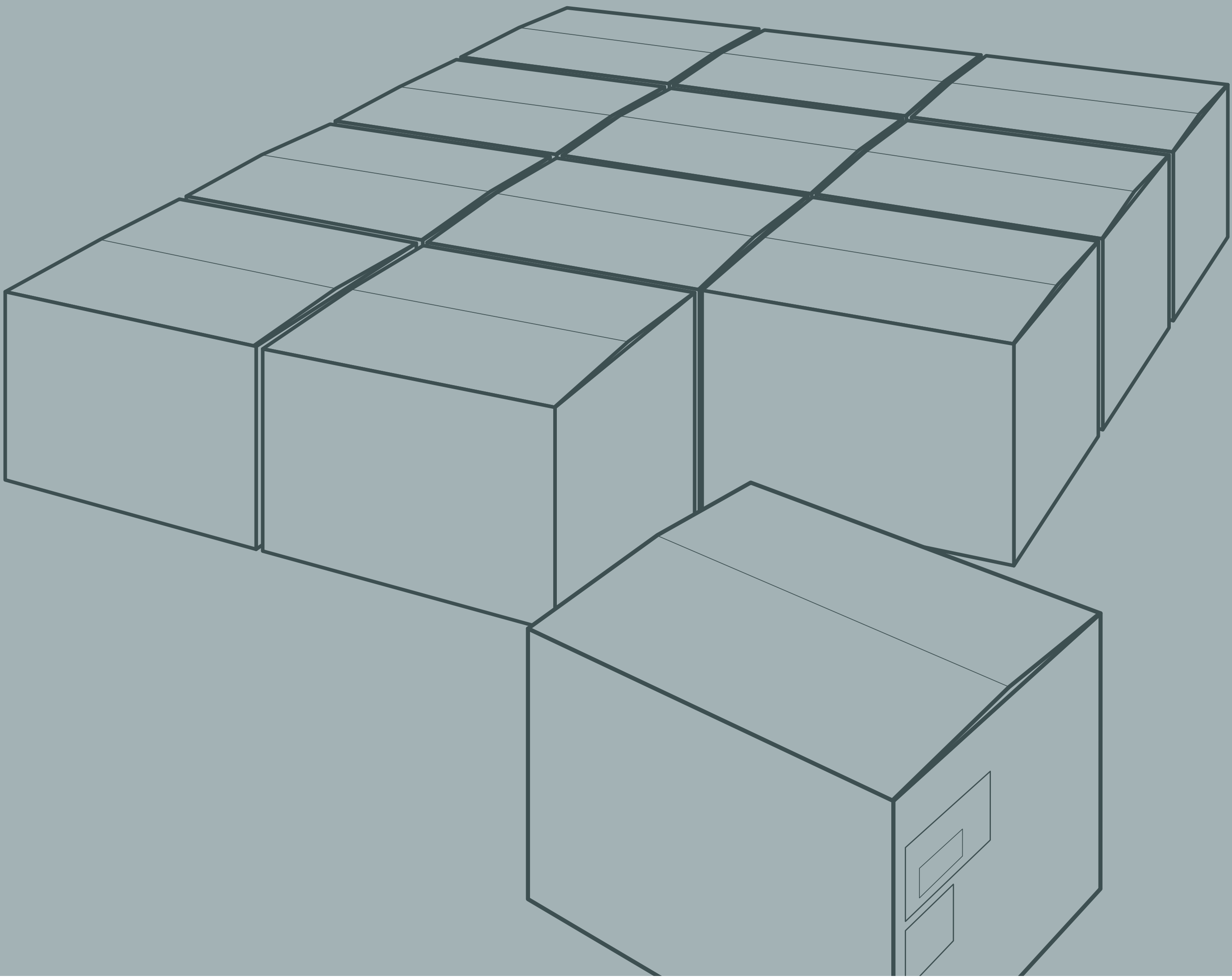
TAKKT AG
BUSINESS EQUIPMENT SOLUTIONS



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Annual Report of TAKKT Group

Key figures of TAKKT Group *in EUR million under IFRS*

	2006	2007	2008	2009	2010
Turnover	**958.5**	**986.2**	**932.1**	**731.5**	**801.6**
Change in %	24.0	2.9	–5.5	–21.5	9.6
EBITDA	**119.5**	**142.3**	**133.1**	**68.7**	**100.6**
in % of turnover	12.5	14.4	14.3	9.4	12.6
EBITA	**105.2**	**125.0**	**117.3**	**49.4**	**80.8**
in % of turnover	11.0	12.7	12.6	6.8	10.1
EBIT	**105.2**	**125.0**	**117.3**	**49.4**	**68.0**
in % of turnover	11.0	12.7	12.6	6.8	8.5
Profit before tax	**92.9**	**116.1**	**111.0**	**42.4**	**59.0**
in % of turnover	9.7	11.8	11.9	5.8	7.4
Profit	**62.5**	**79.3**	**75.1**	**27.8**	**34.6**
in % of turnover	6.5	8.0	8.1	3.8	4.3
TAKKT cash flow	81.7	101.2	97.1	56.1	70.3
Capital expenditure (incl. acquisitions and finance leasing)	72.0	47.4	27.9	60.1	6.7
Depreciation and impairment	14.3	17.3	15.8	19.2	32.7
TAKKT cash flow per share in EUR	1.12	1.39	1.33	0.84	1.07
Earnings per share in EUR	0.84	1.07	1.01	0.41	0.52
Dividend per share in EUR	0.25	0.80*	0.80*	0.32	0.32
Non-current assets	**352.5**	**333.4**	**353.9**	**386.8**	**377.8**
in % of total assets	61.5	60.7	66.7	72.1	69.8
Total equity	**275.5**	**324.9**	**327.7**	**242.1**	**251.7**
in % of total assets	48.1	59.2	61.7	45.1	46.5
Net borrowings	**164.8**	**81.6**	**79.9**	**180.8**	**139.2**
Employees (full-time equivalent) at 31.12.	**2,027**	**1,971**	**1,960**	**1,768**	**1,807**

**) thereof special dividend of EUR 0,48*

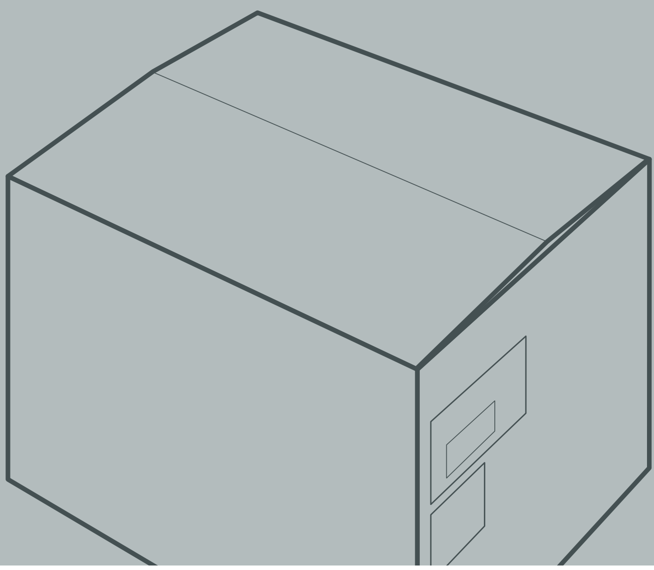
OUR MISSION STATEMENT

TAKKT Group is the market-leading B2B direct marketing specialist for business equipment in Europe and North America. TAKKT has about three million customers in over 25 countries around the world. We enter new markets wherever we see positive prospects for success, by either founding new companies or acquiring existing ones. Our success is based on an efficient and strong system business, which the Group continuously optimises.

TAKKT acts as a one-stop shop, supplying its customers with everything they need for their business. Our Group companies use hundreds of suppliers to compile a comprehensive range of more than 160,000 high-quality products. Our portfolio is complemented by an exemplary service. For us, customer focus begins before an order is placed and does not finish once the goods have been delivered.

We attach great importance to the principles of sustainability. We ensure that resources are conserved, both in our core business and beyond. We are dedicated to pursuing the interests of our employees and society. We are aware that economic success and sustainable actions must not be mutually exclusive in the long term.

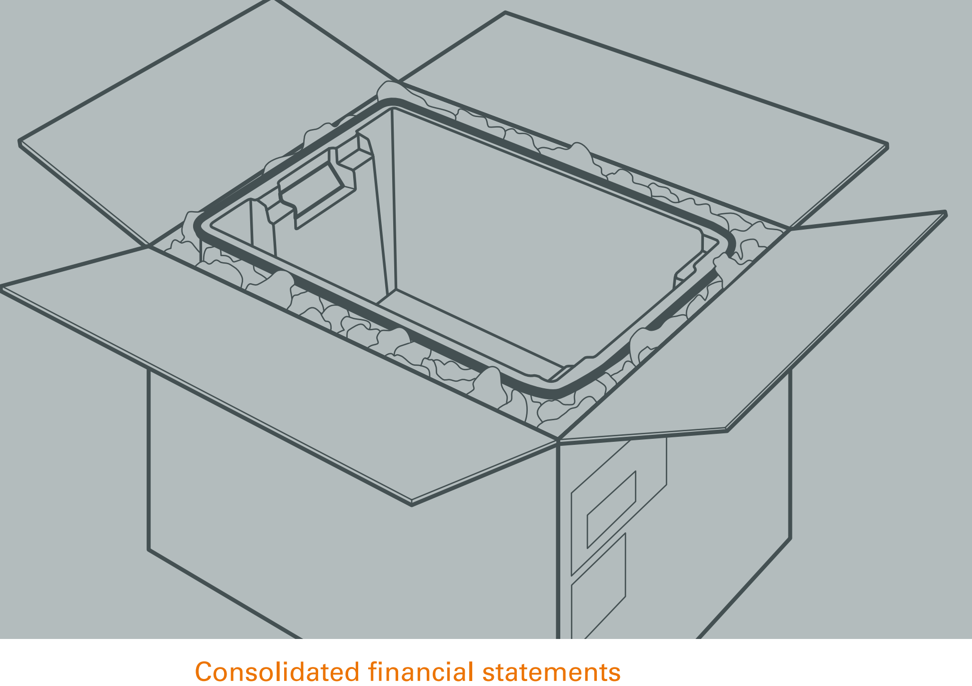
> Our objective: We want to be the world's leading B2B direct marketing specialist for business equipment.



OUR OBJECTIVE: WE WANT TO BE THE WORLD'S LEADING B2B DIRECT MARKETING SPECIALIST FOR BUSINESS EQUIPMENT.

Management Board

Management report



Divisions

TAKKT share

Corporate management

Consolidated financial statements

TAKKT IS THE LEADING B2B DIRECT MARKETING SPECIALIST FOR BUSINESS EQUIPMENT IN EUROPE AND NORTH AMERICA.
TAKKT'S FOCUS AND GROWTH INITIATIVES HAVE LAID THE FOUNDATION FOR FURTHER SUSTAINABLE AND PROFITABLE GROWTH.

Dr Felix A. Zimmermann
CEO

Ladies and gentlemen

Blue skies and calm seas do not reveal whether a team works and performs well. Only when conditions become rough and uncomfortable can a team prove that it is capable of pulling together and taking the strain. This does not only apply to sports competitions. It goes for all groups of people – be it families, companies or other organisations.

TAKKT Group stood its ground well in the most difficult phase of the company's history. The global economic crisis, which flared up in late 2008, left its mark – not only in the shape of dwindling turnover and income – and it remains impossible to gauge when we will finally overcome all of its repercussions. We commenced restructuring with our FOCUS strategy programme back in 2009 and also adjusted our staffing levels. At the same time, we have set the course for our Group's future with the GROWTH programme. We have continued to consistently implement this forward-looking initiative in 2010. In total, we have launched eight new business activities in seven different countries, thereby further expanding our leading position in the specialist B2B direct marketing sector. You will find the details on the GROWTH projects in the sections about the respective divisions in this annual report.

Back on track for growth

During the past financial year 2010, we grew our turnover by 9.6 percent to EUR 801.6 million. Adjusted for currency and acquisition effects, the increase amounted to 4.8 percent. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 46.5 percent and reached EUR 100.6 million. By posting an EBITDA margin of 12.6 percent, we have succeeded in returning to our own target corridor of twelve to 15 percent already one year after the 2009 crisis. We therefore clearly exceeded our own forecasts made at the beginning of the year. Of course, we benefited from the economic recovery which was stronger than expected. However, a number of important internal factors also enabled us to quickly return to profitable growth in 2010.

At the heart of this is a healthy company. It rests on a sound business model, a sustainable corporate strategy, financial solidity as well as good cooperation between staff, management and the Supervisory Board.

A healthy company is also willing to reassess and has the courage to move away from familiar structures if better ones are available. By reorganising the Group into the two divisions TAKKT EUROPE and TAKKT AMERICA in 2010, for example, we did just this. This clearer structure provides a good framework for the coming growth initiatives.

Last but not least, these success factors include the openness to react quickly to changes in the environment. For instance, the internet has permanently changed both external and internal business processes within the space of a decade. We reacted quickly to this development and built up web shops as sales channels complementing our catalogues at an early stage. By establishing web-only brands, we are now taking the next logical step. By taking these actions, we have increased the share of turnover we generate online from less than one percent to over 19 percent within only ten years.

Fit for the future

Is TAKKT fit for the future? Based on what we have learnt during the 2009 crisis year and the 2010 recovery, we should be able to answer "yes" to this question. However, the Management Board does not want to settle for a static description of the status quo. In a world where change picks up pace at an ever increasing rate, we have to make sure that we move with the times. That is why we have established an Advisory Board in 2010 to discuss important issues for the company's development in strategy forums held twice a year. In addition to e-commerce, these include projects such as the regional and sector-specific expansion of the business model. While the strategy forums concentrate on exchanging thoughts and discussing matters with external experts, we have also established a forum which promotes knowledge sharing and the development of ideas within the company itself: the Future@TAKKT Conference. The management report and magazine sections of this annual report contain detailed information on how we, together with TAKKT Group's employees, intend to keep the company fit for the future using various different initiatives.

Changes in the Supervisory Board

I would like to welcome our new Supervisory Board members Prof. Dr Jürgen Kluge and Stefan Meister, who were elected to succeed Dr Eckhard Cordes and Michael Klein at the Annual General Meeting (AGM) in May 2010. I also take this opportunity to thank Dr Cordes and Mr Klein for their trusting and valuable cooperation during their time on the TAKKT Supervisory Board. At the same time, I am delighted that we were able to retain Mr Klein as Chairman of the above-mentioned TAKKT Advisory Board.

Looking forward

On behalf of the whole Management Board, I would like to thank our business partners for their good cooperation. Our thanks also go to our customers and shareholders for their continuing trust. I would particularly like to express my thanks to all the staff of the TAKKT Group. Their commitment was the most important factor in enabling us to pick up the pace again in 2010.

I am confident that we will be able to generate further profitable organic growth in 2011 based on our sound market position, the numerous growth initiatives, the support of our staff and the economic outlook. In addition to this, we will continue to keep our eyes open for additional external growth opportunities.

Stuttgart, March 2011

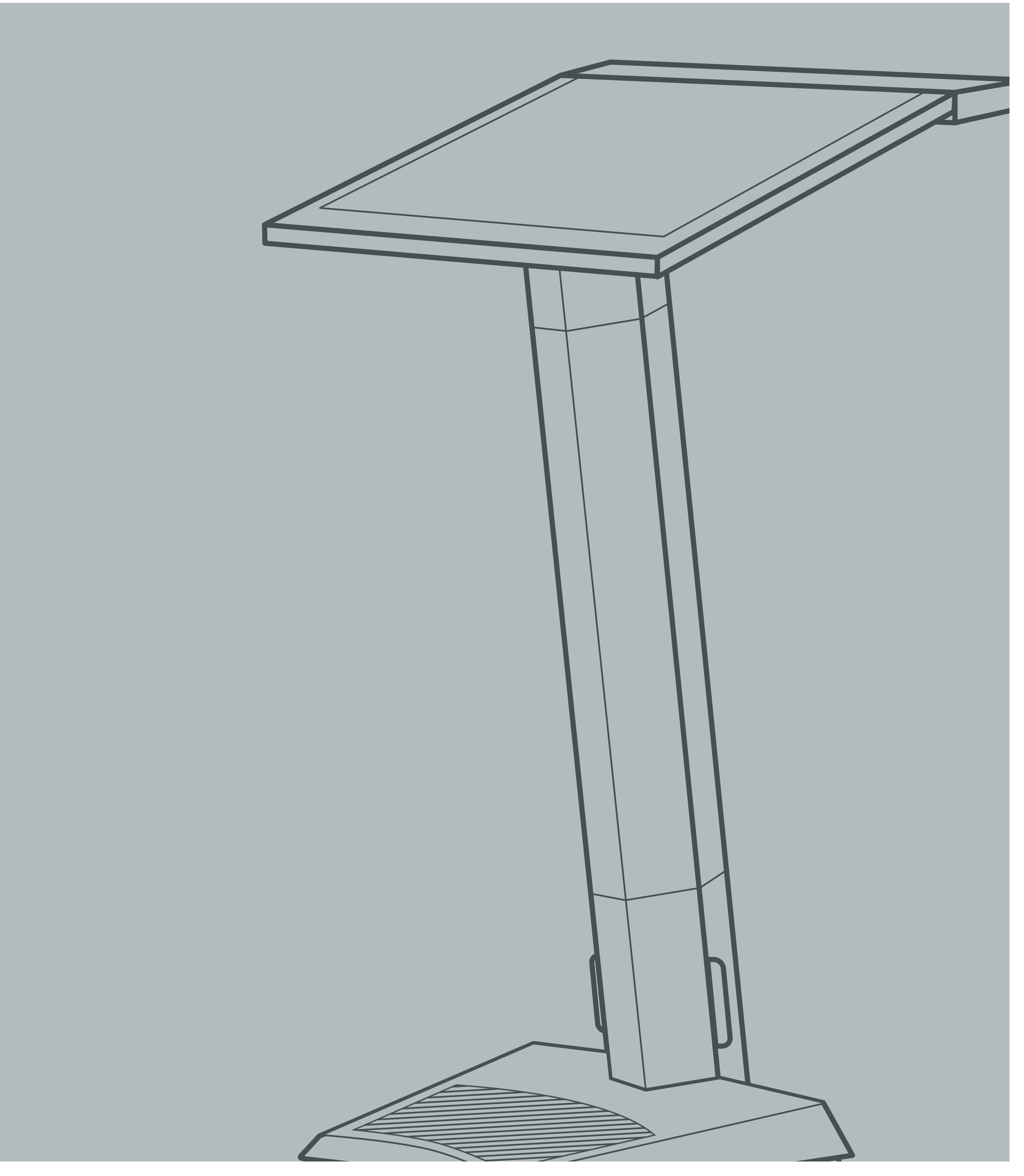
Dr Felix A. Zimmermann
CEO of TAKKT AG

Franz Vogel
COO TAKKT EUROPE division

Dr Felix A. Zimmermann
CEO,
COO TAKKT AMERICA division

Dr Florian Funck
CFO

TAKKT RETURNED TO GROWTH IN 2010, WITH THE OPERATIONAL RESULT INCREASING AT A DISPROPORTIONATELY HIGHER RATE THAN TURNOVER.



Management report for TAKKT AG and the Group

In 2010, the global economy recovered surprisingly quickly from the serious financial crisis of 2009. On the one hand, numerous government stimulus packages came into effect, which played a major role in this recovery. On the other hand, growth was driven by demand from emerging regions. The Asian economies rallied particularly fast and stimulated good export development in the industrialised nations, specifically in Germany. The TAKKT Group profited from this positive environment. It also benefited from the growth and optimisation initiatives launched in connection with the FOCUS and GROWTH strategy programmes and from its leading market position, which has been built up over the course of many years. Thanks to all these factors, the Group recorded a strong increase in turnover and income again in the year under review.

Business model and corporate strategy

TAKKT has a well-focused business model in the B2B direct marketing sector with a wide range of growth options. The Group operates in three regions with this business model – Europe, North America and Asia.

The business model: concentrating on B2B direct marketing

TAKKT focuses on selling durable and price-insensitive equipment to corporate customers via catalogues or the internet. The market which the Group operates in can be characterised using three criteria. Firstly, in terms of customer relationships, there is the division into B2C and B2B sectors. Secondly, a distinction can be made between store-based retail, sales directly from the manufacturer and direct marketing. Thirdly, there is a difference in terms of product range between department store-like generalists on the one hand and specialists on the other. Within these three dimensions, TAKKT positions itself as a B2B direct marketing specialist for business equipment.

However, it is difficult to clearly delineate the company's market or make a direct comparison with its competitors because very few suppliers have an alignment similar to TAKKT's. Many market players have business models which combine various sales channels, customer categories and product ranges. Moreover, most of them are privately owned. All of this makes it hard to establish comparable figures regarding the market and competition.

Focusing on the procurement process

TAKKT has set itself the goal of offering customers a more efficient procurement process for high-quality equipment. Therefore, the offerings of several hundred suppliers are bundled. This makes the search process easier for the buyer, who associates the seller's name with a quality pledge for non-emotive products such as stacking trucks and steel shelving. With this approach, TAKKT can maintain long-term customer loyalty primarily by selecting the right range of products and services and by guaranteeing high quality.

Direct marketing allows customers to find products quickly and order them easily. Together with an advanced service concept and attractive procurement conditions, direct marketing companies offer customers added value. This represents a clear competitive advantage over direct sales and store-based retail in a procurement environment with a keen awareness of process costs. Furthermore, this sales channel has an ecological advantage over alternative procurement methods as it reduces the number of journeys made by customers, manufacturers and sellers.

All companies within the TAKKT Group present their product ranges clearly in printed or electronic catalogues and web shops. Many of the more than 160,000 articles on offer are always available from stock. An important part of the business model is therefore an efficient logistics system, which requires that an adequate infrastructure is available in the relevant target countries.

Efficient marketing as success factor

TAKKT's core competences also include addressing its target groups efficiently. Based on the knowledge about its customers' needs, it is able to market its products directly and selectively. In addition to the main catalogues, which are published several times a year, existing and potential new customers are regularly sent information via various advertising media and formats. This encourages them to place an order. Careful management of address selection and the frequency of promotional mailings is an important success factor, as is online marketing expertise. TAKKT benefits from its extensive direct marketing experience in this respect.

The Group currently has more than 60 companies in over 25 countries, ensuring market proximity. Within TAKKT's common concept, the various groups and their service holding companies pursue their own marketing and sales strategies which are tailored to their specific product ranges and target customer groups. The product range comprises plant and warehouse equipment, supplies for retailers, the food service industry and the hotel market, as well as classical and design-oriented office furniture and accessories. The individual marketing companies – which operate under independent brand names – have the flexibility and scope to address and serve local customers in the best possible way. The companies use joint resources and systems, and tailor their workflows to one another.

Good competitive environment

TAKKT operates in a highly attractive market niche. There are three prime reasons for this. Firstly, the market has a fragmented supplier structure. At the same time, TAKKT is not heavily dependent on individual large-scale orders or key accounts on the customers' side thanks to its diversified customer base. Secondly, the necessary process knowledge and essential investment in advertising, IT and logistics all act as market entry barriers. This means that several years of foreseeable start-up losses limit the emergence of new competitors, although it is subsequently possible to generate higher margins than in many other trading sectors. This is particularly valid for multi-channel concepts with the catalogue as the central sales medium, but also for online retailing. And thirdly, the focus on quality and service inherent to distant selling means that competition does not focus primarily on price. At the same time, pricing transparency tends to be lower for products in TAKKT's portfolio of durables than for other items such as consumables.

Market trends support business model

TAKKT has identified four key structural trends which support the company's focus on business customers, its use of direct marketing as a sales channel, and its concentration on specialist product ranges. Management believes that these trends will open up sustainable opportunities for the company:

1. The consolidation of business relationships to a few expert partners: Supply relationships concentrate on a limited number of providers, enabling greater efficiency when managing orders and supplier relations.

   TAKKT's competence: Compiling product ranges whose breadth and depth cover the relevant customer group's requirements for durables.

2. The reorientation from product to process costs: For many companies, it is not economically justifiable to put great effort into finding the lowest price for products worth a few hundred euros. Instead, sourcing organisations are increasingly looking for ways of ordering these goods as efficiently and easily as possible.

   TAKKT's competence: Offering added value by efficiently bundling the offerings of hundreds of suppliers. This assortment is clearly presented in catalogues and web shops and combined with an advanced service concept, attractive conditions as well as fast delivery via sophisticated logistics systems.

3. The growing importance of e-commerce solutions in the value chain: More and more companies are starting to submit their orders by email, via the internet or e-procurement systems rather than just by phone or fax.

   TAKKT's competence: Offering e-commerce solutions for specific customer groups, ranging from a classic web shop to electronically incorporating the product range into the customers' procurement systems. TAKKT also has the expertise to make internal processes and links with suppliers and service providers more efficient with the help of the internet.

4. The globalisation and the associated need for worldwide supplies: When companies move their production sites abroad or establish new branches in other countries and regions, they like to fall back on known suppliers, products and services.

   TAKKT's competence: Expanding internationally with its existing portfolio of brands, for example to Eastern Europe and Asia. In order to do this, TAKKT duplicates its brands on offer and rolls them out abroad.

Growth strategy in three dimensions

Profitable, sustainable growth is the number one priority at TAKKT. To safeguard this in the long term, TAKKT is pursuing three interrelated strategies:

1. Acquisition of direct marketing platforms to extend the product portfolio or tap into new customer groups.

2. Expansion of its multi-channel activities by rolling out the existing business model, extending the range of products and services, intensifying key account management, and further integrating e-business.

3. Strengthening of web-only operations by developing new brand platforms for each group and by optimising all on-site and off-site activities.

In the last 15 years, the Group has added at least one start-up or acquisition every year. TAKKT intends to maintain – or increase – this growth rate in the future. Management believes that – alongside the markets which TAKKT currently operates in – industries and sectors which reflect structural megatrends offer the potential for growth. These include areas such as education, healthcare and environmental protection as well as the associated industries and services.

E-commerce gains more importance

E-commerce as part of direct marketing simplifies business relationships and makes sourcing processes for customers more efficient. Therefore, TAKKT continues to further expand this area.

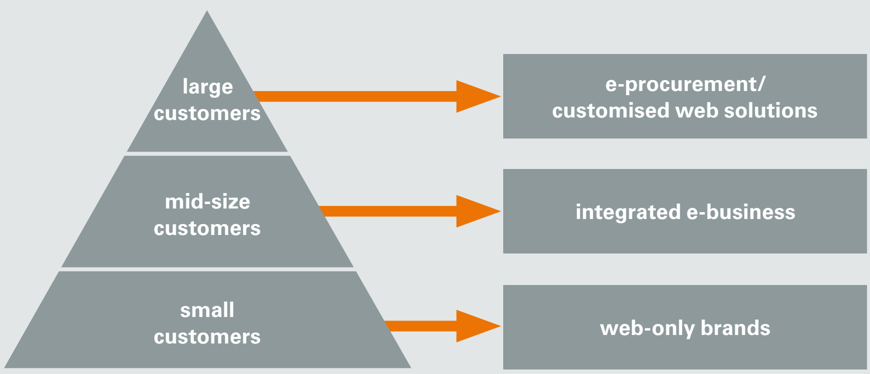
In doing so, the Group is pursuing a multiple strategy that covers three facets.

Firstly, the classic catalogue business – which is traditionally aimed at medium-sized and larger companies – is supplemented with the relevant operating company's web shop. It does not matter for TAKKT whether the customers place their order online or using traditional methods. For, as soon as the order enters the order processing system, it is handled in the same way. This means that customers benefit from an additional, convenient means of ordering without compromising on service (multi-channel strategy).

Secondly, for selected key accounts, the catalogue provided online can be prepared in such a way that the data can be entered into the customer's intranet or procurement system. This e-procurement solution further reduces transaction costs for the customer whilst raising the profile of TAKKT's product portfolio and boosting customer loyalty (integration strategy).

Thirdly, web-only platforms attract groups of customers who could not previously be served cost-efficiently by TAKKT's multi-channel approach. These are primarily smaller-scale companies. Web-only brands such as officefurniture.com, IndustrialSupplies.com and Certeo cater for the needs of these additional customer groups (web-only strategy).

The right online solution for every customer



As e-commerce is gaining importance across all groups, sharing knowledge within the Group is a critical success factor. In the light of this, a cross-divisional task force has been established which discusses in depth e-commerce developments.

Expansion continued in 2010

In April 2010, TAKKT acquired the minority interests in the Dutch company Vink Lisse B.V. and the Belgian subsidiary KAISER + KRAFT N.V. for a purchase price of almost EUR 11 million. The acquisition was financed by TAKKT AG's unutilised credit lines. TAKKT acquired the majority stake in Vink Lisse B.V. from the Vink family in 1967. KAISER + KRAFT N.V. was founded in 1974 with the Vink family as a minority shareholder. Until April 2010, the Vink family held 16.67 percent of the shares in Vink Lisse B.V. and a 15 percent stake in KAISER + KRAFT N.V. (eight percent directly and seven percent indirectly via their share in Vink Lisse B.V.). Based on conservative valuation assumptions, the acquisition will generate a return on capital invested which far exceeds the Group's weighted cost of capital. The acquisition of these remaining minority interests means that there are no non-controlling interests left within TAKKT Group.

During the period under review, TAKKT continued to expand by implementing various GROWTH initiatives. KAISER + KRAFT commenced operations in Russia in January. The gaerner Group, which specialises in plant and office equipment, started its sales activities in Italy in May 2010. In addition to this, the Topdeq and National Business Furniture brands launched web shops in Spain and Canada respectively. Hubert was rolled out to Switzerland in September. This is the brand's third European market following Germany and France.

In October 2009, TAKKT expanded its e-commerce activities with the Certeo brand, which is TAKKT's first web-only platform in Europe to sell business equipment exclusively online. Following the successful launch in Germany, Certeo was also rolled out to the Austrian and Swiss markets in 2010. In North America, the Group has had a web-only brand in the office equipment sector – officefurniture.com – for some time. With the addition of IndustrialSupplies.com in June 2010, it now has another web-only brand for plant equipment. By the end of 2011, each of the five groups should have at least one web-only brand. TAKKT sees e-commerce as an opportunity to tap into the small business customer segment economically.

Asia: a high-growth region

TAKKT is present in the Asian market with sales companies of the KAISER + KRAFT brand in Japan and China. Both of these markets have different underlying conditions and pose different challenges for B2B direct marketing. In Japan, KAISER + KRAFT primarily serves small and medium-sized companies. The internet will therefore play a major role as a profitable tool for attracting new customers. Printed catalogues are mainly used to reactivate existing customers. In China, by contrast, KAISER + KRAFT is becoming a real multi-channel supplier. The printed catalogue developed since the company entered the Chinese market in 2006 forms the basis for customer business and for acquiring new customers amongst medium-sized and large companies. Since 2010, so-called customer relationship managers have been introduced to support the catalogue. Their mission is to explain the advantages of the business model of distance selling and to further develop customer relationships. The internet plays a crucial role in China too, as the country's rapid rate of progress means that the concept of direct marketing via paper catalogues has not been established over the past decades as it has in Europe and North America. Instead, China has straightaway seized on the internet as an electronic means of communicating and completing transactions. Therefore, TAKKT has established a new web shop platform for the Asian markets in 2010 which is on a par with its internet activities in other markets.

The Group aims to maintain its historical turnover growth averaging ten percent per year (made up of organic growth and acquisitions in roughly equal measure) in the long term. Spreading the business model to different regions, sectors, product groups and customers also diversifies the risks.

Value-based corporate management

TAKKT management uses a standardised system of key figures to steer the individual Group companies. At the heart of this system is the Group-wide business model, which is comparable across product ranges and regions. A management system of this kind gives the individual companies a framework within which they can operate flexibly and independently in line with their market's individual needs.

It is important for TAKKT's central management that the available key figures are always up-to-date and accurate. Therefore, the Management Board receives information on order intake, turnover development and service levels on a daily basis. In addition, the gross profit margin and advertising efficiency of the individual companies are also constantly monitored.

The EBITDA margin serves as the most important indicator for the short-term operational profitability of each Group company. The figure eliminates the effects of differing country-specific tax rates and finance. As the figure does not include depreciation and amortisation, it permits a direct comparison between existing and newly acquired companies. TAKKT has defined a long-term target corridor for the EBITDA margin of twelve to 15 percent.

The Economic Value Added® (EVA®) indicator is used for longer-term strategic controlling. It shows whether, and to what extent, the Group is growing profitably and whether capital expenditure and acquisitions are enhancing value. Profitability, based on capital employed, is compared to the weighted total cost of capital. The EVA® thus shows if the interest demands of both equity and debt investors are adequately met. In 2010, TAKKT Group posted a positive EVA® (as in 2009), which is well above the previous year's figure.

Divisions shape development of TAKKT AG

The Group's parent company TAKKT AG operates purely as a management holding company, essentially taking on a strategic management role. Operating business is handled within the divisions. Their results therefore largely influence the net assets, financial position and results of operations, as well as the opportunities and risks for the future development of TAKKT AG. Since 01 January 2010, there have been two divisions within the TAKKT Group: TAKKT EUROPE and TAKKT AMERICA. TAKKT EUROPE is made up of two groups: the Business Equipment Group (BEG), consisting of the companies previously belonging to the KAISER + KRAFT EUROPA division, and the Office Equipment Group (OEG), comprising the Topdeq companies. Within TAKKT AMERICA, as before in the K+K America division, there are the Plant Equipment Group (PEG), Office Equipment Group (OEG) and Specialties Group (SPG). For further details, see page 48 onwards of this report.

