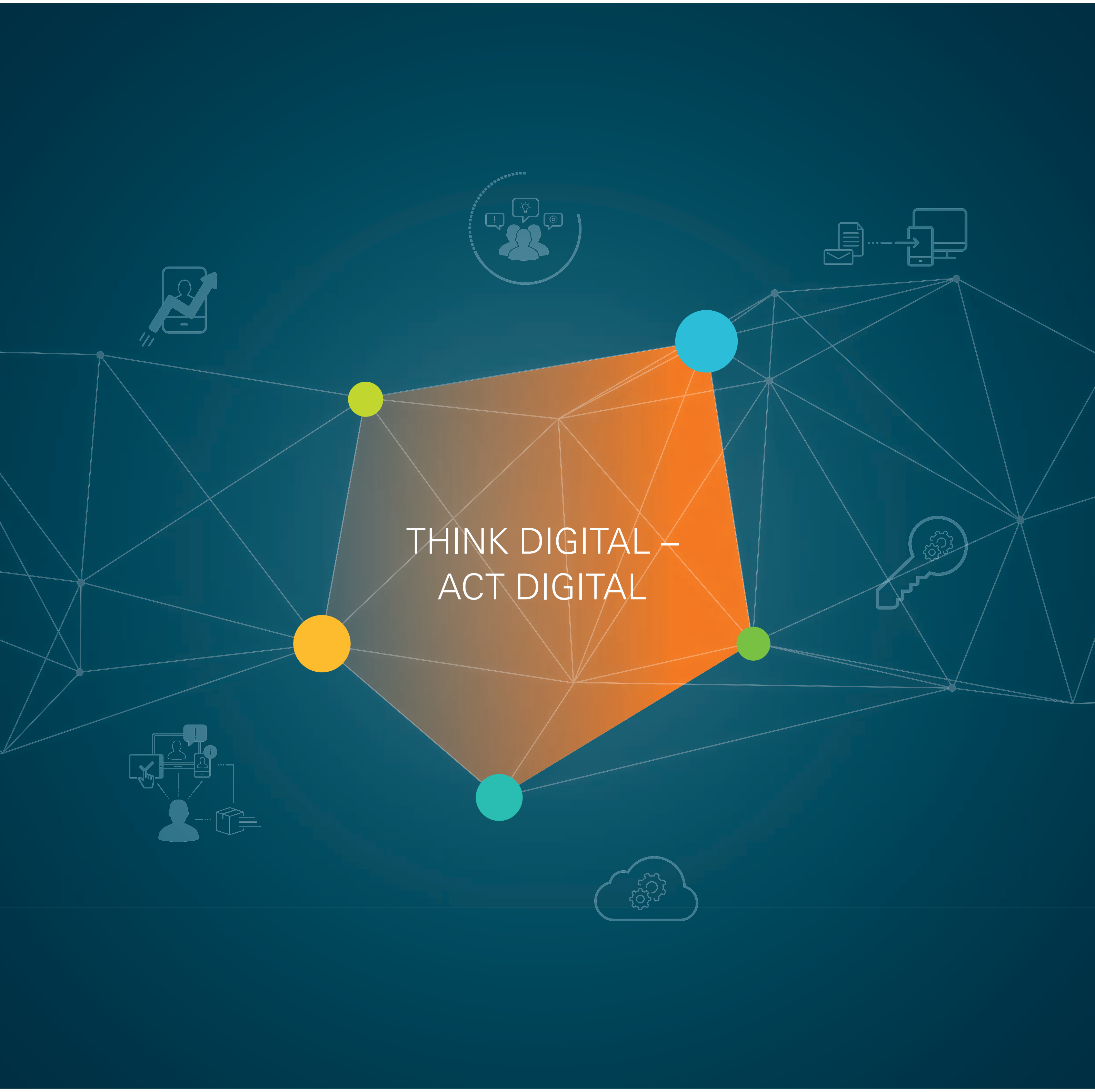
TAKKT AG

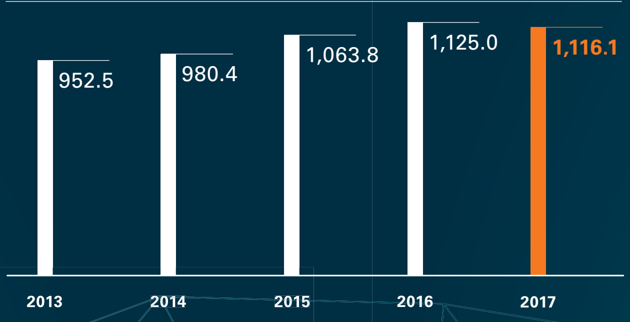
BUSINESS EQUIPMENT SOLUTIONS



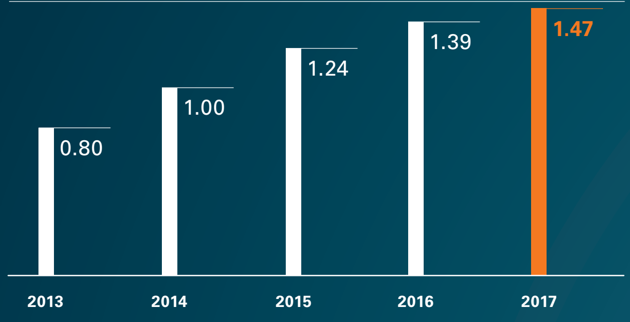
ANNUAL REPORT OF TAKKT GROUP 2017

SELECTED KEY FIGURES

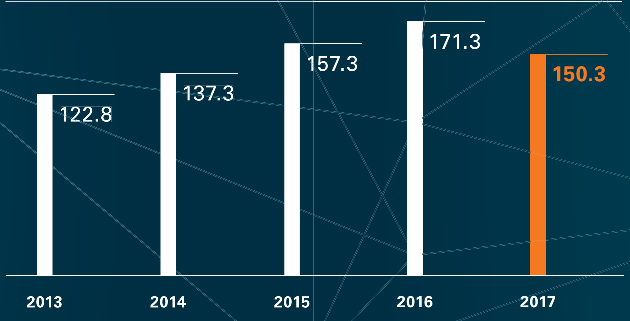
SALES *in EUR million*



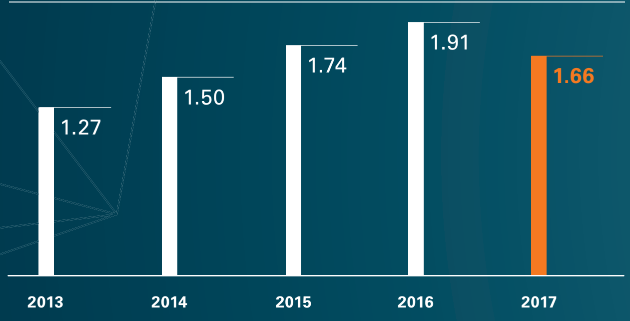
EARNINGS PER SHARE *in EUR*



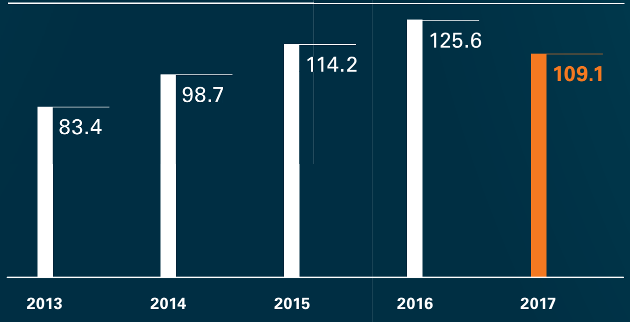
EBITDA *in EUR million*



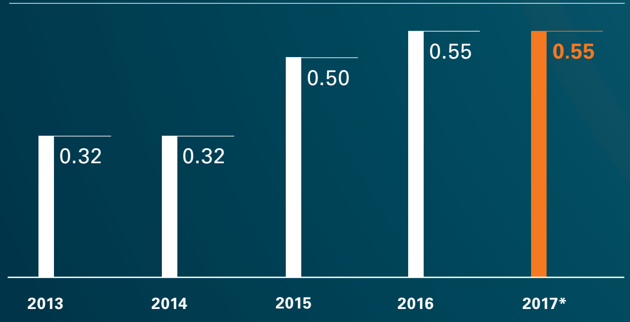
TAKKT CASH FLOW PER SHARE *in EUR*



TAKKT CASH FLOW *in EUR million*



DIVIDEND PER SHARE *in EUR*



** Dividend proposal for the financial year 2017.*

KEY FIGURES OF TAKKT GROUP

in EUR million	2013	2014	2015	2016	2017
Sales	**952.5**	**980.4**	**1,063.8**	**1,125.0**	**1,116.1**
Change in %	1.3	2.9	8.5	5.8	–0.8
EBITDA	**122.8**	**137.3**	**157.3**	**171.3**	**150.3**
in % of sales	12.9	14.0	14.8	15.2	13.5
EBIT	**95.8**	**110.8**	**129.4**	**142.0**	**123.2**
in % of sales	10.1	11.3	12.2	12.6	11.0
Profit before tax	**81.2**	**99.3**	**119.9**	**132.5**	**115.0**
in % of sales	8.5	10.1	11.3	11.8	10.3
Profit	**52.5**	**65.7**	**81.0**	**91.4**	**96.3**
in % of sales	5.5	6.7	7.6	8.1	8.6
TAKKT cash flow	83.4	98.7	114.2	125.6	109.1
Capital expenditure for investments	9.6	13.6	14.2	17.4	27.8
Capital expenditure for acquisitions	0.1	0.1	92.3	0.4	6.7
Depreciation, amortization and impairment	26.9	26.5	28.0	29.2	27.1
TAKKT cash flow per share in EUR	1.27	1.50	1.74	1.91	1.66
Earnings per share in EUR	0.80	1.00	1.24	1.39	1.47
Dividend per share in EUR	0.32	0.32	0.50	0.55	0.55*
Non-current assets	**649.0**	**663.6**	**735.6**	**729.9**	**692.6**
in % of total assets	76.2	75.2	76.3	74.9	74.6
Total equity	**332.5**	**386.8**	**473.4**	**537.8**	**567.8**
in % of total assets	39.0	43.8	49.1	55.2	61.2
Net financial liabilities	**273.0**	**217.5**	**244.0**	**177.5**	**135.2**
Total assets	**851.8**	**882.5**	**964.2**	**973.9**	**928.5**
ROCE (Return on Capital Employed) in %	12.5	14.4	15.7	16.5	14.6
TAKKT value added in EUR million	9.7	18.9	28.5	38.3	43.1
Employees (full-time equivalent) at year-end	**2,389**	**2,357**	**2,304**	**2,311**	**2,405**

* *Dividend proposal for the financial year 2017.*

GROUP STRUCTURE AS OF JANUARY 1, 2018

TAKKT AG
BUSINESS EQUIPMENT SOLUTIONS

TAKKT EUROPE

KAISER+KRAFT GROUP
- KAISER+KRAFT
- gaerner
- Gerdmans
- Kwesto

RATIOFORM GROUP
- ratioform
- Davpack

NEWPORT GROUP
- officefurniture.online*
- BIGDUG
- certeo
- Mydisplays

TAKKT AMERICA

HUBERT GROUP
- HUBERT
- RETAIL RESOURCE WHERE STORES SHOP

CENTRAL GROUP
- Central Restaurant Products

D2G GROUP
- DISPLAYS2GO
- POSTUP STAND

NBF GROUP
- NATIONAL BUSINESS FURNITURE
- OfficeFurniture.com your home for your office

* Acquired on January 29, 2018.

CONTENT

THINK DIGITAL – ACT DIGITAL

TAKKT accelerates digital transformation in the company and gives this absolute priority in all decision-making. A digital agenda was developed in 2016 as a basis, along with the Vision 2020 and over 100 measures.

We see three key activities in our digital agenda for a successful digital transformation: digitalization of the entire value chain, flexible corporate structures and innovative business models.

OUR VISION 2020 ENCOMPASSES FOUR CORE OBJECTIVES:

We want to double our e-commerce business by 2020 by 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.

We already made good progress in the 2017 financial year: We launched numerous measures and achieved first results.

- We defined more than 100 measures for the implementation of our digital agenda throughout the Group. By the end of the 2017 financial year, a large part of these measures was underway and more than 25 had already been completed.
- We increased the value of organic order intake through e-commerce by around eight percent compared to the previous year.
- In the 2017 financial year, EUR 16 million were invested in employees and technologies, almost another five million through the investment company TAKKT Beteiligungsgesellschaft.
- By the end of 2017, we were able to gain more than 70 new employees with highly developed digital expertise across all TAKKT companies.

LEARN MORE ABOUT
OUR DIGITAL TRANSFORMATION:
www.takkt.com/digital

+8%

Order intake through e-commerce compared to the previous year

more than 25

Completed measures

16 million €

Investments in employees and technologies

more than 70

New employees with highly developed digital expertise

2017 2018 2020

“Our digital transformation is progressing quickly. Our employees are highly motivated to provide our customers with a modern purchasing experience.”

PETER BRUHN
SENIOR DIGITAL ADVISOR TAKKT AG

FOCUSED ON CUSTOMER CENTRICITY AND ON EMPLOYEES

Our aims for customer centricity comprise not only understanding the needs of our customers but also actively using the opportunities of digitalization in order to gear all our activities toward the customer. Segmentation by customer type (i.e., personas) allows us to address a wider range of customers based on data and thus offer products tailored to their needs. Through increased interaction, we accompany our customers in making their decision (i.e., their customer journeys), using the insights gained along the entire value chain, starting with product management, marketing and sales to logistics and customer service.

On the following pages, we will present some of the measures where we have made good progress. They start with the six focus areas that create the framework for the implementation of our digital agenda: Strategy and Innovation, Customer Journey, Organization and Culture, Data and Analytics, Technology, Process Automation.

LEARN MORE ABOUT
OUR FOCUS AREAS:
www.takkt.com/da

"The key to success for a customer-centric strategy is integrating the customer directly in the development of products, communications and process improvements. This will provide a real added value for the customer."

ELKE KATZ
CDO RATIOFORM

ADNYMICS

KAISER+KRAFT

CREATING AN OUTSTANDING CUSTOMER EXPERIENCE ALONG THE WHOLE CUSTOMER JOURNEY

We need to know and understand the individual needs and purchase decision processes of our customers. We analyze the different information-gathering and purchasing behaviors of various customers across all channels and use this data to derive persona segments. This enables us to address our customers in a needs-based personalized manner, especially via digital channels. We measure customer satisfaction and obtain customer feedback in order to systematically derive measures for continuously improving customer value.

CUSTOMER PERSONAS

Customer personas – a method for classification of customer types – are being developed in all divisions. Different customer personas were defined for Ratioform based on a two-phase customer survey. The information gathering and ordering process is even more closely aligned with the needs of these groups by taking their individual requirements into consideration.

PERSONALIZED MARKETING

The TAKKT companies' newsletters or package inserts become more relevant for their customers with the increased use of personalized email campaigns based on individual interests. This contributes to an increase of purchase probability and repurchase rate. Recommendation engines are used to make purchase suggestions to customers in the web shop. This helps customers reach a purchasing decision or become aware of new products that other customers have often bought and recommended in connection with that item.

SELF-SERVICE FEATURES

Services such as arranging returns, viewing order history or retrieving invoices are available to customers 24/7 in many of our web shops. Customers can initiate certain services on their own quickly and easily without employee interaction.

Customer personas (Peter, Nicole and Jürgen)

BUILDING DIGITAL SKILLS

Our employees play an important role in the digital transformation. We have started a cultural change to adapt our work practices to the digital era. In order to get there, we rely on intensive continuing education of our current employees as well as new ideas from outside by hiring new talents with highly developed digital skills.

NEW IDEAS THROUGH DIGITAL KNOW-HOW

We are expanding our team with employees who have special technical knowledge or expertise, especially in the areas of online marketing, web development as well as data management and analytics. TAKKT has appointed a chief digital officer (CDO) in each division at the senior management level to manage the digital transformation centrally. At TAKKT AG, a new board member was appointed at the beginning of February 2018, who will be responsible for implementing the digital agenda as well as for other activities. Prior to that, a senior digital advisor was hired at the divisional level, who coordinates the work of the CDOs in the divisions.

OUR "DIGITAL ENTREPRENEURS"

In a specially designed "Digital Entrepreneurship" program, six new employees are being specifically prepared for the challenges of digitalization since April 2017. Through varying assignments in different divisions across the Group, they are driving forward digital working, an exchange of knowledge and collective learning as part of the digital transformation.

TRAINING AND CONTINUING EDUCATION PROGRAMS FOR THE DIGITAL TRANSFORMATION

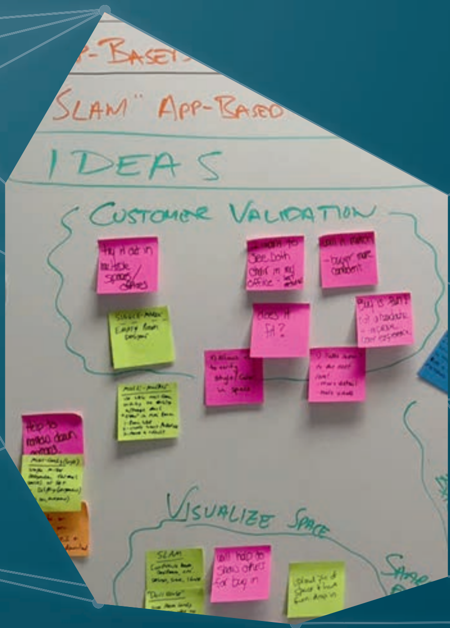
We offer continuing education programs for all employees on topics such as the design thinking innovation method and agile working methods like scrum as well as a culture of "test and learn."

DIGITAL ENTREPRENEURS

VISIT THE BLOG OF THE DIGITAL ENTREPRENEURS:
www.takkt.de/cde

“As digital entrepreneurs, we want to be an integral part of the positive change within the TAKKT organization. I am really excited to work on many new and unique projects that will have an impact on the purchasing experience of thousands of our customers.”

WILL HODGE
DIGITAL ENTREPRENEUR TAKKT AMERICA



TRAINING AND CONTINUING EDUCATION PROGRAMS

FOSTERING CREATIVITY THROUGH DESIGN THINKING

Understanding the stumbling blocks from the customer's point of view, developing ideas and confirming them together, developing an initial simple prototype and engaging in the customer dialogue again – that is "design thinking".

The innovation method design thinking is based on creative and open collaboration across departmental boundaries. It encourages networking within the company and helps to establish a culture of trying out new ideas and solutions.

Design thinking starts with identifying problems and stumbling blocks from the customer's perspective. The goal is to develop new and innovative customized offerings and solutions for the customer.

Interdisciplinary teams from six TAKKT divisions accepted the challenge of the Future@TAKKT award. The task was to find a solution for a customer pain point using the design thinking method. Six interesting prototypes resulted from this, which will all be implemented.

1st PLACE: DAVPACK

The "Remind Me" solution by Davpack was the winner of the 2017 Future@TAKKT award. Customers are sent a notification reminding them that their packaging inventory is running low. With this personalized email, the customer can reorder in just a few clicks, thus ensuring a timely resupply.

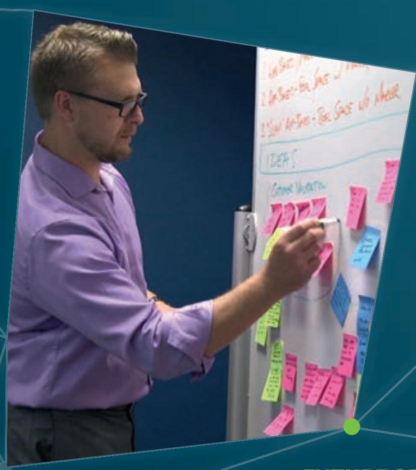
2nd PLACE: NBF

The design thinking project of National Business Furniture is built around augmented reality – the intelligent linking of the physical and digital world. Customers can use a mixed reality app to place and visualize NBF products virtually in their immediate office environment.

3rd PLACE: D2G

For Displays2go, the project team developed a "mock shop" (3D online product configurator) that shows customers a preview of the products they selected with their individual company logo.

DISPLAYS2GO



FUTURE@TAKKT WORKSHOPS

DAVPACK

WATCH THE VIDEO OF THE FUTURE@TAKKT WORKSHOP:
https://youtu.be/p_Dpg60CSms

NBF

"Design thinking for me is a chance to see things from the customer's perspective, to identify problems and develop good solutions."

MANUEL LEON
DISTRIBUTION CENTER MANAGER DISPLAYS2GO

“Our new web shop, which is optimized for smartphones, is a key step towards improving the customer experience. The optimized design helps customers to keep an overview and allows them to place orders easily using mobile devices.”

THORSTEN LOUIS
CDO KAISER+KRAFT

KAISER+KRAFT

CERTEO

LAYING THE FOUNDATION WITH MODERN TECHNOLOGIES

Step by step, we are working on creating the technological requirements necessary for achieving the goals of Vision 2020. The TAKKT companies are modernizing the systems that are currently in use along the entire value chain. This includes investing in modern applications for enterprise resource planning (ERP), customer relationship management (CRM) and product information management (PIM) as well as in solutions for mobile web shops.

„MOBILE READY“

At HUBERT, desktop, smartphone and tablet users are automatically directed to the optimized web shop version for their device thanks to responsive web design. The new mobile website guarantees an optimal purchasing experience for our customers and increases the reach of the web shops. Other TAKKT companies have also already optimized their web shops accordingly or are planning to do so.

NEW CERTEO WEB SHOP BASED ON SPRYKER

The new Certeo web shop as part of an integrated e-commerce platform was developed based on the Spryker software. Spryker is fully modular and can be better adapted to the customer needs of smaller and medium-sized businesses. The modular core of the platform guarantees maximum flexibility. Certeo was able to integrate, digitalize and streamline business processes using this solution.

INTEGRATED COMMUNICATIONS SYSTEMS

Displays2go, NBF and Central replaced their telephone systems in 2017 with modern, cloud-based communications systems to provide better customer support. This means that employees can communicate with customers across different channels such as telephone, email or online chat without media disruptions. Through the integration with the CRM systems, all marketing and sales information is available regardless of which channel is being used. New services such as co-browsing, screen sharing or smart chatbots can also be integrated seamlessly.

VISIT THE NEW
HUBERT WEB SHOP:
www.hubert.com

HUBERT

“The nature of work is changing and the office space needs to follow. With mobile working devices there is no reason to be tethered to a specific spot. We have created space for people to communicate and share ideas.”

DEAN STIER
CHIEF MARKETING OFFICER NBF

HUBERT

NBF

MODERN WORKING ENVIRONMENTS CREATE SPACE FOR CREATIVE AND TEAM-ORIENTED COLLABORATION

We want to support digital change by establishing new spatial concepts. We work in a way that is process and results-oriented. This is only possible if there is efficient coordination between the project participants and a quick transfer of knowledge.

The aim of creating open spaces is to shorten communication paths, facilitate personal contact, make processes more transparent and improve collaboration in the project teams.

CERTEO MOVES INTO NEW OFFICES

Certeo has moved into new startup offices, which optimally support the modern corporate culture of the young team. The priority in the design of the new office spaces was to create an environment for efficient and flexible collaboration.

THE HUB – NEW WORKING ENVIRONMENT AT HUBERT

The HUB is a new transparent work area that was set up at Hubert and is specifically designated for use by the project team. Employees can work together on projects in the HUB and give their creativity free rein. The room also functions as an information center – current market and customer data is visualized on six wall monitors.

RENOVATION OF THE GROUP HEADQUARTERS

Renovation of the offices in the Stuttgart headquarters is moving ahead. By 2019, all offices in the Group headquarters will be renovated and remodeled in six construction phases in the Workspace project. One of the aims of the modern working environment and infrastructure is to encourage collaboration between different departments.

CERTEO

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 an integrated multi-channel 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 **MARKET POSITION**

PERSONAL ADVICE

- Experts help customers select the right product
- Sales representatives prepare personalized offers
- Product managers provide customized solutions and products on request

EASY PROCUREMENT PROCESSES

- The customer chooses from preselected products for different purposes
- The customer places the order using their preferred sales channel (online, print, telesales and field activities)
- Own warehouses ensure fast deliveries

FULL SERVICE

- Services range from personal advice, needs analysis, planning and offers through to delivery and assembly of the products
- Long warranty periods that are longer than the legal minimums are granted
- Availability guarantee and ordering of spare parts over several years is a further advantage for the customer

DIGITAL SOLUTIONS

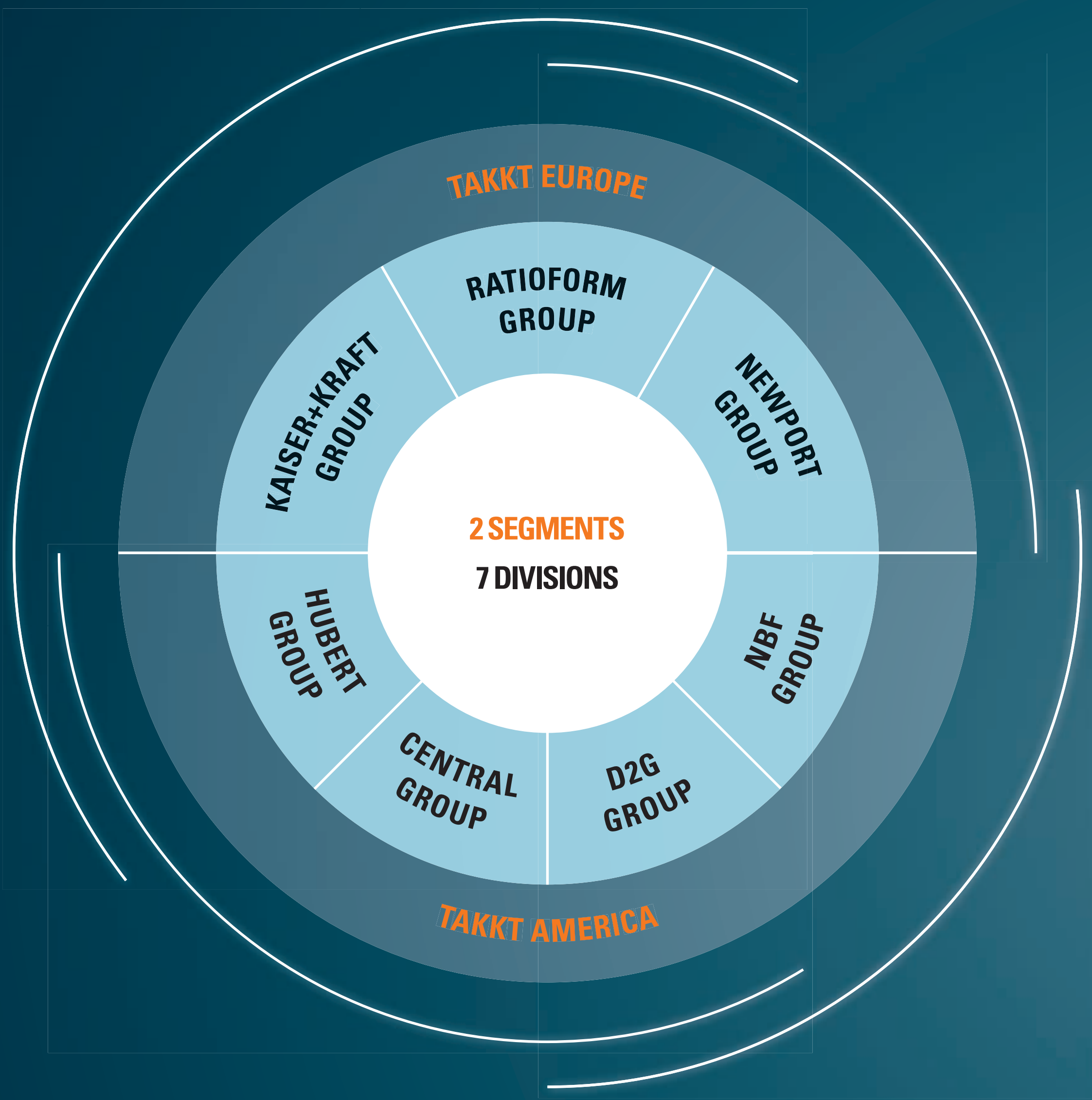
- Customers are offered tailored web shops and access to e-procurement solutions
- New solutions are developed based on new technologies and in collaboration with the customers
- More information portals with self-service options being built
- Innovative solutions can be tested through investments in start-ups

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 TAKKT Group consists of two segments with a total of seven divisions, which have been renamed at the beginning of this year.

In the TAKKT EUROPE segment, the Business Equipment Group has been renamed the KAISER+KRAFT group (products include pallet lifting trucks, universal cabinets, desk chairs, environmental cabinets and containers for hazardous materials) and the Packaging Solutions Group is now called the Ratioform group (collapsible boxes, package padding, shipping pallets and stretch film). From January 1, 2018, a third separate division called the newport group (lockers, heavy load racking, work benches, display systems and printed advertising material) was formed within the TAKKT EUROPE segment. In the TAKKT AMERICA segment, the new name of the Merchandising Equipment Group is the Hubert group (buffet equipment such as serving platters, bread baskets, table decorations, plates and cutlery), the Restaurant Equipment Group is now the Central group (kitchen stoves and freezers), the Displays group has been renamed the D2G group (signage, display stands, mobile trade booths and fixtures) and the Office Equipment Group is now called the NBF group (desk chairs, desks, conference tables and furniture for reception areas).

The TAKKT Group with its various sales brands is 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.

KAISER+KRAFT GROUP

FOCUS

PLANT, WAREHOUSE AND OFFICE EQUIPMENT

BRANDS

KAISER+KRAFT
Gerdmans
gaerner
Kwesto

KEY FACTS

1,040 EMPLOYEES
66,000 PRODUCTS

SALES REGIONS

24 EUROPEAN COUNTRIES

PRODUCT EXAMPLES

The KAISER+KRAFT group 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 and KWESTO. 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.

TAKKT EUROPE

RATIOFORM GROUP

FOCUS

PACKAGING SOLUTIONS

BRANDS

ratioform Davpack

KEY FACTS

370 EMPLOYEES
7,000 PRODUCTS

SALES REGIONS

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

PRODUCT EXAMPLES

The Ratioform group 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.

TAKKT EUROPE

NEWPORT GROUP

FOCUS

NEW BUSINESS MODELS AND START-UP INVESTMENTS

BRANDS

officefurnitureonline BiGDUG

certeo Mydisplays

KEY FACTS

200 EMPLOYEES
83,000 PRODUCTS

SALES REGIONS

GERMANY, AUSTRIA, SWITZERLAND, FRANCE, GREAT BRITAIN

PRODUCT EXAMPLES

The newport group bundles young, web-focused companies that target small and medium-sized corporate customers. The division offers items in different European countries and product areas. OfficeFurnitureOnline, acquired at the beginning of 2018, is a UK product specialist offering office furniture such as desks, chairs and cabinets in its web shop. BiGDUG, an online direct marketer for business equipment specializing in storage and shelving that supplies its customers with shelving systems and work benches, is also in the UK. Certeo sells plant and office equipment in the DACH region (Germany, Austria and Switzerland) as well as in France. In contrast, Mydisplays, which was acquired in 2017, provides products such as custom-printed advertising banners and mobile display systems to a broad customer segment primarily in Germany. In addition, the TAKKT investment company with its investments in innovative start-ups is also part of the new division.

TAKKT AMERICA

HUBERT GROUP

FOCUS

FOOD EQUIPMENT AND MERCHANDISING

BRANDS

HUBERT®

RETAIL RESOURCE | WHERE STORES SHOP

KEY FACTS

340 EMPLOYEES
115,000 PRODUCTS

SALES REGIONS

USA, CANADA, GERMANY, SWITZERLAND, FRANCE

PRODUCT EXAMPLES

The Hubert group within the TAKKT AMERICA segment 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.

CENTRAL GROUP

FOCUS

RESTAURANT EQUIPMENT

BRAND

Central
RESTAURANT PRODUCTS

KEY FACTS

140 EMPLOYEES
730,000 PRODUCTS

SALES REGION

USA

PRODUCT EXAMPLES

The Central group 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.

TAKKT AMERICA

D2G GROUP

FOCUS

SALES DISPLAYS

BRANDS

DISPLAYS2GO

POST UP STAND

KEY FACTS

320 EMPLOYEES
13,000 PRODUCTS

SALES REGION

USA

PRODUCT EXAMPLES

The D2G group within the TAKKT AMERICA segment 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.

TAKKT AMERICA

NBF GROUP

FOCUS

OFFICE EQUIPMENT

BRANDS

NATIONAL BUSINESS FURNITURE

OfficeFurniture.com your home for your office

KEY FACTS

190 EMPLOYEES
41,000 PRODUCTS

SALES REGION

USA

PRODUCT EXAMPLES

TAKKT AMERICA operates its B2B direct marketing for office equipment via the NBF group. The Group's customer base consists mainly of service companies, public institutions, government agencies, the health care sector, schools and churches. The NBF sales brand sells traditional North American office furniture in the USA. The web-focused brand officefurniture.com is also part of the division.

TO THE SHAREHOLDERS

LETTER FROM THE CEO

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

Ladies and Gentlemen

The 2017 financial year was a challenging one. The overall economic conditions were good. However, there were effects in some of our relevant markets which impacted business performance negatively. As a result, we achieved slight organic sales growth of only 0.4 percent, falling significantly below our expectations. Group sales of EUR 1,116.1 million were slightly below the previous year's figure. The decrease resulted from negative currency effects due to the translation of foreign currencies into the reporting currency of euros. While our businesses in the US had been the growth driver in recent years, the momentum reversed in 2017 and Europe grew more strongly. Our business performance in the US saw a decline. This was primarily due to the difficult conditions in individual US markets. Customers from the food retail industry and food service segment showed weak demand. Another factor was a much reduced business from a larger government customer after the framework agreement could not be extended in the middle of the year. Regardless of the weak sales development, we were able to achieve our profitability target at the Group level with an EBITDA margin of 13.5 percent.

