We supply variety

Annual Report of the TAKKT Group 2007

TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

Key figures of TAKKT Group in EUR million under IFRS

	2003	2004	2005	2006	2007
Turnover	713.9	727.6	773.2	958.5	986.2
Change in %	–8.9	1.9	6.3	24.0	2.9
EBITDA	80.1	87.2	98.4	119.5	142.3
in % of turnover	11.2	12.0	12.7	12.5	14.4
EBITA	70.3	78.2	88.9	105.2	125.0
in % of turnover	9.8	10.7	11.5	11.0	12.7
EBIT	53.9	62.5	88.9	105.2	125.0
in % of turnover	7.5	8.6	11.5	11.0	12.7
Profit before tax	40.6	51.5	78.7	92.9	116.1
in % of turnover	5.7	7.1	10.2	9.7	11.8
Profit	24.4	33.0	50.4	62.5	79.3
in % of turnover	3.4	4.5	6.5	6.5	8.0
Cash flow	51.8	60.5	65.5	81.7	101.2
Capital expenditure (incl. acquisitions and finance leasing)	9.8	8.6	8.9	72.0	47.4
Depreciation	26.1	24.7	9.5	14.3	17.3
Cash flow per share in EUR	0.71	0.83	0.90	1.12	1.39
Earnings per share in EUR	0.33	0.44	0.68	0.84	1.07
Dividend per share in EUR	0.10	0.15	0.15	0.25	0.80*
Non-current assets	321.7	291.3	310.3	352.5	333.4
in % of total assets	67.0	63.6	62.1	61.5	60.7
Shareholders' equity	157.2	181.1	230.6	273.2	321.9
in % of total assets	32.8	39.6	46.1	47.7	58.6
Net borrowings	234.3	182.3	156.5	164.8	81.6
Employees (full-time equivalent) as of 31.12.	1,860	1,840	1,868	2,027	1,971

*thereof EUR 0.32 ordinary dividend and EUR 0.48 special dividend

Equip internationally

TAKKT is the leading B2B mail order company in Europe and North America for office, business and warehouse equipment. Its success is based on an efficient and stable systems business, which the Group continues to perfect. About three million customers worldwide benefit from TAKKT companies' range of more than 130,000 high-quality products. They can cover their company's entire equipment needs at a one-stop shop and at the same time enjoy TAKKT's first-class service before, during and after delivery. About 2,000 members of staff serve the customers in more than 25 countries. TAKKT will continue to grow dynamically by transferring its business model to new and promising markets. TAKKT's target: to become the world's leading B2B mail order group for business equipment.

Contents

*

***Metal Box Truck,** order number 724 344, www.kaiserkraft.co.uk

Wide choice with clear focus

The focus of the TAKKT product range is on durable and low maintenance equipment. Our range of more than 130,000 high-quality products is perfectly tailored to the needs of our customer portfolio: encompassing high-class chairs for the office, robust storage units for the plant, and powerful transport vehicles for the warehouse. Our customers can cover their entire business equipment needs by ordering from TAKKT companies. Numerous services supplement our range, including professional advice and short delivery times, as well as a choice of different order channels and an assembly service on request.

To find more information on our diverse product range and services, read our specials from page 40 onwards.

Georg Gayer
Chief Executive Officer

Ladies and Gentlemen

TAKKT AG once again exceeded its targets in 2007 both in turnover and earnings. In view of inconsistent economic conditions in our most important regions, Europe and North America, this underlines the success of our international diversification strategy. Our Group strategy to focus on B2B mail order of durable equipment combined with excellent customer service has proved just as promising.

In 2007, we optimised our portfolio in line with this strategy. At the end of September, the US Group company Conney Safety Products LLC (Conney) was sold. With its range of occupational safety and first aid products the Group subsidiary was no longer part of our core business. Discontinuing sales of furniture to consumers by the National Business Furniture (NBF) Group under its brand Furniture-Online.com was part of this strategic focusing, too.

Strong organic turnover growth

In 2007, TAKKT Group generated a turnover of EUR 986.2 (2006: 958.5) million through the sale of office, business and warehouse equipment in the B2B sector, representing growth of 2.9 percent year-on-year. Organic growth, i.e. growth adjusted for exchange rate fluctuations as well as the turnover from the K + K America subsidiary Conney sold effective 30 September 2007, reached 9.2 percent. Profit before tax recorded a disproportionately high increase of 25.0 percent, up from EUR 92.9 million to EUR 116.1 million. All in all, TAKKT has once again experienced profitable growth.

Our stable business model forms the basis for TAKKT's success. The Group consistently takes advantage of sustainable growth opportunities in existing markets and new regions, as well as expanding its product ranges. The steady growth in business is due in no small part to spreading risk broadly. Last year's business success can be attributed to the great number of customers, regions and industries supplied. This diversity provides many opportunities with low risk. But we are only able to take advantage of these opportunities in the long-term by delivering first-class products which meet the needs and demands of customers. Therefore we continuously adapt our product range to changing requirements. We are also always striving to allow our customers easier and more convenient ordering options, ideally by ordering all required equipment in a one-stop-shop solution.

Higher dividend planned

Our shareholders are also to benefit from our success in 2007. We are therefore planning to propose a significant increase in dividends to the Annual General Meeting. The ordinary dividend is to increase by 28.0 percent, from EUR 0.25 to EUR 0.32 per share. The cash inflow from the sale of Conney also allows us to distribute a special dividend of EUR 0.48 per share. The total dividend amounts to EUR 0.80 per share, more than triple the prior year's dividend.

TAKKT will continue in future to enable its shareholders to participate directly in the profits and cash flow of the company in so far as no larger investment projects or acquisitions are undertaken.

The year 2007 also brought about some changes on the TAKKT Management and Supervisory Boards: Thomas A. Loos stepped down due to health reasons. As member of the Management Board he was responsible for the North American division K + K America. I will be temporarily assuming his duties. The Annual General Meeting has appointed a new Supervisory Board, being reduced from nine to six members. I would like to take the opportunity to thank Thomas A. Loos as well as the retired members of the Supervisory Board for the successful co-operation in the past.

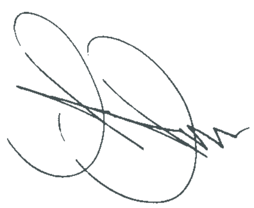
Outlook: cautiously optimistic
All in all, TAKKT continues to be on track for profitable growth both organically and by acquisition. We can still see considerable potential in B2B mail order for business equipment.

We are confident that we are going to be even more successful by focusing on our core business. We plan to continue our expansion based on the advantages of our business model in the coming year. The K + K America company Hubert will start to roll out its wide product range for gastronomy and retailing in Germany. Gaerner is entering the Spanish market in 2008. These expansions not only reflect TAKKT's success but at the same time help to sustain it. Because a broad international presence allows us to operate more independently of regional economic ups and downs. In 2008 we are expecting additional positive effects from our expanded and improved warehouse structure.

All in all, we are expecting at least four percent turnover growth in 2008 (adjusted for currency fluctuations and effects from the divestment of Conney). The TAKKT Management Board is also confident that the Group will record an increase in profitability in 2008. We have therefore once again raised the long-term EBITDA margin target corridor. From 2008 it will be between 12 and 15 percent. The main reasons for this ambitious target corridor are based on the current measures for improving profitability at Topdeq and K + K America and the positive structural effects from the Conney sale.

Optimised processes, outstanding products and services as well as a diversified portfolio are important preconditions for sustainable business success. But without such an asset as highly motivated and qualified staff, the potential of these factors could never be realised. We can only ensure excellent customer service by having the right experts in the right place. This is the foundation of good business figures. Therefore I would like to take this opportunity to thank all members of staff. Their dedication is critical to the Group's success. I am looking forward to a continuing successful co-operation with them.

Stuttgart, March 2008



Georg Gayer, CEO TAKKT AG

"TAKKT represents product variety, quality and perfect service – all in a one-stop shop."

Management Board

From left to right:

Didier Nulens, COO Topdeq division

Georg Gayer, CEO

Franz Vogel, COO KAISER + KRAFT EUROPA division

Dr Florian Funck, CFO

***Pallet Truck**
Order number 760 583
www.kaiserkraft.co.uk

Management Report

STRENGTH

Sustainable growth in turnover and earnings is only possible with a strong business model. All efforts have to be focused on systematically implementing this business model across different product ranges and regions.

Management Report of TAKKT AG and the Group

TAKKT Group is looking back on a successful financial year 2007. Group companies continued to optimise their service and product range and enabled TAKKT to systematically expand its leading market position internationally. The Group grew profitably despite inconsistent economic development in Europe and North America. This is once again reflected in the improved key figures.

Economic environment and business development

The economic situation developed inconsistently worldwide in the year under review. While economic growth remained stable in Europe, growth rates were declining in the USA. The Group was still able to gain market share and new customers through the sustained success of its business model and diversified product portfolio.

Positive signs from Germany and Europe

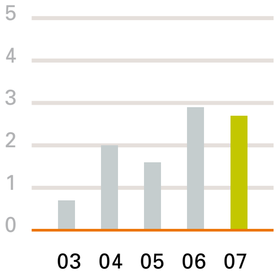
The year under review was characterised by a period of moderate economic upturn worldwide, with the markets in Germany, Europe and the USA, TAKKT's most important, developing inconsistently. Overall, the Group enjoyed significant growth thanks to its internationally diversified product portfolio.

In Germany, as in Europe, the economy grew at similar rates as in the previous year. While the gross domestic product (GDP) in Germany grew by 2.5 (2006: 2.9) percent, the European economy was up 2.7 (2.9) percent. Reasons for the stable development were sustained dynamic foreign trade, higher investment, as well as the rise in domestic demand after hesitant spending in the past. In addition, negative effects from the three percent rise in VAT in Germany at the beginning of the year were significantly lower than expected.

GDP growth in the USA dropped significantly from 2.9 percent in 2006 to 2.2 percent. Reasons for this were high debts of private households, the trade balance deficit and an increase in the price of raw materials and energy, as well as higher interest rates. As expected, the situation on the property market also impacted the economic development in the USA.

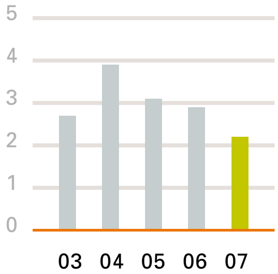
GDP Europe

Change in percent



GDP USA

Change in percent



GDP growth rates in the regions relevant for TAKKT are a leading indicator for business development. The Group also uses so-called purchasing manager indices to forecast business development in the coming three to eight months.

Experience shows that if indices are above 50 points, respective market volumes are growing, which has positive knock-on effects for business prospects. In the USA, purchasing manager indices fell from an average of 54 points in 2006 to 52 points in the year under review. In Europe and Germany, indices were on average at 54 and 56 points respectively, which represents a small decrease against the prior year.

Key to success: B2B mail order strategy

The market for price-insensitive and durable equipment can be divided into three dimensions: firstly, B2C and B2B based on customer relationships. Secondly, depending on the sales channel, a difference can be made between brick-and-mortar retailing, direct sales by manufacturers operating with field representatives, and mail order with electronic and printed catalogues. Thirdly, a difference can be made depending on the product range carried, either a multi-range generalist or a specialist. TAKKT is positioning itself as a specialised B2B mail order company for office, business and warehouse equipment and is a leading player in this field in North America and Europe.

For years, mail order companies dedicated to a particular market segment have been more successful than multi-range generalists and brick-and-mortar retailers. This is due to their flexibility, speed and quality of service. Another benefit for customers is the lower cost of sourcing.

As a specialised mail order company, TAKKT focuses on durable and low-maintenance equipment. Its companies present their articles in a clearly structured layout in printed or electronic catalogues. A large portion of goods is always in stock and ready for customers. Due to its specialised approach, TAKKT offers exceptionally good service complemented by expertise, commitment and short delivery times. When purchasing business equipment, TAKKT customers can even expect customised solutions which cater for their specific needs.

Drawer Chest

"80 years of expertise in the production of professional plant equipment have gone into the Waterloo tool trolley. The product is not only practical, it's also durable due to its strengthened side panels, high performance rollers and smooth runners."

Rob Tobias, C&H Distributors LLC, Product Manager

***Drawer Chest**
Order number 32 100
www.chdist.com

*Wagenfeld Lighting**
Order number 18 199
www.topdeq.com

Wagenfeld Lighting

"The Wagenfeld Lighting is a good example of a classic product. It was designed in 1924 by a silversmith named Wagenfeld in Bauhaus style and is one of our top sellers today. Its perfect combination of glass and metal as well as round and geometric shapes makes it a popular choice."

Thorsten Stelzer, Topdeq Service GmbH, Product Manager

Strengthened market position worldwide

In the previous financial year, TAKKT was able to further expand its competitive position as a specialised B2B mail order company. This positive development is documented by the fact that the Group recorded higher growth rates than the country-specific GDPs in key distribution countries, an indicator of the industry's market growth. However, there are no exact figures for this diverse sector. The Company was not only able to strengthen and expand existing business relationships, but also increased its customer base.

A system of key figures secures efficient operating management

Management relies on a standardised system of key figures to steer international companies. This is possible as the business model for the entire Group is comparable across ranges and regions, despite being flexible in day-to-day business.

It is important for TAKKT management that key figures are up-to-date and constantly calculated with the same precision. The Management Board receives for example information on order entry, turnover development and deliveries on a daily basis. Gross margins and the efficiency of catalogues and mailings are also regularly monitored.

The EBITDA margin serves as a measure for short-term operating profitability of each Group company. The figure eliminates the effects from differing country-specific tax rates and finance structures. Excluding figures for depreciation and amortisation enables a direct comparison between existing and newly acquired companies. From 2008, the target corridor for the Group's EBITDA margin will be raised to between 12 and 15 percent. In the prior year this was 11 to 13 percent.

The Economic Value Added® (EVA®) figure is used for more long-term, strategic controlling and shows if the Company is meeting interest demands from equity and debt investors. It also shows whether the Group is growing profitably and whether investments and acquisitions are enhancing value. Profitability, based on capital employed, is compared to the cost of capital. In the year under review EVA® for TAKKT Group increased once again.

Divisions shape Group development

The Group's controlling company TAKKT AG operates as a management holding company taking on a strategic management role. The three divisions KAISER + KRAFT EUROPA, Topdeq and K + K America are responsible for operating business and their results therefore influence the earnings and financial position to a very large degree, as well as the opportunities and risks for the future development of TAKKT AG.

Information according to the Takeover Guideline Implementation Law

According to section 289 paragraph 4 and section 315 paragraph 4 nos. 1–9 German Commercial Code (HGB) the following information has to be provided:

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. 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 company statutes apply to appointing and removing members of the Management Board, while sections 179, 133 AktG apply to changing the company 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 4 May 2007 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 3 November 2008.

The disclosures as required by section 315 paragraph 4 no. 2 (limitation of voting rights), no. 4 (shares with special rights), no. 5 (controlling voting rights of employees), no. 8 (material change of control clauses) and no. 9 (compensation agreement with directors or staff in case of a takeover offer) are not relevant for TAKKT AG or TAKKT Group.

Dependence report issued

Franz Haniel & Cie. GmbH, Duisburg, is the majority 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 has 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

The management holding TAKKT AG comprises three different divisions. In 2007 all Group companies jointly generated a record turnover. Earnings also reached new highs.

Key figures up once again

TAKKT was once again able to increase turnover, earnings and cash flow. Turnover reached a record level of EUR 986.2 (958.5) million, representing an increase of 2.9 percent year-on-year. Organic growth, adjusted for exchange rate fluctuations and the turnover of Conney sold at 30 September 2007, would have even been at plus 9.2 percent. All divisions contributed to this positive result.

In generally positive economic conditions, KAISER + KRAFT EUROPA returned a double-digit turnover growth rate of 15.2 percent, up from EUR 451.2 million to EUR 519.8 million. Currency effects were comparatively low and the currency-adjusted increase in turnover amounted to 15.5 percent. In 2007 KAISER + KRAFT EUROPA generated 52.7 (47.1) percent of Group turnover.

Topdeq can also look back on a good business development with a total turnover of EUR 91.2 (86.0) million, an increase of 6.1 percent or 8.5 percent in currency-adjusted terms. In total, Topdeq generated 9.2 (8.9) percent of Group turnover.

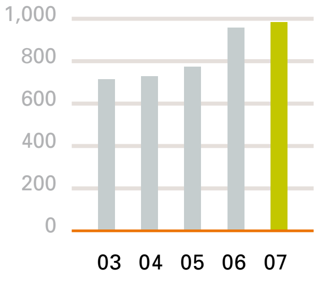
In the period under review, K + K America suffered a slight fall in turnover of 3.0 percent, down from USD 528.8 million to USD 513.0 million. In TAKKT's reporting currency, turnover fell to EUR 375.6 (421.5) million. Reasons for the fall in turnover compared to the previous year were the weakness of the US dollar and the sale of Conney. Turnover generated by Conney was only included in this report's figures up to the company's deconsolidation on 30 September 2007. Excluding divestment effects, the division grew by 2.0 percent in 2007 in US dollar terms despite economic weakness. In total, K + K America generated 38.1 (44.0) percent of TAKKT Group turnover in 2007.

In the past financial year there were shifts in the regional distribution of Group turnover due to the development of the US dollar as well as the sale of Conney. In the German market, TAKKT generated EUR 227.8 (201.4) million, representing 23.1 (21.0) percent of total turnover. Turnover in the rest of Europe was EUR 363.3 (316.4) million, or 36.8 (33.0) percent. The companies in North America generated a turnover of EUR 389.5 (436.8) million, or 39.5 (45.6) percent of total Group turnover. Turnover in other regions was EUR 5.7 (3.9) million, representing 0.6 (0.4) percent of Group turnover.

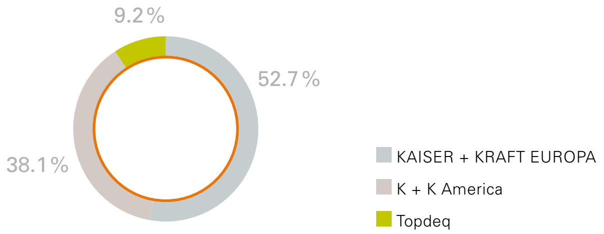
Increasing popularity of electronic orders

E-business is becoming increasingly important. The TAKKT Group is actively encouraging this development. Customers can submit orders electronically via different channels and

Turnover
in EUR million



Turnover
by division



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

Online orders of the three divisions grew in 2007 in currency-adjusted terms disproportionately by around 20 percent to EUR 127.4 million. This means that every eighth TAKKT order is placed online. The level of electronic orders differs across companies. In North America, NBF Group has two brands which only sell office equipment online. Of the remaining subsidiaries, Topdeq USA receives the highest level of electronic orders with over 40 percent.

Positive development in number of orders and average order value

In 2007, all value and growth drivers, adjusted for Conney, again recorded an increase. TAKKT was able to expand its customer base and gain many new customers, especially in Europe. TAKKT's strategy is to gain new customers irrespective of economic conditions. In weak economic cycles like 2007 in North America, gaining new customers compensates for decreasing order frequency from existing customers. TAKKT can benefit from a positive economic environment, as in Europe in 2007, to gain new customers at comparatively low cost and to expand its customer base at an above-average rate.

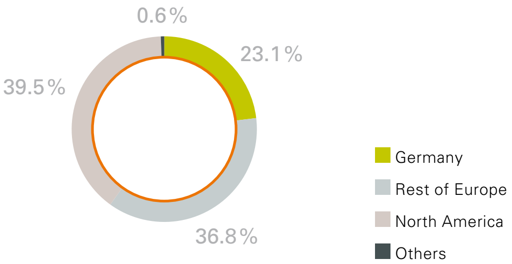
Apart from gaining new customers, the other two value and growth drivers also contributed to TAKKT's success. The number of orders excluding Conney increased by 3.4 percent to over two million. This increase was driven by KAISER + KRAFT EUROPA. The average order value was up in all three divisions, increasing by 3.1 percent to EUR 436 (423).

Earnings up again

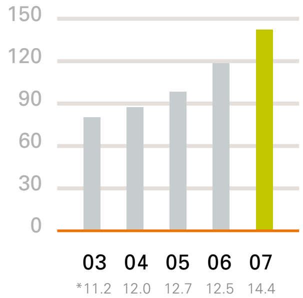
The Group has once again proved its potential to increase profit margins. All divisions were able to improve operating profitability year-on-year. Gross profit margins at Group level were up from 40.6 percent in 2006 to 41.3 percent in 2007. Excluding Conney, the margin would have been even higher. Steadily improving purchasing terms as well as considerable growth in the divisions KAISER + KRAFT EUROPA and Topdeq, both with strong gross profit margins, were major factors. Rising oil, freight and product prices only impacted the Group marginally as TAKKT is able to rapidly react to such developments.

EBITDA, being earnings before interest, tax, depreciation and amortisation, improved from EUR 119.5 million to EUR 142.3 million, an increase of 19.1 percent, despite the start-up expenses for new companies. This increase can be attributed to the excellent development of KAISER + KRAFT EUROPA and the very positive contribution from Topdeq. The EBITDA margin reached 14.4 (12.5) percent, a value significantly above the 11 to 13 percent target corridor set by management for 2007. All

Turnover
by region

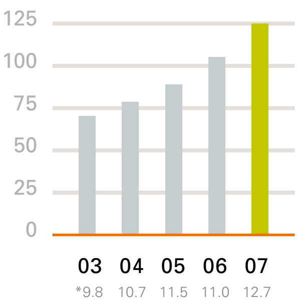


EBITDA
in EUR million (margin in %*)



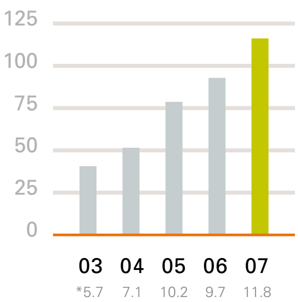
EBITA

in EUR million (margin in %*)



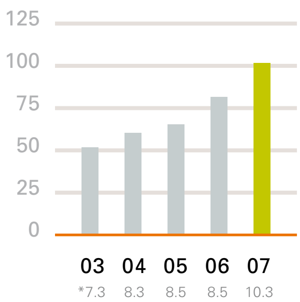
Profit before tax

in EUR million (margin in %*)



Cash flow

in EUR million (margin in %*)



three divisions contributed to increased margins. In addition to higher gross margins, improved profitability can be attributed to the increased efficiency of catalogues and mailings as well as better utilisation of mail order infrastructure.

