–103/+103
GBP	+100/–100	–2/+2	+111/–112

12/31/2018	Increase/ decrease in basis points	Effect on profit before tax	Effect on shareholders' equity without impact on profits
EUR	+100/–100	–578/+578	–78/+78
USD	+100/–100	–188/+188	+78/–79
GBP	+100/–100	–57/+57	+66/–66

5. OTHER NOTES

NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows has been derived from the consolidated financial statements of the TAKKT Group and prepared in accordance with IAS 7 Statement of Cash Flows. It shows changes in cash and cash equivalents during the financial year on the basis of cash transactions. Cash flows are reported separately according to source and application of funds into operating, investing, and financing activities. Operating cash flows are presented according to the indirect method, cash flows from investing and financing activities according to the direct method. To adjust for exchange rate effects, the individual items of the opening balance were translated at the respective exchange rates at the closing date. These figures were compared with the closing statement of the financial position.

The TAKKT cash flow figure is used for financial communication. Until 2018 the TAKKT cash flow was defined as profit plus depreciation, amortization and impairment of non-current assets and deferred tax affecting profit. The first-time application of IFRS 16 starting in 2019 leads to structural changes in the calculation and amount of the TAKKT cash flow. Future comparisons with earlier periods thus have little significance. This was taken as an opportunity to adjust the definition of the TAKKT cash flow from 2019 on. Now, it includes the other non-cash expenses and income as well as income and expense from disposals of non-current assets, both previously recognized below the TAKKT cash flow. TAKKT cash flow thus shows the operating cash flow earned in the reporting period before the effects from the changes in current net working capital. Prior year figures related to the changed definition of the TAKKT cash flow were adjusted accordingly.

Capital expenditure relates mainly to maintenance, expansion and modernization of the business. Furthermore, capital expenditure in non-current assets also include outpayments for investments of the TAKKT Group via TAKKT Beteiligungsgesellschaft in the amount of EUR 2,982 thousand (EUR 2,286 thousand) in shares of nine (eight) companies. The cash outflow for the acquisition of consolidated companies relates to payments regarding the acquisition of XXLhoreca (Juma International B.V.) in the amount of EUR 18,737 thousand as well as the partial payments of purchase price liabilities relating to the acquisition of Mydisplays GmbH in the amount of EUR 2,000 thousand. In 2018 cash outflows for the acquisition of consolidated companies related to payments regarding the acquisition of Equip4work Ltd. (EUR 38,601 thousand), Runelandhs Försäljnings AB (EUR 16,686 thousand) and a partial payment of a purchase price liability related to the acquisition of Post-Up Stand in the amount of EUR 2,435 thousand.

The cash flow from operating activities rose significantly to EUR 130,792 thousand (EUR 99,421 thousand). A material reason was in particular the varying development of inventories. In 2018, in the light of the discussion about rising import duties for goods from China, the US companies made substantial direct imports from Asia, thus building up inventories. This effect was partially reversed in 2019 by a reduction in inventories. The cash flow from operating activities includes interest receipts of EUR 104 thousand (EUR 710 thousand) and interest payments of EUR 4,741 thousand (EUR 4,209 thousand). In 2019, income taxes of EUR 23,227 thousand (EUR 26,594 thousand) were paid.

Cash flow from financing activities includes payments from transactions with owners as well as payments from changes in financial liabilities. The transactions with owners are related to the distribution of dividends to the shareholders of the TAKKT AG in the amount of EUR 55,769 thousand (EUR 36,086 thousand). The cash-effective changes of the financial liabilities concern the incoming and outgoing payments in order to borrow or repay financial liabilities. These include particularly the decrease of liabilities to banks in the amount of EUR 17,873 thousand (in the previous year increase of EUR 17,855 thousand), the repayment of lease liabilities in the amount of EUR 17,772 thousand (EUR 2,410 thousand) and the increase of financial liabilities to affiliated companies in the amount of EUR 5,397 thousand (in the previous year repayment of EUR 5,224 thousand). The components of financial liabilities are explained on page 133.

The following table shows both the cash and non-cash changes in financial liabilities *in EUR thousand*:

	01/01/2019	Payment effective change	Non-cash change				12/31/2019
			Currency translation	Additions leasing	Changes in scope of consolidation	Other	
Liabilities to banks	119,366	–17,873	1,167	0	0	0	102,660
Lease liabilities*	83,867	–17,772	937	10,331	11	–133	77,241
Finance liabilities to affiliated companies	1,949	5,397	–689	0	0	0	6,657
Other	6,172	359	14	0	0	542	7,087
Total	**211,354**	**–29,889**	**1,429**	**10,331**	**11**	**409**	**193,645**

* *Adjustment of figure as of 01/01/2019 according to application of IFRS 16*

	01/01/2018	Payment effective change	Non-cash change				12/31/2018
			Currency translation	Additions leasing	Changes in scope of consolidation	Other	
Liabilities to banks	97,127	17,855	4,384	0	0	0	119,366
Finance leases	28,849	–2,410	0	0	0	0	26,439
Finance liabilities to affiliated companies	7,701	–5,224	–528	0	0	0	1,949
Other	4,584	1,022	29	0	0	537	6,172
Total	**138,261**	**11,243**	**3,885**	**0**	**0**	**537**	**153,926**

Cash and cash equivalents include checks, cash on hand and bank balances with a term of up to three months and comprise the balance sheet item Cash and cash equivalents. These were not netted off against short-term financial liabilities. The cash and cash equivalents are not subject to any restrictions on disposal.