Strategically, the focus for us was on the implementation of our digital agenda. We have made good progress there. TAKKT accelerated the transformation process further and is giving this absolute priority. We have set ourselves ambitious goals and have also achieved the first tangible results. By the end of 2017, we were able to recruit more than 70 new employees with highly developed digital expertise across the Group. A total of more than 100 new hires are planned. We have also invested in new technologies. The first digitalization measures have already been implemented in the individual divisions, with many more to follow. One of the related objectives is to double e-commerce business by 2020. With 7.9 percent organic growth in e-commerce, we have taken a good first step in 2017. Another confirmation that we are on the right track with our transformation process was winning first place at the Digital Champions Award in the "Digital Processes and Organization" category. This annual award presented by WirtschaftsWoche and Deutsche Telekom is both a recognition and an obligation for us.

Quite a bit has also happened in the design of modern working environments. The objective is to create an attractive working environment that promotes agility and team-oriented collaboration, thus contributing to changing the corporate culture. As part of the digitalization process, the focus is clearly on a modern equipment for all employees. At our companies NBF and GPA, the corresponding measures have already been completed. At the headquarters in Stuttgart, realization of the new spatial concept at KAISER+KRAFT and TAKKT is currently underway.

In terms of the investments in young, innovative start-ups by the TAKKT investment company, we are making better progress than expected. With a total of eight investments, we have already made a name for ourselves in the start-up community. In 2017, we made additional minority investments in start-ups, including the online booking platform for facility management Book A Tiger with headquarters in Berlin and parcelLab. The Munich-based company provides a technological solution for smart shipment tracking and automated customer communication. Regardless of the logistics service provider, customers are informed about the status of their shipment by an active push notification. Our latest investment was made at the beginning of 2018 in the Cologne-based company odoscope. This intelligence platform delivers real-time, fully automated personalized content, also for anonymous users, on websites and other digital touch points. The objective now is for these ventures to bear fruit and that we increase the activities at our portfolio companies through mutually beneficial cooperations and a close transfer of knowledge with the start-ups.

We made an organizational adjustment of our divisions at the beginning of 2018. In the new organizational structure, the activities of BiGDUG, Certeo, Mydisplays and OfficeFurnitureOnline, which was acquired at the beginning of this year, are bundled in the separate newport division. Now, the TAKKT EUROPE segment thus consists of three divisions. The new structure allows us to position our web-focused brands in the market in a more agile way and with greater autonomy. As a result, they will be able to better focus their business model on the requirements of smaller corporate customers, who have different needs and tend to be transaction oriented in their purchasing. In Europe, this allows TAKKT to reach customer groups that we cannot address effectively with the multi-channel approach. It thus creates great additional growth potential for us. In addition, the TAKKT investment company with its investments will also be brought into the newport group.

Sustainability will also remain a fundamental strategic issue for our business in the years to come. We are aware that sustainable action is relevant for our entire supply chain. KAISER+KRAFT Germany is setting a good example in this and has been completely carbon neutral since the beginning of 2018. That means that all catalogs, shipments and the web shop are carbon neutral. Carbon-neutral shipping includes parcels as well as general cargo. We have further ambitious plans for the years to come. This includes preparing certified carbon footprints for at least 15 major companies by 2020. This annual report is published together with the TAKKT sustainability report, which provides comprehensive information on our sustainability measures.

For the current financial year, we are seeing a favorable market environment in Europe. In the US, however, there is still uncertainty in some market segments. Despite that, with an increase between two and four percent we still want to achieve markedly higher organic growth than in 2017. Profitability remains high and we once again expect an EBITDA margin in the middle third of the target corridor of 12 to 15 percent.

The 2017 Shareholders' Meeting marked the end of Dr. Picot's term of office on the Supervisory Board due to age reasons. Just a few months later, we had to bid a sad farewell to Mr. Picot, who passed away unexpectedly at the age of 72. With his passing, we have lost a highly valued advisor and partner, who will be remembered with great regard. The new member of the Supervisory Board is Christian Wendler, who was elected at the Shareholders' Meeting in May 2017 by a wide majority. His professional qualifications and background are an excellent complement to the current board. We are very glad that he will be helping and supporting us with the implementation of our transformation process.

We have also strengthened our position further at the Management Board level. Dr. Heiko Hegwein was appointed to the Management Board in December effective February 1, 2018. He will be responsible for the implementation of the digital agenda in the TAKKT Group as well as management of the newport group. My colleagues in the Management Board and I are very pleased that we were able to gain a proven and experienced digital and retail expert with Mr. Hegwein. Through this addition and the creation of the newport group, we want to accelerate the digital transformation in the Group further.

In conclusion, on behalf of the entire Management Board, I want to thank all our employees for the work accomplished in the 2017 financial year. Their support and tireless commitment especially in relation to the digital transformation are key to our success and their work each day helps bring us one step closer to our ambitious goals. The achievements of the past year would not be possible without the dedication shown each day by every single employee. I would also like to thank our customers, business partners and shareholders for their ongoing commitment to sharing these times of change with us.

Stuttgart, March 2018

Dr. Felix A. Zimmermann
(CEO of TAKKT AG)

MEMBERS OF THE MANAGEMENT BOARD

Dirk Lessing
Member of the
Management Board

Dr. Heiko Hegwein
Member of the
Management Board
(as of February 1, 2018)

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

Dr. Claude Tomaszewski
Member of the
Management Board, CFO

TAKKT SHARE AND INVESTOR RELATIONS

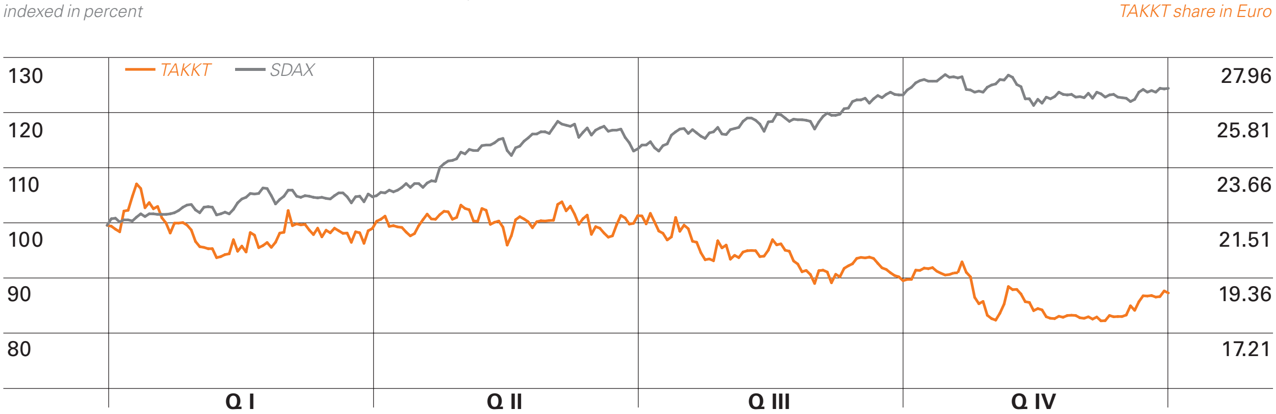
TAKKT places great importance on quick, reliable and transparent communication with capital market participants. Because of this, it continuously informs all shareholders of current developments.

TAKKT SHARE REACHES NEW ALL-TIME HIGH

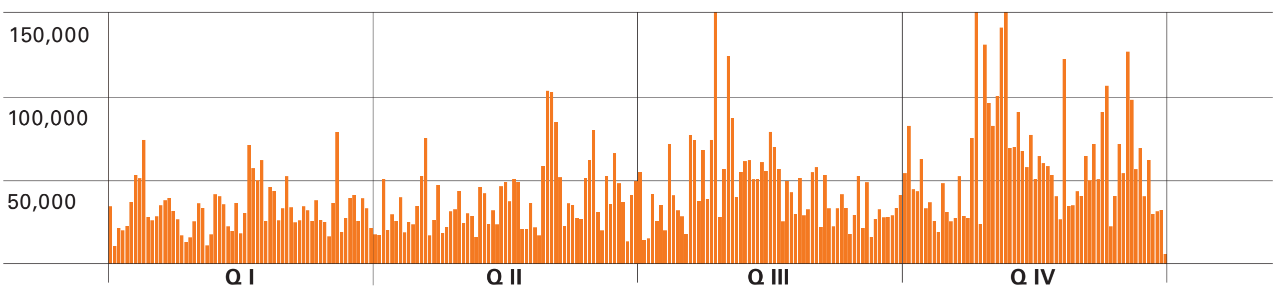
The development of the stock markets during the course of 2017 was characterized by an increasingly upbeat mood. This was a reflection of diminishing political risks in the first half of the year following the outcome of the elections in France and the Netherlands, coupled with the very favorable development of the economic indicators. In the second half of the year, there was a strong indication that global economic growth in 2017 could turn out higher than originally anticipated.

Given these positive conditions, the DAX and SDAX closed at the end of December at 12.5 and 24.9 percent higher than in the previous year. Both indexes reached new highs in 2017. The TAKKT share started the year under review at a rate of EUR 21.48 and reached the annual and new all-time high of EUR 23.13 in the first half of January. From the end of January until the middle of the year, the TAKKT share showed a sideways trend at the level of the 2016 year-end closing price. Share performance was down in the second half of the year and especially after adjusting the sales forecast at the end of October. Following a slight recovery, the share closed at the end of December at EUR 18.87. This corresponds to an exchange loss of 12.3 percent over the end of the previous year. This is a significant underperformance with respect to the benchmark stock indexes, after the share had achieved a higher return than the DAX and SDAX in previous years. Including dividends paid, the return on the share in 2017 was minus 9.7 percent. The market capitalization of TAKKT AG came to EUR 1,238.1 (1,411.3) million at the end of the year. At year-end, TAKKT was listed on the SDAX with a share of 1.32 percent. At the beginning of 2018, the TAKKT share price increased significantly against the market trend and reached a similar level as at the beginning of 2017. All data is based on daily closing prices in the Xetra trading system.

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

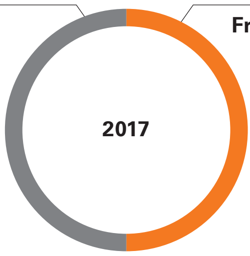


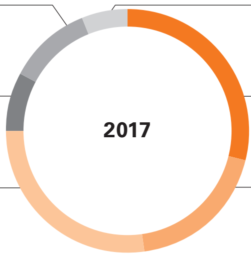
Trading volume of the TAKKT share *(daily volume on Xetra in number of shares in 2017*)*



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

Shareholder structure and regional distribution of free-float shares of institutional investors as of December 31, 2017*





** For regional distribution approximation values, based on Bloomberg 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	Equinet Bank Hauck & Aufhäuser Oddo Seydler Bank

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

	Unit	2013	2014	2015	2016	2017
Trade data						
Year end closing price*	EUR	13.49	13.61	18.45	21.51	18.87
Highest price*	EUR	15.52	16.40	18.45	21.80	23.13
Lowest price*	EUR	9.71	11.34	13.97	14.76	18.87
Market value at year end	EUR million	885.1	893.0	1,210.5	1,411.3	1,238.1
Average daily turnover*	thousand shares	49.8	30.6	28.1	27.2	46.0
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	0.50	0.55	0.55
Payout ratio	percent	40.0	32.0	40.5	39.5	37.5
Dividend yield***	percent	3.0	2.4	3.7	3.0	2.6
Valuation ratios						
Earnings per share (EPS)	EUR	0.80	1.00	1.24	1.39	1.47
TAKKT cash flow per share	EUR	1.27	1.50	1.74	1.91	1.66

* *Xetra-Trading.*

** *Dividend proposal for the financial year 2017.*

*** *At prior years closing price.*

In a Deutsche Börse ranking encompassing all 100 companies listed on the MDAX and SDAX, TAKKT AG occupied 82nd place at year-end in terms of market capitalization on the basis of the free float. It was in 63rd place in the previous year. Despite a significant increase in trading volume, the ranking by this criterion remained virtually unchanged due to a number of initial public offerings (IPO) and corporate splits. At the end of December, TAKKT was in 100th place, following 99th place in the previous year. On the most important trading platform, Xetra, an average of 46.0 (27.2) thousand TAKKT shares were traded on each trading day. The block trades entered in trading systems in 2017 indicate that TAKKT shares are traded on a slightly larger scale on OTC platforms than on Xetra.

COMPREHENSIVE INFORMATION FOR THE FINANCIAL COMMUNITY

TAKKT's investor relations work focuses on providing information to shareholders, analysts and potential investors in a transparent and reliable manner. The company places great importance on informing all participants in the capital market with the same thoroughness and openness. In the "Investors' Darling" ratings published annually by manager magazin, TAKKT improved its position from 15th to 8th place in the overall ranking of all 160 companies included in the DAX indexes (DAX, MDAX, SDAX, TecDAX). In the SDAX index, it once again ranked second out of 50 companies. The competition evaluates the capital market communications of publicly listed companies, such as the financial reporting, IR presentations and the homepage.

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 open to all interested parties are held when quarterly results are published or for important corporate events such as acquisitions.

SPEED AND CONSISTENCY OF REPORTING

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

CLOSE COMMUNICATION WITH INVESTORS AND ANALYSTS

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

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

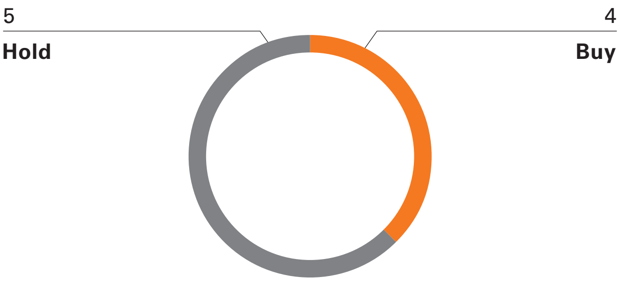
- The Management Board regularly takes part in capital market conferences such as the German Equity Forum in Frankfurt held by Deutsche Börse AG every year in November. In the 2017 financial year, TAKKT participated in the capital market conferences of Kepler Cheuvreux and Unicredit in Frankfurt, Crédit Mutuel CIC in Paris, Berenberg in Tarrytown, New York, and the capital market conference of Berenberg and Goldman Sachs in Munich.

- The company also held numerous talks with investors once again during roadshows in London, Paris, Madrid, Edinburgh, Frankfurt am Main, Düsseldorf, Cologne and Copenhagen.

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

All documents presented at these events can be found on the TAKKT website. The number of financial analysts who regularly observe the TAKKT share also reflects the perception of the company on the capital market. As of February 28, 2018, Five analysts advise holding the share. Four analysts recommend buying the share.

Institution	Analyst
Bankhaus Lampe	Christoph Schlienkamp
Berenberg Bank	Gerhard Orgonas
Commerzbank	Sabrina Taneja
DZ Bank	Thomas Maul
Equinet	Christian Bruns
Hauck & Aufhäuser	Christian Salis
Kepler Cheuvreux	Craig Abbott
Landesbank Baden-Württemberg	Thomas Hofmann
M.M. Warburg	Thilo Kleibauer



SHAREHOLDERS' MEETING AND DIVIDEND

Approximately 300 shareholders and guests attended the 18th ordinary Shareholders' Meeting of TAKKT AG in Ludwigsburg on May 10, 2017. The Shareholders' Meeting approved an increased dividend of EUR 0.55 per share for a total dividend distribution of EUR 36.1 million. The payout ratio based on profit for the period remained stable for the 2016 financial year at 40 percent. The Shareholders' Meeting thus approved the dividend proposal of the Management Board and Supervisory Board.

The dividend policy provides for a payout of 35 to 45 percent of the profit for the period. TAKKT wants the shareholders to participate in the success of the company through a consistent and reliable dividend stream while also leaving enough room to be able to continue financing value-creating acquisitions. In the event of a very high equity ratio and if no acquisition can be made, payment of a special dividend is also possible.

FINANCIAL CALENDAR 2018

The financial calendar for the year 2018 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
E-Mail: investor@takkt.de
Internet: http://www.takkt.com

SUPERVISORY BOARD REPORT

Stephan Gemkow
Chairman of the Supervisory Board

Ladies and gentlemen,

As a whole, sales growth at TAKKT in the past financial year fell below expectations. However, business performance was characterized by different dynamics in the core markets of Europe and the US. While business in Europe picked up again, performance in North America weakened after years of high growth rates. The signs for 2018 are quite positive. We are confident that TAKKT will continue the profitable growth course of recent years. Good, visible progress was made in the Group in 2017 in the implementation of the digital agenda. The first sustainable measures of the digital agenda have already been realized in the individual divisions, with many others to follow this year. In other words, TAKKT is on the right track in its digital transformation. Since February 2018, this transformation process is being supported and driven forward by a new Board Member. With Dr. Heiko Hegwein, we have gained a proven digital and retail expert who can support TAKKT in further developing the newport group and in implementing the digital agenda. As customary, the Supervisory Board has closely followed and supported the company and Management Board with all strategic matters.

BUSINESS DEVELOPMENT AND WORK OF THE SUPERVISORY BOARD

The terms of office of all previous members of the Supervisory Board expired at the end of the 2017 Shareholders' Meeting, at which time the new Supervisory Board was elected. This also marked the end of Dr. Picot's term of office on the Supervisory Board on grounds of age. His tenure was always characterized by the highest degree of trust and collaborative partnership. In July, Dr. Picot passed away unexpectedly. With the passing of Dr. Picot, we have lost an extraordinary person. The Supervisory Board will always remember him as an exceptionally kind, experienced and competent partner. All other members of the Supervisory Board were reappointed until the Shareholders' Meeting of 2022. In addition, Christian Wendler's term of office began with the 2017 Shareholders' Meeting. His professional qualifications and relevant expertise also in the area of digital transformation are an excellent complement to the current makeup of the Supervisory Board.

The Supervisory Board met eight times in the 2017 financial year. This consisted of four regular meetings, one strategy meeting, two extraordinary meetings and the constituent meeting of the new Supervisory Board elected in the 2017 financial year.

The main topics of the meetings in the year under review were the current business performance and strategic development of the Group with the respective projects. In addition, the Supervisory Board dealt with the acquisition strategy, the acquisitions of Mydisplays GmbH and Equip4Work Ltd. and the possibility of further acquisitions. The Supervisory Board also held in-depth discussions about the digital transformation of the Group. 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 important corporate governance and compliance matters as well as statutory provisions such as the CSR Guideline Implementation Act and the Amended Shareholders' Rights Directive. Furthermore, the Supervisory Board dealt with the results of the efficiency review of the Supervisory Board carried out by an external service provider in the 2017 financial year, the 2020 warehouse strategy of the Business Equipment Group and the appointment of Dr. Heiko Hegwein.

The personnel committee met three times in the year under review. The topics included the reappointment of Dr. Felix Zimmermann as CEO of TAKKT AG effective May 2018, the remuneration of the Management Board, the election of the Supervisory Board in the 2017 Shareholders' Meeting and the appointment of Dr. Heiko Hegwein to the Management Board of TAKKT AG as of February 1, 2018. 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. The efficiency review confirmed the Supervisory Board's consistently high level with regard to the monitoring and advisory activities.

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, 2017, 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.

RELIABLE DIVIDEND

The dividend policy provides for a payout of 35 to 45 percent of the profit for the period. The Management Board and Supervisory Board will propose to the Shareholders' Meeting in May 2018 that a dividend be paid of EUR 0.55 per share for the 2017 financial year. This would correspond to a payout ratio of 37.5 percent. Adjusted for the non-cash gain from the revaluation of deferred tax liabilities from the US tax reform, the payout ratio would come to 46.3 percent.

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS OF TAKKT AG APPROVED

The Shareholders' Meeting followed the proposal of the Supervisory Board and appointed Ebner Stolz GmbH & Co. KG, Stuttgart, as the auditors for the 2017 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 2 of the Stock Corporation Act (AktG) and point 7.2.1 of the DCGK.

The audit focal points specified by the Supervisory Board for the 2017 financial year were fraud prevention in payment transactions, the capitalization of internally generated intangible assets, the scope of consolidation, the share ownership list and the corresponding disclosure of shareholdings. With regard to the consolidated financial statements, the auditors also focused on the goodwill impairment tests, the existence and measurement of trade receivables, the reports from auditors of foreign subsidiaries, the consolidation measures, the notes to the consolidated financial statements and the combined management report of TAKKT AG and the Group. The auditors in charge from Ebner Stolz GmbH & Co. KG reviewed the financial statements of TAKKT AG in addition to the consolidated financial statements of the Group and the combined management report, 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 the annual accounts meeting on March 20, 2018, the Supervisory Board reviewed and approved the consolidated financial statements, the financial statements of TAKKT AG, the combined management report of TAKKT AG and the Group, including the non-financial statement, 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, held the majority of TAKKT shares also in the 2017 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 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 2017. We 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 2018

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 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 at KAISER+KRAFT GmbH, Stuttgart
Prof. Dr. Dres. h.c. Arnold Picot (until May 10, 2017)	University professor at the Ludwig-Maximilians-Universität München
Dr. Dorothee Ritz	General Manager of Microsoft Austria, Vienna
Christian Wendler (as of May 10, 2017)	Chairman of the Executive Board of Lenze SE, Aerzen

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 and the individual companies, TAKKT AG is also responsible for classical holding company functions such as financing, controlling, human resources and legal. In addition, the holding company promotes and organizes the transfer of knowledge between the divisions and supports the segments in implementing the measures of 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 at stable prices and regularly required special items to business customers. 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 automobile suppliers, computer cabinets to Swiss mechanical engineers, custom-printed advertising banners for trade shows, shipping cartons to European industrial companies or 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 • Marketplaces • 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 seven 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. TAKKT renamed the divisions at the beginning of 2018. In the TAKKT EUROPE segment, the Business Equipment Group (BEG) was renamed the KAISER+KRAFT group and the Packaging Solutions Group (PSG) is now called Ratioform group. A separate third division was formed within TAKKT EUROPE as of January 1, 2018. The newport group bundles young, fast-growing, web-focused companies that cater primarily to the needs of small and medium-sized corporate customers in different European countries and product areas. The primary aim of this new organizational structure is to encourage close collaboration and cooperation between the companies (e.g., in the areas of technology, sales and purchasing) in order to generate further growth. The new organizational environment allows better development of the web-focused brands as well as the testing of new innovative ideas.

In the TAKKT AMERICA segment, the Merchandising Equipment Group (MEG) was renamed the Hubert group, the Restaurant Equipment Group (REG) was changed to Central group, the Displays Group (DPG) became D2G group and the Office Equipment Group is now called NBF group. By renaming the division names after main sales brands and eliminating the

Group structure (effective from January 1, 2018)

TAKKT AG
BUSINESS EQUIPMENT SOLUTIONS

TAKKT EUROPE			TAKKT AMERICA			
KAISER+KRAFT GROUP	RATIOFORM GROUP	NEWPORT GROUP	HUBERT GROUP	CENTRAL GROUP	D2G GROUP	NBF GROUP
KAISER+KRAFT	ratioform	officefurniture online*	HUBERT	Central Restaurant Products	DISPLAYS2GO	National Business Furniture
gaerner	Davpack	BiGDUG	Retail Resource		Post Up Stand	OfficeFurniture.com
Gerdmans		certeo				
Kwesto		Mydisplays				

*OfficeFurnitureOnline: Acquired on January 29, 2018.

acronyms, TAKKT hopes to achieve simplification, especially with regard to the external communication. Focusing on the main sales brand will also serve to create a greater brand identity for the Group.

The TAKKT EUROPE segment has more than 50 locations and 19 warehouses.

- The KAISER+KRAFT group, as a supplier of business equipment, offers around 66,000 products for transportation, plant, warehouse and office equipment in 24 European countries. Customers include industrial enterprises such as automotive suppliers, service and retail companies as well as public institutions. 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. The KAISER+KRAFT group pursues a mostly centralized warehouse strategy.

- As a packaging specialist, the Ratioform group 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 newport group founded as of January 1, 2018 bundles young, web-focused companies that target small and medium-sized corporate customers. The division offers around 83,000 items in different European countries and product areas. For example, Certeo sells plant and office equipment in four European countries. In contrast, Mydisplays, which was acquired in 2017, provides products such as custom-printed advertising banners and mobile display systems to a broad customer segment primarily in the DACH region (Germany, Austria and Switzerland). OfficeFurnitureOnline, acquired at the beginning of 2018, is a UK product specialist offering office furniture such as desks, chairs and cabinets in its web shop. BiGDUG, an online retailer for business equipment specializing in storage and shelving that supplies its customers with shelving systems and work benches, is also in the UK. In addition, the TAKKT investment company with its investments in innovative start-ups is also part of the newport group.

The TAKKT AMERICA segment has close to 20 locations and operates eleven warehouses. The companies in the US pursue a centralized warehouse strategy. Due to the size of the country, however, they generally operate one to three warehouses.

- In North America as well as in Europe since 2010, the Hubert group offers around 115,000 products. The range includes equipment for the food service industry and food retail sector as well as merchandising products and supplies. The Hubert group's customers mainly include operators of large cafeterias, food service businesses and the food retail industry. Products include buffet equipment such as serving platters, bread baskets and table decorations as well as plates and cutlery.

- The Central group offers around 730,000 products for restaurant equipment in the US. Restaurant operators are the core customer group of the Central 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 D2G group offers around 13,000 display products in the US. Sales are carried out mostly online. Products include signage, printed and digital display stands, mobile trade booths and fixtures.

- The NBF group offers around 41,000 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 individual 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

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 • Broad range of high-quality private labels • Detailed product information such as mainly self-produced videos, images and product descriptions
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 solutions	• 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

company. Through e-procurement, TAKKT is able to add 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 lower demand. TAKKT's web-focused brands offer a flexible range of products and prices, which are adjusted regularly to meet 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, as well as an exceptionally easy, customer-friendly user experience in the web shop.

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 product, quality and service. This means that direct marketing is especially attractive to people if they can find and order high-quality products quickly and 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 to retain them for the long-term mainly include those listed in the table on page 44. The extensive digitalization activities in the Group include continuously expanding the services offered and adding new, digital services in order to maximize the attractiveness for customers.

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

ATTRACTIVE MARKET NICHE

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

- TAKKT uses a 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 business model-specific 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 • Avoidance of natural market entry barriers due to country-specific factors such as language, currency or tax and legal conditions • Supplier does not have to set up own sales structure abroad
Easy onboarding and intensive support	• Close supplier management, regular interaction and joint product development based on needs of the customer
Greater efficiency	• One-time shipment of larger volumes to a central warehouse instead of many individual deliveries to customers

MARKET TRENDS SUPPORT PROVEN BUSINESS 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 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 Compared to consumers, corporate customers generally want to reduce complexity and look for reliable, long-term partnerships.	Product range from a single source as well as extensive preselection.
Customers have an eye on process costs: For merchandise of a low value, the emphasis is on the 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 networked 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 generally choose established providers and products regardless of location.	Customer proximity with more than 50 sales companies in over 25 countries.
Consideration of sustainability aspects: Environmental and social aspects are playing an increasingly important role in the selection of business partners.	A 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, etc.).

CORPORATE GOALS AND STRATEGY

TAKKT's goal is to be a leading global B2B direct marketing specialist for business equipment. To accomplish this, specialized companies with different strengths are combined in a profitable and growth-oriented portfolio with a diversified risk profile. Most of the Group companies focus on the marketing and sales channels of print, online, telesales and field activities as part of a multi-channel approach. A key strategic issue for TAKKT in further development of the business model is digitalization. In addition, TAKKT wants to expand its position as a role model for sustainability. The strategic goals by 2020 of the TAKKT Group are presented in the following overview. In contrast to the presentation of the previous year, the goal to "digitalize the business model" was explicitly included.

Strategic goals by 2020	
Grow profitably	• Long-term organic sales growth by an average of four to five percent per year • Growth through opportunistic acquisitions (average of around five percent per year) • EBITDA margin of between 12 and 15 percent
Digitalize the business model	• Implementation of the digital transformation • Double e-commerce business from around EUR 450 million (2016) to EUR 900 million (2020)
Diversify risk	• Significant contributions to sales on at least two continents • Diversified share of sales with the manufacturing industry, the trade and service sectors and government institutions • Balanced product range
Act sustainably	• Industry role model for sustainability • Sustainability as "built-in" rather than an "add-on" in the day-to-day corporate management

GROW PROFITABLY

TAKKT pursues a strategy of profitable growth. TAKKT aims for average organic growth of around four to five percent. In addition, opportunistic acquisitions are a significant part of the growth strategy (average of around five percent per year). In terms of profitability, TAKKT's aim is to achieve an EBITDA margin of between 12 and 15 percent.

A large part of the market for durable equipment is still covered by local retailers. As a pure distance seller, TAKKT benefits from the trend of increasingly ordering goods via the more efficient method of distance selling. This allows TAKKT to gradually acquire market share from local retailers, putting it in a position to achieve stronger organic growth than the market.

In addition to organic growth, TAKKT also wants to grow through acquisitions. Potential takeover candidates are broken down into three areas: Smaller companies with strong profitable growth that generate sales in the low double-digit million euro range provide an opportunity to expand existing activities on the regional level as well as through an adjacent business model. Medium-sized, market-leading companies with sales of up to EUR 100 million as platform acquisitions serve as the starting point for further organic growth or additional strategic purchases. Larger 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 be within or above 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 for 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 (D2G 2012), integrated multi-channel sales (Ratioform 2012), individualized products (Post-Up Stand 2015, Mydisplays 2017) or cost-effective entry-level products (BiGDUG 2015).

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 investment company TAKKT Beteiligungsgesellschaft mbH (TBG) at the beginning of 2016. TBG aims to function as a smart investor for strategic investments in young 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 newly established companies that are already active on the market and looking for external partners to finance their growth initiatives. Since its founding, the TAKKT investment company has completed eight investments with a total of EUR 5.5 million. The individual investments are presented in the "Innovation and development" section on page 53.

TAKKT pursues a course of profitable growth. With annual organic growth of four to five percent on average and growth through acquisitions of around another five percent, TAKKT keeps the EBITDA margin within a corridor of between 12 and 15 percent. The company sees this as the best balance for itself in terms of developing a sustainable and profitable portfolio. The high gross profit margin already serves as the starting point. The aim is to achieve a Group average here of over 40 percent. The gross profit margin results from the attractive business model of B2B direct marketing as well as from targeted measures such as the expansion of private labels and increasing the share of direct imports from Asia and Eastern Europe.

Based on the high gross profit margin, marketing and personnel expenses represent the major cost blocks, with a total of around 20 percent of sales. In addition, other expenses incur for warehouses and IT. As a result, after deduction of costs, an EBITDA margin in the target corridor can be reached.

DIGITALIZE THE BUSINESS MODEL

In 2017, the next phase for further development of the business model was ushered in with the start of the digital transformation initiative. 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 its business model of B2B direct marketing as ideal for benefiting from the growth of digitalization and gaining market shares. This is why the digital transformation in the company is being accelerated and taking absolute priority in all decision making.

For TAKKT, there are three key activities for a successful digital transformation: digitalization of the entire value chain, establishing more agile corporate structures and developing innovative business models. A Vision 2020 was formulated in 2016 for the implementation of the digital transformation in the company, and a digital agenda that includes more than 100 measures was developed across all divisions. Vision 2020 includes the following goals:

- The e-commerce business is to be doubled by 2020 from around EUR 450 million (in 2016) to EUR 900 million. To achieve this, TAKKT wants to create an outstanding customer experience through digitalization.

- The organization will be transformed in a step change by putting digital first and focusing on customer centricity. TAKKT does this by always making the constantly changing needs of the customers the absolute focus of activities.

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

- In the medium term, organic sales growth is expected to increase with implementation of the digital agenda.

In the implementation of the digital agenda, TAKKT places strong emphasis on impressing customers with digital processes and solutions. This requires developing digital expertise, launching new forms of collaboration, creating a culture of "test and learn" and focusing on the needs of our customers in all our activities (customer centricity). TAKKT pursues a decentralized approach that follows a structure that is uniform across the company. This reflects the differences between the individual divisions and companies in terms of business model, complexity, historical development and thus level of digitalization maturity.

The measures of the digital agenda are structured along six focus areas:

- Strategy & Innovation: New solutions and offerings are developed for the customers using innovative methods.
- Customer Journey: Through targeted analysis of the searching and purchasing behavior of individual customers, the TAKKT companies adapt their activities to their needs in an individualized and personalized manner.
- Organization & Culture: Changing the corporate culture in order to encourage more agile and flexible working in cross-functional teams.
- Data & Analytics: Increased use of data analysis in order to better understand the purchasing decision processes and develop customized solutions for the customer based on this.
- Technology: Modernization of existing technologies and the introduction of new ones as the basis for achieving the goals of the digital transformation.
- Process Automation: Automating manual activities accelerates processes and contributes to greater customer satisfaction and improved internal workflows.

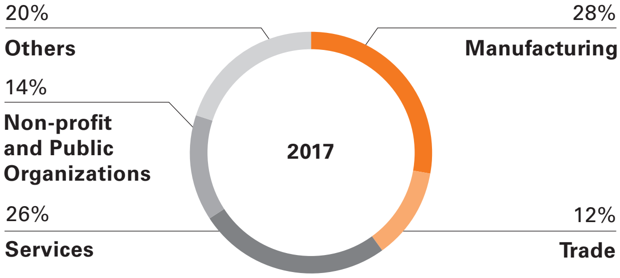
Further details and specific measures on the implementation of the strategic digital transformation initiative can be found in the "Innovation and development" section on pages 53 to 55.