Disclosures per the German Act Implementing the Takeover Directive

According to section 289, paragraph 4 respectively section 315, paragraph 4 nos. 1-9 of the German Commercial Code (HGB), the following information has to be provided, as far as relevant for TAKKT AG and the Group.

TAKKT AG's issued capital totalling EUR 65,610,331 is divided into 65,610,331 no-par-value bearer shares. These are not subject to any restrictions regarding voting rights or the transfer of shares.

TAKKT AG is a 70.4 percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg. 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 (AktG) apply for changing the articles of association.

In accordance with the resolution passed at the Annual General Meeting on 06 May 2009, the Management Board is authorised to increase the share capital subject to the approval of the Supervisory Board, once or several times, by an amount of up to EUR 32,805,165.50 by issuing new no-par-value bearer shares until 29 October 2014, taking shareholders' subscription rights into account.

In addition, the Management Board is authorised, according to the resolution of the Annual General Meeting (AGM) on 04 May 2010 subject to section 71, paragraph 1 no. 8 of the German Stock Corporation Act (AktG), to acquire own shares up to an amount of ten percent of issued capital. A reverse subscription right respectively a right to tender in the case of purchasing and the subscription right of shareholders in the case of selling are excluded. The company can exercise this authorisation in total or in smaller amounts, once or several times, in the pursuit of one or more objectives until 03 May 2015.

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 from Franz Haniel & Cie. GmbH within the meaning of sections 29 and 30 of the German Securities Acquisition and Takeover Act (WpÜG). In exercising this right of termination, they have the right of compensation for loss of office amounting to two years' annual salaries.

Other sources of income are not taken into account. The right to compensation for loss of office will not apply in the event of extraordinary termination of the contract of employment by the company for good cause. There are no other material agreements at TAKKT AG which are subject to a change of control.

The disclosures as required by section 315 paragraph 4 no. 2 of the German Commercial Code (HGB) (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 staff in case of a takeover offer) are not relevant for TAKKT AG or TAKKT Group.

Dependence report issued
Franz Haniel & Cie. GmbH, Duisburg, 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 (AktG). The dependence report comes to the following conclusion:

"In summary, we can state that TAKKT AG has received adequate consideration for every transaction and was not put at a disadvantage by the measures taken, according to the circumstances known to us at the time when the transactions were carried out and the measures were taken."

Events after the balance sheet date
There were no significant events after the reporting period.

Economic conditions and business development

2010 was dominated by the global economy's recovery from the severe crisis of 2009. The economic upturn spread around the world, taking in all business sectors and regions. However, there were great imbalances in the intensity of the recovery process. Despite high export-driven growth in Germany, the industrialised nations as a whole only grew moderately and struggled with the effects of high public debt. Meanwhile, emerging countries fuelled global economic growth. However, high levels of public debt, the emerging countries' tendency towards overheating and low domestic demand in the Western industrialised nations all pose risks for the future development.

Global economy back on track for growth
Spurred on by positive economic signals, which began emerging from the markets in the first quarter of 2010 and which strengthened in the course of the year, companies became increasingly willing to invest. Europe and North America – both key sales regions for TAKKT – recorded respectable increases in their gross domestic products (GDP) of 1.7 and 2.9 percent respectively. By comparison, Germany's GDP grew significantly by 3.6 percent.

However, the economic recovery varied considerably around the world. Following a weak first half-year, economic growth in the USA remained hesitant. Fear of a double-dip prompted the launch of further financial and monetary stimuli. Even within the eurozone, economic developments were mixed. While Germany expanded at a surprisingly strong rate thanks to its strong focus on exports, growth in Europe's other key countries remained modest. Small countries such as Greece and Ireland even posted a negative GDP trend in 2010. In 2011, the key European countries could benefit from a revival in domestic demand and a continuation of the positive export trend. Nevertheless, the overall rate of growth will depend on the extent to which further crises for the European single currency can be prevented and sufficient scope for fiscal policy consolidation is available.

There is no doubt that the emerging countries are now setting the pace of global economic growth. The Chinese economy in particular overcame the turbulences of the global recession quickly and is once again expanding at double-digit growth rates. These countries can be expected to keep driving the worldwide upswing. However, the rapid expansion has already prompted initial signs of overheating and led to a sharp rise in prices in a number of emerging countries. With export playing an ever-greater role, the emerging countries are making themselves increasingly dependent on the strength of the upturn in the industrialised world. Should the economy cool down here, this could slow down growth in the emerging countries, particularly as some of them do not have sustainable domestic consumption as yet.

The economic recovery is expected to continue in 2011, but to lose momentum somewhat. Most experts believe that a double-dip recession is unlikely based on the breadth and strength of the recovery which has already taken place.

As well as examining the development of GDP growth rates and gross fixed capital formation trends, TAKKT uses a number of purchasing managers' indices as important economic early indicators in order to reliably forecast how business will develop in the various regions. Based on this data, TAKKT is able to assess how business will develop over the next three to five months. Purchasing managers' indices below 50 points generally indicate that the volumes in the particular market will decline and sales potential will deteriorate. Similarly, figures above 50 points usually mean that market volume will increase – with a resulting positive effect on business prospects.

In 2010, the Purchasing Manager Index (PMI) – the most important early indicator for business activities in the USA – constantly stayed above 55 points. In March, the index peaked at its highest value for the year – 60.4 points – and has since stood at around 55 points. The corresponding indices for Europe, and Germany in particular, echoed this trend. Europe's index exceeded 55 points again in March and rose to 57.6 points by April. The PMI in Europe averaged at around 55 points in the course of the year. The development in Germany was even better. Here, the index crossed the 55-point threshold back in February and reached its highest level of 61.5 points in April. The German index recorded an annual average of around 58 points. Overall, the current PMI values indicate a good start into 2011.

Economic environment

	GDP growth in percent		PMI values average for year	
	2010	2009	**2010**	2009
Europe	1.7	–4.0	55.4	43.3
Germany	3.6	–5.0	58.2	42.8
USA	2.9	–2.4	57.3	46.3

Turnover and earnings situation

In 2010, TAKKT experienced a clear recovery from the previous year's economic crisis and the associated decreases in turnover and earnings. This recovery spanned all the Group's regions. Most of the marketing companies posted rising order numbers as well as order values. The Group's operational profitability – measured by the EBITDA margin – returned to TAKKT's own target corridor of twelve to 15 percent.

Upturn faster and stronger than expected

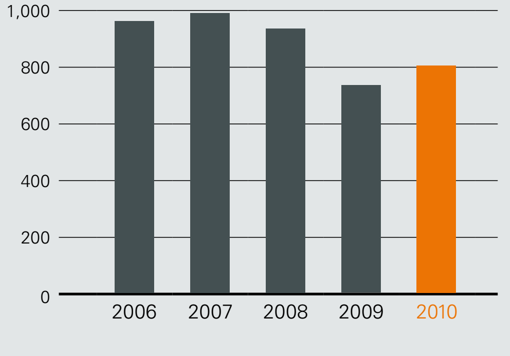
Driven by the positive economic development and the GROWTH measures, TAKKT Group generated turnover of EUR 801.6 (2009: 731.5) million in the 2010 financial year. This is an increase of 9.6 percent compared to the previous year. Adjusted for currency effects and the acquisition of Central Restaurant Products (Central), consolidated turnover grew organically by 4.8 percent. Overall, rising order numbers were largely responsible for the growth in turnover. However, the average order value also improved. This trend in the development of value and growth drivers is typical of economic upswings.

During the reporting year, the average rate of organic growth at the Group's two divisions was comparable. While TAKKT EUROPE started the financial year at a somewhat modest pace, customers' initial reluctance to purchase was softened during the course of the second quarter. Following the sharp drop recorded in the previous year, this division was therefore able to report turnover growth of 7.1 percent in 2010, taking the figure to EUR 467.1 (436.0) million. In currency-adjusted terms, the turnover growth came to 4.9 percent. This increase was generated despite OEG's disappointing double-digit turnover decrease. TAKKT took appropriate action by writing down the relevant goodwill in the second half of the year and initiating a strategic realignment for the OEG. By contrast, the BEG remained a driving force in the Group's development and posted a high single-digit rate of organic growth in its turnover. TAKKT EUROPE accounted for 58.3 (59.6) percent of consolidated turnover in 2010.

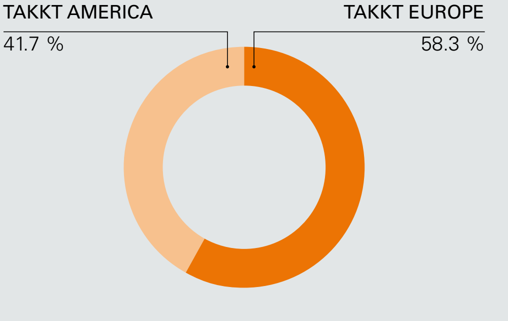
The TAKKT AMERICA division increased its turnover to USD 442.8 (411.2) million. This corresponds to a year-on-year increase of 7.7 percent. Adjusted for the acquisition of Central, turnover grew by 5.4 percent. Converted into the reporting currency euro, turnover (including Central) reached EUR 334.7 (295.6) million. TAKKT AMERICA therefore generated 41.7 (40.4) percent of consolidated turnover. The division continues to benefit from the broad diversification of its customer and product portfolio. Although the companies in the OEG tend towards late-cyclical development, the group increased its turnover slightly. Thanks to the continuous rise in order numbers throughout the year, the PEG achieved a good single-digit turnover increase in the same period. The Specialties Group (SPG) posted the biggest improvement with a high single-digit rate of organic growth. Including Central, growth here ran well into double-digit figures.

The breakdown of turnover by region remained largely unchanged compared to the previous year. The proportion of business in Germany – Europe's economic driver in 2010 – increased to EUR 182.5 (162.3) million or 22.8 (22.2) percent of consolidated turnover. In the rest of Europe, turnover grew at a slower pace, totalling EUR 283.3 (265.6) million and therefore accounting for a slightly lower percentage of total revenue at 35.3 (36.3) percent. The USA was able to increase its share of turnover slightly thanks to the stronger US dollar and the acquisition of Central. With turnover of EUR 310.1 (281.5) million, it

Turnover *in EUR million*



Turnover *by division*



accounted for a 38.7 (38.5) percent share. The companies in Canada, China, Japan and Mexico are represented as other regions. By generating turnover of EUR 25.7 (22.0) million together, they contributed 3.2 (3.0) percent towards Group revenue.

E-business on the move

The internet is gaining further in importance as a sales channel. The percentage of turnover generated online rose from 14.3 to 19.4 percent in the 2010 financial year. This figure also includes sales which were clearly and quantifiably initiated by the internet, but then placed with the TAKKT marketing companies by telephone. Absolute online turnover grew by 23.3 percent from EUR 126.9 million to EUR 156.5 million. The growth rates were therefore noticeably higher than those for the traditional catalogue-based business.

This above-average increase reflects the success of various growth initiatives for the Group's online business. However, its growing importance is not merely attributable to the launch of web-only brands such as Certeo in Germany, Austria and Switzerland or IndustrialSupplies.com in the USA. The catalogue brands' web sites and web shops are also constantly being optimised to cater for the general market trend towards ordering goods online. As a result, e-commerce is a major issue for all Group companies. However, the internet should not necessarily be seen as a substitute sales channel; it often complements other means. In today's multi-channel world, activation measures and order processes are no longer clear-cut. For instance, some customers use the catalogue for information but place their order online, or vice versa.

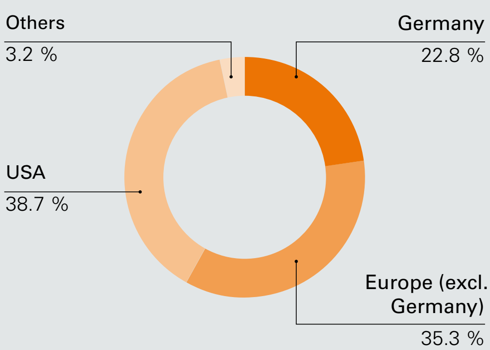
Furthermore, new customer groups can be tapped cost-effectively using the internet. Even low-value orders can lead to a profitable customer relationship because the activation costs per customer are lower than for marketing with catalogues.

Value and growth drivers improving

As expected, the global economic recovery led to rising order numbers and higher order values throughout the Group. The number of orders climbed to 1.7 (1.6) million and the average order value to EUR 462 (444). TAKKT EUROPE's OEG was the only one to buck the trend and record a sharp fall in order numbers also in 2010. By contrast, the average order value for 2010 was higher than in the previous year. After terminating the Topdeq operations in the USA at the end of the previous financial year, TAKKT began to reposition the group during 2010 and fully wrote down the goodwill in December 2010.

The number of new customers was slightly improved year-on-year. Due to Topdeq's exit from the US market, the total number of customers fell to 2.8 (2.9) million.

Turnover *by region*



Gross profit margin rises again

In 2010, the Group achieved a gross profit margin of 42.9 (42.0) percent. This further increase was due in particular to positive structural effects, such as a higher proportion of warehouse business. Excluding the acquisition of Central, the margin would have amounted to 43.4 (42.4) percent. However, as the economic recovery proceeds, the gross profit margin can be expected to fall slightly. The reason for this is the anticipated rise in the number of larger-scale individual orders, which are generally associated with larger discounts and, therefore, lower gross profit margins. In addition to this, higher prices for raw materials could have an impact on the cost of goods sold in the future.

Profitability improves significantly

Prompted by the restructuring and optimisation measures implemented in the previous year, TAKKT Group's profitability improved significantly in 2010.

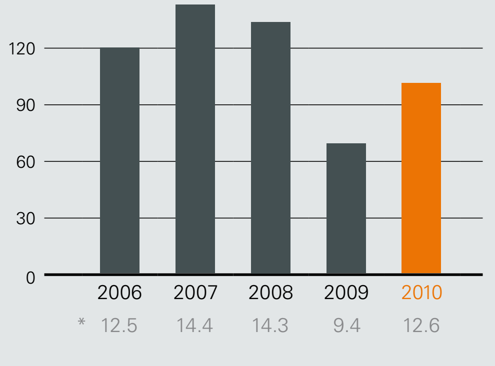
Personnel expenses – a major cost factor for TAKKT Group – rose to EUR 109.2 (101.1) million due to the higher business volume. In addition to good business developments, which meant that short-time labour could be largely suspended in Germany, this was also due to the stronger US dollar and higher provisions for staff bonuses. Advertising costs remained roughly on a par with the previous year. However, as expected, there was a shift from printed advertising media towards online advertising. Earnings before interest, taxes, depreciation and amortisation (EBITDA) therefore increased by 46.5 percent to EUR 100.6 (68.7) million. Operational profitability (EBITDA margin) – a key indicator for managing the Group – returned to TAKKT's own long-term target corridor of twelve to 15 percent at 12.6 percent. In the previous year, the figure reached 10.1 percent before, or 9.4 percent after FOCUS measures. This restructuring had a positive effect on the earnings increase of EUR 9.2 million (discontinuation of EUR 5.2 million of one-off expenditure in 2009 and EUR 4.0 million of sustainable positive effects on earnings in 2010). The consolidation of Central does not affect the Group margin because the company's profitability corresponds to the average for TAKKT.

Depreciation rose year-on-year in the period under review. This was mainly due to the increased depreciation for intangible assets in connection with the allocation of the purchase price paid for Central (see page 115) and currency effects in connection with the stronger US dollar. EBITA (earnings before interest, taxes and amortisation of goodwill) climbed to EUR 80.8 (49.4) million.

An extraordinary expense was recorded in the 2010 financial year for a goodwill impairment at the OEG in Europe. The impairment test conducted in the fourth quarter showed that, due to the ongoing negative course of business, the existing goodwill had to be written down in full – by EUR 12.9 million – and recognised as an expense. As a result, earnings before interest and taxes (EBIT) amounted to EUR 68.0 (49.4) million. The EBIT margin improved to 8.5 (6.8) percent.

Profit before taxes rose by 39.2 percent to EUR 59.0 (42.4) million. It should be noted that, at EUR 9.1 (7.2) million, financing expenses were higher than in the previous year. This was due to the stronger US dollar and an increased interest hedge rate. Furthermore, the interest rates for financing were higher in 2010 than in the previous year. As TAKKT Group's loan agreements are usually renegotiated with the banks at the end of the year, the increase in banks' risk and liquidity premiums caused by the crisis had a lagging effect.

EBITDA *in EUR million (*margin in %)*



The tax ratio for the 2010 financial year rose considerably to 41.4 (34.3) percent. This is because the goodwill impairment at the OEG in Europe is not recognised for tax purposes. Adjusting for the goodwill impairment, the tax ratio was slightly lower than the previous year's figure at 34.0 percent.

The profit for 2010 increased to EUR 34.6 (27.8) million. Of this, EUR 0.3 (0.7) million was attributable to non-controlling interests and EUR 34.3 (27.1) million to the shareholders of TAKKT AG. Following the acquisition of the remaining shares in the KAISER + KRAFT group's Dutch and Belgian subsidiaries, TAKKT Group no longer has any minority interests as of April 2010. Earnings per share rose from EUR 0.41 to EUR 0.52 in relation to the weighted average total of 65,610,331 (66,628,887) shares. This reduction in the number of shares is linked to the share buy-back conducted in February 2009 and the subsequent cancellation of 7.29 million shares.

Financial situation

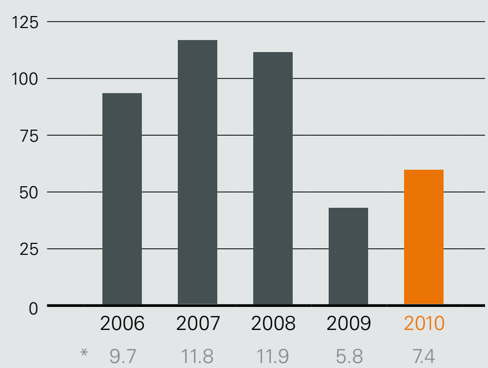
With its sound financial and balance sheet structure, TAKKT Group was able to navigate its way safely through the economic crisis. The existing financing scope was used for restructuring and expansion initiatives. This enabled the Group to return to the growth path faster than its competitors in many places.

High cash flow: a strength of the business model

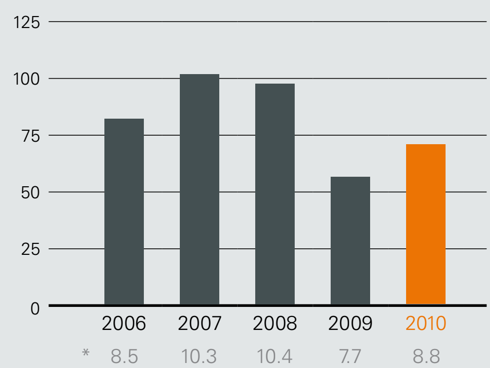
The TAKKT cash flow – defined as profit for the period plus depreciation/goodwill impairment and deferred tax affecting profit – increased to EUR 70.3 (56.1) million in the year under review. This corresponds to a cash flow margin of 8.8 (7.7) percent of turnover. With an increase of 25.2 percent, the internal financing capability once again proved to be a particular strength of the TAKKT business model.

Net current assets declined year-on-year. Two contrary trends can be seen: on the one hand, receivables and inventory rose due to the economic recovery, boosting assets. On the other, however, they were largely offset by higher non-cash expenses in connection with income tax and staff bonuses. The Group benefited from lower advance payments for income tax in 2010 as a result of the crisis. Furthermore, the higher provisions for staff bonuses will only be paid out to employees in spring 2011. Additionally, trade payables were clearly above the prior year's level due to the positive business trend, particularly in the fourth quarter.

Profit before tax *in EUR million (*margin in %)*



TAKKT cash flow *in EUR million (*margin in %)*



The payment behaviour of TAKKT's customers has remained stable. The average collection period in the reporting year remained on a par with the previous year at 34 days. TAKKT's write-offs of receivables remained low at well under 0.3 percent of turnover. Cash flow from operating activities increased by 24.5 percent from EUR 71.0 to 88.4 million.

TAKKT invested a total of EUR 6.7 (4.6) million in the expansion, rationalisation and modernisation of its business operations in the year under review. At 0.8 (0.6) percent, capital expenditure as a proportion of consolidated turnover was slightly below the long-term average of one to two percent. The free cash flow (defined as cash flow from operating activities less regular capital expenditure) amounted to EUR 81.6 (66.4) million.

TAKKT used the free cash flow to acquire the remaining non-controlling interests in the KAISER + KRAFT group's Dutch and Belgian subsidiaries for EUR 10.7 million. A further EUR 21.0 million was paid out in dividends for the 2009 financial year. In addition, borrowings of EUR 50.3 million were repaid. All in all, net borrowings fell – despite negative currency effects amounting to EUR 8.4 million – from EUR 180.8 million on 31 December 2009 to EUR 139.2 million on the balance sheet date. The major part of these negative currency effects was due to the stronger US dollar.

The good cash flow development is further proof that high internal financing capability is a particular strength of the TAKKT business model. Further information on cash flow generation and usage is available in the cash flow statement of TAKKT Group in the consolidated financial statements on page 72 onwards.

Stable balance sheet structure

There were no significant changes to TAKKT Group's total assets and balance sheet structure in the year under review. The most notable factors were the acquisition of non-controlling interests in the Netherlands and Belgium and the necessary impairment of OEG's goodwill within the TAKKT EUROPE division.

As of 31 December 2010, the Group's total assets were at EUR 541.4 (536.4) million. Its non-current assets were EUR 377.8 (386.8) million. Of this, goodwill made up the largest item at EUR 237.5 (240.1) million. The application of IFRS 3 stipulates that goodwill is not amortised on a regular basis, but that an impairment test is undertaken every year. As the course of business remained weak at the European OEG – even after the phase-out of the economic crisis – an impairment was deemed necessary. The relevant goodwill of EUR 12.9 million was therefore written down and recognised as an expense. By contrast, the stronger US dollar on the balance sheet date had a modestly increasing effect. The balance sheet value of property, plant and equipment fell to EUR 96.5 (99.8) million due to scheduled depreciation, despite a currency-related increase.

Current assets rose against 2009 to EUR 163.6 (149.6) million due to currency effects and the positive business development. Trade receivables – the largest individual item in this category – increased and amounted to EUR 87.5 (72.1) million.

Cash flow calculation *in EUR million*

	2006	2007	2008	2009	2010
Profit	62.5	79.3	75.1	27.8	34.6
Depreciation and impairment	14.3	17.3	15.8	19.2	32.7
Deferred tax affecting profit	4.9	4.6	6.2	9.1	3.0
TAKKT cash flow	**81.7**	**101.2**	**97.1**	**56.1**	**70.3**
Cash flow from operating activities	**74.5**	**95.0**	**96.9**	**71.0**	**88.4**
Cash flow from investing activities	**–74.3**	**–9.6**	**–27.3**	**–62.4**	**–6.3**
Cash flow from financing activities	**–0.4**	**–83.6**	**–71.3**	**–8.9**	**–81.9**

At EUR 56.2 (51.6) million, inventory assets were slightly above the previous year's figure on the balance sheet date. This was partly due to the positive business development and the stronger US dollar. Moreover, Group inventories were further increased for strategic reasons. The idea behind this is to make more efficient use of the existing infrastructure and sell more products directly from stock. In addition to faster delivery times, this has positive effects on purchasing conditions and therefore strengthens the overall competitive edge over store-based retail.

Slight increase in equity ratio

After the cancellation of non-controlling interests, TAKKT defines the equity ratio as total equity divided by total assets. In order to ensure comparability to the previous year's figures, these will be adjusted accordingly.

Despite the goodwill impairment charge, the purchase of minority interests and the dividend paid, shareholders' equity rose to EUR 251.7 (242.1) million as of 31 December 2010 thanks to positive change in the operational result. The equity ratio therefore increased to 46.5 (45.1) percent, leaving it in the middle of TAKKT's target corridor of 30 to 60 percent. This target corridor is designed to achieve a balance between sufficient financial scope for further external and internal growth on the one hand and an appropriate return on shareholders' equity along with a low total cost of capital on the other.

As expected, deferred tax liabilities increased again due to currency effects and tax-relevant depreciation on goodwill. They climbed to EUR 29.2 (24.9) million. Goodwill in the individual balance sheets of Group companies is amortised in accordance with local tax regulations, but not in accordance with IFRS, which is the basis for the consolidated Group financial statements. These differences give rise to deferred taxes.

Provisions for pension liabilities were up slightly. However, they remain of minor importance for the Group at 3.5 percent of total assets.

TAKKT Group's efficient payments system further enables it to take advantage of supplier discounts. Besides currency effects, the year-on-year increase in trade payables is primarily due to the larger business volume seen in the year under review as well as the timing of payment days.

In addition to the equity ratio, TAKKT uses three other internal key financial indicators – known as covenants – to manage its financial structure in the long term. Thanks to the positive course of business, these improved in line with the above-mentioned developments in cash flow, equity and borrowings. Gearing fell from 0.8 to 0.6, the debt repayment period shortened from 3.0 to 2.4 years, and interest coverage increased from 6.9 to 9.0. A definition of the key indicators can be found in the glossary on page 126 onwards. All key financial indicators remain sound, leaving sufficient scope for further internal and external growth.

Covenants

	2006	2007	2008	2009	2010
Total equity ratio in percent	48.1	59.2	61.7	45.1	46.5
Debt repayment in years	2.3	1.2	0.8	3.0	2.4
Interest cover	8.7	14.1	21.0	6.9	9.0
Gearing	0.6	0.3	0.2	0.8	0.6

Regular capital expenditure extended slightly

Following the increase in investment spending to EUR 60.1 million in the previous year due to the Central acquisition, this figure clearly declined in the year under review. At EUR 6.7 (4.6) million, rationalisation, expansion and modernisation investments were only slightly above the previous year's figures. The capital expenditure ratio totalled 0.8 (0.6) percent of consolidated turnover and was therefore again slightly below the long-term average of one to two percent. The main areas of investment were IT systems and web shops as well as the TAKKT Group warehouses.

Research and quality assurance

Competences are central success factors for TAKKT Group. The knowledge of customers' requirements, supplier structures and logistics processes safeguards its competitive edge. Management aims to encourage Group companies to share their experience so as to make better use of the knowledge available.

Future@TAKKT

Unlike manufacturing companies geared towards technology, TAKKT Group does not conduct classic research and development activities as it focuses solely on trading. However, all of the divisions work continuously to optimise their product assortments, sales media and services in order to serve the current and future needs of the market. In this way, TAKKT strives to constantly improve its products, services and processes.

As part of this process, the Group uses a number of external service providers, for example to conduct regular market research at an international level over a longer period of time. However, management has placed a special focus on sharing knowledge and experiences between staff at the individual Group companies. Dialogue between the Group's own employees and external experts is also encouraged.

E-commerce was once again at the core of the 2010 activities. In order to institutionalise the concept of idea development within the Group, another Future@TAKKT Group Conference was held and the Future@TAKKT Award, a competition for internal ideas, was launched.

Capital expenditure TAKKT Group *in EUR million*

	2006	2007	2008	2009	2010
Tangible assets	8.1	45.8	24.7	3.1	4.5
Intangible assets	63.7	1.3	3.0	56.9	2.2
Other financial assets	0.2	0.3	0.2	0.1	0.0
Total	**72.0**	**47.4**	**27.9**	**60.1**	**6.7**
Impairment of goodwill	0.0	0.0	0.0	0.0	12.9
Depreciation	14.3	17.3	15.8	19.2	19.8

A total of 70 suggestions from 18 countries were submitted by employees for the first Future@TAKKT Award, which was held in 2010. The suggestions contained many new and interesting approaches for optimising and refining TAKKT's marketing channels. They are further proof that the Group's own staff are an ideal source of initiatives for the Group's further development. The proposals covered a wide range of areas – among them multi-channel and online marketing, web shop functions and mobile commerce – and included a multitude of innovative, cutting-edge and highly promising ideas. Each of the four best concepts received an implementation budget to enable the teams which submitted the ideas to put them into practice at short notice. Those suggestions which did not win a prize will also be discussed by the holding company's Management Board and the individual companies' executives. They will be considered when future measures are planned as part of the regular marketing budget.

Management believes that the competition is a good means for further motivating staff to help shape the company's future, stimulating creativity and rewarding special ideas.

E-business with higher importance for customers

Various market research activities have been conducted throughout the Group with the same partner in order to guarantee that the results are comparable at an international level. Their findings underline that the ability to order online is gaining importance for TAKKT's customers. As a consequence, the development activities are concentrating on improving the web shops' user-friendliness. The most important criteria for customers are clarity and speed. As the Group companies offer a wide range of products, the product search poses the greatest challenge for the web shops' architecture. The platforms for the BEG companies have been redesigned for this reason. The roll-out to the various national companies was initiated in 2009 and completed in 2010. A usability test was conducted for the NBF web shop in 2010, and customers were systematically asked how satisfied they were with the ordering process at nine other companies. Action plans are derived from each survey. Their implementation is being overseen by Management.

So-called e-procurement solutions go one step further than web shops. They are usually installed at large-scale companies who place a multitude of orders. E-procurement means that TAKKT integrates customised electronic catalogues into the customer's intranet or procurement system. Solutions such as these simplify the buying process in the company, thereby reducing transaction costs. They also increase loyalty, not least for reasons of cost-effectiveness and customer satisfaction.

Search engine optimisation is of vital importance for attracting new customers in the World Wide Web. When an internet user types a term into a search engine, the TAKKT companies aim to be as close as possible to the top of the list of organic – i.e. unpaid – results. All of the main Group companies' web sites are being constantly revised in this respect. In addition, the Group has booked search engine advertising for numerous keywords. When users search for these terms, the TAKKT companies appear in the paid advertising section of the search engines' results. For the web-only brands such as Certeo, IndustrialSupplies.com or officefurniture.com, search engine marketing is a major topic. The subsidiaries in the USA have years of experience in this field, enabling the European countries to benefit from the US brands' experience. As part of the knowledge management system, the e-commerce specialists pass on their expertise in all aspects of online business to the other companies.

Private brands on track for success

As mentioned above, the ongoing improvement process does not just relate to the online sector. The companies' product ranges are also constantly adjusted to market requirements. For example, the selection of private-brand products has been extended as a result of the ongoing analyses. Following the thoroughly positive experience with the EURO*KRAFT* and *office akktiv* brands within the BEG, the range of private brands on offer has been extended worldwide. The Relius brand was launched in the USA back in 2009. In 2010, Europe saw the launch of the siqnatop brand for high-quality office furniture at Topdeq and Quipo as an additional private brand for our office furnishing business at the BEG. Management expects these additional private brands to have a positive effect on both the gross profit margin and customer loyalty. Private brands currently account for around ten percent of turnover. TAKKT aims to increase this figure to 20 percent in the long term.

Quality with ISO certification

TAKKT Group's quality management is firmly dedicated to the demands and expectations of customers. Effective quality management rests on measuring quality. This is why TAKKT records all customer queries and complaints electronically. Specially trained staff process, analyse and categorise all suggestions and complaints. TAKKT can then use this information to systematically improve products as well as advertising media and optimise workflows. Suppliers and service providers for Group companies are also included in the improvement process, and their quality is likewise continuously monitored.

In Europe, all the major locations of TAKKT Group are certified according to DIN EN ISO 9001:2000 or comparable standards. Non-certified companies maintain appropriate quality levels through internal targets, training and supervision. Annual audits check the current status of the quality assurance system. TAKKT's competitive advantage is tangible, not just due to its falling complaints rate, but also because more customers are buying exclusively from certified companies.

Employees and corporate responsibility

TAKKT sets high value on the principles of sustainability. This is based on conserving resources both within the core line of business and beyond, and by taking a keen interest in the concerns of both staff and society as a whole. The Group is aware that economic success and sustainability must not be mutually exclusive in the long term.

Responsible and sustainable business at TAKKT

TAKKT developed its own principles for responsible and sustainable business in 2010. These principles particularly respect the balance between the three areas of employees, society and environmental protection. With this, TAKKT takes on its corporate responsibility.

TAKKT's principles for responsible and sustainable business are as follows:

- We gear our actions towards the principles of sustainability and future compliance – in economic, ecological and social terms.
- We ensure that resources are conserved, both in our core business and beyond.
- We are dedicated to pursuing the interests of our employees and society.
- Fairness, equal opportunities, transparency and dialogue based on partnership with our employees, business partners and stakeholders belong to the ethical principles of our corporate governance.
- We see sustainability management as an executive responsibility and raise awareness of responsible behaviour among all our staff.
- We are aware that economic success and sustainable actions must not be mutually exclusive in the long term.

Each employee and particularly Group executives are requested to put these principles into practice every single day in our daily business. Sustainability and social responsibility are also increasingly forming part of discussions with investors. TAKKT welcomes this development, which Management addresses with the same openness as questions relating to the Group's financial information.

For more details, please refer to the Holding/Corporate Responsibility section of our web site, www.takkt.com, and the Corporate Responsibility Report, which can be downloaded there.

Staffing levels rising again

Following the economic crisis, TAKKT resumed its growth path in the year under review. The flexibility demonstrated by the staff was one of the factors to achieve this. Based on the idea of adapting to prevent redundancies, TAKKT succeeded in giving people security and retaining valuable employees for the Group.

On 31 December 2010, TAKKT Group employed 1,807 (1,768) full-time equivalent members of staff, while the actual headcount was 1,963 (2,003). Although the average number of full-time equivalent staff for the year of 1,775 (1,817) was lower than during the 2009 recession, the actual employee number on full-time basis on the balance sheet date was higher than in the previous year. Thanks to flexible measures to adjust capacities, it was not necessary to lay off more staff, despite the previous year's dramatic downswing. These included overtime reduction, using flexible staff time sheets and, in particular, short-time working in Germany. Due to the economic recovery, short-time working was largely terminated in September 2010.

