TAKKT AG

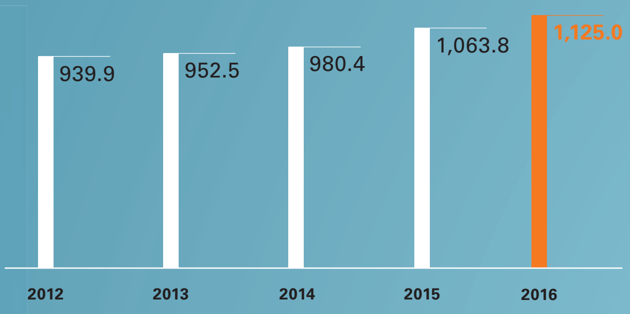
BUSINESS EQUIPMENT SOLUTIONS

SHAPING DIGITAL TRANSFORMATION

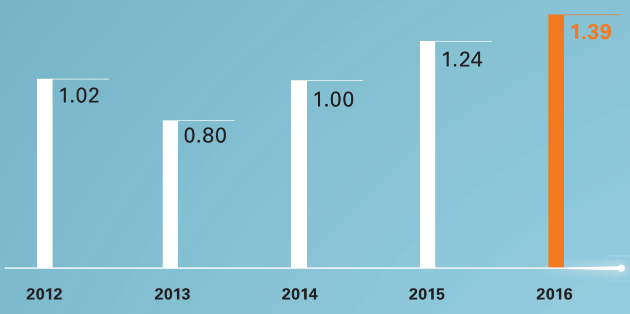
ANNUAL REPORT OF TAKKT GROUP 2016

SELECTED KEY FIGURES

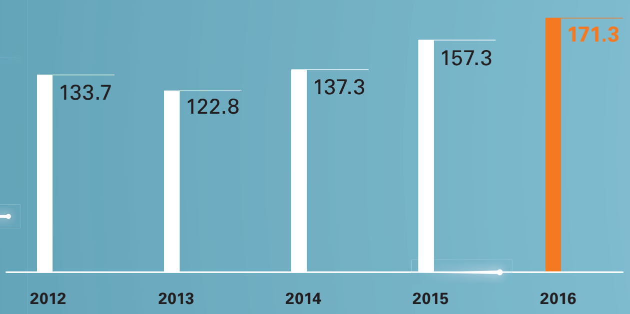
SALES *in EUR million*



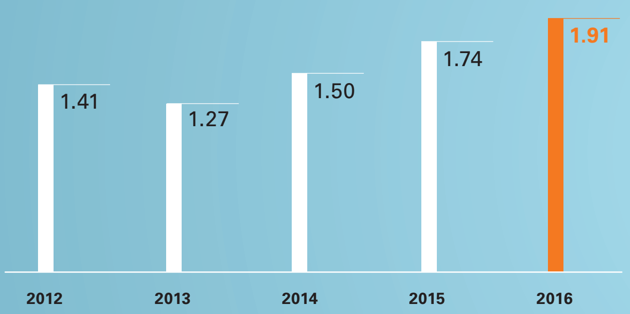
EARNINGS PER SHARE *in EUR*



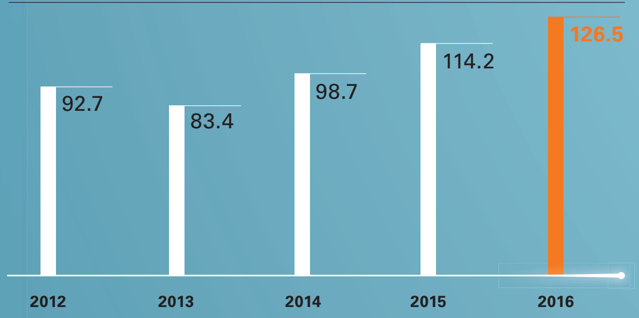
EBITDA *in EUR million*



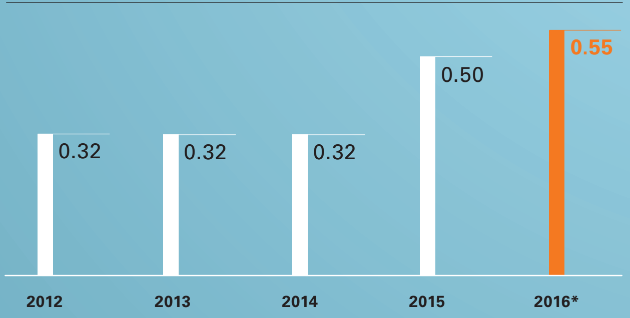
TAKKT CASH FLOW PER SHARE *in EUR*



TAKKT CASH FLOW *in EUR million*



DIVIDEND PER SHARE *in EUR*



** Dividend proposal for the fiscal year 2016.*

KEY FIGURES OF TAKKT GROUP

in EUR million	2012	2013	2014	2015	**2016**
Sales	**939.9**	**952.5**	**980.4**	**1,063.8**	**1,125.0**
Change in %	10.3	1.3	2.9	8.5	5.8
EBITDA	**133.7**	**122.8**	**137.3**	**157.3**	**171.3**
in % of sales	14.2	12.9	14.0	14.8	15.2
EBIT	**111.6**	**95.8**	**110.8**	**129.4**	**142.0**
in % of sales	11.9	10.1	11.3	12.2	12.6
Profit before tax	**100.0**	**81.2**	**99.3**	**119.9**	**132.5**
in % of sales	10.6	8.5	10.1	11.3	11.8
Profit	**67.0**	**52.5**	**65.7**	**81.0**	**91.4**
in % of sales	7.1	5.5	6.7	7.6	8.1
TAKKT cash flow	92.7	83.4	98.7	114.2	125.6
Capital expenditure for investments	8.5	9.6	13.6	14.2	17.4
Capital expenditure for acquisitions	204.6	0.1	0.1	92.3	0.4
Depreciation, amortization and impairment	22.2	26.9	26.5	28.0	29.2
TAKKT cash flow per share in EUR	1.41	1.27	1.50	1.74	1.91
Earnings per share in EUR	1.02	0.8	1.00	1.24	1.39
Dividend per share in EUR	0.32	0.32	0.32	0.50	0.55*
Non-current assets	**679.9**	**649.0**	**663.6**	**735.6**	**729.9**
in % of total assets	77.7	76.2	75.2	76.3	74.9
Total equity	**303.7**	**332.5**	**386.8**	**473.4**	**537.8**
in % of total assets	34.7	39.0	43.8	49.1	55.2
Net financial liabilities	**324.9**	**273.0**	**217.5**	**244.0**	**177.5**
Total assets	**874.5**	**851.8**	**882.5**	**964.2**	**973.9**
ROCE (Return on Capital Employed) in %	18.1	12.5	14.4	15.7	16.5
TAKKT value added in EUR million	32.4	9.7	18.9	28.5	38.3
Employees (full-time equivalent) at year-end	**2,351**	**2,389**	**2,357**	**2,304**	**2,311**

* *Dividend proposal for the fiscal year 2016.*

GROUP STRUCTURE AS OF JANUARY 1, 2017

TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

TAKKT EUROPE

BEG	PSG
KAISER+KRAFT	ratioform
gaerner	Davpack
Gerdmans	
KWESTO	
certeo.com	
BiGDUG	

TAKKT AMERICA

MEG	REG	DPG	OEG
HUBERT	Central Restaurant Products	DISPLAYS2GO	National Business Furniture
Retail Resource		Post Up Stand	Dallas Midwest
			officefurniture.com

BEG: Business Equipment Group **PSG:** Packaging Solutions Group

MEG: Merchandising Equipment Group **REG:** Restaurant Equipment Group **DPG:** Displays Group **OEG:** Office Equipment Group

CONTENT

In times of fast-paced technology-driven transformation, customer behavior as well as workplaces change rapidly. This creates new opportunities. TAKKT wants to accelerate digital transformation in the company and has developed a Vision 2020 to achieve this.

OUR VISION 2020

FOCUS ON CUSTOMER CENTRICITY

We want to **double** our **e-commerce business** by 2020. To achieve this, we are creating an outstanding customer experience through digitalization.

We strive to **transform** our **organization** in a step change by putting digital first and focusing on customer centricity.

By 2020, we will **invest** up to **EUR 50 million** in our employees and new technologies.

The implementation of our digital agenda will **increase** our midterm organic sales **growth.**

OUR DIGITAL AGENDA

WHY

As part of a self-assessment, strengths and weaknesses for the digital transformation were identified in our six divisions. Our main strengths are the result of the experience gained in core areas of expertise of our B2B direct marketing business model. We need to improve by developing additional digital skills as well as in having an unconditional focus on the constantly changing needs of our customers.

WHAT

We at TAKKT want to implement the digital transformation in six different focus areas: strategy and innovation; customer decision journey; process automation; organization, management and corporate culture; technology; data and analytics. We have established concrete measures to continue expanding our digital expertise.

HOW

We look forward to the new opportunities made possible by the digital transformation. We firmly believe that we will be able to create a corporate culture that accelerates the digital transformation. We pursue new forms of organization and ways of working, empower our employees and invest in new talent and state-of-the-art software solutions. We want to be able to use the knowledge gained in our own company at any time.

Here you can learn more about our focus areas.


STRATEGY & INNOVATION
CUSTOMER DECISION JOURNEY
FOCUS AREAS
PROCESS AUTOMATION
ORGANIZATION, MANAGEMENT & CORPORATE CULTURE
TECHNOLOGY
DATA & ANALYTICS

EXCITE THE CUSTOMER – WITH DIGITAL SOLUTIONS

- More targeted customer approach by means of **individualized email and online campaigns** as well as **needs-based recommendations.**
- Enhanced online purchasing experience through additional contact options, such as **co-browsing.**
- Creation of new, value-adding offerings via **interactive configurators** and **virtual/ augmented reality.**

EXAMPLE:
KONRAD PROJECT

KAISER+KRAFT and Schacht One are developing a cockpit for tracking all items requiring inspection and managing statutory checks.

WE WANT TO DOUBLE OUR
E-COMMERCE BUSINESS
BY 2020.

BUILDING DIGITAL SKILLS

- Investments in new **technological developments** and **modern IT systems** along the entire value chain.
- Recruiting up to **100 new employees,** especially for web shop development, online marketing and data analytics.
- **Advancing young talent** and training employees.

EXAMPLE:
DIGITAL ENTREPRENEURSHIP TRAINEE PROGRAM

With the international trainee program, we want to attract and train new talent at an early stage. Visits to digital companies as well as courses at renowned universities provide the necessary tools of the trade.

WE WILL INVEST UP TO EUR 50 MILLION IN OUR EMPLOYEES AND NEW TECHNOLOGIES.

ACHIEVING GOALS WITH NEW WAYS OF WORKING

- Providing **creative** and **attractive working environments.**

- Developing agile and flexible **organizational structures.**

- Establishing new forms of collaboration through **stronger networking** within the company and the creation of a **"test and learn" culture.**

EXAMPLE:
NEW WORKPLACE DESIGN AT NBF

Realization of a future-oriented office concept that optimally supports work processes in the digital world and the corporate culture by improving cross-functional collaboration.

WE WANT TO TRANSFORM OUR ORGANIZATION IN A STEP CHANGE.

OUR **MISSION STATEMENT**

We are a portfolio of globally operating B2B direct marketing specialists for business equipment with the goal of becoming leaders in our markets through our portfolio companies. While the companies follow a business model that is, at its heart, similar, they each have a different focus in terms of their customer groups, product ranges and countries. All use the marketing media of print, online, telesales and field activities as part of a multi-channel PLUS approach. Anchored by this successful business model, we thus position ourselves broadly throughout the Group. This enables us to diversify the risks of the individual markets in our portfolio. We enter new markets wherever we see positive prospects for success, either by founding new companies or through acquisitions.

The customer is the focus of our activities. Our portfolio is complemented by exemplary service in addition to our high-quality product preselection. Our portfolio companies have made it their goal to offer our customers the most efficient method for purchasing business equipment. We are continually adjusting our business model to suit changing customer needs for this reason. To achieve this, trends such as growing digitalization are identified and made tangible and usable for our customers and business partners.

Our actions are guided by our corporate values as well as our principles of sustainability. We actively contribute to protecting the environment and preventing climate change. We take responsibility for our products, in purchasing, marketing and logistics. We are also committed to the concerns of our employees and those in our social environment. We want to be the role model for sustainability in our industry by taking a targeted and systematic approach.

OUR **CORPORATE VALUES**

TAKKT obtains its unique character from its employees and its specific business model. It is vital to the success of the company to acknowledge the role each individual plays and their contribution. TAKKT's corporate values provide a touchstone and form the basis for internal collaboration as well as cooperation with business partners.

01 RESPECTING REALITY

At TAKKT, we ensure that corporate reality is immediately visible and perceptible to staff and management. This means that we communicate transparently and clearly, act in a direct and straightforward manner and managers and employees know how their performance is contributing to the success of the company.

02 ACTING SYSTEMATICALLY

At TAKKT, we are constantly working on making our actions measurable, scalable and more efficient. The combination of judgement and consistency in the implementation of the TAKKT business model makes it possible to actively manage our profitability and value creation for the benefit of all stakeholders.

03 PRACTISING PARTNERSHIP

At TAKKT, we strive to do everything we can to ensure that our customers and suppliers regard us as a partner for our mutual success and that they are highly motivated to work closely together with us. Consistent very high customer satisfaction, outstanding service quality and promoting our mutual benefit are all top priorities for us. We want to be better than the competition.

04 ENSURING CONTINUITY

At TAKKT, we stand for continuity and reliability, especially in times of change. Our actions are always undertaken with medium- and long-term goals in mind. We are committed to growth with substance, continuous learning and consistent adaptation to changes and new conditions.

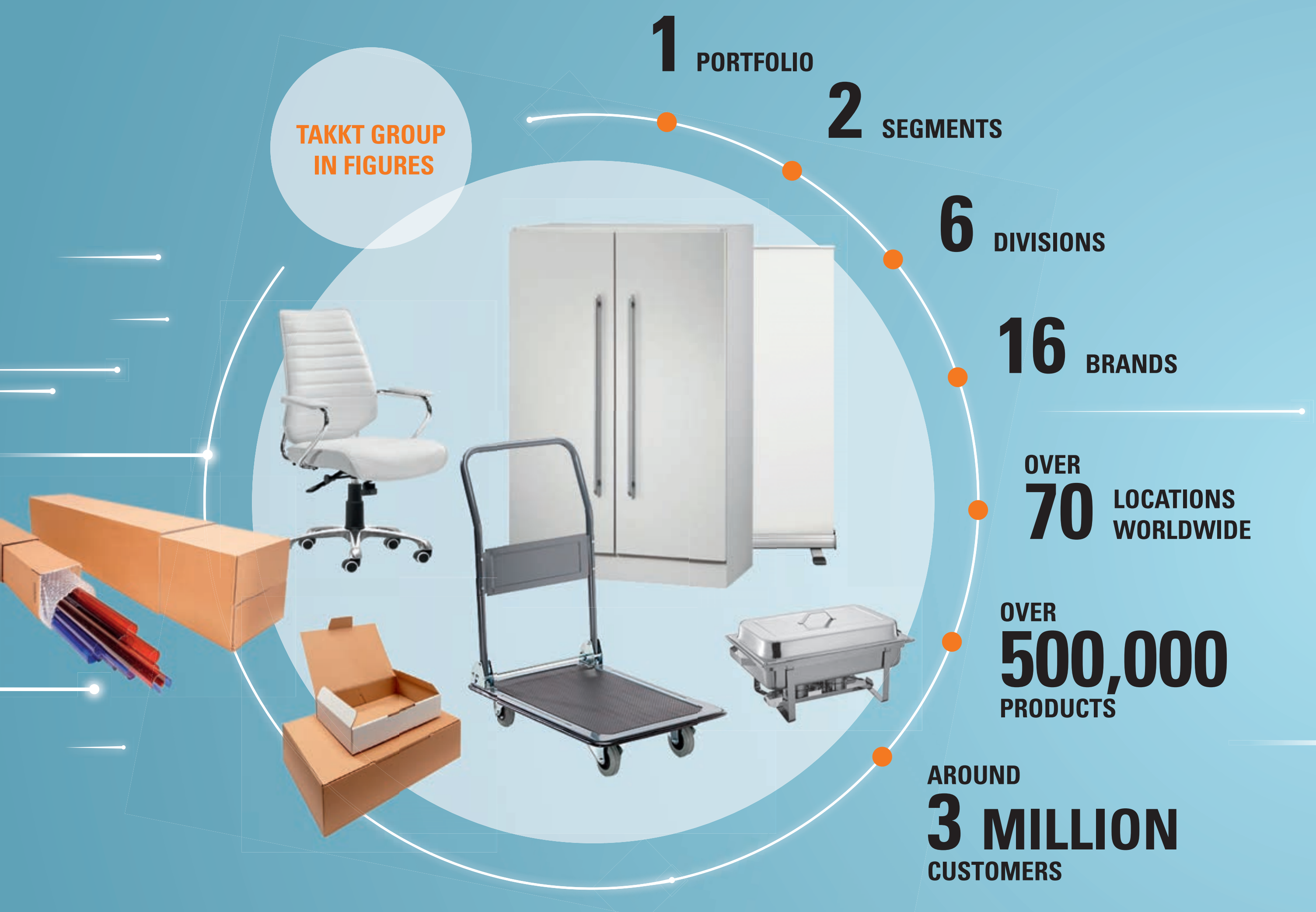
05 TAKING RESPONSIBILITY

At TAKKT, we actively accept our social responsibility and are committed to calling for and promoting ecological and human values. We take care to respect individual and cultural characteristics and consider sustainability an important element of our competitive advantage.

06 ACTING IN TRUST

At TAKKT, we are true to our word. With that in mind, reliability and transparent behaviour are the benchmark for our actions. Even in case of conflicts, we assume good intentions, provide support and search together for workable solutions. Trust, respect and meeting others on equal terms are essential values for us.

OUR **ADDED VALUE ON THE MARKET**



PORTFOLIO OF B2B DIRECT MARKETING SPECIALISTS FOR BUSINESS EQUIPMENT

The TAKKT Group is a globally operating portfolio of B2B direct marketing specialists for business equipment. TAKKT AG as a management holding company is responsible for the strategic management and monitoring of the portfolio companies as well as the control of the companies according to the same value and growth drivers. A key aim of TAKKT AG is to ensure a stable, profitable, growth-oriented portfolio of direct marketing specialists in different complementary target markets, product areas and regions for the long term. Besides the strategic orientation of the portfolio, TAKKT AG is also responsible for the classical holding company functions, such as, for example, financing, controlling and legal. In addition, the holding company promotes and organizes the transfer of knowledge between the divisions.

OUR SUPPLIERS	OUR PORTFOLIO COMPANIES	OUR CORPORATE CUSTOMERS
FRAGMENTED SUPPLIER STRUCTURE:	ADDED VALUES:	FRAGMENTED CUSTOMER STRUCTURE:
PLANT AND WAREHOUSE EQUIPMENT	PRESELECTION OF QUALITY PRODUCTS	CORPORATIONS
OFFICE EQUIPMENT	INDIVIDUAL QUOTES	MEDIUM-SIZED COMPANIES
PACKAGING SOLUTIONS	PROJECT CONSULTING	SMALL BUSINESSES
DISPLAY ARTICLES	CUSTOM-MADE PRODUCTS	
FOOD SERVICE SUPPLIES AND SALES PROMOTION	DIGITAL SOLUTIONS (E-PROCUREMENT)	
	REAL-TIME TRACK AND TRACE	
	SUSTAINABILITY	
SEVERAL HUNDRED SUPPLIERS PER DIVISION	CUSTOMER SOLUTIONS ALONG THE VALUE CHAIN	UP TO 1 MILLION CUSTOMERS PER DIVISION

ADDED VALUE FOR CUSTOMERS AND SUPPLIERS

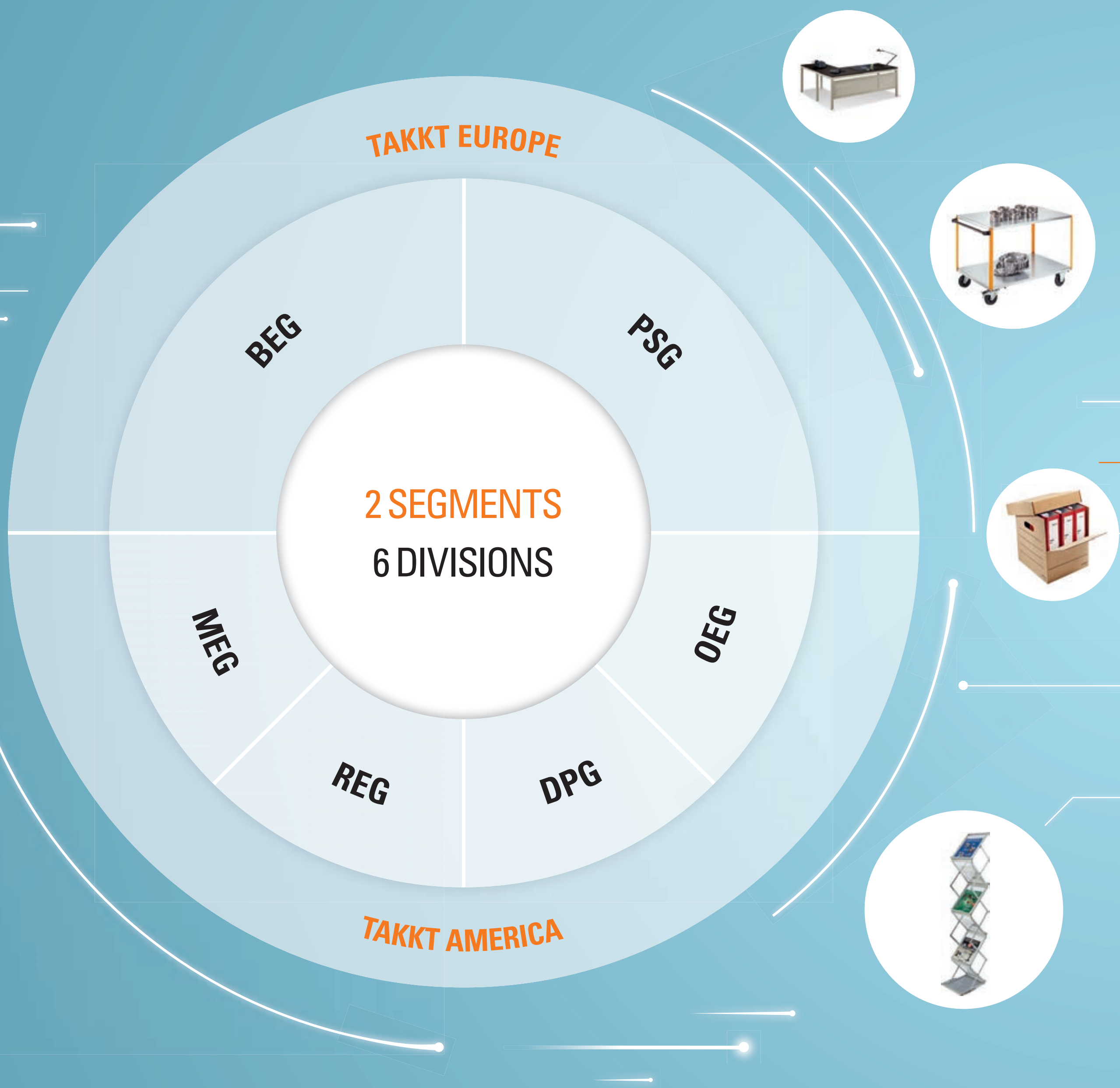
The portfolio companies and their brands operate in attractive, fragmented markets in the area of B2B direct marketing. The portfolio companies mainly sell durable equipment at stable prices to business customers in different industries and regions.

Our customers value high-quality products, fast and easy order processing, and exceptional service. This is precisely the strength of the TAKKT companies because they offer customers a whole range of added values that go beyond just direct marketing. As product experts, we make a professional preselection from a wide range of offers on the market and tailor this to suit individual customer needs. We help our customers make an informed purchasing decision and also create customized solutions. Our customers can use multiple ordering channels. For example, our product range can be linked to different e-procurement solutions in addition to the catalog and web shop. Long warranty periods and availability guarantees round off the range of services.

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

OUR **SEGMENTS**

THE PRODUCTS WE SELL



The TAKKT Group consists of two segments with a total of six divisions since 2017. The TAKKT EUROPE segment is divided into the divisions BEG (products include, e.g., pallet lifting trucks, universal cabinets, desk chairs, environmental cabinets and containers for hazardous materials) and PSG (e.g., collapsible boxes, package padding, shipping pallets and stretch film). TAKKT AMERICA, the second segment, was reorganized in January 2017. The previous SPG was divided into three divisions: MEG (e.g., serving platters, bread baskets and table decorations as well as plates and cutlery), REG (e.g., kitchen stoves and freezers)

and DPG (e.g., signage, display stands, mobile trade booths and fixtures). Besides this, the OEG (e.g., desk chairs, desks, conference tables and furniture for reception areas) remains unchanged as fourth division.

The six divisions with their various sales brands are organized in a decentralized manner, in order to enable them to remain close to the market and to the customer. TAKKT pursues a multi-brand strategy with multi-channel and web-focused brands that are geared to the respective needs of the different customer groups.

BEG – BUSINESS EQUIPMENT GROUP

DIVISION

THE SPECIALIST FOR PLANT, WAREHOUSE AND OFFICE

BRANDS

KAISER+KRAFT
KWESTO
gaerner
certeo.com
Gerdmans
BiGDUG

FACTS

1,100 EMPLOYEES
100,000 PRODUCTS
1.4 MILLION CUSTOMERS

SALES REGIONS

24 EUROPEAN COUNTRIES

PRODUCT EXAMPLES

The Business Equipment Group (BEG) success story began in Stuttgart in 1945. Walter Kaiser and Helmut Kraft founded a company that went on to become Europe's leading B2B direct marketing company for plant, warehouse and office equipment in the following decades. Today more than 1,000 employees in more than twenty European countries work for the brands KAISER+KRAFT, gaerner, Gerdmans, KWESTO, Certeo and BiGDUG. These companies sell their range of products via catalog, internet, telephone and field sales. On request, the companies create custom orders, small batches and products in their customers' corporate design.

PSG – PACKAGING SOLUTIONS GROUP

DIVISION

THE SPECIALIST FOR PACKAGING SOLUTIONS

BRANDS

ratioform

Davpack

FACTS

350 EMPLOYEES
7,000 PRODUCTS
150,000 CUSTOMERS

SALES REGIONS

GERMANY, AUSTRIA, SWITZERLAND, SPAIN, ITALY, GREAT BRITAIN, SWEDEN

PRODUCT EXAMPLES

The Packaging Solutions Group (PSG) comprises the operating companies of the Ratioform and Davpack sales brands. Both brands sell a complete range of transport packaging solutions to B2B customers from various industries. Ratioform Verpackungen GmbH is based in Pliening near Munich. It is Germany's market leader in multi-channel direct marketing for transport packaging and also operates in six other European countries. Nearly all products offered by Ratioform are available in stock. A high quality of service is guaranteed by the high level of stock availability and quick delivery to customers.

MEG – MERCHANDISING EQUIPMENT GROUP

DIVISION

THE SPECIALIST FOR MERCHANDISING AND FOOD EQUIPMENT

BRANDS

HUBERT®

RETAIL RESOURCE | WHERE STORES SHOP

FACTS

350 EMPLOYEES
71,000 PRODUCTS
245,000 CUSTOMERS

SALES REGIONS

USA, CANADA, GERMANY, SWITZERLAND, FRANCE

PRODUCT EXAMPLES

The Merchandising Equipment Group (MEG) within the TAKKT AMERICA segment emerged from the Specialties Group (SPG) at the beginning of 2017. MEG consists primarily of the Hubert brand, selling merchandising items as well as supplies and equipment for the food service and retail industries in North America. It caters predominantly to operators of large cafeterias and food service businesses, for which Hubert also provides comprehensive solutions. In Europe, the division has been selling professional food equipment and supplies under the Hubert brand since 2010. Retail Resource was founded by Hubert in 2010 and specializes in merchandising products for retailers outside the food industry.

REG – RESTAURANT EQUIPMENT GROUP

DIVISION

THE SPECIALIST FOR RESTAURANT EQUIPMENT

BRAND

Central RESTAURANT PRODUCTS

FACTS

130 EMPLOYEES
340,000 PRODUCTS
100,000 CUSTOMERS

SALES REGION

USA

PRODUCT EXAMPLES

The Restaurant Equipment Group (REG) consists of the Central brand, which supplies restaurant operators with products via active telephone sales, a web shop and a catalog. The product range includes all the equipment and supplies required for the operation of small to mid-sized restaurants. Marketing at Central focuses on building a personal relationship between the customer and customer service representative through a strong telesales team. Central has been part of the TAKKT Group since 2009 and is managed as a separate division under the name REG since the beginning of 2017. Central's activities were previously part of the Specialties Group (SPG).

DPG – DISPLAYS GROUP

DIVISION

THE SPECIALIST FOR SALES DISPLAYS

BRANDS

DISPLAYS2GO

POST UP STAND

FACTS

320 EMPLOYEES
12,000 PRODUCTS
410,000 CUSTOMERS

SALES REGION

USA

PRODUCT EXAMPLES

The Displays Group (DPG) within the TAKKT AMERICA segment emerged from the Specialties Group (SPG) at the beginning of 2017 and includes the web-focused brands Displays2Go and Post-Up Stand. Displays2Go has been part of TAKKT since 2012 and is the online market leader in display sales in North America with display products such as signage, display stands and store fixtures. With Post-Up Stand, a direct marketing specialist for customized printed displays, advertising banners and trade fair booths was acquired in April 2015. Both companies focus strongly on sales via the web shop and provide customers with comprehensive service through their platforms.

OEG – OFFICE EQUIPMENT GROUP

DIVISION

THE SPECIALIST FOR OFFICE EQUIPMENT

BRANDS

National Business Furniture

officefurniture.com

DALLAS MIDWEST

FACTS

190 EMPLOYEES
27,000 PRODUCTS
650,000 CUSTOMERS

SALES REGION

USA

PRODUCT EXAMPLES

TAKKT AMERICA operates its B2B direct marketing for office equipment via the Office Equipment Group (OEG). The Group's customer base consists mainly of service companies, public institutions, government agencies, the health care sector, schools and churches. The NBF brand sells classic North American office furniture in the USA. The range of office furniture and equipment of the Dallas Midwest brand is aimed predominantly at non-profit organizations such as schools, universities, churches and government agencies. The web-focused brand officefurniture.com is also part of the OEG.

TO THE SHAREHOLDERS

LETTER FROM THE CEO

Dr. Felix A. Zimmermann
Chairman of the Management Board, CEO

Ladies and Gentlemen

We can look back on a successful year for TAKKT: Group sales in the 2016 financial year increased by 5.8 percent to EUR 1,125.0 million. In organic terms (i.e., adjusted for currency and portfolio effects), growth came to 5.2 percent. This confirms our forecast from last year. We were also able to maintain it with respect to earnings before taxes, depreciation and amortization (EBITDA). Earnings increased to EUR 171.3 million and the EBITDA margin of 15.2 percent was slightly above our target corridor of 12 to 15 percent, which was also due to positive one-off effects. In the first half of the year in particular, we were able to achieve vigorous growth in both segments. As expected, activities in the US increased even more strongly compared to Europe. The growth rate slowed in the second half of the year due to increased economic uncertainty. We are pleased with our key figures for the year as a whole as TAKKT continued its profitable growth path in this financial year as well.

The results of our DYNAMIC growth and modernization initiative throughout the Group also contributed to the good organic growth of the past year. We started DYNAMIC in 2013 and with it concentrated on further developing the business model from a traditional direct marketing company to a multi-channel PLUS company. In the course of this initiative, significant progress was made in all divisions of the TAKKT Group in the areas of purchasing, marketing, sales and IT. Most of the original 40 projects have already been completed since then. Individual projects will still be continued. This is partly due to the longer duration planned for them right from the start and partly also because we need a little more time to reach all the goals we set. In general, the results from DYNAMIC are positive. We see positive momentum with the value and growth drivers such as attracting new customers and purchase frequency through the initiative. In addition, we have also learned as an organization how we can manage and drive key change processes as well as how we deal with challenges and obstacles successfully.

Looking forward, digitalization is the key strategic issue for us. This is why we are setting the course for a successful digital transformation. In times of fast-paced technological transformation, we see the constantly evolving customer needs and changes in the workplace both as a challenge and an opportunity. Digital technologies and new methods open new possibilities for TAKKT along the entire value chain. We see the potential for us to distinguish ourselves from the competition even more in the future, by impressing customers with innovative solutions. As a next step, we now want to accelerate digital transformation. We have developed a digital agenda and our Vision 2020 in the year 2016. This vision encompasses four goals: (1) We want to double our e-commerce business by 2020. (2) We strive to transform our organization in a step change by putting digital first and focusing on customer centricity. (3) We want to invest up to EUR 50 million in existing and new employees as well as in new technologies and (4) increase our organic sales growth in the medium term. We have defined six focus areas and initiated concrete measures within these in the six divisions of the TAKKT Group in order to make the digital transformation a reality.

A concrete example of our goal to promote a change in the culture is the remodeling of the premises of National Business Furniture in the US. The completely renovated headquarters building in Milwaukee was adapted to meet the requirements of a modern work environment. We want to increase employee commitment through team-oriented work. The introduction of new working methods should also contribute to improve productivity. There is also a new spatial concept in planning at the Stuttgart headquarters. The concept is aligned with our company strategy and Vision 2020. Creating new work environments at the Stuttgart location will be implemented step by step during the course of the year.

Through the TAKKT investment company established at the beginning of 2016, we are expanding our acquisition strategy with “smart investments” in young fast-growing companies whose focus is B2B direct marketing or services along the value chain of TAKKT companies. In 2016, we acquired a minority interest in the Berlin-based start-up printmate as well as in adnymics in Munich. This gives us access to innovative business models and customer-oriented solutions in terms of packaging (printmate) as well as customer approach (adnymics).

On the issue of sustainability, we announced that we want to be the role model in our industry by the end of 2016. We have achieved this goal. We are leading the way especially in purchasing, marketing and logistics. Sustainability will also remain a strategic fundamental issue for TAKKT’s business in the future. We have ambitious plans for the years to come as well. For example, in purchasing we want to increase sales of sustainable products from currently nearly ten percent to between 12 and 15 percent by 2020. You can read all about the goals we recently set in the sustainability update, which is published at the same time as this annual report as well as on www.takkt.de/en/sustainability.

At the end of 2016, we decided to make an organizational adjustment of our divisions. The TAKKT AMERICA segment was repositioned in January 2017. The previous Specialties Group division has been restructured and now consists of three separate divisions. We see his measure as an important step in setting the course for further expansion in this segment.

With a view to 2017, we anticipate continued organic growth in sales and healthy profitability despite some investments in connection with implementation of the digital agenda. My special thanks go to all employees. Our long-standing success would not be possible without the dedication shown each day by every single person at TAKKT. On behalf of the entire Management Board, I want to express my heartfelt thanks to our employees. I would also like to thank our customers, business partners and shareholders for their ongoing commitment to sharing these exciting times with us.

Stuttgart, March 2017

Dr. Felix A. Zimmermann
(Chairman of the Management Board of TAKKT AG)

MEMBERS OF THE MANAGEMENT BOARD

Dirk Lessing
Member of the Management Board

Dr. Felix A. Zimmermann
Chairman of the Management Board, CEO

Dr. Claude Tomaszewski
Member of the Management Board, CFO

TAKKT SHARE AND INVESTOR RELATIONS

TAKKT places great importance on quick, reliable and transparent communication with capital market participants. Because of this, it continuously informs all shareholders of current developments. The TAKKT share started out with considerable gains in the 2016 stock market year. After a volatile price development at year-end, it outperformed the SDAX nicely.

TAKKT SHARE EXCEEDS EUR 20 FOR THE FIRST TIME

Political news influenced the development of the stock markets in 2016. Fears of an economic slump in China dampened the mood at the beginning of the year, the Brexit decision in June surprised many market players and the second half of the year was marked by the presidential election in the US in November. The DAX and SDAX closed at the end of December at 6.9 and 4.6 percent higher, respectively, than the previous year. Both indexes reached new highs in 2016. The TAKKT share gains in 2016 were considerably stronger than both indexes and recorded a price increase of 16.6 percent during the course of the year. Including dividends paid, the return on the share was 19.3 percent. As of the end of the year, TAKKT was listed on the SDAX with a share of 2.31 percent.

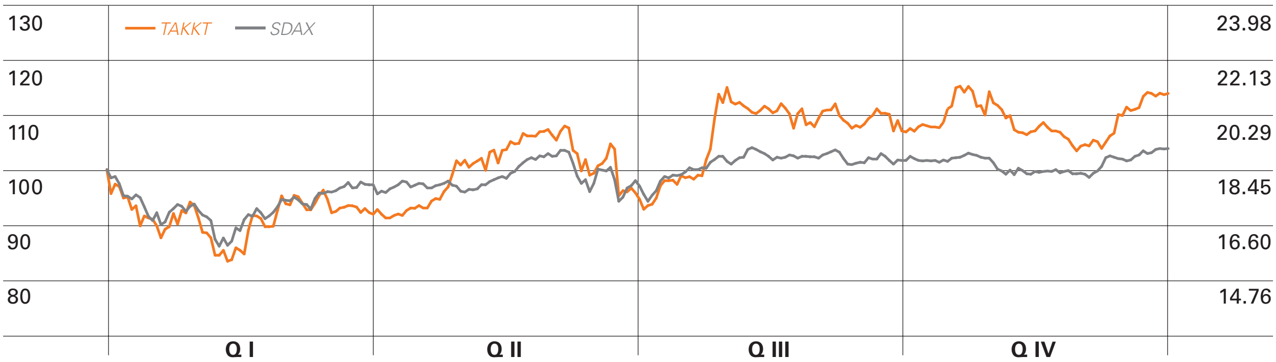
The share started out with a rate of EUR 17.48 in the year under review. After a volatile price development, it reached the annual high of EUR 21.80 in mid-October. The TAKKT share showed a lateral trend up to the end of the year and closed at EUR 21.51. All data is based on Xetra daily closing prices. The market capitalization of TAKKT AG came to EUR 1,411.3 (1,210.5) million at the end of the year.

The trading volume of the TAKKT share saw stable development in 2016. An average of 27.2 (28.1) thousand TAKKT shares were traded each trading day on Xetra, the most important trading platform. In a Deutsche Börse ranking list encompassing all 100 companies listed on the MDAX and SDAX, by the end of the year this represents an improvement in market capitalization on the basis of the free float from place 65 to place 63, and a slight decrease in trading volume from place 98 to place 99. The block trades entered in trading systems in 2016 indicate that TAKKT shares are traded on a slightly larger scale on off-exchange platforms than on Xetra.

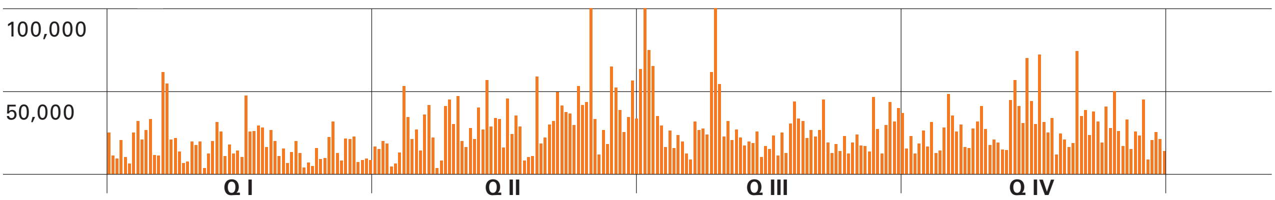
Performance of the TAKKT share *(52-week comparison, SDAX as benchmark)*

indexed in percent

TAKKT share in Euro

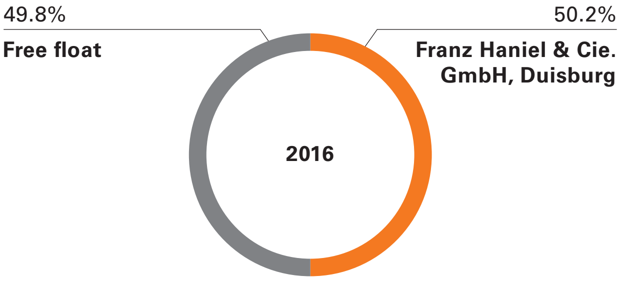


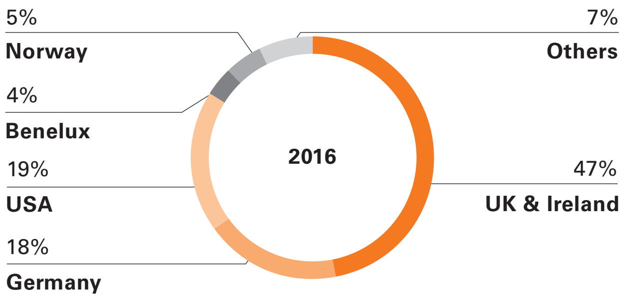
Trading volume of the TAKKT share *(daily volume on Xetra in number of shares in 2016*)*



* On individual days, more than 100 thousand TAKKT share were traded on Xetra.

Shareholder structure and regional distribution of free-float shares of institutional investors as of December 31, 2016*





** For regional distribution approximation values, based on Thomson Financial data*

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

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

	Unit	2012	2013	2014	2015	2016
Trade data						
Year end closing price*	EUR	10.50	13.49	13.61	18.45	21.51
Highest price*	EUR	11.88	15.52	16.40	18.45	21.80
Lowest price*	EUR	8.50	9.71	11.34	13.97	14.76
Market value at year end	EUR million	688.9	885.1	893.0	1,210.5	1,411.3
Average daily turnover*	thousand shares	32.6	49.8	30.6	28.1	27.2
Issued shares at year end	million shares	65.6	65.6	65.6	65.6	65.6
Dividend						
Dividend per share in EUR**	EUR	0.32	0.32	0.32	0.50	0.55
Payout ratio	percent	31.3	40.0	32.0	40.5	39.5
Dividend yield***	percent	3.8	3.0	2.4	3.7	3.0
Valuation ratios						
Earnings per share (EPS)	EUR	1.02	0.80	1.00	1.24	1.39
TAKKT cash flow per share	EUR	1.41	1.27	1.50	1.74	1.91

* *Xetra trading.*

** *Dividend proposal for the fiscal year 2016.*

*** *At prior years closing rate.*

INVESTOR RELATIONS

FAIR DISCLOSURE FOR THE FINANCIAL COMMUNITY

TAKKT's investor relations work focuses on providing information to shareholders, analysts and potential investors in a quick, transparent and reliable manner. The company places great importance on informing all participants in the capital market with the same thoroughness and openness.

COMPREHENSIVE INFORMATION

The range of information provided on the TAKKT website is designed to meet the information needs of all capital market participants and financing partners. Besides financial reports, ad hoc announcements, press releases and share information, interested persons can find roadshow and analyst presentations there. It also provides explanations regarding the company's strategy and Corporate Governance. In addition, telephone conferences that are accessible to all interested parties are held when quarterly results are published or for important corporate events such as acquisitions. These enable every participant to put their questions directly to the Management Board.

SPEED AND TRANSPARENCY OF REPORTING

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

CLOSE COMMUNICATION WITH INVESTORS AND ANALYSTS

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

- TAKKT presents its consolidated financial statements at an analyst conference in Frankfurt in March.

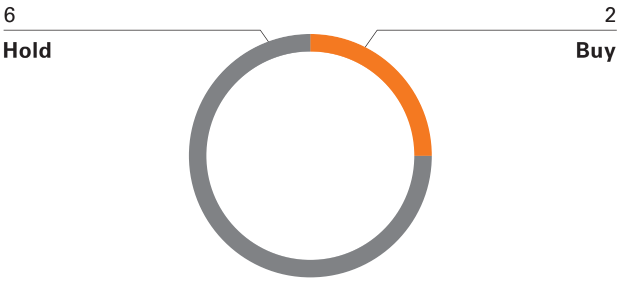
- The Management Board regularly takes part in capital market conferences such as the German Equity Forum in Frankfurt held by Deutsche Börse AG every year in November. In addition, TAKKT participated in the capital market conferences of Kepler Cheuvreux and Unicredit in Frankfurt, Berenberg in Tarrytown, New York, as well as the capital market conference in Munich of Berenberg and Goldman Sachs.

- The company also held numerous talks with investors once again during roadshows in London, Paris, Zurich, Edinburgh, Frankfurt am Main, Dublin and Warsaw.

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

All the information published during these and similar events can be found on the TAKKT website. The number of financial analysts who regularly observe the TAKKT share reflects the perception of the company on the capital market. As of February 21, 2017, six analysts advise holding the share. Two analysts recommend buying the share.

Institution	**Analyst**
Berenberg Bank	Gerhard Orgonas
Deutsche Bank	Adrian Rott
DZ Bank	Thomas Maul
Hauck & Aufhäuser	Christian Salis
Kepler Cheuvreux	Craig Abbott
Landesbank Baden-Württemberg	Thomas Hofmann
M.M. Warburg	Thilo Kleibauer
Montega	Timo Buss



SHAREHOLDERS' MEETING IN LUDWIGSBURG

Approximately 300 shareholders and guests attended the 17th ordinary Shareholders' Meeting of TAKKT AG in Ludwigsburg on May 10, 2016. The Shareholders' Meeting approved an increased dividend of EUR 0.50 per share for a total dividend distribution of EUR 32.8 million. At the same time, the payout ratio based on profit for the period increased from 32 to 40 percent. The Shareholders' Meeting thus approved the dividend proposed by the TAKKT Management Board and Supervisory Board, which is based on the dividend policy amended at the beginning of 2016. The aim of this policy is to allow shareholders to participate even more in the company's success by stabilizing the payment of dividends. The other matters on the agenda were also approved by the Shareholders' Meeting with a large majority, including the discharge of the Management Board and Supervisory Board as well as an amendment of the articles of association regarding the purpose of the company. The Management Board also provided a detailed report on the 2015 financial year, during which the milestone of sales of one billion euros was hit for the first time in the company's history.