DIVERSIFY RISKS

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

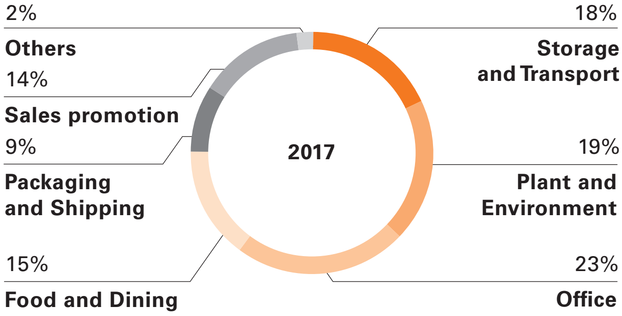
At the customer level, the company serves a broad customer base consisting of manufacturing businesses, retailers and service providers as well as nonprofit and public organizations to compensate for the cyclical fluctuations experienced by the individual target groups. Orders from manufacturing businesses – the original core business of the TAKKT Group – represent nearly 30 percent 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 nonprofit and government institutions. This increasing diversification with different customer groups stabilizes the TAKKT business.

Diversification of customer groups



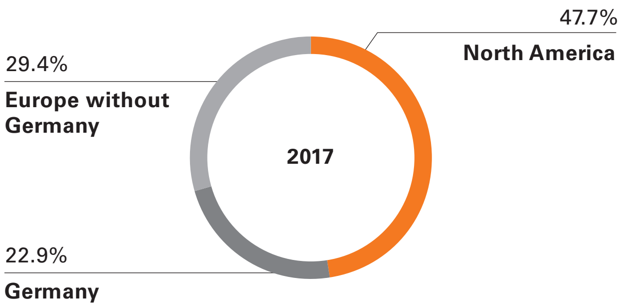
At the product level, TAKKT differentiates between products for plant & environment, storage & transport, office, packaging & shipping, food & dining and sales promotion. TAKKT diversifies broadly here to actively compensate for fluctuations in demand. Through the acquisition of Hubert (2000), NBF (2006), Central (2009), Displays2go (2012), Ratioform (2012), Post-Up Stand (2015) and Mydisplays (2017), the company has specifically expanded its product portfolio to product groups for food service, sales promotion, 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 and North America. In particular, the share of US business has increased significantly since 2000. In the past, regional diversification has proven to be a pillar of 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 competing 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. TAKKT wants to expand its position as a role model in this area further.

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 sustainability organization SCORE incorporates 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 57 et seq. in the "Sustainability and employees" section as well as on page 81 et seq. in the "Company performance" section of this annual report.

MANAGEMENT SYSTEM

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, the segments and the individual divisions as well as all the subsidiaries according to the same key figures. The following target values apply for the Group and differ only slightly for the TAKKT EUROPE and TAKKT AMERICA segments. If the key indicators of one Group company do not develop satisfactorily, the 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.

FINANCIAL KEY FIGURES

- The organic development of sales 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 disposals 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.

Definition and target values

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

PRODUCT RANGE FIGURES

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

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

Definition and target values

Key figure	Definition	Target value
Share of private labels in order intake	Positive effect on customer acquisition, customer loyalty and gross profit margin	Continuous expansion starting from 20.7 percent in 2017
Share of direct imports in purchase volume	Participation in low purchasing prices while retaining product quality	Further expansion starting from 15.5 percent in 2017

VALUE-BASED FIGURES

- The Return on Capital Employed (ROCE) measures the profitability before tax of the capital employed. This key figure shows the EBIT in relation to the average capital employed, which is defined as total assets reduced by the non-interest-bearing current liabilities. The ROCE therefore expresses the operating earning power of the capital employed. A ROCE target value of significantly more than 12 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 borrowing costs. The average capital is calculated as the mean value of both capital expenditures at the beginning and end of the respective calendar year. The capital as of the respective end of the reporting period corresponds to the total assets reduced by the non-interest bearing current liabilities and deferred tax liabilities. On the whole, the TAKKT value added allows a statement to be made about the value added of the Group after consideration of the borrowing costs and equity costs, e.g., after meeting the requirements on return on investment of the debt capital provider and investor. TAKKT aims for a significant positive value contribution.

Definition and target values

Key figure	Definition	Target value
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.

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.

Definition and target values

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

OVERVIEW OF MANAGEMENT AND INDICATOR SYSTEM

TAKKT uses the key figures described in this chapter to manage the Group, segments and divisions with the strategic goal of achieving profitable growth. In addition, there are other indicators for monitoring the progress for further strategic goals such as the implementation of the digital agenda and the sustainability initiative. The table below summarizes the sections in the management report in which the key figures and indicators are described and in which the development in the financial year is reported. The forecast report informs about how TAKKT anticipates all key figures to develop in 2018.

TAKKT key figures and indicators

	Definition and target values	Reporting	Forecast
Financial key figures	Management system *Pages 50 et seq.*	Sales and earnings review, financial position *Pages 66 to 73*	Forecast report *Pages 95 to 97*
Product range figures	Management system *Page 51*	Company performance *Page 78 et seq.*	Forecast report *Page 97*
Value based figures	Management system *Pages 51 et seq.*	Company performance *Pages 79 et seq.*	Forecast report *Page 97*
Internal covenants for management of the financial structure	Management system *Page 52*	Financial position *Page 75*	Forecast report *Page 97*
Digital agenda indicators	Innovation and development *Page 55*	Company performance *Pages 80 et seq.*	Forecast report *Page 97*
Sustainability indicators	Sustainability and employees *Pages 57 et seq.*	Company performance *Pages 81 et seq.*	Forecast report *Page 97*

INNOVATION AND DEVELOPMENT

The market environment in which TAKKT operates as B2B direct marketing specialist for business equipment is subject to continuous change. Digitalization and the many opportunities it creates for the business model of the TAKKT companies is of particular importance in this context. The purchasing behavior of B2B customers is changing – a much more personalized customer approach is expected. The cooperation between purchasing and suppliers is also becoming more efficient through digital interfaces. New procurement, storage and sales processes are gaining acceptance and new, sometimes disruptive business models are emerging.

DIGITAL TRANSFORMATION – FOCUS ON CONSTANTLY CHANGING CUSTOMER NEEDS

TAKKT developed a digital agenda in 2016 that includes over 100 measures in order to take advantage of the opportunities associated with digitalization and to initiate a structured change process. TAKKT is pursuing a decentralized approach that follows a uniform structure with six focus areas. This reflects the differences between the individual divisions and companies in terms of business model, complexity, historical development and level of digitalization.

How is TAKKT implementing the digital agenda?

The measures for implementing Vision 2020 involve doubling the e-commerce business, changing the organization in a step change, investing in employees and new technologies, and increasing organic sales in the medium term. They were launched in the 2017 financial year. The specific activities in the six focus areas of the digital agenda are as follows:

Strategy and innovation: In B2B direct marketing, there are essentially three business models: multi-channel, web-only and online marketplaces. TAKKT is represented here with its multi-channel and web-focused brands. As a specialist in the niche, it sets itself apart from the more transaction-based business model of marketplace operators. However, the Group companies make use of marketplaces of global providers as a supplementary sales channel. This gives them additional visibility and the opportunity to gain new customers in the process.

For the 2018 financial year, the focus is on continuing the development of more agile corporate structures. The first step in this direction was already taken in 2017 with the creation of independent structures such as a dedicated web shop and ERP system at Certeo. Before, Certeo had been using the main infrastructure services of KAISER+KRAFT. Effective January 1, 2018, OfficeFurnitureOnline, BiGDUG, Certeo and Mydisplays – some web-focused brands within the TAKKT EUROPE segment – were moved to a new division called the newport group. This reorganization provides an environment for these brands to position themselves in the market more strongly and independently than before with their branding, infrastructure and product range. As a result, they will be able to better focus their business model on the requirements of smaller business customers, who have different needs and tend to be transaction-oriented in their purchasing. In addition, the TAKKT investment company (TBG) with its investments in innovative start-ups will also be brought into the newport group. The newport group will continue to grow organically as well as through acquisitions.

With the foundation of the TAKKT investment company TBG at the beginning of 2016, TAKKT invests in start-ups that build innovative B2B retail business models or new solutions. So far, the following eight investments have been made.

Investment	Business model
Printmate *Individualized packaging*	Provides customized digitally printed packaging made from corrugated cardboard.
Adnymics *Personalized marketing*	Provides a solution for personalized packaging inserts to be included in the shipments to customers. Ratioform and Certeo achieve higher response rates with this solution.
Crowdfox *B2C and B2B online marketplace*	Innovative online marketplace for B2C and B2B products that stands out for its sophisticated technology and resulting price leadership in the market.
Authentic Vision *Product authentication*	Patented software that allows a unique holographic fingerprint to be produced for any product and authenticated via a smartphone app.
Cavalry Ventures *Venture capital fund*	With this cooperation, TBG can draw on the experience and expertise of the Cavalry founders as a sounding board in its own investment decisions.
Book A Tiger *Facility management*	Online booking platform for facility management (cleaning and other office management services) with a focus on the B2B market.
parcelLab *Post-purchase communication*	Enables online shops to shape and manage post-purchase communication. Customers are always updated about the status of their shipment. Ratioform uses it to improve the customer experience after a purchase.
odoscope *Data analytics*	An intelligence platform that delivers real-time, fully automated personalized content, also for anonymous users, on websites and other digital touch points.

- Customer Journey: Today, absolute customer centricity and creating excellent purchasing experiences are critical distinguishing features in the market. Digitalization allows customers to be addressed individually via online channels according to their personal preferences and needs in a way that was not possible with print advertising. All TAKKT companies have mapped their customer decision journeys and created personas for the most relevant customer groups based on customer interviews, analyses and surveys as well as the support of external specialists. The new insights about customer needs are incorporated directly into the optimization of the respective touchpoints. For instance, at Ratioform different web shop interfaces with navigation and product offerings based on the customers' needs are being pilot-tested for the different persona segments. The product offerings are being developed in dialogue with the customer in the other Group companies as well. This helps to rectify problem areas and hurdles in the online offerings such as complicated shopping cart processes, and to make packaging and freight costs more transparent in the US.

  Parallel to improving the offerings for certain personas, the products of the Group companies are personalized further. Findings from web shop analyses are used for cross-selling and upselling in order to offer the customer products at a specific point in time that is in line with their individual needs, for example in the newsletter or package insert.

  TAKKT also wants to take into account the independence that the digital world gives customers. The companies are therefore gradually setting up information portals with self-service solutions. Customers can not only view their order history online, they can also set up a reorder reminder service, manage returns or access invoices online.

- Organization and culture: More than 100 new jobs are planned for the implementation of the digital agenda. Over two-thirds of these positions have already been filled, especially in core areas of expertise such as web shop development, online marketing and data management and analytics. In 2017, six young talents were brought in for the Group-wide "Digital Entrepreneurship" rotational program. The digital entrepreneurs actively help shape the digital transformation at TAKKT as they rotate to different subsidiaries in Europe and the US. The program will continue in its second iteration this year, allowing more talents to go through it.

  At the same time, new working methods such as scrum or design thinking are being used increasingly. The employees received training and were motivated to use new methods in projects through initiatives like the FUTURE@TAKKT award. Each of the teams implemented a prototype to solve a so-called "pain point," i.e., a situation where the customer encounters an obstacle or stumbling block in the purchasing process.

  Several subsidiaries have moved into new or newly designed office environments that promote innovation and creativity through modern workplace concepts and simplify cross-functional collaboration. Renovation has already begun at the headquarters in Stuttgart and the first departments moved into their new office spaces at the end of 2017/beginning of 2018.

- Data and analytics: We want to better anticipate the needs of our customers and also optimize product ranges and the supply chain through increased use of data analysis techniques. A greater emphasis has been placed on data management and analytics at all TAKKT companies. Concepts are being developed for the future direction of data management, the technical framework is being created and the required skills are being built. The new technologies are resulting in employees increasingly working and making decisions based on data. Analyses and visualizations are more easily and quickly accessible.

- Technology: All the Group companies use powerful IT systems for efficient and effective business operations. In 2017, several systems were either put into operation for the first time or modernized. Some examples of this are the new web shop at Hubert or the modern web technology at KAISER+KRAFT, which improves the mobile user experience for the customer. This means that TAKKT creates new customer experiences, supports changing business models and achieves a higher degree of flexibility, speed and reliability. The telephone systems at Displays2go, National Business Furniture and Central were also replaced with integrated, cloud-based communications systems. Hubert and KAISER+KRAFT are introducing new customer relationship management systems (CRM) in order to advise and address customers in a more targeted way. Ratioform has been using a new product information management system (PIM) since 2017 in order to manage extensive product data more easily and to provide customers with up-to-date information at all times through different channels like the web shop or catalog.

  The ERP systems are also continuously modernized. The result is an improved data pool which, thanks to modern data analysis tools, enables better decision-making in the departments, a more targeted customer approach and greater focus on the needs of the customer. The introduction of new ERP systems has already been completed at Displays2go. At Ratioform, the process has been concluded for many national sales companies. New systems are currently being implemented at KAISER+KRAFT and Hubert. At NBF, the selection of a new ERP is on the agenda for 2018.

- **Process automation:** Process automation will enable the TAKKT companies to achieve further improvements along the entire value chain from the supplier to the customer, including digitalization of the internal workflows.

  Interfaces to the suppliers become more efficient. This means that product data or the availability of goods between supplier systems and the companies can be exchanged more easily and quickly. At the same time, an increasing number of suppliers are being linked up.

  The same holds true for logistics service providers, which ensure smooth transport of the goods to the customer. Information about shipment status and delivery dates are not just found in internal systems anymore. Customers can also access this information quickly at any time, for example through the websites of the TAKKT companies.

More information on additional measures can be found at www.takkt.com/digital.

The progress of the implementation of the digital agenda is reviewed on a regular basis by means of different indicators. The indicators that are measured and analyzed include the following:

- Tracking of measures: Number of measures started, completed and outstanding. This allows TAKKT to monitor whether the measures have been implemented as planned.

- Number of new employees: By the end of 2018, TAKKT wants to recruit more than 100 new employees with expertise especially in the areas of online marketing, web shop development and data analytics.

- Investments: TAKKT has allocated around EUR 50 million for implementation of the measures of the digital agenda by 2020. Around half of this is for capital expenditures and the other half for costs related to new employees and the measures.

- Organic growth of order intake via e-commerce as indicator for the development of e-commerce business.

Information on the development of the indicators in the financial year can be found in the "Company performance" section on pages 80 et seq.

In the year under review, the jury of the German magazine WirtschaftsWoche and Deutsche Telekom appreciates TAKKT's holistic approach to its digital transformation and that the digitalization process in the Group as a whole is moving forward. For TAKKT, the Digital Champions Award 2017 in the "Digital Processes and Organization" category is a motivation and also an obligation to continue driving forward the digitalization activities and successfully implementing the Vision 2020.

INNOVATION INITIATIVES

Innovation and knowledge building are critical success factors for the digital transformation. That is why TAKKT uses innovation formats that were established in previous years and is developing them further. New communication and collaboration tools are increasingly being used to promote the continuous sharing of knowledge. Targeted customer centricity measures are also being carried out.

- **Knowledge transfer:** The Management encourages the transfer of expertise within the Group. Employees are motivated and encouraged to share experiences and best practices across the Group. This is particularly relevant with regard to issues concerning the digital transformation and innovative projects. For this, TAKKT has established formats such as the CDO Round Table, in which the chief digital officers of all Group divisions regularly exchange ideas with each other and experts from other companies. This is also highly valuable due to the fact that 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, all the executives of the Group companies exchange views on best practices solutions for many relevant topics.

- **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. The Advisory Board, comprising experts from the digital economy, provides advice and supports the TAKKT Management Board as well as the chief digital officers of the divisions. In the TAKKT Forum, high-level external experts, top executives and the Advisory Board of TAKKT AG discuss strategic core issues. The topic of the TAKKT Forum in December 2017 was Data & Analytics, one of the six focus areas of the digital agenda. The first results of internal data analytics projects were examined with external specialists and the experiences of other commercial and industrial enterprises were presented by the experts of those companies.

- Customer centricity: Our aims for customer centricity comprise not only understanding the needs of our customers, but also actively using the opportunities of digitalization in order to gear all our activities toward the customer. Segmentation by customer type (personas) allows us to address a greater number of customers based on data and thus offer products tailored to their personal needs. Through increased interaction, we accompany our customers in making their decision (i.e., their customer journeys), using the insights gained along the entire value chain, starting with product management, marketing and sales to logistics and our customer service. This also includes using methods like design thinking. In regular dialogues with stakeholders such as suppliers, investors and employees, needs and requirements are identified and innovation ideas generated, which are used for targeted development of the corporate strategy.

- Start-up & innovation breakfast: Founders of start-ups and employees of the TAKKT portfolio companies get together several times a year over breakfast to share ideas. New business models are discussed in depth, experiences shared and new networks formed. This has been the beginning of many fruitful collaborations. In addition, this promotes cultural change because it fosters dialogue beyond the boundaries of one’s own company.

CONTINUOUS QUALITY ASSURANCE

With a comprehensive quality management system, the Group ensures it can meet the high requirements and expectations of the customers. The electronic recording and evaluation of all customer inquiries and complaints is firmly established in the processes. The same applies to the inclusion of suppliers and providers whose quality is continually measured. All 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 or comparable standards. Non-certified companies maintain an appropriate level of quality through internal standards, training and supervision. Annual audits check the current status of the quality assurance system.

SUSTAINABILITY AND EMPLOYEES

The corporate management defines sustainability as the long-term balance between economic, ecological and social concerns and is aware that only then is lasting corporate success possible. Sustainability has therefore been an integral part of the corporate strategy and daily collective duty at all levels of the Group for several years. TAKKT has set itself the goal of expanding its position as a role model in sustainability in the industry by 2020.

SUSTAINABILITY IS A MATTER OF COMMON SENSE

Direct marketing of business 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) sustainability organization. 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 organization is coordinated by high-level management contacts in each division and – in order to send a clear signal both within and outside the company – is managed directly by the Management Board.

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 reconfirmed in the following years.

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.

The sustainability goals defined in 2011 were revised in 2016 as part of the development of the sustainability strategy 2020. In particular, TAKKT has defined the following non-financial performance indicators and determined goals and measures to be 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 to 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 megajoules 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.

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

SUSTAINABILITY REPORTING AT TAKKT

Since 2012, TAKKT has been publishing sustainability reports prepared according to the international standards of the Global Reporting Initiative (GRI). In the reports, the TAKKT Group provides information on the current status regarding the most important milestones and interim goals. TAKKT 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. This annual report is published together with the current 2017 sustainability report, in which the new GRI standards have already been applied. TAKKT also provides comprehensive information on the material aspects of sustainability in accordance with the new GRI standards.

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

HUMAN RESOURCES AT TAKKT

The aim of human resources at TAKKT includes supporting the digital transformation and strengthening its workforce by recruiting employees with highly developed digital skills. At the same time, the TAKKT Group is developing its employees in order to equip them for the changes. The digitalization of the company makes it necessary to implement new ways of working. The advancement of women and diversity are key concerns for the Group in order to promote the equal participation of employees regardless of culture or gender. Employee participation in the success of the company is also a matter of course and offered at multiple levels.

REINFORCEMENT THROUGH TALENTS WITH DIGITAL EXPERTISE

Recruiting new employees provides TAKKT with valuable external input for the digital transformation and the consequent further development of the corporate culture. More than 100 additional employees with special technical knowledge or expertise in online marketing, web shop development as well as data management and analytics are to be recruited throughout the Group.

For centralized management of the digital transformation, a new position was added at the top management level of every division. The chief digital officers (CDOs) organize and coordinate all activities of their division's digital agenda. This ensures maximum traction in the implementation of digitalization activities. At the TAKKT AG level, a new department for digitalization was also created. In addition, as of February 1, 2018 a new Management Board member was appointed who will be responsible for the implementation of the digital agenda as well as other activities.

Furthermore, TAKKT is gaining young talents for the company through the international program "Digital Entrepreneurship," which was launched for the first time in 2017. Through varying assignments in different divisions across the Group, the digital entrepreneurs are driving forward digital working, knowledge exchange and collective learning as part of the digital transformation.

Overall, the number of employees in the Group increased compared to the previous year, especially as a result of the new hires as part of the digital agenda.

Number of employees

	12/31/2016	12/31/2017
in full-time equivalent	**2,311**	**2,405**
thereof TAKKT EUROPE	1,309	1,393
thereof TAKKT AMERICA	965	969
thereof TAKKT AG	37	43
in headcount	2,493	2,614

In order to achieve a high level of quality in the approach and selection of the new employees, TAKKT relies on an internal employee referral program as well as the cooperation with well-known, international recruitment agencies and 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 individual companies and employer branding expanded in order to provide maximum support in addressing, selecting and retaining new employees.

NEW STRUCTURE OF MANAGEMENT CIRCLES

A reclassification of all executive personnel in the TAKKT Group was carried out through a new Group-wide systematization of the management circles. The aim of redefining the structure of the management circles is to apply a uniform system across the Group. It takes into account structural changes in the organization such as the creation of new divisions and includes the respective sales responsibility in the classification. The redefined management structure includes executives from a lower management level. This resulted in a higher absolute headcount for executive personnel.

The redefinition of TAKKT Group's management circles enables greater comparability of the companies and their senior management positions.

Employee structure *(based on headcount)*

	12/31/2016**	12/31/2017
Employees (without executives)	2,160	2,250
Executives	333	364
thereof top executives*	54	57

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

** *The previous year's figures were adjusted for comparability on the basis of the new Group-wide structure of management circles.*

SYSTEMATIC EMPLOYEE DEVELOPMENT

The digital transformation of the company requires employees to have new skills and to follow new ways of working. That is why developing the skills of all employees is of key importance for successful change. Overall, expenditures for employee training and development in the past financial year came to EUR 1.2 million (previous year: EUR 1.3 million). The budget for employee development will increase in the next few years because TAKKT is specifically investing in employee training in order 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. Activities such as cross-departmental projects, internal training and job rotations as well as position and topic-specific groups promote the transfer of knowledge in the individual organizations and Group. The new Group-wide continuing education program "StepUp" systematizes existing course offerings and creates new development measures focusing on digitalization. Courses are developed for different proficiency levels and functional groups in order to make employees and executive personnel fit for the digital transformation.

In recent years, a systematic human resources development was introduced in all divisions. 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 evaluated for their contribution to supporting the digital transformation and will be adjusted gradually if necessary. Targeted and individual development programs are essential for retaining employees. 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. For example, training measures on management and digital methods are offered in the Group on a regular basis for the top 50 executives. Building on the IESE Business School program of 2016, the executive personnel will participate in another program on developing leadership culture in the digital age in 2018. Workshops, training and collaboration platforms are available to employees of all Group divisions in order to put the customers and their needs at the center of all considerations as the guiding factor in all activities.

Some examples of this are training programs on customer centricity as well as workshops on developing customer decision journeys at Displays2go and National Business Furniture. These maps show the customer's "journey" via different touchpoints along the way to the purchasing decision and provide information about pain points in the purchasing process. KAISER+KRAFT trains its employees in the areas of customer personas and visualized customer journeys as the data basis for new customer-focused initiatives. Ratioform is also rolling out its personas in the organization for a better customer approach and setting up a new customer life cycle department. BiGDUG is focusing on customer service and training employees in a specially developed approach for improved customer dialogue. At Central, customer orientation is also a fundamental value that is the focus of regular internal peer reviews. Employees receive feedback from their colleagues, which is used as the basis for their further development. In order to increase customer centricity, Hubert is reorganizing itself into six new areas according to different customer groups. In these new "pods" (work groups), the teams from sales, sales promotion and marketing work in an interdisciplinary manner and received training on the design thinking innovation method. Interdisciplinary teams from all TAKKT divisions accepted the challenge of last year's Future@TAKKT Award of solving a specific pain point their customers encounter. Six prototypes were developed after a preparatory workshop and will be implemented.

The digital transformation opens up new possibilities for TAKKT to create more efficient communication and cooperation within the Group. TAKKT takes advantage of the opportunities to facilitate exchange within the company by introducing communication and collaboration platforms and support the change process. The focus is on providing training in digital methods and tools, always with the aim of addressing and serving the customer in the best possible way. Hubert, for example, trains its "pod" teams in different methods that enable the team to make decisions quickly and efficiently. KAISER+KRAFT carried out an internal employee training for agile working methods. Cultural development also plays a key role in the digital transformation. At Ratioform, internal change ambassadors support the digital change process. National Business Furniture and Central are systematically developing their corporate culture and values with respect to digitalization and employee commitment.

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. That is why the implementation of the digital agenda and new measures is carried out largely with agile working 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. Hubert creates new working environments for the new "pod" teams, in which colleagues, organized by customer groups, work together in an interdisciplinary manner, in an open space. Certeo and Displays2go have also moved into new premises that support a new way of working and quick exchange of ideas. In the coming months, KAISER+KRAFT and TAKKT will be getting newly designed offices with a modern infrastructure. The new premises will also support an open and transparent corporate culture, networking beyond departments and areas, and quick, efficient communication.

DIVERSITY AND ADVANCEMENT OF WOMEN

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 impulses through the exchange of experiences throughout the Group within the scope of the executive and trainee program.

Within the scope of succession planning, TAKKT aims to continuously increase the percentage of women in executive positions in the Group. Women currently make up 44.5 (45.4) percent of all employees in the TAKKT Group. This has remained stable compared to the previous year. The share of women in executive positions improved slightly over the previous year to 32.4 (31.2) percent. In the year under review, 57 (54) employees counted as top executives, of which 10.5 (9.3) percent were women. This means that the target of having a share of at least ten percent of women in top executive positions by the year 2020 was already reached.

Share of women in the TAKKT Group *in %*

	12/31/2016**	12/31/2017
Employees	45.4	44.5
Executives	31.2	32.4
thereof top executives*	9.3	10.5

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

*** The previous year's figures were adjusted for comparability on the basis of the new Group-wide structure of management circles.*

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. The KAISER+KRAFT group is the first division to systematically implement numerous measures for achieving the binding internal targets set for the share of women. Within the division, its share of women in top management is currently 15.4 percent. In upper management, it is 20.0 percent. It thereby exceeds the target quota of ten percent for 2017. For middle management positions, which are currently held by 23.5 percent female executives, the targets for 2017 and 2022 are 20 and 30 percent, respectively. With respect to the lowest management level, the current share of women is 39 percent, whereby the planned target of 47 percent by the end of 2017 was not reached. The aim is to increase the share in this group to 50 percent by 2022.

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 out of 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 its composition.

- Top management level: As of December 31, 2017, there is no female representation at the top management level of TAKKT AG. TAKKT expects to maintain this status until 2018. The target for 2022 is to have at least ten percent of the positions at this level filled by women, in case of vacancies.

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 for the KAISER+KRAFT group, 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 employee 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, their remuneration depends on sales and 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 2017 financial year, 31.3 (37.4) percent of all authorized signatories took advantage of this opportunity and bought a total of 13,275 (16,320) shares. The program will be continued in 2018. The issuance of TAKKT Performance Bonds will also be continued in 2018. 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 counseling are offered in Germany as well.

FINANCIAL YEAR

GENERAL CONDITIONS

In 2017, the economy in the eurozone as well as in the US was characterized by a consistently positive growth trend. Overall economic growth in the eurozone increased significantly. In the US, growth was at a similarly high level as in Europe. After a rather subdued start to the year, both economic areas saw accelerated growth from the second quarter onwards. Germany also reported high GDP growth, putting it slightly below the level of the eurozone. The relevant industry-specific indicators for TAKKT also developed favorably in 2017. This was particularly true for the PMI in Europe. In the American market, a slowdown of the industry-specific conditions could be observed in some cases.

OVERALL ECONOMIC CONDITIONS

In the 2016 annual report, TAKKT had predicted accelerated economic growth in the US for 2017 compared to the previous year and slightly lower economic growth for the eurozone. For Germany in particular, a decline in growth had been expected. Contrary to this prediction, overall economic growth increased in Europe. GDP growth in the US developed positively in line with the forecast.

The pace of GDP growth in the eurozone accelerated markedly in 2017 with an increase of 2.4 (1.7) percent compared to the previous year. After a rather subdued start to the year, GDP growth gained significant traction as of the second quarter. As a whole, it exceeded the expected level. With economic growth of 2.2 (1.9) percent, Germany was able to surpass the growth of the previous year. Growth in Germany was thus slightly below the level of the eurozone.

GDP growth of 2.3 (1.6) percent in the US for 2017 was significantly above the previous-year level, thus reaching the level expected by TAKKT. As in Europe, economic growth in the US also rebounded after a weaker start to the year. This was mainly driven by the increasing private consumption. GDP growth in the US for the year as a whole was thus slightly below that of the eurozone.

GDP growth for the eurozone, Germany and the USA

	GDP growth in percent		
	Actual 2016	Forecast 2017	Actual 2017
Eurozone	1.7	1.6	2.4
Germany	1.9	1.6	2.2
USA	1.6	2.3	2.3

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

INDUSTRY-SPECIFIC CONDITIONS

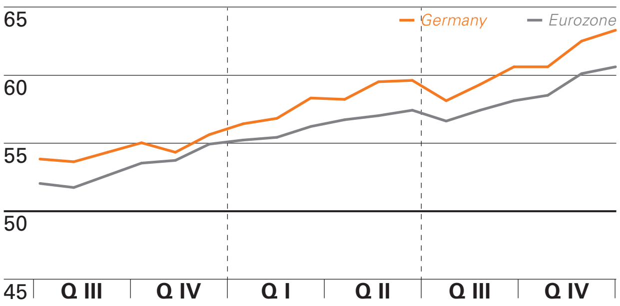
Among other things, TAKKT uses different Purchasing Managers' Indexes (PMI) in order to better assess the anticipated development in the sales regions in the medium term. This refers to data from the manufacturing industry, which is compiled by different research institutes together with national associations and aggregated in an index. For TAKKT, purchasing manager indexes with a lead time of three to six months are 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 a less cyclical business.

- 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.

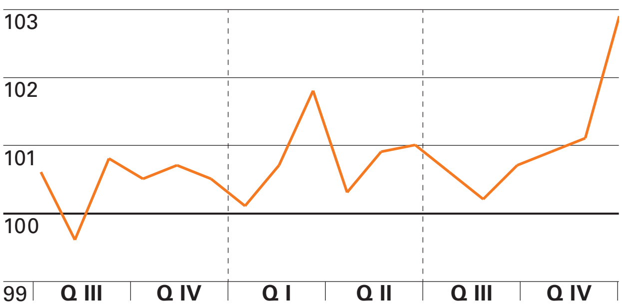
As in the previous year, the PMI for the eurozone was consistently above the reference value of 50 in the year under review. Starting from an already high level, a further increase could be observed during the course of the year. The highest index values were reached at the end of the year. As of September, they were above the value of 58 and showed a continuing upward trend. The result was similar in Germany, with index values consistently significantly above the reference value. The values for the eurozone were even exceeded in Germany. As of September, the PMI for Germany was over 60 points.

Purchasing Manager Indexes July 2016 to December 2017



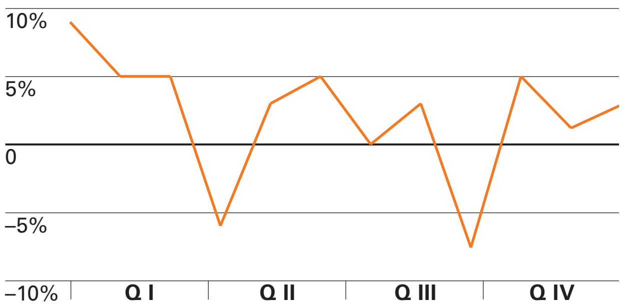
For the US divisions MEG and REG, the Restaurant Performance Index (RPI) is a relevant industry indicator. The RPI is based on a survey of restaurant operators in the United States and takes into consideration assessments on the future as well as the current situation. A value greater than 100 indicates market growth, whereas a value lower than 100 represents a downward trend. In 2017, values of slightly over 100 points could be observed for all months up to and including November. In contrast to previous years, however, the values were at a lower level and came very close to the level of 100 in individual months. As in the previous year, towards the end of the year the RPI benefited from the positive assessments on the future given by respondents. In contrast, the assessment of the current situation with a level of below 100 pointed to a very subdued market environment. December was the only month in which the RPI increased markedly to over 100 and thus the highest level of the entire year.

Restaurant Performance Index July 2016 to December 2017



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 2017, the order intake reported by BIFMA was 1.9 percent above the previous year's level. The development during the course of the year was once again inconsistent, with declining order intake reported for certain months such as April and September.

BIFMA order intake in 2017 compared to corresponding quarter of the previous year



As a whole, the economic conditions in 2017 surpassed expectations. In the 2016 annual report, an improvement in the US and a slight decline in GDP growth in the eurozone were viewed as the most likely scenario. However, the GDP growth rate in both economic areas actually improved compared to the previous year. The industry-specific conditions were very strong in Europe, while uncertainty could be observed in some markets in the US.

BUSINESS DEVELOPMENT

After a good start to the year, TAKKT had to cope with a decrease in organic sales in the second quarter. This had been expected to some extent because the two weeks with low order intake during Easter fell in the second quarter in 2017. In the second half of the year, organic development of sales was virtually on par with the previous year's level. The TAKKT EUROPE segment performed well overall and offset the decline in sales in the TAKKT AMERICA segment. This was mainly attributable to the negative impact resulting from the declining business performance in the Merchandising Equipment Group (MEG). TAKKT made good headway in 2017 with the implementation of the digital agenda developed in 2016.

