ANNUAL REPORT OF THE TAKKT GROUP 06

TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

Key figures of the TAKKT Group in EUR million under IFRS

	2002	2003	2004	2005	2006
Turnover	783.7	713.9	727.6	773.2	958.5
Change in %	–4.9	–8.9	1.9	6.3	24.0
EBITDA	85.7	80.1	87.2	98.4	119.5
in % of turnover	10.9	11.2	12.0	12.7	12.5
EBITA	75.1	70.3	78.2	88.9	105.2
in % of turnover	9.6	9.8	10.7	11.5	11.0
EBIT	57.0	53.9	62.5	88.9	105.2
in % of turnover	7.3	7.5	8.6	11.5	11.0
Profit before tax	39.0	40.6	51.5	78.7	92.9
in % of turnover	5.0	5.7	7.1	10.2	9.7
Profit	24.5	24.4	33.0	50.4	62.5
in % of turnover	3.1	3.4	4.5	6.5	6.5
Cash flow	53.3	51.8	60.5	65.5	81.7
Capital expenditure (incl. acquisitions and finance leasing)	8.6	9.8	8.6	8.9	72.0
Depreciation	28.7	26.1	24.7	9.5	14.3
Cash flow per share in EUR	0.73	0.71	0.83	0.90	1.12
Earnings per share in EUR	0.33	0.33	0.44	0.68	0.84
Dividend per share in EUR	0.10	0.10	0.15	0.15	0.25
Non-current assets	358.6	321.7	291.3	310.3	352.5
in % of total assets	66.4	67.0	63.6	62.1	61.5
Shareholders' equity	149.6	157.2	181.1	230.6	273.2
in % of total assets	27.7	32.8	39.6	46.1	47.7
Net borrowings	285.7	234.3	182.3	156.5	164.8
Employees (full-time equivalent) as of 31.12.	1,914	1,860	1,840	1,868	2,027

Acting
globally together

TAKKT is the leading B2B mail order company in Europe and North America for office, business and warehouse equipment. We employ more than 2,000 people globally who do excellent work serving our three million customers. Our success is based on our efficient and stable systems business, which we have consistently perfected. TAKKT Group companies pool the offers of hundreds of suppliers creating one product range with more than 120,000 high-quality products. Our customers can cover their entire equipment needs from one source. We offer services before, during and after delivery. Customers in more than 25 countries are currently benefiting from this offer. TAKKT will continue growing dynamically by transferring its business model to new and promising markets. Our target: we aim to become the leading global B2B mail order group for business equipment.

SUMMARY

MANAGEMENT BOARD

MANAGEMENT REPORT

DIVISIONS

Global
Desk

We operate in many parts of the world with our successful business model and are continuously adding new locations. This requires our staff to have extensive expertise and great commitment. At the same time, our increased international reach is opening up new opportunities for colleagues around the world. Employees can now change locations and get to know other markets and cultures and play an active role in building up new national companies.

Find out more about intercompany and cross border cooperation between TAKKT staff members from page 38 onwards.

Ladies and Gentlemen

Record sales, profitability and internationalisation – these three terms describe the year 2006 for TAKKT AG in a nutshell. We would like to use this annual report to highlight what has made this success possible: the extraordinary commitment of our employees. During the past financial year they again made an exceptional effort and that is why I can now report record figures.

Increase in turnover higher than expected

The TAKKT team worked so successfully that the Management Board was able to increase its forecast for currency-adjusted turnover growth twice: in August from 18 to 20 percent and up again in November by three further percentage points. In the end we reached a turnover of EUR 958.5 million, which is a currency-adjusted increase of 24.4 percent against the previous year. Excluding the turnover of National Business Furniture Group (NBF), which was acquired at the beginning of 2006, turnover grew organically by 10.1 percent. Profit before tax was also up to EUR 92.9 million, i.e. 18.1 percent against 2005. This fact is particularly positive considering that additional start-up expenses for new and young companies in China, Belgium, Austria and France had to be absorbed.

The positive economic situation, especially in Europe, has been a supporting factor. But I would like to stress that TAKKT has performed considerably better than the economies we are operating in. We have been able to accomplish this because our strategy is right: we have on the one hand enhanced our existing business through excellent service and new product offers and on the other hand accessed new markets with newly founded companies and an acquisition. Takeovers such as NBF may seem at first glance to be a comparatively

GEORG GAYER
CHIEF EXECUTIVE OFFICER

easy way to generate growth because we save the start-up effort. But whether or not the integration into the Group is ultimately a success depends on the people involved. I am impressed how quickly TAKKT and NBF staff have turned into a team. I would like to thank all parties involved.

Shareholders to get a considerably higher dividend

Our success in 2006 will of course have an effect on the dividend for shareholders. We are planning to increase the dividend by 67 percent. Subject to the approval of the Annual General Meeting, shareholders would then get 25 cent per share. This would once again ensure that shareholders participate in the positive business development of TAKKT AG.

When we pay dividends in May, the financial year 2007 will have progressed quite far and TAKKT AG will most likely be a big step closer to its targets. These are an organic increase in turnover of at least four percent and further increased profitability. A sign of our optimism is that we have decided to raise our long-term target corridor for our EBITDA margin. Previously this range was between ten to twelve percent, but from now on the benchmark is eleven to 13 percent. For the financial year 2007, we are aiming at a figure in the upper half of the target corridor. However, we cannot expect support from the economy. According to experts, the economic situation is going to cool down in Europe and particularly in the USA in 2007.

TAKKT enhancing strategic advantages

Why am I promising you at this point that we are going to be successful? Because TAKKT will continue to fully exploit the potential of the B2B mail order business. In existing markets we can drive growth by extending our high-quality product range and perfect service levels. This means accessing new customer groups with new product ranges where there is potential. In 2007 we are going to prepare the start of our successful Hubert business in Europe. In addition to that we will expand into new regions. The advantage of this approach is that the more we broaden our base in terms of countries, product ranges and customer groups, the more we reduce our dependencies.

Nonetheless, it is essential that the people with the right know-how are in the right places. This applies to every staff member and in particular to Management Board members. To enhance the expertise in the Management Board we have decided to expand it. After Alfred Milanello retired last July, two new Board Members were appointed: Belgian Didier Nulens from Topdeq and the US American Thomas Loos from K + K America. This means that all divisions are represented on the Management Board and that it reflects the international orientation of the Group.

Thanking employees, customers and business partners

I would like to start off by thanking our customers for the great trust they put in us in 2006 and our business partners for their excellent cooperation. My great appreciation goes out to our employees. Thanks to their dedication we are able to expand our market leadership. I am looking forward to continuing along this path with them!

Stuttgart, March 2007

Georg Gayer, CEO TAKKT AG

"Successful teamwork at all levels –
this is the basis of our Group's strength."

Management Board

From left to right:

DR FLORIAN FUNCK
CFO

THOMAS LOOS
COO K + K AMERICA DIVISION

DIDIER NULENS
COO TOPDEQ DIVISION

GEORG GAYER
CEO

FRANZ VOGEL
COO KAISER + KRAFT EUROPA DIVISION

"Todos los índices sustanciales han mejorado en el año 2006."
"All key figures have improved in 2006."

MANAGEMENT REPORT

TAKKT AG and Group Management Report

IN THE LAST FINANCIAL YEAR TAKKT CONTINUED ON ITS GROWTH TRACK. SERVICE AND PRODUCT RANGES WERE FURTHER OPTIMISED IN DIFFERENT WAYS. AS A RESULT THE GROUP WAS ABLE TO ENHANCE AGAIN ITS MARKET POSITION AND IMPROVE ITS KEY FIGURES.

ECONOMIC CONDITIONS AND BUSINESS DEVELOPMENT

IN GENERAL THE GLOBAL ECONOMY DEVELOPED WELL IN 2006. IN THIS POSITIVE ENVIRONMENT TAKKT WAS ABLE TO GROW MORE THAN THE ECONOMIES IN WHICH THE GROUP OPERATES. THE EARNINGS SITUATION ALSO IMPROVED. THIS CAN BE ATTRIBUTED TO THE DIVERSIFIED PRODUCT RANGE AS WELL AS THE TARGETED INVESTMENT INTO GAINING NEW CUSTOMERS AND RETAINING EXISTING ONES.

Global economic recovery

After the global economy lost momentum in 2005, a recovery was recorded in the year under review, especially in Europe. The economic situation in North America remained largely stable.

In Germany, TAKKT's largest European market, the economy grew by 2.7 (0.9) percent. European growth was 2.7 (1.4) percent, while the US gross domestic product (GDP) increased by 3.5 (3.2) percent.

TAKKT also relies on a number of purchasing manager indices as leading indicators in addition to GDP growth rates. The Group derives economic forecasts for the next three to eight months from these indicators. Figures above 50 points indicate that the volume of the respective market is growing and that sales opportunities are improving.

The US purchasing manager index averaged about 54 as in the previous year. In Europe and Germany the respective indices increased and averaged around 56 or 58 points, in some cases even above that level. In 2005 both indices temporarily slipped below 50 points.

Business model as a competitive advantage

TAKKT offers business customers a diversified product range. The Group focuses on the sale of price insensitive durable goods via mail order.

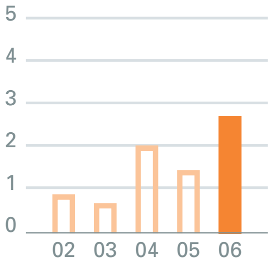
The TAKKT business model has several advantages. Specialised mail order companies serving a clearly defined market segment have been developing better than multi-range generalists who address all target groups equally and carry a range spanning all product categories.

Specialised mail order companies also have a number of advantages against specialised brick and mortar retailers. They carry a huge range of products as a single source, which is clearly laid out in printed or electronic catalogues. The majority of goods are always in stock and immediately available to customers. This offer is complemented by comprehensive expert services. Customers benefit from tailored solutions which fit their specific needs. B2B mail order is the most efficient way to buy business equipment.

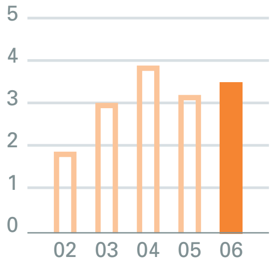
Market share increased

Thanks to the advantages of the TAKKT business model, the Group was able to expand its competitive position in a positive environment. Management is assuming that the market in individual countries for price insensitive durable goods is growing in line with the GDP. As TAKKT achieved considerably higher growth rates than the GDP of those countries in which the Group is operating, it has gained market share.

GDP Europe
Change in percent



GDP USA
Change in percent



Customer growth has also had a positive impact on the business of the Group. TAKKT was not only able to expand the business it conducts with existing customers but it also increased its customer base. Additional growth was triggered by the continually improved product and service ranges, the NBF acquisition as well as young companies founded in the past years. In addition 2006 saw three companies commence operations in promising countries. These will support the dynamic growth of the Group in the future.

Efficient management thanks to key figure systems

As the TAKKT business model is similar across regions and product ranges, management can control operative companies using a standard system of key figures. Receiving information about business development in a timely manner is another element of efficient management. Individual companies keep the TAKKT Management Board up-to-date by submitting daily reports on order entry and turnover development. Gross margins and delivery levels are also closely monitored.

TAKKT uses the EBITDA margin as an indicator for operative profitability in individual national companies. This figure eliminates the effects of differing tax rates and finance structures. As this figure is also before depreciation and amortisation a comparison between existing and newly acquired companies is possible. The Group has now defined a long-term target corridor of eleven to 13 percent and has therefore raised its existing target corridor by one percentage point.

In addition TAKKT uses Economic Value Added® (EVA®). In contrast to EBITDA, which is an operating key figure to assess short-term profitability, EVA® is a strategic controlling tool. It shows if TAKKT is sustainably meeting interest rate demands of equity and debt investors, if the Group is growing profitably and if investments and acquisitions are enhancing value. Profitability – in relation to invested capital – and cost of capital are compared. Internal calculations show that EVA® has increased again in 2006 and that TAKKT therefore achieved profitable growth.

Divisions influencing Group development

The Group's controlling company TAKKT AG operates as a management holding taking on a strategic management role. Operating business itself is conducted in three divisions. The health of TAKKT AG's earnings and financial position as well as opportunities and risks in its future development are very much dependent on the results of its subsidiaries and divisions.

Information according to Takeover Guideline Implementation Law

According to section 289 paragraph 4 and section 315 paragraph 4 no. 1 - 9 German Commercial Code (HGB) the following information has to be provided, as far as relevant for TAKKT AG and the Group:

Issued capital of the TAKKT AG amounting to EUR 72,900,000 is divided into 72,900,000 no name no-par-value shares. These are not subject to any restrictions regarding voting rights or the transfer of shares.

TAKKT AG is a 72.7 percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg. In addition there are no other shareholders holding more than ten percent of voting rights.

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

In accordance with the resolution of the Annual General Meeting (AGM) on 3 May 2005, the Management Board is authorised to increase the issued capital subject to the approval of the Supervisory Board, once or several times, by an amount of up to EUR 36,450,000, by issuing new bearer shares until 7 May 2010, taking stockholders subscription rights into account.

In addition, the Management Board is authorised according to the resolution of the AGM on 31 May 2006 and subject to section 71 paragraph 1 no. 8 AktG to buy own shares to an amount of ten percent of issued capital. A reverse subscription right or respectively a right to tender in the case of purchase and a subscription right in the case of a sale of shares are excluded. The company can execute this authorisation in total or in smaller amounts, once or several times, in the pursuit of one or more objectives until 29 November 2007.

Unless stated otherwise the points covered in sections 289 paragraph 4 and 315 paragraph 4 no. 1 - 9 HGB are not relevant for TAKKT AG or the TAKKT Group.

The Management Board has looked into mandatory disclosure as prescribed by section 289 paragraph 4, section 315 paragraph 4 HGB and section 120 paragraph 3 AktG. It confirms the principles laid down at TAKKT and does not see any need for change. Mandatory disclosure pertaining to details in capital structure is reflected in the current statutes of TAKKT.

Dependence report issued

Franz Haniel & Cie. GmbH, Duisburg, is the majority owner of TAKKT AG. The Management Board has provided the Supervisory Board with a report on relations with affiliated companies, as stipulated in section 312 AktG. The dependence report comes to the following conclusion:

"In summary we can state that TAKKT AG received adequate consideration for transactions undertaken in the circumstances known to us at the time. We also state that we are convinced that the company was not put at a disadvantage by the transactions reported."

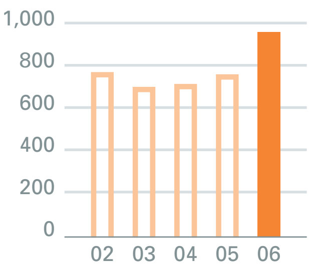
TURNOVER AND EARNINGS SITUATION

AS THE MANAGEMENT HOLDING, TAKKT AG IS THE UMBRELLA WHICH UNITES DIFFERENT COMPANIES FROM THE EQUIPMENT B2B MAIL ORDER BUSINESS DIVIDED INTO THREE DIVISIONS. ALL DIVISIONS HAVE CONTRIBUTED TO TURNOVER AND OPERATING RESULTS BEING INCREASED ONCE AGAIN.

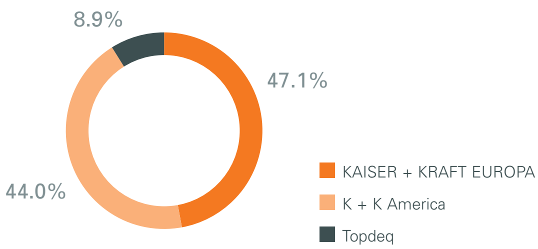
Positive turnover development

In the last financial year TAKKT generated a turnover of EUR 958.5 (2005: 773.2) million. Compared to 2005 this marks an increase of 24.0 percent or 24.4 percent when assuming stable exchange rates. This increase is partly attributable to the NBF Group which was acquired at the beginning of 2006. But even in acquisition and currency-adjusted terms, TAKKT Group has grown by 10.1 percent. All three divisions contributed to this result. In general, customer and order numbers as well as average order values have increased in the Group.

Turnover
in EUR million



Turnover
by division



Total turnover at KAISER + KRAFT EUROPA was up by 12.5 percent to EUR 451.2 (401.3) million in a generally positive economic environment. Almost all companies generated good growth rates. This applied especially to subsidiaries in Scandinavia, Southern and Eastern Europe, Benelux, Switzerland and Germany. In 2006, KAISER + KRAFT EUROPA generated 47.1 (51.9) percent of Group turnover.

Overall, the Topdeq division developed positively and closed the financial year with turnover of EUR 86.0 (82.1) million. Compared to 2005, this is an increase of 4.8 percent. In currency-adjusted terms the increase would have been 4.9 percent. Topdeq accounted for 8.9 (10.6) percent of Group turnover.

K + K America achieved considerable growth of 46.8 percent throughout the year in part due to the acquisition of NBF Group and generated a turnover of USD 528.8 (360.2) million. Translated into the reporting currency of euro this amounted to EUR 421.5 (290.0) million, an increase of 45.3 percent against 2005. Especially US companies like Hubert and NBF, with a predominant service sector customer base, developed very positively. C&H in Mexico and Hubert in Canada also reported very good growth rates. In acquisition-adjusted terms, turnover was up by 8.6 percent to USD 391.2 (290.0) million including some larger orders. K + K America generated 44.0 (37.5) percent of TAKKT Group's turnover.

The NBF acquisition in particular resulted in a shift in the regional distribution of Group turnover. In Germany, TAKKT generated EUR 201.4 (184.0) million, which is 21.0 (23.8) percent of total turnover. In other European markets turnover amounted to EUR 316.4 (281.7) million or 33.0 (36.4) percent. North American companies generated EUR 436.8 (305.1) million, 45.6 (39.5) percent of the Group's turnover. TAKKT Group generated a turnover of EUR 3.9 (2.4) million in all other regions, which amounts to 0.4 (0.3) percent of Group turnover.

Customer numbers and average order values up

All value and growth drivers developed positively in the financial year 2006. TAKKT gained many new customers organically as well as through the acquisition of NBF. The total number of orders was up by 10.2 percent. Average order values rose from EUR 375 to 423 or by 12.7 percent. This increase is mainly due to repositioning Topdeq and the first-time consolidation of the NBF Group.

The TAKKT sales and marketing strategy 2006 was again the basis of successful business development. In recent years the Group has invested increasing efforts into expanding its customer base, largely regardless of the prevailing economic situation. One of these measures has been to increase the number of catalogues produced as well as sending approximately 50 percent of all catalogues and mailings to potential customers. This has resulted in a continually expanding customer base. Experience has shown that investment in gaining new customers pays off in any economic situation. In buoyant economic phases the number of orders and the average order value per customer generally tend to increase. If the economy weakens, gaining new customers compensates for decreasing order frequency from existing customers.

E-business continues to gain significance

TAKKT is not only interested in the absolute number of orders but also through which channels orders were placed in different divisions. The trend to online orders, which has been observed in the past years, continued in the year under review. Orders placed via electronic media amounted to EUR 113.7 (69.9) million. Compared to 2005, this is an increase of 62.6 percent. Online orders accounted for 12.1 (9.2) percent of the Group's total order volume and increased in all three divisions. The NBF Group even has three brands, OfficeFurniture.com, FurnitureOnline.com and OfficeChairs.com which only sell office equipment online.

TAKKT generally differentiates between two types of e-business: e-commerce and e-procurement. While e-commerce refers to online orders which are placed via different company websites, e-procurement relates to online catalogues which are integrated into customers' electronic order systems or made available on procurement market places.

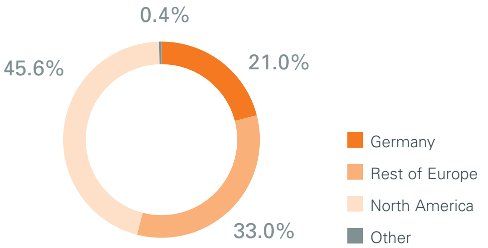
Earnings increased again

In 2006, TAKKT was able once again to increase earnings. As expected, due to the NBF acquisition the increase remained slightly below turnover growth. However, the gross profit margin continued to remain above the 40 percent mark at 40.6 (41.4) percent. In acquisition-adjusted terms, the margin even increased slightly to 41.6 percent. This is due to improved purchasing terms as well as strong growth in companies with higher gross profit margins.

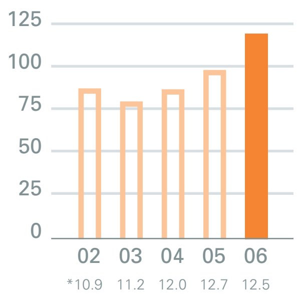
Considerably increased raw material prices during the year and subsequent pressures on freight and product costs have not had a material impact on profits. As individual company catalogues are revised three times a year, TAKKT is able to react to higher raw material prices at short notice.

Earnings before interest, tax, depreciation and amortisation of goodwill, EBITDA, increased by 21.4 percent and reached EUR 119.5 (98.4) million. Despite planned expenses for newly founded companies as well as consolidating the NBF Group, the EBITDA margin was above the long-term target corridor of ten to twelve percent at 12.5 (12.7) percent. Excluding the NBF acquisition the Group EBITDA margin increased to 13.2 percent.

Turnover
by region



EBITDA
in EUR million (margin %*)



Cash flow calculation in EUR million	2002	2003	2004	2005	2006
Profit	24.5	24.4	33.0	50.4	62.5
Depreciation	28.5	26.1	24.7	9.5	14.3
Deferred tax affecting profit	0.3	1.3	2.8	5.6	4.9
Cash flow	**53.3**	**51.8**	**60.5**	**65.5**	**81.7**

As a result of consistently high margin levels at KAISER + KRAFT EUROPA as well as expected profitability increases at the Topdeq and K + K America divisions, TAKKT management has raised the EBITDA target corridor to between eleven and 13 percent effective 2007.

Depreciation was up from EUR 9.5 to 14.3 million. This was due to the scheduled amortisation on intangible assets, which were identified in the course of the NBF Group purchase price allocation. As a result EBITA, earnings before interest, tax and amortisation, was up by 18.3 percent to EUR 105.2 (88.9) million. However, as expected, the EBITA margin dropped from 11.5 to 11.0 percent. As no impairments were made on goodwill, EBIT was also recorded at EUR 105.2 (88.9) million.

In the course of financing the acquisition of NBF Group borrowings increased – a major reason for higher interest expense. At the same time, market interest rate levels increased, especially in the case of the US dollar. There were hardly any currency effects compared to the prior year.

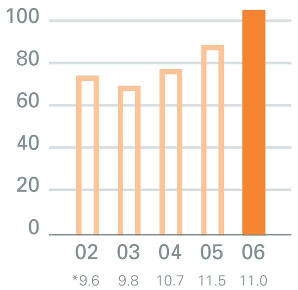
The tax rate decreased from 36.0 to 32.7 percent compared to the previous year. This can be attributed to reversals of write-downs of deferred tax assets on loss carry-forwards from the past years. Another reason is that tax rates in various European countries are lower than in North America and that the proportion of KAISER + KRAFT EUROPA in the pre-tax profits of the Group increased against 2005. Profit was up accordingly by 24.0 percent to EUR 62.5 (50.4) million, of which EUR 0.9 (0.7) million related to minority interest and EUR 61.6 (49.7) million to shareholders.