FINANCIAL CALENDAR 2017

The financial calendar for the 2017 stock market year is shown on the last page of this annual report. It can also be accessed on the TAKKT website, where it is regularly updated.

INVESTOR RELATIONS CONTACT

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

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

SUPERVISORY BOARD REPORT

Stephan Gemkow
Chairman of the Supervisory Board

Ladies and Gentlemen,

In 2016, TAKKT continued its profitable growth course with its portfolio strategy. After a very strong first half-year, organic growth in the second half weakened slightly. Business development in 2016 was once again stronger in North America than in Europe, where TAKKT again achieved solid growth. The Group-wide strategic DYNAMIC initiative, through which TAKKT has developed from a traditional direct marketing group to a multi-channel PLUS company, was largely concluded in the past financial year. In addition, by developing digital agenda and formulating Vision 2020, we have laid the course for a successful digital transformation. Goals for this agenda were defined and concrete measures have been initiated. The Supervisory Board closely assisted and supported the company and Management Board with these strategic issues as customary.

BUSINESS DEVELOPMENT AND WORK OF THE SUPERVISORY BOARD

The Supervisory Board met five times in the 2016 financial year. This consisted of four regular meetings and one strategy meeting. The main topics of the meetings were the current business performance and strategic development of the Group with the respective projects. In addition, the Supervisory Board dealt with the founding of TAKKT Beteiligungsgesellschaft mbH (TBG), the possibility of further company acquisitions and the acquisition strategy. The significance of digitalization for the business model of the Group was also intensively discussed. Other topics covered at the meetings were business performance planning, the risk situation including the quantification of significant risks, the risk management system, the internal control system and the activities of internal audit. The agenda also included Corporate Governance and compliance matters as well as new legal regulations such as the Market Abuse Regulation and the statutory audit reform (Abschlussprüfungsreformgesetz, AReG). Furthermore, the Supervisory Board dealt with safeguarding the pension commitments of the Management Board through a CTA (“contractual trust arrangement,” a trusteeship solution for company pensions), the individualized disclosure of the compensation of the Management Board as of the 2016 financial year and the targets for the share of women on the Management Board and Supervisory Board.

The Personnel Committee met four times in the year under review. The topics were the contract extension of Dirk Lessing as a member of the Management Board, the structuring of the compensation of the Management Board within the existing remuneration system, the appropriateness of the share of women achieved for the Supervisory Board and Management Board as well as the issues of digital competence and recruiting. Corresponding recommendations were submitted to the Supervisory Board for consideration and resolution.

CONSTRUCTIVE COOPERATION IN A SPIRIT OF PARTNERSHIP

As usual, the cooperation between the Supervisory Board and Management Board was transparent and open in the year under review. The Management Board regularly informed the Supervisory Board verbally and in writing in a timely manner of all important matters – also outside of Supervisory Board meetings. The meetings of the Supervisory Board and Management Board were always carried out in a constructive and open manner. The Chairman of the Supervisory Board and the CEO discussed matters in more detail when necessary. If issues needed to be decided by the Supervisory Board, it always passed resolutions promptly.

ORIENTED TOWARDS THE CORPORATE GOVERNANCE CODE

The Supervisory Board places importance on conducting its control tasks continuously and with great intensity. This commitment will also mark its work in the future since it makes a significant contribution to responsible corporate management at TAKKT. As part of this, the Management and Supervisory Boards again signed, effective December 31, 2016, the declaration of conformity to the recommendations made by the German Corporate Governance Code (DCGK) Government Commission. Additional information in relation to this can be found in the Corporate Governance report of this annual report and on the TAKKT website. In the December meeting of the Supervisory Board, the achievement and maintenance of the targets for the equal participation of women and men in management positions was reviewed in the Supervisory Board and Management Board.

HIGHER PAYOUT RATIO

In the 2016 financial year, the Management Board and Supervisory Board approved an adjustment of the dividend policy, which provides for a future payout ratio of between 35 and 45 percent of the profit for the period. Accordingly, in the Shareholders' Meeting of May 2016, an increased dividend of EUR 0.50 per share was approved for the 2015 financial year. The shareholders thus benefited directly from the good earnings and high cash flow even more than before. The Management Board and Supervisory Board will propose to the Shareholders' Meeting in May 2017 that a dividend of EUR 0.55 per share be paid for the 2016 financial year. This would correspond to a payout ratio of 39.5 percent.

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS APPROVED

The Shareholders' Meeting has followed the proposal of the Supervisory Board and appointed Ebner Stolz GmbH & Co. KG, Stuttgart, as the auditors for the 2016 financial year. The auditors issued a declaration of independence to the Supervisory Board. The Supervisory Board reviewed the independence of the auditor as per section 107(3) sentence 3 of the Stock Corporation Act (AktG) and point 7.2.1 of the DCGK.

The audit of the Supervisory Board for the 2016 consolidated financial statements focused on trade receivables and notes on financial instruments as well as on the accounting of ERP systems, web shops and other key software projects. With regard to the Group, the auditors focused on the reporting of the auditors of the foreign subsidiaries, the goodwill impairment tests, the valuation of the contingent purchase price liabilities for Post-Up Stand and BiGDUG, the consolidation measures as well as the notes to the consolidated financial statements and the Group management report of TAKKT AG and the Group. The auditors examined the TAKKT AG financial statements and the consolidated financial statements as well as the Group management report of TAKKT AG and the Group, and issued an unqualified audit certificate. The TAKKT Group's system for early risk detection was also audited and its suitability confirmed.

The auditors in charge 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 discussed the auditors' findings at length and approved them. In addition, the Supervisory Board also reviewed and approved the consolidated financial statements, the financial statements of TAKKT AG, the Group management report of TAKKT AG and the Group, and the proposed profit appropriation. The financial statements of TAKKT AG are thus adopted and the consolidated financial statements approved.

SUPERVISORY BOARD APPROVES DEPENDENCE REPORT

Franz Haniel & Cie. GmbH, Duisburg, also held the majority of TAKKT shares in the 2016 financial year with 50.2 percent. In accordance to section 312 of the German Stock Corporation Act (AktG), the Management Board therefore prepared a report on relations with affiliated companies for the past financial year. Ebner Stolz GmbH & Co. KG, Stuttgart, prepared an auditors' report as required under section 313 of the German Stock Corporation Act (AktG). No reservations were expressed as a result of the audit. The auditor issued the following audit opinion: "Having conducted a proper audit and appraisal, we confirm that, first, the actual disclosures set out in the report are correct, second, payments made by the company for transactions covered in the report were not unduly high and, third, no circumstances covered in the report indicate a substantially different assessment than that given by the Management Board." The Supervisory Board reviewed the report on the relations of the company to affiliated companies and the corresponding auditors' report and approved them according to section 314 of the German Stock Corporation Act (AktG). The Board had no objections to the dependence report and the closing statement made by the Management Board therein. This report and statement can be found in the Corporate Governance report of this annual report.

We would like to thank the TAKKT AG shareholders for the trust they once again placed in us in 2016. We would like to thank all the employees of the TAKKT Group for their ongoing high level of commitment and excellent performance. Thanks also go to the Management Board for their trusting cooperation founded on partnership.

Stuttgart, March 2017

Stephan Gemkow
(Chairman of the Supervisory Board of TAKKT AG)

MEMBERS OF THE SUPERVISORY BOARD

Stephan Gemkow Chairman	Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Dr. Johannes Haupt Deputy Chairman	Chairman of the Management Board (CEO) of E.G.O. Blanc und Fischer & Co. GmbH, Oberderdingen
Dr. Florian Funck	Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Thomas Kniehl	Employee for claims/research/returns of KAISER+KRAFT GmbH, Stuttgart
Prof. Dr. Dres. h.c. Arnold Picot	University professor at the Ludwig-Maximilians-Universität München
Dr. Dorothee Ritz	General Manager of Microsoft Austria, Vienna

MANAGEMENT REPORT

MANAGEMENT REPORT FOR TAKKT AG AND THE TAKKT GROUP

BUSINESS MODEL

The TAKKT Group is a portfolio of B2B direct marketing specialists for business equipment. TAKKT AG as a management holding company is responsible for the strategic management and monitoring of the portfolio companies as well as the control of the companies according to the same value and growth drivers. A key aim of TAKKT AG is to ensure a stable, profitable, growth-oriented portfolio of direct marketing specialists in different complementary target markets, product areas and regions for the long term. Besides the strategic orientation of the portfolio, TAKKT AG is also responsible for classical holding company functions such as financing, controlling and legal. In addition, the holding company promotes and organizes the transfer of knowledge between the divisions and supports the segments in implementing the digital agenda.

BUSINESS AREAS AND ORGANIZATION

B2B DIRECT MARKETING SPECIALIST FOR BUSINESS EQUIPMENT

The portfolio companies and brands of the TAKKT Group operate in attractive markets in the area of B2B direct marketing. They mainly concentrate on the sale of long-lasting equipment to business customers at stable prices. The product ranges that are offered mostly encompass durables that businesses use for their business activities. Products that the TAKKT companies supply include pallet lifting trucks to German automotive suppliers, computer cabinets to Swiss mechanical engineers and food service supplies to commercial kitchens in the US. Sales are carried out as part of an integrated multi-channel approach through the sales and marketing channels print (catalogs and brochures), online (web shops and e-procurement solutions), telesales (telephone customer service) and field activities (personal assistance from field sales).

TAKKT's market environment can be defined by means of different criteria (see the following table). The companies of the TAKKT Group position themselves in this market environment as B2B direct marketing specialists for business equipment that have a comprehensive range of services and predominantly horizontal alignment. The companies operate in Europe and North America.

Market differentiation…	Market attributes	TAKKT
…by customer	• B2B • B2C	• B2B
…by type of distribution	• Store-based retailing • Direct sales • Direct marketing	• Direct marketing
…by product range depth	• Generalists • Direct marketing specialists	• Direct marketing specialist
…by industry focus	• Horizontal alignment (product specialists) • Vertical alignment (industry specialists)	• Mainly horizontal alignment
…by service	• Pure distributors • Distribution of goods and additional services	• Distribution of goods and comprehensive range of services

CLEAR ORGANIZATIONAL STRUCTURE

The current organizational structure of the TAKKT Group is shown on the following page.

TAKKT AG as a management holding company leads the Group and is responsible for managing the companies as well as developing the Group strategy. The portfolio companies are divided into six divisions that operate in different markets. The sales brands pursue either a multi-channel or a web-focused approach.

For purposes of reporting, the individual divisions are arranged by segment. Thus, the Business Equipment Group (BEG) and Packaging Solutions Group (PSG) belong to the TAKKT EUROPE segment. The TAKKT AMERICA segment was reorganized in January 2017. The previous Specialties Group (SPG) was divided into the Merchandising Equipment Group (MEG), the Restaurant Equipment Group (REG) and the Displays Group (DPG). The Office Equipment Group (OEG) remains unchanged as another division in the TAKKT AMERICA segment. The new segmentation is designed to lay the organizational foundation for additional growth.

Group structure (effective from January 1, 2017)

TAKKT AG
BUSINESS EQUIPMENT SOLUTIONS

TAKKT EUROPE

- **BEG**: KAISER+KRAFT, gaerner, Gerdmans, KWESTO, certeo.com, BiGDUG
- **PSG**: ratioform, Davpack

TAKKT AMERICA

- **MEG**: HUBERT, RETAIL RESOURCE
- **REG**: Central Restaurant Products
- **DPG**: DISPLAYS2GO, POSTUP STAND
- **OEG**: National Business Furniture, Dallas Midwest, officefurniture.com

The TAKKT EUROPE segment has more than 50 locations and 20 warehouses.

- The Business Equipment Group (BEG), as a supplier of business equipment, offers around 100,000 products for transportation, plant, warehouse and office equipment in 24 European countries. BEG's customers include industrial enterprises such as automotive suppliers as well as companies from the areas of service, retail and public bodies. Some examples of products are pallet lifting trucks, universal cabinets and swivel chairs as well as special products such as environmental cabinets and containers for hazardous materials. BEG pursues a mostly centralized warehouse strategy.

- The Packaging Solutions Group (PSG), as a packaging specialist, offers around 7,000 different kinds of transport packaging in seven European countries for companies in different industries as well as customer-specific packaging solutions. Some examples of products are collapsible boxes, package padding, shipping pallets and stretch film. The division pursues a more decentralized warehouse strategy.

The TAKKT AMERICA segment has close to 20 locations and operates twelve warehouses. The companies in the US also pursue a centralized warehouse strategy. Due to the size of the country, however, they partially operate more than one warehouse.

- The Merchandising Equipment Group (MEG) emerged from the Specialties Group (SPG) at the beginning of 2017. It offers a range of around 71,000 products in North America and, since 2010, in Europe. The range includes equipment for the food service industry and food retail sector as well as merchandising products and supplies. MEG's customers mainly include operators of large cafeterias and food service businesses. Products include buffet equipment such as serving platters, bread baskets and table decorations as well as plates and cutlery.

- The Restaurant Equipment Group (REG) is also managed as a separate division since January 2017 and offers around 340,000 products for restaurant equipment in the US. Restaurant operators are REG's core customer group. The product range includes all the equipment and supplies required for the operation of small to mid-sized restaurants. Some examples of products are kitchen stoves and freezers.

- The Displays Group (DPG) is the third division to come out of SPG at the beginning of the year and offers around 12,000 display products in the US. Sales are carried out mostly online. Products include signage, display stands, mobile trade booths and fixtures.

- The Office Equipment Group (OEG) offers around 27,000 office furniture products in the US. In addition to companies, its customers include government agencies, the health care sector, schools and churches. Some examples of products are office chairs and desks, conference tables and furniture for reception areas.

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

MULTI-BRAND STRATEGY AND EFFICIENT CUSTOMER COMMUNICATION AS SUCCESS FACTORS

TAKKT pursues a multi-brand strategy for the sale of its products. This includes multi-channel and web-focused brands and is geared to the different needs of the respective customer groups:

- Multi-channel brands combine the traditional catalog business, which is more attractive to medium-sized and larger companies, with an online service and – where appropriate – employees for direct sales calls and field sales to form an integrated approach. The customer can choose from different channels. As soon as the order is entered in the enterprise resource planning (ERP) system, it is handled using standardized processes. For key accounts, product ranges can also be digitally uploaded to their own in-house IT systems. Individually customized e-procurement solutions like these allow the TAKKT companies to feed their product ranges directly to the systems of the customers, resulting in even lower transaction costs for them. Customers can compile their own range of frequently ordered products and see their ordering history as well as a detailed overview of their business relationship with the TAKKT company. Through e-procurement, TAKKT is able to add real value for the customer as well as build and develop a sustainable customer relationship.

- With the web-focused brands, TAKKT targets customers who have not been able to be reached efficiently by the traditional catalog business and corresponding online offers. These are mainly smaller businesses with comparatively low demand. Ideally, an internet-only customer relationship is profitable as soon as the first order is placed. In contrast, a customer relationship in a multi-channel strategy is only profitable after a certain number of orders. Multi-channel brands therefore

Added value for the customer	
High-quality products and well-organized presentation	• Strict quality control for all products • Comfortable, user-friendly and customer-specific presentation on different channels • Media-neutral handling of product information • Broad range of high-quality private labels
Easy ordering and fast delivery	• Customers order through the channel that is best for them. • Digitalization allows better integration of the order channels • Fast delivery through logistics partners in the individual countries • Immediate availability of most products
Individual offers	• Sales employees advise customers through different channels and media • Individual offers and support with selection process
Customized solution	• Custom-made products possible if there is no immediate solution available for the specific customer request • Made possible through TAKKT's long-standing supplier relationships
Project management	• Coordination of specific customer projects by employees in telesales and field activities • Special service requirements taken into consideration (e.g., when equipping several facilities)
Long warranty periods	• The warranty periods are usually longer than the legal requirements • Availability guarantee of several years

rely more on customers making repeat purchasing. However, the product range and prices for web-focused brands can be adjusted more flexibly according to the rapidly changing needs of this customer group. Important success factors for sales are effective search engine optimization and internet advertising to position the online shop prominently and thus gain the attention of potential customers.

ADDED VALUE FOR CUSTOMERS AND SUPPLIERS – BEYOND PURE DIRECT MARKETING

The companies of the TAKKT Group operate in an attractive market niche. In B2B direct marketing, the customer considers the price in relation to a package that includes product, quality and service. For customers, good direct marketing means finding high-quality products quickly and being able to order them easily. They also expect a high level of service with respect to the actual product. The strengths of the Group companies lie exactly in this area. The services that the TAKKT companies offer their customers in order to retain them for the long-term include the listing in the chart on page 42 in particular. The digital transformation is also to be used especially to continue expanding the services offered and thus be able to offer the customer even greater added value.

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

ATTRACTIVE MARKET NICHE

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

- TAKKT uses an extremely fragmented supplier pool of product specialists and maintains long-term relationships with suppliers that they work well with. TAKKT's customer base is also broadly diversified. This means that it caters to customers of various sizes and from different industries and is therefore not necessarily dependent on single large orders or major customers.

- The market environment of many TAKKT companies is characterized by considerable market entry barriers. A potential new competitor first has to make significant investments in marketing, IT and logistics and incur several years of start-up losses before it can achieve the margins that are standard in the sector. These investments only pay off when a company manages to develop a loyal customer base that provides repeat business at regular intervals.

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

MARKET TRENDS SUPPORT PROVEN BUSINESS MODEL

The Management believes that structural market trends provide sustainable opportunities, which TAKKT makes use of with the corresponding competitive strengths (see table). B2B customers pay more attention to low process costs and want to concentrate purchase volume on a limited number of providers. TAKKT meets this by offering a broad range of high-quality products. In addition, the Group benefits from the rapid technological changes brought about by digitalization. E-commerce and e-procurement are gaining importance and customers expect the latest technologies at all interfaces with their provider. TAKKT makes use of these trends through the clear orientation of the business model with its focus on corporate customers, the implementation of the digital agenda, the multi-channel sales approach, the specialization of the product ranges and the extensive range of services for the customer.

Market trend	Competitive edge
Concentration on a small number of suppliers: Corporate customers in particular want to reduce complexity and look for reliable, long-term partnerships.	Product range from a single source as well as extensive preselection.
Customers have an eye on process costs: For merchandise of low value, the emphasis is on the ordering process.	Bundling of the product ranges of hundreds of suppliers, well-organized presentation of quality products and fast delivery.
Increased use of digital ordering systems: Customers increasingly expect to have electronic ordering options that can be integrated with their own systems.	Range of e-commerce solutions from a classic web shop to electronic integration of product range in customer's ERP system.
Use of numerous sales channels: The channels are used for obtaining information and ordering.	Combination and integration of all sales channels in multi-channel marketing as well as uniform ordering processes using efficient IT systems.
International positioning: Customers want to have access to reliable providers and products regardless of location.	Customer proximity with more than 50 sales companies in over 25 countries.
Consideration of sustainability aspects: Environmental and social aspects are playing an increasing role in the selection of business partners.	A comprehensive sustainability strategy that covers all processes throughout the Group.
Individualization of customer approach: Customers increasingly expect a personalized approach that is tailored to their needs.	Comprehensive analyses of the existing data in order to provide customers with information on products and topics that have the highest relevance for them.
Individualized products: More and more customers want to be able to obtain individualized products and solutions.	Individual products and flexible solutions for every need through customer service together with long-standing suppliers and in-house production.
Technology: Customers expect the latest technologies at all interfaces with their provider (e.g., consulting, customer service, sales).	Use of new communication technologies (e.g., live chat, co-browsing, virtual showroom, etc.).

CORPORATE GOALS AND STRATEGY

TAKKT's goal is to be the leading global B2B direct marketing specialist for business equipment. To accomplish this, specialized companies with different strengths are combined in a portfolio that is stable in the long-term, profitable and growth-oriented. The Group companies focus on the marketing and sales channels of print, online, tele and field as part of a multi-channel PLUS approach. A key strategic issue for TAKKT in further development of the business model is digitalization. In addition, TAKKT wants to develop its position as role model for sustainability by the end of 2020. The strategic objectives of the TAKKT Group are presented in the following overview. They remain unchanged with respect to the previous year.

Strategic goals	
Grow profitably	• Long-term sales growth by an average of ten percent per year – around half organically and half through acquisitions • An EBITDA margin of between 12 and 15 percent
Diversify risk	• Significant contributions to sales on at least two continents • Diversified share of sales with the manufacturing, trade and service sector industries as well as government institutions • Balanced product range
Act sustainably	• Industry role model for sustainability • Sustainability as "built-in" rather than an "add-on" in day-to-day corporate management

GROW PROFITABLY

In the past 15 years, a new start-up or acquisition was carried out once a year on average. TAKKT plans to keep up this pace of expansion over the long term, but focus more on acquisitions in the future. TAKKT aims to continue its profitable growth and increase its sales by an average of ten percent each year, with an EBITDA margin of 12 to 15 percent. Considered over a long period of time, around 50 percent of this growth is expected to be organic, with the other 50 percent developing through acquisitions.

As a direct marketing company, TAKKT benefits from the efficiency of this business model compared to traditional retail through local stores. This allows TAKKT to gain market share over time and grow organically. In addition, the organic growth is fostered through strategic initiatives, which TAKKT continuously implements to adjust to changing customer needs.

The DYNAMIC growth and modernization initiative was launched in 2013. Through it, TAKKT transformed its sales brands into multi-channel PLUS companies by 2016. The following measures aim to increase organic growth:

- Expanding e-commerce: Since e-commerce simplifies business relationships and streamlines procurement processes, this form of business is also being used increasingly in B2B direct marketing. TAKKT's sales companies are therefore continuously developing their e-commerce activities further and intensifying the development of customized e-procurement systems and content management in the web shop. In addition, instruments such as search engine optimization (SEO) and search engine advertising (SEA) are used to achieve high search engine visibility for online customers. With a share of order intake via e-commerce of 39.0 percent, TAKKT was able to increase this key figure significantly in 2016.

- Expansion of additional multi-channel activities: An appropriate mix of print, online, telesales and field activities and their integrated use is important for a successful sales operation in B2B direct marketing. The reason for this multi-channel PLUS approach is the observation that the behavior of corporate customers worldwide is changing. Just a few years ago, the catalog was the predominant sales medium. Today, businesses can make use of considerably more sources of information when searching for products. TAKKT is developing the multi-channel PLUS approach bit by bit – with the objective of using all sales media in an integrated manner, which can trigger a purchase decision with the customer. The Group companies are thus present with their range wherever the customer gathers information about the products: from a catalog, online, on the telephone or through employees in field marketing.

- Expansion of the product range: The expansion of the product range is carried out along two lines. The first is the intensified expansion of existing product ranges. Second, the expansion into new product categories is driven forward in order to add to existing product ranges or to tap into new buyer groups.

- Expanding private brands: With private labels TAKKT aims to acquire new customers and retain existing customers for the long term. For example, in order to achieve this, individual TAKKT companies introduce new products at the best value for money to also meet the lesser needs of the entry-level segment. Using performance brands, other Group companies offer products that at least meet the industry standard or even satisfy higher quality standards. These brands improve customer loyalty and usually generate above-average margins. The company further increased the share of sales with private labels to 18.3 percent in 2016.

The DYNAMIC initiative marked a clear push towards expansion of the digital channels. The initiative was concluded at the end of 2016. Following this, TAKKT proceeded to address the digital transformation as a key strategic issue in the year under review. This is in line with the observation that both the behavior of the customer as well as the workplace change quickly in times of rapid technological change, which opens up new opportunities. TAKKT sees the business model of B2B direct marketing as ideal for benefiting from the growth of digitalization and gaining market shares. The Group therefore wants to accelerate digital transformation in the company and gives this issue absolute priority in all decision-making. A digital agenda was developed in 2016 as a basis for this, along with Vision 2020 and over 100 measures in the six divisions. Vision 2020 includes the following goals:

- The e-commerce business is to be doubled by 2020. TAKKT wants to create an outstanding customer experience through digitalization.

- The goal is to transform the organization in a step change by putting digital first and focusing on customer centricity.

- Up to EUR 50 million will have been invested in employees and new technologies until 2020.

- The implementation of the digital agendal will increase the midterm organic sales growth.

In the implementation of the digital transformation, TAKKT will especially focus on the global development of digital expertise, launching new forms of collaboration, creating a "test and learn" culture and concentrating all activities on the constantly changing needs of our customers. Further details on the implementation of the organic growth target through the DYNAMIC initiative as well as our digital agenda can be found in the "Innovation and development" section on pages 50 to 54.

In addition to organic growth, the Group will expand through acquisitions. Potential takeover candidates are broken down into three areas: Smaller companies that generate sales in the low double-digit million euro range and proven strong profitable growth provide an opportunity to expand existing activities on the regional level as well as through an adjacent business model. Medium-sized, market-leading companies as a platform acquisition serve as the starting point for further organic growth or additional strategic purchases. Large companies are also still a possibility; however, the likelihood of this is very low.

Companies that are attractive takeover candidates for TAKKT are often family-owned companies. In view of this, TAKKT cultivates long-term relationships with possible target companies. In order to be able to act at any time, sufficient credit lines are always available for the acquisition of small and medium-sized companies. The following factors also play a role in the decision to make an acquisition:

- For the target company, a positive development of the business-specific value and growth drivers is expected, which TAKKT uses to manage its subsidiaries. The EBITDA margin should at least be within TAKKT's target corridor or have the potential to develop in that direction in the medium term.

- The target company is an established company, which fits in with the positioning of the TAKKT Group explained above. It should be a company with a scalable business model in B2B direct marketing that acts as product or customer specialist, focuses on durables or specialized goods and which has a fragmented customer base and supplier pool. It is desirable that the Management of the acquired company to continue in its function.

- The acquisition provides TAKKT with the opportunity to expand the product portfolio, tap into new customer groups or expand regionally and thus diversify further. In addition, TAKKT makes sure to gain as much new expertise as possible through an acquisition, such as in the areas of field activities (NBF 2006), telesales (Central 2009), online marketing and direct imports from Asia (GPA 2012), integrated multi-channel sales (Ratioform 2012), customized products (Post-Up Stand 2015) or cost-effective entry-level product segments (BiGDUG 2015). With the most recent acquisitions, BiGDUG, Post-Up Stand (both in 2015) and GPA (2012), relatively young companies were gained that have contributed their digital expertise to the TAKKT portfolio.

In order to realize an increase in value after inclusion in the Group, TAKKT supports the newly acquired companies in the continuation and intensification of their course for growth. TAKKT helps in the expansion of the business model in new markets as well as in the acceleration of the digital transformation and promotes the exchange of organizational, logistics, IT, marketing and sales expertise across the different companies.

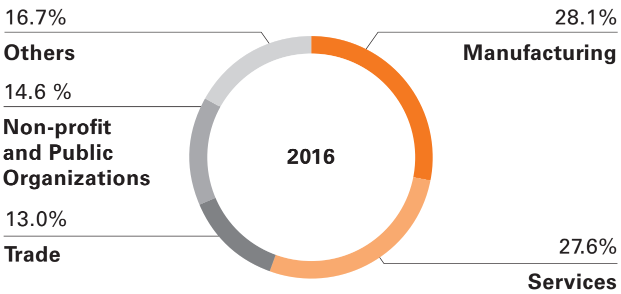
TAKKT added a new element to its acquisition strategy with the creation of the subsidiary TAKKT Beteiligungsgesellschaft mbH (TBG) at the beginning of 2016. TBG aims to function as a smart investor for strategic investments in newly established companies with strong potential for growth. The company will specifically focus on B2B direct marketing specialists or service providers working along the value chain of TAKKT companies. Minority interests will be considered primarily. The focus will be on very young companies that are already active on the market and looking for external partners to finance their growth initiatives.

DIVERSIFY RISK

TAKKT strives to further diversify the risks of the Group and become more independent of economic influences. The following levels are taken into consideration here.

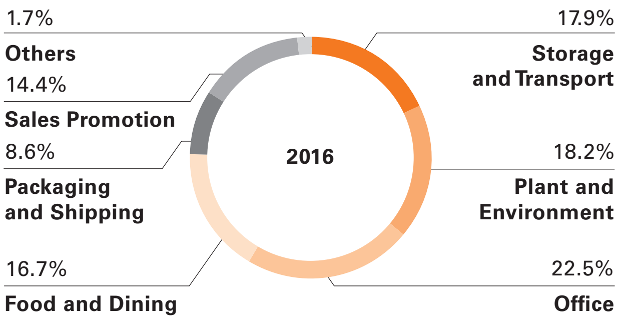
At the customer level, the company serves manufacturing businesses, distributors and service providers as well as non-profit organizations and governmental institutions to compensate for the cyclical fluctuations experienced by the individual target groups. Orders from manufacturing businesses – the original core business of the TAKKT Group – represent nearly one-third of the sales volume. The medium-term goal of the Group is to achieve a balanced share of sales with the manufacturing industry, the trade and service sectors as well as non-profit and government institutions. This increasing diversification with different customer groups stabilizes the TAKKT business.

Diversification of customer groups



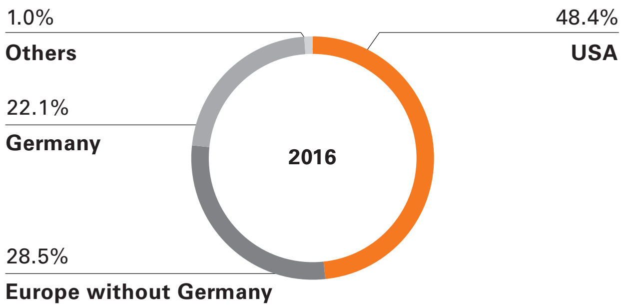
At the product level, TAKKT differentiates between products for plant & environment, storage & transport, office, packaging & shipping, food & dining and sales promotion. TAKKT diversifies heavily here to actively compensate for fluctuations in demand. Through the acquisition of Hubert (2000), NBF (2006), Central (2009), GPA (2012), Ratioform (2012) and Post-Up Stand (2015), the company has specifically expanded its product portfolio to product groups for food service, merchandising, North American office furniture and packaging. This allows TAKKT to participate in the growth trends of these industries.

Diversification of product ranges



At the regional level, TAKKT differentiates between Germany, Europe without Germany, the USA and other countries. In particular, the share of US business has increased significantly since 2000. In the past, regional diversification has proven to be a pillar of TAKKT's portfolio. This way, economic fluctuations in certain target markets can be partially offset by opposite developments in other regions. The Group will continue this path and aims to generate significant long-term contributions to sales on at least two continents.

Diversification of regions



ACT SUSTAINABLY

Direct marketing is considerably more resource-efficient than store-based retailing. This is why the TAKKT business model per se is more sustainable than other competition models. Sustainability is therefore not a new concept for TAKKT. It has long been part of the entrepreneurial identity of the Group to handle resources carefully. TAKKT has incorporated the goal of sustainability – the long-term balance between economic, environmental and social concerns – as an integral part of its corporate strategy since 2011 and has achieved its goal of becoming the global role model in the industry by the end of 2016. In terms of sustainability, the Group leads the way especially in the areas of purchasing, marketing and logistics. TAKKT wants to develop this position as a role model further by the end of 2020.

With this move, TAKKT has positioned itself early in the competitive environment. Companies are paying increasing attention to making their individual contribution to the conservation of resources and expect their business partners to also manage their value chain according to sustainability considerations. TAKKT considers the requirements of the customers with respect to sustainability. The Group-wide SCORE program incorporates the issue of sustainability in the day-to-day business and bundles the individual measures.

The goals and important measures of the TAKKT Group with respect to sustainability are described on page 55 et seqq. in the "Sustainability and employees" section as well as page 76 et seqq. in the "Company performance" section of this annual report and the sustainability update, which is published together with the annual report.

MANAGEMENT SYSTEM

STANDARDIZED KEY FIGURES FOR MANAGEMENT OF THE DIVISIONS AND INDIVIDUAL COMPANIES

Despite the different focus of the TAKKT companies with respect to regions, product ranges, customer groups and sales approaches, the core of their business model is similar. Therefore, the Management manages the Group and the individual divisions as well as all the subsidiaries according to the same value and growth drivers. If the key indicators of one Group company do not develop satisfactorily, the TAKKT Management reacts promptly with suitable initiatives and countermeasures. To this end, all the internal key management indicators mentioned below are reported to the Management Board on a regular basis.

- The organic development of sales of the TAKKT Group serves as a measure for the growth of the company without the inclusion of company acquisitions and disposals or the impact of fluctuating exchange rates. The short-term development of sales is influenced by the economic cycles. In the long term, TAKKT wants to achieve an average organic increase in sales of four to five percent with the help of the growth initiatives.

- The organic sales trend results from the development of the value and growth drivers number of orders and average order value. Both parameters are subject to cyclical fluctuations in the economic cycle and are also influenced by acquisitions or divestments on a structural level. In the long term and adjusted for these effects, TAKKT plans to increase the annual number of orders by two to four percent. The average order value is expected to at least grow in line with the inflation rate.

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

- The EBITDA margin serves as an important benchmark for the short-term operating earning power of the individual Group companies because the effects of the country-specific differences in tax rates and financing structures are not relevant for this key figure. As the figure does not include depreciation and amortization of non-current assets, it permits a direct comparison between existing and newly acquired companies.

TAKKT has defined a long-term target corridor of 12 to 15 percent for the Group's EBITDA margin.

- The TAKKT cash flow is calculated from EBITDA less financial result and less current income tax. This value shows the operational cash flow earned in the reporting period before the effects from the changes in net working capital. The TAKKT cash flow margin should come to over eight percent.

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

- The Return on Capital Employed (ROCE) measures the profitability before tax of the capital employed. This key figure shows the EBIT in relation to the average capital employed, which is defined as total assets reduced by the non-interest-bearing current liabilities. The ROCE therefore expresses the operating earning power of the capital employed. A ROCE target value of significantly more than twelve percent has been determined for the TAKKT activities.

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

Definition and target values of key financial indicators

Key figure	Definition	Target value
Organic development of sales	Benchmark for company growth without acquisitions	Between 4 and 5 percent on average in the long term
Number of orders and average order value	Important drivers of organic development of sales	Growth of between 2 and 4 percent on average in the long term; Increasing slightly between EUR 400 and 500 (increase at least at level of inflation rate)
Gross profit margin	Measure for added value (e.g., for customers and suppliers)	Over 40 percent of sales
EBITDA margin	Measure for operating profitability	Between 12 and 15 percent of sales
TAKKT cash flow margin	Measure for internal financing capability	Over 8 percent of sales
Capital expenditure ratio	Capital requirements for maintenance, expansion and modernization of operations	Between 1 and 2 percent of sales on average in the long term
ROCE (Return on Capital Employed)	Measure for profitability of total capital before taxes	Significantly over 12 percent
TAKKT value added	Measure for added value earned after deduction of total capital costs	Significantly greater than zero

INTERNAL COVENANTS FOR MANAGEMENT OF THE FINANCIAL STRUCTURE

For monitoring and managing the financial structure, the TAKKT Group sees to the compliance of four internal key figures (covenants) that it has set for itself. These are shown in the following overview:

Key figure	Definition	Target value
Equity ratio	Total equity to total assets	30 to 60 percent
Debt repayment period	Average net financial liabilities to TAKKT cash flow	< 5 years
Interest cover	Operating result before amortization of goodwill to net financing costs	> 4
Gearing (debt-equity ratio)	Net financial liabilities to equity	< 1.5

The internal covenants are not stipulated in the credit agreements but rather serve only the internal management in order to safeguard the financial solidity of the Group. The financial scope for acquisitions can also be derived from the key figures.

INNOVATION AND DEVELOPMENT

As a direct marketing company, TAKKT does not carry out traditional research and development the way a technology-based manufacturer does. However, the market environment in which TAKKT operates as B2B direct marketing specialist for business equipment is subject to constant change. Digitalization and the many opportunities it creates for the business model of the TAKKT companies is of particular importance in this context. Increasingly powerful computers, fast and readily available internet access as well as new devices have led to behavioral changes at all levels. Customer expectations are changing. It is becoming possible to personalize items far more. The cooperation between purchasing and suppliers is becoming more efficient through digital interfaces. New procurement, storage and sales processes are gaining acceptance and new, sometimes disruptive business models are emerging.

This is why TAKKT developed its own digital agenda with concrete measures and formulated a Vision 2020 in 2016. Significant progress was made within the largely completed growth and modernization initiative DYNAMIC in the year under review. TAKKT has thus continued to make good progress toward its goal of becoming a multi-channel PLUS company. The digital agenda will – based on this aim – continue to drive customer-oriented individualized market cultivation.

INNOVATION FORMATS

TAKKT set the goal of gradually developing the Group companies and Group as a whole from a traditional direct marketing group to a multi-channel PLUS company and making increased use of the opportunities that arise as part of digitalization. To do this, TAKKT mainly uses four innovation formats:

- **Knowledge transfer:** The Management encourages the transfer of expertise within the Group. It motivates employees to share their knowledge with colleagues, especially those in the other divisions, according to the motto of "learning from the best." This is important and productive because the companies of the TAKKT Group sometimes have different focuses with regard to sales and marketing approaches, product ranges or customer groups. At the annual FUTURE@TAKKT Group conference, the executive personnel of the Group companies exchange views on best practices solutions.

- **Exchange with external experts:** The Management initiates regular exchanges between external experts and employees of the TAKKT Group ("outside-in" approach). Once or twice a year, the TAKKT Forum is held in collaboration with the Advisory

Board of TAKKT AG. Together with the high-level external speakers, the top executive personnel and Advisory Board of TAKKT AG discuss core issues of market development there. The main topic of the TAKKT Forum in 2016 was the digital transformation. A one-week conference on this topic with the executive personnel of the Group companies also took place at the IESE Business School in Barcelona.

- Customer analyses and market surveys: TAKKT regularly involves outside specialists in the customer and market analyses. This serves to continuously develop methodological competence. For instance, TAKKT analyzes the customer behavior at certain companies together with a market research institute and compares it over longer periods of time and across different companies.

- Stakeholder dialogue: TAKKT regularly communicates with its stakeholders about their demands and needs. To this end, customer and employee surveys are conducted, and supplier conferences and investor relations activities are held. The results of these exchanges were used by corporate management, for example, to develop a new sustainability strategy in 2016.

DEVELOPMENT INTO A MULTI-CHANNEL PLUS COMPANY

As part of the strategic growth initiatives, TAKKT is especially focusing on expansion of the multi-channel activities. The reason for this approach is the realization that the behavior of the customer is changing worldwide. Just a few years ago, the catalog was the predominant sales medium. Today, businesses can use considerably more sources of information when searching for products. Digital media, web shops and blogs therefore play a greater role than before for the customer in the information and procurement process, and they create greater transparency. In view of this, search engine marketing with SEO (search engine optimization) and SEA (search engine advertising) has become more important and can strengthen the competitive position.

The Group-wide growth and modernization initiative DYNAMIC followed from the multi-channel concept in 2013 and mainly included the areas of purchasing, marketing, sales and IT. As an initiative, DYNAMIC was planned to run until the end of 2016. It comprised around 40 projects, which were carried out within the individual divisions in a decentralized manner. Most of them have already been concluded. A few of the projects, such as the introduction of a new ERP system at BEG, will continue beyond 2016 as planned. Others are still ongoing because more time is needed in some cases.

In different areas of the Group, the TAKKT Group companies were involved in projects to introduce new ERP systems, media-neutral databases and new web shops. The purpose of these activities was to create a uniform data pool for a more targeted customer approach and greater focus on the needs of the customer. These kinds of IT projects often require substantial investment. Capital expenditure for developing and implementing IT systems came to EUR 8.3 (9.6) million in the year under review, corresponding to 0.7 (0.9) percent of sales.

The goal of the initiative was to achieve the targeted organic growth in the Group of four to five percent in the future as well. DYNAMIC was supposed to have a positive impact on value and growth drivers like generating new customers, customer loyalty and order intake value, thereby ensuring the planned growth. TAKKT has identified seven important growth drivers as part of a decentralized process. The success of DYNAMIC was measured with indicators that reflect the development of these growth drivers. The indicators, growth drivers and Group-wide targets to give orientation were as follows:

DYNAMIC indicators	Growth drivers	Target goals 2016
Share of new products in order intake	Topicality and expansion of product range	20 to 25 percent
Share of private labels in order intake	More private labels	20 to 25 percent
Share of direct imports in purchase volume	More direct imports	10 to 15 percent
Share of web-only products in entire product range	Expansion of web-only products	40 to 60 percent
Share of SEO in order intake via search engines	Profitable expansion of e-commerce activities	30 to 35 percent
Share of e-commerce in order intake	General expansion of e-commerce activities	35 to 45 percent
Share of telesales/field sales activities in order intake	More outbound calling & field sales	20 to 25 percent

- Share of new products in order intake: TAKKT wants to continue increasing the share of new products in order intake. New products are those that were introduced in the last three years, starting from January 1, 2013. They are expected to make up a share of between 20 and 25 percent of order intake.

- Share of private labels in order intake: TAKKT wants to improve customer loyalty and achieve above-average margins with private labels. In addition, the Group offers new customers a well-priced introduction to the product range through specific private labels. The company therefore aims to increase the share of private labels in order intake to 20 to 25 percent.

- **Share of direct imports in purchase volumes:** Direct imports at TAKKT are products that come from countries outside the home market of the respective Group company. In the case of the European divisions, these are all countries outside of Europe as well as Turkey and Eastern Europe. In order to secure profitability for the long term, TAKKT wants to increase the direct import share of purchase volumes to between 10 and 15 percent without a change in product quality.

- **Share of web-only products in entire product range:** At TAKKT, web-only products are those that are only offered through the web shop and not additionally via print media. In contrast to other sales media, web-based products and prices can be adapted more quickly to the needs of the customer. The share of web-only products in the entire product range is therefore expected to be between 40 and 60 percent.

- **Share of SEO-generated order intake via search engines:** Online search engines redirect potential customers to web shops in two ways: through the organic search results or paid advertisements. By means of SEO (search engine optimization), web shops can gain more customers through the organic results of the search engines. Successful online marketing combines the use of SEO with SEA (search engine advertising), i.e., paid ad placement in search engines. TAKKT is aiming for a share of order intake generated through organic search results of between 30 and 35 percent.

- **Share of e-commerce-generated order intake:** E-commerce continues to gain importance through the increasing dissemination of new technology and standards such as e-procurement. TAKKT wants to increase order intake via e-commerce – that is the share of orders received via electronic channels – to between 35 and 45 percent.

- **Share of telesales and field activities in order intake:** In the context of developing into a multi-channel PLUS company, all TAKKT companies are to be present wherever customers gather information about products. This includes an even stronger focus on outbound calls to customers (telesales) and on sales reps (field sales). TAKKT wants to increase the share of telesales and field activities in order intake to between 20 and 25 percent.

The DYNAMIC indicators are identical for all divisions, whereas the targets are specific to the division and, to some extent, the companies. The focus of the DYNAMIC projects of the individual divisions is achieving the objectives of the indicators until completion of the DYNAMIC initiative, although some projects will also continue beyond 2016. Several important projects were completed within the scope of the initiative.

Information on the target achievement of the DYNAMIC indicators can be found in the "Company performance" section of this annual report. The results with respect to DYNAMIC are positive overall. The now nearly concluded initiative has allowed the organization to make significant progress. Looking forward, digitalization is the key strategic issue for the Group. This is why the course for a successful digital transformation was set in 2016.

DIGITAL TRANSFORMATION – FOCUS ON CONSTANTLY CHANGING CUSTOMER NEEDS

In the process of digitalization, the advancing technological changes create opportunities for the business model of B2B direct marketing specialist like the gaining of market shares. TAKKT developed a digital agenda in 2016 in order to use the opportunities that arise along the entire value chain – purchasing, marketing, sales and logistics. TAKKT pursues a decentralized approach that follows a structure that is uniform across the company. This is because the individual divisions and companies are characterized by varying levels of maturity in terms of digitalization due to the different organizational complexity or development history. In addition, there are also differences in the business model. The digital agenda maps out the route that TAKKT wants to follow in the years to come and describes the measures that need to be taken.

Why does TAKKT need a digital agenda?

Within the scope of a critical analysis of the six divisions from the TAKKT portfolio, strengths and weaknesses in important focus areas were identified in peer group comparisons. In particular, the strengths are the result of the extensive experience in core areas of expertise of the B2B direct marketing business model. In addition to purchasing and marketing, this also includes very efficient processes in logistics and order processing. There is room for improvement, for instance, in the efforts to expand digital expertise as well as an unconditional focus of the activities on the constantly changing needs of TAKKT's customers in the digital age. During the self-assessment, it also became clear that the most recent acquisitions in the TAKKT portfolio are already promisingly positioned in major focus areas of the digital transformation, while the more established companies performed better in the classic areas of expertise.

What is the focus of TAKKT's digital agenda?

For TAKKT, there are three key activities for a successful digital transformation: digitalization of the entire value chain, establishing agile corporate structures and implementing innovative business models. Six focus areas were derived from this that will drive forward the digital transformation: (1) strategy and innovation; (2) customer decision journey; (3) process automation; (4) organization, management and corporate culture; (5) technology as well as (6) data and analytics. Each division of the TAKKT Group defined measures within these focus areas in the last few months. The respective divisions are responsible for implementing these measures or digital agendas.