PROGRESS IN THE IMPLEMENTATION OF THE DIGITAL AGENDA DESPITE LOWER THAN PLANNED INVESTMENTS

In the 2017 year under review, TAKKT made good progress in all six focus areas in the digitalization of its business model. For example, most divisions have mapped their customer journeys and created personas for the most relevant customer groups. Some of the companies have modernized their web technology and optimized these further for mobile devices. In terms of organization and culture, TAKKT has been able to fill more than two-thirds of the planned 100 new positions, especially in the areas of web shop development, online marketing, and data management and analysis. Overall, TAKKT invested slightly less than originally projected in the measures for the digital agenda in the 2017 financial year. This is mainly due to the fact that the implementation of the measures is taking a little longer than originally planned.

The progress achieved in the implementation of the digital agenda is described in the section "Innovation and Development." Information on the development of the indicators for the implementation of the digital agenda in the financial year is included in the "Company performance" section. More information on the digital transformation at TAKKT can also be found on the website at www.takkt.com/digital/.

SOLID GROWTH AT TAKKT EUROPE

The TAKKT EUROPE segment developed positively as a whole in the year under review. After moderate growth in the first half of the year, TAKKT EUROPE achieved higher growth rates in the second half of the year. The good economic conditions contributed to the accelerated growth in the second half of the year. In the third quarter, the company Mydisplays GmbH, based in Burscheid near Cologne, was acquired. Mydisplays specializes in display systems, large-format printing and advertising technology. The company mainly serves the DACH region.

The Business Equipment Group (BEG) achieved slight organic growth in the first half of the year. After a strong first quarter, business declined slightly in the second quarter as expected. It should be noted that the two weeks with low order intake before and after Easter were in the second quarter in 2017, whereas in the previous year they had fallen mostly in the first quarter. While BEG achieved good growth in the third quarter, only a slight organic increase was reported in the final quarter. This was also due to the negative effect from the number of working days.

At BEG, the sales and marketing activities of gaerner in the UK, France, Belgium and the Netherlands were merged with the KAISER+KRAFT sales brand in the year under review. gaerner will therefore focus on the DACH region in the future.

The Packaging Solutions Group (PSG) followed a similar trend to that of BEG in the first half of the year. The Easter effect mentioned earlier can also be seen in the quarterly comparison here. In the third quarter, PSG was able to realize slight growth and even regain momentum again in the fourth quarter. This can be attributed in part to the targeted price reductions in the previous year's quarter. At the end of 2016, a significant price reduction was carried out at in a pilot project at PSG for a selected part of the Ratioform range in Germany.

DECLINING BUSINESS VOLUME AT TAKKT AMERICA

After three high-growth years in a row, 2017 was an overall difficult financial year for the TAKKT AMERICA segment. While slight organic growth could still be achieved in the first quarter, the following quarters witnessed a decline compared to the previous year. In the fourth quarter, however, order intake in both of these states was above average due to a catch-up effect. As a result, the impact of the hurricanes was neutral for the year as a whole.

During the first three quarters of the year, MEG showed a double-digit percentage decline in organic sales. In the final quarter, the situation stabilized compared to the previous year's quarter. In general, a noticeable reluctance to invest has been apparent for several quarters now among customers in the food service and food retail industries.

The Office Equipment Group (OEG) was able to post good low double-digit organic sales growth in the first quarter of 2017. While business performance in the second quarter was at the level of the previous year, in the third and fourth quarters it was down slightly. This was due in part to the absence of sales resulting from the expiration of a framework agreement in July with a government customer which could not be extended. Business development in 2017 was also affected by the withdrawal from the Canadian market at the beginning of the year as well as a result of gradually phasing out the Dallas Midwest brand.

After the strong growth of the previous years, the Restaurant Equipment Group (REG) lost momentum and closed 2017 with only slight overall organic sales growth. Sales performance was comparatively subdued for appliances such as ovens and refrigerators in particular. While good organic growth could still be achieved in the first two quarters, the third quarter was flat and the fourth quarter saw a decrease compared to the previous year. This was due to the very high order backlog from project businesses at the end of the third quarter of 2016, which resulted in increased sales in the final quarter of the previous year and a higher basis of comparison. In addition, Central achieved high order intake in the final quarter of 2017, which will first result in corresponding sales in 2018.

The Displays Group (DPG) achieved low single-digit organic growth in all four quarters of the 2017 year under review.

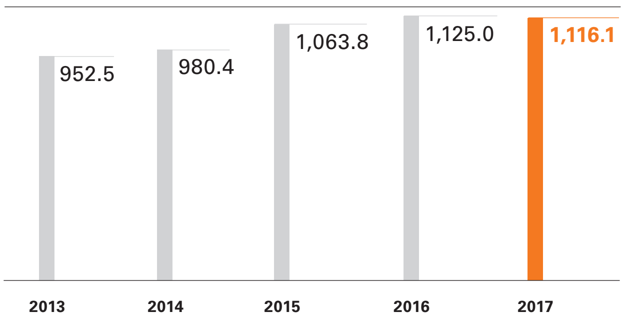
SALES AND EARNINGS REVIEW

The TAKKT Group was not quite able to fully reach the sales level achieved in the previous year in the 2017 financial year. Sales decreased slightly by 0.8 percent. While the acquisition of Mydisplays made a positive contribution to sales from the middle of the year, currency effects had an overall negative impact on sales during the year. Without taking both of these effects into account, sales saw a slight organic increase of 0.4 percent. TAKKT EUROPE was able to achieve satisfactory organic sales growth, whereas TAKKT AMERICA reported an organic decrease in sales in 2017. The EBITDA margin decreased in the year under review as expected and, at 13.5 percent, was in the middle of the target corridor of 12 to 15 percent.

SLIGHT ORGANIC SALES INCREASE AS A RESULT OF GROWTH AT TAKKT EUROPE

Sales in the TAKKT Group decreased slightly in the year under review to EUR 1,116.1 (1,125.0) million. Year-on-year reported sales growth thus came to minus 0.8 percent. Reported sales growth benefited from the acquisition of Mydisplays effective July 1, 2017. This portfolio effect had a positive impact on sales of 0.1 percentage points. In the year under review, there were opposing negative currency effects of 1.3 percentage points. The greatest negative impact resulted from the weaker annual average exchange rate of the US dollar as well as the weaker British pound due to the UK's withdrawal process from the EU. Adjusted for the mentioned effects, organic sales grew slightly by 0.4 percent in comparison to the previous year.

SALES *in Euro million*



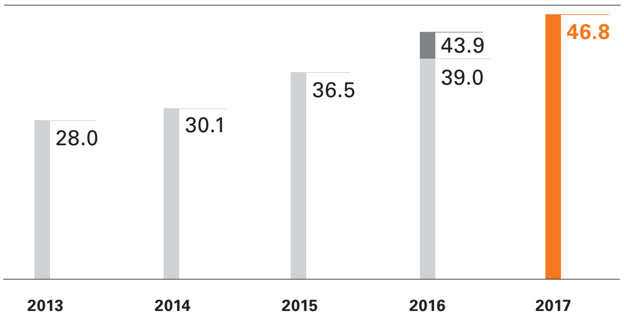
FORECAST COMPARISON

Organic growth was thus well below the range of two to five percent stated in the previous year's forecast report. This is mainly attributable to sales performance at TAKKT AMERICA being lower than expected. MEG reported weak demand due to an uncertain market environment for its customers, who are mostly from the food retail and food service industries. Another factor was the decline of business from a major government customer at OEG after a framework agreement with that customer could not be renewed in the middle of the year. In total, these two effects had an adverse impact on organic sales growth of around one and a half to two percentage points.

CONTINUED ABOVE-AVERAGE GROWTH IN ORDER INTAKE THROUGH E-COMMERCE

As part of the multi-channel approach, a differentiation is made between marketing and sales impulses on the one hand and order intake method on the other. 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. In determining the intake methods, it is important to note that individual order types are better allocated to e-commerce at BEG as of early 2017. Due to the modified allocation logic, the share of order intake through e-commerce for TAKKT is around five percentage points higher than in previous years. To facilitate comparison, the total amount and the percentage of e-commerce for 2016 were recalculated according to the modified allocation logic. This results in higher figures compared to the numbers shown in the 2016 annual report.

E-commerce share in order intake *in %*

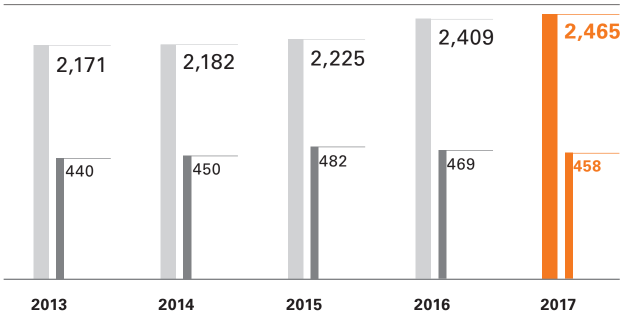


In the year under review, order intake via e-commerce once again performed above average and came to EUR 528.3 (496.5) million. The share of total order intake thus increased to 46.8 (43.9) percent. This also includes orders that were placed with TAKKT companies through traditional channels but initiated via the internet. This repeated increase in orders through e-commerce can be attributed to the further intensification of e-commerce activities – also as part of the implementation of the digital agenda. Order intake from traditional sales activities such as print advertising, telesales and field sales declined and represented a little over half of order intake with a share of 53.2 (56.1) percent.

SLIGHT ORGANIC INCREASE IN NUMBER OF ORDERS

The number of orders in the year under review at 2.5 (2.4) million was slightly above the level of the previous year. This increase is partially due to the acquisition of Mydisplays. Excluding this change to the portfolio of the TAKKT Group, the number of orders would have increased by 1.8 percent. In contrast, the average order value in the Group decreased slightly. On average, the volume of one individual customer order came to EUR 458 (469) 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. The development of order numbers confirms the forecast for 2017 stated in last year's annual report. The forecast pointed to an increased number of orders compared to the previous year as well as a stronger development of the number of orders compared to the development of the average order value.

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

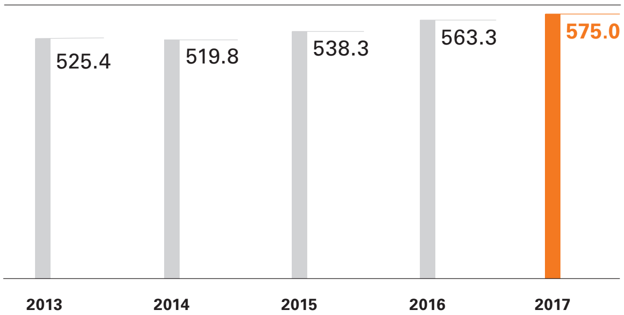


TAKKT EUROPE: SALES GROWTH IN BOTH DIVISIONS

In the 2017 financial year, sales in the TAKKT EUROPE segment increased by 2.1 percent to EUR 575.0 (563.3) million. The share of Group sales therefore increased to 51.5 (50.1) percent. Sales at TAKKT EUROPE were positively influenced by the acquisition of Mydisplays as of July 1, 2017. In contrast, sales for the segment in the reporting currency of euros were negatively impacted by currency effects, especially the weaker British pound. Overall, there was a positive effect on sales development of 0.3 percentage points due to the portfolio change mentioned as well as a negative influence of 0.8 percentage points due to currency effects. Adjusted for these effects, the segment achieved organic sales growth of 2.6 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, remained nearly constant. Organic sales growth was adversely affected by around

0.7 percentage points as a result of the measures introduced in 2017 to focus the gaerner sales activities outside of the DACH region on the KAISER+KRAFT brand as well as by the phase-out of the sales activities of KAISER+KRAFT in China completed in 2016.

Sales TAKKT EUROPE *in EUR million*



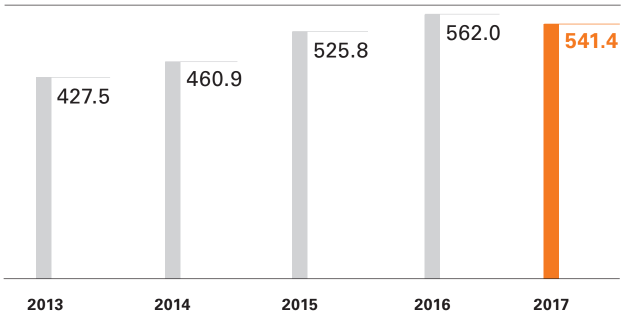
Within TAKKT EUROPE, the BEG and PSG divisions developed at a comparable level in organic terms. BEG, which specializes in plant, warehouse and business equipment, recorded organic sales growth in the low single-digit percentage range, although the individual sales regions developed differently. The activities of BiGDUG in the UK as well as Certeo in particular showed very positive growth. In Germany as well as in the other European markets, the sales brand KAISER+KRAFT achieved good growth in the year under review. Also for gaerner, sales growth could be observed in the DACH region. Performance of gaerner in the other markets was down, however, as a result of the focus of the sales activities there on KAISER+KRAFT, as mentioned above. The activities of the Gerdmans brand in the Nordics as well as Kwesto in Eastern Europe saw weak development. These activities suffered sales declines compared to the previous year.

The PSG division, which comprises the Ratioform group and specializes in packaging solutions, also achieved positive sales growth in the low single-digit range. Very positive sales increases were achieved in the UK, Spain, Switzerland, Italy and Austria. In addition, the launch of Davpack in Sweden in the previous year also contributed to the sales growth. In the most important market, Germany, sales were only slightly above the previous year. This can be attributed to price adjustments. This pilot project entailed significantly decreasing the price level of part of the product range in order to narrow the price gap with the competition in these selected products and thus become more attractive to customers, especially new customers. The result was an substantial increase in growth of order numbers for these products. At the same time, sales were adversely affected by the lower sales price, as expected.

TAKKT AMERICA: SALES PERFORMANCE WEAKER THAN EXPECTED

Sales for the TAKKT AMERICA segment were 3.7 percent below the level of the previous year and came to EUR 541.4 (562.0) million. The share of Group sales thus decreased to 48.5 (49.9) percent. A negative effect resulted from the weaker US dollar versus the euro. The impact of currency fluctuations on the reported sales growth of the segment amounted to 1.8 percentage points. Organic sales at TAKKT AMERICA thus declined by 1.9 percent. The organic decrease in sales was mainly due to a lower average order value, while the order number remained virtually unchanged. Organic sales growth for the segment was negatively affected by 0.9 percentage points as a result of OEG discontinuing activities in the Canadian market and the medium-term consolidation of the Dallas Midwest brand with NBF.

Sales TAKKT AMERICA *in EUR million*



Considerable differences could be observed in the development of the divisions within TAKKT AMERICA. The MEG division, which specializes in merchandising products as well as supplies and equipment for the food service industry, incurred significant sales losses compared to the previous year. This was mainly a result of the weak demand in the American food service market and food retail industry as well as a considerable decrease in project business compared to the previous year. The other divisions achieved slight organic sales increases in the lower single-digit percentage range compared to the previous year. DPG, which specializes in display products, achieved the highest growth compared to the other TAKKT AMERICA divisions. Office equipment specialist OEG was able to report only a slight increase over the sales level of 2017 after strong growth in previous years. Sales performance in this division was negatively affected by the expiration of a framework agreement with a major government customer. This reduced growth at TAKKT AMERICA by around one percentage point. Negative effects on sales growth at OEG also include the aforementioned withdrawal from the Canadian market and the medium-term consolidation of the Dallas Midwest brand with NBF. REG, which comprises the Central sales brand, also realized similarly low organic sales increases in 2017 after strong previous years. Central saw noticeable buying reluctance on the part of restaurant industry customers, especially towards the middle of the year.

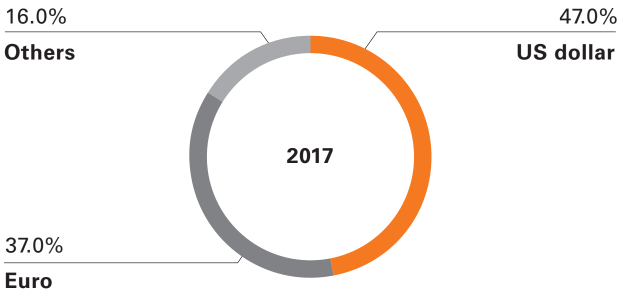
SALES BY REGION: SLIGHT INCREASE IN EUROPEAN SHARE

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

- Also due to an acquisition, sales of the business in Germany grew to EUR 255.3 (246.6) million. The share of Group sales increased to 22.9 (21.9) percent because the growth rate was above the Group average.
- Sales of the other European business grew to EUR 328.0 (324.9) million. The share of Group sales also increased slightly to 29.4 (28.9) percent.
- In North America, sales decreased due to the weak organic sales development and negative currency effects to EUR 532.7 (553.0) million. The share of Group sales thus decreased to 47.7 (49.2) percent.

37.0 (35.3) percent of the Group sales was realized in the reporting currency of euros. The portion in US dollars came to 47.0 (48.4) percent. Other currencies, such as the Swiss franc, the British pound and the Swedish krona, had a total share of 16.0 (16.3) percent.

Sales by currency



STABLE GROSS PROFIT MARGIN IN THE GROUP

In the year under review, the gross profit margin of the Group of 42.5 (42.6) percent was roughly on par with the previous year. The gross profit margin at TAKKT EUROPE decreased slightly. This can be attributed to the expected effect from the price level reduction pilot project for part of the product range at PSG in Germany. At BEG, the gross profit margin of the previous year was maintained relatively stable due in part to a further increase in direct imports. Conversely, the gross profit margin in the TAKKT AMERICA segment remained unchanged from the previous year. This can be attributed to the improved gross profit margins in most of the segment divisions – supported in part by the stronger sales development of the high-margin activities and the declining sales trend in the low-margin project businesses.

The expectations outlined in last year's forecast report were thus met or exceeded. It had forecast a stable gross profit margin at the level of TAKKT AMERICA and a slight decrease at TAKKT EUROPE due to the price adjustment at PSG. As a whole, the gross profit margin was significantly above the long-term target value of more than 40 percent.

Key sales and earnings figures

	2013	2014	2015	2016	2017
Sales (in EUR million)	**952.5**	**980.4**	**1,063.8**	**1,125.0**	**1,116.1**
TAKKT EUROPE	525.4	519.8	538.3	563.3	575.0
TAKKT AMERICA	427.5	460.9	525.8	562.0	541.4
EBITDA (in EUR million)	**122.8**	**137.3**	**157.3**	**171.3**	**150.3**
TAKKT EUROPE	89.3	99.1	98.4	107.1	97.1
TAKKT AMERICA	42.2	47.6	68.9	77.1	64.8
EBITDA margin (in percent)	**12.9**	**14.0**	**14.8**	**15.2**	**13.5**
TAKKT EUROPE	17.0	19.1	18.3	19.0	16.9
TAKKT AMERICA	9.9	10.3	13.1	13.7	12.0

SLIGHT INCREASE IN PERSONNEL AND MARKETING COSTS

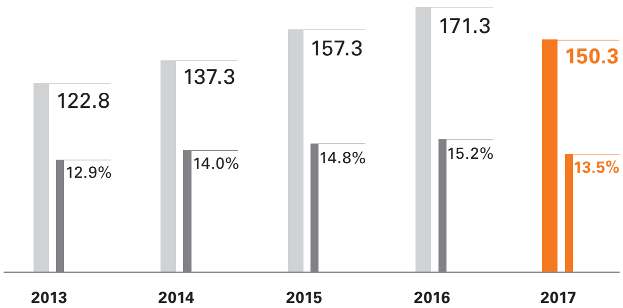
Personnel expenses increased slightly in the year under review by 0.3 percent to EUR 166.7 (166.2) million. The devaluation of some currencies against the euro had a negative impact on the costs shown in the reporting currency. In contrast, the acquisition of Mydisplays had a slight cost-increasing effect. Adjusted for portfolio and currency effects, personnel expenses increased by 1.1 percent compared to the previous year. Due to the restrained business development, the bonus costs in the year under review were lower than in the previous year. Personnel expenses, conversely, were increased as a result of the measures that were introduced as part of the digital transformation. The overall personnel expenses ratio in percent of sales increased slightly to 14.9 (14.8) percent compared to the previous year. The expenses for print and online marketing in the year under review increased organically slightly disproportionately to sales. A structural shift can still be seen within advertising costs from print to online.

EBITDA MARGIN OF GROUP IN MIDDLE OF 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 decreased by 12.2 percent compared to the previous year to EUR 150.3 (171.3) million. This is partially attributable to one-time gains in the previous year. The one-time gains achieved in 2016 from the adjustments of outstanding variable purchase price liabilities for Post-Up Stand and BiGDUG totaling EUR 8.6 million were not matched by any significant one-time gains in 2017. In addition, significantly higher expenses for the implementation of the digital agenda amounting to EUR 7.7 (2.4) million compared to the previous year had a negative impact on earnings. A negative impact on EBITDA also resulted from the restrained operational business development because the low organic sales increase was not sufficient to offset standard increases in costs such as salary increases.

The EBITDA margin in relation to Group sales of 13.5 (15.2) percent declined as expected. Compared to the EBITDA margin of the previous year adjusted for the aforementioned one-time gains (14.5 percent), profitability decreased by one percentage point. Half of this can be attributed to the expected increase in expenses for the digital transformation. Despite the sluggish development of sales, overall profitability was in the middle of the target corridor.

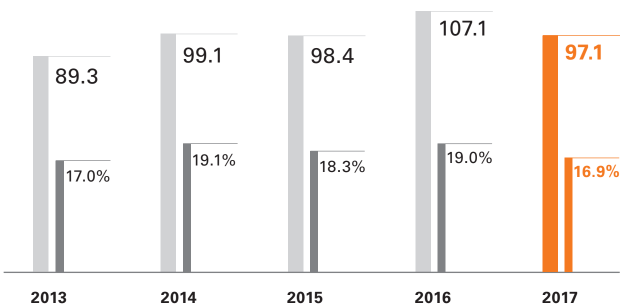
EBITDA *in EUR million*/**margin** *in %*



TAKKT EUROPE: PROFITABILITY STILL ABOVE THE TARGET CORRIDOR OF THE GROUP

In the TAKKT EUROPE segment, EBITDA in the reporting period declined by 9.3 percent to EUR 97.1 (107.1) million. A slight positive effect resulted from the acquisition of Mydisplays. In the year-on-year comparison, there was a noticeable negative effect due to the absence of the one-time gain from adjustment of the outstanding purchase price liabilities for BiGDUG in the amount of EUR 4.5 million in the previous year. The expenses for the activities related to the implementation of the digital agenda came to EUR 4.3 (1.0) million in the year under review.

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

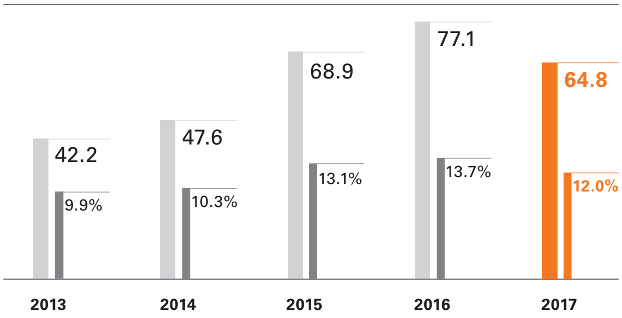


The EBITDA margin of the TAKKT EUROPE segment decreased to 16.9 (19.0) percent and was thus still above the upper end of the target corridor for the Group. Adjusted for the one-time gains from the adjustment of the outstanding variable purchase price liabilities for BiGDUG, the EBITDA margin would have decreased by around 1.3 percentage points compared to the previous year. This is due in part to the expenses for the implementation of the digital agenda. In terms of profitability, BEG was the leader of the segment in 2017. The EBITDA margin for PSG also remained above the target corridor for the Group as a whole.

TAKKT AMERICA: EBITDA MARGIN STILL IN DOUBLE-DIGIT PERCENTAGE RANGE

EBITDA in the TAKKT AMERICA segment decreased in 2017 by 16.1 percent to EUR 64.8 (77.1) million. The drop in earnings at TAKKT AMERICA was also due in part to the one-time gains achieved in the previous year from the adjustment of the outstanding purchase price liabilities of EUR 4.1 million. In addition, the expenses in connection with the implementation of the digital agenda increased to EUR 2.4 (0.4) million. Furthermore, the drop in sales had a negative effect on earnings performance.

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



The EBITDA margin decreased to 12.0 (13.7) percent, putting it at the lower end of the target corridor of the Group. Adjusted for the mentioned effects from the adjustment of the outstanding purchase price liabilities, the EBITDA margin would have decreased by one percentage point. Besides the restrained development of sales, this is due to the increased expenses for digitalization as expected. The decrease of the EBITDA margin was the most pronounced at MEG due to the weak sales development. All of TAKKT AMERICA's divisions were able to achieve double-digit profitability.

COMPARISON WITH PREVIOUS-YEAR FORECAST

In the report for the 2016 financial year, an EBITDA margin below the figure reported in 2016 (19.0 percent) was expected for 2017 at the segment level for TAKKT EUROPE. For TAKKT AMERICA, a lower reported EBITDA margin compared to 2016 (13.7 percent) was also predicted. This was mainly due to the absence of one-time gains and to expenses for the implementation of the digital agenda, which was confirmed by the development in the year under review. 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 below the level of the previous year and in the middle of the target corridor of 12 to 15 percent was expected for the Group. This forecast was met in the year under review with an EBITDA margin of 13.5 percent despite the weak sales development.

DEPRECIATION AND AMORTIZATION HIGHER THAN PREVIOUS YEAR

Depreciation and amortization decreased in the year under review to 27.1 (29.2) million. In the year under review, amortization of intangible assets from acquisitions came to EUR 10.5 (12.3) million. Extraordinary expenses such as on impairment of recognized goodwill were not incurred in 2017 or in the previous year. Earnings before interest and tax (EBIT) came to EUR 123.2 (142.0) million, which was 13.3 percent below the previous year's figure. The EBIT margin fell to 11.0 (12.6) percent.

Financial liabilities in the year under review decreased again. This resulted in lower finance expense. This was contrasted by a negative result of minus EUR 0.6 (0.0) million from associates accounted for at equity. Overall, the financial result came to EUR minus 8.2 (minus 9.5) million. This resulted in profit before tax of EUR 115.0 (132.5) million.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE BENEFIT FROM ONE-TIME GAIN

The tax ratio decreased significantly from 31.1 in the previous year to 16.2 percent. The expected future tax rate reduction in the US following the US tax reform resulted in a revaluation of deferred tax liabilities. This resulted in a non-cash positive effect of EUR 18.4 million on income tax expenses for 2017. In addition, tax revenues relating to prior periods were realized in the amount of EUR 1.1 million. In the previous year, there were significantly lower one-time tax relief effects from a municipal tax refund relating to prior periods as well as from non-taxable income from the adjustment of the purchase price liability for BiGDUG recognized in profit and loss. Adjusted for these effects, the tax ratio decreased from 34.0 to 33.2 percent. The decrease was mainly due to structural effects resulting from TAKKT EUROPE's larger share of the Group's profit before tax and the lower tax ratio there.

Due to the aforementioned one-time gain from the revaluation of deferred tax liabilities, the profit for the period increased by 5.4 percent to EUR 96.3 (91.4) million. Earnings per share increased accordingly to EUR 1.47 (1.39) based on the unchanged weighted average number of shares of 65,610,331.

FINANCIAL POSITION

TAKKT has centralized financial management, which ensures the creditworthiness and financing capability of the Group for the long term. The Group can make use of expansion opportunities on short notice at any time. The financing structure 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 lower than the previous year due to the weaker 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.

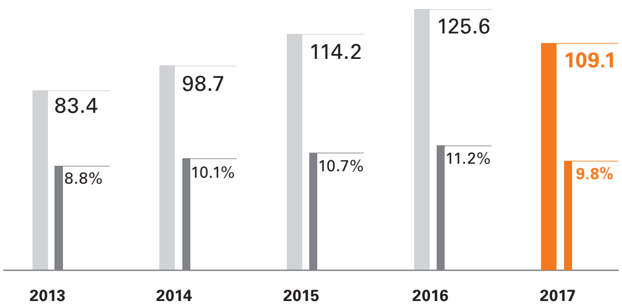
- Optimization of financing conditions through an appropriate mix of short and long-term financing instruments.

- 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.

HIGH POSITIVE 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. The TAKKT cash flow – defined as profit for the period plus depreciation and amortization, impairment of non-current assets and deferred taxes affecting profit and loss – of EUR 109.1 (125.6) million was, similar to the EBITDA, significantly below the previous year's level. TAKKT cash flow per share decreased to EUR 1.66 (1.91), and the TAKKT cash flow margin in relation to sales to 9.8 (11.2) percent. From 2013 to 2017, it ranged 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 %*



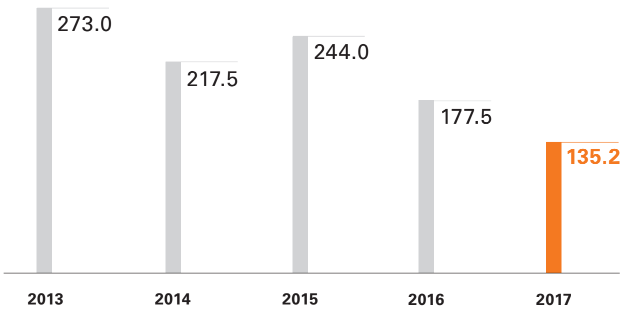
Cash flow from operating activities fell to EUR 100.4 (116.7) million. The operational development of net working capital as well as other adjustments in the amount of EUR 8.7 million was at the previous year's level. It related mainly to the increase in trade receivables.

The business model of the TAKKT Group is not very capital intensive, which is why capital expenditure is generally rather low. TAKKT's long-term goal is a capital expenditure rate (capital expenditure for maintenance, expansion and modernization of the business operations in relation to sales; without capital expenditures of the TAKKT investment company) of one to two percent on average. Due to capital expenditures related to the digital agenda, the capital expenditure rate in the year under review was slightly above this range with 2.1 (1.5) percent.

The total capital expenditures in non-current assets were markedly above the previous year's level at EUR 27.8 (17.4) million. Of the capital expenditures, EUR 13.6 (8.2) million related to the TAKKT EUROPE segment and EUR 8.6 (7.9) million to the TAKKT AMERICA segment. Capital expenditure was primarily related to the office relocation and warehouse expansion of GPA, the ERP systems at BEG and MEG, Certeo's new e-commerce platform, and the renovation of the office spaces at the headquarters in Stuttgart. In total, TAKKT invested EUR 13.2 (2.4) million in non-current assets in connection with the digital agenda, of which EUR 4.5 (1.0) million is attributable to TBG.

After deducting the total capital expenditures in non-current assets as well as cash inflows from disposals, the remaining free TAKKT cash flow in the year under review came to EUR 73.0 (101.4) million. The free TAKKT cash flow was offset by the payment for the company acquisition of Mydisplays in the amount of EUR 2.8 million, the premature payment of the contingent part of the purchase price liability for Post-Up Stand in the amount of EUR 3.5 million, the remaining purchase price payment for Ratioform's Austrian franchise partner in the amount of EUR 0.4 million, and the dividend payment of EUR 36.1 (32.8) million. This, along with currency effects, decreased net financial liabilities (i.e., financial liabilities less cash and cash equivalents) to EUR 135.2 (177.5) million.

Development of net financial liabilities *in EUR 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 3.1 (2.3) million as of December 31, 2017. Details on the generation and use of cash flow are shown in the cash flow statement of this annual report.

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

	2013	2014	2015	2016	2017
TAKKT cash flow	**83.4**	**98.7**	**114.2**	**125.6**	**109.1**
Change in net working capital as well as other adjustments	–5.7	2.5	–26.9*	–8.9	–8.7
Cash flow from operating activities	**77.7**	**101.2**	**87.3**	**116.7**	**100.4**
Capital expenditure in non-current assets	–9.6	–13.6	–14.2	–17.4	–27.8
Proceeds from disposal of non-current assets	0.3	0.5	0.3	0.5	0.4
Proceeds from the disposal of consolidated companies	0.0	0.0	16.1	1.6	0.0
Free TAKKT cash flow	**68.4**	**88.1**	**89.5**	**101.4**	**73.0**

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

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 twelve 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 97.1 (86.3) million.

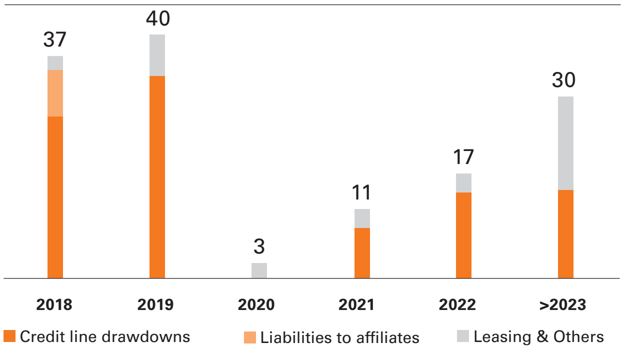
- Since October 2012, TAKKT has been using a promissory note (Schuldschein) of EUR 140 million consisting of four tranches with terms of three to five years as well as fixed and variable interest rates. TAKKT paid off the last outstanding tranche in October 2017. As a result, as of the end of the reporting period, no more liabilities related to the promissory note (Schuldschein) were reported, compared to EUR 33.5 million in the previous year.

