TAKKT AG
BUSINESS EQUIPMENT SOLUTIONS

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TAKKT AG

Annual Report 1999

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KEY FIGURES IN EUR MILLION

	1996 pro-forma	1997 pro-forma	1998 pro-forma	1999 pro-forma
Turnover	394.1	469.5	539.2	627.6
Change in %	2.9	19.1	14.8	16.4
EBITDA	44.3	52.0	65.1	70.5
in % of turnover	11.2	11.1	12.1	11.2
EBIT	39.5	46.2	58.8	56.5
in % of turnover	10.0	9.8	10.9	9.0
Profit for the year before tax and extraordinary item	38.9	45.5	57.8	52.5
in % of turnover	9.9	9.7	10.7	8.4
Extraordinary item	-	-	-	-2.0
Tax rate in %	46.9	44.9	48.9	36.9
Net income	20.7	25.1	29.5	31.9
in % of turnover	5.3	5.3	5.5	5.1
Dividend in EUR				0.05
Cash flow	25.5	30.9	35.9	45.8
Capital expenditure	25.5	5.6	73.8	121.1*
Depreciation	4.8	5.8	6.4	13.9
Fixed assets	65.1	61.5	123.9	237.3
% of total assets	40.7	38.1	52.6	64.0
Current assets	94.7	99.8	112.7	133.6
% of total assets	59.3	61.9	47.4	36.0
Shareholders' equity	87.8	101.8	104.5	99.1
% of total assets	54.9	63.1	44.3	26.7
Long-term capital	8.7	7.5	21.6	190.3
% of total assets	5.4	4.6	9.2	51.3
Number of employees (full-time equivalents) 31.12.	1,112	1,152	1,465	1,546

* Thereof EUR 117.0 million spin-off related.

Contents

Dear Shareholders,

The Supervisory Board began its work at the time TAKKT AG was established in March 1999. Pursuant to § 30 German Stock Corporation Act ("AktG"), the Supervisory Board is a so-called "initial Supervisory Board" whose first term of office ends with the first Annual General Meeting (AGM) in 2000. The following represents a report on the work of the Supervisory Board of TAKKT AG during the accounting period ended 31 December 1999.

As required by the corporate by-laws, the Supervisory Board was initially composed of three members; the Annual General Meeting (AGM) on 2 June 1999 approved an increase to six members. This resolution took effect on 4 August 1999.

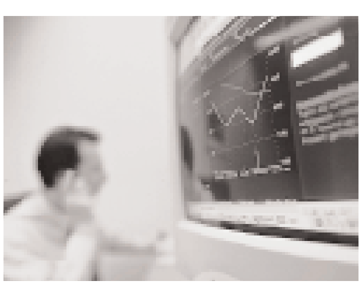
The Supervisory Board convened for three meetings in the year under review. In four cases resolutions concerning largely formal matters were adopted by way of a simplified procedure.

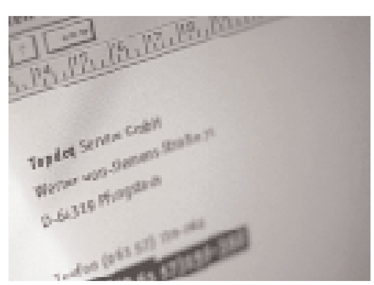
At the meetings, the Management Board informed the Supervisory Board in detail about current developments in the company, the situation of both the company and the group, as well as all individual measures introduced by management. Of special significance was the impact on the balance sheet of the company's spin-off from GEHE AG and its initial public offering. In the final meeting of the Supervisory Board for the year, the Management Board presented detailed plans for the company's future, especially with regard to expansion and acquisition strategies as well as possible concepts for expanding activities in the field of electronic commerce. All significant issues were discussed extensively with the Management Board and within the Supervisory Board. The Management Board gave comprehensive answers to all questions and provided all information required.

The Management Board has also regularly reported significant business developments to me in my capacity as the Chairman of the Supervisory Board. I have in turn reported any important matters that have come to my knowledge as Chairman outside of the framework of Supervisory Board meetings, to the whole Board at the next meeting.

The Supervisory Board adopted all necessary resolutions in matters requiring its approval in accordance with applicable laws, corporate by-laws or rules of internal procedure. The core issue in this regard was the investment of over EUR 17 million in the expansion of the mail order centre in Kamp-Lintfort.

