

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 2022 remained largely unchanged from the previous year from the perspective of the TAKKT Management Board.

Systematic management of risks and opportunities

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 division presidents, the managing directors of the Group companies and the Group functions Operations, Technology & Data, Finance and HR. Internal Audit and Legal also support the process.
- › 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, uniform rules of management and the two-man rule applied throughout the Group.
- › The Supervisory Board, represented by the audit committee, 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.
- › Internal Audit continuously supervises the major processes of all Group companies to ensure that they perform well, are cost-effective and comply with 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 various divisions with their 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.

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.

In order to ensure to secure essential commercial and operational processes, the TAKKT Group deploys an accounting-related and performance-related internal control system. Both are part of the entire internal control system of the TAKKT Group and are 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 and the effectiveness of controls in the operating processes are 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 in a risk control matrix. In addition, the individual risks are aggregated into an overall risk. Based on this process, 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.

Internal control system for accounting process in accordance with sections 289(4) and 315(4) of the German Commercial Code (HGB)

The internal accounting control system 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.

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. 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. The status of the internal control system is reported to the Management Board and the Supervisory Board represented by the audit committee.

Performance-based internal control system pursuant to section 91(2) of the German Stock Corporation Act (AktG)

The performance-based internal control system extends to the operational processes of the entire TAKKT Group. Its purpose is to ensure the correctness and reliability of operating processes.

For all performance-related processes, the fundamental elements of the internal control system include the principle of cross-checking by a second person, the separation of duties principle, signatory and approval policies, access restrictions to information and buildings, sanctions list screening, and ensuring the availability of the necessary information.

The results of the self-assessments are verified by internal auditing. In addition, the maturity level of the internal control system is assessed by the Internal Audit department within the scope of internal audits. The status of the internal control system is reported to the Management Board and the audit committee/Supervisory Board.

Overview of opportunities and risks

	Economy and competition	Corporate strategy and positioning	Operating processes	Finance and legal
Possible risks	<ul style="list-style-type: none"> › Economic downturn › More aggressive competition from established providers and new market participants 	<ul style="list-style-type: none"> › Structural changes in demand › Implementation risk in relation to the transformation › Integration risks associated with acquisitions › Risks associated with disposals › Loss of major customers › Increasing dependence on e-commerce 	<ul style="list-style-type: none"> › Limited product availability and rising purchasing prices › Disruption of operational business › Limited availability and performance of the IT and communications systems › Introduction of new IT systems › Cybercrime › Quality problems related to direct imports 	<ul style="list-style-type: none"> › Exchange rate risks: Transaction risks and translation risks › Increased loss of receivables › Legal and compliance risks › Risks from tax and tariff changes › More restrictive data protection regulations
Possible opportunities	<ul style="list-style-type: none"> › Economic upswing 	<ul style="list-style-type: none"> › New strategic and organizational positioning › Increasing market shares for distance selling and strong growth in e-commerce › Value-creating acquisitions and start-ups › Sustainability as a competitive advantage › New products and services for new working environments 	<ul style="list-style-type: none"> › Further development of IT applications 	<ul style="list-style-type: none"> › Good access to capital

Continuous analysis and monitoring of opportunities and risks

The opportunities and risks relevant for the TAKKT Group are listed by topic in the table above and 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 divisions 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 risks of the Group are explained in the following; the opportunities are discussed starting on page 77.

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 three divisions, Industrial & Packaging, Office Furniture & Displays and FoodService.
- › 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 dependence on individual markets.

In particularly severe economic crises such as the months following the outbreak of the coronavirus pandemic in 2020, TAKKT is only able to benefit from the diversification of its business to a limited extent because most customer groups in nearly all industries and regions strongly refrain from making investments in these circumstances. A crisis triggered by a pandemic is particularly challenging because customer demand can decline much faster and more sharply than in the case of economic crises attributable to purely financial factors.