- 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 28.8 (31.2) million.

- Financing of the BiGDUG acquisition was done with a loan in GBP obtained from an affiliated company. It was valued at EUR 0.9 (13.0) million as of the end of the reporting period.

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 160.2 (185.6) million available to it, of which EUR 69.0 (108.3) million are short-term credit lines and EUR 91.2 (77.3) 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 corridor as of 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 61.2 (55.2) percent was significantly over the value of the previous year and thus slightly above 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 along with a decrease in total assets. Gearing improved from 0.3 to 0.2 in the year under review due to the lower net financial liabilities as well as higher shareholders' equity. The debt repayment period dropped slightly to 1.4 (1.6) years because the decline in average net financial liabilities was stronger than that of the TAKKT cash flow. The net finance expense remained virtually unchanged compared to 2016; at the same time, the operating result before amortization of goodwill decreased, whereby the interest cover came down slightly to 16.3 (18.3). The method of calculation and definition of the key figures are presented in the notes to the consolidated financial statements.

Internal covenants

	Self-imposed target	2013	2014	2015	2016	2017
Equity ratio	30 to 60 percent	39.0	43.8	49.1	55.2	61.2
Debt repayment period	< 5 years	3.6	2.5	2.2	1.6	1.4
Interest cover	> 4	6.4	9.8	14.4	18.3	16.3
Debt-equity-ratio (gearing)	< 1.5	0.8	0.6	0.5	0.3	0.2

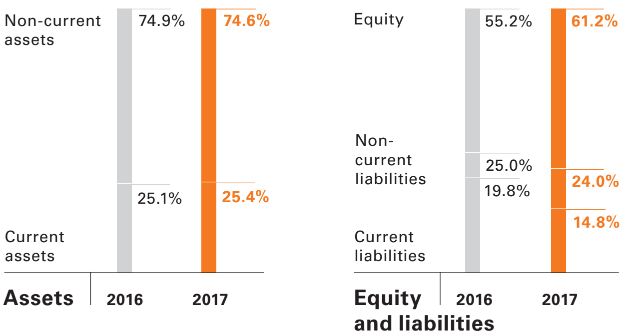
ASSETS POSITION

The balance sheet ratios of the TAKKT Group in the year under review remained largely unchanged with a significant decrease 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 57.6 million, caused mainly by the change in the closing rate of the US dollar, total assets decreased in the year under review by 4.7 percent to EUR 928.5 (973.9) million.

Balance sheet structure of the TAKKT Group



As of the end of the reporting period, non-current assets of EUR 692.6 (729.9) million made up 74.6 (74.9) percent of the assets. This decrease was primarily caused by negative currency effects for goodwill in the amount of EUR 34.2 million. Depreciation and amortization in the amount of EUR 27.1 million were countered by capital expenditures of EUR 27.8 million.

No impairment of goodwill was necessary on the basis of the impairment tests performed. With 55.3 (56.0) percent, goodwill continues to make 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 26.4 (28.8) million.

Customer and supplier relationships, brand values, domain names or internal expertise can, regardless of their significance for the TAKKT Group, only be recognized as intangible assets if they are in accordance with the conditions of IAS 38. This is not the case with regard to the intangible assets generated within the TAKKT Group. Accordingly, these figures are not recorded. 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 EUR 74.3 million was recognized for customer relationships for the acquisitions and EUR 35.0 million especially for domain names. The reduced amortized value of these assets as of the end of the reporting period comes to a total of

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

	2013	2014	2015	2016	**2017**
Non-current assets	**649.0**	**663.6**	**735.6**	**729.9**	**692.6**
in % of Total assets	76.2	75.2	76.3	74.9	74.6
Current assets	**202.8**	**218.9**	**228.6**	**244.1**	**235.8**
in % of Total assets	23.8	24.8	23.7	25.1	25.4
Total assets	**851.8**	**882.5**	**964.2**	**973.9**	**928.5**
Total Equity	**332.5**	**386.8**	**473.4**	**537.8**	**567.8**
in % of Total equity and liabilities	39.0	43.8	49.1	55.2	61.2
Non-current liabilities	**400.0**	**241.0**	**314.8**	**243.4**	**222.8**
in % of Total equity and liabilities	47.0	27.3	32.6	25.0	24.0
Current liabilities	**119.3**	**254.8**	**176.0**	**192.8**	**137.8**
in % of Total equity and liabilities	14.0	28.9	18.3	19.8	14.8
Total equity and liabilities	**851.8**	**882.5**	**964.2**	**973.9**	**928.5**

EUR 17.6 (28.1) million. The value of the brands in the TAKKT Group recognized as of December 31, 2017 came to EUR 26.9 (29.2) million.

Current assets came to EUR 235.8 (244.1) million or 25.4 (25.1) percent of total assets as of December 31, 2017. Inventories of EUR 102.1 (108.2) million as well as trade receivables of EUR 102.9 (103.7) million together amounted to 86.9 (86.8) percent of current assets. The payment behavior of the customers was reliable as usual with an accounts receivable term of 33 (31) 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 material 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 44.3 (51.6) 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 EQUITY, DECREASE IN LIABILITIES

In light of profit for the period of EUR 96.3 million, the dividend payout of EUR 36.1 million, the negative currency effects of EUR 29.5 million, and the other negative effects recognized directly in equity of EUR 0.7 million, total equity increased to EUR 567.8 (537.8) million as of December 31, 2017. The total equity ratio increased to 61.2 (55.2) percent, placing it above the target corridor of 30 to 60 percent.

Accounting for 24.0 (25.0) percent of the equity and liabilities side were non-current liabilities in the amount of EUR 222.8 (243.4) million. The most significant item was still represented by non-current financial liabilities, which increased slightly in the year under review to EUR 101.6 (98.0) million. The impact from the revaluation of deferred tax liabilities due to the tax rate reduction in the US following the tax reform was a decrease from EUR 77.1 to EUR 56.1 million. The share of provisions for pension liabilities remained nearly constant at 6.3 (5.7) percent of total assets. Other non-current liabilities decreased from EUR 6.7 to EUR 0.6 million. The non-contingent purchase price payment for the acquisition of Post-Up Stand in the amount of EUR 2.5 million was classified as current because it is due in March 2018. In addition, the contingent part of the purchase price liability for Post-Up Stand in the amount of EUR 3.5 million was paid prematurely in 2017.

Current liabilities of EUR 137.8 (192.8) million made up 14.8 (19.8) percent of total assets. The significant decrease was due especially to the current financial liabilities, which fell to EUR 36.7 (81.8) million.

Current provisions decreased from EUR 20.1 million to EUR 17.7 million. Income tax payables of EUR 5.8 (9.1) million continued to be of minor significance.

COMPANY PERFORMANCE

Despite the restrained sales development, TAKKT was able to achieve most of the target values of the financial, product range and value-based key figures in the past year under review. Significant progress was made in implementing the digital agenda. In addition, improvements were realized with respect to the sustainability indicators.

SOLID FINANCIAL KEY FIGURES

The short-term development of the key figures organic sales development, gross profit margin, EBITDA margin, and order intake compared to the previous year 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.

Looking back over a longer period of time, TAKKT was able to realize organic growth of between four and five percent in most of the financial years and thus achieve the target value. Lower values for this key figure – such as in 2013 and 2017 – were due to unfavorable conditions that had a negative impact on the growth of the TAKKT Group. The value and growth drivers of the number of orders and average order value, which impact sales growth, generally developed as expected over the past five years. The growth momentum came mainly from the higher order numbers, while the average order value remained between EUR 400 and 500 throughout the entire period.

The gross profit margin has stayed at a nearly constant high level since 2014. Negative effects on the gross profit margin from individual markets were offset by various margin improvement initiatives, such as the expansion of private labels and direct import shares. The target value defined in the management system of over 40 percent of sales was unequivocally achieved for all the years under review.

The development of the EBITDA margin is partly influenced by economic developments (e.g., recession in Europe in 2013) as well as by one-time gains and expenses (e.g., one-time gains from adjustments of the outstanding purchase price liabilities in 2016). Another important influencing factor in 2016 and especially 2017 were the expenses related to implementing the digital transformation. Despite these effects, TAKKT achieved an EBITDA margin at least within the target corridor of 12 to 15 percent in the past five years and thus consistently high operational profitability – even in the years with weaker organic sales development.

Between 2013 and 2017, the TAKKT cash flow margin was always above the defined target value of eight percent of sales. In the years 2014 to 2016, the TAKKT cash flow margin even reached double digits, which is an indicator of the high internal financing capability of TAKKT. The investment requirement in the past five years – measured as the capital expenditure ratio in percent of sales – was between one and two percent. The long-term average target value was thus achieved. The upward trend in the past years is mainly attributable to capital expenditures in the digital transformation as well as the modernization of warehouse locations and IT systems.

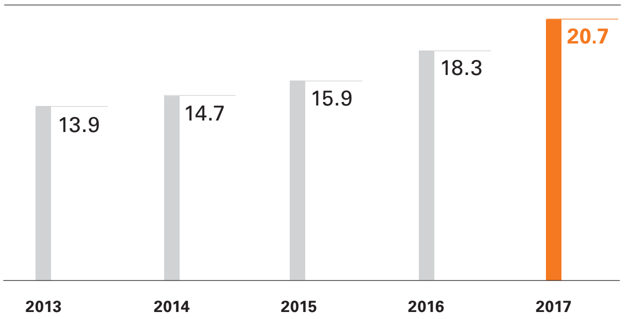
POSITIVE DEVELOPMENT OF PRODUCT-RANGE FIGURES

The share of private labels in order intake grew further in the year under review to 20.7 (18.3) percent. All divisions contributed to the positive development. The increases at BEG and OEG are particularly noteworthy. The share of private labels grew at a higher than average rate in both of these divisions. OEG once again achieved the highest share within the TAKKT Group. The share of private labels was continuously increased in the past five years. At the same time, the activities to increase the share of private labels came to fruition primarily in the last two years.

Development of financial key figures

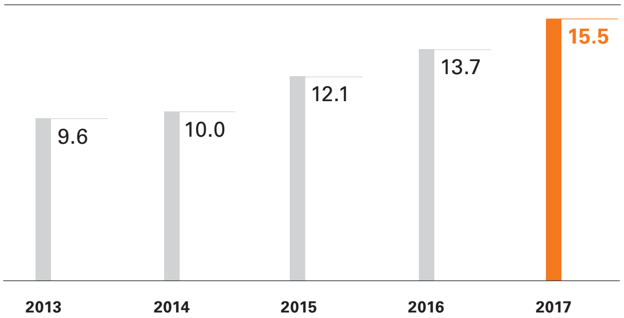
	2013	2014	2015	2016	2017
Organic sales development in percent	–2.6	5.5	4.7	5.2	0.4
Number of orders in thousands	2,171	2,182	2,225	2,409	2,465
Average order value in EUR	440	450	482	469	458
Gross profit margin in percent	43.6	42.6	42.6	42.6	42.5
EBITDA margin in percent	12.9	14.0	14.8	15.2	13.5
TAKKT cash flow margin in percent	8.8	10.1	10.7	11.2	9.8
Capital expenditure ratio in percent	1.0	1.4	1.3	1.5	2.1

Share of private labels in order intake *in %*



At the Group level, the share of purchase volume from direct imports increased to 15.5 (13.7) percent in the year under review. In Europe, BEG was able to further increase the already relatively high share. At the same time, PSG implemented important measures for the expansion of direct imports in 2017, thereby achieving the first relevant direct import shares. The divisions of TAKKT AMERICA were able to increase the share of direct imports even more than the European divisions. In addition to the positive development in nearly all units, the key figure particularly benefited from the increase at GPA, which has an above-average share of direct imports. With respect to the share of direct imports, a consistently positive development can also be observed over the past five years. Since 2014, considerable increases of the share can be seen each year.

Share of direct imports in purchase volume *in %*



VALUE-BASED FIGURES: HIGHER TAKKT VALUE ADDED, ROCE BELOW PREVIOUS YEAR

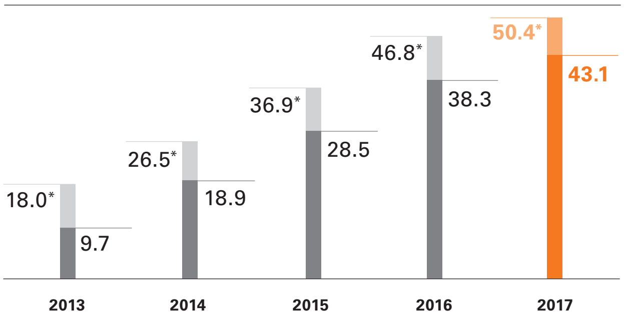
The TAKKT value added increased in 2017 by EUR 4.8 million to EUR 43.1 (38.3) million. The operating result after tax used for calculation of the TAKKT value added increased over the previous year by a total of EUR 4.1 million and amounted to EUR 103.9 (99.8) million. The average capital employed decreased in 2017 compared to the previous year. The weighted average cost of capital (WACC) after tax used to calculate the total cost of capital remained unchanged at 7.8 (7.8) percent. TAKKT assumed a value-based capital structure of 70 percent equity and 30 percent debt capital. The cost of equity capital was nine percent. For debt capital, the imputed cost was five percent. This was derived from a very long-term view on average interest rates for debt. Total cost of capital in 2017 came to EUR 60.8 (61.5) million.

The increase in TAKKT value added resulted from the afore mentioned one-time gain from the revaluation of deferred tax liabilities due to the tax reform in the US described earlier. Adjusted for these effects, the TAKKT value added would have come to EUR 25.3 million in the year under review. In the previous year, the TAKKT value added was positively influenced by gains in the amount of EUR 8.6 million from adjustments of the variable purchase price liabilities at Post-Up Stand and BiGDUG. The decrease compared with the amount adjusted for one-time gains is mainly attributable to the higher expenses for implementing the digital agenda as well as the restrained business development in the year under review. More information can be found in the "Sales and earnings review" section.

With regard to the absolute value of the TAKKT value added, the amortization of intangible assets mentioned reduced the generated operating result after tax in the year under review by a total of EUR 7.3 (8.5) million. Without the amortization of intangible assets and the related tax effect, the TAKKT value added would have come to EUR 50.4 (46.8) million.

Based on the period of the past five years, TAKKT was able to significantly increase the TAKKT value added. The increase in 2016 and 2017 to a TAKKT value added of well over EUR 30 million can also be attributed to positive one-time gains in both years. Even adjusted for these effects, however, TAKKT performed well in the past years, thereby achieving its goal of a TAKKT value added significantly greater than zero.

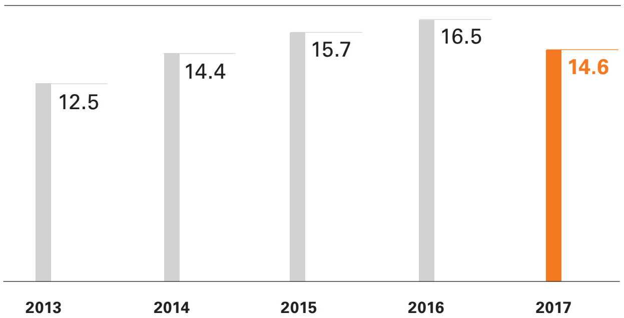
TAKKT value added *in EUR million*



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

The return on capital employed (ROCE) of 14.6 (16.5) percent in the year under review was below the figure of the previous year. The reasons for this development are the one-time gains of the previous year, the expenses for implementing the digital agenda and the restrained business development. In the past five years, the goal of generating a ROCE of over twelve percent was achieved each year.

ROCE *in %*



As forecast in the 2016 annual report, the key figures of both the TAKKT value added and ROCE thus decreased compared to the previous year adjusted for the mentioned one-time effects.

PROGRESS IN THE IMPLEMENTATION OF THE DIGITAL AGENDA

To assess the success of the implementation of the digital agenda in the individual divisions, a number of operating figures are analyzed and shared with the TAKKT management regularly. The indicators described in the "Innovation and development" section (page 55) are suitable for providing a summary overview of the progress in the implementation of the digital agenda at the TAKKT Group level as well as the effect achieved.

In total, over 100 measures and projects for the implementation of the digital agenda were defined at the divisional level. The number, scope and content of the measures and projects are reviewed on a regular basis during the implementation of the digital agenda and adjusted as required. Implementation for 100 of the measures and projects defined to date began until the end of 2017. Of these, 27 were completed in the period up to the end of 2017. In many cases, the activities carried out as a measure are subsequently merged into the normal operation of the companies. The completed measures related mainly to the creation of an organizational framework like building internal teams for web shop development or data analysis, provision of technical infrastructure, connecting and linking of suppliers, and analyzes of the customer journey as well as derivation of personas for relevant customer groups.

One of the key goals of the digital agenda defined by TAKKT is the recruitment of digital talents. Around 100 additional employees with highly developed digital skills are to be recruited throughout the Group. By the end of 2017, the total number of new digital talents was 78 employees. The distribution was almost even

Indicators for the implementation of the digital agenda

	2016	2017
Measures launched (cumulative)	53	100
Measures completed (cumulative)	7	27
Newly created positions as part of the digital agenda (cumulative)	26	78
Additional personnel expenses (cumulative) in EUR million	0.6	4.4
Additional personnel expenses (in the financial year) in EUR million	0.6	3.9
Other expenses in EUR million	1.9	3.8
Capital expenditure (without the TAKKT investment company) in EUR million	1.4	8.7
Capital expenditure of TAKKT investment company in EUR million	1.0	4.5
Organic growth of order intake via e-commerce in percent	10.6	7.9
Share of e-commerce in order intake in percent	43.9	46.8

between TAKKT EUROPE (37) and TAKKT AMERICA (33). TAKKT AG recruited six employees within the scope of the "Digital Entrepreneurship" program. Altogether, well over half of the planned number of new digital talents have already been recruited.

The resulting capital expenditures in non-current assets and expenses for the implementation of the digital agenda came to a total of EUR 20.9 million in 2017. Of this, EUR 3.9 million related to additional expenses for personnel compared to the previous year and EUR 3.8 million to other expenses for measures and projects. An amount of EUR 13.2 million was invested in non-current assets. Of this, EUR 4.5 million related to capital expenditures in start-ups through the TAKKT investment company. The capital expenditure for implementation of the digital agenda was thus significantly driven forward as planned.

Order intake via e-commerce is expected to increase significantly over the course of the digital transformation. The organic growth of order intake via e-commerce in 2017 was 7.9 percent and thus lower than in the previous year. The growth in the year under review resulted mainly from TAKKT EUROPE, where the increase in order intake via e-commerce of 17.9 percent was significantly above the previous year's figure. In the TAKKT AMERICA segment, organic e-commerce growth in 2017 was only 0.5 percent after high single-digit growth in the previous year. The low growth can be attributed to the difficult business situation of TAKKT AMERICA in 2017. In both segments, e-commerce growth rates were clearly above those of traditional sales activities. In the Group, the share of e-commerce in order intake therefore increased from 43.9 to 46.8 percent.

FURTHER IMPROVEMENT IN SUSTAINABILITY PERFORMANCE

With the sustainability indicators, which at the same time are TAKKT's non-financial performance indicators, the goal is to be able to systematically manage and document the progress in this area as well. Progress could once again be achieved in all focus areas in the year under review. In 2017, TAKKT made progress toward its goal of expanding its position as a role model for sustainability in the industry by 2020. The current multi-year overview for the key figures and initiatives that are relevant for these focus areas is shown in the table on page 82. Five key figures from the program of measures from 2011 to 2016 were adopted. New indicators are being reported for the first time for the year under review.

- **Sourcing:** For TAKKT, as a direct marketing company 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. 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 more than doubled since 2013 and reached 9.3 percent in 2017.

- **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 used 5.4 kg of printed advertising materials per order in the year under review. 12.1 percent of these printed advertising materials have already been carbon offset. The paper for catalogs and other print media now comes almost exclusively from certified sustainable sources. Besides print, TAKKT also wants to expand its sustainability efforts to the e-commerce business. This involves offsetting the emissions from operating and using the web shops. In the reporting period, seven web shops of major companies were already operating carbon neutral.

- **Logistics:** The direct marketing of goods is proven to cause significantly lower carbon emissions than sales through local retailers Nevertheless, TAKKT is increasing efforts to make delivery of the products as low on emissions as possible and is now handling 91.4 percent of Group-wide parcel delivery carbon-neutrally. Since 2014, carbon-neutral deliveries are carried out in Germany for general cargo as well. Group-wide, the share of carbon-neutral cargo shipments from the central warehouses in Europe and warehouses in the US is 44.7 percent.

- **Resources and Climate:** Efficient use of 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. In addition, certified environmental and energy management systems will be introduced gradually. Thanks in part to different energy-saving measures, energy consumption per order at German and US locations came to 70.6 megajoules in the year under review.

- **Employees:** As part of the digital agenda, TAKKT wants to acquire new employees with highly developed digital skills. Now it is important to advance and retain them in the company for the long term. In order to achieve this, continuous measures such as creating modern working environments are evaluated and implemented. The share of retained employees who have been recruited as part of the digital agenda is currently 90.9 percent. TAKKT is also convinced of the added value of having mixed management teams and considers it a Group-wide duty to ensure the same career development opportunities for women and men across countries and divisions. The share of women in top management positions is currently 10.5 percent.

- **Society:** The social commitment of its employees is a matter of importance for TAKKT as well. The share of employees that can take paid leave from work for volunteer involvement was 65.7 percent in the year under review. The share of Group employees who have exercised this option and participated in such projects in the year under review is 15.1 percent.

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

Sustainability indicators

Focus area	Key figure	2013	2014	2015	2016	2017
Sourcing	Share of sourcing volume from certified suppliers		23.7%	36.3%	40.5%	46.8%
	Share of direct imports sourcing volume from certified suppliers					39.8%
	Share of sales from sustainable product ranges	4.4%	6.6%	9.6%	9.8%	9.3%
Marketing	Carbon-neutral web shops for major companies					7
	Paper consumption print advertising materials per order					5.4kg
	Share of carbon-neutral advertising materials per year					12.1%
Logistics	Share of carbon-neutral parcel delivery					91.4%
	Share of carbon-neutral general cargo delivery from distribution center					44.7%
Resources and Climate	Major companies with carbon footprint	7	7	10	10	13
	Major companies with a certified environmental management system	1	1	3	3	6
	Major companies with a certified energy management system					4
	Energy consumption at GER/US locations per order in megajoule					70.6
Employees	New hires digital agenda: Share of retained „digital talents"					90.9%
	Diversity: Share of women in top executive positions					10.5%
Society	Percentage of employees who have the opportunity to take a paid leave for local volunteer involvement	8.5%	18.4%	37.9%	41.2%	65.7%
	Percentage of employees who took part in local volunteer projects					15.1%

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 2017 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.

CONSISTENT MANAGEMENT AND CONTROL SYSTEMS

The TAKKT Group's management relies on a range of uniform steering and control systems to manage the operating companies. The Management Board holds discussions with the subsidiaries each year on the operational planning for the coming year and the results of the risk monitoring. It is also regularly informed about the current order intake levels. The analysis and discussion of the monthly reports between the Management Board and the central 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 uniform management of cost risks. The strategic management rests on detailed planning for several years ahead. This is carried out annually for all divisions and the Group as a whole.

In principle, all control and reporting structures begin at the level of the subsidiaries and lead up to the Management Board and Supervisory Board. The Supervisory Board's approval is required for important decisions. Internal controls have been established at all levels and at every stage of the process. Companies that have been newly founded or acquired are included in the controlling system and 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 standard software. The consolidation of the individual financial statements for the consolidated financial statements is carried out using modern 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 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 were 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 by topic, which are shown in the table on page 85 together with the corresponding opportunities and risks. 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 evaluating the individual opportunities and risks is to reveal the anticipated negative or positive effect on TAKKT. The evaluation is carried out based on the criteria of probability of occurrence and the extent of the loss or opportunity. 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
Possible risks	Economic downturn New competitors and business models	Acquisition and integration risks Implementation risk in relation to the digital transformation Dependence on individual suppliers or customers E-commerce with higher risk than traditional catalog business Increasing purchasing prices	Inventory risk Logistics risks Loss of receivables and guarantee obligations Personnel risks Risks in the production and distribution of printed advertising material Risk with address data protection Limited availability and performance of the IT and communications systems Introduction of new IT systems Risk in data security and cybercrimes	Exchange rate risks: Transaction risks and translation risks Interest rate risks Liquidity risk Legal, tax and compliance risks
Possible opportunities	Economic upswing	Digitalization and cultural change New opportunities with online channels and e-procurement Increasing diversification of the business model Additional potential acquisitions and start-ups Sustainability as a competitive advantage	Further development of IT applications Increased use of new technologies	Good access to capital

ECONOMY AND COMPETITION

Economic downturn

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.
- The TAKKT companies have a very broad range of products in different categories.
- Through its presence in more than 25 countries in Europe and North America, TAKKT reduces its dependence on individual markets.
- The companies are also in different phases of growth. Start-ups and young companies usually experience dynamic growth and are 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 2017 year under review remained virtually unchanged compared to the situation in the previous year. Despite the diversification opportunities described above, economic risk represents a significant risk for TAKKT.

New competitors and business models

The TAKKT Group is potentially subject to the risk of losing market share as a result of new competitors entering the market. Market entry barriers exist for classic competitors as well as 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.

Moreover, the risk that the integrated multi-channel business models of the TAKKT Group will to some extent be replaced by open, web-based marketplaces has to be mentioned. However, the specific characteristics of the TAKKT business models have to be taken into account here. While the success of marketplaces in the B2C sector and with small companies is mainly attributable to the pricing of the individual transaction and ordering convenience, additional customer needs take priority in medium-sized and large companies. In comparison to the private customer, professional corporate customers are generally interested in a high-quality product range, expert 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 business customer can focus on their core line of business.

Corporate customers at larger companies are usually 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 their strengths, such as in price setting and bundling many different product ranges, marketplaces as a whole 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. The risk from new competitors and business models is considered to be significant.

CORPORATE STRATEGY AND POSITIONING

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 and the remaining intangible assets need to be written down due to business performance being worse than originally predicted.

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

If a company in the Group does not develop satisfactorily, TAKKT reacts quickly and introduces initiatives and countermeasures if necessary. In principle, all operational and strategic options are open. These range from additional investments or changing the marketing strategy to repositioning, selling or phasing out the brand, i.e., the gradual discontinuation of marketing activities.

The TAKKT investment company founded in 2016 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.

Implementation risk in relation to the digital transformation

In order to seize the opportunities of digitalization, in 2016 TAKKT developed a digital agenda and, building on that, a 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 implementation of the measures 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 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.

Dependence on individual suppliers or customers

On the purchasing side, there is the risk of dependence on individual suppliers. However, the company relies on an extremely fragmented pool of around 4,000 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 therefore no consolidation of suppliers for the TAKKT Group's product range.

There can also be dependencies for TAKKT on the sales side. The customer structure of the business models within TAKKT Group is, however, relatively strongly diversified. 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 only around 25 years ago, this share has since decreased to below 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. In addition, contributions to sales are generated in part within the scope of larger project orders. TAKKT generates a sales volume in the low single-digit percentage range in relation to Group sales with very few customers. Negative effects from the loss of individual customers are therefore limited for the Group as a whole. On the divisional level, and especially at the Hubert or NBF group, 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. Thanks to e-commerce, the customer basis is expected to broaden further in the future. Smaller buyers can be reached better and addressed more efficiently via online channels. In addressing smaller customers, TAKKT plans to focus more strongly on individual solutions such as additional self-service functions in the web shop. 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 is exposed to a greater level of risk than the traditional catalog business. This is mainly because the customer has access to a wider selection of providers through e-commerce offerings, which can be identified with relatively low search costs for the customers. As a result, customers' loyalty to individual retailers tends to decrease. In addition, technological progress places constantly changing demands on the online presence. 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. Continuous improvement of the online presence also encourages customers to return to the web shop and make a repeat purchase.

Increasing purchasing prices

TAKKT is subject to the risk of not being able to pass on rising purchasing prices to the customers. The Group's multi-channel brands address this risk by continuously updating their catalogs and web shops. This enables them to react flexibly to product changes and purchasing prices if the competitive situation permits. Changes can be made even more quickly and frequently for web-focused brands. If the cost of steel rises, for example, TAKKT can 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.

OPERATING PROCESSES

Inventory risk

The TAKKT companies store a certain proportion of the products, depending on their business model and the needs of the customer, in order to guarantee fast, reliable delivery. Products obtained through direct imports are also stockpiled in larger volumes. This results in the risk arising from aging as well as technical developments and changes in the pricing of the products. Tables, chairs and cabinets, however, 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, it is possible that an item may no longer be offered in the actively advertised product range but 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.

Logistics risks

TAKKT generally stores products in large warehouses and therefore there is less need to build up inventory or reorder products than would be necessary with several smaller warehouses. The divisions only set up smaller regional warehouses to provide optimum delivery services if necessary, such as in the Nordics, Eastern Europe or the US. TAKKT is able to profit from better pricing by bundling product purchases. 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. 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.

Loss of receivables and guarantee obligations

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 33 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.

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" 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.

Risks in the production and distribution of printed advertising material

The printed catalog is still 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. 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 importance of print advertising in the marketing mix of the TAKKT companies, 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.

Risk with address data protection

The improper handling of customer data also presents potential risks. A high-quality 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 ensure that solely authorized personnel, and only to the extent permitted by law, can access, use and process the addresses. A data protection officer ensures compliance with the legally established requirements.

Limited availability and performance of the IT and communications systems

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

The TAKKT companies predominantly make use of central high-availability systems to protect data and functionality. A server processes day-to-day business. In addition, all data is constantly copied to a backup system. This system provides services only in the event of server failure. In order to minimize the risk of failure, storage capacity is generally provided by servers in physically separate locations or rented from third parties.

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

For successful performance in the market, it is of vital importance that the TAKKT companies be reachable via their web shops without interruption. In addition to continuous availability with regard to the web shops, performance (i.e., the 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.

Introduction of new IT systems
Increased risks can arise in relation to the introduction of new IT systems, especially ERP and web shop systems, if the smooth continuation of business processes are affected as a result of complications during integration of a new IT system. 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. In order to address the risks associated with the introduction of new IT systems, TAKKT carries out extensive test runs and quality assurance measures.

Risk in data security and cybercrimes
TAKKT has access to sensitive data through its business relationships with customers, suppliers and other partners. Unauthorized access or loss of this data creates risks for the TAKKT companies in terms of its reputation and compliance. Careful handling of this information is therefore of great importance for TAKKT.

Attacks from external sources such as hackers or malware can lead to the failure and disruption of IT systems, such as a web shop. This would compromise the processes required for business activities. Restoring the functionality of IT systems and preventing future disruptions could entail significant costs.

In order to address these risks, internal IT departments and outside specialists conduct regular checks to see whether the systems in use 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. Additional guidelines regulate the use of email, internet, social media and similar applications.

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

FINANCE AND LEGAL

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 credit worthiness rating. Counterparty default risk is continuously monitored.

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

- Transaction risks result primarily from buying and selling goods and services in different currencies. The Group protects itself against these risks by generally buying and selling products in the same currency. Transaction risks from fluctuating exchange rates remain for less than ten percent of consolidated sales – mainly from intercompany transactions. The open net items are identified based on the sales forecasts of the individual companies. The resulting currency risks are generally assumed by the respective service provider and hedged through derivative financial instruments to an amount of around 70 percent, preferably with forward foreign exchange contracts. 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 96). TAKKT does not hedge against these risks as there are no economic grounds to justify putting proper hedging mechanisms in place.

Interest rate risks

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 end of the reporting period are described in the notes to the consolidated financial statements starting on page 158. Quantitative information on all exchange rate and interest rate risks is also provided there, including sensitivity analyses on exchange and interest rate fluctuations.

Liquidity risk

Potential risks may also arise for TAKKT through financing. 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 also uses finance leases. For larger financing requirements, the Group also has the option of issuing a promissory note (Schuldschein). This was last done in 2012. As of year-end 2017, the committed free lines of credit have a volume of EUR 160.2 million.

Legal, tax and compliance risks

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

Against the background of the trade policy discussions after the Brexit referendum as well as with regard to the US government, 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. Competitors would also be affected by such a development to a similar extent.

Moreover, the increased public debt may result in a greater number of tax audits in certain countries.

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.

OVERALL ASSESSMENT OF THE MANAGEMENT BOARD

With regard to the 2017 financial year, there was a balanced distribution of opportunities and risks at TAKKT Group. Based on the information currently available, the Management Board does not believe that there are any risks at present or in the forecast period that may be a risk to the Group as a going concern 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.

In addition, there is also the risk that sales and gross profit could be negatively affected by the entry of new aggressive web-focused competitors and marketplace models. In a dynamic competitive environment, the probability of occurrence of said risk is considered to be possible. The negative impact on earnings could be a mid-range double-digit million euro amount.

Another 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 two and two and a half percentage points.

Another significant risk with a possible probability of occurrence could arise from the integration and continuation of an acquired company not progressing as positively as expected. 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.

In addition, there are considerable risks in connection with the implementation of the digital agenda if goals of projects or measures are achieved late or if the results turn out to be unsatisfactory. The implementation could incur higher costs than expected or not have the desired effect on sales and earnings figures. The negative effect on earnings from these cost increases could also be in the double-digit million euro range. TAKKT considers the likelihood of occurrence to be possible.

Finally, risks resulting from the failure or introduction of IT systems are also important for the company because a functioning IT infrastructure and logistics as well as the security of sensitive data of customers, suppliers and other business partners are crucial for carrying out the operational business. The likelihood of these risks occurring is considered to be unlikely, with a possible adverse effect on earnings up to a low double-digit amount in millions of euros.