How is TAKKT implementing the digital agenda?
The digital transformation requires a corporate culture that accelerates the change process. To achieve this, organizational models and working methods are adapted, employees are advanced and capital expenditures are made for new talent and modern software solutions. In addition, the exchange between experts from different companies will be intensified through new formats. With these measures, TAKKT wants to make use of the knowledge and insights throughout the Group. Finally, attractive and innovative work environments promote new working methods and the creativity of the teams. Special importance falls on building and developing digital competencies. The progress and results are discussed with the Management Board on a regular basis.

As part of the digital agenda, TAKKT has therefore developed a Vision 2020 with the goal of doubling e-commerce business, changing the organization sustainably, investing in employees and technologies, and increasing organic sales in the medium term. More information about the Vision 2020 can be found in the "Corporate goals and strategy" section.

In the 2016 financial year, the first measures were already taken in the six focus areas of the digital agenda:

- Strategy and innovation: TAKKT founded an investment company at the beginning of 2016. Through its non-controlling interest in the Berlin-based start-up printmate, specializing in large or small-volume digital printing of professional mail packaging individually designed for the client, TAKKT can participate in the growth of the company and actively contribute with its expertise and international experience. Another non-controlling interest in adnymics allows TAKKT to acquire additional knowledge about a personalized customer approach and appropriate product recommendations. The Munich-based start-up specializes in printing packaging inserts individually tailored to the end customer. Both business models follow the strategy of meeting customer needs individually through digitalization.

- Customer decision journey: In the first step, all the companies analyzed the customer experience during the entire decision-making and purchasing process and defined different customer types (known as personas). For each customer type, measures were derived that result in noticeable improvements and solutions in their purchasing decision process. The US sales company Central recognizes the preferences of different customer types based on purchase history and uses this to shape the purchasing process accordingly. For example, the different shipping needs of customers are addressed through customized shipping options in the shopping cart. This reduces the number of incomplete transactions.

- Process automation: Reliable and timely delivery is often an important issue for customers. KAISER+KRAFT therefore also keeps customers informed of their delivery status after the order is placed. This is done by integrating internal data with the external status data of several cargo and package delivery service providers. KAISER+KRAFT sends the customer an email with a direct link to the tracking page and support in the web shop. Customers also have the option of configuring an active notification according to their preferences. The customer then receives the status information they chose automatically – to an address specified by them, if, for example, the purchaser and recipient are different.

- Organization, management and corporate culture: The new Group-wide trainee program "Digital Entrepreneurship" offers young talent the opportunity to actively shape TAKKT's digital transformation. In their assignments in different subsidiaries in the US and Europe, the trainees are asked to develop their own ideas to drive forward the digital transformation. The trainees learn the tools they need for idea development, validation and implementation through different training measures. These include training workshops at the Haniel Academy, online courses, assignments at Schacht One, Haniel's digital workbench, at start-ups from the TAKKT portfolio or at established digital companies in Silicon Valley. The trainees contribute to networking and knowledge exchange through their assignments in different areas of the company. By demonstrating innovative and modern working methods, they help drive the further development of the corporate culture. In addition, TAKKT creates attractive and innovative working environments that are especially geared to promoting the creativity of the individual teams.

- **Technology:** With the modernization of the IT landscape, TAKKT companies are making the most of the advantages of cloud technology such as greater flexibility, speed and reliability. The sales company GPA in the US was able to successfully introduce a cloud-based ERP system in only one year. Replacing the former traditional telephone system with an online contact and telephone center based on modern internet technology (VoIP) also facilitates integrated use across different locations.

- **Data and analytics:** Using modern analytical tools makes it possible for sales companies like Hubert to learn from the customer's behavior in the web shop to identify at which step of the selection or ordering process users need more support or are having difficulty finding their way around. The data analysis also makes it possible to communicate additional and more precise information to the customer. Even before making a purchase in the web shop, for example, an analysis of their shipping history allows Central to show customers a reliable estimated shipping date for drop shipment items that the supplier sends directly to the customer. With stock items, the expected arrival date is determined using the zip code.

Because the digital transformation represents such an agile change process, our digital agenda will also evolve continually. TAKKT provides continuous information on the progress of the implementation and further development of the digital agenda on its website at www.takkt.com/digital.

CONTINUOUS QUALITY ASSURANCE

The Group's quality management focuses on the requirements and expectations of the customers. TAKKT records all customer queries and complaints electronically. Specially trained staff process, analyze and categorize all suggestions and complaints. The company uses this to systematically develop improvements in its products, advertising material and business processes. Suppliers and service providers for the Group are included in this improvement process and their quality is also continuously monitored. This also applies to direct imports in particular, which TAKKT will continue to expand. All additional suppliers have to satisfy the strict selection criteria and continuous tests in relation to product quality.

In Europe, all the major locations of the TAKKT Group are certified according to DIN ISO 9001:2008 or comparable standards. Non-certified companies maintain appropriate and equally high 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 companies with demonstrably high quality standards.

SUSTAINABILITY AND EMPLOYEES

The corporate management defines sustainability as the long-term balance between economic, environmental and social concerns and is aware that only then is lasting corporate success possible. Sustainability is therefore an established integral part of the corporate strategy and a daily collective duty at all levels of the Group. TAKKT had set itself the goal to become the global role model for sustainability in the industry by the end of 2016. TAKKT has achieved this goal, especially in the areas of purchasing, marketing and logistics. TAKKT wants to develop this position as a role model further by the end of 2020.

SUSTAINABILITY IS A MATTER OF COMMON SENSE

Direct marketing of business and office equipment in B2B direct marketing offers corporate customers transparency in the selection of high-quality products and simple ordering channels. In comparison with two-stage trading models with local stores, direct marketing is also more carbon efficient. For TAKKT as a direct marketing company, sustainable business activities are integrated in the business model and are not just a fad. It has long been an entrepreneurial tradition in the Group of companies to handle resources carefully. Sustainability and profitable growth are not mutually exclusive – they go hand in hand. The company has therefore established sustainability activities along the value chain as part of the corporate strategy.

Since 2011, the different measures are incorporated into the structure and essence of the company in six identified focus areas through the "Sustainable Corporate Responsibility" (SCORE) initiative. Through SCORE, TAKKT creates the conditions for coordinating and implementing measures for sustainable corporate management across all Group divisions in the day-to-day business. The sustainability initiative is managed directly by the Management Board in order to send a clear signal both within and outside of the company.

In 2012, TAKKT had already committed to complying with and disseminating the ten universally recognized principles of the United Nations Global Compact from the areas of human rights, working standards, environmental protection and anti-corruption. In the context of adhering to the Global Compact principles, TAKKT has been summarizing the results and developments in this area in a progress report since 2013. In 2014, TAKKT was already one of the few German companies to achieve the Global Compact "Advanced Level" status. This classification was confirmed in 2015 as well as 2016.

MAKING SUSTAINABILITY QUANTIFIABLE

The TAKKT Group regularly informs its stakeholders about how it lives up to its corporate responsibility. The Management is convinced that sustainability creates competitive advantage across all stages of the value chain and enhances company value for the long term.

TAKKT drew up the expectations of the stakeholders and the challenges specific to the business model with respect to sustainability and categorized them according to the following six areas of activity: sourcing, marketing, logistics, resources & climate, employees and society. Specific measures and goals were formulated for each field of activity, which are integrated ("built-in") into the Group's management system. By incorporating the principle of sustainability at the organizational level, solution approaches are developed at all points of the value chain, which contribute to improved sustainability performance.

In particular, TAKKT defined the following measures and goals by the year 2016:

- With an expanded assessment program for suppliers, TAKKT wants to systematically assess, document and improve sustainability in the supply chain. By the end of 2016, TAKKT wants to obtain 50 percent of the Group's purchasing volume from evaluated suppliers. In addition, the Group also wants to have ten percent of all its suppliers certified by this time.

- The share of sales generated through sustainable products is expected to come to at least ten percent of consolidated sales.

- Paper consumption per sales of EUR 1 million is to be reduced by 35 percent compared to 2011.

- With regard to advertising material, 100 percent is to originate from certified sustainable paper sources.

- The amount of carbon emissions emitted per kilogram of printed advertising materials is expected to be 40 percent less than in 2011.

- TAKKT wants to introduce shipping methods in selected countries for parcels and general cargo for which the carbon emissions from the delivery of goods has been offset.

- Certified carbon footprints are to be prepared for ten major companies.

- TAKKT wants to have introduced a certified environmental management system in at least seven major Group companies.
- TAKKT wants to reduce energy consumption by 15 percent at all German and US locations that were already in existence in 2011.
- TAKKT wants to have implemented a systematic human resources development in all divisions for the recruitment and advancement of talents.
- Support of the local, voluntary and social involvement of employees as part of paid leave is to be made available to at least 30 percent of the staff.

The progress with regard to reaching these goals is presented in the "Company performance" section of this annual report.

In addition to implementing the operational measures in the defined focus areas, in 2016 TAKKT developed the sustainability strategy for the following years as part of a comprehensive stakeholder dialogue. The focus areas of sourcing, marketing, logistics, resources and climate, employees and society defined by the end of 2016 were confirmed by the stakeholders. The concrete goals and measures to be achieved by the end of 2020 were then defined for the individual focus areas. This includes continuing to pursue established thematic areas in the form of new goals beyond 2016 as well as defining new measures with corresponding objectives.

In particular, TAKKT has defined the following goals and measures to achieved by 2020:

- TAKKT wants to assess, document and improve sustainability in the supply chain with an expanded supplier evaluation program for sustainability. TAKKT wants to obtain 50 to 60 percent of the Group's purchasing volume from evaluated suppliers by the end of 2020. In addition, TAKKT wants to certify 30 bis 40 percent of the purchasing volume from direct imports.
- The share of sales generated through sustainable products is expected to come to at least 12 to 15 percent of consolidated sales.
- Paper consumption for print advertising per order is to be reduced to between 6 and 6.5 kg.
- The share of carbon-neutral print advertising will be 100 percent.
- TAKKT wants to introduce carbon-neutral web shops for at least 15 major companies.
- The share of parcel shipments that offset the carbon emissions related to the delivery of goods will be 100 percent. General cargo shipments from the central warehouse are to be offset by at least 90 percent.
- Certified carbon footprints are to be prepared for 15 to 18 major companies.
- TAKKT wants to have introduced a certified environmental management system in ten to thirteen major Group companies. For five to eight major companies, TAKKT wants to have established an energy management system.
- TAKKT aims to reduce energy consumption to between 50 and 55 per order at all locations in Germany and the US.
- The quota of women in top management positions is to be at least ten percent.
- Of the new employees hired as part of the digital agenda, at least 50 percent should still be with the company.
- Support of the local, voluntary and social involvement of employees as part of paid leave is to be made available to at least 55 to 60 percent of the staff. The share of employees that have done voluntary work in projects for non-profit organizations or social causes within the scope of occupational possibilities is to be at least eight to twelve percent.

SUSTAINABILITY REPORTING AT TAKKT

TAKKT has been publishing sustainability reports prepared according to the international standards of the Global Reporting Initiative (GRI) since 2012. In the reports, the TAKKT Group provides information on the current status regarding the most important milestones and interim goals. TAKKT followed the GRI-G4 reporting guidelines in its 2016 Sustainability Report. In 2014, TAKKT was one of the first companies to report at the "Comprehensive" application level. TAKKT thus provides detailed information on the material aspects of sustainability. This annual report is published together with the current sustainability update.

TAKKT also annually participates in the ranking of the Carbon Disclosure Project (CDP) international initiative. Every year, the CDP asks around 6,000 companies about their carbon emissions as well as their strategies to counteract the greenhouse effect. It aims to make companies' climate strategies more comparable and to encourage companies to sustainably reduce their emissions. In the year under review, TAKKT achieved a CDP climate score of "C." This puts TAKKT among the top of the participating SDAX companies.

The sustainability reports are available in print form and can be downloaded from the TAKKT website. Comprehensive detailed information can also be found on the TAKKT website.

HUMAN RESOURCES AT TAKKT

The aim of human resources at TAKKT includes supporting the digital transformation and strengthening its workforce by recruiting digital talent. The TAKKT Group additionally provides employee development to equip them for the changes. The digitalization of the company also makes it necessary to implement new ways of working. The advancement of women and diversity is another key concern for the Group, whereby the equal participation of employees is furthered regardless of culture or gender. Employee participation in the success of the company is also a matter of course and offered at multiple levels.

STRONGER THROUGH DIGITAL TALENT

Recruiting digital talent provides TAKKT with valuable external input, which is needed for the digital transformation and the consequent further development of the corporate culture. Up to 100 additional employees with strong digital skills such as special technical knowledge or expertise in online marketing, web development and data analytics are to be recruited throughout the Group. In addition, a new position was created in six divisions at the top management level as well as the holding company level for leading the digital transformation. This will ensure maximum efficiency in the implementation of digitalization activities. TAKKT will also acquire digital talent for the company through the new "Digital Entrepreneurship" international trainee program. The number of employees in the Group increased slightly over the previous year also as a result of hiring the digital talent.

Number of employees

	12/31/2015	12/31/2016
in full-time equivalent	**2,304**	**2,311**
thereof TAKKT EUROPE	1,297	1,309
thereof TAKKT AMERICA	972	965
thereof TAKKT AG	35	37
in headcount	2,464	2,493

In order to achieve a high level of quality in the approach and selection process of digital talent, TAKKT relies on the cooperation with well-known, international recruitment agencies as well as on the ideas of innovative start-ups in the area of human resources that are well connected in the digital scene. Internally, human resources marketing is also being redesigned in order to provide maximum support in approaching, selecting and retaining digital talent.

SYSTEMATIC EMPLOYEE DEVELOPMENT

The digital transformation of the company requires employees to have new skills. That is why developing the skills of all employees is essential for successful change. Overall, expenditures for employee training and development in the past financial year came to EUR 1.3 (0.9) million. The budget for employee development will also increase in the next few years because TAKKT consciously invests in the employee training to provide them with optimal support in the digital transformation of the company. In addition to these external training measures, TAKKT will also concentrate more on greater transfer of knowledge within the company in the years to come. As part of the digital transformation, this exchange of knowledge will be further intensified through the introduction of function- or topic-specific "communities of practice."

With the SCORE sustainability initiative, a systematic human resources development process was introduced in all divisions in recent years. The eleven building blocks of the system range from professional applicant management to potential and performance reviews as well as employee development measures all the way to succession planning. The instruments used in connection to this and their processes as well as the measures carried out are checked for their contribution to supporting the digital transformation and will be adjusted gradually if necessary. Targeted and individual employee development programs are essential for retaining digital talent. This is also in line with the approach of TAKKT's talent program to identify high-potential employees in the company and develop them further in a targeted way through individually tailored measures.

NEW WAYS OF WORKING THROUGH DIGITALIZATION

In addition to the measures of the digital agenda, a closer focus on the market and customers by executives and employees is key to success in order to respond to changing customer needs. A program of the IESE Business School for the top 50 executives in the Group marked the beginning in order to promote the right mindset. Building on this, workshop series, training programs and platforms were introduced in all divisions which put special emphasis on the continuously changing customer needs as the guiding factor in all activities. Examples of this are training programs on customer centricity at Hubert and Displays2Go. KAISER+KRAFT EUROPA conducted workshops on mapping the customer decision journey and handling the identified needs for action. At NBF, "The Voice of the Customer" is an integral part of the events geared to executives. Ratioform is revising the customer segmentation relevant for all business processes based on how customer journeys have changed as a result of digitalization. This pertains to the individual phases that a customer goes through on the "journey" across different touch points before purchasing a product. In the internal collaboration at Central, customer orientation is a fundamental value and an essential element of regular peer reviews. Employees receive feedback from their colleagues, which is used as the basis for their further development.

The digital transformation opens up new possibilities for TAKKT to create more efficient communication and cooperation within the Group. TAKKT wants to use the opportunity to facilitate interaction within the company by introducing digital collaboration platforms. Communities of practice will be used to foster increased exchange of knowledge and to work on joint projects. The first pilot measures are planned for 2017.

In addition, the digital transformation also leads to fast and disruptive changes in the market environment that need to be addressed. This requires swift response from TAKKT, which can only be found in a "test and learn" culture. The measures from the digital agenda will therefore be tackled primarily using agile methods. In addition to training in all divisions, collaborating with partners such as Schacht One, the digital workbench of Franz Haniel & Cie. GmbH, also supports building the skills needed for this. Schacht One supports digital ideas and the implementation of concrete digital projects in the Haniel segments through consulting as well as by applying and providing new methods. The working environment of the employees will also be adapted in order to support the introduction of agile methods and further promote cooperation between the departments in meeting the needs of the customer. An example of this are the new offices at National Business Furniture in the US, which were designed according to the new requirements of modern working methods. The employees at KAISER+KRAFT in Stuttgart and at Displays2Go will also be getting new work environments in 2017. The goal is to promote an open and transparent corporate culture, support networking within the company and make better use of the opportunities of digital communication technologies.

ADVANCEMENT OF WOMEN AND DIVERSITY

TAKKT's identity as a global company includes acknowledging the diverse experiences of the employees from different cultures as equal and showing them respect. This is based on fair treatment at all levels. Anti-discrimination guidelines are an integral part of the TAKKT Group's compliance handbook. The "think global, act local" principle practiced across the Group is reflected in the recruitment guidelines. The company relies on local employees and executive personnel, who in addition to their proximity to the market and customer, also speak the language and possess cultural sensitivity. At the same time, TAKKT relies on a balanced mix of long-term, experienced employees and young talent. The local teams also receive regular incentives through the exchange of experiences throughout the Group within the scope of the executive and trainee program.

As part of its succession planning, TAKKT's aim is to continuously increase the percentage of women in management positions in order to create an appropriate gender ratio. Women currently make up 45.4 (45.8) percent of the employees in the TAKKT Group. This has remained stable compared to the previous year. The share of women in executive positions decreased over the previous year to 30.9 (34.3) percent, whereas the number of executives increased from 249 to 255. In the year under review, 29 (28) employees counted as top executives, of which 10.3 (3.6) percent were women. By 2020, TAKKT wants to have a share of at least ten percent of women in top executive positions.

Employee structure *(based on headcount)*

	12/31/2015	12/31/2016
Employees (without executives)	2,187	2,209
Executives	249	255
Top executives*	28	29

* *Group managing directors, sales directors, heads of central departments at TAKKT AG.*

Share of women in the TAKKT Group *in %*

	12/31/2015	12/31/2016
Employees (without executives)	47.8	47.3
Executives	34.3	30.9
Top executives*	3.6	10.3

* *Group managing directors, sales directors, heads of central departments at TAKKT AG.*

TAKKT is convinced of the added value of having mixed management teams and considers it a Group-wide duty to ensure the same career development opportunities for women and men across countries and divisions. BEG is the first division to have a pilot project that aims at setting binding targets for the share of women and to reach them with concrete measures. Within the division, its share of women in top management is currently at 15.3 percent, thereby exceeding the target goals it set for itself of ten percent by 2017 and 15 percent by 2022. For middle management positions, which are currently held by 16.7 percent female executives, the targets for 2017 and 2022 are 20 and 30 percent, respectively. With respect to the lowest management level, the aim is to increase the current share of women of 40.0 percent to 47 percent by 2017 and 50 percent by 2022.

In order to achieve these targets, BEG already implemented seven measures in the past year and ten others are in progress or planned. The activities aim to increase equal opportunities for men and women through various measures. This includes the successful and targeted advancement of talent, reducing errors (of perception) in potential and performance reviews, even greater objectivity in the recruiting process and succession planning as well as better compatibility of family and work based on individual needs. More specifically for example, training programs and consultations are carried out with executives and recruitment agencies are instructed to also present at least one female candidate for high-level management positions. Targets were set for the share of female participants in internal talent development programs. In addition, women are also explicitly taken into consideration within the scope of succession planning. The effectiveness of the measures is evaluated on a regular basis. The experiences from the pilot project at BEG can be used for the other divisions later on.

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

- Supervisory Board: The target set for the share of female members on the Supervisory Board of TAKKT AG was at least one woman if there are six members. This target has been met with the membership of Dr. Dorothee Ritz in the Supervisory Board.

- Management Board: The Management Board of TAKKT AG wants to continue developing the company together with the employees in a sustainable manner for the long term and lead it through the digital transformation. In the complex process of digital transformation, it is of the utmost importance to ensure continuity at the top management level. Therefore, no change was defined for the composition of the three-member governing body.

- Top management level: As of December 31, 2016, there is no female representation at the top management level of TAKKT AG. TAKKT expects to maintain this status until 2017. The target for 2022 is to have at least ten percent of the positions at this level filled by women.

The targets set in 2015 were reviewed once again and maintained in the past financial year. In addition to the targets for the Supervisory Board, the Management Board and top management level of TAKKT AG as well as the goals set in the BEG pilot project, TAKKT will also gradually introduce targets for all the other divisions.

SHARING IN SUCCESS AT MULTIPLE LEVELS

TAKKT's employees make a decisive contribution to the company's success, which the Group rewards with performance-related staff bonus models. There are different bonus systems in the companies for the various employee groups, which reward the attainment of specific sales targets as well as team or personal work goals.

Since TAKKT executives accept an especially high degree of responsibility within the Group, special remuneration models are used for them. Remuneration of middle managers depends on the operational results of their company and whether they have fulfilled their individual targets. The incentives of the Management Board of TAKKT AG are based on the operating result in the form of the EBIT, the TAKKT value added (TVA) and the earnings per share in the form of the Total Shareholder Return (TSR). Detailed information on this is included in the remuneration report of this annual report.

In Germany, employees may also buy employee shares. In the 2016 financial year, 37.4 (41.7) percent of all authorized signatories took advantage of this opportunity and bought a total of 16,320 (20,205) shares. The program will be continued in 2017. The issuance of TAKKT Performance Bonds will also be continued in 2017. This involves a participation offer for TAKKT executives, which will allow them to take part in the economic development of the TAKKT Group through bond subscriptions. The return of this instrument results from a basic interest rate plus a premium or discount determined according to the performance of the TAKKT Group (TAKKT value added).

ADDITIONAL BENEFITS

In addition to the work-related benefits for the employees, the Group has established a range of support services. Employees in foreign countries in particular, where the standard of care is below that in Germany, may utilize additional benefits that vary based on local conditions. They include company health insurance and pension schemes for countries where the statutory provisions are insufficient.

Additional services such as preventive health care and family guidance are offered in Germany as well.

FINANCIAL YEAR

GENERAL CONDITIONS

The global economy during the year under review was characterized by different growth dynamics in Europe and the US. The eurozone concluded the year with solid overall economic growth, with the rate of growth increasing somewhat over the previous year. Growth in Germany was slightly above the level of the eurozone. The economy in North America in the year under review was not able to continue the growth of the previous year as a result of volatile development.

OVERALL ECONOMIC CONDITIONS

In the 2015 annual report, TAKKT had assumed slightly better economic growth in the eurozone for 2016 than in 2015. Growth in Germany was expected to remain constant. The economic development of the year under review confirms these assumptions. Germany was even able to slightly exceed the growth of the previous year. In contrast, GDP growth for the US in the year under review is well below the expectation, which had predicted growth at a similar level to the previous year.

Economic performance in the eurozone in the year under review could build on the performance of the previous year with an increase of 1.7 (1.5) percent. After good growth at the beginning of the year, the surprising Brexit decision put a dent in the economic picture at the beginning of the second half of the year. Despite the increased uncertainty, overall GDP growth in the eurozone was above the figure of the previous year, reaching the level expected at the beginning of the year.

With GDP growth of 1.9 (1.7) percent, Germany was able to report a slight increase over the previous year. Performance in Germany was therefore slightly better than in the eurozone.

GDP growth of 1.6 (2.5) percent in the US for 2016 was below the previous-year level as well as below that projected by TAKKT. While the development in the first half of the year showed only moderate growth, an economic recovery could be seen from the middle of the year. This was mainly attributable to strong private consumption. GDP growth in the US for the year as a whole was slightly below that of the eurozone and Germany.

GDP growth for the eurozone, Germany and the USA

	GDP growth in percent		
	Actual 2015	Forecast 2016	**Actual 2016**
Eurozone	1.5	1.7	1.7
Germany	1.7	1.7	1.9
USA	2.5	2.6	1.6

Sources: German Institute for Economic Research (DIW), European Commission, International Monetary Fund

INDUSTRY-SPECIFIC CONDITIONS

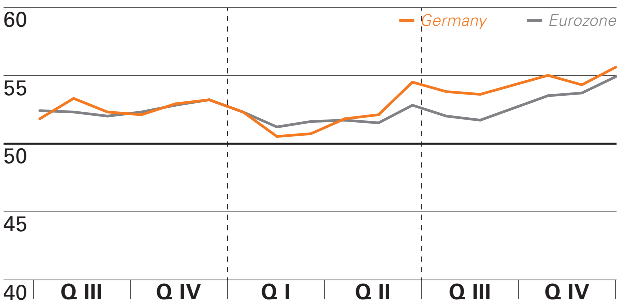
Among other things, TAKKT uses different Purchasing Managers' Indexes (PMI) in order to better assess the anticipated development in the sales regions in the medium term. This refers to data from the manufacturing industry, which is compiled by different research institutes together with national associations and aggregated in an index. For TAKKT, purchasing manager indexes with a lead time of three to six months are reliable indicators for order intake from the manufacturing industry. At TAKKT, the PMI values are especially relevant for the equipment business of the European BEG division. The business development of PSG also aligns itself according to these indexes. It does so, however, with a shorter time delay and less closely than in the case of BEG due to the less cyclical nature.

- Values below the reference level of 50 points indicate that market volumes are in decline and that sales potential is deteriorating.

- In contrast, values over 50 suggest increased market volume and a better business outlook.

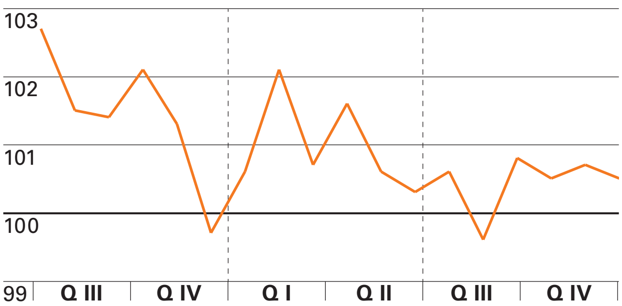
As in the previous year, the PMI for the eurozone was consistently over the reference value of 50 in the year under review. The highest index values were recorded at the end of 2016. Since October, values above 53 were recorded, with a further increasing trend. The result was similar in Germany with values above the reference level for all months. The values during the year, however, were subject to greater fluctuations. In Germany, lower values than in the eurozone were recorded at the beginning of the year. In the middle and at the end of the year, however, the figures in Germany were higher than in the eurozone.

Purchasing manager indexes July 2015 to December 2016



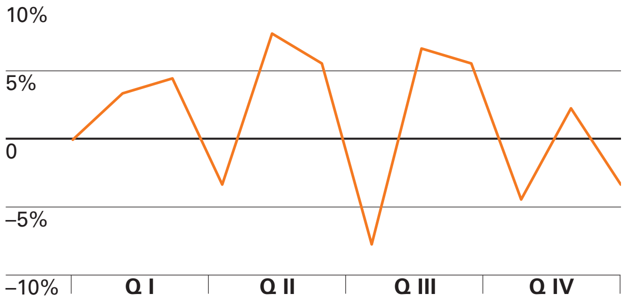
For the US division SPG, the Restaurant Performance Index (RPI) is a relevant industry indicator. The RPI is based on a survey of restaurant operators in the United States and takes into consideration assessments on the future as well as the current situation. A value greater than 100 indicates market growth, whereas a value lower than 100 represents a downward trend. After the value in December 2015 of 99.7 points was slightly below the reference value, values of over 100 points could be seen in the months of 2016 with only one exception. However, these were at a lower level than in 2015. Thus a value of over the 102-point mark was reported only in February. In August, a figure below the reference value was reported with 99.6 points. It could also be observed in the last months of 2016 in particular that the RPI benefited from positive assessments on the future given by the respondents. The assessments of the current situation, conversely, were rather subdued.

Restaurant Performance Index July 2015 to December 2016



BIFMA's assessment on the order intake of furniture manufacturers is an industry indicator for the environment of the US OEG division. BIFMA ("Business and Institutional Furniture Manufacturers Association") gathers the approximate order intake of the respective past month or quarter by means of a survey of companies in its industry. This order intake, which covers a good portion of the industry according to BIFMA, is compared with the figure of the previous year. A forecast function like the PMI, and to a lesser extent also the RPI, is not part of the BIFMA assessment. For the full year of 2016, the order intake reported by BIFMA was 1.0 percent above the previous year's level. The development during 2016, however, was inconsistent, with declining order intake reported for certain months such as April, July, October and December.

BIFMA order intake in 2016 compared to corresponding month of the previous year



As a whole, the economic situation in the year under review was slightly below expectations. In the 2015 annual report a slight improvement in GDP growth rates was seen as the most likely scenario. The GDP growth rate in the eurozone as well as in Germany actually improved slightly compared to the previous year. North America was, however, not able to continue the GDP growth of the previous year.

BUSINESS DEVELOPMENT

In 2016, growth in TAKKT's target markets was especially influenced by the uncertainty in connection with the referendum for Great Britain to leave the European Union. Despite the political uncertainties in the year under review, the TAKKT Group was still able to continue its long-standing profitable growth course. However, it was driven by different dynamics during the course of the year. In addition, the DYNAMIC growth and modernization initiative has nearly been completed. TAKKT has also developed a new strategic initiative with the digital agenda. Its goal is to give absolute priority to the digital transformation in the company.

DYNAMIC CONCLUDED, DIGITAL AGENDA DEVELOPED

The 2016 financial year marks the end of the Group-wide growth and modernization initiative DYNAMIC. The goals that TAKKT had set with the initiative were largely achieved. TAKKT increased the share of e-commerce in sales to 39.0 percent, more direct imports were realized and the share of private labels expanded further. Detailed information on the development of the DYNAMIC KPIs can be found in the "Company performance" section on page 76 et seqq.

In addition, the Group developed a digital agenda and Vision 2020 in the year under review. Over 100 measures were defined throughout the Group for the digital agenda. These will be implemented in the divisions by 2020. As one of the first measures, TAKKT has created the new position of Chief Digital Officer (CDO) in each of the six divisions at the management level to oversee the implementation of the digital transformation. By doing this, the TAKKT Group seeks to ensure that the requirements of digitalization will be given priority in all divisions. In addition, the investment company founded by TAKKT in 2016 was also a measure of the digital agenda. With this, TAKKT wants to function as a smart investor by buying a participating interest in young companies with strong potential for growth. The company will specifically focus on B2B direct marketing specialists or service specialists working within the value chain of TAKKT companies. Over the course of the year, the company was already able to invest in the two start-ups printmate and adnymics. printmate is a provider of customized digitally printed packaging. adnymics offers an innovative customer retention system that allows online shops to add individualized advertising brochures to their customers' packages. More information on the digital transformation at TAKKT can be found on the website at www.takkt.com/digital/, which is updated regularly.

Finally, TAKKT was able to achieve its goal of becoming the global role model for sustainability in the industry by the end of 2016. Progress could once again be achieved in all six focus areas in the year under review, which is shown in the "Company performance" section. TAKKT has set new goals for 2020, which are presented in the "Sustainability and employees" section.

TAKKT EUROPE: GROWTH DESPITE CAUTIOUS INVESTMENTS

As a whole, the TAKKT EUROPE segment developed favorably, especially in the first half of the year, which was characterized by good growth. BiGDUG, the leading online direct marketing specialist for business equipment in the UK acquired in mid-2015, also contributed to this. The segment was also able to show strong growth in the first half of the year organically, i.e., adjusted for the acquisitions and currency effects. After the surprising outcome of the referendum in Great Britain, where a narrow majority voted in favor of exiting the EU (Brexit), investment behavior deteriorated in the third quarter. However, the segment showed slight growth again in the fourth quarter.

In the Business Equipment Group (BEG), good organic growth was achieved in the first half of the year, which even reached the double-digit percentage level in the second quarter. However, it should be noted that the two weeks with low order intake before and after Easter were in the first quarter in 2016, whereas in the previous year they fell in the second quarter. BEG in particular suffered from the investment reluctance of customers due to the Brexit referendum. As a consequence, it had to record a decline in the third quarter both in reported and organic growth. In the fourth quarter, business picked up again and was able to achieve solid growth.

Since the KAISER+KRAFT operations in China did not perform as expected, sales activities were discontinued during the course of the year.

The Packaging Solutions Group (PSG) started 2016 with a weak first quarter, while achieving nearly double-digit growth in the second. The Easter effect mentioned earlier can also be seen in the quarterly comparison here. While business slowed down in the third quarter, PSG nevertheless realized slight growth. The company was able to record solid growth in the fourth quarter as well.

The web-focused brand of PSG, Davpack, founded a new company in Sweden, and in Austria Ratioform took over the shares of its former franchise partners at the beginning of the year.

TAKKT AMERICA: VERY GOOD DEVELOPMENT ESPECIALLY IN THE OFFICE EQUIPMENT BUSINESS

The companies of TAKKT AMERICA benefited from the good consumer confidence in the first half of 2016 and continued the strong growth of the previous year. While growth slowed down in the second half of the year, it still remained above that of TAKKT EUROPE.

After a very strong first quarter for the Specialties Group (SPG), the growth rate in subsequent quarters became increasingly sluggish. The fourth quarter even saw a slight decrease. As a whole, SPG could end the year with organic growth in the mid-single-digit range.

Particularly satisfying was the performance of the Office Equipment Group (OEG), which was able to realize increasing and consistently very high organic growth rates from quarter to quarter throughout the year. While the growth rate in the first quarter was in the high single-digit percentage range, it reached a double-digit level as of the second quarter. This figure increased slightly in the third quarter and could even be increased significantly again in the fourth.

National Business Furniture (NBF) moved into its newly renovated headquarters in Milwaukee (Wisconsin, USA) in the second quarter. The building was adapted to the requirements of a highly modern workplace and is designed to increase employee commitment and productivity. The new work environments will facilitate improved collaboration and support further development of the corporate culture as part of the digital transformation.

The TAKKT AMERICA segment was reorganized with effect from January 1, 2017. SPG was divided into three separate divisions: The Merchandising Equipment Group (MEG) with Hubert and Retail Resource, the Restaurant Equipment Group (REG) with Central and the Displays Group (DPG) with GPA and Post-Up Stand. The Office Equipment Group (OEG) will remain unchanged. The new structure aims to provide better support for the future development and for investment in the growth of TAKKT AMERICA in the years to come.

SALES AND EARNINGS REVIEW

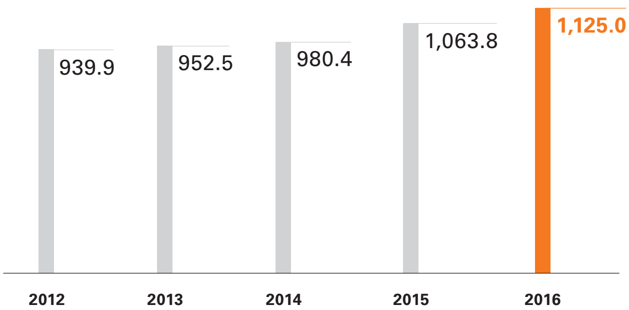
The TAKKT Group was able to significantly increase sales in the year under review by 5.8 percent. Without taking into account the effects from the acquisitions and disposals or negative currency effects, sales increased organically by 5.2 percent. Both TAKKT EUROPE and TAKKT AMERICA contributed to this organic sales growth. However, the momentum at TAKKT AMERICA was also stronger than at TAKKT EUROPE in 2016. The EBITDA margin increased to 15.2 percent in the year under review, placing it slightly above TAKKT's target corridor of 12 to 15 percent.

SIGNIFICANT SALES INCREASE ESPECIALLY AT TAKKT AMERICA

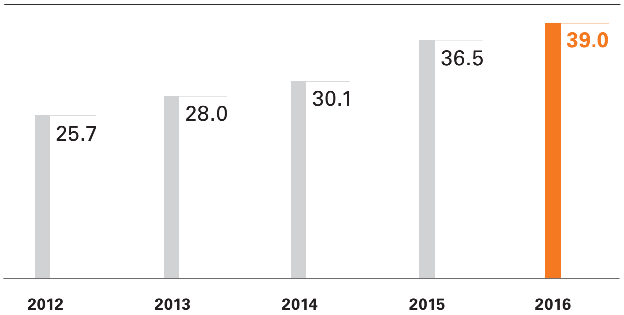
The TAKKT Group was able to increase sales in the year under review to EUR 1,125.0 (1,063.8) million. Year-on-year reported sales growth thus came to 5.8 percent. Reported sales growth was adversely affected by the disposal of the North American Group division PEG on January 30, 2015. In January 2015, PEG still generated sales for the TAKKT Group. Conversely, the sales contribution of Post-Up Stand and BiGDUG acquired in 2015 had a positive effect on reported sales growth for all of 2016 for the first time. In 2015, they contributed to sales for only three or two quarters. In total, the portfolio effects positively impacted sales by 1.2 percentage points. In the year under review, there were opposing negative currency effects of 0.6 percentage points. The strongest negative effect on sales in the reporting currency of euros resulted from the weaker British pound following the Brexit decision. The slightly weaker Swiss franc compared to the previous year also resulted in lower reported sales growth. The exchange rate of the US dollar was almost on par with the previous year's level. Adjusted for the mentioned effects, sales increased organically by 5.2 percent in comparison to the previous year.

Organic growth was thus slightly above the upper end of the range of three to five percent stated in the previous year's forecast report. The TAKKT AMERICA segment achieved stronger growth than TAKKT EUROPE, as expected.

Sales *in EUR million*



E-commerce share in order intake *in %*

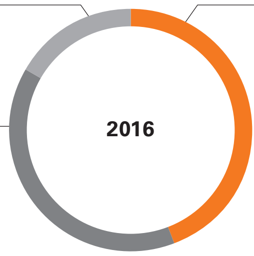


ORDER INTAKE VIA E-COMMERCE CONTINUED WITH DISPROPORTIONATELY HIGH GROWTH

As part of the multi-channel PLUS strategy, a differentiation is made between marketing/sales impulses and how the order intake is recorded. In the allocation of order entries to the individual sales channels, only the intake method can be determined directly. Indirect conclusions about marketing or sales impulses can, however, be a valuable source of information with respect to the various links in multi-channel models. The order intake breakdown shows that the e-commerce business once again performed above average in 2016. In the year under review, order intake via e-commerce amounted to EUR 440.7 (391.3) million. Its share in total order intake increased to 39.0 (36.5) percent. This also includes orders that were placed with TAKKT companies through traditional channels but initiated via the internet. This renewed increase in orders through e-commerce can be attributed to the intensified e-commerce activities. In addition, the companies Post-Up Stand and BiGDUG acquired in 2015 and consolidated for the first time over the entire year in 2016 have a higher e-commerce share in order intake than the Group average.

Order intake from telesales and field activities accounting for 16.6 (16.7) percent of Group sales was virtually on par with the previous year's level. Field activities include the traditional sales measures of field staff such as sales reps. Orders that result from active telephone sales are included in the orders that TAKKT allocates to tele-outbound. The traditional order acceptance via the usual intake channels like telephone, fax or letters (traditional inbound) was behind less than half of the order intake with a share of 44.4 (46.8) percent.

Order intake by intake method



Key sales and earnings figures

	2012	2013	2014	2015	2016
Sales (in EUR million)	**939.9**	**952.5**	**980.4**	**1,063.8**	**1,125.0**
TAKKT EUROPE	515.1	525.4	519.8	538.3	563.3
TAKKT AMERICA	425.2	427.5	460.9	525.8	562.0
EBITDA (in EUR million)	**133.7**	**122.8**	**137.3**	**157.3**	**171.3**
TAKKT EUROPE	101.9	89.3	99.1	98.4	107.1
TAKKT AMERICA	41.3	42.2	47.6	68.9	77.1
EBITDA margin (in percent)	**14.2**	**12.9**	**14.0**	**14.8**	**15.2**
TAKKT EUROPE	19.8	17.0	19.1	18.3	19.0
TAKKT AMERICA	9.7	9.9	10.3	13.1	13.7

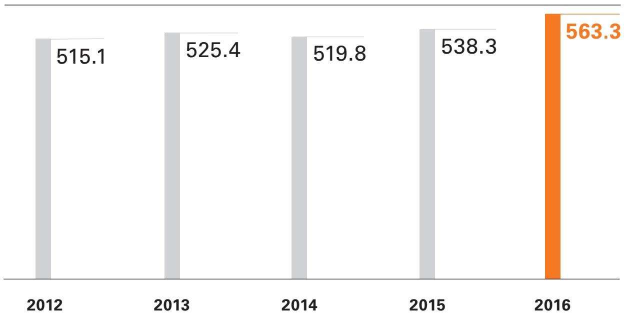
SIGNIFICANT ORGANIC INCREASE IN ORDER NUMBERS

The number of orders in the year under review was significantly above the level of the prior year with 2.4 (2.2) million. This increase is partially due to the portfolio changes explained above. The sale of PEG and the acquisitions of Post-Up Stand and BiGDUG had an overall positive effect on the development of the order numbers. Excluding these changes to the portfolio of the TAKKT Group, the number of orders increased by around 6.2 percent. In contrast, the average order value in the Group decreased slightly. On average, the volume of one individual customer order came to EUR 469 (482) in the year under review. In addition to the portfolio changes, the development of the average order value was influenced by slightly negative currency effects. In organic terms, the average order value was also slightly below the previous year's level. In the forecast for 2016, both order intake value drivers were expected to be above the corresponding values for the previous year. The increase in order number was expected to be stronger than the improvement in average order value.

TAKKT EUROPE: SOLID PERFORMANCE IN BOTH DIVISIONS

In the 2016 financial year, sales in the TAKKT EUROPE segment increased by 4.6 percent to EUR 563.3 (538.3) million. The corresponding share of Group sales decreased to 50.1 (50.6) percent. Sales at TAKKT EUROPE were positively influenced by the acquisition of BiGDUG as of July 2015. This is because the company's sales were consolidated for all of 2016 as opposed to only the second half of the year in 2015. Sales for the segment in the reporting currency were, by contrast, negatively influenced by currency effects, in particular due to the weaker British pound. In 2016, the Swiss franc was also somewhat weaker compared to the euro and had an adverse effect on reported sales. Overall, there was a positive effect on sales development of 2.7 percentage points due to the portfolio change mentioned as well as a negative effect of 1.6 percentage points due to currency effects. The segment therefore achieved organic sales growth of 3.5 percent. Based on this organic development of sales, the number of orders could be increased compared to the previous year. The average order value, on the other hand, decreased slightly.

Sales TAKKT EUROPE *in EUR million*



In organic terms, both divisions of the TAKKT EUROPE segment thus developed at a comparable level. BEG, which specializes in plant, warehouse and business equipment, recorded an increase in organic sales in the low single-digit percentage range, although the individual sales regions developed differently. The activities of BEG in Scandinavia as well as Southern and Eastern Europe continued to show very positive growth. Swiss activities were also able to show strong growth in 2016 after the previous year was adversely affected by the surprise uncapping of the Swiss franc at the beginning of 2015. While Germany achieved modest positive growth in the year under review, the trend in the other West European markets like Benelux or with the KAISER+KRAFT and gaerner brands in Great Britain was subdued or even declining. The sales activities in China were phased out due to the lack of long-term prospects. As a result, no sales have been generated in Asia since the summer.

The PSG division, which comprises the Ratioform group and specializes in the packaging solutions business, also achieved positive sales growth in the low single-digit range. While the sales level of the Swiss activities did not improve compared to the previous year, positive sales increases were realized in Spain, Italy and the UK. For the most important market, Germany, sales were on a similar level as in the previous year. A positive effect resulted from acquiring the shares of the former franchise holder in Austria effective January 2016. This business is now solely operated by PSG.

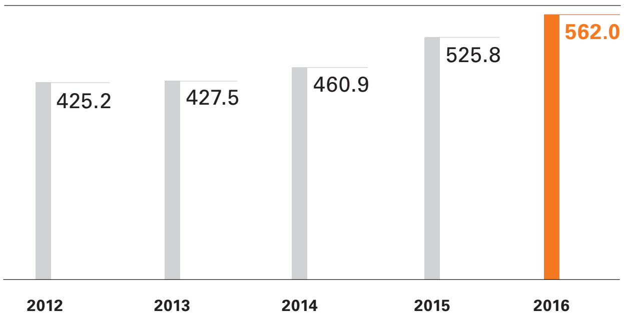
Key figures for order intake

	2012	2013	2014	2015	2016
Number of orders in thousands	2,016	2,171	2,182	2,225	2,409
Average order value in EUR	465	440	450	482	469

TAKKT AMERICA: ABOVE-AVERAGE SALES GROWTH ESPECIALLY AT OEG

At 6.9 percent, sales for the TAKKT AMERICA segment were once again significantly above the level of the previous year and came to EUR 562.0 (525.8) million. The share in Group sales thus increased further to 49.9 (49.4) percent. Sales growth benefited from the full-year inclusion of the activities of Post-Up Stand acquired in April 2015, which was only part of TAKKT AMERICA for three quarters in the previous year. In contrast, the sale of the North American Group division PEG at the end of January 2015 had a negative effect on the year-on-year comparison. In 2015, PEG had still generated sales for one month as part of the TAKKT Group. A positive effect resulted from the slightly stronger US dollar versus the euro. The effects on reported sales growth of the segment came to minus 0.3 percentage points from the portfolio changes and plus 0.2 percentage points from the currency effects. Organic sales growth for TAKKT AMERICA compared to the previous year, without portfolio and currency effects, was again very positive at 7.0 percent. The organic sales growth was mainly a result of the higher order numbers, while the average order value remained virtually unchanged.