Due to the sustained positive development of operating profitability, as well as expected margin improvements at Topdeq and K + K America, TAKKT management has raised the medium-term EBITDA margin target corridor from 2008 to between 12 and 15 percent.

Depreciation rose from EUR 14.3 million to EUR 17.3 million as a result of wide-ranging investment in 2007. Earnings before interest, tax and amortisation, EBITA, reached EUR 125.0 (105.2) million. In 2007 there was again no reason for an unscheduled impairment charge on goodwill. Therefore EBIT (earnings before interest and tax) reached EUR 125.0 (105.2) million as well, with a margin of 12.7 (11.0) percent.

As expected, the financial result improved significantly due to currency effects and continuing debt repayments. The tax rate decreased as a result of the tax reform passed by the German Bundesrat on 6 July 2007. This required also a revaluation of deferred tax provisions on goodwill in Germany with a lower tax rate, which ultimately resulted in deferred tax income. Furthermore, a larger portion of profits are earned in Europe. Here the tax rates are noticeably lower than in North America. Profit was up by 26.8 percent year-on-year reaching EUR 79.3 (62.5) million, of which EUR 1.2 million are due to minority interests nd EUR 78.0 million to shareholders of TAKKT AG.

Record cash flow

TAKKT Group cash flow for the first time reached a three-digit figure of EUR 101.2 (81.7) million, representing a growth of 23.9 percent. The cash flow margin was also above the previous year's figure at 10.3 (8.5) percent. More information about cash flow generation and use is available in TAKKT Group's cash flow statement on page 79 onwards.

Cash flow calculation in EUR million	2003	2004	2005	2006	2007
Profit	24.4	33.0	50.4	62.5	79.3
Depreciation	26.1	24.7	9.5	14.3	17.3
Deferred tax affecting profit	1.3	2.8	5.6	4.9	4.6
Cash flow	**51.8**	**60.5**	**65.5**	**81.7**	**101.2**

Financial situation

TAKKT Group's extraordinary strong financial situation is a good prerequisite for further dynamic growth. In the year under review, TAKKT AG was able to significantly increase its equity ratio while markedly reducing borrowings. Due to necessary capacity increases in warehouse infrastructure, investments exceeded the long-term average.

Balance sheet structure remains strong

The sale of the US subsidiary Conney resulted in a decrease in total assets compared to the previous year. Thanks to positive operating business development, the Group was able to reduce borrowings further. As in previous years, the Group's balance sheet structure remains extremely strong.

On 31 December 2007, the Group had total assets of EUR 549.0 (573.1) million. Its non-current assets were EUR 333.4 (352.5) million. Goodwill was the largest item in non-current assets with EUR 211.6 (250.4) 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 on goodwill in 2007, as in previous years. Therefore, the change in the long-term assets is due to the divestment of Conney and currency fluctuations.

Compared to the previous year, current assets dropped slightly from EUR 220.6 million to EUR 215.6 million. Trade receivables fell to EUR 109.0 (118.4) million, primarily due to the sale of Conney. Additionally, receivables were influenced by several large orders in the previous year. Payment behaviour of customers remained positive throughout the year with an average collection period of 39 (41) days. The sale of Conney only had a minor impact on this figure. The write-off ratio remained unchanged at significantly less than 0.3 percent of turnover. Inventory levels remained unchanged at EUR 64.6 (64.8) million, the increase in inventory levels to cover organic growth compensating for the disposal of Conney.

Shareholders' equity increased significantly from EUR 273.2 million to EUR 321.9 million due to good profits. The shareholders' equity ratio totalled 58.6 (47.7) percent also as a result of reduced total assets. Even excluding the divestment of Conney, the figure would have risen to a value significantly above 50 percent.

The Group's net borrowings fell from EUR 164.8 million to EUR 81.6 million. As a rule TAKKT finances investments and acquisitions in the respective currency of operating entities. Currency fluctuations, particularly in US dollars, contributed to a EUR 13.4 million reduction in borrowings. Revenues from the sale of Conney were used exclusively to reduce debts. In addition, TAKKT was able to make net repayments of EUR 31.1 million from high operating cash flow, despite substantial investments and a higher dividend.

Goodwill in the individual balance sheets of Group companies continues to be amortised in accordance with local tax regulations, but not in accordance with IFRS, which is the basis for these consolidated financial statements. Deferred tax provisions have to be made for these valuation differences. Deferred tax liabilities dropped from EUR 19.3 million to EUR 17.5 million. The reasons for this are the sale of Conney and the fact that deferred taxes for German companies had to be recalculated after the reduction of tax rates.

Covenants	2003	2004	2005	2006	2007
Equity ratio in percent	32.8	39.6	46.1	47.7	58.6
Debt repayment in years	5.0	3.5	2.6	2.3	1.2
Interest cover	5.3	7.2	8.6	8.7	14.1
Gearing	1.5	1.0	0.7	0.6	0.3

Provisions for pension liabilities were up slightly, but are still of secondary significance in the Group's balance sheet, representing just less than three percent of the balance sheet total.

TAKKT uses its target-oriented trade payables management system to consistently make use of supplier cash discounts. Due to growth in operating business, short-term liabilities have increased slightly.

TAKKT uses so-called covenants for the long-term management of its financial structure. They are equity ratio, gearing, interest cover and debt repayment period. Definitions of these figures are included in the glossary of this management report on page 133 onwards. All covenants improved again compared to the previous year, which was also due to the sale of Conney. Gearing fell from 0.6 to 0.3 and the debt repayment period is now just 1.2 (2.3) years. Interest cover rose from 8.7 to 14.1. But even excluding the impact of Conney, financial figures showed a significant improvement thanks to the good financial year.

Strong growth in investment

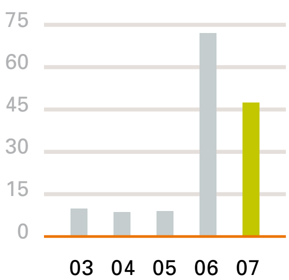
In the year under review, TAKKT Group made substantial investments in the further development of operating business. The investment volume (excluding acquisitions) in rationalisation and expansion was EUR 47.4 (11.5) million, significantly higher than the expenditure in the previous year. Investment in 2006 was EUR 72.0 million including the NBF acquisition.

Larger projects included the purchase of the Topdeq mail order centre in Pfungstadt, previously rented, and its expansion into a cross-divisional Europe-wide mail order centre for office equipment. TAKKT spent over EUR 30 million on this project until the end of 2007. Hubert invested in expanding its warehouse in the USA as well as KAISER + KRAFT EUROPA extending its production facilities in Haan. Some parts of the projects are not due to be completed until the 2008 financial year. More details are included in the forecast report from page 33 onwards.

Further amounts were invested in typical rationalisation and expansion measures. The programme for implementing internet-telephony (VoIP) proceeded as planned in all European TAKKT Group companies. There was continued investment in the expansion of the Company's worldwide IT structure, which has been proceeding for several years. The aim is to improve data analysis, process efficiency and quality of service.

Capital expenditure*

in EUR million



*incl. acquisitions and finance leasing

Capital expenditure TAKKT Group in EUR million	2003	2004	2005	2006	2007
Tangible assets	8.5	5.5	4.9	8.1	45.8
Intangible assets	1.3	3.1	4.0	63.7	1.3
Other financial assets	0.0	0.0	0.0	0.2	0.3
Total	**9.8**	**8.6**	**8.9**	**72.0**	**47.4**
Amortisation of goodwill	16.4	15.7	0.0	0.0	0.0
Other depreciation	9.7	9.0	9.5	14.3	17.3

Research and quality assurance

Electronic order platforms are also becoming increasingly popular with TAKKT customers. By expanding the online product range and services, TAKKT is fulfilling customers' wishes. Clear customer orientation is also a result of the Group's intensive market research.

Above average customer satisfaction

As a B2B mail order company, TAKKT does not conduct any research and development in the classical sense such as technology-orientated production companies. But monitoring the competition and market as well as developing product ranges and services play an important role in the Company's continuous improvement processes. The objective is to build on existing strengths and eradicate any weaknesses. This means establishing the wishes and needs of customers, including these results in improved product ranges and embedding them in operational workflows. To ensure that the results are internationally comparable, TAKKT always contracts the same market research institute, which applies a standardised survey system throughout the Group.

In 2007, TAKKT Group conducted customer surveys at Gerdmans and Topdeq and evaluated external and internal customer relationships. The institute surveyed a representative cross-section of customers and business partners. The results fully confirmed TAKKT's business strategy: customers are extremely satisfied with the products and services. Still there is room for improvement and individual points are included in an action plan, with management systematically monitoring implementation. Customer surveys such as these are also very useful when redesigning the catalogue or the website as well as optimising service offers.

E-business becoming even more customer friendly

In the period under review, TAKKT Group has redesigned the websites of several companies with the objective of presenting products to customers in an even simpler and clearer way. Continuous work is required to allow customers worldwide quick, easy and efficient purchasing from the Group's wide product range, which encompasses over 130,000 articles. To do this, TAKKT relies on the latest internet technology, which navigates customers to the desired product step by step based on the web shop's search feature and defined criteria. Initial pilot projects in this area were very successful and work is in progress to launch an extensive roll-out in all three divisions.

In addition, the Group is also working on optimising potential keywords in global search engines and keyword directories. This ensures that potential customers can find TAKKT companies and their products on the internet easily and quickly.

Quality is a top priority

TAKKT Group quality management is dedicated to the demands and expectations of customers. The basis for effective quality management is measuring quality. Therefore TAKKT pools all customer enquiries and complaints in IT systems. Specially-trained staff process, analyse and categorise these suggestions and complaints. TAKKT uses this information to systematically improve products and catalogues as well as to optimise workflows. Suppliers and service providers for Group companies are also included in the improvement process and their work is also continually monitored.

The Group is certified according to DIN EN ISO 9001:2000 or comparable standards at its major European locations. Non-certified companies maintain adequate quality levels based on internal targets, training and supervision. Annual audits check the current status of quality assurance systems. The competitive advantage for TAKKT is tangible, not just due to its falling complaints rate, but also because customers are increasingly buying exclusively from certified companies.

Staff members and social responsibility

As an employer, the Group has a responsibility for its staff. Intensive training or further education and participation in the success of the Company are an important part of this. In addition TAKKT accepts social responsibility throughout the world and is particularly involved in helping needy children and young people.

The chance of a better future: TAKKT is sponsoring ten years of education for 30 children at Prem Dan.

Increased staff productivity

On 31 December 2007, TAKKT Group employed 1,971 (2,027) staff members full-time. This number fell slightly in the past year due to the sale of Conney. Excluding this effect, all three divisions hired more staff. In the KAISER + KRAFT EUROPA and Topdeq divisions, productivity continued to improve. Accordingly, the increase in staff numbers was lower than growth in business volumes. K + K America expanded its workforce to ensure consistently high quality during the transition to a new IT platform.

The division KAISER + KRAFT EUROPA had 949 (892) employees, Topdeq employed 206 (192) and K + K America 787 (915). 29 (28) staff members worked in the holding company. The average age of staff throughout the Group remained unchanged at around 40 years.

Intensive training and further education

Staff with above average personal and professional skills are a key success factor for TAKKT Group. The training and further education programme is extremely important and staff members are continuing to make keen use of it. Further education consists of three modules: 1. Regular internal training sessions during which experienced employees have the opportunity to pass on their know-how to colleagues. 2. Seminars by external trainers on topics such as sales and IT. 3. Training sessions at the Haniel Academy. TAKKT Group specialists and managers attend these seminars to learn about topics such as successful negotiation or management knowledge.

The Company also attaches great importance to practical training for job starters. In Germany, the Company offers training for wholesale and export clerks, office communications clerks, office clerks, engineering draughtspersons, industrial mechanics, production mechanics, warehouse clerks and logistics clerks. In the year under review, 13 (12) school-leavers started apprenticeships at TAKKT in Germany. On top of that, eight students combine work and part-time degree college courses in different disciplines. In the year under review, TAKKT also recruited graduates across its three divisions either for specialist or management functions. They are enrolled in a two year programme and pass through different departments and subsidiaries at home and abroad to prepare them for future roles.

Performance-based bonuses

Above average performance by staff was a major contribution to the Company's success in 2007. TAKKT Group's compensation model rewards this by awarding bonus payments to staff at companies which reached or exceeded turnover targets. The reward model was redesigned in 2007 to include a higher variable bonus share. This now means that e.g. employees working in the warehouse can now receive up to a month's salary in addition depending on achievement of defined targets.

In Germany, TAKKT Group employees are eligible to buy employee shares and can therefore directly participate in the success of the Group. In the year under review, 59.7 percent of all entitled employees bought 22,435 shares in total.

TAKKT managers are especially responsible for the development of the Group. They are therefore subject to special compensation schemes. Middle-level managers' pay depends on the operating results of their company and whether they have fulfilled their individually agreed targets. The Management Board is compensated according to the cash flow generated and the EVA®. Detailed information on this is included in the Compensation Report from page 66 onwards.

Commitment to social responsibility

Corporate social responsibility, i.e. socially and environmentally responsible company management, is an integral part of TAKKT's corporate culture. Therefore the Group bases its corporate actions on schemes like the Global Compact Initiative, initiated by former UN Secretary-General Kofi Annan in 1999. This requires company management to follow several principles. These include

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

Lasting help for needy children

Since 2006 TAKKT Group has significantly expanded its social activities. The Group supports projects that promote training and further education for young people and create jobs for needy persons. As part of this initiative, the Company is now focused on the Indian city Mumbai, formerly Bombay. Mumbai is a metropolis with a population of over 13 million and is also twinned with Stuttgart, where TAKKT AG has its headquarters.

In 2006, TAKKT started to support the child aid project Prem Dan. The name means "gift of love". Founded by Sister Felicity Morris, the organisation has been providing humanitarian interdenominational aid in the slums of Mumbai for more than 25 years. In the period under review TAKKT sponsored 30 children. Every godparentship allows a child to enjoy ten years of education in this long-term project. Staff can also get involved in the project by keeping in touch with children by writing letters.

In addition to TAKKT's involvement in Mumbai, each division has a budget to sponsor its own social projects. KAISER + KRAFT EUROPA decided to take part in initiatives helping socially disadvantaged and handicapped children and young people. The Company donated furniture for a new children's home for the Off Road Kids foundation in Bad Dürrheim. The organisation is dedicated to helping street kids across Germany. With its financial support to Lebenshilfe Sindelfingen, KAISER + KRAFT EUROPA contributed to helping mentally handicapped children and young people integrate into everyday life.

Topdeq supported the counselling and special needs centre Schillerschule in Pfungstadt. The division funded school meals at an all-day school with a generous donation.

K + K America supports a variety of regional organisations and projects. For example it gives high school sponsorships to needy children and supports local schools and kindergartens.

Environmental protection is a top priority

All TAKKT divisions are dedicated to minimising environmental impact and preserving resources. Every article in the range is checked for its environmental friendliness, which also applies to products the Company produces in Haan under the

EURO*KRAFT* brand. All divisions exclusively use environmentally friendly packaging materials which can be recycled. To ensure efficient environmental protection, TAKKT involves the entire supply chain. High standards are required also for the catalogues. Printing companies worldwide are only allowed to use non-chlorine bleached paper. Companies in Germany also have to be ISO certified and comply with the EU Eco Audit Directive.

Important contribution to climate protection

TAKKT Group is proud to be able to contribute to climate protection thanks to its ecological approach. The business model for the mail order business is logistically structured to transport goods from manufacturer to end users as efficiently as possible. This means keeping the transport distances of goods as short as possible and emissions as low as possible. The mail order sales channel is environmentally friendly compared to other sales models. Compared to sales based on field representatives or brick-and-mortar retailing, mail order is CO_2 emission free when it comes to customers interfacing with their sales outlet or vice versa. Another environmentally friendly feature of the mail order industry is that paper and therefore catalogues are made of renewable and CO_2 absorbing resources.

Children laughing: something that cannot be expressed in figures. Also in 2007, the divisions supported a number of child and youth welfare projects on the ground.

To help raise awareness of the climate protection issue and underline corporate responsibility, TAKKT took part in the Carbon Disclosure Project for the second time in 2007. As part of this initiative, 2,400 companies worldwide, 200 in Germany, published the extent of their CO_2 emissions and what they are doing to reduce them. In Germany, the project is supported by the Bundesverband Investment und Asset Management e.V. (BVI) and the World Wide Fund for Nature (WWF). Its objectives include improving the awareness of carbon dioxide emissions and therefore initiating sustained protective measures. Further information can be found under www.cdproject.net.

In the past year, TAKKT openly discussed the issue of sustainability with investors. After in-depth analysis, a private Swiss bank accepted the Group into the circle of companies in which the bank's sustainability fund is permitted to invest.

Risk report

Risk management is an important component of business success. The Group uses efficient systems to recognise risks promptly and to manage them.

Effective risk management

Analysing the market and competitive environment of its companies as well as its own potential is one of the key factors of TAKKT's risk management. This systematic analysis means risks are identified and assessed at an early stage which is the basis for defining measures that can be applied to limit, manage or avert risks.

Another key factor in the success of TAKKT's risk management is timely and comprehensive reporting. TAKKT also analyses economic indicators such as GDP growth rates or purchasing manager indices. The Group can use this data to identify factors that may have an adverse effect on the implementation of its Group strategy and budget.

Internal and external auditors are involved in risk management. Their task is to monitor processes in all Group companies to assess operating 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 system and tailoring it to meet new demands where required. The auditors confirmed the suitability of the risk management system. In the year under review the risk environment remained unchanged. The Company was not aware of risks threatening its existence or material risks exceeding normal business risks.

Diversification reduces risks

TAKKT has deliberately diversified its customer and product portfolio to compensate for the impact of economic fluctuations in specific countries and industries. The Company addresses customers of all sizes from various industries with more than 130,000 products. The Group also compensates for economic risks with its international positioning. In the year under review, TAKKT Group was operating in more than 25 countries on three continents. A portfolio of companies in varying phases of the growth cycle also adds positive diversification effects: from start-ups and new companies, which grow dynamically regardless of economic fluctuations, to long established sales companies, which tend to reflect the current business cycle in their own development.

The Company has created a broad base enabling it to operate largely independent of economic development in individual industries and regions. TAKKT will continue to expand its product range and enter new markets in line with this strategy.

Low industry risks

Risks in the B2B mail order industry for business, office and warehouse equipment are limited. Market entry barriers for competitors are particularly high as building a new customer base is very expensive and time consuming.

Thanks to a fragmented supplier structure, TAKKT is not dependent on any single supplier. Alternative manufacturers are available at short notice for almost all products listed in catalogues. In the long-term this situation will not change, as it is unlikely for the supplier base for this product range to consolidate significantly.

TAKKT's customer structure is also very fragmented. About three million customers rely on TAKKT Group companies. Therefore the dependency on individual customers is low. Only one customer generates sales slightly above one percent of Group turnover. On top of that, the customer portfolio consists of companies from a wide range of industries – from small service providers to hotel chains, manufacturing companies to public authorities, as well as many other businesses and organisations.

By expanding its online product range, TAKKT has opened another high-growth sales channel. The number of customers is increasing, while orders and turnover are showing dynamic growth. TAKKT sees more opportunities than risks on the internet. It is unlikely that the TAKKT business model will be replaced by an exclusively internet-based sales platform or market place, as B2B customers are looking for professional providers offering a pre-selected product range of high quality equipment in a one-stop-shop solution, with quick and reliable delivery guaranteed. An electronic market place is unable to fulfil this to the required extent, as they mainly focus on processing transactions.

Rapid reaction to price risks

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

Sensitive use of catalogues and addresses

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

The Group 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 sustained success. Group companies therefore protect address material of existing and potential customers. Stored data is continually backed-up, making data loss almost impossible. Additional security systems ensure that only authorised personnel can access and process data.

Low risk from inventories

There are only marginal risks associated with inventories. This applies equally to product obsolescence, as well as technical and price developments. 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, which may mean that an item could be dropped from the catalogue in the medium-term, yet still remains stocked in the warehouse. In such cases, TAKKT generally falls back on contractual returns clauses arranged with suppliers for remaining stock.

Efficient logistic systems

TAKKT's goods are generally stored in large mail order centres. This means that the divisions have to store less inventory and order goods from manufacturers less frequently than would be the case with several small warehouses. Large warehouse capacity also gives the Group a price advantage thanks to pooled international procurement. Customers benefit from these effects in sales prices.

These advantages by far outweigh the risks, of fire for example, which result from centralised warehousing. The divisions also establish smaller regional warehouses if this is necessary for ensuring perfect delivery. All warehouses are insured against fire, theft or business disruptions.

Every TAKKT division regularly reviews its warehouse concepts. This ensures that security, delivery quality, speed and efficiency standards remain at high levels. If necessary, a location can be adapted to new conditions. Should a disruption in a warehouse result in bottlenecks, divisions can ship the majority of their goods by drop shipment.

TAKKT contracts external logistics companies to deliver goods. Tough competition among logistics companies and parcel services allows the Group to negotiate favourable terms. This also meant that the sharp increase in fuel prices in 2007 only affected TAKKT's earnings marginally. Freight costs only have a small impact on TAKKT's profitability, as they account for less than ten percent of Group turnover. In the past the Company has proved again and again that it is in the position to manage such risks without any substantial impact on returns.

Low loss of receivables and guarantees

TAKKT's write-off ratio on receivables is at a very low level, significantly lower than 0.3 percent of turnover. This can be primarily attributed to the Group carefully checking customer creditworthiness and actively managing receivables.

TAKKT's durable products are generally not susceptible to faults and therefore create high levels of customer satisfaction. This is reflected in the consistently low rate of customers making use of warranties, guarantees and returns. TAKKT has additionally agreed returns terms with most suppliers as a further precaution. TAKKT is also insured against product liability risks.