NOTES TO THE SEGMENT REPORTING

Segment reporting 2019 of the TAKKT Group *in EUR thousand*

	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Sales to third parties	668,716	544,956	1,213,672	0	0	1,213,672
Inter-segment sales	2	0	2	0	−2	0
Segment sales	668,718	544,956	1,213,674	0	−2	1,213,672
Other non-cash expenses (+) and income (–)	−457	1,106	649	480		1,129
EBITDA	105,865	60,365	166,230	−16,058	0	150,172
Depreciation and amortization of segment assets	26,806	13,216	40,022	1,050	0	41,072
Impairment of segment assets	237	52	289	0	0	289
EBIT	78,822	47,097	125,919	−17,108	0	108,811
Income from associated companies	−1,196	0	−1,196	0	0	−1,196
Finance expenses	−4,168	−2,865	−7,033	−1,843	2,260	−6,616
Interest and similar income	150	10	160	2,204	−2,260	104
Profit before tax	68,887	48,769	117,656	−17,077	0	100,579
Income tax expense	−18,707	−12,236	−30,943	5,052	0	−25,891
Profit	50,180	36,533	86,713	−12,025	0	74,688
TAKKT cash flow	75,496	56,088	131,584	−11,219	0	120,365
Segment assets	666,085	468,159	1,134,244	231,554	−265,137	1,100,661
thereof investments in associated companies	353	0	353	0	0	353
thereof deferred tax and income tax receivables	3,260	1,668	4,928	13,716	−7,004	11,640
investment in non-current assets*	15,585	6,897	22,482	2,183	0	24,665
Segment liabilities	328,486	149,279	477,765	243,815	−265,137	456,443
thereof deferred tax and income tax payables	25,575	51,748	77,323	1,250	−7,004	71,569
thereof financial liabilities (non-current and current)	191,880	48,273	240,153	209,816	−256,324	193,645
Average no. of employees (full-time equivalent)	1,534	928	2,462	48	0	2,510
Employees at the closing date (full-time equivalent)	1,528	906	2,434	49	0	2,483

** Without investments in non-current assets from acquisition of subsidiaries, please refer to the details on page 158 et seqq.*

Segment reporting by geographical region 2019 of the TAKKT Group *in EUR thousand*

	Germany	Europe without Germany	USA	Other	Group total
Sales to third parties	260,821	407,895	535,763	9,193	1,213,672
Non-current assets*	388,950	104,355	331,257	100	824,662

** Non-current assets excluding financial instruments, deferred tax assets and investments in associated companies.*

Segment reporting 2018 of the TAKKT Group *in EUR thousand*

	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Sales to third parties	651,581	529,508	1,181,089	0	0	1,181,089
Inter-segment sales	211	9	220	0	–220	0
Segment sales	651,792	529,517	1,181,309	0	–220	1,181,089
Other non-cash expenses (+) and income (–)	2,554	2,560	5,114	470	0	5,584
EBITDA	98,595	64,520	163,115	–13,046	0	150,069
Depreciation and amortization of segment assets	19,425	7,677	27,102	288	0	27,390
Impairment of segment assets	0	142	142	0	0	142
EBITDA	79,170	56,701	135,871	–13,334	0	122,537
Income from associated companies	–684	0	–684	0	0	–684
Finance expenses	–2,900	–2,803	–5,703	–1,915	1,760	–5,858
Interest and similar income	250	34	284	2,186	–1,760	710
Profit before tax	75,844	53,938	129,782	–12,876	0	116,906
Income tax expense	–19,815	–13,694	–33,509	4,682	0	–28,827
Profit	56,029	40,244	96,273	–8,194	0	88,079
TAKKT cash flow	76,534	51,207	127,741	–6,898	0	120,843
Segment assets	621,984	446,636	1,068,620	193,861	–225,401	1,037,080
thereof investments in associated companies	1,049	0	1,049	0	0	1,049
thereof deferred tax and income tax receivables	3,206	986	4,192	11,575	–4,974	10,793
investment in non-current assets*	16,177	6,244	22,421	2,575	0	24,996
Segment liabilities	278,904	164,848	443,752	188,284	–225,401	406,635
thereof deferred tax and income tax payables	28,119	45,840	73,959	1,250	–4,974	70,235
thereof financial liabilities (non-current and current)	153,976	62,865	216,841	155,725	–218,640	153,926
Average no. of employees (full-time equivalent)	1,483	984	2,467	44	0	2,511
Employees at the closing date (full-time equivalent)	1,525	960	2,485	45	0	2,530

* *Without investments in non-current assets from acquisition of subsidiaries, please refer to the details on page 158 et seqq.*

Segment reporting by geographical region 2018 of the TAKKT Group *in EUR thousand*

	Germany	Europe without Germany	USA	Other	Group total
Sales to third parties	269,537	386,811	516,040	8,701	1,181,089
Non-current assets*	372,851	71,809	303,506	0	748,166

* *Non-current assets excluding financial instruments, deferred tax assets and investments in associated companies.*

Within the scope of segment reporting under IFRS 8 Operating Segments, the activities of the TAKKT Group are broken down according to the organizational structure. The breakdown is carried out according to the management approach. Correspondingly, segment reporting is presented on the basis of internal reporting to the Management Board of TAKKT AG as the chief operating decision maker. The reportable segments are TAKKT EUROPE and TAKKT AMERICA. These segments correspond to the geographical areas the group is acting in. The fundamental segment result for controlling purposes is the EBITDA.

Segment reporting uses the same accounting standards as the consolidated financial statements. Intra-group transfers are valued at internal prices calculated on the basis of the cost-plus method and checked for plausibility using an arm's-length comparison wherever possible. This cost-plus method complies with OECD (Organisation for Economic Co-operation and Development) principles. The same system was used in previous year.

Investment in non-current segment assets comprises additions to Property, plant and equipment, to Other intangible assets and to long-term financial assets. Investments from acquisition of subsidiaries are not included.

TAKKT AG is organized into two operational segments and overall seven divisions.

The **TAKKT EUROPE** segment is divided into three divisions:

The Kaiser+Kraft group, consisting of the KAISER+KRAFT, gaerner, Gerdmans and Runelandhs brands, offers products for transportation, plant, warehouse and office equipment in more than twenty countries in Europe. Customers include industrial enterprises as well as companies from the areas of service and retail and public bodies.

The ratioform group, consisting of the ratioform and Davpack brands, offers different kinds of transport packaging products in seven European countries for companies in different industries.

The Newport group, consisting of Certeo, BiGDUG, Mydisplays, OfficeFurnitureOnline and XXLhoreca brands, offers web-based in six European countries office and warehouse equipment and display articles mainly for small and midsize companies. Furthermore, the TAKKT Beteiligungsgesellschaft with its start-up-investments is part of the division.

The **TAKKT AMERICA** segment is divided into four divisions:

The Hubert group, consisting of the brands Hubert in the USA and Canada as well as Retail Resource in the USA, sells equipment for the food service sector and food retailers as well as promotional products and supplies. The customers include large canteens and catering businesses.

The Central group, consisting of the brand Central Restaurant Products in the USA, sells restaurant equipment. Central customer group are restaurant operators.

The D2G group, consisting of the brands Displays2go and Post-Up Stand in the USA, distributes display products for companies in a wide variety of industries.