The TAKKT EUROPE division employed 968 (934) people as of the balance sheet date, while TAKKT AMERICA had 807 (806) employees (full-time equivalent). The holding company had 32 (28) employees. The average age of staff throughout the Group remained almost unchanged compared to the previous year's level at just above 40 years. As in 2009, about half of the workforce were women.

TAKKT believes that managing a business responsibly also means training younger generations. This forms part of its social responsibility. In 2010, a total of 33 (27) employees were in vocational training. Of these, 9 (9) employees completed an in-service university course. TAKKT Group offers vocational training for young men and women to become wholesale and export operators, office communications operators, office administrators, technical draughtspersons, industrial mechanics, production mechanics, warehouse clerks, warehouse logistics clerks and various other occupations. In the second half-year of 2010, four university college graduates were hired as trainees in the fields of IT, sales and marketing. Their training programmes last up to 18 months and involve assignments in various parts of the company. This lays the foundation for newcomers to pursue a subsequent career as experts or executives in the direct marketing sector.

Training and CPD stimulate staff development

Qualified and motivated staff are a key success factor for the company. For this reason, TAKKT attaches great importance to comprehensive training and continuing professional development (CPD). The aim is to pool the knowledge available within the Group and pass it on to staff in the various Group companies in the interests of efficiency. Staff make great use of the company's CPD programme, which consists of three elements: internal training through colleagues, external speakers and courses at the Haniel Academy. TAKKT regularly offers internal seminars in which specially trained or particularly experienced employees pass on their knowledge to colleagues. For the second type of seminars, the Group invites external experts to speak on a variety of subjects. In 2010, for example, the focus was on e-commerce and marketing. The Haniel Academy helps executives and skilled staff to strengthen their technical and personal skills and exploit their full potential. The academy works with many first-rate management experts from colleges and leading international business schools to offer seminars and workshops.

The Group continued to offer training for managers in the year under review. The aim was to give executives better instruments for managing their units and motivating their teams in difficult situations. One such important tool is the TAKKT Dialogue, which provides a structured framework for staff appraisals involving employees and their line managers. In 2010, the dialogue structure was standardised globally. Those prospective talks are held at least once a year and comprise an assessment of the employee's performance based on TAKKT key qualifications, the definition of individual development plans and agreements on specific, achievable targets.

Employees participate in success at several levels

TAKKT's employees make a decisive contribution to the company's success. The Group generally rewards this with appropriate performance-related bonus models. If a company achieves or exceeds set turnover targets, the staff share in its success via a cash bonus of up to one month's salary in addition to their regular pay. However, if the relevant turnover targets are not met, no bonus is paid. In 2010, almost all the Group companies clearly exceeded their bonus targets.

As TAKKT executives accept an especially high degree of responsibility within the Group, special remuneration models are used for them. Middle managers' pay depends on the operational results of their company and whether they have fulfilled their individual targets. Management Board remuneration is based on the cash flow generated, the performance of the TAKKT share and the EVA®. Detailed information on this is included in the remuneration report as part of the corporate governance report included in the management report from page 60 onwards.

In Germany, employees are also eligible to participate in the success of the company by buying employee shares. In 2010, 41.3 percent of all entitled employees took advantage of this opportunity and bought a total of 15,090 shares.

In addition to work-related benefits, TAKKT has been offering its staff a range of development programmes for years. For example, TAKKT voluntarily offers its employees abroad various additional benefits in line with local specifics. These benefits are predominantly available for employees in foreign countries where the standard of care is below that established in Germany. They include company health insurance and pension schemes for countries where the statutory provisions are insufficient. But also in Germany, additional services, such as preventive health care and family guidance, are offered.

Social responsibility

In addition to the above-mentioned staff development and training initiatives, TAKKT supports education projects for children in Germany, India and the USA. A long-term partnership with the charity Prem Dan in the Indian city of Mumbai enables 30 children to receive ten years of schooling as well as healthcare and food. The children participating in the current project completed their third year at school in 2010.

For the third time, KAISER + KRAFT EUROPA GmbH – the BEG holding company – donated a minibus to a school for children and young people with learning difficulties near Stuttgart. The European OEG followed their example and also donated a school minibus for the first time. In addition to this, it has been funding lunch-time meals for the past three years at Schillerschule, a special school in Pfungstadt, as some pupils could not otherwise afford to buy a hot meal. TAKKT's US subsidiaries are traditionally involved in various smaller-scale charity projects, from renovating a retirement home or participating in a charity race to donating second-hand clothes and putting together Christmas hampers for needy families. At Hubert alone, the various charity projects are coordinated by a team of eight colleagues in their free time.

Whatever the project, TAKKT does not merely donate money. Instead, the Group encourages its employees to become involved, thus enhancing their social skills.

Multifaceted environment protection

The greatest contribution towards sustainable business management is made by those companies who have the conservation of resources at the very core of their business model. This is precisely what TAKKT does. Direct marketing generates fewer CO_2 emissions than other sales channels:

- Goods are transported straight from the manufacturer to the end-user with no middlemen.
- Customers do not travel to the retailer – or to several retailers – to obtain information and buy what they need.
- The catalogues are made from renewable and CO_2-absorbent raw materials.
- In addition to this, the growing proportion of the web-only business also helps to protect the environment.

All this means that TAKKT makes a contribution towards climate protection every day with its core business. Other examples of active environmental protection at our divisions include: using recycled cardboard containers as filling instead of Styrofoam, selling FSC-certified goods, using innovative technologies and paper bleached without the use of chlorine to print catalogues, and transporting products in modern, eco-friendly fleets of vehicles. When sourcing goods for its own use, the Group also makes every effort to conserve resources and protect the environment. For example, almost a quarter of the electricity used at the headquarters in Stuttgart is generated from renewable sources.

Dedicated to protecting forests

TAKKT is committed to environmental protection that goes beyond the Group's operations. Since early 2010, TAKKT, in cooperation with the environmental protection organisation Naturefund, has been involved in the Waldfonds project. The initiative aims to preserve the climate and biodiversity by protecting existing forests and putting in place reforestation projects worldwide. The Group deliberately chose an initiative dedicated to forests because TAKKT makes great use of wood as a renewable and CO_2-absorbent raw material.

The initiative encompasses projects all around the world, from low-mountain forests in Germany to tropical rainforests. TAKKT is a member of the Naturefund Forest Network, which works with companies, NGOs and scientific institutions to initiate forest conservation and reforestation projects around the world, oversee their implementation and support them in the long term.

As part of the Waldfonds project, Naturefund provides financing and support to set up small, local and therefore very effective protection and reforestation schemes. This actively helps to conserve forests. More information on this can be found at www.naturefund.de.

Risk report

To identify early and manage risks is an important component of a company's success. For this, TAKKT has developed effective systems used throughout the Group.

Active risk management

TAKKT continuously analyses the market and competitive environment of its divisions and companies. The Group also regularly tests its own potential for adjustment to possible changes. This systematic observation enables it to identify and assess opportunities and risks at an early stage. As a result of this analysis, TAKKT defines measures that can be applied in order to limit, manage or avert risks.

Another decisive factor in successful risk management is timely and comprehensive reporting. For example, the Management Board receives information on order intake and service levels for every company on a daily basis. In addition, the Group continuously analyses economic indicators such as changes in GDP growth rates, gross fixed capital formation trends or the development of purchasing managers' indices. The Group can use this data to promptly identify factors that may have an influence on the realisation of its strategy and planning.

Internal and external auditors are an inherent part in the company's risk management system. Their task is to monitor processes in all Group companies to assess their operational performance, efficiency and compliance with internal guidelines. Newly founded companies and acquisitions are immediately integrated into the controlling and risk management system. They have to meet exactly the same stringent requirements as the established companies in the Group.

Internal control and risk management system for the accounting process

TAKKT has extensive structures, systems and measures in place which safeguard the effectiveness and security of the accounting process, including the preparation of individual and consolidated financial statements. The internal control and risk management system is based on close cooperation between the companies' directors and the TAKKT Management Board as well as the corporate accounting, controlling, finance, legal and internal auditing departments. Key features of the systems include a Group-wide four-eye-principle, consistent rules of management, Group-wide controlling as well as processes to anticipate risks which can impair strategic and operational measures and thereby jeopardise the realisation of the Group's value and growth potential.

The internal control and risk management system is derived from the internationally recognised Internal Control – Integrated Framework issued by COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

Accounting-related risks and controls are systematically documented, recorded and updated on a regular basis. The Management Board is responsible for establishing and overseeing the internal control and risk management system. TAKKT's reporting structures start at subsidiary level and finish with the Management Board, which is regularly informed about all developments and must approve essential measures. Internal controls are in place at all levels and every stage of the process.

TAKKT uses various instruments to ensure that the latest IFRS standards, other relevant legal requirements and internal guidelines are applied consistently throughout the Group. These include continually updated accounting guidelines, a standardised chart of accounts, a Group-wide schedule for the preparation of financial statements, various handbooks and a number of other mandatory guidelines. External experts are called in when necessary, for example when evaluating pension liabilities or producing reports on purchase price allocation in conjunction with company acquisitions.

In addition to this, certified data processing systems are used for order processing, book keeping, reporting and treasury. Together with central training sessions for the relevant users, they help with the process of quality assurance in accounting. Standardised, centrally administered IT systems are used to prepare the consolidated financial statements. For consolidation purposes, SAP SEM BCS is used at every level of TAKKT Group. A form-based data collection and collation instrument is utilised to prepare the notes to the consolidated financial statements. This is also based on SAP. A number of validations within the IT systems support the financial reporting process. The IT systems used for accounting are protected against unauthorised access. Systems are in place to segregate duties and manage change.

Local directors and auditors regularly verify that control systems and accounting regulations within the Group are utilised and complied with. Checks are also carried out by the corporate accounting department, the internal audit department and the group auditors.

No risks threatening the Group's existence

TAKKT is continually developing further its whole risk management system and adjusts it to meet new demands where required. The auditors have confirmed the suitability and effectiveness of the system. In the year under review, the risk environment described in the following paragraphs remained mainly unchanged from the previous year. The company was not aware of any risks threatening its existence or material risks exceeding normal business risks. In TAKKT's view, risks also represent certain opportunities. This means that taking the right strategic approach to risks can generate competitive advantages.

The economy: a major risk to TAKKT's business

The individual B2B direct marketing operations carried out within TAKKT Group are fundamentally dependent on economic developments in the various regions and sectors. As a consequence, TAKKT's business model is exposed to a general global economic risk. However, due to a diversified brand portfolio, the Group has been able to cushion the impact of economic fluctuations in individual countries, industries and areas in the past. With more than 160,000 products, the company addresses customers of all sizes from various industries. Its broad-based international positioning also reduces economic risks in individual regions. In the year under review, TAKKT Group operated in more than 25 countries on three continents. Positive diversification effects also arise from the fact that the sales companies are in varying phases of the growth cycle. The portfolio ranges from start-ups and young companies, which generally grow dynamically regardless of the economic situation, to long-established sales companies, which tend to reflect the current business cycle in their own development. The individual Group brands' various target groups also tend to follow different, sector-specific economic cycles, which are associated with a differing investment respectively buying behaviour.

In 2009, TAKKT experienced a global economic downturn that was longer and deeper than anything previously seen. This affected all of TAKKT Group's regional and sector-specific sales markets. In such a scenario, even TAKKT's broad diversification over various sectors, countries and company stages can do little to soften the development. However, in the post-crisis year of 2010, the diversification already helped to compensate for fluctuations again. Furthermore, TAKKT's business model is hallmarked by flexible cost structures. This means that positive operational margins and free cash flows can still be generated during challenging economic phases.

Low-risk industry

The specialist B2B direct marketing industry for business equipment is exposed to comparatively little risk. Market entry barriers for new catalogue competitors are particularly high as building a customer base is very expensive and time-consuming. Setting up the necessary logistical infrastructure is also costly and takes a long time. Generally, established suppliers have an advantage over newcomers due to economies of scale.

TAKKT does not depend on any individual manufacturer or supplier. The company can switch to alternative suppliers for almost every product it sells at short notice. This situation will not change in the long term. Even the recent economic crisis did not prompt a perceptible consolidation within the supplier market for TAKKT's product ranges.

Dependency is also low on the sales side because TAKKT's customer structure is very fragmented. Out of a total of approximately three million customers, only two customers generate sales of above one percent each of TAKKT Group's turnover. The loss of individual customers is therefore of little consequence. The customer base also includes companies from very different segments such as the manufacturing industry, the service sector and public authorities. For some time now, the focus has been shifting from the manufacturing industry to the service and the public sectors. While almost all of the company's customers came from the manufacturing industry 25 years ago, this sector now accounts for around 50 percent. TAKKT also caters for customers of all sizes – from self-employed people to hotel chains and public bodies, from single workshops to large-scale manufacturing facilities.

The internet: more opportunities than risks

The internet is developing rapidly. The number of users who grew up with the internet is constantly increasing. Search functions are steadily improving, which makes it ever easier to specifically select non-branded products. The internet is therefore responsible for a trend towards increasing competition in all trading sectors, partly because it fosters market transparency.

TAKKT's response to these trends is a multi-pronged, multi-brand strategy. On the one hand, TAKKT operates its traditional line of business with its established brands via catalogues and web shops, which appeal to medium-sized and larger clients who need additional services and advice and who think more in terms of process costs. On the other hand, the Group offers web-only sales via brands such as Certeo and officefurniture.com for smaller, more price-conscious customers who need less service and advice.

By expanding its online presence for both multi-channel and web-only brands, TAKKT has further strengthened a high-growth sales channel. The turnover share generated by online orders has been increasing for years. TAKKT thus sees the internet as presenting more opportunities than risks. There is little risk of TAKKT's multi-channel business model being replaced by web-only sales platforms or marketplaces because most B2B customers are looking for professional providers offering a preselected product range of high-quality equipment in a one-stop shop solution, with fast and reliable delivery guaranteed. Electronic marketplaces are unable to fully meet these requirements, as they mainly focus on the technical processing of transactions. However, TAKKT can use the internet to further strengthen existing customer relations, for example by providing e-procurement solutions for key accounts. Solutions tailored to clients' individual needs can make procurement processes even more efficient for customers.

Reacting flexibly to price changes

TAKKT Group companies revise their catalogues three times a year. This enables them to react flexibly to changing offers and procurement prices. The web-only offers can adjust their prices even faster and more frequently. If costs for raw materials such as steel or wood increase, for example, it is possible to adjust catalogue and web shop prices at short notice or offer alternative products. At the same time, TAKKT's warehouse capacities allow it to utilise weak economic phases to opportunistically build up its stocks at better purchasing conditions. This has a positive effect on both gross profit margin and profitability.

All-round protection for advertising media and addresses

Printed catalogues and mailings are TAKKT Group's key marketing media. The Group therefore takes particular care to ensure that its advertising items remain undamaged during production and distribution. To minimise the risk of loss, TAKKT has its catalogues produced by seven printers in different locations. Any loss or destruction of advertising media is covered by insurance.

The Group´s printing partners produce around 50 million items of advertising media every year. Paper and printing prices are therefore an important cost factor. To ensure that short-term price fluctuations cannot impact on earnings, the Group has mostly signed longer-term printing contracts.

Customer addresses are very important for TAKKT Group's business. The Group therefore carefully protects data relating to existing and potential customers. Additional security systems ensure that only authorised personnel can access and process the addresses. The TAKKT Management Board does not expect any possible tightening of data protection regulations to have a significant effect on the Group's business.

Low warehousing risk

The risks for TAKKT associated with inventory assets are deemed immaterial. This applies equally to product obsolescence and to technical and price developments. For example, tables, chairs and cabinets are standard articles that are always needed; they are not subject to seasonal price fluctuations or short-term fads. Since the TAKKT Group is continually optimising and updating its product range, an item may be dropped from the catalogue in the medium term yet still remain stocked in the warehouse. In such cases, the company generally falls back on contractual return clauses for remnant stock arranged with suppliers.

Efficient logistics system

The majority of TAKKT Group's goods are stored in large mail order centres. This means that it is necessary to store less inventory overall and reorder goods from manufacturers less frequently than would be the case with numerous small warehouses. A further benefit of the large mail order centres is the price advantage for TAKKT that arises from pooled international purchasing. Customers also benefit from this system through lower sales prices.

These advantages far outweigh the risks resulting from centralised warehousing, such as fire. However, if it is necessary to operate smaller regional warehouses to provide an optimum delivery service, the divisions establish such facilities. All warehouses are covered by the necessary insurance against fire, theft or business disruption.

Every TAKKT division regularly reviews its warehouse concepts. This ensures high standards of security, delivery quality, speed and efficiency. Should a temporary disruption at a warehouse result in bottlenecks, the divisions can also deliver the majority of their goods by drop shipment. If necessary, the warehouses are adapted to new requirements. For example, the warehousing structure in the USA has been optimised in the last two years as part of the FOCUS programme. This involved reducing the number of PEG warehouse sites from four to two. In Germany, the warehouse in Haan was closed in 2009 for capacity reasons. KWESTO switched to a different warehouse site in 2010, commencing operations at a new, state-of-the-art warehouse in the Czech Republic.

TAKKT contracts external logistics companies to deliver its goods. The Group's market position and tough competition among logistics companies and parcel services allow TAKKT to negotiate favourable terms with its business partners. Total shipping costs account for less than ten percent of consolidated turnover. Fluctuating fuel prices, road tax and tolls therefore have little impact on TAKKT's earnings.

Low write-offs on receivables and guarantee claims

TAKKT's losses on receivables rate remains very low at well under 0.3 percent of its turnover. This extraordinarily good figure can primarily be attributed to the Group carefully checking customer creditworthiness and actively managing receivables. In addition to this, the relatively low average order value and highly fragmented customer structure limit the risk of write-offs to a large extent. As a result, the loss of receivables rate is very stable throughout the economic cycle. The same applies to the collection period, i.e. the average time between invoicing and payment being received. It was 34 (34) days in the year under review.

The number of customers claiming on warranties and guarantees or making use of their right to return goods has been consistently low for many years. This is because TAKKT exclusively sells durable, quality products that are generally not susceptible to faults and therefore create high levels of customer satisfaction. TAKKT gains additional security through contractual return clauses arranged with the majority of its suppliers. TAKKT is also insured against product liability risks.

Reliable and powerful IT systems

TAKKT depends on extremely reliable and powerful IT systems to run its business, for example servers, order processing software and product management systems. A key priority of TAKKT's risk management is therefore to ensure data security and the smooth operation of IT.

To protect data and functionalities, TAKKT EUROPE uses central high-availability systems. A server processes day-to-day business, while special software simultaneously copies all files to a back-up system. If the server fails, the second system takes over.

At TAKKT AMERICA, ongoing data backups reduce the risks associated with IT system failures. Preparations are also currently underway to implement high-availability systems.

As well as the TAKKT Group companies' internal IT departments, external specialists constantly check the performance and security of the IT systems. They test whether the systems are running reliably, whether they are protected against unauthorised access, and whether data can be restored easily. In general, as business processes are increasingly transferred to the internet, this leads to greater dependency on this communications medium. Extensive IT security tests were therefore conducted in the year under review, concentrating primarily on the infrastructure used for e-commerce. On the one hand, TAKKT is interested in security risks affecting all of its online platforms and the data they use, which is why the web shops' data security has been checked by external experts with the aid of penetration tests. On the other hand, the Group is keen to ensure the online-availability of the TAKKT companies and their web shops. Examples of risks in this context include attacks by hackers, which drastically reduce the web shops' response time for customers by generating a large number of automated requests. TAKKT counteracts risks of this kind by using monitoring programmes which continuously check the web shops' reaction and response times. This enables the company to take prompt action and to block or redirect disruptive requests.

High security standards also apply when using IT. Appropriate guidelines govern the use of email, the internet and other IT systems. All staff members are required to agree in writing to comply with these rules.

Not only a smoothly operating IT system is decisive for the TAKKT Group companies' business. It is also essential to ensure that the sales companies can be reached by phone at all times. For this reason, the Group uses special backup systems and uninterruptible power supplies. This provides protection from line or power failures and faulty telephone systems. Calls can also be rerouted to other sites. The company continuously monitors how easy it is for customers to contact the companies' sales offices. These checks allow TAKKT to flexibly align its telesales capacities with business volumes.

Actively managing financial risks
The main financial risks affecting TAKKT's business result from changes in exchange rates and varying interest rate levels. Wherever possible and reasonable, TAKKT uses (derivative) financial instruments to hedge against these risks. The relevant internal directives prohibit the use of such financial instruments for speculation.

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 in different currencies. The Group protects itself from the effects of 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 turnover – mainly from intercompany transactions. The currency risks which remain after offsetting are generally assumed and hedged by the respective delivering entity. Based on the individual companies' turnover forecasts, the open currency positions are identified and hedged using derivative financial instruments to an amount of between 60 and 70 percent, preferably with forward exchange contracts. In general, forecast turnovers and cash flows are considered for one catalogue cycle.

Translation risks resulting from currency changes are also relevant to TAKKT Group's balance sheet and its consolidated income statement. These arise when the financial reports of foreign subsidiaries are translated into the reporting currency of euros. As a result, fluctuations in exchange rates, especially in the US dollar, impact on the absolute value of key figures reported in euros. TAKKT does not hedge against these risks in general as they hardly affect the structure of the Group's consolidated balance sheet and income statement.

Negative impacts from changing interest rates are also a risk for TAKKT. As a rule, the Group protects itself from this risk with interest rate swaps and interest rate caps. These hedges usually have the same duration as the loan contracts, so that interest rates for long-term loans are also hedged for the long term. The target hedge level is between 60 and 70 percent of the anticipated average finance volume. This limits the negative impact of interest rate increases, but at the same time offers the Group the potential to benefit from interest rate reductions or persistently low short-term interest rates. The development of the hedge amount is mainly driven by the future free cash flows, which can be used to repay borrowings. A detailed description of the hedge instruments held as of the balance sheet date, as well as quantitative details of currency and interest rate risks is included on page 106 onwards of the notes. By using the above-mentioned currency and interest rate hedges, TAKKT does not face any material risks from changes in prices.

TAKKT monitors and manages the solidity of its financial structure by using long-term financial planning and specific internal key financial indicators known as covenants. These covenants include, for example, the debt repayment period and the equity ratio. TAKKT has determined a critical threshold for each of these figures. The Group's equity ratio target is between 30 and 60 percent. At 46.5 percent, it remained comfortably in the middle of this corridor in the year under review. The debt repayment period should be below five years. In 2010, it was 2.4 years. Interest coverage is another measure of a company's financial stability. TAKKT aims for a figure above four and achieved 9.0 in the reporting year. In terms of gearing – i.e. the debt-equity ratio – the Group strives to record a figure below two. In 2010, gearing was 0.6. An explanation of these covenants is included in the glossary starting on page 126.

The Group is mainly financed by long-term loans and always has sufficient unutilised credit lines. This means that its current borrowings can be covered almost entirely by committed five-year credit lines. Additionally, TAKKT Group has unused credit lines totalling more than one hundred million euros at its disposal. This means that, within this volume, TAKKT Group's external growth can be realised at any time by drawing on previously negotiated conditions, so the company is not affected by difficult situations on the financing market as in 2008 and 2009, for example. Thanks to the structure of the committed lines, unavailable credit facilities do not pose a significant risk for TAKKT. The finance department of TAKKT AG regularly monitors banks' creditworthiness and deals exclusively with banks with good rating. Furthermore, the bank pool is widely spread and draws on all the pillars of the banking system. The company can therefore almost rule out any liquidity risk arising from finance.

Low personnel risks

TAKKT Group's employees make a critical contribution to the company's sustained success. Their expertise and dedication have both direct and indirect effects on business development. To continue generating profitable growth in the future, TAKKT continuously strives to gain new, highly qualified employees and retain them in the long term. Risks resulting from staff turnover are minimal, as TAKKT has established deputy arrangements to deal with cases of staff illness or resignation.

Efficient steering and control systems

TAKKT Group's management relies on a range of efficient steering and control systems to manage each individual operating company. The subsidiaries inform the Management Board about their respective turnover figures and order volumes on a daily basis. The gross profit is managed using monthly accounts as well as catalogue price calculations during the year. Efficient cost management is based on special reporting formats focusing on crucial cost categories such as personnel and advertising expenses.

Legal risks have no impact on the business

TAKKT Group companies are involved in litigation in day-to-day business both as plaintiff and defendant. These cases do not have any impact on the economic situation of the Group, neither individually nor jointly. However, as e-commerce gains in importance, an increase in legal disputes concerning licensing law and intellectual capital can be observed. Furthermore, higher public debt is prompting more aggressive approaches to tax legislation in several countries.

Conclusion: risks limited and calculable

All in all, the risks for TAKKT Group are limited and calculable. Based on the information currently available, the Management Board does not believe that there are any substantial individual risks, either now or in the foreseeable future, that threaten the Group's ongoing existence. As the business model generates strong cash flows and the Group has a sound financing structure, neither the risks as a whole nor a renewed flare-up of the global economic crisis threaten TAKKT Group's ongoing existence.

Forecast report for 2011 and 2012

In 2009 and 2010, TAKKT Group proved that it is overall very well positioned thanks to its business model, its established market position, its financing and balance sheet structure and its ability to react quickly to economic peaks and troughs. As a result, the company overcame the economic crisis without sustaining any major damage. During the crisis, TAKKT succeeded in improving its own conditions, enabling it to return to growth faster than many of its competitors and further build on its competitive edge.

Mixed economic picture

Fuelled by expansive monetary policies and government spending programmes, the economy recovered faster in 2010 than most people had expected. Economists expect to see another growth year in 2011. However, it is assumed that growth in 2011 will be below the 2010 level. The growth trend has served as a certain indicator for TAKKT in the past. According to the latest forecasts, the GDP in Europe should grow by a further 1.7 percent in 2011, with an increase of 1.8 percent expected in 2012. In Germany, the economy is expected to grow by 3.0 percent in 2011 and by 2.5 percent in 2012, partly due to an upturn in domestic activity. Meanwhile, initial signs of a slowdown in economic developments in the USA emerged towards the end of 2010. Most experts anticipate growth of 4.0 percent in 2011, followed by 3.5 percent in 2012.

However, a look at the individual components of GDP shows that gross fixed capital investment is still expected to develop positively in 2011. This element is more significant for predicting TAKKT's business than factors such as consumption and public spending. Overall, this means that there is no clear picture of how the economy will develop in the next few years, and the risk of economic setbacks remains. For instance, these could be prompted by national debt crises, which might cause a default of a eurozone country. In the worst-case scenario, a development of this kind would be followed by a downwards spiral that would further impact banks' stability and the economic mood, and the fiscal situation in the EU countries would suffer even more. The financial crises in Greece and Ireland show that a number of EU countries are under serious pressure due to structural and fiscal problems. By contrast, emerging countries such as China and Brazil are more at risk of economic overheating.

The interaction between TAKKT's strategic positioning – as described on page 12 onwards – and the long-term structural market trends, which support the business model, give rise to numerous opportunities for the Group's medium and long-term development. These opportunities are contrasted by the risks laid out in the risk report – in particular the economic risk.

In the light of this, the Management Board is cautiously optimistic about the future. TAKKT will continue to consistently pursue its internal and external growth strategies: tapping new markets with existing brands, constantly enhancing its product range and service, selectively expanding online channels and – wherever possible and reasonable – further strengthening its portfolio with attractive acquisitions.

Resuming long-term growth

Over the last 25 years, TAKKT has achieved average turnover growth of around ten percent per annum, including the sharp downturn experienced in 2009. This expansion was attributable to acquisitions and organic growth in roughly equal measure. For the Group, this 50:50 split also acts as a guideline for future development. The average figure for organic growth comprises some years with above-average growth (as in 2006/2007), years of average growth (as in 2004/2005 and 2010), and years with below-average or even negative organic growth (2001 to 2003 and 2009). Based on the economic expectations and growth initiatives outlined above, the Management Board anticipates organic growth of around four percent for 2011. From today's perspective, 2012 could see growth rates of four to six percent, assuming the uncertainties surrounding the banking and fiscal system are reduced and the initiated GROWTH measures continue to bear fruit.

Management is convinced that, in the medium and long term, TAKKT Group will remain on its above-mentioned historic growth path averaging around ten percent per year. If the company acquires another good-sized direct marketing platform in 2011 and/or 2012, it could achieve growth rates well above the long-term average in those years.

US dollar affects key figures

TAKKT generates around 40 percent of its turnover in the USA. Fluctuations in the exchange rate of the US dollar therefore have a significant impact on the Group's key figures in euros. When translated into the reporting currency of euros, a strong US dollar leads to higher turnover. However, if the dollar is weak, consolidated turnover is diminished. The concrete impact can be illustrated using two scenarios. If, on the one hand, the EUR/USD exchange rate increases by five percent against the previous year (i.e. the US dollar becomes weaker), the increase in turnover reported in euros will be about two percentage points below the currency-adjusted growth. If, on the other hand, the US dollar strengthens by five percent (i.e. the EUR/USD exchange rate falls), the increase in turnover reported in euros will be about two percentage points higher than the currency-adjusted growth.

To illustrate distorting currency effects clearly and report business development objectively, the Group does not only list turnover changes in the reporting currency but also adjusts for currency effects. TAKKT also shows the effects of acquisitions and divestments on turnover in a transparent way. This applies to both its quarterly financial reports and its annual reports. TAKKT's turnover forecast is always based on figures which have been adjusted for currency and acquisition effects.

Gross profit margin over 40 percent threshold

As already outlined in the risk report, changes in raw material and fuel prices have only a marginal impact on TAKKT Group. Therefore, the Management Board has set itself the target of keeping gross profit margins above the 40 percent mark in 2011 and 2012. An ongoing economic upturn – which would usher in a rising number of large orders – could prompt a slight fall from the margin level achieved in 2010.

Further disproportionate increase in operational result

The development in TAKKT's turnover depends on the economic trends in the various regions. It is therefore particularly important for TAKKT to maintain a considerable degree of flexibility in its key cost blocks. This allows costs to be promptly adjusted to economic conditions and thus makes it possible to keep the Group's EBITDA margin within a narrow, long-term target corridor of twelve to 15 percent. The unusually sharp decline in turnover in 2009 prompted the operational margin to fall below the target corridor, although the Group still managed to post a double-digit figure. Thanks to the steps taken in the past two years to increase efficiency and the higher turnover generated in 2010, TAKKT's EBITDA margin was within the target corridor again just one year after the 2009 crisis. The Management Board expects the EBITDA margin to improve further in 2011 and 2012.

Capital expenditure at normal level

In 2011 and 2012, capital expenditure will settle down at the normal level of between one and two percent of turnover, which is the long-term target. Expanding the IT infrastructure to further develop its web shops, along with establishing its online brands, will remain a key focal point for capital expenditure over the years to come.

Expansion still ongoing

TAKKT will consistently follow its course of expansion in the coming years, regardless of the economic situation. In 2011, the Group is preparing to launch the online brand Certeo in additional countries. Web-only brands will be launched for the European OEG and the SPG in the USA in order to achieve the Group's target of having a web-only brand operating in each group by 2011. Within the BEG, there are also plans to roll out the successful multi-brand strategy in another country. Following the successful market entry of the TAKKT AMERICA brand Hubert in Germany, France and Switzerland, the restaurant supplies company will use 2011 to prepare the foundation of new companies in 2012.

Constant dividend policy

With its sustainable dividend policy, TAKKT AG wants to ensure that shareholders participate directly in the company's economic success whilst maintaining financial scope for external growth. In general, approximately 30 percent of profits attributable to shareholders should be paid out as an ordinary dividend. However, the amount paid out should not be less than the previous year. If the total equity ratio reaches or exceeds the upper end of the Group's own target corridor of 30 to 60 percent, TAKKT may also distribute a special dividend thanks to the strong cash flow generated by its business model.

Development of the divisions

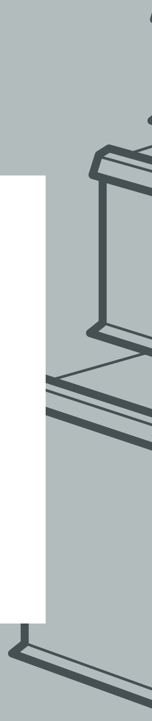
After TAKKT EUROPE and TAKKT AMERICA experienced comparable rates of organic growth in the year under review, trends at the two divisions can be expected to diverge somewhat in 2011. Main reason for this are the currently differing economic dynamics in North America and Europe. Accordingly, the TAKKT Management expects TAKKT EUROPE to develop better than TAKKT AMERICA in 2011, especially driven by the good business development in the first half-year. Irrespective of economic influences, both divisions will benefit from the ongoing implementation of the GROWTH initiatives. Overall, growth rates at the two divisions should approach the Group average again in 2012.

In terms of profitability, TAKKT EUROPE exceeded the Group target corridor already in 2010. Step-by-step improvements to the OEG's earnings situation and improving capacity utilisation at the BEG should prompt further progress in 2011 and 2012. The restructuring measures implemented at TAKKT AMERICA as part of the FOCUS programme will take full effect in 2011. Continuous growth in the subsequent years will also further enhance profit margins. In this way, operational profitability should gradually come close to double-digit figures again.