Reliable and powerful IT systems

TAKKT requires reliable and extremely powerful IT systems to run its business, e.g. servers, order management software and product management systems. A key task of TAKKT's risk management is also to ensure the integrity of data and the smooth operation of IT.

Mon Ami Chair

"Whether in reception, the conference room or the waiting room, Mon Ami is a friend in all situations. Its clear-cut shape suits every ambiance. The chair was designed by Italian industrial designer Claudio Bellini. Its high-quality upholstery is very comfortable – the perfect seat for every occasion."
Franz Kull, Topdeq Service GmbH, Head of Product Marketing

***Mon Ami Chair**
Order number 24 504
www.topdeq.biz

*Laboratory Swivel Chair Labster
Order number 600 265
www.kaiserkraft.co.uk

Laboratory Swivel Chair Labster

"The Labster is my favourite product: the world's first true lab chair. It has no corners or seams where dust and micro-organisms can collect. This is the first time that a product meets all lab demands. I am confident that the Labster can help us enter new markets."

Carsten Gries, KAISER + KRAFT EUROPA, Product Manager

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 while special software continually copies all files to a back-up system. If the server fails, the second system takes over. At K + K America regular data storage and external hardware capacities ensure that IT systems run flawlessly.

Apart from TAKKT companies' internal IT departments, external specialists also check systems' performance and security. They test if systems are running reliably, are protected against unauthorised access and if data can be recovered easily. In the year under review no issues were reported by any company.

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

In addition to a smoothly operating IT system, it is also essential that TAKKT companies can be reached by phone. As a result, the Group relies on special back-up systems as well as uninterruptible power supplies to guard against any defects in lines, power cuts or malfunctions in its telephone system. Calls can also be rerouted to other locations if necessary. Regular checks are conducted to establish how easy it is for customers to contact TAKKT companies' sales offices. These checks allow the Group to flexibly tune its sales capacities to business volumes.

Actively managing financial risks

Financial risks affecting TAKKT's business result mainly from changes in exchange rates and interest rate levels.

When it comes to changes in exchange rates, a difference should be made between so-called transaction risks and translation risks. Transaction risks result from buying and selling goods in different currencies. The Group is protected against the effects from these risks as the three Group divisions generally buy products in the currency in which they are sold. Transaction risks remain for less than ten percent of Group sales, particularly from intercompany transactions. These remaining risks are generally assumed and hedged by the respective delivering entity. Based on turnover forecasts of individual companies, open currency positions are identified and hedged with derivative financial instruments to an amount of between 60 to 70 percent, preferably with foreign exchange contracts. In general, forecasted turnovers and cash flows are considered for one catalogue cycle.

So-called translation risks resulting from currency fluctuations 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. These risks are generally not hedged, as these translation risks hardly affect the structure of the Group balance sheet and profit and loss account. Nevertheless, fluctuations in exchange rates, especially in the US dollar, do impact the absolute value of key figures.

Negative impacts from changing interest rates are also a risk for TAKKT. The Group protects itself from negative impacts 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. The target hedge level is between 60 to 70 percent of the finance volume. This limits the negative impacts from interest rate increases, but still offers the potential to benefit from interest rate cuts. The development of the hedge amount is mainly driven by future free cash flow, which can be used to repay borrowings. A detailed description of hedge instruments as of the balance sheet date as well as quantitative details on currency and interest rate risks is included in the Notes on page 112 onwards. By employing currency and interest rate hedges there are no material risks for TAKKT from changes in prices.

TAKKT is able to monitor and manage the health of its financial structure due to long-term financial planning and so-called covenants. Covenants include for example equity ratios and debt repayment periods. TAKKT has determined an internal threshold for each of these figures. For the equity ratio, the Group currently places the bottom threshold at around 30 percent. When it comes to cost of capital, management believes that a certain degree of debt makes sense. Therefore the equity ratio at the end of 2007 is in the upper area of the internal target corridor. An explanation of the covenants can be found in the glossary starting on page 133. Information on current values is available on page 21 onwards.

The Group is mainly financed by long-term loans and also always has sufficient unutilised credit lines. TAKKT can therefore fund its external growth at any point and at favourable terms. Lacking availability of debt capital does not constitute a risk for TAKKT. The finance department of TAKKT regularly monitors the financial strengths of banks and deals exclusively with banks with an excellent rating. Liquidity risks from financing can almost be ruled out.

Limited human resources risk

TAKKT Group employees make a critical contribution to the sustained development of the Group's success. This applies to each member of staff as their expertise and dedication have direct or indirect effects on business development. To sustain its profitable growth, TAKKT strives to continuously gain new, highly qualified employees and retain them in the long-term.

Torino Mobile Pedestal

"The Swiss worked for a long time on developing this drawer unit and have succeeded in creating something really special. I like its clear-cut shapes as well as the materials used. The combination of aluminium and melamine is elegant and timelessly beautiful."

Gabriele Gompf, Topdeq Service GmbH, Product Manager

***Torino Mobile Pedestal**

Order number 21 839

www.topdeq.com

Risks resulting from short-term staff turnover are minimal, as TAKKT has stand-in arrangements in place in cases of illness or resignation.

Efficient steering and control systems

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

Legal risks without impact on the economic situation

TAKKT companies are involved in litigation in day-to-day business both as plaintiff and defendant. These cases neither individually nor taken together have a material impact on the economic situation of the Group.

Conclusion: limited risks

All in all, risks for the TAKKT Group are limited and manageable. Based on up-to-date information, the Management Board does not currently forecast any substantial individual risks. The sum total of individual risks is no threat to the existence of the Group.

Forecast report

TAKKT will continue to grow in 2008 and 2009. Systematic expansion and continually optimising product and service ranges are the best conditions to achieve just that. The Group can generate additional growth by entering into new markets.

No positive impulse from economic development

Economic growth in Europe will lose momentum in 2008. After growth rates of 2.7 percent in the period under review, experts are expecting the European economy to grow by about 1.6 and 1.7 percent in 2008 and 2009 respectively. In Germany, a plus of 1.6 percent is forecasted for 2008 and about 1.5 percent in the following year. In the year under review, the German GDP grew by 2.5 percent. Causes for the expected subdued development in Europe are a fall in exports as a result of the strong euro as well as the US economy cooling down. Sustained high commodity prices and a high level of uncertainty on international capital markets also represent additional risk.

The North American economy already cooled down in 2007. Little improvement is forecasted for 2008, as risks from the property and equity markets are expected to have a stronger impact on the product market. After growing 2.2 percent in 2007, the North American economy is forecasted to grow only by 1.5 percent in 2008. In 2009 GDP growth is expected to climb to 2.4 percent.

Dynamic growth in Asia is likely to continue in 2008 and 2009. Due to as yet limited business operations in China and Japan this will not lead to any material impact on the TAKKT Group.

All in all, TAKKT cannot expect support from positive economic trends. Despite this, the Management Board remains cautiously optimistic about further development. Cautious, as economic development in the regions relevant for TAKKT is affected by a high level of uncertainty. Optimistic, as the Group will continue to take advantage of the high potential of the B2B mail order industry. An expanded and updated product range coupled with improved services in existing markets will contribute to this. In addition, TAKKT Group will establish itself in new markets.

Course set for further growth

The Company is well positioned to continue its growth even in a weak economic environment. In 2008 the Management Board expects TAKKT Group to grow by at least four percent organically (i.e. adjusted for currency changes as well as acquisitions and the Conney-divestment). Given the slightly more positive economic development in 2009 the Company is expecting organic growth of about five percent.

TAKKT has seen its turnover increase in the past 20 years by an average of 12 percent annually, which can be equally attributed to acquisitions and organic growth. Management is confident that the Group will continue on this course in the medium- to long-term average. If the Company were to acquire a larger B2B mail order platform, growth rates achieved could be considerably higher than the long-term average.

US dollar influences key figures

In the year under review, TAKKT generated about 40 percent of its turnover in North America. This explains why the exchange rate of the US dollar has a significant impact on the Group's euro key figures. A strong dollar translated into the reporting currency of euro leads to higher turnover. Accordingly, a weak dollar means lower turnover. The actual impact 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 around two percentage points above currency-adjusted growth. However, if the dollar gets weaker by five percent, the growth rate reported in euro would be about two percentage points below the currency-adjusted growth.

Chafer

"This chafer is justifiably one of our top sellers. The polished steel design underlines the high quality of the heating plate. It allows perfect food presentation and is easy to handle due to its hinged lid."

Patti Chesney, Hubert Company, Director of Merchandising

***Chafer**

Order number 26 161

www.hubert.com

To eliminate distorting currency effects and report business development objectively, TAKKT does not only report growth rates in the reporting currency, but also publishes currency-adjusted growth rates. Furthermore, effects of acquisitions and divestments are also made transparent. This applies to quarterly reports as well as the annual report. TAKKT's turnover forecast is also always based on currency-adjusted figures.

Improving gross profit margin

The gross profit margin will improve slightly also due to structural effects from the Conney sale. Experts assume that the prices of some raw materials will continue to increase in 2008 and 2009. As outlined in the risk report, this will only have a marginal impact on TAKKT's profitability. The plan is therefore to keep TAKKT Group's gross profit margin above 40 percent in 2008 and 2009.

Profitability continues to improve

TAKKT uses efficient cost management to create the basis for achieving an EBITDA margin within its long-term target corridor, which was raised to between 12 and 15 percent for 2008, even in periods of weaker economic development. Excluding acquisitions, the Company expects a margin in the upper half of the target corridor for 2008 despite the slightly cooling economy. In 2009 the margin is expected to show a slight organic improvement.

Investments slightly above the normal level

TAKKT's investment volume in 2008 will be significantly lower than that of the previous year but still above the long-term average of one to two percent of turnover. An important reason for this is that some investment projects from 2007 are yet to be completed and therefore will be recorded in 2008. In 2009 the investment level is expected to go down to the long-term average. In 2008, there are plans to expand warehouse capacities in Scandinavia and Eastern Europe as well as to develop and optimise the IT infrastructure in Europe and North America.

Entry into new markets

TAKKT plans to systematically continue its expansion course in 2008. The Group will roll out Hubert, a K + K America subsidiary, in Europe and in doing so tap into additional potential in the retailing and gastronomy customer segment. The first catalogues are expected to be dispatched in Germany in Q2 2008. Furthermore Gaerner will enter the Spanish market in 2008.

Divisions' development

In 2008, KAISER + KRAFT EUROPA will again grow faster than the European economy as a whole, with a rate of at least six percent.

In comparison to KAISER + KRAFT EUROPA the Topdeq division is affected more strongly and directly by the fluctuations in overall economic development. For this reason the Management Board believes that, as a result of the missing impulses from the economic climate in Europe and North America, growth of this division will be in line with the respective GDP developments of the individual countries. In 2009 a growth of about five percent is expected.

The growth forecast for K + K America is impacted by uncertainty due to the current economic development in North America. Management expects organic growth of just three percent in 2008 due to difficult economic conditions, with a slight increase of five percent expected for 2009.

Management is confident about the development of profitability. KAISER + KRAFT EUROPA's EBITDA margin is expected to remain significantly above the raised TAKKT target corridor of between 12 and 15 percent in the next two years. The profitability of Topdeq Group will continue to grow to such an extent that the planned objective of a double-digit EBITDA margin by 2010 may even be achievable by 2009.

Measures implemented at NBF as well as at the Plant Equipment Group, consisting of C&H and Avenue, should contribute to K + K America's EBITDA margin increasing in the next two years and coming close to the Group target corridor by 2010. The NBF Group will reach as planned a double-digit EBITDA margin by 2010.

Guarantee

This annual report includes forward-looking statements and information.

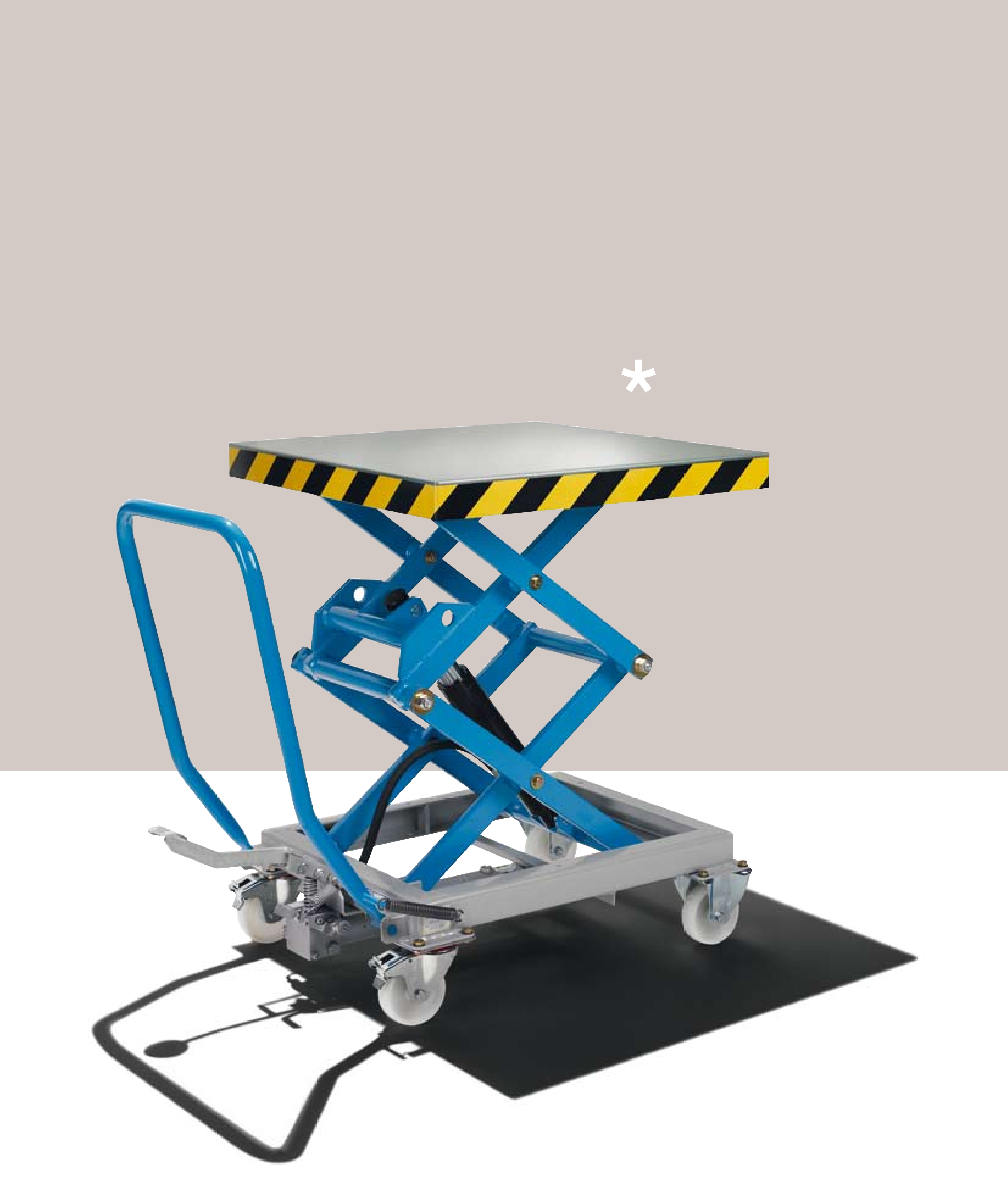
These forward-looking statements are estimates, which the TAKKT management made based on the information available today. Should the basic assumptions not be realised or additional risks arise, the actual results can differ from the expected results. Management cannot accept any liability for these statements.

KAISER + KRAFT EUROPA

growth

If you want to grow you need to know in which direction. This is the only way to dedicate the right resources successfully and to leverage existing experience.

*Double Scissor Lifting Platform Truck
Order number 986 205
www.kaiserkraft.co.uk



Continuing on clear growth track

High growth in turnover, many new customers, increasing order numbers, higher average order values as well as new record profits – KAISER + KRAFT EUROPA has sustained its success and continues to push international expansion.

Turnover up significantly once again

On the back of positive economic conditions, KAISER + KRAFT EUROPA developed very positively in the year under review. Turnover increased to EUR 519.8 (451.2) million, representing 15.2 percent growth against the financial year 2006. In currency-adjusted terms, TAKKT Group's largest division recorded a 15.5 percent rise in turnover. Nearly all sales companies contributed to this dynamic growth and returned double-digit turnover growth rates. The increase in order numbers was the most important growth driver behind this, followed by the rise in average order value.

KAISER + KRAFT EUROPA's profitability, already at a high level, improved further despite numerous start-ups between 2005 and 2007. EBITDA increased to EUR 108.4 (84.9) million, up 27.7 percent, while the EBITDA margin rose from 18.8 to 20.9 percent. This is due in part to the increased gross profit margin, but also to higher efficiency of catalogues and mailings as well as improved capacity utilisation of mail order infrastructure.

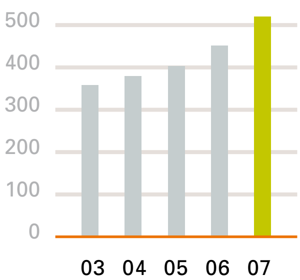
New markets entered

In 2005 and 2006, the division established new companies in Turkey, Romania, China and France. KAISER + KRAFT continued its systematic expansion in the year under review by entering the Slovakian market with a multi-brand strategy. The first catalogues were dispatched in June 2007. KAISER + KRAFT was able to benefit from the experience of its affiliate KWESTO, which has been operating in the emerging Eastern European country since 2002. The conditions for the sustained success of both companies in Slovakia are excellent as automotive manufacturers and suppliers are expanding operations in the country and want to be supplied with business equipment just as in Western Europe.

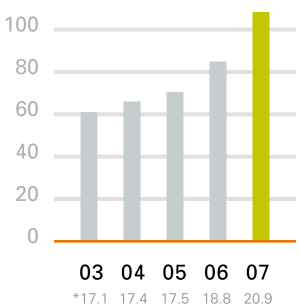
The Group increased the number of pages and the circulation of its catalogues in China and Japan due to high levels of acceptance of the product range in Asia. The success of the new company in China has significantly exceeded expectations.

KAISER + KRAFT EUROPA is planning to continue its expansion in Eastern Europe. The Group is also looking to roll out its successful multi-brand strategy in Central and Southern Europe. As part of this, Gaerner has established a new company in Spain in

Turnover
in EUR million



EBITDA
in EUR million (margin in %*)



*Assembly Trolley
Order number 920 312
www.kaiserkraft.co.uk

Assembly Trolley

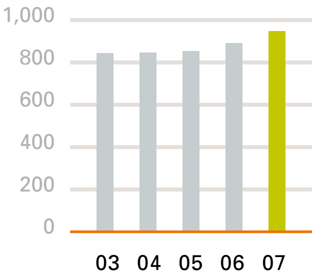
"The assembly trolley is typical of EURO*KRAFT*'s innovative product range. Its flexible assembly and wide range of accessories mean that it caters for every customer's needs. It comes in the typical high quality customers are acquainted with and with a five-year warranty."

M. Strobel, KAISER + KRAFT EUROPA, Product Manager

2008. The division has been successfully represented in the Spanish market by KAISER + KRAFT since 1989.

The division's continued growth goes hand-in-hand with expanding logistics capacities at various locations. The extension to the mail order centre in Pfungstadt will start operations in spring 2008. In addition 2008 is also going to see a larger warehouse and management centre for the Scandinavian Gerdmans Group being set up. Additional warehouse capacity is also due in Eastern Europe.

Employees
Full-time equivalents – 31. 12.



A strong name

KAISER + KRAFT EUROPA has developed into the leading mail order company for business equipment in Europe. The company was founded in Stuttgart in 1945 by Walter Kaiser and Helmut Kraft, and went on to become the benchmark for B2B mail order in Germany. Around 20 years later, the company began its international expansion. Today, KAISER + KRAFT EUROPA is TAKKT Group's largest and most successful division. It operates in more than 20 European and two Asian countries, employing 949 members of staff.

- The brands KAISER + KRAFT, Gaerner, Gerdmans and KWESTO are part of KAISER + KRAFT EUROPA.
- The product range encompasses around 45,000 articles.
- Its own brands *office akktiv* and EURO*KRAFT* are synonymous with high quality equipment for the office, business and warehouse. The company is dedicated to delivering flexibly on customer requirements. On request, the company develops custom products, mini-series and products in the customer's corporate design.
- With around 1.1 million customers, the division is the European market leader in B2B mail order for business equipment.

One-stop shopping

TAKKT's one-stop-shop principle makes buying equipment easy, whether for the office, warehouse or business. KAISER + KRAFT EUROPA offers customers a full range of equipment from one single source, not to mention direct delivery to their company. Martin Leusmann, KAISER + KRAFT Regional Director for Central and Eastern Europe, describes the advantages of this business model.

What are the main benefits of the one-stop shop?
Customers planning to establish a new production site, for example, need shelving and transportation vehicles for the warehouse, tables, chairs and filing cabinets for the offices as well as washing and refrigeration units for the kitchens, and much more besides. At KAISER + KRAFT, customers can buy all of these products from one single source. Customers can place orders conveniently from their desks, by using either our online portals or our conventional catalogue.

And what happens if customers notice upon receipt that goods do not fit or if they dislike them?
No problem. Our customers have a 30-day right of return and receive a full refund on request, which means there is no risk for them. Talking to our sales experts before ordering helps avoid buying the wrong goods.

How many products can KAISER + KRAFT customers choose from? And how can quality advice be guaranteed with that amount of choice?
Of course, it is impossible for anyone to be familiar with all of the 25,000 items in detail that the brand KAISER + KRAFT offers in its catalogues. This is why we have experts for each of our five product groups. Whether it is transport, storage, environment, plant or office, our customers can rely on the help of a skilled sales advisor. We also keep our staff's know-how up-to-date in regular training measures.

Which companies place orders frequently at KAISER + KRAFT?
Mainly companies from the production industry, followed by public administrative bodies and social organisations. An interesting fact is that of our top 100 customers, 75 percent place orders in a number of different countries.