Record cash flow

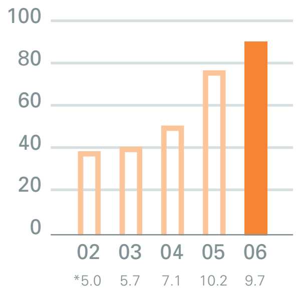
TAKKT Group's high cash flow improved by 24.7 percent yet again and reached a record value of EUR 81.7 (65.5) million. The cash flow margin amounts to 8.5 percent of turnover as in 2005.

Scheduled start-up costs for newly founded TAKKT companies were easily funded from the cash flow of established companies. Dividends to shareholders and minority interests were also covered by the cash flow. Further information on the use of the cash flow is available in TAKKT Group's cash flow statement on page 75.

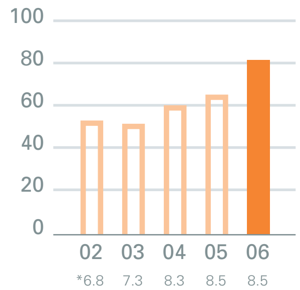
EBITA
in EUR million (margin %*)



Profit before tax
in EUR million (margin %*)



Cash flow
in EUR million (margin %*)



FINANCIAL SITUATION

THANKS TO EXCELLENT EARNINGS AND A CASH FLOW WHICH REACHED A RECORD HIGH IN 2006, THE GROUP'S BALANCE SHEET STRUCTURE REMAINED EXTREMELY STRONG. TAKKT GROUP CONTINUES TO EXHIBIT AN OUTSTANDINGLY HEALTHY FINANCIAL SITUATION – A GOOD BASIS FOR FURTHER GROWTH.

Balance sheet structure nearly unchanged

The acquisition of the NBF Group at the beginning of the financial year initially caused an increase of assets as well as debt. By the end of the year, however, TAKKT's strong internal financing capability produced a slightly improved balance sheet structure compared to the previous year.

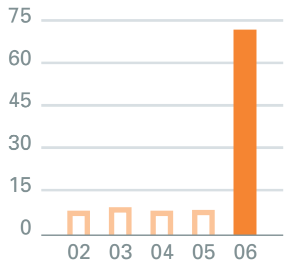
On the balance sheet date, 31 December 2006, the Group had total assets of EUR 573.1 (499.9) million. Its non-current assets were EUR 352.5 (310.3) million. Goodwill was the largest item in non-current assets with EUR 250.4 (227.5) million. The application of IFRS 3 stipulates that goodwill is no longer amortised, but that an impairment test is undertaken every year. Due to TAKKT's strong cash flow, there was no impairment of goodwill in 2006. Therefore, changes in this position are entirely due to the acquisition of NBF and currency fluctuations.

Compared to 2005, current receivables and assets rose from EUR 189.6 to 220.6 million. Total trade receivables increased as NBF Group was consolidated for the first time in 2006 and because of business development.

Payment behaviour of customers remained relatively stable over the year. However, the average collection period rose to 42 (40) days as a result of several larger orders. The write-off ratio was not affected by the NBF takeover. It remained nearly unchanged at below 0.3 percent of turnover. This low value is the result of TAKKT's efficient management of receivables and careful checks of its customers' creditworthiness. Inventory levels increased slightly in currency-adjusted terms due to increased business volumes and higher stock levels to improve delivery service levels.

Healthy financial results also significantly increased shareholders' equity to EUR 275.5 (233.0) million on 31 December 2006. The equity ratio excluding minorities increased in spite of the NBF acquisition to 47.7 (46.1) percent.

Capital expenditure*
in EUR million



*incl. acquisitions and finance leasing

The Group's net borrowings amounted to EUR 164.8 (156.5) million at 31 December 2006. TAKKT always finances acquisitions in the respective currency of the operative entities, which is US dollars in the case of NBF. In the financial year 2006, borrowings decreased by EUR 8.8 million, mainly due to fluctuations in the US dollar. The purchase of the NBF Group at the beginning of the year increased borrowings accordingly. Net repayments of EUR 52.9 million were made out of cash flow.

Covenants	2002	2003	2004	2005	2006
Equity ratio in percent	27.7	32.8	39.6	46.1	47.7
Debt repayment in years	6.0	5.0	3.5	2.6	2.3
Interest cover	4.2	5.3	7.2	8.6	8.7
Gearing	1.9	1.5	1.0	0.7	0.6

The provision for deferred tax increased from EUR 13.7 to 19.3 million, as the majority of goodwill continues to be amortised in accordance with local tax regulations, but not in accordance with IFRS, which is the basis of these financial statements. Therefore deferred tax is calculated on these differences.

TAKKT has established an efficient trade payables management system and consistently takes supplier cash discounts. As far as provisions are concerned, pension liabilities have increased due to new pension rights being granted and existing benefits being increased. However, pensions remain secondary for the Group's balance sheet – they represent a mere two percent of its total.

Other financial key figures, so-called covenants, have also improved despite the NBF acquisition in 2006. The debt repayment period, i.e. the ratio between average net borrowings and cash flow, fell slightly to 2.3 (2.6).

The ratio between net borrowings and shareholders' equity, also known as gearing, fell slightly from 0.7 to 0.6 and continued to be strong. Interest cover describes the ratio between EBITA and interest expense and rose from 8.6 to 8.7. Excluding the NBF Group, all financial figures would have shown a more significant improvement.

After consolidating the NBF Group, TAKKT still shows a very sound situation when it comes to financial health and is well positioned for further dynamic growth. This was also confirmed when negotiating terms with banks, which repeatedly signalled good ratings in one-on-one meetings.

Investment volume in long-term corridor

As planned, capital expenditure in the past financial year was up from EUR 8.9 to 72.0 million, which was mainly due to the NBF acquisition. With a total of EUR 11.5 (8.9) million, capital expenditure for rationalisation, expansion and maintenance continued to be in line with the long-term target of one to two percent of the Group's turnover. Strong business development over the past few years calls for considerable expansion investments in several locations in 2007. Further details can be found in our forecast report starting on page 31.

A large part of this year's investment was used to upgrade TAKKT's IT and communication systems. About three million euros were invested in the new, standard IT platform for the K + K America division. The software offers better data analysis possibilities and higher process efficiency. Today, four Group companies are connected to the software platform. The remaining North American businesses will follow gradually in the coming years.

TAKKT continued rolling out internet telephony, or VoIP, in Europe. In 2006, four businesses switched to internet telephony. By 2008, nearly all European companies will be connected to that system. This investment will also enhance process efficiency and service levels.

Capital expenditure TAKKT Group in EUR million	2002	2003	2004	2005	2006
Tangible assets	7.7	8.5	5.5	4.9	8.1
Intangible assets	0.9	1.3	3.1	4.0	63.7
Other financial assets	0.0	0.0	0.0	0.0	0.2
Total	**8.6**	**9.8**	**8.6**	**8.9**	**72.0***
Amortisation of goodwill	18.1	16.4	15.7	0.0	0.0
Other depreciation	10.6	9.7	9.0	9.5	14.3

*thereof EUR 60.5 million due to acquisition

RESEARCH AND QUALITY ASSURANCE

TO FULFIL CUSTOMER EXPECTATIONS BETTER, TAKKT MAKES USE OF INTENSIVE MARKET RESEARCH. THIS HAS RESULTED IN THE DEVELOPMENT OF THE COMPANY'S EPROCZONE, A LOWER-COST VERSION OF E-PROCUREMENT, WHICH STEERS, MANAGES AND DOCUMENTS THE CUSTOMER'S ENTIRE PROCUREMENT PROCESS.

Continuous adjustment to market requirements

As a B2B mail order company, TAKKT does not carry out research and development activities as such. But the Group's companies do continuously adjust their product ranges, services and catalogues to customer needs and current market requirements. The Group intends to further enhance existing strengths and eliminate weaknesses. Regular market research assists the Group to do this. The market research results are used as the basis for concrete measures such as optimising the web shop or extending offers management.

To ensure that the results are internationally comparable, TAKKT always contracts the same market research company, which applies a standardised survey system throughout the Group. In 2006, such customer surveys were conducted at Hubert and Conney in the US and at KWESTO in the Czech Republic. A representative number of customers were asked to express their degree of satisfaction with TAKKT's products, services and marketing tools in comparison to its competitors.

As in previous years, the results again confirmed that TAKKT is on track with its strategy. The companies' customers reported above average levels of satisfaction with the offered products and services. Additionally, the surveys again showed that TAKKT's customer retention levels are higher than those of other companies in the industry.

Revising KAISER + KRAFT's main catalogue was an important step towards an improved market position in Europe. The catalogue's page layout was optimised and the KAISER + KRAFT brand was enhanced with the slogan "Everything for the Business", which vividly expresses the brand's extensive products and services on offer as well as its clear customer orientation.

E-business expanded and improved

TAKKT companies are widely represented on the internet. The Group continuously improves its individual subsidiaries' websites. In addition to the traditional web shop, KAISER + KRAFT in Germany and Switzerland, as well as Gaerner in Germany and the UK have been offering online PDF catalogues since 2006. The product range is presented in exactly the same way as in the printed edition. Customers can scroll through the virtual catalogue with a mouse click and directly order items using links.

Furthermore, the Group is systematically improving its search engine marketing, to enable potential customers to find TAKKT companies as quickly as possible on the internet. Potential keywords are being continuously optimised.

Another element of e-business is e-procurement. TAKKT creates electronic catalogues which are directly integrated into the electronic purchasing systems of customers. Thanks to these systems the order process is easier, faster and more cost effective for customers, while TAKKT increases customer retention and turnover.

Implementing e-procurement solutions is however relatively costly and therefore generally only feasible for large companies. KAISER + KRAFT EUROPA therefore especially developed eprocZone for small and medium-sized companies. This more basic, lower-cost and easy to install version of e-procurement manages, administrates and documents the entire procurement process.

JOACHIM KETTELHACK
Head of Corporate Human Resources, TAKKT AG

"The objectives of human resources activities are derived from the clearly defined company strategy. This includes training and recruiting employees as well as a whole range of human resources development measures and services. As a result our employees make a major contribution to the success of TAKKT."

ISO certification proves high quality standards

Providing quality products and high service levels are top priorities for TAKKT. The Group is committed to strict quality assurance in all areas.

In TAKKT Group companies, all complaints are registered in the IT systems, categorised and analysed. Based on the results, suppliers may have to improve their packaging or product descriptions in catalogues may have to be revised.

Many European TAKKT companies are certified according to DIN EN ISO 9001:2000 or comparable standards. These standards guarantee that a company adheres to specific quality standards, e.g. in processing orders and complaints. Non-certified companies are raised to the level of certified companies through internal targets, training and ongoing checks. Certification is a clear competitive advantage for TAKKT since some customers only purchase goods from companies complying with ISO standards.

Indian Sister Felicity Morris with her foster children

Staff Members and Social Responsibility

TAKKT HAS ALWAYS TAKEN ON SOCIAL RESPONSIBILITIES AT ITS DIFFERENT LOCATIONS. IN 2006 SEVERAL CAMPAIGNS WERE INITIATED ACROSS THE GROUP. ONE INCLUDES A CHILD AID PROJECT WITH PREM DAN IN INDIA.

TAKKT is dedicated to social and ecologically responsible corporate management and understands Corporate Social Responsibility to be part of its corporate culture.

The Group's corporate activities are in line with the Global Compact Initiative that was launched in 1999 by former UN General Secretary Kofi Annan. This initiative defines a number of principles for human rights, employment and the environment.

These include

- Protecting human rights
- Abolishing forced labour
- Eradicating child labour
- Preventing corruption
- Fostering environmental awareness

Focussing on Mumbai

In addition, TAKKT has been increasing its involvement in social activities since 2006. The Group aims to support projects that promote basic and further education of children and adolescents and provide new jobs. These support activities are initially being focussed on Mumbai, better known by its old name Bombay. The Indian metropolitan city is twinned with Stuttgart, where TAKKT AG has its headquarters.

In 2006, TAKKT supported the child aid project Prem Dan. The name means "gift of love". Founded by Sister Felicity Morris, the organisation has been offering humanitarian aid in the slums of Mumbai for more than 25 years. TAKKT funded the interior of an orphanage for 4 to 16 year olds. As of 2007, the Group plans to support the aid organisation with a project that is scheduled to last several years.

TAKKT has supported further projects in Mumbai this year in addition to Prem Dan. The company has also helped two smaller aid agencies set up a computer training centre. Physically handicapped children and street children are taught how to use computers so they will be able to earn a living for themselves in the future. On top of that TAKKT has funded a training centre for orphans and street children, which is to open in 2007. Thanks to its donations, machines and tools were bought to train youths to become mechanics or tailors.

Important guiding principle – environmental friendliness

Responsible actions at TAKKT are not limited to humanitarian aid for India but are primarily the basis of all business activities. The overriding principle is that the Group refuses to sell products that were produced using child or forced labour. The Group also makes an important contribution to environmental protection in addition to this social aspect. All divisions avoid making any unnecessary environmental impact and use natural resources responsibly. In addition to that, no goods are used or sold which contain hazardous materials.

Every article in the product range is checked for its environmental friendliness. Stringent ecological controls also apply to the products TAKKT manufactures in Haan for its own brand EURO*KRAFT*. All divisions exclusively use environmentally friendly packaging material that can be recycled. Catalogues

THE DARK SIDE OF THE BOOM

Mumbai, which was called Bombay until 1995, is India's key economic centre. It is home to the stock exchange and the largest port of the country, which covers more than half of Indian foreign trade. Today the most populous city is home to almost 19 million people – and it keeps growing. In the hope of rising socially, countless people from the surrounding rural areas are moving to Mumbai. The majority fails to reach the standard of living they had aspired to. At least seven million people live in shacks at outskirts. This situation is likely to deteriorate as the prospects for slum children are anything but good. Many of them have to work to ensure the survival of their families without having the chance of attending school. This is compounded by the fact that every second child is malnourished and chronically ill.

also meet high ecological standards. Printing companies worldwide are only allowed to use non-chlorine bleached papers. Companies in Germany also have to have an ISO certification and comply with the EU Eco Audit Directive.

TAKKT promoting climate protection

With the above mentioned measures the Group is making an important contribution to climate protection. To move this issue further into the centre of attention and to emphasise the responsibility of businesses, TAKKT took part in the second German Carbon Disclosure Project in 2006. In a report 200 companies outlined how they are proactively reducing CO_2 discharges. The project was initiated by the Bundesverband Investment und Asset Management e. V. (BVI) and the World Wide Fund For Nature (WWF). Its objectives included improving the awareness of carbon dioxide emissions and therefore initiating long-term precautions to protect the future.

Extensive offer: training and further education

Taking on responsibility is a TAKKT AG principle that also applies to dealing with staff members. Their further education is of great importance to the Group and consists of three modules. Firstly, there are regular internal training sessions during which employees have the opportunity to pass on their know-how to colleagues. Secondly, TAKKT books external trainers for seminars on topics such as sales and IT. The third module is made up of training sessions at the Haniel Academy, which TAKKT AG specialists and managers regularly attend. These include seminars, e.g. on corporate analysis or personality development.

The number of these sessions is increasing as the number of employees increased again in 2006 resulting from the strong organic growth and the NBF acquisition. On 31 December 2006, TAKKT AG employed 2,027 (1,868) staff members on a full-time basis of which 892 (854) were employed in the division KAISER + KRAFT EUROPA, 192 (209) at Topdeq and 915 (778) at K + K America. The TAKKT AG holding had 28 (27) employees. On average, staff members are 40 years old.

Children in Mumbai depend on help

Bonus payments to employees

TAKKT employees make an important contribution to the success of the Group and receive an according compensation. In addition to a salary, TAKKT pays all staff members a bonus if the respective company has reached or exceeded its turnover targets. In Germany, TAKKT Group employees are eligible to buy employee shares and can therefore directly participate in the growth of the Group. In the year under review, 59.3 percent of all entitled employees bought shares, 22,005 shares in total. TAKKT AG will be making a similar offer to staff in 2007.

As managers have an additional responsibility for the development of the Group, they are subject to special compensation schemes. Middle-level managers' pay depends on the operative results of their company and whether they have fulfilled their individually agreed targets. Top management is compensated according to the cash flow generated and the EVA®. Detailed information on this is included in the Compensation Report on page 64 onwards.

GOOD START INTO THE FUTURE

TAKKT helps young people start into employment. In Germany the Group employs 38 apprentices – nine of which are enrolled in parallel university programmes. Vocational training programmes offered in German locations include:

- Wholesale and export clerk
- Office communications clerk
- Office clerk
- Engineering draughtsperson
- Industrial mechanic
- Production mechanic
- Warehouse clerk
- Logistics clerk

RISK REPORT

IDENTIFYING AND MANAGING RISK AT AN EARLY STAGE IS CRITICAL TO THE SUCCESS OF A COMPANY. TAKKT MANAGEMENT CAN DO BOTH SUCCESSFULLY THANKS TO EFFICIENT SYSTEMS.

Consistent and forward-looking risk management

In the course of its risk management TAKKT continually analyses the market and competitive environment of its divisions and companies as well as their own potentials. Thanks to systematic analysis risks are identified and assessed at an early stage. This is the basis to define measures that can be applied to limit or avoid risks.

Another key component of risk management is timely and comprehensive reporting. The Management Board receives information on order entry and service statistics for every Group company on a daily basis. In addition TAKKT analyses economic indicators such as growth rates in economies or purchasing manager indices. The Group can identify factors that may have an adverse effect on the implementation of its strategy.

Internal and external auditors are involved in risk management. They monitor the processes of all Group companies for operative performance, efficiency and compliance with internal guidelines. All newly founded companies and acquisitions are immediately integrated into the TAKKT controlling and risk management system. They have to meet exactly the same stringent requirements as the established companies in the Group.

TAKKT is continually developing its risk management systems and tailoring them to meet new demands where required. The auditors confirmed the suitability of the risk management systems. In the year under review the risk environment has remained unchanged. Risks threatening the existence of the company as well as material risks exceeding normal entrepreneurial risks were not known.

DR STEVE MARTIN
Vice President Organisational Development, Hubert

"Forward-striving companies are undergoing continual change. To master individual change processes successfully efficient instruments and methods are required. We believe that a high level of transparency, e.g. pro-active information management, is a central element to designing and supporting change."

Diversification reduces negative impact of the economy

TAKKT has deliberately diversified its customer and product portfolio to balance out the impact of economic fluctuations. More than 120,000 products are available to companies from different industries: from small service providers, caterers and retailers to hospitals, public authorities and manufacturing industry. The Group is also regionally diversified as it currently operates in over 25 countries across three continents.

By operating in a broad range of sectors TAKKT is cushioned to a degree against the economic ups and downs of specific industries and regions. The Group is continuing to focus on new products and markets to further soften the impact of economic fluctuations.

Fragmented customer and supplier structure

The industry risk in the B2B mail order segment with business equipment is relatively low.

Thanks to a fragmented supplier structure, TAKKT is not dependent on any single supplier. A number of manufacturers are available for almost all products listed in catalogues. Should one manufacturer be unable to deliver, Group companies are able to fall back on the products of other manufacturers. In the long-term this situation will not change, as it is unlikely for the supplier base to consolidate significantly.

The customer structure of TAKKT is also very diverse. With a customer base of over three million customers, the TAKKT business is spread across a broad base. Only one customer generates sales slightly above one percent of Group turnover. Therefore the dependency on individual customers is low. In addition, customers vary in terms of company size and sector. They include everything from one-man service companies, hotel chains, manufacturing companies to public administrations.

Market entry barriers for new competitors are high since setting up a new customer base is very time and cost consuming.

There is no evidence that TAKKT is losing customers to internet-based companies. Instead, the e-business offers of the Group constitute an additional sales channel which helps increase customer retention and gain new customers.

Flexible reactions to increasing procurement prices

Given that Group companies generally revise their catalogues three times a year, they are able to react quickly to any changes in purchasing prices. If costs for raw materials such as steel increase, it is possible to adjust prices at short notice or offer alternative products.

Catalogues and addresses secured

Printed catalogues and direct mailings are TAKKT's key sales media. The Group therefore protects itself against its catalogues being damaged or destroyed in production or distribution. TAKKT has its catalogues produced by eight printers operating in several locations. This reduces the risk of loss to a minimum. Any loss of catalogues is also covered by special insurance policies.

TAKKT prints over 70 million advertising media every year. Therefore paper and printing prices are an important cost factor. To ensure that short-term price fluctuations cannot impact earnings, the Group has mostly signed longer-term printing contracts.

Customer addresses are the basis of TAKKT Group's business. Group companies therefore protect address material of existing and potential customers. Stored data is continually backed-up. Data loss can almost be ruled out. Access and processing are screened by security systems.

No seasonal price fluctuations

Risks emanating from inventory assets are low due to a number of reasons. Items such as tables, chairs, cabinets and pushcarts are always in demand. They are not prone to seasonal swings or short-term fads. TAKKT is continually improving and updating its product range. Under certain circumstances it may be possible for an item to be dropped from the catalogue in the medium term, yet be stocked in the warehouse. In such cases, TAKKT generally falls back on contractual returns clauses arranged with suppliers for remaining stock.

Sophisticated logistic systems

The majority of TAKKT's goods are stored in large mail order centres. This means that the divisions generally have to store less inventory and order goods from manufacturers less frequently than would be the case with several small warehouses. Large warehouses also enable efficient international procurement. The resulting more competitive prices also benefit the Group's customers.

These advantages by far outweigh possible risks, for example of fire, which result from centralised warehousing. The divisions also establish smaller regional warehouses if this is in the interest of ensuring perfect delivery. Of course, smaller warehouses are also insured against fire or business interruptions.

TAKKT Group's companies regularly review their warehouse concepts. This ensures that security, delivery quality, speed and efficiency standards remain at a high level. If necessary, locations are adapted to new conditions. Should a disruption in a warehouse cause bottlenecks most companies can ship the majority of the goods by drop shipment.

TAKKT contracts external forwarders to deliver goods. As competition among forwarders is high, the Group can negotiate favourable terms with its business partners. This also explains why the sharp increase in oil prices in the year under review has hardly affected the Group's earnings. In general terms, oil prices and toll fees only have a small impact on TAKKT's profitability, as shipping costs only account for less than ten percent of turnover.

Low loss of receivables and guarantees

The write-off ratio at TAKKT is extremely low and only accounts for less than 0.3 percent of sales. This can be attributed to the Group carefully checking customers' creditworthiness.

TAKKT sells durable products which are generally not subject to breakdowns, which is why only few customers make use of warranties, guarantees and returns. Rates in this area have remained stable for years.

TAKKT has additionally agreed return terms with most suppliers as a further precaution. The Group is also insured against product liability risks.

Stable IT systems

The Group depends on a number of high-end IT systems to run its business, e.g. servers, order management software and product management systems. A central task of risk management is therefore to ensure the integrity of data and the smooth operation of IT.

As a measure to protect data and operations, the divisions KAISER + KRAFT EUROPA and Topdeq use central high-availability systems. A server processes day-to-day business transactions while a special software continually copies all programmes and data to a back-up system. If the server should fail, the second system takes over. At K + K America the functionality of the IT systems is backed up by regular data storage and external hardware capacities as required.

TAKKT regularly checks the performance and security of its IT systems, which also applies to its subsidiaries. External specialists check systems to test if they are running reliably, are secured against unauthorised access and if data can be recovered easily. KAISER + KRAFT EUROPA conducts annual IT system checks. In the year under review no issues were reported.

High security standards also apply to using IT. TAKKT has strict guidelines governing the use of e-mail, the internet and other IT systems. All staff members agree in writing to comply with these rules.