Sales TAKKT AMERICA *in EUR million*



Within TAKKT AMERICA, all divisions contributed to the strong business development. SPG realized mid-single-digit sales growth in the local currency without the influence of the Group company Post-Up Stand acquired in 2015. The division especially benefited from the strong performance of the specialist for the restaurant industry Central as well as the Group company GPA, which is a direct marketer for display products. The activities in the North American food service and food retail area were not able to build on the high growth rates of the previous year.

The OEG division reported high sales growth for the third year in a row. Increase in sales in US dollars was once again in the low double-digit percentage range. The activities of the core brand NBF in particular also developed extremely well in 2016. This included both the business with government as well as business customers.

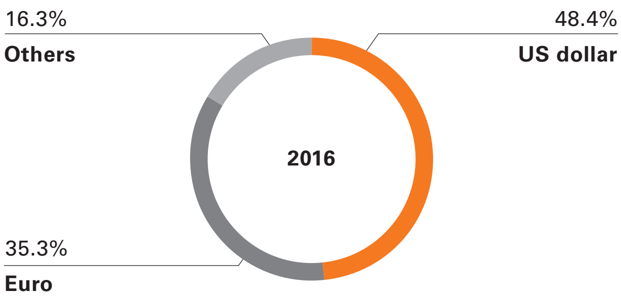
SALES BY REGION: FURTHER INCREASE IN US SHARE

Due to the different business development in North America and Europe, the regional sales spread developed as follows:

- Sales of the business in Germany increased to EUR 246.6 (243.6) million. The share of Group sales dropped to 21.9 (22.9) percent because the growth rate remained below the Group average.
- Sales of the other European business saw an acquisition-related increase to EUR 322.8 (296.0) million. The share of Group sales increased significantly to 28.7 (27.8) percent.
- Despite the negative effects from the portfolio changes, sales in the US increased disproportionately to EUR 544.3 (506.2) million. The share in Group sales therefore increased to 48.4 (47.6) percent.
- Sales for the other regions fell significantly once again to EUR 11.3 (18.0) million. This is mainly due to the phase-out of the activities in Japan and China as well as the now complete dissolution of the PEG activities in Mexico and Canada sold at the end of January 2015. The share of these regions in Group sales therefore decreased to 1.0 (1.7) percent.

35.3 (36.3) percent of the Group sales was realized in the reporting currency of euros. The portion in US dollars came to 48.4 (47.6) percent. Other currencies, such as the Swiss franc, the British pound and the Swedish krona, had a total share of 16.3 (16.1) percent.

Sales by currency



STABLE GROSS PROFIT MARGIN IN THE GROUP

In the year under review, the gross profit margin of the Group of 42.6 (42.6) percent was at the level of the previous year. The company acquisitions in 2015 had a positive effect because the business models of BiGDUG and especially Post-Up Stand allow exceptionally high gross profit margins and were consolidated for the entire year for the first time in 2016. Without the disposals and acquisitions, the gross profit margin of the Group would have been 42.0 (42.2) percent.

Adjusted for the mentioned portfolio effects, the adjusted gross profit margin was just below the level of the previous year at both the TAKKT EUROPE and TAKKT AMERICA level. The slight decrease at TAKKT EUROPE was attributable to a lower gross profit margin at PSG. However, the gross profit margin at BEG improved slightly due to the positive effects from the growing business with direct imports as well as a recovery of the gross profit margin of the Swiss activities, which had fallen significantly in 2015. In the TAKKT AMERICA segment, a negative effect from the change in the product and customer mix could be observed at individual sales companies. Positive developments at the segment level were able to partially offset this decrease.

Structural shifts also had a negative effect on the gross profit margin of the Group in 2016. TAKKT AMERICA achieved higher growth than TAKKT EUROPE once again, but generated a lower gross profit margin in structural terms. This has to do with the different product ranges and markets of both segments.

The expectation stated in last year's forecast report to maintain the gross profit margin, adjusted for portfolio effects, stable or only slightly down at the segment level, could thus be met. As a whole, the gross profit margin was significantly above the long-term target value of more than 40 percent.

COSTS FOR PERSONNEL AND MARKETING: CONTINUING STRUCTURAL SHIFT DUE TO MULTI-CHANNEL STRATEGY

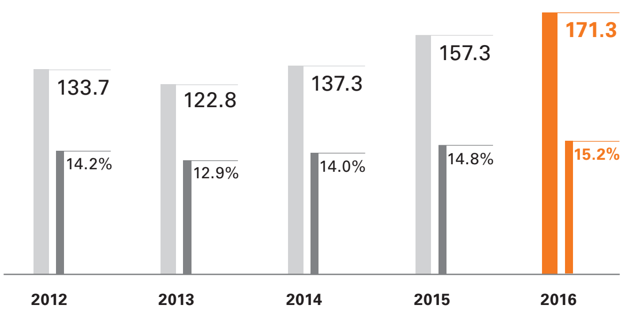
Personnel expenses increased in the year under review by 7.8 percent to EUR 166.2 (154.2) million. A part of this increase is attributable to the effects of the disposals and acquisitions carried out in 2015. The strength of the euro compared to other currencies had an offsetting effect. Without the portfolio and currency effects, personnel expenses would have increased by 7.5 percent compared to the previous year. Part of the increase in personnel expenses is attributable to the measures that have already been introduced in the context of digitalization. In addition, further implementation of the multi-channel strategy results in an ongoing shift between personnel and advertising costs. The overall personnel expenses ratio in percent of sales increased slightly to 14.7 (14.5) percent compared to the previous year.

The expenses for print and online marketing increased organically at a lower rate than sales, as expected. A structural shift can still be seen within advertising costs from print to online.

GROUP EBITDA MARGIN SLIGHTLY ABOVE THE TARGET CORRIDOR

The important key performance indicator for the TAKKT Group for operational profitability is the EBITDA (earnings before interest, taxes, depreciation and amortization). In the year under review, EBITDA increased by 8.9 percent compared to the previous year to EUR 171.3 (157.3) million. This is mainly due to the positive development of organic sales of the segments. The strength of the euro relative to other currencies had a slight opposing effect, though. This resulted in lower earnings in the reporting currency of euros. In addition, one-off expenses and gains should be taken into account in the year under review as well as for the previous year. In the previous year, a positive earnings contribution of EUR 3.3 million was realized through the deconsolidation of PEG. Expenses in relation to the DYNAMIC initiative in 2015 came to EUR 5.2 million. In 2016, however, one-time gains were realized from the adjustments of outstanding variable purchase price liabilities for Post-Up Stand and BiGDUG totaling EUR 8.6 million. With respect to both companies, TAKKT's Management Board no longer expects to achieve the growth and key earnings figures used as the basis for the initial consolidation of the variable liabilities. Accordingly, the outstanding variable liabilities were reduced through profit or loss by the amount specified. This was counteracted by expenses incurred for DYNAMIC of EUR 3.0 million as well as for the initiation and first implementation steps of the digital transformation in the amount of EUR 2.4 million.

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



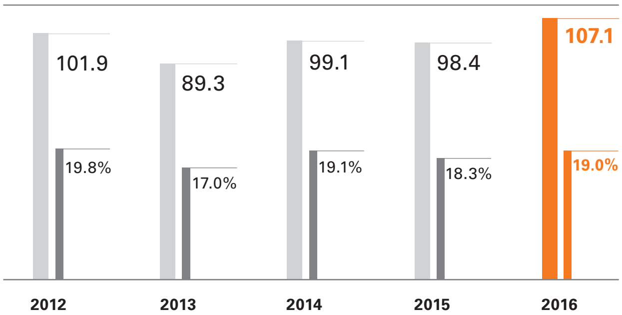
In relation to Group sales (EBITDA margin), an increase to 15.2 (14.8) percent could be achieved. The margin in 2016 was thus slightly above the target corridor of 12 to 15 percent. In the year under review, the good sales growth and associated better utilization of the direct marketing infrastructure had a positive effect on profitability. In addition, the one-time gains from the sale of PEG in 2015 and the adjustments of the variable purchase price liabilities in 2016 increased the reported EBITDA margins. Adjusted for the one-time gains mentioned, the EBITDA margin came to 14.5 (14.5) percent.

A negative effect on the EBITDA margin of the Group in the year under review is due to the sales-related increase of the share of profit of the TAKKT AMERICA segment, whose margin is below the Group average.

TAKKT EUROPE: INCREASED EBITDA CONTRIBUTION DUE IN PART TO BIGDUG ACQUISITION

In the TAKKT EUROPE segment, EBITDA was increased in the reporting period by 8.9 percent to EUR 107.1 (98.4) million. This positive development is attributable to the solid business performance along with one-time effects. For one thing, the Group company BiGDUG acquired in 2015 realized earnings contributions for TAKKT EUROPE over the entire year for the first time in the 2016 year under review. In addition, the adjustment of the outstanding variable purchase price liabilities for BiGDUG had a positive effect of EUR 4.5 million. Expenses for DYNAMIC came to EUR 1.9 (3.1) million. Expenses incurred in 2016 for the first activities related to the implementation of the digital agenda came to EUR 1.0 million.

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

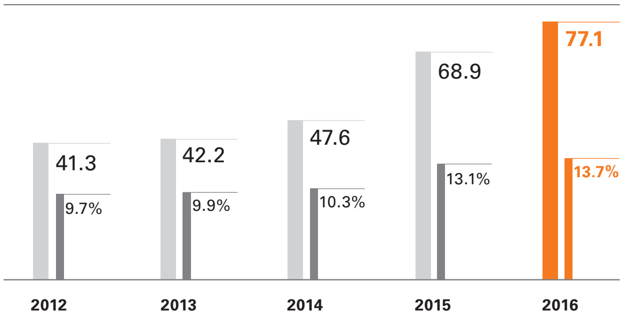


The EBITDA margin of the TAKKT EUROPE segment increased to 19.0 (18.3) percent and was thus still significantly above the upper end of the target corridor for the Group. Adjusted for the one-time gains from the adjustment of the outstanding variable purchase price liabilities for BiGDUG, the EBITDA margin would have come to 18.2 percent. PSG is still the front-runner of the division in terms of profitability. The EBITDA margin for BEG also remains significantly above the target corridor for the Group as a whole.

TAKKT AMERICA: FURTHER INCREASE OF EBITDA MARGIN AND IN DOUBLE-DIGIT PERCENTAGE RANGE

EBITDA in the TAKKT AMERICA segment rose significantly once again in 2016 by 11.9 percent to EUR 77.1 (68.9) million. The earnings increase was also partially attributable to the first-time full-year consolidation of Post-Up Stand. In addition, the adjustment of the outstanding variable purchase price liabilities resulted in positive one-time gains of EUR 4.1 million. Adjusted for these effects, both divisions of TAKKT AMERICA were able to significantly increase their EBITDA compared to the previous year due to the highly favorable business development. The expenditures related to the DYNAMIC initiative had an adverse effect on the result in the year under review in the amount of EUR 1.1 (2.1) million. A total of EUR 0.4 million were spent for the first implementation steps of the digital transformation.

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



The EBITDA margin increased slightly to 13.7 (13.1) percent, putting it in target corridor of the Group as in the previous year. In the previous year the income from the deconsolidation of PEG had a positive effect on the EBITDA margin, whereas in the year under review it benefited from the adjustment of the outstanding variable purchase price components for Post-Up Stand. After adjusting for these effects, the EBITDA margin would have come to 13.0 (12.5) percent. Both divisions of TAKKT AMERICA were able to slightly improve the EBITDA margin adjusted for one-time gains in the year under review. The profitability of SPG within TAKKT AMERICA was the highest once again. OEG was able to achieve double-digit profitability for the first time.

COMPARISON WITH PREVIOUS-YEAR FORECAST

In the report for the 2015 financial year, a nearly constant margin performance at the level of the TAKKT EUROPE segment and a slight improvement in profitability for TAKKT AMERICA was forecast for 2016. This forecast could be achieved in both cases. As forecast, the profitability of TAKKT EUROPE adjusted for one-time gains was still well above the target corridor of the Group and the margin of TAKKT AMERICA at the lower end of the Group's target corridor of 12 to 15 percent. In the previous year's forecast report, an EBITDA margin at the level of the previous year was expected for the TAKKT Group as well as a value at the upper third of the target corridor of 12 to 15 percent. This forecast was slightly surpassed in the year under review with an EBITDA margin of 15.2 percent due to the positive one-time gains.

DEPRECIATION AND AMORTIZATION HIGHER THAN PREVIOUS YEAR

Depreciation and amortization increased in the year under review to EUR 29.2 (28.0) million. In the year under review, amortization of intangible assets from the acquisitions came to EUR 12.3 (12.2) million. The increase in depreciation and amortization is mainly attributable to the two company acquisitions carried out in 2015. Extraordinary expenses such as on impairment of recognized goodwill were not incurred in 2016 or in the previous year. Earnings before interest and tax (EBIT) of EUR 142.0 (129.4) million represent a significant increase of 9.8 percent over the previous-year figure. The EBITDA margin rose to 12.6 (12.2) percent.

Financial liabilities in the year under review decreased significantly. However, the financial result was at the level of the previous year due to the fact that the reduced interest expense was largely offset by a negative effect from the deconsolidation of activities in Asia. Overall, the financial result came to minus 9.5 (minus 9.5) million. This resulted in earnings before taxes of EUR 132.5 (119.9) million.

INCREASE IN PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

The tax ratio decreased from 32.4 in the previous year to 31.1 percent. Adjusted for the one-time tax relief effects from a municipal tax refund relating to prior periods as well as from non-taxable income from the profit-affecting adjustment of the purchase price liability for BiGDUG, the tax ratio for the financial year came to 34.0 percent. There were also favorable one-time effects on the tax ratio in the previous year. This was due to the non-taxable deconsolidation gain from the sale of PEG. The adjusted tax ratio for 2015 was 34.1 percent.

In total, the profit for the period increased by 12.8 percent to EUR 91.4 (81.0) million. The earnings per share increased accordingly to EUR 1.39 (1.24), based on the unchanged weighted average number of shares of 65,610,331.

FINANCIAL POSITION

TAKKT has a centralized financial management that ensures the creditworthiness and financing capability of the Group for the long term. The Group can make use of expansion opportunities on short notice at any time. The financing structure of the Group is balanced and optimized. In the year under review, financial liabilities fell significantly due to the cash flow strength of the business model. TAKKT cash flow was significantly higher than the previous year due to the good business development.

CENTRALIZED FINANCIAL MANAGEMENT LIMITS FINANCIAL RISKS

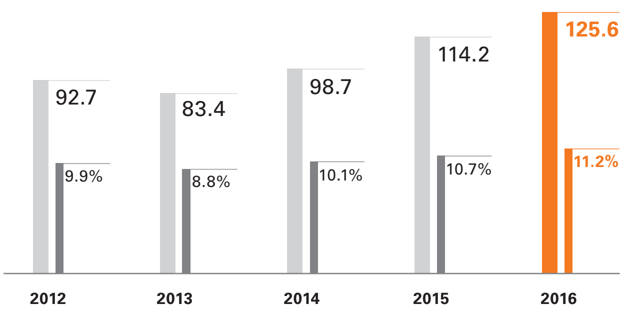
The financial management of the TAKKT Group includes the management and allocation of all financial resources with the primary goal of securing liquidity at any time. In addition, TAKKT pursues the following goals within the scope of financial management:

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

SIGNIFICANT INCREASE IN TAKKT CASH FLOW

One of the key strengths of the TAKKT business model is its strong internal financing capability. In the year under review, the Group once again generated a high surplus of cash. TAKKT cash flow – defined as profit plus depreciation and amortization, impairment of non-current assets and deferred taxes recognized as income – totaled EUR 125.6 (114.2) million. TAKKT cash flow per share increased to EUR 1.91 (1.74) and the TAKKT cash flow margin in relation to sales to 11.2 (10.7) percent. In the period from 2012 to 2016, the margin was between 8.8 and 11.2 percent, which underscores the sustainable cash flow strength of the business model.

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



The cash flow from operating activities increased to EUR 116.7 (87.3) million. The significantly higher increase compared to the development of TAKKT cash flow resulted from a one-time effect in the previous year. Adjusted for this effect, cash flow from operating activities in the previous year's period came to EUR 103.5 million. The one-time effect mentioned stems from the portion of the purchase price paid in the first quarter of 2015 for George Patton Associates (GPA), which was acquired in 2012. This is attributable

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

	2012	2013	2014	2015	2016
TAKKT cash flow	**92.7**	**83.4**	**98.7**	**114.2**	**125.6**
Change in net working capital as well as other adjustments	10.6	-5.7	2.5	-26.9*	-8,9
Cash flow from operating activities	**103.3**	**77.7**	**101.2**	**87.3**	**116.7**
Capital expenditure in long-term assets	–8.5	–9.6	–13.6	–14.2	–17.4
Proceeds from disposal of non-current assets	0.5	0.3	0.5	0.3	0.5
Proceeds from the disposal of consolidated companies	0.0	0.0	0.0	16.1	1.6
Free TAKKT cash flow	**95.3**	**68.4**	**88.1**	**89.5**	**101.4**

* *as mentioned in the text, this includes the partial amount of EUR 16.2 million from the payment made for the remaining purchase price liability for GPA*

to the accrued interest as well as the income-affecting adjustments of the originally expected purchase price liability. In accordance with the IFRS, this was allocated in the statement of cash flows to cash flow from operating activities in the amount of EUR 16.2 million. The operational development of net working capital in the amount of EUR 8.9 million was mainly due to the increase in trade receivables of EUR 10.2 million.

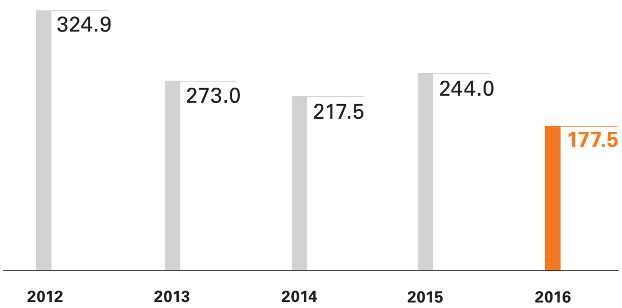
The business model of the TAKKT Group is not very capital intensive, which is why capital expenditure in non-current assets are generally rather low. TAKKT's long-term goal is a capital expenditure rate (capital expenditure for maintenance, expansion and modernization of the business operations in relation to sales) of one to two percent on average. The capital expenditure rate in the year under review continued to be in the middle of this range with 1.5 (1.3) percent.

In the year under review, TAKKT invested a total of EUR 17.4 (14.2) million, of which EUR 8.2 (9.4) million related to the TAKKT EUROPE segment and EUR 7.9 (4.7) million to the TAKKT AMERICA segment. The major capital expenditures related to the implementation of the new ERP system at BEG and GPA in the amount of EUR 3.3 million. TAKKT invested a total of EUR 5.6 (7.0) million in connection with DYNAMIC. Furthermore, TAKKT invested EUR 1.0 million in two shareholdings through the newly founded TAKKT investment company.

After deducting total capital expenditure in non-current assets as well as cash inflows from disposals, primarily from the escrow amount paid out in February from the PEG sale of EUR 1.6 million, the remaining free TAKKT cash flow in the year under review amounted to EUR 101.4 (89.5) million. The free TAKKT cash flow was countered by the payment for the acquisition of Ratioform's former franchise partner in Austria totaling EUR 0.4 million as well as the payment of dividends of EUR 32.8 (21.0) million. This, along with currency effects, decreased net financial liabilities (i.e., financial liabilities less cash and cash equivalents) to EUR 177.5 (244.0) million.

The strong cash flow business model of the TAKKT Group allows a significant reduction of net financial liabilities in years without acquisitions. In years with acquisition activities, conversely, there is generally an increase. Taking into account all of the financing activities of the Group, cash and cash equivalents came to EUR 2.3 (3.3) million as of December 31, 2016. Details on the generation and use of cash flow are shown in the cash flow statement of this annual report.

Development of net financial liabilities *in EUR million*



DIVERSIFIED FINANCING, BALANCED MATURITY PROFILE

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

- Dedicated bilateral credit lines with 13 financial institutions are the focus of the financing portfolio. In particular, short-term (terms of less than 18 months) and long-term (terms of more than 18 months) credit lines are concluded. These are renewed for an additional year on an annual basis. With long-term commitments, the agreements are almost exclusively for five years. The credit agreements are unsecured and do not include any financial covenants. As of the end of the reporting period, liabilities to financial institutions came to EUR 86.3 (136.9) million.

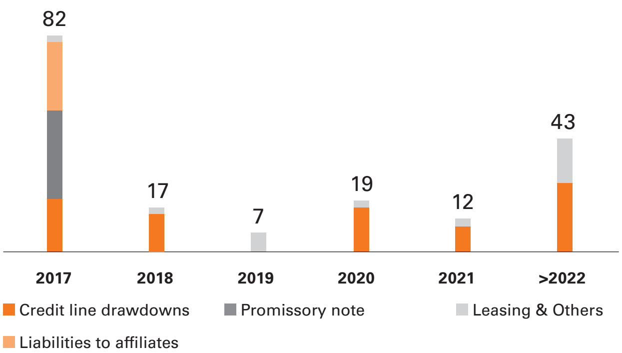
- Since October 2012, TAKKT has been using a promissory note (Schuldschein) of over EUR 140 million consisting of four tranches with terms of three to five years as well as fixed and variable interest rates. As of the end of the reporting period, the recognized liabilities related to the promissory note (Schuldschein) still came to EUR 33.5 (33.5) million. TAKKT will pay off the last outstanding tranche in October 2017.

- Individual leased buildings and plant installations are used at TAKKT through finance leases. The liabilities from finance leases as of the end of the reporting period came to EUR 31.2 (33.4) million.

- Financing of the BiGDUG acquisition was done with a loan in GBP obtained from an affiliated company. It was valued at EUR 13.0 (30.9) million as of the end of the reporting period. In addition, there was another loan with an affiliated company in the amount of EUR 10.0 (10.0) million.

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

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



In addition to the credit line drawdowns, the Group also had free committed credit lines of EUR 185.6 (135.8) million available to it, of which EUR 108.3 (68.5) million are short-term credit lines and EUR 77.3 (67.3) million are long-term credit lines. TAKKT therefore has sufficient financial flexibility to seize acquisition opportunities at short notice, regardless of the current situation in the capital market.

The independence and entrepreneurial scope of action of the TAKKT Group is ensured in the long term through the diversification of the financing portfolio with regard to financing sources and terms. The relationship of trust that the company has built with the creditors over many years also contributes to this. Regular face-to-face conversations and an annual Bankers' Day take place, in which detailed information on the current development of the company is provided.

USE OF DERIVATIVE FINANCIAL INSTRUMENTS ONLY FOR HEDGING PURPOSES

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

INTERNAL COVENANTS ON CAPITAL MANAGEMENT IN THE TARGET CORRIDOR

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

As of the end of the reporting period, the equity ratio of 55.2 (49.1) percent was significantly over the value of the previous year and thus within the upper range of the target corridor of 30 to 60 percent. The main reason for the higher equity ratio was the increase in shareholders' equity due to the positive result for the year. This was at a considerably higher percentage level than the percentage increase of total assets. Gearing improved from 0.5 to

Internal covenants

	Self-imposed target	2012	2013	2014	2015	2016
Equity ratio	30 to 60 percent	34.7	39.0	43.8	49.1	55.2
Debt repayment period	< 5 years	2.2	3.6	2.5	2.2	1.6
Interest cover	> 4	9.5	6.4	9.8	14.4	18.3
Debt-equity-ratio (gearing)	< 1.5	1.1	0.8	0.6	0.5	0.3

0.3 in the year under review due to the lower net financial liabilities as well as higher shareholders' equity. The debt repayment period is 1.6 (2.2) years. In the year under review, TAKKT was able to decrease net financing expenses over 2015; at the same time, the operating result before amortization of goodwill increased, whereby the interest cover is now 18.3 (14.4). The method of calculation and definition of the key figures are presented in the notes to the consolidated financial statements.

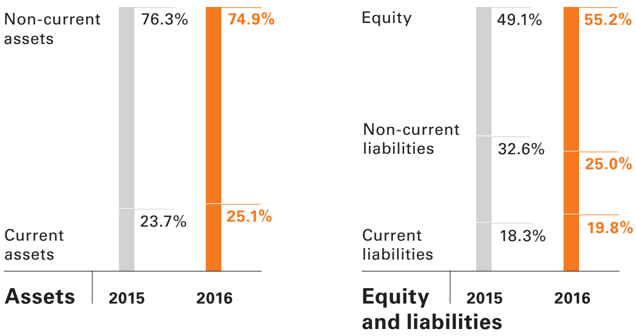
ASSETS POSITION

The balance sheet ratios of the TAKKT Group in the year under review remained largely unchanged with a slight increase in total assets. The non-current assets are completely covered through equity and non-current liabilities, through which TAKKT has a long-term, solid financing structure.

LITTLE CHANGE ON ASSETS SIDE

Due especially to currency effects in the amount of EUR 8.1 million, caused mainly by the change in the closing rate of the US dollar, total assets increased in the year under review by 1.0 percent to EUR 973.9 (964.2) million.

Balance sheet structure of the TAKKT Group



As of the end of the reporting period, non-current assets of EUR 729.9 (735.6) million made up 74.9 (76.3) percent of the assets. Depreciation and amortization in the amount of EUR 29.2 million were countered by capital expenditures of EUR 17.4 million. This decrease was partially compensated by positive currency effects for goodwill in the amount of EUR 5.5 million.

No impairment of goodwill was necessary on the basis of the impairment tests performed. With 56.0 (56.0) percent, goodwill continues to makes up the major part of assets recognized on the statement of financial position.

Leased assets appear as assets in the statement of financial position if they are classified as finance leases in economic terms. In the TAKKT Group, this especially applies to the warehouse of the BEG division in Kamp-Lintfort as well as the central warehouse of the PSG division in Munich. They are shown under non-current assets with EUR 28.8 (31.2) million.

Customer and supplier relationships, brand values or internal expertise can, regardless of their significance for the TAKKT Group, only be recognized as intangible assets if they are in accordance with the conditions of IAS 38. This is not the case with regard to the intangible assets generated within the TAKKT Group. Accordingly, these figures are not recognized in the balance sheet. In the case of the acquisition of entire companies, some of the intangible assets are recognized in the consolidated financial statements within the scope of first-time consolidation in accordance to IFRS 3 if they are identifiable and can be measured independently. The corresponding recognition in the statement of financial position represents a good indicator for the value potential of these assets. For example, an amount of USD 36.2 million was recognized for customer relationships for the acquisitions of NBF (2006), Central (2009), GPA (2012) and Post-Up Stand (2015), an amount of GBP 0.6 million for the acquisition of BiGDUG (2015) and an amount of EUR 42.1 million for the acquisition of Ratioform (2012). The reduced amortized value of these customer relationships as of the end of the reporting period comes to a total of EUR 18.6 (25.3) million. The value of the brands in the TAKKT Group recognized as of December 31, 2016 came to EUR 29.2 (29.3) million.

Current assets came to EUR 244.1 (228.6) million or 25.1 (23.7) percent of total assets as of December 31, 2016. Inventories increased by EUR 4.4 million to EUR 108.2 (103.8) million, whereby EUR 1.7 million resulted from currency effects. Due primarily to the sales growth, trade receivables rose sharply from EUR 94.0 to EUR 103.7 million. The impact of currency effects was minimal. The payment behavior of the customers was reliable as usual with days sales outstanding of 31 (30) days. The loss of receivables remained very low as in the previous year with a write-off rate of below 0.2 percent. Consequently, there was no impact on the development of trade receivables.

In the TAKKT Group, there are no off-balance-sheet financial instruments such as the sale of accounts receivable or asset-backed securities. The Group concluded operating leasing agreements with future payment obligations totaling EUR 51.6 (52.5) million, e.g., for warehouses, office buildings, plant and office equipment and vehicles. These leasing agreements were not capitalized under IAS 17 and are therefore not reported under assets.

INCREASE IN SHAREHOLDERS' EQUITY, REDUCTION OF LIABILITIES

In light of profit for the period of EUR 91.4 million, the dividend payout of EUR 32.8 million, the positive currency effects of EUR 4.5 million as well as the other positive effects recognized directly in equity of EUR 1.3 million, total equity increased to EUR 537.8 (473.4) million as of December 31, 2016. The total equity ratio increased significantly to 55.2 (49.1) percent, leaving it in the upper third of the target corridor of 30 to 60 percent.

Accounting for 25.0 (32.6) percent of the liabilities side were non-current liabilities in the amount of EUR 243.4 (314.8) million. The most significant item was still represented by non-current financial liabilities, which decreased in the year under review to EUR 98.0 (173.7) million. Deferred tax liabilities increased from EUR 70.0 to EUR 77.1 million, which is also attributable to the increase in the difference between the goodwill balance in tax and IFRS balance sheet in the US-American Group companies due to scheduled tax amortization. The share of provisions for pension obligations increased from 5.3 to 5.7 percent of total assets. This is mainly attributable to the slight decrease in interest rates in the eurozone, resulting in an increase in these provisions recognized directly in equity. Other non-current liabilities of EUR 6.7 (14.5) million mainly include the purchase price liabilities related to the former owners of the US Group company Post-Up Stand. Its decrease is a result of the reduction of the purchase price liabilities for the Post-Up Stand and BiGDUG acquisitions, which are dependent on achieving certain sales and earnings targets. With respect to both companies, TAKKT's Management Board no longer expects to achieve the growth and key earnings figures used as the basis for the initial consolidation of the variable liabilities. As of December 31, 2016, the purchase price liabilities for the acquisition of BiGDUG came to EUR 0.0 (4.8) million and for the acquisition of Post-Up Stand to EUR 6.1 (9.3) million.

Current liabilities of EUR 192.8 (176.0) million made up 19.8 (18.3) percent of total assets. The most significant item in the year under review is represented by current financial liabilities, which increased to EUR 81.8 (73.6) million. Other current liabilities increased slightly to EUR 47.8 (45.7) million.

Current provisions increased from EUR 18.8 million to EUR 20.1 million. Income tax payables of EUR 9.1 (10.0) million continued to be of minor significance.

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

	2012	2013	2014	2015	2016
Non-current assets	**679.9**	**649.0**	**663.6**	**735.6**	**729.9**
in % of Total assets	77.7	76.2	75.2	76.3	74.9
Current assets	**194.6**	**202.8**	**218.9**	**228.6**	**244.1**
in % of Total assets	22.3	23.8	24.8	23.7	25.1
Total assets	**874.5**	**851.8**	**882.5**	**964.2**	**973.9**
Total Equity	**303.7**	**332.5**	**386.8**	**473.4**	**537.8**
in % of Total equity and liabilities	34.7	39.0	43.8	49.1	55.2
Non-current liabilities	**440.7**	**400.0**	**241.0**	**314.8**	**243.4**
in % of Total equity and liabilities	50.4	47.0	27.3	32.6	25.0
Current liabilities	**130.1**	**119.3**	**254.8**	**176.0**	**192.8**
in % of Total equity and liabilities	14.9	14.0	28.9	18.3	19.8
Total equity and liabilities	**874.5**	**851.8**	**882.5**	**964.2**	**973.9**

COMPANY PERFORMANCE

TAKKT was able to reach the target values of all financial performance indicators in the past year under review. The positive growth in 2016 was accompanied by high profitability. The DYNAMIC indicators also saw further improvement. Significant progress was also achieved with the sustainability indicators.

SOLID FINANCIAL KEY MANAGEMENT FIGURES

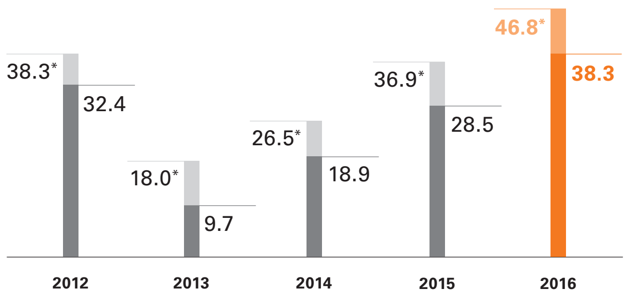
The financial key figures that TAKKT uses for internal management of the Group were defined in the "Management system" section of this annual report. The development of these key indicators is shown in the table below.

The development of the key figures organic sales development, gross profit margin and EBITDA margin, as well as order intake were explained in detail in the "Sales and earnings review" section of this annual report. The development of TAKKT cash flow and the capital expenditure ratio can be found in the "Financial position" section.

The TAKKT value added increased significantly in 2016 by EUR 9.8 million to EUR 38.3 (28.5) million. The resulting operating result after tax generated for calculation of the TAKKT value added increased over the previous year by a total of EUR 9.8 million and amounted to EUR 99.8 (90.0) million. In 2016, the average capital employed increased over the previous year due to the company acquisitions of Post-Up Stand and BiGDUG carried out in 2015. The weighted average cost of capital (WACC) after tax used to calculate the total cost of capital decreased to 7.8 (8.1) percent due to the lower underlying borrowing costs. Total cost of capital in 2016 came to EUR 61.5 (61.6) million.

The increase in TAKKT value added is mainly attributable to the overall positive business development as well as higher one-time gains than in the previous year. While income from adjustments of the variable purchase price liabilities for Post-Up Stand and BiGDUG in the amount of EUR 8.6 million were recorded in the year under review, the 2015 financial year was positively influenced by the deconsolidation of PEG with EUR 3.3 million. More information can be found in the "Sales and earnings review" section. With regard to the absolute value of the TAKKT value added, the scheduled amortization of intangible assets mentioned reduced the generated operating result after tax in the year under review by a total of EUR 8.5 (8.4) million. Without the amortization of intangible assets and the related tax effect, the TAKKT value added would have come to EUR 46.8 (36.9) million.

TAKKT value added *in EUR million*



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

The Return on Capital Employed (ROCE) of 16.5 (15.7) percent was also significantly above the figure of the previous year in the year under review. The reason for this can also be attributed to the positive business development as well as the positive effect from one-time gains.

As forecast in the 2015 annual report, the key figures of both the TAKKT value added and ROCE could thus be increased. At the same time, the target values stated in the "Management system" section were exceeded.

Development of key financial indicators

	2012	2013	2014	2015	2016
Organic sales development in percent	−2.8	−2.6	5.5	4.7	5.2
Number of orders in thousands	2,016	2,171	2,182	2,225	2,409
Average order value in EUR	465	440	450	482	469
Gross profit margin in percent	43.3	43.6	42.6	42.6	42.6
EBITDA margin in percent	14.2	12.9	14.0	14.8	15.2
TAKKT cash flow margin in percent	9.9	8.8	10.1	10.7	11.2
Capital expenditure ratio in percent	0.9	1.0	1.4	1.3	1.4
ROCE (Return on Capital Employed) in percent	18.1	12.5	14.4	15.7	16.5
TAKKT value added in EUR million	32.4	9.7	18.9	28.5	38.3

FURTHER IMPROVED DYNAMIC INDICATORS

In order to be able to measure the success of the strategic DYNAMIC growth and modernization initiative, TAKKT has defined seven growth drivers which are measured with indicators. Each of these indicators had Group-wide orientation objectives, which are described in the "Innovation and development" section on page 51. The development of these key indicators is shown in the table below.

In the 2016 financial year, the share of new products in order intake increased at the Group level. For the year under review, the indicator reflects the sales with products that were incorporated into the range at the beginning of 2014. In the past, the increase was partly based on the definition of the indicator because the observation period for new products that were introduced with the start of the DYNAMIC initiative first had to reach the defined point of three years. The 2015 financial year was therefore the first time that sales with products were taken into account that had been part of the range for three years. The higher share in the year under review is attributable to the positive development in both the TAKKT EUROPE and TAKKT AMERICA segment. BEG, Central and OEG, in particular, contributed to the increased share of new products in order intake.

The share of private labels in order intake grew further in the year under review. Private label sales still play a minor role for the activities of both Post-Up Stand and BiGDUG, which were acquired in 2015. This has a structurally negative effect on this Group key figure due to the full-year inclusion of the activities in 2016. An increase was nevertheless achieved due to the positive performance in the divisions. The favorable development of the private label share at OEG is noteworthy. It was able to increase the share significantly already in the 2015 financial year and to continue this positive trend.

The share of purchase volume from direct imports increased at the Group level in the year under review. This growth was also achieved in virtually all divisions. The marked increase at BEG is worthy of mention. Hubert, on the other hand, recorded a slight decrease. In structural terms, the key figure for 2016 benefited from the higher weighting of BiGDUG and Post-Up Stand, both of which have an above-average share of direct imports.

The share of web-only products in the entire product range grew significantly at the Group level in the year under review. An increase was recorded in nearly all divisions. An exception here is the PSG, for which the web-only products are of minimal strategic importance. Central, on the other hand, shows a significant increase due to the addition of products from adjacent product lines in the web shop.

In 2016, the share of order intake generated through organic search results in total order intake via search engines was slightly below the level of the previous year, but still in the target corridor of 30 to 35 percent. In addition to optimization of the web shop, the share of organically generated orders is also greatly affected by the advertising activity on search engines (SEA).

The share of e-commerce in order intake rose further in 2016 and is now in the middle of the target corridor for 2016 of 35 to 45 percent. This rise is attributable to the increased share of activities at TAKKT AMERICA with a structurally higher e-commerce share. The share of order intake generated electronically also increased at TAKKT EUROPE. In structural terms, the key figure was positively influenced by the full-year inclusion of BiGDUG and Post-Up Stand because both companies generate a higher e-commerce share in order intake than the Group average. More information on order intake via e-commerce can be found in the "Sales and earnings review" starting on page 64.

The share of telesales and field activities in order intake remained virtually constant in the year under review. Only at OEG did the measures taken result in a markedly higher indicator. In addition, order intake via the channels mentioned continue to play a particularly important role at Ratioform and Central.

DYNAMIC indicators

DYNAMIC indicator	Growth driver	2013	2014	2015	2016
Share of new products in order intake	Topicality and expansion of product range	3.0%	9.0%	16.5%	17.8%
Share of private labels in order intake	More private labels	13.9%	14.7%	15.9%	18.3%
Share of direct imports in purchase volume	More direct imports	9.6%	10.0%	12.1%	13.7%
Share of web-only products in entire product range	Expansion of web-only products	29.6%	42.0%	58.7%	75.8%
Share of SEO in order intake via search engines	Profitable expansion of e-commerce activities	32.1%	32.1%	33.7%	32.9%
Share of e-commerce in order intake	General expansion of e-commerce activities	28.0%	30.1%	36.5%	39.0%
Share of telesales/field sales activities in order intake	More outbound calling & field sales	14.2%	16.4%	16.7%	16.6%

Overall, TAKKT achieved good progress with the completion of the DYNAMIC initiative in regards to the indicators defined in 2013. Most of the orientation targets for 2016 could be reached as of the end of the year under review. The Group was slightly below the ambitious target values for 2016 with respect to the share of new products and private labels in order intake as well as with the share of order intake generated through telesales and field activities. Positive development of the value and growth drivers underlying the objectives mentioned will also be continued after conclusion of the DYNAMIC initiative.

FURTHER SIGNIFICANT PROGRESS WITH SUSTAINABILITY INDICATORS

With the sustainability indicators, TAKKT's goal is to be able to systematically document the progress in this area as well. Management and employees at all levels of the TAKKT Group are working on achieving the sustainability objectives in the six focus areas first identified in 2011. Progress could once again be achieved in all focus areas in the year under review. TAKKT achieved its goal of becoming the global role model for sustainability in the industry by the end of 2016. The current multi-year overview for the key figures and initiatives that are relevant for the focus areas is shown in the "Sustainability indicators" table below.

- **Sourcing:** For TAKKT, as a commercial enterprise with diverse supplier relationships, an important part of the value chain exists already in the manufacturing and procurement of goods. For this reason, TAKKT places a strong emphasis on sustainability in its supply chain. A supplier evaluation program for measuring sustainability performance, which was launched as a pilot project in 2013, has since been expanded every year to include additional suppliers as well as other Group companies. The share of sales of sustainable product ranges such as environmentally friendly packaging solutions, carbon-neutral products and office furniture made from recycled materials has increased strongly since 2011 and reached 9.8 percent in 2016.

- **Marketing:** Advertising efforts are always connected with the use of non-renewable resources. TAKKT is working to reduce their use. By using advertising material more efficiently, the Group was able to reduce the volume of printed advertising material sent out per million euros of sales to 13.7 tons in the year under review. The goal for 2016 of reducing the volume to 22.7 tons was already achieved in 2014. In addition, the paper for catalogs and print media now comes almost exclusively from certified sustainable sources.

Sustainability indicators

Focus area	Key figure	2012	2013	2014	2015	**2016**
Sourcing	Share of certified suppliers		Pilot project launched	1.9%	3.1%	3.5%
	Share of purchase volume from certified suppliers		Pilot project launched	23.7%	36.3%	40.5%
	Percentage of sales from sustainable product ranges	3.1%	4.4%	6.6%	9.6%	9.8%
Marketing	Paper use per EUR million sales	29.2t	24.9t	20.8t	18.2t	13.7t
	Percentage of paper advertising materials from certified sustainable sources	77.2%	88.5%	95.3%	98.9%	98.8%
	Carbon emissions per kg of paper advertising materials	2.17kg	1.56kg	1.80kg	1.59kg	1.44kg
Logistics	Number of countries in which carbon neutral shipping is offered	15	15	15	15	17*
Resources and Climate	Major companies with carbon footprints	1	7	7	10	10
	Major companies with a certified environmental management system	1	1	1	3	3
	Energy use in thousand gigajoules**	103.4	106.5	98.9	66.4	69.9
Employees	Expansion of talent promotion		New program launched	Program partially implemented	Group-wide rollout launched	Rollout mostly completed
Society	Percentage of employees who have the opportunity to take a paid leave of absence to engage in volunteer work	4.5%	8.5%	18.4%	37.9%	41.2%

*Including USA.

**At German and US locations already in existence in 2011. As of 2015 without the locations of the sold Group division PEG.

- **Logistics:** The direct marketing of goods is proven to cause significantly lower carbon emissions than sales through local distributors. Nevertheless, TAKKT is increasing efforts to make delivery of the products as low on emissions as possible and is now handling its parcel delivery carbon-neutrally through its logistics partners in 16 European countries as well as the companies in the US. Since 2014, carbon-neutral deliveries are carried out in Germany for general cargo as well.

- **Resources and Climate:** Conserving resources and reducing emissions is ideally achieved based on reliable data. TAKKT has been creating carbon footprints for an increasing number of Group companies since 2011. TAKKT also aims to gradually introduce certified environmental management systems. While the Group has made good headway in this area, it still has not achieved the desired goal. This objective will therefore continue to be pursued beyond 2016. Due in part to various measures to conserve energy, the Group has been able to reduce energy consumption significantly at the already existing locations since 2011.

- **Employees:** A human resources development program for the systematic recruitment, development and advancement of employees was already concluded in the BEG division in 2015. The corresponding measures are evaluated and continuously improved. The Group-wide rollout of the human resources development program is also largely completed. Individual topic areas will be implemented during the course of 2017.

- **Society:** The social commitment of its employees is a matter of importance for TAKKT as well. The share of employees that can take paid leave from work for volunteer involvement was 41.2 percent in the year under review.

SUBSEQUENT EVENTS

There were no significant events which had any meaningful impact on the assets, financial position and results of operations after the reporting date.

OUTLOOK

RISK AND OPPORTUNITIES REPORT

In the course of its business activities, TAKKT is exposed to opportunities and risks. The opportunities and risk management of the Group serve to detect and assess these early. It also adopts appropriate control measures. The Management Board and Supervisory Board are regularly informed of the current risk situation of the Group and all of the major Group companies. The relationship between opportunities and risks in 2016 remained largely unchanged from the previous year from the perspective of the TAKKT Management Board. The entire risk situation of the TAKKT Group is manageable in the foreseeable future, and there are no risks to the Group as a going concern.

SYSTEMATIC MANAGEMENT OF RISKS AND OPPORTUNITIES

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

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

- The Management Board is responsible for establishing and overseeing the opportunities and risk management system.

- It is supported by the managing directors of the Group companies as well as by the central departments of the Group holding – accounting, controlling, finance/IR, legal, human resources, internal audit and consulting, business development and digital transformation.

- Important components of the opportunities and risk management system are a uniform risk management directive; a process integrated into planning for the standardized recording, evaluation and reporting of risks and opportunities; the thorough controlling of all companies; a uniform code of business procedure with an established ad hoc risk reporting process and the two-man rule applied throughout the Group.

- The Supervisory Board deals with the effectiveness of the opportunities and risk management system within the scope of its monitoring function.

- As an independent entity, the external auditor reviews the setup and suitability of the early risk detection system according to section 317(4) HGB.

- The internal auditing department continuously supervises the major processes of all Group companies to ensure that they perform well, are cost-effective and satisfy internal directives.

EFFICIENT MANAGEMENT AND CONTROL SYSTEMS

The TAKKT Group's management relies on a range of effective steering and control systems to manage the operating companies. The Management Board holds discussions with the subsidiaries each year on the operational planning for the coming year and the results of the risk monitoring. It is also regularly informed about the current order intake levels. The analysis and discussion of the monthly reports between the Management Board and the corporate controlling department help to actively manage risks and opportunities with respect to gross profit. Special report formats that provide information on significant cost blocks such as HR and advertising costs also provide a basis for the effective management of cost risks. The strategic management rests on detailed planning for several years ahead. This is done each year for all divisions and the Group as a whole.

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

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

The internal control system related to financial reporting extends to the financial reporting of the entire TAKKT Group. Its purpose is to ensure the correctness and reliability of the internal and external accounting, including the necessary consolidation processes for the consolidated financial statements. It is part of the entire internal control system of the TAKKT Group and is based on the internationally recognized "Internal Control – Integrated Framework" issued by

COSO (the Committee of Sponsoring Organizations of the Treadway Commission). TAKKT also has a uniform Group-wide risk management system for the management of opportunities and risks.