That is a great example of an international one-stop shop. How do you intend to develop this principle to ensure that it remains attractive in the future?
We regularly ask ourselves how we can expand our product range, how the market is changing and what customers want. The only way for KAISER + KRAFT to maintain its current level of success is to keep tailoring our products to the market and customer needs.

KAISER + KRAFT is not just aiming to have the market-leading product range. It also intends to expand and optimise the services it provides, from sales advice and CAD planning to delivery and assembly services. The aim is to be number one also regarding our services.

1,000 kilograms

The lifting platform is a real powerhouse. The highest-powered model can lift up to 1,000 kilograms. If workers have to work on heavy metal parts, the lifting platform can lift them up to a back-friendly height. The hydraulic lift cylinder allows stepless lifting and lowering using its pedals.

KAISER + KRAFT EUROPA – some interesting facts about the division

- The success story of KAISER + KRAFT EUROPA began over 60 years ago with the pushcart. Today, no plant is complete without one of these practical aids, and customers can choose from a number of different designs. Whatever its use, the company has the right model, whether made of high-grade steel or aluminium, for climbing stairs or folding up.
- KAISER + KRAFT EUROPA's product range now comprises around 45,000 items. The division compiles the range from around 500 suppliers, including the company's own brands *office akktiv* and EURO*KRAFT.*
- KAISER + KRAFT EUROPA's warehouse space covers over 48,000 square metres, roughly equivalent to ten football pitches.

Topdeq

Design

Designer products have to be more than just good to look at. They have to be high-quality and functional and meet the needs of demanding users. Only articles fulfilling these requirements have the potential to be real classics.

***Miss K Lighting**
Order number 23 231
www.topdeq.biz

Premium brand continues positive development

Repositioning Topdeq as a premium brand also in 2007 proved to be the correct decision. Operating results were particularly positive. The division increased its warehouse capacity in both Europe and the USA to improve customer service.

All companies beat previous year's turnover

Topdeq once again recorded significant growth in the year under review, largely due to its repositioning as a premium brand, as well as the economic upturn in Europe. Turnover rose to EUR 91.2 (86.0) million, representing an increase of 6.1 percent year-on-year. In currency-adjusted terms, this translates to an increase in turnover of 8.5 percent. All companies contributed to this increase in turnover. Topdeq proved particularly successful in Belgium, Switzerland and France. Development at the Austrian company, only founded in 2006, also exceeded expectations.

Within this repositioning strategy order numbers decreased slightly, but average order value increased substantially due to the stronger focus on high-quality, design-driven equipment. The division's gross profit margin also continued its positive development. A reduction in the number of returns was instrumental in this and was achieved thanks to higher product and service quality.

Profitability also developed positively thanks to the higher gross profit margin, dropping less profitable customer groups on the back of repositioning, as well as increasingly optimised processes. EBITDA also reflects this positive trend, up by 61.7 percent to EUR 7.0 (4.3) million. The EBITDA margin therefore reached 7.6 (5.0) percent. Thus Topdeq is much closer to achieving the TAKKT management's target of a double-digit EBITDA margin by 2010.

Sustained improvement in customer service

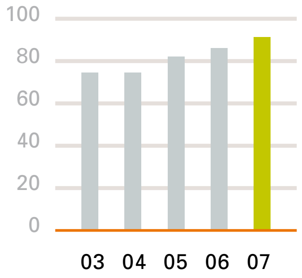
As a premium brand, Topdeq is required to offer its customers first-class service. The US company therefore established two new warehouses in the South (Atlanta) and West (Reno) of the USA. The three-warehouse structure now enables the company to ensure the nationwide delivery of ordered products within 48 hours.

Mail order centre in Pfungstadt expanded

In March 2007, work started on expanding the existing central warehouse into a joint logistics centre for office equipment for

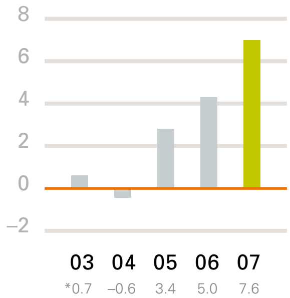
Turnover

in EUR million



EBITDA

in EUR million (margin in %*)



*__Bombo Barstool__
Order number 12 816
www.topdeq.com

Bombo Barstool

"The Bombo barstool is a highlight for me. Its design is timeless and it fits in anywhere. The Bombo is also comfortable, swivels, and you can adjust its height. In short – this bar stool is a valuable addition to our range."

Thorsten Lemke, Topdeq Service GmbH, Product Manager

both Topdeq and KAISER + KRAFT EUROPA. Topdeq had previously rented the mail order centre until the company acquired it in Q1 2007. The reduction in rent costs has since helped contribute to the increased EBITDA margin.

The new cross-divisional European logistics centre for office equipment covers a surface area of 30,000 (18,000 before extension) square metres and creates capacity for further growth, the expansion of international purchasing as well as an increase in the number of products available directly from the warehouse.

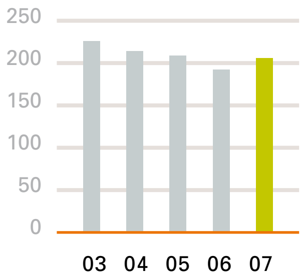
Classic design – timelessly beautiful

Topdeq has been part of TAKKT Group since 1994. The division offers its customers an exclusive selection of high-quality, design-driven office furniture and accessories. The division targets companies in the services industry. The range includes classic products by famous designers like Philippe Starck or Sir Norman Foster. Its companies in Germany, Switzerland, the Netherlands, France, the USA, Belgium and Austria serve around 500,000 customers.

- Topdeq customers can order around 2,500 products from the catalogue or online.
- 206 employees work in purchasing and dispatching office equipment products.
- Thanks to a tightly knit logistics network, Topdeq is able to guarantee delivery within 24 hours in Europe and within 48 hours in the USA.

Employees

Full-time equivalents – 31. 12.



Always "up-to-date" with Topdeq

Which products provide customers with an advantage, look great and complement the rest of the range? Those are the three key questions the Topdeq team has to answer before a product is carried in the catalogue.

"Just beautiful" or "really practical" is not enough at Topdeq. All products in the range have to deliver on a number of requirements. "All 2,500 products meet high demands in customer value, design, quality and function," explains Delphine Jean, Marketing Director at Topdeq Service. Current trends are by no means the only criteria. Lasting trends are important for Topdeq. Some products are timeless classics and have been in the catalogue for ten years. "Our customers expect innovative, up-to-date designs for the office. New features, technology, ergonomic requirements and environmental friendliness all make it necessary to adjust our product range," explains Jean.

Recognising potential classics

Systems furniture and chairs are bestsellers at Topdeq. A true classic evokes memories of the time of the French King Louis XIV. The transparent "Louis Ghost" chair creates an inviting baroque atmosphere. "Office furniture is an investment in the future, not short-term fashion," says Jean. But the potential to become a classic product depends on a number of factors. "Modern classics are compelling in the way they create harmony between form and function and their timeless shape," explains Jean. They often come from designers with enormous creativity like Eileen Gray, Achille Castiglioni or Philippe Starck.

Office solutions with design

Famous names and design awards are not a guarantee for selecting the right product. They offer guidance and help pick well-designed products. Selection primarily relates to what will make up the best combination of products in an office. If they are then recognised with awards like the Designpreis der Bundesrepublik Deutschland, the Red Dot Design Award, the Compasso d'oro and the Best of Neocon, then that is all the more helpful. "They improve the awareness of products and help customers make the right choice," adds Jean.

Scouting out new trends

A trend is just one factor among many when deciding if a product is going to make it into the Topdeq range. But it is nevertheless important for purchasing staff to keep their finger on the pulse. "Our team regularly visits the relevant trade fairs, reads trade magazines and keeps its eyes open," says Jean. Buyers have again identified tips and trends for 2008. "White is going to be in, especially in combination with warm wood tones. In 2008 Topdeq customers will be spot-on with shiny surfaces like glass, chrome and lacquer in black and white." A tip from Topdeq – design specialists in office furniture and accessories.

1 Red Dot

Good design deserves awards and that explains why the clever Miss K table lamp was presented with the Red Dot Design Award. The lamp, designed by Philippe Starck, looks cool when switched off. But as soon as the light is switched on, this masterpiece is illuminated in a warm glow thanks to the lamp's metallised plastic cover.

Topdeq – some interesting facts about the division

- Topdeq keeps up-to-date on the latest design products and trends worldwide. But products first need a manufacturer and thorough testing before they make it into the Topdeq catalogue.
- There are several hurdles to overcome. For example, a product has to be compatible with every market. The only exceptions are electrical devices which have country-specific plugs, all other products feature in every country's catalogue.
- The 2,500 articles in the range are currently from around 200 manufacturers. What sets the division apart is that it stores all products in its own warehouse, allowing customer delivery in the shortest time possible.
- Some articles, like a popular classic office chair, have been in the catalogue for almost 20 years.

K + K America

concentration

An important building block of success is focusing on the essentials. Success comes to those who recognise what is essential by reconsidering what they have done before.

* **Lockable Steel Funnel**
Order number 74 235
www.chdist.com

US economy impacts business development

Despite a weak economic development K + K America was able to show slight organic growth. For strategic reasons, the subsidiary Conney was sold and the NBF Group discontinued sales to private customers. NBF's integration is continuing successfully and is starting to deliver the first results.

Profitability improved in spite of difficult environment

In the year under review, K + K America's key figures were impacted by the sale of Conney on 30 September 2007 and the difficult economic situation in the USA. Turnover fell from USD 528.8 million to USD 513.0 million, minus 3.0 percent. Translated into the reporting currency, the decrease is more substantial, down 10.9 percent to EUR 375.6 (421.5) million. In contrast, turnover in USD adjusted for the sales of Conney was up by 2.0 percent. This can be attributed to an increase in average order value. All in all, the mixed picture in business development seen for the last few quarters continued. NBF Group is developing very positively and against the trend. Hubert also improved considerably. Both companies attract customers from the service industry. In contrast, both C&H in the USA and Avenue in Canada were unable to match the previous year's development. However, C&H's development in Mexico remains positive.

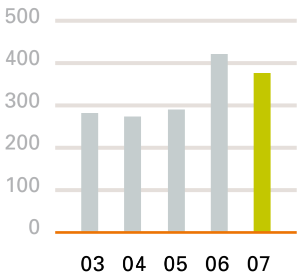
EBITDA fell from EUR 39.3 million in 2006 to EUR 36.1 million in the year under review, down 8.2 percent. The EBITDA margin improved slightly year-on-year, reaching 9.6 (9.3) percent. This improvement can be largely attributed to the growth in gross profit margin and the one-off Conney deconsolidation effect of around EUR 1.4 million. Contrary to that were additional expenditures on the implementation of the joint IT platform. Excluding Conney the EBITDA margin reached 9.5 percent.

Conney sold and NBF integration continued

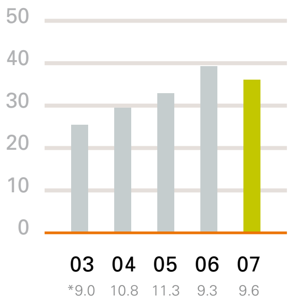
At the end of Q3, K + K America sold Conney to a financial investor for about USD 48 million or about EUR 34 million. Conney specialises in consumables in the areas of occupational safety and first aid. The divestment was a step taken on the back of TAKKT's strategy to focus on B2B mail order for durable and price-insensitive equipment. More details are available in the Notes from page 123.

The acquisition of the leading US mail order company for office furniture NBF in 2006 allowed TAKKT to establish a stronger presence in the expanding service industry. Integration of the NBF Group continued as planned in the year under review. The company discontinued its business for private customers, who were being served via the internet brand FurnitureOnline.com. The reason for this step was that private customers are less loyal and produce higher return rates and defaults. On top of that, the sales potential per customer is considerably higher in the commercial customer segment compared to the consumer sector. The corresponding fall in turnover was more than

Turnover
in EUR million



EBITDA
in EUR million (margin in %*)



*Safety Storage Cabinet
Order number L5136
www.avenuesupply.com

Safety Storage Cabinet

"These safety storage cabinets are produced in a Canadian factory rich in tradition. The fireproof cabinets conform to the highest demands and are particularly suited for storing easily flammable materials and corrosive liquids. This makes them ideal for companies working with hazardous materials."
Bill Stout, Avenue Industrial Supply Co. Ltd., Product Manager

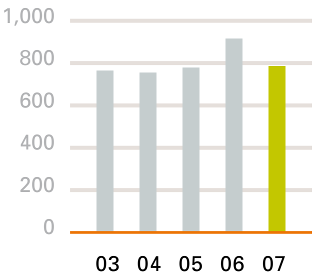
compensated by significant growth with existing business customers. In the year under review, NBF reached a margin of 8.6 (6.7) percent and is therefore well on the way to achieving a double-digit EBITDA margin by 2010.

Continued implementation of joint IT platform

Since 2005, K + K America has had a new IT platform for financial accounting, marketing and inventory management. After the platform was introduced in several pilot companies in 2006, a further phase of optimisation began in 2007. After certain adjustments to the IT project organisation TAKKT's Management Board is now confident that necessary measures have been identified and will be implemented by the end of 2008.

On top of that, Hubert will begin rolling out its successful business model in Europe in mid 2008. The first catalogues are due to be mailed in May. In Germany Hubert is based in Pfungstadt.

Employees
Full-time equivalents – 31. 12.



North American market leader

K + K America's range is targeted at industrial, service and retailing companies, as well as trade businesses, public institutions, government agencies, schools and churches. The division's roughly 1.3 million customers are served by 787 members of staff. While C&H Distributors, C&H Productos Industriales and Avenue Industrial Supply offer plant and warehouse equipment in particular (Plant Equipment Group), Hubert is largely dedicated to equipment for retailing and gastronomy (Specialties Group). The US market leader in office furniture, NBF, part of the Group since 2006, complements this range perfectly (Office Equipment Group).

- The division serves customers in the USA, Canada and Mexico.
- The combined product range of all three Groups totals 87,000 articles.
- K + K America has seven warehouses in the USA and Canada.

Service on all channels

Professional knives, pizza trays, place mats: Hubert, the North American mail order company, has around 30,000 articles in its current catalogue. The K + K America subsidiary supplies the retail and gastronomy industries with professional equipment. Since 1998, Hubert's North American customers have been able to order products online. Bart Kohler, Chief Executive Officer of the full-service company, talks about e-commerce and current trends in the mail order industry.

Hubert's product range is growing every year. How do you ensure that your customers can keep track?
That is indeed a real challenge. We have to identify the reading and search behaviour of our customers to make sure they find what they are looking for as quickly as possible. In a conventional printed catalogue, this is usually achieved via a well structured contents page. We have been using cutting-edge search software on our website since July 2007, similar to that used by other companies from TAKKT Group. It makes searching for a product using various criteria very easy.

Hubert has enjoyed a high growth rate in the USA in the last few years. Do you attribute this to the sustained boom in online retailing?
Amongst other things. Nowadays, we generate around 20 percent of our turnover via our online portal. We are delighted that we are gaining a disproportionately high number of new customers through this sales channel. We are now reaching companies that have never ordered anything from our catalogue before.

What advantages does e-commerce offer your customers?
Customers can use our shopping portal to order around the clock. As well as that, they are also able to view more information about each product than in a printed catalogue. Many articles can be presented in a 360 degree view. Last but not least, people who order online are also able to track their order status, from processing to delivery.

Do you think that the traditional printed catalogue is on its way out?
No, quite the opposite. Although internet sales are growing disproportionately, we are also printing more catalogues every year. The combination of the internet and catalogues creates lots of synergies. Many skim through our catalogue, then get more information about their desired product online and then pick up the telephone and place their order. Many of our customers still prefer to place large orders with a Hubert employee on the phone than online with a computer. In short: every sales channel has its rationale, and in combination they are really effective.

Hubert also offers its customers a personalised online portal – the so-called e-procurement solution. What advantages does this offer?
This allows large customers with many sites to effectively manage their shopping processes. Guidelines can be issued regarding what amounts and items they can order independently. At the same time, access to a combined platform makes the whole process much more transparent. It also allows companies to integrate individual marketing promotions into their online portal.

What will you, as a successful mail order company, have to pay attention to in marketing your products in the future?
The secret of success is delivering perfect service. We have to recognise the needs of our customers so that they can order the right products quickly and cost efficiently.

165 degrees Fahrenheit

When dealing with chemicals, fire protection is a particularly important issue. K + K America's steel funnel offers reliable protection. When the surrounding temperature rises above 165 degrees Fahrenheit (73.9 degrees Celsius), the safety lid closes automatically. A higher temperature would be a fire hazard for some substances. It can also be locked, preventing accidental or unauthorised use.

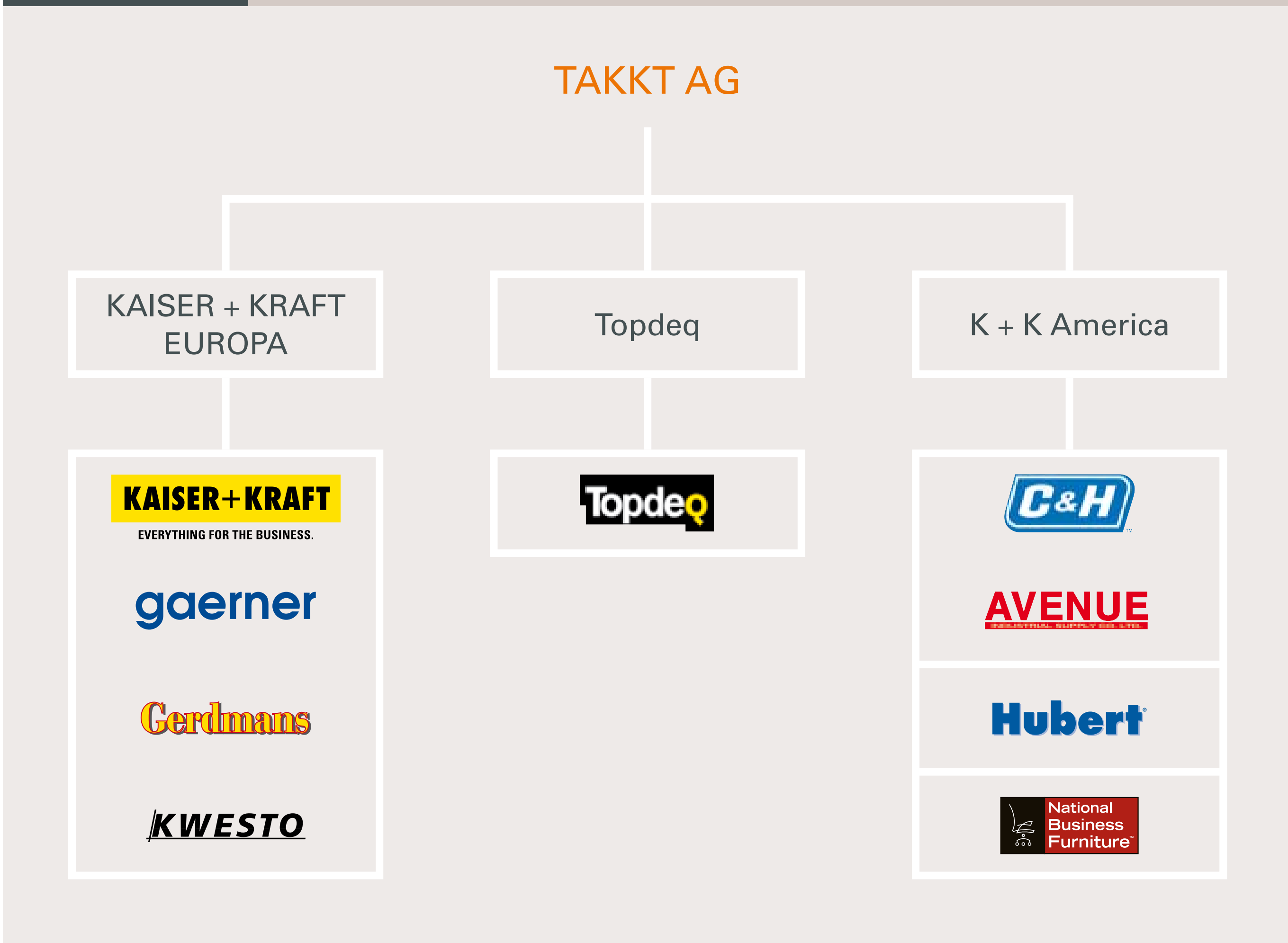
K + K America – some interesting facts about the division

- The oldest product in the range is a practical steel shelf.
- Altogether, the range of the division comprises 87,000 articles from more than 500 manufacturers.
- To meet the needs of customers, K + K America offers different models of the same product. Lockers come with the greatest range of different versions and are available in 10 colours, 28 sizes and 10 different designs.
- K + K America delivers to customers no matter where they are, even in the Arctic tundra – a dangerous undertaking when trucks transport their consignments over frozen lakes and rivers in temperatures between -30 and -55 degrees Celsius.