The NBF group, consisting of the brands National Business Furniture and OfficeFurniture.com in the USA, offers products in the area of office equipment. In addition to companies, its customers include government agencies, the health care sector, schools and churches.

The segment reporting´s column **Others** discloses TAKKT AG, in which the key functions of the Group are concentrated and which does not satisfy the definition of a reportable segment according to IFRS 8 Operating Segments.

Geographical information

Sales to third parties are allocated according to where the selling unit is located; non-current assets are allocated according to where the owning unit is located.

LEASING AND OTHER FINANCIAL OBLIGATIONS

TAKKT applies the new IFRS 16 Leases as of January 01, 2019. For more detailed information on the first-time application of IFRS 16 as of January 01, 2019, see page 104 et seq.

Book values in connection with leases *in EUR thousand*

	2019
Recognized under property, plant and equipment	
Land, buildings and similar assets	73,313
Plant, machinery and equipment	1,847
	75,160
Recognized under financial liabilities	
Non-current lease liabilities	65,025
Current lease liabilities	12,216
	77,241

Additions to right-of-use assets for financial year 2019 amounted to EUR 10,331 thousand. Of this amount, EUR 9,671 thousand related to additions to right-of-use assets for buildings and EUR 660 thousand to additions to right-of-use assets for vehicles.

Income and Expenses in connection with leases *in EUR thousand*

	2019
Scheduled depreciation of right-of-use assets for land, buildings and similar assets	12,663
Scheduled depreciation of right-of-use assets for plant, machinery and equipment	879
Impairment of right-of-use assets	215
Interest expenses of lease liabilities	2,669
Expenses for variable lease payments not included in lease liabilities	39
Expenses for short-term leases (12 months or less, other than real estate)	627
Expenses for leases of low-value assets, excluding short-term leases	348
Expenses	**17,440**
Income from sub-leasing of rights of use	206
Income	**206**

Total lease payments in 2019 amounted to EUR 21,455 thousand.

Payments for variable lease liabilities as well as payments for short term and low value leases of EUR 1,014 thousand and interest payments on lease liabilities of EUR 2,669 thousand are recognized in cash flow from operating activities. The repayment of lease liabilities of EUR 17,772 thousand is recognized in cash flow from financing activities.

TAKKT leases various office and warehouse buildings as well as vehicles. Lease agreements are generally concluded for fixed periods of between 12 months and 10 years but may include extension and termination options. As of December 31, 2019 possible future cash outflows of EUR 54,282 thousand were not taken into consideration for the measurement of lease liabilities as it is not reasonably certain that these leases will be extended respectively termination options will not be exercised.

The future obligations arising from leases already concluded but not commenced as of December 31, 2019 amounts to EUR 2,617 thousand.

The distinction between finance leases and operating leases in accordance with IAS 17 resulted in the previous year in the following disclosures.

Leasing and other financial obligations 2018 *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	8,004	13,686	14,553	36,243
Discounting	–1,206	–3,790	–4,808	–9,804
Present value	**6,798**	**9,896**	**9,745**	**26,439**
Operating leases				
Minimum lease payments	13,339	32,317	17,790	63,446

ACQUISITION OF SUBSIDIARIES

Acquisition of XXLhoreca (Juma International B.V.) in 2019

TAKKT AG has acquired one hundred percent of the shares of Juma International B.V., Wormerveer/Netherlands, with the brand name XXLhoreca. The transaction took place on May 03, 2019. The company generated sales of roughly EUR 14 million and an EBITDA margin in the lower double-digit percentage range in 2018. It is part of the Newport group within the TAKKT EUROPE segment.

A purchase price for the one hundred percent of the shares of EUR 19.5 million was agreed on. It was paid in cash at the execution of the transaction. In addition to that, two further contingent and variable purchase price components of up to EUR 20 million in total were agreed. These contingent considerations depend on the achievement of certain performance goals for the company over the next three years and would be payable in 2020 and 2022 in cash. At transaction date the contingent consideration was recognized in current Other liabilities with an amount of EUR 2.8 million; this was released in the fourth quarter affecting net income. As a consequence there is no purchase price liability as at December 31, 2019.

The following fair values of the assets and liabilities were recognized as first-time consolidation amounts of the company acquired in the second quarter of 2019:

	Fair value at acquisition date (in EUR million)
Assets	**7.1**
Other intangible assets	5.5
Property, plant and equipment	0.1
Inventories	0.1
Trade receivables	0.4
Other assets	0.2
Cash and cash equivalents	0.8
Liabilities	**2.2**
Trade payables	0.1
Other liabilities	2.1
Net assets acquired	**4.9**

The intangible assets identified as part of the purchase price allocation with a total value of EUR 5.5 million and their expected useful lives are listed in the following table:

	Fair value at acquisition date (in EUR million)	Useful life (in years)
Domain names	4.3	10
Customer relationships	0.2	3
Catalog / Online content	1.0	3
	5.5	

No contingent liabilities were recognized. The remaining excess of the consideration made for the company amounting to EUR 22.3 million over the fair values of the acquired assets and liabilities that can be individually identified and measured is recognized as goodwill amounting to EUR 17.5 million. The goodwill as well as the identified intangible assets are not deductible for tax purposes.

At the time of acquisition, the fair value of the receivables acquired is EUR 0.4 million. Mainly trade receivables are included, with a gross value of EUR 0.4 million adjusted by an immaterial allowance. Since the transfer of control in the beginning of May 2019, XXLhoreca contributed sales of EUR 12.4 million and a profit of EUR 0.7 million to the consolidated income statement. If the transaction had already been completed by January 01, 2019, the consolidated sales in the year 2019 would have been higher by EUR 18.2 million and profit by EUR 1.0 million.

Incidental acquisition costs of EUR 0.2 million incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit. One of the former owners will continue to manage the business of XXLhoreca after completion of the transaction.

Acquisition of Equip4work Ltd. in 2018

TAKKT AG has acquired one hundred percent of the shares of Equip4work Ltd., Westlinton/Great Britain. Signing and closing of the transaction took place on January 29, 2018. The company generated sales of roughly GBP 40 million and an EBITDA margin in the low double-digit percentage range in the 2016/2017 financial year. It is part of the Newport group within the TAKKT EUROPE segment.