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

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

The financial statements of the individual companies are prepared with the help of standardized IT systems. The consolidation of the individual financial statements for the consolidated financial statements is carried out using modern and highly efficient standard software. A form-based recording and consolidation instrument that is managed centrally is used for the preparation of the notes to the consolidated financial statements.

Comprehensive testing procedures in the IT systems are designed to ensure the completeness and reliability of the information contained in the consolidated financial statements. The IT systems in accounting are protected against unauthorized access. In addition, the separation of functions is implemented to prevent or reduce risks that result from errors and irregularities, to identify problems and to ensure that corrective measures are taken. This guarantees that no individual employee acquires sole control over all phases of a business transaction. IT change management systems ensure that no data is lost when changes are made to the IT infrastructure. With all accounting-related processes, the principle of cross-checking through a second person is the main foundation of the internal control system.

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

Within the scope of the audit of the consolidated financial statements, external auditors report on the significant audit results and weaknesses in the control system for the units included in the consolidated financial statements.

CONTINUOUS ANALYSIS AND MONITORING OF OPPORTUNITIES AND RISKS

The opportunities and risk management system of the TAKKT Group categorizes opportunities and risks as shown in the table on page 82. The opportunities and risks of the TAKKT Group are explained further on in the risk report. The process for the evaluation of all opportunities and risks is as follows:

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

- The goal of the evaluation is to reveal the anticipated negative or positive effect. The evaluation of the opportunities and risks is carried out based on the criteria of probability of occurrence and the extent of the loss or opportunity. Company measures for the management of opportunity or risk that have already been introduced are taken into account in the evaluation. Materiality thresholds are used with respect to the extent of opportunity or loss depending on the level of analysis. This is done in order to ensure the relevance of the opportunities and risks under discussion.

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

	Economy and competition	Corporate strategy and positioning	Operating processes	Finance and legal
Assessment of the risks	Economic downturn as a significant risk in the business model Risk resulting from new competitors is calculable	Manageable acquisition and integration risks Calculable implementation risk in relation to the digital transformation No dependence on individual suppliers or customers E-commerce with higher risk than traditional catalog business Flexible reaction to increasing purchasing prices	Low inventory risk Few logistics risks Low write-offs on receivables and guarantee claims Moderate personnel risks Systematic protection of the production and distribution of printed advertising material Reliable address database Reliable and powerful IT, E-Commerce and Communication systems	Exchange rate risks: Transaction risks primarily hedged, translation risks primarily from fluctuating US dollar Limiting interest rate risks through interest rate hedging Marginal liquidity risk – long-term financing secured Legal and tax risks as well as compliance risks without material impact on the economic situation of the Group
Possible Opportunities	Economic upswing as a significant opportunity in the business model	Digitalization and cultural change Shifting demographics: New opportunities with online channels and e-procurement Increasing diversification of the business model Additional potential acquisitions and start-ups Sustainability initiatives	Further development of IT applications Increased use of new technologies	Good access to capital

ECONOMIC AND COMPETITION RISKS

Economic downturn as a significant risk in the business model

The B2B direct marketing business for office equipment is generally dependent on the economic situation. TAKKT's business model is therefore subject to general economic risk. The Group has managed thus far to cushion the effects of economic cycles in individual countries, industries and fields through diversification.

- TAKKT addresses customers of all sizes from various industries with its multi-channel and web-focused sales brands.
- TAKKT has a very broad range, which includes over 500,000 products.
- Through its presence in more than 25 countries in Europe and North America, TAKKT reduces its independence on individual markets.
- The companies are also in different phases of growth. Start-ups and young companies experience vigorous growth and are generally less affected by economic fluctuations. Established companies, however, reflect the general economic cycle in their development.
- The investment behavior of the customer groups of each of the groups varies depending on the economic cycle. Risk diversification ensues from the fact that only customers from certain industries or regions, or only specific product groups of the product range are usually affected by a downturn in the business cycle.

Only in particularly severe economic crises, such as the last one in 2009, is TAKKT not able to benefit from diversification of the business because every customer group, industry and region strongly refrains from making investments in these circumstances. For example, in 2009 sales fell organically by a little more than 25 percent. With a margin of around ten percent, EBITDA decreased by around 50 percent compared to the previous year. The economic risk in the 2016 year under review remained virtually unchanged compared to the situation in the previous year.

Risk resulting from new competitors is calculable
The Group is also potentially subject to the risk of losing market share as a result of new competitors entering the market (competition risk). TAKKT continues to see this as a calculable risk in B2B direct marketing for business equipment. The market entry barriers are high even for purely online providers because setting up the supplier structures, logistics and customer base is costly and time intensive. New competitors must expect many years of initial start-up losses. Compared to start-up companies, established providers like the TAKKT companies benefit from economies of scale in purchasing and distribution.

The risk that the integrated multi-channel business models of the TAKKT Group will be replaced by open, web-based marketplaces is also still considered to be calculable. While the success of such marketplaces in the B2C sector is mainly attributable to the pricing of the individual transaction and ordering convenience, other customer needs take priority in the B2B sector. Corporate customers are generally interested in a high-quality product range, professional advice and comprehensive after-sales service. This includes, for example, fulfilling guarantees, re-orders and replacements. The TAKKT products are intended to make commercial activities more productive and ensure a smooth process so that the customer can focus on their core line of business. Corporate customers are also interested in flexible, tailored pricing based on their needs, the product and the volume of their order. Electronic marketplaces can only provide such flexibility, differentiation and additional product-related services to a limited extent. Despite the strengths of marketplaces such as price setting and bundling many different product ranges, they are at a disadvantage compared to product specialists because they cannot fully meet the requirements of providing an attractive comprehensive package of product, service and price. In order to maintain this competitive advantage, TAKKT focuses on continuously improving the services around the actual product. As part of the digital transformation, TAKKT plans to make greater use of the possibilities to further differentiate itself from the competition in the future.

RISKS ARISING FROM CORPORATE STRATEGY AND POSITIONING

Manageable acquisition and integration risks
As part of its growth strategy, the TAKKT Group makes targeted acquisitions that bring added value to the portfolio in terms of regions, products, customers and new expertise. This is, on the one hand, associated with a host of opportunities. These are covered further on in this section. On the other hand, acquisition and integration risks could result from the following:

- The integration of acquired companies or their products and services into TAKKT's business activities may take longer or incur higher costs than expected.

- The development of growth and earnings that was assumed would take place with the acquisition does not occur.

- Goodwill or the remaining intangible assets may need to be written down due to business performance that is worse than expected.

TAKKT has decades of experience with acquisitions and is therefore well equipped to handle these risks. Acquisitions are carefully prepared and only carried out if there is a sufficient likelihood of the acquired company contributing to the success of the TAKKT Group in the long run. In view of this, the Group imposes stringent return requirements and conducts thorough due diligence before the acquisition.

Furthermore, companies are integrated into the Group according to defined processes that are based on past experience. If a company does not develop satisfactorily, TAKKT reacts quickly and introduces initiatives and countermeasures if necessary. In principle, all operational and strategic options are open, from continuing investments or changing the marketing strategy to repositioning, selling or phasing out the brand. The newly founded TAKKT investment company acquires shares in young companies with an innovative but not yet proven business model. The probability that these shareholdings turn out to have no substantial value is deemed to be higher. However, the investment amount is significantly lower than that of other acquisitions.

The annual impairment tests performed on goodwill in the year under review once again confirmed the value of these assets. No impairments had to be carried out in the past year. There are no apparent corresponding significant impairment risks.

Calculable implementation risk in relation to the digital transformation

In order to seize the opportunities of digitalization, TAKKT developed a digital agenda and Vision 2020. This includes doubling e-commerce business by 2020 and sustainably changing the organization. Capital and operational expenditures for the transformation are expected to come to EUR 50 million by 2020 and to lead to higher organic sales growth in the medium term. Delays could occur during the implementation of this agenda, causing goals or partial goals of projects or measures to be achieved late or results to be unsatisfactory. In addition, the implementation could incur higher costs than expected or not have the desired effect on sales and earnings figures.

TAKKT addresses this risk through a structured development of the individual digital agendas of the different divisions and a market-oriented decentralized implementation of the respective projects and measures. TAKKT AG supports this process through a central control system. The Group does this by relying on digitalization and project management experts within the company so that it can always keep a close eye on the implementation and success of the measures. This allows TAKKT to take early countermeasures and bring in external specialists as needed if there is a risk of deviating from the objectives.

No dependence on individual suppliers or customers

TAKKT is still not subject to any substantial risk with respect to dependency on individual suppliers (supplier risk). The company relies on an extremely fragmented pool of around 4,300 suppliers. It can fall back on alternative suppliers for nearly every product and ensures that nothing will change in this situation, even in the long term. Even in past crises, there was no consolidation of suppliers for the TAKKT Group's product range.

The TAKKT Group lessens its dependency on the sales side through the strongly diversified customer structure of its business model (customer risks). This includes companies from many different industries, such as the service sector, public authorities and the manufacturing industry. The focus has been shifting. While the majority of the Group's customers came from manufacturing just 25 years ago, this share has since decreased to just under 30 percent. TAKKT pursues the goal of achieving diversified share of sales with the manufacturing industry, the trade and service sector as well as non-profit and government institutions. The customer concentration is small. TAKKT generates a contribution to sales in the low single-digit percentage range in relation to Group sales with only very few customers. The loss of individual customers thus does not have a material impact on the Group. On the divisional level, and especially at MEG or OEG, the loss of a single customer or customer group can nevertheless have a noticeable effect on business performance.

TAKKT caters to customers of many different sizes – from self-employed people to hotel chains and public bodies as well as single workshops to large-scale manufacturing facilities. The customer base will broaden even further in the future thanks to e-commerce. Smaller buyers can be reached better and addressed more efficiently thanks to online channels. In addressing smaller customers, TAKKT plans to focus more strongly on individual solutions such as additional functions in the web shop (self-service). These can now be offered efficiently due to new technological possibilities. In turn, key customers are more closely tied to TAKKT by means of e-procurement as this channel makes purchasing easier and more efficient for them.

E-commerce with higher risk than traditional catalog business

E-commerce tends to be exposed to a higher risk at first than traditional catalog business because it is much easier to compare ranges and prices. In addition, technological progress on the internet forces business models to undergo constant change (technical innovations risk). Consequently, the content and structure of the web shop have to be adapted to the changing algorithms of the search engines in a continual basis so that its own offering does not fall behind in the ranking and the shops lose potential customers. TAKKT addresses this risk through the continuous management of online marketing measures and by optimizing them with regard to the constantly changing general conditions. By constantly developing its online marketing, the TAKKT Group closely observes technological trends and new developments and can implement them in its own solutions.

Flexible reaction to increasing purchasing prices

TAKKT is subject to the risk of not being able to pass on rising purchasing prices to the customers (price adjustment risks). The Group's multi-channel brands address this risk by continuously updating their catalogs and web shops. This enables them to react flexibly to changes in product availability and purchasing prices in most cases, if the competitive situation permits. Changes can be made even more quickly and more frequently for web-focused brands. If the cost of steel rises, for example, TAKKT can usually change its price quickly or offer an alternative product. The company also intentionally trades in durable goods that are neither perishable nor subject to risks from significant changes in technology or trends. The risk presented by rising prices is still limited on the whole as a result.

OPERATING RISKS

Low inventory risk

The TAKKT companies store a certain proportion of the products, depending on their business model, in order to guarantee fast, reliable delivery. Products obtained through direct imports are also stockpiled in larger volumes. However, TAKKT still does not deem risks from inventory assets to be significant. These encompass risks arising from aging as well as technical developments and changes in the pricing of the products (inventory risk). Tables, chairs and cabinets are standard articles that are always needed. In B2B business in particular, they are not subject to seasonal price fluctuations or short-term fads. Since the Group continually updates the product range, an item may be dropped from the catalog in the medium term yet still remain stocked in the warehouse. In this case, the product is sold at a special price or the company falls back on contractual return clauses that are generally arranged with a large number of suppliers for remnant stock.

Few logistics risks

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

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

TAKKT usually contracts external logistics companies to deliver its goods and, in choosing its logistics partners, pays particular attention to how attractive the costs are and their comprehensive expertise in delivering products to the very different regions. Fluctuations in fuel prices, car tax and tolls have hardly any impact on the Group's earnings. Shipping costs account for much less than ten percent of consolidated sales.

Low write-offs on receivables and guarantee claims

The risk of write-offs on receivables at TAKKT remains extraordinarily low with a write-off rate of less than 0.2 percent of sales. First, the company checks the creditworthiness of its customers and actively manages its receivables. Second, the average order value is low with a highly diversified customer structure. The rate of receivables that are written off therefore remains stable regardless of the economic cycle. The same applies to the average collection period. It measures the average period between the invoice issue date and payment receipt date. This came to 31 days in the year under review.

The number of customers claiming warranties and guarantees has also remained consistently low for several years. The right to return goods is only rarely exercised. TAKKT primarily sells durable products that are less likely to develop faults. The company gains additional security through contractual return clauses arranged with the majority of its suppliers. TAKKT protects itself against product liability risks through insurance policies.

Moderate personnel risks

The long-term success of TAKKT is largely dependent on qualified and motivated employees. Their expertise and dedication have a direct effect on business. In order to grow profitably in the future as well, TAKKT relies on always being able to acquire highly qualified employees and retain them for the long term. The digital transformation in particular poses TAKKT with the challenge of recruiting additional employees with specialized knowledge and ensuring targeted training of the existing employees. TAKKT plans to actively shape the internal cultural change with the newly created "Digital entrepreneurship" trainee program as well as by installing modern workplaces. This is supported by the introduction of new forms of collaboration and the creation of a "test and learn" culture. Through these measures, TAKKT aims to build even stronger employee loyalty and to increase identification with the company. Personnel risks due to employee turnover are by and large minimal because TAKKT has substitution and successor solutions in place in the event that an employee becomes ill or leaves the company. However, if staff illness or resignation occurs in key positions within the company that require special and more unusual qualifications, this could lead to longer vacancies.

Systematic protection of the production and distribution of printed advertising material

The printed catalog continues to be an important sales medium for the TAKKT Group. There is a risk that this advertising material could be damaged or lost before reaching the customer (advertising material risks). The company therefore selects all of its service providers carefully and pays particular attention that the advertising material remains undamaged during production and distribution. To minimize the risk of failure, the Group has its catalogs produced by several printers in different locations. Any loss or destruction of advertising media is covered by insurance.

Fluctuations in the price of paper and printing services also present a risk for TAKKT. Due to the high importance of print advertising in TAKKT's marketing mix, these costs are not insignificant. To ensure that short-term price fluctuations cannot impact on earnings, the Group has mostly longer-term printing contracts with reliable partners. TAKKT companies were not significantly affected by potential financial difficulties of individual printers in the year under review.

Reliable address database

The loss of customer data also presents potential risks for TAKKT. A high-quality and secure address database forms the foundation of the business of the TAKKT companies. The Group thus takes great care in protecting data relating to existing and potential customers. Security systems also ensure that only authorized personnel, as permitted by law, can access and process the addresses. The TAKKT Management Board assumes that possible tightening of data protection regulations driven by consumer protection will also take into consideration the special requirements of the B2B area in the future and not cause significant damage to the TAKKT business model.

Reliable and powerful IT, e-commerce and communication systems

TAKKT depends on powerful and reliable IT systems, such as database servers, ERP system software, product management systems and web shops. Data security and the smooth operation of systems therefore play an important role in the risk management of the Group (IT risks).

TAKKT's internal IT departments and outside specialists check the systems on an ongoing basis to ensure that they are working properly, are secured against unauthorized access and that the data can be restored without any problems. The Group has developed measurement systems and an IT security management plan based on a security analysis. For example, guidelines regulate all use of email, internet and IT systems. All staff members are required to agree in writing to comply with these rules.

Risks can also result from the introduction of new IT systems, especially from ERP systems. As part of the digital transformation, TAKKT plans further investments in the IT infrastructure in order to ensure the technical requirements for achieving the goals defined for 2020. The strategy that TAKKT uses to address the risks from the introduction of new IT systems includes project organizations and back-up solutions. At TAKKT EUROPE, the companies predominantly make use of central high-availability systems to protect data and functionality. A server processes day-to-day business, while special software copies all files to a backup system. This system provides services only in the event of server failure. At TAKKT AMERICA, the same risks are largely reduced with continual backups and external hardware capacity.

For business performance, it is also crucial that the companies be reachable via their web shops as well as by telephone without interruptions. In addition to continuous availability with regard to the web shops, performance (i.e., the technologically determined navigation speed in the web shop) is also important. In this regard, the TAKKT companies always rely on current web shop technologies. They thus provide a reliable and comfortable way to shop for their customers. The Group uses non-interruptible power supply and back-up systems in order to ensure telephone availability and protect itself against failures and faults. Calls can also be rerouted to other sites. The company continuously monitors how easy it is for customers to contact the companies' sales offices. TAKKT is able to flexibly align the telesales capacities with business volumes through these checks.

FINANCIAL AND LEGAL RISKS

As a globally operating company, TAKKT is exposed to financial risks. This concerns risks arising from fluctuations in exchange rates and market interest rates as well as from financing and securing liquidity. The goal of financial management is to monitor these risks continuously and limit them by means of operational and financial activities. Derivative financial instruments are only used for hedging. In addition, derivatives are carried out only with approved financial counterparties from the bank portfolio of the Group. These counterparties have to meet a specific creditworthiness rating. Counterparty default risk is continuously monitored.

Exchange rate risks: Transaction risks primarily hedged, translation risks primarily from fluctuating US dollar

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

- Transaction risks result primarily from buying and selling goods and services in different currencies. The Group protects itself against these risks by generally buying and selling products in the same currency. Transaction risks from fluctuating exchange rates remain for less than ten percent of consolidated sales – mainly from intercompany transactions. The open net items are identified based on the sales forecasts of the individual companies. The resulting currency risks are generally assumed by the respective service provider and hedged through derivative financial instruments to an amount of around 70 percent, preferably with forward foreign exchange contracts. The short-term transaction risk from currency fluctuations is therefore considered low. This also applies in the case of a sharper devaluation of individual local currencies such as the British Pound after the Brexit referendum in summer 2016. In general, forecast sales and cash flows are considered for the validity period of the current catalog.

- Translation risks arise for the TAKKT Group's balance sheet and income statement when the individual financial statements of foreign subsidiaries are translated into euros, the reporting currency. The fluctuations of the US dollar in particular therefore influence the absolute value of the financial key figures reported in euros (also see the explanations on page 92). TAKKT does not hedge against these risks as there are no economic grounds to justify putting proper hedging mechanisms in place.

Limiting interest rate risks through interest rate hedging

An interest rate risk results from market-based fluctuations in general interest rates. It affects the amount of interest payments as well as the market values of financial instruments. TAKKT protects itself against this risk through interest rate swaps. In order to ensure that the interest rates of long-term financial liabilities are hedged in the long term, the maturity periods of the hedges are based on the terms of the financial liabilities. The target hedge level is generally between 60 and 80 percent of the finance volume. This is how the negative effects of interest rate rises are contained. However, there is also the potential to profit from falling interest rates. The development of the hedging volume is mainly determined by the planned debt volume.

The hedging instruments held as of the reporting date are described in the notes to the consolidated financial statements starting on page 155. Quantitative information on all exchange rate and interest rate risks is also provided there, including sensitivity analyses on exchange and interest rate fluctuations. TAKKT does not face any material financial risks from changes in prices by using the above-mentioned currency and interest rate hedges.

Marginal liquidity risk – long-term financing secured

Potential risks may also arise for TAKKT through financing (financing risks). The Group monitors and manages the financial structure by means of long-term financial planning and self-imposed key figures (covenants), which are explained in the "management system" and "financial position" sections.

The company secures liquidity by using a diversified financing structure with different maturity dates. In addition to contractually committed credit lines from a broad pool of banks, TAKKT issued a promissory note (Schuldschein) in 2012 and also uses finance leases. As of year-end 2016, the committed free lines of credit have a volume of EUR 185.6 million.

Legal and tax risks as well as compliance risks without material impact on the economic situation of the Group

TAKKT Group companies are involved in litigation in day-to-day business both as plaintiff and defendant. These proceedings do not have a material impact on the economic situation of the Group, neither individually nor as a whole (legal risks).

Against the background of the trade policy discussions after the Brexit referendum and the US election, there is the risk that countries will increase import duties on imported goods. Direct imports in particular could be less attractive due to such trade barriers. The bulk of goods that the TAKKT companies sell, however, will still continue to be purchased from suppliers in their respective market. In addition, competitors would also be affected by such a development to a similar extent. TAKKT therefore considers the risk from increasing import duties as limited.

The increased public debt results in a greater number of tax audits in certain countries. However, TAKKT does not regard this as posing any significant additional tax risks. In contrast, it should be noted among the opportunities that TAKKT may benefit from the possible corporate tax reduction as a result of the new government in the US.

TAKKT is subject to different compliance requirements such as in antitrust law or capital markets. Non-compliance can lead to legal consequences and sanctions and ultimately have a negative impact on earnings. In order to address this risk, the Group pursues a central compliance management strategy, trains employees in the respective issues and has set up a hotline for reporting possible violations. The occurrence of compliance risks is classified as unlikely.

OVERALL ASSESSMENT OF THE MANAGEMENT BOARD: NO RISKS TO THE GROUP AS A GOING CONCERN RISKS

In the 2016 financial year, the risk landscape of the TAKKT Group remained largely unchanged compared to the previous year with a balanced distribution of opportunities and risks. Based on the information currently available, the Management Board does not believe that there are any risks at present or in the forecast period that may be a risk to the Group as a going concern or significant risks that go beyond the ordinary business risks. The business model generates strong cash flows and the company has solid financing. This means that neither the risks as a whole nor a renewed global recession would threaten the viability of the Group as a going concern.

The most significant risk for the TAKKT Group, which is also a noteworthy opportunity, continues to be the development of the economy. It is generally regarded as equally probable that the economy will boom or will go into recession. In the event of a global recession of the same scale as in 2009 with an organic decrease in sales of slightly more than 25 percent, EBITDA decreased by around 50 percent.

A second important risk for the sales and profit figures reported in euros is the pure translation risk from exchange rate changes – especially the relationship of the US dollar to the euro. A decrease or increase in value of the US dollar in comparison to the euro is regarded as equally probable. A devaluation of the US dollar against the euro of five percent would result in a decrease in sales of between 2 and 2.5 percentage points.

Risks from the failure or the introduction of the IT or direct marketing infrastructure are also important for the company since a functioning IT infrastructure and logistics are key for carrying out the operational business. The likelihood of these risks occurring is considered to be very low, with a possible adverse effect on earnings up to a low double-digit amount in millions of euros.

There is also the risk that sales and gross profit could be negatively affected by the entry of new aggressive web-focused competitors. The probability of an entry of said risk is considered to be small due to the market entry barriers in B2B direct marketing for business equipment and the observation that the competitive aggressiveness of new competitors after entering the market is often not strong. The possible negative impact on results is estimated at a low double-digit amount in millions of euros.

Another significant risk could arise from the integration and continuation of an acquired company not progressing as positively as expected. The risk of this occurring is deemed to be low. This could have a short-term impact on the result in the medium single-digit million-euro range. In addition, a reduction in the long-term forecast of the business development of an acquired company below the original expectations could lead to impairment of the goodwill or remaining intangible assets. A negative effect on earnings resulting from reporting could also be in the double-digit million-euro range.

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

OPPORTUNITIES OF THE TAKKT GROUP

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

Digitalization and cultural change

The progressing digitalization is a key strategic issue for TAKKT. The behavior of the customer and technological possibilities as well as work environments and the accompanying internal processes are changing rapidly. The business model of B2B direct marketing can reap significant benefit from this development and thus gain market shares. In addition to the impact on the information-gathering and purchasing behavior of TAKKT customers, the processes along the value chain are also affected by the digitalization. The defined goal is to leverage the potential along the value chain and to make the advantages of digitalization tangible and usable for the customers.

In recent years, TAKKT has invested in combining and linking the sales and marketing media of print, online, telesales and field activities through the Group-wide DYNAMIC initiative in order to target customers through their preferred medium. Moreover, in 2016 TAKKT developed a digital agenda in a structured process, which will be implemented in the different divisions of the TAKKT Group by means of projects and measures. To do this, TAKKT will invest up to EUR 50 million in employees and technologies by the year 2020. TAKKT also wants to accelerate the digital transformation process in the Group by creating a “test and learn” culture and focusing on the constantly changing needs of the customer at all times. In addition, TAKKT aims for increased sharing of knowledge and experience with the agile and tech-savvy start-up community in order to promote and facilitate the desired change in the company. To this end, TAKKT acquires minority interests in young companies with strong potential for growth through a newly established investment company.

Implementation of the digital transformation will be given absolute priority in all plans and decisions. Successful implementation of the digital agenda presents a significant opportunity for TAKKT to improve its position in the market. The goal therefore is to double the volume of e-commerce business by 2020 and increase organic sales growth in the medium term.

Shifting demographics: New opportunities with online channels and e-procurement

TAKKT expects opportunities for increasing order intake and sales through the expansion of online and e-procurement activities. The number of users who grew up with the internet ("digital natives") is constantly increasing. Targeted product selection is becoming increasingly easier with better search functionality. TAKKT is responding to these trends with a sophisticated online strategy. TAKKT's traditional business via the familiar multi-channel brands and the use of web shops and e-procurement addresses customers who have greater service and consulting demands and for whom process costs are a predominant concern. Walk-in customers with lower service and consulting requirements are served via the web-focused brands and their web shops. This presents a competitive advantage for TAKKT compared to new purely online competitors because the Group can use the existing back-end infrastructure to tap into additional target groups by means of new sales brands and alternative sales channels.

Increasing diversification of the business model

TAKKT plans to use an active portfolio management strategy for broad diversification of the business model at product, customer and regional level. This allows the Group to minimize their dependence on individual industries and regions and thereby ensure stability and continuity even in difficult economic times.

- Regional diversification makes it possible to partially offset economic fluctuations and loss of sales in individual target markets through sales growth in other regions. For example, as in the previous year TAKKT benefited from the strong performance in North America compared to Europe in the year under review and was able to record an overall positive development of sales as a result.

- TAKKT has also expanded its business model to other product groups through the acquisitions of Hubert (2000), National Business Furniture (2006), Central (2009), GPA (2012), Ratioform (2012) and Post-Up Stand (2015). This has opened up new product groups for food service supply, office furniture, packaging solutions, promotion and customized advertising displays.

The Group aims to diversify even further by acquiring market-leading B2B direct marketing companies in other sectors as well as by expanding existing business models to other regions and adding more product groups.

Additional potential acquisitions and start-ups

Other opportunities for Group sales and profitability will be created through potential additional acquisitions in the years to come. TAKKT has long-standing experience with integrating new companies and business models into the Group. High demands are put on the growth prospects, profitability and business model of the target company. TAKKT is able to participate in growth trends in selected industries through targeted company acquisitions and to record above-average gains. In recent years, TAKKT has benefited greatly from the additional contributions to sales and earnings through acquisitions. In addition, the company gained special expertise through these acquisitions. This expertise can now be used throughout the Group. Exploring and taking advantage of value-creating acquisition opportunities continues to be a priority even after the recent company acquisitions in 2015. TAKKT also plans to expand existing business models where economically feasible through roll-outs to new markets. Apart from acquisitions and start-ups, active portfolio management also includes the periodic review of existing activities and the discontinuation of local subsidiaries whose performance with respect to the value and growth drivers does not meet the long-term requirements of the Group.

Sustainability initiatives

TAKKT has achieved its goal of becoming the role model for sustainability in the industry by 2016, especially with respect to purchasing, marketing and logistics. Sustainability has been an integral part of the corporate strategy at TAKKT for many years. B2B customers are increasingly deciding in favor of sustainably operating business partners who actively manage their entire value added chain according to economic, environmental and social concerns. TAKKT sees the great opportunity of being able to use its role as a trailblazer in sustainability early on as a unique selling point in its industry. It is convinced that providers who focus on sustainability will be better able to survive the competition in the long run. TAKKT is once again pursuing ambitious goals for the period up to 2020. These can be found on page 56 of this annual report as well as in the sustainability update of the TAKKT Group.

Further development of IT applications

TAKKT has already begun in numerous Group companies to optimize the complex IT processes for enterprise resource planning and purchasing and to build media-neutral product databases that deliver uniform product data regardless of the sales and marketing channel. This is an important requirement for successful implementation of the digital transformation and realization of the related growth opportunities.

Increased use of new technologies

Established providers like TAKKT generally have a proven IT infrastructure that has grown over the years. This infrastructure ensures the processes in ongoing operations such as product data in the web shop or when processing order data. In addition to this infrastructure designed for reliability and stability, an opportunity arises for TAKKT to quickly develop new solutions based on new technologies and organizational units and to introduce these to the market. This allows TAKKT to react quickly and flexibly to new customer requirements and changes in behavior patterns, thus setting itself apart from the competition. Examples of relevant solutions include developing and providing apps, connecting external solutions easily by creating standardized interfaces, analyzing customer data in the web shop in real time or implementing new collaboration tools for dialog with customers.

Good access to capital

TAKKT has good access to capital due to a diversified and long-term oriented financing structure. For short-term acquisition opportunities, there are sufficient undrawn credit lines available with a volume of more than EUR 180 million. As a market-listed company, TAKKT can also use the equity market for the raise of capital in the event that the opportunity arises for the Group to make an acquisition that cannot be solely financed with debt capital.

FORECAST REPORT

CAUTIOUS ECONOMIC EXPECTATIONS IN NORTH AMERICA AND ESPECIALLY IN EUROPE WITH GENERALLY INCREASED UNCERTAINTY

The economic improvement of the market is a significant factor with respect to the extent that the TAKKT Group will be able to use the opportunities described in the risk and opportunities report. According to the company, Europe and North America, the important regions for TAKKT, will develop differently in 2017:

- For the eurozone, TAKKT anticipates slightly lower economic growth for 2017 compared to the previous year. The GDP growth rate for Germany in particular is expected to be lower than in 2016. The main reasons for the economic uncertainty in the eurozone are the effects of the Brexit decision, which are difficult to gauge, the unresolved issue of how to deal with the refugee crisis and the risks in the banking system. The economic forecast of the International Monetary Fund (IMF) anticipates GDP growth for the eurozone of around 1.6 percent in the forecast period, following an increase of 1.7 percent in 2016. According to the European Commission, GDP growth of 1.6 percent is also predicted in Germany.

- According to the IMF, the comparatively weak GDP growth in North America in 2016 should accelerate again slightly in 2017. TAKKT expects that with GDP growth of 2.3 percent, the rate of growth for the US could be above that of 2016 (1.6 percent). After the outcome of the presidential election in the US, however, there is a certain degree of uncertainty about the future economic development in North America. While possible tax cuts and investment programs could have a positive impact, a more protectionist economic policy as well as other not yet foreseeable influences could have damaging consequences.

Significant economic risks are expected for Europe as well as North America for 2017. In addition to the as yet unresolved debt and structural problems in Europe, these are mainly due to the announced withdrawal of the UK from the EU (Brexit) and the outcome of the presidential election in the US. These risks are difficult to depict in the growth forecast and could have negative effects on the global economy. This would, in turn, affect the aforementioned expectations for GDP growth.

SHORT-TERM EARLY INDICATORS POINT TO SOLID START IN 2017

The statements regarding the fundamental business prospects are complemented by the performance of significant industry indicators. For example, purchasing manager indexes are reliable indicators of the order trend in the European BEG division with a time delay of three to six months. Values under 50 points generally result in a decline, while values above 50 points bring about a year-on-year increase in order intake. In 2016, the values for Europe pointed to a good development with an upward trend starting from September. In January 2017, the figures for Germany (56.4) and Europe (55.2) were above the 50-point threshold according to the research institute Markit Economics. TAKKT therefore expects a positive environment for BEG in the first half of 2017.

The rest of the indicators also point to a positive development in the individual industries. The RPI, an indicator for the TAKKT MEG and REG divisions, was consistently over the 100-point mark with the exception of August 2016. As of the summer of 2016, however, the reference value of 100 was exceeded to a lesser extent than in the preceding months. In January 2017, the index was just above the expansion threshold of 100 with 100.1 points. This indicates a stable development for restaurant operators in the US. General industry analyses for the US food service market also give a rather moderate forecast. For the US office furniture market, TAKKT once again expects a friendly environment in commercial office real estate based on industry analyses regarding investments in the construction sector.

LONG-TERM ORGANIC GROWTH PATH EXPECTED TO CONTINUE

For around the past 30 years, the Group has been growing by almost ten percent each year on average – including the sharp decline in 2009. Organic and acquisition-related growth each contributed around half to this. The long-term average derived from organic growth is a result of periods of average growth (such as 2010, 2011, 2014, 2015 and 2016), phases with below-average or negative performance (such as 2008, 2009, 2012 and 2013) and in periods such as 2006 and 2007 in which TAKKT experienced above-average organic growth. The management is convinced that the TAKKT Group can remain on this growth path in the medium and long term. Developments in the years to come are strongly dependent on the performance of the economy in the US and Europe due to the cyclical nature of the business.

When forecasting the development of the Group's sales for 2017, from today's perspective there are no effects from acquisitions that need to be taken into consideration. The Management Board currently considers the following scenario for 2017 to be probable. TAKKT expects GDP growth in Europe to be slightly below the level of 2016. For the US, it estimates a higher growth rate than in the previous year. TAKKT does not believe that the global economic uncertainties will have an additional negative impact on the business climate. Under these circumstances, the Group should be able to achieve an increase in organic sales of two to five percent. The number of orders should develop more strongly than the average order value. The number of orders is expected to be above the level of the previous year.

Should the business environment not develop as expected due to the stronger negative economic impact from the announced withdrawal of the UK from the EU (Brexit) or the outcome of the presidential election in the US, TAKKT will only be able to achieve a minimal increase or even a slight decrease in organic sales in 2017. In the event of positive economic data, TAKKT should benefit from this economic upturn and be able to increase organic sales by over five percent.

US DOLLAR AFFECTS KEY FIGURES

TAKKT generates around half of its sales in North America. Fluctuations in the exchange rate of the US dollar therefore have a significant impact on the Group's key figures reported in euros (translation risk). When translated into the reporting currency of euros, a strong US dollar leads to higher sales. When the dollar is weak compared with the euro, Group sales are diminished. This can be illustrated using the following scenarios:

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

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

To illustrate currency effects clearly and depict business performance objectively, the Group does not only report sales changes in the reporting currency but also adjusts for currency effects. TAKKT also transparently shows the effects of acquisitions and disposals on sales in all financial reporting. The sales forecast in this case – unless stated otherwise – always refers to organic data, i.e., data adjusted for currency, divestment and acquisition effects.

EBITDA MARGIN EXPECTED TO BE IN MIDDLE OF TARGET CORRIDOR DUE TO IMPLEMENTATION OF THE DIGITAL AGENDA

The Management Board confirmed its goal of keeping the gross profit margin of the Group above the 40 percent mark for the long term. For 2017, TAKKT expects a stable gross profit margin at TAKKT AMERICA and a slight decrease at TAKKT EUROPE. The gross profit margin of TAKKT EUROPE will be adversely affected by several factors, including an adjustment of the price level to reflect market conditions at Ratioform in Germany. In addition, the gross profit margin of the activities in the UK is expected to be negatively impacted as a result of the weaker British pound. Furthermore, in the event of an additional increase in the business share of TAKKT AMERICA, a slight negative structural effect on the gross profit margin at the Group level can be expected. TAKKT AMERICA generates structurally lower gross profit margins than TAKKT EUROPE.

In the expected business environment, the EBITDA margin of the Group should fall in the middle range of the target corridor of 12 to 15 percent and thus below the figure of 15.2 percent reported for 2016. Based on the reported EBITDA margin, it should first be noted that in 2016 the adjustments of the outstanding variable purchase price liabilities for BiGDUG and Post-Up Stand resulted in one-time gains of EUR 8.6 million. Adjusted for this effect, the EBITDA margin in 2016 was 14.5 percent. In addition, the EBITDA margin of the 2017 financial year will be more adversely affected than in 2016 due to expenses related to the digital agenda and to a minor extent by the still outstanding activities from the DYNAMIC initiative. In total, these could have a negative impact on EBITDA profitability of up to one percentage point. In addition, the higher rate of operational growth of TAKKT AMERICA compared to TAKKT EUROPE could have a slightly negative structural effect on the EBITDA margin for the Group.

At the segment level, an EBITDA margin below the figure reported in 2016 (19.0 percent) is expected for TAKKT EUROPE in organic terms. First, the one-time gains from the adjusted valuation of the outstanding variable purchase price liabilities for BiGDUG in the amount of EUR 4.5 million had a positive effect on profitability in 2016. Also important to take into consideration are the expenses expected for implementation of the digital agendas, which will probably negatively impact profitability by more than one percentage point in 2017. Profitability for TAKKT EUROPE is still expected to be significantly above the Group average.

For TAKKT AMERICA, a lower reported EBITDA margin compared to 2016 (13.7 percent) is also expected. The one-time gains in 2016 from adjustment of the purchase price liability for Post-Up Stand in the amount of EUR 4.1 million should be noted here as well. For 2017, the activities related to the digital transformation are also expected to have a negative impact at TAKKT AMERICA. This will most likely be in the range of one-half to one percentage point. However, this will be countered by the positive effect resulting mainly from the expected operational improvement of business in the divisions. Overall, the EBITDA margin at TAKKT AMERICA should once again reach the lower third of the Group's target corridor of 12 to 15 percent.

If the business environment is worse than expected, an EBITDA margin of the Group in the lower half of the target corridor cannot be ruled out. In the event that business performance surpasses predictions, the stronger growth could also have an impact on the EBITDA margin. Similarly, the EBITDA margin of TAKKT EUROPE and TAKKT AMERICA are positively or negatively affected by a corresponding deviation from the expected general conditions.

TAKKT CASH FLOW STILL AT HIGH LEVEL

The previously mentioned positive one-time gains contributed to TAKKT cash flow in 2016. No corresponding effects are expected for 2017. In addition, the costs related to digitalization will have a negative effect on TAKKT cash flow. The development of TAKKT cash flow in 2017 is therefore expected to be at the level of the previous year or slightly weaker. The related TAKKT cash flow margin should be above the target value of eight percent as in 2016.

In the 2017 financial year, capital expenditures for the expansion, modernization and rationalization of the existing business are expected to be at the upper end of the long-term targeted benchmark of between one and two percent of sales or slightly above. One focus of this involves the capital expenditures in connection with the implementation of the digital agenda as well as the ongoing activities for expanding and restructuring the IT infrastructure in Europe and the US. In addition, moderate capital expenditures in relation to the warehouse structure in the TAKKT AMERICA segment are expected for 2017.

ROCE AND TAKKT VALUE ADDED ALSO NEGATIVELY AFFECTED BY EXPENSES IN CONNECTION WITH THE DIGITAL TRANSFORMATION

The development of the key figures for ROCE and TAKKT value added is also likely to be negatively affected in 2017 due to the earnings trend described as well as the influences from the positive one-time gains in 2016 and expenses for implementation of the digital agenda in 2017. Given the general conditions expected, a decrease is anticipated for ROCE and the TAKKT value added compared to 2016. Both values will be above the target value stated in the "Management system" section, which anticipates a ROCE of well over twelve percent and a markedly positive TAKKT value added.

DEBT REPAYMENT AND IMPROVEMENT OF THE INTERNAL COVENANTS

In the 2017 financial year, the traditionally high free cash flows are expected to once again benefit from the fact that no extraordinarily high capital expenditures are planned for the expansion, modernization or rationalization of the infrastructure. Without additional company acquisitions, which are always possible if favorable opportunities arise, this should also lead to quick debt repayment and continued improvement of the self-imposed covenants in 2017 as well. If TAKKT does make an acquisition in 2017, changes in equity ratio and gearing as well as the debt and interest cover ratio will occur depending on the amount and financing of the purchase price. Even in the case of acquisitions, Management at TAKKT expects to be able to maintain the self-imposed targets set for internal covenants. The definition and target corridors of the covenants are described in greater detail in the "Management system" and "Financial position" sections of this annual report.

RELIABLE DIVIDEND POLICY

The section "TAKKT share and investor relations" describes the Group dividend policy, which targets a payout ratio between 35 and 45 percent of the profit for the period. The Management Board and Supervisory Board will propose to the Shareholders' Meeting in May 2017 that a dividend of EUR 0.55 per share be paid for the 2016 financial year. This would correspond to a payout ratio of 39.5 percent.

GENERAL STATEMENT ON ANTICIPATED DEVELOPMENT OF THE GROUP

In view of the opportunities presented, TAKKT anticipates a continued positive development of business performance in the years to come. This requires an overall positive economic environment. Under these conditions, organic sales growth of between two and five percent is expected. Due to expenses in connection with the digital agenda, profitability in 2017 is expected to be in the middle of the target corridor for the EBITDA margin of 12 to 15 percent. TAKKT cash flow as well as the TAKKT value added and ROCE are expected to decrease, particularly due to the expenses for digitalization in 2017. The medium-term goal is to increase organic sales growth through implementation of the digital agenda. This combined with the subsequently lower digitalization costs should also result in improved relative key figures such as the EBITDA margin.

GUARANTEE

This annual report and the forecast report in particular include forward-looking statements and information. These statements are estimates made by TAKKT Management based on all the information available to them when the annual report went to press. Should the basic assumptions not be realized or other opportunities and risks arise, the actual results may differ from those expected. For 2017, this also applies to the uncertainties which could arise from possible tax or commercial law changes in connection with the new US government. TAKKT Management therefore cannot accept any liability for these statements.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Good corporate governance increases the company's value in the long run. Values like responsibility, reliability and trust are therefore a priority at TAKKT. The Group views transparent dialogues with its interest groups as the foundation of its corporate success.

COMMITMENT TO THE GERMAN CORPORATE GOVERNANCE CODE

TAKKT expressly supports the aims and requirements of the German Corporate Governance Code (DCGK). This underlines the value placed upon responsible corporate management at TAKKT. In December 2016, the Management and Supervisory Boards therefore renewed their declaration of general conformity with the latest version of the recommendations made by the German Corporate Governance Code Government Commission according to section 161 of the German Stock Corporation Act (AktG). The declaration of conformity is reproduced verbatim at the end of this corporate governance report and its latest version can also be found at www.takkt.com.

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

- Due to the modest size of the Supervisory Board of six members, it does not consider the additional establishment of an auditing and nomination committee to be necessary.

- Since the Chairman of the Supervisory Board and all members of the Supervisory Board are informed of the business developments in writing on a continuous basis, the Supervisory Board does not consider it necessary for the entire Supervisory Board to discuss the quarterly and half-year financial reports.

According to clause 4.2.4 of the DCGK, the compensation of the Management Board at TAKKT will be disclosed individually for the first time in the 2016 financial year. Due to the exempting resolution of the Shareholders' Meeting in 2011, this was not done up to and including the 2015 financial year. In the year under review, TAKKT made a conscious decision to disclose the total remuneration of each member of the Management Board by name as proof of their commitment to the DCGK. The members of the Supervisory Board receive solely a fixed amount, which is also disclosed individually. Detailed information on this can be found in the remuneration report.

PARTICIPATION AT THE SHAREHOLDER'S MEETING

Shareholders have the opportunity to exercise their statutory rights at the annual Shareholders' Meeting of TAKKT AG. They can vote either personally or by proxy on the relevant items on the agenda. They may also cast votes by mail. The procedure for registration and proof of eligibility used at the Shareholders' Meeting of TAKKT AG is in accordance with the stipulations of German stock corporation law and with international standards. All shareholders who would like to attend a Shareholders' Meeting of TAKKT AG and exercise their right to vote are required to register and prove that they are eligible to participate and vote at the meeting. Details of the conditions for registration and participation are announced in the invitation to every Shareholders' Meeting.

CLOSE COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

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

The Management and Supervisory Boards at TAKKT work together in keeping with the motto of "together, we can achieve more." The Management Board steers the company, develops strategies, implements these strategies in the company's operating business and ensures effective risk management. Important decisions are made by the Management Board in coordination with the Supervisory Board. The Management Board also informs it regularly about important changes in the company, its environment, its strategy and its 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. The Supervisory Board also appoints the auditors in accordance with the resolution passed at the Shareholders' Meeting.

In accordance with the articles of association, the Supervisory Board of TAKKT AG consists of six members. The personnel committee consists of three members and one of its tasks is to prepare issues in connection with the employee contracts of the Board Members. If members of the Supervisory Board intend to have additional contracts of service with the company, its approval is also required. There are currently no such contracts of service.

The personnel committee currently consists of Mr. Stephan Gemkow (Chairman), Dr. Johannes Haupt (Deputy Chairman), and Prof. Dr. Dres. h.c. Arnold Picot.

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

DIVERSITY ON THE SUPERVISORY BOARD

Given the company purpose, its size and the share of international business, the Supervisory Board of TAKKT AG strives to take the various principles into account with regard to its composition as per 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. In accordance with the requirements of the law on equal opportunities for women and men in management positions, the Supervisory Board set a target of one woman in the case of six members for the share of women on the Supervisory Board in the 2015 financial year. This target was also met in the 2016 financial year. The Supervisory Board reviewed the target achieved for the Supervisory Board in its December meeting and continues to deem it appropriate. Given the current make-up of the Supervisory Board, the experience and qualifications of its members, the environment in which TAKKT AG operates and the existing rules of procedure for the Supervisory Board, TAKKT believes that it fulfills the requirements of the German Corporate Governance Code. The Supervisory Board will continue to take account of the above-mentioned goals and the principles associated with it in the future. The existing target for the Management Board (the status quo) was also reviewed in the Supervisory Board's December meeting. The Supervisory Board also continues to deem this target appropriate. Both targets were codified again until December 31, 2021.

