

Fiscal year

GENERAL CONDITIONS

After the strong economic recovery in 2021, growth in Europe and North America, which are the relevant regions for TAKKT, was significantly below the values of the previous year in some cases. Economic conditions were characterized by high inflation rates, uncertainty of energy supply, product availability challenges and the more restrictive monetary policy of the central banks. All of these factors resulted in a much weaker business performance than expected at the beginning of the year. The relevant industry-specific indicators for TAKKT, and especially the Purchasing Managers' Index in Europe, deteriorated noticeably over the course of the year.

Overall economic conditions

After the Russian attack on Ukraine, economic forecasts were subject to a high level of uncertainty. For its annual forecast, TAKKT assumed a deteriorating economic environment over the course of the year and GDP growth rates of around three percent. In Germany and the US, the actual development in 2022 was again weaker than expected.

Economic development in Europe and the US in the past fiscal year was heavily influenced by inflation. The inflationary pressure that began in the previous year as a result of limited product availability and the general resurgence in demand continued in the year under review. The onset of war in Ukraine has further exacerbated inflation due to the rise in energy prices. Consumer price inflation in both the eurozone and the US rose to high single-digit percentage levels. The increase in producer prices was once again significantly above that of consumer prices.

GDP growth for the eurozone, Germany and the USA

	GDP growth in percent		
	Actual 2021	Forecast 2022	Actual 2022
Eurozone	5.3	3.2	3.5
Germany	2.6	2.8	1.8
USA	5.9	3.0	2.1

Sources: Statistical offices

Despite the challenging environment, GDP growth in the eurozone reached a robust 3.5 percent. Particularly in the first half of the year, post-pandemic catch-up effects outweighed the consequences of the war. There were significant regional differences within the eurozone. The economy in southern European countries grew at an above-average rate, whereas GDP growth in Germany was weaker with an increase of 1.8 percent. Since production and exports account for a large share of economic output, Germany was particularly hard hit by the high energy prices and supply chain problems. At 2.1 percent, growth in the US was also not as strong as in the previous year. Following the significant expansion of the US economy in 2021, thanks in particular to the strong fiscal and monetary policy support, high inflation and the subsequent monetary tightening dampened growth.

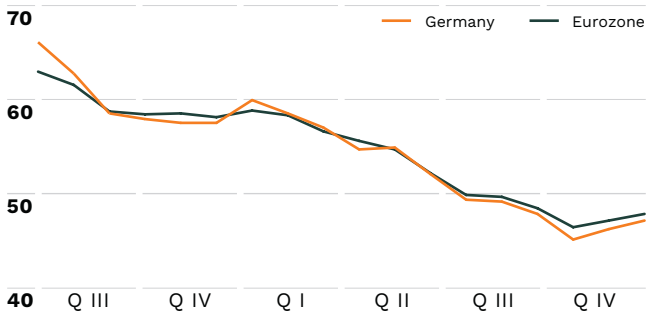
Industry-specific general conditions

TAKKT uses different Purchasing Managers' Indexes (PMIs), among other things, 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 with a lead time of three to six months are indicators for order intake from the manufacturing industry and therefore particularly relevant for the activities of the European Industrial & Packaging division.

- › 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.

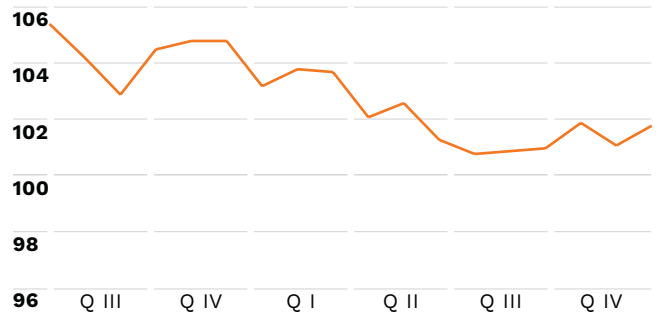
In the past fiscal year, the Russian attack on Ukraine put the PMI for the eurozone on a downward trend. After reaching an annual high of 58.7 points in January, the PMI fell significantly over the course of the year. In July, it dipped below the reference value of 50 points. The index reached its lowest level in October with 46.4 points before stabilizing somewhat. The PMI for Germany also saw a significant decline and developed very similarly to the indicator for the eurozone. At 45.1 points, the annual low of the PMI for Germany in October was even slightly below the level for the eurozone.

Purchasing Managers' Indexes July 2021 to December 2022



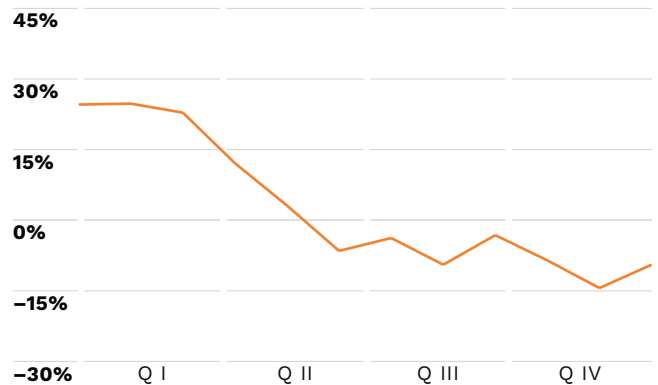
For the US companies Hubert and Central, the Restaurant Performance Index (RPI) is a relevant industry indicator. The RPI is based on a survey of restaurant operators in the United States and takes into consideration assessments of the future as well as the current situation. A value greater than 100 indicates market growth, whereas a value lower than 100 represents a downward trend. The RPI declined significantly from 104.8 points over the course of the year. However, it was consistently above the 100-point mark. In contrast to the previous year, the values were considerably lower on average at 102.0 (104.0) points. However, they continued to indicate a slightly positive market assessment.