In addition to a smoothly operating IT system, it is also essential for TAKKT that its companies can always be reached by phone. The Group relies on special back-up systems as well as uninterruptible power supplies to protect itself against any defects in lines, power cuts or technical malfunctions in its telephone system. If necessary, calls can be rerouted to other locations. TAKKT regularly has checks conducted to establish how easily its companies' sales offices can be contacted by customers. If required, the Group can flexibly tune its telesales capacities to business volumes.

Financial risks under active control

Risks affecting TAKKT's business result from changes in exchange rates and interest rate levels. The Group takes measures to mitigate any effects from these fluctuations. As a rule, the three Group divisions buy products in the same currency as they sell. Transactions in different currencies, such as between the Eurozone and the US, account for less than ten percent of turnover. Roughly two-thirds of these transactions are hedged with derivatives.

Translation risks resulting from currency changes are relevant to TAKKT Group's balance sheet and its profit and loss account. These risks arise when consolidating the balance sheets of foreign subsidiaries and translating their currency into the reporting currency of euro. As the balance sheet structures of individual companies are similar, these translation risks hardly affect the structure of the Group balance sheet. Nevertheless, fluctuations in exchange rates, especially in the US dollar, do affect the absolute value of key figures.

TAKKT monitors and manages the health of its financial structure using so-called covenants, such as equity ratios and debt repayment periods. TAKKT has defined critical internal thresholds, which should not be exceeded or fallen short of. An explanation of the covenants and the actual values can be found in the glossary starting on page 121 and on page 20 of this annual report.

The Group is mainly funded by long-term loans. In addition, it always has sufficient existing credit lines, which allows TAKKT to continue to drive its external growth at favourable conditions. Therefore the lack in the availability of debt capital does not constitute a risk for TAKKT.

Interest risks arise through changing market interest rates. TAKKT hedges these risks with interest rate swaps and interest rate caps. These hedges usually have the same duration as the loan contracts, so that interest rates for long-term loans are also hedged long-term. Different hedging methods are explained in detail starting on page 107 onwards in the notes to this annual report.

CHRISTINA KAPPUS
Human Resources, KAISER + KRAFT EUROPA

"Developing our staff members is an investment in the future in two respects: for our employees and the Group. By identifying the potential of every individual staff member and developing their individual talents we support them in reaching personal and company targets."

By making use of instruments to hedge currencies and interest rates TAKKT has no material risks emanating from changes in prices.

The finance department of TAKKT regularly monitors the financial strengths of banks and deals exclusively with banks of excellent financial standing. Therefore, default and liquidity risks can almost be excluded.

Limited manpower risk

Each individual employee of the TAKKT Group plays a vital part in the Group's performance. The expertise and dedication of all staff members constitute a pillar of the success of the Group. It is the goal to continuously gain qualified employees and to advance the professional development of the current staff. The risk resulting from staff turnover is minimal, as TAKKT is a systems business which has stand-in arrangements in place.

Daily feedback to Management Board

Management operates individual companies via efficient steering and control systems. TAKKT subsidiaries inform the Management Board about their respective turnover and order volumes on a daily basis. Gross profit margins are managed using monthly accounts as well as catalogue price calculations during the financial year. Efficient cost management is based on special reporting formats, focussing on crucial cost categories such as personnel and marketing expenses.

TAKKT companies are involved in litigation in day-to-day business both as plaintiff and defendant. These cases individually or taken together do not have an impact on the economic situation of the Group. All other risks for the business of TAKKT can be described as limited.

FORECAST REPORT

THE GROUP WILL CONTINUE TO GROW IN 2007 AND 2008. THIS IS BASED ON THE CONTINUOUS UPDATE AND OPTIMISATION OF THE TAKKT PRODUCT RANGE AND SERVICES AS WELL AS ENTERING NEW MARKETS.

No support from economic development

Economic experts forecast that economic growth in Europe will lose momentum. After growth rates of 2.7 percent in the period under review, they are expecting the European economy to grow by about 2.0 percent in 2007 and 2008. According to experts, Germany can only expect a plus of 1.6 percent in 2007 and about 2.0 percent in the following year. While in 2006, the German gross domestic product grew by 2.7 percent, slower growth will be due to rising interest rates, increased value-added tax (VAT), and a stronger euro.

In North America the economy is likely to cool down. Following economic growth of 3.5 percent in 2006, economists are predicting only 2.2 percent growth for 2007. TAKKT is not expecting significant increases in economic growth in 2008. The forecasted decline is due to the effect of recent interest rate increases and risks in the real estate market.

Despite these economic outlooks, the TAKKT Management Board is cautiously optimistic about the future. Cautious because the business development of the Group is also affected by the economy, however optimistic because the Group will continue to fully exploit the potential of the B2B mail order business. On the one hand thanks to an expanded and updated product range as well as improved services in existing markets. On the other hand, TAKKT plans to further expand into new regions.

Preconditions for further growth in place

TAKKT has done everything necessary to continue its dynamic growth. Overall, the Management Board expects that TAKKT Group will grow organically and in currency-adjusted terms by at least four percent in 2007. Furthermore in 2008 with slightly improved economic conditions growth could reach five percent.

TAKKT has seen its turnover increase in the past 20 years by an average of twelve percent annually. Half of this increase can be attributed to acquisitions while the other half can be allocated to organic growth. The TAKKT management is confident that the Group will continue this trend in the medium to long-term average of the next years. If TAKKT were to acquire a larger B2B mail-order platform in the coming two years, like for example NBF, actual growth rates in these years could be considerably higher than the long-term average.

US dollar may affect key figures

After TAKKT's takeover of NBF, the Group is generating approximately half of its turnover in North America. This explains why the exchange rate of the US dollar is going to increasingly affect the Group's euro key figures. A strong dollar translated into the reporting currency of euro leads to higher turnover. Accordingly, a weak dollar causes the Group's turnover to be lower. The actual impact of US dollar volatility can be highlighted in two scenarios: if the dollar gets stronger by five percent year-on-year, the increase in turnover converted into euro would be about 2.5 percentage points above currency-adjusted growth. If the dollar gets weaker by five percent, the growth rate reported in euros would be about 2.5 percentage points below the currency-adjusted growth.

As a measure to eliminate distorting currency effects and report an accurate picture of business development, TAKKT will not only be reporting growth rates in the disclosure currency, but will also be publishing currency-adjusted growth rates. This applies to quarterly reports as well as the annual report. Also TAKKT's turnover forecast is always based on currency-adjusted figures.

Stable gross profit margin despite high raw material prices

Experts assume that the prices for raw materials such as oil and steel will stabilise at high levels in the coming two years. As outlined in the risk report, this will have only little impact on TAKKT's profitability. The plan is therefore to keep TAKKT Group's gross profit margin above 40 percent in 2007 and 2008.

Higher profitability despite softening economy

TAKKT has very effective cost management tools at its disposal. These allow the Group to reach an EBITDA margin within its long-term target range, which has been raised to eleven to 13 percent as of 2007, even in a slowing economy. For 2007, TAKKT management is expecting a margin in the upper half of the target corridor, despite the potentially weaker economy.

Higher investments planned

TAKKT's investment volume in 2007 will be about six percent of Group turnover. It will be mainly used to expand warehouse capacities in line with the continually growing business volumes and to further optimise logistics structures.

Of the six percent, roughly four percentage points will be used towards the purchase of the until now rented mail order centre in Pfungstadt and its expansion into a Europe-wide logistics centre for office equipment. As of 2008, it will supply customers of the KAISER + KRAFT EUROPA and Topdeq divisions with office equipment products.

The additional warehouse capacities will allow KAISER + KRAFT EUROPA to increase the share of the business conducted via the warehouse from 50 percent to approximately 60 percent. This enables the division not only to guarantee its customers faster and more reliable delivery, but also to benefit from procurement advantages exceeding the additional warehousing costs according to TAKKT's experience.

A further percentage point will be used towards the expansion of the warehouse infrastructure in Scandinavia and at Hubert in the US. Another roughly one percentage point will be used by TAKKT to maintain and enhance the existing infrastructure.

In 2008 the investment volume is expected once again to drop back to one to two percent of Group turnover.

Further expansion planned

TAKKT plans to continue expanding into new markets with individual subsidiaries. For May 2007, the establishment of a KAISER + KRAFT company in Slovakia is planned. As KWESTO is already present in Slovakia, the proven two-brand strategy will be implemented. The Slovakian KAISER + KRAFT company can benefit from the experience of KWESTO on site, in particular regarding carriers, address sources and customer behaviour.

In addition, TAKKT is preparing the rollout of the Hubert business across Europe. Based on the already completed market study, the major emphasis in 2007 will be on compiling the catalogue.

Overall, new and young companies established in the years 2005 to 2007 will contribute around one percent to Group growth and will burden the Group's EBITDA margin by almost one percentage point due to the scheduled start-up losses.

Divisions' development

In 2007, the division KAISER + KRAFT EUROPA will once again outperform respective GDP growth rates and grow by at least six percent. The organic growth of K + K America will only reach one to two percent. This is due to lower than expected economic growth in North America and to eliminating private customers from the NBF portfolio.

Amid slightly improved economic forecasts in 2008 TAKKT is aiming for KAISER + KRAFT EUROPA and K + K America for growth of about five percent. With this growth rate, the profitability of the Group can be maintained at a high level.

In the case of Topdeq, management is expecting an annual increase in turnover of around five percent for 2007 and 2008. This will be possible, as the division will profit from its strongly growing young companies.

In the coming two years, EBITDA margins at KAISER + KRAFT EUROPA will continue to be well above the current TAKKT target of eleven to 13 percent. At K + K America the EBITDA margin for 2007 is likely to remain below ten percent as a result of set-up expenses for the new IT platform and the moderate increase in turnover. TAKKT management is confident that K + K America will increase this figure in the following years.

Topdeq is planning to reach a double-digit EBITDA margin by 2010 at the latest. The EBITDA increase could slow down if higher expenses are incurred for new markets than currently planned.

Guarantee

This annual report includes forward-looking statements and information.

These forward-looking statements are estimates, which are based on the information available today. Should the basic assumptions not be realised or additional risks arise, the actual results can differ significantly from the expected results. Management cannot accept any liability for these statements.

KAISER + KRAFT EUROPA

Expanding into new markets is a key element of the KAISER + KRAFT EUROPA success strategy. Therefore the division has started operations in new countries.

“打入中国市场,给我们带来了巨大的机遇。“
“Entering the Chinese market opens up huge potential for us.”

Higher turnover, further expansion

THE ABILITY TO REACT FLEXIBLY IS ONE OF THE KEY SUCCESS FACTORS FOR KAISER + KRAFT EUROPA IN ADDITION TO FIRST-CLASS PRODUCTS AND SERVICES. THIS ALSO EXPLAINS WHY THE DIVISION WAS ABLE TO GROW FURTHER – NOT ONLY IN EUROPE.

Profitability increased further

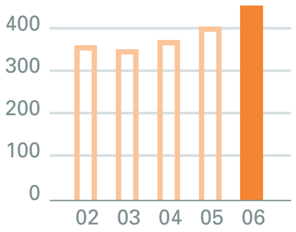
Supported by the good economic development, KAISER + KRAFT EUROPA developed very positively in 2006. The largest division in TAKKT Group increased its turnover by 12.5 percent to EUR 451.2 (401.3) million. In the second half of the year, growth momentum was higher than in the first six months. In currency-adjusted terms, turnover was up by 12.6 percent. Almost all companies in the division contributed to this success. The companies generated double-digit growth in Japan, Scandinavia, Southern and Eastern Europe, Benelux, Switzerland and Germany.

Despite a number of companies being established in 2005 and 2006 in Turkey, Romania, China and France the division's profitability increased yet again. Group EBITDA increased by 20.6 percent to EUR 84.9 (70.4) million. The margin also improved further: while the margin was 17.5 percent in 2005 it reached 18.8 percent of turnover in the year under review. Reasons for this increase were improved purchasing terms, better capacity utilisation and the increased efficiency of catalogues and mailings, also as a result of the newly designed KAISER + KRAFT combined catalogue.

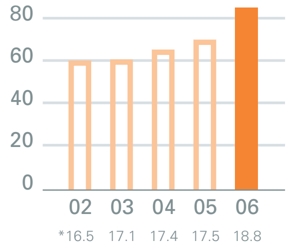
MICHAELA EPPLE
Head of Human Resources, KAISER + KRAFT EUROPA

"A key element of our human resources work is introducing and launching variable compensation systems at all employee levels. Compensation systems which are clearly communicated and transparent, which consider personal as well as company targets, drive motivation and boost the success of the entire company."

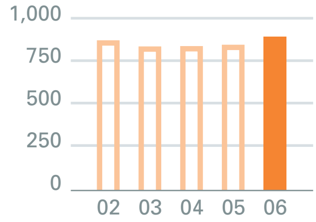
Turnover
in EUR million



EBITDA
in EUR million (margin %*)



Employees
Full-time equivalents – 31.12.



Expansion track continued

As was the case in previous years, KAISER + KRAFT EUROPA has accessed new markets in the year under review. In February 2006, the first Chinese catalogue was mailed. The Chinese company is based in the 17 million population city of Shanghai. Results as far as order entry and repeated sales are concerned were far above expectations. Therefore the division is going to follow the TAKKT Asia strategy and successively increase the pages and the circulation of its catalogues. KAISER + KRAFT's activities in China are not limited to accessing a large sales market. At the same time the intention is to use new Asian procurement sources for Europe, under the condition that quality and service locally meet the high standards of KAISER + KRAFT EUROPA.

Gaerner has also started selling its products in France in 2006. The first months exceeded expectations as well. In addition to KAISER + KRAFT Gaerner is also selling its products in the neighbouring country and therefore following the two-brand concept of the Group.

KAISER + KRAFT EUROPA is also planning to enter further Eastern European markets. Currently preparations are afoot for the expansion of KAISER + KRAFT into Slovakia, a high-growth market, in which KAISER + KRAFT EUROPA is already operating with the KWESTO brand.

FROM A PIONEER TO EUROPE'S MARKET LEADER

Walter Kaiser and Helmut Kraft founded a company in 1945 which was to set the standards in B2B mail order in the following decades – first nationally and then internationally. They started the regional expansion of their visionary business model in 1967 by starting operations in the Netherlands. Today the company has 892 employees (full-time equivalents) in more than 20 European countries as well as in China and Japan. This not only makes KAISER + KRAFT EUROPA the largest and economically most successful division in the TAKKT Group, but also Europe's market leader in business equipment mail order.

- KAISER + KRAFT EUROPA owns the brands KAISER + KRAFT, Gaerner, Gerdmans and KWESTO.
- The product range includes 40,000 products – from stepladders and shelf systems to mobile cranes.
- The company's manufacturing arm develops and makes customized products, mini-series as well as products in customers' corporate design under the EURO*KRAFT* brand.
- Around the world the division has about one million customers.

Overseas deployment in China

IN MID MARCH 2005 JULIEN OLIVIER JACCOUD, AN EMPLOYEE AT KAISER + KRAFT IN SWITZERLAND, RECEIVED A CALL FROM HIS BOSS. "WOULD YOU LIKE TO GO TO CHINA FOR A YEAR?" WAS HIS QUESTION. THAT WAS A TUESDAY. ON FRIDAY THE PROJECT MANAGER OF THE SALES DEPARTMENT HAD MADE HIS DECISION: "I AM GOING TO HELP BUILD UP THE NEW COMPANY IN SHANGHAI."

About 17 million people live in the Asian metropolitan city – more than in all of Switzerland. "This fact alone really impressed me about the city", explains Jaccoud. From his flat near the inner city, the 42 year-old took the underground to the office of KAISER + KRAFT China outside the centre. His task: "I was to make sure together with the local team that the start in February 2006 was smooth."

Jaccoud showed the newly hired employees how they had to set up new customers, take orders and process invoices. This introduction into the entire sales process was a mammoth task, especially as some of the colleagues only speak Chinese and the merchandise information system employs Asian characters. "I wanted to take a Chinese course, but learning this language in a short space of time is almost impossible", comments Jaccoud. "Because of the many different possible meanings one out of ten translations might be correct. With that in mind I preferred to speak English."

Support from Stuttgart

Working in Shanghai was also a professional challenge for the man from Switzerland. He created the price calculation with colleagues and therefore had to derive the sales prices from the purchase prices. In addition to that, his team was responsible for migrating data for more than 1,000 products into the merchandise information system and linking it with additional information such as supplier, article group or catalogue page. "We mastered these steps well", adds Jaccoud. "The training sessions which head office had organised for me beforehand came in very handy." During his stay, the head office in Stuttgart was always willing to offer advice and support.

Great feat

Despite the good preparation and the support from head office, Jaccoud did not have much time to get to know his host country. He took the opportunity to go sightseeing on a few weekends and visited Beijing among other places with a Chinese colleague. "Seeing the city and the Great Wall was extremely impressive", Jaccoud recalls. "These breaks were ideal to recharge my batteries." With success: the start in China was almost flawless and order volumes were considerably higher than expected. "We are really proud of this feat", explained Jaccoud. The time in China also allowed him to progress personally. "I now know all processes even better, which of course helps me with my work in Switzerland – and of course now I have friends in China."

China, Shanghai – Wuxing-Ting tea house in the Yuyuan garden

OUT AND ABOUT IN SHANGHAI

Shanghai's citizens have to buy a number plate in an auction if they want to drive their own car. On average this costs about Yuan 41,600, around EUR 4,000. A taxi trip is cheaper and saves time, as most taxis are equipped with GPS. Because of the construction boom, taxi drivers could simply not find their way around. Anybody going out to visit a friend or colleague should remember the house number very carefully, because the doorbells usually say the same: in China there are only about 100 surnames, and names like Li, Wang and Zhang are particularly common.

JULIEN OLIVIER JACCOUD, KAISER + KRAFT Switzerland

- Julien Olivier Jaccoud was born in **Neumünster** in the Northern German state of Schleswig-Holstein. His father is Swiss and his mother is German-Danish.
- He studied business at the University of Champittet in **Pully/Switzerland.**
- Except for a one-year break Jaccoud has been working for KAISER + KRAFT in Switzerland since 1996. He started in sales and is now a **project manager.**

TOPDEQ

Clearly focussing on exclusive design pays off: Topdeq has strengthened its market position. This is a good basis for further growth.

„Hoogwaardig design doet het internationaal goed.“
“First-class design is popular around the world.”

Repositioning
for a successful future

THE TREND REVERSAL AT TOPDEQ HAS BEEN A SUCCESS. CHANGING THE BUSINESS FOCUS WAS ACCOMPANIED BY A POSITIVE INCREASE IN TURNOVER IN THE PERIOD UNDER REVIEW. PROFITABILITY INCREASED AS WELL.

Profits up disproportionately

Topdeq Group continues to be on a growth track. In the period under review, turnover increased to EUR 86.0 (82.1) million. Compared to 2005, this is a rise of 4.8 percent. In currency-adjusted terms turnover was up by 4.9 percent. All national companies increased their turnover with the exception of Topdeq in Germany and Switzerland. Business development was particularly positive in Belgium and the Netherlands. The French and US Topdeq subsidiaries are also developing well. At the same time the number of returns has dropped at all companies as a result of the successful repositioning.

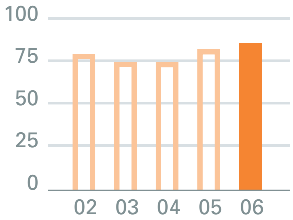
Thanks to renewed process optimisation as well as higher capacity utilisation, profitability was up at a disproportionately high level in the division. EBITDA increased by 56.1 percent to EUR 4.3 (2.8) million, which corresponds to a margin of 5.0 (3.4) percent.

Positive business figures are generally the result of the repositioning as a premium brand that has been underway since the end of 2005. Topdeq is increasingly focussing on high quality, design and functionality-driven equipment. This means that less profitable customer groups are no longer being addressed.

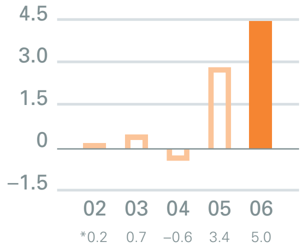
DIETER SCHMITT
Head of Human Resources, Topdeq Service

"Our leadership style is forward-looking and target-driven. This is how we create a bond between employees and the company and promote independent actions in line with the company strategy."

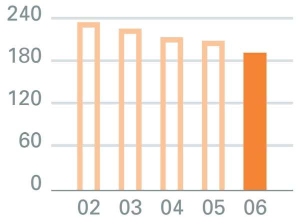
Turnover
in EUR million



EBITDA
in EUR million (margin %*)



Employees
Full-time equivalents – 31.12.



Ultimately, the considerably higher average order value compensates for the accepted drop in order numbers.

Start in Austria, expansion in the USA

The new company started operative business in Austria at the beginning of September 2006 and has mailed its first catalogue. After smaller start-up problems the company develops as planned. In 2007, the main focus will be on the regional expansion in the USA. Two additional warehouses are to ensure that customers are supplied in two days at the latest, wherever they are.

New premium catalogue

In 2006, Topdeq mailed its first premium catalogue in Germany. It contains a more sophisticated range of functional office equipment from renowned designers compared to the normal catalogue. This new offer is supplemented by first-class service. Ordered products are guaranteed to be delivered free of charge and assembled on site within one day. Beforehand customers can request free 3D sketches to get an impression of their newly designed offices.

DESIGN MEETS FUNCTIONALITY

Items of beauty can also be functional – as proven by Topdeq. The company has been part of TAKKT Group since 1994 and offers its customers premium designer furniture and accessories. The product range includes products by Sir Norman Foster, Philippe Starck and Wilhelm Wagenfeld. Topdeq started its expansion into Switzerland, the Netherlands and France. In 2000, the company expanded into the USA, 2005 took it to Belgium and 2006 to Austria. Its current workforce is 192 employees on a full-time basis.

- Topdeq offers about 2,500 design products via catalogues and the internet.
- Its approximately 500,000 customers mainly come from the service sector.
- The division guarantees a delivery service within 24 hours in Europe thanks to its tightly knit logistics network.

Austria's pioneers work under the gaze of their visitors

AN ARMCHAIR BY PHILIPPE STARCK, FINE CONFERENCE TABLES, CLASSIC LIGHTING ELEMENTS BY BAUHAUS ARTIST WILHELM WAGENFELD: TOPDEQ HEAD OF SALES MARCUS POSCHARNIG WORKS IN A STYLISH SETTING. THE OFFICES OF THE TEAM IN SCHWECHAT CLOSE TO VIENNA ALSO ACT AS A SHOWROOM. IN THE INTERVIEW, POSCHARNIG TALKS ABOUT HIS EXPERIENCES AT THE NEW AUSTRIAN BASE.

Mr Poscharnig, you are working surrounded by about 750 designer pieces. Do you behave any differently than in a normal office?

In a showroom you have to work differently. We have a clear guideline concerning what our desks have to look like. Chaotic order is acceptable, because visitors should see how our products come across in a real office. This concept makes a lot of sense in Austria, because my fellow Austrians are extremely sceptical customers. We have to earn ourselves a good reputation.

How is your team going to accomplish that?

We are offering exactly the same advantages that are making us a success everywhere else around the world: timeless design classics with excellent service levels such as our 24 hour delivery service coupled with our five year quality guarantee. This is how we have won several hundred customers since September 2006. Austria continues to be a very traditional country and therefore we have to pay close attention to national needs. Addressing recipients correctly and using their correct titles are examples of what makes a successful mailing.

Apart from the details: How was establishing your new location prepared?

In July we got excellent training at Topdeq Germany in Pfungstadt. Shortly later work started in Schwechat: the showroom had to be designed and equipped, internal processes tested and fine-tuned and finally September saw the first catalogue being mailed. We managed all this with only four people including a colleague who had previously worked for KAISER + KRAFT in Stuttgart and therefore knew the IT system inside out.