As of December 31, 2016, there is not yet any female representation at the relevant management levels of TAKKT AG below the Management Board. The status quo continues to be the target quota for this until 2017. The goal for 2022 is to have at least ten percent of the positions of these management levels filled with female executives. TAKKT wants to go beyond the minimum requirements at the TAKKT AG level. The Management Board therefore approved additional targets for BEG, the largest division in the Group (without the newly acquired BiGDUG in 2015). Detailed information on the targets set can be found on page 59 of the "Sustainability and employees" section.

Pursuant to clause 5.4.1 of the DCGK, a regular limit of three terms is defined for the length of membership on the Supervisory Board. In compliance with 5.4.2 of the DCGK, the Supervisory Board should also have at least two independent members.

Additional information about the corporate management in accordance with section 289a of the German Commercial Code [HGB] (Declaration on Corporate Governance) can be found on the TAKKT website.

COMPLIANCE

TAKKT AG attaches the highest priority to its compliance with all statutory and contractual obligations associated with responsible corporate governance. The Management Board also takes care to ensure that internal corporate guidelines are adhered to. TAKKT has a system of ordinary scope, which is checked by the specialist departments and the Group's compliance officer. As a rule, these measures allow possible breaches to be identified quickly. In addition to the existing standard compliance rules (e.g., relating to anti-corruption, anti-discrimination, etc.), TAKKT also has a whistleblower hotline set up with an external service provider where employees can, to the extent permitted by law, report violations. In addition, TAKKT has expanded the existing system where employees are trained in compliance-related issues by means of an electronic platform and receive a certificate after successful completion of a test.

RISK MANAGEMENT

Taking a responsible approach to business-related risks is a fundamental principle of good corporate governance. The Management Board and Management of TAKKT AG make use of reporting and control systems throughout the Group to record, assess and manage these risks. The systems are continuously enhanced, adapted to changes in underlying conditions and checked by the Group auditor. The Management Board regularly informs the Supervisory Board about significant risks and their development. Details on risk management as well as the accounting-related internal control system are described in depth in the risk and opportunities report.

INTERNAL CONTROL SYSTEM

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

INTERNAL AUDIT

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

DIRECTORS' DEALINGS

On December 31, 2016, the members of the Management and Supervisory Boards held a total of 3,676 (3,676) shares in TAKKT AG. This is much less than one percent of the TAKKT shares issued. According to section 19 of the Market Abuse Regulation (MAR), executives as well as (natural and legal) persons closely associated with them of a company listed on the regulated market must notify the respective issuer and the German Federal Financial Supervisory Authority (BaFin) if they buy or sell shares or related financial instruments at a value exceeding EUR 5,000 in the course of a calendar year. The company was not informed of any such notifiable transactions in the year under review.

SHARE OWNERSHIP

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

SEGMENTS SHAPE THE DEVELOPMENT OF TAKKT AG

The Group's parent company, TAKKT AG, operates purely as a management holding company. It is responsible for managing all of the companies according to the same value and growth drivers as well as for developing the Group strategy. The operating business is handled within the segments. Their results therefore have the greatest influence on the net assets, financial position and results of operations as well as the opportunities and risks for the future development of TAKKT AG.

INFORMATION REQUIRED UNDER TAKEOVER LAW

According to section 289 (4) and section 315 (4) no. 1–9 of the German Commercial Code (HGB), the following details must be disclosed regarding TAKKT AG and the TAKKT Group:

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

As of December 31, 2016, TAKKT AG is a 50.2 percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg, Germany. There are no other shareholders holding more than ten percent of voting rights.

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

In accordance with the resolution passed at the Shareholders' Meeting of May 6, 2014, the Management Board is authorized to increase the share capital subject to the approval of the Supervisory Board, once or several times, by an amount of up to EUR 32,805,165 by issuing new no-par-value bearer shares by May 5, 2019, taking shareholders' subscription rights into account.

In addition, the Management Board is authorized, according to the resolution of the Shareholders' Meeting on May 6, 2014, subject to section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to acquire treasury shares up to an amount of ten percent of issued capital. A reverse subscription right or 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 authorization in total or in smaller amounts, once or several times, in the pursuit of one or more objectives until May 5, 2019.

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

On the reporting date, financial liabilities from promissory notes (Schuldschein) investors and various financial institutions came to over EUR 141.4 million which were subject to a change of control clause as per sections 289(4) no. 8 and 315(4) no. 8 of the German Commercial Code (HGB). No further disclosures are provided according to the second half-sentence of the relevant regulation.

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

DEPENDENCE REPORT SUBMITTED

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. The dependence report comes to the following conclusion: "In summary, we can state that TAKKT AG has received adequate payment for every transaction, according to the circumstances known at the time when the transactions were undertaken, and was not put at a disadvantage as a result of the measures."

DECLARATION OF COMPLIANCE PURSUANT TO PARAGRAPH 161 GERMAN STOCK CORPORATION ACT (AKTG) AS OF DECEMBER 31, 2016

The Management and Supervisory Boards of TAKKT AG declare that the recommendations of the Government Commission on the German Corporate Governance Code [Regierungskommission Deutscher Corporate Governance Kodex], published by the Federal Ministry of Justice [Bundesministerium der Justiz] in the official part ("amtlicher Teil") of the Federal Gazette [Bundesanzeiger], as amended on 05 May 2015, are being complied with. The Management and Supervisory Boards further declare that the recommendations of the Government Commission on the German Corporate Governance Code [Regierungskommission Deutscher Corporate Governance Kodex], as amended from time to time, have been complied with since the last declaration. The following exceptions apply:

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

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

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

Stuttgart, December 31, 2016

On behalf of the Supervisory Board of TAKKT AG
Stephan Gemkow, Chairman of the Supervisory Board

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

REMUNERATION REPORT

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

MAIN COMPONENTS OF THE REMUNERATION SYSTEM

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

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

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

NON-PERFORMANCE-RELATED REMUNERATION COMPONENTS

Fixed basic salary

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

Fringe benefits

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

PERFORMANCE-RELATED REMUNERATION COMPONENTS

Bonus

The operating result of the financial year in question in form of the EBIT (earnings before interest and taxes) serves as the basis of valuation for the annual bonus. The annual bonus is based on a sharing model, which means that the EBIT as basis of valuation will be multiplied with a profit-sharing rate. The profit-sharing rate is specific to each person and calibrated based on a longer-term reference period. The figures from the annually updated stategic planning for a fixed period of four years as well as the actual figures from the past financial years form the basis for this. This long-term consideration of EBIT development serves to align the bonus to a sustainable corporate performance. Its aim is to prevent the incentivization of the Management Board from being influenced too much by the annual budget or short-term measures to increase income or value.

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

Performance cash plans

The performance cash plans are launched each year and paid out in cash after a period of four years depending on whether the relevant targets are met. For 2016, a performance cash plan has been granted that is valid until 2019. The Supervisory Board decides at its discretion about the conditions and scope of the performance cash plan to be issued in the year in question. The terms have not changed significantly compared to the previous year. The amount of the performance cash plan to be paid out depends on two predefined performance goals:

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

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

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

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

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

MANAGEMENT BOARD REMUNERATION IN 2016 ACCORDING TO HGB

Total remuneration

The payments for acting members of the Management Board of TAKKT AG in the 2016 financial year come to a total of EUR 3,230 thousand (EUR 3,201 thousand). Of this, EUR 1,148 thousand (EUR 1,047 thousand) relate to non-performance-related components and EUR 2,082 thousand (EUR 2,154 thousand) to performance-related components.

The reported expenditure for the bonus of EUR 1,600 thousand (EUR 1,706 thousand) includes the release of provisions in the amount of EUR 60 thousand (excess expenditure of EUR 107 thousand in the previous year). The release amount in 2016 came to EUR 26 thousand (excess expenditure of EUR 61 thousand in the previous year) for Dr. Felix A. Zimmermann, EUR 17 thousand (EUR 0 thousand in the previous year) for Dirk Lessing and EUR 17 thousand (excess expenditure of EUR 46 thousand in the previous year) for Dr. Claude Tomaszewski.

The remuneration for the performance cash plan 2016 comes to EUR 482 thousand (EUR 448 thousand) and corresponds to the value of the performance cash plan established in the respective financial year as of the date it was granted.

Disclosures in accordance with IFRS 2

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

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

Total remuneration of the Management Board *in EUR thousand*

2016

	Non-performance-related remuneration		Performance-related remuneration		**Total**
	Basic remuneration	Fringe benefits	Bonus	Performance cash plan 2016	
Dr. Felix A. Zimmermann	470	11	708	212	1,401
Dirk Lessing	325	10	446	135	916
Dr. Claude Tomaszewski	325	7	446	135	913
	1,120	**28**	**1,600**	**482**	**3,230**

2015

	Non-performance-related remuneration		Performance-related remuneration		Total
	Basic remuneration	Fringe benefits	Bonus	Performance cash plan 2015	
Dr. Felix A. Zimmermann	420	11	769	178	1,378
Dirk Lessing	300	9	445	135	889
Dr. Claude Tomaszewski	300	7	492	135	934
	1,020	**27**	**1,706**	**448**	**3,201**

The total cost for the long-term performance cash plans came to EUR 2,589 thousand (EUR 1,065 thousand) in the year under review. Of this, EUR 1,179 thousand (EUR 452 thousand) were allotted to Dr. Felix A. Zimmermann, EUR 579 thousand (EUR 268 thousand) to Dirk Lessing and EUR 831 thousand (EUR 345 thousand) to Dr. Claude Tomaszewski.

The fair value of the performance cash plans 2013, 2014, 2015 and 2016 (2012, 2013, 2014 and 2015) as well as the respective provision come to EUR 4,486 thousand (EUR 2,836 thousand) as of the end of the reporting period.

BENEFITS IN THE EVENT OF TERMINATION OF SERVICES

Pension and survivors' benefits

Management Board members receive an entitlement for pension and survivors' benefits, with annual contributions amounting to ten percent of the sum of their basic salary and target bonus. Contributions are only granted as long as the individual is appointed to the Management Board. The target bonus corresponds to a target achievement of one hundred percent. Interest rates of six percent p.a. are granted for contributions until pension payments begin. Board members are entitled to pension payments when they leave the company but not earlier than the member's 60th birthday. In the case of disability or death, the amount from the pension plan paid out or annuitized is equivalent to what would have been paid if contributions had been made up to the age of 63. Starting in 2017, this commitment will be partially secured against insolvency with standard market products via a contractual trust agreement.

The table below lists the service cost and present value of pension obligations for the members of the Management Board.In the current year, a service cost for the Board members in the amount of EUR 434 thousand (EUR 452 thousand) was recognized as expenses in accordance with IAS 19.

Payments in the event of early termination

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

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

MANAGEMENT BOARD REMUNERATION IN 2016 ACCORDING TO THE GERMAN CORPORATE GOVERNANCE CODE

In the following tables, the benefits granted, allocations (payments) and service cost for every member of the Management Board are shown individually in accordance with the recommendations under Clause 4.2.5 (3) of the German Corporate Governance Code.

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

In line with the recommendations of the German Corporate Governance Code and in deviation from the presentation according to HGB, the bonus expense for the respective year under review is to be stated in the table "Allocations" (payments). For the performance cash plan, the payment made in the respective

Pension commitments *in EUR thousand*

	IFRS		IFRS	
	Service cost		Present value of pension obligation as of 12/31	
	2015	**2016**	2015	**2016**
Dr. Felix A. Zimmermann	193	187	2,205	2,559
Dirk Lessing	117	113	235	359
Dr. Claude Tomaszewski	142	134	1,457	1,717
	452	**434**	**3,897**	**4,635**

financial year is shown. In line with the German Corporate Governance Code, the service cost corresponds to the service cost according to IAS 19, even though it does not represent a current payout but rather a provision for when the recipient is in retirement.

OTHER DISCLOSURES

The Management Board has the option of acquiring TAKKT Performance Bonds. This involves a voluntary offering for TAKKT executives, which will allow them to take part in the economic development of the TAKKT Group. The return of this instrument results from a basic interest rate plus a premium or discount determined according to the performance of the TAKKT Group (TAKKT value added). The subscription amount as well as the attainable return have an upper limit. There are liabilities to members of the Management Board from TAKKT Performance Bonds of EUR 653 thousand (EUR 307 thousand).

In addition, there are pension obligations from the voluntary conversion of part of the bonus into a pension plan (i.e., deferred compensation) in the amount of EUR 610 thousand (EUR 425 thousand). In the financial year, the Management Board members voluntarily contributed EUR 70 thousand (EUR 70 thousand) from the bonus to this plan.

With respect to the members of the Management Board, there are the usual receivables and liabilities from employment contracts. Customary D&O insurances have been taken out for the members of the Management Board. The deductible of the D&O liability

Benefits granted *in EUR thousand*

	Dr. Felix A. Zimmermann Chairman of the Management Board, CEO				Dirk Lessing Member of the Management Board				Dr. Claude Tomaszewski Member of the Management Board, CFO			
	2015	**2016**	**2016 (Min)**	**2016 (Max)**	2015	**2016**	**2016 (Min)**	**2016 (Max)**	2015	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed Salary	420	470	470	470	300	325	325	325	300	325	325	325
Ancillary benefits	11	11	11	11	9	10	10	10	7	7	7	7
Total	**431**	**481**	**481**	**481**	**309**	**335**	**335**	**335**	**307**	**332**	**332**	**332**
One-year variable remuneration	500	500	0	1,000	315	315	0	630	315	315	0	630
Multi-year variable remuneration												
Performance cash plan 2015–2018	178	-	-	-	135	-	-	-	135	-	-	-
Performance cash plan 2016–2019	-	212	0	635	-	135	0	405	-	135	0	405
Total	**1,109**	**1,193**	**481**	**2,116**	**759**	**785**	**335**	**1,370**	**757**	**782**	**332**	**1,367**
Service cost	193	187	187	187	117	113	113	113	142	134	134	134
Total remuneration	**1,302**	**1,380**	**668**	**2,303**	**876**	**898**	**448**	**1,483**	**899**	**916**	**466**	**1,501**

Allocations *in EUR thousand*

	Dr. Felix A. Zimmermann Chairman of the Management Board, CEO		Dirk Lessing Member of the Management Board		Dr. Claude Tomaszewski Member of the Management Board, CFO	
	2015	**2016**	2015	**2016**	2015	**2016**
Fixed Salary	420	470	300	325	300	325
Ancillary benefits	11	11	9	10	7	7
Total	**431**	**481**	**309**	**335**	**307**	**332**
One-year variable remuneration	707	734	446	463	446	463
Multi-year variable remuneration						
Performance cash plan 2011–2014	308	-	-	-	40	-
Performance cash plan 2012–2015	-	534	-	-	-	405
Total	**1,446**	**1,749**	**755**	**798**	**793**	**1,200**
Service cost	193	187	117	113	142	134
Total remuneration	**1,639**	**1,936**	**872**	**911**	**935**	**1,334**

insurance corresponds to ten percent of the damages in question, but no more than one and a half times the fixed annual basic salary in accordance with section 93(2) sentence 3 of the German Stock Corporation Act (AktG).

The members of the Management Board did not receive any benefits from third parties in the 2016 or 2015 financial years, which were either promised or granted to them in connection with their service on the Management Board.

As of December 31, 2016, the Management Board members held 536 (536) shares in TAKKT AG.

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

The payments granted to former Board members of TAKKT AG and their surviving dependents in 2016 came to EUR 616 thousand (EUR 447 thousand). The pension provisions for former members of the Management Board as well as their surviving dependents came to a total of EUR 6,847 thousand (EUR 7,096 thousand) as of December 31, 2016.

REMUNERATION OF THE SUPERVISORY BOARD

Each member of the Supervisory Board of TAKKT AG receives a fixed annual salary of EUR 50 thousand and an additional fixed salary of EUR 2.5 thousand for membership in a Supervisory Board committee. The Chairman of the Supervisory Board or of a committee receives double that amount; the Deputy Chairman receives one and a half times that amount. In addition, for each meeting of the Supervisory Board or a committee that they attend, each member receives an attendance fee of EUR 500 per day. TAKKT AG offers reimbursement for expenses to the members of the Supervisory Board and also reimburses them for the VAT due on their remuneration and expenses.

In total, the remuneration of the Supervisory Board in the year under review came to EUR 401 thousand (EUR 401 thousand), of which EUR 375 thousand (EUR 375 thousand) were for activities in relation to the Supervisory Board, EUR 11 thousand (EUR 11 thousand) for activities in relation to the committees as well as EUR 15 thousand (EUR 15 thousand) for attendance fees.

Of the claims granted, EUR 386 thousand (386 thousand) were still recorded as liabilities as of the end of the reporting period. As of December 31, 2016, the Supervisory Board members held 3,140 (3,140) shares in TAKKT AG.

Remuneration of the Supervisory Board *in EUR thousand*

2016

	Fixed payments	Committee remuneration	Attendance fees	**Total**
Stephan Gemkow	100.0	5.0	2.5	107.5
Dr. Johannes Haupt	75.0	3.8	2.5	81.3
Dr. Florian Funck	50.0	-	2.5	52.5
Thomas Kniehl	50.0	-	2.5	52.5
Prof. Dr. Dres. hc Arnold Picot	50.0	2.5	2.5	55.0
Dr. Dorothee Ritz	50.0	-	2.0	52.0

2015

	Fixed payments	Committee remuneration	Attendance fees	Total
Stephan Gemkow	100.0	5.0	2.5	107.5
Dr. Johannes Haupt	75.0	3.8	2.5	81.3
Dr. Florian Funck	50.0	-	2.5	52.5
Thomas Kniehl	50.0	-	2.5	52.5
Prof. Dr. Dres. hc Arnold Picot	50.0	2.5	2.5	55.0
Dr. Dorothee Ritz	50.0	-	2.0	52.0

CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	2016	2015
Sales	(1)	1,125,045	1,063,768
Changes in inventories of finished goods and work in progress		572	187
Own work capitalized		1,167	916
Gross performance		**1,126,784**	**1,064,871**
Cost of sales		647,406	611,637
Gross profit		**479,378**	**453,234**
Other income	(2)	16,641	11,172
Personnel expenses	(3)	166,191	154,200
Other operating expenses	(4)	158,566	152,882
EBITDA		**171,262**	**157,324**
Depreciation, amortization and impairment of property, plant and equipment and other intangible assets	(5)	29,217	27,960
Impairment of goodwill	(6)	0	0
EBIT		**142,045**	**129,364**
Income from associated companies		0	0
Finance expenses	(7)	–8,451	–9,000
Other finance result	(8)	–1,058	–452
Financial result		**–9,509**	**–9,452**
Profit before tax		**132,536**	**119,912**
Income tax expense	(9)	41,157	38,880
Profit		**91,379**	**81,032**
attributable to owners of TAKKT AG		91,379	81,032
attributable to non-controlling interests		0	0
Weighted average number of issued shares in million		65.6	65.6
Basic earnings per share (in EUR)	(10)	1.39	1.24
Diluted earnings per share (in EUR)	(10)	1.39	1.24

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

	2016	2015
Profit	**91,379**	**81,032**
Actuarial gains and losses resulting from pension provisions recognized in equity	–1,178	4,025
Tax on actuarial gains and losses resulting from pension provisions	348	–1,429
Other comprehensive income after tax for items that will not be reclassified to profit and loss in future	**–830**	**2,596**
Income and expenses from the subsequent measurement of cash flow hedges recognized in equity	2,845	677
Income recognized in the income statement	196	332
Tax on subsequent measurement of cash flow hedges	–931	–309
Other comprehensive income after tax resulting from the subsequent measurement of cash flow hedges	**2,110**	**700**
Income and expenses from the adjustment of foreign currency reserves recognized in equity	2,857	20,923
Income recognized in the statement of income	1,653	2,386
Other comprehensive income after tax resulting from the adjustment of foreign currency reserves	**4,510**	**23,309**
Other comprehensive income after tax for items that are reclassified to profit and loss	**6,620**	**24,009**
Other comprehensive income (Changes to other components of equity)	**5,790**	**26,605**
attributable to owners of TAKKT AG	5,790	26,605
attributable to non-controlling interests	0	0
Total comprehensive income	**97,169**	**107,637**
attributable to owners of TAKKT AG	97,169	107,637
attributable to non-controlling interests	0	0

Detailed information on other comprehensive income can be found on page 138.

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

Assets	Notes	12/31/2016	12/31/2015
Property, plant and equipment	(11)	105,759	108,833
Goodwill	(12)	545,803	540,269
Other intangible assets	(13)	74,634	83,680
Investment in associated companies		555	20
Other assets	(14)	1,249	768
Deferred tax	(15)	1,856	2,007
Non-current assets		**729,856**	**735,577**
Inventories	(16)	108,184	103,811
Trade receivables	(17)	103,733	94,021
Other receivables and assets	(18)	25,307	25,735
Income tax receivables		4,590	1,750
Cash and cash equivalents	(19)	2,267	3,264
Current assets		**244,081**	**228,581**
Total assets		**973,937**	**964,158**

Equity and liabilities	Notes	12/31/2016	12/31/2015
Share capital		65,610	65,610
Retained earnings		459,343	400,769
Other components of equity		12,809	7,019
Total equity	(20)	**537,762**	**473,398**
Financial liabilities	(21)	98,012	173,682
Other liabilities	(22)	6,667	14,521
Pension provisions and similar obligations	(23)	55,062	51,224
Other provisions	(24)	6,575	5,304
Deferred tax	(15)	77,109	70,045
Non-current liabilities		**243,425**	**314,776**
Financial liabilities	(21)	81,795	73,604
Trade payables	(25)	33,928	27,891
Other liabilities	(26)	47,825	45,706
Provisions	(24)	20,120	18,777
Income tax payables		9,082	10,006
Current liabilities		**192,750**	**175,984**
Total equity and liabilities		**973,937**	**964,158**

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

	Share capital	Retained earnings	Other components of equity	**Total equity**
Balance at 01/01/2016	**65,610**	**400,769**	**7,019**	**473,398**
Transactions with owners	0	–32,805	0	–32,805
thereof dividends paid	0	–32,805	0	–32,805
Total comprehensive income	0	91,379	5,790	97,169
thereof Profit	0	91,379	0	91,379
thereof Other comprehensive income (Changes to other components of equity)	0	0	5,790	5,790
Balance at 12/31/2016	**65,610**	**459,343**	**12,809**	**537,762**

	Share capital	Retained earnings	Other components of equity	Total equity
Balance at 01/01/2015	**65,610**	**340,732**	**–19,586**	**386,756**
Transactions with owners	0	–20,995	0	–20,995
thereof dividends paid	0	–20,995	0	–20,995
Total comprehensive income	0	81,032	26,605	107,637
thereof Profit	0	81,032	0	81,032
thereof Other comprehensive income (Changes to other components of equity)	0	0	26,605	26,605
Balance at 12/31/2015	**65,610**	**400,769**	**7,019**	**473,398**

For further information on Total equity, refer to page 138.

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

	Notes	2016	2015
Profit		91,379	81,032
Depreciation, amortization and impairment of non-current assets	(5)/(6)	29,217	27,960
Deferred tax expense	(9)	5,033	5,176
TAKKT cash flow		**125,629**	**114,168**
Other non-cash expenses and income		–3,908	4,852
Profit and loss on disposal of non-current assets and consolidated companies		–46	–3,272
Change in inventories		–2,170	–13,180
Change in trade receivables		–10,170	–8,166
Change in other assets not included in investing and financing activities		–3,382	3,662
Change in non-current and current provisions		4,945	3,448
Change in trade payables		5,983	–4,181
Change in other liabilities not included in investing and financing activities		–199	–10,055
Cash flow from operating activities		**116,682**	**87,276**
Proceeds from disposal of non-current assets		472	302
Capital expenditure on non-current assets	(11)/(13)	–17,359	–14,241
Proceeds from the disposal of consolidated companies (less cash and cash equivalents sold)		1,625	16,119
Cash outflows for the acquisition of consolidated companies (less acquired cash and cash equivalents)		–393	–92,303
Cash flow from investing activities		**–15,655**	**–90,123**
Proceeds from Financial liabilities		74,039	159,928
Repayments of Financial liabilities		–143,175	–137,026
Dividends to owners of TAKKT AG		–32,805	–20,995
Cash flow from financing activities		**–101,941**	**1,907**
Cash and cash equivalents at 01/01		3,264	4,043
Cash and cash equivalents classified as Assets held for sale at 01/01		0	189
Increase/decrease in Cash and cash equivalents		–914	–940
Non-cash increase/decrease in Cash and cash equivalents		–83	–28
Cash and cash equivalents at 12/31	(19)	**2,267**	**3,264**

For further information on Consolidated statement of cash flows, refer to page 158.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2016

1. GENERAL INFORMATION

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 – International Financial Reporting Interpretations Committee and SIC – Standards Interpretations Committee) by the IFRS Interpretations Committee (IFRS IC) have been taken into account. All International Financial Reporting Standards (IFRS) valid at the closing date and approved by the Commission of the European Union (EU) have been applied.

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 February 24, 2017.

New reporting standards

The following reporting standards and interpretations, having been passed or amended by IASB and IFRS IC and endorsed by the EU, were mandatory for the first time in the 2016 financial year for TAKKT:

Standard		Status	Applicable from
Amendments to IAS 1 (2014)	Disclosure Initiative	amended	01/01/2016
Amendments to IAS 19 (2013)	Defined Benefit Plans: Employee Contributions	amended	02/01/2015
Amendments to IFRS 11 (2014)	Accounting for Acquisitions of Interests in Joint Operations	amended	01/01/2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (2014)	Investment entities: Applying the Consolidation Exemption	amended	01/01/2016
Amendments to IAS 27 (2014)	Equity Method in Separate Financial Statements	amended	01/01/2016
Amendments to IAS 16 and IAS 41 (2014)	Agriculture: Bearer Plants	amended	01/01/2016
Amendments to IAS 16 and IAS 38 (2014)	Clarification of Acceptable Methods of Depreciation and Amortisation	amended	01/01/2016
AIP 2010–2012 (2013)	Annual Improvements Project IASB 2010–2012	amended	02/01/2015
AIP 2012–2014 (2014)	Annual Improvements Project IASB 2012–2014	amended	01/01/2016

None of the new interpretations or amended IFRSs requiring first-time application in the current financial year has a significant impact on the net assets, financial position and results of operations of TAKKT Group or the presentation of the consolidated financial statements.

The IASB and IFRS IC have passed new and revised standards which TAKKT must only apply starting January 01, 2017 or later. Some of these standards still have to be approved by the EU prior to their application. Specifically, these include the following reporting standards and interpretations:

Standard		Status	Applicable from
IFRS 9 (2014)	Financial Instruments	new	01/01/2018
IFRS 14 (2014)	Regulatory Deferral Accounts	new	01/01/2016*
IFRS 15 (2014)	Revenue from Contracts with Customers	new	01/01/2018
IFRS 16 (2015)	Leases	new	01/01/2019
IFRIC 22 (2016)	Foreign Currency Transactions and Advance Consideration	new	01/01/2018
Amendments to IAS 12 (2016)	Recognition of Deferred Tax Assets for Unrealised Losses	amended	01/01/2017
Amendments to IAS 7 (2016)	Disclosure Initiative	amended	01/01/2017
Amendments to IAS 40 (2016)	Transfers of Investment Property	amended	01/01/2018
Amendments to IFRS 10 and IAS 28 (2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	amended	-**
Amendments to IFRS 2 (2016)	Classification and Measurement of Share-based Payment Transactions	amended	01/01/2018
Amendments to IFRS 4 (2016)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	amended	01/01/2018
Clarifications to IFRS 15 (2016)	Revenue from Contracts with Customers	amended	01/01/2018
AIP 2014–2016 (2016)	Annual Improvements Project IASB 2014–2016	amended	01/01/2017 / 01/01/2018

** This standard won´t be endorsed by the EU.*

*** Effective date is deferred indefinitely.*

The option of applying standards already approved by the IASB early is not utilized. According to current estimates, an earlier application would have had the following effects on net assets, financial position and results of operations. The changes will also affect the coming years.

IFRS 9 Financial Instruments

The IASB published the final version of IFRS 9 Financial instruments in July 2014. IFRS 9 includes new requirements for hedge accounting, classification and measurement, and the impairment of financial instruments. New disclosures in the notes are also introduced. IFRS 9 replaces the previous standard IAS 39 Financial Instruments: Recognition and Measurement as well as all previously published versions of IFRS 9. Based on the analyses conducted to date, no material impact is expected on net assets, financial position and results of operations. Earlier adoption would have entailed extended disclosures in the notes.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published the new standard IFRS 15 Revenue from Contracts with Customers. IFRS 15 completely supersedes the previous requirements for revenue recognition, consisting of the standards IAS 18 Revenue and IAS 11 Construction Contracts as well as various standard interpretations. Based on a five-step model, IFRS 15 includes detailed guidelines on the timing and amount of the revenue recognition. In addition, extensive disclosures in the notes are introduced. Based on advanced analyses, TAKKT doesn´t expect an impact on timing and amount of the revenue recognition. Currently, the right to return is considered within the statement of financial position and the statement of income by recognizing the provision for customer credit notes on a net basis with offsetting expected amounts for the credit notes to be issued with the expected value of the returned goods. In future these two components will be recognized on a gross basis. A one-off effect of approximately EUR 1 million on total assets and liabilities is expected to result from the change. Only a marginal effect on sales and cost of sales is anticipated. The warranties granted in the TAKKT group are still not assessed as separate performance obligations. Earlier adoption would have also entailed extended disclosures in the notes.

IFRS 16 Leases

In January 2016, the IASB published the accounting standard IFRS 16 Leases. The new standard replaces the current applicable provisions of IAS 17 Leases and the related interpretations. With the new IFRS 16, the previous differentiation between finance and operating leases under IAS 17 is no longer required. In the future, lessees will generally have to recognize all assets and liabilities in the statement of financial position. In addition, IFRS 16 includes extended requirements for disclosures compared to IAS 17. The effects of IFRS 16 are still being analyzed. In general, non-current assets as well as financial liabilities at TAKKT will increase. In the statement of income, the leasing expenses of the current operating leases recorded within EBITDA are replaced by straight-line depreciation expenses for the leased asset and interest expenses for the leasing liabilities decreasing in the course of time. This results in a shift of expenses to earlier periods of the lease term. This means, that EBITDA is relieved at the amount of the leasing expenses. As of the reporting date, TAKKT has obligations from minimum lease payments from operating leases amounting to EUR 51.6 million. These are mainly rental obligations for office buildings and warehouses. In 2016, rental and leasing expenses amounted to EUR 13.0 million. Further information can be found on page 168 et seq.

According to current estimates all other new or revised standards will not cause any material changes in net assets, financial position and result of operations but only result in additional notes to the financial statement.

Apart from that, the consolidated financial statements have been prepared using the same accounting and valuation principles as in the previous year. The consolidated financial statements have been prepared in euros. Unless specified differently, figures are rounded on the nearest thousand.

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

SCOPE OF CONSOLIDATION

TAKKT AG, Stuttgart/Germany, registered under HRB 19962 with the German Commercial Register of the Stuttgart local court, is the Group's parent company. The consolidated financial statements as of December 31, 2016, prepared in accordance with IFRS, the Group management report, the separate financial statement of TAKKT AG prepared in accordance with the HGB and all other required documentation according to section 325 of HGB will be submitted to the Electronic Federal Gazette (elektronischer Bundesanzeiger).

TAKKT is a B2B direct marketing specialist for business equipment and is active in more than 25 countries. The consolidated financial statements include all companies that are controlled by TAKKT according to IFRS 10. The fully consolidated subsidiaries are 100 percent investments. Thus, besides TAKKT AG, 12 (11) domestic and 62 (62) foreign companies are included in the consolidated financial statements.

The number of fully consolidated companies has changed as follows in comparison to December 31, 2015.

Event	Subsidiary	Segment
Foundation	Davpack AB, Markaryd/Sweden	TAKKT EUROPE
Foundation	TAKKT Beteiligungsgesellschaft mbH, Stuttgart/Germany	TAKKT EUROPE
Acquisition	R.F. Verpackungsmittel-Versand G.m.b.H., Wien/Austria	TAKKT EUROPE
Liquidation	KAISER+KRAFT K.K., Chiba/Japan	TAKKT EUROPE
Liquidation	KAISER+KRAFT (China) Commercial Co. Ltd., Shanghai/People's Republic of China	TAKKT EUROPE

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

On December 31, 2016, TAKKT AG was a 50.2 (50.2) percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg/Germany, which is registered in the German Commercial Register of the local court of Duisburg under the number HRB 25. The TAKKT Group will therefore be included in the latter's consolidated financial statements, which are available at the Electronic Federal Gazette (elektronischer Bundesanzeiger).

PRINCIPLES OF CONSOLIDATION

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

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

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

The consolidated financial statements and all separate financial statements have the same balance sheet date, December 31, 2016. The separate financial statements of the domestic and foreign subsidiaries included in the financial statements were prepared using uniform accounting and valuation principles.

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

In accordance with IFRS 3 Business Combinations, the respective goodwill is not amortized but subjected to an impairment test according to IAS 36 Impairment of Assets once a year or during the year if indicated by the occurrence of triggering events. Additional details on this can be found on page 117.

Incidental costs incurred during a business combination are recorded as expense.

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

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

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

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

CURRENCY TRANSLATION

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

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

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

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

Material exchange rates for TAKKT Group

		Year-end rates		Average rates	
Currency	Country	**2016**	2015	**2016**	2015
USD	USA	1.0541	1.0887	1.1062	1.1087
CHF	Switzerland	1.0739	1.0835	1.0900	1.0669
GBP	UK	0.8562	0.7340	0.8172	0.7255
SEK	Sweden	9.5525	9.1895	9.4651	9.3529
CAD	Canada	1.4188	1.5116	1.4649	1.4166

ACCOUNTING AND VALUATION PRINCIPLES

Sales include sales of products and services less cash discounts, rebates and accruals from customer loyalty programs. Sales from selling products are realized when the risks and rewards of ownership have been transferred to the customer, the amount of the sales can be reliably determined and collectibility can be reasonably expected. Sales are recorded at the fair value of the consideration received. Provisions are made to reflect the customers' rights of return. According to IFRIC 13 Customer Loyalty Programmes, loyalty award credits which are granted as part of a customer loyalty program are accounted for with the fair value as deferred income in Other liabilities and result in a decrease in sales.

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

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

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

Attributable **borrowing costs** are capitalized when assets, which have a lengthy acquisition or manufacturing process (qualifying asset), are acquired, constructed or produced.

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

Government grants are recorded at fair value according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance if there is reasonable assurance of compliance of the conditions attached to them and that the respective grants will also be received. Grants to cover expenses are recognized as income and offset in the periods during which the designated expenses are incurred. Grants to cover capital expenditure are deducted from the acquisition cost of the funded assets.

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

Property, plant and equipment is depreciated using the straight-line method over its useful economic life. Depreciation is based on the following useful lives in the Group:

	Useful life in years	
	2016	2015
Buildings (incl. leasehold improvements)	5 – 50	5 – 50
Plant, machinery and equipment	2 – 16	2 – 16

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

The requirements of finance leases pursuant to IAS 17 Leases are satisfied if the TAKKT Group bears all the significant opportunities and risks in **leasing transactions** as lessee and can therefore be considered the economic owner. In these cases, the respective assets in property, plant and equipment are capitalized at fair value or at the lower present value of the minimum lease payments and depreciated using the straight-line method over their useful lives or the shorter duration of the leasing contract, which is between 10 and 25 years. The present value of obligations for future lease installments is disclosed under current and non-current financial liabilities.

For some buildings under a finance lease contract, standard market renewal and purchase options at the end of the general lease term exist. The option price usually corresponds to the residual book value at the end of the contract period. In order to determine the present value, the interest rate underlying the lease contracts was applied to the extent possible. If this rate was not available, the incremental borrowing rate was applied.

In addition to finance leases, the TAKKT Group also concluded rental contracts in which the economic ownership of rental goods remains with the lessor (operating leasing). Leasing payments are distributed evenly throughout the lease duration and recognized as expense. Depending on the subject of the lease, typical lease and lease extension rights apply as well as price adjustment clauses.

For **goodwill** and **intangible assets with an indefinite useful life**, as these do not generate any independent cash flows, recoverability of the capitalized book value is reviewed once a year or, if indicated by triggering events also during the year, at the level of cash generating units in accordance with IAS 36 Impairment of Assets. In the year under review, the TAKKT Group had a total of 4 (4) cash generating units.

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

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

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

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

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

	Useful life in years	
	2016	2015
Goodwill	indefinite	indefinite
Brands	indefinite	indefinite
Customer relationships	3 – 11	3 – 11
Supplier relationships	5	5
Domain names	10	10
Catalog-/web design	3 – 10	3 – 10
Software, licenses and similar rights	2 – 7	2 – 7

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

A valuation of **investments in associated companies** using the equity-method according to IAS 28 Investments in Associates and Joint Ventures was not deemed necessary due to reasons of materiality. They are recognized in the balance sheet at acquisition costs.

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

Financial assets and liabilities are categorized as follows:

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

Financial assets and liabilities are classed on initial disclosure and reviewed for reporting at each reporting date. All purchases and sales of financial assets are recognized on settlement date (settlement date accounting).

Financial assets in the available-for-sale category are initially reported at fair value plus transaction costs and subsequently at their respective fair value at the reporting date. The resulting unrealized gains and losses are recorded in Other comprehensive income under consideration of deferred taxes without any effect on profit. 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 is made. If the reasons for an impairment no longer exist, the impairment is reversed accordingly. In the case of equity instruments this is done without an effect on profits, and in the case of debt instruments with an effect on profits provided that the conditions of IAS 39 Financial Instruments: Recognition and Measurement are fulfilled. With respect to the disposal of assets, expenses and income previously recognized with no effect on profits in Other comprehensive income are recognized through profit or loss.

Financial assets in the held-to-maturity category as well as loans and receivables are initially recorded at their fair value plus transaction costs and subsequently at the amortized cost (nominal value, using the effective interest method, where appropriate) or at their lower fair value (using the original effective interest rate where appropriate). Risks are taken into consideration by allowances. In addition to the required individual value adjustments, trade receivables are subject to a general allowance for identifiable general credit risks, the age of the receivables and past experience (e. g. collection costs and cash discounts given). This general allowance is necessary because of the large number of trade debtors in the direct marketing business.

Financial assets and liabilities in the fair value through profit and loss category are initially recorded at their fair value and subsequently at their respective fair value at the reporting date. Attributable transaction costs are recognized through profit and loss. Fluctuations in fair values are recorded in the statement of income. 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 fair value through profit and loss category are measured at amortized cost, using the effective interest method where appropriate.

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

Fair values for every financial instrument category according to IFRS 7 Financial Instruments: Disclosures generally correspond to book values. This applies directly to assets in the available-for-sale categories, financial instruments in the fair value through profit and loss category, derivatives in a hedging relationship as well as contingent considerations from company acquisitions that are shown in the balance sheet at fair value. 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 current or subject to a variable market interest rate.

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

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

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

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

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

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

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

The fair value of financial instruments traded on an active market is based on the prices quoted on the reporting date. When level 2 and 3 assets and liabilities are measured at fair value on a recurring basis, the discounted cash flow method is used. This means that the future cash flows which the financial instruments are expected to generate are discounted using maturity-matched market interest rates. The creditworthiness of the respective debtor is taken into account by considering risk premiums depending on rating and term in the discount factors. The risk premiums are determined using prices for fixed-income securities observable on markets.

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

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

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Group documents all relationships between hedging instruments and the associated 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. 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. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, all derivatives have to be reported at their fair value, regardless of the purpose or intention for which they were concluded.

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 at the forward rate at the reporting 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 rating- and maturity-matched interest rates in line with the interest rate curves of the respective currency.

In the case of cash flow hedges, market value changes in the part of the hedging instrument that are deemed effective are initially reported in Other comprehensive income under consideration of deferred taxes as part of the Other components of equity with no effect on profit until the future hedged cash flow occurs. A transfer to the statement of income is made when the hedged transaction is recognized in profit or loss. The portion of the changes in fair value not covered by the underlying hedged transaction (hedge ineffective portion) is recognized in profit or loss.

Changes in the fair value of an effective fair value hedge are recorded in the statement of income with an effect on profits as are changes in the fair value of the underlying transaction. These typically contrary changes almost offset each other in the statement of income.

Changes in the fair value of derivative financial instruments that do not meet the requirements for hedge accounting according to IAS 39 Financial Instruments: Recognition and Measurement are recognized directly in the statement of income.

Is a net investment in a foreign operation hedged (Hedge of a Net Investment), all changes of the hedging instrument that are deemed effective and the result of the currency translation of the hedged investment are recognized in Other comprehensive income with no effect on profit or loss. Gains and losses attributable to the ineffective portion are recorded in the statement of income with an effect on profits. Cumulative valuation changes of the hedging instrument and the result of the currency translation of the underlying transaction that have been recorded in equity are only recognized in profit or loss on disposal of the investment.

Other assets are capitalized at their nominal value. Staff loans and deposits are valued at amortized cost. Pension plan reinsurance valuation is derived from a coverage capital calculation. Investments in companies which TAKKT neither controls nor is able to exercise significant influence are classified as available for sale in accordance with IAS 39 Financial Instruments: Recognition and Measurement and recognized at fair value as described in detail on page 118.

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

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

A non-current asset or a group of assets and associated liabilities (disposal group) are classified as held for sale pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations if their carrying amount is realized largely through sale rather than through continued use. For this to be the case, the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable. In the balance sheet these are disclosed separately under current assets and liabilities. Assets held for sale are no more subject to scheduled depreciation and are valued at the lower of book value and fair value less costs to sell. Gains and losses resulting from the valuation of single assets held for sale or disposal groups are recognized in profit from continuing operations until they are finally sold. If the disposal group is a separate and distinct branch of business or geographical area, profit or loss after taxes of the discontinued operations is reported separately in the statement of income. The statement of income for the previous year is adjusted accordingly. The after-tax result for the discontinued operations comprises the results from current business activities as well as from the valuation at the sale price less costs to sell or from the divestment of the division.

In accordance with IAS 19 Employee Benefits, pension provisions and similar obligations are calculated using the actuarial projected unit credit method. Determination of the defined benefit obligations is carried out by independent actuaries on an annual basis. In calculating these contractual obligations, prevailing long-term capital market interest rates as well as current assumptions about future salary and pension increases are considered in addition to biometric calculation bases. The actuarial interest rate is based on high-quality fixed-rate corporate bonds with an AA rating from at least one recognized rating agency. The probability of employee fluctuation was considered, depending on the job tenure in the company and the age of the beneficiaries. Direct pension commitments in Germany are derived using Prof. Dr. Klaus Heubeck's biometric calculation tables 2005 G.

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

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

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

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

Liabilities are initially recognized at the amount to be paid and, with the exception of derivative financial instruments and contingent considerations, subsequently measured at amortized costs (using the effective interest method where appropriate). Liabilities from finance lease contracts are disclosed at the present value of future lease installments. The fair value of the fixed-rate liabilities from finance leases is determined by discounting the future lease installments using current maturity-matched interest rates and taking interim repayment into account.

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

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

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

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

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

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

In the case of trade receivables, valuation allowances on doubtful debts rely to a large extent on estimates and assessments made on the analysis of the aging structure and the basis of the relevant customer's creditworthiness. Actual cash inflows may deviate from the carrying amounts. Valuation allowances for inventories are mainly based on the experienced selldown period.

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

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

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

2. NOTES TO THE INCOME STATEMENT

(1) Sales *in EUR thousand*

	2016	2015
Sales with third parties	1,124,654	1,063,142
Sales with affiliated companies	391	626
	1,125,045	**1,063,768**

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

Sales with affiliated companies related to majority shareholder Franz Haniel & Cie. GmbH, Duisburg/Germany, as well as to subsidiaries of the majority shareholder that are not included in the consolidated financial statements of TAKKT AG. A listing of sales with affiliated companies can be found under related-party transactions on page 170 et. seq. A breakdown of sales by segment and geographical region is shown in the segment reporting on page 159 et seqq.

(2) Other operating income *in EUR thousand*

	2016	2015
Rental income	800	1,268
Income from the release of allowances	519	455
Income from the disposal of non-current assets	167	106
Profit from deconsolidation	0	3,345
Operating income	3,196	3,311
Other income	11,959	2,687
	16,641	**11,172**

The position Other income includes the fair value reduction of the contingent consideration for BiGDUG by EUR 4,505 thousand (EUR 0 thousand) as well as of the contingent consideration for Post-Up Stand by EUR 4,113 thousand (EUR 0 thousand). Further explanations can be found on page 167 et seq.

(3) Personnel expenses *in EUR thousand*

	2016	2015
Wages and salaries	136,386	125,884
Social security costs	24,145	22,858
Retirement costs	5,051	4,726
Release of personnel-related provisions	–339	–425
Other	948	1,157
	166,191	**154,200**

For the number of employees in the Group please refer to the segment reporting on page 159 et seqq.

(4) Other operating expenses *in EUR thousand*

	2016	2015
Valuation allowances on current assets	1,821	1,608
Release of provisions	–1,094	–310
Operating leasing and rents	13,015	12,552
Foreign exchange differences	32	824
Operating taxes	1,945	2,037
Operating expenses	114,373	109,809
Administrative expenses	28,474	26,362
	158,566	**152,882**

Valuation allowances mainly relate to trade receivables and full write-offs of trade receivables where they cannot be recovered. Write-offs amounted to EUR 1,352 thousand (EUR 1,275 thousand).

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

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

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

	2016	2015
Property, plant and equipment	12,751	12,810
Other intangible assets	16,466	15,150
	29,217	**27,960**

Depreciation and amortization comprises scheduled amortization amounting to EUR 12,307 thousand (EUR 12,163 thousand) relating to intangible assets recorded in conjunction with purchase price allocations.