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 the past, 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 in more than 100 projects and measures. To do this, TAKKT will invest up to EUR 50 million in employees and technologies by the year 2020. TAKKT is also accelerating 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 is driving forward 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 the investment company established in 2016.

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.

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. Transaction-oriented 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. After the more dynamic development of business in the US in previous years, the organic growth of the European activities was able to offset the decline in North America in the year under review.

- TAKKT has also expanded its business model to other product groups through the acquisitions of Hubert (2000), National Business Furniture (2006), Central (2009), Displays2go (2012), Ratioform (2012), Post-Up Stand (2015) and Mydisplays (2017). 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 will also be a priority for TAKKT in the future. TAKKT also plans to expand existing business models to new markets where economically feasible. 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 as a competitive advantage

Sustainability has been an integral part of the corporate strategy at TAKKT for many years. TAKKT uses its position as a role model for sustainability in order to set itself apart in the industry. It is convinced that businesses who focus on sustainability will be better able to survive the competition in the long run. The Group is pursuing ambitious goals for the period up to 2020. These can be found on pages 57 et seq. of this annual report.

Further development of IT applications

TAKKT is currently optimizing the complex IT processes in communication systems, software for enterprise resource planning, product management systems and web shops in many Group companies. This also includes the introduction of new ERP systems. 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. Examples of relevant solutions include use of 3D technology for visualization (Virtual Reality) and the creation of product samples via 3D printers, linking external solutions easily by creating standardized interfaces, analyzing customer data in the web shop in real time or implementing new collaboration tools for dialogue 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 around EUR 160 million. As a stock-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

POSITIVE ECONOMIC EXPECTATIONS IN EUROPE AND NORTH AMERICA, SOME RISKS CONTINUE

The economic development 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 both develop positively in 2018.

- For the eurozone and Germany, TAKKT anticipates slightly lower or stable economic growth compared to the previous year. One of the reasons for this could be a lower net export contribution. The economic uncertainties in the eurozone continue to stem from the effects of the Brexit decision, which are difficult to gauge and the risks in the banking system. The economic forecast of the International Monetary Fund (IMF) anticipates GDP growth for the eurozone of around 2.2 percent in the forecast period, following an increase of 2.4 percent in 2017. The German Institute for Economic Research expects unchanged GDP growth of 2.2 percent also for Germany.

- According to IMF, the economic growth of 2017 will accelerate further in North America in the forecast period. TAKKT expects that with GDP growth of 2.7 percent, the rate of growth for the US could be above that of 2017 (2.3 percent). However, there are still risks for the economic development in North America due to the economic policy uncertainty in the US. Along with the positive effects from the tax reform and public investment programs, measures such as a more protectionist economic policy, e.g. in regard to import duties, could have negative effects.

This means that, in addition to the opportunities described, economic risks are also expected for both Europe and North America for 2018. These largely arise from the still unresolved debt and structural problems in Europe, the modalities of the UK's withdrawal from the EU (Brexit) and the ongoing economic uncertainty 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 GOOD CONDITIONS FOR 2018

The statements regarding the fundamental business prospects are complemented by the performance of relevant industry indicators. For example, purchasing manager indexes are indicators of the order trend in the European KAISER+KRAFT group with a time delay of three to six months. Values under 50 points generally signal a decline, while levels above 50 indicate a year-on-year increase in order intake. In 2017, the values for Europe pointed to good development with an upward trend during the year. In January 2018, the figures for Germany (61.1) and the eurozone (59.6) were markedly above the 50-point threshold, according to Markit Economics. TAKKT therefore expects a positive environment for the KAISER+KRAFT group in the first half of 2018.

The rest of the indicators also point to a positive development in the individual industries. With respect to the RPI, an indicator for the Hubert and Central divisions, the levels in 2017 were consistently above the reference value of 100, although only slightly over in some cases. In January 2018, the index was once again just above the expansion threshold of 100 with 100.9 points. This indicates a slightly positive development for restaurant operators in the US. TAKKT expects similar growth to 2017 in the US office furniture market, based on industry studies. In summary, TAKKT expects an overall favorable market environment in Europe. In the US, however, the company continues to see uncertainty in some market segments.

HIGHER ORGANIC GROWTH EXPECTED

TAKKT's aim is to achieve organic growth of four to five percent on average per year over the long term and at a similar level through acquisitions. 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, 2013 and 2017) 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.

For 2018, TAKKT anticipates a negative effect on organic growth of around half a percentage point from the phase-out of the Dallas Midwest sales brand in the NBF group and the consolidation of gaerner with the KAISER+KRAFT sales brand in some domestic markets. In addition, the Group expects a negative effect on both sales growth and the EBITDA margin of just below half a percentage point due to the nearly completed negotiations for a newly tendered framework agreement with a major Hubert group customer. Consequently, these effects are expected to have an overall negative impact of one percentage point on organic sales growth and just below half a percentage point on the EBITDA margin.

The Management Board currently considers the following scenario for 2018 to be probable. TAKKT expects GDP growth in Europe to be similar to the level of 2017. For the US, it estimates a growth rate slightly above that of the previous year. TAKKT assumes that the global economic uncertainties will not have an additional negative impact on the business climate. Under these circumstances and despite the adverse effects mentioned above, the Group should be able to achieve an organic increase in sales of between two and four percent and thus higher growth than in the previous year. Growth momentum from the implementation of the digital agenda should also become increasingly noticeable. The number of orders is thus expected to 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 economic uncertainty in the US, TAKKT will only be able to achieve a minimal increase or even a slight decrease in organic sales in 2018. In the event of very positive economic data, TAKKT should benefit from this and be able to increase organic sales by over four percent.

ACQUISITIONS AS ADDITIONAL GROWTH DRIVER

When forecasting the sales development of the Group for 2018, it should be taken into consideration that – in addition to the organic sales development described – the acquisition of Mydisplays in mid-2017 and OfficeFurnitureOnline at the end of January 2018 will result in contributions to reported sales growth.

In an agreement dated January 29, 2018, TAKKT AG acquired 100 percent of the shares of UK-based Equip4Work Ltd. The company specializes predominantly in selling office furniture such as desks, chairs and cabinets via the web shop OfficeFurnitureOnline. The company generated sales of roughly GBP 40 million and an EBITDA margin in the low double-digit percentage range in the 2016/2017 financial year. The purchase price, free of financial debt and cash, amounted to GBP 35 million. In addition, a further potential and variable purchase price share (earn out) of up to GBP 10 million was agreed.

TAKKT regularly presents the effects of acquisitions and disposals on sales in financial reporting in a transparent manner. In 2018, Mydisplays will have an additional contribution to reported growth from January to June and OfficeFurnitureOnline from the end of January to the end of the year. In total, TAKKT expects a positive effect from this of between four and five percentage points.

In addition to the mentioned and potential further acquisitions, fluctuations in currency rates also have an impact on reported sales growth.

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.

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

EBITDA MARGIN STILL EXPECTED TO BE IN THE MIDDLE THIRD OF THE TARGET CORRIDOR

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 2018, TAKKT expects a stable gross profit margin at TAKKT AMERICA. At TAKKT EUROPE, the acquisition of OfficeFurnitureOnline at the beginning of 2018 will have a slight negative structural impact on the gross profit margin in Europe. This is because the acquired company has a lower gross profit margin than the Group average due to its business model. In the event of an increase in the business share of TAKKT AMERICA, an additional and slightly negative structural effect on the gross profit margin at the Group level is possible. TAKKT AMERICA generates structurally lower gross profit margins than TAKKT EUROPE.

TAKKT expects the following development of the two most significant cost items within the Group's statement of income. TAKKT expects a slightly higher personnel expense ratio compared to the previous year's value of 14.9 percent due to the increase in personnel within the scope of the implementation of the digital agenda. The advertising cost rate should remain stable. At the same time, a shift from traditional print to online advertising costs can still be expected.

The negative effect on the EBITDA margin in 2018 as a result of expenses for the implementation of the digital agenda will be comparable to that of 2017. A positive effect on profitability should arise from growth, which is expected to be stronger than in 2017. The profitability achieved by the newly acquired OfficeFurnitureOnline is below the TAKKT average and will reduce the EBITDA margin of the Group by around 0.2 percentage points in 2018. Alongside this, a higher rate of growth of TAKKT AMERICA compared to TAKKT EUROPE could have a slightly negative structural effect on the EBITDA margin for the Group. In the expected business environment and given the assumptions described in the paragraphs above, the EBITDA margin of the Group should be in the middle third of the target corridor of 12 to 15 percent.

A slightly lower EBITDA margin compared to 2017 (16.9 percent) is expected at the segment level for TAKKT EUROPE due to the acquisition of OfficeFurnitureOnline. Despite the continuing costs from the implementation of the digital agenda, TAKKT EUROPE is still expected to have a profitability significantly above the Group average. For TAKKT AMERICA, a somewhat lower EBITDA margin compared to 2017 (12.0 percent) is expected. The ongoing costs from the activities of the digital transformation should be taken in consideration here as well. In addition, the aforementioned negotiations of the terms of a framework agreement with a major customer will most likely have a negative impact on profitability within TAKKT AMERICA of slightly less than one percentage point. However, there will be positive effect resulting mainly from the expected operational improvement of business in the divisions. Overall, the EBITDA margin at TAKKT AMERICA should be well within the double-digit range.

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 a positive 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 REMAINS AT HIGH LEVEL

The projected earnings trend should be noted in the development of TAKKT cash flow. While there will be positive effects from the expected growth, a negative impact from ongoing expenses for the implementation of the digital agenda is also to be expected. In addition, the tax reform in the US will have a positive effect on TAKKT cash flow starting in 2018. This is expected to result in a decrease of the tax burden in the high single-digit million euro range for the TAKKT divisions in the US. The development of TAKKT cash flow in 2018 is therefore expected to be above the level of the previous year. The related TAKKT cash flow margin should thus be above the target value of eight percent as in 2017.

In the 2018 financial year, capital expenditures for the maintenance, expansion and modernization 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. As in the previous year, 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.

VALUE BASED FIGURES ADJUSTED FOR ONE-OFF GAINS EXPECTED TO BE ABOVE THE LEVEL OF THE PREVIOUS YEAR

The TAKKT value added was strongly impacted in 2017 by the aforementioned one-time gain from the revaluation of deferred tax liabilities. For 2018, TAKKT therefore anticipates a lower value than in the previous year. In view of the expected positive earnings trend – also as a result of the lower tax rate in the US – and the ongoing costs for the implementation of the digital agenda, the TAKKT value added of 2018 is expected to be slightly above the level of the TAKKT value added of 2017 adjusted for the one-time effect. ROCE is expected to be slightly above the previous year's level. It was not affected by one-time effects in 2017. Both values will be above the target value stated in the "Management system" section, which predicts a ROCE of well over twelve percent and a markedly positive TAKKT value added.

IMPROVEMENT OF THE PRODUCT-RANGE FIGURES AND INTERNAL COVENANTS

TAKKT aims to further increase the share of private labels in order intake as well as the share of purchase volume from direct imports. Despite the numerous initiatives to boost private labels and direct imports in the TAKKT divisions, a slowdown in share increase is to be expected because of the high share already achieved. Depending on business development, shifts in the sales shares of TAKKT EUROPE and TAKKT AMERICA can also have an impact on the Group's key figures. The acquisition of OfficeFurnitureOnline will have a slight positive effect on the development of these key figures.

In years without major company acquisitions, the internal covenants benefit from the high internal financing capability of TAKKT. As mentioned in the relevant section, the TAKKT cash flow for 2018 is expected to be above the level of the previous year. At the end of January 2018, TAKKT acquired Equip4Work Ltd. for GBP 35 million free of financial debt and cash. The free TAKKT cash flow expected for 2018 is sufficient for both the financing of the purchase price for the OfficeFurnitureOnline acquisition and the payment of the proposed dividend. As of year-end 2018, net financial liabilities should thus be at about the same or even slightly below the level of the previous year, provided there are no further acquisitions.

Assuming that no further major company acquisitions are made, TAKKT anticipates a stable or slightly positive development of the internal covenants equity ratio, gearing, and debt and interest coverage ratio for 2018 as a whole. If TAKKT does make another acquisition in 2018, changes in the internal covenants will occur depending on the amount and financing of the purchase price. In the case of acquisitions, Management at TAKKT also takes into account 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.

IMPROVEMENT IN DIGITAL AGENDA AND SUSTAINABILITY INDICATORS

Further progress in the implementation of the digital agenda will be made in 2018. TAKKT expects the related expenses and capital expenditures to be comparable to the 2017 level. By the end of 2018, TAKKT wants to have filled around 100 new positions as part of the digital agenda. Along with this, it also wants to have completed the majority of the measures started in 2016 and 2017 and for these to be part of the normal operation. At the same time, it is anticipated that new measures and ideas will be launched and implemented. TAKKT expects significantly above average organic growth in order intake through e-commerce compared to growth in total order intake. Due to this and the acquisition of OfficeFurnitureOnline, the e-commerce share should increase measurably.

TAKKT has already made considerable progress in sustainability in recent years. In 2018, the Group expects slightly improved development of most sustainability indicators. This applies to the key figures from the focus areas of sourcing, logistics, society and resources & climate. For the employees focus area, TAKKT anticipates stable development with the exception of the share of retained "digital talents," which is expected to decline slightly. An increase in employee turnover is to be expected in the recently filled positions over time. The indicators in the marketing focus area should improve measurably.

RELIABLE DIVIDEND POLICY

The section "TAKKT share and investor relations" describes the Group dividend policy, which targets a payout ratio of around 35 to 45 percent of the profit for the period. The Management Board and Supervisory Board will propose to the Shareholders' Meeting in May 2018 the payment of an unchanged dividend compared to the previous year of EUR 0.55 per share for the 2017 financial year. This would correspond to a payout ratio of 37.5 percent based on the reported profit for the period. Adjusted for the non-cash one-time gain from the revaluation of deferred tax liabilities, the payout ratio would have come to 46.3 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 the described conditions, the Group expects organic growth of between two and four percent for 2018. Also due to the ongoing expenses in connection with the digital agenda, the EBITDA margin should come in in the middle third of the target corridor of 12 to 15 percent as in 2017. As a result of the expected beneficial effects of the US tax reform, the company anticipates the TAKKT cash flow to be higher than the previous year. The TAKKT value added was positively impacted by the non-cash one-time gains from the US tax reform in 2017 and will most likely fall below prior year. ROCE is expected to be slightly above the level of the previous year.

The medium-term goal is to increase organic sales growth through implementation of the digital agenda. This combined with the subsequently lower relative digitalization costs should also result in improved profitability 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. 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 2017, 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).

TAKKT also complies with the new recommendations of the DCGK in its version of February 7, 2017 without exception. The Supervisory Board developed a competency profile in the 2017 financial year according to section 5.4.1 DCGK. The current composition of the Supervisory Board fulfills this profile completely. In accordance with section 5.4.1. DCGK, the proposals by the Supervisory Board for the election of new Supervisory Board members at the Shareholders' Meeting were also accompanied by the curriculum vitae of the respective candidates. They are updated annually and can be found at www.takkt.com. A whistleblower hotline, as now recommended under section 4.1.3 DCGK, was already in place at TAKKT prior to the inclusion of this recommendation.

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

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

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

PARTICIPATION AT THE SHAREHOLDERS' 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 COLLABORATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

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

The Management and Supervisory Boards at TAKKT work 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 Stephan Gemkow (Chairman), Dr. Johannes Haupt (Deputy Chairman), and Christian Wendler.

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. In the 2016 financial year, this target quota was set again until December 31, 2021. This target was also met in the 2017 financial year. Given the current make-up of the Supervisory Board, the experience and qualifications of its members, the environment in which TAKKT AG operates and the existing rules of procedure for the Supervisory Board, TAKKT believes that it fulfills the requirements of the German Corporate Governance Code. The Supervisory Board will continue to take account of the above-mentioned goals and the principles associated with it in the future. The existing target for the share of women (the status quo) also remains in effect for the Management Board until December 31, 2021.

As of December 31, 2017, there is not yet any female representation at the relevant management levels of TAKKT AG below the Management Board. This corresponds to the target quota set for 2017. The goal for 2022 is to have at least ten percent of the positions of these management levels filled with female executives. Detailed information on the targets set can be found on page 61 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. The current independent members of the Supervisory Board are Dr. Johannes Haupt, Christian Wendler and Dr. Dorothee Ritz.

Additional information about the corporate management in accordance with section 289f 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 compliance management system of ordinary scope, which is checked by the specialist departments and the Group's compliance officer. The compliance officer is supported by designated compliance representatives in the respective regional entities. These representatives regularly exchange information on compliance issues and work closely together with the compliance officer in the event of violations. 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. 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 was also expanded in the year under review to include other languages. This was done in order to further increase acceptance and understanding across the entire Group. Additional training on the core issues in compliance is offered as needed.

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, 2017, the members of the Management and Supervisory Boards held a total of 676 (3,676) shares in TAKKT AG. According to section 19 of the Market Abuse Regulation (MAR), executives as well as (natural and legal) persons closely associated with them of a company listed on the regulated market must notify the respective issuer and the German Federal Financial Supervisory Authority (BaFin) if they buy or sell shares or related financial instruments at a value exceeding EUR 5,000 in the course of a calendar year. 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 289a(1) and section 315a(1) no. 1–9 of the German Commercial Code (HGB), the following details must be disclosed regarding TAKKT AG and the TAKKT Group:

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

As of December 31, 2017, 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 share 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 29 et seqq. of the German Securities Acquisition and Takeover Act (WpÜG). Further details concerning this can be found in the remuneration report.

At the end of the reporting period, financial liabilities from various financial institutions came to EUR 94.0 million. This was subject to a change of control clause as per sections 289a(1) no. 8 and 315a(1) no. 8 of the German Commercial Code (HGB). No further disclosures are provided according to the second half-sentence of the relevant regulation.

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

DEPENDENCE REPORT SUBMITTED

Franz Haniel & Cie. GmbH, Duisburg 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 PER DECEMBER 31, 2017:

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

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

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

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

Stuttgart, December 31, 2017

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 FEATURES OF THE REMUNERATION SYSTEM

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

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

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

NON-PERFORMANCE-RELATED REMUNERATION COMPONENTS

Fixed basic salary

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

Fringe benefits

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

PERFORMANCE-RELATED REMUNERATION COMPONENTS

Bonus

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

Starting in 2018, the annual bonus will be determined by means of linear interpolation based on a target EBIT within a corridor of minus 30 percent to plus 30 percent.

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 2017, a performance cash plan has been granted that is valid until 2020. The Supervisory Board decides at its due discretion about the conditions and scope of the performance cash plan to be issued in the year in question. The terms have not changed 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 2017 ACCORDING TO HGB

Total remuneration

The remuneration for acting members of the Management Board of TAKKT AG in the 2017 financial year comes to a total of EUR 3,248 (3,230) thousand. Of this, EUR 1,155 (1,148) thousand relate to non-performance-related components and EUR 2,093 (2,082) thousand to performance-related components.

The reported expenditure for the bonus of EUR 1,611 (1,600) thousand includes an excess expenditure with respect to the provision from the previous year of EUR 149 thousand (release of provisions of EUR 60 thousand in the previous year). The excess expenditure in 2017 came to EUR 65 thousand (release of provisions of EUR 26 thousand in the previous year) for Dr. Felix A. Zimmermann, EUR 42 thousand (release of provisions of EUR 17 thousand in the previous year) for Dirk Lessing, and EUR 42 thousand (release of provisions of EUR 17 thousand in the previous year) for Dr. Claude Tomaszewski.

The remuneration for the performance cash plan comes to EUR 482 (482) 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 expense or income 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. Valuation is based on the expected development of the relevant success factors.

Total remuneration of the Management Board *in EUR thousand*

2017

	Non-performance-related remuneration		Performance-related remuneration		Total
	Basic remuneration	Fringe benefits	Bonus	Performance cash plan 2017	
Dr. Felix A. Zimmermann	470	11	713	212	1,406
Dirk Lessing	325	17	449	135	926
Dr. Claude Tomaszewski	325	7	449	135	916
	1,120	**35**	**1,611**	**482**	**3,248**

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**

The fair value measurement of the performance cash plans of the previous years resulted in income that exceeded the expense for the plan newly established in 2017 in absolute terms. The resulting total income came to EUR 161 thousand in the year under review (previous year: expenditure of EUR 2,589 thousand). Of this, EUR 57 (1,179) thousand were allotted to Dr. Felix A. Zimmermann, EUR 43 (579) thousand to Dirk Lessing and EUR 61 (831) thousand to Dr. Claude Tomaszewski.

The fair value of the performance cash plans from 2014, 2015, 2016 and 2017 (2013, 2014, 2015 and 2016) as well as the respective provision come to EUR 3,305 (4,486) 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 was partially hedged against insolvency with commercially available products based on a contractual trust agreement.

The table below lists the service costs and present value of obligations for the members of the Management Board in accordance with IAS 19. In the current year, a service cost for the Board members in the amount of EUR 441 (434) thousand was recognized as expenses.

Payments in the event of early termination

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

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

MANAGEMENT BOARD REMUNERATION IN 2017 ACCORDING TO THE GERMAN CORPORATE GOVERNANCE CODE

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

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

Pension commitments *in EUR thousand*

	IFRS		IFRS	
	Service cost		Present value of pension obligation as of 12/31	
	2016	**2017**	2016	**2017**
Dr. Felix A. Zimmermann	187	190	2,559	2,885
Dirk Lessing	113	114	359	483
Dr. Claude Tomaszewski	134	137	1,717	1,956
	434	**441**	**4,635**	**5,324**

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

OTHER DISCLOSURES

The Management Board has the option of acquiring TAKKT Performance Bonds. This involves a voluntary participation offer for TAKKT executives, which will allow them to take part in the economic development of the TAKKT Group through bonds. The return of this instrument results from a basic interest rate plus a premium or discount determined according to the performance of the TAKKT Group (TAKKT value added). The subscription amount as well as the attainable return have an upper limit. There are liabilities of EUR 1,044 (653) thousand to members of the Management Board from TAKKT Performance Bonds.

In addition, there are pension obligations from the voluntary conversion of part of the bonus into a pension plan (i.e., deferred compensation) in the amount of EUR 866 (610) thousand. In the financial year, the Management Board members voluntarily contributed EUR 100 (70) thousand from the bonus to this plan.

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			
	2016	**2017**	**2017 (Min)**	**2017 (Max)**	2016	**2017**	**2017 (Min)**	**2017 (Max)**	2016	**2017**	**2017 (Min)**	**2017 (Max)**
Fixed Salary	470	470	470	470	325	325	325	325	325	325	325	325
Ancillary benefits	11	11	11	11	10	17	17	17	7	7	7	7
Total	**481**	**481**	**481**	**481**	**335**	**342**	**342**	**342**	**332**	**332**	**332**	**332**
One-year variable remuneration	500	500	0	1,000	315	315	0	630	315	315	0	630
Long-term variable remuneration												
Performance cash plan 2016–2019	212	-	-	-	135	-	-	-	135	-	-	-
Performance cash plan 2017–2020	-	212	0	635	-	135	0	405	-	135	0	405
Total	**1,193**	**1,193**	**481**	**2,116**	**785**	**792**	**342**	**1,377**	**782**	**782**	**332**	**1,367**
Service cost	187	190	190	190	113	114	114	114	134	137	137	137
Total remuneration	**1,380**	**1,383**	**671**	**2,306**	**898**	**906**	**456**	**1,491**	**916**	**919**	**469**	**1,504**

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	
	2016	**2017**	2016	**2017**	2016	**2017**
Fixed Salary	470	470	325	325	325	325
Ancillary benefits	11	11	10	17	7	7
Total	**481**	**481**	**335**	**342**	**332**	**332**
One-year variable remuneration	734	647	463	408	463	408
Long-term variable remuneration						
Performance cash plan 2012–2015	534	-	-	-	405	-
Performance cash plan 2013–2016	-	534	-	-	-	405
Total	**1,749**	**1,662**	**798**	**750**	**1,200**	**1,145**
Service cost	187	190	113	114	134	137
Total remuneration	**1,936**	**1,852**	**911**	**864**	**1,334**	**1,282**

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

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

The members of the Management Board did not receive any benefits from third parties in the 2017 or 2016 financial years, which were either promised or granted to them in connection with their service on the Management Board.

As of December 31, 2017, 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 2017 came to EUR 778 (616) thousand. The pension provisions for former members of the Management Board as well as their surviving dependents came to a total of EUR 7,008 (6,847) thousand as of December 31, 2017.

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 in attendance. TAKKT AG offers compensation for expenses to the members of the Supervisory Board and also reimburses them for the VAT due on their remuneration and compensation for expenses.

In total, the remuneration of the Supervisory Board in the year under review came to EUR 400 (401) thousand, of which EUR 375 (375) thousand were for activities in relation to the Supervisory Board, EUR 11 (11) thousand for activities in relation to the committees as well as EUR 14 (15) thousand for attendance fees.

Of the claims granted, EUR 386 (386) thousand were still recorded as liabilities as of the end of the reporting period. As of December 31, 2017, the Supervisory Board members held 140 (3,140) shares in TAKKT AG.

Remuneration of the Supervisory Board *in EUR thousand*

2017

	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	17.8	0.9	1.0	19.7
Dr. Dorothee Ritz	50.0	-	1.5	51.5
Christian Wendler	32.3	1.6	1.5	35.4

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

CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	2017	2016
Sales	(1)	1,116,083	1,125,045
Changes in inventories of finished goods and work in progress		–314	572
Own work capitalized		1,441	1,167
Gross performance		**1,117,210**	**1,126,784**
Cost of sales		643,294	647,406
Gross profit		**473,916**	**479,378**
Other operating income	(2)	7,386	16,641
Personnel expenses	(3)	166,686	166,191
Other operating expenses	(4)	164,295	158,566
EBITDA		**150,321**	**171,262**
Depreciation, amortization and impairment of property, plant and equipment and other intangible assets	(5)	27,103	29,217
Impairment of goodwill	(6)	0	0
EBIT		**123,218**	**142,045**
Income from associated companies		–613	0
Finance expenses	(7)	–7,609	–8,451
Other finance result	(8)	26	–1,058
Financial result		**–8,196**	**–9,509**
Profit before tax		**115,022**	**132,536**
Income tax expense	(9)	18,685	41,157
Profit		**96,337**	**91,379**
attributable to owners of TAKKT AG		96,337	91,379
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)	1.47	1.39
Diluted earnings per share (in EUR)	(10)	1.47	1.39

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

	2017	2016
Profit	**96,337**	**91,379**
Actuarial gains and losses resulting from pension provisions recognized in equity	–1,645	–1,178
Tax on actuarial gains and losses resulting from pension provisions	543	348
Other comprehensive income after tax for items that will not be reclassified to profit and loss in future	**–1,102**	**–830**
Income and expenses from the subsequent measurement of cash flow hedges recognized in equity	386	2,845
Income recognized in the income statement	238	196
Tax on subsequent measurement of cash flow hedges	–191	–931
Other comprehensive income after tax resulting from the subsequent measurement of cash flow hedges	**433**	**2,110**
Income and expenses from the adjustment of foreign currency reserves recognized in equity	–29,522	2,857
Income recognized in the statement of income	0	1,653
Other comprehensive income after tax resulting from the adjustment of foreign currency reserves	**–29,522**	**4,510**
Other comprehensive income after tax for items that are reclassified to profit and loss	**–29,089**	**6,620**
Other comprehensive income (Changes to other components of equity)	**–30,191**	**5,790**
attributable to owners of TAKKT AG	–30,191	5,790
attributable to non-controlling interests	0	0
Total comprehensive income	**66,146**	**97,169**
attributable to owners of TAKKT AG	66,146	97,169
attributable to non-controlling interests	0	0

Detailed information on other comprehensive income can be found on page 143.

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

Assets	Notes	12/31/2017	12/31/2016
Property, plant and equipment	(11)	100,913	105,759
Goodwill	(12)	513,850	545,803
Other intangible assets	(13)	69,155	74,634
Investments in associated companies	(14)	830	555
Other assets	(15)	5,571	1,249
Deferred tax	(16)	2,316	1,856
Non-current assets		**692,635**	**729,856**
Inventories	(17)	102,065	108,184
Trade receivables	(18)	102,915	103,733
Other receivables and assets	(19)	20,615	25,307
Income tax receivables		7,175	4,590
Cash and cash equivalents	(20)	3,053	2,267
Current assets		**235,823**	**244,081**
Total assets		**928,458**	**973,937**

Equity and liabilities	Notes	12/31/2017	12/31/2016
Share capital		65,610	65,610
Retained earnings		519,594	459,343
Other components of equity		–17,382	12,809
Total equity	(21)	**567,822**	**537,762**
Financial liabilities	(22)	101,553	98,012
Other liabilities	(23)	574	6,667
Pension provisions and similar obligations	(24)	58,790	55,062
Other provisions	(25)	5,821	6,575
Deferred tax	(16)	56,086	77,109
Non-current liabilities		**222,824**	**243,425**
Financial liabilities	(22)	36,708	81,795
Trade payables	(26)	30,216	33,928
Other liabilities	(27)	47,446	47,825
Provisions	(25)	17,674	20,120
Income tax payables		5,768	9,082
Current liabilities		**137,812**	**192,750**
Total equity and liabilities		**928,458**	**973,937**

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 01/01/2017	**65,610**	**459,343**	**12,809**	**537,762**
Transactions with owners	0	–36,086	0	–36,086
thereof dividends paid	0	–36,086	0	–36,086
Total comprehensive income	0	96,337	–30,191	66,146
thereof Profit	0	96,337	0	96,337
thereof Other comprehensive income (Changes to other components of equity)	0	0	–30,191	–30,191
Balance at 12/31/2017	**65,610**	**519,594**	**–17,382**	**567,822**

	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**

For further information on Total equity, refer to page 143.

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

	Notes	2017	2016
Profit		96,337	91,379
Depreciation, amortization and impairment of non-current assets	(5)/(6)	27,103	29,217
Deferred tax income/expense	(9)	–14,364	5,033
TAKKT cash flow		**109,076**	**125,629**
Other non-cash expenses and income		3,763	–3,908
Profit and loss on disposal of non-current assets and consolidated companies		–32	–46
Change in inventories		–2,166	–2,170
Change in trade receivables		–5,788	–10,170
Change in other assets not included in investing and financing activities		–352	–3,382
Change in non-current and current provisions		117	4,945
Change in trade payables		–1,523	5,983
Change in other liabilities not included in investing and financing activities		–2,718	–199
Cash flow from operating activities		**100,377**	**116,682**
Proceeds from disposal of non-current assets		371	472
Capital expenditure on non-current assets	(11)/(13)	–27,777	–17,359
Proceeds from the disposal of consolidated companies (less cash and cash equivalents sold)		0	1,625
Cash outflows for the acquisition of consolidated companies (less acquired cash and cash equivalents)		–6,717	–393
Cash flow from investing activities		**–34,123**	**–15,655**
Proceeds from Financial liabilities		115,860	74,039
Repayments of Financial liabilities		–145,184	–143,175
Dividends to owners of TAKKT AG		–36,086	–32,805
Cash flow from financing activities		**–65,410**	**–101,941**
Cash and cash equivalents at 01/01/		2,267	3,264
Increase/decrease in Cash and cash equivalents		844	–914
Non-cash increase/decrease in Cash and cash equivalents		–58	–83
Cash and cash equivalents at 12/31/	(19)	**3,053**	**2,267**

For further information on Consolidated statement of cash flows, refer to page 163 et seq.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2017

1. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The consolidated financial statements of TAKKT AG, Stuttgart, have been drawn up in accordance with the regulations issued by the International Accounting Standards Board (IASB) and section 315e of the German Commercial Code (HGB). The interpretations (IFRIC – International Financial Reporting Interpretations Committee and SIC – Standards Interpretations Committee) by the IFRS Interpretations Committee (IFRS IC) have been taken into account. All International Financial Reporting Standards (IFRS) valid at the closing date and approved by the Commission of the European Union (EU) have been applied.

TAKKT AG, Stuttgart/Germany, registered under HRB 19962 with the German Commercial Register of the Stuttgart local court, is the Group's parent company. The consolidated financial statements as of December 31, 2017, prepared in accordance with IFRS, the management report of TAKKT AG and of the TAKKT Group, the separate financial statement of TAKKT AG prepared in accordance with the HGB and all other required documentation according to section 325 of HGB will be submitted to the Federal Gazette (Bundesanzeiger).

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

The consolidated financial statements and the combined management report of TAKKT AG and the Group were approved by the Management Board for submission to the Supervisory Board on February 28, 2018.

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 2017 financial year for TAKKT:

Standard		Status	Applicable from
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	amended	01/01/2017
Amendments to IAS 7	Disclosure Initiative	amended	01/01/2017

None of the 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 Groups consolidated financial statements. Additional disclosures are required.

