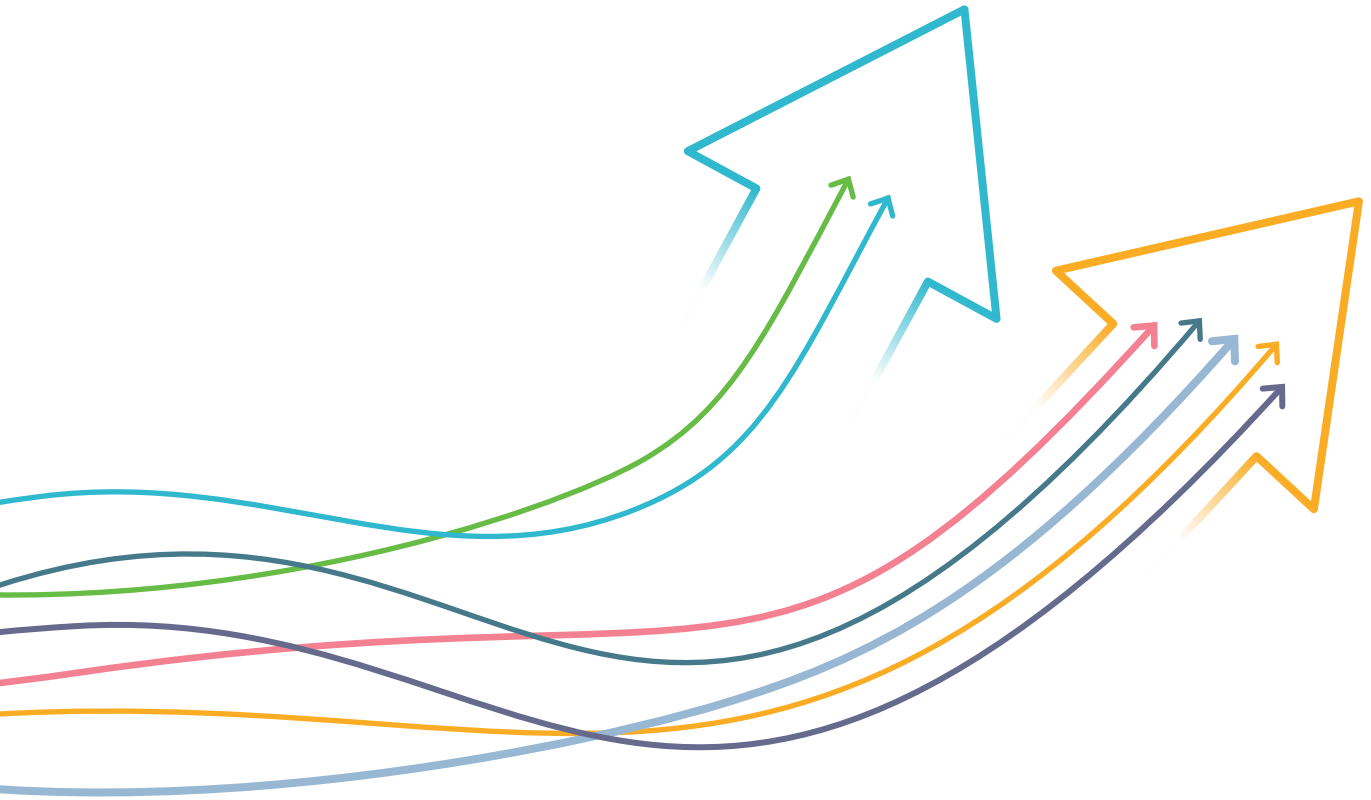
TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

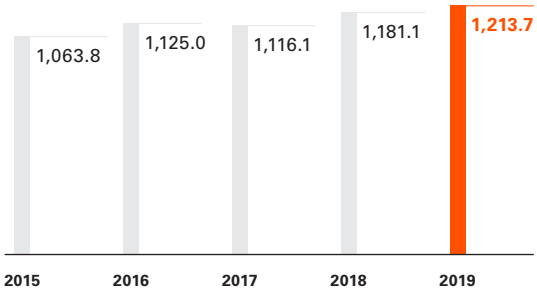


TRANSFORMING THE ORGANIZATION

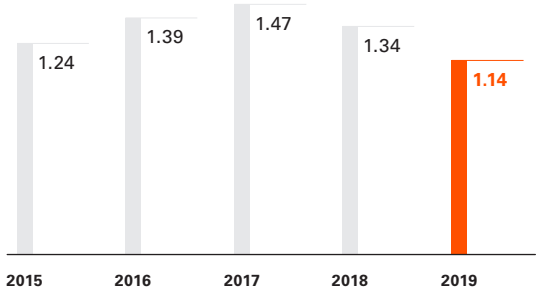
ANNUAL REPORT OF TAKKT GROUP 2019

SELECTED KEY FIGURES

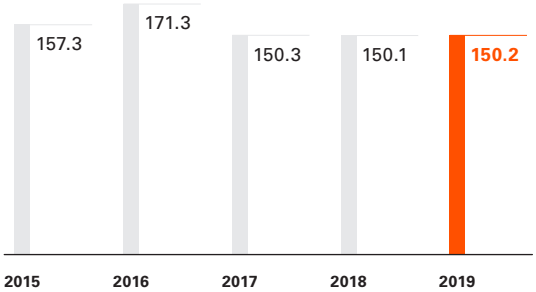
SALES *in EUR million*



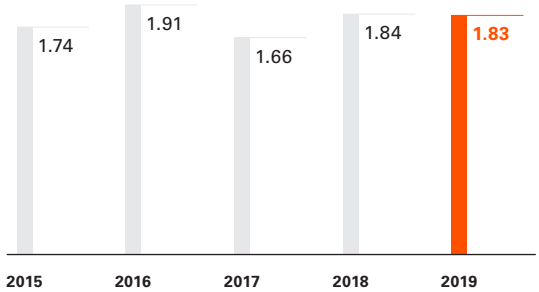
EARNINGS PER SHARE *in EUR*



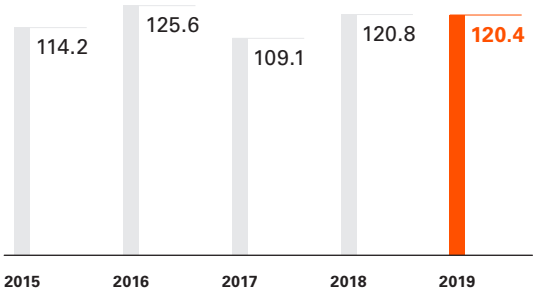
EBITDA *in EUR million*



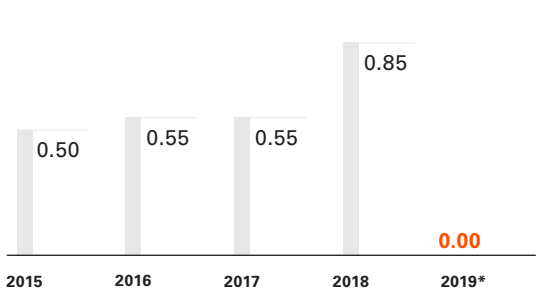
TAKKT CASH FLOW PER SHARE *in EUR*



TAKKT CASH FLOW *in EUR million*



DIVIDEND PER SHARE *in EUR*



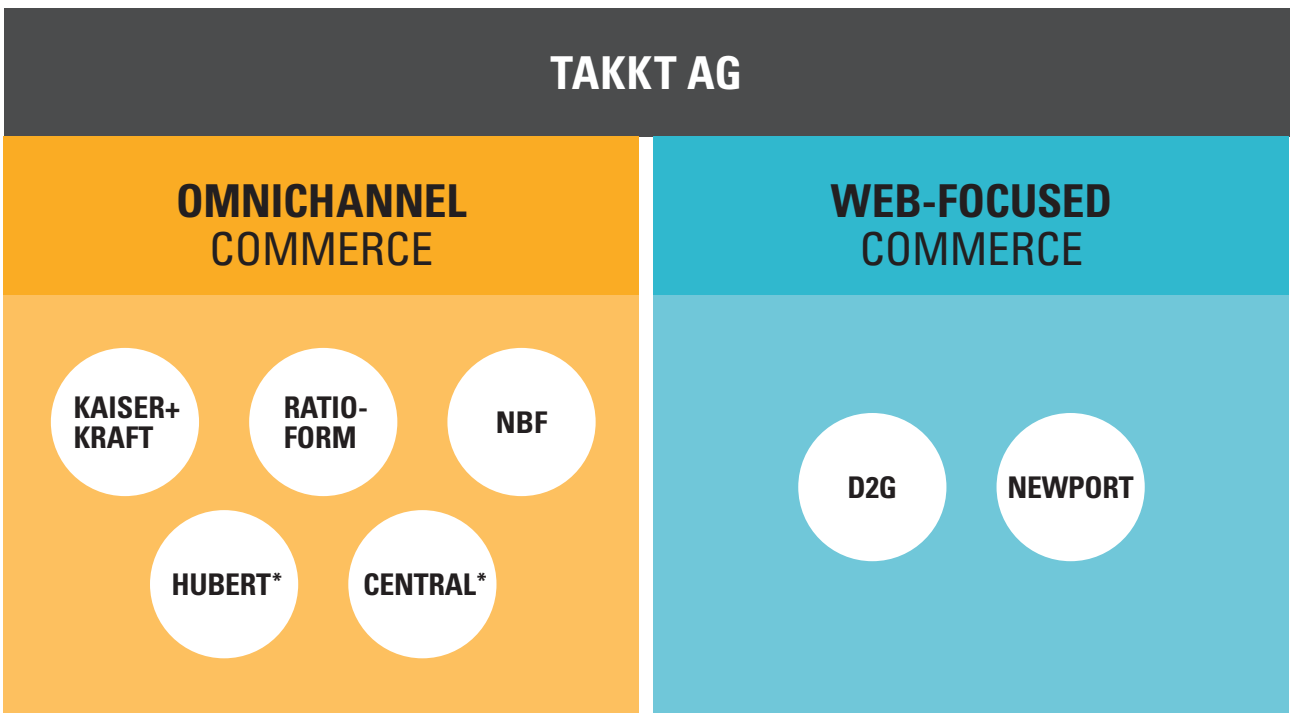
** Dividend proposal for the financial year 2019.*

KEY FIGURES OF TAKKT GROUP

in EUR million	2015	2016	2017	2018	**2019**
Sales	**1,063.8**	**1,125.0**	**1,116.1**	**1,181.1**	**1,213.7**
Change in %	8.5	5.8	–0.8	5.8	2.8
EBITDA	**157.3**	**171.3**	**150.3**	**150.1**	**150.2**
in % of sales	14.8	15.2	13.5	12.7	12.4
EBIT	**129.4**	**142.0**	**123.2**	**122.5**	**108.8**
in % of sales	12.2	12.6	11.0	10.4	9.0
Profit before tax	**119.9**	**132.5**	**115.0**	**116.9**	**100.6**
in % of sales	11.3	11.8	10.3	9.9	8.3
Profit	**81.0**	**91.4**	**96.3**	**88.1**	**74.7**
in % of sales	7.6	8.1	8.6	7.5	6.2
TAKKT cash flow	114.2	125.6	109.1	120.8	120.4
Capital expenditure for investments	14.2	17.4	27.8	25.0	24.7
Capital expenditure for acquisitions	92.3	0.4	6.7	57.7	20.7
Depreciation, amortization and impairment	28.0	29.2	27.1	27.5	41.4
TAKKT cash flow per share in EUR	1.74	1.91	1.66	1.84	1.83
Earnings per share in EUR	1.24	1.39	1.47	1.34	1.14
Dividend per share in EUR	0.50	0.55	0.55	0.85	0.00*
Non-current assets	**735.6**	**729.9**	**692.6**	**758.6**	**835.5**
in % of total assets	76.3	74.9	74.6	73.1	75.9
Total equity	**473.4**	**537.8**	**567.8**	**630.4**	**644.2**
in % of total assets	49.1	55.2	61.2	60.8	58.5
Net financial liabilities	**244.0**	**177.5**	**135.2**	**150.8**	**189.8**
Total assets	**964.2**	**973.9**	**928.5**	**1,037.1**	**1,100.7**
ROCE (Return on Capital Employed) in %	15.7	16.5	14.6	14.0	11.1
TAKKT value added in EUR million	28.5	38.3	43.1	30.4	9.8
Employees (full-time equivalent) at year-end	**2,304**	**2,311**	**2,405**	**2,530**	**2,483**

** Dividend proposal for the financial year 2019.*

GROUP STRUCTURE AS OF 2020



* Review of strategic options

CONTENT

TRANSFORMING THE ORGANIZATION FOR MORE GROWTH

TAKKT has initiated an organizational realignment called TAKKT 4.0. A core element of this is the focus on two business models for two distinct customer types. We aim to achieve accelerated growth with the more compact structure.

Up to now, TAKKT had followed a portfolio approach in terms of the organization of the Group. This entailed managing seven divisions in parallel, each with their own separate business model. This steering and organizational model was reaching its limits. With TAKKT 4.0, the Group will now have a more compact structure with a stronger focus on two distinct customer types. In order to do this, TAKKT will implement the two business models of Omnichannel Commerce and Web-focused Commerce in B2B direct marketing and is restructuring its organization accordingly. While the Omnichannel Commerce segment is aimed at the more complex requirements of quality- and service-oriented business customers, Web-focused Commerce addresses more price-conscious business customers with less complex needs.

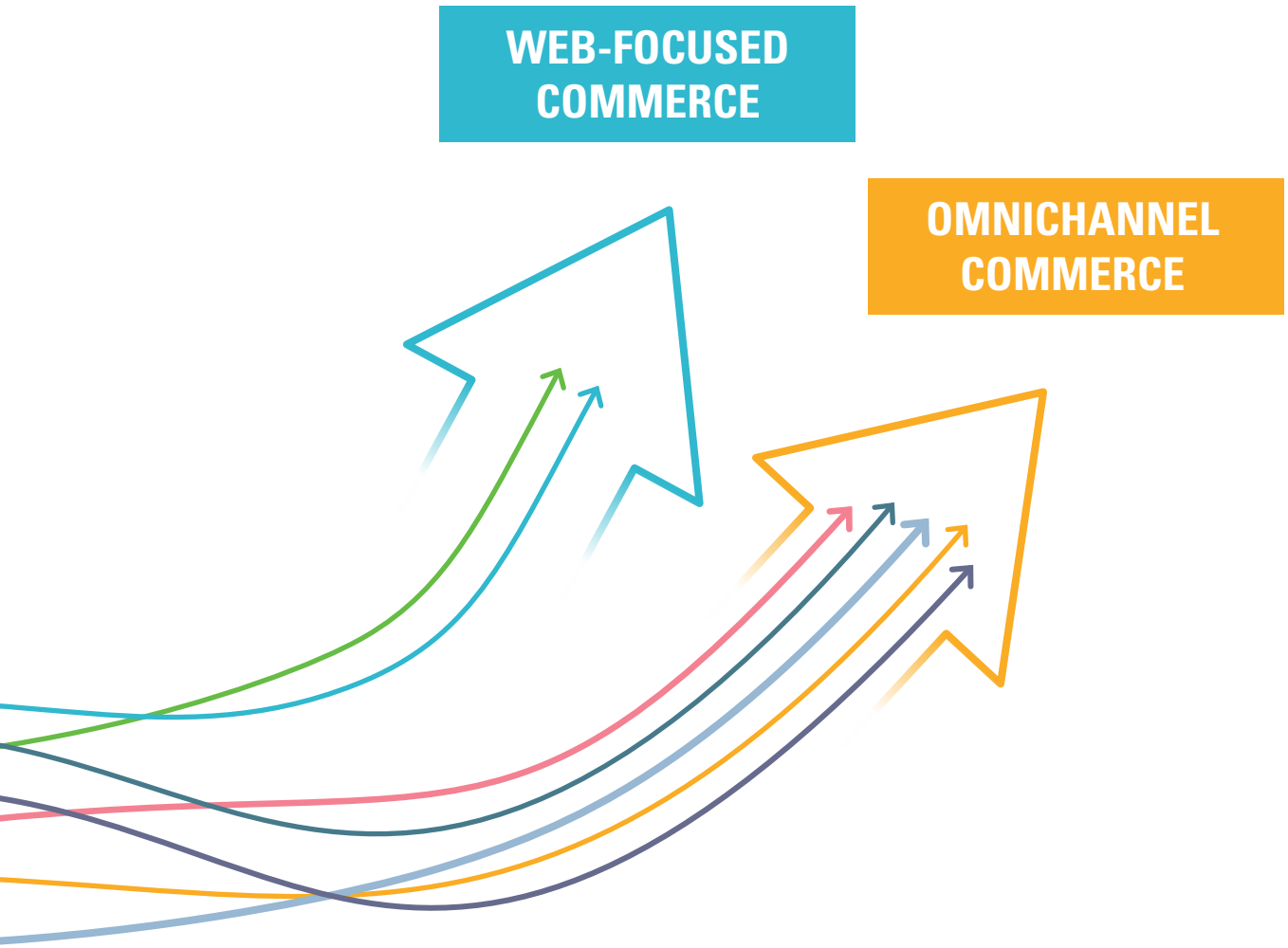
Goals of the transformation

Accelerated growth

Clearer market positioning

Faster decision-making processes

Focus on two business models for two customer types



Focusing on these two business models enables us to position ourselves more clearly in the market and meet the different requirements of the two customer types in terms of products, service and quality. The new structure will also allow us to promote different management and working cultures in both segments and align ourselves with the dynamics of the respective market environment. The result will be greater entrepreneurial freedom for both segments, with each one managed by a member of the TAKKT Management Board.

The transformation of the organization will entail a more functionally oriented organizational structure with the responsibilities reallocated into the three organizational levels (Group, segments, business units). The stronger integration of functions allows improved scalability within the two segments. Future acquisitions will also be integrated more closely than before into the structures of a segment and thereby contribute more to value generation.

TAKKT sees untapped potential in the continuous development of its operational functions. The implementation of best practice solutions as well as continuous improvement processes will be intensified by introducing new management approaches and steering methods.

The transformation of the organization will be done gradually until the target structure is attained and is expected to take two to three years. Due to the more compact and easily scalable setup, we expect to achieve a clearer market positioning, faster decision-making processes and, ultimately, accelerated growth.

OMNICHANNEL COMMERCE

With numerous points of contact via online channels, print advertising and key account managers as well as an extensive range of service offerings, the Omnichannel Commerce segment primarily addresses quality- and service-oriented B2B customers with complex requirements.

»VALUE ADD SERVICES«

Our businesses in the Omnichannel Commerce segment focus on excellent quality and comprehensive service. Products are sold through several channels. The online offering is combined with print marketing as well as tele and field sales as part of an integrated approach. The aim is to make the procurement of equipment as easy as possible for customers. This starts with preselected products and a carefully curated range. Customers can choose between various product versions depending on the application and are supported with personal advice – also on site, if needed. Customer-specific solutions, project business (e.g., CAD planning), assembly and maintenance services, long warranty periods and availability guarantees complete the comprehensive range of services.

This broad scope of services is especially appreciated by large and medium-sized companies that strive for maximum procurement process efficiency and have high demands when it comes to product quality. For this, they count on reliable, long-standing established business partners. Accordingly, the customer relationships are more loyal and enduring, which is reflected in the high share of business with existing customers. Due to the international positioning, customers of the Omnichannel segment can expect the same professional delivery of business equipment at all locations. The Omnichannel activities are also able to link their product ranges to the IT systems of our customers via various e-procurement solutions. Sustainability is also becoming a growing factor in the purchasing decisions of these customers. In keeping with this trend, for example, we use carbon-neutral shipping and offer carbon-neutral products.

Organizationally, the business activities of KAISER+KRAFT, ratioform and NBF are part of the Omnichannel Commerce segment. Even though Hubert and Central are following a slightly different business model and TAKKT is exploring strategic options for both, they will initially fall under this segment.

Quality- and service-oriented B2B customers

WEB-FOCUSED COMMERCE

The Web-focused Commerce segment and its product offerings are geared to the less complex requirements of transaction-oriented and more price-conscious B2B customers. This customer group is mainly addressed through online channels.

»BEST VALUE FOR MONEY«

Our web-focused businesses offer a broad product range with fewer services at an attractive price level. This addresses business customers with comparatively less complex requirements. These are generally small and medium-sized businesses. Products from the entry-level price segment are often sufficient for the needs and applications of these customers. At the same time, our web-focused activities also offer personal advice (by phone or chat).

The purchasing behavior of more price-conscious B2B customers is less regular and loyal than that of more service-oriented customers. Accordingly, the share of business with new customers in the Web-focused segment is significantly higher than in the Omnichannel segment. Our web-focused businesses therefore focus on effective search engine optimization (SEO and SEA) and online marketing activities for attracting new customers, while offering the easiest and quickest digital searching and ordering process possible for individual transactions.

The business activities of Newport and Displays2go are bundled in the Web-focused Commerce segment.

More price-conscious B2B customers

OUR **MISSION STATEMENT**

OUR COMPANY PURPOSE

WE MAKE IT EASY TO CREATE GREAT WORK ENVIRONMENTS.

The TAKKT Group specializes in B2B distance selling for business equipment with the aim of operating in attractive markets with its business units and brands and growing faster than the competition. It focuses on selling durable and less price sensitive equipment and special items to business customers in various industries and regions. The product ranges that are offered mostly encompass durables that companies use for their business activities. TAKKT concentrates on two business models – Omnichannel and Web-focused Commerce. The Omnichannel Commerce segment addresses business customers with complex requirements by using multiple points of contact and a broad range of service offerings via online channels, key account managers and print advertising. The Web-focused Commerce segment gears its offerings to the less complex requirements of transaction-oriented and more price-conscious B2B customers mainly through web shops.

The customer is the focus of our activities. Along with a preselected assortment, advice and service also play an important role. Our two segments have made it their goal to offer their respective customer type the most efficient and easiest way to procure business equipment. We do this by continuously adapting our business to suit the changing needs of customers.

Our actions are guided by our Core Behaviors as well as our principles of sustainability. We actively contribute to protecting the environment and preventing climate change. We take responsibility for our products along the entire value chain. We are also committed to the concerns of our employees and those in our society. We want to be the role model for sustainability in our industry by taking a targeted and systematic approach.

OUR **CORE BEHAVIORS**

Our Core Behaviors define and explain what is expected of each employee in their daily work. They drive the cultural change within the TAKKT Group and serve as a basis for regular performance reviews.

THINK CUSTOMER FIRST

We make it easy to do business with.
Our customer is the center of everything we do.

EMPOWER OTHERS

We engage our employees through open feedback, collaboration, transparency and teamwork.

IMPROVE EVERY DAY

We challenge the status quo and quickly embrace change.
We keep it simple and impactful.

TAKE OWNERSHIP

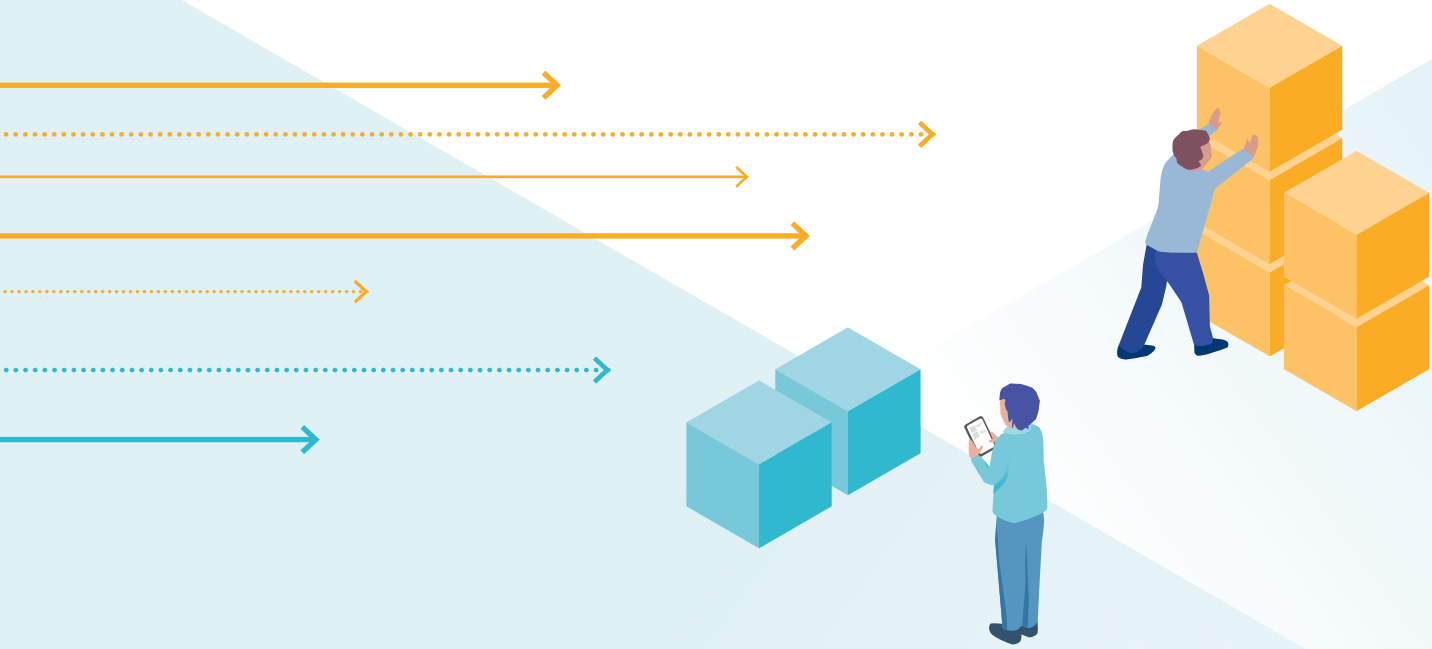
We are accountable for our targets and always deliver on our commitments.

COMPETE FOR SUCCESS

We are determined to win with a clear drive to reach our goals. We have the courage to make difficult decisions.

OUR **SEGMENTS**

TAKKT is the leading B2B distance seller for business equipment in Europe and North America. The Group is represented with its brands in more than 25 countries. The product range of the subsidiaries comprises more than a million products for the areas of plant and warehouse equipment, office furniture, transport packaging, display articles and equipment for the food service industry, hotel market and retailers.



1 GROUP

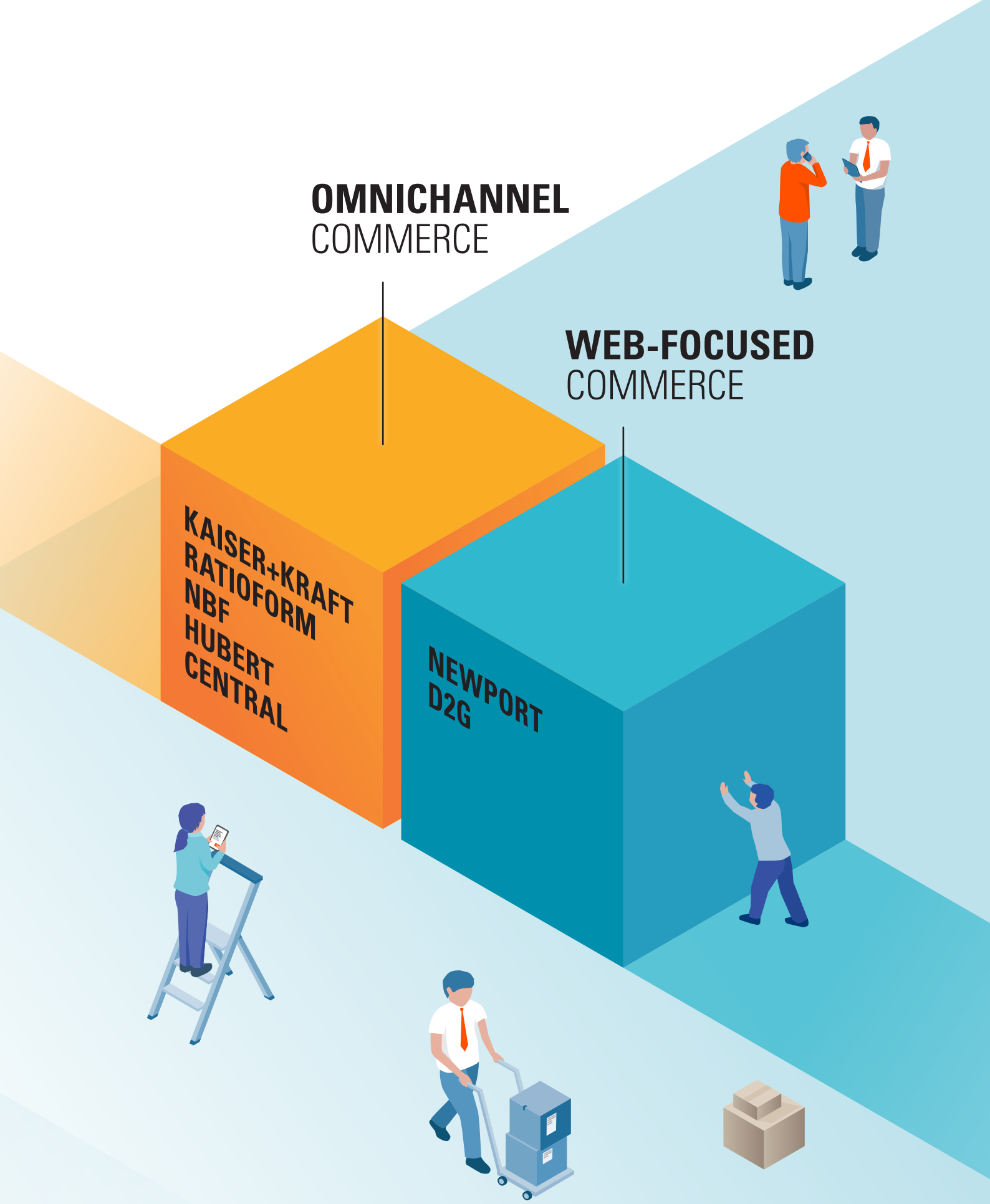
2 BUSINESS MODELS

7 BUSINESS UNITS

18 BRANDS

OVER **1** MILLION PRODUCTS

OVER **70** LOCATIONS WORLDWIDE


OMNICHANNEL
COMMERCE
WEB-FOCUSED
COMMERCE
KAISER+KRAFT
RATIOFORM
NBF
HUBERT
CENTRAL
NEWPORT
D2G

OMNICHANNEL COMMERCE

BUSINESS UNITS	BRANDS	KEY FACTS
KAISER+KRAFT	KAISER+KRAFT, Gerdmans, gaerner, RUNELANDHS	**1,070** Employees **110,000** Products
RATIOFORM	ratioform	**320** Employees **7,000** Products
NBF	NATIONAL BUSINESS FURNITURE, OfficeFurniture.com® your home for your office	**220** Employees **26,000** Products
HUBERT	HUBERT®, RETAIL RESOURCE WHERE STORES SHOP	**250** Employees **250,000** Products
CENTRAL	Central RESTAURANT PRODUCTS	**140** Employees **510,000** Products

PRODUCT EXAMPLES

As a supplier of business equipment, KAISER+KRAFT offers products for transport, plant, warehouse and office equipment in more than 20 European countries. As a packaging specialist, ratioform sells a complete range of products in five European countries for companies in different industries as well as customer-specific packaging solutions. NBF offers an extensive range of office furniture products in the US. Some examples of products are office chairs and desks, conference tables and furniture for reception areas.