A purchase price including cash of GBP 40 million was agreed on. It was paid in cash at the execution of the transaction. In addition to that, a further contingent and variable purchase price component of up to GBP ten million was agreed. This contingent consideration depends on the achievement of certain performance goals for the company over the next three years and would be payable in 2021 in cash and cash equivalents. No contingent consideration was recognized.

The following fair values of the assets and liabilities were recognized as first-time consolidation amounts of the company acquired in the first quarter of 2018:

	Fair value at acquisition date (in EUR million)
Assets	**23.4**
Other intangible assets	11.5
Property, plant and equipment	1.4
Inventories	1.7
Trade receivables	1.8
Other assets	0.2
Cash and cash equivalents	6.8
Liabilities	**8.3**
Trade payables	4.4
Other liabilities	3.9
Net assets acquired	**15.1**

The intangible assets identified as part of the purchase price allocation with a total value of EUR 11.3 million and their expected useful lives are listed in the following table:

	Fair value at acquisition date (in EUR million)	Useful life (in years)
Domain names	8.5	10
Customer relationships	1.1	3
Website	0.8	3
Catalog/Online content	0.9	3
	11.3	

No contingent liabilities were recognized. The remaining excess of the consideration made for the company amounting to EUR 45.2 million over the fair values of the acquired assets and liabilities that can be individually identified and measured is recognized as goodwill amounting to EUR 30.1 million. The goodwill as well as the identified intangible assets are not tax deductible.

At the time of acquisition the fair value of the receivables acquired is EUR 2.0 million. Mainly trade receivables are included, with a net value of EUR 1.8 million, including an allowance amounting to EUR 0.1 million. Following the transfer of control in January 2018, Equip4work contributed sales of EUR 49.3 million and a profit of EUR 2.6 million to the consolidated income statement. If the transaction had already been completed by January 01, 2018, the consolidated sales in 2018 would have been higher by EUR 53.8 million and profit by EUR 2.9 million.

Incidental acquisition costs of EUR 0.6 million incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit. The former executives will continue to manage the business of Equip4work after completion of the transaction.

Acquisition of Runelandhs Försäljnings AB in 2018

The TAKKT Group company Gerdmans Inredningar AB has acquired one hundred percent of the shares of Runelandhs Försäljnings AB. The transaction took place on May 31, 2018. Runelandhs has generated sales of 145 million Swedish krona and an EBITDA margin at the lower end of the TAKKT target corridor in the 2017/2018 financial year, which closed at the end of July. The company is a part of the KAISER+KRAFT group within the TAKKT EUROPE segment.

The purchase price, free of financial debt and cash, amounted to 174 million Swedish krona and was paid in cash at the execution of the transaction.

The following fair values of the assets and liabilities were recognized as first-time consolidation amounts of the company acquired in the second quarter of 2018:

	Fair value at acquisition date (in EUR million)
Assets	**7.5**
Other intangible assets	3.5
Property, plant and equipment	1.4
Inventories	0.1
Trade receivables	1.6
Other assets	0.2
Cash and cash equivalents	0.7
Liabilities	**2.6**
Trade payables	1.2
Other liabilities	1.4
Net assets acquired	**4.9**

The intangible assets identified as part of the purchase price allocation with a total value of EUR 3.5 million and their expected useful lives are listed in the following table:

	Fair value at acquisition date (in EUR million)	Useful life (in years)
Trademark	1.1	5
Customer relationships	2.1	5
Website	0.2	3
Catalog / Online content	0.1	1
	3.5	

No contingent liabilities were recognized. The remaining excess of the consideration made for the company amounting to EUR 17.4 million over the fair values of the acquired assets and liabilities that can be individually identified and measured is recognized as goodwill amounting to EUR 12.5 million. The goodwill as well as the identified intangible assets are not tax deductible.

At the time of acquisition the fair value of the receivables acquired is EUR 1.8 million. Mainly trade receivables are included, with a gross and net value of EUR 1.6 million.

Following the transfer of control in May 2018, Runelandhs contributed sales of EUR 7.8 million and a profit of EUR 0.2 million to the consolidated income statement. If the transaction had already been completed by January 01, 2018, Runelandhs would have contributed consolidated sales of EUR 13.9 million and a profit by EUR 0.3 million in 2018.

Incidental acquisition costs of EUR 0.1 million incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit.

CONTINGENT LIABILITIES AND RECEIVABLES

As in prior year, material contingent liabilities and receivables do not exist.

CAPITAL MANAGEMENT

The overriding goal of the TAKKT Group's capital management is to optimize and maintain a solid capital structure in order to secure the necessary flexibility and scope for value-adding investments. Total equity and net financial liabilities constitute the basic values for the capital management. In principle, the instruments available for capital management include dividend payments and measures relating to equity and debt financing. TAKKT is not subject to any external minimum capital requirements.

The Group monitors and steers its capital structure based on long-term financial planning and specific self-imposed covenants. For each of these key figures, TAKKT has internally determined critical thresholds. The Group's total equity ratio target is between 30 and 60 percent. For gearing, the long-term target is below 1.5. The target for the debt repayment period is less than five years. For the interest cover ratio, another index for the company's financial stability, the aim is a figure above four. The Management Board is regularly informed about the development of these key figures.

Internal covenants *in EUR thousand*

	2019	2018
Total equity	644,218	630,445
/ Total assets	1,100,661	1,037,080
Equity ratio (in percent)	**58.5**	**60.8**
Financial liabilities	193,645	153,926
./. Cash and cash equivalents	3,823	3,103
Net financial liabilities	189,822	150,823
/ Total equity	644,218	630,445
Gearing	**0.3**	**0.2**
Average net financial liabilities	199,199	166,422
/ TAKKT cash flow	120,365	120,843
Debt repayment period (in years)	**1.7**	**1.4**
Operating result before Goodwill impairment	108,811	122,537
/ Net interest expense (= Finance expenses less Interest and similar income)	6,512	5,148
Interest cover	**16.7**	**23.8**

Steering the results of the individual Group companies at TAKKT Group is conducted through a system of financial key management figures. In this context, the EBITDA serves as benchmark for the short-term operating profitability and the TAKKT value added as material key figure within the scope of long-term value-based controlling. For more details on value-based corporate management, please refer to sections management system and company performance on page 42 et seqq. and page 62 et seqq. of the annual report.