Four complete strangers did the pioneering work. How did the cooperation work out?

Founding the new company was an extremely intense time; not only for us four but also for our colleagues in Pfungstadt who supported us excellently. Naturally there were highs and lows, that's human. But we all got to know each other very well. Today every colleague knows that we can rely on each other one hundred percent. And that is a great feeling.

Setting up a new company involves a lot of stress. Would you do anything like that again?

Definitely! I learned so much about Topdeq products and the entire B2B mail order business. I have progressed personally and professionally. On top of that I was delighted by the support from colleagues from other Topdeq locations. But the biggest winners of our launch are our customers.

Austria, Vienna – Lugeck with Gutenberg monument

AROUND THE WORLD FROM SCHWECHAT

If the citizens of Schwechat have a beer after work they choose a "Lager". Brewer Anton Dreher brewed it in the lower Austrian city for the first time in 1841 and created a product that enjoys global popularity. The advantage for exports: the international Vienna airport is only a five-minute drive away from the city centre. It is not only the logistics hub, but also the point where 15 million passengers a year arrive and depart. More than ten times the population of Vienna.

MARCUS POSCHARNIG, Topdeq Austria

- Marcus Poscharnig grew up in **Langenlois,** the largest wine-producing city in Austria near Vienna.
- He studied politics, history and economics at the University of **Vienna** and spent one semester in **Stockholm.**
- He then worked as a key account manager at a large address broker.
- Since July 2006, Poscharnig has been working as **sales manager** at Topdeq in Schwechat.

K + K AMERICA

The successful integration of National Business Furniture Group is the highlight of the passed financial year. It is a critical contribution to the success of the division.

"The cooperation between the teams is excellent."

Tracks set for further growth

PLANNED DEVELOPMENT OF NBF ACQUISITION, FURTHER IMPROVEMENT OF IT SYSTEMS, POSITIVE INCREASE IN TURNOVER: 2006 WAS A SUCCESSFUL YEAR FOR K + K AMERICA. BUSINESS DEVELOPMENT EXCEEDED MANAGEMENT'S EXPECTATIONS.

Considerable increase in turnover

The US economy failed to provide an additional economic stimulus in 2006. Nonetheless K + K America increased its turnover against the previous year by 46.8 percent to USD 528.8 (360.2) million. Translated into the reporting currency of euro, turnover increased by 45.3 percent to EUR 421.5 (290.0) million. The key reason for this increase was the first-time consolidation of the NBF Group. At the same time K + K America grew organically by 8.6 percent from USD 360.2 to 391.2 million. Growth is predominantly attributable to higher average order values at all companies. Order values were positively affected by the consolidation of the NBF Group as well as some larger orders.

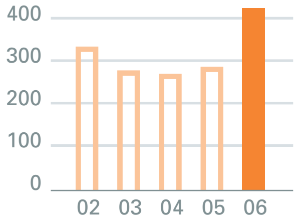
The first-time consolidation of the NBF Group also had an impact on the development of profitability at K + K America. EBITDA increased by 19.6 percent and reached a value of EUR 39.3 (32.9) million. As expected, the EBITDA margin dropped from 11.3 to 9.3 percent as the NBF Group is currently generating margins that are below the division's average. Excluding the NBF Group, the EBITDA margin of the division would have been 10.2 (11.3) percent. This decrease can be attributed to implementation and training costs incurred in connection with the new IT platform.

All companies recorded higher order intakes than in the previous year. Hubert and NBF, that have a large customer base from the service sector, developed particularly positively. In contrast to

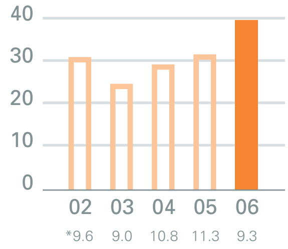
KAREN WAGNER
Manager Human Resources, K + K America

"The target of our human resources policy is dedicated, motivated and loyal staff members. A number of measures such as participating in the success of the company, appraisal meetings with personal target definitions, voluntary social benefits, flexible working hours and company health management ensure that employees identify with the company."

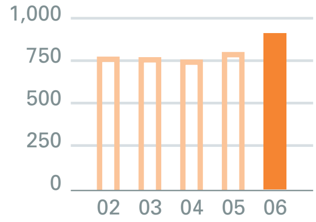
Turnover
in EUR million



EBITDA
in EUR million (margin %*)



Employees
Full-time equivalents – 31.12.



that, growth rates in companies serving the manufacturing sector, i.e. C&H in the USA and Avenue in Canada softened in the course of the year. This means that these companies are following indicators that have been pointing toward the production sector in North America cooling down. C&H in Mexico continued to post very positive growth rates.

The integration of the NBF Group is proceeding according to plan. All jointly developed measures are being implemented swiftly and already showing the first successes. Thanks to joint printing contracts and improved terms with freight forwarders, the EBITDA margin of the NBF Group has already been improved. The objective is to increase the margin to ten percent by 2010.

Joint IT platform rolled out further

The IT project which was initiated in 2004 to implement a new IT platform for financial accounting, marketing and inventory management continued to proceed according to plan in the year under review. The objective of the project is to streamline business processes, analyse customer data more comprehensively and to improve service levels. After the division implemented the financial accounting module in 2005, the merchandise information system was integrated in the year under review. It started at K + K America and C&H in the US, C&H in Mexico as well as at Avenue in Canada. In the coming years the other companies are to follow. The transition brought as expected initial problems. In order to continue to ensure high levels of customer service, staff worked overtime. In addition to that, the company hired new staff during the implementation phase.

BROADLY SPECIALISED

In North America, K + K America offers a very broad product range. Customers can currently choose from more than 90,000 articles – the largest product range of all three divisions in the TAKKT Group. Individual subsidiaries with a total of 915 full-time equivalent staff members are specialised in different fields. The largest company is C&H Distributors, which sells business and warehouse equipment as do Avenue Industrial Supply and the Mexican company C&H Productos Industriales. While Conney Safety Products is specialised in occupational safety, Hubert Company trades with equipment for retailers and the food service sector. Since 2006, the US market leader for office equipment NBF has been part of K + K America.

- K + K America is the North American market leader for business equipment as well as equipment for retailers and the food service industry.
- In the USA, Canada and Mexico, subsidiaries sell their products to about 1.5 million customers.
- In total, K + K America operates eight warehouses in the USA and Canada.

Doubling efforts in Milwaukee

WHEN SHEILA SCHAETZKE MAKES HER WAY TO WORK IN THE MORNING, THIS CAN TAKE HER TO TWO DIFFERENT COMPANIES AT DIFFERENT ADDRESSES. SINCE TAKKT TOOK OVER NATIONAL BUSINESS FURNITURE (NBF) AT THE BEGINNING OF 2006 SCHAETZKE HAS BEEN WORKING FOR NBF AS WELL AS FOR K + K AMERICA.

This initially sounds like long trips but at a closer look the solution is very simple: "My offices are both in Milwaukee and are easy to reach", explains the 36 year-old. The hassles of commuting are not an issue. This leaves more time for her new task. On top of her responsibility at NBF for catalogue selection and distribution as well as address management she took over the post of Vice President Address Marketing at K + K America in July 2006. In her new position she is responsible for data analysis and further developing address databases to be able to address particular customer groups more accurately. Schaetzke believes this new task to be the ideal combination of opportunity and challenge: "I can now also use my more than 13 years of experience at NBF at K + K America. And here I am learning a lot of new things, which is also beneficial to my work at NBF."

From holidays into a meeting

Schaetzke can vividly remember her first personal encounter with TAKKT. While she was on holiday with her family at the beginning of 2006 she was informed that Georg Gayer, CEO of TAKKT AG, and CFO Dr Florian Funck were coming to Milwaukee. "I broke off my holiday in Florida there and then to meet both", she explains. "The meeting was very interesting. We not only talked about NBF's direct marketing, but even back then I learned a lot of interesting things about direct marketing at TAKKT. And of course it was a great opportunity to meet in person."

Smooth transition

Schaetzke feels that this is a good example of the great dedication both parties put into pushing this acquisition. Personal commitment as well as all involved parties being well prepared from the outset and involved in the process at every stage were the factors which Schaetzke believes ensured that the takeover worked out as smoothly as it did. This opinion is shared by her colleagues from Address Marketing in other companies of the K + K America Group who she met in spring 2006 to discuss the status quo. The general consensus was obvious: "Most thought the takeover went extremely smoothly."

"TAKKT is the ideal buyer"

As the acquisition became public, Schaetzke obviously thought about her professional future. "Today I can say that the takeover has had many positive results, not only for myself, but also for NBF. TAKKT and NBF have the same core business and pursue the same objectives. This creates a lot of synergies." NBF has more options in pricing with TAKKT and can cut shipping costs. Schaetzke's conclusion is therefore hardly surprising: "TAKKT was the ideal buyer for NBF in every respect."

USA, Milwaukee – Quadracci Pavilion at the Milwaukee Art Museum

GERMAN ROOTS AND AN AMERICAN WAY OF LIFE

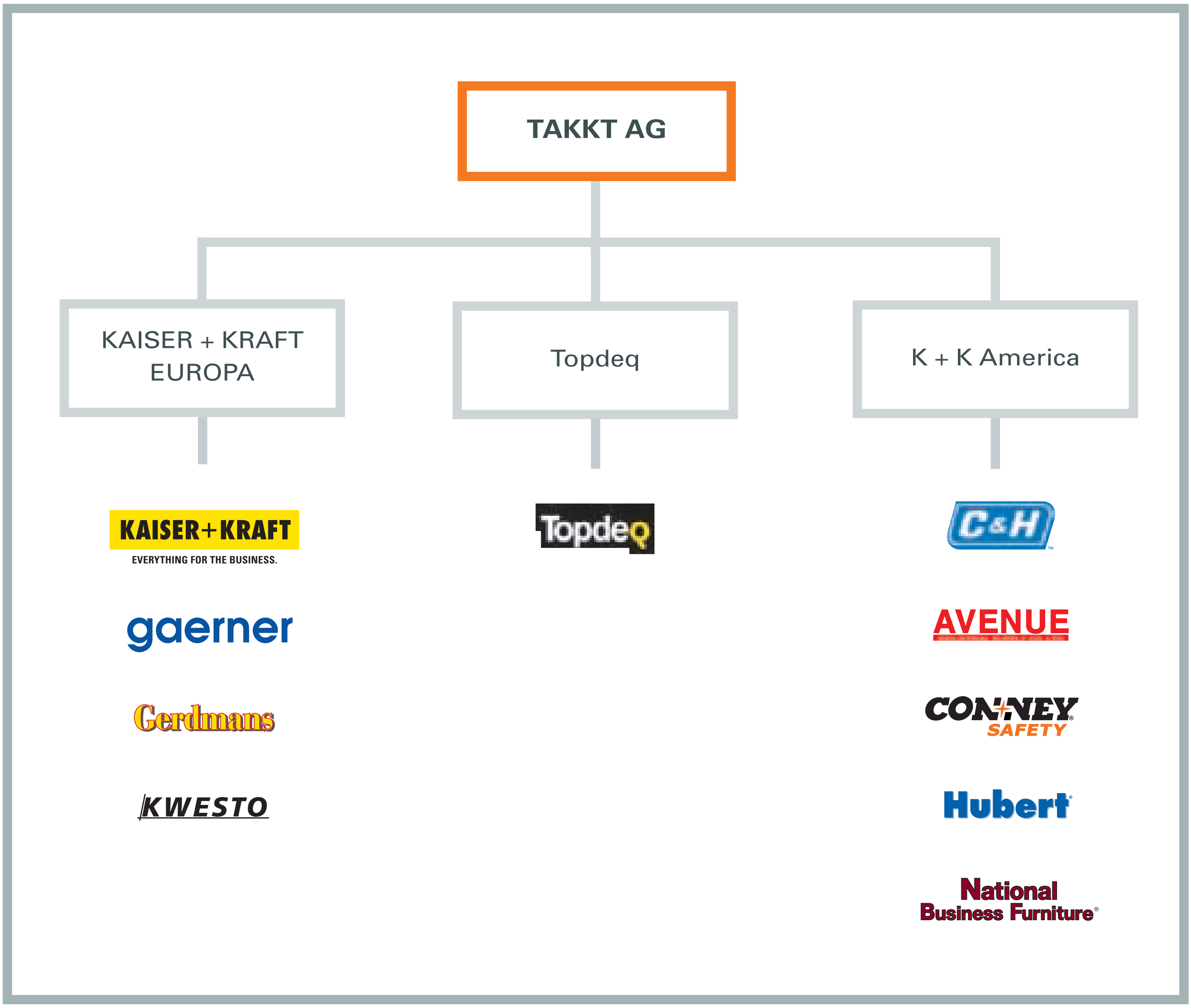
Half of the population of Milwaukee has German origins. Surnames like "Schaetzke" are not unusual in the city. Milwaukee has a population of almost 600,000, is the largest city in Wisconsin and generally said to be the beer capital of the US. Numerous larger and smaller breweries are based here. Those who prefer to stay dry can take a trip around the city on their Harley-Davidsons. The company that gives you a motorbike to match the lifestyle is also based in Milwaukee.

SHEILA SCHAETZKE, K + K America

- Sheila Schaetzke was born in 1970. She lives in **Whitefish Bay,** a suburb of Milwaukee; she is married and has three children.
- Schaetzke studied mathematics and statistics at the University of **Naperville** in the state of Illinois and at the University of **Milwaukee.**
- While working at NBF she was awarded the title "Certified Professional Direct Marketer" by the Henry W. Bloch School of Business and Public Administration at the University of Missouri in **Kansas City** in 1999.
- She began working for NBF in 1993. She has been **Vice President Address Marketing** at K + K America since July 2006.

Clear Group structure is the basis for success

THE THREE TAKKT DIVISIONS LARGELY OPERATE INDEPENDENTLY OF EACH OTHER. TAKKT AG AS THE HOLDING IS RESPONSIBLE FOR THE STRATEGIC LEADERSHIP OF THE GROUP AND ENSURES THAT KNOW-HOW IS TRANSFERRED BETWEEN DIVISIONS. THE SERVICE HOLDINGS AT DIVISION LEVEL POOL INFRASTRUCTURE WHICH IS REQUIRED FOR THE MAIL ORDER BUSINESS SUCH AS WAREHOUSES, IT AND PURCHASING AND MAKE THESE AVAILABLE TO SALES COMPANIES. THIS MEANS THAT INDIVIDUAL COMPANIES CAN FOCUS ON THEIR CUSTOMERS AND PROVIDING SERVICES. THE SUCCESS OF THIS GROUP STRUCTURE AND THE BUSINESS MODEL CAN ALSO BE OBSERVED IN THE WORKFORCE, WHICH HAS INCREASED CONSISTENTLY SINCE 1945.



The Employee Development of TAKKT Group

	Year	Employees
TAKKT buys North America's market leader for office equipment mail order, NBF Group, and continues to expand on three continents.	2006	> 2,000
In the year of floating TAKKT on the stock exchange, Topdeq starts operations in France. In the year before, Gerdmans in Scandinavia and Conney in the USA join the Group. Another important growth step is achieved in 2000 when TAKKT acquired Hubert in the USA.	1999	> 1,500
KAISER + KRAFT accesses a new customer base by taking over Topdeq. The company keeps on expanding by founding Topdeq Switzerland and acquiring the Canadian company Avenue.	1994	> 1,000
Four steps at once: The company acquires Gaerner Group which operates in four countries and opens the first European central warehouse in Weiterstadt. In the following year the Group expands into the USA by buying C&H.	1987	> 500
In 1974 KAISER + KRAFT celebrates its entry to two further European countries: Great Britain and Switzerland.	1974	> 200
22 years after its foundation the company buys its first business abroad: VINK LISSE in the Netherlands. This is the beginning of the international expansion.	1967	> 100
Helmut Kraft and Walter Kaiser found KAISER + KRAFT in Stuttgart-Untertürkheim.	1945	3

”Våra aktiekurser stiger fortfarande.”
“Our stock price is continuing to rise.”

TAKKT SHARE

TAKKT Group was once again awarded the 3rd prize in the Investor Relations Award which is presented by the German business magazine "Capital". This is a motivation to continue to set standards.

Openness is the basis of excellent financial communications

TAKKT AG PRO-ACTIVELY COMMUNICATES WITH ALL CAPITAL MARKET PLAYERS. TRANSPARENT, CLEAR AND DIRECT FINANCIAL COMMUNICATIONS MEET THE HIGH DEMANDS OF INVESTORS AND ANALYSTS. IN 2006, THE GROUP WAS ONCE AGAIN PRESENTED WITH AN AWARD FOR ITS EXEMPLARY INVESTOR RELATIONS ACTIVITIES.

Information always available

Shareholders, potential investors, banks and financial analysts: TAKKT informs all members of the financial community about the latest business development of the Group quickly and without any preference being given. Quarterly reports are published five weeks after the reporting date at the latest. To ensure that all interested parties have immediate access to information, TAKKT publishes its quarterly figures on the www.takkt.de website. In addition, ad hoc releases, press releases, frequently asked questions, financial statements and road show presentations are also available on the site. The website also includes further details about Corporate Governance at TAKKT.

Management Board welcomes questions

Financial communications is a task undertaken by top management with the staff members from the investor relations department. At the financial statements press conference and the analysts' conference in March 2006, the Management Board provided information about business development in 2005. In addition, telephone conferences were scheduled after the quarterly figures were released at which investors, analysts and journalists were invited to put their questions to the TAKKT AG Management Board directly. In 2006 numerous shareholders again made use of TAKKT's offer to call-in and to find out more about the current status of business and the long-term growth strategy of the company.

Numerous investors also followed the invitation by TAKKT AG to get an impression of the advantages of B2B mail order and the corporate strategy right at the Stuttgart head office. TAKKT also presented itself in key global financial centres. Frankfurt am Main, Edinburgh and Zurich were visited once in 2006, while London and Paris even saw two road shows each. In order to enhance regional contacts, managers in charge visited two further cities for the first time: Milan and Brussels. TAKKT also attended large capital market conferences to address potential

Key figures for the TAKKT Group under IFRS	2002	2003	2004	2005	2006
Earnings per share (EPS) in EUR	0.33	0.33	0.44	0.68	0.84
Cash flow per share (CPS) in EUR	0.73	0.71	0.83	0.90	1.12
Dividend per share in EUR	0.10	0.10	0.15	0.15	0.25
Dividend rate in percent	30.7	30.8	33.8	22.0	29.6
Number of shares in millions	72.9	72.9	72.9	72.9	72.9
Shareholders' equity ratio in percent	27.7	32.8	39.6	46.1	47.7
Share price in EUR (31.12.)	3.51	5.90	7.75	9.50	13.15
Highest price in EUR	7.30	6.01	7.95	9.70	14.27
Lowest price in EUR	3.45	3.50	5.92	7.25	9.31
Market capitalisation in EUR million (31.12.)	255.9	430.1	565.0	692.6	958.6

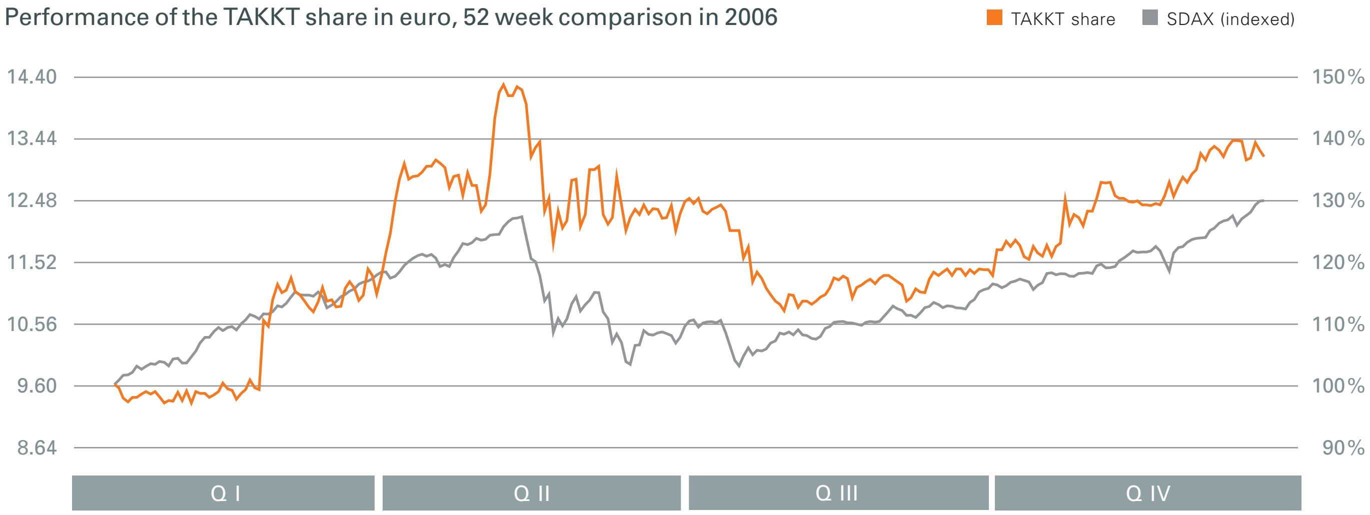
investors. The Group presented itself at the Cheuvreux German Corporate Conference in January 2006, at the Deutsche Bank German Corporate Conference in June and at the German Equity Forum (Deutsches Eigenkapitalforum) in November. TAKKT also attended the Dresdner Bank German Midcap Day in New York for the first time to establish contacts with potential North American investors.

Excellent investor relations

The general rule for TAKKT's financial communications applies that all relevant topics are covered in the same place and in the same format. If differences in year-on-year reporting arise or if one-off effects should have a material impact on the figures, TAKKT will provide explanations for the item in question. In its quarterly reports in 2006 the Group regularly explained the impact of the NBF acquisition on key financial figures.

TAKKT has set the standard for clear and transparent financial communications. This is not least documented by the reputed Investor Relations Award, presented by German business magazine "Capital", which was awarded to the Group for the second time in 2006. Compared to the previous year, TAKKT improved its score even further and came in third among SDAX companies. In the overall ranking of all 196 German and European companies from the EUROSTOXX 50, DAX, MDAX, TecDAX and SDAX, TAKKT is among the top ten.

Performance of the TAKKT share in euro, 52 week comparison in 2006



Good attendance at AGM

About 450 shareholders and guests attended the seventh ordinary AGM in Ludwigsburg on 31 May 2006. Shareholders approved the dividend proposal put forward by the Management Board with a large majority – as in the previous year the dividend was 15 cent per share. In total, EUR 10.9 million were paid to shareholders.

The AGM appointed the Chairman of the Management Board of Franz Haniel & Cie. GmbH, Dr Eckhard Cordes, to the Supervisory Board. He succeeded the former Chairman of the Management Board of Haniel Professor Dr Theo Siegert, who stepped down with effect from the end of the AGM. In addition, some changes to the statutes were passed to comply with the German Act on the Integrity of Companies and Modernisation of Rescission Rights (UMAG). This generally applied to formalities concerning registering for the AGM or organising speaking times.

Scope for growth created

Other proposals put forward were also approved by the AGM with a large majority. The Management Board was authorised to buy up to ten percent of the company's shares if required. The Management Board made no use of this option. The AGM also decided for the next five years not to publish the individual compensation paid to Management Board members. More detailed information on this point is included in the chapter "Corporate Management" on page 62 onwards. A decision was also taken to reduce the Supervisory Board to six members.