In North America, Hubert sells equipment for the food service industry and food retail sector as well as merchandising products. Products include buffet equipment such as serving platters and food baskets. Central offers restaurant operators products through active telephone sales, the web shop and a catalog. The product range includes all the equipment and supplies required for the operation of small to mid-sized restaurants. Some examples of products are kitchen stoves and freezers.

WEB-FOCUSED COMMERCE

BUSINESS UNITS	BRANDS	KEY FACTS
NEWPORT	officefurniture online, BiGDUG, XXLhoreca, certeo, Mydisplays, Davpack	**310** Employees **115,000** Products
D2G	DISPLAYS2GO, POST UP STAND	**310** Employees **13,000** Products

PRODUCT EXAMPLES

Newport bundles young, web-focused businesses that cater primarily to the needs of small and medium-sized business customers in different European countries and product areas. In the UK, the product specialist OfficeFurnitureOnline offers office furniture through its web shop. BiGDUG, an online direct marketer for business equipment specializing in storage and shelving also serving the UK, supplies its customers with shelving systems and workbenches. Certeo sells plant and office equipment in the DACH region and France. Mydisplays provides products such as custom-printed advertising banners and mobile display systems to a broad customer segment in Germany. Davpack supplies companies in the UK, Sweden and Germany with a wide range of boxes and packaging. The company XXLhoreca, acquired in 2019, sells large and small kitchen appliances, kitchen equipment and accessories, primarily in the Benelux countries, France and Germany.

D2G includes the web-focused brands Displays2go and Post-Up Stand, which offer display products in the US. Sales are carried out mostly online. Products include advertising banners, printed and digital display stands, mobile trade booths and fixtures.

TO THE SHAREHOLDERS

LETTER FROM THE CEO

Felix Zimmermann
Chairman of the Management Board, CEO

Ladies and Gentlemen

In 2019, TAKKT was able to generate slightly higher sales than in the previous year. This increase was attributable to an acquisition in Europe as well as the stronger US dollar. Organic development, on the other hand, was slightly negative and characterized by a significant loss of momentum over the course of the year. We felt a marked economic downturn in Europe in particular. This could especially be seen in the German automotive sector, which is an important market for us. However, other countries such as Switzerland proved to be stable. In the US, the expected termination of business with a major Hubert customer had a negative impact on growth. The other US activities saw growth, but also lost pace over the course of the year. Organic sales development at TAKKT was minus 1.4 percent. Without the loss of the major Hubert customer, we would have been able to report slight growth despite the challenging conditions.

Early in the year, we have begun disciplined cost management in view of the weakening economy. In addition, structural adjustments made in 2019 resulted in one-off costs of roughly ten million euros that had an adverse impact on earnings. However, at 12.4 percent, we achieved a slightly higher overall EBITDA margin than the forecast of around 12 percent that was adjusted in October.

In the last year, we took an in-depth look not only at our business development but also at how we want to position TAKKT in the future. Where do we see the greatest growth opportunities and where do we want to be active? How do we have to organize ourselves as a company and what do we have to do differently to ensure continuous success? In November, as a result of these deliberations and discussions, we decided together with the Supervisory Board on a new organizational structure and a change to the management structure. This will be called TAKKT 4.0. We had come to the conclusion that the previous long-established organizational structure with several, stand-alone business models managed in parallel in one portfolio was reaching its limits – especially during the transformation. Our dynamic market environment requires quick decision-making processes and a clearer focus in terms of strategic direction. With TAKKT 4.0, we are therefore concentrating on two business models for two

different customer types. The Omnichannel activities will meet the needs of quality- and service-oriented corporate customers, and Web-focused providers cover the requirements of more price-conscious business customers.

In addition, the organizational realignment includes a new allocation of responsibilities and functions at the relevant level in the Group. Functions that deal closely with the customer such as sales and marketing or putting together the product portfolio will continue to be carried out by the business units. Supporting functions such as IT services as well as purchasing and customer data analysis will increasingly be managed at the level of both segments. Establishing more integrated structures and functions will increase scalability within the two business models.

Each segment will have higher operational independence and will be managed by a member of the TAKKT Management Board. Heiko Hegwein will assume responsibility for the Omnichannel Commerce segment and a fourth member of the Management Board will lead the Web-focused Commerce segment. We will start developing this segment immediately after the appointment of the new Board member. For the Omnichannel segment, on the other hand, the initial focus is to prepare the individual businesses for integration into the segment. The realignment of the Group will be carried out step by step and will probably take two to three years. We expect the realignment to result in a more customer-oriented structure, faster decision-making processes, a clearer and more distinct market positioning for the two business models and ultimately accelerated growth.

The more integrated structures and functions in the two segments will also give us an advantage with regard to acquisitions. Our new organizational structure will allow newly acquired companies to be more closely integrated, resulting in greater potential to capitalize on positive synergy and scaling effects. Consequently, our M&A activities are and will remain a very important part of our growth strategy. We will be able to act whenever acquisition opportunities arise during the organizational realignment as well. In the past year, we took advantage of such an opportunity in May by acquiring XXLhoreca, a Dutch e-commerce provider of restaurant equipment, and integrated it into the Newport group. In addition to acquisition opportunities, we also conduct regular checks to ensure that all existing activities are still in line with TAKKT's current strategic approach. We are currently examining strategic options at Hubert and Central as both units follow a somewhat different business model from the other Omnichannel Commerce activities.

Strengthening operational excellence is another aspect of TAKKT 4.0. In this regard, new management methods and processes will be developed and introduced throughout the Group in order to promote best practice methods and implement continuous improvement processes. With TAKKT 4.0, we are building on our digital agenda, which we have been pursuing and implementing since 2017. We have made substantial progress since the start of the digital transformation and have, for example, significantly increased our e-commerce business. We will continue to make digitalization a high priority. The initiatives and measures will be merged into TAKKT 4.0 over the course of 2020 and continued in the new organizational structure.

TAKKT places long-term strategic importance on sustainability. We are convinced that sustainable action represents competitive advantages across all stages of the value chain and enhances company value for the long term. We serve as a role model for sustainability in our industry and our goal is to expand this further beyond 2020. This is also why we support the Sustainable Development Goals adopted by the United Nations and are committed to doing our part to achieve these internationally agreed objectives. This annual report is published together with the current TAKKT sustainability report, which provides information on all sustainability measures in the Group.

The composition of the Supervisory and Management Boards changed in the past year. The previous Chairman of the Supervisory Board, Stephan Gemkow, resigned his seat at the end of the Shareholders' Meeting on May 15, 2019. On behalf of the Management Board, I would like to express my great thanks to Mr. Gemkow for the positive and trusting collaboration over the past years. During his term, he has provided valuable input for the strategic development of our company. The Shareholders' Meeting elected Thomas Schmidt as a new member of the TAKKT Supervisory Board. He has been CEO of Franz Haniel & Cie. GmbH since mid-2019. Florian Funck, who has been a member of the Supervisory Board since the end of 2011, was appointed as its new chairman. Dirk Lessing stepped down from the Management Board of TAKKT AG effective October 31. On behalf of myself and the Management Board, I want to take this opportunity to express our deepest appreciation to Dirk Lessing for his many years of outstanding commitment at TAKKT and wish him all the best for the future both professionally and personally.

Looking ahead at 2020, we expected until recently to see an upswing in business over the course of the year after a challenging first half. However, due to the rapid spread of the coronavirus, we now have a completely different situation and are facing some difficult weeks and months. Our top priority right now is to protect our employees from infection. In addition, we have initiated extensive measures to maintain operations. In order to tackle the tasks presented by the pandemic, we have set up crisis teams at the Group level and in the business units, in which the Management Board is also involved.

Reliable forecasts about the development of the Group in the 2020 financial year cannot be made at this time. Based on the information currently available, we expect the pandemic to have a noticeable negative impact on the supply chains, our 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.

In view of the exceptional crisis situation and uncertainty due to the spread of the coronavirus, we, the Management Board, are giving the highest priority to financial stability and flexibility. Our aim is to be able to act at any time, even during the crisis. This includes carrying out restructuring measures and the further implementation of TAKKT 4.0. TAKKT also wants to be prepared for opportunities after the pandemic has subsided and once again be able to invest in growth. To achieve this, the Group is responding with cost reduction programs and an investment freeze. Furthermore, the Management Board and Supervisory Board propose to the Shareholders' Meeting that the dividend payment be suspended for the 2019 fiscal year.

A very special thanks is due to our employees, whose commitment and strong dedication create the foundation for our success. We believe that a common understanding and mutual goals for the future orientation of TAKKT are vital for our success. I would also like to thank our customers, business partners and shareholders for the trust they have placed in us over the past year. Together with its employees and partners, TAKKT has also overcome difficult crises in the past. Even if it is difficult to find a historical comparison for the current situation, I believe that, as a company, we are well positioned to build on our past success once the pandemic has eased.

Stuttgart, March 2020

Felix Zimmermann
(CEO of TAKKT AG)

MEMBERS OF THE MANAGEMENT BOARD

Felix Zimmermann (CEO) **Claude Tomaszewski (CFO)** **Heiko Hegwein**

TAKKT SHARE AND INVESTOR RELATIONS

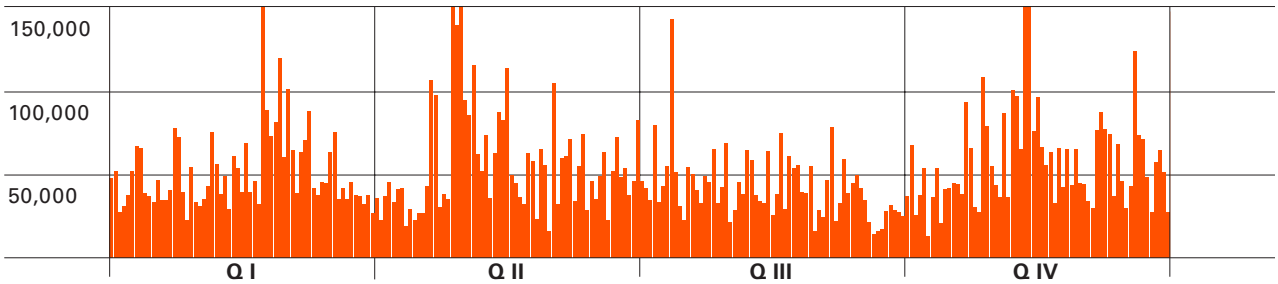
DIFFICULT MARKET ENVIRONMENT HAS A NEGATIVE IMPACT ON THE TAKKT SHARE

The 2019 stock market year was characterized by strong price gains. After the stock markets corrected at the end of 2018, partly as a result of the increase in US base rates, the relaxing of monetary policy in 2019 acted as a price driver in the capital markets. In contrast, the global economic slow-down as well as apprehension about an escalation of the trade conflict between the US and China and a disorderly withdrawal of the UK from the EU had a negative effect on capital markets at times and led to a sharper correction, especially in the summer. In the fall, a price rally began in the global stock markets, which was triggered by improved prospects of a partial trade deal and an orderly withdrawal of Great Britain from the EU as well as the further easing of the European Central Bank's monetary policy through monthly bond purchases starting in November. The German share indexes also closed high, with the DAX rising by 25.5 percent and the SDAX by 31.6 percent.

The TAKKT share also rose significantly at the beginning of 2019. Supported by the upturn in the stock markets and the proposal to pay a special dividend for the 2018 fiscal year, the share price rose to an annual high of EUR 15.78 by mid-April. As of the end of April, the share price fell as a result of worsening economic indicators. The announcement of weaker organic growth rates in the second quarter and the general market correction in the summer dampened the share price further in the following months. After an interim recovery of the share price, TAKKT lowered its outlook for the year as a whole at the end of October in anticipation of a weak development in the fourth quarter. The share subsequently fell to its annual low of EUR 10.66 on October 31, 2019. Based on improved economic indicators and a positive overall market, the share price picked up again by the end of the year. The share closed 2019 at EUR 12.58, which was 7.8 percent below the closing rate of the previous year. Including the dividends paid in May, the return was minus 1.5 percent. All data is based on daily closing prices in the Xetra trading system.

Performance of the TAKKT share *(52-week comparison, SDAX as benchmark)*

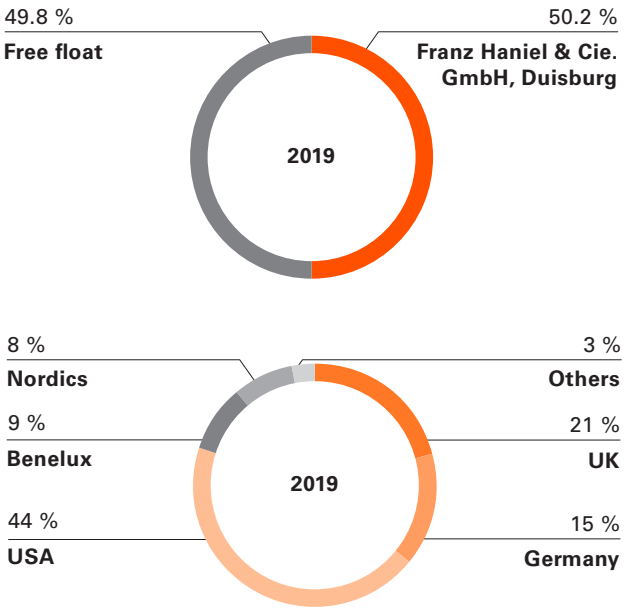
Trading volume of the TAKKT share *(daily volume on Xetra in number of shares in 2019*)*



* *On individual days, more than 150 thousand TAKKT shares were traded on Xetra.*

TAKKT is listed in the SDAX index of Deutsche Börse and had an index share of 0.72 percent as of the end of the year. In the Deutsche Börse ranking list encompassing all companies listed on the DAX, MDAX and SDAX, TAKKT AG occupied position 154 at year-end in terms of market capitalization on the basis of the free float. It was in position 142 in the previous year. Among other effects, the poorer ranking resulted from the below-average share performance. TAKKT's trading volume was at place 155, following place 149 in the previous year. On the most important trading platform, Xetra, an average of 55.1 (70.5) thousand TAKKT shares were traded on each trading day, which was significantly less than in 2018. A decline in trading activity was also observed at other German companies with a market capitalization similar to that of TAKKT.

Shareholder structure and regional distribution of free-float shares of institutional investors as of December 31, 2019*



* *For regional distribution approximation values, based on Bloomberg data*

Key figures relating to TAKKT share *(five year perspective)*

	Unit	2015	2016	2017	2018	2019
Trade data						
Year-end closing price*	EUR	18.45	21.51	18.87	13.64	12.58
Highest price*	EUR	18.45	21.80	23.13	23.05	15.78
Lowest price*	EUR	13.97	14.76	18.87	12.30	10.66
Market value at year-end	EUR million	1,210.5	1,411.3	1,238.1	894.9	825.4
Average daily turnover*	thousand shares	28.1	27.2	46.0	70.5	55.1
Issued shares at year-end	million shares	65.6	65.6	65.6	65.6	65.6
Dividend						
Dividend per share**	EUR	0.50	0.55	0.55	0.85	0.00
thereof ordinary dividend	EUR	0.50	0.55	0.55	0.55	0.00
thereof special dividend	EUR	-	-	-	0.30	0.00
Payout ratio	percent	40.5	39.5	37.5	63.3	0.0
Dividend yield***	percent	2.7	2.6	2.9	6.2	0.0
Valuation ratios						
Earnings per share (EPS)	EUR	1.24	1.39	1.47	1.34	1.14
TAKKT cash flow per share	EUR	1.74	1.91	1.66	1.84	1.83

* *Xetra-Trading*

** *Dividend proposal for the fiscal year 2019*

*** *At fiscal year's closing price*

Basic data of the TAKKT share	
WKN (securities identification code)	744600
ISIN	DE0007446007
Ticker symbol	TTK
Reuters symbol	TTKG.F (Frankfurt)
Bloomberg symbol	TTK.GR
Number and type of shares	65,610,331 no-par-value bearer shares
Share capital	EUR 65,610,331
First listing	September 15, 1999
Market segment	Prime Standard
Index	SDAX
Designated sponsors	Hauck & Aufhäuser Oddo Seydler Bank Pareto Securities

COMPREHENSIVE INFORMATION FOR THE FINANCIAL COMMUNITY

TAKKT's investor relations work focuses on providing information to shareholders, analysts and investors in a transparent and reliable manner. The company places great importance on informing all participants in the capital market with equal thoroughness and openness. In the "Investors' Darling" competition organized every year by manager magazin together with the HHL Leipzig Graduate School of Management, TAKKT came in third in the SDAX in 2019. Despite the less-than-satisfactory performance of the share, the company was among the top three for the fourth time in a row. TAKKT ranked 28th in the overall ranking of all 160 companies listed in the DAX indexes. The competition evaluates the companies with regard to their financial communications, such as financial reporting, IR presentations and the website. The evaluation also takes into account the perception of the company in the capital market, which is based on a survey of experts (perception study).

The range of information provided on the TAKKT website is designed to meet the information needs of all capital market participants and financing partners. Besides financial reports, mandatory announcements, press releases and information about the share, interested persons can find roadshow and analyst presentations there. It also provides explanations regarding the company's strategy and Corporate Governance. In addition, telephone conferences open to all interested parties are held when quarterly results are published or for important corporate events such as the TAKKT 4.0 organizational realignment.

SPEED AND CONSISTENCY OF REPORTING

TAKKT places great importance on timely and informative reporting. It therefore presents interim results within one month after the end of each quarter at the latest. The management also places great value in the quality of the published information. To make it easier to analyze data, details are always presented in financial reports in the same way and in the same section whenever possible. Significant variations in comparison with previous years are explained if they occur. TAKKT presents effects on key figures resulting from acquisitions, disposals or currency fluctuations in a transparent manner.

CLOSE COMMUNICATION WITH INVESTORS AND ANALYSTS

TAKKT seeks to communicate regularly and transparently with institutional and private investors, financial analysts, potential investors and financial journalists:

- In March 2019, TAKKT presented the consolidated financial statements at the analyst conference in Frankfurt, where it discussed the strategy and outlook with analysts and investors.

- The Management Board regularly takes part in capital market conferences such as the German Equity Forum in Frankfurt held by Deutsche Börse AG every year in November. TAKKT also participated in the capital market conferences of Kepler Cheuvreux and Unicredit in Frankfurt, Crédit Mutuel CIC in Paris, Berenberg in Tarrytown, New York, and the capital market conference of Berenberg and Goldman Sachs in Munich in the 2019 fiscal year. In addition, there was the Oddo BHF Forum in Lyon, the Bankhaus Lampe Deutschlandkonferenz in Baden-Baden, the Commerzbank Sector Conference in Frankfurt, the Consumer Conference of the Erste Group Bank in Warsaw, and the Berenberg European Conference in London.

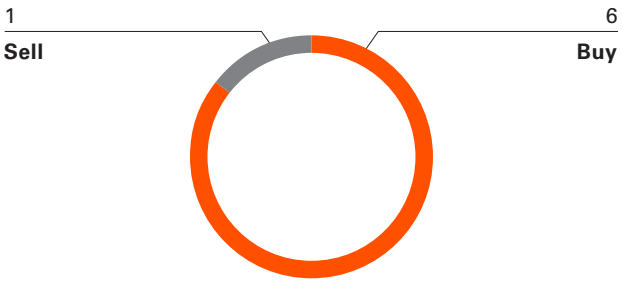
- The company also held talks with investors during roadshows in London, Zurich and Vienna.

- Investors gathered information in one-to-one talks and group presentations at the company's headquarters in Stuttgart with regard to the current business development, the corporate strategy and growth prospects of the TAKKT Group.

TAKKT makes the documents presented at the events available on its corporate website. The number of financial analysts who regularly observe the TAKKT share also reflects the perception of the company on the capital market. As of March, 02, 2020, six analysts recommended buying the share and one analyst advised selling the share.

Institution	Analyst
Berenberg	James Letten
DZ Bank	Thomas Maul
Hauck & Aufhäuser	Christian Salis
Kepler Cheuvreux	Craig Abbott
Landesbank Baden-Württemberg	Thomas Hofmann
Metzler Capital Partners	Tom Diedrich
M.M. Warburg	Thilo Kleibauer

Analyst recommendations



SHAREHOLDERS' MEETING AND DIVIDEND

The 20th ordinary Shareholders' Meeting of TAKKT AG took place in Ludwigsburg on May 15, 2019. The shareholders approved the proposal of the Management and Supervisory Boards to pay a special dividend of EUR 0.30 in addition to the ordinary dividend of EUR 0.55, for a total dividend of EUR 0.85 per share. This corresponded to a payout ratio of 63.3 percent of the profit for the period.

In general, TAKKT's dividend policy provides for a payout of 35 to 45 percent of the profit for the period. TAKKT wants the shareholders to participate in the success of the company through a consistent and reliable dividend stream while also leaving enough room to be able to continue financing value-creating acquisitions. In view of the exceptional crisis situation resulting from the spread of the coronavirus, TAKKT places high priority on financial stability and flexibility. The Management Board and Supervisory Board therefore propose to the Shareholders' Meeting to suspend the dividend payment for the 2019 fiscal year.

FINANCIAL CALENDAR 2020

The financial calendar for 2020 is shown on the last page of this annual report. It can also be accessed on the TAKKT website, where it is regularly updated. Due to the current situation, short-term adjustments are possible.

INVESTOR RELATIONS CONTACT

The investor relations team is available to answer any questions related to the TAKKT share and can be reached at:

Investor Relations
Christian Warns / Benjamin Bühler
Presselstrasse 12, 70191 Stuttgart
Telephone: +49 711 3465-8222
Fax: +49 711 3465-8104
Email: investor@takkt.de
Internet: http://www.takkt.com

SUPERVISORY BOARD REPORT

Florian Funck
Chairman of the Supervisory Board

Ladies and Gentlemen,

The year 2019 was eventful and challenging for TAKKT. This applies to business performance, which was especially characterized by the economic slowdown in Europe. It also relates to the strategic level, where the focus was on the development and adoption of the new TAKKT 4.0 organizational structure. The Supervisory Board and Management Board believe that TAKKT can tap into additional growth potential with an even more focused structure. Given the overall environment, sales and earnings were satisfactory in the past fiscal year.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The 2019 fiscal year was also characterized by changes in the Supervisory Board. Stephan Gemkow – Chairman of the Supervisory Board of TAKKT AG since the beginning of 2013 – resigned from the Management Board of majority shareholder Franz Haniel & Cie. GmbH on June 30. In the course of this, he relinquished his seat as of the end of the Shareholders' Meeting 2019. He played a decisive role in the development of the TAKKT Group during his term of office. We would like to thank Mr. Gemkow for the trusting collaboration and excellent leadership of the Board and wish him all the best for the future. Following the Shareholders' Meeting, the Supervisory Board appointed Florian Funck as the new chairman. Funck has been a member of the Supervisory Board since the end of 2011 and was previously CFO of TAKKT AG. In addition, the Shareholders' Meeting elected Thomas Schmidt, chairman of the Management Board of Franz Haniel & Cie. GmbH, as a new member of the Supervisory Board.

In September, the Supervisory Board decided, upon mutual agreement and on the best of terms, to terminate Dirk Lessing's contract as Management Board member of TAKKT AG effective October 31, 2019. Mr. Lessing had been a member of the Management Board and Chairman of the Board of Directors at KAISER+KRAFT since 2014. We would like to take this opportunity to thank Mr. Lessing for the successful work he has done for the TAKKT Group in recent years and wish him all the best in his future professional and personal endeavors.

WORK OF THE SUPERVISORY BOARD

The Supervisory Board supported and monitored the Management Board in an advisory capacity in the year under review and was in dialogue with corporate management regarding strategic issues. It met seven times in the 2019 fiscal year. There were five regular meetings, one strategy meeting and one extraordinary meeting in connection with the TAKKT 4.0 organizational realignment. The individualized disclosure of participation in the meetings of the Supervisory Board and its committees can be found at the end of this report.

The key topics of the Supervisory Board meetings in the year under review were primarily the current business performance and strategic development of the Group with the respective ongoing and planned projects. One focus was the TAKKT 4.0 organizational realignment with the related changes to the Group and management structure as well as the new areas of responsibility within the Management Board. The acquisition of XXLhoreca and the leasing of a new warehouse at NBF were also discussed by the Supervisory Board. Other topics covered at the meetings were business performance planning, the risk situation including the quantification of significant risks, the risk management system, the internal control system and the activities in the internal audit department.

At the strategy meeting in May 2019, the Supervisory Board focused in particular on the future role of TAKKT AG in the Group, the progress made in implementing the digital agenda, the analysis of target markets and the company's M&A strategy. The agenda also included the draft law on the Second German Act Implementing the Shareholder Rights Directive (ARUG II), the new version of the German Corporate Governance Code (DCGK), and important regulatory changes in the area of corporate governance and compliance. The personnel committee met four times in the year under review. The items included the departure of Dirk Lessing from the Management Board of TAKKT AG, adjustment of the remuneration system for the Management Board and the handling of pension commitments.

CONSTRUCTIVE COOPERATION IN A SPIRIT OF PARTNERSHIP

As usual, the cooperation between the Supervisory Board and Management Board was transparent and open in the year under review. The Management Board informed the Supervisory Board regularly, promptly and comprehensively. Outside the Supervisory Board meetings, the Management Board also informed the Supervisory Board promptly in writing and verbally on all important matters. The meetings of the Supervisory Board and Management Board were always conducted in a constructive and open manner. The Chairman of the Supervisory Board and the CEO discussed matters in more detail when necessary. The Supervisory Board was involved in all decisions of fundamental importance to the company in a timely manner. If issues needed to be decided by the Supervisory Board, it always passed resolutions promptly after in-depth discussion. In the 2019 fiscal year, an internal efficiency review of the Supervisory Board was also carried out.

ORIENTED TOWARDS THE CORPORATE GOVERNANCE CODE

The Supervisory Board places importance on conducting its control tasks continuously and with great intensity. This commitment will also define its work in the future since it makes a significant contribution to responsible corporate management at TAKKT. In this connection, the Management and Supervisory Boards again signed, effective December 31, 2019, the declaration of conformity to the recommendations made by the German Corporate Governance Code (DCGK) Government Commission. Additional information regarding corporate governance and the declaration of compliance can be found in the Corporate Governance Report of this annual report and on the TAKKT website at www.takkt.com.

SUSPENSION OF THE DIVIDEND

In view of the exceptional crisis situation resulting from the spread of the coronavirus, TAKKT places high priority on financial stability and flexibility. The Management Board and Supervisory Board therefore propose to the Shareholders' Meeting to suspend the dividend payment for the 2019 fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS OF TAKKT AG APPROVED

The Shareholders' Meeting followed the proposal of the Supervisory Board and appointed Ebner Stolz GmbH & Co. KG, Stuttgart, as the auditors for the 2019 fiscal year. The auditors issued a declaration of independence to the Supervisory Board. The Supervisory Board reviewed the independence of the auditor as per section 107(3) sentence 2 of the Stock Corporation Act (AktG) and point 7.2.1 of the DCGK.

The audit focus topics specified by the Supervisory Board for the 2019 fiscal year were notes on company acquisitions and the recognition of sales. With regard to the consolidated financial statements, the auditors also focused on the goodwill impairment tests, reportings from auditors of foreign subsidiaries, the consolidation measures, the notes to the consolidated financial statements and the combined management report of TAKKT AG and the Group. The auditors in charge from Ebner Stolz GmbH & Co. KG reviewed the financial statements of TAKKT AG in addition to the consolidated financial statements and the Group management report of TAKKT AG and issued an unqualified audit certificate. The TAKKT Group's system for early risk detection was also audited and its suitability confirmed.

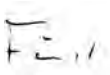
The auditors in charge attended the Supervisory Board's annual accounts meeting on March 25, 2020. They informed the members about the key findings of the audit and answered more detailed questions. The Supervisory Board discussed the auditors' findings at length and approved them. In the annual accounts meeting, the Supervisory Board reviewed and approved the consolidated financial statements, the financial statements of TAKKT AG, the management report of TAKKT AG and the TAKKT Group, including the non-financial statement and the proposed profit appropriation. The financial statements of TAKKT AG were thus adopted and the consolidated financial statements approved.