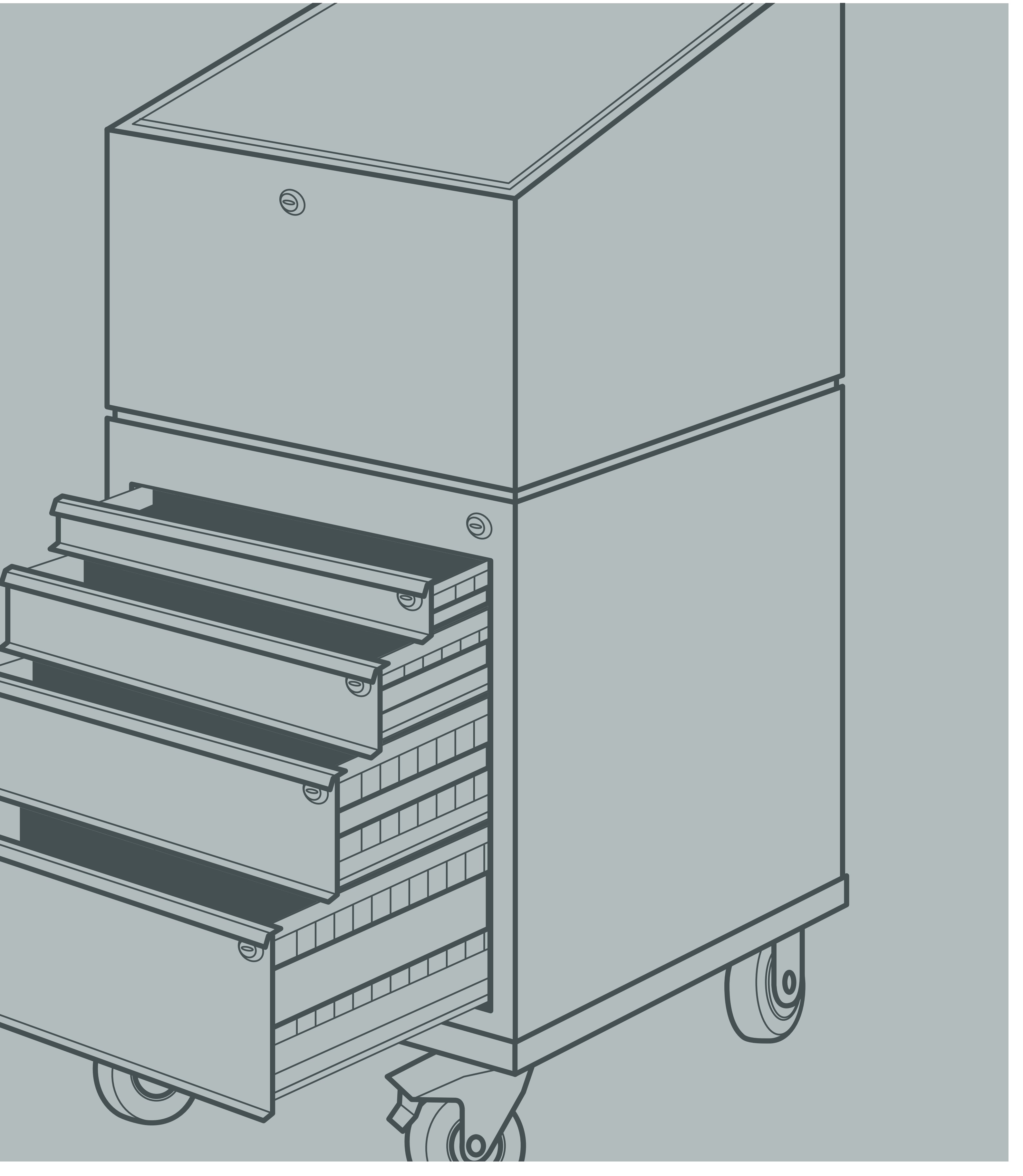
Guarantee

This annual report and the forecast report in particular include forward-looking statements and information.

These forward-looking 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 realised or other opportunities/risks arise, the actual results can differ from those expected. TAKKT management cannot therefore accept any liability for these statements.



SINCE 2010, THE GROUP CONSISTS OF TWO DIVISIONS, TAKKT EUROPE AND TAKKT AMERICA. IN THE YEAR UNDER REVIEW, BOTH SEGMENTS BENEFITED FROM THE WORLDWIDE ECONOMIC UPTURN AND THE GROWTH INITIATIVES IMPLEMENTED.



TAKKT EUROPE

Regaining the usual strength

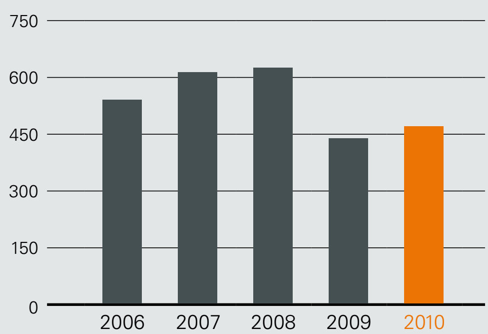
The newly established TAKKT EUROPE division contributed valuable earnings to the Group in 2010. However, business developed very differently at the division's two groups.

Positive stimuli from the economy and growth initiatives
In the year under review, TAKKT EUROPE recorded turnover of EUR 467.1 (436.0) million. The economic revival and the GROWTH initiatives launched last year led to a pleasing business development, which prompted a 7.1 percent overall increase in turnover. This accounted for 58.3 (59.6) percent of consolidated turnover. Adjusted for currency effects, turnover rose by 4.9 percent. In line with the typical pattern for the economic cycle, order numbers increased first in the course of the year; average order values gradually followed suit. Business trends were particularly pleasing in Southern and Eastern Europe, Sweden and China. By contrast, the recovery was relatively sluggish in the Netherlands, Denmark and the UK. Overall developments in 2010 were driven predominantly by the KAISER + KRAFT brand in Germany.

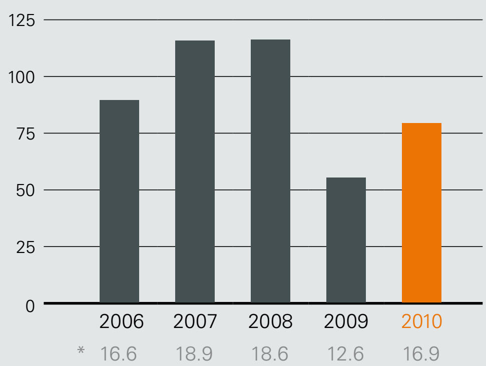
Disparate developments
The division's two groups experienced disparate business trends. The Business Equipment Group (BEG), comprising the companies of the former KAISER + KRAFT EUROPA division, finished the year with a high single-digit rate of turnover growth. Meanwhile, the Office Equipment Group (OEG), containing the European Topdeq companies, endured a double-digit fall in its turnover, even after adjusting for its terminated US operations. Here, all local companies experienced slumps. Although business was expected to develop at a below-average rate due to its late-cyclical character, the fall in turnover was significantly more intense than anticipated.

For this reason, TAKKT developed a package of measures for the strategic repositioning of TAKKT EUROPE's OEG in the second half of 2010, which aims at bringing the group back into the profit zone. The Topdeq brand is to be positioned even more clearly in the premium segment, and the OEG will be strengthened by a web-only brand, which will be established as a one-stop shop in the classic office supplies market. The Topdeq repositioning will also focus on extending the services on offer, improving the product ranges and changing the advertising strategy used. Online advertising in particular will play a more important role in acquiring new customers.

Turnover *in EUR million*



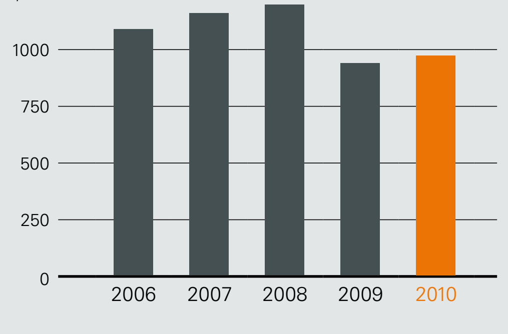
EBITDA *in EUR million (*margin in %)*



Compared to the previous year, TAKKT EUROPE's operational result (EBITDA) climbed at a considerably faster rate than turnover, increasing by 43.6 percent to EUR 79.1 (55.1) million. The FOCUS measures launched in the previous year to improve efficiency helped to achieve this result. The EBITDA increase driven by the FOCUS measures amounted to EUR 7.0 million (discontinuation of EUR 3.6 million of one-off expenditure in 2009 and EUR 3.4 million of positive effects on earnings in 2010). In addition to this, capacity utilisation and advertising efficiency improved perceptibly as the economy rallied. At 16.9 (12.6) percent, the EBITDA margin was once again respectable. The EBITDA margin at the BEG was well above TAKKT's target corridor of twelve to 15 percent. This makes the BEG the most profitable group within TAKKT Group. It should be noted, though, that the OEG also generated positive EBITDA despite the sharp drop in turnover.

Once the repositioning measures for the OEG had been finalised and the associated forecasting had been completed, the OEG's goodwill underwent an impairment test in the fourth quarter of 2010. As a consequence, the OEG's goodwill of EUR 12.9 million was adjusted in full during the fourth quarter. This non-cash impairment charge subsequently reduces all the Group's profit figures derived from EBITDA.

Employees *Full-time equivalents – 31.12.*



Business Equipment Group

From Stuttgart to the world

The Business Equipment Group (BEG) comprises the companies of the former KAISER + KRAFT EUROPA division. Its success story began in Stuttgart back in 1945. Helmut Kraft and Walter Kaiser founded a company that advanced to become Europe's leading B2B direct marketing company in the following decades. Its European expansion started in 1967, followed by the Asian market entry in 2002. Today, 916 employees in more than 20 European countries as well as in China and Japan work for the BEG, whose operational service holding company is KAISER + KRAFT EUROPA GmbH. The group owns the brands KAISER + KRAFT, gaerner, Gerdmans, KWESTO and Certeo. The BEG is TAKKT Group's largest and most successful group with around 1.1 million customers. Its product range comprises approximately 50,000 products – from waste bins and shelving systems to mobile cranes. The company's private brands EURO*KRAFT*, *office akktiv* and Quipo stand for top-quality office, plant and warehouse equipment. On request, the company develops customised products, mini-series and products in the customer's corporate design.

Growth initiatives 2010

TAKKT EUROPE consistently pursued its expansion plans during the year under review. At the beginning of the year, KAISER + KRAFT started its sales activities in Russia. After the German premiere of the online brand Certeo in the previous year, its business model was rolled out into the Austrian and Swiss markets in 2010. The gaerner Group started selling in Italy in May. Topdeq also extended its sphere of activity by entering the Spanish market via a web shop.

All companies extended their range of private-brand articles in the year under review due to the positive experience with them throughout the Group. The BEG, for instance, has been offering high-quality transport equipment at fair prices under the name of Quipo since March 2010. In addition to this, Topdeq has been marketing its own range of high-end office furniture since January 2010, branded as siqnatop.

In 2011, the BEG plans to roll out the gaerner brand in another European country. Preparations are also underway to launch the online brand Certeo elsewhere. The OEG will commence operations with a second brand in 2011, concentrating solely on online sales.

Presence strengthened in Benelux

In April 2010, TAKKT acquired the minority interests in the Dutch company Vink Lisse B.V. and the Belgian subsidiary KAISER + KRAFT N.V. for a purchase price of EUR 10.7 million. This means there are no non-controlling interests left within TAKKT Group.

Office Equipment Group (Europe)

High-quality design:
ordered today – delivered tomorrow

The European Office Equipment Group (OEG) consists of the Topdeq-brand companies, which specialise in high-quality, design-oriented office furniture and accessories. The company offers its customers some 3,000 designer products via catalogues and the internet. Its product range includes, for example, chairs by Philippe Starck and the desk series from Sir Norman Foster. Since 2010, the OEG has also been selling a private-brand range by the name of siqnatop, which offers high-quality design at fair prices. Topdeq guarantees a high level of quality and service. This includes a quality guarantee lasting up to ten years and a fast delivery and assembly service. 165 employees serve some 400,000 customers, largely from the service sector. Topdeq has been part of TAKKT Group since 1994. The brand is represented in Germany, Switzerland, the Netherlands, France, Belgium, Austria and Spain. The OEG will establish a second brand in 2011, which will concentrate solely on online sales.

TAKKT AMERICA

Solid growth path

The TAKKT AMERICA division benefits from its highly diversified customer and product portfolio. The acquisition of Central prompted an additional growth spurt and further strengthened the division's market position in the service sector.

Good performance by all groups

TAKKT AMERICA generated turnover of USD 442.8 (411.2) million in the 2010 financial year. This corresponds to a year-on-year increase of 7.7 percent. Adjusted for the acquisition of Central, turnover grew by 5.4 percent. In TAKKT's reporting currency euros, the division generated turnover of EUR 334.7 (295.6) million. Consequently, TAKKT AMERICA accounted for 41.7 (40.4) percent of consolidated turnover.

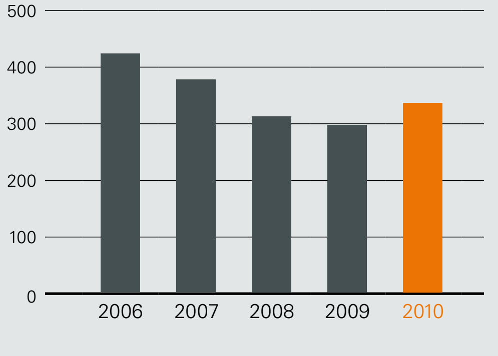
One of the division's reliable strengths continues to be its widely diversified customer and product portfolio. In 2010, all of its groups returned to their growth path. Even the Office Equipment Group (OEG) companies, which tend towards late-cyclical development, recorded a slight increase in turnover. The Plant Equipment Group (PEG) achieved a good single-digit increase in its turnover thanks to the continuous rise in order numbers over the course of the year. The Specialties Group (SPG), which caters primarily for customers from the retail and service industries, posted the biggest improvement with a high single-digit rate of organic growth.

Plant Equipment Group

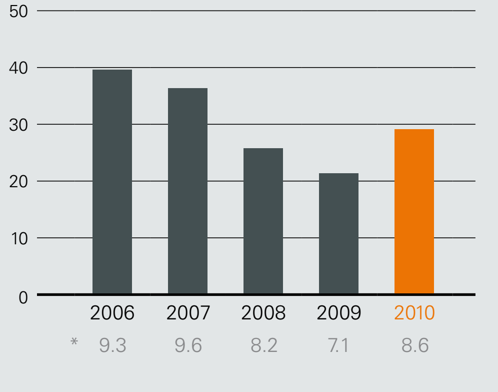
The industrial equipment specialists

The Plant Equipment Group (PEG) comprises the direct marketing activities of C&H in the USA and Mexico, Avenue in Canada, and the web-only brand IndustrialSupplies.com. C&H and Avenue now rank among the leading specialist B2B direct marketing companies in North America. With 226 employees, the companies consider themselves as full-service suppliers, marketing over 42,000 products from the transport, storage and plant equipment sectors to around half a million customers. With two warehouses in the USA and another two in Canada, the PEG is capable of offering a fast delivery service. Naturally, all products can also be ordered online. The PEG expanded its scope in 2010 by launching the web-only brand IndustrialSupplies.com.

Turnover *in EUR million*



EBITDA *in EUR million (*margin in %)*



Specialties Group

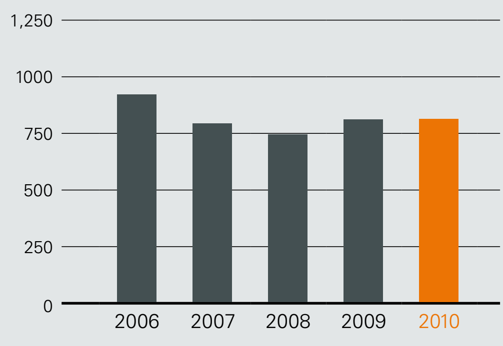
The restaurant equipment specialists

The Specialties Group (SPG) employs 468 people and comprises the Hubert brand in the USA, Canada, Germany, France and Switzerland and Central Restaurant Products in the USA. Established in 1946, Hubert is the leading direct marketing company dedicated to equipment and supplies for the retail, food service and hotel sectors in North America. As a full-service company, Hubert provides comprehensive solutions including up-to-date merchandising products and creative promotional ideas. Central offers its products for the restaurant industry via a web shop and a catalogue with some 350 pages. Its range, which is broader but also shallower than Hubert's, is aimed primarily at smaller companies. The SPG offers its assortment of approximately 50,000 products to around 250,000 customers.

TAKKT AMERICA generated EBITDA of EUR 28.9 (21.1) million in the year under review, resulting in an EBITDA margin of 8.6 (7.1) percent. Excluding Central – whose good operational profitability had a positive effect on the division's figures – the EBITDA margin was at 8.0 (6.5) percent. The FOCUS programme made positive contributions towards the earnings increase totalling EUR 2.2 million (discontinuation of EUR 1.6 million of one-off expenditure in 2009 and EUR 0.6 million of positive effects on earnings in 2010). However, anticipated start-up losses at IndustrialSupplies.com, NBF Canada and the European Hubert companies in Germany, France and Switzerland had a negative impact on earnings.

Despite these start-up expenses for the European Hubert activities, the SPG's EBITDA margin reached the Group's target corridor of twelve to 15 percent. The PEG was able to improve its profitability slightly. However, its EBITDA margin remains in the single-digit range. The OEG posted a high single-digit operational margin. This meant it fell just short of its target – set when the acquisition was made in 2006 – of a double-digit margin in 2010, despite the 2009 economic crisis.

Employees *Full-time equivalents – 31.12.*



Growth initiatives to continue

TAKKT AMERICA implemented a number of GROWTH initiatives in the 2010 financial year. In September, for example, the Hubert brand was launched in Switzerland, having already started successfully in Germany and France. The PEG launched a web-only brand in June: IndustrialSupplies.com. The OEG also rolled out its core brand, NBF, in the Canadian market. A multi-stage plan has been put in place stipulating that this market will initially be served exclusively via the internet. A catalogue will be produced as part of phase two once a critical mass has been reached.

During the current year, Hubert will initially concentrate on extending its three new markets in Europe and prepare further market entries in subsequent years. Also, the SPG's first web-only brand will be launched in 2011.

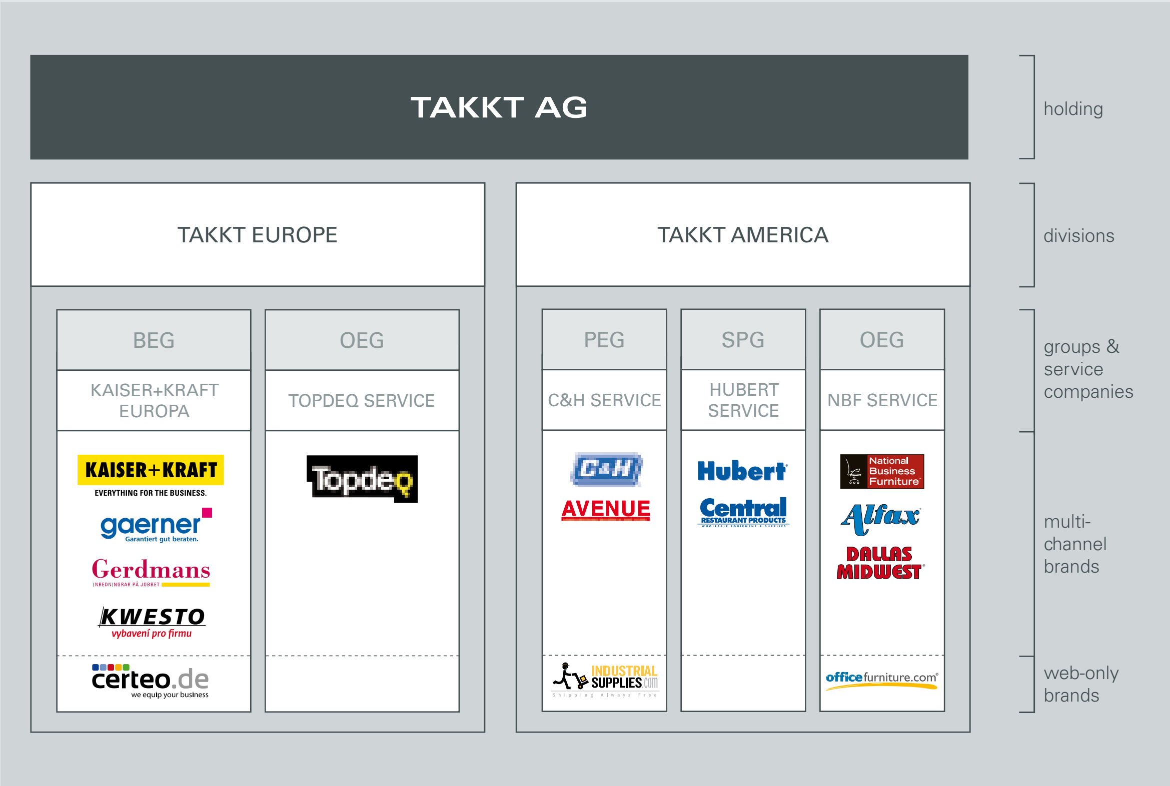
Office Equipment Group (America)

The office equipment specialists

TAKKT AMERICA operates its B2B direct marketing business for office equipment via the Office Equipment Group (OEG) with 130 members of staff. The group's customer base consists mainly of service companies along with public bodies, government agencies, schools and churches. The OEG supplies its products to around half a million business customers and organisations, including almost all Fortune 500 companies. All in all, its product range comprises around 14,000 items. The group operates two warehouses in the USA and is gradually increasing its proportion of stock shipment business. The National Business Furniture (NBF) brand sells classic American office furniture and has been operating in Canada since late 2010 as well. Like NBF, the Alfax and Dallas Midwest brands have been part of TAKKT Group since 2006. Their ranges of office furniture and equipment are aimed predominantly at non-profit organisations such as schools, universities, churches and government agencies. The OEG also operates the web-only brand officefurniture.com – the first TAKKT Group company that has been marketing products solely on the internet. It was also taken over in 2006 as part of the NBF acquisition.

TAKKT at a glance

Group structure from 01 January 2010



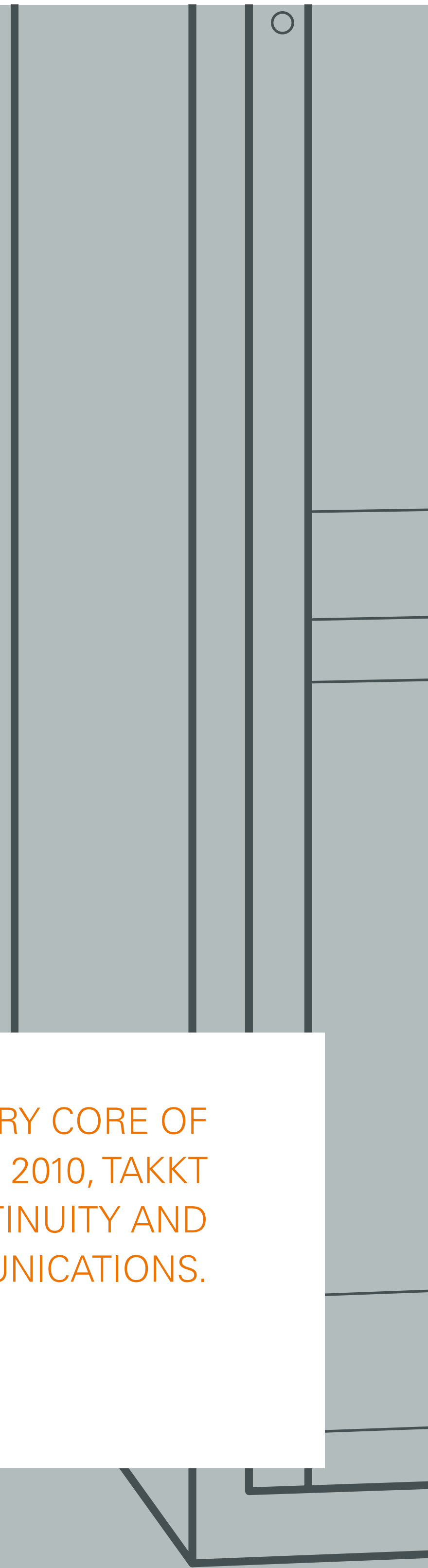
Since 2010, the Group's organisational structure consists of two divisions: TAKKT EUROPE and TAKKT AMERICA. At a secondary level, the divisions are split into five groups.

TAKKT EUROPE is broken down into the Business Equipment Group (BEG) – catering for the industrial, retail, trade and service sectors – and the Office Equipment Group (OEG), whose customers are mainly SMEs from the service industry.

TAKKT AMERICA is divided into three groups. The Plant Equipment Group (PEG) caters for a customer base consisting of industrial, retail, trade and administrative organisations. The Specialties Group (SPG) focuses on the food service industry and retail, while the Office Equipment Group (OEG) primarily supplies service companies, public bodies, government agencies, schools and churches.

Each of the five groups has a service company which supports the individual brands by providing central services such as managing IT and logistics or developing advertising measures. This centralisation ensures that the structures and systems needed for B2B direct marketing are provided efficiently.

The decentralised sales companies of each brand ensure market and customer proximity. TAKKT AG as the holding is responsible for the strategic management of the Group, and thus steers the cross-divisional transfer of knowledge.



TRANSPARENCY IN REPORTING IS AT THE VERY CORE OF TAKKT'S INVESTOR RELATIONS WORK. IN 2010, TAKKT ONCE AGAIN WAS AWARDED FOR THE CONTINUITY AND QUALITY OF ITS FINANCIAL COMMUNICATIONS.

TAKKT share

TAKKT AG known for continuity in its financial communications

It has always been important to TAKKT Group to maintain transparency, speed and quality when it publishes capital market information. The Group's high standard of dialogue with capital market participants has already received a number of awards and has become a hallmark of TAKKT AG.

All shareholders treated equally

For a listed company to achieve success on the capital market, financial stakeholders must be able to obtain precise and accurate information about its current situation quickly and easily. This can be achieved by publishing the relevant company data clearly and openly. Since its IPO, TAKKT Group is committed to provide capital market participants with fast, transparent and comprehensive information about the company's strategy and business developments. Ensuring that all groups of shareholders are treated equally is of particular importance to TAKKT. Institutional investors, private shareholders, financial analysts, banks and potential investors all receive the necessary information with the same priority. TAKKT's information policy also centres on consistently communicating quickly and transparently – regardless of the company's financial situation and the general economic environment.

TAKKT's web site www.takkt.com forms the central part of its financial communication. It provides information geared towards the interests of broad shareholder groups. In particular, the web site provides information tailored to the needs of private investors. Shareholders and anyone interested in the company can find annual and quarterly reports, ad-hoc announcements, press releases and presentations from roadshows and analysts' conferences. The web site also contains general information about everything from TAKKT's growth strategy to corporate governance. As well as reading about TAKKT online, interested parties can call the company for further information. For instance, conference calls are held every time quarterly figures are published. Anyone can take part in these and put their questions to members of the Management Board. TAKKT does not only provide information about the company and its share when publishing quarterly results. In general, anyone can call or write to the investor relations team in Stuttgart any time with their queries. This option is already very popular with institutional investors and analysts, but also private investors are increasingly making use of this service.

Consistently high level of transparency

Continuity of reporting is a critical success factor for professional investor relations work. TAKKT is consistent in the speed, frequency and also quality of the information it publishes. To make it easier to analyse data, details are always presented in the same section and in the same way in each financial report. If the reporting format differs in any way from that used in previous years, this is noted alongside the relevant item. In addition to this, acquisition and divestment effects are shown transparently. An example of this can again be seen in the year under review with the takeover of the US direct marketing company Central acquired in April 2009.

Conferences as important part of investor relations

Consistent, sustainable investor relations work is crucial in our dealings with institutional investors, private shareholders, financial analysts and potential investors. As usual, the Management Board presented the results for 2009 at the financial statements press conference in Stuttgart and the analysts' conference in Frankfurt in spring 2010. In addition, TAKKT made presentations at several capital market conferences. These included investors' events hosted by banks as well as the Equity Forum by Deutsche Börse, traditionally held in November. The Management Board also spoke to numerous investors during roadshows in the financial centres of Frankfurt, London, Paris, Edinburgh and Zurich. A large number of investors and analysts also made use of the opportunity to visit the company's headquarters in Stuttgart. The Management Board used numerous one-on-one talks and group presentations to explain the current business developments, the corporate strategy and growth prospects of TAKKT Group.

Key figures for TAKKT Group *under IFRS*

	2006	2007	2008	2009	2010
Earnings per share (EPS) in EUR	0.84	1.07	1.01	0.41	0.52
TAKKT cash flow per share (CPS) in EUR	1.12	1.39	1.33	0.84	1.07
Dividend per share in EUR	0.25	0.80*	0.80*	0.32	0.32
Payout ratio in percent	29.6	74.7	71.1	77.5	61.2
Number of shares in million (31.12.)	72.9	72.9	72.9	65.6	65.6
Total equity ratio in percent	48.1	59.2	61.7	45.1	46.5
Share price in EUR (31.12.)	13.15	11.90	8.00	7.15	10.80
Highest price in EUR	14.27	15.49	12.50	9.15	11.10
Lowest price in EUR	9.31	11.78	6.59	5.00	7.20
Market capitalisation in EUR million (31.12.)	958.6	867.5	583.2	469.1	708.6

** thereof EUR 0.32 ordinary dividend and EUR 0.48 special dividend*

Top executives closely involved in investor relations

First-rate capital market communications is an executive issue at TAKKT. Members of the Management Board are actively involved in all the key aspects of investor relations. The investor relations department is directly reporting to the corporate management team to ensure that the company achieves its goal of implementing a transparent, prompt information policy which offers added value. This is the only way to ensure that the relevant staff are always kept informed about the latest developments and are able to communicate up-to-date information.

Award-winning investor relations work

The central objective of TAKKT's investor relations work is to familiarise investors with the company's business model and make the share more attractive by means of transparent communications. The Group appreciates that targeted capital market communications helps to widen the shareholder base and thereby increase the share's liquidity. With its investor relations activities, TAKKT tries to steer market expectations so as to minimise volatility in the share price performance as much as possible.

The Group has won many awards for the quality of its comprehensive investor relations work in the past. In 2010, TAKKT won the investor relations prize awarded by the German business magazine CAPITAL in the SDAX category. Almost 400 analysts and fund managers from around 300 financial institutes in Germany and abroad voted in the competition, which named TAKKT number one with the highest score of all 198 participating companies from the EUROSTOXX, DAX, MDAX, TechDAX and SDAX indices. TAKKT sees those recurring awards as a confirmation of its strategy of providing continuous, transparent, fast and comprehensive information about the course of business and future prospects to every capital market participant. Despite the high standards it has already achieved, TAKKT will continue to further enhance the quality of its investor relations work.

Performance of the TAKKT share *52-week comparison 2010*

TAKKT share performance above average

The attractive business model, the trend in TAKKT Group's earnings and an improved global economic environment – along with a transparent information policy – helped the TAKKT share show attractive performance in the year under review. During the 2010 stock market year, the TAKKT share gained in value by 51.0 percent overall, while the SDAX reference index rose by a 45.8 percent. As of 31 December 2010, TAKKT AG's market capitalisation amounted to EUR 708.6 million, based on 65,610,331 shares. The free float was at 29.6 percent.

Again great response to Annual General Meeting

Approximately 350 shareholders and guests attended the 11th ordinary Annual General Meeting of TAKKT AG in Ludwigsburg on 04 May 2010. The shareholders approved the distribution of an ordinary dividend of 32 cents per share – the same as in the previous year – by a large majority. With this move, TAKKT Group continued to pursue its sustainable dividend policy despite the difficult 2009 financial year. With dividends totalling EUR 21.0 million, the payout ratio corresponded to 77.5 percent of the profits attributable to shareholders for the 2009 financial year. Despite the high payout ratio, the Group was able to maintain financial scope for further internal and external growth thanks to its strong cash flow.

The Annual General Meeting elected Prof. Dr Jürgen Kluge and Stefan Meister as members of the Supervisory Board by a large majority. They succeed Dr Eckhard Cordes and Michael Klein, who resigned from the Supervisory Board effective 31 December 2009 and 04 May 2010 respectively. The Annual General Meeting also ratified the management's proposals on the other items of the agenda by a large majority.

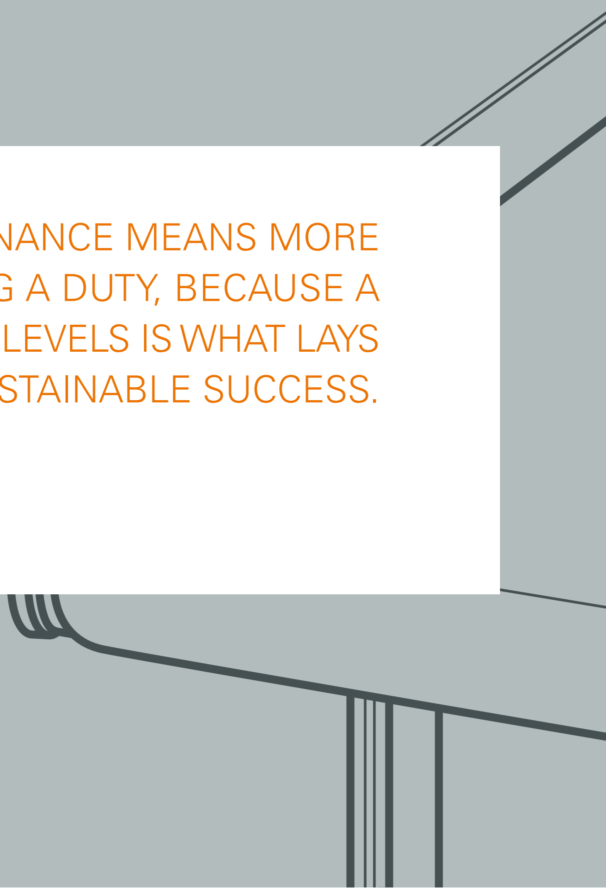
In the photo, left to right: Dr Florian Funck, Joachim Eschke, Jenny Borgemehn and Frank Schwitalla at the Capital IR award ceremony in Frankfurt.