In summary, I would note that the Supervisory Board has monitored Management in an appropriate manner and





fulfilled its statutory duties and obligations.

The Supervisory Board of TAKKT AG has not established any committee.

The consolidated financial statements of TAKKT AG, together with the Management Report of TAKKT AG and the group, were audited and certified by the auditors Dr. Ebner, Dr. Stolz und Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, who were appointed by the company's founders.

These financial statements, the management report of TAKKT AG and the group and the auditors' report were submitted to all members of the Supervisory Board. The auditors attended a Supervisory Board meeting convened to discuss the accounts, reported on the principal results of their audit and made themselves available to the Supervisory Board for in-depth discussions of pertinent issues. The Supervisory Board approved the results of the audit of the annual accounts.

The consolidated financial statements of TAKKT AG, the management report of TAKKT AG and the group and the proposed appropriation of profits were also reviewed by the Supervisory Board. No objections to any of the aforesaid statements and reports were raised. The Supervisory Board approved the financial statements for TAKKT AG drawn up by the Management Board. They are therefore final. The Supervisory Board also approves the Management Board's proposal concerning the appropriation of profits. The Supervisory Board endorses the management report, especially the assessment of the group's future development.

In view of the fact that Franz Haniel & Cie GmbH, Duisburg-Ruhrort, retained a majority holding during the period under review, the Management Board submitted to the Supervisory Board the report on relations with affiliated companies for the 1999 accounting period as required under § 312 of the German Stock Corporation Act, together with the related auditors' report prepared by Dr. Ebner, Dr. Stolz und Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, in their capacity as auditors of the financial statements pursuant to § 313 of the German Stock Corporation Act. The auditors raised no objections and therefore issued the following unqualified report:

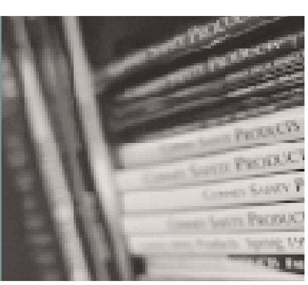
"Having conducted a proper audit and appraisal, we hereby confirm:

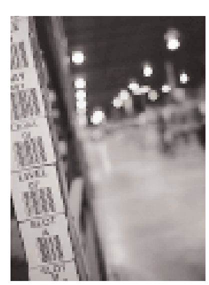
- that the facts set out in the report are correct and
- that payments by the company in connection with the legal transactions referred to in the report were not unduly high.

The Supervisory Board also reviewed the report concerning relations with affiliated companies and the corresponding auditors' report. The Supervisory Board has no objections to the final declaration by the Management Board contained therein."

Stuttgart, April 2000
The Supervisory Board

Dr. Dieter Schadt
Chairman of the Supervisory Board





Supervisory Board

Dr. Dieter Schadt, Chairman
Mülheim a. d. Ruhr (from 4. August 1999)

Horst F. Peer, Deputy Chairman
Ditzingen (from 4. August 1999)

Dr. Karl-Gerhard Eick
Düsseldorf (1. March to 31.October 1999)

Dieter Kämmerer
Holzgerlingen (from 1. March 1999)

Thomas Kniehl
Stuttgart (from 4. August 1999)

Tilo Köster
Remseck (1. March to 4. August 1999)

Julian Matzke
Stuttgart (from 4. August 1999)

Georg Gayer
born 1947
Eberdingen-Nussdorf
Chairman

Alfred Michael Milanello
born 1941
Ditzingen
Board member for Information
Technology and Organisation

Franz Vogel
born 1948
Stuttgart
Board member for Sales and Marketing

Dr. Felix A. Zimmermann
born 1966
Wachtendonk
Board member for Finance and Controlling

Dear Shareholders,

The market for office, business and warehouse equipment as well as for products related to workplace safety is undergoing rapid change. The development of e-commerce has given the traditional mail order business a new lease of life. The TAKKT Group — the largest business-to-business mail order company for office, business and warehouse equipment in both Europe and North America — is an active force in the evolution of these changes. TAKKT is developing from a traditional mail order business into the prototype of the knowledge-based virtual company. Knowledge concerning customers' needs as well as knowledge concerning the efficient use of advertising media, products, markets and logistics forms the basis of TAKKT's activities. This knowledge is the result of decades of experience which the company has gained through continuous market analyses. We are the market leader and have therefore consistently applied this knowledge in ways aimed at influencing the market. We will continue to play this role in the future.