TAKKT is able to react relatively quickly to economic crises and flexibly adjust a large part of the costs and capital expenditures to new conditions. Accordingly, in 2020 TAKKT responded to the economic consequences

of the coronavirus pandemic with cost-saving measures, particularly in the area of marketing costs and personnel expenses. TAKKT has also significantly reduced other expenses. The aforementioned savings helped TAKKT to offset the pandemic-related decline in gross profit by around a quarter for 2020 as a whole. Overall, EBITDA before one-time effects decreased by around one-third year-on-year. As a consequence of the global financial and economic crisis, there was also a sharp decline in sales in 2009, which came to a little more than 25 percent. With a margin of around ten percent, EBITDA decreased by around 50 percent compared to the previous year.

In order to assess macroeconomic developments, the TAKKT Group uses the forecasts of various widely recognized institutions such as the International Monetary Fund and banks. At the beginning of 2023, the economic conditions and expectations in the relevant target markets in Europe and the US were very subdued. Due to the still uncertain economic environment, TAKKT classifies the probability of occurrence of a stronger than expected economic downturn as possible. In particular, an even more restrictive monetary policy could contribute to a more severe economic slowdown. In addition, further unforeseen effects from the war in Ukraine could have a significant impact on economic development. The potential impact on earnings of a sharper economic contraction remained unchanged compared to the previous year at over EUR 20 million. It therefore represents a significant risk for TAKKT.

More aggressive 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 35 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.

Supported by the new organizational structure in three divisions for specific work environments, the TAKKT companies aim to have an even more customer-oriented market positioning in the future and also stand out from the competition. Integrating different sales brands within one division and bundling sales and marketing activities will also allow TAKKT to address customers with cross-selling offers and meet their needs for a wide range of products. In addition, TAKKT strengthens its own market position by placing even greater focus on e-commerce and expanding its product range with highly sustainable products.

Furthermore, TAKKT distinguishes itself through focused positioning of the different brands. They are positioned either as CORE brands with an emphasis on exceptional quality and comprehensive service or marketed as VALUE brands with more affordably priced product ranges sold predominantly via digital channels. Medium-sized and large companies usually pursue a strategic procurement approach. This type of customer is interested in high-quality products and services, customized advice and comprehensive after-sales service. TAKKT serves these customers with its CORE brands. VALUE brands are geared to more price-sensitive customers with less complex requirements. These are often small and medium-sized businesses that are looking for good quality products at excellent value for money predominantly via digital channels.

TAKKT rates the probability of occurrence of the risk from established providers and new market participants as possible, with a potential negative impact on earnings of more than EUR 20 million. This risk is therefore considered to be significant.

Corporate strategy and positioning

Risk from structural changes in demand

The way in which people collaborate is changing as a result of the digitalization of the working world. Given the established use and further development of technologies, more flexible forms of working will become more common and remote working will increase. This trend has been accelerated further by the coronavirus pandemic. As a result, there is the risk that the need for traditional office space and thus corporate demand for traditional office equipment will decrease in the medium term.

Similar to the growing prevalence of flexible formats in daily collaboration, the changes brought about by the coronavirus pandemic will have an impact on conferences, trade shows and other event formats. TAKKT believes that in-person events will not have the same importance in the future as they did before the pandemic. Instead, conferences and trade fairs will continue to be held virtually in some cases or in a hybrid format with both on-site and virtual participation possible. A long-term decline in the number and importance of in-person events could mean permanently lower demand for advertising banners and displays.

TAKKT is observing these trends and the demand behavior of customers and continuously adapting the product ranges to the new circumstances. For example, the TAKKT companies offer products for new office concepts, remote work and to facilitate working from home. TAKKT also has diversified positioning both internationally and in terms of its products. This reduces dependence on individual product groups such as office equipment or displays. TAKKT considers the probability of occurrence of the risk from structural changes as possible and anticipates a potential impact on earnings of more than EUR 20 million. This risk is therefore considered to be significant.