Dividend to increase considerably

TAKKT AG is going to continue to let shareholders participate in the success of the company to an appropriate degree. Management and Supervisory Boards are going to propose increasing the dividend by around 67 percent to 25 cent per share. By doing so, the Group is continuing its consistent dividend policy. The distribution rate would be around 30 percent of profit.

Extensive coverage by analysts

In the financial year 2006, four investment banks started regular research coverage. Two interrupted their coverage as a result of the change of analysts. This means that currently a total of eleven analysts are following TAKKT AG.

A considerable increase has been recorded in analyst publications. In 2005, there were 34 publications that covered TAKKT while this number increased to 48 in 2006. For an SDAX share this amounts to very considerable coverage.

Analysts are comparatively uniform in their recommendations for the TAKKT share at year end 2006 (one "strong buy", seven "buy", two "outperform/overweight" and one "neutral"). Their different price targets however reflect the independent and personal opinions of the further potential of the share as seen by eleven analysts.

AND THIS IS WHAT ANALYSTS HAVE TO SAY ABOUT TAKKT

Cash is King

- TAKKT remains a true cash generator.
- The strong cash flow generation is one of the key positives of the investment case.

(Dresdner Kleinwort, 02/11/2006)

Growth Story in TAKKT

- Business offering exceptional competitive quality based on significant scale advantages.
- TAKKT clearly creates value for investors.

(Berenberg Bank, 27/03/2006)

Making the mail order business a cash rich business

- Business model: shopping convenience for business clients.
- NBF creates value from day one.

(HSBC Trinkaus & Burkhardt AG, 30/03/2006)

Stable Growth in an attractive niche

- NBF gives TAKKT a stronger footprint in the US market and will drive up growth in that important region.
- TAKKT has proven in the recent years that its business model guarantees a stable growth profile with limited risks even in tough economic situations.

(Merck Finck & Co Privatbankiers, 12/06/2006)

Ausgezeichnete Wachstumsperspektiven

Extraordinary growth perspective.

- Integration von NBF läuft besser als erwartet.
  Integration of NBF better than expected.
- „Kriegskasse" für weitere Akquisitionen vorhanden.
  Wallet filled for further acquisitions.

(DZ Bank, 27/03/2006)

Equipping the World

- At the moment, the group is firing on all cylinders.
- The business in Asia is just in an early stage, but will become an important growth pillar for the truly international group in future.

(Sal. Oppenheim jr. & Cie, 03/04/2006)

Strong organic growth momentum

- Strong organic sales growth continues in Q3 underlining growth potential.
- NBF takeover leads to more stable portfolio in North America, despite economic fluctuations.

(M.M. Warburg & Co, 02/11/2006)

Umsatz, Margen und Ergebnisse höher als erwartet

Turnover, margins and profits higher than expected

- Wir sind zuversichtlich, dass TAKKT 2006 vor einem positiv erwarteten konjunkturellen Hintergrund abermals kräftig wachsen kann.
  We are confident that TAKKT will grow stronger in 2006 given the positive economic trend.

(Landesbank Baden-Württemberg, 17/02/2006)

The grey text is a translation of the original quotation.

„S těmito zásadami nesplňujeme pouze požadavky zákona – mi děláme mnohem víc.“
“With these principles we are not only meeting legal requirements – we are exceeding them.“

CORPORATE MANAGEMENT

Corporate Governance – a welcome duty

GOOD CORPORATE GOVERNANCE CANNOT BE ACHIEVED WITH SINGLE MEASURES. INSTEAD RESPONSIBLE ACTIONS HAVE TO BE EMBEDDED IN CORPORATE CULTURE AND EVERY DAY ACTIONS. THIS IS THE CASE AT TAKKT.

Consistent principle

Responsible company management is a guiding principle for TAKKT and a continual process. This can be seen at different levels. Firstly, Supervisory Board and shareholders are quickly and extensively provided with information about the latest business development. This means that their interests are served at any point in time. Secondly, the Group has installed active risk management to secure the long-term success of TAKKT AG and to create as well as preserve jobs. Thirdly, management structures are driven by clear organisation and direct reporting lines. And fourthly, the Group maintains transparent communication with its employees and the public. Extensive information about TAKKT risk management and financial communication are included in this annual report on page 26 onwards, 56 onwards and 107 onwards respectively.

Cooperation between Management and Supervisory Board

A key to responsible company leadership is cooperation in a spirit of trust between Management and Supervisory Boards. The Supervisory Board advises and monitors the Management Board. Management can only take specific decisions such as acquisitions or expanding warehouse structures with the explicit approval of the Supervisory Board. This board is also responsible for appointing the auditors. Supervisory Board compensation is determined by shareholders as the compensation scheme is part of the statutes.

Protecting the rights of shareholders

Shareholders can always put ideas, questions or criticism they may have directly to the Management or Supervisory Boards of TAKKT AG. In the case of decisions which have to be approved by shareholders they can either vote personally or do so by proxy.

TAKKT complies with the Corporate Governance Code

To emphasise how important responsible company management is for TAKKT the Management and Supervisory Boards expressly support the targets of the German Corporate Governance Code (see information box). In December 2006 both boards renewed their joint statements, stating that they are complying with the recommendations of the Governmental Commission German Corporate Governance Code according to section 161 of the German Stock Corporation Act (AktG). This also applies to the changes made to the Code effective 12 June 2006. The declaration of conformity which is printed on the next page and is also available on the www.takkt.de website includes a few justified exceptions:

TAKKT is not publishing any information about compensation paid to individual Management and Supervisory Board members. The Group is already publishing the total of all compensation payments made to the Management and Supervisory Boards as well as the way overall management compensation is split into fixed and variable parts. Extensive information on compensation is included on pages 64 onwards and 115 in this report. Detailed information on every person would hardly provide more information but would breach the privacy of Board members. TAKKT AG shareholders support this position. According to the Law on the Disclosure of Management Board Compensation (VorstOG) which was passed in summer 2005, German companies are generally obliged to publish the compensation paid to each individual Board member. At the AGM in May 2006 shareholders,

DECLARATION PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT (AKTG) ON 31 DECEMBER 2006

The Management and the Supervisory Boards of TAKKT AG declare that the recommendations of the "German Corporate Governance Code Government Commission", published by the Federal Ministry of Justice ("Bundesministerium der Justiz") in the official part ("amtlicher Teil") of the Electronic Federal Gazette ("Elektronischer Bundesanzeiger"), as amended on 12 June 2006 will be met. Management and Supervisory Boards further declare that since the last declaration the recommendations of the "German Corporate Governance Code Government Commission" as amended from time to time have been met. There are the following exceptions:

1. Under clause 4.2.4 the German Corporate Governance Code recommends that the total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components, unless decided otherwise by the General Meeting by three-quarters majority. At TAKKT this information is not issued individually as on 31 May 2006 the General Meeting has made such a resolution for the duration of five years.

2. Under clause 5.4.7 paragraph 3 the German Corporate Governance Code recommends the individual disclosure of compensation paid to the Supervisory Board, and compensation or benefits paid to the members of the Supervisory Board for personal services, especially consulting and agency services. At TAKKT this information in not issued individually.

3. Under clause 5.3.2 the German Corporate Governance Code recommends that the Supervisory Board shall establish an audit committee. At TAKKT no audit committee has been installed. As the Supervisory Board of TAKKT is comparatively small the management still sees no need to establish an audit committee for the Board.

Stuttgart, 31 December 2006
On behalf of the Supervisory and Management Boards of TAKKT AG
Dr Klaus Trützschler,
Chairman of the Supervisory Board
Georg Gayer,
CEO

GOVERNMENTAL COMMISSION GERMAN CORPORATE GOVERNANCE CODE

The commission set up by the German Federal Government in September 2001 initially had the task to develop a "Code of Best Practice" for responsible company management in Germany. The commission presented the subsequent Code to the legislator in February 2002. Since July of that year, capital market driven companies are obliged by law to state in a Declaration of Compliance in how far they have applied the recommendations of the Code. Guidelines are reviewed and improved by the commission annually.

The German Corporate Governance Code also includes recommendations on the composition of the Supervisory Board and the responsibilities of the AGM. The objective is to create a binding framework for good corporate governance for German companies. At the same time the applicable rules are to be made as transparent as possible – both in Germany and abroad. Investors and shareholders are also given criteria to help them rate company management.

Find out more at www.corporate-governance-code.com

however, used their right to reject disclosure. Therefore TAKKT will not be disclosing personal compensation payments to Management Board members in the next five years.

Another case in which TAKKT is not following the recommendations of the German Corporate Governance Code relates to the work of the Supervisory Board. The company does not see any need for a separate audit committee as the Board is already comparatively small with nine members. In addition to that, TAKKT AGM has decided to reduce the Board from nine to six members.

Performance-based Management Board compensation

Management Board members are critical to the success of TAKKT AG. Therefore it is important that they are compensated in a way which is appropriate for the responsibility they carry and at the same time reflects the economic situation of the Group. The Supervisory Board's personnel committee developed a compensation model which complies with this principle by breaking down compensation into a base salary and a variable component. The base component depends on personal performance and experience as well as market standards. In addition to that Management Board members can get a profit and strategy bonus. This element creates a further incentive to sustainably increase the growth, profitability and the value of TAKKT AG, which is also in the interest of employees and shareholders.

The strategy bonus and the profit bonus together constitute variable compensation, which is represented in the table below. Thanks to this combination management has the right incentives:

The profit bonus is based on increasing cash flow and is growth oriented. However, additional cash flows can also be generated by overpaid acquisitions. At this point the strategy bonus kicks in. It creates incentives for generating long-term profitable growth and reaching the interest demands of debt and equity investors, and this is reflected in EVA®.

Stock options are not a component of compensation and will not be in the future.

Find out more on the compensation system at www.takkt.de.

Share ownership and compulsory notification

With 21,158 (39,070) shares the cumulated share ownership of the members of the Management and Supervisory Boards in the year under review was significantly less than one percent of TAKKT shares issued.

According to section 15a of the German Securities Trading Act (WpHG) persons who perform management functions at a company that is an issuer of shares as well as all natural and legal persons closely related to that person must notify the issuer and the Federal Banking Supervisory Office (BaFin) of their own dealings involving the issuer's shares or related financial instruments if their value exceeds EUR 5,000. In the financial year 2006 two persons conducted transactions which are subject to notification, which were published on the website and reported to the Banking Supervisory Office. Please visit www.takkt.de or see page 114 of the appendix to find out more.

Remuneration of Management Board (in EUR '000)	2006
Salaries and other short-term payments	3,542
thereof variable	2,640
Provisions for payments after end of employment	171
Other long-term benefits	40
	3,753

Report of the Supervisory Board

DR KLAUS TRÜTZSCHLER
CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen

This annual report is again telling a success story. Once again TAKKT has been able to increase turnover and profit. But this is not only attributable to the stable economic situation, but also to the work of TAKKT employees. Management Board and Group employees have consistently implemented the Group strategy and we as the Supervisory Board have supported them where possible.

Involved into operating business

In the financial year 2006 the Supervisory Board convened five times. At the regular quarterly meetings Supervisory Board members discussed the current business development; in addition, we also discussed the development of newly founded companies or young companies and discussed new company foundations. In July an extraordinary meeting was convened in the USA. The Management Board informed us about the integration process and the latest figures of National Business Furniture Group. This example shows how intensely the Supervisory Board took an interest in operative business. Regular presentations by managers from TAKKT divisions contributed to this by reporting about their responsibilities and their current projects.

Cooperation driven by transparency

Regular cooperation between the Supervisory and the Management Boards was exemplary in 2006. At Supervisory Board meetings the Management Board provided extensive information about business developments and plans. It not only reported all information required by legislation but also compiled comprehensive and in-depth information in addition. Requests for further information were responded to immediately. In addition to regular meetings the Management Board also provided brief monthly reports about the current business development in writing. I was informed about material developments between Board meetings and shared this information with Supervisory Board members at the next meeting. Supervisory and Management Board members discussed all relevant subject matters in due length. In matters requiring our decision we issued the necessary approvals.

Supervisory Board implements Corporate Governance

As the Chairman of the Supervisory Board I can assure you that we have fulfilled our supervisory function conscientiously and therefore made an important contribution to responsible management at TAKKT AG. We will of course continue to do so. Therefore the Supervisory and the Management Boards both signed the declaration of conformity to the recommendations of the Governmental Commission German Corporate Governance Code in December 2006. Extensive information about that and the compensation system for the Management Board is provided in this annual report.

Board members leaving

Alfred Milanello, Member of the Management Board for IT and Organisation, retired in July. In his 19 years at TAKKT he made a vital contribution to the positive development of the Group. We would like to thank him for his good work and his exceptional dedication.

Professor Dr Theo Siegert stepped down from his position in the Supervisory Board in May. Professor Siegert supported TAKKT AG since the company was founded in 1999 and has contributed greatly to the success of the Group. We would also like to extend out exceptional gratitude to him for his dedicated work.

New Management Board members appointed

The personnel committee convened once in 2006. In this meeting the committee mainly discussed the appointment of new Management Board members with the CEO. To strengthen the individual divisions and to pay tribute to the increasing internationality of TAKKT Group, the personnel committee made the proposal to the Supervisory Board of appointing two new members: Didier Nulens of Topdeq and Thomas Loos of K + K America. The Supervisory Board complied with this recommendation in its meeting on 31 May 2006. We have therefore kept to our principle of not hiring external managers, but of tapping the know-how we have in the Group: Didier Nulens and Thomas Loos have long-standing experience within TAKKT Group and were responsible for their respective divisions at operational level before being appointed. We would like to wish them success and are looking forward to working with them.

Supervisory Board with less members in the future

Since May 2006 Dr Eckhard Cordes has been supporting the efforts of the Supervisory Board. The AGM voted him as the successor to Professor Dr Theo Siegert. In addition shareholders also voted in favour of limiting the size of the Supervisory Board to six members in the future. This rule has no effect on the current nine members of the Supervisory Board. They will serve their term without any changes. When the Supervisory Board is voted in at the next AGM in 2007 only six members will be elected. I am certain that this will further improve the effectiveness of the Supervisory Board, which is already exceptionally high. Our regular efficiency checks show that the quality of our work has reached a very high level. This result is based on detailed questionnaires in which members rate the work and the expertise of the Supervisory Board.

Dividend increase planned

Jointly with the Management Board we are going to recommend in the coming AGM to increase the dividend by about 67 percent against the previous year and to distribute 25 cent per share. This ensures that shareholders participate in the good profit situation and the high cash flow of TAKKT AG to an appropriate degree.

Consolidated statements and profit appropriation approved

The AGM appointed Dr Ebner, Dr Stolz & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as the auditors for the financial year 2006. The auditors have audited the TAKKT AG financial statements, the consolidated financial statements and the management report of TAKKT AG and the Group which have received an unqualified audit opinion. The audit also included TAKKT Group's risk management system, which was found to be suitable. The auditors in charge took part in the Supervisory Board's annual accounts meeting. They informed members about the key findings of the audit and answered more detailed questions.

The Supervisory Board accepted the auditor's findings. In addition, the Supervisory Board also reviewed the consolidated financial statements, the TAKKT AG financial statements, the management report of TAKKT AG and the Group as well as the proposal for profit appropriation. No objections were put forward by the Supervisory Board. The Supervisory Board approved TAKKT AG's financial statements as well as the consolidated financial statements prepared by the Management Board, which means that TAKKT AG's financial statements are now final. The Management Board's profit appropriation proposal was approved by the Supervisory Board. It also approved the combined management report and in particular the assessment of the Group's future development.

Details according to Takeover Guideline Implementation Law

Management has provided a detailed explanation of the impact of the Takeover Guideline Implementation Law (Übernahmerichtlinien-Umsetzungsgesetz) on TAKKT AG and the Group in the Management Report on page 16. The Supervisory Board fully agrees with these explanations.

Supervisory Board approves dependence report

In this year Franz Haniel & Cie. GmbH in Duisburg retained a majority holding in TAKKT AG's shares again. The Management Board therefore issued a report on relations with affiliated companies for the financial year 2006 as required under section 312 of the German Stock Corporation Act (AktG). In compliance with section 313 of the AktG the auditors Dr Ebner, Dr Stolz & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, have issued an auditors' report. As the audit was concluded without any reservations, the auditor issued the following unqualified report: "Having conducted a proper audit and appraisal, we hereby confirm that the facts set out in the report are correct and the payments made by the company in connection with the legal transactions referred to in the report were not unduly high." The Supervisory Board also reviewed the report on relations with affiliated companies and the corresponding auditors' report. The Supervisory Board had no objections to this report and the closing statement of the dependence report, which is reproduced in the Management Report on page 16.

Thanking shareholders, staff members and Management Board

We are pleased that the shareholders of TAKKT AG have once again granted us their trust. Our appreciation is also due to staff members for their excellent work in 2006 – and the Management Board for their trusting cooperation.

Stuttgart, March 2007

Klaus Trützschler

Dr Klaus Trützschler, Chairman of the Supervisory Board

Members of the Supervisory Board

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

Dr Dieter Schadt
Deputy Chairman
Former Chairman of the Management Board of Franz Haniel & Cie. GmbH

Dr Eckhard Cordes (from 31 May 2006)
Chairman of the Management Board of Franz Haniel & Cie. GmbH

Walter Flammer
Section Manager Organisation at KAISER + KRAFT EUROPA GmbH

Dieter Kämmerer
Former Chairman of the Management Board of GEHE AG

Michael Klein
Non-Executive-Chairman of Rapp Collins GmbH, Direct Marketing Agency

Thomas Kniehl
Logistics employee at KAISER + KRAFT GmbH

Julian Matzke
Logistics employee at KAISER + KRAFT GmbH

Prof Dr Dres h.c. Arnold Picot
University professor

Prof Dr Theo Siegert (until 31 May 2006)
Managing Shareholder of de Haen Carstanjen & Söhne GmbH

„Diese Zahlen sprechen für sich.“
“These figures speak for themselves.“

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement of TAKKT Group, Stuttgart, 1 January 2006 to 31 December 2006 under IFRS

(in EUR ’000)

	Notes	2006	2005
Turnover	(1)	958,499	773,238
Changes in inventories of finished goods and work in progress		86	287
Own work capitalised		85	96
Gross performance		**958,670**	**773,621**
Cost of sales		569,173	453,669
Gross profit		**389,497**	**319,952**
Other income	(2)	6,456	5,252
Personnel expenses	(3)	115,378	98,466
Other operating expenses	(4)	161,094	128,336
EBITDA		**119,481**	**98,402**
Depreciation of property, plant and equipment and other intangible assets	(5)	14,325	9,493
EBITA		**105,156**	**88,909**
Amortisation of goodwill		0	0
EBIT		**105,156**	**88,909**
Income from at-equity investments		0	0
Other financial result	(6)	–110	72
Interest result	(7)	–12,153	–10,299
Financial result		**–12,263**	**–10,227**
Profit before tax		**92,893**	**78,682**
Income taxes	(8)	30,400	28,301
Profit		**62,493**	**50,381**
attributable to TAKKT AG shareholders		61,598	49,649
attributable to minority interest		895	732

Earnings per share (in EUR)		0.84	0.68

Consolidated balance sheet of TAKKT Group, Stuttgart, at 31 December 2006 under IFRS

(in EUR ’000)

Assets	Notes	2006	2005
Non-current assets			
Property, plant and equipment	(9)	64,434	68,032
Goodwill	(10)	250,406	227,481
Other intangible assets	(11)	30,651	9,306
Investments in associates		24	24
Other assets	(12)	669	428
Deferred tax	(13)	6,307	5,066
		352,491	**310,337**
Current assets			
Inventories	(14)	64,776	66,022
Trade receivables		118,428	95,888
Other receivables and assets	(15)	31,880	23,243
Income tax assets		1,681	91
Cash and cash equivalents	(16)	3,878	4,309
		220,643	**189,553**
Total assets		**573,134**	**499,890**

Equity and liabilities	Notes	2006	2005
Shareholders’ equity	**(17)**		
Issued capital		72,900	72,900
Reserves		138,328	108,516
Other comprehensive income		354	–501
Profit attributable to shareholders		61,598	49,649
		273,180	**230,564**
Minority interest	**(18)**	**2,354**	**2,449**
Total equity		**275,534**	**233,013**
Non-current liabilities			
Borrowings	(19)	138,327	150,040
Deferred tax	(13)	19,341	13,719
Provisions	(20)	16,547	12,370
		174,215	**176,129**
Current liabilities			
Borrowings	(19)	30,344	12,196
Trade payables	(21)	32,371	28,173
Other liabilities	(22)	33,218	28,448
Provisions	(23)	13,624	10,455
Income tax liabilities		13,828	11,476
		123,385	**90,748**
Total equity and liabilities		**573,134**	**499,890**

Consolidated statement of changes in total equity of TAKKT Group, Stuttgart

(in EUR '000)

	Issued capital	General reserves	Currency reserves	Other comprehensive income	Shareholders' equity	Minority interest	Total equity
Balance at 01.01.2006	**72,900**	**165,779**	**–7,614**	**–501**	**230,564**	**2,449**	**233,013**
Effect of currency changes	0	0	–8,902	28	–8,874	0	–8,874
Dividends paid	0	–10,935	0	0	–10,935	–990	–11,925
Profit	0	61,598	0	0	61,598	895	62,493
Changes in derivative financial instruments	0	0	0	827	827	0	827
Balance at 31.12.2006	**72,900**	**216,442**	**–16,516**	**354**	**273,180**	**2,354**	**275,534**

	Issued capital	General reserves	Currency reserves	Other comprehensive income	Shareholders' equity	Minority interest	Total equity
Balance at 01.01.2005	**72,900**	**127,065**	**–17,667**	**–1,241**	**181,057**	**2,977**	**184,034**
Effect of currency changes	0	0	10,053	–217	9,836	0	9,836
Dividends paid	0	–10,935	0	0	–10,935	–1,260	–12,195
Profit	0	49,649	0	0	49,649	732	50,381
Changes in derivative financial instruments	0	0	0	957	957	0	957
Balance at 31.12.2005	**72,900**	**165,779**	**–7,614**	**–501**	**230,564**	**2,449**	**233,013**

Consolidated cash flow statement of TAKKT Group, Stuttgart

(in EUR '000)

	2006	2005
Profit	62,493	50,381
Depreciation of non-current assets	14,325	9,493
Deferred tax affecting profit	4,889	5,653
Cash flow	**81,707**	**65,527**
Other non-cash expenses and income	3,683	7,157
Profit and loss on disposal of non-current assets	–515	–3
Change in inventories	–3,229	–5,496
Change in trade receivables	–21,793	–9,898
Change in other assets not included in investing and financing activities	1,468	315
Change in short and long-term provisions	7,391	2,578
Change in trade payables	3,145	165
Change in other liabilities not included in investing and financing activities	2,656	2,446
Cash flow from operating activities	**74,513**	**62,791**
Proceeds from disposal of non-current assets	380	165
Capital expenditure on non-current assets	–10,126	–8,927
Cash outflows for the acquisition of consolidated companies (less acquired cash and cash equivalents)	–64,574	–22
Cash flow from investing activities	**–74,320**	**–8,784**
Proceeds from borrowings	210,985	20,290
Repayment of borrowings	–199,298	–61,943
Dividends to TAKKT AG shareholders and minority interest	–11,925	–12,195
Other financial payments	–211	0
Cash flow from financing activities	**–449**	**–53,848**
Net change in cash and cash equivalents	–256	159
Effect of exchange rate changes	–175	182
Cash and cash equivalents at 01.01.	4,309	3,968
Cash and cash equivalents at 31.12.	**3,878**	**4,309**

The cash flow statement has been prepared from the consolidated financial statements using the indirect method and has been prepared according to IAS 7. To adjust for exchange rate effects the items of the opening balance sheet were translated at the respective exchange rates on the reporting date. These figures were compared with the closing balance sheet. Any non-cash expenses and income items were also adjusted.