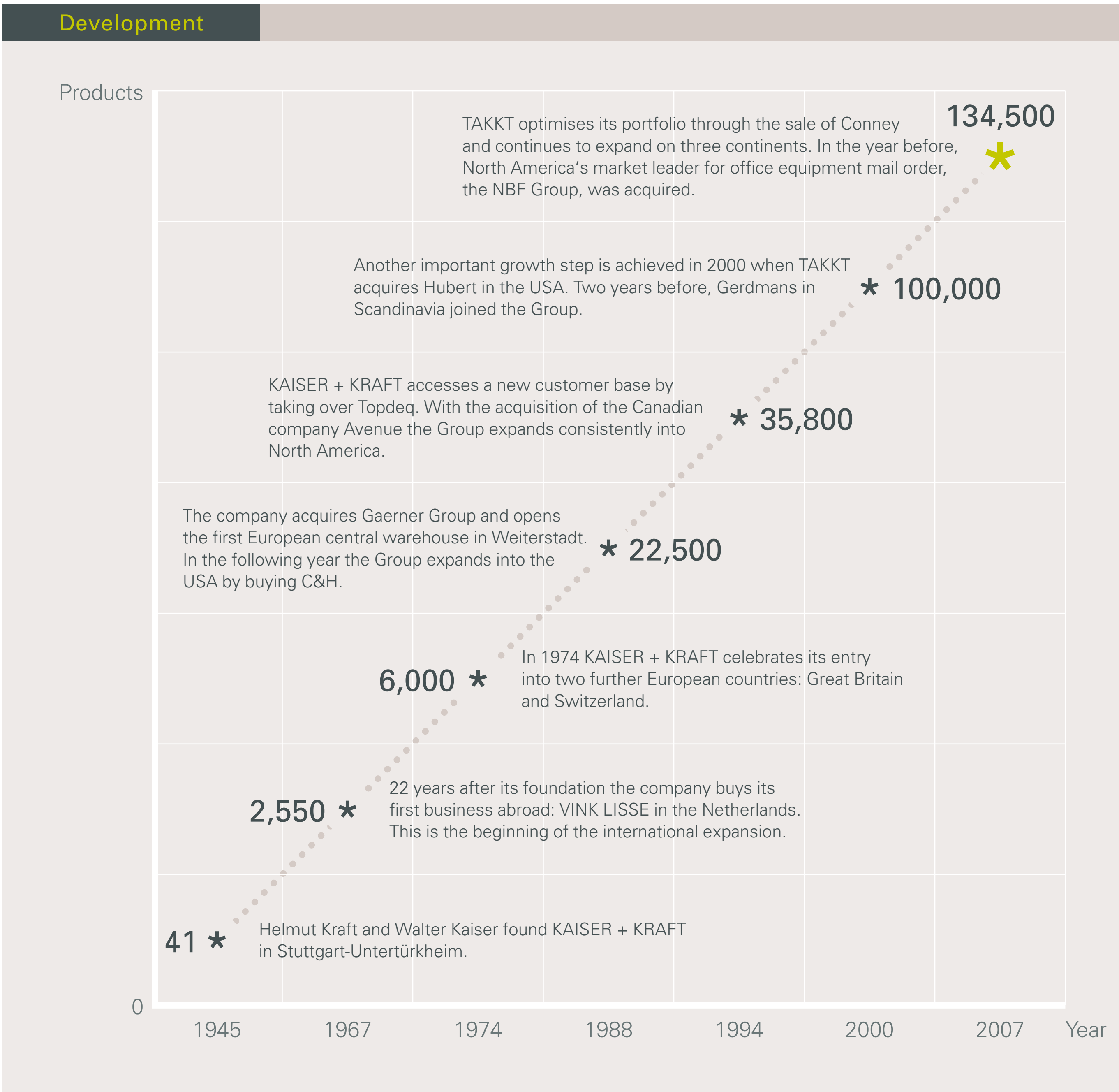
Successful Group structure with potential

The sales companies of the three TAKKT divisions KAISER + KRAFT EUROPA, Topdeq and K + K America address their specific target groups with a diverse product range. Their service holding companies are responsible for an efficient IT and logistics infrastructure, as well as compiling product ranges and producing catalogues. TAKKT AG, responsible for the strategic management of the Group, steers the cross-divisional transfer of knowledge. This Group structure enables expansion into new markets without dramatically increasing the complexity of management. This is best documented by the number of successful start-ups in the past few years.

Structure



Successful expansion with diversified product portfolio



Transparency

Transparent financial communications meet a number of needs: they are quick, open and easy to understand. This reinforces the company's credibility both internally and externally.

* **Victoria Ghost Chair**
Order number 23 942
www.topdeq.com

Shareholders benefit above average from Group's success

Continuity and transparency are the hallmarks of TAKKT AG's communication with all members of the financial community. The Group once again received an Investor Relations Award by the reputed German business magazine Capital for its exemplary investor relations work in the year under review and was the only company to take away the distinction "excellent".

Transparent and comprehensive communications

At TAKKT, informing all members of the financial community quickly and comprehensively about all business developments is second nature. This applies to institutional and private investors, financial institutions and analysts as well as potential investors. As it is always up-to-date, the website www.takkt.de is a vital communications tool. Interested parties can visit the site to find quarterly reports, annual reports, ad-hoc and press releases, road show presentations as well as details on Corporate Governance. TAKKT also uses the internet to answer frequently asked questions about the company and its development and announces the dates of its publications and road shows in its financial calendar.

TAKKT places great importance on providing the capital market with quarterly results as quickly as possible. These figures are published around four weeks after each quarter ends. After the quarterly figures have been released interested parties are welcome to put their questions to the Management Board in a telephone conference. In addition to these opportunities, all investors are encouraged to phone in or visit the Group headquarters in Stuttgart to find out about the development of business and the Group's strategy. This offer is not only popular with institutional investors, but also with private investors.

Close contact to investors

At the end of March 2007 the company presented the final figures for the year 2006 at the financial statements press conference in Stuttgart and the analysts' conference in Frankfurt/Main. In addition to that TAKKT again visited key international financial centres. TAKKT was one of the participants at capital market conferences in Frankfurt/Main and New York. TAKKT also staged additional road shows in London, Paris, Edinburgh, Zurich, Vienna and Frankfurt/Main. By again stepping

Key figures for TAKKT Group under IFRS	2003	2004	2005	2006	2007
Earnings per share (EPS) in EUR	0.33	0.44	0.68	0.84	1.07
Cash flow per share (CPS) in EUR	0.71	0.83	0.90	1.12	1.39
Dividend per share in EUR	0.10	0.15	0.15	0.25	0.80*
Dividend rate in percent	30.8	33.8	22.0	29.6	74.7
Number of shares in millions	72.9	72.9	72.9	72.9	72.9
Shareholders' equity ratio in percent	32.8	39.6	46.1	47.7	58.6
Share price in EUR (31.12.)	5.90	7.75	9.50	13.15	11.90
Highest price in EUR	6.01	7.95	9.70	14.27	15.49
Lowest price in EUR	3.50	5.92	7.25	9.31	11.78
Market capitalisation in EUR million (31.12.)	430.1	565.0	692.6	958.6	867.5

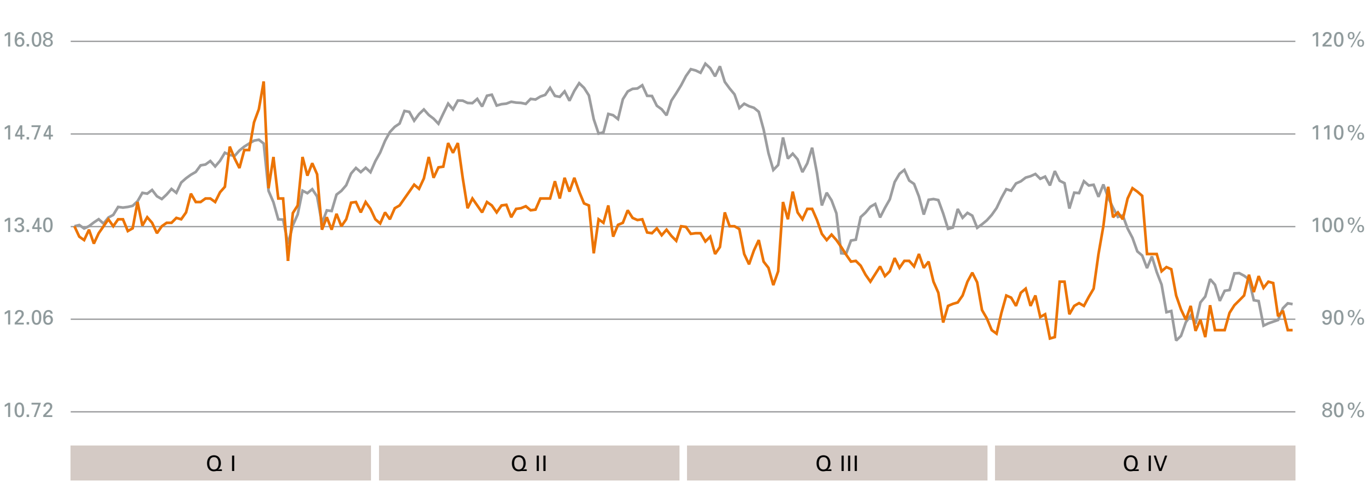
*thereof EUR 0.32 ordinary dividend and EUR 0.48 special dividend up its efforts the company aims to increase its contact with potential investors and raise the number of investors. Closer to its Stuttgart headquarters, TAKKT also attended a private investor event to get more private investors interested in the TAKKT share and strengthen its investor base. Top management is always closely involved in all investor relations activities.

Excellent investor relations activities

TAKKT's financial communications are dedicated to always covering developments and topics at the same place and in the same form. If there are changes since the previous year or if one-off effects impact the development in the period under review, these changes are explained at the relevant place. TAKKT also reports transparently on acquisition and/or deconsolidation effects, as was the case with the sale of Conney in the period under review.

In 2007 the Group received an award for its intensive, continuing and transparent investor relations work for the third time from the business magazine Capital. After coming in third in the years 2005 and 2006 it won first prize in the SDAX segment in the year under review. Of 194 German and international companies listed on the EUROSTOXX 50, DAX, MDAX, TecDAX and SDAX the Group was the only company to get more than 450 out of 500 possible points and therefore receive the distinction "excellent". TAKKT has set standards with this outstanding result. This applies equally for significance, credibility, transparency and speed of information provision.

Performance of the TAKKT share in euro, 52 week comparison in 2007



Again high turnout at Annual General Meeting

More than 450 shareholders and visitors attended the eighth Annual General Meeting of TAKKT AG on 4 May 2007. Shareholders passed the proposal put forward by the Management Board to increase the dividend from 15 to 25 cents per share with a large majority.

Six new members of the Supervisory Board were appointed at the Annual General Meeting, therefore implementing the resolution to reduce the size of the Supervisory Board from nine to six members as passed by the Annual General Meeting in 2006. The shareholders again authorised the Management Board to buy TAKKT shares to an amount up to ten percent of issued capital. Management has not yet made use of this possibility. Shareholders also passed a change to the company statutes on transmitting information to shareholders to comply with the Law on Implementing the Transparency Directive (TUG). The new version of the company statutes is available at www.takkt.de.

Dividend to increase again significantly

For TAKKT AG it goes without saying that shareholders participate fairly in the company's profits and cash flows. At the same time TAKKT wants and needs to have enough financial scope for further profitable growth. The Management and Supervisory Boards are going to propose to increase the ordinary dividend by 28.0 percent to 32 cents per share. At the same time proceeds from the sale of Conney are to be distributed to shareholders in a special dividend amounting to 48 cent per share. By doing so TAKKT Group is continuing to deliver on its reliable dividend policy. The payout ratio of the basic dividend in 2007 again amounts to about 30 percent of profit.

A direct participation of the shareholders in the earnings and cash flow of the Group is possible also in the future thanks to the very strong balance sheet and stable business model. Paying out special dividends in addition to ordinary dividends in the future is dependent on whether TAKKT will have to finance larger value-creating acquisitions or other investments.

TAKKT Group in the press

TAKKT kehrt deutlich mehr aus

TAKKT pays out significantly more

- Die Aktionäre der TAKKT AG dürfen sich auf eine deutlich höhere Ausschüttung für das Jahr 2006 freuen
  TAKKT AG shareholders can expect a significantly higher payout for 2006

(Börsen-Zeitung, 22.03.2007)

Versandhändler TAKKT erzielt Rekordergebnis

Mail order company TAKKT achieves record results

- Der Stuttgarter Konzern ist mit seiner Strategie der Internationalisierung erfolgreich
  The Stuttgart group is successful in its strategy of international expansion

(Stuttgarter Zeitung, 23.03.2007)

TAKKT auch für 2007 optimistisch

TAKKT also optimistic for 2007

- Der börsennotierte Stuttgarter Büromöbelversender TAKKT will nach dem Rekordjahr 2006 auch in diesem Jahr Umsatz und Ergebnis steigern
  The listed Stuttgart office equipment company TAKKT is aiming to sustain its turnover and profit growth this year after a record-breaking 2006

(Ludwigsburger Kreiszeitung, 23.03.2007)

SDAX. Überzeugendes TAKKT-Gefühl

SDAX. Convincing TAKKT feeling

- Mit der Botschaft „Ziele übertroffen, profitabel gewachsen" sorgt Vorstandschef Georg Gayer für gute Stimmung
  Georg Gayer, CEO, caters for high spirits with the message "goals exceeded, profitable growth"

(Capital 14/2007, 21.06.2007)

TAKKT erhöht die Schlagzahl

TAKKT raises the tempo

- Prognose nach drittem Quartal angehoben – Europa kompensiert US-Schwäche – Aktie zieht kräftig an
  Forecast from Q3 increased – Europe compensates for US weakness – Share price grows substantially

(Börsen-Zeitung, 31.10.2007)

TAKKT: Schritt für Schritt

TAKKT: Step by step

- Wie bei seinen Produkten arbeitet TAKKT auch bei Umsatz und Ertrag: mit System
  TAKKT works with its turnover and profit in the same way as with its products: systematically

(Focus 45/2007, 05.11.2007)

The grey text is a translation of the original quotation.

What analysts say about TAKKT

Value creation at its best

(Oppenheim Research, 23.03.2007)

TAKKT Delivering – growth, cash and value creation

(Dresdner Kleinwort, 18.04.2007)

B2B-Versender mit beeindruckendem Wachstums-momentum

B2B mail order company with impressive growth momentum

(DZ-Bank, 22.06.2007)

Strong Europe to compensate US

(Berenberg Bank, 26.07.2007)

Wachstumstrend weiterhin „inTAKKT"

Growth trend further "inTAKKT"

(Landesbank Baden-Württemberg, 02.08.2007)

Steigerungspotenzial für die EBITDA-Marge auch in den kommenden Jahren

Further growth potential for EBITDA margin in the coming years

(M. M. Warburg & Co, 31.10.2007)

The grey text is a translation of the original quotation.

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responsibility

A group has a responsibility towards its customers as well as to its investors and staff. Responsibility is therefore a key condition for balanced and successful company management.

A welcome responsibility for TAKKT

Responsibility is a basic element of TAKKT's management values. It is an integral part of day-to-day business, a characteristic of co-operation between the Management and Supervisory Boards and a driving force in communicating with shareholders.

TAKKT's key focus

Responsible management has a long tradition at the TAKKT Group, even before the German Corporate Governance Code was introduced. Responsible action is also reflected in the timely manner in which the Supervisory Board and shareholders are informed about the latest developments. Efficient communication is based on flat, direct management structures with clearly defined responsibilities at all levels. TAKKT has also installed a comprehensive, active risk management system which is undergoing continual review and optimisation. It is a key building block in the sustained success of TAKKT. This not only allows the Group to secure existing jobs, but also to create new jobs. Further details about risk management and financial communications can be found on pages 27 to 32 and 58 to 61.

Teamwork is a key success factor

Co-operation between the Management and Supervisory Boards is based on trust and a shared will to be successful. This is a key condition for TAKKT's profitable growth. The Supervisory Board is dedicated to advising and overseeing management and is therefore a great support in the success of TAKKT. The body also has a right of refusal in key decisions of the Group. Last year these were the sale of Conney or expanding the warehouse structure in Europe. Appointing auditors as determined by the Annual General Meeting is part of the Supervisory Board's tasks. The Supervisory Board does so conscientiously and with a sense of responsibility. TAKKT AG shareholders decide on the compensation of Supervisory Board members. These provisions are included in the Group's statutes which can be found under www.takkt.de.

Extensive possibilities for shareholders to get information

TAKKT offers shareholders the possibility to direct questions to TAKKT AG's Management and Supervisory Boards whenever they believe this to be necessary or to voice criticism to both bodies. If decisions are to be taken which require shareholders' approval, they can either vote personally or by proxy.

Acting according to the Corporate Governance Code

TAKKT AG's Management and Supervisory Boards fully avow with the aims and requirements of the German Corporate Governance Code. In 2007, both bodies again signed the declaration stating that they will be mainly complying with the latest version of the recommendations put forward by Government Commission German Corporate Governance Code according to section 161 AktG. This declaration of conformity is included on the opposite page and available on the www.takkt.de website. TAKKT is not complying in only a few points:

The Group is not disclosing any information about compensation paid to individual Management and Supervisory Board members. TAKKT states the total of all compensation payments made to the Management and Supervisory Boards as well as the split of the Management Board compensation into fixed and variable parts, see pages 66 onwards and 125 of this annual report.

Declaration pursuant to § 161 German Stock Corporation Act (AktG) on 31 December 2007:

The Management and 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 14 June 2007 will be met. The 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 5.3.2 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 with six members is comparatively small, Management and Supervisory Boards still see no need to establish an Audit Committee for the Board.

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

4. 5.4.7 para. 3 the German Corporate Governance Code recommends the individual disclosure of compensation paid to the Management Board, and compensation or benefits paid to the members of the Supervisory Board for personal services, especially consulting and agency services. At TAKKT this information is not issued individually.

Stuttgart, 31 December 2007

On behalf of the Supervisory and Management Boards of TAKKT AG

Dr Klaus Trützschler, Chairman of the Supervisory Board
Georg Gayer, CEO

GCGC

Government Commission German Corporate Governance Code (GCGC)

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 legislators in February 2002. Since July of that year, capital market driven companies are obliged by law to state in a Declaration of Conformity 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

TAKKT is convinced that providing personalised details would not add any information and would infringe on the privacy of the Supervisory and Management Board members. TAKKT shareholders agree with this position. At the Annual General Meeting 2006 they rejected Management Board member compensation being published on a personalised basis for the following five years. Also, the compensation to TAKKT Supervisory Board members is not going to be published on a personalised basis.

The Supervisory Board does not see any necessity for an audit committee and also decided against installing an appointment committee in its September meeting. The main reason is that the Supervisory Board is lean and efficient with only six members and that all members are to be involved in reviewing as well as in the appointment of new Supervisory Board members.

Value and performance-based Management Board compensation

The work of the Management Board is crucial to the sustained success of TAKKT AG. Management Board members therefore receive compensation which reflects their duties and responsibilities. Compensation is also based on the economic situation of the Group. The personnel committee of the Supervisory Board therefore developed a compensation model which is made up of fixed and variable parts. The fixed component depends on the personal performance of each Management Board member, experience and market standards. Variable compensation consists of a profit and strategy bonus. The possibility to receive bonus payments is to motivate Management Board members to sustainably increase growth, profitability and the value of TAKKT AG to the benefit of shareholders and TAKKT employees.

The profit bonus is based on cash flow targets and is more growth oriented. However, high cash flow increases could also be generated by overpriced acquisitions. At this point the strategy bonus on EVA® basis (Economic Value Added®) kicks in. It creates incentives for generating long-term profitable growth and meeting the interest demands of debt and equity investors.

Stock options are not a component of compensation at TAKKT AG and will not be in the future. Find out more on the compensation system at www.takkt.de.

Share ownership and compulsory notification

On 31 December 2007 Management and Supervisory Board members held 5,369 (21,158) shares, which was considerably less than one percent of TAKKT shares issued.

According to section 15a of the German Securities Trading Act (WpHG) persons who perform management functions (as well as natural and legal persons closely related to that person) at a company listed at a German stock exchange must notify the respective company and the Federal Financial Supervisory Authority (BaFin) if in the course of a calendar year they buy or sell shares or related financial instruments to a value exceeding EUR 5,000. In the year under review there were no transactions subject to notification.

Remuneration of Management Board (in EUR '000)	2007
Salaries and other short-term payments	2,721
thereof variable	1,748
Provisions for payments after end of employment	172
Other long-term benefits	40
	2,933

Alexander von Witzleben
Chairman of the Supervisory Board

Ladies and Gentlemen

In the year under review TAKKT Group successfully continued its dynamic growth in turnover and profits. This exemplary development is not solely due to favourable economic conditions. The sustained success was mainly due to the above average dedication of our employees as well as the forward-looking and success-driven action of the Management Board. The Supervisory Board gave its full support as required.

Actively involved in business development

In the year under review the Supervisory Board convened for five meetings. The four regular quarterly meetings were mainly about current business, the development of newly-founded companies as well as the integration of National Business Furniture Group. At the extraordinary meeting at the end of July 2007 in Düsseldorf the only point on the agenda of the meeting was the sale of Conney. In its September meeting, the Supervisory Board also covered the construction of the warehouse and office facility in Markaryd, Sweden. The issues covered demonstrate that TAKKT's Supervisory Board intensively contributes to the Group's operating business.

In the financial year 2007 the personnel committee met three times. Important points covered include the content of Management Board contracts and the report on the development of Management Board compensation. Until the end of the Annual General Meeting on 4 May 2007 the personnel committee consisted of Prof Dr Trützschler, Dr Schadt and Dr Cordes and since the following constitutive meeting of the Supervisory Board Prof Dr Trützschler, von Witzleben and Prof Dr Dres h.c. Picot.

Co-operation continued in a spirit of partnership

As in the previous year the Management Board regularly informed the Supervisory Board about all points relevant to the company in terms of planning, business development, risk situation, risk management, compliance and strategy in full and in a timely manner. We received detailed information on relevant facts which exceeded the legally required amount. Requests for further information were responded to immediately by the Management Board. In addition to regular Supervisory Board meetings a monthly report summary informed us about the latest developments. In addition to that, the management informed the Chairman of the Supervisory Board about material events between scheduled meetings. This information was then shared with members of the Supervisory Board at the next meeting. Our joint dedication to make TAKKT a sustained success prompted the Supervisory and Management Boards to discuss all relevant topics openly and without bias. If points were on the agenda which had to be decided by the Supervisory Board, we passed the required resolutions in a timely manner.

Corporate Governance Code driving action

The Supervisory Board sees it as its duty to conduct its control tasks continually and with great intensity. We will continue with the same dedication and contribute considerably to responsible management at TAKKT Group. With the Management Board we have again signed the declaration of conformity with the Government Commission German Corporate Governance Code effective 31 December 2007. More detailed information on that and the compensation system for the TAKKT Management Board are included in this report on pages 64 onwards and 125.