Impairments in accordance with IAS 36 Impairment of assets on property, plant and equipment in the amount of EUR 177 thousand (EUR 0 thousand) were carried out in the current financial year. These were mainly attributable to the TAKKT AMERICA segment and included assets recorded as equipment which could not be used any longer after a remodeling of the building. No impairments were recorded in the previous year. Impairments pursuant to IAS 36 in the amount of EUR 606 thousand (EUR 0 thousand) were necessary for intangible assets which relate to values of an OEG brand (TAKKT AMERICA segment). Background for the impairment is a decrease in revenues on which the initial purchase price allocation was founded on and which are considered to be generated by a certain brand, as a result of the planned discontinuation of the affected brand.

The recoverability of the capitalized book value of intangible assets with an indefinite useful life, as these do not generate any independent cash flows, is reviewed together with the goodwill at the level of cash generating units. No need for impairment was derived from the impairment tests in both the 2015 and 2016 financial years. Further information can be found in the following section Impairment of goodwill. Please refer to the details on page 134 et seq. for information about the book values of intangible assets with an indefinite useful life.

(6) Impairment of goodwill

No need for impairment was derived from the impairment tests in both the 2015 and 2016 financial years. Please refer to the details on page 117 for information about the general procedure with regard to impairment testing.

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

	Net book values of goodwill (in EUR thousand)		WACC (before taxes) (in percent)		Growth of Perpetuity rate (in percent)	
	2016	2015	**2016**	2015	**2016**	2015
Business Equipment Group	116,555	119,811	7.7	8.6	1.0	1.0
Packaging Solutions Group	152,656	152,656	7.0	8.0	2.0	2.0
Specialties Group	232,358	224,974	8.1	9.2	2.0	2.0
Office Equipment Group	44,234	42,828	8.2	9.3	2.0	2.0

The compound annual growth rate in external sales in the detailed planning period is between 3.8 (4.6) percent and 6.5 (6.3) percent for the cash generating units. The gross profit margins were assumed to be slightly to noticeably declining.

The evidence for recoverability at all cash generating units is based on the value in use. Performing the impairment tests sensitivity analyses were also carried out. Increasing the weighted average cost of capital (WACC) before taxes by one percentage point or decreasing perpetuity rate by one percentage point would not have resulted in an impairment of goodwill. This applies also to a reduction of cash flows before interests and taxes in the perpetuity by ten percent.

With effect of January 30, 2015, the cash generating unit PEG was sold. As of December 31, 2014, the goodwill of PEG was already reclassified into Assets held for sale. The consideration received for the disposal in the amount of EUR 22,872 thousand clearly exceeded the disposed assets of the PEG, amounting to EUR 14,067 thousand, including a goodwill of EUR 2,505 thousand. For further information on the sale of PEG, please refer to page 163.

Additional details on goodwill can be found in the corresponding notes on page 132 et seq. A description of the cash generation units can be found in the corresponding notes in the segment reporting on page 159 et seqq.

(7) Finance expenses *in EUR thousand*

	2016	2015
Interest portion of finance leases	–1,451	–1,578
Interest portion of pension provisions	–1,218	–1,061
Interest portion of purchase price liabilities	–998	–1,441
Interest on financial liabilities	–4,784	–4,920
	–8,451	**–9,000**

The Interest portion of purchase price liabilities results from accruing interest expense relating to the purchase price liabilities recorded in connection with the acquisitions of Post-Up Stand and BiGDUG. The interest on the purchase price liability recorded in connection with the acquisition of GPA was recognized in this position until payment in the first quarter of 2015.

The Interest on financial liabilities also includes interest resulting from the promissory notes. Further information can be found in the table for net result of the financial instruments categories on page 149 and interest rate hedges on page 155.

(8) Other finance result *in EUR thousand*

	2016	2015
Valuation of financial instruments	–302	–472
Interest and similar income	691	20
Other financial expenses	–1,447	0
	–1,058	**–452**

The Other finance result contains currency effects amounting to EUR 1,447 thousand as a result of foreign currency translation differences relating to the conversion of foreign subsidiaries financial statements. These are recorded in the statement of income in the year of deconsolidation.

More details on the use of derivative financial instruments are disclosed in the Risk and opportunities report on page 86 et seq. as well as in the notes on page 147 et seqq.

(9) Income tax expense

Income tax expense includes income tax paid respectively due in the individual countries as well as deferred taxes recognized in the income statement. The income tax rates applied for the individual countries range between 9.0 (10.0) percent and 39.0 (39.0) percent.

Breakdown of income tax expense *in EUR thousand*

	2016	2015
Income tax	36,124	33,704
Deferred tax	5,033	5,176
	41,157	**38,880**

Income tax expense includes income of EUR 2,086 thousand (expense of EUR 163 thousand) relating to prior periods. Deferred tax expense of EUR 1,101 thousand (EUR 1,515 thousand) results from the changes of allowances on deferred tax assets. Deferred tax income of EUR 23 thousand (expense of EUR 9 thousand) results from tax rate changes. In the financial year, write-downs on deferred tax assets in the amount of EUR 26 thousand (EUR 13 thousand) were reversed.

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

Tax rate reconciliation *in EUR thousand*

	2016	2015
Profit before tax	**132,536**	**119,912**
Expected average tax expense	40,689	36,813
Changes in tax rates	–23	9
Differences between local and Group tax rates	1,680	1,200
Non-deductible expenses	1,360	1,724
Non-taxable income	–1,208	–367
Allowance for deferred tax assets	1,101	1,515
Taxes relating to prior years	–2,086	163
Non-tax effective profit from deconsolidation	0	–1,980
Other differences	–356	–197
Income tax expense per the consolidated income statement	**41,157**	**38,880**
Tax ratio (in percent)	31.1	32.4

The calculated tax rate of 30.7 percent is based on the tax rates applicable in Germany in 2016. A corporation tax of 15.0 percent, the solidarity surcharge of 5.5 percent and the average municipal trade tax rate for the German Group companies were taken into account.

The group tax rate decreased to 31.1 (32.4) percent in the reporting period. This was mainly due to municipal trade tax refunds for previous years due to a retroactive change in taxation of dividends received from tax group members in Germany as well as the fact, that the adjustment of BiGDUG's variable purchase price liability has no effect on taxation. Adjusted for these effects, the Group's tax rate of 34.0 percent would be at the previous year's adjusted level (34.1 percent).

(10) Earnings per share

	2016	2015
Number of shares issued (in thousand)	65,610	65,610
Weighted average number of shares issued (in thousand)	65,610	65,610
Profit (in EUR thousand)	91,379	81,032
Basic earnings per share (in EUR)	1.39	1.24
Diluted earnings per share (in EUR)	1.39	1.24
TAKKT cash flow (in EUR thousand)	125,629	114,168
TAKKT cash flow per share (in EUR)	1.91	1.74

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

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

3. NOTES TO THE BALANCE SHEET

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

	Land, buildings and similar assets	Plant, machinery and equipment	Payments on account	Total
Acquisition costs				
Balance at 01/01/2016	141,724	79,550	568	221,842
Currency translation	569	586	16	1,171
Changes in scope of consolidation	0	2	0	2
Additions	798	6,164	2,805	9,767
Transfers	993	990	–1,983	0
Disposals	–281	–4,638	0	–4,919
Balance at 12/31/2016	**143,803**	**82,654**	**1,406**	**227,863**
Cumulative depreciation and impairment				
Balance at 01/01/2016	59,160	53,849	0	113,009
Currency translation	367	582	0	949
Additions	5,272	7,479	0	12,751
Transfers	40	–40	0	0
Disposals	–268	–4,337	0	–4,605
Balance at 12/31/2016	**64,571**	**57,533**	**0**	**122,104**
Net book values				
Balance at 12/31/2016	**79,232**	**25,121**	**1,406**	**105,759**

Details on impairments in accordance with IAS 36 Impairment of Assets can be found on page 126.

The book value of property, plant and equipment acquired under a finance lease came to EUR 28,821 thousand (EUR 31,244 thousand) as of the closing date. Leased assets are shown under land and buildings with EUR 27,361 thousand (EUR 29,506 thousand) and under equipment with EUR 1,460 thousand (EUR 1,738 thousand).

Since the takeover of the assets capitalized as finance leases at the end of the lease term is uncertain, the finance lease properties continue to be depreciated over the lease term. Overall, there was 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 capitalized finance lease assets, were not subject to any restraints on disposal rights.

Purchase commitments for Property, plant and equipment amount to EUR 259 thousand (EUR 353 thousand).

	Land, buildings and similar assets	Plant, machinery and equipment	Payments on account	Total
Acquisition costs				
Balance at 01/01/2015	137,786	74,235	137	212,158
Currency translation	3,567	2,156	4	5,727
Changes in scope of consolidation	230	876	0	1,106
Additions	196	5,196	568	5,960
Transfers	40	29	−69	0
Disposals	−95	−2,942	−72	−3,109
Balance at 12/31/2015	**141,724**	**79,550**	**568**	**221,842**
Cumulative depreciation and impairment				
Balance at 01/01/2015	52,054	47,870	72	99,996
Currency translation	1,433	1,666	0	3,099
Additions	5,740	7,070	0	12,810
Transfers	0	0	0	0
Disposals	−67	−2,757	−72	−2,896
Balance at 12/31/2015	**59,160**	**53,849**	**0**	**113,009**
Net book values				
Balance at 12/31/2015	**82,564**	**25,701**	**568**	**108,833**

(12) Goodwill *in EUR thousand*

	Goodwill	Goodwill on consolidation	**Total**
Acquisition costs			
Balance at 01/01/2016	347,181	205,948	553,129
Currency translation	8,790	−3,256	5,534
Additions	0	0	0
Disposals	0	0	0
Balance at 12/31/2016	**355,971**	**202,692**	**558,663**
Cumulative impairment			
Balance at 01/01/2016 / 12/31/2016	**0**	**12,860**	**12,860**
Net book values			
Balance at 12/31/2016	**355,971**	**189,832**	**545,803**

	Goodwill	Goodwill on consolidation	Total
Acquisition costs			
Balance at 01/01/2015	304,444	183,136	487,580
Currency translation	25,724	−803	24,921
Additions	17,013	23,615	40,628
Disposals	0	0	0
Balance at 12/31/2015	**347,181**	**205,948**	**553,129**
Cumulative impairment			
Balance at 01/01/2015 / 12/31/2015	**0**	**12,860**	**12,860**
Net book values			
Balance at 12/31/2015	**347,181**	**193,088**	**540,269**

In prior year the increase in goodwill is due to the acquisition of Post-Up Stand within the SPG. The increase in goodwill on consolidation in the financial year 2015 relates to the acquisition of BiGDUG within the BEG. For further information concerning the acquisitions, please refer to page 163 et seqq.

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

Book value of goodwill *in EUR thousand*

Cash generating units	2016	2015
Business Equipment Group	79,379	79,379
Specialties Group	232,358	224,974
Office Equipment Group	44,234	42,828
	355,971	**347,181**

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 costs of acquisition exceeded the fair value of the individual identifiable assets and liabilities, the difference was capitalized as goodwill.

Book value of goodwill on consolidation *in EUR thousand*

Cash generating units	2016	2015
Business Equipment Group	37,176	40,432
Packaging Solutions Group	152,656	152,656
	189,832	**193,088**

If acquisitions had to be reported as so-called share deals, the portion of acquisition costs which exceeded the fair value of the equity at the time of purchase was capitalized as goodwill on consolidation.

Subsequent consolidation

In accordance with the introduction of the impairment-only approach in spring of 2004, goodwill is no longer amortized since January 01, 2005 at TAKKT, but subject to an impairment test once a year or during the course of the year if necessary. No impairment charge on goodwill was necessary in the 2016 or 2015 financial years. Taxable goodwill is amortized over a period of 15 years. At the reporting date, the resulting deferred taxes amounted to EUR 89,534 thousand (EUR 82,656 thousand). No deferred taxes result from goodwill on consolidation.

(13) Other intangible assets *in EUR thousand*

	Brands	Customer lists	Other (purchase price allocation)	Software, licenses and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01/01/2016	29,443	76,056	38,166	43,006	2,753	189,424
Currency translation	631	983	–339	533	49	1,857
Changes in scope of consolidation	0	1,284	0	4	0	1,288
Additions	0	0	0	3,588	2,860	6,448
Transfers	0	0	0	738	–738	0
Disposals	0	0	0	–11,387	–617	–12,004
Balance at 12/31/2016	**30,074**	**78,323**	**37,827**	**36,482**	**4,307**	**187,013**
Cumulative amortization and impairment						
Balance at 01/01/2016	183	50,742	23,429	30,792	598	105,744
Currency translation	36	989	569	553	19	2,166
Additions	606	8,034	4,273	3,553	0	16,466
Reversal of impairment	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–11,380	–617	–11,997
Balance at 12/31/2016	**825**	**59,765**	**28,271**	**23,518**	**0**	**112,379**
Net book values						
Balance at 12/31/2016	**29,249**	**18,558**	**9,556**	**12,964**	**4,307**	**74,634**

Major additions in the year under review relate to modules of ERP systems in the divisions BEG und SPG.

Details on impairments in accordance with IAS 36 Impairment of Assets can be found on page 126.

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

The acquired brands are reported at their book value of EUR 29,249 thousand (EUR 29,260 thousand) as intangible assets with an indefinite useful life. These relate to the cash generating unit PSG in the amount of EUR 10,200 thousand (EUR 10,200 thousand), to the cash generating unit SPG in the amount of EUR 11,953 thousand (EUR 11,574 thousand) and to the cash generating unit OEG in the amount of EUR 7,096 thousand (EUR 7,486 thousand). The customer lists relate to the cash generating unit PSG in the amount of EUR 15,264 thousand (EUR 20,479 thousand), to the SPG in the amount of EUR 2,973 thousand (EUR 4,211 thousand) and to the BEG in the amount of EUR 321 thousand (EUR 624 thousand) and have a remaining useful life between 1 and 6 years.

Purchase commitments for intangible assets amount to EUR 2,771 thousand (EUR 44 thousand) and refer mainly to the ERP system of BEG.

	Brands	Customer lists	Other (purchase price allocation)	Software, licenses and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01/01/2015	27,456	71,300	23,913	32,027	5,316	160,012
Currency translation	1,987	3,330	2,115	1,863	70	9,365
Changes in scope of consolidation	0	1,426	12,138	208	0	13,772
Additions	0	0	0	6,081	2,126	8,207
Transfers	0	0	0	4,759	−4,759	0
Disposals	0	0	0	−1,932	0	−1,932
Balance at 12/31/2015	**29,443**	**76,056**	**38,166**	**43,006**	**2,753**	**189,424**
Cumulative amortization and impairment						
Balance at 01/01/2015	165	39,893	17,415	27,942	536	85,951
Currency translation	18	2,847	1,853	1,707	62	6,487
Additions	0	8,002	4,161	2,987	0	15,150
Reversal of impairment	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	−1,844	0	−1,844
Balance at 12/31/2015	**183**	**50,742**	**23,429**	**30,792**	**598**	**105,744**
Net book values						
Balance at 12/31/2015	**29,260**	**25,314**	**14,737**	**12,214**	**2,155**	**83,680**

(14) Other assets

Other assets mainly comprise deposits and pension plan reinsurances. In addition, shares in investments that are neither subsidiaries nor investments in associated companies are included. The increase in the financial year 2016 is a result of the acquisition of about five percent of the shares in adnymics GmbH, Munich/Germany, for EUR 511 thousand by TAKKT Beteiligungsgesellschaft mbH, Stuttgart/Germany.

(15) Deferred tax

Deferred tax on loss carry forwards *in EUR thousand*

	2016	2015
Deferred tax on loss carry forwards (gross)	5,661	7,205
Allowance	–5,636	–7,123
Deferred tax on loss carry forwards (net)	**25**	**82**

Expiration of impaired loss carry forwards *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	unlimited	Total
2016	1,023	11,192	3,683	5,055	20,953
2015	2,192	15,996	4,045	4,400	26,633

In the USA a capital loss deductible for tax purposes resulted from the sale of the PEG and can be offset within the next four (five) years if taxable capital gains are generated.

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

Deferred tax assets and liabilities *in EUR thousand*

	Assets		Liabilities	
	2016	2015	2016	2015
Property, plant and equipment and other intangible assets	6,844	7,289	20,664	22,844
Goodwill	0	0	89,534	82,656
Inventories	4,012	3,760	187	195
Trade receivables and other assets	1,610	1,854	758	685
Non-current provisions	11,214	10,842	0	0
Current provisions	1,455	1,005	197	182
Financial liabilities	9,647	10,350	826	345
Other liabilities	2,129	3,694	78	70
Market value of derivative financial instruments	202	225	147	162
Loss carry forwards	25	82	0	0
Subtotal	**37,138**	**39,101**	**112,391**	**107,139**
Netting	–35,282	–37,094	–35,282	–37,094
Consolidated balance sheet	**1,856**	**2,007**	**77,109**	**70,045**

Deferred taxes of EUR minus 771 thousand (EUR minus 268 thousand) on the market value of original and derivative financial instruments classified as cash flow hedges as well as deferred taxes of EUR 6,776 thousand (EUR 6,422 thousand) on actuarial gains and losses for the evaluation of pension provisions were recorded with no effect on profit and loss.

Of the deferred tax assets in the amount of EUR 1,856 thousand (EUR 2,007 thousand), EUR 19 thousand (EUR 164 thousand) relate to companies which generated losses in the year under review or the previous year. The recognition of deferred tax assets is based on the positive results of the rolling five-year budget of the respective company taking into account the future expectations as well as the specific business development respectively on the loss history in the past.

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

In the event of future dividend payouts, there would be a tax liability of EUR 4,045 thousand (EUR 3,877 thousand). Any foreign withholding tax and income tax effects at foreign intermediate holding companies were not taken into consideration for reasons of materiality.

(16) Inventories *in EUR thousand*

	2016	2015
Raw materials and supplies	4,711	3,741
Work in progress	1,500	1,593
Finished goods and purchased merchandise	100,935	96,552
Payments on account	1,038	1,925
	108,184	**103,811**

An obsolescence reserve of EUR 8,936 thousand (EUR 8,708 thousand) has been made on finished goods and purchased merchandise, taking the expected sell-down period of the inventories into consideration. Intercompany profits of EUR 167 thousand (EUR 152 thousand) were eliminated.

(17) Trade receivables

Development of allowances on trade receivables *in EUR thousand*

	2016	2015
Balance at 01/01	3,389	3,316
Additions	439	266
Release	–304	–292
Currency translation and other changes	30	99
Balance at 12/31	**3,554**	**3,389**

Additional information concerning the reconciliation from gross to net figures can also be found in section 4. Risk management and financial instruments (page 147 et seqq.).

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

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

	2016	2015
Market value of derivative financial instruments	754	447
Other tax receivables	2,087	1,933
Bonus claims against suppliers	15,132	14,703
Deferred expenses	5,265	5,081
Other	2,069	3,571
	25,307	**25,735**

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

	2016	2015
Cheques, cash balances	108	100
Bank balances	2,159	3,164
	2,267	**3,264**

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

(20) Total equity

The consolidated statement of changes in total equity can be found on page 109. The fully paid-in share capital of TAKKT AG amounts to EUR 65,610,331 (EUR 65,610,331) and is divided into 65,610,331 (65,610,331) no-par-value bearer shares with a nominal value of EUR 1.00. The Management Board is authorized, according to the resolution of the Shareholders' Meeting on May 06, 2014 until May 05, 2019, to acquire treasury shares. In 2016 the Management Board did not use its authorization. In accordance with the resolution of the Shareholders´ Meeting amending the statutes on May 06, 2014, the Management Board is authorized until May 05, 2019 to increase the issued capital by an amount of up to EUR 32,805,165.00 once or several times by issuing new no-par-value bearer shares, taking the subscription rights of the shareholders into account. With the approval of the Supervisory Board, the Management Board is, however, entitled to exclude residual amounts from the shareholders' statutory subscription right. No use was made of this authorization in 2016. Please refer to page 97 et seq. in the Management Report.

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

Other components of equity *in EUR thousand*

	Pension provisions	Cash flow hedges	Tax	Foreign currency reserves	Total
Balance at 01/01/2015	**–26,493**	**–130**	**7,845**	**–808**	**–19,586**
Changes in the scope of consolidation	0	0	0	0	0
Other comprehensive income	3,756	1,014	–1,691	23,526	26,605
thereof currency translation effects	–269	5	47	23,526	23,309
Balance at 12/31/2015 / 01/01/2016	**–22,737**	**884**	**6,154**	**22,718**	**7,019**
Changes in the scope of consolidation	0	0	0	0	0
Other comprehensive income	–1,215	3,041	–575	4,539	5,790
thereof currency translation effects	–37	0	8	4,539	4,510
Balance at 12/31/2016	**–23,952**	**3,925**	**5,579**	**27,257**	**12,809**

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

Subject to the approval of the Supervisory Board, the Management Board together with the Supervisory Board propose to the Shareholders' Meeting to pay a dividend of EUR 36,086 thousand (EUR 32,805 thousand) for the 2016 financial year. The 65.6 million no-par-value bearer shares will therefore correspond to a total dividend per share of EUR 0.55 (EUR 0.50).

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

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	12/31/2016
Liabilities to banks	19,859	40,318	26,089	86,266
Promissory notes	33,500	0	0	33,500
Finance leases	2,331	11,996	16,853	31,180
Finance liabilities to affiliated companies	26,105	0	0	26,105
Other	0	2,756	0	2,756
	81,795	**55,070**	**42,942**	**179,807**
thereof long-term (maturity > 1 year)				98,012

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	12/31/2015
Liabilities to banks	29,078	50,519	57,315	136,912
Promissory notes	0	33,454	0	33,454
Finance leases	2,099	12,988	18,310	33,397
Finance liabilities to affiliated companies	42,427	0	0	42,427
Other	0	1,096	0	1,096
	73,604	**98,057**	**75,625**	**247,286**
thereof long-term (maturity > 1 year)				173,682

The remaining terms of the liabilities to banks are equivalent to the terms of the respective utilized financing commitments. Additionally, TAKKT has unused credit lines amounting to EUR 185.6 million (EUR 135.8 million). Average net financial liabilities for the financial year amounted to EUR 198,189 thousand (EUR 245,522 thousand). Debt was weighted by months.

The liabilities to banks are unsecured. Liabilities resulting from finance lease contracts refer to the central warehouse in Kamp-Lintfort/Germany and three rental properties of Ratioform Verpackungen GmbH in Pliening/Germany as well as a racking system.

Promissory notes of EUR 140,000 thousand were issued in the fourth quarter of 2012, which were divided into four tranches. The tranches had terms of three and five years respectively, each with a fixed and variable interest rate respectively. The part of the promissory notes with the variable interest rate amounting to EUR 77,500 thousand was cancelled in 2014 and refinanced with better conditions. In the fourth quarter of 2015 a tranche with fixed interest rate in the amount of EUR 29,000 thousand was repaid according to schedule. In the fourth quarter of 2016, the remaining EUR 33,500 thousand were reclassified into current financial liabilities since the repayment will be made on October 18, 2017.

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

Due to netting agreements within the clearing agreements for intercompany clearing accounts with Haniel Finance Deutschland GmbH, Duisburg/Germany, and Haniel Finance B.V. Venlo/The Netherlands, receivables from affiliated companies of EUR 7,667 thousand (EUR 0 thousand) were offset against financial liabilities to affiliated companies of EUR 33,772 thousand (EUR 42,427 thousand) in accordance with IAS 32 Financial Instruments: Presentation. A schedule of liabilities to affiliated companies can be found in related-party transactions on page 170 et seq.

(22) Non-current Other liabilities

Non-current Other liabilities comprises mainly purchase price liabilities in the amount of EUR 6,064 thousand (EUR 14,032 thousand). Thereof EUR 3,396 thousand (EUR 11,574 thousand) are contingent considerations.

Additional information to contingent considerations can be found on page 167 et seq.

(23) Pension provisions and similar obligations

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

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

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

For certain executives, pension commitments are in place that cover retirement pension upon reaching the age of 65, disability and widow's/widower's and orphan´s pension. The annual contribution to the pension plan is eight percent of the annual fixed income of the respective executive. The German Commercial Code (HGB) reference interest rate of the German Federal Bank is used for the annual interest yield of the defined benefit component. Payments may be made annuitized or paid out as a lump sum as agreed upon. Pension payments are still being made to former executives based on a plan that has been discontinued.

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

In addition, there are ten other individual commitments, in particular, resulting from former acquisitions. Pension payments related to the majority of these other individual commitments are already being made.

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

In one Dutch company, there is a pension plan in place for 7 (7) employees that covers retirement pension after the age of 65 as well as disability and widow's/widower's and orphan´s pension. The amount of the pension is based on the employee's remuneration less the state pension plan. These pension commitments have been financed through contributions paid to an insurance company. Plan assets created in this process solely involve qualifying insurance policies. With effect on January 01, 2011, the underlying plan was discontinued. Claims arising afterwards are covered by a defined contribution plan.

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

Development of pension provisions *in EUR thousand*

	2016	2015
Present value of funded obligations	15,671	14,702
Present value of unfunded obligations	50,293	46,751
Total present value of obligations	**65,964**	**61,453**
Fair value of plan assets	– 10,902	– 10,229
Pension provision at 12/31	**55,062**	**51,224**

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

Parameters *in percent*

	2016		2015	
	EUR	CHF	EUR	CHF
Actuarial interest rate	2.20	0.60	2.50	0.60
Salary trend	2.50	1.50	2.75	1.50
Pension trend	1.50	0.00	1.75	0.00

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

The weighted duration of the pension provisions as of December 31, 2016 is 20.0 (20.1) years.

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

Development of pension provisions *in EUR thousand*

	Present value of obligation	Fair value of plan assets	Pension provisions
Balance at 01/01/2016	**61,453**	**10,229**	**51,224**
Current service cost	2,775	0	2,775
Past service costs and gains and losses on settlements and curtailments	0	0	0
Personnel expenses	**2,775**	**0**	**2,775**
Interest expense / income / net interest expense	**1,300**	**82**	**1,218**
Return on plan assets	0	0	0
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	–300	0	–300
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	1,848	0	1,848
Experience gains / losses	–289	81	–370
Changes to other components of equity	**1,259**	**81**	**1,178**
Effect of changes in foreign exchange rates	130	81	49
Transfer of obligation	0	0	0
Changes in scope of consolidation	63	0	63
Contributions of plan participants	264	264	0
Contributions of employer	0	389	–389
Benefit payments	–1,280	–224	–1,056
Other Effects	**–823**	**510**	**–1,333**
Balance at 12/31/2016	**65,964**	**10,902**	**55,062**

	Present value of obligation	Fair value of plan assets	Pension provisions
Balance at 01/01/2015	**61,293**	**8,641**	**52,652**
Current service cost	2,817	0	2,817
Past service costs and gains and losses on settlements and curtailments	–325	0	–325
Personnel expenses	**2,492**	**0**	**2,492**
Net interest expense	**1,206**	**145**	**1,061**
Return on plan assets	0	0	0
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	17	0	17
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	–3,511	0	–3,511
Experience gains/losses	–674	–143	–531
Remeasurements of the pension provisions	**–4,168**	**–143**	**–4,025**
Effect of changes in foreign exchange rates	1,073	763	310
Transfer of obligation	0	0	0
Changes in scope of consolidation	0	0	0
Contributions of plan participants	241	241	0
Contributions of employer	0	338	–338
Benefit payments	–684	244	–928
Other Effects	**630**	**1,586**	**–956**
Balance at 12/31/2015	**61,453**	**10,229**	**51,224**

The plan assets do not include any of the Group's financial instruments or assets used by the Group. Employer contributions to plan assets are expected to come to EUR 395 thousand in 2017.

Past service costs in 2015 resulted from adjusted conditions, specifically the reduction of interest rates, for Swiss pension commitments in a pension fund (collective foundation).

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

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

	Present value of obligation	
	2016	2015
Actuarial interest rate		
Increase of 0.5 percentage points	59,976	55,867
Decrease of 0.5 percentage points	72,898	67,917
Salary trend		
Increase of 0.5 percentage points	67,090	62,535
Decrease of 0.5 percentage points	64,885	60,429
Pension trend		
Increase of 0.5 percentage points	69,019	64,401
Decrease of 0.5 percentage points	63,188	58,774
Mortality / Life expectancy		
Increase of 1 year	67,547	62,917
Decrease of 1 year	64,360	59,966

The following table shows the expected future pension benefit payments:

Expected maturity of pension benefits 2016 *in EUR thousand*

	2017	**2018 – 2021**	**2022 – 2026**
Expected Payments	1,145	5,696	9,009

Expected maturity of pension benefits 2015 *in EUR thousand*

	2016	2017 – 2020	2021 – 2025
Expected Payments	1,119	5,231	7,866

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

Defined Contribution Plans

Statutory pension insurance is an important component of retirement pension planning for most employees, especially in Germany. The employer contributions made to such insurance and recorded under Personnel expenses amounted to EUR 9,538 thousand (EUR 8,713 thousand) during the reporting period. The future level of such expenses largely depends on how the underlying pension insurance systems develop.

Some foreign companies, especially in the United States, have voluntary defined contribution plans for the payment of benefits after termination of employment. Affected US companies pay a pension contribution for their staff to an external fund after a certain time of service. Employer contributions depend on voluntary employee contributions and are limited up to 5.0 (5.0) percent of the employee's salary. Moreover, there are plans for certain US companies, that can lead to further employer contributions to an external fund depending on the sales development of the respective company. The companies cannot derive any claims from their contribution payments; accordingly there are no plan assets to be capitalized by these companies. Expenses for defined contribution plans amounted to EUR 2,276 thousand (EUR 2,234 thousand) in the year under review.

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

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

	01/01/2016	Currency translation	Changes in scope of consolidation	Usage	Transfers	Release	Additions	12/31/2016
Personnel obligations	3,886	–2	8	–463	–1,344	0	2,964	5,049
Other	1,418	3	5	–30	0	–4	134	1,526
Long-term other provisions	**5,304**	**1**	**13**	**–493**	**–1,344**	**–4**	**3,098**	**6,575**
Staff bonuses	11,143	296	35	–10,945	1,344	–315	11,713	13,271
Personnel obligations	1,551	40	0	–1,561	0	–24	1,509	1,515
Customer credit notes	1,538	59	4	–1,201	0	–9	1,347	1,738
Restructuring cost	218	2	0	–115	0	0	0	105
Other	4,327	11	0	–295	0	–1,081	529	3,491
Short-term provisions	**18,777**	**408**	**39**	**–14,117**	**1,344**	**–1,429**	**15,098**	**20,120**

	01/01/2015	Currency translation	Changes in scope of consolidation	Usage	Transfers	Release	Additions	12/31/2015
Personnel obligations	3,832	0	0	–471	–1,033	–3	1,561	3,886
Other	1,247	28	64	–84	0	–18	181	1,418
Long-term other provisions	**5,079**	**28**	**64**	**–555**	**–1,033**	**–21**	**1,742**	**5,304**
Staff bonuses	9,886	449	68	–10,002	1,033	–271	9,980	11,143
Personnel obligations	953	54	0	–760	0	–151	1,455	1,551
Customer credit notes	1,369	98	24	–886	0	–113	1,046	1,538
Restructuring cost	851	38	0	–629	0	–42	0	218
Other	3,946	30	79	–325	0	–137	734	4,327
Short-term provisions	**17,005**	**669**	**171**	**–12,602**	**1,033**	**–714**	**13,215**	**18,777**

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

As in previous year, provisions for restructuring, that have been recognized in the course of discontinuing the operations of the Topdeq division, comprise only rental obligations as of the balance sheet date.

(25) Trade payables

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

(26) Current Other liabilities *in EUR thousand*

	2016	2015
Customer payments on account	6,376	5,440
Market value of derivative financial instruments	647	732
Uninvoiced goods and services	12,516	13,034
Other tax payables	8,542	8,116
Personnel liabilities	5,532	4,110
Accrued interest	252	241
Social security contributions	1,043	1,042
Bonus liabilities to customers	3,088	2,838
Audit fees	880	1,003
Deferred income	1,039	735
Purchase price liabilities	450	0
Other	7,460	8,415
	47,825	**45,706**

Purchase price liabilities contain the unconditional purchase price for R.F. Verpackungsmittel-Versand G.m.b.H., acquired in early 2016, amounting to EUR 450 thousand (EUR 0 thousand). Further explanations can be found on page 162.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In the risk and opportunities report contained in the Group management report on page 80 et seqq., TAKKT details the possible financial risks that pose a threat to the success of the TAKKT Group as well as its strategy to manage these risks. In addition to the liquidity and credit risks, in the area of financial risks TAKKT is also exposed to both opportunities and risks from fluctuations in exchange rates and interest rates on international capital markets due to its international presence. The Group's risk management system covers the uncertainties of future development of financial markets accordingly. Derivatives are used to reduce these risks. With this strategy, the risk management system supports the Group's financial performance.

Financial instruments held by TAKKT are classified according to the following IAS 39 categories:

I. Financial assets or liabilities at fair value through profit and loss

II. Loans and receivables (at amortized cost)

III. Available for sale financial assets measured at fair value

IV. Financial liabilities measured at amortized cost

V. Contingent considerations resulting from business combinations measured at fair value

Financial instrument categories as of December 31, 2016 *in EUR thousand*

	Financial instrument category					No IAS 39 category	Reconciliation to balance sheet	**Balance sheet item total**
	I.	II.	III.	IV.	V.*			
Non-current assets								
Other assets	0	713	518	0	0	0	18	1,249
Current assets								
Trade receivables	0	103,733	0	0	0	0	0	103,733
Other receivables and assets	296	17,201	0	0	0	458	7,352	25,307
Cash and cash equivalents	0	2,267	0	0	0	0	0	2,267
Assets	**296**	**123,914**	**518**	**0**	**0**			
Non-current liabilities								
Financial liabilities	0	0	0	69,163	0	28,849	0	98,012
Other liabilities	0	0	0	3,271	3,396	0	0	6,667
Current liabilities								
Financial liabilities	0	0	0	79,464	0	2,331	0	81,795
Trade payables	0	0	0	33,928	0	0	0	33,928
Other liabilities	11	0	0	4,711	0	636	42,467	47,825
Liabilities	**11**	**0**	**0**	**190,537**	**3,396**			

** Disclosure as a result of the first time adoption of the Annual Improvements Project of IASB 2010–2012*

Financial instrument categories as of December 31, 2015 *in EUR thousand*

	Financial instrument category					No IAS 39 category	Reconciliation to balance sheet	Balance sheet item total
	I.	II.	III.	IV.	V.*			
Non-current assets								
Other assets	0	733	0	0	0	0	35	768
Current assets								
Trade receivables	0	94,021	0	0	0	0	0	94,021
Other receivables and assets	25	18,275	0	0	0	421	7,014	25,735
Cash and cash equivalents	0	3,264	0	0	0	0	0	3,264
Assets	**25**	**116,293**	**0**	**0**	**0**			
Non-current liabilities								
Financial liabilities	0	0	0	142,384	0	31,298	0	173,682
Other liabilities	0	0	0	2,947	11,574	0	0	14,521
Current liabilities								
Financial liabilities	0	0	0	71,505	0	2,099	0	73,604
Trade payables	0	0	0	27,891	0	0	0	27,891
Other liabilities	98	0	0	4,206	0	634	40,768	45,706
Liabilities	**98**	**0**	**0**	**248,933**	**11,574**			

** Disclosure as a result of the first time adoption of the Annual Improvements Project of IASB 2010–2012*

The financial assets and liabilities in category I. relate to derivatives, which are classified as held for trading according to IAS 39. These derivatives are solely used for hedging purposes.

The available-for-sale assets relate to a non-listed entity, which was acquired during the reporting year.

The column 'No IAS 39 category' includes derivatives with a positive fair value of EUR 458 thousand (EUR 421 thousand) and a negative fair value of EUR 636 thousand (EUR 634 thousand) as well as finance lease liabilities with a book value of EUR 31,180 thousand (EUR 33,397 thousand).

The calculation method used for all the other receivables and assets and the other liabilities measured at fair value relates to level 2 except for the valuation of available for sale assets and contingent liabilities, which relates to level 3. The reconciliation of the contingent consideration can be found on page 167 et seq. A definition of the levels can be found on page 119.

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

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

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

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

	Book Value 12/31/2016	**Fair Value 12/31/2016**	Book Value 12/31/2015	Fair Value 12/31/2015
Finance leases	31,180	35,452	33,397	35,790
Promissory notes and relating accrued interest	33,725	34,018	33,678	34,250
Other non-current liabilities	2,756	3,488	1,096	1,402
	67,661	**72,958**	**68,171**	**71,442**

In these cases, fair value is determined using the same method assigned to level 2 as for assets and liabilities that are measured at fair value on a recurring basis applying the discounted cashflow-method.

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

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

	From interest	At fair value	Currency translation	Valuation allowance	**2016**
Financial assets or liabilities at fair value through profit and loss	0	357	0	0	357
Loans and receivables	11	0	–269	–1,302	–1,560
Available for sale financial assets measured at fair value	0	0	0	0	0
Financial liabilities measured at amortized cost	–4,458	0	–659	0	–5,117
Contingent consideration resulting from business combinations measured at fair value *	–873	8,618	0	0	7,745
	–5,320	**8,975**	**–928**	**–1,302**	**1,425**

* *Disclosure as a result of the first time adoption of the Annual Improvements Project of IASB 2010–2012*

	From interest	At fair value	Currency translation	Valuation allowance	2015
Financial assets or liabilities at fair value through profit and loss	0	169	0	0	169
Loans and receivables	19	0	–982	–1,153	–2,116
Available for sale financial assets measured at fair value	0	0	0	0	0
Financial liabilities measured at amortized cost	–4,779	0	–640	0	–5,419
Contingent consideration resulting from business combinations measured at fair value *	–1,079	0	0	0	–1,079
	–5,839	**169**	**–1,622**	**–1,153**	**–8,445**

* *Disclosure as a result of the first time adoption of the Annual Improvements Project of IASB 2010–2012*

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. As a result of the strong diversification of the customer structure described in the risk report on page 84, there is no exceptional concentration of risk in the operating business. Due to consistent creditworthiness assessments prior to transactions as well as stringent collection systems in the financial year write-offs on trade receivables remain very low at unchanged less than 0.2 percent of sales. Risks of write-offs are accounted for by customary ownership retention rights for goods delivered and by creating allowances.

Trade receivables *in EUR thousand*

	01/01/2016	Currency translation	Changes in scope of consolidation	Other changes	12/31/2016
Nominal value of receivables	97,410	685	185	9,007	107,287
Valuation allowances	–3,389	–23	0	–142	–3,554
Book value of receivables	**94,021**	**662**	**185**	**8,865**	**103,733**

	01/01/2015	Currency translation	Changes in scope of consolidation	Other changes	12/31/2015
Nominal value of receivables	86,570	3,701	483	6,656	97,410
Valuation allowances	–3,316	–90	0	17	–3,389
Book value of receivables	**83,254**	**3,611**	**483**	**6,673**	**94,021**

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

LIQUIDITY RISK

Liquidity risk is understood as the risk of not being able to meet payment obligations at any time. The following table lists the contractually agreed interest payments and repayments from original financial liabilities as well as incoming and outgoing payments from derivative financial liabilities and assets at December 31, 2016. There were no financial guarantees. Foreign currency amounts were translated into the reporting currency euro at the respective closing rate at the reporting date.

Maturity analysis as of December 31, 2016 *in EUR thousand*

	Cash flow 2017	Cash flow 2018	Cash flow 2019 – 2021	Cash flow 2022 – 2026	Cash flow 2027…
Original financial liabilities					
Liabilities to banks	–21,021	–15,112	–28,298	–26,124	0
Promissory notes	–34,612	0	0	0	0
Finance leases	–3,698	–3,698	–12,851	–12,344	–11,049
Finance liabilities to affiliated companies	–26,120	0	0	0	0
Trade payables	–33,928	0	0	0	0
Purchase price liabilities	–450	–6,856	0	0	0
Other liabilities	–4,207	–201	–4,056	0	0
Derivative financial receivables					
Outgoing payments	–70,340	–6	0	0	0
Connected incoming payments	70,926	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–22,822	–110	0	0	0
Connected incoming payments	22,067	0	0	0	0

Maturity analysis as of December 31, 2015 *in EUR thousand*

	Cash flow 2016	Cash flow 2017	Cash flow 2018 – 2020	Cash flow 2021 – 2025	Cash flow 2026…
Original financial liabilities					
Liabilities to banks	–30,406	–46,789	–7,058	–57,372	0
Promissory notes	–1,112	–34,612	0	0	0
Finance leases	–3,597	–3,597	–14,477	–13,673	–12,186
Finance liabilities to affiliated companies	–42,500	0	0	0	0
Trade payables	–27,891	0	0	0	0
Purchase price liabilities	0	0	–18,566	0	0
Other liabilities	–4,129	–163	–1,876	0	0
Derivative financial receivables					
Outgoing payments	–32,478	0	0	0	0
Connected incoming payments	32,890	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–30,349	–536	–225	0	0
Connected incoming payments	29,600	0	0	0	0

TAKKT has considerable unused short- and long-term credit lines with a number of German and international banks amounting to EUR 185.6 million (EUR 135.8 million). Thus, the liquidity risk resulting from the maturities is largely negligible.

MARKET PRICE RISK

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

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

CURRENCY RISK

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

Currency hedging *in EUR thousand*

	Nominal value		Market value	
	2016	2015	**2016**	2015
Assets				
Currency derivatives designated as cash flow hedges	14,048	12,316	398	421
Currency derivatives without hedge accounting	56,376	20,300	296	25
Liabilities				
Currency derivatives designated as cash flow hedges	19,192	15,209	–375	–177
Currency derivatives without hedge accounting	2,884	14,406	–11	–98
	92,500	**62,231**	**308**	**171**

Non-derivative financial liabilities denominated in foreign currency are used to hedge the net investment in a foreign operation. In 2016, gains after taxes totaling EUR 2.081 thousand (EUR 747 thousand) resulting from the change in value of this hedge instrument were recorded in Other comprehensive income without affecting profit. There has been no notable ineffective portions of the net investment hedges.

CURRENCY DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

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

In the 2016 financial year, gains after deferred taxes totaling EUR 16 thousand (EUR 152 thousand) resulting from changes in the fair values of foreign exchange derivatives were recorded in Other comprehensive income without affecting profit. These changes in valuation represent the effective part of the hedge relationship. In addition, gains of EUR 142 thousand (EUR 104 thousand) recorded in Other comprehensive income were transferred to the statement of income (under Other operating expenses). With the payments taking place within the next twelve months, TAKKT expects that gains recorded in Other comprehensive income amounting to EUR 16 thousand after deferred taxes will be transferred to the statement of income.

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

Underlying currency derivative transactions *in EUR thousand*

	2016		2015	
	Cash flow 2017	Cash flow 2018…	Cash flow 2016	Cash flow 2017…
CAD	4,075	0	4,917	0
CHF	16,397	0	14,660	0
CZK	888	0	241	0
DKK	1,209	0	818	0
GBP	0	0	0	0
HUF	1,952	0	1,544	0
NOK	1,790	0	1,595	0
PLN	–135	0	–7	0
RON	491	0	380	0
RUB	480	0	234	0
SEK	–2,103	0	–1,672	0
TRY	128	0	328	0
USD	–3,592	0	–1,044	0

CURRENCY DERIVATIVES WITHOUT HEDGE ACCOUNTING

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

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

No fair value hedge accounting is applied.

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

Sensitivity analysis for currency fluctuations *in EUR thousand*

12/31/2016	Increase/ decrease	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR/CHF	+10%	0	+1,667
EUR/CHF	–10%	0	–1,667
EUR/USD	+10%	+19	–383
EUR/USD	–10%	–19	+383

12/31/2015	Increase/ decrease	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR/CHF	+10%	0	+1,480
EUR/CHF	–10%	0	–1,480
EUR/USD	+10%	+20	–108
EUR/USD	–10%	–20	+108

INTEREST RATE RISK

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

Interest rate hedges *in EUR thousand*

	Nominal value		Market value	
	2016	2015	**2016**	2015
Assets				
Interest rate derivatives designated as cash flow hedges	28,460	0	60	0
Interest rate derivatives without hedge accounting	0	0	0	0
Liabilities				
Interest rate derivatives designated as cash flow hedges	62,177	120,223	–261	–458
Interest rate derivatives without hedge accounting	0	0	0	0
	90,637	**120,223**	**–201**	**–458**

In order to hedge future interest payments from the floating-rate USD debt, TAKKT has designated interest rate swaps designed as amortizing swaps with a nominal volume of USD 70,000 thousand as well as a counteracting interest rate swap with a nominal volume of USD 15,000 thousand as cash flow hedges as of the balance sheet date. Thus, as of the balance sheet date, the remaining hedging volume amounts to USD 55,000 thousand.

Unchanged to the previous year an interest rate swap with a nominal volume of EUR 10,000 thousand and a maturity date of October 19, 2017 is classified as cash flow hedge as of the balance sheet date.

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

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

In 2016, losses of EUR 111 thousand (EUR 398 thousand) after deferred taxes resulting from the change of fair values were recorded in Other comprehensive income without an effect on profits. Losses after deferred taxes recorded in equity amounting to EUR 267 thousand (EUR 303 thousand) were transferred to the statement of income (Finance expenses). These amounts represent the change in valuation of the effective part of the hedge relationship. As in the previous year, there has been no material ineffectiveness.