Implementation risk in relation to the transformation

In the implementation of the new strategy comprising the three pillars of Growth, OneTAKKT and Caring, the focus in the 2021 fiscal year was on integrating purchasing, marketing and sales in the largest division Industrial & Packaging and on developing the group functions. The goal of the new alignment is to have an even more integrated structure and further improve the focus on customers. Further information on the new structure can be found in this report in the sections “Organization and business areas” starting on page 30 and “Corporate goals and strategy” starting on page 36. TAKKT expects the transformation to result in stronger organic growth. Delays could occur during the course of this change process, causing goals or partial goals to be achieved late or results to be unsatisfactory. This mainly involves the creation of new structures for the Group functions and bundling of the activities in the areas of sales, marketing and category management in the divisions. One of the consequences of brand

harmonization could be the loss of individual customers and lower sales. In addition, the implementation could incur higher costs than expected or not have the desired effect on sales and earnings figures.

Furthermore, implementation of the new strategy also involves personnel risks. As part of the organizational transformation, the functions and areas of responsibility will be realigned. This could mean that employees may have to give up their previous 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.

In order to address these risks, the organizational and strategic 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 makes it possible to keep a close eye on the implementation and success of the transformation and take early countermeasures if there are impending deviations from target. TAKKT addresses personnel risks through continual employee development. TAKKT also builds up additional necessary skill sets by recruiting new staff. In addition, TAKKT supports employees during the transformation process through comprehensive change management and addresses questions and concerns.

TAKKT considers the probability of occurrence of the implementation risk from the transformation to be possible. The loss could come to over EUR 20 million. TAKKT therefore considers this risk to be significant.

Integration risks associated with acquisitions

The TAKKT Group makes targeted acquisitions to strengthen the existing businesses and to expand the value proposition. On the one hand, this is 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 does 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 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 holds shares in young companies with a business model that is innovative but has yet to be proven over the long term. The probability that these shareholdings turn out to have no substantial value is deemed to be higher.

Risks associated with disposals

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 discontinuation 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.

Loss of major 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 dependence on e-commerce

TAKKT is driving forward the expansion of the e-commerce business by continuously improving its websites and web shops. Technological progress places constantly changing demands on the online presence. In online marketing, algorithm changes can also result in a loss of sales. The TAKKT companies address this risk by continuously adapting the content and structure of the web shops to the changing algorithms so that the

company’s website does not fall behind in the search engine rankings, causing the shops to lose potential customers. Online marketing is continuously optimized in response to changing conditions and technological trends. In addition, the company is in dialogue with search engine operators. The new strategy also includes greater standardization of the technologies used and the methods for measuring success in e-commerce.

Operating processes

Limited product availability and rising purchasing prices

In the event of limited availability of products over a longer period of time as a result of fully utilized transport or manufacturing capacities or potential production disruptions, TAKKT would not be able to meet existing customer demand and incoming orders with the usual speed. This would lead to an increase in order backlogs as well as delayed recognition of sales and earnings. In addition, there is an increased risk of order cancellations and a decline in future orders. In order to minimize this risk, TAKKT continuously monitors the order backlog and also adjusts its own purchasing behavior and inventories if necessary. There was a marked improvement in product availability during the course of the 2022 fiscal year.

In addition to product availability, a risk could also arise in the event of an exceptionally rapid increase in purchasing or transport prices. As a rule, TAKKT contracts external logistics companies for shipping. In general, the TAKKT companies pass on price increases for products or transport in full to customers in order to keep their gross profit margin stable. Particularly sharp or unexpected price increases, such as a rise in inflation, may only be passed on to customers with a time delay or not in full. An increase in energy prices, for example due to a gas shortage in Europe, could lead to a significant increase in manufacturing and especially transport costs. An exceptionally high level of inflation can also have an indirect negative impact on economic conditions and customer demand.

In order to counter this risk, TAKKT adjusts its prices at shorter intervals if necessary. In the past fiscal year, TAKKT was able to maintain the gross profit margin almost on par with the previous year’s level by passing on the higher costs quickly and in full. In addition, the Group starts price negotiations with suppliers and major customers early in such cases.

With a possible probability of occurrence and potential impact on earnings of between EUR 10 and 20 million, TAKKT deems the risk from restricted product availability and rising purchasing prices to be significant.