SUPERVISORY BOARD APPROVES DEPENDENCE REPORT

Franz Haniel & Cie. GmbH, Duisburg, also held the majority of TAKKT shares in the 2019 fiscal year with 50.2 percent. In accordance with section 312 of the German Stock Corporation Act (AktG), the Management Board therefore prepared a report on relations with affiliated companies for the past fiscal year. Ebner Stolz GmbH & Co. KG prepared an auditors' report as required under section 313 of the German Stock Corporation Act (AktG). No reservations were expressed as a result of the audit. The auditor issued the following unqualified opinion: "Having conducted a proper audit and appraisal, we confirm that, first, the actual disclosures set out in the report are correct, second, payments made by the company for transactions covered in the report were not unduly high and, third, no circumstances covered in the report indicate a substantially different assessment than that given by the Management Board." The Supervisory Board reviewed the report on the relations of the company to affiliated companies and the corresponding auditors' report and approved them according to section 314 of the German Stock Corporation Act (AktG). The Board had no objections to the dependence report and the closing statement made by the Management Board therein. This report and statement can be found in the Corporate Governance report of this annual report.

We would like to thank the TAKKT AG shareholders for the trust they placed in us in 2019. We also want to thank all the employees of the TAKKT Group for their high level of commitment and excellent performance in the past fiscal year. Thanks also go to the Management Board for their trusting and constructive cooperation founded on partnership. Like the economy as a whole, TAKKT is also facing a challenging situation. As the Supervisory Board, we monitor and support the Management Board in all challenges in connection with the spread of the coronavirus. We have great confidence in the financial stability and future viability of our company.

Stuttgart, March 2020



Florian Funck
(Chairman of the Supervisory Board of TAKKT AG)

MEMBERS OF THE SUPERVISORY BOARD

Dr. Florian Funck Chairman (as of May 15, 2019)	Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Stephan Gemkow Chairman and member (until May 15, 2019)	Former Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Dr. Johannes Haupt Deputy Chairman	Chairman of the Management Board of Blanc & Fischer Familienholding GmbH, Oberderdingen
Thomas Kniehl	Employee for claims/research/returns at KAISER+KRAFT GmbH, Stuttgart
Dr. Dorothee Ritz	General Manager of Microsoft Austria, Vienna
Thomas Schmidt (as of May 15, 2019)	Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Christian Wendler	Chairman of the Executive Board of Lenze SE, Aerzen

MEMBERS OF THE PERSONNEL COMMITTEE

Dr. Florian Funck Chairman (as of May 15, 2019)	**Dr. Johannes Haupt** Deputy Chairman
Stephan Gemkow Chairman (until May 15, 2019)	**Christian Wendler**

Board members' participation in Supervisory Board meetings in the fiscal year 2019

	Board meetings	Attendance	Personnel committee	Attendance
Florian Funck	7/7	100 %	2/2	100 %
Stephan Gemkow	2/2	100 %	2/2	100 %
Johannes Haupt	7/7	100 %	4/4	100 %
Thomas Schmidt	5/5	100 %	-	-
Thomas Kniehl	7/7	100 %	-	-
Dorothee Ritz	7/7	100 %	-	-
Christian Wendler	6/7	86 %	4/4	100 %

MANAGEMENT REPORT

BUSINESS ACTIVITIES OF THE GROUP

FISCAL YEAR

OUTLOOK

CORPORATE GOVERNANCE

MANAGEMENT REPORT FOR TAKKT AG AND THE TAKKT GROUP

BUSINESS ACTIVITIES OF THE GROUP

ORGANIZATION AND BUSINESS AREAS

The TAKKT Group specializes in B2B distance selling for business equipment. The companies and brands operate in attractive markets and focus primarily on the sale of durable and less price sensitive equipment as well as special items that are needed regularly to corporate customers in various industries and regions. The product ranges that are offered mostly encompass durables that companies use for their business activities. The TAKKT companies supply products such as pallet lifting trucks to German automobile suppliers, computer cabinets to Swiss mechanical engineering companies, custom-printed advertising banners for trade shows, shipping cartons to European industrial companies and food service equipment to commercial kitchens in the US.

NEW ORGANIZATIONAL APPROACH

The TAKKT Group had followed a portfolio approach until the end of 2019. Organizationally, the business activities were divided into two segments with a total of seven divisions managed in parallel. The segments were classified according to the geographical regions of Europe (TAKKT EUROPE) and North America (TAKKT AMERICA). As a management holding company, TAKKT AG was mainly responsible for securing and expanding a long-term stable, profitable and growth-oriented portfolio of distance sellers as well as for activities related to fulfilling legal and regulatory requirements (e.g. compliance, financial reporting). It was also responsible for formulating the strategy and managing the companies of the different divisions based on the same value and growth drivers. These companies were managed in a decentralized manner, operated individually and followed different business models. The previous management and organizational model was reaching its limits because operating different, stand-alone business models in parallel came at the expense of the pace of growth.

In view of this, a new organizational approach was introduced with TAKKT 4.0, which aims to streamline the Group and increase its focus on two clearly distinguishable customer types. In order to do this, TAKKT will implement the two business models of Omnichannel Commerce and Web-focused Commerce in B2B direct marketing and is re-organizing its Group accordingly. The illustration on page 31 shows the former and future organizational structure.

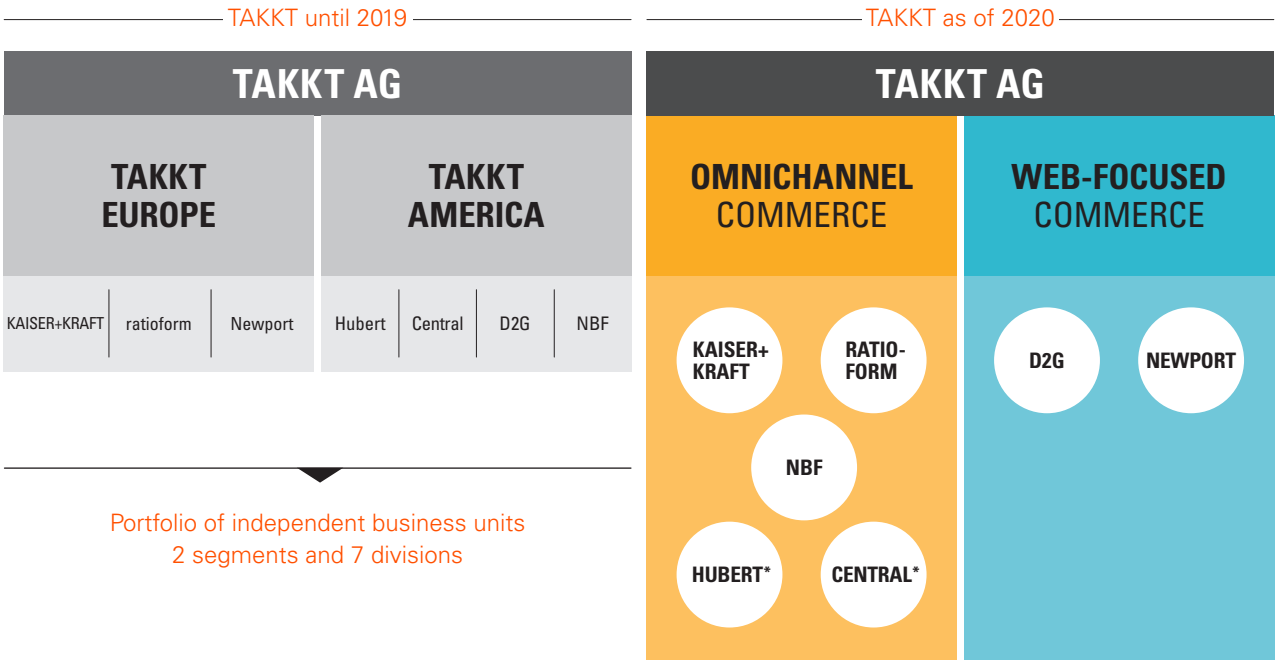
FOCUS ON TWO BUSINESS MODELS FOR TWO CUSTOMER TYPES

The Omnichannel Commerce segment addresses corporate customers with complex requirements by using multiple points of contact and a broad range of service offerings via online channels, key account managers and print advertising. The Web-focused Commerce segment gears its offerings to the less complex requirements of transaction-oriented and more price-conscious B2B customers mainly through online channels.

- The businesses in the Omnichannel Commerce segment focus on excellent quality and comprehensive service. Products are sold through several channels. The online service is combined with print marketing as well as with tele and field sales as part of an integrated approach. The aim is to make the procurement of equipment as easy as possible for customers. This starts with preselected products and a carefully curated range. Customers can choose between various product versions depending on the application and receive personalized purchasing advice – also directly on site if needed. Customer-specific solutions, project business (e.g., CAD planning), assembly and maintenance services, long warranty periods and availability guarantees complete the comprehensive range of services. This broad scope of services is especially appreciated by large and medium-sized companies that strive for maximum procurement process efficiency and have high demands when it comes to product quality. For this, they count on reliable, long-standing established business partners. Accordingly, the customer relationships are more loyal and enduring, which is reflected in the high share of business with existing customers. Due to the international positioning, customers of the Omnichannel segment can expect a consistent professional delivery of business equipment at all locations. The Omnichannel activities are also able to link the product ranges to the IT systems of the customers via various e-procurement solutions. Sustainability is also becoming a growing factor in the purchasing decisions of these customers. This trend, for instance, is addressed through the use of carbon-neutral shipping and by offering carbon-neutral products.

- The Web-focused businesses offer a broad product range with fewer service features at an attractive price level. This addresses business customers with comparatively less complex requirements. These are generally small and medium-sized businesses. Products from the entry-level price segment are often sufficient for the needs and applications of these customers. At the same time, TAKKT's Web-focused activities

Group structure



* Review of strategic options

also offer personalized advising (by telephone or chat). The purchasing behavior of price-conscious B2B customers is less consistent and loyal than that of more service-oriented customers. Accordingly, the share of new customer business in the Web-focused segment is significantly higher than in the Omnichannel segment. The Web-focused businesses therefore focus on effective search engine optimization (SEO and SEA) and online marketing activities for attracting new customers, while offering the easiest and quickest digital searching and ordering process possible for individual transactions.

The Omnichannel Commerce segment includes the previous divisions KAISER+KRAFT, ratioform and NBF. Newport and Displays2go are part of the Web-focused Commerce segment. Hubert and Central will initially fall under the Omnichannel Commerce segment. However, both companies follow a slightly different business model than the other three Omnichannel businesses. Consequently, various strategic options are being explored for these activities.

The focus on two business models reduces complexity within the Group and allows more consistent positioning for the specific requirements of the two customer types. The main reason for the segmentation by business model is that the two types of customers have very different requirements in terms of products, speed, service and quality. In order to best meet these needs, providers also need to have a clearly differentiated positioning. The new segmentation will additionally make it possible to promote and take different management and working cultures in the two areas into account.

REALLOCATION OF FUNCTIONS AND RESPONSIBILITY

As part of the transformation of the organization, responsibilities and functions are also being reallocated at the three organizational levels (Group, segment, business units).

- The business units concentrate their resources on functions that deal closely with the customer such as sales and marketing or putting together the product portfolio.

- The segments integrate business model-specific functions, which ensure highly professional and efficient work methods through the implementation of best practices or bundling in order to facilitate scalability. This applies to functions such as IT services, purchasing, logistics and analysis of customer data.

- The Group level is responsible for functional activities that apply to the entire Group, which is why they can best be implemented at this level. This includes functions such as finance, strategy development, M&A, continuous improvement and human resources.

Each segment will be managed by a member of the TAKKT Management Board. The CEO and CFO are responsible for managing the Group functions. The organizational realignment will involve a greater integration of functions in the respective segments, thereby enabling better scalability within the two units. Future acquisitions will be integrated more closely than before into the structures of a segment and thereby contribute more to value generation within the Group.

The realignment of the organization will be carried out step by step and is expected to take two to three years. In the Omnichannel Commerce segment, the initial focus is on preparing the individual businesses for integration into the segment. TAKKT has already started looking for a fourth Management Board member to manage the Web-focused Commerce segment.

BUSINESS ACTIVITIES OF THE SEGMENTS

The Omnichannel Commerce segment has more than 60 locations.

- The KAISER+KRAFT group, as a supplier of business equipment, offers around 110,000 products for transport, plant, warehouse and office equipment in 24 European countries. Customers include industrial enterprises such as automotive suppliers, service and retail companies and public institutions. Some examples of products are pallet lifting trucks, universal cabinets and swivel chairs as well as special-purpose products such as environmental cabinets and containers for hazardous materials.

- As a packaging specialist, the ratioform group offers around 7,000 different products in five European countries for companies in different industries as well as customer-specific packaging solutions. Some examples of products are collapsible boxes, package padding, shipping pallets and stretch film.

- The NBF group offers around 26,000 office furniture products in the United States. In addition to companies, its customers include government agencies, the health care sector, schools and churches. Some examples of products are office chairs and desks, conference tables and furniture for reception areas.

- The Hubert group offers around 250,000 products in North America. The range includes equipment for the food service industry and food retail sector as well as merchandising products. The customers mainly include operators of large cafeterias, food service businesses and food retailers. Products include buffet equipment such as serving platters and food baskets.

- The Central group offers around 510,000 products for restaurant equipment in the US. Restaurant operators are the core customer group of the Central business. The product range includes all the equipment and supplies required for the operation of small to mid-sized restaurants. Some examples of products are kitchen stoves and freezers.

The Web-focused Commerce segment has more than 10 locations.

- The Newport group bundles young companies that target small and medium-sized business customers. The division offers around 115,000 products in different European countries and product areas. For example, Certeo sells plant and office equipment in four European countries. In contrast, Mydisplays provides products such as custom-printed advertising banners and mobile display systems to a broad customer segment primarily in Germany, Austria and Switzerland. As a product specialist in the UK and Germany, OfficeFurnitureOnline offers office furniture such as desks, chairs and cabinets in its web shop. BiGDUG, an online retailer for business equipment specializing in storage and shelving that supplies its customers with shelving systems and work benches, also serves the UK. Davpack supplies companies in the UK, Sweden and Germany with a wide product range of boxes and packaging materials.

The company XXLhoreca, acquired in 2019, sells large and small kitchen appliances, kitchen equipment and accessories, primarily in the Benelux countries, France and Germany. XXLhoreca mainly supplies business customers from the hotel, restaurant, cafeteria and catering sectors.

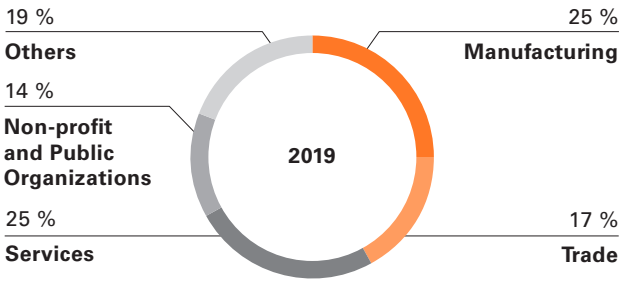
- The D2G group offers around 13,000 display products in the US. Sales are carried out mostly online. Products include advertising banners, printed and digital display stands, mobile trade booths and fixtures.

An overview of all the Group companies is provided by the share ownership list of the TAKKT Group, which can be found in the Notes to the consolidated financial statements under "Other notes" in section 5. In addition, all locations of the Group are listed on the location maps at the end of this annual report.

DIVERSIFIED POSITIONING

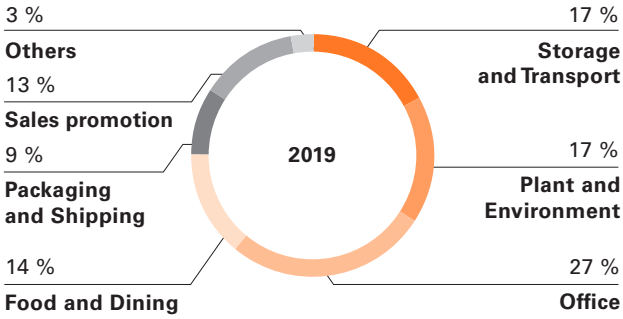
Due to its presence in different regions and the focus on different product and customer groups, the TAKKT Group is broadly based. At the customer level, the business units serve a broad customer base consisting of manufacturing businesses, retailers and service providers as well as nonprofit and public organizations to compensate for the cyclical fluctuations experienced by the individual target groups. Orders from manufacturing businesses – the original core business of the TAKKT Group – represent a quarter of the sales volume. The medium-term goal of the TAKKT Group is to achieve a balanced share of sales with the manufacturing industry, the trade and service sectors as well as nonprofit and public institutions. This diversification across different customer groups stabilizes the TAKKT Group as a whole.

Diversification of customer groups



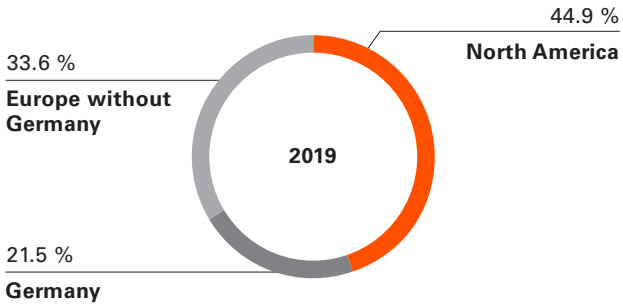
At the product level, TAKKT differentiates between products for plant & environment, storage & transport, office, packaging & shipping, food & dining and sales promotion. TAKKT diversifies broadly here to compensate for fluctuations in demand. The company has specifically expanded its product portfolio through various acquisitions to include new product groups in order to participate in industry trends. TAKKT will also take industry trends into account in its M&A activities in the future.

Diversification of product ranges



At the regional level, TAKKT differentiates between Germany, Europe without Germany and North America. In particular, the share of US business has increased significantly since 2000. In the past, regional diversification has proven to be a pillar of the TAKKT Group. This way, economic fluctuations in certain target markets can be partially offset by opposite developments in other regions.

Diversification of regions



ADDED VALUE FOR CUSTOMERS AND SUPPLIERS

The companies of the TAKKT Group operate in attractive market segments. In the B2B environment, the customer considers the price in relation to product, quality and service. This means that distance selling is especially attractive to customers if they can find and order the desired product quickly and easily. Customers in the Omnichannel Commerce segment also expect a high level of advising and service with regard to the actual product in order to meet their complex requirements. Customers in Web-focused Commerce require less comprehensive services, want good products at an attractive price and personalized advising (by telephone or chat). TAKKT's strength lies in its ability to address and serve these different customer needs in a targeted way by means of the two business models. The table below lists the services according to the two different business models. As part of the transformation of the business model, the services offered in both segments will be further expanded and differentiated for the respective customer types in a targeted manner in order to maximize the attractiveness for customers.

In addition to added value for the customer, TAKKT also creates considerable benefits on the supplier side (see table). Inclusion in the product range of a TAKKT company brings benefits for these suppliers compared to independently distributing their products. They obtain direct access to a very large number of customers in different countries and thus circumvent natural market entry barriers that result from the different currencies, languages and legal frameworks, especially in Europe.

Added value for customers in Omnichannel and Web-focused Commerce	
Easy ordering and fast delivery	• Customers order through the channel that is best for them • Digitalization allows better integration of the order channels • Fast delivery through logistics partners in the individual countries • Immediate availability of most products
Needs-based products and well-organized presentation	• Comfortable, user-friendly and customer-specific presentation on different channels • Detailed product information such as mainly self-produced videos, images and product descriptions • Wide range of private labels and a carefully curated product preselection, especially for customers in Omnichannel Commerce
Personalized advising and individual offers	• Sales employees and product experts advise customers through different channels and media • Individual offers and support with selection process, especially for customers in Omnichannel Commerce

Additional services for the requirements of customers in Omnichannel Commerce	
Customized solutions	• Special procurement and custom-made products possible if there is no immediate solution available for the specific customer request • Individual project planning • Mobile customer service (spare parts, repair, maintenance) • Delivery to the point of use and assembly service
Project management	• Coordination of specific customer projects by employees in telesales and field activities • Special service requirements taken into consideration (e.g., when equipping several facilities)
Long warranty periods	• The warranty periods are usually longer than the legal requirements • Availability guarantee of several years

Added value for suppliers	
Opening up enormous customer potential	• Access to entire customer base of the sales company • Opportunity to benefit from cross-selling with product categories of other manufacturers
Professional product sales	• TAKKT provides targeted marketing through the sales channels online, print, telesales and field activities • Listing with one of the TAKKT companies is seen as a seal of quality in the market for the manufacturer's products
Presence in many different domestic markets	• Customers are reached through web shops and catalogs in all sales regions where the TAKKT company operates • Avoidance of natural market entry barriers due to country-specific factors such as language, currency or tax and legal conditions • Supplier does not have to set up own sales structure abroad
Easy onboarding and intensive support	• Close supplier management, regular interaction and joint product development based on needs of the customer
Greater efficiency	• One-time shipment of larger volumes to a central warehouse instead of many individual deliveries to customers

MARKET TRENDS SUPPORT PROVEN BUSINESS MODELS

The Management believes that structural market trends provide sustainable opportunities, which TAKKT makes use of with the corresponding competitive advantages (see table below). This mainly applies to the Omnichannel activities, which currently still represent the much greater share of the Group. In particular, B2B customers with complex requirements pay more attention to low process costs and want to concentrate purchase volume on a limited number of providers. TAKKT meets this need by offering a carefully curated range of high-quality products. However, the Group can also benefit from developments in the web-focused area. The more price-conscious customers with less complex requirements are a customer type with enormous growth potential and one that TAKKT will place greater focus on through the new organizational structure. In addition, the entire Group benefits from the rapid technological changes brought about by digitalization. E-commerce and e-procurement are gaining importance and customers expect the latest technologies at all interfaces with their provider. TAKKT responds to these trends by focusing on business customers, catering to different customer needs with the Omnichannel and Web-focused Commerce segments, implementing the digital agenda, specializing the product ranges, and offering customers an extensive range of advice and services.

General market trends in B2B	Competitive edge
Use of numerous sales channels: The channels are used for obtaining information and ordering.	Combination and integration of all sales channels in omnichannel marketing as well as uniform ordering processes using efficient IT systems.
Individualization of customer approach: Customers increasingly expect a personalized approach that is tailored to their needs.	Comprehensive analyses of the existing data in order to provide customers with information on products and topics that have the highest relevance for them.
Technology: Customers expect the latest technologies at all interfaces with their provider (e.g., consulting, customer service, sales).	Use of new communication technologies (e.g., live chat, co-browsing, etc.).
Increased use of digital ordering systems: Customers expect to be able to place orders online without any problems and also want ordering options that can be networked with their own systems in some cases.	Broad range of e-commerce solutions, in addition to the classic web shop, Omnichannel Commerce activities also offer options for the electronic integration of the product range in the customer's ERP system.

Market trends among B2B customers with complex requirements and high demands in terms of quality and service	Competitive edge
Concentration on a small number of suppliers: Corporate customers want to reduce complexity and look for reliable, long-term partnerships.	Product range from a single source as well as extensive preselection.
Customers have an eye on process costs: For merchandise of a low value, the emphasis is on the efficiency of the ordering process.	Bundling of the product ranges of hundreds of suppliers, well-organized presentation of quality products and fast delivery.
International positioning: Customers generally choose established providers and products regardless of location.	Customer proximity with more than 50 sales companies in over 25 countries.
Consideration of sustainability aspects: Environmental and social aspects are playing an increasingly important role in the selection of business partners.	A Group-wide comprehensive sustainability strategy that covers the whole value chain.
Individualized products: More and more customers want to be able to obtain individualized products and solutions.	Individual products and flexible solutions for every need through customer service together with long-standing suppliers and in-house production.

MARKET POSITION AND COMPETITIVE ENVIRONMENT

TAKKT's market environment can be defined by means of different criteria (see the following table). The TAKKT Group companies position themselves as B2B distance selling specialists of business equipment with a comprehensive range of services. With the exception of Hubert and Central, TAKKT's activities are horizontally aligned, i.e., focused on a specific product group. In the case of Hubert and Central, they each sell products for a specific industry.

Market differentiation…	Market attributes	TAKKT
…by customer	• B2B • B2C	• B2B
…by type of distribution	• Store-based retailing • Direct sales • Distance selling	• Distance selling
…by product range depth	• Generalists • Direct marketing specialists	• Direct marketing specialists; product ranges in the Web-focused area are generally broader than in Omnichannel
…by industry focus	• Horizontal alignment (product specialists) • Vertical alignment (industry specialists)	• Mainly horizontal alignment
…by service	• Pure distributors • Marketplaces • Distribution of goods and additional services	• Distribution of goods, advising and, in the case of Omnichannel activities, also a comprehensive range of services

The market niche of B2B direct marketing is also advantageous from TAKKT's perspective in the following ways:

- The TAKKT companies use a fragmented supplier pool of product specialists and maintain long-term relationships with suppliers that they work well with. The customer base is also broadly diversified. This means that the TAKKT companies cater to customers of various sizes and from different industries and are therefore mostly independent from single large orders or major customers.

- The market environment of many TAKKT companies is characterized by different levels of business model-specific market entry barriers. For example, a potential new omnichannel competitor first has to make significant investments in marketing, IT and logistics and incur several years of start-up losses before it can achieve the margins that are standard in the sector. These investments only pay off when a company manages to develop a loyal customer base that provides repeat business at regular intervals. In this respect, the market entry barriers in the web-focused area are lower. Main parts of the service and value chain are often outsourced or purchased from third parties (e.g., purely drop shipping business, purchase of IT services, etc.), while the web-focused competitors concentrate on running the marketing activities. Well-established customer relationships and loyalty are not as strong in this segment.

The competitive environment in the markets that are relevant for the TAKKT companies are generally categorized into store-based retailers, which handle the majority of the volume, and distance sellers. Omnichannel providers as well as purely online providers and marketplaces are active in direct marketing. Depending on region and product group, at this point TAKKT estimates the market shares of distance selling to be in the low to mid-double-digit percentage range. Based on industry studies, TAKKT expects distance selling to grow significantly over the coming years. In the long term, shares of store-based retailers and direct marketing should thus each account for approximately half of the market. The company believes that the online web shop business and online marketplaces (intermediary platforms) in particular will benefit from the increasing importance of distance selling. The projected market share shift should have a medium to long-term beneficial impact for the TAKKT companies, which already generate more than half of order intake on average via e-commerce.

As shown above, the TAKKT companies are positioned in the market as omnichannel or web-focused providers. They differ from their various competitors as follows:

- For B2B customers, direct sales is far more efficient and comfortable than procurement from local distributors. The scalability of the business allows TAKKT to offer a broader selection of products and more comprehensive service.

- In the distance selling sector, TAKKT's main competitors in the medium-sized to large B2B customer market are other omnichannel direct marketers. For this customer group, a reliable procurement process, comprehensive product consulting and additional services are just as important as price, which is why more transaction-oriented online providers have less relevance for these customers.

- TAKKT's Web-focused Commerce companies act as experts with regard to more price-conscious and generally smaller business customers. In terms of purchasing and advice, they have a great deal of expertise with respect to their clearly defined product range. This allows them to offer an attractive price level and also differentiate themselves from marketplace models and other providers with a very broad product range.

The table below gives an overview of the competitive environment of the TAKKT companies and lists examples of competitors.

TAKKT market environment and exemplary competitors

	Competitors Europe		Competitors USA		
	Plant and warehouse equipment	Packaging solutions	Merchandising and food service equipment	Sales displays	Office equipment
Store-based retailers	Numerous store-based retailers				
Omnichannel providers	• Manutan • Schäfer Shop • Jungheinrich Profishop	• Raja • Transpak • Hoffmann	• Trimark • Edward Don • Wasserstrom	• Allen Display • Braeside Displays	• Staples • Office Depot
Web-focused providers	• Contorion • Rapid Racking	• Karton.eu • Hilde24	• WebstaurantStore • Katom • Instawares	• Ace Exhibits • DisplayIt	• BizChair • Cymax
Online marketplaces	Various marketplaces, e.g. Amazon Business				

CORPORATE GOALS AND STRATEGY

TAKKT formulates the company purpose as follows: "We make it easy to create great work environments." To this end, TAKKT has built up a group of B2B distance sellers for business equipment, who operate as product specialists in attractive market niches. TAKKT has initiated an organizational realignment called TAKKT 4.0. A core element of this is the focus on two business models. The corporate goals and strategy will change as a result of the realignment. TAKKT remains committed to the goal of profitable growth and wants to expand its position as a role model for sustainability.

The overview below shows the change in strategic goals. As a result of the organizational realignment, TAKKT expects stronger annual organic sales growth of five percent on average in the longterm (previously three to five percent). Up to now, the Group had defined an EBITDA target corridor of 12 to 16 percent for the profitability target. The aim now is to achieve a sustainable increase in EBITDA. TAKKT has defined "Transform the business model" as a new strategic goal, which includes the aspects of TAKKT 4.0 and the digital transformation. As part of the digital transformation started in 2017, TAKKT developed an agenda which is in its final year of implementation in 2020. The measures contained therein will be step by step transferred to TAKKT 4.0 and integrated in normal operations. TAKKT will also continue to give priority to digitalization of the business models. In the course of the new organizational direction, "diversify risks" will no longer be an explicit strategic objective. However, it will remain an essential feature of TAKKT's positioning.

GROW PROFITABLY

TAKKT strives to achieve profitable growth. In the next few years, the main focus will be on increasing organic sales growth. In addition, acquisitions are another significant part of the growth strategy. In terms of profitability, TAKKT aims to achieve a sustainable increase in operating result.

Organic growth

As a direct marketing specialist, the TAKKT Group benefits from the trend of increasingly ordering goods via the more efficient method of distance selling. Digital solutions in particular improve the online shopping experience and help to simplify procurement processes. E-commerce is therefore becoming more important and growing at a much faster rate than the market as a whole. By making use of these trends, TAKKT can gradually gain market share from store-based retailers and achieve stronger organic growth than the market.