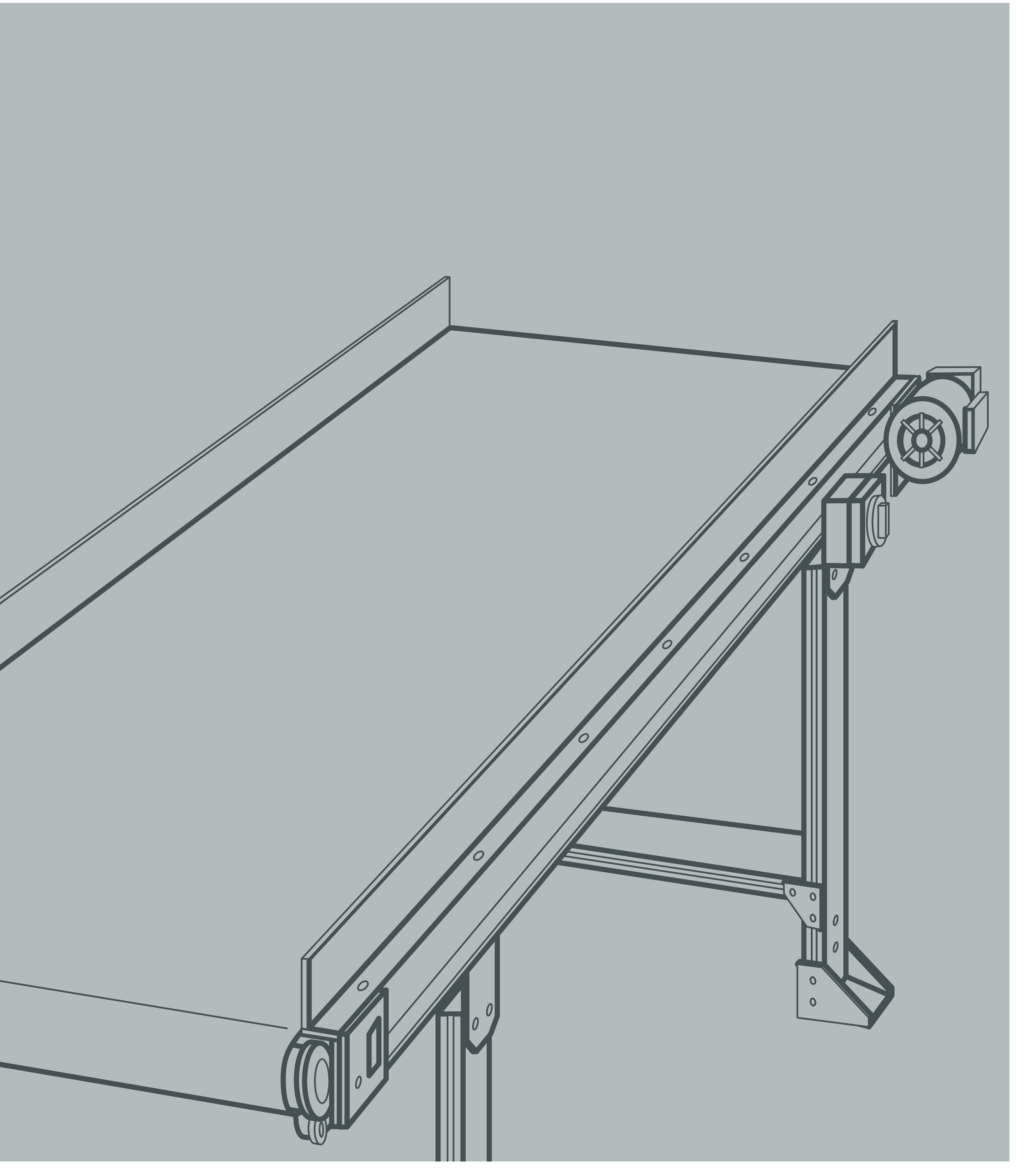
Ordinary dividend remains constant

TAKKT AG's dividend policy is based on continuity. Its aim is to grant shareholders a direct share in the company's profits and cash flow, whilst maintaining financial scope for investments and acquisitions. At the AGM for the financial year 2010 on 04 May 2011, the Management and Supervisory Boards will therefore propose an unchanged ordinary dividend of EUR 0.32 per share. As the equity ratio of 46.5 percent is within the target corridor of 30 to 60 percent, no special dividend will be proposed for 2010. With payouts totalling EUR 21.0 million, TAKKT will therefore distribute 61.2 percent of the profits attributable to shareholders 2010. Adjusted for the EUR 12.9 million goodwill impairment charge at the European OEG, the payout ratio amounts to 44.5 percent.

TAKKT AG's balance sheet and business model will continue to offer shareholders an attractive share of the Group's profits and cash flow in the future. Whether special dividends are paid out alongside the ordinary dividend will continue to depend on whether TAKKT makes significant acquisitions or other value-creating investments which affect the balance sheet structures.

FOR TAKKT, CORPORATE GOVERNANCE MEANS MORE THAN SIMPLY FULFILLING A DUTY, BECAUSE A SENSE OF RESPONSIBILITY AT ALL LEVELS IS WHAT LAYS THE FOUNDATION FOR SUSTAINABLE SUCCESS.





Corporate governance report*

Responsibility to customers, staff and shareholders

The executive team at TAKKT is in no doubt that good corporate governance enhances performance. It regards open dialogue between the various stakeholders as the basis for the company's long-term success.

Transparent and open

For TAKKT AG, responsible corporate management is an essential fundamental principle. For this reason, the Group explicitly supports the objectives of the German Corporate Governance Code. This is demonstrated in practice by, for example, the fact that the Management Board informs the Supervisory Board and shareholders promptly and comprehensively about all the latest developments. Management structures are marked by clear organisation and direct reporting lines. Furthermore, the company operates a value-based remuneration and incentive system. To secure lasting business success, TAKKT has established an active risk management system which is optimised regularly. Further information on this subject can be found in the risk report starting on page 30.

Award-winning communications add value

Ever since its IPO in 1999, TAKKT AG has attached great importance to open communications with the capital market and all interested parties. Investors, analysts and journalists can direct questions and suggestions to the Management and Supervisory Boards at any time. The web site www.takkt.com provides comprehensive information in both English and German. Alongside the company's key figures and information about the TAKKT share, the web site contains financial reports, press releases, ad-hoc news, the company calendar and more. In addition to this, TAKKT regularly participates in investors' conferences. TAKKT has received a number of awards for its consistent, exemplary financial communications. For detailed information about investor relations, please refer to the section TAKKT share starting on page 52.

Participation at the AGM

The AGM of TAKKT AG offers shareholders the opportunity to exercise their statutory rights. They can either vote personally or by proxy on the relevant items on the agenda. Additionally, TAKKT offers the possibility of voting by post for the first time at the 2011 AGM. The procedure for registration and proof of eligibility used at the AGM of TAKKT AG is in accordance with the stipulations of the German Stock Corporation Act and with international standards. All shareholders wishing to attend an AGM of TAKKT AG and exercise their right to vote must 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 AGM.

Close cooperation between Management and Supervisory Boards

Together, we can achieve more: that is why the Management and Supervisory Boards at TAKKT AG work together so closely and trustingly. The Management Board steers the company, develops and implements strategies, takes responsibility for the operating business and ensures effective risk management. Important decisions are taken by the Management Board in coordination with the Supervisory Board, which it also informs regularly and comprehensively about developments in the company, its environment, strategy and business development.

It is the duty of the Supervisory Board to oversee and advise the Management Board in its management of the company. 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 is involved in the most important decisions. A further responsibility of the Supervisory Board is to appoint the auditors in accordance with the resolution passed at the AGM. TAKKT AG shareholders decide on the Supervisory Board members' remuneration. Supervisory Board remuneration is regulated in the company's articles of association, which can be found on the internet at www.takkt.com under the section Share/Corporate Governance/Articles of Association.

Commitment to the Corporate Governance Code

TAKKT AG underlines its commitment to responsible corporate management by expressly supporting the aims and requirements of the German Corporate Governance Code. In December 2010, the Management and Supervisory Boards therefore renewed their declaration of general conformity with the latest version of the recommendations made by the

**The corporate governance report forms part of the management report.*

Declaration pursuant to section 161 of the German Stock Corporation Act (AktG) on 31 December 2010

The Management and Supervisory Boards of TAKKT AG declare that the recommendations of the „German Corporate Governance Codex Government Commission", published by the Federal Ministry of Justice („Bundesministerium der Justiz") in the official part („amtlicher Teil") of the Electronic Federal Gazette („Elektronischer Bundesanzeiger"), as amended on 26 May 2010, will be met. Management and Supervisory Boards further declare that since the last declaration the recommendations of the „German Corporate Governance Codex Government Commission", as amended from time to time, have been met. There are the following exceptions:

- Under clause 4.2.4, the German Corporate Governance Codex recommends that the total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related and performance-related components. The same applies to obligations arising from benefits which were granted to a Board Member on the premature or scheduled termination of their role on the Board or which were altered in the course of the financial year. There is no need to disclose these details if the Annual General Meeting passes a resolution to this effect by three-quarters majority. At TAKKT AG, this information is not issued individually as the General Meeting made such a resolution on 31 May 2006 for the duration of five years.

- Under clause 5.3.2, the German Corporate Governance Codex recommends that the Supervisory Board shall establish an Audit Committee. At TAKKT AG, no Audit Committee has been installed. As the Supervisory Board of TAKKT AG with six members is comparatively small, Management and Supervisory Boards still see no need to establish an Audit Committee for the Board.

- Under clause 5.3.3, the German Corporate Governance Codex recommends that the Supervisory Board shall establish a Nomination Committee. At TAKKT AG, no Nomination Committee has been installed. As the Supervisory Board of TAKKT AG with six members is comparatively small, Management and Supervisory Boards also see no need to establish a Nomination Committee for the Board.

- Under 5.4.6 paragraph 3, the German Corporate Governance Codex recommends the individual disclosure of compensation paid to the Management Board, and compensation or benefits paid to the members of the Supervisory Board for personal services, especially consulting and agency services. At TAKKT AG, this information is not issued individually. As the compensation of the Management Board is not issued individually, TAKKT AG would like to deal accordingly with the compensation of the Supervisory Board. The terms of the compensation of the Supervisory Board are set forth in the bylaws of TAKKT AG, which is public domain.

- Under clause 7.1.2, the German Corporate Governance Codex recommends that half-year and any quarterly financial reports shall be discussed by the Supervisory Board or its Audit Committee prior to publication. At TAKKT AG, the Chairman and the Deputy Chairman are continuously informed about the business development. Moreover, all members of the Board receive a written monthly report. Therefore, the Supervisory Board does not consider it necessary to additionally and separately discuss the quarterly financial reports by the whole Supervisory Board or by an Audit Committee.

Stuttgart, 31 December 2010

On behalf of the Supervisory Board of TAKKT AG
Prof Dr Klaus Trützschler, Chairman of the Supervisory Board

On behalf of the Management Board of TAKKT AG
Dr Felix A. Zimmermann, CEO

German Corporate Governance Code Government Commission according to section 161 of the German Stock Corporation Act (AktG). The declaration of conformity is reproduced verbatim on page 59 and is also available online at www.takkt.com under Share/Corporate Governance.

TAKKT has only determined a few exceptions from the declaration, where it does not follow the Code's recommendations. These include the disclosure of the remuneration paid to individual Management and Supervisory Board members. The total of all relevant payments as well as the way in which Management Board remuneration is divided into fixed and variable parts can be found on pages 61 and 118 onwards of this annual report. TAKKT is convinced that providing more individualised details would not add any information and would, moreover, infringe on the privacy of the respective Supervisory and Management Board members. TAKKT's shareholders agree with this and resolved at the AGM in 2006 that the compensation of Management Board members will not be published on an individualised basis up to and including 2011.

The Supervisory Board considers it unnecessary to establish an audit committee or a nomination committee. The Supervisory Board is lean and efficient with six members. Moreover, the Supervisory Board does not consider it necessary for the whole Supervisory Board to discuss the quarterly and half-year financial reports before they are published. This is because the Chairman and the Deputy Chairman of the Supervisory Board are constantly informed of business developments and the other members receive written monthly updates from the Management Board.

Diversity on the Supervisory Board

Given the operating purpose of the company, its size and the share of international business, the Supervisory Board of TAKKT AG strives to take various principles into account in its make-up as per clause 5.4.1 of the German Corporate Governance Code. First and foremost, the Supervisory Board should select duly qualified, suitable candidates when making nominations. The goal is for women to have a long-term involvement in the Supervisory Board by holding one seat. Given the current make-up of the Supervisory Board, its members' experience, internationality and qualifications, the environment in which TAKKT AG operates and the existing code of procedure for the Supervisory Board, TAKKT believes that it fulfils the requirements of the German Corporate Governance Code. The Supervisory Board will strive to comply with the above targets and the principles associated with them in the future.

Management Board remuneration system

The total remuneration paid to Board members consists of non-performance-related and performance-related components. When deciding on the remuneration paid to Management Board members at TAKKT AG, consideration is given to the company's size, its economic and financial position, and the amount and structure of the remuneration paid to Management Board members at comparable companies. At the Personnel Committee's suggestion, the Supervisory Board regularly reviews the structure of the remuneration system for the Management Board members and examines whether the system and the amounts paid are appropriate.

Non-performance-related remuneration components

The non-performance-related components consist of a fixed basic salary, fringe benefits and a contribution towards a pension scheme. TAKKT pays its Management Board members a fixed basic monthly salary. The fringe benefits received by the Management Board comprise the use of company cars, accident insurance, foreign travel health insurance, luggage insurance and D&O insurance. Each individual Board member pays tax on their use of a company car as this constitutes a remuneration component. TAKKT has made a pension commitment to its Management Board members. Every year, a contribution equivalent to ten percent of the basic salary and the target bonus is made, though contributions are only made for as long as the individual is appointed to the Management Board. The success-based target bonus corresponds to a 100 percent achievement of the appropriate targets. A guaranteed minimum rate of interest applies to the pension contributions. Management Board Members are entitled to pension payments when they leave the company, but no earlier than the member's 60th birthday. In the case of disability or death, an enhanced pension plan is paid out. This is supplemented by the missing contributions which would have been paid up to the age of 63.

Performance-related remuneration components

The performance-related components consist of a success-based bonus paid annually and a rolling remuneration component, that acts as a long-term incentive. This currently takes the form of a performance cash plan.

Remuneration of Management Board *in EUR '000*

	2010
Salaries and other payments	2,463
thereof variable	1,515
Provision for payments after end of employment	261
Other long-term benefits	40
	2,764

TAKKT Group's cash flow from operating activities is used as the basis for valuating the bonus. How much of a bonus is paid is determined by a percentage share of this key performance figure in the relevant financial year. The bonus amount paid out is capped. The Supervisory Board also has the right to increase or reduce the bonus by 20 percent in case of an extraordinary contribution by a Board Member or any unusual circumstances, according to its best judgement. Based on a system of age bands, Board members can convert certain portions of their bonus into pension components.

New performance cash plans are set up each year. They are paid out in cash after a period of four years if the relevant targets are met. The cash payout due depends on the attainment of two objectives. Firstly, the development of the total shareholder return (TSR) throughout the term of the relevant plan. The TSR is equivalent to the TAKKT share's total return, taking dividend payouts into account. The second factor is the cumulative EVA® generated throughout the plan's term. The component which is linked to share performance is classified as a cash-settled share-based payment transaction as per IFRS 2. It is valued using a binomial probability method of share option valuation. The expenditure for the benefits received or liability to settle these benefits is recorded over the expected vesting period. The liability is reassessed on each balance sheet date and on the due date. Changes in fair value are recorded through profit and loss. The EVA® indicator is used for value-based corporate management. It shows whether the interest demands of equity and debt investors are adequately met. Remuneration is therefore based on sustainably increasing the company's value. The amount paid out under the performance cash plans is also capped. Individuals are only entitled to payouts under the performance cash plan if they were employed during the term of the relevant plan. If an individual reaches retirement age or terminates the Board membership, a pro rata payment is made.

Share options are not part of the Management Board remuneration at TAKKT AG. There are no plans to change this in the future.

For further information about Management Board remuneration, please refer to page 118 onwards of the notes.

Share ownership and directors' dealings

In total, the members of the Management and Supervisory Boards held 8,683 (8,676) shares as of 31 December 2010. This is less than one percent of the TAKKT shares issued.

According to section 15a of the German Securities Trading Act (WpHG), executives (as well as natural and legal persons closely related to them) of a company listed on the regulated market must notify the respective issuer and the German Federal Financial Supervisory Authority (BaFin) if, in the course of a calendar year, they buy or sell shares or related financial instruments at a value exceeding EUR 5,000. In the year under review, no such notifiable transactions were reported. Further information on this can be found in the notes on page 117 and at www.takkt.com under Share/Corporate Governance.

Corporate 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 system of the customary scope, which is checked by the corporate departments and the Group's compliance officer. These security measures ensure that potential cases of non-compliance are quickly identified. Compliance with external and internal regulations is also regularly monitored by external auditors and the internal audit department on behalf of the Management Board.

Ladies and Gentlemen

TAKKT AG has emerged from the worst economic crisis since the end of World War Two in fine fettle. The Group resumed a fair pace of growth already in 2010. Steering the Group through such a stormy economic climate calls for a high level of attentiveness and commitment from all staff, the Management Board and the Supervisory Board. Following the dramatic slump we saw in 2009, TAKKT was unable to avoid making cuts. Unprofitable business operations were closed down or restructured, and some of our employees lost their jobs. This was painful for everyone involved. Thanks to the dedication of our Management Board and staff, the Group is now in a better position than it was before the crisis. Thus, we could preserve existing jobs and have once again set a course to increase turnover, earnings and employment figures. The Supervisory Board backed the company throughout each and every phase and provided support as best it could.

Business development and personnel changes

In the financial year 2010, five Supervisory Board meetings were held. The meetings focused mainly on the current course of business, strategic and operational planning, acquisition opportunities, the repositioning of Topdeq and the implementation of the various GROWTH initiatives along with the associated measures. The risk management system and risk environment, the internal control system, the audit system, internal audit planning and compliance were also on the agenda.

The Supervisory Board welcomed two new members – Prof. Dr Jürgen Kluge and Stefan Meister – who were elected at the Annual General Meeting in May 2010. They succeed Dr Eckhard Cordes, who resigned from the Supervisory Board at the end of 2009, and Michael Klein, who left the board with effect from the end of the 2010 Annual General Meeting.

In the financial year 2010, the Personnel Committee met twice. In particular, these meetings dealt with the Management Board remuneration system and its appropriateness as well as the report on Management Board remuneration.

Constructive cooperation in a spirit of partnership

As usual, the cooperation between the Supervisory Board and management was marked by transparency and openness in 2010. The Management Board regularly informed us verbally and in writing about all points relevant to the Group. The information given was not limited to the legally required minimum. Requests for further information were also responded to immediately by the Management Board. In addition to the regular Supervisory Board meetings, we also received a monthly summary report on the latest developments. Management informed me separately about any significant events between scheduled meetings. I shared this information with the other members of the Supervisory Board at the next meeting. The Management and Supervisory Board members discussed all relevant topics openly and constructively. If points needed to be decided by the Supervisory Board, we passed the required resolutions in a timely manner.

Oriented towards the Corporate Governance Code

The Supervisory Board attaches importance to conducting its control tasks continuously and with great intensity. This commitment will also mark our work in the future since it contributes considerably to responsible management at TAKKT. In this connection, the Management and Supervisory Boards have again signed the declaration of conformity to the recommendations made by the German Corporate Governance Code Government Commission effective 31 December 2010. Further information on this and on the remuneration system for the TAKKT Management Board can be found from page 58 onwards.

As per clause 5.4.7 of the German Corporate Governance Code, we hereby note that Dr Dr Peter Bettermann was unable to attend more than half of the Supervisory Board meetings in 2010 for personal reasons.

Prof. Dr Klaus Trützschler
Chairman of the Supervisory Board

Ordinary dividend remains constant
At the next Annual General Meeting in May 2011, both the Management and the Supervisory Boards will propose the payout of an unchanged ordinary dividend as in the previous year, i.e. EUR 0.32 per share. The proposed payout ratio therefore is 61.2 percent of the earnings attributable to TAKKT AG shareholders. In this way, the shareholders participate directly in the company's good operational earnings and high cash flow. No special dividend will be proposed as the balance sheet structure is balanced with an equity ratio in the middle of the Group's own target corridor.

Consolidated financial statements and financial statements of TAKKT AG approved
The AGM appointed Ebner Stolz Mönning Bachem GmbH & Co. KG, Stuttgart, as the auditors for the financial year 2010. The focus of the audit of TAKKT AG in the period under review was on the valuation of financial assets and provisions, the correctness and completeness of the notes, as well as the first time adoption of the Accounting Law Modernization Act (BilMoG). For the Group, the audit concentrated on the reporting of foreign auditors, impairment tests, the consolidation measures, the consolidated cash flow statement as well as the notes to the consolidated financial statements and the Group management report of TAKKT AG and the Group. The auditors verified the TAKKT AG financial statements, the consolidated financial statements and the combined management report and issued an unqualified audit certificate. TAKKT Group's system for early risk detection was also audited and its suitability confirmed. The auditors in charge took part in the Supervisory Board's annual accounts meeting. They informed the members about the key findings of the audit and answered more detailed questions.

The Supervisory Board carefully reviewed the auditor's findings and approved them. In addition, the Supervisory Board also reviewed the consolidated financial statements, the financial statements of TAKKT AG and the combined management report for TAKKT AG and the Group as well as the proposed profit appropriation. No objections were put forward by the Supervisory Board. The financial statements of TAKKT AG have therefore been adopted and the consolidated financial statements approved. The Supervisory Board agrees with the profit appropriation proposal made by the Management Board. The Supervisory Board also approves the combined management report and, in particular, the assessment of the Group's future development.

Supervisory Board approves dependence report
Franz Haniel & Cie. GmbH, Duisburg, continued to hold the majority of TAKKT shares in 2010. The Management Board therefore prepared a report on relations with affiliated companies for the past financial year as required under section 312 of the German Stock Corporation Act (AktG). Ebner Stolz Mönning Bachem GmbH & Co. KG, Stuttgart, prepared an auditor’s 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, firstly, the facts set out in the report are correct, secondly, that payments made by the company for transactions covered in the report were not unduly high and, thirdly, that there are no reasons for evaluing the measures covered in the report differently to the Management Board.”

The Supervisory Board reviewed and approved the dependence report and the corresponding audit report according to section 314 of the German Stock Corporation Act (AktG). The Board had no objections to the report and the closing statement made by the Management Board therein, which can be found on page 17 of the management report.

Thanks to shareholders, staff members and Management Board
We would like to thank the TAKKT AG shareholders for the trust they have once again placed in us. Our thanks also go to all members of staff for their commitment and outstanding performance in 2010 and to the Management Board for their trusting cooperation founded on partnership.

Stuttgart, March 2011

Prof. Dr Klaus Trützschler

Members of the Supervisory Board

Prof. Dr Klaus Trützschler
Chairman
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg

Prof. Dr Jürgen Kluge
Deputy Chairman
Member of the Supervisory Board since 04 May 2010
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg

Dr Dr Peter Bettermann
Managing Partner and Speaker of the Management Board of Freudenberg & Co. KG, Weinheim

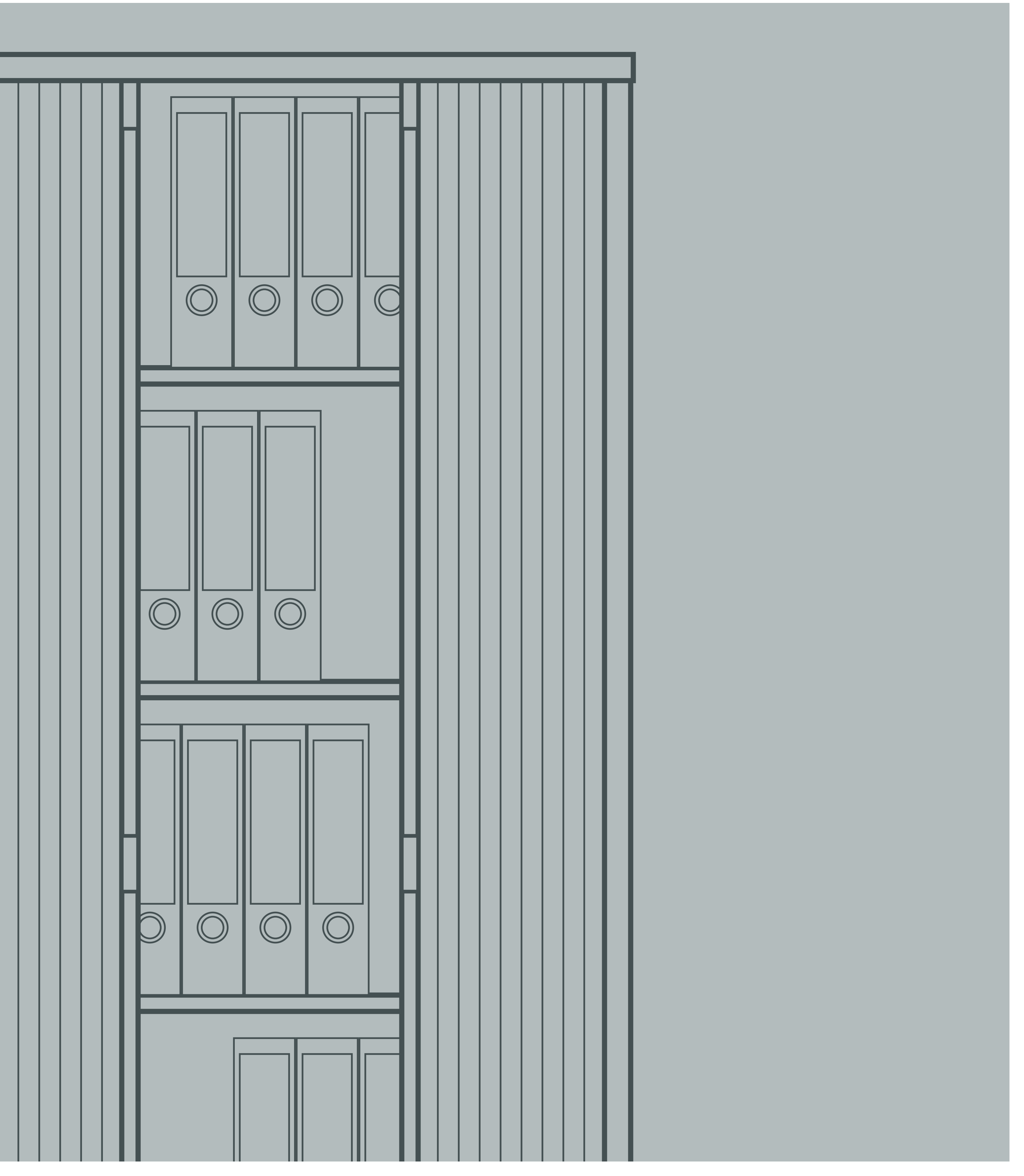
Michael Klein
Member of the Supervisory Board until 04 May 2010
Non-Executive Chairman of Rapp Germany GmbH, Hamburg

Thomas Kniehl
Logistics employee at KAISER + KRAFT GmbH, Stuttgart

Stefan Meister
Member of the Supervisory Board since 04 May 2010
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg

Prof. Dr Dres h.c. Arnold Picot
University professor at the Ludwig-Maximilians-Universität München

SOLID FINANCING AND BALANCE SHEET STRUCTURES ENSURE THE IMPLEMENTATION OF LONG-TERM GROWTH STRATEGIES.



Consolidated income statement of TAKKT Group, Stuttgart, 01 January to 31 December 2010 under IFRS *in EUR '000*

	Notes	2010	2009
Turnover	(1)	801,560	731,464
Changes in inventories of finished goods and work in progress		–96	–688
Own work capitalised		21	48
Gross performance		**801,485**	**730,824**
Cost of sales		457,687	423,812
Gross profit		**343,798**	**307,012**
Other income	(2)	7,180	6,586
Personnel expenses	(3)	109,157	101,099
Other operating expenses	(4)	141,220	143,848
EBITDA		**100,601**	**68,651**
Depreciation of property, plant and equipment and other intangible assets	(5)	19,780	19,227
EBITA		**80,821**	**49,424**
Impairment of goodwill	(6)	12,860	0
EBIT		**67,961**	**49,424**
Income from associated companies		0	0
Finance expenses	(7)	–9,050	–7,220
Other finance result	(8)	87	177
Finance result		**–8,963**	**–7,043**
Profit before tax		**58,998**	**42,381**
Income tax expense	(9)	24,410	14,548
Profit		**34,588**	**27,833**
attributable to owners of TAKKT AG		34,313	27,095
attributable to non-controlling interests		275	738
Weighted average number of issued shares in million		65.6	66.6
Earnings per share in euros	(10)	0.52	0.41

Consolidated statement of comprehensive income of TAKKT Group, Stuttgart, 01 January to 31 December 2010 under IFRS *in EUR '000*

	2010	2009
Profit	**34,588**	**27,833**
Other comprehensive income		
Income and expenses from the subsequent measurement of cash flow hedges recognised in equity	–5,989	–2,812
Income recognised in the income statement	3,826	1,947
Subsequent measurement of cash flow hedges	**–2,163**	**–865**
Income and expenses from the adjustment of foreign currency reserves recognised in equity	8,063	–1,893
Income recognised in the income statement	0	0
Adjustment of foreign currency reserves	**8,063**	**–1,893**
Deferred taxes on subsequent measurement of cash flow hedges	814	321
Deferred taxes on adjustment of foreign currency reserves	0	0
Deferred taxes on other comprehensive income	**814**	**321**
Changes to other components of equity (other comprehensive income)	**6,714**	**–2,437**
attributable to owners of TAKKT AG	6,714	–2,437
attributable to non-controlling interests	0	0
Total comprehensive income	**41,302**	**25,396**
attributable to owners of TAKKT AG	41,027	24,658
attributable to non-controlling interests	275	738

Further details on Other comprehensive income can be found on page 99 and 106 onwards.

Consolidated balance sheet of TAKKT Group, Stuttgart, at 31 December 2010 under IFRS *in EUR ’000*

Assets	Notes	2010	2009
Non-current assets			
Property, plant and equipment	(11)	96,488	99,817
Goodwill	(12)	237,534	240,052
Other intangible assets	(13)	37,265	41,264
Investment in associates		20	20
Other assets	(14)	783	852
Deferred tax	(15)	5,675	4,757
		377,765	**386,762**
Current assets			
Inventories	(16)	56,240	51,572
Trade receivables	(17)	87,478	72,134
Other receivables and assets	(18)	14,920	14,164
Income tax receivables		1,338	8,567
Cash and cash equivalents	(19)	3,624	3,201
		163,600	**149,638**
Total assets		**541,365**	**536,400**

Equity and liabilities	Notes	2010	2009
Shareholders’ equity	**(20)**		
Share capital		65,610	65,610
Retained earnings		207,994	201,812
Other components of equity		–21,870	–28,584
		251,734	**238,838**
Non-controlling interests	**(21)**	**0**	**3,259**
Total equity		**251,734**	**242,097**
Non-current liabilities			
Borrowings	(22)	109,983	155,792
Deferred tax	(15)	29,231	24,945
Provisions	(23)	21,739	19,506
		160,953	**200,243**
Current liabilities			
Borrowings	(22)	32,802	28,176
Trade payables	(24)	25,710	16,486
Other liabilities	(25)	41,182	30,936
Provisions	(26)	17,303	13,175
Income tax payables		11,681	5,287
		128,678	**94,060**
Total equity and liabilities		**541,365**	**536,400**

Consolidated statement of changes in total equity of TAKKT Group, Stuttgart *in EUR '000*

	Share capital	Retained earnings	Other components of equity	**Share-holders' equity**	Non-controlling interests	**Total equity**
Balance at 01.01.2010	**65,610**	**201,812**	**–28,584**	**238,838**	**3,259**	**242,097**
Transactions with owners	0	–28,131	0	–28,131	–3,534	–31,665
thereof acquisition of non-controlling interests	0	–7,136	0	–7,136	–3,534	–10,670
thereof dividends paid	0	–20,995	0	–20,995	0	–20,995
Total comprehensive income	0	34,313	6,714	41,027	275	41,302
Balance at 31.12.2010	**65,610**	**207,994**	**–21,870**	**251,734**	**0**	**251,734**

	Share capital	Retained earnings	Other components of equity	**Share-holders' equity**	Non-controlling interests	**Total equity**
Balance at 01.01.2009	**72,900**	**277,602**	**–26,147**	**324,355**	**3,380**	**327,735**
Transactions with owners	–7,290	–102,885	0	–110,175	–859	–111,034
thereof capital reduction through buy-back of shares	–7,290	–50,396	0	–57,686	0	–57,686
thereof dividends paid	0	–52,489	0	–52,489	–859	–53,348
Total comprehensive income	0	27,095	–2,437	24,658	738	25,396
Balance at 31.12.2009	**65,610**	**201,812**	**–28,584**	**238,838**	**3,259**	**242,097**

For further information, refer to page 98 onwards of the notes.