UNDERLYING INTEREST RATE DERIVATIVE TRANSACTIONS

The TAKKT Group is financed by means of long-term bilateral credit lines, which are usually made use of on a revolving basis with a short-term fixed-rate period and since 2012 also through promissory notes which were partly repaid in October 2014 as well as in October 2015. TAKKT uses derivative financial instruments to hedge against rising market interest rates and therefore potentially increasing future interest payments. The target hedge level for the interest rate risk is between 60 and 80 percent of the financing volume.

The table below shows the reporting periods in which the cash flows hedged as of December 31, 2016 are expected to occur. The anticipated hedged interest outpayments are the result of floating-rate US dollar liabilities with an initial nominal volume of USD 55,000 thousand (USD 80,000 thousand) and of floating-rate EUR liabilities with a nominal volume of EUR 10,000 thousand (EUR 10,000 thousand).

Underlying interest rate derivative transactions *in USD thousand / EUR thousand*

2016	Cash flow 2017	Cash flow 2018	Cash flow 2019–2021	Cash flow 2022–2026	Cash flow 2027...
USD	466	249	0	0	0
EUR	–23	0	0	0	0

2015	Cash flow 2016	Cash flow 2017	Cash flow 2018–2020	Cash flow 2021–2025	Cash flow 2026...
USD	450	348	178	0	0
EUR	–3	–9	0	0	0

Other financial instruments

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

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

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

Sensitivity analysis for interest rate fluctuations *in EUR thousand*

12/31/2016	Increase/ decrease in basis points	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR	+100/–100	-344/+344	-11/+11
USD	+100/–100	-264/+264	+595/-607
GBP	+100/–100	-108/+108	0/0

12/31/2015	Increase/ decrease in basis points	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR	+100/–100	-51/+51	+92/-97
USD	+100/–100	-138/+138	+1,201/-1,248
GBP	+100/–100	-258/+258	0/0

5. OTHER NOTES

NOTES TO THE STATEMENT OF CASH FLOWS

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

The TAKKT cash flow figure is used for financial communication. TAKKT defines this as profit plus depreciation, amortization and impairment of non-current assets and deferred tax affecting profit. It is shown as a subtotal within the cash flow from operating activities.

Capital expenditure relates to maintenance, expansion and modernization of the business. Furthermore, cash outflows for the acquisitions of the shares of printmate GmbH (EUR 535 thousand) and adnymics GmbH (EUR 511 thousand) were recognized under capital expenditure on non-current assets. Proceeds from the disposal of consolidated companies in the amount of EUR 1,625 thousand (EUR 16,119 thousand) refer to the sale of the North American Group division PEG. Cash outflows for the acquisition of consolidated companies relate to payments regarding the acquisition of R.F. Verpackungsmittel-Versand G.m.b.H. (EUR 393 thousand). In 2015 these related to payments regarding the acquisitions of Post-Up Stand (EUR 13,723 thousand) and BiGDUG (EUR 25,483 thousand) as well as to the last partial payments of the purchase price liabilities relating to the acquisitions of GPA (EUR 52,981 thousand) and UBEN (EUR 116 thousand) in the 2012 and 2011 financial years.

Cash outflows relating to the outstanding purchase price liability for GPA in previous year were separated according to IAS 7 Statement of Cash Flows. EUR 52,981 thousand were recorded in the Cash flow from investing activities as Cash outflows for the acquisition of consolidated companies. Cash outflows relating to accrued interest and profit-affecting adjustments of the originally expected purchase price liability were included in the Cash flow from operating activities in the amount of EUR 16,207 thousand. Adjusted for this effect the cash flow from operating activities amounted to EUR 103,483 thousand.

The cash flow from operating activities was influenced particularly by the increase of trade receivables resulting from the general organic growth. The cash flow from operating activities in the previous year was mainly influenced by the development of inventories, which particularly took place at different facilities in the US.

The cash flow from operating activities includes interest receipts of EUR 691 thousand (EUR 20 thousand), interest payments of EUR 5,812 thousand (EUR 6,335 thousand) as well as payments from associated companies in the amount of EUR 0 thousand (EUR 0 thousand). In 2016, income taxes of EUR 40,370 thousand (EUR 27,101 thousand) were paid.

Cash flow from financing activities includes payments from transactions with owners as well as payments from changes in financial liabilities. The transactions with owners are related to the distribution of dividends to the shareholders of the TAKKT AG in the amount of EUR 32,805 thousand (EUR 20,955 thousand). The cash-effective changes of the financial liabilities concern the incoming and outgoing payments in order to borrow or repay financial liabilities. These include particularly the decrease of liabilities to banks in the amount of EUR 54,972 thousand (in the previous year increase of EUR 64,135 thousand), the repayment of financial liabilities to affiliated companies in the amount of EUR 14,187 thousand (EUR 12,587 thousand) as well as in previous year the repayment of promissory notes in the amount of EUR 29,000 thousand. The components of financial liabilities are explained on page 139.

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

NOTES TO THE SEGMENT REPORTING

Segment reporting 2016 of the TAKKT Group *in EUR thousand*

	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Sales to third parties	563,020	562,025	1,125,045	0	0	1,125,045
Inter-segment sales	314	2	316	0	–316	0
Segment sales	563,334	562,027	1,125,361	0	–316	1,125,045
Other non-cash expenses (+) and income (–)	–2,606	–926	–3,532	–376	0	–3,908
EBITDA	107,117	77,136	184,253	–12,991	0	171,262
Depreciation and amortization of segment assets	20,121	8,193	28,314	120	0	28,434
Impairment of segment assets	1	782	783	0	0	783
EBIT	86,995	68,161	155,156	–13,111	0	142,045
Income from associated companies	0	0	0	0	0	0
Finance expenses	–3,889	–3,651	–7,540	–3,169	2,258	–8,451
Interest and similar income	116	2	118	2,831	–2,258	691
Profit before tax	81,478	64,525	146,003	–13,467	0	132,536
Income tax expense	21,910	25,397	47,307	–6,150	0	41,157
Profit	59,568	39,128	98,696	–7,317	0	91,379
TAKKT cash flow	77,963	55,285	133,248	–7,619	0	125,629
Segment assets	583,335	470,783	1,054,118	144,838	–225,019	973,937
thereof investments in associated companies	20	0	20	535	0	555
thereof deferred tax and income tax receivables	1,932	2,959	4,891	6,404	–4,849	6,446
investment in non-current assets*	8,227	7,852	16,079	1,280	0	17,359
Segment liabilities	241,271	240,461	481,732	179,462	–225,019	436,175
thereof deferred tax and income tax payables	29,722	56,835	86,557	4,483	–4,849	86,191
thereof financial liabilities (non-current and current)	130,115	122,026	252,141	147,811	–220,145	179,807
Average no. of employees (full-time equivalent)	1,309	974	2,283	36	0	2,319
Employees at the closing date (full-time equivalent)	1,309	965	2,274	37	0	2,311

* Without investments in non-current assets from acquisition of subsidiaries, please refer to the details on page 162 et seqq.

Segment reporting by geographical region 2016 of the TAKKT Group *in EUR thousand*

	Germany	Europe without Germany	USA	Other	Group total
Sales to third parties	246,587	322,855	544,313	11,290	1,125,045
Non-current assets*	356,686	36,385	333,134	7	726,212

* Non-current assets excluding financial instruments und deferred tax assets.

Segment reporting 2015 of the TAKKT Group *in EUR thousand*

	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Sales to third parties	538,013	525,755	1,063,768	0	0	1,063,768
Inter-segment sales	291	1	292	0	–292	0
Segment sales	538,304	525,756	1,064,060	0	–292	1,063,768
Other non-cash expenses (+) and income (–)	1,617	2,291	3,908	944	0	4,852
EBITDA	98,373	68,946	167,319	–9,995	0	157,324
Depreciation and amortization of segment assets	19,068	8,743	27,811	149	0	27,960
Impairment of segment assets	0	0	0	0	0	0
EBIT	79,305	60,203	139,508	–10,144	0	129,364
Income from associated companies	0	0	0	0	0	0
Finance expenses	–4,449	–4,249	–8,698	–3,555	3,253	–9,000
Interest and similar income	89	2	91	3,182	–3,253	20
Profit before tax	74,460	55,969	130,429	–10,517	0	119,912
Income tax expense	21,174	20,623	41,797	–2,917	0	38,880
Profit	53,286	35,346	88,632	–7,600	0	81,032
TAKKT cash flow	70,294	51,687	121,981	–7,813	0	114,168
Segment assets	604,461	454,026	1,058,487	108,350	–202,679	964,158
thereof investments in associated companies	20	0	20	0	0	20
thereof deferred tax and income tax receivables	2,496	1,493	3,989	3,988	–4,220	3,757
Investment in non-current assets*	9,418	4,740	14,158	83	0	14,241
Segment liabilities	266,563	245,540	512,103	181,336	–202,679	490,760
thereof deferred tax and income tax payables	31,519	47,757	79,276	4,995	–4,220	80,051
thereof financial liabilities (non-current and current)	153,450	140,168	293,618	152,093	–198,425	247,286
Average no. of employees (full-time equivalent)	1,264	970	2,234	34	0	2,268
Employees at the closing date (full-time equivalent)	1,297	972	2,269	35	0	2,304

* *Without investments in non-current assets from acquisition of subsidiaries, please refer to the details on page 162 et seqq.*

Segment reporting by geographical region 2015 of the TAKKT Group *in EUR thousand*

	Germany	Europe without Germany	USA	Other	Group total
Sales to third parties	243,629	295,987	506,153	17,999	1,063,768
Non-current assets*	366,287	42,044	324,393	94	732,818

* *Non-current assets excluding financial instruments and deferred tax assets.*

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

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

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

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

The Business Equipment Group (BEG), consisting of the KAISER+KRAFT, gaerner, Gerdmans, KWESTO, Certeo and BiGDUG brands, offers products for transportation, plant, warehouse and office equipment in more than twenty countries in Europe. BEG's customers include industrial enterprises as well as companies from the areas of service and retail and public bodies.

The Packaging Solutions Group (PSG) consisting of the Ratioform and Davpack brands, offers different kinds of transport packaging products in seven European countries for companies in different industries.

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

The Specialties Group (SPG), consisting of the brands Hubert in the USA, Canada, Germany, France and Switzerland as well as Central Restaurant Products, Retail Resource, Displays2Go and Post-Up Stand in the USA, sells catering equipment, supply items and promotion items for the food service, hotel and retail sectors.

The Office Equipment Group (OEG), consisting of the brands National Business Furniture (NBF) as well as Dallas Midwest and officefurniture.com in the USA, offers products in the area of office equipment. In addition to companies, its customers include government agencies, the health care sector, schools and churches.

Until January 30, 2015, TAKKT AMERICA segment contained the division Plant Equipment Group (PEG). Consisting of the brands C&H in the USA and Mexico, IndustrialSupplies.com in the USA, Products for Industry in the USA and Canada as well as Avenue in Canada, the division sold products in the area of transport, storage and plant equipment. The division PEG has been sold as of January 30, 2015. Further information on the sale of PEG can be found on page 163.

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

Geographical information

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

ACQUISITION AND SALE OF SUBSIDIARIES

Acquisition of R.F. Verpackungsmittel-Versand G.m.b.H. in 2016

With effect from January 01, 2016, the TAKKT Group company Ratioform Verpackungen GmbH, Pliening/Deutschland, acquired the R.F. Verpackungsmittel-Versand G.m.b.H. based in Vienna/Austria. R.F. Verpackungsmittel-Versand G.m.b.H. is the former franchise partner through which Ratioform distributed its products in Austria.

A purchase price in two installments was agreed for the acquisition of 100 percent of the shares. The first installment amounting to EUR 752 thousand was paid in January 2016. The second installment amounts to EUR 450 thousand and is due at the end of January 2017. All payments are made exclusively in cash. The purchase price portion still outstanding is recognized in current Other liabilities.

For tax purposes the transaction is classified as a share deal. The following fair values of the assets and liabilities were recognized as first-time consolidation amounts of the company acquired in the first quarter of 2016:

	Fair value at acquisition date (in EUR million)
Assets	**2.1**
Other intangible assets	1.3
Inventories	0.2
Trade receivables	0.2
Cash and cash equivalents	0.4
Liabilities	**0,9**
Trade payables	0.1
Other liabilities	0.8
Net assets acquired	**1.2**

The intangible assets identified as part of the purchase price allocation exclusively comprise a customer list with a total value of EUR 1.3 million. The expected useful life is four years.

No contingent liabilities were recognized. No goodwill had to be capitalized.

At the time of acquisition the fair value of the receivables acquired is EUR 0.2 million. Only trade receivables are included, with a gross and net value of EUR 0.2 million.

Following the transfer of control in January 2016, R.F. Verpackungsmittel-Versand G.m.b.H. contributed sales of EUR 3.4 million and a total profit of EUR 0.7 million to the consolidated income statement.

Incidental acquisition costs of EUR 2 thousand (EUR 50 thousand) incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit.

Sale of Plant Equipment Group in 2015

The sale of the North American Group division Plant Equipment Group in the TAKKT AMERICA segment to Global Industrial Holdings LLC, Port Washington/USA, and Global Industrial Mexico Holdings Inc., Port Washington/USA, was completed on January 30, 2015. The consideration received for the sale amounted to EUR 22.9 million. Taking into account the cash and cash equivalents of EUR 1.0 million in the disposed division, an amount held in escrow of EUR 1.7 million and paid transaction costs of EUR 4.1 million, the total cash amount realized from the sale was EUR 16.1 million. As of January 30, 2015 assets totaling EUR 23.9 million as well as liabilities totaling EUR 9.8 million were removed from the balance sheet as a result of the sale. Taking into account transaction costs incurred during the financial year as well as the Other comprehensive income that had to be reclassified to profit and loss with the amount of EUR minus 2.4 million, the profit from deconsolidation amounted to EUR 3.3 million.

Acquisition of the Post-Up Stand group of companies in 2015

With effect from April 01, 2015, the TAKKT Group company TAKKT America Holding, Inc., Milwaukee/USA, acquired the Post-Up Stand group of companies based in Maple Heights/USA. Post-Up Stand is a leading and established specialist for customized printed advertising material, such as retractable banner stands, trade show displays and advertising banners, in the USA. In the 2014 financial year, Post-Up Stand generated sales of approximately USD 16 million and recorded an EBITDA margin of over 15 percent. The acquisition is an ideal addition to the successful display business of GPA and strengthens the Specialties Group.

The purchase price that was agreed upon for 100 percent of the shares is paid in two installments. An initial purchase price installment of USD 15.3 million was paid upon the closing of the transaction. Another fixed installment of USD 1.5 million is due in the second quarter of 2018. An additional contingent and variable purchase price component of up to USD 13.5 million depends on the company's achievement of performance goals over the next three years and is also payable in the second quarter of 2018. All payments will be made exclusively in cash. The outstanding installment and the conditional element of the purchase price that the Management Board expects were recognized under non-current Other liabilities with a discounted value of USD 9.1 million at the date of acquisition.

For tax purposes the transaction was configured as an asset deal. The following fair values of the assets and liabilities were recognized as first-time consolidation amounts of the company acquired in the second quarter of 2015:

	Fair value at acquisition date (in EUR million)
Assets	**6.7**
Other intangible assets	4.0
Property, plant and equipment	0.4
Inventories	1.6
Trade receivables	0.1
Other assets	0.2
Cash and cash equivalents	0.4
Liabilities	**1.0**
Trade payables	0.4
Other liabilities	0.6
Net assets acquired	**5.7**

The intangible assets identified as part of the purchase price allocation with a total value of EUR 3.9 million and their expected useful lives are listed in the following table:

	Fair value at acquisition date (in EUR million)	Useful life (in years)
Domain names	2.7	10
Customer relationships	0.6	3
Web shop	0.4	3
Catalog/Online content	0.2	3
	3.9	

No contingent liabilities were recognized. The remaining excess of the consideration made for the company amounting to EUR 22.7 million (USD 24.4 million) over the fair values of the acquired assets and liabilities that can be individually identified and measured is recognized as goodwill amounting to EUR 17.0 million. The goodwill reflects various factors. The most important ones are assembled workforce, employee knowledge and the strengthening of TAKKT Group's strategic position in North America. The goodwill as well as the identified intangible assets are fully tax deductible in principle. The component of goodwill resulting from the contingent payment will only have a tax effect from the date on and in the extent of the contingent liability turning into a deferred payment.

At the time of acquisition the fair value of the receivables acquired is EUR 0.1 million. Only trade receivables are included, with a gross and net value of EUR 0.1 million.

Following the transfer of control in April 2015, Post-Up Stand contributed sales of EUR 13.6 million and a total profit of EUR minus 0.1 million to the consolidated income statement. If the transaction had already been completed by January 01, 2015, the consolidated sales in 2015 would have been higher by EUR 18.2 million and the profit by EUR 0.2 million.

Incidental acquisition costs of EUR 0.4 million incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit. The former executives will continue to be responsible for managing the company after completion of the transaction.

Acquisition of BiGDUG in 2015

With effect from July 02, 2015, the TAKKT Group company KAISER+KRAFT EUROPA GmbH, Stuttgart/Germany, acquired the company BiGDUG Ltd. based in Gloucester/Great Britain. BiGDUG is a leading and established specialist in the online sale of business equipment, with an emphasis on storage solutions as well as racking and shelving products. In the 2014/2015 financial year, BiGDUG generated sales of approximately GBP 19 million and recorded an EBITDA margin in the middle of the TAKKT target corridor of 12 to 15 percent. The acquisition strengthens the online activities of the Business Equipment Group and is therefore an ideal addition to the current businesses.

A purchase price paid in cash upon completion of the transaction of GBP 22.3 million was agreed upon for 100 percent of the shares. In addition, a further potential and variable purchase price component of originally up to GBP 6.3 million was agreed. This earn out depends on the achievement of agreed performance goals over the next three years and would be payable in 2018, also in cash.

For tax purposes the transaction is classified as a share deal. The following fair values of the assets and liabilities were recognized as first-time consolidation amounts of the company acquired in the third quarter of 2015:

	Fair value at acquisition date (in EUR million)
Assets	**18.9**
Other intangible assets	9.8
Property, plant and equipment	0.6
Inventories	1.7
Trade receivables	0.4
Other assets	0.4
Cash and cash equivalents	6.0
Liabilities	**6.4**
Trade payables	2.3
Other liabilities	4.1
Net assets acquired	**12.5**

The intangible assets identified as part of the purchase price allocation with a total value of EUR 9.7 million and their expected useful lives are listed in the following table:

	Fair value at acquisition date (in EUR million)	Useful life (in years)
Domain names	5.4	10
Catalog / Online content	2.2	5
Web shop	1.3	3
Customer relationships	0.8	3
	9.7	

No contingent liabilities were recognized. The remaining excess of the consideration made for the company amounting to EUR 36.1 million (GBP 25.6 million) over the fair values of the acquired assets and liabilities that can be individually identified and measured is recognized as goodwill amounting to EUR 23.6 million. The goodwill reflects various factors. The most important ones are assembled workforce, employee knowledge and the strengthening of the portfolio in Europe. The goodwill as well as the identified intangible assets have no effect on taxation.

The net assets of BiGDUG, shown in the balance sheet in British pounds, were hedged by non-derivative foreign currency liabilities (Hedge of a Net Investment in a Foreign Operation).

At the time of acquisition the fair value of the receivables acquired is EUR 0.5 million. These basically consist of trade receivables, with a gross and net value of EUR 0.4 million.

Following the transfer of control in July 2015, BiGDUG contributed sales of EUR 13.9 million and a total loss of EUR minus 0.5 million to the consolidated income statement. If the transaction had already been completed by January 01, 2015, the consolidated sales in 2015 would have been higher by EUR 27.1 million and the profit lower by EUR minus 0.6 million.

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

CONTINGENT LIABILITIES AND RECEIVABLES

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

CAPITAL MANAGEMENT

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

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

Internal covenants *in EUR thousand*

	2016	2015
Total equity	537,762	473,398
/ Total assets	973,937	964,158
Equity ratio (in percent)	**55.2**	**49.1**
Financial liabilities	179,807	247,286
./. Cash and cash equivalents	2,267	3,264
Net financial liabilities	177,540	244,022
/ Total equity	537,762	473,398
Gearing	**0.3**	**0.5**
Average net financial liabilities	198,189	245,522
/ TAKKT cash flow	125,629	114,168
Debt repayment period (in years)	**1.6**	**2.2**
Operating result before Goodwill impairment	142,045	129,364
/ Net interest expense (= Finance expenses less Interest and similar income)	7,760	8,980
Interest cover	**18.3**	**14.4**

Steering the results of the individual Group companies at TAKKT Group is conducted through a system of financial key management figures. In this context, the EBITDA margin with a long-term target corridor of 12 to 15 percent serves as benchmark for the short-term operating profitability; and the TAKKT value added, for which a significant positive value is sought, serves as benchmark for the longer-term value-based controlling. For more details on value-based corporate management, please refer to sections management system and company performance on page 48 et seqq. and page 76 et seqq. of the annual report.

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

TAKKT has leased two warehouses from leasing companies which are classified as unconsolidated structured entities. The two leasing companies have constructed the warehouses especially for TAKKT and rent them to the Group. TAKKT neither has interests in these companies nor has TAKKT the power to decide about the activities relevant for the variable returns on the basis of contractual regulations. The companies are fully financed by external banks.

The leasing contracts are recognized as finance leases according to IAS 17 Leases. The assets and liabilities resulting from these finance leases are presented in the following table.

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

	2016	2015
Land, buildings and similar assets	12,876	14,351
Non-current finance leases	13,829	15,487
Current finance leases	1,540	1,354

As of the balance sheet date other financial obligations that correspond to the minimum lease payments amount to EUR 17,092 thousand (EUR 19,085 thousand). There are no exposures to loss according to IFRS 12 Disclosure of Interests in Other Entities.

CHANGES IN CONTINGENT CONSIDERATIONS *in EUR million*

	2016	2015
Balance at 01/01	**11.6**	**0.1**
Additions	0.5	12.0
Disposals	–0.5	–1.3
Currency translation	–0.5	–0.3
Accrued interest	0.9	1.1
Revaluation	–8.6	0.0
Balance at 12/31	**3.4**	**11.6**

As of the end of the reporting period, contingent considerations include the contingent purchase price component agreed in connection with the company acquisition of Post-Up Stand in 2015. The amount of the contingent consideration to be paid for Post-Up Stand in 2018 is dependent on a three-year cumulative earnings figure. The earnings figure corresponds to the gross profit less advertising costs. The maximum payment amount is USD 12.0 million. A payment is made only when a defined threshold amount is reached. As the management no longer expects that the growth and earnings figures used for the initial consolidation of the contingent consideration are achieved, the fair value of the corresponding contingent consideration was reduced by EUR 4,113 thousand respectively USD 4,550 thousand and thus is included in the contingent considerations with an amount of EUR 3,396 thousand respectively USD 3,580 thousand.

Additionally, there is a contingent consideration for the acquisition of BiGDUG. The amount of the payment to be made in 2018 is dependent on a three-year cumulative earnings figure. Originally, the maximum payment amounted to GBP 6.3 million. Since management does not expect any more the threshold amount required for payment to be reached, the fair value of the respective contingent consideration was reduced by EUR 4,505 thousand or GBP 3,681 thousand and is included in the contingent considerations with an amount of EUR 0 thousand.

The income from the reduction of the fair values amounting to EUR 8,618 thousand was recognized in other operating income.

If the cumulated earnings figure expected from management was higher by five percent respectively lower by five percent, the presented book value of the contingent consideration would be higher by EUR 0.6 million respectively lower by EUR 0.4 million as of the balance sheet date.

Disposals of the year 2015 contain a part of the originally contingent consideration of Post-Up Stand in the amount of EUR 1.2 million. This part depended on the achievement of sales targets, which were fulfilled in 2015. As of the balance sheet date it is still included in the unconditional purchase price liabilities.

EUR 0 thousand (EUR 0 thousand) of the contingent considerations are payable within one year. The determination of the amount of the contingent considerations is done on a regular basis through qualified staff and is agreed with the responsible management.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events which had any meaningful impact on the net assets, financial position and results of operations after the reporting date.

LEASING AND OTHER FINANCIAL OBLIGATIONS

Leasing and other financial obligations 2016 *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	3,698	16,550	23,392	43,640
Discounting	–1,367	–4,554	–6,539	–12,460
Present value	**2,331**	**11,996**	**16,853**	**31,180**
Operating leases				
Minimum lease payments	11,378	28,894	11,342	51,614

Leasing and other financial obligations 2015 *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	3,577	18,013	25,842	47,432
Discounting	–1,478	–5,025	–7,532	–14,035
Present value	**2,099**	**12,988**	**18,310**	**33,397**
Operating leases				
Minimum lease payments	11,414	27,701	13,360	52,475

The obligations from operating lease contracts mainly refer to rental obligations for office and warehouse facilities. These contracts are usually subject to price adjustment clauses. Minimum lease outgoing payments are offset by future minimum incoming lease payments from non-cancellable subletting arrangements in the amount of EUR 556 thousand (EUR 527 thousand).

STAFF PARTICIPATION MODEL

In 2016 executives of the TAKKT Group again had the option of subscribing for TAKKT Performance Bonds like they had for the first time in 2015. The term of the TAKKT Performance Bonds is five years. Premature termination is only permitted in specific cases. The interest rate of the subordinated TAKKT Performance Bonds is calculated annually. It includes a basic interest yield plus a subordination premium, plus a positive respectively minus a negative TAKKT value added spread. The minimum yield is zero percent per annum. The maximum yearly yield is capped. The TAKKT value added is defined as the difference between the operating profit after tax generated by the company and the cost of capital on the average capital employed. The profit after taxes is defined as EBIT (adjusted for amortization of intangible assets from the acquisition of companies), reduced by the Income tax expense and increased by the Other financial result. The TAKKT Performance Bonds amount to EUR 2,756 thousand (EUR 1,096 thousand) and are disclosed as Other under Financial liabilities. An interest expense of EUR 194 thousand (EUR 26 thousand) was posted in the year under review.

The EVA® certificates issued by the TAKKT Group were fully paid with an amount of EUR 636 thousand in 2015. An expense of EUR 6 thousand was posted in prior year. Until 2005, the executives of the TAKKT Group had the option of subscribing for EVA® certificates. EVA® certificates were bonds whose market value depended 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 owners of the certificate were financially involved in the increase or decrease in value of the company for which they worked. In addition to the chance of generating a return, the owners could lose their entire investment depending on development. The certificates had a general maturity of ten years each. The certificate owners were entitled to cash in the certificates after five years at the earliest.

Additionally, German employees had again the opportunity to purchase employee shares in the year under review. Shares acquired at the stock exchange for this purpose were sold to employees in early 2016. In total, 16,320 (20,205) shares were acquired by 406 (442) employees. This corresponds to a participation of 37.4 (41.7) percent of all eligible persons. The shares were bought at an average price of EUR 17.10 (EUR 14.38) and sold to the employees at an average price of EUR 13.69 (EUR 11.21). This resulted in a total expense of EUR 56 thousand (EUR 64 thousand).

GERMAN CORPORATE GOVERNANCE CODE

The declaration on the recommendations made by the Government Commission of the German Corporate Governance Code required under section 161 AktG was issued as of December 31, 2016 and made available to the shareholders on the web site of TAKKT AG (see page 98 in this annual report).

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 thousand within a calendar year.

TAKKT AG received no such notifications for the year under review.

RELATED ENTITIES TRANSACTIONS

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

Related entity transactions *in EUR thousand*

	Franz Haniel & Cie. GmbH/ service companies		Divisions of Haniel Group		Associated companies of Haniel Group		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Sales/Other income	20	13	371	613	149	305	540	931
Other expenses	929	927	57	57	0	0	986	984
Finance expense	518	706	0	0	0	0	518	706
Receivables	0	0	56	19	2	13	58	32
Short-term payables	26,105	42,427	4	2	0	0	26,109	42,429
Other financial obligations	564	610	0	0	0	0	564	610

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

RELATED PERSONS TRANSACTIONS

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

Management Board

The total remuneration of the Board members is made up of non-performance-related and performance-related components. The performance-related components comprise a bonus paid annually and the performance cash plan, a rolling remuneration component that acts as a long-term incentive. The performance cash plans comprise a share price-based component, that is classified as a cash-settled share-based payment transaction under IFRS 2. A more detailed explanation of the remuneration system as well as disclosures according to section 314(1) no. 6 of the German Commercial Code (HGB) can be found in the Remuneration Report section of the Management Report on page 99 et seqq.

The fixed salaries and fringe benefits to the Management Board during the financial year amounted to EUR 1,148 thousand (EUR 1,047 thousand).

The reported expenditure for the bonus of EUR 1,600 thousand (EUR 1,706 thousand) includes reversals of provisions in the amount of EUR 60 thousand (excess expenditure of EUR 107 thousand in the previous year).

The expenditure for the long-term performance cash plans came to EUR 2,589 thousand (EUR 1,065 thousand) in the year under review. The fair value of the performance cash plans 2013, 2014, 2015 and 2016 (2012, 2013, 2014 and 2015) as well as the respective provision come to EUR 4,486 thousand (EUR 2,836 thousand) as of the end of the reporting period.

EUR 434 thousand (EUR 452 thousand) were recognized as service cost in 2016. As of the reporting date, the defined benefit obligation for the Management Board members amounted to EUR 4,635 thousand (EUR 3,897 thousand).

In total, the expense for the remuneration of the Management Board in 2016 financial year according to IFRS amounts to EUR 5,771 thousand (EUR 4,270 thousand).

As of December 31, 2016, the TAKKT Management Board members held 536 (536) shares. There are liabilities to members of the Management Board from TAKKT Performance Bonds of EUR 653 thousand (EUR 307 thousand). In addition, there are pension obligations to members of the Management Board from the voluntary conversion of part of the bonus into a pension plan (i.e., deferred compensation) in the amount of EUR 610 thousand (EUR 425 thousand). In the financial year, the Management Board members voluntarily contributed EUR 70 thousand (EUR 70 thousand) from the bonus to this plan.

Payments to retired Management Board members amounted to EUR 616 thousand (EUR 447 thousand). The pension provision for former members amounts to EUR 6,847 thousand (EUR 7,096 thousand).

Supervisory Board

Remuneration paid to the TAKKT AG Supervisory Board amounted to EUR 401 thousand (EUR 401 thousand), of which EUR 375 thousand (EUR 375 thousand) were for activities in relation to the Supervisory Board, EUR 11 thousand (EUR 11 thousand) for activities in relation to the committees as well as EUR 15 thousand (EUR 15 thousand) for attendance fees. The member of the works council on the Supervisory Board is also entitled to a regular salary as set out in his employment contract which represents an appropriate remuneration for his function respectively work in the Company. The compensation of the Supervisory Board is purely a fixed compensation. Of the claims granted, EUR 386 thousand (EUR 386 thousand) were still recorded as liabilities as of the end of the reporting period. As of December 31, 2016, the Supervisory Board members held 3,140 (3,140) shares in TAKKT AG.

Detailed explanation of the remuneration of the Supervisory Board can be found in the Corporate Governance section of the Management Report on page 103.

FEES FOR GROUP AUDITOR *in EUR thousand*

	2016	2015
Audit services	375	376
Other assurance services	18	0
Tax advisory services	0	0
Other services	170	121
	563	**497**

Other services primarily include audit-related services.

DECLARATION OF SHAREHOLDERS’ HOLDINGS

Outside the reporting requirements of the German Securities Trading Act (WpHG), Franz Haniel & Cie. GmbH, Duisburg, voluntarily notified us in January 2017 that it owned 50.2 (50.2) percent of the no-par-value bearer shares with voting rights in the share capital of TAKKT AG as of December 31, 2016.

For the notifications as per section 21(1) of the German Securities Trading Act (WpHG), please refer to our website.

EXEMPTION FROM DISCLOSURE OBLIGATIONS

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

KAISER+KRAFT EUROPA GmbH, Stuttgart
KAISER+KRAFT GmbH, Stuttgart
Gaerner GmbH, Duisburg
Certeo Business Equipment GmbH, Stuttgart
VHZ Versandhandelszentrum Pfungstadt GmbH, Pfungstadt
Hubert Europa Service GmbH, Pfungstadt
Hubert GmbH, Pfungstadt
UBEN Unternehmensberatung Enzinger GmbH, Waldkirchen
Ratioform Holding GmbH, Pliening
Ratioform Verpackungen GmbH, Pliening
BEG GmbH, Stuttgart
TAKKT Beteiligungsgesellschaft mbH, Stuttgart

SUBSIDIARIES WITHIN TAKKT AG, STUTTGART, AS OF DECEMBER 31, 2016

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

No.	Group companies	held by no.	interest %
2	KAISER+KRAFT EUROPA GmbH, Stuttgart/Germany	1	100.00
3	KAISER KRAFT GmbH, Stuttgart/Germany	2	100.00
4	KAISER+KRAFT Gesellschaft m.b.H., Salzburg/Austria	2	100.00
5	KAISER+KRAFT N.V., Diegem/Belgium	2/13	50.00/50.00
6	KAISER+KRAFT AG, Zug/Switzerland	2	100.00
7	KAISER+KRAFT s.r.o., Prague/Czech Republic	2/31	99.80/0.20
8	KAISER+KRAFT S.A., Barcelona/Spain	2	100.00
9	FRANKEL S.A.S., Morangis/France	2	100.00
10	KAISER+KRAFT Ltd., Hemel Hempstead/Great Britain	2	100.00
11	KAISER+KRAFT Kft., Budaörs/Hungary	2	100.00
12	KAISER+KRAFT S.r.l., 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, Balashikha/Russia	2/3	99.00/1.00
17	KAISER+KRAFT s.r.o., Nitra/Slovakia	2/3	99.90/0.10
18	KAISER+KRAFT Ltd. STI., Istanbul/Turkey	2/3	99.40/0.60
19	TAKKT Beteiligungsgesellschaft mbH, Stuttgart/Germany	1	100.00
20	gaerner GmbH, Duisburg/Germany	2	100.00
21	gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
22	gaerner AG, Zug/Switzerland	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 B.V.B.A, Diegem/Belgium	2/20	99.00/1.00
26	Hoffmann Bedrijfsuitrusting B.V., Zeist/The Netherlands	2	100.00
27	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
28	Gerdmans Kontor-og Lagerudstyr A/S, Nivaa/Denmark	27	100.00
29	Gerdmans Innredninger AS, Sandvika/Norway	27	100.00
30	Gerdmans OY, Espoo/Finland	27	100.00
31	KWESTO Service s.r.o., Prague/Czech Republic	2/7	99.93/0.07
32	KWESTO s.r.o., Prague/Czech Republic	31	100.00
33	KWESTO Kft., Györ/Hungary	31	100.00
34	KWESTO Sp. z o.o., Wroclaw/Poland	31	100.00
35	KWESTO Service s.r.l., Ramnicu Valcea/Romania	31	100.00
36	KWESTO s.r.o., Nitra/Slovakia	31	100.00
37	KAISER+KRAFT (China) Commercial Co. Ltd., Shanghai/People's Republic of China	2	100.00
38	UBEN Unternehmensberatung Enzinger GmbH, Waldkirchen/Germany	2	100.00
39	BEG GmbH, Stuttgart/Germany	2	100.00
40	Certeo Business Equipment GmbH, Stuttgart/Germany	2	100.00
41	VHZ Versandhandelszentrum Pfungstadt GmbH, Pfungstadt/Germany	1	100.00
42	BiGDUG Ltd., Gloucester/Great Britain	2	100.00
43	eMazing Advertising Ltd., Gloucester/Great Britain	42	100.00
44	Shelving 247 Ltd., Gloucester/Great Britain	42	100.00
45	Racking.com (UK) Ltd., Gloucester/Great Britain	42	100.00
46	Speedyshelving Ltd., Gloucester/Great Britain	42	100.00

No.	Group companies	held by no.	interest %
47	Ratioform Holding GmbH, Pliening/Germany	1	100.00
48	Ratioform Verpackungen GmbH, Pliening/Germany	47	100.00
49	Ratioform Imballaggi S.r.l., Calvignasco/Italy	47	100.00
50	Ratioform Embalajes, S.A., Sant Esteve Sesrovires/Spain	48	100.00
51	Ratioform Verpackungen AG, Regensdorf/Switzerland	48	100.00
52	R.F. Verpackungsmittel-Versand G.m.b.H., Vienna/Austria	48	100.00
53	Davenport Paper Co. Ltd., Derby/Great Britain	48	100.00
54	Davpack AB, Markaryd/Sweden	48	100.00
55	TAKKT America Holding, Inc., Milwaukee/USA	1	100.00
56	Hubert Service North America LLC, Harrison/USA	55	100.00
57	Hubert Company LLC, Harrison/USA	55	100.00
58	Hubert Hong Kong Ltd., Hong Kong/People's Republic of China	56	100.00
59	SPG U.S. Retail Resource LLC, Harrison/USA	55	100.00
60	Hubert Distributing Company Ltd., Markham/Canada	55	100.00
61	Foodserviceplanet.com, LLC, Harrison/USA	55	100.00
62	Central Products LLC, Indianapolis/USA	55	100.00
63	George Patton Associates, Inc., Rhode Island/USA	55	100.00
64	Suntwist Corp., Maple Heights/USA	55	100.00
65	TRT Banners LLC, Pepper Pike/USA	55	100.00
66	Popupbanner LLC, Deerfield Beach/USA	55	100.00
67	Vinylbanner LLC, New York/USA	55	100.00
68	Hubert Europa Service GmbH, Pfungstadt/Germany	2	100.00
69	Hubert GmbH, Pfungstadt/Germany	68	100.00
70	Hubert Schweiz AG, Zug/Switzerland	68	100.00
71	Hubert S.A.S., Morangis/France	68	100.00
72	NBF Service LLC, Milwaukee/USA	55	100.00
73	National Business Furniture LLC, Milwaukee/USA	55	100.00
74	Dallas Midwest LLC, Dallas/USA	55	100.00
75	Officefurniture.com LLC, Milwaukee/USA	55	100.00
76	National Business Furniture Ltd., Richmond Hill/Canada	55	100.00

No.	Associated companies	held by no.	interest %
77	Simple System GmbH & Co. KG, Munich/Germany	2	33.00
78	printmate GmbH, Berlin/Germany	19	30.00

REPRESENTATIVE BODIES AS OF DECEMBER 31, 2016

SUPERVISORY BOARD

Stephan Gemkow, Overath, born January 23, 1960
Chairman
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Member of the Supervisory Board of EVONIK Industries AG, Essen
Member of the Board of Directors of JetBlue Airways Corp., New York/USA

Dr. Johannes Haupt, Karlsruhe, born June 29, 1961
Deputy Chairman
Chairman of the Management Board (CEO) of E.G.O. Blanc und Fischer & Co. GmbH, Oberderdingen
Chairman of the Supervisory Board of Elektro-Kontakt d.d., Zagreb/Croatia
Chairman of the Advisory Board of DEFENDI Italy S.r.l., Ancona/Italy
Chairman of the Advisory Board of ETA d.o.o., Cerkno/Slovenia
Chairman of the Advisory Board of BLANCO GmbH & Co. KG, Oberderdingen
Chairman of the Advisory Board of BLANCO Professional GmbH & Co. KG, Oberderdingen
Member of the Advisory Board of ARPA S.A.S., Niedermodern/France
Member of the Board of Lenze SE, Aerzen (since September 07, 2016)

Dr. Florian Funck, Essen, born March 23, 1971
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Member of the Supervisory Board of METRO AG, Düsseldorf
Member of the Supervisory Board of Vonovia SE, Bochum

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

Prof. Dr. Dres h.c. Arnold Picot, Gauting, born December 28, 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

Dr. Dorothee Ritz, Pullach, born March 31, 1968
General Manager of Microsoft Austria, Vienna

MANAGEMENT BOARD

Dr. Felix A. Zimmermann, Stuttgart, born June 27, 1966
Chairman of the Management Board, CEO

Dirk Lessing, Bad Homburg, born March 16, 1963
Member of the Management Board

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

Stuttgart, February 24, 2017
TAKKT AG
The Management Board

Dr. Felix A. Zimmermann Dirk Lessing Dr. Claude Tomaszewski

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

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

Stuttgart, February 24, 2017
TAKKT AG
The Management Board

Dr. Felix A. Zimmermann Dirk Lessing Dr. Claude Tomaszewski

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by TAKKT AG, Stuttgart, comprising the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows 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 financial year from January 01 to December 31, 2016. The preparation of the consolidated financial statements, combined management report and Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB and supplementary provisions of the articles of association is the responsibility of the 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 the generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). 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 sec. 315a (1) HGB and supplementary articles of association 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, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 24, 2017
Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Wolfgang Berger	Karsten Bender
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. If the average order value for the entire TAKKT Group is calculated, the exchange rate changes are also an influencing factor.

B2B OR BUSINESS-TO-BUSINESS
Supplier and customer relationships are deliberately established only between corporate customers.

CORPORATE GOVERNANCE
Company management according to specific rules, regulations, statutes and recommendations.

DERIVATIVE FINANCIAL INSTRUMENTS
Certificate or contract which refers to another – usually tradable – asset. Derivatives include interest rate swaps, interest rate caps, foreign exchange contracts and foreign currency options.

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

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.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

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

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

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

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

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

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.

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

MULTI-CHANNEL BRANDS
Multi-channel brands combine traditional catalog business with e-commerce activities. Where appropriate, employees for telesales and field sales are part of this approach.

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

PERFORMANCE BRANDS
Under the performance brands, the TAKKT companies carry products that at least meet the industry standard or even satisfy higher quality standards. The profiles of these brands are complemented by the extremely high level of customer support. Performance brands lead to long-lasting customer loyalty and achieve above-average margins.

PRIVATE LABELS
Private labels at TAKKT are the in-house product lines of the Group companies. With these product lines, the companies aim to acquire new customers and retain existing customers for the long term. See also Performance Brands.

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

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

SEA
Search Engine Advertising. Part of online marketing. The term SEA describes running paid advertisements in online search engines. The advertisements are purchased for certain key search terms. The advertisement generally appears on the first page of the search results.

SEO
Search Engine Optimization. Part of online marketing. SEO is the optimization of the content of the web shops for search engines. This is done to gain a higher ranking in their organic results.

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

TAKKT CASH FLOW / FREE TAKKT CASH FLOW
The TAKKT cash flow is 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 net working capital. The TAKKT cash flow is a good indicator for the operational profitability and self-financing capability of a company.
After adjusting the TAKKT cash flow for the change in net working capital and deducting investments as well as adding divestments, the free TAKKT cash flow can be derived. This free TAKKT cash flow can generally be used for acquisitions, payments to shareholders and repayment of financial liabilities.

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

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

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

WEB-FOCUSED BRANDS
Web-focused brands mainly distribute their products over the internet and address smaller businesses with lower demand. Here the range and prices of products can be adapted more specifically to the rapidly changing needs of this customer group.

LOCATIONS SEGMENT TAKKT EUROPE

BELGIUM Diegem **DENMARK** Nivaa **GERMANY** Berlin | Duisburg | Groß-Gerau | Haan | Halle | Kamp-Lintfort | Köln | Leinfelden-Echterdingen | Merklingen | München | Nürnberg | Pfungstadt | Pliening/Landsham | Reinbek | Remda-Teichel | Schönaich | Schöneiche | Stuttgart | Waldkirchen | Weil der Stadt **FINLAND** Espoo **FRANCE** Morangis | Réau **GREAT BRITAIN** Derby | Gloucester | Hemel Hempstead | Llanelli | London | Mitcheldean **ITALY** Calvignasco | Lomazzo **NETHERLANDS** Lisse | Zeist **NORWAY** Sandvika **AUSTRIA** Elixhausen | Salzburg | Wien **POLAND** Warszawa | Wrocław **PORTUGAL** Lisboa **ROMANIA** Râmnicu Vâlcea **RUSSIA** Balashikha **SWEDEN** Halmstad, Markaryd **SWITZERLAND** Regensdorf | Steinhausen/Zug | St. Sulpice **SLOVAKIA** Nitra **SLOVENIA** Ljubljana **SPAIN** Barcelona | Sant Esteve Sesrovires **CZECH REPUBLIC** Jihlava | Praha **TURKEY** Mecidiyeköy – Sisli/Istanbul **HUNGARY** Budaörs | Györ

LOCATIONS SEGMENT TAKKT AMERICA

CANADA Markham, ON **USA** Atlanta, GA | Austell, GA | Bristol, RI | Cleveland, OH | Dallas, TX | Fall River, MA | Harrison, OH | Indianapolis, IN | Los Angeles, CA | Milwaukee, WI | Maple Heights, OH | New York, NY | Reno, NV **GERMANY** Pfungstadt **FRANCE** Morangis **SWITZERLAND** Steinhausen/Zug

FINANCIAL CALENDAR 2017

18 JANUARY	UNICREDIT AND KEPLER CHEUVREUX GERMAN CORPORATE CONFERENCE, FRANKFURT
16 FEBRUARY	PUBLICATION OF PRELIMINARY FIGURES FOR 2016
22 MARCH	PUBLICATION OF THE ANNUAL REPORT 2016 ANALYSTS' CONFERENCE, FRANKFURT
28–30 MARCH	SPRING ROADSHOW
06 APRIL	BANKERS' DAY, STUTTGART
27 APRIL	QUARTERLY STATEMENT 1/2017
10 MAY	SHAREHOLDERS' MEETING, LUDWIGSBURG
22–24 MAY	BERENBERG EUROPEAN CONFERENCE USA, TARRYTOWN, NEW YORK
27 JULY	HALF-YEAR FINANCIAL REPORT 2017
18–20 SEPTEMBER	BERENBERG AND GOLDMAN SACHS GERMAN CORPORATE CONFERENCE, MUNICH
26 OCTOBER	QUARTERLY STATEMENT 3/2017
07–09 NOVEMBER	FALL ROADSHOW
27–29 NOVEMBER	EQUITY FORUM, FRANKFURT

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