Disruption of operational business

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. In addition, TAKKT can benefit from better pricing by bundling product purchases. The business units only set up smaller regional warehouses to provide optimum delivery services if necessary, such as in the Nordics, Eastern Europe or the US. Due to the focus on a small number of central warehouses, this could result in temporary restrictions or even a breakdown of operations in the event of a severe disruption in one of the warehouses. Such a disruption could occur in the case of a fire, natural disaster or due to a temporary closure of the location during a pandemic.

TAKKT covers these risks wherever possible with insurance against fire, theft or business disruptions. In addition, each business unit 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. Due to the coronavirus pandemic, TAKKT implemented extensive protective and precautionary measures in the warehouses such as separating the staff into different shifts.

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 or interrupted. In order to address this risk, TAKKT relies on powerful systems and software and also has back-up solutions in place that can take over in the event of problems in the primary system. Instead of a central internal infrastructure,

TAKKT is increasingly using cloud solutions on an external infrastructure. Cloud solutions offer better scalability and central backups as protection against failure of individual servers in the cloud. TAKKT wants to reduce the complexity of the infrastructure further and achieve better performance through greater standardization of the IT systems used, such as for enterprise resource planning and web shops.

Introduction of new IT systems

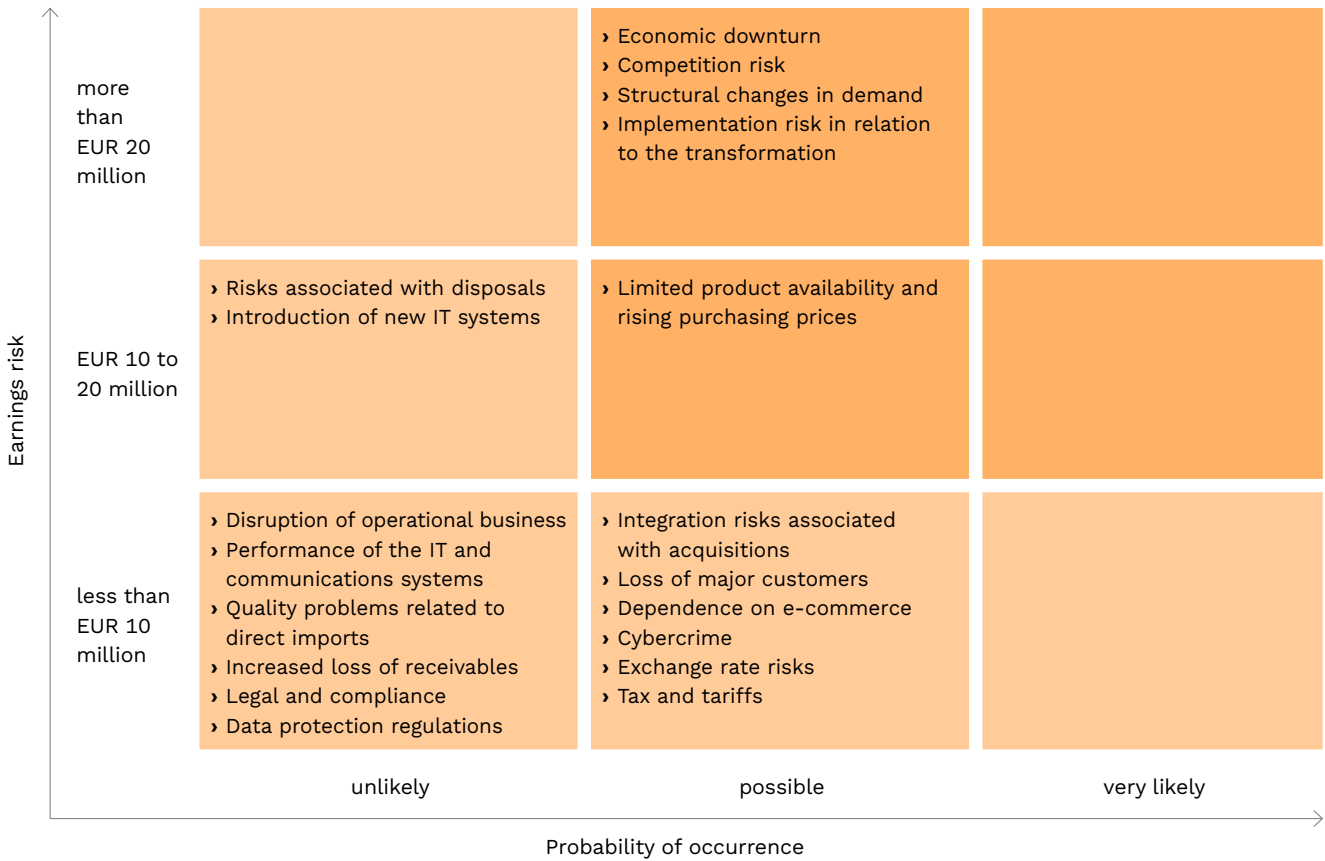
Increased risks can arise in relation to the introduction of new IT systems, especially ERP and web shop systems, if the smooth continuation of business processes are affected as a result of complications during integration of a new IT system. In order to address the risks associated with the introduction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