In order to benefit even more from these market trends, TAKKT has launched two initiatives to transform the business model. The implementation of the digital agenda has been underway since 2017. The company wants to create an outstanding customer experience through digitalization. TAKKT has also started the TAKKT 4.0 organizational realignment in parallel. In the next two to three years, the organization will transition to a more compact structure and focus on the Omnichannel and Web-focused Commerce business models. Additional information regarding the two initiatives can be found in the "Transform the business model" section.

Overall, TAKKT's aim is to achieve stronger organic growth in the long term of around five percent per year on average for the Group. The target value does not take into account exceptionally severe economic downturns such as those following the financial crisis of 2008 or the likely repercussions of the corona pandemic in 2020.

Strategic goals	Previous sub-targets	New sub-targets (until 2023)
Grow profitably	• Long-term organic sales growth of 3–5% per year • Growth through acquisitions (average of around 5% per year) • EBITDA margin of between 12 and 16 percent	• Long-term organic sales growth of around 5% per year • Additional growth through acquisitions • Increase in EBITDA
Transform the business model	• Double e-commerce business from EUR 450 million (2016) to EUR 900 million (2020) • Sustainable organizational transformation • Investments of EUR 50 million in new employees and technologies (until 2020)	• New organizational approach with focus on two business models • Digital transformation with significant increase in e-commerce business
Act sustainably	• Industry role model for sustainability • Sustainability "built-in" instead of "add-on" in daily corporate management	• Industry role model for sustainability • Sustainability "built-in" instead of "add-on" in daily corporate management

The two segments have different growth potential. While the Omnichannel Commerce segment is expected to grow by an average of three to five percent per year, TAKKT is aiming for a growth rate of six to eight percent in the Web-focused Commerce segment.

Stronger through acquisitions

In addition to organic growth, realizing growth through company acquisitions is an important strategic goal for TAKKT. For this, suitable companies are sought whose products and solutions strengthen and complement the existing activities. Possible acquisition targets are divided into two areas:

- Strengthening of the existing businesses: TAKKT keeps an eye out for additional product specialists in attractive niche markets that enable the two segments to tap into new, attractive target markets or expand their position in existing markets. The focus here is on exploiting synergies and improving the company's market position, for example if a target has an attractive customer base or a presence in additional domestic markets. In strengthening the existing businesses, a positive development of the business-specific value and growth drivers is expected for the target company, which TAKKT uses to manage its subsidiaries. In addition, economically sound companies are sought that have a level of profitability typical for TAKKT or can reach such a level by exploiting synergies.

- Expansion of the value proposition: TAKKT wants to improve the customer experience during and after the sale in both segments. Achieving this calls for the acquisition of smaller companies offering products or services that expand the existing range of services for customers. These could be, for example, solutions for manufacturing, refining or adapting products as well as service offerings.

With regard to acquisitions, TAKKT's aim is to integrate the target company into one of the two business models. This allows the acquired companies to benefit from the competencies and expertise at the segment level (e.g., in logistics, IT, purchasing and marketing). In addition to taking advantage of synergies, growth will be accelerated through the improved scalability of the two segments. Both result in a higher value generation as opposed to the acquired company continuing to operate independently.

In addition to traditional acquisitions, the company has also invested in young, high-growth companies in the past few years through the TAKKT investment company (TBG). As a smart investor, the investment approach focuses on B2B direct marketing specialists or service providers working within the value chain of the TAKKT companies. Since its founding, TBG has completed nine investments with a total of EUR 10.8 million. The current investment portfolio can be found at https://www.takkt.de/en/about-takkt/investments/portfolio/

Profitability

TAKKT pursues a course of profitable growth. The starting point is a high gross profit margin, which reaches a Group average of over 40 percent. The relatively high gross profit margin results from the market position as B2B direct marketing specialists for business equipment as well as from targeted measures such as the expansion of private labels and increasing the share of direct imports from Asia and Eastern Europe.

TAKKT has set itself the goal of increasing the operating result sustainably. For the Omnichannel segment, TAKKT is aiming for an EBITDA margin of around 15 percent. A margin of around ten percent is expected for the Web-focused segment. The EBITDA margin for the TAKKT Group depends on the weighting of the two segments in the Group.

TRANSFORM THE BUSINESS MODEL

In 2017, TAKKT started the digital transformation of its business model and as of 2020 the entire Group will be realigned under TAKKT 4.0. The aim is to benefit even more from market trends and to generate additional growth.

Growth momentum through the digital transformation

The fast pace of technological development is rapidly changing customer behavior as well as the workplace. TAKKT sees its business models in B2B direct marketing as particularly suitable to benefit from these changes and gain market shares. This is why TAKKT formulated a Vision 2020 in 2016 and developed a digital agenda with all the business units, which includes the aim of creating an outstanding customer experience through digitalization. Another goal is to significantly increase the e-commerce business. In addition, TAKKT will transform the culture in a sustainable way by giving priority to digitalization of the business model. In order to achieve these goals, around EUR 50 million will be invested in employees and new technologies between 2017 and 2020.

In the implementation of the digital agenda, TAKKT places strong emphasis on impressing customers with digital processes and solutions. The focus was on developing digital expertise, introducing new forms of collaboration and putting the needs of the customers at the core of all our activities (customer centricity).

TAKKT sees the online marketing, web shop development and data & analytics functions as key competencies for the success of the digital transformation and has hired new employees and introduced new technologies for this. In addition, the theme of the Future@TAKKT management conference was "The Power of Data," which dealt with the requirements and solutions for a data-driven company.

TAKKT analyzes how customers' needs have been prioritized by means of various instruments for measuring customer satisfaction. For example, the Net Promoter Score (NPS) is calculated. This value measures the customer's willingness to recommend. In addition to the purely quantitative view of the NPS, the TAKKT companies focus strongly on the findings derived from customer comments. This allows the company to gain a quick picture of the customer experience with fulfillment. Interdisciplinary NPS teams use these findings in order to continuously improve the fulfillment process.

Since the start of the digital transformation, TAKKT has made significant progress in all focus areas of the digital agenda. The e-commerce business increased significantly, the corporate culture changed and key competencies were strengthened. Even with the end of the digital agenda in 2020, digitalization will continue to be a high priority at TAKKT. The individual measures will be merged into TAKKT 4.0 in the course of 2020 and continued in the new organizational structure.

TAKKT 4.0 new organizational approach for more growth

Up to now, TAKKT applied more of a portfolio approach in terms of the organization of the Group. This entailed managing seven divisions in parallel, each with their own separate business model. This steering and organizational model was reaching its limits. With TAKKT 4.0, the Group will now have a new, more compact organizational structure. The future structure will comprise three elements.

- Focus on two customer types with two business models: In order to do this, TAKKT will implement the two business models of Omnichannel Commerce and Web-focused Commerce in B2B distance selling and is realigning its organization accordingly. While the Omnichannel Commerce segment is aimed at the more complex requirements of quality- and service-oriented business customers, Web-focused Commerce addresses more price-conscious business customers with less complex needs. Focusing on these two business models enables TAKKT to position itself more clearly in the market and meet the different requirements of the two customer types in terms of products, service and quality. The new structure will also make it possible to promote different management and working cultures in both segments and align the Group with the dynamics of the respective market environment.

- Transformation of the organization in order to establish responsibilities and functions at the relevant level and to create greater entrepreneurial freedom and scalability within the two business models. To that end, the responsibilities in the three organizational levels (group, segments, business units) will be reallocated (for additional information, see "Organization and business areas" section on page 31 et seq.). The aim is to carry out customer-centric activities at the business unit level and integrate scalable functions at the segment and/or Group level. Each segment will be managed independently and given greater entrepreneurial freedom.

- A further goal of TAKKT 4.0 is to strengthen operational excellence. In this regard, new management methods and processes are being developed and introduced in order to promote best practice solutions and implement continuous improvement processes.

The realignment of the organization will be done gradually until the target structure is attained and is expected to take two to three years. In the short term, the focus of the implementation will be the following activities:

- Finding a fourth board member to lead the Web-focused Commerce segment.

- Realignment of the KAISER+KRAFT business unit in order to create the foundation for the development of the Omnichannel Commerce segment.

- Review strategic options for Hubert and Central because both businesses currently follow a slightly different business model from the other Omnichannel activities. Other possibilities besides a sale include establishing a third, independent segment or repositioning the activities in order to integrate them into the Omnichannel Commerce segment.

Due to the more compact and easily scalable organization, TAKKT expects to achieve a clearer market positioning, faster decision-making processes and, ultimately, accelerated growth.

ACT SUSTAINABLY

Sustainability has been an integral part of the corporate strategy for many years and a daily collective duty at all levels of the Group. TAKKT has set itself the goal of expanding its position as a role model in sustainability in the industry. The Management is convinced that sustainability represents competitive advantages across all stages of the value chain and enhances company value for the long term.

TAKKT drew up the expectations of the stakeholders and the challenges specific to the business model with respect to sustainability. In this context, specific measures and goals were formulated and are integrated into the Group's management system. This organizational anchoring allows solution approaches to be developed at all points of the value chain, which contribute to improved sustainability performance. Sustainability and profitable growth are not mutually exclusive. On the contrary, sustainability and corporate responsibility are proving to be increasingly important factors in competition. The company has therefore established its own activities in this area as part of the corporate strategy.

Sustainable Development Goals

The United Nations (UN) has developed and adopted Sustainable Development Goals (SDGs) in order to promote and coordinate global efforts for sustainable development. These are 17 goals to be achieved by 2030 that cover a broad spectrum of issues within the three dimensions of sustainability (economic, environmental and social). The SDGs address nations, society and companies.

TAKKT supports the SDGs and wants to contribute to achieving the objectives. Not all 17 SDGs are equally relevant for all companies. The TAKKT Group has prioritized the goals for sustainable development and identified four SDGs that are especially relevant for its core business:

- SDG 5: Gender equality
  Achieve gender equality and empower all women and girls.

TAKKT would like to boost its positive impact in the area of social sustainability and increase its focus on the topic of diversity. Indicators include the percentage of women in top management positions. TAKKT signed the Diversity Charter last year to underline this topic. In the future, we want to intensify our efforts in this area.

- SDG 12: Responsible consumption and production
  Ensure sustainable consumption and production patterns.

This goal addresses the economic and environmental dimensions of sustainability. TAKKT assumes responsibility for the entire life cycle of the products, from procurement and use to the disposal of materials and packaging. Indicators include the share of sourcing volume from certified suppliers and the share of sales from sustainable product ranges.

- SDG 13: Climate protection measures
  Take urgent action to combat climate change and its impacts.

Reducing carbon emissions is a huge issue in environmental sustainability. When it comes to reducing emissions, TAKKT focuses on those areas with the greatest savings or development potential. Modern environmental and energy management systems and the corresponding certifications are part of the high standards that the company demands of itself and its business partners along the entire value chain. The carbon footprint is calculated for major Group companies every other year. Two KAISER+KRAFT companies already boast completely carbon-neutral operations.

- SDG 17: Partnerships for the goals
  Strengthen the means of implementation and revitalize the global partnership for sustainable development.

TAKKT has starting points for this goal in all three dimensions of sustainability – economic, environmental and social. Particular attention is being paid to the focus area society. As part of society, TAKKT sees itself as a driver of social involvement and increasingly supports local activities. Active involvement in social projects comes from the employees who provide support on-site.

Achieving progress

TAKKT has defined indicators in the area of sustainability as non-financial performance indicators with concrete goals and measures to be reached by the end of 2020. The progress achieved by the end of 2019 is presented in the "Company performance" section of this annual report.

TAKKT publishes sustainability reports prepared according to the international standards of the Global Reporting Initiative (GRI). In the reports, the TAKKT Group provides information on the current status regarding the most important milestones and interim goals. TAKKT is one of only a few German companies to report at the "Comprehensive" application level. TAKKT thus provides comprehensive information on the material aspects of sustainability. This annual report is published together with the current sustainability report. The sustainability reports are available in print form and can be downloaded from the TAKKT website. Detailed information can also be found on the TAKKT sustainability website: https://www.takkt.de/en/sustainability/

Outlook

A stakeholder dialogue will be held in 2020 to further develop the sustainability strategy. This dialogue takes places at TAKKT every four years and is an instrument for structuring a dialogue process between company representatives and all relevant stakeholders, collects information about stakeholder interests and claims and supplies information about the company's sustainability activities. The statements and results of the dialogue will influence the development of the sustainability strategy after 2020 as well as the review and possible amendment of the SDGs that are relevant for TAKKT.

MANAGEMENT SYSTEM

The Group is currently working on further developing the management system due to the organizational realignment within the scope of TAKKT 4.0. The previous system followed a portfolio approach, where management steered the segments, individual divisions and subsidiaries according to identical key figures. The previous target values applied for the Group and differed only slightly for the two segments of TAKKT EUROPE and TAKKT AMERICA. As part of the further development, some key figures will change, certain indicators will be dropped and others added. The previously predominantly financial key figures will include additional dimensions such as the customer perspective in the new management system.

FINANCIAL KEY FIGURES

- The organic sales development serves as a measure for the growth of the company without the inclusion of company acquisitions and disposals or the impact of fluctuating exchange rates. The short-term development of sales is influenced by the economic cycles. TAKKT wanted to achieve average organic sales growth of three to five percent until the end of 2019. For the future, the goal is to achieve organic growth of around five percent. Detailed information regarding the current growth ambition can be found in the "Corporate goals and strategy" section on page 38 et seq.

- The organic sales trend results from the development of the value and growth drivers number of orders and average order value. Both parameters are subject to cyclical fluctuations in the economic cycle and are also influenced by acquisitions or disposals on a structural level. In the long term and adjusted for these effects, TAKKT's goal was to increase the annual number of orders by two to four percent. The average order value was expected to at least grow in line with the inflation rate. In the new management system, TAKKT will make greater use of the number of buyers as a key figure.

- The gross profit is calculated by deducting the material costs (cost of sales and freight costs) from sales and adding other changes in inventory whose sum is not significant and own work capitalized. The TAKKT Group has pursued and continues to pursue the goal to achieve a gross profit margin – gross profit in relation to sales – of over 40 percent. The reason for this is the company's focus on the benefit to the customer and the provision of versatile additional services as opposed to the mere distribution of goods.

- The EBITDA margin serves as an important benchmark for the short-term operating earning power of the individual Group companies because the effects of the country-specific differences in tax rates and financing structures are not relevant for this key figure. As the figure does not include depreciation and amortization of non-current assets, it permits a direct comparison between existing and newly acquired companies. TAKKT had defined a long-term target corridor of 12 to 16 percent for the Group's EBITDA margin in the past. In the future, the Group wants to achieve a sustainable increase in EBITDA. There are different target values for the profitability of the two segments. Detailed information regarding the new earnings targets can be found in the "Corporate goals and strategy" section on page 39.

- The TAKKT cash flow is calculated from EBITDA less financial result, current income tax and the balance from other non-cash expenses and income as well as non-cash income and losses on disposals of fixed assets. TAKKT cash flow shows the operational cash flow earned in the reporting period before the effects from the changes in current net working capital. The target value for the TAKKT cash flow margin was previously nine percent of sales. As with EBITDA, the company also wants to increase TAKKT cash flow sustainably and is shifting from a margin to an absolute development perspective in management.

- The capital requirements for maintenance, expansion and modernization of the business operations are comparatively small at the established companies of the TAKKT Group. Accordingly, the long-term capital expenditure ratio average is between one and two percent of sales. In fiscal years in which the warehouse capacities of a division are expanded significantly or important capital expenditures in IT are made, this ratio is higher, whereas in periods without larger investment projects it is at the lower end of the specified range.

Definition and target values

Key figure	Definition	Target values
Organic development of sales	Benchmark for company growth without acquisitions	Previously: between 3 and 5 percent on average in the long term In the future: 5 percent on average in the long term
Number of orders and average order value	Important drivers of organic development of sales	Previously: growth of between 2 and 4 percent on average in the long term; increasing slightly between EUR 400 and 500 (increase at least at level of inflation rate)
Gross profit margin	Measure for added value (e.g., for customers and suppliers)	Over 40 percent of sales
Previously: EBITDA margin In the future: EBITDA	Measure for operating profitability	Between 12 and 16 percent Sustainable increase
Previously: TAKKT cash flow margin In the future: TAKKT cash flow	Measure for internal financing capability	Over 9 percent of sales Sustainable increase
Capital expenditure ratio	Capital requirements for maintenance, expansion and modernization of operations	Between 1 and 2 percent of sales on average in the long term

PRODUCT RANGE KEY FIGURES

- Private labels are product brands that are internally developed and managed by the TAKKT companies. TAKKT wants to continue to increase the share of private labels with the aim of acquiring new customers and retaining existing customers for the long term. For example, in order to achieve this, individual TAKKT companies introduce new products at the best value for money to also meet the lesser needs of the entry-level segment. Using performance brands, other Group companies offer products that at least meet the industry standard or even satisfy higher quality standards. These brands improve customer loyalty and usually generate above-average margins.

- Direct imports at TAKKT are products that come from countries outside the home market of the respective Group company. In the case of the European divisions, these are all countries outside of Europe as well as Turkey and Eastern Europe. In order to secure profitability for the long term, TAKKT wants to increase the direct import share further while maintaining the same level of product quality.

- In addition to private labels and direct imports, from 2020 onward, TAKKT will use the share of sales with newly launched products as a product range key figure.

Definition and target values

Key figure	Definition	Target values
Share of private labels	Positive effect on customer acquisition, customer loyalty and gross profit margin	Continuous increase
Share of direct imports	Participation in low purchasing prices while retaining product quality	Continuous increase

VALUE-BASED FIGURES

- The Return on Capital Employed (ROCE) measures the profitability before tax of the capital employed. This key figure shows the EBIT in relation to the average capital employed, which is defined as total assets reduced by the non-interest-bearing current liabilities. The ROCE therefore expresses the operating earning power of the capital employed. To date, a ROCE target value of significantly more than twelve percent was set for the TAKKT activities. The increase in capital employed as a result of the first-time application of IFRS 16 and the expenses for the implementation of TAKKT 4.0 have an adverse impact on ROCE. TAKKT has therefore adjusted the target value to over ten percent.

- TAKKT value added serves as an important key figure for a longer term, value-based controlling in the Group. It is defined as the difference between the profit generated and the cost of capital on the average capital employed. The profit generated is determined on the basis of the EBIT, which is reduced by the income tax expense and increased by the other financial result. The cost of capital is determined by multiplying the average capital employed with the weighted average of costs, which factors in equity as well as borrowing costs. The average capital is calculated as the mean value of both capital expenditures at the beginning and end of the respective calendar year. The capital as of the respective end of the reporting period corresponds to the total assets reduced by the non-interest bearing current liabilities and deferred tax liabilities. On the whole, the TAKKT value added allows a statement to be made about the value added of the Group after consideration of the borrowing costs and equity costs, e.g., after meeting the requirements on return on investment of the debt capital provider and equity investor. TAKKT aims for a significant positive value contribution.

Definition and target values

Key figure	Definition	Target values
ROCE (Return on Capital Employed)	Measure for profitability of total capital before tax	Previously: Significantly over 12 percent In the future: Over 10 percent
TAKKT value added	Measure for the added value earned after deduction of total capital costs	Significantly greater than zero

INTERNAL COVENANTS FOR MANAGEMENT OF THE FINANCIAL STRUCTURE

For monitoring and managing the financial structure, the TAKKT Group sees to the compliance of four internal key figures (covenants). They are not stipulated in the credit agreements, but rather serve only the internal management in order to safeguard the financial solidity of the Group. The financial scope for acquisitions can also be derived from the key figures.

- The equity ratio represents the share of total equity in total assets. It is therefore an indication of the financial stability of the company and its independence from debt investors. In order to ensure an appropriate balance between financial solidity on the one hand and lower costs for debt capital on the other, TAKKT aims for an equity ratio within the range of 30 to 60 percent.

- The debt repayment period shows the average net borrowings of a fiscal year in relation to the TAKKT cash flow, thereby providing information as to within which period the company could completely eliminate its debt under constant economic conditions. TAKKT wants to keep this key figure to below five years.

- The interest coverage is calculated from the ratio of operating result before goodwill amortization to net financing expenses and shows the company's ability to pay its interest. The target value for TAKKT is an interest coverage of greater than four.

- The calculation of gearing is derived from dividing net financial liabilities by shareholders' equity. It provides information about the relationship between financial debt and shareholders' equity and the financing of the company, from which conclusions about the credit risk can be drawn. Gearing at TAKKT is expected to stay below 1.5.

Definition and target values

Key figure	Definition	Target values
Equity ratio	Indication of financial stability and independence from debt investors.	30 to 60 percent
Debt repayment period	Measure of the time required for debt reduction	< 5 years
Interest coverage	Measure of ability to make interest payments with the result from operations	> 4
Gearing (debt-equity ratio)	Measure for credit risk	< 1.5

OVERVIEW OF MANAGEMENT AND INDICATOR SYSTEM

TAKKT uses the key figures described in this chapter to manage the Group and segments with the strategic goal to "grow profitably." There are also additional indicators for monitoring the progress of other strategic goals such as the transformation of the business model and pursuing the sustainability initiative. With regard to the transformation, to date these have been the digital agenda indicators. In the future, TAKKT also wants the customer perspective to be more strongly represented in the key figures. This is already done today with the Net Promoter Score, which measures the customer's willingness to recommend.

The table below summarizes in which sections of the management report the key performance figures and indicators are described, where the reporting on the development in the fiscal year can be found and the strategic objectives they are linked with. Moreover, the forecast report looks at how TAKKT anticipates the development in 2020.

TAKKT key performance figures and indicators

Strategic goal	Key figures	Description and target values	Reporting	Forecast	Key figure category
Grow profitably	Financial key figures	Management system *Page 42 et seq.*	Sales, earnings and financial position *Page 51 et seqq.*	Forecast report *Page 82 et seq.*	Financial
	Product range key figures	Management system *Page 43 et seq.*	Company performance *Page 62 et seq.*	Forecast report *Page 83*	Financial
	Value-based figures	Management system *Page 44*	Company performance *Page 63 et seq.*	Forecast report *Page 83*	Financial
	Internal covenants for management of the financial structure	Management system *Page 44 et seq.*	Financial position *Page 59*	Forecast report *Page 84*	Financial
Transform the business model	Digital agenda indicators	Company performance *Page 64*	Company performance *Page 64 et seq.*	Forecast report *Page 84*	Financial/ Non-financial
Act sustainably	Sustainability indicators	Company performance *Page 65*	Company performance *Page 65 et seq.*	Forecast report *Page 84*	Non-financial

EMPLOYEES

Human Resources at TAKKT is a key element in achieving the strategic goals and follows a uniform approach throughout the entire Group. One main focus is on supporting and shaping cultural change as part of the current transformation process. Emphasis is also on identifying and developing talent as well as building up the relevant skill sets.

SHAPING CULTURAL CHANGE

Further development of the corporate culture is an essential element in implementing the digital transformation. TAKKT promotes stronger collaboration across departments and locations by creating modern and open working environments and establishing new ways of working. Comprehensive training and development programs for executives and employees provide support in the use of agile methods, which are increasingly being utilized in everyday work and project activities. Even more than working environments and methods, a mutually agreed code of conduct plays an essential role in developing the corporate culture. To do this, TAKKT will establish common guidelines for all employees in the Group to serve as a framework and orientation for individual conduct. Elements of the guidelines are customer centricity, employee upskilling, continuous improvement, independent working and the desire for success. They create the foundation for a common corporate culture and the basis for a Group-wide performance assessment.

The cultural change will also contribute to increased dialogue and exchange between employees and executive personnel. To this end, TAKKT conducts regular employee motivation surveys using the Employee Net Promoter Score method and uses the results to develop concrete measures to boost employee commitment and identification with the company.

TAKKT firmly believes in the added value of a diverse employee structure in the company and sees this as an increasingly important influencing factor for the success of the Group. With regard to career development, TAKKT wants to ensure equal opportunities for all employees across all activities and provide a discrimination-free working environment. TAKKT considers it a Group-wide duty to make sure that men and women have the same opportunities. Women currently make up 43.0 (44.6) percent of all employees in the TAKKT Group. This share has therefore decreased slightly compared to the previous year. The share of women in executive positions also decreased slightly compared to the previous year to 30.4 (31.4) percent. The share of women in top executive positions rose to 15.0 (12.3) percent. This means that the target of having a share of at least ten percent of women in top executive positions by the year 2020 is currently being reached.

Share of women in the TAKKT Group *in %*

	12/31/2018	**12/31/2019**
Employees	44.6	43.0
Executives	31.4	30.4
thereof top executives*	12.3	15.0

* *Management Board of TAKKT AG, presidents and vice presidents and managing directors of major subsidiaries*

IDENTIFYING AND DEVELOPING TALENTS

Talent management at TAKKT means identifying top performers, developing potential in a targeted manner and helping to pave career paths. The goal is to fill key positions internally wherever possible. In order to achieve this, TAKKT is expanding the Group-wide talent management process. Uniform standards will create greater transparency in the future and allow TAKKT to develop talents within the company specifically for successors in key positions throughout the entire Group.

TAKKT is equipping itself with skill sets that were not previously available in the company to a sufficient level through the use of targeted recruiting measures. In order to address applicants in specific target groups, TAKKT is increasingly working with a standardized description of applicants based on specific qualities, job-related skills and individual preferences and experience.

PROMOTING SKILLS ACQUISITION

TAKKT wants to create a framework which allows employees to develop according to their individual strengths. In this regard, the company already offers various kinds of training and courses in order to develop skill sets in the areas of operational excellence and agile project management. In addition, emphasis is being given to on-the-job development. This includes promoting work shadowing and rotations within the TAKKT Group. Besides professional skills, emphasis is also being given to further development of TAKKT's management culture in view of the newly formulated conduct guidelines.

DEVELOPMENT OF EMPLOYEE FIGURES

Overall, the number of employees in the Group decreased compared to the previous year. This was mainly attributable to the structural adjustments made in the process of Hubert's repositioning. The number of executives and top management also dropped slightly.

Number of employees

	12/31/2018	**12/31/2019**
in full-time equivalent	**2,530**	**2,483**
thereof TAKKT EUROPE	1,525	1,528
thereof TAKKT AMERICA	960	906
thereof TAKKT AG	45	49
in headcount	2,734	2,677

Employee structure

	12/31/2018	**12/31/2019**
Employees (without executives)	2,372	2,321
Executives	366	359
thereof top executives*	57	53

* *Management Board of TAKKT AG, presidents and vice presidents and managing directors of major subsidiaries*

In accordance with the law on equal opportunities for women and men in management positions, which TAKKT AG is subject to as a listed company without co-determination, binding targets were set in 2015 for the Supervisory Board, the Management Board and the top management level of the holding company:

- Supervisory Board: With the membership of Dorothee Ritz, the target of at least one woman among the six members on the Supervisory Board is currently being met.

- Management Board: As of 12/31/2019, there is no female representation on the Management Board of TAKKT AG.

- Top management level: As of 12/31/2019, one woman is represented at the top management level of TAKKT AG. The target for 2022 is to have at least ten percent of the positions at this level filled by women, in case of vacancies.

FISCAL YEAR

GENERAL CONDITIONS

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

OVERALL ECONOMIC CONDITIONS

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

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

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

GDP growth for the eurozone, Germany and the USA

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

Sources: Statistical offices, International Monetary Fund

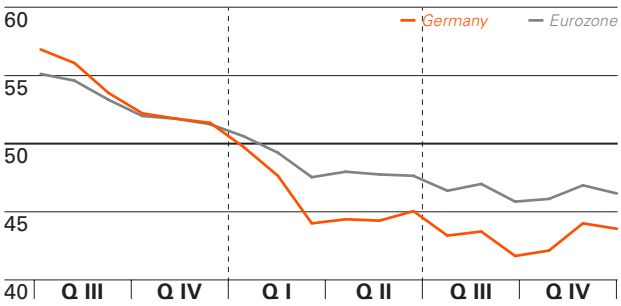
INDUSTRY-SPECIFIC CONDITIONS

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

- Values below the reference level of 50 points indicate that market volumes are in decline and that sales potential is deteriorating.
- By contrast, values over 50 suggest increased market volume and a better business outlook.

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

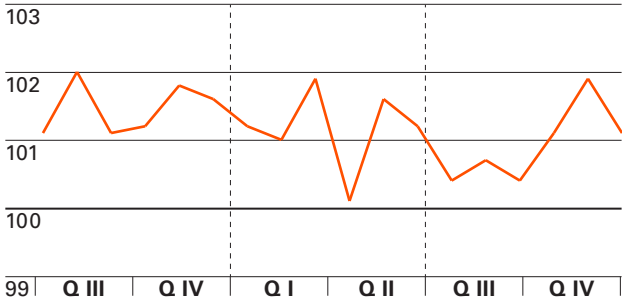
Purchasing Managers' Indexes July 2018 to December 2019



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

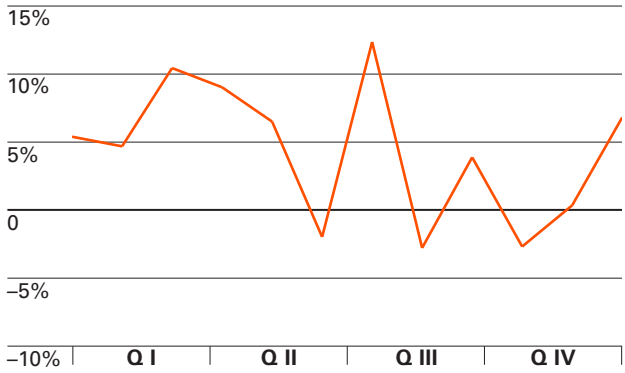
lower on average at 101.1 (101.4) points and thereby continued to show a slightly positive market assessment.