Consolidated cash flow statement of TAKKT Group, Stuttgart *in EUR '000*

	Notes	2010	2009
Profit		34,588	27,833
Depreciation and impairment of non-current assets	(5)/(6)	32,640	19,227
Deferred tax affecting profit	(9)	3,040	9,067
TAKKT cash flow		**70,268**	**56,127**
Other non-cash expenses and income		483	163
Profit and loss on disposal of non-current assets and consolidated companies		–41	–235
Change in inventories		–1,509	19,708
Change in trade receivables		–13,161	16,186
Change in other assets not included in investing and financing activities		6,090	–4,487
Change in short and long-term provisions		6,058	2,273
Change in trade payables		8,407	–8,328
Change in other liabilities not included in investing and financing activities		11,771	–10,423
Cash flow from operating activities		**88,366**	**70,984**
Proceeds from disposal of non-current assets		470	1,267
Capital expenditure on non-current assets		–6,725	–4,592
Cash outflows for the acquisition of consolidated companies (less acquired cash and cash equivalents)		0	–59,059
Cash flow from investing activities		**–6,255**	**–62,384**
Proceeds from borrowings		101,376	231,411
Repayments of borrowings		–151,647	–129,248
Dividends to owners of TAKKT AG and non-controlling interests		–20,995	–53,348
Payments for the acquisition of non-controlling interests		–10,670	0
Payments to owners of TAKKT AG (share buy-back)		0	–57,686
Cash flow from financing activities		**–81,936**	**–8,871**
Net change in cash and cash equivalents		175	–271
Effect of exchange rate changes		248	–3
Cash and cash equivalents at 01.01.		3,201	3,475
Cash and cash equivalents at 31.12.	(19)	**3,624**	**3,201**

The cash flow statement has been derived from the consolidated financial statements using the indirect method and has been prepared according to IAS 7. To adjust for exchange rate effects, the opening balance sheet was translated at the respective exchange rates on the reporting date. These figures were then compared with the closing balance sheet.

The TAKKT cash flow figure is used in all financial communications. Since the application of IFRS 3 in 2005, TAKKT defines this as the profit plus depreciation and impairment of non-current assets plus deferred tax affecting profit. It is shown as a subtotal within the cash flow from operating activities.

The cash flow from operating activities includes interest receipts of EUR 53,000 (EUR 55,000) and interest payments of EUR 7,712,000 (EUR 6,117,000). In 2010, income taxes of EUR 8,077,000 (EUR 18,202,000) were paid.

Capital expenditure relates to rationalisation and expansion measures. Proceeds from the disposal of non-current assets include the disposal of finance leases amounting to EUR 0 (EUR 242,000).

Payments for changes in a parent's ownership in an affiliate, not resulting in a loss of control, are disclosed under cash flow from financing activities.

Borrowings include all interest-bearing liabilities; please see page 100 onwards for further details. EUR 20,995,000 (EUR 52,489,000) in dividends were paid to TAKKT AG shareholders in the year under review. This constitutes a total dividend of EUR 0.32 (EUR 0.80) per share, comprising an ordinary dividend of EUR 0.32 (EUR 0.32) and a special dividend of EUR 0 (EUR 0.48).

Cash and cash equivalents stated at the balance sheet date include cash, bank balances and cheques. This was not netted off with short-term borrowings.

Segment reporting by division 2010 of TAKKT Group, Stuttgart *in EUR '000*

01.01.2010 – 31.12.2010	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Turnover to third parties	466,862	334,698	801,560	0	0	801,560
Inter-segment turnover	191	5	196	0	– 196	0
Segment turnover	467,053	334,703	801,756	0	– 196	801,560
Other non-cash expenses (+) and income (–)	7	– 459	– 452	935	0	483
EBITDA	79,114	28,903	108,017	– 7,416	0	100,601
Depreciation of segment assets	8,471	10,800	19,271	111	0	19,382
Impairment of segment assets	12,880	378	13,258	0	0	13,258
EBITA	70,623	17,725	88,348	– 7,527	0	80,821
EBIT	57,763	17,725	75,488	– 7,527	0	67,961
Income from associated companies	0	0	0	0	0	0
Finance expenses	– 4,073	– 5,830	– 9,903	– 1,750	2,603	– 9,050
Interest and similar income	99	11	110	2,546	– 2,603	53
Profit before tax	53,822	11,906	65,728	– 6,730	0	58,998
Income tax expense	21,592	5,079	26,671	– 2,261	0	24,410
Profit	32,230	6,827	39,057	– 4,469	0	34,588
Segment assets	307,677	262,081	569,758	491,642	– 520,035	541,365
thereof investment in non-current assets	3,762	2,847	6,609	10,126	– 10,010	6,725
thereof book value of associated companies	20	0	20	0	0	20
thereof deferred tax and income tax receivables	4,180	2,032	6,212	1,142	– 232	7,122
Segment liabilities	216,725	173,507	390,232	50,338	– 150,939	289,631
thereof deferred tax and income tax payables	17,961	17,846	35,807	4,155	950	40,912
thereof borrowings (short and long-term)	139,294	118,733	258,027	36,733	– 151,975	142,785
Average no. of employees (full-time equivalent)	942	805	1,747	28	0	1,775
Employees (full-time equivalent) at the reporting date	968	807	1,775	32	0	1,807

Segment reporting by division 2009 of TAKKT Group, Stuttgart *in EUR '000*

01.01.2009 – 31.12.2009*	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Turnover to third parties	435,854	295,610	731,464	0	0	731,464
Inter-segment turnover	166	18	184	0	– 184	0
Segment turnover	436,020	295,628	731,648	0	– 184	731,464
Other non-cash expenses (+) and income (–)	580	105	685	– 522	0	163
EBITDA	55,110	21,073	76,183	– 7,532	0	68,651
Depreciation of segment assets	8,869	9,696	18,565	124	0	18,689
Impairment of segment assets	90	448	538	0	0	538
EBITA	46,151	10,929	57,080	– 7,656	0	49,424
EBIT	46,151	10,929	57,080	– 7,656	0	49,424
Income from associated companies	0	0	0	0	0	0
Finance expenses	– 4,894	– 4,157	– 9,051	– 1,708	3,539	– 7,220
Interest and similar income	252	241	493	3,101	– 3,539	55
Profit before tax	41,521	7,026	48,547	– 6,166	0	42,381
Income tax expense	14,285	4,256	18,541	– 3,993	0	14,548
Profit	27,236	2,770	30,006	– 2,173	0	27,833
Segment assets	323,152	248,852	572,004	526,403	– 562,007	536,400
thereof investment in non-current assets	2,876	57,202	60,078	20,069	– 20,000	60,147
thereof book value of associated companies	20	0	20	0	0	20
thereof deferred tax and income tax receivables	4,939	7,330	12,269	1,361	– 183	13,447
Segment liabilities	207,328	156,845	364,173	93,414	– 163,284	294,303
thereof deferred tax and income tax payables	13,276	15,453	28,729	436	1,067	30,232
thereof borrowings (short and long-term)	148,687	112,239	260,926	83,665	– 160,623	183,968
Average no. of employees (full-time equivalent)	1,009	781	1,790	27	0	1,817
Employees (full-time equivalent) at the reporting date	934	806	1,740	28	0	1,768

** The above figures have been amended to reflect the new segments.*

Segment reporting by geographical region 2010 of TAKKT Group, Stuttgart *in EUR '000*

01.01.2010–31.12.2010	Germany	Rest of Europe	USA	Other	Group total
Turnover to third parties	182,483	283,332	310,061	25,684	801,560
Non-current assets*	161,696	14,054	194,871	776	371,397

** Non-current assets excluding financial instruments, deferred tax assets and post-employment benefit assets*

Segment reporting by geographical region 2009 of TAKKT Group, Stuttgart *in EUR '000*

01.01.2009–31.12.2009	Germany	Rest of Europe	USA	Other	Group total
Turnover to third parties	162,310	265,626	281,539	21,989	731,464
Non-current assets*	179,988	12,368	188,208	712	381,276

** Non-current assets excluding financial instruments, deferred tax assets and post-employment benefit assets*

Segment information

In the scope of segment reporting under IFRS 8, the activities of TAKKT Group are broken down into divisions. The breakdown follows the management approach and takes account of internal controlling and reporting. The fundamental segment result for management purposes is EBITDA. TAKKT's new Group structure – consisting of the TAKKT EUROPE and TAKKT AMERICA divisions – has been in effect since 01 January 2010. The previous year's segment reporting has been restated in line with the new segment structure.

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 method complies with OECD principles. The same system was used in the previous year.

Divisions of TAKKT Group as of 31 December 2010

TAKKT EUROPE division

TAKKT EUROPE is made up of the Business Equipment Group (BEG) and the Office Equipment Group (OEG). The BEG consists of the companies which previously belonged to the KAISER + KRAFT EUROPA division, while the OEG comprises the Topdeq companies.

Within the BEG, the sales companies of the groups KAISER + KRAFT, gaerner, Gerdmans, KWESTO and Certeo operate in more than 20 European countries. KAISER + KRAFT group also formed companies in Japan and China in 2002 and 2005 to enter the Asian market. The companies of the BEG offer approximately 50,000 products via catalogue and the internet. The BEG operates the European mail order centre in Kamp-Lintfort, one regional warehouse for the Gerdmans group in Sweden and one for the KWESTO group in the Czech Republic as well as smaller warehouses in Turkey, China and Japan. Furthermore, a production facility for durable transport equipment (platform trucks, sack trucks, trolley jacks, etc.) in Haan near Düsseldorf is operated. In addition, the BEG uses the mail order centre operated by the OEG in Pfungstadt. The self-produced products are marketed under the EURO*KRAFT* and Quipo brands. In addition to the standard range, the company also manufactures tailor-made products and carries out small-batch production orders in accordance with customer specifications. The BEG group focuses on the following product groups: transport, storage, environment, workshop and office equipment.

The OEG group sells design-oriented office furniture and accessories under the Topdeq brand via catalogue and the internet in Germany, Switzerland, the Netherlands, France, Belgium, Austria and Spain. The division's customers are predominantly small to medium-sized companies from the service sector. Topdeq offers a special fast delivery service and at least a five-year warranty. The OEG operates warehouses in Germany and France. The group's product portfolio comprises some 3,000 products.

TAKKT AMERICA division

The TAKKT AMERICA division is divided into three groups: Plant Equipment Group (PEG), comprising C&H Distributors in the USA, C&H Productos Industriales in Mexico and Avenue Industrial Supply in Canada, sells via catalogue and the internet over 42,000 products from the transport, storage and business equipment sectors. Specialties Group (SPG), comprising the Hubert companies in the USA, Canada, Germany, France and Switzerland and Central Products LLC, which was acquired in 2009, sells some 50,000 commodities and equipment items for the retail trade and the food service and hotel sector. The Office Equipment Group (OEG) offers some 14,000 products from the field of office equipment throughout the USA via the companies National Business Furniture, Dallas Midwest, Alfax and officefurniture.com. The group has also been active in Canada since late 2010 via a web shop branded as National Business Furniture.

TAKKT AMERICA operates a total of eight warehouses in the USA and Canada as well as one warehouse in Germany.

Geographical information

Turnover to third parties is allocated according to where the selling unit is located. Non-current assets are allocated according to where the unit that owns the assets is located.

Notes to the consolidated financial statements for the year ended 31 December 2010

1. General information

a) Accounting principles

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 315a of the German Commercial Code (HGB); the interpretations (IFRIC and SIC) by the International Financial Reporting Standards Interpretations Committee (IFRSIC) have been taken into account. All International Financial Reporting Standards (IFRS) valid at the reporting date and approved by the European Commission have been applied.

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 25 February 2011.

New accounting standards

The following accounting standards and interpretations have been passed or amended by IASB and IFRS IC and endorsed by the EU. Their application is compulsory from the 2010 financial year:

Standard		Status	Applicable from
IAS 27	Consolidated and separate financial statements	amended	01.07.2009
IAS 39	Eligible hedged items	amended	01.07.2009
IAS 39/IFRIC 9	Embedded derivatives	amended	01.07.2009
IFRS 1 rev.	First-time adoption of IFRS	amended	01.01.2010
IFRS 2	Group cash-settled share-based payment transactions	amended	01.01.2010
IFRS 3 rev.	Business combinations	amended	01.07.2009
IFRIC 12	Service concession arrangements	new	30.03.2009
IFRIC 15	Agreements for the construction of real estate	new	01.01.2010
IFRIC 16	Hedges of a net investment in a foreign operation	new	01.07.2009
IFRIC 17	Distributions of non-cash assets to owners	new	01.11.2009
IFRIC 18	Transfer of assets from customers	new	01.11.2009
AIP 2007–2009	Annual improvements project IASB 2007–2009	amended	01.01.2010

The content of those standards that are likely to affect future financial statements is summarised below.

IFRS 3 Business Combinations

The new version of IFRS 3 contains amended rules on accounting for company acquisitions. The changes affect issues such as how successive share purchases are recorded and how incidental acquisition costs are treated. In addition to this, an option is introduced allowing companies to value non-controlling interests at fair value in certain cases when measuring goodwill. If this option is utilised, any existing goodwill is reported in full (known as the full goodwill method).

IAS 27 Consolidated and Separate Financial Statements

The amendments to IAS 27 primarily alter the way in which transactions are reported that lead to a change in the interest held in a subsidiary without prompting a loss of control. Such changes in ownership involving companies that are already consolidated are reported as equity transactions. Associated inflows and outflows of funds are entered in the cash flow statement under the cash flow from financing activities.

IASB annual improvements project 2007-2009

Clarification was issued on allocating goodwill for impairment testing. Goodwill must be allocated at the lowest level of the group (cash-generating unit or group of CGUs) at which goodwill is monitored for internal management purposes. This level must not be larger than an internal business segment prior to aggregation, as stipulated in IFRS 8. It is also clearly stated that changes in the current market value of instruments designated as cash flow hedges are transferred to the income statement when the hedged cash flow – and not, as was previously the case, the asset or liability acquired – is reported in equity.

IAS 39 Eligible Hedged Items

The amendment of IAS 39 prohibits the designation of inflation risks as hedged items for fair value hedges pertaining to a fixed-interest loan. Furthermore, only the intrinsic value – not the time value – may be incorporated into the hedged risk if options are used as hedging instruments for unilateral risks (e.g. interest caps).

The effects of first-time application of the new or amended standards and interpretations on the net assets, financial position and results of operations are as follows. The non-controlling interests in KAISER + KRAFT N.V., Diegem/Belgium and Vink Lisse B.V., Lisse/Netherlands were acquired in the year under review. The portion of the purchase price which exceeded the non-controlling interests in total equity on the acquisition date was taken directly to equity and offset in full (EUR 7,136,000) against the equity of the parent company’s shareholders. For further information, please see page 99. There were no other substantial consequences for the presentation of the net assets, financial position and results of operations.

The IASB has passed new and revised standards, which must be applied from 01 January 2011 or a later date. Some of these standards have yet to be approved by the European Union prior to their application. Below is a list of the specific IFRS/IAS in question:

Standard		Status	Applicable from
IAS 24	Related party disclosures	amended	01.01.2011
IAS 32	Classification of rights issues	amended	01.02.2010
IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adoption	amended	01.07.2010
IFRS 7	Transfer of financial assets: disclosures	amended	01.07.2011
IFRS 9	Financial instruments: disclosures	new	01.01.2013
IFRIC 14	Prepayments of a minimum funding requirement	amended	01.01.2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	new	01.07.2010
AIP 2008–2010	Annual improvements project IASB 2008–2010	amended	01.01.2011

The option of early applying standards already approved by the IASB was not taken. According to current estimates, an earlier application would not have had any material effect on the current net assets, financial position and results of operations. The same applies to their future use.

Otherwise, the consolidated financial statements have been prepared using the same accounting and valuation principles as in the previous year. The consolidated financial statements comply with the European Union Directive on consolidated accounting (Directive 83/349/EEC). The consolidated financial statements have been prepared in euros. Unless otherwise noted, all amounts are quoted in EUR ’000.

TAKKT's new Group structure – consisting of the TAKKT EUROPE and TAKKT AMERICA divisions – has been in effect since 01 January 2010. The change in the segments used for segment reporting does not affect individual balance sheet items. For this reason, we have chosen not to present the balance sheet as of 01 January 2009 and the accompanying notes. The previous year's segment reporting has been restated in line with the new segment structure.

In order to improve clarity, certain items are aggregated in the balance sheet and income statement. A breakdown of the individual amounts is provided in the notes. The balance sheet has been divided into short and long-term items in accordance with IAS 1. The income statement was prepared in accordance with the type of expenditure format.

b) Scope of consolidation

TAKKT AG, Stuttgart, which is registered under HRB 19962 with the German Commercial Register of the Stuttgart local court, is the Group's holding company. The consolidated financial statements at 31 December 2010 in accordance with IFRS, the Group management report and the TAKKT AG individual financial statements according to the German Commercial Code (HGB) will be submitted to the Electronic Federal Gazette (elektronischer Bundesanzeiger).

TAKKT is a B2B direct marketing specialist for business equipment and has a presence in more than 25 countries. Besides TAKKT AG, 8 (8) domestic and 58 (55) foreign companies are included in the consolidated financial statements. In 2010, additional shares were purchased in two companies, which were already fully consolidated. The non-controlling interests were acquired in full. The consolidated financial statements therefore include all companies in which TAKKT AG directly or indirectly holds a majority of voting rights or has control of such entities as defined in IAS 27 as a result of such rights.

Since 31 December 2009, the consolidated group has changed as follows: one newly founded company has been added to the TAKKT EUROPE segment and three newly founded companies have been added to the TAKKT AMERICA segment. In addition, one TAKKT EUROPE company has been liquidated.

One domestic associated company exists. A valuation per IAS 28 was not deemed necessary.

As of 31 December 2010, TAKKT AG is a 70.4 (70.4) percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg. TAKKT Group is therefore included in the latter's consolidated financial statements.

c) Accounting policies

The consolidated financial statements and all individual financial statements included in the consolidated financial statements have the same balance sheet date, 31 December 2010. According to IAS 27, the financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements were prepared using uniform accounting and valuation principles.

Capital consolidation was prepared using the acquisition method based on a purchase price allocation at the time of control being assumed (IFRS 3). Goodwill acquired in a business combination in the expectation of future positive inflows of funds from the business combination, which cannot be allocated to identifiable assets in a reassessment of the value, is to be recorded as Goodwill in intangible assets.

Since the 2010 financial year, acquisitions of shares in subsidiaries which are already fully consolidated are accounted for as equity transactions (IAS 27.30). The portion of the purchase price exceeding the attributable equity on the date when the non-controlling interests are acquired is taken directly to equity and offset in full against the equity of the parent company's shareholders. A subsidiary is no longer consolidated when the parent company no longer has control of the subsidiary.

Intercompany profits and losses, turnover, expenses and income as well as all receivables and liabilities between the Group subsidiaries were eliminated.

Unrealised intercompany profits in current and non-current assets were eliminated, provided they were not immaterial.

Differences arising from the intercompany debt consolidation are recorded in the income statement, in so far as they individually exceeded EUR 10,000.

Receivables and liabilities to third parties were consolidated on the condition that such balances with third parties were mutually effective and could be netted off against each other.

Minority interests in a subsidiary's equity and profits are disclosed under Non-controlling interests within Total equity.

Deferred tax was provided on consolidation measures affecting the income statement in accordance with IAS 12.

d) Currency translation

TAKKT AG's reporting currency is the euro. In accordance with IAS 21, currency is translated using the functional currency concept. Since all companies manage their businesses 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, whereas income and expenses are translated using the average exchange rate for the year. Exchange rate differences from the translation of foreign financial statements into the Group currency are recorded in shareholders' equity without any effect on profit. The goodwill on consolidation was calculated applying the exchange rate at the time of acquisition.

If a foreign business operation is disposed of, currency differences, which until then were recorded in shareholders' equity without any effect on profit, are then recorded in the income statement as part of the profit or loss on sale.

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

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

Currency translation rates of importance for TAKKT Group

		Closing rates		Average rates	
Currency	Country	**2010**	2009	**2010**	2009
USD	USA	1.3362	1.4406	1.3230	1.3909
CHF	Switzerland	1.2504	1.4836	1.3774	1.5099
GBP	UK	0.8608	0.8881	0.8571	0.8903
SEK	Sweden	8.9655	10.2520	9.5272	10.6080

e) Accounting and valuation principles

Turnover includes sales from products and services, less allowances and discounts. Turnover from sales is realised with the transfer of ownership and risk to the customer. Provisions are made to allow for customers' rights of return.

Other income is realised if the 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 media and/or has received the service associated with the advertising activities.

Government grants are recorded at fair value per IAS 20 when it is sufficiently certain that the pertinent conditions have been met and the relevant grants will be awarded. Grants to cover expenses are recognised as income and offset in the periods during which the designated expenses are incurred.

Property, plant and equipment is capitalised at acquisition or manufacturing costs less scheduled depreciation and any impairments. If the reasons for an impairment no longer exist, the impairment charge is reversed. The new value must not exceed the amortised cost. There are no material self-produced property, plant and equipment items because of the business activity.

Property, plant and equipment is depreciated using the straight-line method over its useful economic life. Depreciation is based on the following useful lives in the Group, which have remained unchanged since the previous year:

	Useful life in years
Buildings (incl. leasehold improvements)	3–50
Plant, machinery and office equipment	2–16

Net book values and useful lives are reviewed on each balance sheet date and adjusted if necessary.

Borrowing costs are capitalised when assets are bought, constructed or produced which have a lengthy acquisition or manufacturing process.

The requirements of finance leasing pursuant to IAS 17 are satisfied if TAKKT Group bears all substantial opportunities and risks in leasing transactions as lessee and can therefore be considered economic owner. In these cases, property, plant and equipment are capitalised at fair value or at the lower present value of the minimum leasing payments and subject to straight-line depreciation during their useful lives or the shorter duration of the leasing contract, which is between three and 22 years. The present value of obligations for future lease instalments is disclosed under short and long-term borrowings.

Property and equipment under a finance lease contract generally include a purchase option at market price at the end of the general lease term. The option price usually corresponds to the residual book value. A maturity-matched interest rate was used to calculate the present value. In the case of special leases, the interest rate on which the lease contract was based was applied.

As well as finance leases, TAKKT Group also concluded rental contracts, in which the economic ownership of rental goods remains with the lessor (Operating Leasing). Leasing payments are expensed. Depending on the subject of the lease, typical lease and pre-emptive purchase rights apply.

The book value of goodwill and intangible assets with an indefinite useful life is reviewed once a year, or during the year if necessary, pursuant to IAS 36 using so-called cash generating units. In the year under review, TAKKT Group had a total of 5 (5) cash-generating units. The impairment test is based on a detailed plan of the future operating cash flow before interest and tax less capital expenditure on maintenance and replacements, less changes in the net current assets for a period of five years and perpetuity following the detailed planning period. This detailed planning is based on financial plans approved by management, which are also used for internal purposes. Key planning assumptions are the underlying turnover growth and the operational margin. When detailed plans are produced, past developments and expectations regarding future market trends are taken into account. In calculating perpetuity, future company growth is considered and based on the average market growth. The cash flows calculated are discounted with the weighted average cost of capital (WACC) before tax determined for every cash generating unit in order to calculate the value in use of the cash generating unit. The WACC rate is calculated using an iterative procedure to ensure that the value in use before tax corresponds to the value in use after tax. TAKKT Group applies pre-tax WACC rates of between 10.0 and 11.4 percent (between 10.1 and 12.1 percent in the previous year). As in the previous year, a growth factor of two percent was used to calculate perpetuity. The growth in perpetuity is below the average organic growth and below the expected future market growth. 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 to the respective book value. If this amount is below the book value of the cash generating unit, an impairment charge is made on the goodwill and other assets if required. Brands are entered with an indeterminate useful life because the right of use for the brands can be utilised indefinitely and the level of awareness is permanently maintained by means of advertising.

Other acquired intangible assets with a defined useful life are disclosed at acquisition cost plus incidental acquisition cost less straight line or accelerated depreciation in line with usage and any impairment. Net book values and useful lives are reviewed on the balance sheet date and adjusted if necessary. Depreciation was based on the following useful lives, which remained unchanged since the previous year:

Useful lives for intangible assets

	Years
Goodwill	indefinite
Trade names	indefinite
Customer lists	5 or 11
Domain names/web sites	3
Catalogue designs	5 or 10
Software	2–5

There are no significant internally generated intangible assets.

Research and development costs are not incurred on account of the business activity.

Inventories are recognised at the lower of acquisition or manufacturing costs or net realisable value. 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 overheads. There are no relevant financing costs due to the nature of the company's business. Obsolescence reserves were made on purchased merchandise, 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.

Financial assets and liabilities are categorised as follows:

- Available-for-sale financial assets
- Held-to-maturity investments
- Loans and receivables
- Financial assets at fair value through profit and loss
- Financial liabilities at fair value through profit and loss
- Financial liabilities measured at amortised costs

Financial assets and liabilities are classed on initial disclosure and reviewed for reporting at each balance sheet date.

Financial assets in the available-for-sale category are reported at fair value on the balance sheet date. Resulting book gains and losses are recorded in shareholders' equity under consideration of deferred tax without any effect on profits. If there is no listed market value, or if a market value cannot be reliably determined, assets are recorded at their purchase price. If there are substantial indications for a loss of value, an impairment affecting profits has to be undertaken. If the reasons for an impairment no longer exist, the value is appreciated. In the case of shareholders' equity instruments, this is done without an effect on profits and in the case of debt instruments, if the conditions described in IAS 39 are fulfilled, with an effect on profits. If assets are sold, the result previously recorded in shareholders' equity without an effect on profits is recorded with an effect on profits.

Financial assets in the category held-to-maturity as well as loans and receivables are recorded at their amortised cost (nominal value) or with their lower fair value. Risks are taken into consideration by valuation allowances. Apart from the required individual value adjustments, trade receivables are subject to an allowance based on general credit risks, the age of the receivables and past experience (e.g. collection costs and discounts granted for rapid payment). This allowance is necessary because of the large number of trade debtors in the direct marketing business.

Financial assets and liabilities in the category fair value through profit and loss are recorded with their respective market value on the balance sheet date. Fluctuations in market values are recorded in the income statement. This solely includes derivatives which in the Group's view are not subject to an effective hedge relationship. Financial liabilities which are not in the category fair value through profit and loss are measured at amortised cost.

Fair values for every financial instrument category according to IFRS 7 generally reflect book values. This applies especially to assets in the categories available-for-sale and fair value through profit and loss, which are reported on the balance sheet at market values. In the case of loans and receivables as well as financial liabilities, the book value is usually a sufficient approximation of the fair value. If this is not the case, additional details are provided. The other receivables and payables are either short-term or subject to a variable market interest rate.

For disclosures in accordance with IFRS 7.27B, the calculation of fair values should be allocated to the following three levels as per IFRS 7.27A:

- Level 1: Prices quoted on an active market for the same instrument (without adjustments)
- Level 2: Prices quoted on an active market for similar instruments or valuation method whereby all important input factors are based on observable market data
- Level 3: Valuation method whereby all important input factors are not based on observable market data

Derivative financial instruments such as forward foreign exchange contracts and swaps are basically 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 either used to 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 Group documents under IAS 39 all relations between hedging instruments and the underlying transactions. As part of this approach, a relationship is established between all derivatives used as hedging instruments and specific assets, liabilities, firm commitments or forecast transactions. At TAKKT, both prospective and retrospective effectiveness monitoring for cash flow hedges are proved via a high statistical correlation based on regression analysis. For a statistical series, a ratio is created between changes in the value of the underlying transaction and the hedging instruments. If the ratio is within the bandwidth of 80 to 125 percent as defined by IAS 39, the hedge is regarded as effective.

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 IAS 39, all derivatives have to be reported at their fair value, regardless of the purpose or intention motivating their purchase.

A treasury system from SAP AG is used to compute the market value of forward foreign exchange contracts, interest rate swaps and interest rate caps. The market 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 on the closing date. The market 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 maturity-matched interest rates in line with the interest rate curves of the respective currency. The market values of interest rate caps are determined using the Black-Scholes method.

In the case of cash flow hedges, market value changes in the part of the hedging instrument deemed as effective are initially reported in shareholders' equity under consideration of deferred tax as part of cumulative changes in equity, with no effect on profit, until the future hedged flow of funds is recorded. A transfer to the income statement is made at the time of the profit effect of the underlying hedged item in earnings. The portion of the changes in fair value not covered by the underlying hedged item (hedge-ineffective portion) is immediately recognised in earnings.

Changes in the fair value of an effective fair value hedge are recorded in the income statement with an effect on profits, as are changes in the fair value of the underlying. These normally contrary changes almost offset each other within the income statement. There are no fair value hedges currently being used in the consolidated financial statements of the TAKKT Group.

Changes in the fair value of derivative financial instruments that do not meet the requirements for hedge accounting according to IAS 39 are also recognised in the income statement.

Other assets are capitalised at their nominal value. Staff loans and deposits are valued at amortised cost. Pension plan reinsurance was derived from a coverage capital calculation. The long-term corporate tax credits have been discounted at four percent.

Deferred tax is recognised on all temporary differences between the relevant tax balance sheet and the IFRS balance sheet – with the exception of goodwill on consolidation, which is not tax deductible – as well as for loss carry-forwards. Deferred tax assets are only included if their realisation can be expected with a significant degree of confidence. For the probable use of losses, the five-year budget of the individual company is considered. Deferred tax was calculated using the respective local tax rates. Tax rate changes determined at the balance sheet date have been taken into account for the calculation of deferred tax. Netting deferred taxes is conducted according to IAS 12.

In accordance with IAS 19, pension provisions and similar obligations are recognised using the actuarial projected unit credit method. In this procedure, 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. Actuarial profits and losses are only recorded with an effect on profit if they deviate by more than ten percent of the higher amount of the present value of the defined benefit obligation and the current value of the plan assets (corridor). The excess amount is expensed over the average residual service life of the workforce. The interest portion of pension expense and the expected return on plan assets are offset against one another and disclosed under Finance expenses. Direct pension commitments in Germany are derived using Prof. Dr Klaus Heubeck's biometric calculation tables 2005 G.

With the exception of other personnel-related provisions calculated in accordance with IAS 19, other provisions are made on the basis of IAS 37 if a legal or factual 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.

Liabilities are initially valued at the nominal value and, with the exception of derivatives, subsequently at amortised costs. Liabilities from finance lease contracts are disclosed at the present value of future lease instalments. The current fair value of the fixed-interest-bearing liabilities from finance leases is determined by discounting the lease instalments using current maturity-matched interest rates.

The short-term portions of long-term assets and liabilities with a remaining term of less than one year are disclosed under short-term balance sheet positions, except for the short-term portions of long-term provisions, since they are not material.

When preparing the consolidated financial statements, assumptions have been made and estimates used which have an effect on the value and disclosure of assets and debts, income and expenses and the contingent liabilities. The assumptions and estimates relate primarily to the useful lives used for property, plant and equipment and intangible assets as well as purchase price allocation, the performance of annual impairment tests and the valuation of inventories, receivables, provisions and deferred taxes. The actual future values may deviate from the assumptions and estimates made.

2. Notes to the income statement

(1) Turnover *in EUR '000*

	2010	2009
Turnover with third parties	800,941	730,900
Turnover with affiliated companies	619	564
	801,560	**731,464**

Turnover with affiliated companies relates to the majority shareholder Franz Haniel & Cie. GmbH, Duisburg, as well as companies of the majority shareholder, which are not included in the consolidated financial statements of TAKKT AG. A schedule can be found under related-party transactions on page 117 onwards. A breakdown of turnover by segment and geographical region is shown in the segment reports on page 74 onwards.

(2) Other income *in EUR '000*

	2010	2009
Rental income	162	60
Income from the release of valuation allowances	602	773
Income from disposal of non-current assets	122	318
Operating income	3,061	2,579
Other	3,233	2,856
	7,180	**6,586**

(3) Personnel expenses *in EUR '000*

	2010	2009
Wages and salaries	90,961	84,559
Social security costs	15,969	14,726
Retirement costs	2,163	1,614
Income from the release of personnel-related provisions	–581	–783
Other	645	983
	109,157	**101,099**

Personnel expenses for the previous year include one-off expenditure of EUR 3,051,000 in relation to the FOCUS programme. Included in Social security costs are refunds from the German Federal Employment Office as result of short-term working amounting to EUR 241,000 (EUR 504,000). The segment reports on page 74 onwards refer to the number of employees of the Group.

(4) Other operating expenses *in EUR '000*

	2010	2009
Losses from disposal of non-current assets	82	83
Valuation allowances on current assets	1,825	2,075
Income from the release of provisions	–317	–378
Operating leasing and rents	9,722	11,425
Exchange differences	15	157
Operating taxes	1,485	1,806
Operating expenses	108,430	109,075
Administrative expenses	19,978	19,605
	141,220	**143,848**

Valuation allowances mainly relate to trade receivables and write-offs of receivables where they cannot be recovered. Write-offs amounted to EUR 1,316,000 (EUR 1,390,000).

Operating taxes include real estate tax, car tax, tax on capital and assets and the French Taxe Professionnelle. A major part of Operating expenses is advertising costs. Other operating expenses in the previous year included one-off expenditure of EUR 2,193,000 for the FOCUS programme.

(5) Depreciation of property, plant and equipment and other intangible assets *in EUR '000*

	2010	2009
Property, plant and equipment	10,496	11,062
Other intangible assets	9,284	8,165
	19,780	**19,227**

An impairment amounting to EUR 20,000 (EUR 176,000) was recorded on property, plant and equipment under IAS 36. With regard to Other intangible assets, impairment amounting to EUR 378,000 (EUR 362,000) was necessary as per IAS 36. This related to the valuation of OEG trade names in North America.