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

The cash flow from operating activities includes interest cash inflows of EUR 309,000 (EUR 180,000) and interest cash outflows of EUR 12,870,000 (EUR 9,907,000). In 2006 income taxes of EUR 24,518,000 (EUR 18,379,000) were paid.

Capital expenditure relates to maintenance, rationalisation and expansion measures. Assets of EUR 1,338,000 (EUR 0) were acquired by means of a finance lease.

Borrowings include all interest-bearing liabilities; please see page 98 onwards for further details. EUR 10,935,000 (EUR 10,935,000) dividends were paid to TAKKT AG shareholders in the year under review. This constitutes EUR 0.15 (EUR 0.15) per share.

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

Primary segment reporting 2006 of TAKKT Group, Stuttgart

(in EUR ’000)

01.01.2006 – 31.12.2006	K + K EUROPA	Topdeq	K + K America	Others/ consolidation	Group total
Segment turnover	451,229	86,027	421,538	–295	958,499
Segment share of Group turnover	47.1 %	8.9 %	44.0 %	0.0 %	100.0 %
EBITDA	84,910	4,303	39,341	–9,073	119,481
EBITA	79,850	2,793	31,621	–9,108	105,156
EBIT	79,850	2,793	31,621	–9,108	105,156
Profit before tax	74,579	2,302	22,213	–6,201	92,893
Profit	49,732	3,279	13,359	–3,877	62,493
Scheduled depreciation of segment assets	5,060	1,511	7,720	34	14,325
Other non-cash expenses and income	2,804	66	–1,952	2,765	3,683
Income from at-equity investments	0	0	0	0	0
Segment assets	251,325	48,328	290,846	–25,496	565,003
thereof book value of assets valued at-equity	24	0	0	0	24
Deferred tax and income tax assets	2,033	3,955	2,261	–118	8,131
Total assets	**253,358**	**52,283**	**293,107**	**–25,614**	**573,134**
Segment liabilities	48,699	8,996	31,246	6,819	95,760
Deferred tax and income tax liabilities	12,470	1,095	12,144	7,460	33,169
Borrowings (short and long-term)	136,613	8,646	158,286	–134,874	168,671
Total liabilities	**197,782**	**18,737**	**201,676**	**–120,595**	**297,600**
Segment capital expenditure	5,153	1,682	65,112	80	72,027
Average no. of employees (full-time equivalent)	878	196	914	28	2,016
Employees (full-time equivalent) at the reporting date	892	192	915	28	2,027

Primary segment reporting 2005 of TAKKT Group, Stuttgart

(in EUR '000)

01.01.2005 – 31.12.2005	K + K EUROPA	Topdeq	K + K America	Others/ consolidation	Group total
Segment turnover	401,266	82,067	290,022	–117	773,238
Segment share of Group turnover	51.9 %	10.6 %	37.5 %	0.0 %	100.0 %
EBITDA	70,417	2,756	32,881	–7,652	98,402
EBITA	65,573	1,045	30,082	–7,791	88,909
EBIT	65,573	1,045	30,082	–7,791	88,909
Profit before tax	60,348	583	23,638	–5,887	78,682
Profit	39,988	346	14,479	–4,432	50,381
Scheduled depreciation of segment assets	4,844	1,711	2,799	139	9,493
Other non-cash expenses and income	671	127	3,167	3,192	7,157
Income from at-equity investments	0	0	0	0	0
Segment assets	227,529	46,601	234,784	–14,181	494,733
thereof book value of assets valued at-equity	24	0	0	0	24
Deferred tax and income tax assets	1,525	2,376	1,110	146	5,157
Total assets	**229,054**	**48,977**	**235,894**	**–14,035**	**499,890**
Segment liabilities	40,042	8,874	24,630	5,900	79,446
Deferred tax and income tax liabilities	9,149	840	9,403	5,803	25,195
Borrowings (short and long-term)	136,434	8,476	114,130	–96,804	162,236
Total liabilities	**185,625**	**18,190**	**148,163**	**–85,101**	**266,877**
Segment capital expenditure	2,714	984	4,909	342	8,949
Average no. of employees (full-time equivalent)	839	209	774	26	1,848
Employees (full-time equivalent) at the reporting date	854	209	778	27	1,868

Segment information

In the scope of segment reporting under IAS 14, the activities of TAKKT AG are broken down into divisions (primary reporting) and regions (secondary reporting). The breakdown into primary segments follows the management approach and takes account of internal controlling and reporting as well as of the organisational structure. The secondary reporting differentiates between Germany, rest of Europe, North America and other countries (Japan, Mexico and China). 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. This method complies with OECD principles. The same approach was pursued in the previous year.

Primary reporting by division

KAISER + KRAFT EUROPA

KAISER + KRAFT EUROPA GmbH, Stuttgart, comprises the groups KAISER + KRAFT, Gaerner, Gerdmans and KWESTO in more than 20 European countries. KAISER + KRAFT also formed companies in Japan and China in 2002 and 2005 to enter the Asian market. The companies of the division offer approximately 40,000 products via catalogue and the internet. KAISER + KRAFT EUROPA operates a European mail order centre in Kamp-Lintfort and one regional warehouse for each of the Gerdmans and the KWESTO Group, as well as a production facility for durable transport equipment (platform trucks, sack trucks, trolley jacks, etc.) and a warehouse in Haan, near Düsseldorf.

The self-produced products are marketed under the EURO*KRAFT* brand. In addition to the standard range, the company also manufactures tailor-made products and carries out small-batch production orders in accordance with customer specifications.

This segment focuses on the following product groups: transport, storage, environment, workshop and office equipment.

Topdeq

Topdeq Group sells designer office furniture and accessories via mail order catalogue and the internet in Germany, Switzerland, the Netherlands, France, the United States, Belgium and Austria. The division's main customers are predominantly small to medium-size companies from the service sector. Topdeq offers a special 24 hour delivery service within Europe and at least a five-year warranty. Topdeq operates warehouses in Germany, Switzerland, France and the United States. The Topdeq Group's product portfolio comprises some 2,500 products.

K + K America

K + K America Corporation, Milwaukee, sells via catalogue and internet through the companies C&H Distributors, C&H Productos Industriales, Conney Safety Products and Avenue Industrial Supply in the USA, Canada and Mexico over 50,000 products from the transport, storage, business equipment, occupational safety and packaging sectors. The NBF Group offers around 11,000 products from the field of office equipment. Hubert sells approximately 30,000 products to the retail trade and the restaurant and hotel sector in the USA and Canada. K + K America Group operates eight warehouses in the USA and Canada.

Secondary segment reporting by region 2006 of TAKKT Group, Stuttgart

(in EUR '000)

01.01.2006 – 31.12.2006	Germany	Rest of Europe	North America	Other	Group total
Segment turnover	201,344	316,400	436,833	3,922	958,499
Segment share of Group turnover	21.0 %	33.0 %	45.6 %	0.4 %	100.0 %
Segment assets	165,929	110,740	285,827	2,507	565,003
Segment capital expenditure	5,144	1,587	65,133	163	72,027

Secondary segment reporting by region 2005 of TAKKT Group, Stuttgart

(in EUR '000)

01.01.2005 – 31.12.2005	Germany	Rest of Europe	North America	Other	Group total
Segment turnover	183,958	281,756	305,152	2,372	773,238
Segment share of Group turnover	23.8 %	36.4 %	39.5 %	0.3 %	100.0 %
Segment assets	163,172	100,000	229,833	1,728	494,733
Segment capital expenditure	2,680	1,121	5,121	27	8,949

Notes to the consolidated financial statements for the year ended 31 December 2006

1. General information

a) Accounting principles

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

IASB and IFRIC passed and respectively amended the following accounting standards and interpretations which were endorsed by the EU:

Standard	Status	Applicable from
IFRS 6, IFRIC 4/5/6	new	2006
IFRS 1/4/6, IAS 1/19/21/32/39	amended	2006
IFRIC 7/8/9, IFRS 7	new	2007
IAS 1	amended	2007

The option of applying standards earlier was not taken. An earlier application would not have had any material effect on the financial statements. We do not believe that the first-time adoption of the stated standards in 2007 will have any material effect on the financial statements.

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

The consolidated financial statements comply with the European Union Directive on consolidated accounting (Directive 83/349/EEC).

The consolidated financial statements have been prepared in euros. Unless otherwise noted, all amounts are quoted in EUR '000.

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

The income statement was prepared in accordance with the type of expenditure format with the separate disclosure of gross profit.

b) Scope of consolidation

TAKKT AG, Stuttgart, which is registered under HRB 19962 with the German Commercial Register of the Stuttgart local court, is the Group's controlling company. The consolidated financial statements at 31 December 2006 in accordance with IFRS, the Group management report and the TAKKT AG individual financial statements according to HGB will be submitted to the electronic Federal Bulletin.

TAKKT AG is a B2B mail order company for office, business and warehouse equipment and has a presence in more than 25 countries. Besides TAKKT AG, five domestic (previous year: five) and 51 foreign (previous year: 46) companies are included in the consolidated financial statements. The consolidated financial statements therefore include all companies in which TAKKT AG directly or indirectly holds a majority of voting rights or has control of such entities as defined in IAS 27 as a result of such rights.

In the year under review there have been the following changes to the number of companies included in the consolidated financial statements:

Acquired	5
Founded	1
Liquidated	1

Please also refer to page 112 onwards to find out more about acquisitions.

The disposal of the non-operative company did not have any material effects.

One domestic associated company of subordinated significance exists.

TAKKT AG is a 72.7 percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg. TAKKT Group is therefore included in the latter's consolidated accounts.

c) Accounting policies

The consolidated financial statements as well as all individual financial statements included in the consolidated financial statements have the same balance sheet date, 31 December 2006. According to IAS 27, the financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements were prepared using uniform accounting and valuation principles.

Capital consolidation was prepared using the purchase method based on a purchase price allocation at the time of control being assumed (IFRS 3). Goodwill acquired in a business combination in the expectation of future positive inflows of funds from the business combination, which cannot be allocated to identifiable assets in a reassessment of the value, is to be recorded as goodwill in intangible assets. In accordance with IFRS 3, goodwill is subject to an annual impairment test, or more frequently if events or changes in circumstances indicate a necessity. If an impairment has been identified it has to be recognised in goodwill with an effect on profit.

A subsidiary is no longer consolidated from the point when the parent company no longer has control of the subsidiary.

Intercompany profits and losses, turnover, expenses and income as well as all receivables and liabilities between the Group subsidiaries were eliminated. Unrealised intercompany profits in current and non-current assets were eliminated provided they were not immaterial.

Differences arising from the debt consolidation were written off to the income statement.

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

Minority interests in a subsidiary's equity and profits are disclosed in the position minority interest within the total equity section.

In accordance with IAS 12, deferred tax was provided on all consolidation measures affecting the income statement.

d) Currency translation

TAKKT AG's reporting currency is euro. In accordance with IAS 21, currency is translated using the functional currency concept. Since all companies manage their businesses autonomously, the respective local currency is identical to the functional currency. Under the functional currency concept, assets and liabilities of all subsidiaries which do not report in euro are translated using the closing rate, whereas income and expenses are translated using the average exchange rate for the year. The goodwill on consolidation was calculated applying the exchange rate to the consolidated equity at the time of acquisition.

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

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

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

Currency translation rates

		Closing rate		Average rate	
Currency	Country	2006	2005	2006	2005
USD	USA	1.3170	1.1797	1.2544	1.2421
CHF	Switzerland	1.6069	1.5551	1.5727	1.5483
GBP	UK	0.6715	0.6853	0.6817	0.6837
SEK	Sweden	9.0404	9.3885	9.2532	9.2793

e) Accounting and valuation principles

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

Other income is accrued if the economic benefit is likely and the amount can be determined reliably.

Property, plant and equipment is capitalised at acquisition or manufacturing costs less scheduled depreciation. There are no material self-produced property, plant and equipment items because of the business activity.

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

	Useful life in years
Buildings:	10–50
Plant, machinery and office equipment:	3–15

Net book value and useful lives are tested at the balance sheet date and adjusted if necessary.

The requirements of finance leasing pursuant to IAS 17 are satisfied if TAKKT Group bears all substantial opportunities and risks in leasing transactions as lessee and can therefore be considered economic owner. In these cases items in property, plant and equipment are capitalised at fair value or at the lower present value of the minimum leasing payments and subject to straight-line depreciation during its useful life or the shorter duration of the leasing contract, which is between three and 22 years. The present value of obligations for future lease instalments is disclosed under short and long-term borrowings. Property and equipment under a finance lease contract generally include a purchase option at market price at the end of the general lease term. The option price usually corresponds to the residual book value. An interest rate corresponding to the term was used to calculate the present value. In the case of special leases the interest rate, on which the lease contract was based, was applied.

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

The book value of goodwill is reviewed once a year, or during the year if necessary, pursuant to IAS 36 using so-called cash generating units. The impairment test is based on a detailed plan of future cash flows before interest and tax less capital expenditure for a period of five years. In calculating perpetuity future company growth is considered and based on the average market growth. The cash flows calculated are discounted with the weighted average cost of capital (WACC) determined for every cash generating unit in order to calculate the market value of the cash generating unit. TAKKT Group applies weighted average costs of capital rates of between 10.0 and 10.9 percent, almost unchanged against the previous year. The market value is then compared to the respective book value. If the market value is below the book value of the cash generating unit, an impairment charge is made on the goodwill and other assets, if required.

Other intangible assets with a defined useful life are disclosed at acquisition cost plus incidental acquisition cost less straight line depreciation. Net book values and useful lives are tested on the balance sheet date and adjusted if necessary. Assets with an indefinite useful life are not subject to scheduled depreciation but tested for impairment annually or if events make this necessary.

	Useful life in years
Trade names	indefinite
Customer lists	5 or 15
Domain names/websites	3
Catalogue designs	10
Software	2–5

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

Inventories are recognised at the lower of acquisition or manufacturing costs or net realisable value. A value based on the FIFO method ("first in, first out") is generally applied. The manufacturing costs include not only the directly attributable materials used for production and wages but also appropriate portions of the indirect material and production overheads. Obsolescence reserves were made on purchased merchandise, taking into account the expected sell-down period of the inventories. If the reasons for the write-downs no longer apply, the original reserves are released. Financing costs are not capitalised since no direct relationship exists as required by IAS 23.

Financial assets and liabilities are generally divided into those which are available for sale, those with a fair value through profit and loss and those which are held to maturity as well as loans and receivables. Classification is determined on purchase and reviewed for every balance sheet date (see page 100 onwards).

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

Financial assets in the category fair value through profit and loss are recorded with their respective market value on the balance sheet date. Fluctuations in market values are recorded in the income statement.

Financial assets in the category held to maturity as well as loans and receivables are recorded at their amortised cost or with their lower fair value.

Trade receivables and other assets are reported at their nominal value or if applicable their respective fair values on the settlement date. Risks are taken into consideration by valuation allowances. Apart from the required individual value adjustments, they are subject to general allowance to cover identifiable credit risks based on past experience. This allowance is necessary because of the large number of trade debtors in the mail order business.

Catalogues, which generate sales in the following year, are disclosed under other receivables on the balance sheet date at their acquisition and production cost.

Derivative financial instruments such as foreign exchange contracts and swaps are basically used for hedging purposes to reduce currency and interest risks from operating activities or the financing requirements resulting from these activities.

Accounting for financial derivatives occurs as soon as purchases or sales contracts are made. According to IAS 39 all derivatives have to be reported at their fair value, regardless of the purpose or intention motivating their purchase. Changes in the fair value of derivatives, for which hedge accounting is applied, are either reported in profit or if it is a cash flow hedge, with consideration of deferred tax as part of cumulative changes in equity, with no effect on profit.

Fair value hedge derivatives are used to hedge balance sheet items. The changes in fair values of derivatives and their underlying transactions are included in the income statement.

Derivatives used to hedge against future cash flow risks from existing or planned transactions are referred to as cash flow hedges. The hedge-effective portion of the change in the fair value of the derivatives is initially shown with a neutral effect in other comprehensive income under equity. A transfer to the income statement is made at the time of the profit-effect of the underlying hedged item in earnings. The portion of the changes in fair value not covered by the underlying hedged item (hedge-ineffective portion) is immediately recognised in earnings.

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

In accordance with IAS 19, pension provisions and similar obligations are recognised using the actuarial projected unit credit method. In this procedure prevailing long-term capital market interest rates as well as assumptions about future salary and pension increases are considered in addition to biometric calculation bases. Actuarial profits and losses are only recorded with an effect on profit if they deviate by more than ten percent of the higher amount of the present value of the defined benefit obligation and the current value of the plan assets (corridor). The excess amount is expanded over the average residual service life of the workforce. The interest portion of pension expense is disclosed in the interest result. Direct pension commitments in Germany are derived using Prof Dr Klaus Heubeck's biometric calculation tables 2005 G.

With the exception of other personnel-related provisions calculated in accordance with IAS 19, other provisions are made on the basis of IAS 37, if a statutory or factual obligation exists, which is based on transactions or incidents in the past. The outflow of resources must be probable and calculable.

Liabilities are reported at their nominal value and, with the exception of derivatives, valued at their amortised cost. There are no liabilities which are held for trading. Liabilities from finance lease contracts are disclosed at the present value of future lease instalments. Foreign currency liabilities are converted at the closing exchange rate.

The short-term portions of long-term assets and liabilities with a remaining term of less than one year are disclosed under short-term balance sheet positions. Pension provisions are an exception, as the short-term component is not material and all pension provisions are therefore classified as long-term.

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

2. Notes to the income statement

(1) Turnover

(in EUR '000)

	2006	2005
Turnover with third parties	957,895	772,675
Turnover with affiliated companies	604	563
	958,499	**773,238**

Turnover with affiliated companies relates to the majority shareholder Franz Haniel & Cie. GmbH, Duisburg, as well as companies of the majority shareholder, which are not included in the consolidated financial statements of TAKKT AG. A list of these can be found in related party transactions on page 114 onwards.

A breakdown of turnover by segment and geographical region is shown in the segment reports on page 77 onwards.

(2) Other income

(in EUR '000)

	2006	2005
Rental income	254	272
Income from the release of valuation allowances	266	361
Income from disposal of non-current assets	542	22
Operating income	3,013	2,196
Other	2,381	2,401
	6,456	**5,252**

(3) Personnel expenses

(in EUR '000)

	2006	2005
Wages and salaries	92,514	80,643
Social security costs	17,360	15,108
Retirement and welfare costs	5,477	2,824
Release of personnel-related provisions	–486	–615
Other	513	506
	115,378	**98,466**

The segment reports on page 77 onwards refer to the number of employees of the Group.

(4) Other operating expenses

(in EUR '000)

	2006	2005
Losses from disposal of non-current assets	27	19
Valuation allowances on current assets	2,699	1,546
Income from the release of provisions	–404	–75
Operating leasing and rents	11,825	10,805
Exchange differences	542	–1,078
Operating taxes	1,095	1,028
Operating expenses	123,345	99,751
Administrative expenses	21,965	16,340
	161,094	**128,336**

Valuation allowances mainly relate to trade receivables and write-offs of receivables where they cannot be recovered. Write-offs amounted to EUR 1,408,000 (EUR 1,313,000). Operating taxes include real estate tax, car tax, tax on capital and assets and the French "taxe professionnelle". A major part of operating expenses is catalogue costs.

(5) Depreciation of property, plant and equipment and other intangible assets

(in EUR '000)

	2006	2005
Property, plant and equipment	7,921	7,826
Other intangible assets	6,404	1,667
	14,325	**9,493**

(6) Other financial result

(in EUR '000)

	2006	2005
Expense from the valuation of intercompany loans and financial derivatives	–110	72

More details on the use of derivative financial instruments are disclosed on page 107 onwards.

(7) Interest result

(in EUR '000)

	2006	2005
Interest income		
Income from other long-term assets	0	2
Interest and similar income	309	180
	309	**182**
Interest expense		
Interest portion of finance leases	–1,494	–1,526
Interest portion of pension provisions	–640	–551
Interest on borrowings	–10,328	–8,404
	–12,462	**–10,481**
	–12,153	**–10,299**

(8) Income taxes

Tax expense includes income taxes paid and taxes due as well as deferred tax of the individual countries. The income tax rates applied range up to 40.9 percent.

Breakdown of tax charge

(in EUR '000)

	2006	2005
Income taxes	25,511	22,648
Deferred tax	4,889	5,653
	30,400	**28,301**

Deferred tax includes the release of an allowance on deferred tax assets amounting to EUR 825,000 (previous year: addition of EUR 957,000).

The difference between the actual tax expense and the calculated tax expense calculated at a tax rate of 38.9 (38.9) percent for TAKKT AG, comprises the following:

Tax rate reconciliation

(in EUR '000)

	2006	2005
Profit before tax	92,893	78,682
Expected average tax expense (tax rate of 38.9%)	36,135	30,607
Changes in tax rates	331	216
Differences between local and Group tax rates	–5,768	–4,396
Non-deductible expenses	657	738
Non-taxable income	–14	–10
Allowance for deferred tax on loss carry-forwards and other	–795	1,027
Taxes relating to prior years	–242	–101
Other differences	92	190
Corrections for municipal trade tax	4	30
Actual income tax expense per the income statement	**30,400**	**28,301**

The calculated tax rate is based on the tax rates currently applicable in Germany. Apart from the corporate income tax of 25.0 percent, the solidarity surcharge of 5.5 percent and the average municipal trade tax rate for the German Group companies were taken into account.

Earnings per share

	2006	2005
Number of shares issued (in thousand)	72,900	72,900
Weighted number of shares issued (in thousand)	72,900	72,900
Profit attributable to the shareholders of TAKKT AG (in EUR '000)	61,598	49,649
Earnings per share (in EUR)	0.84	0.68
Cash flow (in EUR)	81,707	65,527
Cash flow per share (in EUR)	1.12	0.90

So-called potential shares (mainly stock options and convertible bonds), which could dilute the earnings per share, were not issued. The diluted and undiluted earnings per share therefore are identical.

3. Notes to the balance sheet

(9) Property, plant and equipment

(in EUR '000)

	Land, buildings and similar assets	Plant, machinery and office equipment	Payments on account	Total
Acquisition costs				
Balance at 01.01.2006	67,116	47,839	148	115,103
Currency translation	–2,582	–1,407	–10	–3,999
Changes in scope of consolidation	78	568	0	646
Additions	200	5,851	1,429	7,480
Transfers	148	337	–485	0
Disposals	–2,262	–2,871	0	–5,133
Balance at 31.12.2006	**62,698**	**50,317**	**1,082**	**114,097**
Cumulative depreciation				
Balance at 01.01.2006	20,378	26,693	0	47,071
Currency translation	–608	–1,080	0	–1,688
Changes in scope of consolidation	0	0	0	0
Additions	2,499	5,422	0	7,921
Transfers	0	0	0	0
Disposals	–961	–2,680	0	–3,641
Balance at 31.12.2006	**21,308**	**28,355**	**0**	**49,663**
Net book values				
Balance at 31.12.2006	**41,390**	**21,962**	**1,082**	**64,434**
Balance at 01.01.2006	**46,738**	**21,146**	**148**	**68,032**

The depreciation included in the tangible assets development was translated at average rates as in the income statement. The difference to the closing rate is included in currency translation.