Changes to the Supervisory Board

At the Annual General Meeting in May 2006 shareholders decided to reduce the number of Supervisory Board members from nine to six. The previous nine members ended their regular terms at the end of the Annual General Meeting 2007. When voting in new members according to the changed statutes, shareholders complied with the proposals of the Supervisory Board and appointed the following members: Dr Eckhard Cordes, Michael Klein, Thomas Kniehl, Prof Dr Dres h.c. Arnold Picot, Prof Dr Klaus Trützschler and Alexander von Witzleben. The following left the Supervisory Board: Walter Flammer, Dieter Kämmerer, Julian Matzke and Dr Dieter Schadt. We would like to thank them for their great dedication and their good work in the interest of our company. In the constitutive meeting of the Supervisory Board following the Annual General Meeting, Prof Dr Trützschler was elected Chairman and Alexander von Witzleben his deputy. In its December meeting the Supervisory Board resolved that Alexander von Witzleben will be the Chairman of the Supervisory Board and Prof Dr Trützschler will be his deputy. This change reflects the shift in responsibilities for TAKKT on the Management Board of Franz Haniel & Cie. GmbH, TAKKT's majority shareholder.

In November 2007, we again reviewed the efficiency of the Supervisory Board. Members evaluated the Supervisory Board's work and its level of expertise in detailed questionnaires. The findings of this survey were discussed in detail in December. We came to the conclusion that the efficiency of the Supervisory Board has continued to improve on a high level.

Changes on TAKKT Management Board

In July 2007, Thomas A. Loos stepped down from his post on the TAKKT AG Management Board for health reasons. Until the appointment of a successor Georg Gayer, CEO of TAKKT AG, will assume temporary responsibility. The Supervisory Board would like to wish the former Management Board member the best and thank him for successful co-operation.

Dividend to be increased considerably

At the next Annual General Meeting the Supervisory and the Management Boards are going to propose that the regular dividend be increased by 28.0 percent to 32 cents per share. In addition to that the proceeds from the sale of Conney are to be distributed to shareholders in a special dividend of 48 cents. This means that our shareholders are getting an attractive return on their investment for the financial year 2007 and benefit from the Group's good profit situation as well as high cash flows.

Consolidated financial statements and financial statements approved
The AGM appointed Dr. Ebner, Dr. Stolz & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as the auditors for the financial year 2007. The focus of the audit of TAKKT AG was on valuing financial assets and provisions, as well as the correctness and completeness of the Notes. For the Group the audit concentrated on risk-driven audits of reporting conducted by local auditors, divestment of Conney, capital consolidation, impairment tests, eliminating unrealised intercompany profits as well as the Notes to the consolidated financial statements. The auditors audited the TAKKT AG financial statements, the consolidated financial statements and the aggregated management report of TAKKT AG and the Group which received an unqualified audit opinion. The TAKKT AG risk management system was audited and found to be appropriate. 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 reviewed the auditor's findings carefully and approved them in the Supervisory Board's annual accounts meeting. In addition, the Supervisory Board also reviewed the consolidated financial statements, the financial statements of TAKKT AG, and the aggregated management report of TAKKT AG and the Group as well as the proposed profit appropriation. No objections were put forward by the Supervisory Board. The financial statements of TAKKT AG and the Group are now final. The Supervisory Board agrees with the profit appropriation proposal put forward by the Management Board. The Supervisory Board also approves the combined management report and in particular the assessment of the Group's future development.

Supervisory Board approves dependence report
In the year under review Franz Haniel & Cie. GmbH, Duisburg, held a majority of TAKKT shares. The Management Board therefore provided the Supervisory Board with a report on relations with affiliated companies for the financial year 2007 as required under section 312 of the German Stock Corporation Act (AktG) as well as the auditor's report as required under section 313 AktG. As the audit was concluded without any reservations the auditor issued the following unqualified report:

“Having conducted a proper audit and appraisal we confirm that, firstly, the facts set out in the report are correct and, secondly, payments made by the company for transactions covered in the report were not unduly high.”

The Supervisory Board reviewed and approved the dependence report and the corresponding audit report according to section 314 AktG. The panel had no objections to this report and the contained closing statement by the Management Board, which can be read on page 17 in the Management Report.

Thanking shareholders, staff members and Management Board

We would like to thank TAKKT AG shareholders for the trust they have put in the Supervisory Board. Our special thanks go out to the employees of TAKKT AG for their dedication in 2007. We would like to thank the Management Board for their trusting co-operation in a spirit of partnership.

Stuttgart, March 2008

Alexander von Witzleben, Chairman of the Supervisory Board

Members of the Supervisory Board

Alexander von Witzleben (from 4 May 2007)
Chairman from 1 January 2008
Deputy Chairman from 4 May 2007 until 31 December 2007
Member of the Management Board of Franz Haniel & Cie. GmbH

Prof Dr Klaus Trützschler
Deputy Chairman from 1 January 2008
Chairman until 31 December 2007
Member of the Management Board of Franz Haniel & Cie. GmbH

Dr Dieter Schadt (until 4 May 2007)
Deputy Chairman until 4 May 2007
Former Chairman of the Management Board of Franz Haniel & Cie. GmbH

Dr Eckhard Cordes
Chairman of the Management Board of Franz Haniel & Cie. GmbH
Chairman of the Management Board of Metro AG

Walter Flammer (until 4 May 2007)
Former Section Manager Organisation at KAISER + KRAFT EUROPA GmbH

Dieter Kämmerer (until 4 May 2007)
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 (until 4 May 2007)
Logistics employee at KAISER + KRAFT GmbH

Prof Dr Dres h.c. Arnold Picot
University professor

*

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Performance

The Group's success in numbers:
for positive results all participants
must make a lasting contribution.

Consolidated income statement of TAKKT Group, Stuttgart, 1 January 2007 to 31 December 2007 under IFRS
(in EUR ’000)

	Notes	2007	2006
Turnover	(1)	986,207	958,499
Changes in inventories of finished goods and work in progress		311	86
Own work capitalised		30	85
Gross performance		**986,548**	**958,670**
Cost of sales		578,820	569,173
Gross profit		**407,728**	**389,497**
Other income	(2)	8,368	6,456
Personnel expenses	(3)	112,309	115,378
Other operating expenses	(4)	161,460	161,094
EBITDA		**142,327**	**119,481**
Depreciation of property, plant and equipment and other intangible assets	(5)	17,356	14,325
EBITA		**124,971**	**105,156**
Amortisation of goodwill		0	0
EBIT		**124,971**	**105,156**
Income from at-equity investments		0	0
Other financial result	(6)	–49	–110
Interest result	(7)	–8,848	–12,153
Financial result		**–8,897**	**–12,263**
Profit before tax		**116,074**	**92,893**
Income taxes	(8)	36,817	30,400
Profit		**79,257**	**62,493**
attributable to TAKKT AG shareholders		78,038	61,598
attributable to minority interest		1,219	895
Earnings per share (in EUR)	(9)	1.07	0.84

Consolidated balance sheet of TAKKT Group, Stuttgart, at 31 December 2007 under IFRS

(in EUR '000)

Assets	Notes	2007	2006
Non-current assets			
Property, plant and equipment	(10)	93,359	64,434
Goodwill	(11)	211,623	250,406
Other intangible assets	(12)	21,925	30,651
Investments in associates		20	24
Other assets	(13)	820	669
Deferred tax	(14)	5,624	6,307
		333,371	**352,491**
Current assets			
Inventories	(15)	64,614	64,776
Trade receivables	(16)	109,012	118,428
Other receivables and assets	(17)	35,554	31,880
Income tax assets		957	1,681
Cash and cash equivalents	(18)	5,504	3,878
		215,641	**220,643**
Total assets		**549,012**	**573,134**

Equity and liabilities	Notes	2007	2006
Shareholders' equity	**(19)**		
Issued capital		72,900	72,900
Reserves		171,255	138,328
Other comprehensive income		–286	354
Profit attributable to shareholders		78,038	61,598
		321,907	**273,180**
Minority interest	**(20)**	**2,973**	**2,354**
Total equity		**324,880**	**275,534**
Non-current liabilities			
Borrowings	(21)	72,750	138,327
Deferred tax	(14)	17,464	19,341
Provisions	(22)	17,878	16,547
		108,092	**174,215**
Current liabilities			
Borrowings	(21)	18,524	30,344
Trade payables	(23)	31,683	32,371
Other liabilities	(24)	35,247	33,218
Provisions	(25)	14,272	13,624
Income tax liabilities		16,314	13,828
		116,040	**123,385**
Total equity and liabilities		**549,012**	**573,134**

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 01.01.2007	**72,900**	**216,442**	**–16,516**	**354**	**273,180**	**2,354**	**275,534**
Effect of currency changes	0	0	–10,446	9	–10,437	0	–10,437
Dividends paid	0	–18,225	0	0	–18,225	–600	–18,825
Profit	0	78,038	0	0	78,038	1,219	79,257
Changes in derivative financial instruments	0	0	0	–649	–649	0	–649
Balance at 31.12.2007	**72,900**	**276,255**	**–26,962**	**–286**	**321,907**	**2,973**	**324,880**

	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**

Consolidated cash flow statement of TAKKT Group, Stuttgart

(in EUR '000)

	2007	2006
Profit	79,257	62,493
Depreciation of non-current assets	17,356	14,325
Deferred tax affecting profit	4,615	4,889
Cash flow	**101,228**	**81,707**
Other non-cash expenses and income	3,422	3,683
Profit and loss on disposal of non-current assets and consolidated companies	–1,233	–515
Change in inventories	–8,811	–3,229
Change in trade receivables	–1,878	–21,793
Change in other assets not included in investing and financing activities	–7,059	1,468
Change in short and long-term provisions	2,638	7,391
Change in trade payables	2,934	3,145
Change in other liabilities not included in investing and financing activities	3,709	2,656
Cash flow from operating activities	**94,950**	**74,513**
Proceeds from disposal of non-current assets	2,360	380
Capital expenditure on non-current assets	–45,809	–10,126
Proceeds from the disposal of consolidated companies and other business units (less cash and cash equivalents sold)	33,884	0
Cash outflows for the acquisition of consolidated companies (less acquired cash and cash equivalents)	0	–64,574
Cash flow from investing activities	**–9,565**	**–74,320**
Proceeds from borrowings	103,448	210,985
Repayment of borrowings	–168,414	–199,298
Dividends to TAKKT AG shareholders and minority interest	–18,825	–11,925
Other financial payments	154	–211
Cash flow from financing activities	**–83,637**	**–449**
Net change in cash and cash equivalents	1,748	–256
Effect of exchange rate changes	–122	–175
Cash and cash equivalents at 01.01.	3,878	4,309
Cash and cash equivalents at 31.12.	**5,504**	**3,878**

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 opening balance sheet was translated at the respective exchange rates on the reporting date. These figures were then compared with the closing balance sheet. Any non-cash expenses and income items were adjusted for.

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

The cash flow from operating activities includes interest receipts of EUR 804,000 (EUR 309,000) and interest payments of EUR 8,744,000 (EUR 12,870,000). In 2007 income taxes of EUR 30,053,000 (EUR 24,518,000) were paid.

Capital expenditure relates to rationalisation and expansion measures. Assets of EUR 1,590,000 (EUR 1,338,000) were acquired by means of a finance lease.

Borrowings include all interest-bearing liabilities; please see page 105 onwards for further details. EUR 18,225,000 (EUR 10,935,000) in dividends were paid to TAKKT AG shareholders in the year under review. This constitutes EUR 0.25 (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 2007 of TAKKT Group, Stuttgart
(in EUR '000)

01.01.2007 – 31.12.2007	K + K EUROPA	Topdeq	K + K America	Others/ consolidation	Group total
Segment turnover	519,790	91,242	375,576	–401	986,207
Segment share of Group turnover	52.7%	9.2%	38.1%	0.0%	100.0%
EBITDA	108,404	6,956	36,112	–9,145	142,327
EBITA	101,467	4,945	27,756	–9,197	124,971
EBIT	101,467	4,945	27,756	–9,197	124,971
Profit before tax	96,527	3,516	20,358	–4,327	116,074
Profit	67,295	2,350	10,420	–808	79,257
Scheduled depreciation of segment assets	5,283	2,011	8,356	52	15,702
Unscheduled depreciation of segment assets	1,654	0	0	0	1,654
Other non-cash expenses and income	1,889	–184	–849	2,566	3,422
Income from at-equity investments	0	0	0	0	0
Segment assets	270,343	85,252	221,109	–34,421	542,283
thereof book value of assets valued at-equity	20	0	0	0	20
Deferred tax and income tax assets	2,430	3,553	1,296	–550	6,729
Total assets	**272,773**	**88,805**	**222,405**	**–34,971**	**549,012**
Segment liabilities	56,206	18,615	26,799	–2,540	99,080
Deferred tax and income tax liabilities	13,155	419	10,771	9,433	33,778
Borrowings (short and long-term)	124,553	40,888	93,184	–167,351	91,274
Total liabilities	**193,914**	**59,922**	**130,754**	**–160,458**	**224,132**
Segment capital expenditure	8,698	31,901	6,654	155	47,408
Average no. of employees (full-time equivalent)	920	199	892	29	2,040
Employees (full-time equivalent) at the reporting date	949	206	787	29	1,971

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
Unscheduled depreciation of segment assets	0	0	0	0	0
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

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 (China, Japan, Mexico). 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 45,000 products via catalogue and the internet. KAISER + KRAFT EUROPA operates a European mail order centre in Kamp-Lintfort, one regional warehouse for the Gerdmans Group and one for the KWESTO Group, as well as a production facility for durable transport equipment (platform trucks, sack trucks, trolley jacks, etc.) and 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-sized companies from the service sector. Topdeq offers a special 24-hour delivery service within Europe and a 48-hour delivery service within the USA 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 and Avenue Industrial Supply in the USA, Mexico and Canada over 45,000 products from the transport, storage, business equipment and packaging sectors. Until 30 September 2007 the division also sold occupational safety products under the brand name Conney Safety Products. Hubert sells approximately 30,000 products to the retail trade and the restaurant and hotel sector in the USA and Canada. The NBF Group offers around 12,000 products from the field of office equipment in the USA. K + K America Group operates seven warehouses in the USA and Canada.

Secondary segment reporting by region 2007 of TAKKT Group, Stuttgart

(in EUR '000)

01.01.2007 – 31.12.2007	Germany	Rest of Europe	North America	Other	Group total
Segment turnover	227,770	363,304	389,458	5,675	986,207
Segment share of Group turnover	23.1%	36.8%	39.5%	0.6%	100.0%
Segment assets	199,041	126,207	214,448	2,587	542,283
Segment capital expenditure	38,493	1,777	7,073	65	47,408

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

Notes to the consolidated financial statements for the year ended 31 December 2007

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 31 December 2007 and approved by the EU 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 7	Financial Instruments: Disclosures	new	01.01.2007
IAS 1	Presentation of Financial Statements	amended	01.01.2007
IAS 23	Borrowing Costs	amended	01.01.2009
IFRS 8	Operating Segments	new	01.01.2009
IFRIC 7	Financial Reporting in Hyperinflationary Economies	new	01.01.2007
IFRIC 8	Scope of IFRS 2: Share-based Payment	new	01.01.2007
IFRIC 9	Reassessment of Embedded Derivatives	new	01.01.2007
IFRIC 10	Interim Financial Reporting and Impairment	new	01.11.2006
IFRIC 11	Group and Treasury Share Transactions	new	01.03.2007

IFRS 7 Financial Instruments: Disclosures

IFRS 7 replaces the part of IAS 32 which until now governed entries about financial instruments in the notes. The new standard contains rules on the scope of reporting required for the assets and liabilities grouped in the categories as defined in IAS 39.9. It also requires qualitative and quantitative information about financial risks. Regarding the qualitative information we would like to refer to the risk report (page 27 onwards) contained in the Management Report. Quantitative information is summarised in paragraph 4 from page 112 onwards.

IAS 1 Presentation of Financial Statements

Enhancing IAS 1 aims to give addressees an insight into the targets and management of equity. This information is included in the Management Report on page 31.

IAS 23 Borrowing Costs

Adopting the adjusted standard IAS 23 is mandatory with effect from 1 January 2009 and results in an obligation to capitalise interest incurred when buying, building or producing assets, the acquisition or production process which stretches across a considerable period of time.

IFRS 8 Operating Segments

IFRS 8 stipulates a new concept for segment reporting. According to the management approach, segmentation in the future is going to be based on which unit management internally gauges performance on and takes operating decisions.

IFRIC 7 to 11 have no impact on the consolidated financial statements of TAKKT Group.

The first-time adoption of IFRS 7 and the adjusted IAS 1 standard have had no material effect on the Group's financial statements. No use was made of the possibility of early adoption of IAS 23 and IFRS 8. An earlier application would have had no 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 holding company. The consolidated financial statements at 31 December 2007 in accordance with IFRS, the Group management report and the TAKKT AG individual financial statements according to HGB will be submitted to the electronic Bundesanzeiger (Federal Bulletin).

TAKKT AG is a B2B mail order Group for office, business and warehouse equipment and has a presence in more than 25 countries. Besides TAKKT AG, six domestic (previous year: five) and 51 foreign companies – unchanged against the previous year – 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:

Founded	2
Disposal	1

Please refer to page 123 for details on the sale of Conney Safety Products LLC.

One domestic associated company of little 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 2007. 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 intercompany debt consolidation are recorded in the income statement, in so far as they individually exceeded EUR 10,000.

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

Minority interests in a subsidiary's equity and profits are disclosed 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. Exchange rate differences from the translation of foreign financial statements into the Group currency are recorded in shareholders' equity without any effect on profit. The goodwill on consolidation was calculated applying the exchange rate at the time of acquisition.

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

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 rates		Average rates	
Currency	Country	2007	2006	2007	2006
USD	USA	1.4721	1.3170	1.3685	1.2544
CHF	Switzerland	1.6547	1.6069	1.6425	1.5727
GBP	UK	0.7334	0.6715	0.6840	0.6817
SEK	Sweden	9.4415	9.0404	9.2490	9.2532

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 (incl. leasehold improvements):	3–30
Plant, machinery and office equipment:	2–15

Net book values and useful lives are reviewed on each 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. A maturity-matched interest rate was used to calculate the present value. In the case of special leases, the interest rate on which the lease contract was based was applied.

As well as finance leases TAKKT Group also concluded rental contracts, where the economic ownership of rental goods remains with the lessor (Operate 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 and perpetuity following the detailed planning period. 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 cost of capital rates between 10.6 and 11.6 percent (between 10.0 and 10.9 percent in 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.

Financial assets and liabilities are categorised as follows:
– Available-for-sale financial assets
– Held-to-maturity investments
– Loans and receivables
– Financial assets at fair value through profit or loss
– Financial liabilities at fair value through profit or loss
– Financial liabilities measured at amortised costs

Financial assets and liabilities are classed on initial disclosure and reviewed for reporting as of the balance sheet date.

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

Financial assets in the category held-to-maturity as well as loans and receivables are recorded at their amortised cost (nominal value) or with their lower fair value. Risks are taken into consideration by valuation allowances. Apart from the required individual value adjustments, trade receivables are subject to a 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.

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. This solely includes derivatives which are not subject to an effective hedge relationship.

Financial liabilities which are not in the category fair value through profit and loss are to be measured at amortised costs (nominal value).

Fair values for every financial instrument category according to IFRS 7 reflect book values. This applies especially to assets in the categories available-for-sale and fair value through profit and loss, which are reported on the balance sheet at market values. In the case of loans and receivables as well as financial liabilities the book value is a sufficient approximation of the fair value. Receivables and payables are either short-term or are subject to a variable market interest rate.

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. At TAKKT, derivative financial instruments are either used to hedge the fair value of a balance sheet asset or a balance sheet liability (fair value hedge), or to hedge a future cash flow from an already entered into or planned underlying transaction (cash flow hedge). They are not undertaken for trading purposes or for reasons of speculation.

The Group documents under IAS 39 all relations between hedging instruments and the underlying transactions 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 statistical correlation based on regression analysis. A ratio is created between cumulative changes in the value of the underlying transaction and the hedging instruments. If the ratio is within the bandwidth of 80 to 125 percent as defined by IAS 39, the hedge is regarded as effective. From TAKKT Group's point of view there were no fair value hedges in the year under review.

Accounting for derivative financial instruments occurs in other receivables and assets or in other liabilities as soon as purchase or sales contracts are made. According to IAS 39 all derivatives have to be reported at their fair value, regardless of the purpose or intention motivating their purchase.

An SAP Treasury System is used to compute the market value of foreign exchange contracts. The market value of a foreign exchange contract is equivalent to the present value of the difference between the nominal amount at the fixed forward rate and the current forward rate on the relevant date.

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 flows resulting from this derivative instrument. The cash flows are discounted using maturity-matched interest rates in line with the interest rate curves of the respective currency. The market values of the interest rate caps are determined using the Black-and-Scholes method.

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

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

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

Other assets are capitalised at their nominal value. Catalogues, which generate sales in the following year, are disclosed on the balance sheet date at their acquisition and production cost. Staff loans and deposits are valued at amortised cost. Pension plan reinsurance was derived from a coverage capital calculation. The long-term corporate tax credits have been discounted at four percent.

Deferred tax is recognised on all temporary differences between the 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 at the balance sheet date have been taken into account for the calculation of deferred tax. Netting deferred taxes is conducted according to IAS 12.

In accordance with IAS 19, pension provisions and similar obligations are recognised using the actuarial projected unit credit method. In this procedure, prevailing long-term capital market interest rates as well as assumptions about future salary and pension increases are considered in addition to biometric calculation bases. Actuarial profits and losses are only recorded with an effect on profit if they deviate by more than ten percent of the higher amount of the present value of the defined benefit obligation and the current value of the plan assets (corridor). The excess amount is expensed over the average residual service life of the workforce. The interest portion of pension expense 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 valued at the nominal value and, with the exception of derivatives, at amortised costs. Liabilities from finance lease contracts are disclosed at the present value of future lease instalments. The current value of the fixed-interest-bearing liabilities from finance leases is determined by discounting the lease instalments using the current interest 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)

	2007	2006
Turnover with third parties	985,644	957,895
Turnover with affiliated companies	563	604
	986,207	**958,499**

Turnover with affiliated companies relates to the majority shareholder Franz Haniel & Cie. GmbH, Duisburg, as well as companies of the majority shareholder, which are not included in the consolidated financial statements of TAKKT AG. A schedule can be found under related party transactions on page 124 onwards.