Restaurant Performance Index July 2018 to December 2019



BIFMA's assessment of the order intake of furniture manufacturers is an industry indicator for the environment of the US-based NBF group. BIFMA ("Business and Institutional Furniture Manufacturers Association") gathers the approximate order intake of the past month by means of a survey of companies in its industry. This order intake, which covers a good portion of the industry according to BIFMA, is compared with the figure of the previous year. A forecast function like the PMI, and to a lesser extent also the RPI, is not part of the BIFMA assessment. For the full year of 2019, the order intake reported by BIFMA was 4.4 percent above the previous year's level. Performance over the course of the year was once again uneven. Order intake grew strongly especially at the beginning of the year. The second half of the year began with high growth in July. After that, however, the figures declined slightly.

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



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

BUSINESS DEVELOPMENT

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

TAKKT EUROPE FEELS THE WEAK ECONOMIC ENVIRONMENT

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

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

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

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

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

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

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

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

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

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

DIGITAL TRANSFORMATION MOVING FORWARD

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

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

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

ORGANIZATIONAL REALIGNMENT ANNOUNCED

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

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

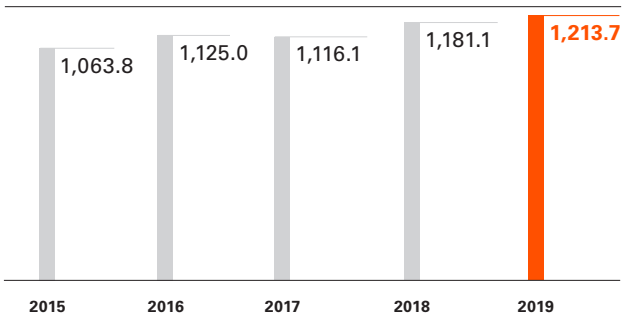
SALES AND EARNINGS REVIEW

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

ACQUISITIONS AND STRONGER US DOLLAR RESULT IN SALES INCREASE

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

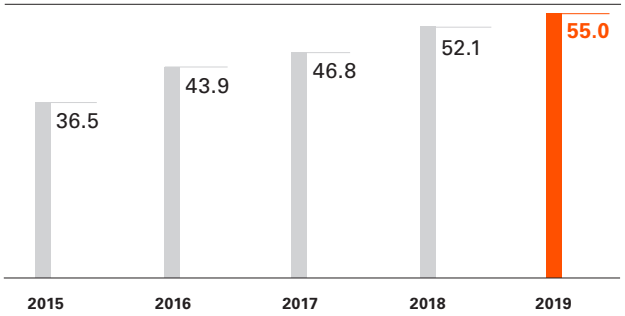
SALES *in EUR million*



FURTHER INCREASE IN ORDER INTAKE VIA E-COMMERCE

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

E-commerce share in order intake *in %*

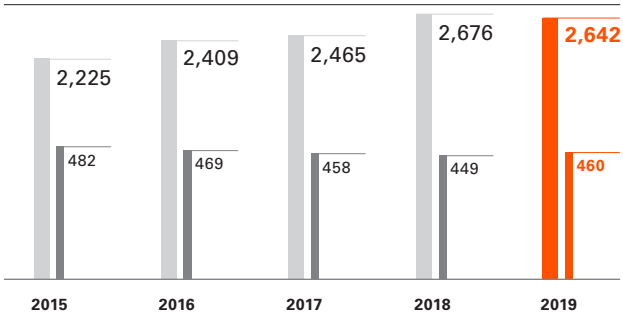


Order intake via e-commerce rose again in the year under review. The share of total order intake increased to 55.0 (52.1) percent. E-commerce also includes orders that were placed with TAKKT companies through traditional channels but initiated via the internet. The renewed increase in orders through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

SLIGHT ORGANIC DECLINE IN NUMBER OF ORDERS

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

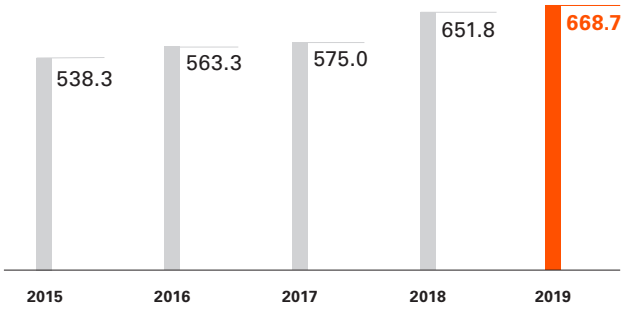
Number of orders *in thousands*
Average order value *in EUR*



TAKKT EUROPE: NEWPORT AS GROWTH DRIVER

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

Sales TAKKT EUROPE *in EUR million*



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

development was stable. Organic sales development saw an overall decline in the mid-single-digit percentage range.

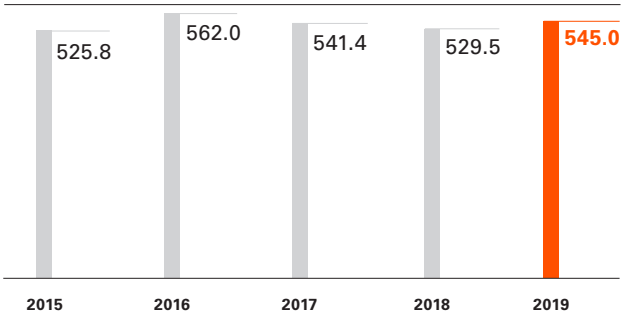
After good growth in the previous year, packaging specialist ratioform suffered a very low single-digit organic decline in sales in 2019 due to the slowdown in the economic environment. Particularly in Germany, business fell short of expectations.

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

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

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

Sales TAKKT AMERICA *in EUR million*



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

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

Key sales and earnings figures

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

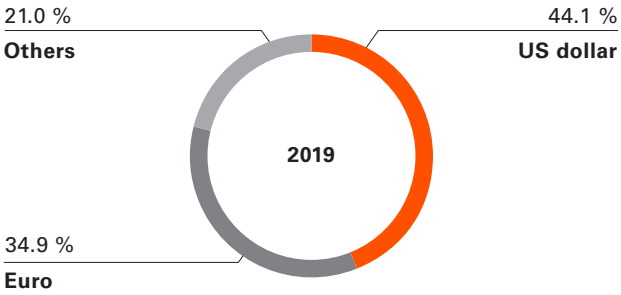
SALES BY REGION: GERMAN SHARE OF SALES DECREASES

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

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

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

Sales by currency



GROSS PROFIT MARGIN STABILIZED

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

PERSONNEL EXPENSES NEGATIVELY AFFECTED BY STRUCTURAL ADJUSTMENTS

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

FLEXIBLE MANAGEMENT OF MARKETING COSTS

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

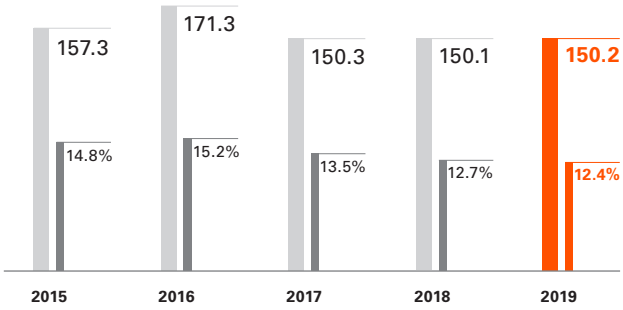
EBITDA MARGIN OF GROUP WITHIN TARGET CORRIDOR

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

In addition to these factors, earnings were affected by one-time effects in both 2018 and 2019. In the previous year, TAKKT realized a one-time gain of EUR 4.9 million from the sale of an office building and a one-time expense for the creation of a variable purchase price liability in the amount of EUR 2.0 million. One-time costs totaling EUR 11.2 million were incurred in the year under review. Of these, EUR 5.9 million were the result of adjustments to the cost structure

due to the regressive business development. EUR 5.3 million were incurred as part of the first steps of the TAKKT 4.0 organizational realignment. At the same time, TAKKT generated a one-time gain of EUR 2.8 million from the release of an outstanding variable purchase price liability for XXLhoreca recognized in profit and loss. Despite very good growth, XXLhoreca's profitability in 2019 was below the threshold specified for the payment of the purchase price. EBITDA in the year under review includes personnel and other expenses for the implementation of the digital agenda in the amount of EUR 10.9 (11.3) million.

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

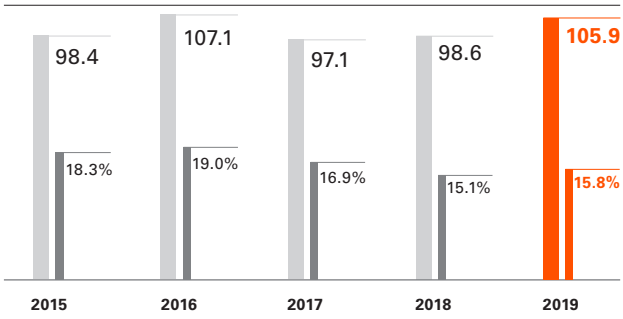


The EBITDA margin of 12.4 (12.7) percent was within the Group's long-term target corridor. Despite the positive effect of around one percentage point due to the adoption of IFRS 16, the margin declined compared to the previous year due to higher one-time expenses. Adjusted for the aforementioned one-time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

TAKKT EUROPE: SLIGHT INCREASE IN EBITDA

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

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

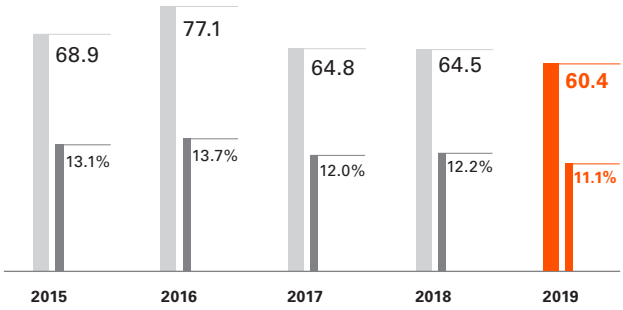


The EBITDA margin of the TAKKT EUROPE segment rose to 15.8 (15.1) percent. The first-time adoption of IFRS 16 and the release of the purchase price liability had a positive impact on the margin. However, the aforementioned one-time expenses and lower profitability of the acquired companies had a negative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

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

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

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



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

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

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

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

TAX RATIO LITTLE CHANGED

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

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

FINANCIAL POSITION

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

CENTRALIZED FINANCIAL MANAGEMENT LIMITS FINANCIAL RISKS

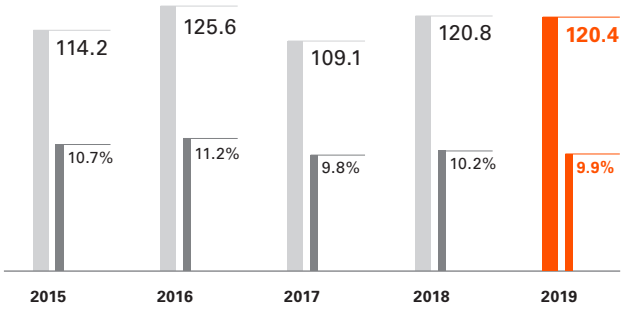
The financial management of the TAKKT Group includes the management and allocation of all financial resources with the primary goal of ensuring that liquidity is available at all times. In addition, TAKKT pursues the following goals within the scope of financial management:

- Safeguarding the independence and flexibility of the Group and of all the Group companies through a diversified financing structure with sufficient available credit lines at all times.
- Limiting financial risks through the hedging of interest and currency risks as well as limiting counterparty risks.
- Optimization of financing conditions through an appropriate mix of short and long-term financing instruments.
- Efficient use of the Group's internal liquidity through the use of cash pooling agreements, whereby liquidity surpluses of the individual companies are used for financing the liquidity requirements of other Group companies.

HIGH POSITIVE TAKKT CASH FLOW

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

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



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

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

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

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

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

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

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

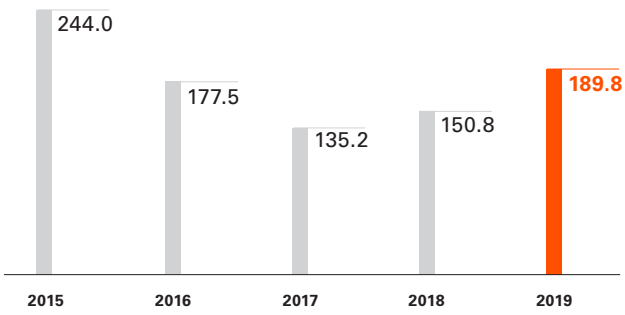
After deducting the total capital expenditure in non-current assets and cash inflows from disposals, the remaining free TAKKT cash flow in the year under review came to EUR 107.1 (82.7) million. In the previous year, the free TAKKT cash flow benefited from the sale of an office property in the US for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

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

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

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

Development of net financial liabilities *in EUR million*



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

DIVERSIFIED FINANCING, BALANCED MATURITY PROFILE

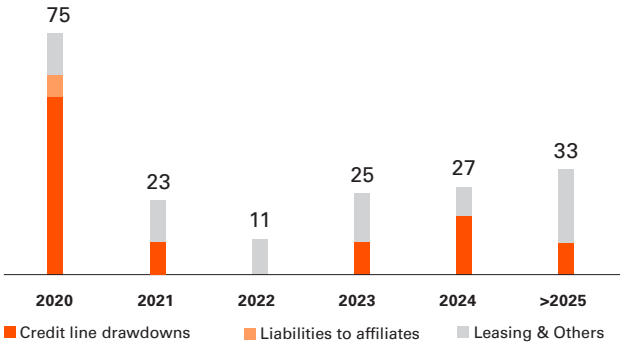
TAKKT places great importance on the conservative, long-term oriented and diversified financing of the business. The financing activities of the Group are centrally managed with funding mainly denominated in the EUR and USD currencies. TAKKT primarily uses the following financing instruments:

- Formally approved bilateral credit lines with 13 financial institutions are the focus of the financing portfolio. Short-term (terms of less than 18 months) and long-term (terms of more than 18 months) credit lines have mainly been concluded. These are renewed for an additional year on an annual basis. Long-term credit lines are concluded almost exclusively for five-year periods. The credit agreements are unsecured and do not include any financial covenants. As of the reporting date, liabilities to financial institutions came to EUR 102.7 (119.4) million.

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

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

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



In addition to the credit line drawdowns, the Group also had free approved credit lines of EUR 151.8 (157.4) million available to it, of which EUR 69.3 (71.2) million are short-term credit lines and EUR 82.5 (86.2) million are long-term credit lines. TAKKT therefore has sufficient financial flexibility to seize acquisition opportunities at short notice, regardless of the current situation in the capital market.

The independence and degree of flexibility available to the TAKKT Group in its business decisions are ensured in the long term through the diversification of the financing portfolio with regard to financing sources and terms. The relationship of trust that the company has built with its lenders over many years also contributes to this. Regular face-to-face meetings and an annual Bankers' Day are held to provide detailed information on the current development and performance of the company.

USE OF DERIVATIVE FINANCIAL INSTRUMENTS ONLY FOR HEDGING PURPOSES

As a global player, TAKKT is exposed to risks arising from fluctuations in exchange rates and market interest rates. The purpose of financial risk management is to regularly monitor these financial risks and limit them insofar it is economically advisable. In dealing with derivative financial instruments, harmonized regulations ensure that no financial transactions are conducted outside of an established framework without the prior approval of the Management Board. Derivative financial instruments are only concluded for hedging purposes in relation to the hedged item. In addition, financial transactions are carried out exclusively with business partners who have been approved for this purpose and meet a certain credit rating. In line with the hedging policy, TAKKT's goal for interest rate risks is a hedge ratio of 60 to 80 percent of the finance volume. Currency risks are hedged to around 70 percent of the net position. Details on the use and evaluation of these financial instruments can be found in the risk report as well as the notes to the consolidated financial statements.

INTERNAL COVENANTS ON CAPITAL MANAGEMENT IN THE TARGET CORRIDOR

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

As of the end of the reporting period, the equity ratio of 58.5 (60.8) percent was slightly below the value of the previous year and thus within the target corridor of 30 to 60 percent. Gearing increased to 0.3 (0.2) in the year under review with the increase in net financial liabilities due to the adoption of IFRS 16. At the same time, average net borrowings increased, which is why the debt repayment period rose to 1.7 (1.4) years. The net financing expenses increased significantly compared to 2018; at the same time, the operating result before amortization of goodwill decreased, whereby the interest cover has now decreased to a still very high level of 16.7 (23.8). The method of calculation and definition of the key figures are presented in the notes to the consolidated financial statements.

Internal covenants

	Self-imposed target	2015	2016	2017	2018	2019
Equity ratio	30 to 60 percent	49.1	55.2	61.2	60.8	58.5
Debt repayment period	< 5 years	2.2	1.6	1.4	1.4	1.7
Interest cover	> 4	14.4	18.3	16.3	23.8	16.7
Debt-equity-ratio (gearing)	< 1.5	0.5	0.3	0.2	0.2	0.3

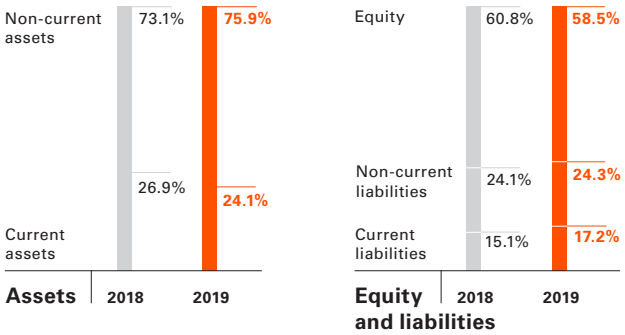
ASSETS POSITION

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

ASSETS INCREASE AS A RESULT OF IFRS 16 AND ACQUISITIONS

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

Balance sheet structure of the TAKKT Group



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

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

Customer and supplier relationships, brand names, web shops, domain names or internal expertise can, regardless of their significance for the TAKKT Group, only be recognized as intangible assets if they are in accordance with the conditions of IAS 38. This is not the case with regard to the intangible assets generated within the TAKKT Group. Accordingly, these figures are not recorded. Where entire companies are acquired, some intangible assets are recorded in the consolidated financial statements as required by IFRS 3 for first-time consolidation as long as they are identifiable and can be measured independently. The corresponding

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

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

recognition in the balance sheet is a good indicator for the value potential of these assets. At TAKKT, this mainly applies to the internet domains, web shops, brand names and customer relationships. The reduced amortized value of these assets as of the end of the reporting period comes to a total of EUR 47.1 (49.7) million. The value of the brands with an indefinite useful life recognized as of December 31, 2019 came to EUR 28.1 (27.7) million.

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

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

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

INCREASE IN SHAREHOLDERS' EQUITY AND LIABILITIES

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

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

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

COMPANY PERFORMANCE

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

SOLID FINANCIAL KEY FIGURES

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

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

The gross profit margin decreased in recent years due to structural effects from the acquisitions. In addition, TAKKT now pays slightly higher freight costs or generates lower freight margins than a few years ago. In 2019, as in previous years, additional negative effects on the gross profit margin from individual markets were offset by various margin improvement initiatives, such as the expansion of private labels and direct import shares. The target value defined in the management system of over 40 percent of sales was soundly achieved for all the years under review.

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

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

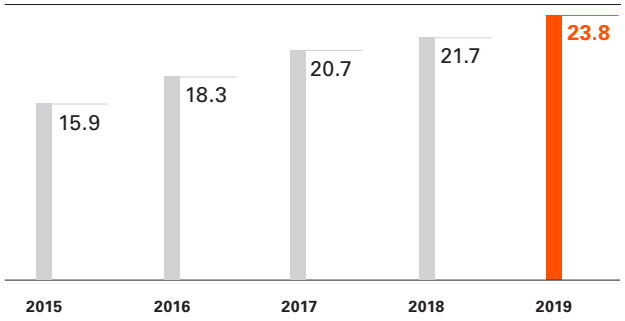
POSITIVE DEVELOPMENT OF PRODUCT RANGE FIGURES

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

Development of financial key figures

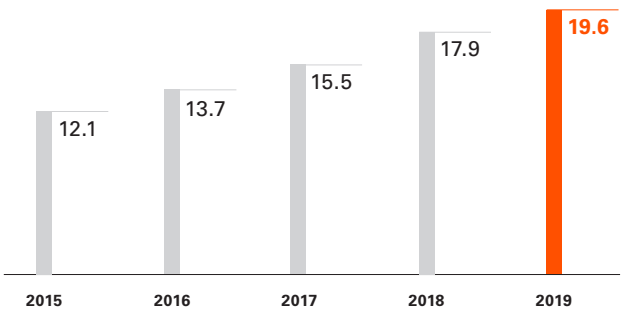
	2015	2016	2017	2018	**2019**
Organic sales development in percent	4.7	5.2	0.4	3.4	–1.4
Number of orders in thousands	2,225	2,409	2,465	2,676	2,642
Average order value in EUR	482	469	458	449	460
Gross profit margin in percent	42.6	42.6	42.5	41.5	41.3
EBITDA margin in percent	14.8	15.2	13.5	12.7	12.4
TAKKT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

Share of private labels in order intake *in %*



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

Share of direct imports in purchase volume *in %*



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

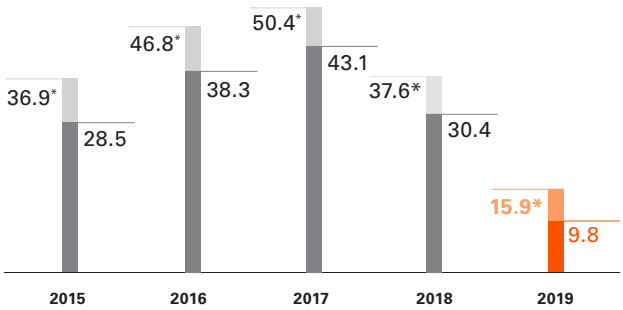
In 2019, the TAKKT value added was negatively impacted by one-time expenses and the broader capital base resulting from IFRS 16 and decreased significantly to EUR 9.8 (30.4) million.

The operating result after tax generated for calculation of the TAKKT value added decreased over the previous year by a total of EUR 12.6 million and amounted to EUR 81.3 (93.9) million. The average capital employed increased noticeably due to the recognition of lease contracts according to IFRS 16 and the acquisition of XXLhoreca. The negative effect on TAKKT value added due to the first-time application of IFRS 16 was around four million euros. The weighted average cost of capital (WACC) after tax used to calculate the total cost of capital remained unchanged at 7.8 (7.8) percent. TAKKT assumed a value-based capital structure of 70 percent equity and 30 percent debt capital for this. The cost of shareholders' equity was nine percent. An imputed cost of five percent is used for debt capital. This is derived from a long-term view of the average rates of interest on debt capital. Total cost of capital in 2019 thus came to EUR 71.5 (63.6) million.

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

Based on the period of the past five years, TAKKT was able to exceed the goal of a TAKKT value added significantly greater than zero. The comparatively low figure for the year under review was negatively affected by the first-time adoption of IFRS 16 and one-time expenses. The very high figures in 2016 and 2017 were also attributable to positive one-time gains in those years.

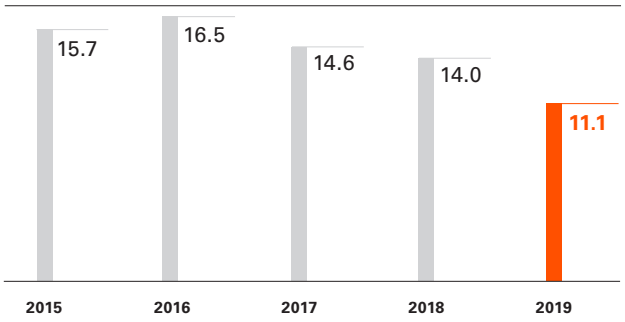
TAKKT value added *in EUR million*



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

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

ROCE *in %*



ADDITIONAL PROGRESS IN THE IMPLEMENTATION OF THE DIGITAL AGENDA

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

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

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

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

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

Indicators for the implementation of the digital agenda

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

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

CONTINUOUS INCREASE IN SUSTAINABILITY PERFORMANCE

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

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

- **Sourcing:** For TAKKT, as a commercial enterprise with diverse supplier relationships, an important part of the value chain exists already in the manufacturing and procurement of goods. For this reason, TAKKT places a strong emphasis on sustainability in its supply chain. The supplier evaluation program for measuring sustainability performance EcoVadis, which was launched as a pilot project in 2013, has since been expanded every year to include other subsidiaries and affiliate suppliers. The share of purchase volume from certified suppliers in the year under review was 51.6 percent. TAKKT was able to significantly increase the share of the purchase volume of direct imports from certified suppliers in 2019.

- **Marketing:** Advertising efforts are always connected with the use of non-renewable resources. TAKKT is working to constantly reduce their use. By using advertising material more efficiently, the Group only used 3.0 kg of printed advertising materials per order in the year under review. Today, already more than half of these printed advertising materials have been made carbon neutral. The paper for catalogs and other print media comes almost exclusively from certified sustainable sources (FSC/PEFC). In addition to the print area, TAKKT also wants to expand its sustainability efforts to the e-commerce business. This involves offsetting the emissions from operating and using the web shops. In the reporting period, additional web shops of major companies were rendered carbon neutral, whereby a total of 17 web shops are already operated in a carbon neutral manner.

- **Logistics:** The direct marketing of goods is proven to cause significantly lower carbon emissions than sales through local distributors. Since 2012, TAKKT is increasing efforts to make delivery of the products as low on emissions as possible and is now handling 92.2 percent of Group-wide parcel delivery carbon-neutrally. Since 2014, carbon-neutral deliveries are carried out in Germany for general cargo as well. In the year under review, TAKKT rolled out carbon-neutral general cargo transport to other countries. Group-wide, the share of carbon-neutral cargo shipments from the central warehouses in Europe and warehouses in the US comes to 54.8 percent.

- **Resources and Climate:** The efficient use of resources and reducing emissions is ideally achieved based on reliable data. TAKKT has been creating ISO-14064-1-certified carbon footprints for this purpose for an increasing number of Group

companies since 2011. In addition, certified environmental and energy management systems will be introduced gradually. Due to the weak order development, energy consumption per order at German and US locations increased slightly in the year under review.

- **Employees:** As part of the digital agenda, TAKKT managed to recruit many new employees with highly developed digital skills. Now it is important to advance and retain them in the company for the long term. In order to achieve this, continuous measures such as creating modern working environments are evaluated and implemented. The share of retained 'digital talents' is currently 65.9 percent. TAKKT is also convinced of the added value of having mixed management teams and considers it a Group-wide duty to ensure the same career development opportunities for women and men across countries and divisions. The share of women in top management positions is currently 15.1 percent.
- **Society:** The social commitment of its employees is a matter of importance for TAKKT as well. The share of employees that can take paid leave from work for volunteer involvement was 68.8 percent in the year under review. Due in particular to the high level of commitment of our employees in the US, the share of Group employees who participated in such local projects came to 14.7 percent.

The non-financial statement for the TAKKT Group can be found on the following website: http://www.takkt.de/nfs.

Sustainability indicators*

Focus area	Key figure	2015	2016	2017	2018	**2019**
Sourcing	Share of sourcing volume from certified suppliers	36.3%	40.5%	46.8%	44.2%	51.6%
	Share of direct imports sourcing volume from certified suppliers			39.8%	39.3%	60.2%
	Share of sales from sustainable product ranges	9.6%	9.8%	9.3%	9.5%	9.5%
Marketing	Carbon-neutral web shops for major companies			7	12	17
	Paper consumption print advertising materials per order			5.4kg	4.2kg	3.0kg
	Share of carbon-neutral advertising materials per year			12.1%	19.9%	60.5%
Logistics	Share of carbon-neutral parcel delivery			91.4%	93.5%	92.2%
	Share of carbon-neutral general cargo delivery from distribution center			44.7%	48.9%	54.8%
Resources & Climate	Major companies with carbon footprint	10	10	13	13	16
	Major companies with a certified environmental management system	3	3	6	6	9
	Major companies with a certified energy management system			4	4	4
	Energy consumption at GER/US locations per order in megajoule			70.6	66.7	71.3
Employees	New hires digital agenda: Share of retained "digital talents"			90.9%	89.9%	65.9%
	Diversity: Share of women in top executive positions			10.5%	12.3%	15.1%
Society	Percentage of employees who have the opportunity to take a paid leave for local volunteer involvement	37.9%	41.2%	65.7%	70.2%	68.8%
	Percentage of employees who took part in local volunteer projects			15.1%	18.0%	14.7%

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

COMPARISON OF ACTUAL AND FORECAST DEVELOPMENT

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

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

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

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

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

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

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

Comparison of actual and forecast development

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

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

OUTLOOK

RISK AND OPPORTUNITIES REPORT

In the course of its business activities, TAKKT is exposed to opportunities and risks. The opportunities and risk management of the Group serve to detect and assess these early. It also adopts appropriate control measures. The Management Board and Supervisory Board are regularly informed of the current risk situation of the Group and all of the major Group companies. The relationship between opportunities and risks in 2019 remained largely unchanged from the previous year from the perspective of the TAKKT Management Board. The presentation of risks in this report only includes risks above relevant threshold values with regard to probability of occurrence and impact on earnings.

SYSTEMATIC OPPORTUNITIES AND RISK MANAGEMENT

TAKKT has an opportunity and risk management system that systematically identifies, quantifies, manages and monitors all material risks and opportunities. In accordance with German Accounting Standard 20, a risk is defined as the danger of a negative deviation from the goals of the company. An opportunity is defined as the possibility of exceeding these goals. TAKKT strives to achieve a balance of risks and opportunities in all activities for the purpose of sustainably increasing the value of the company in the interest of all stakeholders.