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

As per December 31, 2019 TAKKT has leased one warehouse (prior year: two warehouses) from a leasing company which is classified as unconsolidated structured entity. The leasing company has constructed the warehouse especially for TAKKT and rents it to the Group. TAKKT neither has interests in the company nor has TAKKT the power to decide about the activities relevant for the variable returns on the basis of contractual regulations. The company is fully financed by external banks.

The leases were accounted for as finance lease in accordance with IAS 17 until December 31, 2018. For leases previously recognized as finance leases, the book value of the leased assets and of the lease liability in accordance with IAS 17 immediately before the initial application of IFRS 16 as of January 01, 2019 was recognized as the initial book value of the right-of-use assets and the lease liability in accordance with IFRS 16. The valuation principles of IFRS 16 were applied subsequently.

Overall, this results in the assets and liabilities shown in the following table.

Book values associated with unconsolidated structured entities *in EUR thousand*

	2019	2018
Land, buildings and similar assets	7,384	10,648
Non-current lease liabilities	5,867	6,353
Current lease liabilities	350	5,906

As of the balance sheet date other financial obligations that correspond to the minimum lease payments amount to EUR 6,921 thousand (EUR 13,291 thousand). There are no exposures to loss according to IFRS 12 Disclosure of Interests in Other Entities.

CHANGES IN CONTINGENT CONSIDERATIONS *in EUR million*

	2019	2018
Balance at 01/01/	**2.0**	**0.0**
Additions	2.8	0.0
Disposals	–2.0	0.0
Revaluation	–2.8	2.0
Balance at 12/31/	**0.0**	**2.0**

A variable purchase price component of up to EUR 5.0 million was agreed for XXLhoreca, which was acquired with effect from May 03, 2019. The amount of the purchase price component was dependent on performance targets in financial year 2019 and will not be paid out. As a payment of EUR 2.8 million was expected at the date of initial consolidation, the purchase price liability of EUR 2.8 million was derecognized through profit or loss in the fourth quarter of the year under review in accordance with IFRS 3.

In addition, a further variable purchase price component of up to EUR 15.0 million was agreed in connection with the acquisition of XXLhoreca. The amount is dependent on the achievement of a cumulative earnings figure over the years 2020 to 2021 and would be payable in 2022. Management does not expect the threshold amount to be reached. Thus no purchase price liability was recognized. If the cumulative earnings figure expected from management was five percent higher, also no contingent consideration would have been recognized as of the balance sheet date.

A variable purchase price component of up to GBP 10.0 million was agreed for Equip4work, which was acquired with effect from January 29, 2018. The amount is dependent on a three-year cumulative earnings figure and would be payable in 2021. Management does not expect the threshold amount to be reached. Thus no purchase price liability was recognized. If the cumulative earnings figure expected from management was higher by five percent, the present book value of the contingent consideration would come to approximately EUR 3 million as of the balance sheet date.

In connection with the acquisition of Mydisplays, which was acquired with effect from July 01, 2017, a variable purchase price component of up to EUR 2.0 million was agreed. The amount was dependent on the achievement of a cumulative performance goal over two years. This purchase price component was already recognized as a contingent consideration as of December 31, 2018 in its maximum amount of EUR 2.0 million and was paid out in the second half of 2019.

The income from the reversal of the contingent consideration at an amount of EUR 2.8 million (in prior year expense of EUR 2.0 million) was recognized in Other operating income (in prior year in Other operating expenses).

The determination of the amount of the contingent considerations is done on a regular basis through qualified staff and is agreed with the responsible management.

EVENTS AFTER THE REPORTING PERIOD

The spread of the coronavirus and resulting effects have led to an exceptional situation. The current top priority for the TAKKT Management Board is protecting employees from infection. In addition, extensive measures have been initiated to maintain operations. In order to tackle the tasks presented by the pandemic, TAKKT has set up crisis teams, in which the Management Board is also involved. TAKKT is also taking precautions to ensure financial stability and be able to quickly grow and invest again once the pandemic has eased.

Based on the information currently available, the Management Board expects the pandemic to have a noticeable negative impact on the supply chains, own operations and customer demand in the relevant markets in Europe and North America. Sales and EBITDA are therefore expected to be significantly below the level of 2019 in the current fiscal year.

For the implementation of the new TAKKT 4.0 organizational realignment, TAKKT expects one-time costs in the low double-digit million-euro range. Most of these will relate to measures at KAISER+KRAFT.

STAFF PARTICIPATION MODEL

In 2019 executives of the TAKKT Group again had the option of subscribing for TAKKT Performance Bonds. The term of the TAKKT Performance Bonds is five years. Premature termination is only permitted in specific cases. The interest rate of the subordinated TAKKT Performance Bonds is calculated annually. It includes a basic interest yield plus a subordination premium, plus a positive respectively minus a negative TAKKT value added spread. The minimum yield is zero percent per annum. The maximum yearly yield is capped. The TAKKT value added is defined as the difference between the operating profit after tax generated by the company and the cost of capital on the average capital employed. The profit after taxes is defined as EBIT (adjusted for amortization of intangible assets from the acquisition of companies), reduced by the Income tax expense and increased by the Other financial result. The TAKKT Performance Bonds amount to EUR 7,087 thousand (EUR 6,172 thousand) and are disclosed as Other under Financial liabilities. An interest expense of EUR 542 thousand (EUR 537 thousand) was posted in the year under review.

Additionally, German employees had again the opportunity to purchase employee shares in the year under review. Shares acquired at the stock exchange for this purpose were sold to employees in early 2019. In total, 14,190 (17,790) shares were acquired by 317 (407) employees. This corresponds to a participation of 27.8 (33.4) percent of all eligible persons.

GERMAN CORPORATE GOVERNANCE CODE

The declaration on the recommendations made by the Government Commission of the German Corporate Governance Code required under section 161 AktG was issued as of December 31, 2019 and made available to the shareholders on the web site of TAKKT AG (see page 87 in this annual report).

RELATED ENTITIES TRANSACTIONS

Related entities in the sense of IAS 24 include the TAKKT Group's associated companies and the majority shareholder Franz Haniel & Cie. GmbH, Duisburg / Germany (including its subsidiaries and associated companies). Related-party transactions mainly relate to the cash management system, ongoing delivery and settlement transactions and service contracts. By participating in Haniel Group's cash management system, TAKKT Group benefits from potential economies of scale. All transactions with related entities are contractually agreed and performed on terms that are customary for transactions with third parties.