The IASB and IFRS IC have passed new and revised standards which TAKKT must only apply starting January 01, 2018 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	Financial Instruments	new	01/01/2018
IFRS 14	Regulatory Deferral Accounts	new	01/01/2016*
IFRS 15	Revenue from Contracts with Customers	new	01/01/2018
IFRS 16	Leases	new	01/01/2019
IFRS 17	Insurance contracts	new	01/01/2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	new	01/01/2018
IFRIC 23	Uncertainty over Income Tax Treatments	new	01/01/2019
Amendments to IAS 40	Transfers of Investment Property	amended	01/01/2018
Amendments to IAS 28 (2014)	Long-term Interests in Associates and Joint Ventures	amended	01/01/2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	amended	01/01/2019
Amendments to IFRS 9	Prepayment Features with negative Compensation	amended	01/01/2019
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	Annual Improvements Project IASB 2014–2016	amended	01/01/2017 / 01/01/2018
AIP 2015–2017	Annual Improvements Project IASB 2015–2017	amended	01/01/2019

This standard won´t be endorsed from 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. The standard will be applied for the first time from January 01, 2018. TAKKT will not adjust the previous year's figures in accordance with the transition requirements. The first-time application of IFRS 9 will not have a material impact on the 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. The standard will be applied for the first time from January 01, 2018. TAKKT will not adjust the previous year's figures in accordance with the transition requirements. TAKKT doesn´t expect an impact on timing and amount of the revenue recognition from the first-time adoption. 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. This change results in a one-off effect of approximately EUR 1 million on total assets and liabilities and a marginal effect on sales and cost of sales. The warranties granted in the TAKKT group still wouldn´t have been 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 for lessees 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. TAKKT expects to apply IFRS 16 by using the modified retrospective approach. As of the reporting date, TAKKT has obligations from minimum lease payments from operating leases amounting to EUR 44.3 million. These are mainly rental obligations for office buildings and warehouses. In the financial year 2017, rental and leasing expenses amounted to EUR 13.4 million. The minimum lease payments do not include any obligations from not yet exercised extension options. Therefore, the assets and liabilities to be recognized in accordance with IFRS 16 are expected to exceed the minimum lease payments as of the balance sheet date by a low double-digit million amount. Earlier adoption would have also entailed extended disclosures in the notes.

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 result in additional notes to the financial statement.

The consolidated financial statements have been prepared using the same accounting and valuation principles as in the previous year.

SCOPE OF CONSOLIDATION

TAKKT is a B2B direct marketing specialist for business equipment and is active in more than 25 countries. The consolidated financial statements include all companies that are controlled by TAKKT according to IFRS 10. The fully consolidated subsidiaries are 100 percent investments. Thus, besides TAKKT AG, 13 (12) domestic and 56 (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, 2016.

Event	Subsidiary	Segment
Merger	gaerner S.A.S., Réau/France	TAKKT EUROPE
Merger	Powell Mail Order Ltd., Llanelli/Great Britain	TAKKT EUROPE
Merger	gaerner B.V.B.A, Diegem/Belgium	TAKKT EUROPE
Merger	Hoffmann Bedrijfsuitrusting B.V., Zeist/The Netherlands	TAKKT EUROPE
Merger	National Business Furniture Ltd., Richmond Hill/Canada	TAKKT AMERICA
Acquisition	Mydisplays GmbH, Burscheid/Germany	TAKKT EUROPE
Liquidation	Foodserviceplanet.com LLC, Harrison/USA	TAKKT AMERICA

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

On December 31, 2017, 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.

A structured entity is an entity that has been designed in a way that voting or similar rights are not the dominant factor in deciding who controls the entity. A structured entity´s activities are often limited, its objective is narrow and well-defined or its equity is insufficient. The entity is subject to consolidation if TAKKT controls it according to IFRS 10 Consolidated Financial Statements.

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

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

The consolidated financial statements and all separate financial statements have the same balance sheet date, December 31, 2017. The separate financial statements of the domestic and foreign subsidiaries included in the financial statements were prepared using uniform accounting and valuation principles.

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

In accordance with IFRS 3 Business Combinations, the respective goodwill is not amortized but subjected to an impairment test according to IAS 36 Impairment of Assets once a year or during the year if indicated by the occurrence of triggering events. Additional details on this can be found on page 121.

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

Capital consolidation was carried out by eliminating the carrying amount of the investments against the shareholder´s share of the subsidiary´s equity.

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

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

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

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

CURRENCY TRANSLATION

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

If a foreign business operation is disposed of, currency differences, which until then were recorded in Other comprehensive income without any effect on profit, are recorded in the statement of income 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	2017	2016	2017	2016
USD	USA	1.1993	1.0541	1.1272	1.1062
CHF	Switzerland	1.1702	1.0739	1.1102	1.0900
GBP	UK	0.8872	0.8562	0.8762	0.8172
SEK	Sweden	9.8438	9.5525	9.6332	9.4651
CAD	Canada	1.5039	1.4188	1.4636	1.4649

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 expense that is recognized in profit or loss. The income tax for the year is determined based on the taxable income according to the tax regulations of the specific countries and taking the respective applicable tax rate into account.

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

Property, plant and equipment is generally depreciated using the straight-line method over its useful economic life, which in the case of leasehold improvements maximally equals the term of the underlying lease agreements. Depreciation is based on the following useful lives in the Group:

	Useful life in years	
	2017	2016
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. To the extent possible, the interest rate underlying the lease contracts was applied to determine the present value. If this rate was not available, the incremental borrowing rate was applied.

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 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 6 (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	
	2017	2016
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.

Investments in associates are accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures. Based on the acquisition costs of the shares in the associated company, the respective carrying amount of the investment is increased or decreased by any changes in equity affecting profit or not affecting profit as far as these changes are attributable to the shares of TAKKT. Dividends received from the investee reduce the book value. Goodwill included in the carrying amount is determined in accordance with the principles of full consolidation and is not amortized. An impairment test is performed if according to IAS 39 Financial Instruments: Recognition and Measurement there are substantial indications of a potential impairment for the entire carrying amount of the investment.

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

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

The fair value of financial instruments traded on an active market is based on the prices quoted on the reporting date. When level 2 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 122.

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.

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

2. NOTES TO THE INCOME STATEMENT

(1) Sales *in EUR thousand*

	2017	2016
Sales with third parties	1,115,634	1,124,654
Sales with affiliated companies	449	391
	1,116,083	**1,125,045**

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 176. A breakdown of sales by segment and geographical region is shown in the segment reporting on page 165 et seqq.

(2) Other operating income *in EUR thousand*

	2017	2016
Rental income	693	800
Income from the release of allowances	495	519
Income from the disposal of non-current assets	138	167
Operating income	3,195	3,196
Other income	2,865	11,959
	7,386	**16,641**

The position Other income includes the fair value reduction of the contingent consideration for Post-Up Stand by EUR 176 thousand (EUR 4,113 thousand) and in prior year additionally the fair value reduction of the contingent consideration for BiGDUG by EUR 4,505 thousand. Further explanations can be found on page 172 et seq.

(3) Personnel expenses *in EUR thousand*

	2017	2016
Wages and salaries	137,615	136,386
Social security costs	24,762	24,145
Retirement costs	5,210	5,051
Release of personnel-related provisions	–1,787	–339
Other	886	948
	166,686	**166,191**

For the number of employees in the Group please refer to the segment reporting on page 165 et seqq.

(4) Other operating expenses *in EUR thousand*

	2017	2016
Valuation allowances on current assets	1,852	1,821
Release of provisions	–435	–1,094
Operating leasing and rents	13,431	13,015
Foreign exchange differences	1,063	32
Operating taxes	2,192	1,945
Operating expenses	117,691	114,373
Administrative expenses	28,501	28,474
	164,295	**158,566**

Valuation allowances mainly relate to trade receivables and full write-offs of trade receivables where they cannot be recovered. Write-offs amounted to EUR 1,369 thousand (EUR 1,352 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*

	2017	2016
Property, plant and equipment	12,890	12,751
Other intangible assets	14,213	16,466
	27,103	**29,217**

Depreciation and amortization comprises scheduled amortization amounting to EUR 10,501 thousand (EUR 12,307 thousand) relating to intangible assets recorded in conjunction with purchase price allocations.

In the current financial year, impairments were made in accordance with IAS 36 Impairment of property, plant and equipment amounting to EUR 43 thousand (EUR 177 thousand). Both in 2016 and in 2017, these mainly relate to assets recorded as equipment that could not be used any longer after a remodeling of a building. The impaired assets are mainly attributable to the TAKKT AMERICA segment. No impairments were recognized in previous year. In prior year, impairments pursuant to IAS 36 in the amount of EUR 606 thousand were necessary for intangible assets which relate to values of an OEG brand (TAKKT AMERICA segment). Background for the impairment was 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 2016 and 2017 financial years. Further information can be found in the following section Impairment of goodwill. Please refer to the details on page 138. 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 2016 and 2017 financial years. Please refer to the details on page 121 for information about the general procedure with regard to impairment testing.

The following table shows the book values of the material goodwills 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)	
	2017	2016	**2017**	2016	**2017**	2016
Business Equipment Group	115,865	116,555	8.6	7.7	1.0	1.0
Packaging Solutions Group	152,656	152,656	7.7	7.0	2.0	2.0
Specialties Group (until 2016)	-	232,358	-	8.1	-	2.0
Merchandising Equipment Group	67,607	-	7.9	-	2.0	-
Restaurant Equipment Group	60,487	-	7.9	-	2.0	-
Displays Group	76,132	-	7.8	-	2.0	-
Office Equipment Group	38,879	44,234	8.0	8.2	2.0	2.0

The goodwill of the Specialties Group was allocated to the new cash generating units on the basis of the fair values.

The compound annual growth rate in external sales in the detailed planning period is between 3.1 (3.8) percent and 6.6 (6.5) 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.

Additional details on goodwill can be found in the corresponding notes on page 136 et seq. A description of the cash generation units can be found in the corresponding notes in the segment reporting on page 167 et seq.

(7) Finance expenses *in EUR thousand*

	2017	2016
Interest portion of finance leases	–1,367	–1,451
Interest portion of pension provisions	–1,159	–1,218
Interest portion of purchase price liabilities	–681	–998
Interest on financial liabilities	–4,402	–4,784
	–7,609	**–8,451**

The Interest portion of purchase price liabilities results from accruing interest expenses relating to the purchase price liability recorded in connection with the acquisition of Post-Up Stand. In prior year, interest expenses relating to the purchase price liability recorded in connection with the acquisitions of BiGDUG were accrued additionally.

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 155 and interest rate hedges on page 160.

(8) Other finance result *in EUR thousand*

	2017	2016
Valuation of financial instruments	–8	–302
Interest and similar income	34	691
Other financial expenses	0	–1,447
	26	**–1,058**

In prior year, the Other finance result contained 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 were 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 90 et seq. as well as in the notes on page 153 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 (9.0) percent and 39.0 (39.0) percent.

Breakdown of income tax expense *in EUR thousand*

	2017	2016
Income tax	33,049	36,124
Deferred tax	–14,364	5,033
	18,685	**41,157**

Income tax expense includes income of EUR 1,059 thousand (income of EUR 2,086 thousand) relating to prior periods. Deferred tax expense of EUR 268 thousand (EUR 1,101 thousand) results from the changes of allowances on deferred tax assets. Deferred tax income of EUR 18,400 thousand (EUR 23 thousand) results from tax rate changes. In the financial year, write-downs on deferred tax assets in the amount of EUR 0 thousand (EUR 26 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*

	2017	2016
Profit before tax	**115,022**	**132,536**
Expected average tax expense	35,312	40,689
Changes in tax rates	–18,400	–23
Differences between local and Group tax rates	1,314	1,680
Non-deductible expenses	1,601	1,360
Non-taxable income	–260	–1,208
Allowance for deferred tax assets	268	1,101
Taxes relating to prior years	–1,059	–2,086
Other differences	–91	–356
Income tax expense per the consolidated income statement	**18,685**	**41,157**
Tax ratio (in percent)	16.2	31.1

The calculated tax rate of 30.7 percent is based on the tax rates applicable in Germany in 2017. A corporation tax of 15.0 percent, the solidarity surcharge of 5.5 percent and the average municipal trade tax rate for the German Group companies were taken into account.

The tax ratio decreased significantly from 31.1 in the previous year to 16.2 percent. The tax rate reduction in the US from 2018 on following the US tax reform led to a revaluation of deferred tax liabilities. This resulted in a non-cash relieving effect of EUR 18.4 million on income tax expenses for 2017. In addition, tax refunds relating to prior periods were realized in the amount of EUR 1.1 million. In the previous year, there were significantly higher one-time tax relief effects from a municipal tax refund relating to prior periods as well as from non-taxable income from the adjustment of the purchase price liability for BiGDUG recognized in profit and loss. Adjusted for these effects, the tax ratio decreased from 34.0 to 33.2 percent.

(10) Earnings per share

	2017	2016
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)	96,337	91,379
Basic earnings per share (in EUR)	1.47	1.39
Diluted earnings per share (in EUR)	1.47	1.39
TAKKT cash flow (in EUR thousand)	109,076	125,629
TAKKT cash flow per share (in EUR)	1.66	1.91

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 01/01/2017	143,803	82,654	1,406	227,863
Currency translation	–4,441	–3,172	–120	–7,733
Changes in scope of consolidation	0	415	0	415
Additions	2,597	7,391	1,075	11,063
Transfers	735	500	–1,235	0
Disposals	–173	–3,376	0	–3,549
Balance at 12/31/2017	**142,521**	**84,412**	**1,126**	**228,059**
Cumulative depreciation and impairment				
Balance at 01/01/2017	64,571	57,533	0	122,104
Currency translation	–2,111	–2,388	0	–4,499
Additions	5,291	7,599	0	12,890
Transfers	0	0	0	0
Disposals	–112	–3,237	0	–3,349
Balance at 12/31/2017	**67,639**	**59,507**	**0**	**127,146**
Net book values				
Balance at 12/31/2017	**74,882**	**24,905**	**1,126**	**100,913**

Details on impairments in accordance with IAS 36 Impairment of Assets can be found on page 130.

The book value of property, plant and equipment acquired under a finance lease came to EUR 26,397 thousand (EUR 28,821 thousand) as of the closing date. Leased assets are shown under land and buildings with EUR 25,215 thousand (EUR 27,361 thousand) and under equipment with EUR 1,182 thousand (EUR 1,460 thousand).

An asset capitalized as a finance lease, which is acquired at the end of the lease term, is depreciated over the economic life of the asset. Since the takeover of the remaining 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 1,004 thousand (EUR 259 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**

(12) Goodwill *in EUR thousand*

	Goodwill	Goodwill on consolidation	Total
Acquisition costs			
Balance at 01/01/2017	355,971	202,692	558,663
Currency translation	–33,487	–690	–34,177
Additions	0	2,224	2,224
Disposals	0	0	0
Balance at 12/31/2017	**322,484**	**204,226**	**526,710**
Cumulative impairment			
Balance at 01/01/2017 / 12/31/2017	**0**	**12,860**	**12,860**
Net book values			
Balance at 12/31/2017	**322,484**	**191,366**	**513,850**

	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**

The additions to goodwill on consolidation relate to the acquisition of Mydisplays GmbH within TAKKT EUROPE. For further information concerning the acquisition, please refer to page 168 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*

	2017	2016
Business Equipment Group	79,379	79,379
Specialties Group (until 2016)	-	232,358
Merchandising Equipment Group	67,607	-
Restaurant Equipment Group	60,487	-
Displays Group	76,132	-
Office Equipment Group	38,879	44,234
	322,484	**355,971**

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*

	2017	2016
Business Equipment Group	36,486	37,176
Packaging Solutions Group	152,656	152,656
Mydisplays GmbH	2,224	-
	191,366	**189,832**

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 2017 or 2016 financial years. Taxable goodwill is amortized over a period of 15 years. At the reporting date, the resulting deferred taxes amounted to EUR 66,194 thousand (EUR 89,534 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 01/01/2017	30,074	78,323	37,827	36,482	4,307	187,013
Currency translation	–2,406	–4,175	–3,631	–1,021	–88	–11,321
Changes in scope of consolidation	0	150	760	51	0	961
Additions	0	0	0	2,580	8,776	11,356
Transfers	0	0	0	1,310	–1,310	0
Disposals	0	0	0	–1,629	–12	–1,641
Balance at 12/31/2017	**27,668**	**74,298**	**34,956**	**37,773**	**11,673**	**186,368**
Cumulative amortization and impairment						
Balance at 01/01/2017	825	59,765	28,271	23,518	0	112,379
Currency translation	–100	–3,873	–3,028	–749	0	–7,750
Additions	0	7,259	3,242	3,712	0	14,213
Reversal of impairment	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–1,629	0	–1,629
Balance at 12/31/2017	**725**	**63,151**	**28,485**	**24,852**	**0**	**117,213**
Net book values						
Balance at 12/31/2017	**26,943**	**11,147**	**6,471**	**12,921**	**11,673**	**69,155**

Details on impairments in accordance with IAS 36 Impairment of Assets can be found on page 130.

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 26,943 thousand (EUR 29,249 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 REG in the amount of EUR 10,506 thousand (in prior year to SPG in the amount of EUR 11,953 thousand) and to the cash generating unit OEG in the amount of EUR 6,237 thousand (EUR 7,096 thousand). The main customer lists relate to the cash generating unit PSG in the amount of EUR 9,336 thousand (EUR 15,264 thousand) and to the REG in the amount of EUR 1,523 thousand (in prior year to SPG in the amount of EUR 2,973 thousand) and have a remaining useful life between 1 and 5 years.

Purchase commitments for intangible assets amount to EUR 288 thousand (EUR 2,771 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**

(14) Investments in associated companies

The following table shows the summarized aggregate financial information of the individually non-significant associated companies accounted for using the equity method.

	2017*
Profit from continuing operations	–613
Total comprehensive income	–613
Book value	830

* No prior-year disclosures are made, as the investments in associated companies were valued at costs up to and including 2016 for materiality reasons. From 2017, the equity method is used.

(15) Other assets

Other assets mainly comprise shares in investments that are neither subsidiaries nor investments in associated companies. The main reasons for the increase in other assets in 2016 and 2017 were investments in the amount of EUR 4,500 thousand (EUR 511 thousand) in such shares by TAKKT Beteiligungsgesellschaft mbH, Stuttgart/Germany. In addition to the amounts already paid, there are payment commitments to these companies amounting to EUR 823 thousand (EUR 0 thousand). Besides, deposits and pension plan reinsurances are included.

(16) Deferred tax

Deferred tax on loss carry forwards *in EUR thousand*

	2017	2016
Deferred tax on loss carry forwards (gross)	3,843	5,661
Allowance	–3,616	–5,636
Deferred tax on loss carry forwards (net)	**227**	**25**

Expiration of impaired loss carry forwards *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	unlimited	Total
2017	907	10,989	1,951	2,015	15,862
2016	1,023	11,192	3,683	5,055	20,953

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	
	2017	2016	**2017**	2016
Property, plant and equipment and other intangible assets	3,713	6,844	17,793	20,664
Goodwill	0	0	66,194	89,534
Inventories	2,544	4,012	127	187
Trade receivables and other assets	1,537	1,610	411	758
Non-current provisions	12,264	11,214	0	0
Current provisions	1,287	1,455	187	197
Financial liabilities	8,934	9,647	9	826
Other liabilities	583	2,129	13	78
Market value of derivative financial instruments	38	202	163	147
Loss carry forwards	227	25	0	0
Subtotal	**31,127**	**37,138**	**84,897**	**112,391**
Netting	–28,811	–35,282	–28,811	–35,282
Consolidated balance sheet	**2,316**	**1,856**	**56,086**	**77,109**

Deferred taxes of minus EUR 126 thousand (minus EUR 771 thousand) on the market value of original and derivative financial instruments classified as cash flow hedges as well as deferred taxes of EUR 7,260 thousand (EUR 6,776 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 2,316 thousand (EUR 1,856 thousand), EUR 19 thousand (EUR 19 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 4,087 thousand (EUR 4,045 thousand). Any foreign withholding tax and income tax effects at foreign intermediate holding companies were not taken into consideration for reasons of materiality.

(17) Inventories *in EUR thousand*

	2017	2016
Raw materials and supplies	4,177	4,711
Work in progress	1,556	1,500
Finished goods and purchased merchandise	95,847	100,935
Payments on account	485	1,038
	102,065	**108,184**

An obsolescence reserve of EUR 7,948 thousand (EUR 8,936 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 151 thousand (EUR 167 thousand) were eliminated.

(18) Trade receivables

Development of allowances on trade receivables *in EUR thousand*

	2017	2016
Balance at 01/01/	3,554	3,389
Additions	424	439
Release	–246	–304
Currency translation and other changes	–124	30
Balance at 12/31/	**3,608**	**3,554**

Additional information concerning the reconciliation from gross to net figures can also be found in section 4. Risk management and financial instruments (page 153 et seqq.).

TAKKT has not capitalized any overdue receivables that are not impaired.

(19) Other receivables and assets *in EUR thousand*

	2017	2016
Market value of derivative financial instruments	618	754
Other tax receivables	2,328	2,087
Bonus claims against suppliers	11,523	15,132
Deferred expenses	3,811	5,265
Other	2,335	2,069
	20,615	**25,307**

(20) Cash and cash equivalents *in EUR thousand*

	2017	2016
Checks, cash balances	108	108
Bank balances	2,945	2,159
	3,053	**2,267**

Bank balances comprises funds with a maturity of up to three months.

(21) Total equity

The consolidated statement of changes in total equity can be found on page 113. 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 2017 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 2017. Please refer to page 101 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 01/01/2016	**–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 / 01/01/2017	**–23,952**	**3,925**	**5,579**	**27,257**	**12,809**
Changes in the scope of consolidation	0	0	0	0	0
Other comprehensive income	–1,298	618	294	–29,805	–30,191
thereof currency translation effects	347	–6	–58	–29,805	–29,522
Balance at 12/31/2017	**–25,250**	**4,543**	**5,873**	**–2,548**	**–17,382**

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 36,086 thousand) for the 2017 financial year. The 65.6 million no-par-value bearer shares will therefore correspond to a dividend per share of EUR 0.55 (EUR 0.55).

(22) Non-current and current financial liabilities *in EUR thousand*

	Remaining term			
	up to 1 year	1 to 5 years	over 5 years	12/31/2017
Liabilities to banks	26,597	55,938	14,592	97,127
Promissory notes	0	0	0	0
Finance leases	2,409	11,056	15,384	28,849
Finance liabilities to affiliated companies	7,702	0	0	7,702
Other	0	4,583	0	4,583
	36,708	**71,577**	**29,976**	**138,261**
thereof long-term (maturity > 1 year)				101,553

	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

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 160.2 million (EUR 185.6 million). Average net financial liabilities for the financial year amounted to EUR 147,717 thousand (EUR 198,189 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. The remaining EUR 33,500 thousand were repaid on October 18, 2017.

At the reporting date, the item Other includes TAKKT Performance Bonds issued to TAKKT Group executives.

In 2016, due to netting agreements within the clearing agreements for intercompany clearing accounts with Haniel Finance Deutschland GmbH, Duisburg/Germany, and with Haniel Finance B.V. Venlo/The Netherlands, receivables from affiliated companies of EUR 7,667 thousand were offset against financial liabilities to affiliated companies of EUR 33,772 thousand in accordance with IAS 32 Financial Instruments: Presentation. In 2017, the contracts were re-arranged and now, there are only clearing agreements for intercompany clearing accounts with Haniel Finance Deutschland GmbH, Duisburg/Germany. A schedule of liabilities to affiliated companies can be found in related-party transactions on page 176 et seq.

(23) Non-current Other liabilities

In prior year, non-current Other liabilities comprised mainly purchase price liabilities in the amount of EUR 6,064. Thereof EUR 3,396 thousand are contingent considerations. The purchase price payment which was recorded here in the previous year, was transferred into current Other liabilities, due to its maturity in spring 2018. Additional information to contingent considerations can be found on page 172 et seq.

(24) Pension provisions and similar obligations

For many employees of the TAKKT Group, different pension commitments are in place depending on the legal, economic and tax situation of the particular country, which usually take the length of service as well as salary or final salary of the employee into consideration. These include defined benefit as well as defined contribution pension plans that cover retirement, disability and surviving dependents. The pension provisions include obligations from current pensions as well as the present value of obligations for 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 almost exclusively through provisions.

The Management Board Members are provided with a pension commitment with annual contributions amounting to ten percent of the sum of their basic salary and target bonus. Contributions are only paid as long as the individual is appointed to the Management Board. The performance-related bonus corresponds to a target achievement of 100 percent. An interest rate of six percent per year is guaranteed for contributions until pension payments begin. Board Members are entitled to pension payments when they leave the company but not earlier than the member's 60th birthday. In the case of disability or death, the amount from the pension plan is paid out that would have been paid out if contributions had been made up to the age of 63. Since the 2017 financial year, part of the pension commitment has been financed through a contractual trust arrangement. The assets held by the trustee are plan assets.

For certain executives, pension commitments are in place that cover 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 are made generally in installments or by agreement as an annuity. Pension payments are still being made to former executives based on a plan that has been discontinued.

For many of the other employees of the German Group companies, there is a pension plan in place that regulates retirement pension upon reaching the age of 65, disability as well as widow's/widower's and orphan's pension. Depending on the completed years of service and the average remuneration of the last three work years subject to pension contributions and in accordance with the current valid works agreement, monthly fixed amounts in euros for each year of service will become due at the time of pension payout. In addition, specific employees have the option of converting salary into pension contributions. These amounts, which are referred to as deferred compensation, are converted into benefit components and paid out as pension benefits.

In 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 plan assets. Contributions as a percentage of the pensionable salary vary depending on salary and age. Payments are made annuitized or as a lump sum. To cover the pension claims, the plans are subject to minimum funding requirements from which future additional contribution obligations may arise.

In one Dutch company, there is a pension plan in place for 6 (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*

	2017	2016
Present value of funded obligations	17,272	15,671
Present value of unfunded obligations	51,849	50,293
Total present value of obligations	**69,121**	**65,964**
Fair value of plan assets	– 10,331	– 10,902
Pension provision at 31.12.	**58,790**	**55,062**

For the pension plans described above, the following parameters are applied for the calculation of the present value of obligations:

Parameters *in percent*

	2017		2016	
	EUR	**CHF**	EUR	CHF
Actuarial interest rate	2.00	0.70	2.20	0.60
Salary trend	2.50	1.50	2.50	1.50
Pension trend	1.50	0.00	1.50	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, 2017 is 20.0 (20.0) 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 01/01/2017	**65,964**	**10,902**	**55,062**
Current service cost	3,132	0	3,132
Past service costs and gains and losses on settlements and curtailments	0	0	0
Personnel expenses	**3,132**	**0**	**3,132**
Interest expense/income/net interest expense	**1,242**	**83**	**1,159**
Return on plan assets	0	0	0
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	0	0	0
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	1,816	0	1,816
Experience gains/losses	–500	–329	–171
Changes to other components of equity	**1,316**	**–329**	**1,645**
Effect of changes in foreign exchange rates	–1,217	–796	–421
Transfer of obligation	0	0	0
Changes in scope of consolidation	0	0	0
Contributions of plan participants	267	267	0
Contributions of employer	0	627	–627
Benefit payments	–1,583	–423	–1,160
Other Effects	**–2,533**	**–325**	**–2,208**
Balance at 12/31/2017	**69,121**	**10,331**	**58,790**

	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**
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
Remeasurements of the pension provisions	**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**

In addition to qualified insurance contracts (EUR 10,062 thousand, prior year EUR 10,902 thousand, without underlying active market), the plan assets to a small extent contain securities funds (EUR 259 thousand, prior year EUR 0 thousand, with underlying active market) as well as cash and cash equivalents (EUR 10 thousand, prior year EUR 0 thousand, with underlying active market). The plan assets do not include any of the Group's financial instruments or assets used by the Group. Employer contributions to plan assets are expected to come to EUR 634 thousand in 2018.

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	
	2017	2016
Actuarial interest rate		
Increase of 0.5 percentage points	62,838	59,976
Decrease of 0.5 percentage points	76,400	72,898
Salary trend		
Increase of 0.5 percentage points	70,305	67,090
Decrease of 0.5 percentage points	68,011	64,885
Pension trend		
Increase of 0.5 percentage points	72,208	69,019
Decrease of 0.5 percentage points	66,317	63,188
Mortality / Life expectancy		
Increase of 1 year	70,792	67,547
Decrease of 1 year	67,429	64,360

The following table shows the expected future pension benefit payments:

Expected maturity of pension benefits 2017 *in EUR thousand*

	2018	**2019 – 2022**	**2023 – 2027**
Expected Payments	1,212	5,333	8,367

Expected maturity of pension benefits 2016 *in EUR thousand*

	2017	2018 – 2021	2022 – 2026
Expected Payments	1,145	5,696	9,009

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 9,906 thousand (EUR 9,538 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 2,078 thousand (EUR 2,276 thousand) in the year under review.

(25) Non-current other and Current provisions *in EUR thousand*

Development of Non-current other and Current provisions *in EUR thousand*

	01/01/2017	Currency translation	Changes in scope of consolidation	Usage	Transfers	Release	Additions	12/31/2017
Personnel obligations	5,049	–4	0	–534	–685	–871	1,257	4,212
Other	1,526	–66	20	–88	0	–9	226	1,609
Long-term other provisions	**6,575**	**–70**	**20**	**–622**	**–685**	**–880**	**1,483**	**5,821**
Staff bonuses	13,271	–689	0	–12,007	685	–702	8,886	9,444
Personnel obligations	1,515	–36	0	–1,232	–50	–214	1,576	1,559
Customer credit notes	1,738	–176	8	–1,045	0	–111	1,296	1,710
Restructuring cost	105	–9	0	–96	0	0	0	0
Other	3,491	–112	0	–203	50	–315	2,050	4,961
Short-term provisions	**20,120**	**–1,022**	**8**	**–14,583**	**685**	**–1,342**	**13,808**	**17,674**

	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**

Non-current personnel obligations mainly comprise obligations for the performance cash plans of the Management Board and obligations for early retirement part-time working arrangements.

(26) Trade payables

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

(27) Current Other liabilities *in EUR thousand*

	2017	2016
Customer payments on account	5,801	6,376
Market value of derivative financial instruments	119	647
Uninvoiced goods and services	15,197	12,516
Other tax payables	8,133	8,542
Personnel liabilities	4,742	5,532
Accrued interest	0	252
Social security contributions	860	1,043
Bonus liabilities to customers	2,994	3,088
Audit fees	944	880
Deferred income	825	1,039
Purchase price liabilities	2,467	450
Other	5,364	7,460
	47,446	**47,825**

The purchase price liabilities relate to the final purchase price installment amounting to USD 3.0 million for Post-Up Stand due in spring 2018. In prior year, 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. Further explanations can be found on page 170.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In the risk and opportunities report contained in the Group management report on page 81 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, 2017 *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	1,295	4,276	0	0	0	0	5,571
Current assets								
Trade receivables	0	102,915	0	0	0	0	0	102,915
Other receivables and assets	97	13,858	0	0	0	521	6,139	20,615
Cash and cash equivalents	0	3,053	0	0	0	0	0	3,053
Assets	**97**	**121,121**	**4,276**	**0**	**0**			
Non-current liabilities								
Financial liabilities	0	0	0	75,113	0	26,440	0	101,553
Other liabilities	0	0	0	574	0	0	0	574
Current liabilities								
Financial liabilities	0	0	0	34,299	0	2,409	0	36,708
Trade payables	0	0	0	30,216	0	0	0	30,216
Other liabilities	33	0	0	26,686	0	86	20,641	47,446
Liabilities	**33**	**0**	**0**	**166,888**	**0**			

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	24,153	0	636	23,025	47,825
Liabilities	**11**	**0**	**0**	**209,979**	**3,396**			

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 investments in non-listed entities.

The column 'No IAS 39 category' includes derivatives with a positive fair value of EUR 521 thousand (EUR 458 thousand) and a negative fair value of EUR 86 thousand (EUR 636 thousand) as well as finance lease liabilities with a book value of EUR 28,849 thousand (EUR 31,180 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 172. A definition of the levels can be found on page 123.

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 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 12/31/2017	Fair Value 12/31/2017	Book Value 12/31/2016	Fair Value 12/31/2016
Finance leases	28,849	36,536	31,180	35,452
Other non-current liabilities	4,583	6,206	2,756	3,488
	33,432	**42,742**	**33,936**	**38,940**

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 cash flow-method.