Cybercrime

Since TAKKT is an e-commerce company with digital business processes, it is at risk of falling victim to cybercrime. Risks can arise from fraud attempts initiated via 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. Cyberattacks could also lead to the disruption of business operations, thereby resulting in financial loss and reputational damage. As a result of the war in Ukraine and the sanctions against Russia, there is the danger that the number of such fraud attempts will rise.

The IT systems are continually monitored and improved in order to limit the risks and ensure smooth operation. TAKKT also addresses the cybercrime risk by establishing defined processes such as cross-checking by a second person and individually verifying any changes in the payment data of the recipient. Furthermore, employees receive fraud awareness training on a regular basis through guidelines and courses. TAKKT counters potential unauthorized access to IT systems with technical preventive measures, which include the detection and prevention of attacks. In addition, TAKKT develops and creates emergency response plans in the event of a

Risk matrix



successful attack, which serve as a guideline for a quick and structured approach to minimize the damage and restore the systems to the fullest extent possible.

Quality problems related to direct imports

TAKKT is increasingly sourcing products via direct imports, i.e., products that come from countries outside the home markets of the respective Group company. For products that are procured from direct import countries in Asia or other third countries, there is a greater risk that these goods have quality defects and thus do not meet the standards of the sales markets in Europe and North America. Besides product quality, this also applies to potential problems with regard to certifications or test seals. The products concerned can either not be offered or only offered at a greatly reduced price. In order to address this risk, TAKKT carries out standardized checks of suppliers and product sample testing through official testing bodies.

Finance and legal

Exchange rate risks: Transaction risks 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 at around 50 percent, rolling over the next twelve months. 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 81). TAKKT does not hedge against these risks as there are no economic grounds to justify putting proper hedging mechanisms in place.

Increased loss of receivables

In the course of TAKKT's business activities, receivables from customers may not be collectible and therefore have to be written off. Systematic receivables management and regular checks on the creditworthiness of customers prior to transactions mean that TAKKT has a very low loss rate of well below half a percent in relation to sales. Economic crises, such as the one caused by the coronavirus pandemic, pose the risk of heightened losses on receivables due to the insolvency or financial difficulties of customers. In such cases, TAKKT may demand advance or installment payments or block customers with a negative payment history.

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 the 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. A compliance management system, training for employees in the respective issues as well as a hotline for reporting possible violations are in place to counter this risk.

Risks from tax and tariff changes

The number of trade conflicts worldwide has risen in recent years. In view of this, there is still the risk that countries will raise the customs duties 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. Due to its international business activities, TAKKT is subject to a variety of tax laws. In certain countries, there may be changes in tax regulations and a greater number of tax audits. 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 2022 fiscal 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. The probability of occurrence and severity of the aforementioned risks are shown in the matrix on page 75. The most significant risk for the TAKKT Group, which is also a noteworthy opportunity, continues to be the economic trend.

There is also the risk that the entry of new 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.

TAKKT also deems the risk from structural changes in demand to be significant. The trend towards new forms of collaboration and virtual or hybrid event formats has been accelerated by the consequences of the coronavirus pandemic. This could result in long-term market changes. As a result, there is the risk of decreased demand for office equipment and displays in the medium term.