Related entity transactions *in EUR thousand*

	Franz Haniel & Cie. GmbH/ service companies		Divisions of Haniel Group		Associated companies Haniel Group		Total	
	2019	2018	2019	2018	2019	2018	**2019**	2018
Turnover/Other income	23	14	622	290	131	155	776	459
Other expenses	1,072	1,108	66	50	0	9	1,138	1,167
Finance expense	8	37	0	0	0	0	8	37
Receivables	0	0	75	23	140	68	215	91
Short-term payables	6,657	1,949	1	0	0	0	6,658	1,949
Other financial obligations	0	737	0	0	0	0	0	737

TAKKT has relationships in the normal course of the business with numerous entities that are also customers and/or suppliers. These customers and/or suppliers include companies that have a connection with members of the Management Board or of the Supervisory Board of TAKKT.

RELATED PERSONS TRANSACTIONS

Related persons in the sense of IAS 24 include the Management and Supervisory Boards of TAKKT AG (including any and all persons related to these Boards) and the Management and Supervisory Board members of the majority shareholder Franz Haniel & Cie. GmbH, Duisburg/Germany, (including any and all persons related to these Boards). Related-party transactions mainly relate to service contracts with the members of TAKKT AG's Management Board. All transactions with related persons are contractually agreed and performed on terms that are customary for transactions with third parties.

Management Board

The total remuneration of the Board members is made up of non-performance-related and performance-related components. The performance-related components comprise a bonus paid annually and the performance cash plan, a rolling remuneration component that acts as a long-term incentive. The performance cash plans comprise a share price-based component, that is classified as a cash-settled share-based payment transaction under IFRS 2. A more detailed explanation of the remuneration system as well as disclosures according to section 314(1) no. 6 of the German Commercial Code (HGB) can be found in the Remuneration Report section of the Management Report on page 89 et seqq.

The fixed salaries and fringe benefits to the Management Board during the financial year amounted to EUR 1,531 thousand (EUR 1,556 thousand). The reported expenditure for the bonus of EUR 1,403 thousand (EUR 1,946 thousand) includes reversals of provisions of EUR 46 thousand (EUR 0 thousand).

The fair value measurement of the performance cash plans of the previous years resulted in income that exceeded the expense for the plan newly established in 2019 in absolute terms. The resulting total income came to EUR 69 thousand (EUR 599 thousand) in the year under review. The fair value of the performance cash plans 2016, 2017, 2018 and 2019 (2015, 2016, 2017 and 2018) as well as the respective provision come to EUR 1,286 thousand (EUR 2,024 thousand) as of the end of the reporting period.

Termination benefits were expensed at an amount of EUR 1,800 thousand (EUR 0 thousand). Expenses of EUR 1,302 thousand (EUR 575 thousand) relate to post-employment benefits. As of the reporting date, the defined benefit obligation for the Management Board members amounted to EUR 7,753 thousand (EUR 6,098 thousand).

In total, the expense for the remuneration of the Management Board in 2019 financial year according to IFRS amounts to EUR 4,167 thousand (EUR 3,478 thousand).

As of December 31, 2019, the TAKKT Management Board members held 13,036 (536) shares. There are liabilities to members of the Management Board from TAKKT Performance Bonds of EUR 1,371 thousand (EUR 1,469 thousand). In addition, there are pension obligations to members of the Management Board from the voluntary conversion of part of the bonus into a pension plan (i.e., deferred compensation) in the amount of EUR 1,623 thousand (EUR 1,160 thousand). In the financial year, the Management Board members voluntarily contributed EUR 100 thousand (EUR 110 thousand) from the bonus to this plan.

Payments to retired Management Board members amounted to EUR 381 thousand (EUR 379 thousand). The pension provision for former members amounts to EUR 8,953 thousand (EUR 7,612 thousand).

Supervisory Board

Remuneration paid to the TAKKT AG Supervisory Board amounted to EUR 441 thousand (EUR 400 thousand), of which EUR 410 thousand (EUR 375 thousand) were for activities in relation to the Supervisory Board, EUR 13 thousand (EUR 11 thousand) for activities in relation to the committees as well as EUR 18 thousand (EUR 14 thousand) for attendance fees. The member of the works council on the Supervisory Board is also entitled to a regular salary as set out in his employment contract which represents an appropriate remuneration for his function respectively work in the Company. The compensation of the Supervisory Board is purely a fixed compensation. Of the claims granted, EUR 423 thousand (EUR 386 thousand) were still recorded as liabilities as of the end of the reporting period. As of December 31, 2019, the Supervisory Board members held 140 (140) shares in TAKKT AG.

Detailed explanation of the remuneration of the Supervisory Board can be found in the Remuneration Report section of the Management Report on page 89 et seqq.

FEES FOR GROUP AUDITOR *in EUR thousand*

	2019	2018
Audit services	371	381
Other assurance services	11	20
Tax advisory services	0	0
Other services	66	143
	448	**544**

Other assurance services mainly relate to EMIR audits. Other services primarily include audit-related services.

DECLARATION OF SHAREHOLDERS' HOLDINGS

Outside the reporting requirements of the German Securities Trading Act (WpHG), Franz Haniel & Cie. GmbH, Duisburg, voluntarily notified us in January 2019 that it owned 50.2 (50.2) percent of the no-par-value bearer shares with voting rights in the share capital of TAKKT AG as of December 31, 2019.

For the notifications as per section 33 (1) of the German Securities Trading Act (WpHG), please refer to our website.

EXEMPTION FROM DISCLOSURE OBLIGATIONS

Pursuant to section 264(3) of the German Commercial Code (HGB), the following companies included in the consolidated financial statements are exempt from the obligation to disclose their financial statements:

KAISER+KRAFT EUROPA GmbH, Stuttgart
KAISER+KRAFT GmbH, Stuttgart
Gaerner GmbH, Duisburg
Certeo Business Equipment GmbH, Stuttgart
VHZ Versandhandelszentrum Pfungstadt GmbH, Pfungstadt
Hubert Europa Service GmbH, Pfungstadt
Hubert GmbH, Pfungstadt
UBEN Unternehmensberatung Enzinger GmbH, Waldkirchen
ratioform Holding GmbH, Pliening
ratioform Verpackungen GmbH, Pliening
BEG GmbH, Stuttgart
TAKKT Beteiligungsgesellschaft mbH, Stuttgart
Mydisplays GmbH, Burscheid
newport.takkt GmbH, Stuttgart
büromöbelonline GmbH, Stuttgart
Davpack Kartons und Verpackungsmaterialien GmbH, Markkleeberg