Unscheduled depreciation according to IAS 36 and changes to the applied parameters (depreciation methods, useful lives and net book values) were not required.

At the balance sheet date property, plant and equipment with a book value of EUR 18,590,000 (EUR 19,221,000) acquired under a finance lease have been capitalised. This included an addition of acquisition costs of EUR 1,338,000 for plant, machinery and office equipment. Leased assets of EUR 14,468,000 (EUR 15,587,000) are shown under land, buildings and similar assets and EUR 4,122,000 (EUR 3,634,000) under plant, machinery and office equipment.

Since the transfer of the assets capitalised as finance leases at the end of the leasing period continues to be insufficiently reliable, the finance lease properties continue to be depreciated over the lease period. Overall there is no need to change the parameters used.

As in the previous year, tangible assets, legally and economically owned by the company, with the exception of the capitalised finance lease assets, are not subject to any restraints on disposal or ownership rights.

(10) Goodwill

(in EUR '000)

	Goodwill	Goodwill on consolidation	Total
Acquisition costs			
Balance at 01.01.2006	199,219	28,262	227,481
Currency translation	–12,493	0	–12,493
Changes in scope of consolidation	35,404	0	35,404
Additions	0	14	14
Disposals	0	0	0
Balance at 31.12.2006	**222,130**	**28,276**	**250,406**
Cumulative amortisation			
Balance at 01.01.2006/31.12.2006	**0**	**0**	**0**
Net book values			
Balance at 31.12.2006	**222,130**	**28,276**	**250,406**
Balance at 01.01.2006	**199,219**	**28,262**	**227,481**

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

Some of the past acquisitions were made as so-called "asset deals". In asset deals, all assets are acquired separately by the buyer. If the cost of acquisition exceeded the fair value of the individual identifiable assets, the difference was capitalised as goodwill in the individual balance sheet of the respective acquirer.

Net book value of goodwill

(in EUR '000)

Cash generating units	2006	2005
KAISER + KRAFT EUROPA	79,379	79,379
Topdeq	0	0
Industrial equipment	2,150	2,400
Safety products	26,547	29,637
Foodservice and general retail equipment	78,650	87,803
Office equipment	35,404	0
	222,130	**199,219**

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

Net book value of goodwill on consolidation

(in EUR '000)

Cash generating units	2006	2005
KAISER + KRAFT EUROPA	15,416	15,410
Topdeq	12,860	12,852
	28,276	**28,262**

Subsequent consolidation

In accordance with IFRS 3, from 1 January 2006 goodwill is no longer amortised on a straight-line basis but subject to an annual impairment test. No impairment charges were necessary in the financial year.

For tax purposes, the goodwill is still depreciated over a period of 15 years. The resulting deferred tax liability amounts to EUR 21,620,000 (EUR 15,308,000) as of the reporting date.

No deferred tax results from goodwill on consolidation.

(11) Other intangible assets

(in EUR '000)

	Trade names	Customer lists	Other	Licences and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01.01.2006	0	23,012	0	18,221	4,059	45,292
Currency translation	0	–2,399	0	–770	–423	–3,592
Changes in scope of consolidation	7,160	8,682	8,332	70	250	24,494
Additions	0	0	0	1,430	2,373	3,803
Transfers	0	0	0	5,937	–5,937	0
Disposals	0	0	0	–715	0	–715
Balance at 31.12.2006	**7,160**	**29,295**	**8,332**	**24,173**	**322**	**69,282**
Cumulative depreciation						
Balance at 01.01.2006	0	21,238	0	14,748	0	35,986
Currency translation	0	–2,314	–101	–639	0	–3,054
Changes in scope of consolidation	0	0	0	0	0	0
Additions	0	2,117	2,118	2,169	0	6,404
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–705	0	–705
Balance at 31.12.2006	**0**	**21,041**	**2,017**	**15,573**	**0**	**38,631**
Net book values						
Balance at 31.12.2006	**7,160**	**8,254**	**6,315**	**8,600**	**322**	**30,651**
Balance at 01.01.2006	**0**	**1,774**	**0**	**3,473**	**4,059**	**9,306**

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

In the financial year unscheduled deprecation according to IAS 36 amounted to EUR 173,000.

As in the previous year, intangible assets were not subject to any restraints on disposal or ownership. Trade names with an indefinite life amounting to EUR 7,160,000 relate to the cash generating unit office equipment.

(12) Other assets

Other assets include securities to cover personnel obligations in Austria. These securities are valued at amortised cost. This also includes loans to employees, deposits and pension plan reinsurance as well as corporate tax credits. The corporate tax credits have been discounted at four percent.

Loans to employees and deposits are valued at amortised cost. Pension plan reinsurance was derived from an actuarial valuation.

(13) Deferred tax

Allowances on deferred tax on loss carry-forwards amount to EUR 4,216,000 (EUR 5,459,000).

Permissibility of adjusted loss carry-forwards

(in EUR '000)

up to 1 year	1 to 5 years	over 5 years	Total
0	2,876	8,638	11,514

Deferred tax assets and liabilities are recognised for disclosure and valuation differences for the following balance sheet items:

Deferred tax assets and liabilities

(in EUR '000)

	Assets		Liabilities	
	2006	2005	2006	2005
Property, plant and equipment and other intangible assets	1,551	414	7,751	7,721
Goodwill	0	0	21,620	15,308
Inventories	536	370	960	857
Trade receivables and other assets	1,234	854	2,381	1,649
Pension provisions	1,528	951	14	14
Other provisions	1,292	1,452	138	128
Market value of derivative financial instruments	175	338	408	73
Loss carry-forwards	4,506	3,252	0	0
Borrowings	9,203	9,276	0	0
Other	249	235	36	45
Subtotal	**20,274**	**17,142**	**33,308**	**25,795**
Netting	–13,967	–12,076	–13,967	–12,076
Consolidated balance sheet	**6,307**	**5,066**	**19,341**	**13,719**

Only deferred tax on the market value of the derivative financial instruments classified as cash flow hedges amounting to EUR –222,000 (EUR 312,000) did not affect profit.

As long as the requirement under IAS 12.74 for netting off deferred tax is satisfied, deferred tax assets and liabilities are netted at the level of the individual company or at tax group level.

Of EUR 4,506,000 (EUR 3,252,000) deferred tax on loss carry-forwards, EUR 1,197,000 (EUR 1,866,000) relate to companies which generated losses in the year under review. Calculating deferred tax on loss carry-forwards is based on the positive results in respective five-year planning and the proven business model.

(14) Inventories

(in EUR '000)

	2006	2005
Raw materials and supplies	781	738
Work in progress	740	802
Finished goods and purchased merchandise	63,073	64,482
Payments on account	182	0
	64,776	**66,022**

An obsolescence reserve of EUR 6,063,000 (EUR 5,601,000) has been made on purchased merchandise, taking into account the expected sell-down period of the inventories. Unrealised intercompany profits of EUR 658,000 (EUR 611,000) have been eliminated.

(15) Other receivables and assets

(in EUR '000)

	2006	2005
Receivables from affiliated companies	61	1,421
Market value of derivative financial instruments	1,328	276
Catalogue costs of the following year	20,027	13,552
Other	10,464	7,994
	31,880	**23,243**

A list of receivables from affiliated companies can be found under related party transactions on page 114 onwards. These were not subject to any allowance.

Intercompany profits of EUR 1,499,000 (EUR 1,405,000) were eliminated from catalogue costs of the following year. Other includes supplier bonuses.

The maturities of derivative financial instruments can be long and short-term. The choice of maturity depends on the hedge required. Long-term derivative financial instruments with a positive market value reached a market value of EUR 543,000 (EUR 88,000). The market value itself is recorded as short-term.

(16) Cash and cash equivalents

(in EUR '000)

	2006	2005
Cheques, cash balances	452	245
Cash at banks	3,426	4,064
	3,878	**4,309**

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

(17) Shareholders' equity

For the consolidated statement of changes in total equity, refer to page 74.

The issued capital of TAKKT AG remained unchanged at EUR 72,900,000 and is divided into 72,900,000 no name no-par-value shares. In accordance with the resolution of the Annual General Meeting on 3 May 2005, the Management Board is authorised to increase the issued capital subject to the approval of the Supervisory Board, once or several times, by an amount of up to EUR 36,450,000 by issuing new bearer shares until 7 May 2010 taking stockholders' pre-emptive rights into account. On 31 May 2006 the Annual General Meeting authorised the Management and Supervisory Boards to purchase own shares. No use was made of this right.

Reserves include the earnings reserves contributed by Group companies since acquisition, the corresponding translation adjustments to present values arising from the currency conversion of assets and liabilities not affecting the income statement, as well as the total of the consolidation and tax adjustments shown in the income statement.

Other comprehensive income includes changes in the market values of derivatives used to hedge future cash flows.

The shareholders have a claim to the unappropriated profits available for distribution by TAKKT AG provided that the latter is not excluded from distribution to the shareholders by law or statutes, by way of a shareholders' resolution or as additional charge due to the profit appropriation proposal.

The Management Board proposes to pay a dividend of EUR 18,225,000 (EUR 10,935,000). This would be equivalent to a dividend of EUR 0.25 (EUR 0.15) per share.

(18) Minority interest

(in EUR '000)

	2006	2005
Share in capital and reserves	1,459	1,717
Share in profit	895	732
	2,354	**2,449**

Minority interests exist at KAISER + KRAFT N.V., Diegem/Belgium and Vink Lisse B.V., Lisse/Netherlands. All other Group companies are wholly owned.

(19) Short and long-term borrowings

(in EUR '000)

	Remaining term				
	up to 1 year	1 to 5 years	over 5 years	31.12.2006	31.12.2005
Liabilities to banks	12,960	55,429	59,568	127,957	134,489
Finance leases	1,612	6,857	15,189	23,658	23,846
Finance liabilities to affiliated companies	12,365	0	0	12,365	37
Other	3,407	1,284	0	4,691	3,864
	30,344	**63,570**	**74,757**	**168,671**	**162,236**
thereof long-term (maturity > 1 year)				138,327	150,040

The remaining term of the liabilities to banks is equivalent to the respective financing commitments and is aligned with the projected future cash flow of the TAKKT Group. Additionally, TAKKT AG has unused credit lines. Liabilities under finance lease contracts refer to two properties comprising land, buildings and equipment and IT systems.

A list of liabilities to affiliated companies can be found in related party transactions on page 114 onwards. These balances are the result of the current settlement transactions under the existing cash management system. By participating in Haniel Group's euro cash management system, the TAKKT Group benefits from potential economies of scale for the euro-zone.

Interest rate swaps and caps are used in the context of the interest rate hedging strategy. As a general rule, approximately 60 to 70 percent of the exposure from interest expense is hedged (for more details, please refer to interest rate management on page 109 onwards).

Development of short and long-term borrowings

(in EUR ’000)

	01.01.2006	Other changes	Additions	Repayments	31.12.2006
Liabilities to banks	134,489	–7,417	198,657	197,772	127,957
Finance leases	23,846	0	1,338	1,526	23,658
Finance liabilities to affiliated companies	37	0	12,328	0	12,365
Other	3,864	827	0	0	4,691
	162,236	**–6,590**	**212,323**	**199,298**	**168,671**

Other changes include currency translation in the amount of EUR –8,773,000 (EUR 17,177,000) and an addition from a change in the scope of consolidation amounting to EUR 1,356,000 (EUR 0). Average net borrowings for the financial year amounted to EUR 188,729,000 (EUR 170,155,000). Liabilities were weighted by month and converted using the average rate method, which was also used in the income statement. Additions to liabilities to banks relate to a comparison of the credit lines at different banks being used at the beginning and the end of the year. Other includes the EVA® certificates issued to TAKKT Group management.

Borrowings by currency and interest rate hedges

	31.12.2006 (in EUR ’000)	Portion of total liability (in percent)	Weighted remaining term (in years)	Average interest rate (in percent)
USD liabilities	**127,384**	**75.5**	**4.3**	**5.6**
EUR liabilities	**41,056**	**24.4**	**7.3**	**6.1**
– Borrowings	342	0.2	0.5	3.8
– Finance leases (fixed interest rate)	23,658	14.1	7.4	6.2
– Other	17,056	10.1	n/a	n/a
Liabilities other currencies	**231**	**0.1**	**n/a**	**n/a**
	168,671	**100.0**	**n/a**	**n/a**
thereof hedged	135,209	80.2		

A change in general interest rates may have an effect on TAKKT Group’s future interest payments. Interest rate derivatives are used to reduce this dependence. Based on the general interest rates level at the end of the year, the remaining risk can be appraised considering the cash inflows projected for the following years.

A 1.0 percentage point shift in the 3-month USD LIBOR (5.4 percent at year-end) would result in changed interest expense of approximately USD 524,000 in the following year. A 1.0 percentage point shift in the 3-month EURIBOR (3.7 percent at year-end) would result in changed interest expense in the following year of about EUR 260,000. Interest rate caps are used to limit the risk of rising interest rates. For the EUR liabilities the upper limit of the interest caps is 6.0 percent and for the USD liabilities on average 5.8 percent.

Financial instrument categories

(in EUR '000)

	Book value 31.12.2006	Valuation Amortised cost	Valuation Fair value without an effect on profit	Valuation Fair value with an effect on profit
Assets				
Financial assets				
Other financial assets	527	527	0	0
Cash and cash equivalents	3,878	3,878	0	0
Trade receivables	118,428	118,428	0	0
Other receivables and assets	7,672	7,672	0	0
Derivatives with hedge accounting	1,228	0	1,128	0
Derivatives without hedge accounting	200	0	0	200
Liabilities				
Financial liabilities				
Trade payables	32,371	32,371	0	0
Liabilities to banks	127,957	127,957	0	0
Finance leases	23,658	23,658	0	0
Other borrowings	17,056	17,056	0	0
Other liabilities	9,184	9,184	0	0
Derivatives with hedge accounting	166	0	166	0
Derivatives without hedge accounting	50	0	0	50

Financial instrument categories

(in EUR '000)

	Book value 31.12.2005	Valuation: Amortised cost	Valuation: Fair value without an effect on profit	Valuation: Fair value with an effect on profit
Assets				
Financial assets				
Other financial assets	428	428	0	0
Cash and cash equivalents	4,309	4,309	0	0
Trade receivables	95,888	95,888	0	0
Other receivables and assets	6,303	6,303	0	0
Derivatives with hedge accounting	115	0	115	0
Derivatives without hedge accounting	161	0	0	161
Liabilities				
Financial liabilities				
Trade payables	28,173	28,173	0	0
Liabilities to banks	134,489	134,489	0	0
Finance leases	23,846	23,846	0	0
Other borrowings	3,901	3,901	0	0
Other liabilities	8,942	8,942	0	0
Derivatives with hedge accounting	1,139	0	1,139	0
Derivatives without hedge accounting	39	0	0	39

The fair value of finance leases is EUR 24,736,000 (EUR 26,085,000) and is calculated as the present value of the payments associated with lease liabilities based on the prevailing interest parameter. The book value of the other financial instruments is generally similar to the fair value.

(20) Non-current provisions

(in EUR '000)

	2006	2005
Pension provisions	12,793	9,879
Other provisions	3,754	2,491
	16,547	**12,370**

Other provisions mainly relate to early retirement part-time working arrangements. The change since the previous year is the result of the usage of EUR 540,000, a release of EUR 3,000 and an addition of EUR 1,806,000.

Pension provisions

Development of pension provisions

(in EUR '000)

	2006	2005
Present value of funded obligations	1,399	1,362
Present value of unfunded obligations	16,089	13,755
Fair value of plan assets	–1,240	–1,211
Unrecognised actuarial losses	–3,455	–4,027
Unrecognised past service costs	0	0
Net pension commitments at 31.12.	**12,793**	**9,879**

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

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

Defined benefit pension plans

(in EUR '000)

	2006	2005
Present value of obligations 01.01.	15,117	12,258
Current service cost	862	613
Interest expense	660	579
Plan participants' contributions	21	20
Actuarial gains (-)/losses (+)	–498	2,157
Currency translation	0	0
Benefits paid	–319	–465
Obligations assumed in the course of acquisitions	0	0
Plan curtailments	0	0
Plan settlements	0	–45
Past service costs	1,607	0
Transfer of obligations	38	0
Present value of obligations 31.12.	**17,488**	**15,117**

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

Parameters

(in percent)

	2006	2005
Assumed rate of interest	4.5	4.3
Salary trend	2.5	2.5
Pension trend	1.5	1.5

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

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

Obligations from the defined benefit pension are calculated annually by independent actuarial experts using the projected unit credit method. Changes in obligations at German companies in the financial year resulted in an increase in the present value of obligations by EUR 1,607,000.

At a foreign subsidiary, obligations are funded by contributions to an insurance company. Plan assets created in this process solely involve qualifying insurance policies.

Present value of plan assets

(in EUR '000)

	2006	2005
Fair value 01.01.	1,211	1,306
Expected return on plan assets	20	28
Actuarial losses	–67	–278
Benefits paid	0	0
Employer contributions	55	180
Plan participants' contributions	21	20
Plan settlements	0	–45
Fair value 31.12.	**1,240**	**1,211**

The expected return on these plan assets for 2006 was 4.3 percent.

Expected return on plan assets is included in the calculation of the fair value of plan assets at the balance sheet date. Expected return is based on historic returns and expected average income in the respective investment categories, which are also compared with the expectations of external sources. The actual income generated can deviate from the expected return on plan assets, if the conditions on capital markets fail to develop as expected.

Presentation in profit and loss account

(in EUR '000)

	2006	2005
Personnel expenses		
Current service costs	862	613
Past service costs	1,607	0
Amortisation of actuarial losses	141	34
Interest expense		
Interest	660	579
Expected return on plan assets	–20	–28

General overview

(in EUR '000)

	2006	2005
Present value of obligations	17,488	15,117
Fair value of plan assets	1,240	1,211
Difference	16,248	13,906
Experience adjustments on plan assets	–71	–274
Experience adjustments on plan liabilities	136	828

Defined contribution-based plans

Some foreign companies, especially in North America, have voluntary, defined contribution-based plans for the payment of benefits after termination of employment. Affected US companies pay a pension contribution for their staff to an external fund after 90 days, one year or two years of service. The amounts range from three to 7.7 percent, respectively, of the employee's salary. The companies cannot derive any claims from their contribution payments; accordingly, no such assets have been capitalised by these companies. Expenses for defined contribution plans amounted to EUR 2,868,000 (EUR 2,172,000) in the year under review.

(21) Trade payables

With regard to trade payables, most of the goods delivered are subject to customary ownership retention rights. Customer payments on account are included in this position in the previous year amounting to EUR 422,000.

(22) Other liabilities

(in EUR '000)

	2006	2005
Customer payments on account	2,467	0*
Market value of derivative financial instruments	216	1,178
Uninvoiced goods and services	6,186	5,286
Other tax liabilities	6,203	5,644
Personnel liabilities	4,828	3,874
Accrued interest	57	1,191
Social security contributions	850	1,602
Deferred income	522	3
Other	11,889	9,670
	33,218	**28,448**
thereof from taxes	6,203	5,644

*in prior year included under trade payables

Derivative financial instruments have both short and long-term maturities. Maturities are selected dependent on the hedging purpose. There were no derivative financial instruments with a negative market value referring to long-term transactions (previous year: EUR 1,033,000). The market value itself is generally recognised as short-term.

Customer payments on account are being recorded separately under other liabilities for the first time in this financial year. The previous year was not adjusted for reasons of materiality.

(23) Short-term provisions

Development of short-term provisions

(in EUR '000)

	01.01.2006	Currency translation	Usage	Release	Addition	31.12.2006
Staff bonuses	6,850	–393	6,264	337	9,508	9,364
Personnel obligations	948	–8	273	146	379	900
Customer credit notes	1,872	–112	1,425	74	2,059	2,320
Other	785	2	414	330	997	1,040
	10,455	**–511**	**8,376**	**887**	**12,943**	**13,624**

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

Included in the addition to customer credit notes is an amount of EUR 254,000 relating to the NBF acquisition.

4. Risk management and financial instruments

TAKKT has developed effective systems to identify and manage the risks of the future business development. Risk management is understood to be an important management task and is integrated into the management process.

Risk management for receivables is generally based on stringent checks of customer creditworthiness and stringent collection systems. As a result write-offs are very low and amounted to less than 0.3 percent of turnover in the financial year.

Because of its international presence TAKKT Group is exposed to both opportunities and risks from fluctuations in exchange rates and interest rates on international capital markets. The Group's risk management system covers the uncertainties of future development of financial markets. Derivatives are used to reduce these risks, but also to benefit from potential opportunities. With this strategy the risk management system aids the Group's financial performance.

A central finance department supports the individual divisions in identifying, evaluating and hedging financial risks. In this context, the principles and guidelines approved by the Management Board are complied with.

Information on derivative and hedge accounting in accordance with IAS 39

Derivative financial instruments are recorded in the balance sheet at their fair values under other receivables and assets or other liabilities. On the day the contract is signed, at the latest, a hedging relationship is established between the derivative financial instrument and an underlying transaction. Derivative financial instruments may either serve to hedge the fair value of a balance sheet asset or liability or to hedge a planned transaction (cash flow hedging). Derivative transactions are not undertaken for trading purposes or for reasons of speculation.

Changes in the fair value of an effective derivative used to hedge the fair value of an asset or liability (fair value hedge) are recognised in the income statement as well as changes in the fair value of the underlying transaction. These normally contrary changes almost offset each other within the income statement.

Changes in the fair value of the effective portion of a derivative used to hedge future cash flows (cash flow hedge) are recognised in shareholders' equity under other comprehensive income with no effect on profits until the future hedged inflow of funds is recorded (cf. Consolidated statement of changes in total equity, page 74).

Changes in the fair value of derivatives that do not meet the requirements for hedge accounting according to IAS 39 are recognised in the income statement. Accordingly, changes in the fair value of derivatives and intercompany loans of EUR –110,000 (EUR 72,000) were recognised in the income statement for the year under review. No other recognitions had to be made.

The Group documents all relations between hedges and the underlying transactions in accordance with the hedge accounting requirements. As part of this approach, a relation is established between all derivatives used as hedging instruments and specific assets, liabilities, firm commitments or projected future transactions. At TAKKT both prospective and retrospective effectiveness monitoring for cash flow hedges is proved via a high statistic correlation based on regression analysis. A ratio is created between cumulative changes in the value of the underlying and the hedge. If the ratio is within the bandwidth of 80 to 125 percent as defined by IAS 39, the hedge is regarded as effective.

The default risk from financial instruments is the risk of default of a contractual partner. Thus the maximum amount at risk equals the positive market values recognised less the negative market values with the same contractual partner. Since financial transactions are only concluded with first-class counter parties, the actual risk of default can be considered low.

The TAKKT Group does not hold any material financial assets classified as "available-for-sale".

The total nominal value of all derivative financial instruments can exceed the hedged items. As part of a continuous hedging strategy, derivatives can be held where the hedging periods only begin at later dates in subsequent financial years. These derivatives count as nominal volumes, but not hedging volumes, as the hedging effect only comes about at a later date.

Currency management

The TAKKT Group operates own distribution companies in over 25 countries; approximately 60 percent of the consolidated turnover is generated in a currency other than the reporting currency.