The net result of the financial instrument categories recognized in the income statement is broken down as follows:

Net result of the financial instruments categories *in EUR thousand*

	From interest	At fair value	Currency translation	Valuation allowance	2017
Financial assets or liabilities at fair value through profit and loss	0	−221	0	0	−221
Loans and receivables	35	0	−1,077	−1,357	−2,399
Available for sale financial assets measured at fair value	0	0	0	0	0
Financial liabilities measured at amortized cost	−4,265	0	212	0	−4,053
Contingent consideration resulting from business combinations measured at fair value	−548	175	0	0	−373
	−4,778	**−46**	**−865**	**−1,357**	**−7,046**

	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**

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 87, 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*

	01/01/2017	Currency translation	Changes in scope of consolidation	Other changes	**12/31/2017**
Nominal value of receivables	107,287	–5,495	124	4,607	106,523
Valuation allowances	–3,554	130	0	–184	–3,608
Book value of receivables	**103,733**	**–5,365**	**124**	**4,423**	**102,915**

	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**

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, 2017. 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, 2017 *in EUR thousand*

	Cash flow 2018	Cash flow 2019	Cash flow 2020 – 2022	Cash flow 2023 – 2027	Cash flow 2028…
Original financial liabilities					
Liabilities to banks	–28,343	–34,179	–24,820	–14,619	0
Promissory notes	0	0	0	0	0
Finance leases	–3,698	–8,004	–7,231	–11,079	–9,930
Finance liabilities to affiliated companies	–7,702	0	0	0	0
Trade payables	–30,216	0	0	0	0
Purchase price liability	–2,467	0	0	0	0
Other liabilities	–24,409	–191	–6,703	0	0
Derivative financial receivables					
Outgoing payments	–55,004	0	0	0	0
Connected incoming payments	55,583	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–12,581	0	0	0	0
Connected incoming payments	12,447	0	0	0	0

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 liability	–450	–6,856	0	0	0
Other liabilities	–23,649	–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

TAKKT has considerable unused short- and long-term credit lines with a number of German and international banks amounting to EUR 160.2 million (EUR 185.6 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	
	2017	2016	**2017**	2016
Assets				
Currency derivatives designated as cash flow hedges	34,864	14,048	429	398
Currency derivatives without hedge accounting	20,492	56,376	97	296
Liabilities				
Currency derivatives designated as cash flow hedges	3,783	19,192	–86	–375
Currency derivatives without hedge accounting	8,735	2,884	–33	–11
	67,874	**92,500**	**407**	**308**

Non-derivative financial liabilities denominated in foreign currency are used to hedge the net investment in a foreign operation. In 2017, gains after taxes totaling EUR 20 thousand (EUR 2,081 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 2017 financial year, gains after deferred taxes totaling EUR 233 thousand (EUR 16 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 13 thousand (EUR 142 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 233 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*

	2017		2016	
	Cash flow 2018	Cash flow 2019…	Cash flow 2017	Cash flow 2018…
CAD	4,023	0	4,075	0
CHF	15,564	0	16,397	0
CZK	1,085	0	888	0
DKK	1,116	0	1,209	0
GBP	3,208	0	0	0
HUF	2,144	0	1,952	0
NOK	1,841	0	1,790	0
PLN	–578	0	–135	0
RON	387	0	491	0
RUB	429	0	480	0
SEK	–2,015	0	–2,103	0
TRY	657	0	128	0
USD	–5,600	0	–3,592	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*

12/31/2017	Increase/ decrease	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR/CHF	+10%	0	1,541
EUR/CHF	–10%	0	–1,541
EUR/USD	+10%	+18	–537
EUR/USD	– 10%	–18	537

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

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	
	2017	2016	**2017**	2016
Assets				
Interest rate derivatives designated as cash flow hedges	37,522	28,460	91	60
Interest rate derivatives without hedge accounting	0	0	0	0
Liabilities				
Interest rate derivatives designated as cash flow hedges	0	62,177	0	–261
Interest rate derivatives without hedge accounting	0	0	0	0
	37,522	**90,637**	**91**	**–201**

In order to hedge future interest payments from the floating-rate USD debt, TAKKT has designed interest rate swaps with a nominal volume of USD 45,000 thousand as cash flow hedges at the balance sheet date as repayment swaps.

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 2017, losses of EUR 26 thousand (EUR 111 thousand) after deferred taxes and gains after deferred taxes in the amount of EUR 43 thousand (EUR 0 thousand) 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 177 thousand (EUR 267 thousand) and gains after deferred taxes in the amount of EUR 9 thousand (EUR 0 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. Since 2012 the group was also financed through promissory notes which were partly repaid in October 2014 as well as in October 2015 and in full in October 2017. 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, 2017 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 45,000 thousand (USD 55,000 thousand) and of floating-rate EUR liabilities with a nominal volume of EUR 0 thousand (EUR 10,000 thousand).

Underlying interest rate derivative transactions *in USD thousand/EUR thousand*

2017	Cash flow 2018	Cash flow 2019	Cash flow 2020–2022	Cash flow 2023–2027	Cash flow 2028...
USD	492	0	0	0	0
EUR	0	0	0	0	0

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

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*

12/31/2017	Increase/ decrease in basis points	Effect on profit before tax	Effect on share-holders' equity without impact on profits
EUR	+100/–100	–26/+26	–68/+69
USD	+100/–100	–525/+525	+106/–107
GBP	+100/–100	–4/+4	+18/–18

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

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, capital expenditure in non-current assets also include outpayments for investments of the TAKKT Group via TAKKT Beteiligungsgesellschaft in the amount of EUR 4,500 thousand (EUR 1,045 thousand) in shares of seven (two) companies. Cash outflows for the acquisition of consolidated companies relate to payments regarding the acquisition of Mydisplays GmbH (EUR 2,762 thousand) as well as the last partial payments of purchase price liabilities relating to the acquisitions of Post-Up Stand (EUR 3,505 thousand) and R.F. Verpackungsmittel-Versand G.m.b.H. (EUR 450 thousand). In 2016, these related to the acquisition of R.F. Verpackungsmittel-Versand G.m.b.H. (EUR 393 thousand).

The cash flow from operating activities decreased to EUR 100,377 thousand (EUR 116,682 thousand). The operative increase of net working capital of EUR 8,699 thousand (EUR 8,947 thousand) was at the previous year's level and mainly related to the increase in trade receivables and inventories.

The cash flow from operating activities includes interest receipts of EUR 35 thousand (EUR 691 thousand) and interest payments of EUR 5,518 thousand (EUR 5,812 thousand). In 2017, income taxes of EUR 39,808 thousand (EUR 40,370 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 36,086 thousand (EUR 32,805 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 increase of liabilities to banks in the amount of EUR 20,842 thousand (in the previous year decrease of EUR 54,972 thousand), the repayment of financial liabilities to affiliated companies in the amount of EUR 15,813 thousand (EUR 14,187 thousand) as well as the repayment of promissory notes in the amount of EUR 33,500 thousand. The components of financial liabilities are explained on page 144.

The following table shows both the cash and non-cash changes in financial liabilities.

	01/01/2017	Cash effective change	Non-cash change			12/31/2017
			Currency translation	Changes in scope of consolidation	Other	
Liabilities to banks	86,266	20,842	–10,382	401	0	97,127
Promissory notes	33,500	–33,500	0	0	0	0
Finance leases	31,180	–2,331	0	0	0	28,849
Finance liabilities to affiliated companies	26,105	–15,813	–2,591	0	0	7,701
Other	2,756	1,478	–39	0	389	4,584
Total	**179,807**	**–29,324**	**–13,012**	**401**	**389**	**138,261**

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 2017 of the TAKKT Group *in EUR thousand*

	TAKKT EUROPE	TAKKT AMERICA	Segments total	Others	Consolidation	Group total
Sales to third parties	574,681	541,402	1,116,083	0	0	1,116,083
Inter-segment sales	291	3	294	0	–294	0
Segment sales	574,972	541,405	1,116,377	0	–294	1,116,083
Other non-cash expenses (+) and income (–)	2,193	427	2,620	1,143	0	3,763
EBITDA	97,103	64,750	161,853	–11,532	0	150,321
Depreciation and amortization of segment assets	18,879	8,051	26,930	130	0	27,060
Impairment of segment assets	15	28	43	0	0	43
EBIT	78,209	56,671	134,880	–11,662	0	123,218
Income from associated companies	–483	0	–483	–130	0	–613
Finance expenses	–3,156	–3,833	–6,989	–2,729	2,109	–7,609
Interest and similar income	87	1	88	2,055	–2,109	34
Profit before tax	74,896	52,574	127,470	–12,448	0	115,022
Income tax expense	18,949	3,113	22,062	–3,377	0	18,685
Profit	55,947	49,461	105,408	–9,071	0	96,337
TAKKT cash flow	73,152	45,247	118,399	–9,322	0	109,077
Segment assets	574,475	410,715	985,190	130,869	–187,601	928,458
thereof investments in associated companies	322	0	322	508	0	830
thereof deferred tax and income tax receivables	3,604	3,774	7,378	7,573	–5,460	9,491
investment in non-current assets*	13,649	8,575	22,224	5,553	0	27,777
Segment liabilities	228,225	183,715	411,940	136,297	–187,601	360,636
thereof deferred tax and income tax payables	26,506	38,919	65,425	1,889	–5,460	61,854
thereof financial liabilities (non-current and current)	115,420	97,663	213,083	107,284	–182,106	138,261
Average no. of employees (full-time equivalent)	1,359	982	2,341	41	0	2,382
Employees at the closing date (full-time equivalent)	1,393	969	2,362	43	0	2,405

* *Without investments in non-current assets from acquisition of subsidiaries, please refer to the details on page 168 et seqq.*

Segment reporting by geographical region 2017 of the TAKKT Group *in EUR thousand*

	Germany	Europe without Germany	USA	Other	Group total
Sales to third parties	255,334	328,037	524,338	8,374	1,116,083
Non-current assets*	357,199	32,841	293,877	1	683,918

* *Non-current assets excluding financial instruments und deferred tax assets.*

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 168 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 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.

Mydisplays GmbH, acquired in 2017, will be assigned to the newly created newport Group as of January 1, 2018. Certeo and BiGDUG, BEG's pure web-based businesses, will then also be assigned to this new division.

The **TAKKT AMERICA** segment is reorganized since 01 January 2017. The former Specialties Group (SPG) division was subdivided into the Merchandising Equipment Group (MEG), the Restaurant Equipment Group (REG) and the Display Group (DPG). In addition, the Office Equipment Group (OEG) will remain as another division.

The Merchandising Equipment Group (MEG), consisting of the brands Hubert in the USA, Canada, Germany, France and Switzerland as well as Retail Resource in the USA, sells equipment for the food service sector and food retailers as well as promotional products and supplies. The customers of MEG include large canteens and catering businesses.

The Restaurant Equipment Group (REG), consisting of the brand Central Restaurant Products in the USA, sells restaurant equipment. Central customer group are restaurant operators.

The Displays Group (DPG), consisting of the brands Displays2go and Post-Up Stand in the USA, distributes display products for companies in a wide variety of industries.

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.

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 OF SUBSIDIARIES

Acquisition of Mydisplays GmbH in 2017

With effect from July 01, 2017, the TAKKT AG. Stuttgart/Deutschland, acquired the Mydisplays GmbH based in Burscheid/Germany. Mydisplays specializes in the product area of customized printed displays. Overall, the product range includes around 470 items. Mydisplays generated sales of EUR 2.9 million in the 2016 financial year and an EBITDA margin in the lower range of the TAKKT target range of 12 to 15 percent. The acquisition offers the opportunity to enter the display market in Europe and is an ideal addition to the existing business.

A purchase price amounting to EUR 3.0 million was agreed for the acquisition of 100 percent of the shares which was paid in cash at the execution of the transaction. In addition, another contingent and variable purchase price component of up to EUR 2.0 million was agreed. This depends on the achievement of a cumulative performance goal over two years and would be payable in the second half of 2019. No contingent consideration was recognized.

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 2017

	Fair value at acquisition date (in EUR million)
Assets	**2.0**
Other intangible assets	1.0
Property, plant and equipment	0.4
Inventories	0.2
Trade receivables	0.1
Other assets	0.1
Cash and cash equivalents	0.2
Liabilities	**1.2**
Trade payables	0.2
Other liabilities	1.0
Net assets acquired	**0.8**

The intangible assets identified as part of the purchase price allocation with a total value of EUR 0.9 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	0.6	5
Customer relationships	0.1	5
Website	0.1	3
Catalog/Online content	0.1	3
	0.9	

No contingent liabilities were recognized. The remaining excess of the consideration made for the company amounting to EUR 3.0 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 2.2 million. The goodwill reflects various factors. The most important of these is the strengthening of the portfolio in Europe. The goodwill as well as the identified intangible assets are not tax deductible.

At the time of acquisition the fair value of the receivables acquired is EUR 0.1 million. Mainly trade receivables are included, with a gross and net value of EUR 0.1 million.

Following the transfer of control in July 2017, Mydisplays contributed sales of EUR 1.5 million to the consolidated income statement. If the transaction had already been completed by January 01, 2017, the consolidated sales in 2017 would have been higher by EUR 3.2 million.

Incidental acquisition costs of EUR 55 thousand incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit. The former owner still manages the business of Mydisplays upon completion of the transaction.

Acquisition of Equip4Work Ltd. in 2018

TAKKT AG has acquired 100 percent of the shares of Equip4Work Ltd., Dumfries/Great Britain. Signing and closing of the transaction took place on January 29, 2018. The company generated sales of roughly GBP 40 million and an EBITDA margin in the low double-digit percentage range in the 2016/2017 financial year. It will become part of the newport group within the TAKKT EUROPE segment.

The purchase price, on a cash free, debt free basis, amounted to GBP 35 million. In addition to that, a further contingent and variable purchase price component of up to GBP ten million was agreed. This contingent consideration depends on the achievement of certain performance goals for the company over the next three years, and would be payable in 2021 in cash and cash equivalents.

Both purchase price allocation and first-time consolidation will take place in the first quarter of 2018. For this reason, disclosures in accordance with IFRS 3 B 66 are only made as far as the necessary information was available until the finalization of this annual report.

Based on the available figures according to UK-GAAP, management assumes that basically current and non-current assets of around GBP ten million as well as provisions and liabilities of around GBP five million will be acquired. Moreover, individually identifiable and measurable intangible assets, presumably such as customer lists and domain names, will be capitalised as intangible assets as part of the purchase price allocation. The remaining excess amount of the consideration made for the company above the fair value of the individually identifiable and measurable assets and liabilities acquired will be recognised as goodwill that reflects various factors. The most important of these include assembled workforce, employee know-how and the strengthening of TAKKT Group´s strategic position in Europe.

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 amounting to EUR 450 was paid in the beginning of 2017. All payments were made exclusively 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 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 was EUR 0.2 million. Only trade receivables were 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 of 2016.

Incidental acquisition costs of EUR 2 thousand in 2016 and EUR 50 thousand in 2015 incurred as a result of the transaction were recognized under Other operating expenses and resulted in a lower profit in the respective year.

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*

	2017	2016
Total equity	567,822	537,762
/ Total assets	928,458	973,937
Equity ratio (in percent)	**61.2**	**55.2**
Financial liabilities	138,261	179,807
./. Cash and cash equivalents	3,053	2,267
Net financial liabilities	135,208	177,540
/ Total equity	567,822	537,762
Gearing	**0.2**	**0.3**
Average net financial liabilities	147,717	198,189
/ TAKKT cash flow	109,076	125,629
Debt repayment period (in years)	**1.4**	**1.6**
Operating result before Goodwill impairment	123,218	142,045
/ Net interest expense (= Finance expenses less Interest and similar income)	7,575	7,760
Interest cover	**16.3**	**18.3**

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 50 et seqq. and page 78 et seqq. of the annual report.

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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*

	2017	2016
Land, buildings and similar assets	11,400	12,876
Non-current finance leases	12,259	13,829
Current finance leases	1,570	1,540

As of the balance sheet date other financial obligations that correspond to the minimum lease payments amount to EUR 15,192 thousand (EUR 17,092 thousand). There are no exposures to loss according to IFRS 12 Disclosure of Interests in Other Entities.

CHANGES IN CONTINGENT CONSIDERATIONS *in EUR million*

	2017	2016
Balance at 01/01/	**3.4**	**11.6**
Additions	0.0	0.5
Disposals	−3.5	−0.5
Currency translation	−0.2	−0.5
Accrued interest	0.5	0.9
Revaluation	−0.2	−8.6
Balance at 12/31/	**0.0**	**3.4**

Contingent considerations included 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 was dependent on a three-year cumulative earnings figure. The earnings figure corresponded to the gross profit less advertising costs. The maximum payment amount was USD 12.0 million. A payout was only intended when a certain threshold amount was reached. As the management no longer expected 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 in 2016 and thus was included in the contingent considerations with an amount of EUR 3,396 thousand respectively USD 3,580 thousand as of December 31, 2016. Due to an agreement with the previous owners of Post-Up Stand, the contingent consideration was settled with a payment of EUR 3,505 thousand respectively USD 4,000 thousand in 2017.

The income from the reduction of the fair values amounting to EUR 176 thousand (EUR 8,618 thousand) was recognized in Other operating income.

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 in prior year by EUR 4,505 thousand or GBP 3,681 thousand and is still included in the contingent considerations with an amount of EUR 0 thousand.

Also included in the contingent considerations with an amount of EUR 0 thousand is a variable purchase price component of up to EUR 2.0 million agreed in connection with the acquisition of Mydisplays GmbH. This depends on the achievement of a cumulative performance goal over two years and would be payable in the second half of 2019. At present, the management does not expect that the goal will be achieved.

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 unchanged as of the balance sheet date.

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 2017 *in EUR thousand*

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	3,698	15,236	21,008	39,942
Discounting	–1,289	–4,180	–5,624	–11,093
Present value	**2,409**	**11,056**	**15,384**	**28,849**
Operating leases				
Minimum lease payments	10,091	25,470	8,722	44,283

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

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 266 thousand (EUR 556 thousand).

STAFF PARTICIPATION MODEL

In 2017 executives of the TAKKT Group again had the option of subscribing for TAKKT Performance Bonds. The term of the TAKKT Performance Bonds is five years. Premature termination is only permitted in specific cases. The interest rate of the subordinated TAKKT Performance Bonds is calculated annually. It includes a basic interest yield plus a subordination premium, plus a positive respectively minus a negative TAKKT value added spread. The minimum yield is zero percent per annum. The maximum yearly yield is capped. The TAKKT value added is defined as the difference between the operating profit after tax generated by the company and the cost of capital on the average capital employed. The profit after taxes is defined as EBIT (adjusted for amortization of intangible assets from the acquisition of companies), reduced by the Income tax expense and increased by the Other financial result. The TAKKT Performance Bonds amount to EUR 4,583 thousand (EUR 2,756 thousand) and are disclosed as Other under Financial liabilities. An interest expense of EUR 389 thousand (EUR 194 thousand) was posted in the year under review.

Additionally, German employees had again the opportunity to purchase employee shares in the year under review. Shares acquired at the stock exchange for this purpose were sold to employees in early 2017. In total, 13,275 (16,320) shares were acquired by 355 (406) employees. This corresponds to a participation of 31.3 (37.4) percent of all eligible persons.

GERMAN CORPORATE GOVERNANCE CODE

The declaration on the recommendations made by the Government Commission of the German Corporate Governance Code required under section 161 AktG was issued as of December 31, 2017 and made available to the shareholders on the web site of TAKKT AG (see page 102 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 Haniel Group		Total	
	2017	2016	2017	2016	2017	2016	**2017**	2016
Turnover/Other income	5	20	444	371	59	149	508	540
Other expenses	1,344	929	62	57	142	0	1,548	986
Finance expense	132	518	0	0	0	0	132	518
Receivables	0	0	46	56	4	2	50	58
Long-term payables	0	0	0	0	0	0	0	0
Short-term payables	7,702	26,105	1	4	0	0	7,703	26,109
Other financial obligations	621	564	0	0	0	0	621	564

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 103 et seqq.

The fixed salaries and fringe benefits to the Management Board during the financial year amounted to EUR 1,155 thousand (EUR 1,148 thousand).

The reported expenditure for the bonus of EUR 1,611 thousand (EUR 1,600 thousand) includes an excess expenditure with respect to the provision from the previous year of EUR 149 thousand (release of provisions of EUR 60 thousand in the previous year).

The fair value measurement of the performance cash plans of the previous years resulted in income that exceeded the expense for the plan newly established in 2017 in absolute terms. The resulting total income came to EUR 161 thousand (EUR 2,589 thousand) in the year under review. The fair value of the performance cash plans 2014, 2015, 2016 and 2017 (2013, 2014, 2015 and 2016) as well as the respective provision come to EUR 3,305 thousand (EUR 4,486 thousand) as of the end of the reporting period.

EUR 441 thousand (EUR 434 thousand) were recognized as service cost in 2017. As of the reporting date, the defined benefit obligation for the Management Board members amounted to EUR 5,324 thousand (EUR 4,635 thousand).

In total, the expense for the remuneration of the Management Board in 2017 financial year according to IFRS amounts to EUR 3,046 thousand (EUR 5,771 thousand).

As of December 31, 2017, the TAKKT Management Board members held 536 (536) shares. There are liabilities to members of the Management Board from TAKKT Performance Bonds of EUR 1,044 thousand (EUR 653 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 866 thousand (EUR 610 thousand). In the financial year, the Management Board members voluntarily contributed EUR 100 thousand (EUR 70 thousand) from the bonus to this plan.

Payments to retired Management Board members amounted to EUR 778 thousand (EUR 616 thousand). The pension provision for former members amounts to EUR 7,008 thousand (EUR 6,847 thousand).

Supervisory Board

Remuneration paid to the TAKKT AG Supervisory Board amounted to EUR 400 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 14 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, 2017, the Supervisory Board members held 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 107.

FEES FOR GROUP AUDITOR *in EUR thousand*

	2017	2016
Audit services	380	375
Other assurance services	12	18
Tax advisory services	0	0
Other services	104	170
	496	**563**

Other assurance services include EMIR audits, the audit of the subgroup accounts of TAKKT AMERICA and the TAKKT Performance Bonds.

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 2018 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, 2017.

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
Mydisplays GmbH, Burscheid

SUBSIDIARIES WITHIN TAKKT AG, STUTTGART, AS OF DECEMBER 31, 2017

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	2/29	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	Mydisplays GmbH, Burscheid/Germany	1	100.00
21	gaerner GmbH, Duisburg/Germany	2	100.00
22	gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
23	gaerner AG, Zug/Switzerland	2	100.00
24	Powell Mail Order Ltd., Llanelli/Great Britain	10	100.00
25	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
26	Gerdmans Kontor-og Lagerudstyr A/S, Nivaa/Denmark	25	100.00
27	Gerdmans Innredninger AS, Sandvika/Norway	25	100.00
28	Gerdmans OY, Espoo/Finland	25	100.00
29	KWESTO Service s.r.o., Prague/Czech Republic	2/7	99.93/0.07
30	KWESTO s.r.o., Prague/Czech Republic	29	100.00
31	KWESTO Kft., Györ/Hungary	29	100.00
32	KWESTO Sp. z o.o., Wroclaw/Poland	29	100.00
33	KWESTO Service s.r.l., Ramnicu Valcea/Romania	29	100.00
34	KWESTO s.r.o., Nitra/Slovakia	29	100.00
35	KAISER+KRAFT (China) Commercial Co. Ltd., Shanghai/People's Republic of China	2	100.00
36	UBEN Unternehmensberatung Enzinger GmbH, Waldkirchen/Germany	2	100.00
37	BEG GmbH, Stuttgart/Germany	2	100.00
38	Certeo Business Equipment GmbH, Stuttgart/Germany	2	100.00
39	VHZ Versandhandelszentrum Pfungstadt GmbH, Pfungstadt/Germany	1	100.00
40	BiGDUG Ltd., Gloucester/Great Britain	2	100.00
41	eMazing Advertising Ltd., Gloucester/Great Britain	40	100.00
42	Shelving 247 Ltd., Gloucester/Great Britain	40	100.00
43	Racking.com (UK) Ltd., Gloucester/Great Britain	40	100.00
44	Speedyshelving Ltd., Gloucester/Great Britain	40	100.00
45	Ratioform Holding GmbH, Pliening/Germany	1	100.00

No.	Group companies	held by no.	interest %
46	Ratioform Verpackungen GmbH, Pliening/Germany	45	100.00
47	Ratioform Imballaggi S.r.l., Calvignasco/Italy	45	100.00
48	Ratioform Embalajes, S.A., Sant Esteve Sesrovires/Spain	46	100.00
49	Ratioform Verpackungen AG, Regensdorf/Switzerland	46	100.00
50	R.F. Verpackungsmittel-Versand G.m.b.H., Vienna/Austria	46	100.00
51	Davenport Paper Co. Ltd., Derby/Great Britain	46	100.00
52	Davpack AB, Markaryd/Sweden	46	100.00
53	TAKKT America Holding, Inc., Milwaukee/USA	1	100.00
54	Hubert Service North America LLC, Harrison/USA	53	100.00
55	Hubert Company LLC, Harrison/USA	53	100.00
56	Hubert Hong Kong Ltd., Hong Kong/China	54	100.00
57	SPG U.S. Retail Resource LLC, Harrison/USA	53	100.00
58	Hubert Distributing Company Ltd., Markham/Canada	53	100.00
59	Central Products LLC, Indianapolis/USA	53	100.00
60	George Patton Associates, Inc., Fall River/USA	53	100.00
61	Suntwist Corp., Maple Heights/USA	53	100.00
62	TRT Banners LLC, Pepper Pike/USA	53	100.00
63	Popupbanner LLC, Deerfield Beach/USA	53	100.00
64	Vinylbanner LLC, New York/USA	53	100.00
65	Hubert Europa Service GmbH, Pfungstadt/Germany	2	100.00
66	Hubert GmbH, Pfungstadt/Germany	65	100.00
67	Hubert Schweiz AG, Zug/Switzerland	65	100.00
68	Hubert S.A.S., Morangis/France	65	100.00
69	NBF Service LLC, Milwaukee/USA	53	100.00
70	National Business Furniture LLC, Milwaukee/USA	53	100.00
71	Dallas Midwest LLC, Dallas/USA	53	100.00
72	Officefurniture.com LLC, Milwaukee/USA	53	100.00

No.	Associated companies	held by no.	interest %
73	Simple System GmbH & Co. KG, Munich/Germany	2	33.00
74	printmate GmbH, Berlin/Germany	19	30.00

REPRESENTATIVE BODIES AS OF DECEMBER 31, 2017

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 (until May 23, 2017)
Member of the Board of Directors of JetBlue Airways Corp., New York/USA
Member of the Advisory Board of Flughafen Zürich AG, Kloten/Switzerland (since April 20, 2017)

Dr. Johannes Haupt, Karlsruhe, born June 29, 1961
Deputy Chairman
Chairman of the Management Board 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

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 CECONOMY AG, Düsseldorf
Member of the Supervisory Board of Vonovia SE, Bochum
Member of the Supervisory Board of METRO AG, Düsseldorf (since March 02, 2017)

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 (until May 10, 2017)
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 21, 1968
General Manager of Microsoft Austria, Vienna

Christian Wendler, Hameln, born July 24, 1962 (since May 10, 2017)
Chairman of the Management Board of Lenze SE, Aerzen
Member of the Supervisory Board of Weidmüller AG, Detmold (until October 09, 2017)
Member of the Supervisory Board of Lenze Operations GmbH, Aerzen
President of the Advisory Board of Lenze Bachofen AG, Uster/Switzerland

MANAGEMENT BOARD

Dr. Felix A. Zimmermann, Stuttgart, born June 27, 1966
Chairman of the Management Board, CEO
President of the Board of Crowdfox GmbH, Köln (since September 25, 2017)

Dr. Heiko Hegwein, Hochberg, born February 06, 1974 (since February 01, 2018)
Member of the Management Board

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 28, 2018
TAKKT AG
The Management Board

Dr. Felix A. Zimmermann   Dr. Heiko Hegwein   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 28, 2018
TAKKT AG
The Management Board

Dr. Felix A. Zimmermann | Dr. Heiko Hegwein | Dirk Lessing | Dr. Claude Tomaszewski

INDEPENDENT AUDITORS' REPORT

To the **TAKKT AG, Stuttgart**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of **TAKKT AG**, **Stuttgart**, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the management report of TAKKT AG and the TAKKT Group (referred to subsequently as "combined management report"), Stuttgart, for the financial year from January 1 to December 31, 2017. In accordance with the German legal requirements we have not audited the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code in the combined management report, which contains the declaration on corporate governance as well as the non-financial group declaration included in the section "Sustainability and Employees", has not been audited by us with regard to content.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to section 315e(1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code as well as the non-financial group declaration included in the section "Sustainability and Employees" contained therein.

Pursuant to section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

1. Impairment of goodwill
2. Existence and measurement of trade receivables

On the first matter: Impairment of goodwill

a) The financial statement risk

As at the end of the reporting period, the consolidated statement of financial position shows goodwill with a carrying amount of EUR 513.9 million. This corresponds to 55.3% of total assets and 90.5% of total equity.

The company's disclosures regarding goodwill are contained in sections 1, 2(6) and 3(12) of the notes to the consolidated financial statements.

In accordance with IAS 36.90, cash-generating units to which goodwill has been allocated must be tested for impairment at least once annually.

Impairment of goodwill was tested based on its recoverable amounts. The recoverable amounts of the respective cash-generating units are determined by the company based on the present values of future cash flows using discounted cash flow models. The planning, prepared by management, which takes into consideration current developments based on long-term assumptions, are extrapolated for subsequent years. The result of these measurements depends largely on the managers' planning assumptions and assessments of future cash inflows as well as on the respective discount rates used for the measurement models. The measurements are therefore subject to a high degree of uncertainty. As a result, this matter was of particular significance to our audit.

b) Audit approach and conclusions

In our audit, we performed a plausibility check on the planning which formed the basis of the impairment tests of goodwill. We also tested this for a possible biased exercise of discretion.

In addition to checking the plausibility of the underlying planning, we also assessed adherence to the budget by comparing the previous year's budget numbers with the actual amounts realized.

We paid special attention to goodwill for which the recoverable amount of the cash-generating unit approximates its carrying amount.

In addition, we evaluated the calculation methods used in terms of their methodical approach and the derivation of the discount rates, as well as with regard to mathematical accuracy in samples.

We validated the calculation results of the client by means of additional analyses, which also included sensitivity analyses.

In our view, the measurement parameters and assumptions used by management are generally appropriate for testing the impairment of goodwill. Overall, the valuation parameters and assumptions used by management are in line with our expectations.

On the second matter: Existence and measurement of trade receivables

a) The financial statement risk

The Group is a portfolio of B2B direct marketing specialists for business equipment. It is therefore our view that trade receivables are of particular importance for our audit both with respect to the carrying amount as at the end of the reporting period as well as with regard to the transaction volume and the measurement of the default risk in the financial year.

The total carrying amount of trade receivables shown in the consolidated statement of financial position as at the end of the reporting period is EUR 102.9 million. This corresponds to 11.1% of total assets and 18.1% of total equity.

The company's disclosures with regard to trade receivables are contained in sections 1 and 3(17) of the notes to the consolidated financial statements.

Trade receivables are accounted for at amortized cost. In addition to the required individual value adjustments, trade receivables are subject to a flat rate allowance for identifiable general credit risks, the age of the receivables and past experience. This flat rate allowance is applicable due to the large number of trade debtors in the direct marketing business.

b) Audit approach and conclusions

Due to the high transaction volume, we assessed the processes and controls implemented by the Group for the recognition of trade receivables. In the structural and functional audit, focus was placed on the conformity and functionality of processes in the system. In particular, the invoicing procedure at the time of the transfer of economic ownership and the consistency of the master data was reviewed. In addition, the processes for the registration of new customers, credit checks and payment reminder mechanisms were reviewed.

The existence of trade receivables was reviewed by obtaining balance confirmations as well as through alternative audit procedures on a sample basis.

With respect to the measurement of trade receivables, the appropriateness of the required individual value adjustments was evaluated, as was the flat rate allowance. The amount of the general valuation adjustments was validated based on the age structure as well as past experience with respect to factors such as collection costs and cash discounts deducted.

From our point of view, the processes and internal controls are set up and documented in such a way that they are in principle suitable for enabling a proper recognition and appropriate valuation of trade receivables.

Other information

The Management Board is responsible for the other information. The other information comprises:

- the Group's non-financial statement included in the section "Sustainability and Employees" of the combined management report,
- the other parts of the annual report, except the audited consolidated financial statements and the combined management report as well as our audit opinion,
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, which also includes the group declaration on corporate governance, and
- the confirmation pursuant to section 297(2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to section 315(1) sentence 5 HGB regarding the group management report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the Management Board is responsible for such internal control, as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of the accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about of the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 10, 2017. We were engaged by the Supervisory Board on September 13, 2017. We have been the group auditor of the TAKKT AG, Stuttgart, without interruption since the financial year 1999.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITORS RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Mr. Karsten Bender.

Stuttgart, February 28, 2018
Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Christoph Eppinger
Wirtschaftsprüfer (German Public Auditor)

Karsten Bender
Wirtschaftsprüfer (German Public Auditor)

GLOSSARY

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

B2B OR BUSINESS-TO-BUSINESS
Supplier and customer relationships 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 | Burscheid | Duisburg | Groß-Gerau | Haan | Halle | Kamp-Lintfort | Köln | Leinfelden-Echterdingen | München | Nürnberg | Pfungstadt | Pliening/Landsham | Reinbek | Remda-Teichel | Schönaich | Schöneiche | Stuttgart | Waldkirchen | Weil der Stadt **FINLAND** Espoo **FRANCE** Morangis **GREAT BRITAIN** Derby | Dumfries | Gloucester | Hemel Hempstead | London | Mitcheldean | Stoke-on-Trent **ITALY** Calvignasco | Lomazzo **NETHERLANDS** Lisse **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 | 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 2018

JANUARY 11	ODDO BHF FORUM, LYON
JANUARY 17	UNICREDIT AND KEPLER CHEUVREUX GCC, FRANKFURT
FEBRUARY 15	PUBLICATION OF PRELIMINARY FIGURES FOR 2017
MARCH 21	PUBLICATION OF THE ANNUAL REPORT 2017 ANALYSTS' CONFERENCE, FRANKFURT
MARCH 22	CRÉDIT MUTUEL CIC ESN EUROPEAN CONFERENCE, PARIS
APRIL 10–12	SPRING ROADSHOW
APRIL 18	BANKHAUS LAMPE GERMAN CONFERENCE, BADEN-BADEN
APRIL 26	QUARTERLY STATEMENT 1/2018
MAY 8	SHAREHOLDERS' MEETING, LUDWIGSBURG
MAY 15	BANKERS' DAY, STUTTGART
MAY 22–23	BERENBERG EUROPEAN CONFERENCE USA, TARRYTOWN, NEW YORK
JULY 26	HALF-YEAR FINANCIAL REPORT 2018
AUGUST 30	COMMERZBANK SECTOR CONFERENCE, FRANKFURT
SEPTEMBER 25	BERENBERG AND GOLDMAN SACHS GCC, MUNICH
OCTOBER 25	QUARTERLY STATEMENT 3/2018
NOVEMBER 13–15	FALL ROADSHOW
NOVEMBER 27	EQUITY FORUM, FRANKFURT

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