(6) Impairment of goodwill

Following the impairment tests, all goodwill recorded for the cash-generating unit OEG (Europe), amounting to EUR 12,860,000 (EUR 0) was completely impaired. This goodwill impairment was conducted because the course of business at the European OEG remained negative even after the economic crisis had been overcome in 2010. TAKKT launched a project to reposition the Topdeq brand in the third quarter 2010. This includes taking action on its product range, services and advertising materials. Despite the impairment, the European OEG remains an important part of the Group's portfolio with positive development prospects for both turnover and earnings.

The necessary impairment is calculated on the basis of value in use. A specific WACC rate before tax (weighted average cost of capital) of 10.0 percent (11.1 percent) was used to discount cash flows for the detailed planning time frame and the subsequent periods. As in the previous year, 2.0 percent was the growth rate used for perpetuity. Please refer to the details on page 82 onwards for information about the general procedure as regards impairment testing.

(7) Finance expenses *in EUR '000*

	2010	2009
Interest portion of finance leases	–778	–1,014
Interest portion of pension provisions	–1,097	–1,038
Interest on borrowings	–7,175	–5,168
	–9,050	**–7,220**

(8) Other finance result *in EUR '000*

	2010	2009
Valuation of intercompany loans and financial instruments	34	122
Interest and similar income	53	55
	87	**177**

More details on the use of derivative financial instruments are disclosed in the risk report on page 35 onwards as well as in the notes on page 106 onwards.

(9) Income tax expense

Income tax expense includes income tax paid and due as well as deferred tax in the individual countries. The income tax rates applied range up to 40.9 (40.9) percent.

Breakdown of income tax expense *in EUR '000*

	2010	2009
Income tax	21,370	5,481
Deferred tax	3,040	9,067
	24,410	**14,548**

Income tax includes income of EUR 271,000 (EUR 307,000) relating to prior periods. Deferred tax includes additional allowances on deferred tax assets amounting to EUR 2,769,000 (EUR 3,097,000). The difference between the actual tax expense and the 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 '000*

	2010	2009
Profit before tax	58,998	42,381
Expected average tax expense	18,112	13,011
Changes in tax rates	79	323
Differences between local and Group tax rates	–1,377	–1,093
Non-deductible expenses	4,720	1,034
Non-taxable income	–252	–1,982
Allowance for deferred tax on loss carry-forwards and other	2,975	3,039
Taxes relating to prior years	–271	–57
Other differences	424	273
Income tax expense per the consolidated income statement	**24,410**	**14,548**

The calculated tax rate of 30.7 percent is based on the tax rates applicable in Germany in 2010. Corporation tax of 15.0 percent, solidarity surcharge of 5.5 percent and the average municipal tax rate for the German Group companies were taken into account.

The increase in non-deductable expenses relates mainly to the European OEG goodwill impairment.

In the previous year, the item Non-taxable income mainly comprised tax income relating to the closure of Topdeq in the USA. In the year under review, write-downs in the amount of EUR 92,000 (EUR 0) on deferred tax were reversed as business was expected to develop more positively.

(10) Earnings per share

	2010	2009
Number of shares issued (in thousand)	65,610	65,610
Weighted number of shares issued (in thousand)	65,610	66,629
Profit attributable to the owners of TAKKT AG (in EUR '000)	34,313	27,095
Earnings per share (in EUR)	0.52	0.41
TAKKT cash flow (in EUR '000)	70,268	56,127
TAKKT cash flow per share (in EUR)	1.07	0.84

Earnings per share are calculated by dividing the profit for the period by the weighted average number of shares.

So-called potential shares (mainly stock options and convertible bonds), which could dilute the earnings per share, were not issued. The diluted and undiluted earnings per share are therefore identical. The number of shares fell from 72,900,000 to 65,610,331 in the previous year as a result of the share buy-back in February 2009.

3. Notes to the balance sheet

(11) Property, plant and equipment *in EUR '000*

	Land, buildings and similar assets	Plant, machinery and office equipment	Payments on account	Total
Acquisition costs				
Balance at 01.01.2010	93,864	70,792	14	164,670
Currency translation	3,107	1,651	2	4,760
Changes in scope of consolidation	0	0	0	0
Additions	254	3,615	613	4,482
Transfers	0	2	–2	0
Disposals	–9	–1,817	–4	–1,830
Balance at 31.12.2010	**97,216**	**74,243**	**623**	**172,082**
Cumulative depreciation				
Balance at 01.01.2010	25,201	39,652	0	64,853
Currency translation	756	1,129	0	1,885
Changes in scope of consolidation	0	0	0	0
Additions	3,770	6,726	0	10,496
Transfers	0	0	0	0
Disposals	–7	–1,633	0	–1,640
Balance at 31.12.2010	**29,720**	**45,874**	**0**	**75,594**
Net book values				
Balance at 31.12.2010	**67,496**	**28,369**	**623**	**96,488**

The additions to depreciation included in the tangible assets development were translated at average exchange rates as in the income statement. The difference to the closing rate is included in currency translation. Changes to the applied parameters (depreciation methods, useful lives and net book values) were not required. Please refer to page 88 for details on impairment in accordance with IAS 36.

At the balance sheet date, property, plant and equipment with a book value of EUR 11,047,000 (EUR 12,926,000) acquired under a finance lease were reported. Leased assets of EUR 9,432,000 (EUR 10,377,000) are shown under Land, buildings and similar assets and EUR 1,615,000 (EUR 2,549,000) under Plant, machinery and office equipment.

Property, plant and equipment from finance leases with amortised costs of EUR 4,296,000 and a net book value of EUR 734,000 was disposed of in the previous year as part of the FOCUS programme.

Since the transfer of the assets capitalised as finance leases at the end of the leasing period continues to be uncertain, the finance lease properties continue to be depreciated over the lease period. Overall, there is no need to change the parameters used. As in the previous year, tangible assets legally and economically owned by the Group, with the exception of the capitalised finance lease assets, are not subject to any restraints on disposal rights.

	Land, buildings and similar assets	Plant, machinery and office equipment	Payments on account	Total
Acquisition costs				
Balance at 01.01.2009	97,862	70,413	474	168,749
Currency translation	–135	–362	–16	–513
Changes in scope of consolidation	153	659	0	812
Additions	960	1,327	14	2,301
Transfers	0	453	–453	0
Disposals	–4,976	–1,698	–5	–6,679
Balance at 31.12.2009	**93,864**	**70,792**	**14**	**164,670**
Cumulative depreciation				
Balance at 01.01.2009	25,612	34,415	0	60,027
Currency translation	–170	–297	0	–467
Changes in scope of consolidation	0	0	0	0
Additions	3,981	7,081	0	11,062
Transfers	0	0	0	0
Disposals	–4,222	–1,547	0	–5,769
Balance at 31.12.2009	**25,201**	**39,652**	**0**	**64,853**
Net book values				
Balance at 31.12.2009	**68,663**	**31,140**	**14**	**99,817**

(12) Goodwill *in EUR ’000*

	Goodwill	Goodwill on consolidation	Total
Acquisition costs			
Balance at 01.01.2010	211,742	28,310	240,052
Currency translation	10,342	0	10,342
Changes in scope of consolidation	0	0	0
Additions	0	0	0
Disposals	0	0	0
Balance at 31.12.2010	**222,084**	**28,310**	**250,394**
Cumulative impairment			
Balance at 01.01.2010	0	0	0
Additions	0	12,860	12,860
Balance at 31.12.2010	**0**	**12,860**	**12,860**
Net book values			
Balance at 31.12.2010	**222,084**	**15,450**	**237,534**

	Goodwill	Goodwill on consolidation	Total
Acquisition costs			
Balance at 01.01.2009	189,346	28,310	217,656
Currency translation	–4,236	0	–4,236
Changes in scope of consolidation	26,632	0	26,632
Additions	0	0	0
Disposals	0	0	0
Balance at 31.12.2009	**211,742**	**28,310**	**240,052**
Cumulative impairment			
Balance at 01.01.2009/31.12.2009	**0**	**0**	**0**
Net book values			
Balance at 31.12.2009	**211,742**	**28,310**	**240,052**

Cumulative amortisation of goodwill (EUR 99,879,000) from scheduled amortisation until 2004 prior to the introduction of IFRS 3 was netted off in 2005 against acquisition costs.

Some of the past acquisitions had to be reported as so-called asset deals. In these cases, all assets were acquired separately by the buyer. If the cost of acquisition exceeded the fair value of the individual identifiable assets and liabilities, the difference was capitalised as goodwill in the individual balance sheet of the respective acquirer.

Net book value of goodwill *in EUR '000*

Cash generating units	**2010**	2009
Business Equipment Group	79,379	79,379
Office Equipment Group (Europe)	0	0
Plant Equipment Group	2,119	1,966
Specialties Group	105,690	98,031
Office Equipment Group (America)	34,896	32,366
	222,084	**211,742**

If acquisitions had to be reported as so-called share deals, proportionate acquisition costs exceeding equity at the time of purchase were capitalised as goodwill on consolidation.

Net book value of goodwill on consolidation *in EUR '000*

Cash generating units	2010	2009
Business Equipment Group	15,450	15,450
Office Equipment Group (Europe)	0	12,860
	15,450	**28,310**

Subsequent consolidation

In accordance with IFRS 3, from 01 January 2005 goodwill is no longer amortised on a straight-line basis but subject to an impairment test once a year or more often if necessary. An impairment charge on goodwill on consolidation totalling EUR 12,860,000 was necessary in the year under review. Please see note (6) for details. For tax purposes, goodwill is still depreciated over a period of 15 years. At the balance sheet date, the resulting deferred tax liability amounts to EUR 39,967,000 (EUR 32,220,000). No deferred tax results from goodwill on consolidation.

(13) Other intangible assets *in EUR '000*

	Trade names	Customer lists	Other (purchase price allocation)	Licences and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01.01.2010	15,292	38,896	9,561	27,205	240	91,194
Currency translation	1,195	3,039	746	1,124	19	6,123
Changes in scope of consolidation	0	0	0	0	0	0
Additions	0	0	0	2,063	122	2,185
Transfers	0	0	0	259	–259	0
Disposals	0	0	0	–314	0	–314
Balance at 31.12.2010	**16,487**	**41,935**	**10,307**	**30,337**	**122**	**99,188**
Cumulative depreciation						
Balance at 01.01.2010	347	23,067	5,783	20,733	0	49,930
Currency translation	23	1,758	443	799	0	3,023
Changes in scope of consolidation	0	0	0	0	0	0
Additions	378	4,468	843	3,595	0	9,284
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–314	0	–314
Balance at 31.12.2010	**748**	**29,293**	**7,069**	**24,813**	**0**	**61,923**
Net book values						
Balance at 31.12.2010	**15,739**	**12,642**	**3,238**	**5,524**	**122**	**37,265**

	Trade names	Customer lists	Other (purchase price allocation)	Licences and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01.01.2009	6,776	23,233	7,884	24,073	1,273	63,239
Currency translation	–399	–1,105	–235	–460	–28	–2,227
Changes in scope of consolidation	8,915	16,768	1,912	265	251	28,111
Additions	0	0	0	1,317	844	2,161
Transfers	0	0	0	2,100	–2,100	0
Disposals	0	0	0	–90	0	–90
Balance at 31.12.2009	**15,292**	**38,896**	**9,561**	**27,205**	**240**	**91,194**
Cumulative depreciation						
Balance at 01.01.2009	0	19,947	5,292	17,946	0	43,185
Currency translation	–13	–813	–203	–320	0	–1,349
Changes in scope of consolidation	0	0	0	0	0	0
Additions	360	3,933	694	3,178	0	8,165
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–71	0	–71
Balance at 31.12.2009	**347**	**23,067**	**5,783**	**20,733**	**0**	**49,930**
Net book values						
Balance at 31.12.2009	**14,945**	**15,829**	**3,778**	**6,472**	**240**	**41,264**

The additions to depreciation included above were translated at average exchange rates as in the income statement. The difference to the closing rate is included in Currency translation.

For information on impairment per IAS 36, please refer to page 88. Changes to the applied parameters (depreciation methods, useful lives and net book values) were not required.

As in the previous year, intangible assets were not subject to any restraints on disposal. Acquired trade names were reported with their book value of EUR 15,739,000 (EUR 14,945,000) as intangible assets with an indefinite life. These relate to the cash generating unit OEG (America) in the amount of EUR 6,309,000 (EUR 6,199,000) and the cash generating unit SPG in the amount of EUR 9,430,000 (EUR 8,746,000). The important customer lists have a remaining period of depreciation of 3 and 9 years respectively.

(14) Other assets

Other assets include staff loans, deposits and pension plan reinsurance as well as corporate tax credits.

(15) Deferred tax

Deferred tax on loss carry-forwards *in EUR '000*

	2010	2009
Deferred tax on loss carry-forwards – gross	14,390	10,940
Allowance	– 12,677	– 8,527
Deferred tax on loss carry-forwards – net	**1,713**	**2,413**

Permissibility of impaired loss carry-forwards *in EUR '000*

	up to 1 year	1 to 5 years	over 5 years	Total
2010	3,382	16,799	11,024	**31,205**
2009	1,507	12,316	8,237	**22,060**

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

Deferred tax assets and liabilities *in EUR '000*

	Assets		Liabilities	
	2010	2009	2010	2009
Property, plant and equipment and other intangible assets	4,234	3,267	4,415	4,957
Goodwill	0	0	39,967	32,220
Inventories	2,475	675	4	383
Trade receivables and other assets	2,685	2,792	547	623
Non-current provisions	2,242	1,404	367	283
Current provisions	1,323	1,405	138	116
Market value of derivative financial instruments	1,980	1,105	82	167
Loss carry-forwards	1,713	2,413	0	0
Borrowings	4,978	5,518	0	0
Other	334	81	0	99
Subtotal	**21,964**	**18,660**	**45,520**	**38,848**
Netting	– 16,289	– 13,903	– 16,289	– 13,903
Consolidated balance sheet	**5,675**	**4,757**	**29,231**	**24,945**

Only deferred tax on the market value of the derivative financial instruments classified as cash flow hedges amounting to EUR 1,897,000 (EUR 1,014,000) did not affect profit.

Of EUR 5,675,000 (EUR 4,757,000) deferred tax assets, EUR 2,215,000 (EUR 2,407,000) relate to companies which generated losses in the year under review. Calculating the respective deferred tax assets is based on the positive results of the rolling five-year planning.

In accordance with IAS 12, no deferred tax liabilities are reported for the retained earnings of subsidiaries. In the event of future dividend payouts, there would be a tax liability of EUR 2,589,000 (EUR 2,651,000). Any foreign withholding tax and income tax effects at foreign intermediate holding companies were not taken into consideration for reasons of materiality.

As in the previous year, deferred taxes for temporary differences in associated companies between the IFRS approach and the tax accounting approach are not reported for reasons of materiality.

(16) Inventories *in EUR '000*

	2010	2009
Raw materials and supplies	898	944
Work in progress	845	883
Finished goods and purchased merchandise	54,230	49,577
Payments on account	267	168
	56,240	**51,572**

An obsolescence reserve of EUR 9,675,000 (EUR 10,057,000) has been made on finished goods and work in progress, taking into consideration the expected sell-down period of the inventories. Intercompany profits of EUR 299,000 (EUR 269,000) have been eliminated.

(17) Trade receivables

Trade receivables are reported at nominal value less allowances.

Development of allowances on trade receivables *in EUR '000*

	2010	2009
Balance at 01.01.	3,767	3,771
Additions	337	657
Usage	–41	–11
Release	–396	–678
Currency translation and other changes	92	28
Balance at 31.12.	**3,759**	**3,767**

For reconciliation from gross to net figures, see also section 4. Risk management and financial instruments/Information according to IFRS 7 (page 106 onwards).

All goods delivered were subject to customary ownership retention rights.

(18) Other receivables and assets *in EUR '000*

	2010	2009
Receivables from affiliated companies	43	99
Market value of derivative financial instruments	325	449
Other tax receivables	3,698	3,704
Bonus claims against suppliers	5,898	5,040
Deferred expenses	3,268	2,967
Other	1,688	1,905
	14,920	**14,164**

A schedule of receivables from affiliated companies can be found under related-party transactions on page 117 onwards. These balances are the result of the current settlement transactions.

(19) Cash and cash equivalents *in EUR '000*

	2010	2009
Cheques, cash balances	180	328
Cash at banks	3,444	2,873
	3,624	**3,201**

Cash at banks comprises funds with a maturity of up to three months.

(20) Shareholders' equity

For the consolidated statement of changes in total equity, refer to page 71. Please refer to page 24 of the management report for details on shareholders' equity management as required by IAS 1. The fully paid-in issued capital of TAKKT AG was reduced to EUR 65,610,331 (EUR 65,610,331) after the share buy-back of 7,289,669 no-par-value bearer shares and the subsequent capital reduction in February 2009. It is divided into 65,610,331 (72,900,000) no-par-value bearer shares. With the share buy-back, the Management and Supervisory Boards made use of the authorisation to purchase own shares as issued by the Annual General Meeting (AGM) on 07 May 2008. The cost of the share buy-back totalling EUR 98,000 after tax was offset against shareholders' equity in 2009. The AGM again authorised the Management and Supervisory Boards on 04 May 2010 to purchase own shares. No use was made of this right in 2010. In accordance with the resolution of the AGM on 06 May 2009, the Management Board is authorised until 29 October 2014 to increase the issued capital by an amount of up to EUR 32,805,165.50 once or several times by issuing new no-par-value bearer shares. With the approval of the Supervisory Board, the Management Board is, however, entitled to exclude residual amounts from the shareholders' statutory subscription right. Please refer to page 16 in the management report.

Retained earnings include earnings contributed by Group companies since acquisition as well as the consolidation adjustments and related deferred tax affecting profit.

Other components of equity *in EUR '000*

	Derivative financial instruments	Deferred taxes	Foreign currency reserves	Total	Attributable to non-controlling interests	Attributable to owners of TAKKT AG
Balance at 01.01.2009	**–1,892**	**718**	**–24,973**	**–26,147**	**0**	**–26,147**
Changes in the scope of consolidation	0	0	0	0	0	0
Other comprehensive income	–801	296	–1,932	–2,437	0	–2,437
thereof currency translation effects	64	–25	–1,932	–1,893	0	–1,893
Balance at 31.12.2009/ 01.01.2010	**–2,693**	**1,014**	**–26,905**	**–28,584**	**0**	**–28,584**
Changes in the scope of consolidation	0	0	0	0	0	0
Other comprehensive income	–2,373	883	8,204	6,714	0	6,714
thereof currency translation effects	–210	69	8,204	8,063	0	8,063
Balance at 31.12.2010	**–5,066**	**1,897**	**–18,701**	**–21,870**	**0**	**–21,870**

The shareholders have a claim on the unappropriated profits available for distribution by 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 due to the profit appropriation proposal.

The Management Board proposes to pay a dividend of EUR 20,995,000 (EUR 20,995,000) for the 2010 financial year. The 65.6 million shares will therefore attract an ordinary dividend of EUR 0.32 (EUR 0.32). A special dividend is not planned for the 2010 financial year.

(21) Non-controlling interests

In April 2010, the non-controlling interests in KAISER + KRAFT N.V., Diegem/Belgium and Vink Lisse B.V., Lisse/Netherlands were acquired in full for EUR 10,670,000. The portion of the purchase price which exceeded the non-controlling interests in total equity on the acquisition date (EUR 3,259,000 portion of total equity at 31 December 2009 plus EUR 275,000 portion of total comprehensive income 2010) was taken directly to equity and offset in full (EUR 7,136,000) against the equity of the parent company's shareholders. All Group companies are therefore wholly owned as of 31 December 2010.

(22) Current and non-current borrowings *in EUR '000*

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	31.12.2010
Liabilities to banks	18,934	44,904	50,180	114,018
Finance leases	1,315	5,781	9,118	16,214
Finance liabilities to affiliated companies	9,848	0	0	9,848
Other	2,705	0	0	2,705
	32,802	**50,685**	**59,298**	**142,785**
thereof long-term (maturity > 1 year)				109,983

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	31.12.2009
Liabilities to banks	11,475	72,121	67,437	151,033
Finance leases	1,742	5,920	10,314	17,976
Finance liabilities to affiliated companies	12,161	0	0	12,161
Other	2,798	0	0	2,798
	28,176	**78,041**	**77,751**	**183,968**
thereof long-term (maturity > 1 year)				155,792

The remaining term of the liabilities to banks is equivalent to the terms of the respective financing commitments. Additionally, TAKKT AG has unused credit lines of more than EUR 100 million. Liabilities under finance lease contracts refer to one property comprising land, buildings, equipment and in the previous year IT systems. The fair value of finance leases amounts to EUR 16,291,000 (EUR 19,604,000).

A schedule of liabilities to affiliated companies can be found in related-party transactions on page 117 onwards.

Development of current and non-current borrowings *in EUR '000*

	01.01.2010	Other changes	Additions	Repay-ments	31.12.2010
Liabilities to banks	151,033	8,455	101,376	–146,846	114,018
Finance leases	17,976	0	0	–1,762	16,214
Finance liabilities to affiliated companies	12,161	166	0	–2,479	9,848
Other	2,798	467	0	–560	2,705
	183,968	**9,088**	**101,376**	**–151,647**	**142,785**

Other changes include currency translation in the amount of EUR 8,621,000 (EUR –1,300,000). Average net borrowings for the financial year amounted to EUR 166,575,000 (EUR 169,790,000). Liabilities were weighted by month and converted using the average exchange rate method as used in the income statement. Additions to Liabilities to banks relate to new credit lines and a different usage of existing lines at the beginning and the end of the year. Other includes the EVA® certificates issued to TAKKT Group executives.

Borrowings by currency and interest rate hedges *in EUR '000*

	31.12.2010	Portion of total liability *(in percent)*	Weighted remaining term *(in years)*	Average interest rate *(in percent)*
USD liabilities	**113,152**	**79.2**	**3.1**	**4.7**
EUR liabilities	**29,356**	**20.6**		
– Borrowings	589	0.4	0.5	1.4
– Finance leases (fixed interest rate)	16,214	11.4	5.5	4.6
– Other	12,553	8.8	n/a	n/a
Liabilities other currencies	**277**	**0.2**	**n/a**	**n/a**
	142,785	**100.0**	**n/a**	**n/a**
thereof hedged	115,376	80.8		

	31.12.2009	Portion of total liability *(in percent)*	Weighted remaining term *(in years)*	Average interest rate *(in percent)*
USD liabilities	**120,747**	**65.7**	**3.5**	**4.0**
EUR liabilities	**62,981**	**34.2**		
– Borrowings	30,046	16.3	5.0	1.8
– Finance leases (fixed interest rate)	17,976	9.8	6.0	5.1
– Other	14,959	8.1	n/a	n/a
Liabilities other currencies	**240**	**0.1**	**n/a**	**n/a**
	183,968	**100.0**	**n/a**	**n/a**
thereof hedged	112,728	61.3		

(23) Non-current provisions *in EUR '000*

	2010	2009
Pension provisions	18,691	17,024
Other provisions	3,048	2,482
	21,739	**19,506**

Other provisions comprise obligations for early retirement part-time working arrangements amounting to EUR 1,376,000 (EUR 1,472,000). The change since the previous year is the result of the usage of EUR 457,000 (EUR 714,000), a release of EUR 88,000 (EUR 598,000) and an addition of EUR 1,111,000 (EUR 538,000).

Pension provisions

Development of pension provisions *in EUR '000*

	2010	2009
Present value of funded obligations	2,118	1,758
Present value of unfunded obligations	22,399	20,398
Total present value of obligations	**24,517**	**22,156**
Fair value of plan assets	–2,008	–1,721
Unrecognised actuarial losses	–3,818	–3,411
Unrecognised past service costs	0	0
Net pension commitments at 31.12.	**18,691**	**17,024**

Pension provisions are based on obligations arising from current pensions and from pension schemes for retirement, disability and surviving dependents. The Group's coverage varies depending on legal, tax and economic circumstances in the respective country and comprises both defined contribution and defined benefit pension systems.

Pension provisions also include obligations from deferred compensation programmes. Defined benefit pension plans are mainly based on final pay plans.

Defined benefit pension plans *in EUR '000*

	2010	2009
Present value of obligations 01.01.	22,156	17,847
Current service cost	1,032	746
Interest expense	1,147	1,085
Plan participants' contributions	22	22
Actuarial gains (–)/losses (+)	643	2,681
Currency translation	0	0
Benefits paid	–613	–383
Past service costs	49	114
Transfer of obligations	81	44
Present value of obligations 31.12.	**24,517**	**22,156**

For German companies, the following parameters apply when using the projected unit credit method:

Parameters *in percent*

	2010	2009
Actuarial interest rate	4.80	5.10
Salary trend	2.75	2.75
Pension trend	1.90	1.90

The probability of employee fluctuation was considered individually, depending on the job tenure in the company and the age of the beneficiary.

Non-German commitments are not material and are determined using specific local accounting principles and parameters.

Obligations from the defined benefit pension plans are calculated annually by independent actuarial experts using the projected unit credit method. At one foreign subsidiary, obligations are funded by contributions to an insurance company. Plan assets created in this process solely involve qualifying insurance policies.

Present value of plan assets *in EUR '000*

	2010	2009
Fair value 01.01.	1,721	1,325
Expected return on plan assets	50	47
Actuarial gains (+)/losses (–)	98	194
Benefits paid	0	0
Employer contributions	117	133
Plan participants' contributions	22	22
Plan settlements	0	0
Fair value 31.12.	**2,008**	**1,721**

The expected return on these plan assets for 2010 was 5.1 (6.2) percent. Expected return on plan assets is included in the calculation of the fair value of plan assets at the balance sheet date. Expected return is based on historic returns and expected average income in the respective investment categories, which are also compared with the expectations of external sources. The actual income generated can deviate from the expected return on plan assets if the conditions on capital markets fail to develop as expected. In the next financial year, employer contributions to the plan assets are expected to total EUR 115,000.

Presentation in income statement *in EUR '000*

	2010	2009
Personnel expenses		
Current service costs	1,032	746
Past service costs	49	114
Amortisation of actuarial gains (–)/losses (+)	103	38
Interest expense		
Interest	1,147	1,085
Expected return on plan assets	–50	–47

General overview *in EUR '000*

	2010	2009	2008	2007	2006
Present value of obligations	24,517	22,156	17,847	15,818	17,488
Fair value of plan assets	2,008	1,721	1,325	1,305	1,240
Difference	**22,509**	**20,435**	**16,522**	**14,513**	**16,248**
Experience adjustments on plan assets	15	33	–3	–23	–71
Experience adjustments on obligations	–645	–284	1,151	–404	136

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 5,974,000 (EUR 5,632,000) during the period under review. The future level of such expenses largely depends on how the underlying pension insurance systems develop.

Some foreign companies, especially in North America, 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 90 days, one year or two years of service. The amounts paid by the employer are up to 1.3 percent of the employee's salary. The companies cannot derive any claims from their contribution payments; accordingly, no such assets have been capitalised by these companies. Expenses for defined-contribution plans amounted to EUR 979,000 (EUR 716,000) in the year under review.

(24) Trade payables

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

(25) Other liabilities *in EUR '000*

	2010	2009
Customer payments on account	2,978	1,987
Market value of derivative financial instruments	5,548	2,861
Uninvoiced goods and services	10,779	7,960
Other tax payables	6,856	5,494
Personnel liabilities	3,538	3,183
Accrued interest	200	0
Social security contributions	891	728
Bonus liabilities to customers	1,946	1,324
Audit fees	972	795
Deferred income	538	229
Other	6,936	6,375
	41,182	**30,936**

A schedule of liabilities to affiliated companies can be found under related-party transactions on page 117 onwards.

(26) Current provisions

Development of current provisions *in EUR '000*

	01.01.2010	Currency translation	Usage	Transfers	Release	Additions	31.12.2010
Staff bonuses	5,116	173	–4,713	0	–426	10,616	10,766
Personnel obligations	2,308	10	–2,009	0	–137	1,730	1,902
Customer credit notes	1,501	71	–1,033	0	–21	1,134	1,652
Other	4,250	28	–2,030	0	–226	961	2,983
	13,175	**282**	**–9,785**	**0**	**–810**	**14,441**	**17,303**

	01.01.2009	Currency translation	Usage	Transfers	Release	Additions	31.12.2009
Staff bonuses	7,473	–92	–7,247	0	–176	5,158	5,116
Personnel obligations	433	–14	–388	0	–9	2,286	2,308
Customer credit notes	2,290	–7	–1,698	0	–138	1,054	1,501
Other	1,376	3	–299	0	–240	3,410	4,250
	11,572	**–110**	**–9,632**	**0**	**–563**	**11,908**	**13,175**

The release and additions to provisions are converted at average exchange rates as in the income statement. The difference to the closing rate is included in currency translation.

In the previous year, customer credit notes includes the amount of EUR 81,000 from the acquisition of Central. It is recorded under additions.

Other includes an amount of EUR 688,000 (EUR 2,201,000), which relates to onerous rental contracts for buildings no longer used as a result of FOCUS measures.

4. Risk management and financial instruments/Information according to IFRS 7

In the risk report contained in the management report starting on page 35, TAKKT details the required qualitative information according to IFRS 7 on possible risks threatening the success of TAKKT Group as well as the 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, but also to benefit from potential opportunities. With this strategy, the risk management system supports the Group's financial performance.

Financial instruments held by TAKKT are classed in the following categories:

I. Financial assets or liabilities at fair value through profit and loss
II. Loans and receivables
III. Financial liabilities measured at amortised cost

Financial instrument categories at 31 December 2010 *in EUR '000*

				Reconciliation to balance sheet	**Balance sheet item total**
Financial instrument category	I.	II.	III.		
Valuation type	Fair value	Amortised cost			
Assets					
Non-current assets					
Other assets	0	622	0	161	783
Current assets					
Trade receivables	0	87,478	0	0	87,478
Other receivables and assets	137	7,629	0	7,154	14,920
Cash and cash equivalents	0	3,624	0	0	3,624
	137	**99,353**	**0**		
Liabilities					
Non-current liabilities					
Borrowings	0	0	95,083	14,900	109,983
Current liabilities					
Borrowings	0	0	31,488	1,314	32,802
Trade payables	0	0	25,710	0	25,710
Other liabilities	295	0	2,710	38,177	41,182
	295	**0**	**154,991**		

Financial instrument categories at 31 December 2009 *in EUR '000*

				Reconciliation to balance sheet	Balance sheet item total
Financial instrument category	I.	II.	III.		
Valuation type	Fair value	Amortised cost			
Assets					
Non-current assets					
Other assets	0	713	0	139	852
Current assets					
Trade receivables	0	72,134	0	0	72,134
Other receivables and assets	428	7,044	0	6,692	14,164
Cash and cash equivalents	0	3,201	0	0	3,201
	428	**83,092**	**0**		
Liabilities					
Non-current liabilities					
Borrowings	0	0	139,558	16,234	155,792
Current liabilities					
Borrowings	0	0	26,434	1,742	28,176
Trade payables	0	0	16,486	0	16,486
Other liabilities	147	0	2,189	28,600	30,936
	147	**0**	**184,667**		

The financial assets and liabilities in category I. solely include items not held for trading purposes.

The calculation method used for all the other receivables and assets and the other liabilities measured at fair value relates to level 2. For a definition of the levels, please see page 84.

Net result of the categories *in EUR '000*

	From interest	At fair value	Currency exchange	Valuation allowance	2010
Financial assets or liabilities at fair value through profit and loss	0	–441	0	0	–441
Loans and receivables	53	0	570	–1,223	–600
Financial liabilities measured at amortised cost	–3,930	0	475	0	–3,455
	–3,877	**–441**	**1,045**	**–1,223**	**–4,496**

	From interest	At fair value	Currency exchange	Valuation allowance	2009
Financial assets or liabilities at fair value through profit and loss	–6	373	0	0	367
Loans and receivables	55	0	–181	–1,303	–1,429
Financial liabilities measured at amortised cost	–3,123	0	–251	0	–3,374
	–3,074	**373**	**–432**	**–1,303**	**–4,436**

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. Thanks to stringent checks on creditworthiness in advance of transactions as well as stringent collection systems, write-offs on trade receivables were very low in the financial year at less than 0.3 (0.3) percent of turnover. Risks of write-offs are accounted for by creating allowances.

Trade receivables *in EUR '000*

	01.01.2010	Currency translation	Other changes	31.12.2010
Nominal value of receivables	75,901	3,497	11,839	91,237
Valuation allowances	–3,767	–92	100	–3,759
Book value of receivables	**72,134**	**3,405**	**11,939**	**87,478**

	01.01.2009	Currency translation	Other changes	31.12.2009
Nominal value of receivables	92,150	–212	–16,037	75,901
Valuation allowances	–3,771	1	3	–3,767
Book value of receivables	**88,379**	**–211**	**–16,034**	**72,134**

TAKKT has not capitalised any overdue receivables without having made an allowance. As a result of the strong fragmentation of the customer structure, as described in the risk report, there is no exceptional concentration of risk in operating business.

The credit risk from derivative financial instruments is the risk of default of a contractual partner, and therefore the maximum amount at risk equals the positive market values recognised less the negative market 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 low.

Risk concentrations in the finance area are avoided by broadly spreading transactions and deals among a number of banks with good ratings.

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 on derivative financial liabilities and assets as of 31 December 2010. There were no financial guarantees. Foreign currency amounts were translated into the reporting currency of euros at the respective closing rate on the balance sheet date.