Organizationally, the opportunities and risk management is structured as follows:

- The Management Board is responsible for establishing and overseeing the opportunities and risk management system.
- It is supported by the managing directors of the Group companies as well as the Group functions of TAKKT AG – Accounting, Controlling, Treasury/IR, Legal, Human Resources, Internal Audit, Strategy, Corporate Development, Continuous Improvement/Lean and Organizational Development.
- Important components of the opportunities and risk management system are a uniform risk management directive, a process integrated into planning for the standardized recording, evaluation and reporting of risks and opportunities; the controlling of all companies, a uniform code of business procedure with an established ad hoc risk reporting process and the two-man rule applied throughout the Group.
- The Supervisory Board deals with the effectiveness of the opportunities and risk management system within the scope of its monitoring function.
- As an independent entity, the external auditor reviews the setup and suitability of the early risk detection system according to section 317(4) HGB.
- The internal auditing department continuously supervises the major processes of all Group companies to ensure that they perform well, are cost-effective and satisfy internal directives.

UNIFORM STEERING AND CONTROL SYSTEMS

The TAKKT Group's management relies on a range of uniform steering and control systems to manage the operating companies. The Management Board holds discussions with the subsidiaries each year on the operational planning for the coming year and the results of the risk monitoring. It is also regularly informed about the current order intake levels. The analysis and discussion of the monthly reports between the Management Board and Controlling help to actively manage risks and opportunities, also with respect to gross profit. Special report formats that provide information on significant cost blocks such as personnel and marketing costs also provide a basis for the uniform management of cost risks. The long-term management rests on planning for several years ahead. This planning is carried out annually for all divisions and the Group as a whole.

In principle, all control and reporting structures begin at the level of the subsidiaries and lead up to the Management Board and Supervisory Board. The Supervisory Board's approval is required for important decisions. Internal controls have been established at all levels and at every stage of the process. Companies that have been newly founded or acquired are included in the controlling system and in the risk and opportunity management system as part of a structured integration process. They are expected to meet the same requirements as the established companies in the Group.

INTERNAL CONTROL SYSTEM FOR ACCOUNTING PROCESS IN ACCORDANCE TO SECTIONS 289 (5), 315 (2)(5) HGB

The internal control system related to financial reporting extends to the financial reporting of the entire TAKKT Group. Its purpose is to ensure the correctness and reliability of the internal and external accounting, including the necessary consolidation processes for the consolidated financial statements. It is part of the entire internal control system of the TAKKT Group and is

based on the internationally recognized "Internal Control – Integrated Framework" issued by COSO (the Committee of Sponsoring Organizations of the Treadway Commission).

The effectiveness of accounting processes is documented in a recurrent process comprising risk analysis, control analysis and an assessment of the effectiveness of these internal controls. In these processes, data is first collected, updated and reviewed in relation to key risk areas according to predefined qualitative and quantitative criteria. On this basis, existing controls are identified and new control measures that are designed to limit the risks are implemented. The effectiveness of the controls is reviewed and documented at regular intervals through a self-assessment of the control officers. The results are also verified by the auditor and presented to the Supervisory Board.

TAKKT ensures the Group-wide application of Generally Accepted Accounting Principles (GAAP) and the current International Financial Reporting Standards (IFRS) by means of mandatory requirements, including accounting guidelines that are updated on an ongoing basis, a standardized chart of accounts for reporting purposes, a Group-wide schedule for the preparation of financial statements, and various manuals. If necessary, external experts or qualified consultants are called in, for example for the evaluation of pension obligations or to obtain an expert opinion on the purchase price allocation for company acquisitions. All employees who are responsible for accounting and financial reporting receive regular training.

The preparation of financial statements of the individual companies as well as their consolidation for the consolidated financial statements are carried out using a modern standard software solution. Information for the preparation of the notes is recorded with a web-based application.

Extensive testing procedures are designed to ensure the completeness and reliability of the information contained in the consolidated financial statements. The IT systems in accounting are protected against unauthorized access. IT change management systems ensure that no data is lost when changes are made to the IT infrastructure. The internal control system is fundamentally based on the principle of cross-checking by a second person for all accounting-related processes.

The Group's compliance with its control systems and accounting regulations is checked on a regular basis, including by the local managers and auditors, accounting, internal audit and the Group auditors. Monitoring includes the identification of weaknesses, the introduction of improvement measures as well as checks to determine whether weaknesses have been eliminated.

Within the scope of the audit of the consolidated financial statements, external auditors report on the most important audit results and weaknesses in the control system for the units audited in the context of the consolidated financial statements.

CONTINUOUS ANALYSIS AND MONITORING OF OPPORTUNITIES AND RISKS

The opportunities and risk management system of the TAKKT Group categorizes opportunities and risks by topic, which are shown in the table on page 72 together with the corresponding subcategories. The opportunities and risks of the TAKKT Group are explained later in the risk report. The process for the evaluation of all opportunities and risks is as follows:

- The TAKKT Group continuously analyzes the market and competitive environment of the segments and business units and reviews its own potential to determine whether adjustments to the business model could lead to a better market position. This systematic observation enables it to identify opportunities and risks at an early stage.

- The goal of evaluating the individual opportunities and risks is to reveal the anticipated negative or positive effect on TAKKT. The evaluation is carried out based on the criteria of probability of occurrence and the extent of the loss or opportunity. Measures already taken by the company to manage opportunity or risk are taken into account in the evaluation. Materiality thresholds are used with respect to the potential gain or loss depending on the level of analysis. This is done in order to show the relevance of the opportunities and risks under discussion.

- Based on this analysis, TAKKT defines measures that can be applied in order to limit, manage or avert risks and allow the opportunities to be used.

The individual risks and opportunities of TAKKT are shown on the following page. The risks of the Group are detailed in the following; the opportunities are detailed starting on page 78.

Overview of opportunities and risks

	Economy and competition	Corporate strategy and positioning	Operating processes	Finance and legal
Possible risks	Economic downturn Global pandemic Competition from established providers and new market participants	Risks associated with acquisitions and disposals Implementation risk in relation to TAKKT 4.0 and the digital transformation Dependence on individual customers Increasing dependence on e-commerce	Warehousing and logistics risks Limited availability and performance of the IT and communications systems Introduction of new IT systems Cybercrime	Exchange rate risks: Transaction risks and translation risks Legal and compliance risks Risks from tax and tariff changes More restrictive data protection regulations
Possible opportunities	Economic upswing	Transformation of the business model Increasing market shares for distance selling and strong growth in e-commerce Value-creating acquisitions and start-ups Sustainability as a competitive advantage	Further development of IT applications Increased use of new technologies	Good access to capital

ECONOMY AND COMPETITION

Economic downturn

B2B distance selling for office equipment is generally dependent on the underlying economic conditions. TAKKT's business model is therefore subject to general economic risk. The Group has mostly managed to cushion the effects of economic fluctuations in individual countries, industries and fields through broadly diversified positioning.

- TAKKT addresses customers of all sizes from various industries with its two segments, Omnichannel Commerce and Web-focused Commerce.
- The TAKKT companies have a very wide range of products in different categories.
- Through its presence in over 25 countries in Europe and North America, TAKKT reduces its independence on individual markets.
- The companies are also in different phases of growth. The younger companies bundled in the Web-focused Commerce segment usually experience more dynamic growth and are less affected by economic fluctuations. The established companies of the Omnichannel segment, however, reflect the general economic cycle in their development.

In particularly severe economic crises, such as the last one in 2009, is TAKKT not able to benefit from diversification of the business because every customer group, industry and region strongly refrains from making investments in these circumstances. For example, in 2009 sales fell organically by a little more than 25 percent. With a margin of around ten percent, EBITDA decreased by around 50 percent compared to the previous year. The probability of occurrence and potential impact on earnings from this risk remain virtually unchanged compared to the previous year. Despite the diversified positioning described above, economic risk represents a significant risk for TAKKT.

Global pandemic

A pandemic affecting large parts of the target markets in Europe and North America – such as the current spread of the coronavirus – could significantly impair the TAKKT Group's business activities and even bring them to a temporary standstill. Both the direct impact of employee illness as well as the consequences of government-imposed protective and countermeasures, which make normal operations difficult or impossible, must be taken into account. In particular, such a pandemic could have a significant negative impact on the order situation, warehousing and logistics as well as the Group's financial stability. Wherever possible, TAKKT is working on measures to address these risks or limit their negative effects and has set up crisis teams for this purpose. These measures relate to financial aspects with respect to securing liquidity and the ability to act as well as organizational steps to

maintain business operations. TAKKT is responding with cost reduction programs and an investment freeze in addition to allowing employees to work from home or in separate shifts in situations where they are required to be physically present at the workplace. The risk from a pandemic like the coronavirus is significant. A pandemic of this type also has an impact on other risks mentioned in this report.

Competition from established providers and new market participants

The activities of the TAKKT Group compete with other providers in their respective markets. An overview of the competitive environment can be found on page 37 of this annual report. The entry of new market participants or more aggressive competitive behavior by established providers could result in TAKKT losing market shares or at least falling short of its growth ambitions. However, market entry barriers exist both for traditional competitors and purely online providers because setting up the supplier structures, logistics and customer base is costly and time-consuming. New competitors must expect many years of initial start-up losses. Compared to start-up companies, established providers like the TAKKT companies benefit from economies of scale in purchasing and distribution. TAKKT addresses this competitive risk through focused positioning of its own activities either as a quality- and service-oriented omnichannel provider or a lower priced web-focused provider.

Large and medium-sized corporate customers usually have rather complex needs. This type of customer is interested in a high-quality product range, expert advice and comprehensive after-sales service, which TAKKT's Omnichannel activities offer. Relevant services include project business (e.g., CAD planning), assembly and maintenance services, long warranty periods and availability guarantees. The TAKKT products are intended to make commercial activities more productive and ensure a smooth process so that corporate customers can focus on their core business. For this type of customer, the offer of pure online shops and open, internet-based marketplaces has the disadvantage that they generally want to avoid the effort associated with providing a comprehensive service. This type of customer is also interested in flexible, tailored pricing based on their needs, the product and the volume of their order. Online marketplaces can only provide such flexibility, differentiation and additional product-related services to a limited extent. In competition with other omnichannel companies, service and quality are determining factors with regard to which provider the customer prefers for procurement.

For customers with less complex requirements, other criteria are relevant for the purchasing decision. These are often smaller and medium-sized businesses. This type of customer is mainly concerned with the pricing of the individual transaction. TAKKT addresses these customers with the Web-focused activities, which align their product range to the needs of more price-conscious customers. As product specialists with a focus on a defined product range, TAKKT's web-focused brands offer an easy, fast and reliable procurement channel for its customers. TAKKT competes with other online shops and e-commerce marketplaces in this area.

In the course of the new organizational realignment, TAKKT wants to fulfill the very different requirements of the two aforementioned customer types even better in the future by focusing more on the two business models. The risk from new competitors and business models is considered to be significant.

CORPORATE STRATEGY AND POSITIONING

Risks associated with acquisitions and disposals

The TAKKT Group makes targeted acquisitions to strengthen the existing businesses and to expand the value proposition. This is, on the one hand, associated with a host of opportunities. These are covered further on in this section. On the other hand, acquisition and integration risks could, for example, result from the following:

- the integration of acquired companies or their products and services into TAKKT's business activities may take longer or incur higher costs than expected,
- the development of growth and earnings that was assumed would take place with the acquisition may not occur,
- goodwill and other intangible assets need to be written down due to business performance being worse than originally predicted.

TAKKT has decades of experience with acquisitions. Acquisitions are carefully prepared and reviewed, and carried out only if there is a sufficient likelihood of the acquired company contributing to the success of the TAKKT Group in the long run. In view of this, the Group imposes stringent return requirements and conducts thorough due diligence before the acquisition. Furthermore, companies are integrated into the Group according to defined processes that are based on past experience.

The TAKKT investment company acquires shares in young companies with an innovative but not yet proven business model. The probability that these shareholdings turn out to have no substantial value is deemed to be higher. However, the investment amount is significantly lower than that of other acquisitions.
Another risk could arise if a company in the Group does not develop satisfactorily and TAKKT recognizes this too late and therefore fails to take timely countermeasures. As a result of delays in the sale or termination of activities, the Group may realize lower sales proceeds or incur higher costs. In order to prevent this, the development of the existing activities is continuously monitored and analyzed as part of various standard processes. In principle, all operational and strategic options are open in the event of difficulties in a Group company. These range from additional investments or changing the marketing strategy to repositioning, selling or phasing out the brand, i.e., the gradual discontinuation of marketing activities.

The annual impairment tests performed on goodwill in the year under review once again confirmed the value of these assets. No impairments had to be carried out in the past year. A future need of impairment cannot be ruled out for Hubert if it experiences another significant slowdown in its sales and earnings development or a change in the calculation parameters.

Implementation risk in relation to TAKKT 4.0 and the digital transformation

TAKKT 4.0 stands for the Group's new organizational structure as of 2020 and focuses on two business models for two different customer types. At the same time, TAKKT wants to establish the responsibilities and functions at the relevant level in order to create greater entrepreneurial freedom and scalability within the two business models. Another goal is to bolster operational excellence through the implementation of continuous improvement processes within the Group.

In 2016, TAKKT developed a digital agenda in order to seize the opportunities of digitalization. This involves strengthening the e-commerce business, developing the relevant digital skills and a large number of measures along the entire value chain. Many measures have been implemented and integrated into the operational processes. However, the digitalization process is not completed yet, but rather remains a focus for the further development of the TAKKT Group.

Both TAKKT 4.0 and the digital agenda are meant to promote sustainable change of the organization and culture of the company. TAKKT expects this to result in a more targeted focus on the needs of different customer types and stronger organic growth. Delays could occur during the course of this realignment, causing goals or partial goals to be achieved late or results to be unsatisfactory. With regard to TAKKT 4.0, this mainly applies to the creation of new structures for the two segments and the related allocation of functions and responsibilities at the relevant level. In the case of the digital agenda, the implementation of projects and measures could take longer or not achieve the expected results. In addition, the implementation of both initiatives could incur higher costs than expected or not have the desired effect on sales and earnings figures.

In order to address these risks, the TAKKT 4.0 organizational transformation will be planned and managed centrally. The Group relies on experts within the company. At the same time, it also receives support from external specialists for organizational transformation. For planning and controlling, TAKKT uses project management methods to implement the strategy and organizational realignment across the entire hierarchy. This allows TAKKT to keep a close eye on the implementation and success of the transformation and take early countermeasures if there are impending deviations from target.

There are also personnel risks associated with digitalization and TAKKT 4.0. In the course of the organizational transformation, TAKKT wants to establish the responsibilities and functions in a new way and at the relevant level. This could mean that employees may have to give up their current roles, while elsewhere employees may be needed for newly established functions. Recruiting employees with digital skills and knowledge about the implementation and management of continuous improvement processes represents a particularly challenging task. TAKKT considers the overall implementation risk from the transformation to be material.

Dependence on individual customers

The customer structure of the business models in the TAKKT Group is relatively highly diversified. This includes companies from many different industries, such as the service sector, public authorities and the manufacturing industry. Contributions to sales are also generated in part within the scope of larger project orders. TAKKT generates a low single-digit percentage of its sales in relation to Group sales with a very small number of corporate customers, which are each spread across different locations. Negative effects from the loss of individual corporate customers are therefore limited for the Group as a whole. On the level of the individual business units, and especially at Hubert or NBF, the loss of a single corporate customer can nevertheless have a noticeable effect on business performance.

TAKKT caters to customers of many different sizes – from self-employed people to hotel chains and public bodies as well as single workshops to large-scale manufacturing facilities. The TAKKT companies will also address a broad customer base in the future.

Increasing dependency on e-commerce

TAKKT is driving forward the expansion of the e-commerce business within the scope of digitalization by continuously improving its websites and web shops. However, when operating websites and web shops, unauthorized people could gain access to the company network and sensitive customer data. In addition, targeted attacks on web shops and the company network may slow down or disrupt internal processes. In addition, technological progress places constantly changing demands on the online presence. Consequently, the content and structure of the web shop have to be continuously adapted to the changing algorithms of the search engines so that the company's own website does not fall behind in the ranking, causing the shops to lose potential customers. The TAKKT companies counter this risk through the continuous management of online marketing measures and by optimizing them with regard to the constantly changing underlying conditions. Ongoing monitoring of developments in online marketing allows the TAKKT Group to seize and implement technical trends and new developments quickly in its own solutions. In addition, the company is in continual dialogue with search engine operators. Regular penetration testing is carried out to reduce the risk of unauthorized access to internal systems.

OPERATING PROCESSES

Warehousing and logistics risks

TAKKT generally stores products in large warehouses and therefore there is less need to build up inventory or reorder products than would be necessary with several smaller warehouses. The divisions only set up smaller regional warehouses to provide optimum delivery services if necessary, such as in the Nordics, Eastern Europe or the US. TAKKT is able to profit from better pricing by bundling product purchases. These advantages far outweigh the disadvantages that exist with a central warehouse, e.g., the event of a fire. These risks are also sufficiently covered by insurance policies, including for fire, theft and loss of production.

Each TAKKT division regularly reviews its warehouse concepts, thereby ensuring consistently high standards of security, delivery quality, speed and efficiency. Should a temporary disruption at a warehouse result in bottlenecks, the companies can also deliver the majority of their goods by drop shipment. If necessary, the warehouses are adapted to new requirements.

TAKKT usually contracts external logistics companies to deliver its goods and, in choosing its logistics partners, pays particular attention to how attractive the costs are and their comprehensive expertise in delivering products to the very different regions. Unexpected changes in freight costs due to fluctuations in fuel prices, vehicle tax or tolls can have a short-term impact on the earnings of the Group. When possible, TAKKT passes the increased costs on to customers through price adjustments. Shipping costs account for less than ten percent of consolidated sales.

Limited availability and performance of the IT and communications systems

TAKKT depends on powerful and reliable IT systems, such as communication systems, ERP system software, product management systems and web shops. Failure or impaired operation of the IT systems could result in significant risks for the TAKKT Group because business processes would be affected. In order to address this risk, TAKKT relies on powerful systems and has back-up solutions in place that can take over in the event of problems in the primary system.

The TAKKT companies are using cloud solutions, meaning that software and hardware functions are no longer only hosted locally but rather in an external infrastructure. This has the advantage that storage space, processing power and the necessary software can all be chosen precisely and can be adapted to actual requirements at any time. At the same time, this brings with it risks, like losing connection to the external infrastructure or the service itself.

The TAKKT companies also make use of central high-availability systems to protect data and functionality. A server handles the day-to-day business operations. The data is also continuously copied to a backup system. This system provides services only in the event of server failure. The required storage capacity is usually held on external servers or leased from third-party providers in order to minimize the risk of failure.

The Group uses non-interruptible power supply and back-up systems in order to ensure telephone availability and protect itself against failures and faults. Calls can also be rerouted to other sites. The company continuously monitors how easy it is for customers to contact the companies' sales offices. TAKKT is able to flexibly align the telesales capacities with business volumes through these checks.

For successful performance in the market, it is of vital importance that the TAKKT companies be reachable via their web shops without interruption. In addition to continuous availability with regard to the web shops, performance (i.e., the speed at which the web shop can be navigated) is also important. In this regard, the TAKKT companies always rely on current web shop technologies.

Introduction of new IT systems

Increased risks can arise in relation to the introduction of new IT systems, especially ERP and web shop systems, if the smooth continuation of business processes are affected as a result of complications during integration of a new IT system. In order to address the risks associated with the introduction of new IT systems, TAKKT carries out extensive test runs and quality assurance measures. New systems are gradually being adapted within the scope of pilot projects so that only a limited region or individual work flows are affected in the event of problems.

Cybercrime

Risks can also arise from fraud attempts initiated via information technology (e.g., emails and social media). One particular example of this is the risk of fraudsters who use identity theft in an attempt to trigger unauthorized payments to third-party accounts. TAKKT addresses this risk by establishing defined processes such as the two-man rule and individually verifying any changes in the payment data of the recipient. Furthermore, employees receive ongoing fraud-awareness training. TAKKT addresses potential unauthorized access to IT systems through technical preventive measures.

FINANCE AND LEGAL

Exchange rate risks: Transaction and translation risks

Currency risks arise from transactions not processed in euros, which is the reporting currency. When it comes to volatility in exchange rates, a distinction should be made between transaction risks and translation risks.

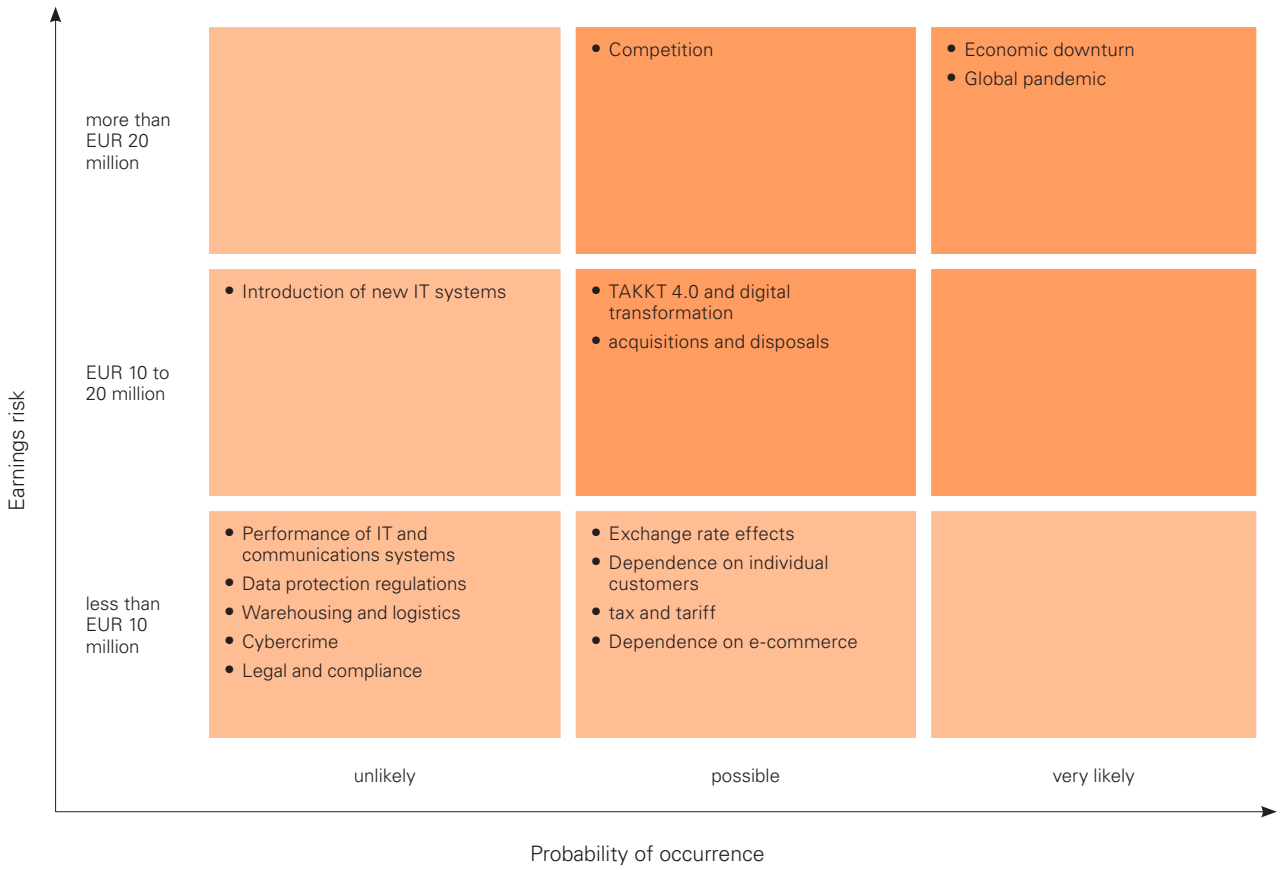
- Transaction risks result primarily from buying and selling goods and services in different currencies. The Group protects itself against these risks by generally buying and selling products in the same currency. Transaction risks from fluctuating exchange rates remain for less than ten percent of consolidated sales – mainly from intercompany transactions. The open net items are identified based on the sales forecasts of the individual companies. The resulting currency risks are generally assumed by the respective service provider and hedged through derivative financial instruments to an amount of around 70 percent, preferably with forward foreign exchange contracts. In general, forecast sales and cash flows are hedged for a period of several months.

- Translation risks arise for the TAKKT Group's statement of financial position and income statement when the individual financial statements of foreign subsidiaries are translated into euros, the reporting currency. The fluctuations of the US dollar in particular therefore influence the absolute value of the financial key figures reported in euros (also see the explanations on page 82). TAKKT does not hedge against these risks as there are no economic grounds to justify putting proper hedging mechanisms in place.

Legal and compliance risks

TAKKT Group companies are involved in litigation in day-to-day business both as plaintiff and defendant. However, this litigation does not have a material impact on the economic situation of Group, neither individually nor collectively. TAKKT is subject to different compliance requirements such as in connection with antitrust law or capital markets. Non-compliance can lead to legal consequences and sanctions and ultimately have a negative impact on earnings. In order to address this risk, the Group pursues a central compliance management strategy, trains employees in the respective issues and has set up a hotline for reporting possible violations.

Risk matrix



Risks from tax and tariff changes

Against the background of the ongoing trade policy discussions after Brexit as well as with regard to the US government, there is still a risk that countries will increase import tariffs on imported goods. Direct imports in particular could be less attractive due to such trade barriers. The bulk of goods that the TAKKT companies sell, however, will still continue to be purchased from suppliers in their respective market. Competitors would be affected by such a development to a similar extent. The increased public debt may also result in taxation rule changes and a greater number of tax audits in certain countries. TAKKT keeps a close watch on tax conditions in order to be prepared for possible changes. Import tariffs are mainly passed on to the customer through price adjustments.

More restrictive data protection regulations

TAKKT uses customer data for targeted online and print marketing. The Group always observes the applicable legal conditions in the respective countries. Where there is a data protection officer assigned to a company, this person works within their power to ensure compliance with data protection laws. The regulations concerning the use of data are usually less restrictive in B2B than for private customers. However, there is the risk that individual countries will tighten the applicable legal regulations, thereby making it difficult to address individual customers in a targeted manner. TAKKT monitors proposed and current legislative developments in this area very closely in order to take possible changes into account early on.

OVERALL ASSESSMENT OF THE MANAGEMENT BOARD

In the 2019 financial year, there was a balanced relationship between the opportunities and risks for the TAKKT Group. Based on the information currently available, the Management Board does not believe that there are any risks at present or in the forecast period that may be a risk to the Group as a going concern. The business model generates strong cash flows and the company has solid financing. This means that neither the risks as a whole nor a renewed global recession would generally threaten the viability of the Group as a going concern. A standstill of operations due to the spread of the coronavirus that lasts several months and affects large parts of TAKKT could lead to a tight liquidity situation at the end of 2020 if the countermeasures and suspension of the dividend are not sufficient.

The probability of occurrence and severity of the aforementioned risks are shown in the matrix on page 77. The most significant risk for the TAKKT Group, which is also a noteworthy opportunity, continues to be the development of the economy. In the current environment, TAKKT expects a significant economic downturn in 2020. In the event of a global recession of the same scale as in 2009 with an organic decrease in sales of slightly more than 25 percent, EBITDA decreased by around 50 percent.

The Management Board considers significant negative effects from the current corona pandemic to be very likely. Sales and EBITDA for 2020 are expected to be significantly below the level of 2019.

There is also the risk that the entry of new web-focused providers and online marketplace models or a change in the behavior of established providers could lead to a more aggressive competitive environment and a consequent negative impact on sales and gross profit.

In addition, there are significant risks in connection with the implementation of TAKKT 4.0 and the digital transformation. Goals or measures may be achieved later or results may not be satisfactory. The implementation could incur higher costs than expected or not have the desired effect on the development of sales and earnings.

TAKKT also deems the risk from acquisitions and disposals to be significant. If the integration and continuation of an acquired company does not progress as successfully as expected, this could have a direct short-term negative impact on earnings in the medium single-digit euro range. In addition, a reduction in the long-term forecast of the business development of an acquired company below the original expectations could lead to impairment of the goodwill or remaining intangible assets. A negative effect on earnings resulting from reporting could also be in the double-digit million-euro range. The impact on earnings caused by potential delays in the sale or discontinuation of activities could also amount to a low double-digit million figure.

As a whole, TAKKT places the highest priority on the monitoring and limitation of controllable risks and has therefore taken precautionary measures to detect and limit these early. Risks from economic and currency fluctuations due to external factors can only be controlled by TAKKT to a limited extent.

OPPORTUNITIES OF THE TAKKT GROUP

Attractive growth opportunities continue to arise for TAKKT. Within the scope of the integrated opportunities and risk management system, the TAKKT Group has identified a series of opportunities for the development of the company for the years to come. In addition to the opportunities arising from an economic upswing, also outlined in detail in the forecast report, the significant additional opportunities are explained in the following section.

Transformation of the business model

At the end of 2019, TAKKT started taking steps to realign and streamline the organization of the company (see the "Business areas" and "Corporate goals and strategy" sections). This will allow both segments to sharpen their focus, meet the different requirements of the respective customer types in terms of products, service and quality, and position themselves clearly as market-leading omnichannel or web-focused companies. At the same time, each segment will have higher operational independence, thereby allowing faster decision-making and implementation processes.

The new allocation of functions and responsibilities and more integrated structure will allow for better leveraging of economies of scale, especially at the segment level. TAKKT wants to benefit from a culture of continuous improvement by promoting operational excellence, and developing and introducing new management approaches and processes. All of these measures are expected to accelerate the future organic growth of the Group. In addition, the new structure gives the Group the opportunity to realize greater added value with future acquisitions than was possible with the previous portfolio approach. By integrating the acquired company into one of the two business models, they can benefit from the competencies and expertise at the segment level and take advantage of economies of scale.