A breakdown of turnover by segment and geographical region is shown in the segment reports on page 81 onwards.

(2) Other income

(in EUR '000)

	2007	2006
Rental income	219	254
Income from the release of valuation allowances	608	266
Income from disposal of non-current assets	98	542
Operating income	3,216	3,013
Other	4,227	2,381
	8,368	**6,456**

Included under other is the profit on disposal of Conney Safety Products LLC amounting to EUR 1,376,000.

(3) Personnel expenses

(in EUR '000)

	2007	2006
Wages and salaries	91,286	92,514
Social security costs	17,295	17,360
Retirement costs	3,907	5,477
Release of personnel-related provisions	–864	–486
Other	685	513
	112,309	**115,378**

The segment reports on page 81 onwards refer to the number of employees of the Group.

(4) Other operating expenses

(in EUR '000)

	2007	2006
Losses from disposal of non-current assets	193	27
Valuation allowances on current assets	2,091	2,699
Income from the release of provisions	–287	–404
Operating leasing and rents	10,675	11,825
Exchange differences	1,356	542
Operating taxes	1,053	1,095
Operating expenses	123,964	123,345
Administrative expenses	22,415	21,965
	161,460	**161,094**

Valuation allowances mainly relate to trade receivables and write-offs of receivables where they cannot be recovered. Write-offs amounted to EUR 1,480,000 (EUR 1,408,000). 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)

	2007	2006
Property, plant and equipment	11,228	7,921
Other intangible assets	6,128	6,404
	17,356	**14,325**

In 2007 unscheduled depreciation under IAS 36 amounting to EUR 1,654,000 was provided for in connection with the demolition of offices, in the process of expanding the facilities in Haan.

(6) Other financial result

(in EUR '000)

	2007	2006
Expense from the valuation of intercompany loans and financial derivatives	–49	–110

More details on the use of derivative financial instruments are disclosed in the risk report on page 30 onwards as well as in the Notes on page 112 onwards.

(7) Interest result

(in EUR '000)

	2007	2006
Interest income		
Interest and similar income	809	309
	809	**309**
Interest expense		
Interest portion of finance leases	–1,409	–1,494
Interest portion of pension provisions	–780	–640
Interest on borrowings	–7,468	–10,328
	–9,657	**–12,462**
	–8,848	**–12,153**

(8) Income taxes

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

Breakdown of tax charge

(in EUR '000)

	2007	2006
Income taxes	32,202	25,511
Deferred tax	4,615	4,889
	36,817	**30,400**

Income taxes include refunds of EUR 2,781,000 relating to prior periods. Deferred tax includes the addition of allowances on deferred tax assets amounting to EUR 552,000 (previous year: release of EUR 825,000).

The difference between the actual tax expense and the tax expense calculated at a rate of 38.9 (38.9) percent for TAKKT AG is made up as follows:

Tax rate reconciliation

(in EUR '000)

	2007	2006
Profit before tax	116,074	92,893
Expected average tax expense (tax rate of 38.9%)	45,153	36,135
Changes in tax rates	–1,460	331
Differences between local and Group tax rates	–8,064	–5,768
Non-deductible expenses	1,038	657
Non-taxable income	–143	–14
Allowance for deferred tax on loss carry-forwards and other	841	–795
Taxes relating to prior years	–2,240	–242
Other differences	1,736	92
Corrections for municipal trade tax	–44	4
Actual income tax expense per the income statement	**36,817**	**30,400**

The calculated tax rate of 38.9 percent is based on the tax rates applicable in Germany in 2007. Apart from the corporate income tax of 25.0 percent, the solidarity surcharge of 5.5 percent and the average municipal tax rate for the German Group companies were taken into account.

(9) Earnings per share

	2007	2006
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)	78,038	61,598
Earnings per share (in EUR)	1.07	0.84
Cash flow (in EUR '000)	101,228	81,707
Cash flow per share (in EUR)	1.39	1.12

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

Notes to the balance sheet

(10) 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 01.01.2007	62,698	50,317	1,082	114,097
Currency translation	–2,340	–1,374	–14	–3,728
Changes in scope of consolidation	–4,116	–1,543	0	–5,659
Additions	18,660	9,793	17,350	45,803
Transfers	–1,152	667	485	0
Disposals	–6	–3,323	0	–3,329
Balance at 31.12.2007	**73,744**	**54,537**	**18,903**	**147,184**
Cumulative depreciation				
Balance at 01.01.2007	21,308	28,355	0	49,663
Currency translation	–675	–1,090	0	–1,765
Changes in scope of consolidation	–1,181	–1,377	0	–2,558
Additions	4,560	6,668	0	11,228
Transfers	0	0	0	0
Disposals	–5	–2,738	0	–2,743
Balance at 31.12.2007	**24,007**	**29,818**	**0**	**53,825**
Net book values				
Balance at 31.12.2007	**49,737**	**24,719**	**18,903**	**93,359**
Balance at 01.01.2007	**41,390**	**21,962**	**1,082**	**64,434**

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.

Changes to the applied parameters (depreciation methods, useful lives and net book values) were generally not required. Reference is made to page 95 regarding unscheduled depreciation.

At the balance sheet date, property, plant and equipment with a book value of EUR 17,765,000 (EUR 18,590,000) acquired under a finance lease were reported. This includes an addition of EUR 1,590,000 and a disposal of original costs being EUR 1,338,000 and net book value EUR 446,000 for office equipment. Leased assets of EUR 13,349,000 (EUR 14,468,000) are shown under land, buildings and similar assets and EUR 4,416,000 (EUR 4,122,000) 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 Group, with the exception of the capitalised finance lease assets, are not subject to any restraints on disposal or ownership rights.

(11) Goodwill

(in EUR '000)

	Goodwill	Goodwill on consolidation	Total
Acquisition costs			
Balance at 01.01.2007	222,130	28,276	250,406
Currency translation	–14,133	0	–14,133
Changes in scope of consolidation	–24,658	0	–24,658
Additions	0	8	8
Disposals	0	0	0
Balance at 31.12.2007	**183,339**	**28,284**	**211,623**
Cumulative amortisation			
Balance at 01.01.2007/31.12.2007	**0**	**0**	**0**
Net book values			
Balance at 31.12.2007	**183,339**	**28,284**	**211,623**
Balance at 01.01.2007	**222,130**	**28,276**	**250,406**

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 this instance, all assets were 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	2007	2006
KAISER + KRAFT EUROPA	79,379	79,379
Topdeq	0	0
Industrial equipment	1,923	2,150
Safety products	0	26,547
Food service and general retail equipment	70,363	78,650
Office equipment	31,674	35,404
	183,339	**222,130**

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	2007	2006
KAISER + KRAFT EUROPA	15,424	15,416
Topdeq	12,860	12,860
	28,284	**28,276**

Subsequent consolidation

In accordance with IFRS 3, from 1 January 2005 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 20,414,000 (EUR 21,620,000).

No deferred tax results from goodwill on consolidation.

(12) Other intangible assets

(in EUR '000)

	Trade names	Customer lists	Other (purchase price allocation)	Licences and similar rights	Payments on account	Total
Acquisition costs						
Balance at 01.01.2007	7,160	29,295	8,332	24,173	322	69,282
Currency translation	–754	–2,943	–878	–1,312	–34	–5,921
Changes in scope of consolidation	0	–3,905	0	–1,101	0	–5,006
Additions	0	0	0	1,204	103	1,307
Transfers	0	0	0	288	–288	0
Disposals	0	0	0	–412	0	–412
Balance at 31.12.2007	**6,406**	**22,447**	**7,454**	**22,840**	**103**	**59,250**
Cumulative depreciation						
Balance at 01.01.2007	0	21,041	2,017	15,573	0	38,631
Currency translation	0	–2,246	–333	–736	0	–3,315
Changes in scope of consolidation	0	–2,885	0	–996	0	–3,881
Additions	0	1,877	1,720	2,531	0	6,128
Transfers	0	0	0	0	0	0
Disposals	0	0	0	–238	0	–238
Balance at 31.12.2007	**0**	**17,787**	**3,404**	**16,134**	**0**	**37,325**
Net book values						
Balance at 31.12.2007	**6,406**	**4,660**	**4,050**	**6,706**	**103**	**21,925**
Balance at 01.01.2007	**7,160**	**8,254**	**6,315**	**8,600**	**322**	**30,651**

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

As in the previous year, intangible assets were not subject to any restraints on disposal or ownership. Trade names with an indefinite life amounting to EUR 6,406,000 (EUR 7,160,000) relate to the cash generating unit office equipment.

(13) Other assets

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

(14) Deferred tax

Allowances on deferred tax on loss carry-forwards amount to EUR 4,239,000 (EUR 4,216,000).

Permissibility of adjusted loss carry-forwards

(in EUR '000)

	up to 1 year	1 to 5 years	over 5 years	Total
	0	3,505	7,929	11,434

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

Deferred tax assets and liabilities

(in EUR '000)

	Assets		Liabilities	
	2007	2006	2007	2006
Property, plant and equipment and other intangible assets	1,787	1,551	6,164	7,751
Goodwill	0	0	20,414	21,620
Inventories	578	536	882	960
Trade receivables and other assets	1,775	1,234	1,698	2,381
Pension provisions	1,404	1,528	13	14
Other provisions	800	1,292	152	138
Market value of derivative financial instruments	457	175	369	408
Loss carry-forwards	3,860	4,506	0	0
Borrowings	7,110	9,203	0	0
Other	94	249	13	36
Subtotal	**17,865**	**20,274**	**29,705**	**33,308**
Netting	–12,241	–13,967	–12,241	–13,967
Consolidated balance sheet	**5,624**	**6,307**	**17,464**	**19,341**

Only deferred tax on the market value of the derivative financial instruments classified as cash flow hedges amounting to EUR 230,000 (EUR -222,000) did not affect profit.

Of EUR 3,860,000 (EUR 4,506,000) deferred tax on loss carry-forwards, EUR 1,086,000 (EUR 1,197,000) 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, which has a high forecast quality due to the proven business model.

(15) Inventories

(in EUR '000)

	2007	2006
Raw materials and supplies	931	781
Work in progress	860	740
Finished goods and purchased merchandise	62,713	63,073
Payments on account	110	182
	64,614	**64,776**

An obsolescence reserve of EUR 7,342,000 (EUR 6,063,000) has been made on purchased merchandise, taking into consideration the expected sell-down period of the inventories. Unrealised intercompany profits of EUR 931,000 (EUR 658,000) have been eliminated.

(16) Trade receivables

Trade receivables are reported at nominal value less allowances. See paragraph four in risk management and financial instruments / information according to IFRS 7 for reconciliation (page 116).

All goods delivered were subject to customary ownership retention rights.

(17) Other receivables and assets

(in EUR '000)

	2007	2006
Receivables from affiliated companies	4,249	61
Market value of derivative financial instruments	1,332	1,328
Catalogue costs of the following year	19,957	20,027
Other	10,016	10,464
	35,554	**31,880**

A schedule of receivables from affiliated companies can be found under related party transactions on page 124 onwards. These were not subject to any allowance. These balances are the result of the current settlement transactions and 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.

Intercompany profits of EUR 1,877,000 (EUR 1,499,000) were eliminated from catalogue costs of the following year. Other includes supplier bonuses.

The market values of derivatives are classed as short-term regardless of the maturity of the underlying transactions.

(18) Cash and cash equivalents

(in EUR ’000)

	2007	2006
Cheques, cash balances	237	452
Cash at banks	5,267	3,426
	5,504	**3,878**

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

(19) Shareholders’ equity

For the consolidated statement of changes in total equity, refer to page 78.

Please refer to page 31 of the Management Report for details on shareholders’ equity management as required by IAS 1.

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 of TAKKT AG is authorised to increase the share capital with 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 shareholders' pre-emptive rights into account. On 4 May 2007 the Annual General Meeting authorised the Management and Supervisory Boards to purchase own shares. No use of this authority has been made.

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 on the unappropriated profits available for distribution by TAKKT AG provided that the latter is not excluded from distribution to the shareholders by law or 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 58,320,000 (EUR 18,225,000). This amounts to a total dividend of EUR 0.80 (EUR 0.25) per share consisting of an ordinary dividend of EUR 0.32 (EUR 0.25) and a special dividend of EUR 0.48 (EUR 0.00) per share.

(20) Minority interest
(in EUR '000)

	2007	2006
Share in capital and reserves	1,754	1,459
Share in profit	1,219	895
	2,973	**2,354**

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

(21) Short and long-term borrowings
(in EUR '000)

	Remaining term				
	up to 1 year	1 to 5 years	over 5 years	31.12.2007	31.12.2006
Liabilities to banks	13,103	28,531	21,800	63,434	127,957
Finance leases	1,761	7,568	13,831	23,160	23,658
Finance liabilities to affiliated companies	0	0	0	0	12,365
Other	3,660	1,020	0	4,680	4,691
	18,524	**37,119**	**35,631**	**91,274**	**168,671**
thereof long-term (maturity > 1 year)				72,750	138,327

The remaining term of the liabilities to banks is equivalent to the respective financing commitments. Additionally, TAKKT AG has unused credit lines. Liabilities under finance lease contracts refer to two properties comprising land, buildings and equipment and IT systems. The fair value of finance leases amounts to EUR 24,705,000 (EUR 24,736,000).

A schedule of liabilities to affiliated companies can be found in related party transactions on page 124 onwards.

Development of short and long-term borrowings

(in EUR '000)

	01.01.2007	Other changes	Additions	Repay-ments	31.12.2007
Liabilities to banks	127,957	– 14,035	103,444	– 153,932	63,434
Finance leases	23,658	0	1,590	– 2,088	23,160
Finance liabilities to affiliated companies	12,365	– 20	3	– 12,348	0
Other	4,691	497	0	– 508	4,680
	168,671	**– 13,558**	**105,037**	**– 168,876**	**91,274**

Other changes include currency translation in the amount of EUR – 13,424,000 (EUR –8,773,000). Average net borrowings for the financial year amounted to EUR 124,590,000 (EUR 188,729,000). 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

(in EUR '000)

	31.12.2007	Portion of total liability (in percent)	Weighted remaining term (in years)	Average interest rate (in percent)
USD liabilities	**62,304**	**68.3**	**3.4**	**5.6**
EUR liabilities	**28,743**	**31.5**		
– Borrowings	903	1.0	0.5	4.6
– Finance leases (fixed interest rate)	23,160	25.4	6.6	5.9
– Other	4,680	5.1	n/a	n/a
Liabilities other currencies	**227**	**0.2**	**n/a**	**n/a**
	91,274	**100.0**	**n/a**	**n/a**
thereof hedged	68,142	74.7		

(22) Non-current provisions

(in EUR ’000)

	2007	2006
Pension provisions	14,267	12,793
Other provisions	3,611	3,754
	17,878	**16,547**

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 606,000, a release of EUR 343,000 and an addition of EUR 806,000.

Pension provisions

Development of pension provisions

(in EUR ’000)

	2007	2006
Present value of funded obligations	1,436	1,399
Present value of unfunded obligations	14,382	16,089
Total present value of obligations	**15,818**	**17,488**
Fair value of plan assets	–1,305	–1,240
Unrecognised actuarial losses	–246	–3,455
Unrecognised past service costs	0	0
Net pension commitments at 31.12.	**14,267**	**12,793**

Pension provisions are made based on obligations arising from current pensions and from pension schemes for retirement, disability and surviving dependents. The Group’s coverage varies depending on legal, tax and economic circumstances in the respective country and 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)

	2007	2006
Present value of obligations 01.01.	17,488	15,117
Current service cost	1,053	862
Interest expense	803	660
Plan participants' contributions	21	21
Actuarial gains (–)/losses (+)	–3,196	–498
Currency translation	1	0
Benefits paid	–441	–319
Obligations assumed in the course of acquisitions	0	0
Plan curtailments	0	0
Plan settlements	0	0
Past service costs	87	1,607
Transfer of obligations	2	38
Present value of obligations 31.12.	**15,818**	**17,488**

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

Parameters

(in percent)

	2007	2006
Assumed rate of interest	5.70	4.50
Salary trend	2.50	2.50
Pension trend	1.75	1.50

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 87,000 (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)

	2007	2006
Fair value 01.01.	1,240	1,211
Expected return on plan assets	23	20
Actuarial losses	–77	–67
Benefits paid	0	0
Employer contributions	98	55
Plan participants' contributions	21	21
Plan settlements	0	0
Fair value 31.12.	**1,305**	**1,240**

The expected return on these plan assets for 2007 was 4.6 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)

	2007	2006
Personnel expenses		
Current service costs	1,053	862
Past service costs	87	1,607
Amortisation of actuarial losses	90	141
Interest expense		
Interest	803	660
Expected return on plan assets	–23	–20

General overview

(in EUR '000)

	2007	2006
Present value of obligations	15,818	17,488
Fair value of plan assets	1,305	1,240
Difference	**14,513**	**16,248**
Experience adjustments on plan assets	–23	–71
Experience adjustments on plan liabilities	–404	136

Defined-contribution-based plans

Statutory pension insurance is an important component of retirement pension planning for most employees, especially in Germany. The employer contributions made to such insurance and recorded under personnel expenses amounted to EUR 5,032,000 during the period under review. The future level of such expenses largely depends on how the underlying pension insurance systems develop.

Some foreign companies, especially in North America, have voluntary, defined-contribution-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 2,677,000 (EUR 2,868,000) in the year under review.

(23) Trade payables

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

(24) Other liabilities
(in EUR '000)

	2007	2006
Customer payments on account	2,705	2,467
Market value of derivative financial instruments	1,253	216
Uninvoiced goods and services	7,005	6,186
Other tax liabilities	6,381	6,203
Personnel liabilities	4,970	4,828
Accrued interest	38	57
Social security contributions	870	850
Deferred income	184	522
Other	11,841	11,889
	35,247	**33,218**
thereof from taxes	6,381	6,203

The market values of derivatives are classed as short-term regardless of the maturity of the underlying transactions.

(25) Short-term provisions

Development of short-term provisions
(in EUR '000)

	01.01.2007	Currency translation	Changes in scope of consolida-tion	Usage	Release	Addition	31.12.2007
Staff bonuses	9,364	−534	−155	−8,753	−274	10,663	10,311
Personnel obligations	900	−44	0	−624	−247	670	655
Customer credit notes	2,320	−150	−63	−1,765	−83	2,220	2,479
Other	1,040	−2	0	−611	−204	604	827
	13,624	**−730**	**−218**	**−11,753**	**−808**	**14,157**	**14,272**

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.

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

In the risk report contained in the Management Report, TAKKT details the required qualitative information according to IFRS 7 on possible risks threatening the success of TAKKT Group as well as the strategy to manage these risks.

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

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

Financial instrument categories at 31 December 2007

(in EUR '000)

Financial instrument category	Financial assets or liabilities at fair value through profit and loss	Loans and receivables
Valuation type	Fair value	Amortised cost
Assets		
Non-current assets		
At-equity investments	0	0
Other assets	0	671
Current assets		
Trade receivables	0	109,012
Other receivables and assets	644	10,224
Cash and cash equivalents	0	5,504
	644	**125,411**
Liabilities		
Non-current liabilities		
Financial liabilities	0	0
Current liabilities		
Financial liabilities	0	0
Trade payables	0	0
Other liabilities	49	0
	49	**0**
Net result	**405**	**355**

Financial assets available for sale	Financial liabilities measured at amortised cost	Reconciliation to balance sheet	Balance sheet item total
Fair value	Amortised cost		
0	0	20	20
0	0	149	820
0	0	0	109,012
0	0	24,686	35,554
0	0	0	5,504
0	**0**		
0	51,351	21,399	72,750
0	16,763	1,761	18,524
0	31,683	0	31,683
0	4,458	30,740	35,247
0	**104,255**		
0	**–7,468**	**–2,189**	**–8,897**

Financial instrument categories at 31 December 2006

(in EUR '000)

Financial instrument category	Financial assets or liabilities at fair value through profit and loss	Loans and receivables
Valuation type	Fair value	Amortised cost
Assets		
Non-current assets		
At-equity investments	0	0
Other assets	0	442
Current assets		
Trade receivables	0	118,428
Other receivables and assets	200	7,672
Cash and cash equivalents	0	3,878
	200	**130,420**
Liabilities		
Non-current liabilities		
Financial liabilities	0	0
Current liabilities		
Financial liabilities	0	0
Trade payables	0	0
Other liabilities	50	0
	50	**0**
Net result	**–59**	**258**

Financial assets and/or liabilities recorded at fair value through profit and loss solely include derivatives without effective hedge relationships.

The fair values of financial instruments correspond to their book values.

The net result of the categories corresponds to the respective share in the financial result on the income statement.

Financial assets available for sale	Financial liabilities measured at amortised cost	Reconciliation to balance sheet	Balance sheet item total
Fair value	Amortised cost		
0	0	24	24
85	0	142	669
0	0	0	118,428
0	0	24,008	31,880
0	0	0	3,878
85	**0**		
0	116,281	22,046	138,327
0	28,732	1,612	30,344
0	32,371	0	32,371
0	4,302	28,866	33,218
0	**181,686**		
0	**–10,328**	**–2,134**	**–12,263**

Credit risk

TAKKT is exposed to credit risk both from operating business as well as from financial instruments.

Credit risk in the operating business results from possible write-offs due to customer default. The possible loss cannot exceed the book value of the receivable from an individual customer. Given the high number of existing customer relationships the risk can generally be seen as being comparatively low. Thanks to stringent checks on creditworthiness in advance of transactions as well as stringent collection systems, write-offs on trade receivables were very low in the financial year at less than 0.3 percent (0.3 percent) of turnover. Risks of write-offs are accounted for by creating allowances:

Trade receivables

(in EUR '000)

	01.01.2007	Currency translation	Other changes	31.12.2007
Nominal value of receivables	122,920	−4,754	−4,866	113,300
Valuation allowances	−4,492	150	54	−4,288
Book value of receivables	118,428	−4,604	−4,812	109,012

TAKKT has not capitalised any overdue receivable without it having been written down.