SUBSIDIARIES WITHIN TAKKT AG, STUTTGART, AS OF DECEMBER 31, 2019

TAKKT AG, Stuttgart, described as number 1 in the following overview, holds interests in the following companies:

No.	Group companies	held by no.	interest %
2	KAISER+KRAFT EUROPA GmbH, Stuttgart/Germany	1	100.00
3	KAISER+KRAFT GmbH, Stuttgart/Germany	2	100.00
4	KAISER+KRAFT Gesellschaft m.b.H., Salzburg/Austria	2	100.00
5	KAISER+KRAFT N.V., Diegem/Belgium	2/13	50.00/50.00
6	KAISER+KRAFT AG, Zug/Switzerland	2	100.00
7	KAISER+KRAFT s.r.o., Prague/Czech Republic	2/27	99.80/0.20
8	KAISER+KRAFT S.A., Barcelona/Spain	2	100.00
9	FRANKEL S.A.S., Morangis/France	2	100.00
10	KAISER+KRAFT Ltd., Hemel Hempstead/Great Britain	2	100.00
11	KAISER+KRAFT Kft., Budaörs/Hungary	2	100.00
12	KAISER+KRAFT S.r.l., Fenegro/Italy	2	100.00
13	Vink Lisse B.V., Lisse/The Netherlands	2	100.00
14	KAISER+KRAFT S.A., Lisbon/Portugal	2	100.00
15	KAISER+KRAFT Sp. z o.o., Warsaw/Poland	2	100.00
16	KAISER+KRAFT OOO, Moscow/Russia	2/3	99.00/1.00
17	KAISER+KRAFT s.r.o., Nitra/Slovakia	2/3	99.90/0.10
18	gaerner GmbH, Duisburg/Germany	2	100.00
19	gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
20	gaerner AG, Zug/Switzerland	2	100.00
21	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
22	Gerdmans Kontor-og Lagerudstyr A/S, Nivaa/Denmark	21	100.00
23	Gerdmans Innredninger AS, Sandvika/Norway	21	100.00
24	Gerdmans OY, Espoo/Finland	21	100.00
25	Runelandhs Försäljnings AB, Kalmar/Sweden	21	100.00
26	KWESTO Service s.r.o., Prague/Czech Republic	2/7	99.93/0.07
27	KWESTO s.r.o., Prague/Czech Republic	26	100.00
28	KWESTO Kft., Györ/Hungary	26	100.00
29	KWESTO Sp. z o.o., Wroclaw/Poland	26	100.00
30	KWESTO Service s.r.l., Ramnicu Valcea/Romania	26	100.00
31	KWESTO s.r.o., Nitra/Slovakia	26	100.00
32	UBEN Unternehmensberatung Enzinger GmbH, Waldkirchen/Germany	2	100.00
33	BEG GmbH, Stuttgart/Germany	2	100.00
34	VHZ Versandhandelszentrum Pfungstadt GmbH, Pfungstadt/Germany	1	100.00
35	Ratioform Holding GmbH, Pliening/Germany	1	100.00
36	Ratioform Verpackungen GmbH, Pliening/Germany	35	100.00
37	Ratioform Imballaggi S.r.l., Calvignasco/Italy	35	100.00
38	Ratioform Embalajes, S.A., Sant Esteve Sesrovires/Spain	36	100.00
39	Ratioform Verpackungen AG, Regensdorf/Switzerland	36	100.00
40	R.F. Verpackungsmittel-Versand G.m.b.H., Vienna/Austria	36	100.00
41	Davenport Paper Co. Ltd., Derby/Great Britain	36	100.00
42	Davpack AB, Markaryd/Sweden	36	100.00
43	Davpack Kartons und Verpackungsmaterialien GmbH, Markkleeberg/Germany	36	100.00
44	newport.takkt GmbH, Stuttgart/Germany	1	100.00
45	TAKKT Beteiligungsgesellschaft mbH, Stuttgart/Germany	44	100.00

No.	Group companies	held by no.	interest %
46	Mydisplays GmbH, Burscheid/Germany	44	100.00
47	Certeo Business Equipment GmbH, Stuttgart/Germany	44	100.00
48	BiGDUG Ltd., Gloucester/Great Britain	44	100.00
49	Equip4work Ltd., Westlinton/Great Britain	44	100.00
50	büromöbelonline GmbH, Stuttgart/Germany	44	100.00
51	Juma International B.V., Wormerveer/The Netherlands	44	100.00
52	TAKKT America Holding, Inc., Milwaukee/USA	1	100.00
53	Hubert North America Service LLC, Harrison/USA	52	100.00
54	Hubert Company LLC, Harrison/USA	52	100.00
55	Hubert Hong Kong Ltd., Hong Kong/China	53	100.00
56	SPG U.S. Retail Resource LLC, Harrison/USA	52	100.00
57	Hubert Distributing Company, Inc., Markham/Canada	52	100.00
58	Central Products LLC, Indianapolis/USA	52	100.00
59	D2G Group LLC, Fall River/USA	52	100.00
60	Hubert Europa Service GmbH, Pfungstadt/Germany	2	100.00
61	Hubert GmbH, Pfungstadt/Germany	60	100.00
62	National Business Furniture LLC, Milwaukee/USA	52	100.00

No.	Associated companies	held by no.	interest %
63	Simple System GmbH & Co. KG, Munich/Germany	2	50.00
64	printmate GmbH, Berlin/Germany	45	30.00

REPRESENTATIVE BODIES

SUPERVISORY BOARD

Dr. Florian Funck, Essen, born March 23, 1971
Chairman (since May 15, 2019)
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Member of the Supervisory Board of CECONOMY AG, Düsseldorf
Member of the Supervisory Board of Vonovia SE, Bochum
Member of the Supervisory Board of METRO AG, Düsseldorf (until December 7, 2019)