Furthermore, the ongoing digital transformation also offers great potential for the future development of TAKKT (see also pages 39 et seq. in the "Corporate goals and strategy" section). The company is already benefiting from the above-average growth in e-commerce. Focusing all activities on the needs of the customer (customer centricity) and digitalizing processes along the entire value chain will also open up opportunities. TAKKT wants customers to benefit from the advantages of digitalization and increase organic growth.

Increasing market shares for distance selling and strong growth in e-commerce

As discussed in the presentation of the competitive environment on pages 36 et seq., the majority of products offered by TAKKT are sold through local retailers. The market share of distance selling models is growing steadily, which also benefits TAKKT. At the same time, more and more products are being ordered online. This can be seen in the significant above-average growth of the e-commerce business in the market as a whole as well as in TAKKT's activities. In the latter, the online share already accounts for more than half of the business volume. This development is also expected to continue in the future.

To maximize the resulting growth potential, each of the Group's two segments use a specific online presence tailored to their respective customer types. For the Ominchannel activities, this is done through web shops and e-procurement solutions with a comprehensive range of functions for customers with high service and advising needs and for whom processing costs are a major concern. Companies can give their employees access to an individually configured web shop through additional functions such as a product range exclusion. This web shop then only includes product ranges or items that are relevant for that company. The Web-focused Commerce segment uses online shops, which focus less on comprehensive services and more on making the ordering process as easy as possible. Product-specific filter functions and options for comparing prices and items are provided for this purpose. This reduces the time the customer needs to search for the relevant product.

Value-creating acquisitions and start-ups

Additional opportunities for increasing Group sales and earnings will be created through acquisitions in the coming years. High demands are put on the growth prospects and business model of the target company. TAKKT is able to participate in growth trends in selected industries and generate above-average gains through targeted company acquisitions. In addition to acquisitions to strengthen existing businesses, TAKKT increasingly wants to buy companies with the aim to expand the value proposition. Achieving this calls for the acquisition of smaller companies offering products or services that expand the existing range of services for customers.

In recent years, TAKKT has benefited greatly from the additional contributions to sales and earnings through acquisitions. In addition, the company has gained special expertise through these acquisitions that can be used throughout the Group. TAKKT has long-standing experience with integrating new companies and business models into the Group. In the course of the TAKKT 4.0 organizational realignment, the Group wants to create integrated structures and functions in both segments, such as in IT, purchasing, and data and analytics. In the future, this will allow even closer integration of newly acquired companies than the previous portfolio approach. TAKKT will consequently be able to leverage the advantages of greater scalability and higher potential for achieving added value with company acquisitions. Exploring and taking advantage of value-creating acquisition opportunities will therefore also be a priority in the future.

TAKKT also plans to expand existing business models to new markets where economically feasible. Active control and management of the Group not only includes acquisitions and start-ups but also the periodic review of existing activities and the discontinuation of companies whose performance with respect to the value and growth drivers does not meet the long-term requirements of the Group.

Sustainability as a competitive advantage

Sustainability has been an integral part of the corporate strategy at TAKKT for many years. TAKKT uses its role as a pioneer in sustainability in order to set itself apart in the industry. It is convinced that providers who focus on sustainability will be better able to survive the competition in the long run.

Further development of IT applications
TAKKT is in the process of further optimizing the complex IT processes in communication systems, ERP software, product management systems and web shops in many of the Group companies. This includes the introduction of new ERP systems and CRM software. This is an important requirement for successful implementation of TAKKT 4.0 and the realization of the related growth opportunities.

Increased use of new technologies
In addition to using an infrastructure geared to reliability and stability for the day-to-day operations, TAKKT will have the opportunity to develop new solutions quickly based on new technologies and introduce them to the market. This allows TAKKT to react quickly and flexibly to new customer requirements and changes in behavior patterns. Examples of relevant solutions include using 3D technologies for visualization (virtual reality) and creating product samples by means of 3D printers, integrating external solutions easily by creating standardized interfaces, analyzing customer data in the web shop in real time or implementing new collaboration tools for engaging with customers.

Good access to capital
TAKKT has good access to capital due to a diversified and long-term oriented financing structure. Sufficient credit lines are available for short-term acquisition opportunities. As a stock-listed company, TAKKT can also use the equity market for raising capital in the event that the opportunity arises for the Group to make an acquisition that cannot be solely financed with debt capital.

FORECAST REPORT

MAJOR CHALLENGES DUE TO CORONA CRISIS

The economic development of the markets is a significant factor with respect to the extent that the TAKKT Group will be able to use the opportunities described in the risk and opportunities report. Economic forecasts for 2020 are subject to great uncertainty at the time this report is being prepared because the impact of the coronavirus on economic development cannot be estimated.

- In a study presented in early March, the OECD assumed a decrease in the GDP growth rates in the eurozone and Germany due to the coronavirus. According to the study, the eurozone was still expected to grow by 0.8 percent in the forecast period following 1.2 percent in 2019, and Germany is expected to grow by only 0.3 percent following 0.6 percent. The OECD believed that the stabilization of the economic indicators and positive developments such as an easing of trade conflicts would be outweighed by the negative impacts of the coronavirus, at least in the short term. Due to the further spread of the pandemic in March 2020 and the already visible effects, it can be assumed that these forecasts will have to be corrected and GDP growth rates will be negative.

- In 2019, North America showed stronger overall growth momentum than Europe, benefiting from the good consumption and strong domestic demand. In the study mentioned above, the OECD expected economic conditions in the US to be better than in Europe in 2020 as well. The forecast assumed a decrease in the GDP growth rate in the US from 2.3 to 1.9 percent in 2020. Growth is now expected to be negative here too.

As in previous years, there are also factors influencing the further economic development in 2020, the effects of which are still unclear at the time of this forecast.

INDUSTRY-SPECIFIC GENERAL CONDITIONS

The statements regarding the fundamental business prospects are complemented by the performance of relevant industry indicators. For example, purchasing manager indexes are indicators of the order trend in the European KAISER+KRAFT with a time delay of three to six months. Values under 50 points generally signal a decline, while levels above 50 indicate an increase in order intake. The values in the second half of 2019, which were consistently and significantly below 50 points in some cases, indicate a challenging environment for KAISER+KRAFT in the first half of 2020. At the beginning of the year values had stabilized somewhat, and in February 2020 were above the level at the end of 2019 with 48.0 points for Germany and 49.2 points for the eurozone. Due to the latest developments in March, however, the values are expected to fall significantly.

The rest of the indicators pointed to a positive development in the individual industries at the beginning of the year. With respect to the RPI, an indicator for HUBERT and Central, the levels in 2019 were consistently above the reference value of 100, although only slightly over in some cases. For January 2020, the index was also above the expansion threshold of 100 with 101.8 points. This indicated a positive development for restaurant operators in the US. TAKKT originally expected similar growth to 2019 in the US office furniture market. From the current perspective, these indicators and expectations will also be significantly negatively affected by the corona crisis.

CRISIS MANAGEMENT IS THE TOP PRIORITY

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 that include the Management Board. TAKKT is also taking precautions to ensure financial stability and be able to quickly grow and invest again once the pandemic has subsided.

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 in the current fiscal year are therefore expected to be significantly below the level of 2019.

SALES CONTRIBUTIONS FROM ACQUISITIONS

The acquisition of XXLhoreca completed in May 2019 will contribute positively to sales. In addition, there is also the possibility that, after the pandemic subsides, TAKKT may also make acquisitions in 2020 that will contribute to sales as of the acquisition date. TAKKT regularly presents the effects of acquisitions and disposals in the financial reporting in a transparent manner.

REVIEW OF STRATEGIC OPTIONS FOR HUBERT AND CENTRAL

Hubert and Central currently follow a slightly different business model from the other three Omnichannel businesses. TAKKT is therefore exploring various strategic options for these activities. Besides establishing a third segment for the TAKKT Group and integrating it into the Omnichannel Commerce segment, selling the activities is also possible. While the first two options would only have a limited impact on the development of sales and earnings for 2020, the sale of Hubert and Central would have a significant impact on the key financial figures of the TAKKT Group in the current fiscal year. The spread and consequences of the coronavirus have influenced the decision-making process regarding the various strategic options. The option of a sale has therefore become less likely in the short term.

US DOLLAR AFFECTS KEY FIGURES

In addition to the acquisitions and disposals, fluctuations in exchange rates also have an impact on reported sales growth. TAKKT generates nearly half of its sales in North America. Fluctuations in the exchange rate of the US dollar therefore have a significant impact on the Group's key figures reported in euros (translation risk). When translated into the reporting currency of euros, a strong US dollar leads to higher sales. When the dollar is weaker compared to the euro, Group sales are diminished. This can be illustrated using the following scenarios:

- If the EUR/USD exchange rate increases by 5 percent against the previous year (i.e., the US dollar becomes weaker), the increase in reported sales (in euros) will be between 2 and 2.5 percentage points below the currency-adjusted growth.

- If the EUR/USD exchange rate decreases by 5 percent against the previous year (i.e., the US dollar becomes stronger), the increase in reported sales (in euros) will be between 2 and 2.5 percentage points higher than the currency-adjusted growth.

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

CORONA CRISIS HAS NEGATIVE IMPACT ON EARNINGS

TAKKT has the goal of keeping the gross profit margin of the Group above the 40 percent mark for the long term. For 2020, TAKKT expects a slight gross profit margin increase in Omnichannel Commerce and a stable development in Web-focused Commerce. For the Group as a whole, this would mean a stable to slightly positive gross profit margin development.

TAKKT's aim is to increase the EBITDA sustainably. A positive trend in earnings can be expected in the long term. In contrast, the short-term development of earnings is strongly influenced by economic conditions as well as positive and negative one-time effects. In the 2019 fiscal year, EBITDA was negatively impacted by one-time costs of EUR 11.2 million for the adjustment of cost structures and the first steps for TAKKT 4.0. At the same time, it benefited from a one-time gain of EUR 2.8 million from the release of a purchase price liability for XXLhoreca.

In 2020, EBITDA will also be influenced by one-time effects. At the time of the forecast, TAKKT expects one-time expenses in the low double-digit million euro range for implementation of the TAKKT 4.0 organizational realignment. Most of these will relate to measures at KAISER+KRAFT.

In addition to one-time effects as well as exchange rate changes and changes in the composition of the Group, organic sales development has a significant impact on the earnings level. An organic increase in sales contributes directly to higher earnings. At the same time, TAKKT can achieve an above-average increase in earnings with stronger organic growth through a better utilization of infrastructure and economies of scale. The reverse is also true – if organic growth is low or even negative, a greater decrease in earnings is to be expected.

Due to the consequences of the corona pandemic, TAKKT expects the EBITDA in 2020 to be significantly below the 2019 level.

DECREASE IN TAKKT CASH FLOW AND INVESTMENTS

Essentially the same influencing factors are relevant for the development of the TAKKT cash flow as for EBITDA. The Group anticipates a significantly lower TAKKT cash flow in 2020 than in 2019. Investments in the maintenance, expansion and modernization of existing business are expected to be significantly lower in fiscal year 2020.

IMPROVEMENT IN PRODUCT RANGE FIGURES

TAKKT aims to further increase the share of private labels and direct imports. Due to the numerous initiatives already implemented to expand private labels and direct imports and the high level that has already been reached, a slowdown in growth rates is to be expected in the future. Depending on business development, shifts in the sales shares of the different business units can also have an impact on these figures. While TAKKT had previously recorded and reported private labels as a share of order intake and direct imports as a share of purchasing volume, these two key figures will be reported as shares of sales going forward.

NEGATIVE IMPACT ON VALUE-BASED KEY FIGURES

TAKKT Value Added is expected to be strained again by one-time expenses in 2020. The planned one-time expenses will also have a negative impact on ROCE. In addition, TAKKT expects a significant negative effect on the key figures from the corona crisis. Both value-based key figures are therefore likely to be well below the level of 2019.

CONTINUATION OF THE DIGITAL AGENDA

The initiatives and measures of the digital agenda will be merged into TAKKT 4.0 in the course of 2020 and continued in the new organizational structure. TAKKT expects additional progress from the implementation. TAKKT expects the related expenses and capital expenditures to be on a lower level than in 2019. There should be little change in the number of positions filled as part of the digital agenda. TAKKT will complete more of the measures that have already been initiated by the end of the year and will merge them into normal operations. The Group anticipates that the e-commerce business will show much stronger organic growth than total sales. This will lead to a further noticeable increase in the e-commerce share.

FINANCIAL STABILITY AND FLEXIBILITY

TAKKT is in a very solid financial position. However, depending on the further development and consequences of the corona pandemic, TAKKT's internal covenants could deteriorate in 2020. In view of the exceptional crisis situation and uncertainty due to the spread of the coronavirus, the Management Board is placing a high priority on financial stability and flexibility. The aim is to be able to act at any time, even during the crisis. This includes carrying out restructuring measures and the further implementation of TAKKT 4.0. TAKKT also wants to be prepared for opportunities after the pandemic has subsided so it can invest in growth once again. The Group is responding with cost reduction programs and an investment freeze. Furthermore, the Management Board and Supervisory Board propose to the Shareholders' Meeting that the dividend payment be suspended for the 2019 fiscal year.

FURTHER PROGRESS ON SUSTAINABILITY INDICATORS

TAKKT has already made considerable progress in sustainability in recent years, so there is less potential for further improvements. However, the Group still expects a positive development of many sustainability indicators in 2020. This especially applies to most of the key figures from the focus areas of purchasing, marketing, logistics, resources and climate. TAKKT expects few changes in the indicators for the society focus area. The same applies for the employees focus area, with the exception of the share of retained "digital talents," which is expected to decline slightly.

GENERAL STATEMENT ON ANTICIPATED DEVELOPMENT OF THE GROUP

Due to the great uncertainty regarding the effects and consequences of the spread of the coronavirus, it is currently not possible to make any reliable forecasts for the Group's development in fiscal year 2020. Based on currently available information, the Management Board of TAKKT AG expects the pandemic to have a noticeable negative impact on supply chains, the company's 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.

GUARANTEE

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

CORPORATE GOVERNANCE

The Government Commission on the German Corporate Governance Code adopted a new version of the Code on December 16, 2019. The new Code has been handed for verifying at Federal Ministry of Justice and Consumer Protection on January 23, 2020, and was published in the German Federal Gazette on March 20, 2020. The following Corporate Governance report is based on the German Corporate Governance Code in the version applicable until December 31, 2019. TAKKT AG will integrate the Corporate Governance report into the Declaration on Corporate Governance starting in the 2020 fiscal year, as stipulated in the new code.

CORPORATE GOVERNANCE REPORT

The term corporate governance stands for responsible management with the aim of creating long-term added value. Good corporate governance increases the company's value in the long run. Values like responsibility, reliability and trust are therefore a priority at TAKKT. The Group views transparency in engaging with its interest groups as being essential to its corporate success.

COMMITMENT TO THE GERMAN CORPORATE GOVERNANCE CODE

TAKKT expressly supports the aims and requirements of the German Corporate Governance Code (DCGK). This underlines the value placed upon responsible corporate management at TAKKT. In December 2019, the Management and Supervisory Boards therefore renewed their declaration of general conformity with all the key points of the latest version of the recommendations of the German Corporate Governance Code according to section 161 of the German Stock Corporation Act (AktG).

Section 5.4.1 DCGK requires the Supervisory Board to possess certain requisite skills, knowledge and expertise, and this requirement is entirely met with the current composition of the Supervisory Board.

The declaration of conformity is reproduced verbatim at the end of this corporate governance report and its latest version can also be found at www.takkt.com.

There are only a few cases where TAKKT does not follow the Code's recommendations:

- Due to the modest size of the Supervisory Board of six members, it does not consider the additional establishment of an auditing and nomination committee to be necessary.
- Since the Chairman of the Supervisory Board and all members of the Supervisory Board are informed of the business developments in writing on a monthly basis, the Supervisory Board does not consider it necessary for the entire Supervisory Board to discuss the financial information during the year.

Among other things, the new code stipulates that the number of meetings of the Supervisory Board and committees each member attended be stated in the Supervisory Board report. TAKKT already complies with this change. An overview of attendance at the meetings can be found in the Supervisory Board Report on page 27.

PARTICIPATION AT THE SHAREHOLDERS' MEETING

The shareholders have the opportunity to exercise their statutory rights at the annual Shareholders' Meeting of TAKKT AG. They regularly decide on the distribution of unappropriated profit, the discharge of the Management Board and Supervisory Board and the selection of an auditor. The shareholders can vote either personally or by proxy on the relevant items on the agenda. They may also cast votes by mail. The procedure for registration and proof of eligibility used at the Shareholders' Meeting of TAKKT AG is in accordance with the stipulations of the German Stock Corporation Act and with international standards. All shareholders who would like to attend a Shareholders' Meeting of TAKKT AG and exercise their right to vote are required to register and prove that they are eligible to participate and vote at the meeting. Details of the conditions for registration and participation are announced in the invitation to every Shareholders' Meeting. In addition, both the agenda and all documents relating to this and other information on the Shareholders' Meeting are available to shareholders on the company website.

CLOSE COLLABORATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

TAKKT's internal management structures are characterized by clear organization and direct reporting lines. The company also operates a value-based remuneration and incentive system. Detailed information on the remuneration of the Management Board at TAKKT can be found in the remuneration report of this annual report.

The Management and Supervisory Boards at TAKKT work closely with each other to further the interests of the Group according to the motto of "achieving more together" and jointly determine the strategic direction of the company. The Management Board steers the company, develops strategies, implements these strategies in the company's operating business and ensures effective risk management. Important decisions are made by the Management Board in coordination with the Supervisory Board. The Management

Board also informs the Supervisory Board regularly, promptly and comprehensively about important changes in the company, its environment, its strategy and its business development. The Management Board ensures compliance with the statutory regulations and internal company guidelines and contributes to ensuring observance of these by the Group companies. Certain key transactions and measures – stipulated in the rules of management for the Management Board – require prior approval by the Supervisory Board.

The Management Board consists of four members. As of the date this report was prepared, one position was vacant. The composition of the Management Board in the 2019 fiscal year is shown on page 19 of the annual report. Information about the members of the Management Board can be found on the website at www.takkt.com.

It is the duty of the Supervisory Board to oversee and advise the Management Board in its management of the company on a regular basis. It carries out this duty with dedication and thus makes a substantial contribution to the company's success. It supports the Management Board in fulfilling its responsibilities completely and in good time and takes part in the most important decisions by passing the necessary resolutions. The Supervisory Board also appoints the auditors in accordance with the resolution passed at the Shareholders' Meeting.

In accordance with the articles of association, the Supervisory Board of TAKKT AG consists of six members. The composition of the Supervisory Board in the 2019 fiscal year is shown on page 27 of the annual report.

The personnel committee of the Supervisory Board consists of three members and one of its tasks is to prepare issues in connection with the employee contracts of the Board Members. If members of the Supervisory Board intend to have additional contracts of service with the company, its approval is also required. There are currently no such contracts of service. The current composition of the personnel committee can be found in the Supervisory Board Report on page 27.

A directors and officers (D&O) insurance policy with the statutory deductibles has been taken out for the Management Board and Supervisory Board members. The remuneration principles of the Supervisory Board are set out in the company's articles of association, which can be found on the TAKKT website www.takkt.com.

DIVERSITY ON THE SUPERVISORY BOARD

Given the company purpose, its size and the share of international business, the Supervisory Board of TAKKT AG strives to take the various principles into account with regard to its composition as per section 5.4.1 of the German Corporate Governance Code. The Supervisory Board is expected in particular to select duly qualified, suitable candidates when making nominations. In accordance with the requirements of the law on equal opportunities for women and men in management positions, the Supervisory Board set a target of one woman on a board of six members in relation to female representation on the Supervisory Board. In the 2016 fiscal year, this target quota was set until December 31, 2021. This target was also met in the 2019 fiscal year. Given the current make-up of the Supervisory Board, the experience and qualifications of its members, the environment in which TAKKT AG operates and the existing rules of procedure for the Supervisory Board, TAKKT believes that it fulfills the requirements of the German Corporate Governance Code. The Supervisory Board will continue to take account of the above-mentioned goals and the principles associated with it in the future. The existing target for female representation (the status quo) also remains in effect for the Management Board until December 31, 2021.

Pursuant to section 5.4.1 of the DCGK, a regular limit of three terms is defined for the length of membership on the Supervisory Board. In compliance with 5.4.2 of the DCGK, the Supervisory Board should also have at least two independent members. The current independent members of the Supervisory Board are Johannes Haupt, Christian Wendler and Dorothee Ritz.

Additional information about the corporate management in accordance with section 289f of the German Commercial Code [HGB] (Declaration on Corporate Governance) as well as the CVs of the Supervisory Board members can be found on the TAKKT website.

COMPLIANCE

TAKKT AG attaches the highest priority to its compliance with all statutory and contractual obligations associated with responsible corporate governance. The Management Board also takes care to ensure that internal corporate guidelines are adhered to. TAKKT has a compliance management system of conventional scope, which is checked by the specialist departments and the Group's compliance officer. The compliance officer is supported by designated compliance representatives in the respective regional entities. These representatives exchange information on compliance issues on a quarterly basis and work closely together with the compliance officer in the event of violations. These measures allow possible breaches to be identified quickly. In addition to the existing standard compliance rules (e.g., relating to anti-corruption, anti-discrimination, etc.), TAKKT also has a whistleblower hotline set up with an external service provider where employees can, to the extent permitted by law, report violations. Additional training is provided as needed, especially for core issues in compliance, by means of an electronic platform.

RISK MANAGEMENT

Taking a responsible approach to business-related risks is a fundamental principle of good corporate governance. The Management Board and Management of TAKKT AG make use of reporting and control systems throughout the Group to record, assess and manage these risks. The

systems are continuously enhanced, adapted to changes in underlying conditions and checked by the Group auditor. The Management Board regularly informs the Supervisory Board about significant risks and their development. Details on risk management as well as the accounting-related internal control system are described in depth in the risk and opportunities report.

INTERNAL CONTROL SYSTEM

The internal control system at TAKKT includes aspects related to financial accounting as well as operational procedures. The TAKKT Management Board and Supervisory Board are committed to the establishment, control and monitoring of the internal control system. At TAKKT, the internal control system is documented in a systematic and understandable structure. It is reviewed in terms of its effectiveness on a regular basis. The results of these checks are documented. Measures for eliminating control weaknesses are implemented in a reproducible manner.

INTERNAL AUDIT

The internal audit department acts on behalf of and reports to the Management Board of TAKKT AG. As an independent and objective auditing and advisory body, its role is to support the Management Board in its management and control functions. The task of the internal auditing department is to review the correctness, effectiveness and economic feasibility of the risk management and internal control systems of all significant business processes. By performing these audit activities, internal auditing creates transparency, identifies risks and where there is room for improvement, develops solution recommendations and contributes to the success of the TAKKT Group. The Management Board of TAKKT reports to the Supervisory Board of TAKKT once a year on the audit system, audit plan and auditing activities and has the audit plan approved for the following year.

DIRECTORS' DEALINGS

On December 31, 2019, the members of the Management and Supervisory Boards held a total of 13,176 (676) shares in TAKKT AG. According to section 19 of the Market Abuse Regulation (MAR), executives as well as (natural and legal) persons closely associated with them of a company listed on the regulated market must notify the respective issuer and the German Federal Financial Supervisory Authority (BaFin) if they buy or sell shares or related financial instruments at a value exceeding EUR 5,000 in the course of a calendar year. From January 1, 2020, BaFin raised this threshold to EUR 20,000. In the year under review, two notifiable transactions were carried out, published and reported to BaFin.

SHARE OWNERSHIP

Detailed information on share ownership can be found in the notes to the consolidated financial statements under "Other notes" in section 5.

DECLARATION OF COMPLIANCE PURSUANT TO PARAGRAPH 161 GERMAN STOCK CORPORATION ACT (AKTG) AS OF DECEMBER 31, 2019

The Management and Supervisory Boards of TAKKT AG declare that the recommendations of the Government Commission on the German Corporate Governance Code, published by the Federal Ministry of Justice in the official part of the Federal Gazette, as amended on February 07, 2017, are being complied with. The Management and Supervisory Boards further declare that the recommendations of the Government Commission on the German Corporate Governance Code, as amended from time to time, have been complied with since the last declaration. The following exceptions apply:

1. The German Corporate Governance Code recommends under Clause 5.3.2 that the Supervisory Board establish an Audit Committee. No such Audit Committee has been established at TAKKT AG. As, with six members, the Supervisory Board of TAKKT AG is comparatively small, the Management and Supervisory Boards still see no need to establish an Audit Committee for the Board.

2. The German Corporate Governance Code recommends under Clause 5.3.3 that the Supervisory Board establish a Nomination Committee. No such Nomination Committee has been established at TAKKT AG. As, with six members, the Supervisory Board of TAKKT AG is comparatively small, the Management and Supervisory Boards also see no need to establish a Nomination Committee for the Board.

3. The German Corporate Governance Code recommends under Clause 7.1.2 that interim financial information, such as the quarterly statements and the half-year financial report of TAKKT, be discussed by the Management Board with the Supervisory Board or its Audit Committee prior to publication. At TAKKT AG, the Chairman of the Supervisory Board is continuously informed by the Management Board about the course of business. Moreover, all of the members of the Supervisory Board receive a written monthly report. Therefore, the Supervisory Board does not consider it necessary that the quarterly statements and the half-year financial report be additionally and separately discussed by the plenary Supervisory Board or by an Audit Committee.

Stuttgart, December 2019

On behalf of the Supervisory Board of TAKKT AG
Florian Funck, Chairman of the Supervisory Board

On behalf of the Management Board of TAKKT AG
Felix Zimmermann, Chairman of the Management Board

OTHER DISCLOSURES

SEGMENTS SHAPE THE DEVELOPMENT OF TAKKT AG

TAKKT formulates the company purpose as follows: "We make it easy to create great work environments." To this end, TAKKT has built up a group of B2B distance sellers for business equipment, who operate as product specialists in attractive market niches. TAKKT AG is responsible for functional activities that apply to the entire Group, which is why they can best be implemented at the Group level. This includes functions such as finance, strategy development, M&A, continuous improvement and human resources. The operating business is handled within the segments. Their results therefore have the greatest influence on the net assets, financial position and results of operations as well as the opportunities and risks for the future development of TAKKT AG.

INFORMATION REQUIRED UNDER TAKEOVER LAW

According to section 289a(1) and section 315a(1) no. 1–9 of the German Commercial Code (HGB), the following details must be disclosed regarding TAKKT AG and the TAKKT Group:

TAKKT AG's share capital totaling EUR 65,610,331 corresponds to 65,610,331 no-par-value bearer shares. These are not subject to any restrictions regarding voting rights or the transfer of shares.

As of December 31, 2019, TAKKT AG is a 50.2 percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg, Germany. There are no other shareholders holding more than ten percent of voting rights.

Sections 84 and 85 of the German Stock Corporation Act (AktG) and section 5 of the company's articles of association apply for appointing and removing members of the Management Board, while sections 179 and 133 of the German Stock Corporation Act apply for changing the articles of association.

In accordance with the resolution passed at the Shareholders' Meeting of May 08, 2018, the Management Board is authorized to increase the share capital subject to the approval of the Supervisory Board, once or several times, by an amount of up to EUR 32,805,165 by issuing new no-par-value bearer shares by May 07, 2023, taking shareholders' subscription rights into account.

In addition, the Management Board is authorized, according to the resolution of the Shareholders' Meeting on May 08, 2018, subject to section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to acquire treasury shares up to an amount of ten percent of share capital. There is no reverse subscription right or a right to tender in the case of purchasing, nor is there a subscription right for shareholders in the case of selling. The company can exercise this authorization in total or in smaller amounts, once or several times, in the pursuit of one or more objectives until May 07, 2023.

Members of the Management Board have the right to terminate their contracts of employment if one or more shareholders acting together acquire the majority of voting rights in TAKKT AG within the meaning of sections 29 et seq. of the German Securities Acquisition and Takeover Act (WpÜG). Further details concerning this can be found in the remuneration report.

At the end of the reporting period, an amount of EUR 85.9 million in liabilities from various financial institutions was subject to a change of control clause as per sections 289a(1) no. 8 and 315a(1) no. 8 of the German Commercial Code (HGB). No further disclosures are provided according to the second half-sentence of the relevant regulation.

The additional disclosures as required by section 315a(1) no. 2 of the German Commercial Code (limitation of voting rights), no. 4 (shares with special rights), no. 5 (controlling voting rights of employees) and no. 9 (compensation agreement with the Management Board or employees in case of a takeover offer) are not relevant for TAKKT AG or the TAKKT Group.

DEPENDENCE REPORT SUBMITTED

Franz Haniel & Cie. GmbH, Duisburg, Germany is the majority shareholder of TAKKT AG. The Management Board has therefore provided the Supervisory Board with a report on relations with affiliated companies as stipulated in section 312 of the German Stock Corporation Act. The dependence report comes to the following conclusion: "In summary, we declare that TAKKT AG has received adequate payment for every transaction according to the circumstances known at the time when the transactions were undertaken, and was not put at a disadvantage as a result of the measures."

REMUNERATION REPORT

The remuneration report explains the principles of the Management Board remuneration system of TAKKT AG and describes the structure and amount of the Management Board remuneration. In addition, it describes the structure and amount of the remuneration of the Supervisory Board. It is part of the combined management report and meets the requirements of the German Commercial Code (HGB) together with German Accounting Standard 17 (DRS 17) and the International Financial Reporting Standards (IFRS). It also takes into consideration the recommendations of the German Corporate Governance Code (DCGK).

MAIN FEATURES OF THE REMUNERATION SYSTEM

The Management Board of TAKKT AG is primarily responsible for the sustained success of the company and therefore receives remuneration that is appropriate for its duties and the economic position of the Group. The remuneration paid is based on the company's size, its financial position, and the structure and amount of the remuneration paid to Board members at comparable companies. The Supervisory Board regularly reviews the structure and appropriateness of the remuneration system as well as the level of remuneration.