Restaurant Performance Index July 2021 to December 2022



BIFMA's assessment of the order intake of furniture manufacturers is an industry indicator for the environment of the US-based NBF. 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 2022, the order intake reported by BIFMA was 2.8 percent above the previous year's level. Order intake declined significantly during the year after strong growth at the beginning of the year. Around the middle of the year, order intake started to decline.

BIFMA order intake in 2022 compared to the corresponding month of the previous year



BUSINESS DEVELOPMENT

TAKKT's business development in 2022 was marked by high inflation rates, limited product availability and the consequences of the Russian attack on Ukraine. Despite these challenges, TAKKT was able to significantly increase its business in the past year. After a very strong start to the year with double-digit organic growth in the first quarter, momentum declined as the year progressed. This was due to the higher basis of comparison as well as the increasingly difficult economic conditions. In the second and third quarters, the Group achieved high single-digit organic growth. TAKKT also benefited from improved delivery capacity due to the previously built-up inventories and high order backlog. Sales declined slightly organically in the final quarter.

War in Ukraine impacts business development

Russia's war of aggression against Ukraine had a significant impact on business development in 2022. After the outbreak of the war, TAKKT quickly decided to cease its activities in Russia. The business had a volume in the low single-digit million euro range in the previous year. The indirect consequences of the conflict were even more severe than this direct effect. Among them are the rise in energy prices, the discussion about energy security in Europe, shipping restrictions and a loss of economic momentum.

High inflation pressure

The purchase price of products increased further in the year under review. At the end of the first quarter, inflation accelerated mainly due to rising energy prices as a consequence of the war in Ukraine. Shipping costs also saw a temporary sharp increase. TAKKT remained committed to its strategy of passing on price increases for products and shipping to customers in full in order to keep its gross profit margin stable. Accordingly, prices were adjusted much more often and to a greater extent than in previous years. In the first half of the year, TAKKT also placed orders earlier and purchased larger quantities to secure lower purchase prices. At the end of the year, inflationary pressure eased, most notably with a substantial drop in producer price inflation. Overall, inflation management was successful and TAKKT was able to maintain the gross profit margin close to its target of 40 percent in 2022.

Improvement of product availability during the year

In 2021, the surge in demand resulted in limited availability for many products. This also continued in the year under review and was further exacerbated by the war in Ukraine. Delivery times were prolonged as a result of China's zero-COVID policy and the high freight capacity utilization, especially for imports from Asia. In order to fulfill as many customer orders as possible, the Group further expanded its inventory levels in the first half of the year. Over the second half of the year, the availability of many products as well as freight capacities improved. As a result, TAKKT was able to significantly reduce its temporarily exceptionally high order backlog by the end of the year.

Industrial & Packaging division achieves robust growth

Growth of the business in the Industrial & Packaging division was very robust for the year as a whole. After a strong start to the year with double-digit organic growth, momentum declined over the course of the year. The higher basis of comparison in the previous year's quarters also contributed to this. While the business was still able to achieve growth in the mid-single-digit percentage range in the second and third quarters, the final quarter saw a decline in the mid-single-digit percentage range.

While the division was still on the market with different brands for regions and product groups in the year under review, the existing parallel structures in marketing and sales for the various brands were replaced by a single, integrated organization. This will enable stronger growth in the future through the expansion of cross-selling. From September onwards, in a first step packaging products from ratioform were sold in particular to KAISER+KRAFT's major customers.

Double-digit growth in the Office Furniture & Displays division

The business of the Office Furniture & Displays division started the new year with strong double-digit organic growth. In the second and third quarters, the division also delivered double-digit growth, although momentum was lower compared to the beginning of the year. Business remained stable in the final quarter. Both companies achieved double-digit organic growth for the year as a whole.

Office furniture sales at NBF began the new year with very good double-digit growth. In the second and third quarters, the pace declined slightly due to the higher reference basis but remained in the double-digit range. Organic sales in the final quarter were slightly below the level of the previous year.

The Displays2go business, which is geared to events such as conferences and trade shows, saw a noticeable improvement in the year under review after a challenging previous year. The company achieved double-digit growth in the first two quarters due to the return of large-scale events such as trade fairs and conferences. The good customer demand also continued in the second half of the year. Growth rates in the third and fourth quarters were in the high single-digit range.

FoodService division generates strongest organic growth in the Group

The FoodService division had a strong start to the fiscal year and benefited from the ongoing recovery in the US market. In the first quarter, the division achieved a strong double-digit growth rate. After a weaker second quarter, the division returned to double-digit growth in the third and fourth quarters. Hubert and Central both contributed to the good growth.

Hubert’s business with food retailers, large canteens and cafeterias continued the recovery that began in 2021. The company achieved double-digit organic growth rates in all quarters after business had still been impacted by the pandemic in the previous year. Hubert generated particularly strong growth in the first three quarters. In the final quarter, momentum slowed somewhat. Despite this, organic sales rose in the double-digit range.

Central’s business, which is geared toward smaller, family-run restaurants, achieved strong growth especially at the beginning of the year, also because the previous year’s quarter was still affected by the impact of the pandemic. Business declined slightly versus a significantly higher basis of comparison in the second quarter. In the third and fourth quarters, Central returned to its growth path and was able to increase business in the double-digit range.