Maturity analysis at 31 December 2010 *in EUR '000*

	Cash flow 2011	Cash flow 2012	Cash flow 2013–2015	Cash flow 2016–2020	Cash flow 2021…
Original financial liabilities					
Liabilities to banks	–21,079	–46,561	–2,313	–50,281	0
Finance leases	–1,806	–1,806	–5,409	–9,889	0
Finance liabilities to affiliated companies	–9,848	0	0	0	0
Trade payables	–25,710	0	0	0	0
Other liabilities	–4,414	0	0	0	0
Derivative financial receivables					
Outgoing payments	–31,385	0	0	0	0
Connected incoming payments	31,690	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–51,957	–2,044	–3,041	0	0
Connected incoming payments	48,143	0	0	0	0

Maturity analysis at 31 December 2009 *in EUR '000*

	Cash flow 2010	Cash flow 2011	Cash flow 2012–2014	Cash flow 2015–2019	Cash flow 2020…
Original financial liabilities					
Liabilities to banks	–14,194	–14,744	–64,643	–67,582	0
Finance leases	–2,593	–2,021	–6,607	–12,213	0
Finance liabilities to affiliated companies	–12,161	0	0	0	0
Trade payables	–16,486	0	0	0	0
Other liabilities	–4,543	0	0	0	0
Derivative financial receivables					
Outgoing payments	–31,343	0	0	0	0
Connected incoming payments	31,770	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–42,087	–2,008	–4,798	0	0
Connected incoming payments	38,238	0	0	0	0

TAKKT has considerable unused short- and long-term credit lines with a number of German and international banks. The current debt can almost entirely be covered by committed credit lines with maturities in the next five years. Additionally, a three-digit million amount of unused credit lines is available. 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 as a result of 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 shareholders' equity there would have been if financial instruments recorded on the reporting date had been affected by hypothetical changes in different relevant risk variables. The assumption is that the volume of financial instruments at the reporting date was representative for the full year and that the assumed changes in risk variables at the reporting date were reasonable.

Currency risk

The table below shows the hedged nominal volumes and the market values of the respective currency hedges. Contracts have maturities between one and twelve months. No netting of currency derivatives was undertaken.

Currency hedging *in EUR '000*

	Nominal value		Market value	
	2010	2009	**2010**	2009
Assets				
Currency derivatives designated as cash flow hedges	6,497	2,876	188	21
Currency derivatives without hedge accounting	25,020	28,803	137	428
Liabilities				
Currency derivatives designated as cash flow hedges	28,430	26,206	–1,328	–593
Currency derivatives without hedge accounting	19,884	12,081	–295	–147
	79,831	**69,966**	**–1,298**	**–291**

Currency derivatives designated as cash flow hedges

TAKKT is exposed to currency risks, as a limited amount of purchases and sales of products and services – below ten percent of consolidated turnover – is in different currencies. 60 to 70 percent of the net foreign currency cash flows expected in TAKKT Group are hedged with currency instruments, which can be designated as effective cash flow hedges and did not show any material ineffectiveness by 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 shareholders' equity-related sensitivity calculations.

In the financial year 2010, losses after deferred tax totalling EUR 773,000 (EUR 385,000) resulting from changes in the fair values of forward foreign exchange contracts were recorded in shareholders' equity without affecting profit. These changes in valuation represent the effective part of the hedge relationship. In the financial year 2010, losses of EUR 393,000 (gains of EUR 13,000) recorded in shareholders' equity were transferred to the income statement (under the item Other operating expenses). TAKKT expects that, with payments within the next twelve months, losses recorded in shareholders' equity amounting to EUR 773,000 after deferred tax will be reclassified to the income statement.

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

Underlying currency derivative transactions 2010 *in EUR '000*

	Cash flow 2011	Cash flow 2012	Cash flow 2013–2015	Cash flow 2016–2020	Cash flow 2021...
CAD	7,390	0	0	0	0
CHF	14,636	0	0	0	0
CZK	1,130	0	0	0	0
DKK	832	0	0	0	0
GBP	2,477	0	0	0	0
HUF	1,123	0	0	0	0
JPY	36	0	0	0	0
MXN	706	0	0	0	0
NOK	2,094	0	0	0	0
PLN	812	0	0	0	0
RON	542	0	0	0	0
RUB	314	0	0	0	0
SEK	2,078	0	0	0	0
TRY	414	0	0	0	0
USD	343	0	0	0	0

Underlying currency derivative transactions 2009 *in EUR '000*

	Cash flow 2010	Cash flow 2011	Cash flow 2012–2014	Cash flow 2015–2019	Cash flow 2020...
CAD	4,478	0	0	0	0
CHF	13,303	0	0	0	0
CZK	1,018	0	0	0	0
DKK	1,072	0	0	0	0
GBP	3,038	0	0	0	0
HUF	998	0	0	0	0
JPY	197	0	0	0	0
MXN	252	0	0	0	0
NOK	2,103	0	0	0	0
PLN	413	0	0	0	0
RON	517	0	0	0	0
SEK	865	0	0	0	0
TRY	373	0	0	0	0
USD	455	0	0	0	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.

The following table lists the effects of a theoretical change in the EUR/USD exchange rate on the profit before tax as well as shareholders' equity on the balance sheet date. Other exchange rate fluctuations have no material effect on profit or equity. Influences on balance sheet and income statement resulting from the translation of individual financial statements into the reporting currency of euros (so-called translation risks) are not included.

Sensitivity analysis for currency fluctuations *in EUR '000*

31.12.2010	Increase/ decrease	Effect on pre-tax result	Effect on shareholders' equity without impact on profits
EUR/USD	+10%	–71	+34
EUR/USD	–10%	+86	–34

31.12.2009	Increase/ decrease	Effect on pre-tax result	Effect on shareholders' equity without impact on profits
EUR/USD	+10%	–47	+46
EUR/USD	–10%	+57	–46

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 '000*

	Nominal value		Market value	
	2010	2009	**2010**	2009
Assets				
Interest rate derivatives designated as cash flow hedges	0	0	0	0
Interest rate derivatives without hedge accounting	0	0	0	0
Liabilities				
Interest rate derivatives designated as cash flow hedges	99,162	94,752	–3,925	–2,120
Interest rate derivatives without hedge accounting	0	0	0	0
	99,162	**94,752**	**–3,925**	**–2,120**

Interest rate derivatives designated as cash flow hedges

To hedge future interest payments for the US dollar debt, TAKKT classified interest rate swaps with a nominal value of USD 32,500,000 (USD 36,500,000) with a maturity until 31 January 2011 and with a nominal value of USD 100,000,000 (USD 100,000,000) with a maturity until 30 June 2014 as cash flow hedges. TAKKT's objective with the US dollar interest rate swaps is to transform floating rate financing into fixed interest rate financing. A potential change in creditworthiness and therefore the credit margin of the debtor is not part of this hedge. US dollar interest rate swaps were recorded at their 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 financial result (compensation payments). These financial instruments are therefore taken into account in shareholders' equity and profit-related sensitivity calculations.

In 2010, losses of EUR 2,958,000 (EUR 1,368,000) after deferred taxes resulting from the change of fair values were recorded in shareholders' equity without an effect on profits. Losses after deferred taxes recorded in shareholders' equity amounting to EUR 1,990,000 (EUR 1,221,000) were transferred to the income statement (Finance expenses). These changes in valuation represent the effective part of the hedge relationship.

Underlying interest rate derivative transactions

Long-term, bilateral credit lines form TAKKT Group's main source of financing. These are generally utilised on a revolving basis with short-term interest rates. TAKKT uses derivative financial instruments to hedge against rising market interest rates and therefore increasing future interest payments.

The table below shows in which reporting periods the cash flows hedged as of 31 December 2010 are expected to become payable. The anticipated hedged interest outpayments are the result of floating-rate liabilities with a nominal volume of USD 132,500,000 (USD 136,500,000).

Underlying interest rate derivative transactions 2010 *in '000*

	Cash flow 2011	Cash flow 2012	Cash flow 2013–2015	Cash flow 2016–2020	Cash flow 2021...
USD	346	340	505	0	0

Underlying interest rate derivative transactions 2009 *in '000*

	Cash flow 2010	Cash flow 2011	Cash flow 2012–2014	Cash flow 2015–2019	Cash flow 2020...
USD	380	298	729	0	0

Other financial instruments

Floating rate financial instruments are included in the earnings-related sensitivity calculation, as interest rate changes affect the finance result.

Non-interest-bearing financial instruments (e.g. trade receivables and payables) are not subject to the risk of interest rates changing. They are therefore not considered in the sensitivity calculation.

The following table lists the sensitivity of the pre-tax result and shareholders' equity in case of a theoretical change in the level of market interest rates relating to the financial instruments on the reporting date, which would have been exposed to such a change in the interest rate level.

Sensitivity analysis for interest rate fluctuations *in EUR '000*

31.12.2010	Increase/ decrease in basis points	Effect on pre-tax result	Effect on shareholders' equity without impact on profits
EUR	+100/–100	–24/+24	–75/+76
USD	+100/–100	–70/+70	+2,304/–2,418

31.12.2009	Increase/ decrease in basis points	Effect on pre-tax result	Effect on shareholders' equity without impact on profits
EUR	+100/–100	–405/+405	–79/+80
USD	+100/–100	–191/+191	+1,883/–2,042

5. Other notes

Contingent liabilities *in EUR '000*

	2010	2009
Right of recourse from lease agreements	125	207

Capital commitments *in EUR '000*

	2010	2009
Due in the following year	568	106

The disclosure relates mainly to tangible assets.

Contingent claims and liabilities

At 31 December 2010, there were contingent receivables in connection with early retirement part-time working arrangements. The amounts were negligible. No other material contingent liabilities were to be disclosed.

Acquisition of subsidiaries

On 03 April 2009, TAKKT Group acquired 100 percent of the shares in the company Central Products LLC (Central) through the US Group company K + K America Corp. in return for a cash payment of approximately USD 83 million. The transaction was recorded using the acquisition method. The purchase price can be allocated to the assets and liabilities assumed at the time of the acquisition as follows:

Purchase price allocation *in USD million*

	Book value	Fair value adjustments	Fair value
Non-current assets	2.0	39.1	41.1
Current assets	7.4	–0.3	7.1
Current liabilities	–2.2	–0.1	–2.3
	7.2	**38.7**	**45.9**
Goodwill			**37.6**
Purchase price			**83.5**

Goodwill is attributable to various factors which serve to strengthen TAKKT Group's operating and strategic position but cannot be evaluated individually.

Measures adopted in the FOCUS programme

As part of the FOCUS programme, steps were taken in 2009 to adjust capacity. These included the withdrawal of Topdeq from the USA, for example. In addition, the BEG warehouse for own-produced goods in Haan was closed on 31 December 2009. Furthermore, the PEG's warehousing structure in the USA has been streamlined from four sites to two.

At the BEG, the sales concept in Estonia has been altered to match the modest size of the market and current economic developments in the Baltic states. Instead of serving customers via a dedicated TAKKT company, a sales partnership with a local dealer has been in place since 2009. The FOCUS measures also include a range of smaller organisational steps taken in the marketing, sales, administration and IT departments at the BEG's service company as well as the optimisation of sales structures at German companies.

In 2009, the steps taken to boost efficiency led to one-off expenditure of EUR 5.2 million impacting EBITDA. In 2010, TAKKT achieved sustainable savings of EUR 4.0 million from all FOCUS measures.

Events after the reporting period

There have been no significant events since the end of the reporting period.

Leasing and other financial obligations 2010 *in EUR '000*

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	1,806	6,670	5,005	13,481
Remaining obligation	0	545	4,884	5,429
Discounting	–491	–1,434	–771	–2,696
Present value	**1,315**	**5,781**	**9,118**	**16,214**
thereof minimum lease payments to affiliated companies	0	0	0	0
thereof remaining obligation to affiliated companies	0	0	0	0
Operating leases				
Minimum lease payments	8,803	20,810	10,214	39,827
thereof minimum lease payments to affiliated companies	10	15	0	25

Leasing and other financial obligations 2009 *in EUR '000*

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	2,593	8,082	7,329	18,004
Remaining obligation	0	545	4,884	5,429
Discounting	–851	–2,707	–1,899	–5,457
Present value	**1,742**	**5,920**	**10,314**	**17,976**
thereof minimum lease payments to affiliated companies	0	0	0	0
thereof remaining obligation to affiliated companies	0	0	0	0
Operating leases				
Minimum lease payments	8,655	22,256	8,754	39,665
thereof minimum lease payments to affiliated companies	9	9	0	18

Operating lease contracts mainly refer to rental obligations for office and warehouse facilities. These contracts are usually subject to price adjustment clauses.

Staff participation model

Until 2005, TAKKT Group senior management had the option to subscribe for EVA® certificates. EVA® certificates are bonds whose market value depends on three factors: the absolute added value generated, calculated using the formula [(return on capital – cost of capital) x capital], the EVA® change from the previous year and a risk premium on the capital employed.

The market value is re-calculated every year and checked by the Group auditors, an audit opinion being issued. The owner of the certificate is financially involved in the increase or decrease in value of the company for which he works. As well as the chance of generating a return, the owner may lose his entire investment depending on development. The certificates have a maturity of ten years each. However, the certificate owner is entitled to cash in the certificates after five years at the earliest. The EVA® certificates issued by TAKKT Group are disclosed as Other under Borrowings of EUR 2,705,000 (EUR 2,798,000). An expense of EUR 467,000 (income EUR 255,000) was posted in the year under review.

In the past financial year, German employees again had the opportunity to buy employee shares. Shares acquired at the stock exchange for this purpose were sold to employees in early 2010, subsidised in accordance with the then valid section 19a of the German Income Tax Act (EStG). A total of 15,090 (8,895) shares were acquired by 354 (321) employees, which means that 41.3 (37.5) percent of all eligible employees made use of this option. The shares were bought at an average market price of EUR 10.60 (EUR 13.86) and sold to the employees at an average market price of EUR 5.30 (EUR 6.07). In total, EUR 78,000 (EUR 73,000) were expensed.

German Corporate Governance Code

The declaration on the recommendations made by the German Corporate Governance Code Government Commission required under section 161 of the German Stock Corporation Act (AktG) was issued on 31 December 2010 and made available to the shareholders on the web site of TAKKT AG (see page 59).

Information on Directors' Dealings

According to section 15a (Directors' Dealings) of the German Securities Trading Act (WpHG), persons who perform management functions at a company that is an issuer of shares as well as natural and legal persons closely related to that person must notify both the issuer and the Federal Financial Supervisory Authority (BaFin) of their own dealings involving the issuer's shares or related financial instruments, especially derivatives, if they exceed the amount of EUR 5,000 within a calendar year.

TAKKT AG received no notifications for the year under review.

Related-party transactions

Related parties in the sense of IAS 24 include the Management and Supervisory Boards of TAKKT AG (including any and all persons related to these boards), TAKKT Group's associated companies and the majority shareholder Franz Haniel & Cie. GmbH, Duisburg (including its subsidiaries). Related-party transactions mainly refer to the cash management system, service contracts and processing intercompany transactions. By participating in Haniel Group's euro cash management system, TAKKT Group benefits from potential economies of scale within the eurozone. All transactions with related parties were contractually agreed and performed on terms that are customary for transactions with third parties.

Related-party transactions *in EUR '000*

	Holding Franz Haniel & Cie. GmbH/service companies		Divisions of Haniel Group		Total	
	2010	2009	2010	2009	**2010**	2009
Turnover	19	14	600	550	619	564
Other expenses	559	777	123	218	682	995
Interest income	6	0	0	0	6	0
Interest expense	264	243	0	0	264	243
Receivables	135	428	42	99	177	527
Payables	10,320	12,840	14	1	10,334	12,841
Other financial obligations	903	774	0	0	903	774

6,785,807 shares worth EUR 53,608,000 were acquired at the beginning of 2009 from Franz Haniel & Cie. GmbH as part of the share buy-back programme.

The Management Board is made up of 3 (4) members. Further details are given on page 124.

Management Board remuneration system

The total remuneration paid to Board members is made up of non-performance-related and performance-related components. A more detailed explanation of the remuneration system can be found in the corporate governance report within the management report on page 58 onwards. The Annual General Meeting resolution passed on 31 May 2006 relieved the Management Board from disclosing its members' individual remuneration. As a consequence, TAKKT stipulates the total amount paid to its Management Board divided into the different remuneration components.

Remuneration of Management Board *in EUR '000*

	2010	2009
Salaries and other payments	2,463	4,411
thereof variable	1,515	2,250
Provision for benefits after end of employment	261	127
Other long-term benefits	40	50
	2,764	**4,588**

Variable remuneration amounting to EUR 1,515,000 includes a provision release of EUR 300,000. In 2010, performance-related remuneration without the release of provision was made up of EUR 1,600,000 (EUR 2,136,000) in bonuses and EUR 215,000 (EUR 114,000) for the long-term performance cash plans. On the balance sheet date, the fair value of the performance cash plans and the corresponding provision amounted to EUR 531,000 (EUR 114,000). This valuation is based on the expected development of the relevant contributing factors and is made by taking into account the partial amounts earned. At the balance sheet date, the defined benefit obligation for the Management Board members amounted to EUR 2,318,000 (EUR 2,486,000).

At 31 December 2010, TAKKT AG Management Board members held 5,676 (5,676) shares. With the exception of EVA® certificates of EUR 1,115,000 (EUR 1,095,000) as well as the usual amounts due in accordance with the employment contracts, no further claims or obligations exist.

Payments to retired Management Board members amounted to EUR 241,000 (EUR 194,000). The pension provision for the former members amounts to EUR 3,718,000 (EUR 2,908,000).

Remuneration of Supervisory Board

The reimbursement of expenses to the TAKKT AG Supervisory Board was EUR 8,000 (EUR 9,000). An accrual of EUR 273,000 (EUR 272,000) was made to cover remuneration payments. This comprises fixed elements of EUR 183,000 (EUR 188,000) and performance-based elements of EUR 90,000 (EUR 84,000). There are no further claims or obligations to members of the Supervisory Board. At 31 December 2010, the Supervisory Board members held 3,007 (3,000) TAKKT AG shares.

Fees for Group auditors' services *in EUR '000 excluding VAT*

	2010	2009
Audit fees (individual companies and Group)	444	456
Other certification or appraisal services	0	0
Tax advisory services	0	0
Other services	96	80
	540	**536**

Declaration of shareholders´ holdings

Outside the requirements of the German Securities Trading Act (WpHG), Franz Haniel & Cie. GmbH, Duisburg, notified us voluntarily in February 2011 that at 31 December 2010 it owned 70.4 (70.4) percent of the shares.

According to section 21 (1) of the German Securities Trading Act (WpHG), the following notifications have been received:

On 18 January 2010, the Capital Research and Management Company, Los Angeles (CA), USA, informed us that on 13 January 2010 its share of voting rights in TAKKT AG, Stuttgart, exceeded the threshold of 3 percent of total voting rights in the company. The Capital Research and Management Company held 3.90 percent (2,558,641 of 65,610,331 shares) of the total voting rights in TAKKT AG on that day.

FINANCIÈRE DE L'ÉCHIQUIER S.A., Paris, France, informed us on 14 April 2010 that on 13 April 2010 its share of voting rights in TAKKT AG, Stuttgart, exceeded the threshold of 3 percent of total voting rights in the company and amounted to 3.04 percent (corresponding to 1,991,880 voting rights) on that day.

On 06 November 2009, Jupiter Unit Trust Managers Limited, London, United Kingdom, informed us that its share of voting rights in TAKKT AG was 3.03 percent (1,987,617 shares) on 31 December 2010.

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
Topdeq Service GmbH, Pfungstadt
Topdeq GmbH, Pfungstadt
Hubert Europa Service GmbH, Pfungstadt
Hubert GmbH, Pfungstadt

Subsidiaries of TAKKT AG, Stuttgart, at 31 December 2010

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	50.00
		13	50.00
6	KAISER + KRAFT AG, Cham/Switzerland	2	100.00
7	KAISER + KRAFT s.r.o., Prague/Czech Republic	2	99.80
		32	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., Watford/Great Britain	2	100.00
11	KAISER + KRAFT Kft., Budaörs/Hungary	2	100.00
12	KAISER + KRAFT S.p.A., Lomazzo/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	99.00
		3	1.00
17	KAISER + KRAFT s.r.o., Nitra/Slovakia	2	99.90
		3	0.10
18	KAISER + KRAFT Ltd. STI., Istanbul/Turkey	2	99.00
		3	1.00
19	Gaerner GmbH, Duisburg/Germany	2	100.00
20	Gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
21	Gaerner AG, Baar/Switzerland	2	100.00
22	Gaerner Business Equipment S.A.U., Castelldefels/Spain	2	100.00
23	Gaerner S.A.S., Réau/France	2	100.00
24	Powell Mail Order Ltd., Llanelli/Great Britain	2	100.00
25	Gaerner S.R.L., Cadorago/Italy	12	100.00
26	Hoffmann Bedrijfsuitrusting B.V., Zeist/The Netherlands	2	100.00
27	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
28	Gerdmans Kontor-og Lag. A/S, Nivaa/Denmark	27	100.00
29	Gerdmans Innredninger A/S, Sandvika/Norway	27	100.00
30	Gerdmans OY, Espoo/Finland	27	100.00
31	KWESTO Service s.r.o., Prague/Czech Republic	2	99.93
		7	0.07
32	KWESTO s.r.o., Prague/Czech Republic	31	100.00
33	KWESTO Kft., Györ/Hungary	31	100.00

No.	Group companies	held by no.	interest %
34	KWESTO Sp. z o.o., Wroclaw/Poland	31	100.00
35	KWESTO Service S.R.L., Bucharest/Romania	31	100.00
36	KWESTO s.r.o., Nitra/Slovakia	31	100.00
37	KAISER + KRAFT (China) Commercial Co. Ltd., Shanghai/People's Rebublic of China	2	100.00
38	KAISER + KRAFT K.K., Chiba/Japan	2	100.00
39	Certeo Business Equipment GmbH, Stuttgart/Germany	2	100.00
40	Topdeq Service GmbH, Pfungstadt/Germany	1	100.00
41	Topdeq GmbH, Pfungstadt/Germany	40	100.00
42	Topdeq Bürodesign Gesellschaft m.b.H., Schwechat/Austria	40	100.00
43	Topdeq N.V., Diegem/Belgium	40	99.80
		41	0.20
44	Topdeq AG, Hünenberg/Switzerland	40	100.00
45	Topdeq S.A.S., Tremblay en France/France	40	100.00
46	Topdeq B.V., Mijdrecht/The Netherlands	40	100.00
47	TAKKT America Holding Inc., Milwaukee/USA	1	100.00
48	K + K America Corporation, Milwaukee/USA	47	100.00
49	C&H Service LLC, Milwaukee/USA	48	100.00
50	C&H Distributors LLC, Milwaukee/USA	48	100.00
51	Avenue Industrial Supply Co. Ltd., Richmond Hill/Canada	48	100.00
52	C&H Productos Industriales SRLCV, Mexico City/Mexico	48	99.996
		50	0.004
53	Hubert Service North America LLC, Harrison/USA	48	100.00
54	Hubert Company LLC, Harrison/USA	48	100.00
55	SPG U.S. Retail Resource LLC, Harrison/USA	48	100.00
56	Hubert Distributing Company Ltd., Markham/Canada	48	100.00
57	Central Products LLC, Indianapolis/USA	48	100.00
58	Hubert Europa Service GmbH, Pfungstadt/Germany	2	100.00
59	Hubert GmbH, Pfungstadt/Germany	58	100.00
60	Hubert AG, Cham/Switzerland	58	100.00
61	Hubert S.A.S., Morangis/France	58	100.00
62	NBF Service LLC, Milwaukee/USA	48	100.00
63	National Business Furniture LLC, Milwaukee/USA	48	100.00
64	Alfax Furniture LLC, Dallas/USA	48	100.00
65	Dallas Midwest LLC, Dallas/USA	48	100.00
66	Officefurniture.com LLC, Milwaukee/USA	48	100.00
67	National Business Furniture Ltd., Richmond Hill/Canada	48	100.00

No.	Associated companies	held by no.	interest %
68	Simple System GmbH & Co. KG, Munich/Germany	2	33.00

Representative Bodies

Supervisory Board

Prof. Dr Klaus Trützschler, Essen, born 11 December 1948
Chairman
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Chairman of the Supervisory Board of Wuppermann AG, Leverkusen
Chairman of the Supervisory Board of Zwiesel Kristallglas AG, Zwiesel
Member of the Supervisory Board of Bilfinger Berger SE, Mannheim
Member of the Supervisory Board of Celesio AG, Stuttgart
Member of the Advisory Board of Wilh. Werhahn KG, Neuss

Prof. Dr Jürgen Kluge, Düsseldorf, born 02 September 1953, since 04 May 2010
Deputy Chairman
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Chairman of the Supervisory Board of Celesio AG, Stuttgart
Chairman of the Supervisory Board of METRO AG, Düsseldorf
Member of the Supervisory Board of SMS GmbH, Düsseldorf

Dr Dr Peter Bettermann, Weinheim, born 29 May 1947
Managing Partner and Speaker of the Management Board of Freudenberg & Co. KG, Weinheim
Chairman of the Supervisory Board of BATIG Gesellschaft für Beteiligungen GmbH, Hamburg
Chairman of the Supervisory Board of British American Tobacco (Germany) GmbH, Hamburg
Member of the Supervisory Board of Evonik Industries AG, Essen
Deputy Chairman of the Advisory Board of Wilh. Werhahn KG, Neuss

Michael Klein, Leogang/Austria, born 05 April 1956, until 04 May 2010
Non-Executive-Chairman of Rapp Germany GmbH, Hamburg

Thomas Kniehl, Stuttgart, born 11 June 1965
Logistics employee at KAISER + KRAFT GmbH, Stuttgart
Chairman of the Joint Works Council of KAISER + KRAFT GmbH, Stuttgart,
and KAISER + KRAFT EUROPA GmbH, Stuttgart

Stefan Meister, Stuttgart, born 28 October 1965, since 04 May 2010
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Member of the Supervisory Board of Straumann Holding AG, Basel/Switzerland
Member of the Board of the BPN Foundation, Bern/Switzerland

Prof. Dr Dres h.c. Arnold Picot, Gauting, born 28 December 1944
University professor at the Ludwig-Maximilians-Universität München
Chairman of the Supervisory Board of Sartorius AG, Göttingen
Chairman of the Supervisory Board of Sartorius Stedim Biotech GmbH, Göttingen
Member of the Supervisory Board of WIK GmbH, Bad Honnef
Member of the Supervisory Board of WIK-Consult GmbH, Bad Honnef
Member of the Advisory Board of Sartorius Stedim Biotech S.A., Aubagne/France

Management Board

Dr Felix A. Zimmermann, Stuttgart, born 27 June 1966
CEO, COO TAKKT AMERICA division

Dr Florian Funck, Stuttgart, born 23 March 1971
CFO
Member of the Supervisory Board of SmartLoyalty AG, Wiesbaden

Franz Vogel, Leinfelden-Echterdingen, born 22 October 1948
COO TAKKT EUROPE division

Responsibility statement by the Management Board

To the best of our knowledge and in accordance with the applicable reporting 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, 25 February 2011
TAKKT AG
Management Board

Dr Felix A. Zimmermann   Dr Florian Funck   Franz Vogel

Independent auditors' report

We have audited the consolidated financial statements prepared by TAKKT AG, Stuttgart, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, segment reporting and the notes to the consolidated financial statements, together with the group management report which is combined with the management report of TAKKT AG for the business year from 01 January to 31 December 2010. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and supplementary articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and also in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit in a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements and in the combined management report in accordance with the applicable financial reporting framework are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a (1) HGB and supplementary articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 25 February 2011
Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Bernhard Steffan	Uwe Harr
German Public Auditor	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. Exchange rate changes also influence the calculation of the average order value for the TAKKT Group.

B2B or business-to-business
Supplier and customer relationships are deliberately established only between corporate customers.

BEG
Business Equipment Group. The BEG is part of the TAKKT EUROPE division and comprises the companies of the former KAISER + KRAFT EUROPA division. Its brands are KAISER + KRAFT, gaerner, Gerdmans, KWESTO and the online-sales brand Certeo.

Cash flow
The financial cash surplus of a period. The TAKKT cash flow is defined as profit for the period plus depreciation, goodwill impairment and deferred tax affecting profit. In this definition, the key figure shows the operational cash flow earned in the period before changes in working capital.

Consolidation
Consolidation serves the purpose of creating consolidated accounts from the data provided by individual accounts from all companies in the Group. In the course of the consolidation, Group internal transactions are eliminated. The Group accounts comprise a number of companies and show the Group as if it were a single entity.

Corporate governance
Company management according to specific rules, regulations, statutes and recommendations.

Debt repayment period
This figure defines the arithmetical duration of debt repayment in years. TAKKT defines this as average net borrowings divided by the TAKKT cash flow.

Debtors
In accounting terms, debtors refers to unpaid trade receivables.

Deferred tax
Differences between tax regulations and the IFRS regulations for the determination of profits result in different tax burdens. These differences are shown as deferred items on the assets side or the liabilities side of the balance sheet.

Derivative financial instruments
Certificate or contract which refers to another – usually tradable – asset. In general, these financial instruments are tradable themselves. Derivatives include interest rate swaps, foreign exchange contracts and currency options.

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.

EBIT
Earnings before interest and taxes.

EBITA
Earnings before interest, taxes and amortisation/goodwill impairment.

EBITDA
Earnings before interest, taxes, amortisation/goodwill impairment and depreciation of non-current assets.

E-business
Commerce via the internet; also includes e-procurement in the wider context of the term.

Economic Value Added® (EVA®, registered trademark of Stern Stewart Co.)
The result generated is seen in relation to the total cost of capital, i.e. the cost of equity and debt. If the company generates a return that exceeds the cost of capital, value is added.

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

Equity ratio
The equity ratio is determined by dividing total equity by the total assets.

Free cash flow
TAKKT defines the free cash flow as cash flow from operating activities less regular capital expenditure. This free cash flow can be used for acquisitions, payments to shareholders and repayment of borrowings.

Gearing
Gearing measures the ratio between total equity and net borrowings. This ratio is calculated by dividing net borrowings by total equity.

Hedging
Protection against interest rate, currency and price risks, etc. by using original or derivative financial instruments such as option or forward deals which (largely) cover the risks of the underlying transaction.

Interest cover
This figure shows the relation between the EBITA and net finance expense.

Interest rate cap
Derivative financial instrument – a guaranteed interest rate limit acquired against payment of a premium. If the interest rate exceeds the cap, the seller of the interest rate cap pays the difference to the acquirer.

Interest rate swap
Derivative financial instrument – an agreement between two parties to swap interest payments on the basis of different interest rates, e.g. variable interest rates can be swapped for fixed interest rates.

Mail order centre
Apart from the warehouse function, i.e. taking goods into or out of stock, a mail order centre also fulfils other functions such as strict quality control of products. Moreover, typical drop shipment items ordered by international customers are combined with stock items for delivery to the customer, thus optimising the transport channels.

Market values
Certain balance sheet items are recognised at the value that can be realised in or be derived from a market – e.g. the stock exchange – as of the reporting date.

Merchandise information system
Software which manages and documents all inventories, movements of goods and business processes. Open orders are constantly monitored for their status. Upon delivery, all necessary delivery notes and invoices are produced automatically.

Net borrowings
Net borrowings is the balance of all interest-bearing liabilities and liquid funds reported in the balance sheet.

OEG
Office Equipment Group. Within TAKKT EUROPE, the OEG consists of the Topdeq companies. The brands National Business Furniture, Alfax, Dallas Midwest and officefurniture.com form TAKKT AMERICA's OEG.

Off-site activities
Within e-commerce, off-site activities are marketing measures outside the own web shops, e.g. search engine marketing.

On-site activities
All measures within TAKKT's own web shops designed to increase user-friendliness and relevance for search engines.

PEG
Plant Equipment Group. The PEG forms a part of the TAKKT AMERICA division and consists of the brands C&H, Avenue and IndustrialSupplies.com

Purchasing manager index (PMI)
Purchasing manager indices are worldwide observed economic indicators. Generally, industry representatives or market research institutes carry out surveys regarding future development, contacting the purchase managers in various industries on a regular basis. The results are translated into numbers – a so-called purchasing manager index. If the number rises, this indicates increased activity. Worldwide, there are different indices, which are similar in their systematics.

Risk management
Systematic approach to identifying and assessing potential risks for a company and choosing and implementing measures to avoid these risks or to reduce the potential negative effects.

SPG
Specialties Group. The SPG belongs to the TAKKT AMERICA division and comprises the Hubert and Central brands.

Stock shipment business
Goods ordered by the customer are delivered from the warehouse. Products are kept in stock by the TAKKT companies.

Financial calendar of TAKKT AG 2011

18 January
Cheuvreux German Corporate Conference, Frankfurt

17 February
Publication of preliminary figures for 2010

24 March
Financial Statements Press Conference, Stuttgart
Analyst Conference, Frankfurt

March
Spring Roadshows

28 April
Interim financial report for the first three months 2011

04 May
Annual General Meeting in Ludwigsburg

17 May
TAKKT Capital Market Day

28 July
Interim financial report for the first six months 2011

27 October
Interim financial report for the first nine months 2011

November
Autumn Roadshows
German Equity Forum, Frankfurt

December
Berenberg Pennyhill Conference, London

For investor information please contact:
Frank Schwitalla
Head of Investor Relations
Tel: +49 711 3465-8222
Fax: +49 711 3465-8104
investor@takkt.de

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TAKKT AG
Postfach 10 48 62
70042 Stuttgart

Presselstrasse 12
70191 Stuttgart
Germany

T +49 711 3465-80
F +49 711 3465-8100

service@takkt.de
www.takkt.com