The remuneration paid to Board members is made up of non-performance-related and performance-related components. The components of the performance-related payments consist of the annual bonus and the performance cash plan, a rolling remuneration component that acts as a long-term incentive. In addition, the members of the Management Board receive entitlements for pensions and survivors' benefits in the event of termination of their duties.

As in the previous year, the fixed basic salary contributes around 40 percent to the total target remuneration (excluding service cost). The variable components make up around 60 percent of the total target remuneration, with approximately 40 percent representing the short-term and 20 percent the long-term components.

NON-PERFORMANCE-RELATED REMUNERATION COMPONENTS

Fixed basic salary

All Board members receive an agreed annual basic salary. This is paid out in twelve equal monthly installments.

Fringe benefits

The fringe benefits comprise the use of company cars, accident insurance and luggage insurance. The Board members pay tax on their use of a company car as this constitutes a remuneration component.

PERFORMANCE-RELATED REMUNERATION COMPONENTS

Bonus

The operating result of the fiscal year in question in form of the EBIT (earnings before interest and taxes) serves as the basis of valuation for the annual bonus. The annual bonus is determined by means of linear interpolation based on a target EBIT within a corridor of minus 30 percent to plus 30 percent. The target EBIT is annually calibrated based on a longer-term reference period. The figures from the annual multi-year planning for a fixed period of four years as well as the actual figures from the past fiscal years form the basis for this. This long-term consideration serves to align the bonus to a sustainable corporate performance. Its aim is to prevent the incentivization of the Management Board from being influenced too much by short-term measures to increase income or value.

The Supervisory Board may, at its due discretion, increase or decrease the amount of the bonus measured in accordance with the EBIT target corridor by 20 percent. The reasons for this include special performances, extraordinary events or pre-defined work-related targets. The total annual bonus paid out is capped at 200 percent of the target value. Management Board members may convert parts of their bonus into additional pension components, graded by age band.

Performance cash plans

The performance cash plans are launched each year and paid out in cash after a period of four years depending on whether the relevant targets are met. For 2019, a performance cash plan has been granted that is valid until 2022. The Supervisory Board decides at its due discretion about the conditions and scope of the performance cash plan to be issued in the year in question. The terms have not changed structurally compared to the previous year. The amount of the performance cash plan to be paid out depends on two predefined performance goals:

- The performance of Total Shareholder Return (TSR) over the term of the four-year plan. The TSR corresponds to the total return of the TAKKT share, taking paid dividends into account.

- The amount of the cumulative TAKKT value added (TVA) over the term of the four-year plan. The TVA indicator is used for value-based corporate management and shows whether the rates of return demanded by equity and debt investors are met.

The performance cash plans represent a clear orientation of the remuneration of the Management Board along a sustainable increase of the external and internal value of the company. The amount paid out under the performance cash plans is also capped. For performance cash plans, this cap is 300 percent of the target value.

Based on the current contractual agreements, the beneficiary has full entitlement to payment of the performance cash plan if the period of employment exists for at least twelve months from the beginning of the term of the performance cash plan. If an individual reaches retirement age or begins or terminates his/her Management Board membership within a calendar year, a pro rata calculation is made in the case of the recently established plan. The payout from the respective performance cash plan is carried out at the end of the four-year term.

For the 2020 financial year, it is planned to partially redefine the performance-related remuneration components.

Stock options are not considered part of the remuneration of the Management Board at TAKKT AG and there are no plans for this in the future.

MANAGEMENT BOARD REMUNERATION IN 2019 ACCORDING TO HGB

Total remuneration

The remuneration for acting members of the Management Board of TAKKT AG in the 2019 fiscal year comes to a total of EUR 3,529 (4,108) thousand. Of this, EUR 1,531 (1,556) thousand relate to non-performance-related components and EUR 1,998 (2,552) thousand to performance-related components.

The reported expenditure for the bonus was EUR 1,403 (1,946) thousand and includes a release of provisions of EUR 46 (0) thousand. The amount released came to EUR 17 (0) thousand for Felix Zimmermann, EUR 9 (0) thousand for Heiko Hegwein, EUR 10 (0) thousand for Dirk Lessing and EUR 10 (0) thousand for Claude Tomaszewski.

The remuneration for the performance cash plan comes to EUR 595 (606) thousand and corresponds to the value of the performance cash plan established in the respective fiscal year as of the date it was granted.

Disclosures in accordance with IFRS 2

The share-based component of the performance cash plan is classified as a share-based payment settled in cash in accordance with IFRS 2 and valued using a binomial model.

Total remuneration of the Management Board *in EUR thousand*

2019

	Non-performance-related remuneration		Performance-related remuneration		**Total**
	Basic remuneration	Fringe benefits	Bonus	Performance cash plan 2019	
Felix Zimmermann	500	16	503	212	1,231
Heiko Hegwein	345	17	319	135	816
Dirk Lessing (until October 31, 2019)	287	14	263	113	677
Claude Tomaszewski	345	7	318	135	805
	1,477	**54**	**1,403**	**595**	**3,529**

2018

	Non-performance-related remuneration		Performance-related remuneration		**Total**
	Basic remuneration	Fringe benefits	Bonus	Performance cash plan 2018	
Felix Zimmermann	500	13	686	212	1,411
Heiko Hegwein (as of February 1, 2018)	316	13	396	124	849
Dirk Lessing	345	17	432	135	929
Claude Tomaszewski	345	7	432	135	919
	1,506	**50**	**1,946**	**606**	**4,108**

The total expense or income for the performance cash plans includes the fair value of the vested right in the respective fiscal year the plan was established plus the change in value of already vested rights of the performance cash plans of the previous years. The liability from the performance cash plan is reassessed at the end of each reporting period and on the due date. Valuation is based on the expected development of the relevant success factors.

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 absolute terms. The resulting total income came to EUR 69 (599) thousand in the year under review. Of this, EUR 29 (272) thousand were allotted to Felix Zimmermann, EUR 23 (195) thousand to Dirk Lessing and EUR 18 (195) thousand to Claude Tomaszewski. In contrast, there was an expense of EUR 1 (63) thousand for Heiko Hegwein.

The fair value of the performance cash plans from 2016, 2017, 2018 and 2019 (2015, 2016, 2017 and 2018) as well as the respective provision come to EUR 1,286 (2,024) thousand as of the end of the reporting period.

BENEFITS IN THE EVENT OF TERMINATION OF SERVICES

Pension and survivors' benefits

Management Board members receive an entitlement for pension and survivors' benefits, with annual contributions amounting to ten percent of the sum of their basic salary and target bonus. Contributions are only granted as long as the individual is appointed to the Management Board. The target bonus corresponds to a target achievement of one hundred percent. Interest rates of five respectively six percent p.a. are granted 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 paid out or annuitized is equivalent to what would have been paid if contributions had been made up to the age of 63. Part of this commitment is hedged against insolvency with commercially available products based on a contractual trust agreement.

The table below lists the current service costs for the year under review and present values of obligations for the members of the Management Board in accordance with IAS 19. Service costs, which arose from a separate agreement and cannot be allocated to the year under review, amounted to EUR 372 (0) thousand for Felix Zimmermann and EUR 350 (0) thousand for Claude Tomaszewski. For 2019, service costs for the Board members in the amount of EUR 1,302 (575) thousand were recognized as expenses.

Payments in the event of early termination

In the current contracts of the Management Board members, the limit of possible severance payments corresponds to the recommendations of the German Corporate Governance Code. According to the Code, the payments that could be paid in the event of a premature termination of the membership of the Management Board without cause may at most remunerate the remaining term and also not exceed the amount of two years' compensation.

Members of the Management Board have the right to terminate their contracts of employment if one or more shareholders acting together acquire the majority of voting rights in TAKKT AG within the meaning of sections 29ff. of the German Securities Acquisition and Takeover Act (WpÜG). In exercising this right of termination, the Board member has the right to severance pay amounting to a maximum of two years' compensation. Other sources of income are not taken into account. The right to a severance payment will not apply in the event of extraordinary termination of the contract of employment by the company for good cause.

Dirk Lessing stepped down from the TAKKT Management Board on October 31. Severance payments of EUR 1,800 thousand were granted to him for the premature termination of his Board position.

Pension commitments *in EUR thousand*

	IFRS		IFRS	
	Ongoing service cost		Present value of pension obligation as of 12/31	
	2018	**2019**	2018	**2019**
Felix Zimmermann	195	192	3,189	4,311
Heiko Hegwein (as of February 1, 2018)	122	135	125	306
Dirk Lessing (until October 31, 2019)	117	113	609	-
Claude Tomaszewski	141	140	2,175	3,136
	575	**580**	**6,098**	**7,753**

Benefits granted *in EUR thousand*

	Felix Zimmermann				Heiko Hegwein (as of February 1, 2018)			
	2018	2019	2019 (Min)	2019 (Max)	2018	2019	2019 (Min)	2019 (Max)
Fixed Salary	500	500	500	500	316	345	345	345
Fringe benefits	13	16	16	16	13	17	17	17
Total	**513**	**516**	**516**	**516**	**329**	**362**	**362**	**362**
One-year variable remuneration	500	500	0	1,000	289	315	0	630
Long-term variable remuneration								
Performance cash plan 2018–2021	212	-	-	-	124	-	-	-
Performance cash plan 2019–2022	-	212	0	635	-	135	0	405
Total	**1,225**	**1,228**	**516**	**2,151**	**742**	**812**	**362**	**1,397**
Service cost	195	192	192	192	122	135	135	135
Total remuneration	**1,420**	**1,420**	**708**	**2,343**	**864**	**947**	**497**	**1,532**

	Dirk Lessing (until October 31, 2019)				Claude Tomaszewski			
	2018	2019	2019 (Min)	2019 (Max)	2018	2019	2019 (Min)	2019 (Max)
Fixed Salary	345	287	287	287	345	345	345	345
Fringe benefits	17	14	14	14	7	7	7	7
Total	**362**	**301**	**301**	**301**	**352**	**352**	**352**	**352**
One-year variable remuneration	315	263	0	526	315	315	0	630
Long-term variable remuneration								
Performance cash plan 2018–2021	135	-	-	-	135	-	-	-
Performance cash plan 2019–2022	-	113	0	338	-	135	0	405
Total	**812**	**677**	**301**	**1,165**	**802**	**802**	**352**	**1,387**
Service cost	117	113	113	113	141	140	140	140
Total remuneration	**929**	**790**	**414**	**1,278**	**943**	**942**	**492**	**1,527**

Allocations *in EUR thousand*

	Felix Zimmermann		Heiko Hegwein (as of February 1, 2018)		Dirk Lessing (until October 31, 2019)		Claude Tomaszewski	
	2018	2019	2018	2019	2018	2019	2018	2019
Fixed Salary	500	500	316	345	345	287	345	345
Fringe benefits	13	16	13	17	17	14	7	7
Total	**513**	**516**	**329**	**362**	**362**	**301**	**352**	**352**
One-year variable remuneration	686	520	396	328	432	273	432	328
Long-term variable remuneration								
Performance cash plan 2014–2017	309	-	-	-	188	-	234	-
Performance cash plan 2015–2018	-	266	-	-	-	202	-	202
Total	**1,508**	**1,302**	**725**	**690**	**982**	**776**	**1,018**	**882**
Service cost	195	192	122	135	117	113	141	140
Total remuneration	**1,703**	**1,494**	**847**	**825**	**1,099**	**889**	**1,159**	**1,022**

MANAGEMENT BOARD REMUNERATION IN 2019 ACCORDING TO THE GERMAN CORPORATE GOVERNANCE CODE

In the tables above, the benefits granted, inflows and pension expenses for every member of the Management Board are shown individually in accordance with the recommendations under Clause 4.2.5 (3) of the German Corporate Governance Code.

In line with the German Corporate Governance Code and in deviation from the presentation according to HGB, the bonus (one-year variable remuneration) is stated as the target value in the table "Benefits granted". For the performance cash plan, along with the presentation according to HGB, the value of the plan established in the respective fiscal year is stated as of the date it was granted. The pension expenses correspond to the current service cost for the year under review according to IAS 19.

In line with the recommendations of the German Corporate Governance Code and in deviation from the presentation according to HGB, the bonus expense for the respective year under review is to be stated in the table "Allocations" (payments). For the performance cash plan, the payment made in the respective fiscal year is shown. In line with the German Corporate Governance Code, the pension expense corresponds to the current service cost for the year under review in accordance with IAS 19, even though it does not represent a current inflow but rather a provision for when the recipient is in retirement.

Service costs, which arose from a separate agreement and cannot be allocated to the reporting year, amounted to EUR 372 thousand (EUR 0 thousand) for Felix Zimmermann and EUR 350 thousand (EUR 0 thousand) for Claude Tomaszewski. They are therefore not included in the total remuneration for the 2019 reporting year shown in the table above.

OTHER DISCLOSURES

The Management Board has the option of acquiring TAKKT Performance Bonds. This involves a voluntary participation offer for TAKKT executives, which will allow them to take part in the economic development of the TAKKT Group through bonds. The return of this instrument results from a basic interest rate plus a premium or discount determined according to the performance of the TAKKT Group (TAKKT value added). The subscription amount as well as the attainable return have an upper limit. There are liabilities of EUR 1,371 (1,469) thousand to members of the Management Board from TAKKT Performance Bonds.

In addition, there are pension obligations from the voluntary conversion of part of the bonus into a pension plan (i.e., deferred compensation) in the amount of EUR 1,623 (1,160) thousand. In the fiscal year, the Management Board members voluntarily contributed EUR 100 (110) thousand from the bonus to this plan.

With respect to the members of the Management Board, there are the usual receivables and liabilities from order and employment contracts.

Customary D&O insurances have been taken out for the members of the Management Board. The deductible of the D&O liability insurance corresponds to ten percent of the damages in question, but no more than one and a half times the fixed annual basic salary in accordance with section 93(2) sentence 3 of the German Stock Corporation Act (AktG).

The members of the Management Board did not receive any benefits from third parties in the 2019 or 2018 fiscal years, which were either promised or granted to them in connection with their service on the Management Board.

As of December 31, 2019, the Management Board members held 13,036 (536) shares in TAKKT AG.

REMUNERATION OF FORMER BOARD MEMBERS OF TAKKT AG AND THEIR SURVIVING DEPENDENTS

The payments granted to former Board members of TAKKT AG and their surviving dependents in 2019 came to EUR 381 (379) thousand. The pension provisions for former members of the Management Board as well as their surviving dependents came to a total of EUR 8,953 (7,612) thousand as of December 31, 2019.

REMUNERATION OF THE SUPERVISORY BOARD

The Annual General Meeting on May 15, 2019 revised the regulations on the remuneration of the Supervisory Board and adjusted it to the level of comparable companies. The new remuneration applies retrospectively from the beginning of 2019. The previous remuneration regulation has remained unchanged since the 2013 fiscal year.

Each member of the Supervisory Board of TAKKT AG receives a fixed annual salary of EUR 55 thousand. The Chairman of the Supervisory Board receives double that amount; the Deputy Chairman receives EUR 25 thousand in addition to his fixed annual salary. Members of a Supervisory Board committee receive an additional fixed salary of EUR 3 thousand. The Chairman of the Supervisory Board committee receives double that amount; the Deputy Chairman receives one and a half times that amount. In addition, for each meeting of the Supervisory Board or a committee that they attend, each member receives an attendance fee of EUR 500 per day in attendance. TAKKT AG offers compensation for expenses to the members of the Supervisory Board and also reimburses them for the VAT due on their remuneration and compensation for expenses.

In total, the remuneration of the Supervisory Board in the year under review came to EUR 441 (400) thousand, of which EUR 410 (375) thousand were for activities in relation to the Supervisory Board, EUR 13 (11) thousand for activities in relation to the committees as well as EUR 18 (14) thousand for attendance fees.

Of the claims granted, EUR 423 (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.

Remuneration of the Supervisory Board *in EUR thousand*

2019

	Fixed payments	Committee remuneration	Attendance fees	**Total**
Florian Funck	89.5	3.8	3.0	96.3
Johannes Haupt	80.0	4.5	3.0	87.5
Thomas Schmidt (as of May 15, 2019)	34.7	-	2.5	37.2
Thomas Kniehl	55.0	-	3.0	58.0
Dorothee Ritz	55.0	-	3.0	58.0
Christian Wendler	55.0	3.0	2.5	60.5
Stephan Gemkow (until May 15, 2019)	40.7	2.2	1.0	43.9

2018

	Fixed payments	Committee remuneration	Attendance fees	**Total**
Stephan Gemkow	100.0	5.0	2.5	107.5
Johannes Haupt	75.0	3.8	2.5	81.3
Florian Funck	50.0	-	2.5	52.5
Thomas Kniehl	50.0	-	2.5	52.5
Dorothee Ritz	50.0	-	1.5	51.5
Christian Wendler	50.0	2.5	2.5	55.0

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 Èconomique 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	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	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 shareholders' 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 shareholders' 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 share-holders' 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 share-holders' 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

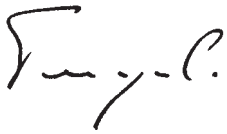
Dr. Claude Tomaszewski, Stuttgart, born April 25, 1969
Member of the Management Board, CFO

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

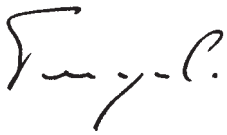

Claude Tomaszewski

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)

GLOSSARY

AVERAGE ORDER VALUE
The average order value is the value of all incoming orders divided by the number of all orders. The average order value is influenced by the product range featured in the advertising media and by the economic development. If the average order value for the entire TAKKT Group is calculated, the exchange rate changes are also an influencing factor.

B2B OR BUSINESS-TO-BUSINESS
Supplier and customer relationships between corporate customers.

DEBT REPAYMENT PERIOD
This figure defines the arithmetical duration of debt repayment in years. TAKKT defines this as average net financial liabilities divided by the TAKKT cash flow.

DIRECT IMPORTS
Direct imports at TAKKT are products that come from countries outside the home market of the respective Group company. In the case of the European divisions, these are all countries outside of Europe as well as Turkey and Eastern Europe.

DIRECT MARKETING
Direct marketing in distance selling refers to addressing potential customers directly via target group-specific sales channels. Within TAKKT this includes online marketing (via search engine advertising, email or e-procurement), catalog mailings, phone calls or personal visits to the customer. The sale of the products is made exclusively via distance selling.

DROP SHIPMENT BUSINESS
Goods ordered by the customer – including bulky items – are delivered from the supplier directly to the customer. The invoicing procedure is the same as with stock shipment.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

E-PROCUREMENT
The electronic catalog available on the internet is edited for the sourcing system or intranet of the customer or for electronic marketplaces. This procurement approach allows the customer to save on transaction costs.

EQUITY RATIO
The equity ratio is determined by dividing total equity by the total assets.

FIELD SALES
The term field sales integrates several classical external sales activities. TAKKT differentiates between two kinds of sales employees. The sales rep acquires new customers and manages major project-based orders. The tasks of a customer relationship manager are similar to those of a key account manager who individually supports customers with a greater turnover potential.

GEARING
Gearing measures the ratio between total equity and net financial liabilities. This ratio is calculated by dividing net financial liabilities by total equity.

INTEREST COVER
This figure shows the relation between the EBITA and net finance expense.

MARKET VALUES
Certain balance sheet items are recognized at the value that can be realized in or be derived from a market – e.g. the stock exchange – at the closing date.

NET FINANCIAL LIABILITIES
Net financial liabilities are the balance of all financial liabilities and liquid funds reported in the balance sheet.

NET PROMOTER SCORE
The Net Promoter Score, or NPS, is a measure that provides insight into the satisfaction of a company's customers. Collecting the value is a common way to capture the likelihood of referral using a standardized survey.

OMNICHANNEL COMMERCE
The Omnichannel Commerce segment addresses corporate customers with complex requirements by using multiple points of contact and a broad range of service offerings via online channels, key account managers and print advertising. The aim is to make the procurement of equipment as easy as possible for customers. This starts with preselected products and a carefully curated range. This broad scope of services is especially appreciated by large and medium-sized companies that strive for maximum procurement process efficiency and have high demands when it comes to product quality. The customer relationships are more loyal and enduring, which is reflected in the high share of business with existing customers.

ONLINE MARKETING

One tool of online marketing is Search Engine Advertising (SEA). The term SEA describes running paid advertisements in online search engines. The advertisements are purchased for certain key search terms. The advertisement generally appears on the first page of the search results. Search Engine Optimization (SEO) is another marketing measure. SEO is the optimization of the content of the web shops for search engines. This is done to gain a higher ranking in their organic results.

PRIVATE LABELS

Private labels are product brands that are internally developed and managed by the TAKKT companies. Individual TAKKT companies are thus introducing new products at the best value for money, for example, to also meet the lesser needs of the entry-level segment. Using performance brands, other Group companies offer products that at least meet the industry standard or even satisfy higher quality standards. These brands improve customer loyalty and usually generate above-average margins.

RISK MANAGEMENT

Systematic approach to identifying and assessing potential risks for a company and choosing and implementing measures to avoid or reduce these risks.

ROCE

The Return on Capital Employed (ROCE) measures the profitability before tax of the capital employed. This key figure shows the EBIT in relation to capital employed, which is defined as total assets reduced by the non-interest-bearing current liabilities. The ROCE therefore expresses the operating earning power of the capital employed.

STOCK SHIPMENT BUSINESS

Goods ordered by the customer are delivered from the warehouse. The products are kept in stock by the TAKKT companies.

TAKKT CASH FLOW / FREE TAKKT CASH FLOW

The TAKKT cash flow is calculated from EBITDA less financial result, current income tax and the balance from other non-cash expenses and income as well as non-cash income and losses on disposals of fixed assets. TAKKT cash flow shows the operational cash flow earned in the reporting period before the effects from the changes in current net working capital. After adjusting the TAKKT cash flow for the change in net working capital and deducting investments as well as adding divestments, the free TAKKT cash flow can be derived. This free TAKKT cash flow can generally be used for acquisitions, payments to shareholders and repayment of financial liabilities.

TAKKT VALUE ADDED

TAKKT value added serves as an important key figure for a longer term, value-oriented controlling. It is defined as the difference between the profit generated and the cost of capital on the average capital employed.

TELEMARKETING / TELESALES

Telemarketing and telesales are sales activities made by calling customers by phone (outbound). TAKKT distinguishes between telesales, which are sales made over the telephone, and telemarketing, which is the preparatory telephonic analysis of potential of customers and arrangement of meetings with them. This is in contrast to the typical inbound activities of direct marketing companies for accepting orders by telephone.

TOTAL SHAREHOLDER RETURN (TSR)

This is also referred to as yield on shares. TSR corresponds to the total return of a share, taking into account share price changes and any dividends distributed.

WEB-FOCUSED COMMERCE

The Web-focused Commerce segment gears its offerings to the less complex requirements of transaction-oriented and more price-conscious B2B customers mainly through online channels. The businesses offer a broad product range with fewer service features at an attractive price level. These customers are generally small and medium-sized businesses. Products from the entry-level price segment are often sufficient for the needs and applications of these customers. The purchasing behavior is less consistent and loyal than that of more service-oriented customers. Accordingly, the share of new customer business in this segment is comparatively high.

LOCATIONS IN EUROPE

AUSTRIA Elixhausen | Salzburg | Wien **BELGIUM** Diegem **CZECH REPUBLIC** Jihlava | Praha **DENMARK** Nivaa **FINLAND** Espoo **FRANCE** Morangis **GERMANY** Berlin | Burscheid | Duisburg | Essen | Groß-Gerau | Haan | Halle | Hamburg | Hückeswagen | Kamp-Lintfort | Köln | Leinfelden-Echterdingen | Markkleeberg | München | Pfungstadt | Plieninig | Remda-Teichel | Schöneiche | Sindelfingen | Stuttgart | Waldkirchen | Weil der Stadt **GREAT BRITAIN** Birmingham | Derby | Dumfries | Glasgow | Gloucester | Hemel Hempstead | Kidderminster | Mitcheldean | Stafford **HUNGARY** Budaörs **ITALY** Calvignasco | Fenegrò **NETHERLANDS** Lisse | Wormerveer **NORWAY** Sandvika **POLAND** Warszawa **PORTUGAL** Lisboa **ROMANIA** Râmnicu Vâlcea **RUSSIA** Moskwa **SLOVAKIA** Nitra **SLOVENIA** Ljubljana **SPAIN** Barcelona | Sant Esteve Sesrovires **SWEDEN** Halmstad | Kalmar | Markaryd **SWITZERLAND** Regensdorf | Steinhausen | St. Sulpice

LOCATIONS IN NORTH AMERICA

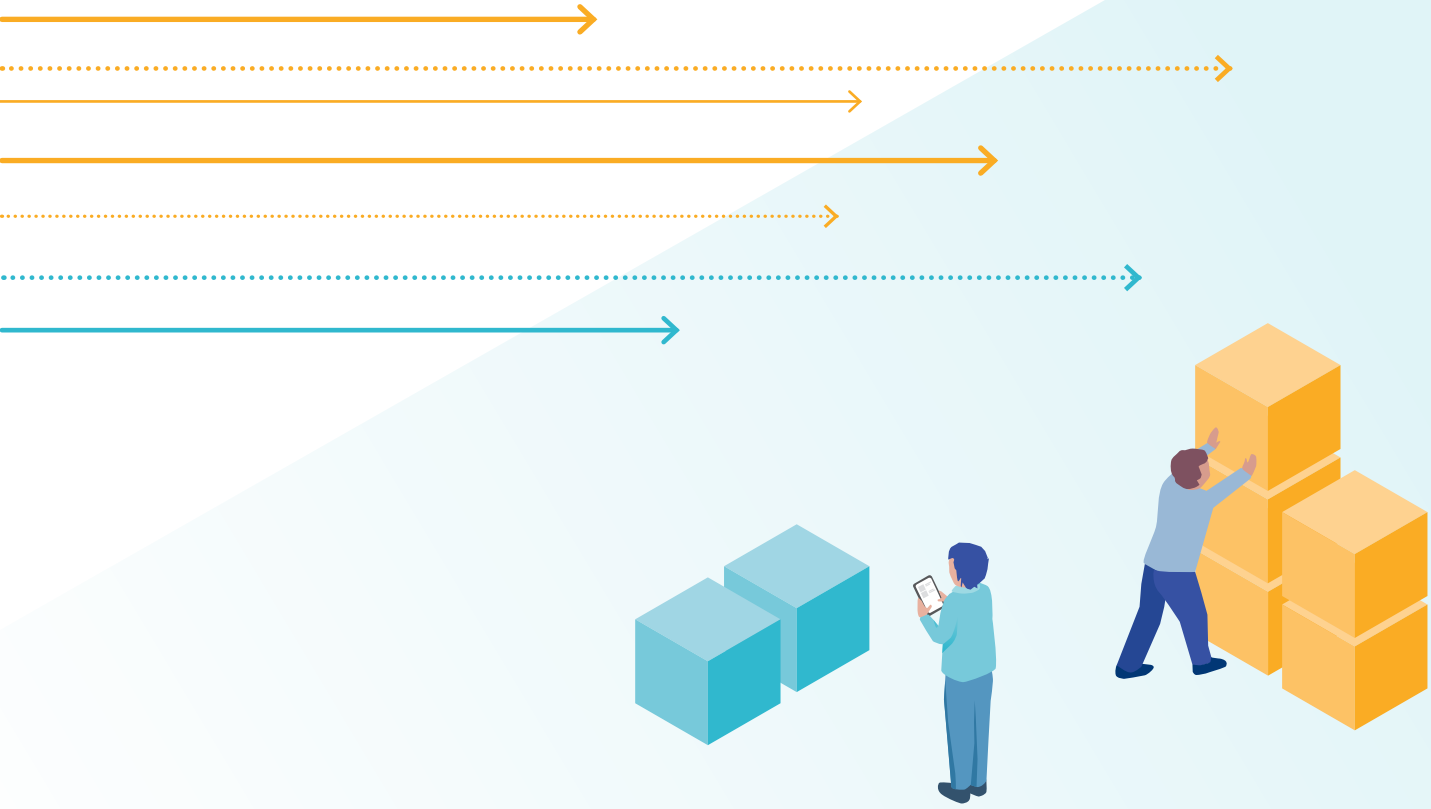
CANADA Markham, ON **USA** Atlanta, GA | Austell, GA | Carlisle, PA | Dallas, TX | Fall River, MA | Harrison, OH | Indianapolis, IN | Las Vegas, NV | Milwaukee, WI | Maple Heights, OH | New York, NY | Reno, NV

FINANCIAL CALENDAR 2020

JANUARY 09	Oddo BHF Forum, Lyon
JANUARY 21	Unicredit and Kepler Cheuvreux GCC, Frankfurt
FEBRUARY 19	Publication of Preliminary Figures for 2019
MARCH 26	Publication of the Annual Report 2019
APRIL 01	Analysts' Conference
APRIL 30	Quarterly Statement 1/2020
MAY 18–20	Berenberg Conference USA, Tarrytown, New York
JUNE 16–17	First Group CEE Consumer Conference, Warsaw
JULY 30	Half-year Financial Report 2020
SEPTEMBER 03	Commerzbank Sector Conference, Frankfurt
SEPTEMBER 22	Berenberg and Goldman Sachs GCC, Munich
OCTOBER 29	Quarterly Statement 3/2020
NOVEMBER 16	German Equity Forum, Frankfurt
NOV. 30–DEC. 03	Berenberg European Conference, Pennyhill, London

All information is subject to changes at short notice. The dates for the Shareholders' Meeting and the Bankers' Day have not yet been set.

IMPRINT



The annual report is published in German and English.
In case of doubt the German version is authoritative.

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DIRK
Deutscher Investor Relations Verband e.V.

TAKKT AG is listed in

DEUTSCHE BÖRSE
PRIME STANDARD

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