As a result of the strong fragmentation of the supplier and customer structure, as described in the risk report, there is no exceptional concentration of risk in operating business.

The credit risk from derivative financial instruments is the risk of default of a contractual partner and therefore the maximum amount at risk equals the positive market values recognised less the negative market values with the same contractual partner. Since financial transactions are only concluded and maintained with counterparties with first-class creditworthiness, the actual risk of default can be considered low.

Risk concentrations in the finance area are avoided by broadly spreading transactions and deals among a number of first-class banks.

Liquidity risk

Liquidity risk is understood as the risk of not being able to meet payment obligations. The following table lists the contractually agreed interest payments and repayments on original financial liabilities and derivative financial liabilities and assets as of 31 December 2007. Foreign currency amounts were translated into the reporting currency of euro at the closing rate on the reporting date.

Maturity analysis at 31 December 2007

(in EUR '000)

	Cash flow 2008	Cash flow 2009	Cash flow 2010 – 2012	Cash flow 2013 – 2017	Cash flow 2018 ...
Original financial liabilities					
Liabilities to banks	–14,565	–5,186	–25,504	–21,821	0
Finance leases	–3,073	–3,073	–8,640	–9,611	–8,066
Finance liabilities to affiliated companies	0	0	0	0	0
Trade payables	–31,683	0	0	0	0
Other liabilities	–8,080	–501	–519	0	0
Derivative financial receivables					
Outgoing payments	–61,211	0	0	0	0
Connected incoming payments	61,211	0	0	0	0
Derivative financial liabilities					
Outgoing payments	–28,213	0	0	0	0
Connected incoming payments	28,173	0	0	0	0

Maturity analysis at 31 December 2006

(in EUR '000)

	Cash flow 2007	Cash flow 2008	Cash flow 2009 – 2011	Cash flow 2012 – 2016	Cash flow 2017 ...
Original financial liabilities					
Liabilities to banks	–16,084	–6,955	–50,891	–60,900	0
Finance leases	–3,020	–3,020	–8,565	–10,403	–9,801
Finance liabilities to affiliated companies	–12,365	0	0	0	0
Trade payables	–32,370	0	0	0	0
Other liabilities	–7,653	–430	–854	0	0
Derivative financial receivables					
Outgoing payments	–51,363	–4,045	0	0	0
Connected incoming payments	51,363	4,045	0	0	0
Derivative financial liabilities					
Outgoing payments	–23,809	0	0	0	0
Connected incoming payments	23,809	0	0	0	0

Liquidity risks resulting from contractually agreed maturities are negligible. TAKKT has considerable unused bilateral short and long-term credit lines with a number of German and international banks.

Market price risk

The term market price risk relates to the risk that the fair value or the future cash flows of a financial instrument change as a result of fluctuations in market prices. In the case of TAKKT, market price risk is only made up of currency and interest rate risks.

In the following paragraphs, for each type of risk, the financial instruments on the books on the reporting date will be described in detail.

The following sensitivity analyses of market price risks show which effects on profit or loss and shareholders' equity there would have been if financial instruments recorded on the reporting date had been affected by hypothetical changes in different relevant risk variables. The assumption is that the volume of financial instruments on the reporting date was representative for the full year and that the assumed changes in risk variables on the reporting date were feasible.

Currency risk

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

Currency hedging

(in EUR '000)

	Nominal value		Market value	
	2007	2006	2007	2006
Assets				
Currency derivatives designated as cash flow hedges	10,706	18,650	688	895
Currency derivatives without hedge accounting	50,498	36,779	643	133
Liabilities				
Currency derivatives designated as cash flow hedges	23,530	10,856	–229	–167
Currency derivatives without hedge accounting	4,627	13,031	–49	–50
	89,361	**79,316**	**1,053**	**811**

Currency derivatives designated as cash flow hedges

TAKKT is exposed to currency risks as a limited amount of purchases and sales, considerably less than ten percent of consolidated turnover, is in different currencies. Net foreign currency cash flows expected in TAKKT Group are hedged with currency instruments, which can mainly be designated as effective cash flow hedges and did not show any material ineffectiveness by the closing date. Exchange rate differences of the underlying currencies impact the revaluation reserves in shareholders' equity (included in the item other comprehensive income) through changes in the fair value of the hedge instruments. They are therefore considered in shareholders' equity-related sensitivity calculations.

In the financial year 2007 gains after deferred tax totalling EUR 76,000 (EUR 448,000) resulting from changes in the fair values of foreign exchange contracts were recorded in shareholders' equity without affecting profit. These changes in valuation represent the effective part of the hedge relationship. In the financial year 2007 gains of EUR 205,000 (previous year: losses EUR 49,000) recorded in shareholders' equity were transferred to the income statement. TAKKT expects that, with payments within the next twelve months, gains recorded in shareholders' equity amounting to EUR 318,000 after deferred tax will be reclassified to the income statement. Hedging measures were not ineffective to a material degree until the balance sheet date.

The expected transactions underlying the cash flow hedges have the following contractual maturities:

Underlying currency derivative transactions

(in EUR '000)

Nominal value	Due date
4,291	31.01.2008
4,043	29.02.2008
4,183	31.03.2008
3,842	30.04.2008
6,153	30.05.2008
4,360	30.06.2008
3,560	31.07.2008
3,804	29.08.2008

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.

Fluctuations in exchange rates in the underlying currencies trigger changes in market values causing changes in the item other financial result and are therefore included in the profit-based sensitivity calculation.

The following table lists the effects of a theoretical change in the EUR/USD exchange rate on the pre-tax result as well as shareholders' equity on the balance sheet date. Influences on balance sheet and income statement resulting from the translation of individual financial statements into the reporting currency of euro (so called translation risks) are not included.

Sensitivity analysis for currency fluctuations

(in EUR '000)

31.12.2007	Increase/ decrease	Effect on pre-tax result	Effect on share-holders' equity without impact on profits
EUR/USD	10%	+2,974	+302
EUR/USD	–10%	–2,972	–302

31.12.2006	Increase/ decrease	Effect on pre-tax result	Effect on share-holders' equity without impact on profits
EUR/USD	10%	+3,121	+1,076
EUR/USD	–10%	–3,119	–1,076

The effect on pre-tax result is largely offset by contrary positions resulting from the underlying transactions.

The decrease in sensitivity on shareholders' equity against the previous year can mainly be attributed to a lower hedging requirement.

Interest rate risk

The table below shows the hedged nominal volumes and the market values of the respective interest rate hedges. A "netting" of these transactions did not occur.

Interest rate hedges

(in EUR '000)

	Nominal value		Market value	
	2007	2006	2007	2006
Assets				
Interest rate derivatives designated as cash flow hedges	0	94,153	0	234
Interest rate derivatives without hedge accounting	30,000	40,000	1	67
Liabilities				
Interest rate derivatives designated as cash flow hedges	39,399	0	–975	0
Interest rate derivatives without hedge accounting	0	0	0	0
	69,399	**134,153**	**–974**	**301**

Interest rate derivatives designated as cash flow hedges

To hedge future interest payments for the US dollar debt TAKKT classified interest rate swaps with a nominal value of USD 58,000,000 as cash flow hedges with a maturity until 31 January 2011. 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 2007 losses of EUR 659,000 after deferred tax resulting from the change of fair values were recorded in shareholders' equity without an effect on profits. These changes in valuation represent the effective part of the hedge relationship.

Gains in the financial year 2007 originating from the change in the intrinsic value of effective US dollar interest rate caps to an amount of EUR 24,000 (EUR 4,000) after deferred tax were recorded in shareholders' equity without an effect on profit. Due to the swift debt repayment the US dollar interest rate caps were sold towards the end of the year under review. With the sale, losses after deferred tax amounting to EUR 114,000 (EUR 0) recorded in shareholders' equity without an effect on profit were transferred to the income statement.

In the case of interest rate swaps qualified as cash flow hedges, changes in market interest rates cause fluctuations in revaluation reserves in shareholders' equity (changes in fair value) as well as fluctuations in the interest result (compensation payments). These financial instruments are therefore considered in shareholders' equity and profit-related sensitivity calculations.

Interest rate derivatives without hedge accounting

As the Group is expecting to raise funds in euro in the next year, only the EUR interest rate swap (EUR 10,000,000) taken out of the hedge accounting at the end of 2006 was sold in the year under review with an effect on profit. EUR interest rate caps with a nominal value of EUR 30,000,000 and a market value of EUR 1,000 remain on the books.

In the case of interest rate derivatives which are not part of a hedge relationship according to IAS 39, changes in market interest rates affect other financial result via a change in the fair value and are therefore considered in earnings-based sensitivity calculations.

Other financial instruments

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

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

The following table lists the sensitivity of the pre-tax result and shareholders' equity in case of a theoretical change in the level of market interest rates on the volume of financial liabilities on the reporting date, which was subject to such a change in interest rate levels.

Sensitivity analysis for interest rate fluctuations

(in EUR '000)

31.12.2007	Increase/ decrease in basis points	Effect on pre-tax result	Effect on share-holders' equity without impact on profits
EUR	+100/–100	–2/+9	–86/+87
USD	+100/–100	–176/+176	+289/–325

31.12.2006	Increase/ decrease in basis points	Effect on pre-tax result	Effect on share-holders' equity without impact on profits
EUR	+100/–100	+8/+13	–143/+145
USD	+100/–100	–438/+787	+678/–800

The decrease in sensitivity against the previous year can mainly be attributed to the lower financing volume, especially in the US dollar sector.

5. Other notes

Contingent liabilities

(in EUR '000)

	2007	2006
Right of recourse from lease agreements	2,219	566

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

Capital commitments

(in EUR '000)

	2007	2006
Due in the following year	12,408	4,086

The disclosure mainly includes tangible assets.

Contingent claims and liabilities

At 31 December 2007 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	3,073	10,615	12,248	25,936
Remaining obligation	0	1,098	5,429	6,527
Discounted value	–1,312	–4,145	–3,846	–9,303
Present value	**1,761**	**7,568**	**13,831**	**23,160**
thereof minimum lease payments to affiliated companies	354	886	0	1,240
thereof remaining obligation to affiliated companies	0	1,098	0	1,098
Operating leases				
Minimum lease payments	8,596	20,373	4,344	33,313
thereof minimum lease payments to affiliated companies	9	9	0	18

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. Operating lease contracts mainly refer to rental obligations for office and warehouse facilities.

Sale of Group company

On 30 September 2007 the TAKKT Group sold Conney Safety Products LLC, Madison/USA. The sale price (after repayment of loans) was around USD 48 million and was paid at the beginning of October in cash.

On sale the company had the following assets and liabilities in USD million:

non-current assets	41.0
current assets	15.5
equity	14.4
non-current liabilities	34.5
current liabilities	7.6

On disposal no bank balances were transferred to the buyer.

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) x capital], the EVA® change from the previous year, and a risk premium on the capital employed.

The market value is re-calculated every year and checked by the Group auditors, an audit 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 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 disclosed as other under borrowings of EUR 4,680,000 (EUR 4,691,000). EUR 497,000 (EUR 827,000) 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 22,435 shares were acquired by 487 employees, which means that 59.7 percent of all eligible employees made use of this option. The shares were bought at an average market price of EUR 12.12 and sold to the employees at an average market price of EUR 8.70. This resulted in an expense of EUR 87,000.

German Corporate Governance Code

The declaration on the recommendations made by the "Government Commission German Corporate Governance Code" required under section 161 of the German Stock Corporation Act (AktG) was issued on 31 December 2007 and made available to the shareholders on the website of TAKKT AG (see page 64 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 Financial Supervisory Authority (BaFin) of their own dealings involving the issuer's shares or related financial instruments.

TAKKT AG received no notifications for the year under review.

Related-party business relations

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.

Related-party business mainly refers to the cash management system, current netting, service contracts, as well as finance leasing.

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		Corporate divisions of Haniel Group		Total	
	2007	2006	2007	2006	2007	2006
Turnover	64	59	494	545	558	604
Other expenses	843	911	233	240	1,076	1,151
Interest income	268	125	0	0	268	125
Interest expense	705	395	0	0	705	395
Receivables	4,215	31	31	30	4,246	61
Payables	2,013	14,572	16	16	2,029	14,588
Other financial obligations	339	469	0	0	339	469

Remuneration of Management Board

(in EUR '000)

	2007	2006
Salaries and other short-term payments	2,721	3,542
thereof variable	1,748	2,640
Provisions for benefits after end of employment	172	171
Other long-term benefits	40	40
	2,933	**3,753**

The Management Board is made up of 4 (5) members. Further details are given on page 129 onwards.

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

At 31 December 2007 TAKKT AG Management Board members held 5,369 (4,959) shares. With the exception of EVA® certificates of EUR 1,726,000 (EUR 1,924,000) as well as the usual amounts due in accordance with the employment contracts, no further claims or obligations exist.

Payments to retired Management Board members amounted to EUR 320,000. The pension provision for the former members amounts to EUR 480,000.

Remuneration of Supervisory Board

The reimbursement of expenses to the TAKKT AG Supervisory Board was EUR 9,000 (EUR 33,000). An accrual of EUR 648,000 (EUR 392,000) was made to cover remuneration payments. There are no further claims or obligations to members of the Supervisory Board.

At 31 December 2007 the Supervisory Board members held no (previous year: 16,199) TAKKT AG shares.

Fees for Group auditors' services

(in EUR '000 excluding VAT)

	2007	2006
Audit fees for German companies and the Group	521	494
Other certification or appraisal services	0	0
Tax advisory services	0	0
Other services	70	113
Total	**591**	**607**

Declaration of shareholders´ holdings

Outside the requirements of the German Securities Trading Act (WpHG), Franz Haniel & Cie. GmbH, Duisburg, notified us voluntarily in January 2008 that at 31 December 2007 it owned 72.7 percent of the shares.

Financière de l'Echiquier, Paris, informed us on 4 July 2007, according to section 21 (1), German Securities Trading Act (WpHG), that it holds 3.01 percent of voting shares in TAKKT AG.

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
Hubert GmbH, Pfungstadt

Subsidiaries of TAKKT AG, Stuttgart, at 31 December 2007

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

No.	Group companies	held by no.	interest %
2	KAISER + KRAFT EUROPA GmbH, Stuttgart/Germany	1	100.00
3	KAISER + KRAFT GmbH, Stuttgart/Germany	2	100.00
4	KAISER + KRAFT Gesellschaft m.b.H., Salzburg/Austria	2	100.00
5	KAISER + KRAFT N.V., Diegem/Belgium	2	50.00
		13	42.00
6	KAISER + KRAFT AG, Cham/Switzerland	2	100.00
7	KAISER + KRAFT s.r.o., Prague/Czech Republic	2	99.80
		30	0.20
8	KAISER + KRAFT S.A., Barcelona/Spain	2	100.00
9	FRANKEL S.A.S., Morangis/France	2	100.00
10	KAISER + KRAFT Ltd., Watford/Great Britain	2	100.00
11	KAISER + KRAFT Kft., Budaörs/Hungary	2	100.00
12	KAISER + KRAFT S.p.A., Lomazzo/Italy	2	100.00
13	Vink Lisse B.V., Lisse/The Netherlands	2	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 s.r.o, Nitra/Slovakia	2	99.90
		3	0.10
17	KAISER + KRAFT Ltd. STI., Istanbul/Turkey	2	99.00
		3	1.00
18	Gaerner GmbH, Duisburg/Germany	2	100.00
19	Gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
20	Gaerner AG, Baar/Switzerland	2	100.00
21	Gaerner S.A.S., Réau/France	2	100.00
22	Powell Mail Order Ltd., Llanelli/Great Britain	2	100.00
23	Hoffmann Bedrijfsuitrusting B.V., Zeist/The Netherlands	2	100.00
24	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
25	Gerdmans Kontor-og Lag. A/S, Nivaa/Denmark	24	100.00
26	Gerdmans Sisustuse OÜ, Tallinn/Estonia	24	100.00
27	Gerdmans Innredninger A/S, Sandvika/Norway	24	100.00
28	Gerdmans OY, Espoo/Finland	24	100.00
29	KWESTO Service s.r.o., Prague/Czech Republic	2	99.93
		7	0.07
30	KWESTO s.r.o., Prague/Czech Republic	29	100.00
31	KWESTO Kft., Györ/Hungary	29	100.00
32	KWESTO Sp.z o.o., Wroclaw/Poland	29	100.00
33	KWESTO Service S.R.L., Bucharest/Romania	29	100.00
34	KWESTO s.r.o., Nitra/Slovakia	29	100.00
35	KAISER + KRAFT (China) Commercial Co. Ltd., Shanghai/People's Republic of China	2	100.00
36	KAISER + KRAFT K.K., Chiba/Japan	2	100.00
37	Topdeq Service GmbH, Pfungstadt/Germany	1	100.00
38	Topdeq GmbH, Pfungstadt/Germany	37	100.00
39	Topdeq Bürodesign Gesellschaft m.b.H., Schwechat/Austria	37	100.00

No.	Group companies	held by no.	interest %
40	Topdeq N.V., Diegem/Belgium	37	99.80
		38	0.20
41	Topdeq AG, Hünenberg/Switzerland	37	100.00
42	Topdeq S.A.S., Tremblay en France/France	37	100.00
43	Topdeq B.V., Mijdrecht/The Netherlands	37	100.00
44	Topdeq Corporation, Cranbury/USA	45	100.00
45	America Design Holding Inc., Cranbury/USA	46	100.00
46	TAKKT America Holding Inc., Milwaukee/USA	1	100.00
47	K + K America Corporation, Milwaukee/USA	46	100.00
48	Avenue Industrial Supply Co. Ltd., Markham/Canada	47	100.00
49	C&H Distributors LLC, Milwaukee/USA	47	100.00
50	C&H Productos Industriales SRLCV, Mexico City/Mexico	47	99.97
		49	0.03
51	Hubert Company LLC, Harrison/USA	47	100.00
52	Hubert Distributing Company Ltd., Markham/Canada	47	100.00
53	Hubert GmbH, Pfungstadt/Germany	2	100.00
54	NBF Service LLC, Milwaukee/USA	47	100.00
55	Alfax Furniture LLC, Dallas/USA	47	100.00
56	Dallas Midwest LLC, Dallas/USA	47	100.00
57	National Business Furniture LLC, Milwaukee/USA	47	100.00
58	Officefurniture.com LLC, Milwaukee/USA	47	100.00

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

Representative Bodies

Supervisory Board

Alexander von Witzleben, Weimar, born 19 August 1963
Member from 4 May 2007
Chairman from 1 January 2008, Deputy Chairman from 4 May 2007 until 31 December 2007
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Chairman of the Supervisory Board of caverion GmbH, Stuttgart
Chairman of the Supervisory Board of Analytic Jena AG, Jena
Chairman of the Supervisory Board of PVA TePla AG, Aßlar
Deputy Chairman of the Supervisory Board of VERBIO AG, Zörbig
Vice President of the Advisory Board of Feintool International Holding AG, Lyss/Switzerland

Prof Dr Klaus Trützschler, Gelsenkirchen, born 11 December 1948
Deputy Chairman from 1 January 2008, Chairman until 31 December 2007
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 (until 22 May 2007)

Dr Dieter Schadt, Stuttgart, born 6 March 1936
Deputy Chairman and Member until 4 May 2007
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 (until 30 April 2007)

Dr Eckhard Cordes, Düsseldorf, born 25 November 1950
Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
Chairman of the Management Board of Metro AG, Düsseldorf (from 1 November 2007)
Chairman of the Supervisory Board of Celesio AG, Stuttgart
Chairman of the Supervisory Board of Kaufhof Warenhaus AG, Cologne (from 1 November 2007)
Chairman of the Supervisory Board of Metro AG, Düsseldorf (until 31 October 2007)
Member of the Supervisory Board of Rheinmetall AG, Düsseldorf (until 31 December 2007)
Member of the Supervisory Board of real-Holding GmbH, Alzey (from 14 December 2007)
Member of the Board of Directors of Aktiebolaget SKF, Gothenburg
Non-Executive Director on the Board of Directors of Air Berlin PLC, London

Walter Flammer, Esslingen, born 9 February 1947
Member until 4 May 2007
Former Section Manager Organisation at KAISER + KRAFT EUROPA GmbH, Stuttgart

Dieter Kämmerer, Holzgerlingen, born 6 March 1936
Member until 4 May 2007
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, Leogang/Austria, 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
Member until 4 May 2007
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
Chairman of the Supervisory Board of Sartorius Stedim Biotech GmbH, 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

Management Board

Georg Gayer, Eberdingen-Nußdorf, born 5 May 1946
CEO
Chairman of the Supervisory Board of Rectus AG, Eberdingen-Nußdorf (until 1 April 2007)

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

Thomas A. Loos, Cedarburg/USA, born 31 October 1952
COO K + K America division (until 31 July 2007)

Didier Nulens, Koningslo/Belgium, born 4 May 1962
COO Topdeq division

Franz Vogel, Leinfelden-Echterdingen, born 22 October 1948
COO KAISER + KRAFT EUROPA division

Responsibility statement by the Management Board

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 25 February 2008

TAKKT AG
Management Board

Georg Gayer   Dr Florian Funck   Didier Nulens   Franz Vogel

Auditors' 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 2007. 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 report for TAKKT AG and the Group. 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, 25 February 2008

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.

Debtors
In accounting terms debtors refers to unpaid trade receivables.

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

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

Drop shipment business
Goods ordered by the customer – including bulky items – are delivered from the supplier directly to the customer. The invoicing procedure is the same as with 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 of the customer or for electronic market places. This procurement approach allows the customer to save transaction costs.

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

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)
Real-time 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 regarding future development 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.

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

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 2008

20 March
Financial statements press conference in Stuttgart

20 March
DVFA analyst conference in Frankfurt/Main

29 April
Interim report for the 1st quarter

7 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

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