In addition, there are significant risks in connection with the implementation of TAKKT's 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 sales and earnings trends.

Limited product availability and rising purchasing prices also represent a significant risk for TAKKT. For example, if sales and earnings are delayed due to limited product availability and/or cannot be fully recognized or rising purchasing prices cannot be passed on in full.

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.

Economic upswing

TAKKT expects a difficult economic environment for 2023. Positive economic developments beyond the planning assumption, such as an easing of geopolitical conflicts or inflation rates dropping more sharply and faster than expected, represent an opportunity for the TAKKT Group.

New strategic and organizational positioning

In the past year, TAKKT made good progress in the implementation of the new strategy with the three pillars of Growth, OneTAKKT and Caring (see the "Corporate goals and strategy" section starting on page 36). The focus was on integration of the largest division, Industrial & Packaging. In addition to efficiency and synergy gains, cooperation between the sales brands in sales and marketing activities also allows customers to benefit from increased cross-selling across different product groups.

Along with the integration of purchasing, marketing and sales in the Industrial & Packaging division, top priority was given to development of the group functions. The focus of the group functions will be on logistics, technology & data, finance and HR. TAKKT expects the stronger integration to enable more effective utilization of resources, greater scaling, the use of additional synergies and an improvement of important operational processes. The goal of the changes at the division and Group level is to achieve stronger organic growth, higher market shares and a sustained improvement in earnings.

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

As discussed in the presentation of the competitive environment on page 35, 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 above-average long-term 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.

In order to maximize the resulting growth potential, an essential part of the strategy involves strengthening e-commerce expertise. The goals include improvement and greater standardization of the web shop platforms, efficiency gains through the shared use of IT infrastructure, and the expansion of Group-wide collaboration.

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 other companies offering products or services that expand the existing range of services for customers. TAKKT sees investments in value-creating acquisitions as a key growth opportunity and wants to significantly increase the acquisition volume by 2025.

In the past, TAKKT often benefited from the additional contributions to sales and earnings of the acquisitions. In addition, the company has gained special expertise that can be used throughout the Group through these acquisitions. TAKKT has long-standing experience with integrating new companies into the Group. The integration of supporting functions such as IT or logistics will allow even closer integration of newly acquired

companies in the future. TAKKT will consequently be able to leverage the advantages of greater scalability and higher potential for achieving added value with future company acquisitions. Exploring and taking advantage of value-creating acquisition opportunities will therefore also be a focus 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 is convinced that providers who focus on sustainability will be better able to compete better in the long run. B2B customers are increasingly demanding responsible and sustainable action from their suppliers and partners as well as products that meet sustainable criteria. In order to meet this need, TAKKT has introduced a product classification system for sustainable (“enkelfähig”) products. It takes into account the criteria of profitability, circularity, climate change, biodiversity, innovation and technological progress. TAKKT sees great opportunity for growth in marketing these products and wants to increase their share of sales to 40 percent by 2025.

New products and services for new working environments

“Bringing new worlds of work to life” is the vision behind the strategic positioning of the TAKKT Group. The worlds of work are undergoing a fundamental transformation, accelerated by the coronavirus pandemic. Playing a decisive role in this are significant trends like the shortage of skilled workers, the growing importance of health and prevention, digitalization and climate change. As a result, the increasing competition for employees to fulfill many tasks will lead to greater automation and the use of artificial intelligence. In addition, attractive workplace design and environments are becoming an increasingly important factor when it comes to acquiring and retaining employees.

By placing a sharper focus on innovation and cross-functional collaboration, TAKKT wants to develop the right products for the work environments of the future together with customers and suppliers and integrate them into its product range. This means that analyzing customer needs and the services related to this will account for a greater part of value creation.

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. As part of the transformation process, the system landscape will be simplified and aligned step by step. This also includes the introduction of new ERP systems and CRM software for some activities. The Group expects this to result in efficiency gains, reduced complexity and ultimately lower costs per transaction.

Good access to capital

TAKKT has good access to capital due to a diversified financing structure that is geared towards the long term. 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.