To limit risks, the TAKKT Group preferably manages payments in the local currency. For the key currencies purchases and sales of the offered products are generally conducted in the same currency in order to minimise sensitivities to exchange rate fluctuations. Exchange rate risks remain for less than ten percent of Group sales, particularly from intercompany transactions. These remaining risks are generally assumed by the respective delivering entity. The net foreign currency amounts to be sold on the respective dates are determined based on the turnover projections of the individual companies. Roughly 60 to 70 percent of the exposure is hedged by derivatives, preferably foreign exchange contracts. The projected turnover and payments are usually considered for one catalogue cycle.

Currency derivatives with hedge accounting

Most currency instruments used within TAKKT Group to hedge foreign currency fund flows are classified as effective cash flow hedges. Derivatives were reported at their respective fair values with no effect on profits. Deferred tax was provided on the market values with no effect on profits using local tax rates. Derivatives classified as cash flow hedges were not materially ineffective on the balance sheet date.

Currency derivatives without hedge accounting

Intercompany loans involving more than one currency are hedged with 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.

Contracts used to hedge future expected turnover or intercompany finance transactions have maturities of one to 18 months. No "netting" of currency derivatives has been undertaken.

Currency hedging

(in EUR '000)

	Nominal value		Market value	
	2006	2005	2006	2005
Derivatives with hedge accounting	29,506	22,971	728	-79
Derivatives without hedge accounting	49,810	48,828	83	122
	79,316	**71,799**	**811**	**43**

The market values of foreign exchange contracts are determined using Richmond Software Ltd.'s Odyssey treasury system. The market value of a foreign exchange contract is equivalent to the present value of the difference between the conversion of the nominal amount at the fixed forward rate and the conversion at the current forward rate on the relevant date.

Changes in the fair values of foreign exchange contracts totalling EUR 448,000 (EUR -49,000) after deferred tax were recorded in shareholders' equity without effecting profit. These changes in valuation represented the effective portion of the hedge relationship. In the financial year 2006 losses of EUR 49,000 recorded in shareholders' equity were transferred to the income statement. TAKKT expects that within the next twelve months as a result of payment profits recorded in shareholders' equity amounting to EUR 300,000 after deferred tax will be reclassified to the income statement. Hedging measures were not ineffective to a material degree until the balance sheet date.

Interest rate management

Future interest payments on liabilities are secured against negative effects of rising interest rates. The target is a basic hedging level between 60 and 70 percent of the financing volume. This limits the negative effects of interest rate increases while at the same time allowing the possibility to benefit from interest rate decreases. The development of the hedging volume is mainly determined by the future free cash flow available to repay borrowings. Interest rate derivatives are mainly used for liabilities with floating interest rates. TAKKT Group currently uses interest rate swaps and interest rate caps in US dollars and euros, which are described in the following:

Interest rate derivatives with hedge accounting

To hedge future interest payments from the US dollar debt totalling USD 167,765,000 TAKKT classified interest rate swaps with a nominal value of USD 64,000,000 as a cash flow hedge. TAKKT's objective with the US dollar interest rate swaps is to transform floating rate financing into fixed interest rate financing. A potential change in creditworthiness and therefore the credit margin of the debtor is not part of this hedge. US dollar interest rate swaps were recorded at their fair value without an effect on profits. In 2006 profits resulting from the change of fair values of EUR 60,000 after deferred tax were recorded in shareholders' equity without an effect on profits. These changes in valuation represent the effective part of the hedge relationship. Losses of EUR 78,000, which were recorded in shareholders' equity in the previous year, were transferred to the income statement.

To limit the risk of interest rate increases from the remaining US dollar debt TAKKT made use of interest rate caps to a nominal value of USD 60,000,000. The interest rate limit for these US dollar caps is at 5.8 percent on average. US dollar interest rate caps are also classified as cash flow hedges and were recorded at their fair value. Changes in the market value of interest rate caps can generally be divided into two components: changes in time value and changes in intrinsic value. While changes in intrinsic value are recorded without an effect on profits in the case of effective hedge relationships, changes in time value are recorded with an effect on profits.

Profits/losses in the financial year 2006 originating from the change in the intrinsic value of effective US dollar interest rate caps to an amount of EUR 4,000 after deferred tax were recorded in shareholders' equity without an effect on profits.

Interest rate derivatives without hedge accounting

In the course of the financial year 2006 TAKKT completely repaid its euro liabilities to banks. This means that there are no longer any underlyings for the EUR interest rate swap, which was previously defined as a cash flow hedge, to an amount of EUR 10,000,000, as well as the EUR interest rate caps, which were defined as cash flow hedges, to an amount of EUR 30,000,000. In this context losses of EUR 188,000 after deferred tax, which were recorded in preceding years, were transferred from shareholders' equity to the income statement. As the Group is expecting to be taking up financing in euros for planned investments into the logistics infrastructure in 2007 neither the EUR interest rate swap nor the EUR interest rate caps were sold.

The table below shows the hedged nominal volumes and the market values of the respective interest rate hedges. The market value represents the present value of all future payments for the difference between the interest rate level as of the contract date and the balance sheet date. A "netting" of these transactions does not occur.

Interest rate hedges

(in EUR '000)

	Nominal value		Market value	
	2006	**2005**	**2006**	**2005**
Derivatives with hedge accounting				
– USD interest rate caps	45,558	72,384	136	88
– USD interest rate swaps	48,595	72,304	98	–1,033
Derivatives without hedge accounting	40,000	0	67	0
	134,153	**144,688**	**301**	**–945**

Interest rate swaps and interest rate caps are valued based on contract counterpart valuations.

The market value of an interest rate swap is equal to the present value of the future cash flow resulting from this derivative instrument. The cash flows are discounted using maturity-matched interest rates in line with the interest rate curves of the respective currency.

The market values of the interest rate caps are determined using the Black-and-Scholes method.

Deferred tax is provided on the market values or differences using local tax rates.

Breakdown of derivative financial instruments

(in EUR '000)

	Remaining term					
	2007	2008	2009	2010	2011	Total
Currency instruments	75,261	4,055	0	0	0	79,316
Interest rate swaps	4,556	4,556	14,556	4,556	30,371	58,595
Interest rate caps	0	0	60,372	0	15,186	75,558
	79,817	**8,611**	**74,928**	**4,556**	**45,557**	**213,469**

5. Other notes

Contingent liabilities

(in EUR '000)

	2006	2005
Right of recourse from lease agreements	566	623

Letters of comfort for special purpose leasing companies are not disclosed as these liabilities are already included under borrowings.

Commitments from company acquisitions and other

(in EUR '000)

	2006	2005
Due in the following year	4,086	72,822

The prior year's amount relates mainly to intangible assets of the NBF acquisition. The disclosure for the current year includes mainly tangible assets.

Contingent claims and liabilities

At 31 December 2006 there were contingent receivables in connection with early retirement part-time working arrangements. The amounts were negligible. No other material contingent liabilities need to be recognised.

Leasing and other financial obligations

(in EUR '000)

	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	3,020	10,487	14,776	28,283
Remaining obligation	0	1,098	5,429	6,527
Discounted value	–1,408	–4,728	–5,016	–11,152
Present value	**1,612**	**6,857**	**15,189**	**23,658**
thereof minimum lease payments to affiliated companies	354	1,240	0	1,594
thereof remaining obligation to affiliated companies	0	1,098	0	1,098
Operating leases				
Minimum lease payments	8,956	18,604	9,142	36,702
thereof minimum lease payments to affiliated companies	70	9	0	79

Most of the finance lease contracts are eligible for exercising call options at the fair value or options to extend at leasing rates prevailing in the market. Operate lease contracts mainly refer to rental obligations for office and warehouse facilities.

Company acquisition

With effect from 1 January 2006 TAKKT Group took over the entire business operations of National Business Furniture Group (NBF) in the USA in an asset deal for a payment in cash amounting to approximately USD 85,000,000.

Six brands belong to NBF Group, whose headquarters are in the US state of Wisconsin. The National Business Furniture brand generates the largest proportion of turnover. This main brand sells traditional American office furniture to a broad range of companies. The brands Alfax and Dallas Midwest focus mainly on non-profit organisations such as schools, universities or public authorities. In addition there are the brands OfficeFurniture.com, FurnitureOnline.com and OfficeChairs.com, which only sell their products online. The NBF product range includes more than 11,000 articles in total.

The transaction is reported using the purchase price method. The purchase price of the acquired assets and liabilities at the time of purchase can be allocated as follows:

Purchase price allocation

(in USD million)

	Book value	Fair value adjustments	Fair value
Non-current assets	1.4	31.7	33.1
Current assets	17.1	–2.0	15.1
Current liabilities	–9.4	–0.3	–9.7
	9.1	**29.4**	**38.5**
Goodwill			**46.6**
Purchase price			**85.1**

Goodwill can be allocated to a number of factors which strengthen the operational and strategic position of TAKKT Group, without a value being attributable to an individual item.

The expected useful lives of the acquired other intangible assets are as follows:

Useful life

	Fair value USD million	Useful life in years
Trade names	9.4	indefinite
Customer lists	11.4	5
Domain names/websites	5.8	3
Catalogue designs	5.2	10
Other	0.5	
	32.3	

In the year under review NBF Group generated a turnover of USD 137,622,000 and an EBITDA of USD 9,275,000.

Staff participation model

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

The market value is re-calculated every year and checked by the Group auditors, an audit certificate being issued. The owner of the certificate is financially involved in the increase or decrease in value of the company for which he works. As well as the chance of generating a return the owner may also lose his entire investment depending on development. The certificates have a maturity of ten years each. The certificate owner is however entitled to cash in the certificates after five years at the earliest. The EVA® certificates issued by TAKKT Group are shown under borrowings of EUR 4,691,000 (EUR 3,864,000). EUR 827,000 (EUR 434,000) was expensed in the year under review.

In the past financial year, German employees again had the opportunity to buy employee shares. Shares acquired at the stock exchange for this purpose were sold to employees, subsidised in accordance with section 19a of the German Income Tax Act (EStG).

A total of 22,005 shares were acquired by 470 employees, which means that 59.3 percent of all eligible employees made use of this option. The shares were bought at an average market price of EUR 9.25 and sold to the employees at an average market price of EUR 6.19. This resulted in an expense of EUR 75,000.

German Corporate Governance Code

The declaration on the recommendations made by the "Government Commission on the German Corporate Governance Code" required under section 161 of the German Stock Corporation Act (AktG) was issued at 31 December 2006 and made available to the shareholders on the website of TAKKT AG (see page 62 onwards).

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 Banking Supervisory Office of their own dealings involving the issuer's shares or related financial instruments.

TAKKT AG received two notifications for the year under review. Mr Franz Vogel, member of the TAKKT AG Management Board, informed TAKKT AG that in 2006 he sold TAKKT AG shares to the value of EUR 13,517 and bought TAKKT AG shares to the value of EUR 409. Dr Dieter Schadt, member of the Supervisory Board of TAKKT AG, declared that he sold shares of TAKKT AG in 2006 to the value of EUR 182,525. TAKKT AG publicised this information immediately.

Related-party transactions

Related parties in the sense of IAS 24 include the Management and Supervisory Boards of TAKKT AG, the majority shareholder Franz Haniel & Cie. GmbH, Duisburg, and its subsidiaries and associated companies.

All transactions with related parties were contractually agreed and were performed on terms that are customary for transactions with third parties.

Related-party business relations

(in EUR '000)

	Holding Franz Haniel & Cie. GmbH/ service companies		Company divisions of Haniel Group		Total	
	2006	2005	2006	2005	2006	2005
Turnover	59	24	545	539	604	563
Other expenses	911	525	240	243	1,151	768
Interest income	125	45	0	0	125	45
Interest expense	395	258	0	0	395	258
Receivables	31	1,380	30	41	61	1,421
Payables	14,572	2,435	16	37	14,588	2,472
Other financial obligations	469	612	0	0	469	612

Remuneration of Management Board

(in EUR '000)

	2006	2005
Salaries and other short-term payments	3,542	2,136
thereof variable	2,640	1,370
Provisions for benefits after end of employment	171	121
Other long-term benefits	40	40
	3,753	**2,297**

The Management Board is made up of 5 (4) members. Further details are given on page 119.

Variable remuneration results from a performance bonus in line with cash flow and a strategy bonus depending on Economic Value Added®.

At 31 December 2006 TAKKT AG Management Board members held 4,959 (7,931) shares. With the exception of EVA® certificates of EUR 1,924,000 (EUR 2,263,000) and the usual amounts due in accordance with the employment contracts, no further claims or obligations exist.

Payments to retired Management Board members amounted to EUR 21,000. The pension provision for the former members amounts to EUR 489,000.

Total remuneration of Supervisory Board

The reimbursement of expenses to the TAKKT AG Supervisory Board was EUR 33,000 (EUR 10,000). An accrual of EUR 392,000 (EUR 237,000) was made to cover remuneration payments. There are no further claims or obligations to members of the Supervisory Board.

At 31 December 2006 the Supervisory Board members held 16,199 (31,139) TAKKT AG shares.

Fees for Group auditors' services

(in EUR '000 excluding VAT)

	2006	2005
Audit fees for German companies and the Group	494	474
Other certification or appraisal services	109	53
Tax advisory services	0	0
Other services	4	3
Total	**607**	**530**

Exemption from disclosure obligations

Pursuant to section 264 (3) 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
Topdeq Service GmbH, Pfungstadt
Topdeq GmbH, Pfungstadt

Subsidiaries of TAKKT AG, Stuttgart, at 31 December 2006

TAKKT AG, Stuttgart, described as number 1 in the following overview, has an interest in the following companies.

No.	Affiliated companies	Held by	Percentage of 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., Hallwang/Austria	2	100.00
5	KAISER + KRAFT N.V., Diegem/Belgium	2	50.00
		13	42.00
6	KAISER + KRAFT AG, Cham/Switzerland	2	100.00
7	KAISER + KRAFT s.r.o., Prague/Czech Republic	2	99.80
		29	0.20
8	KAISER + KRAFT S.A., Barcelona/Spain	2	100.00
9	FRANKEL S.A.S., Morangis/France	2	100.00
10	KAISER + KRAFT Ltd., Watford/Great Britain	2	100.00
11	KAISER + KRAFT Kft., Budaörs/Hungary	2	100.00
12	KAISER + KRAFT S.p.A., Lomazzo/Italy	2	100.00
13	Vink Lisse B.V., Lisse/Netherlands	2	83.33
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 Ltd. Sti., Istanbul/Turkey	2	99.00
		3	1.00
17	Gaerner GmbH, Duisburg/Germany	2	100.00

No.	Affiliated companies	Held by	Percentage of interest
18	Gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
19	Gaerner AG, Baar/Switzerland	2	100.00
20	Gaerner S.A.S., Réau/France	2	100.00
21	Powell Mail Order Ltd., Llanelli/Great Britain	2	100.00
22	Hoffmann Bedrijfsuitrusting B.V., Zeist/Netherlands	2	100.00
23	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
24	Gerdmans Kontor-og Lag. A/S, Nivaa/Denmark	23	100.00
25	Gerdmans Sisustuse OÜ, Tallinn/Estonia	23	100.00
26	Gerdmans Innredninger A/S, Sandvika/Norway	23	100.00
27	Gerdmans OY, Espoo/Finland	23	100.00
28	KWESTO Service s.r.o., Prague/Czech Republic	2	99.93
		7	0.07
29	KWESTO s.r.o., Prague/Czech Republic	28	100.00
30	KWESTO Kft. Györ/Hungary	28	100.00
31	KWESTO Sp.z o.o., Wroclaw/Poland	28	100.00
32	KWESTO Service S.R.L., Bukarest/Romania	28	100.00
33	KWESTO s.r.o., Nitra/Slovakia	28	100.00
34	KAISER + KRAFT (China) Commercial Co. Ltd., Shanghai/The People's Republic of China	2	100.00
35	KAISER + KRAFT K.K., Chiba/Japan	2	100.00
36	Topdeq Service GmbH, Pfungstadt/Germany	1	100.00
37	Topdeq GmbH, Pfungstadt/Germany	36	100.00
38	Topdeq Bürodesign Gesellschaft m.b.H., Schwechat/Austria	36	100.00
39	Topdeq N.V., Diegem/Belgium	36	99.80
		37	0.20
40	Topdeq Bürodesign Ges. m.b.H., Schwechat/Austria	36	100.00
41	Topdeq S.A.S., Tremblay en France/France	36	100.00
42	Topdeq B.V., Mijdrecht/Netherlands	36	100.00
43	Topdeq Corporation, Cranbury/USA	44	100.00
44	America Design Holding Inc., Cranbury/USA	45	100.00
45	TAKKT America Holding Inc., Milwaukee/USA	1	100.00
46	K + K America Corporation, Milwaukee/USA	45	100.00
47	Avenue Industrial Supply Co. Ltd., Markham/Canada	46	100.00
48	C&H Distributors LLC, Milwaukee/USA	46	100.00
49	C&H Productos Industriales SRLCV, Mexico City/Mexico	46	99.97
		48	0.03
50	Conney Safety Products LLC, Madison/USA	46	100.00
51	Hubert Company LLC, Harrison/USA	46	100.00
52	Hubert Distributing Company Ltd., Markham/Canada	46	100.00
53	NBF Service LLC, Milwaukee/USA	46	100.00
54	Alfax Furniture LLC, New York/USA	46	100.00
55	Dallas Midwest LLC, Dallas/USA	46	100.00
56	National Business Furniture LLC, Milwaukee/USA	46	100.00
57	Officefurniture.com LLC, Milwaukee/USA	46	100.00

	Associated companies	Held by	Percentage of interest
58	Simple System GmbH & Co. KG, Munich/Germany	2	40.00

Representative Bodies

Supervisory Board

Dr Klaus Trützschler (Chairman), Gelsenkirchen

Born 11 December 1948
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Member of the Supervisory Board of Allianz Versicherungs-AG, Munich
Member of the Supervisory Board of Bilfinger Berger AG, Mannheim
Member of the Supervisory Board of Celesio AG, Stuttgart
Member of the Supervisory Board of CEMEX Deutschland AG, Ratingen

Dr Dieter Schadt (Deputy Chairman), Stuttgart

Born 6 March 1936
Former Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Member of the Supervisory Board of A.S. Création Tapeten AG, Gummersbach
Member of the Supervisory Board of Lufthansa Service Holding AG, Kriftel
Member of the Supervisory Board of Rheinmetall AG, Düsseldorf

Dr Eckhard Cordes, Düsseldorf (from 31 May 2006)

Born 25 November 1950
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Chairman of the Supervisory Board of Celesio AG, Stuttgart
Chairman of the Supervisory Board of Metro AG, Düsseldorf
Member of the Supervisory Board of Rheinmetall AG, Düsseldorf
Member of the Board of Directors of Aktiebolaget SKF, Göteborg
Non-Executive Director of the Board of Directors of Air Berlin PLC, London

Walter Flammer, Esslingen

Born 9 February 1947
Section Manager Organisation at KAISER + KRAFT EUROPA GmbH, Stuttgart

Dieter Kämmerer, Holzgerlingen

Born 6 March 1936
Former Chairman of the Management Board of GEHE AG, Stuttgart
Member of the Supervisory Board of Allianz Private Krankenversicherungs-AG, Munich
Member of the Supervisory Board of GEHE Pharma Handel GmbH, Stuttgart

Michael Klein, Hamburg

Born 5 April 1956
Non-Executive-Chairman of Rapp Collins GmbH, Direct Marketing Agency, Hamburg

Thomas Kniehl, Stuttgart

Born 11 June 1965
Logistics employee at KAISER + KRAFT GmbH, Stuttgart
Chairman of the joint works council of KAISER + KRAFT GmbH, Stuttgart,
and KAISER + KRAFT EUROPA GmbH, Stuttgart

Julian Matzke, Stuttgart
Born 2 October 1962
Logistics employee at KAISER + KRAFT GmbH, Stuttgart

Prof Dr Dres h.c. Arnold Picot, Gauting
Born 28 December 1944
University professor
Chairman of the Supervisory Board of Sartorius AG, Göttingen
Deputy Chairman of the Supervisory Board of eteleon e-solutions AG, Munich
Member of the Supervisory Board of WIK GmbH, Bad Honnef
Member of the Supervisory Board of WIK-Consult GmbH, Bad Honnef

Prof Dr Theo Siegert, Düsseldorf (until 31 May 2006)
Born 8 April 1947
Managing Shareholder of de Haen Carstanjen & Söhne GmbH, Meerbusch
Member of the Supervisory Board of Deutsche Bank AG, Frankfurt
Member of the Supervisory Board of Merck KGaA, Darmstadt

Management Board

Georg Gayer (CEO), Eberdingen-Nußdorf
Born 5 May 1946
Chairman of the Supervisory Board of Rectus AG, Eberdingen-Nußdorf

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

Thomas Loos (COO K + K America division), Cedarburg/USA, (from 1 July 2006)
Born 31 October 1952

Alfred Milanello (Information Technology and Organisation), Ditzingen, (until 30 June 2006)
Born 22 June 1941

Didier Nulens (COO Topdeq division), Koningslo/Belgium, (from 1 July 2006)
Born 4 May 1962

Franz Vogel (COO KAISER + KRAFT EUROPA division), Leinfelden-Echterdingen
Born 22 October 1948

Stuttgart, 23 February 2007
TAKKT AG
Management Board

Auditor's report

We have audited the consolidated financial statements prepared by TAKKT AG, Stuttgart, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, segment reporting and the notes to the consolidated financial statements, together with the management report for TAKKT AG and the Group for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the management report for TAKKT AG and the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB and supplementary articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report for TAKKT AG and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and also in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit in a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the management report for TAKKT AG and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report for TAKKT AG and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management for TAKKT AG and the Group report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Stuttgart, 23 February 2007

Dr Ebner, Dr Stolz und Partner GmbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Bernhard Steffan	Wolfgang Berger
German Public Auditor	German Public Auditor

Glossary

Average order value
The average order value is the value of all incoming orders divided by the number of all orders. The average order value is influenced by the product range featured in the catalogue and by the economic development. Exchange rate changes also influence the calculation of the average order value for the TAKKT Group.

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

Cash flow
The financial cash surplus of a period. TAKKT AG defines this as profit plus depreciation and deferred tax affecting profit. In this definition the key figure shows the operative cash flow earned in the period before changes in working capital.

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

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

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

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

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

Drop shipment business
Goods ordered by the customer – including bulky items – are delivered by the supplier directly to the customer. The invoicing procedure is the same as with the stock shipment.

EBIT
Earnings before interest and tax.

EBITA
Earnings before interest, tax and amortisation.

EBITDA
Earnings before interest, tax, amortisation of goodwill and depreciation of non-current assets.

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

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

E-procurement
The electronic catalogue available on the internet is edited for intranet use by selected customers. This procurement approach allows the customer to save transaction costs.

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

Hedging
Protection against interest rate, currency and price risks, etc. through the use of derivatives such as option or forward deals which (largely) cover the risks of the underlying transaction.

Interest cover
Relation between an earnings figure, e.g. EBITA, and net interest expense.

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

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

Internet Telephony (Voice over IP or VoIP)
Realtime voice transmission over data lines.

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

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

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

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

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

Rating
Summary of a systematic evaluation of a company according to previously defined criteria.

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

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

Translation risk
Valuation risk resulting from accounting regulations for the translation of items contained in individual financial statements prepared in foreign currencies.

Financial calendar 2007

22 March
Financial statements press conference in Stuttgart

22 March
DVFA Analyst conference in Frankfurt/Main

26 April
Interim report for the 1st quarter

4 May
Annual General Meeting in Ludwigsburg

31 July
Interim report for the 1st and 2nd quarters

30 October
Interim report for the 1st – 3rd quarters

For investor information please contact:

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