Dr. Johannes Haupt, Ettlingen, born June 29, 1961
Deputy Chairman
Chairman of the Management Board (CEO) of Blanc und Fischer Familienholding GmbH, Oberderdingen
Chairman of the Supervisory Board of E.G.O. Elektro-komponente d.o.o., Zagreb/Croatia (until December 31, 2019)
Chairman of the Advisory Board of DEFENDI Italy S.r.l., Ancona/Italy
Chairman of the Advisory Board of ETA d.o.o., Cerkno/Slovenia (until December 31, 2019)
Chairman of the Advisory Board of BLANCO GmbH & Co. KG, Oberderdingen
Chairman of the Advisory Board of BLANCO Professional GmbH & Co. KG, Oberderdingen
Member of the Advisory Board of ARPA S.A.S., Niedermodern/France
Member of the Board of Lenze SE, Aerzen
Member of the Supervisory Board of PFEIFFER & MAY SE, Karlsruhe (February 05, 2019 until October 28, 2019)

Thomas Kniehl, Stuttgart, born June 11, 1965
Employee for claims / research / returns at KAISER+KRAFT GmbH, Stuttgart
Chairman of the Joint Works Council of KAISER+KRAFT GmbH, Stuttgart,
and KAISER+KRAFT EUROPA GmbH, Stuttgart

Dr. Dorothee Ritz, Pullach, born March 21, 1968
General Manager of Microsoft Austria, Vienna

Thomas Schmidt, Duesseldorf, born November 10, 1971 (since May 15, 2019)
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg (since July 1, 2019)

Christian Wendler, Hameln, born July 24, 1962
Chairman of the Management Board of Lenze SE, Aerzen
Member of the Supervisory Board of Lenze Operations GmbH, Aerzen
Chairman of the Supervisory Board of Lenze Drive Systems (Shanghai) Co., Ltd., Shanghai/China
Member of the Supervisory Board of encoway GmbH, Bremen (since December 9, 2019)

Stephan Gemkow, Meerbusch, born January 23, 1960 (until May 15, 2019)
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg (until June 30, 2019)
Member of the Board of Directors of JetBlue Airways Corp., New York/USA
Member of the Advisory Board of Flughafen Zürich AG, Kloten/Switzerland
Member of the Board of Directors of Amadeus IT Group SA, Madrid/Spain

MANAGEMENT BOARD

Dr. Felix A. Zimmermann, Stuttgart, born June 27, 1966
Chairman of the Management Board, CEO
President of the Board of Crowdfox GmbH, Köln (until February 14, 2019)

Dr. Heiko Hegwein, Ludwigsburg, born February 06, 1974
Member of the Management Board

Dr. Claude Tomaszewski, Stuttgart, born April 25, 1969
Member of the Management Board, CFO

Dirk Lessing, Bad Homburg, born March 16, 1963 (until October 31, 2019)
Member of the Management Board

Stuttgart, March 24, 2020
TAKKT AG
The Management Board

Felix Zimmermann | Heiko Hegwein | Claude Tomaszewski

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined Management report for TAKKT AG and the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, March 24, 2020
TAKKT AG
The Management Board

Felix Zimmermann	Heiko Hegwein	Claude Tomaszewski

INDEPENDENT AUDITORS' REPORT

To the **TAKKT AG, Stuttgart**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of TAKKT AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of TAKKT AG and the TAKKT Group (referred to subsequently as "combined management report"), Stuttgart, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements we have not audited the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (version dated February 07, 2017) in the combined management report, which contains the declaration on corporate governance and the non-financial group declaration published on the website, referred to in the section „Company performance", has not been audited by us with regard to content.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to section 315e(1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the above mentioned parts of the combined management report which are not audited with regard to content.

Pursuant to section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our view, the key audit matter is the impairment of goodwill.

Impairment of goodwill

a) The financial statement risk

As at the end of the reporting period, the consolidated statement of financial position shows goodwill with a carrying amount of EUR 591.2 million. This corresponds to 53.7% of total assets and 91.8% of total equity.

The company's disclosures regarding goodwill are contained in sections 1, 2(6) and 3(12) of the notes to the consolidated financial statements.

In accordance with IAS 36.90, cash-generating units to which goodwill has been allocated must be tested for impairment at least once annually.

Impairment of goodwill was tested based on its recoverable amounts. The recoverable amounts of the respective cash-generating units are determined by the company based on the present values of future cash flows using discounted cash flow models. The planning, prepared by management, which takes into consideration current developments based on long-term assumptions, are extrapolated for subsequent years. The result of these measurements depends largely on the managers' planning assumptions and assessments of future cash inflows as well as on the respective discount rates used for the measurement models. The measurements are therefore subject to a high degree of uncertainty. As a result, this matter was of particular significance to our audit.

b) Audit approach and conclusions

In our audit, we performed a plausibility check on the planning which formed the basis of the impairment tests of goodwill. We also tested this for a possible biased exercise of discretion.

In addition to checking the plausibility of the underlying planning, we also assessed adherence to the budget by comparing the previous year's budget numbers with the actual amounts realized.

We paid special attention to goodwill for which the recoverable amount of the cash-generating unit approximates its carrying amount.

In addition, we evaluated the calculation methods used in terms of their methodical approach and the derivation of the discount rates, as well as with regard to mathematical accuracy in samples.

We validated the calculation results of the client by means of additional analyses, which also included sensitivity analyses.

In our view, the measurement parameters and assumptions used by management are generally appropriate for testing the impairment of goodwill. Overall, the valuation parameters and assumptions used by management are in line with our expectations.

Other information

The Management Board is responsible for the other information. The other information comprises:

- the non-financial group declaration published on the website, referred to in the section "Company performance" of the combined management report,

- the report of the Supervisory Board of TAKKT AG

- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (version dated February 07, 2017), which also includes the group declaration on corporate governance, and

- the other parts of the annual report, except the audited consolidated financial statements and the combined management report as well as our audit opinion,

- the confirmation pursuant to section 297(2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to section 315(1) sentence 5 HGB regarding the group management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The Management Board and Supervisory Board are responsible for the declaration pursuant to Section 161 AktG on the German Corporate Governance Code (version dated February 07, 2017), which is part of the corporate governance declaration contained in the combined management report. Otherwise, management is responsible for other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report audited by us with regard to content or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, on the basis of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this context.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the Management Board is responsible for such internal control, as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of the accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about of the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 15, 2019. We were engaged by the Supervisory Board on September 23, 2019. We have been the group auditor of the TAKKT AG, Stuttgart, without interruption since the financial year 1999.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITORS RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Mr. Karsten Bender.

Stuttgart, March 24, 2020
Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Christoph Eppinger
Wirtschaftsprüfer (German Public Auditor)

Karsten Bender
Wirtschaftsprüfer (German Public Auditor)