Origins in KAISER + KRAFT

TAKKT AG originated in KAISER+KRAFT, the company which was founded in 1945, acquired by GEHE AG in 1985 and continued by the latter as its Mail Order Division. In 1999, this Mail Order Division was spun off from GEHE AG, renamed TAKKT and taken public as an autonomous company. The TAKKT Group now comprises the management holding company TAKKT AG, the three intermediate holding companies KAISER + KRAFT EUROPA GmbH, Topdeq Holding GmbH and K + K America Corporation as well as 28 operational companies in Europe, the United States and Canada.

The nature of our core business inspired the name TAKKT. The German word Takt means "keeping time". We consider it our job to regulate and streamline the flow of products in terms of both volume and time between suppliers and customers. The double "K" in the name is reminiscent of KAISER + KRAFT which used to serve as the parent company.

The spin-off of the Mail Order Division from GEHE AG to TAKKT AG was a classic spin-off in that it was used to further strengthen the company's proven core competencies. The reaction of customers, suppliers, employees and investors alike has been positive.

Quality products: quickly, reliably — and online

The business-to-business vendor of the 21st century must offer total solutions to its customers — quickly, reliably, at low cost and on the basis of a broad regional presence. The TAKKT Group already meets these requirements. We call our response "Business Equipment Solutions". These are integrated solutions that comprise not only rapid processing and delivery of quality products but also services such as extensive sales consultation, detailed planning, customised products if requested as well as far-reaching warranty and return rights. We already offer these services throughout Europe and North America.

The networking of customers and suppliers

However, total solutions are only one cornerstone of the future. The increasing virtual nature of business is the other. The e-commerce and e-business aspects of the Internet, which have been expanding at break-neck speed, influence the business-to-business trade in completely new ways, offering a host of opportunities to those who are quick and innovative.

These are not vague hopes and dreams that might come true in the far future. Rather, the TAKKT Group already possesses an Internet-capable structure and offers a large portion of its services online. With our open infrastructure, we are therefore exceedingly well

prepared to meet the challenges of the future.

E-business has therefore become our reality and a pillar of our strategy. And for good reason. The number of Internet users is climbing steadily. It is expected that by 2002 the volume of business-to-business transactions will increase to EUR 150 billion. Faced with figures of this magnitude, the business-to-business segment is strategically significant for us because it also cuts the processing costs incurred by our customers. One of our goals thus is to enable our customers and suppliers to forge close ties with the TAKKT Group within this network.

This background provided the rationale for our decision to invest approx. EUR 17 million in the European logistics centre of KAISER + KRAFT EUROPA in Kamp-Lintfort, located in Germany's Lower Rhine region. The capacity of this high-tech high bay warehouse is being more than doubled. The expanded facilities will be fully operational by the middle of 2001. For TAKKT, an e-commerce pioneer, this investment represents a milestone which will allow the group to master the challenges ahead in even faster and better ways and thus maintain its edge in the field of electronic business.

Our continued success is visible

Yet future successes are also built on the hard facts of the present. And in this respect, TAKKT AG is also in a good position. In 1999, the year under review, the positive development of our business continued. Compared to the previous year, group turnover increased by 16.4% to EUR 627.6 million from EUR 539.2 million. The EBITDA improved by 8.3% to EUR 70.5 million, despite the extraordinary charges relating to the spin-off and the initial public offering. Past acquisitions and internal growth account equally for the success of TAKKT. These excellent results make one thing very clear, given the weakness of several European economies, that TAKKT AG is relatively independent of fluctuations in the economic environment because its diversified product portfolio is present in the most divergent regions.

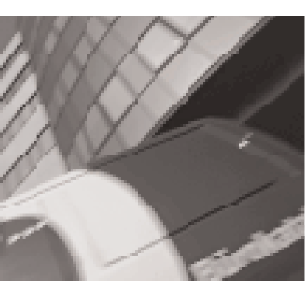
Potential for further growth

We remain committed to our goal to increase our market penetration in our regions and segments, using customer-oriented and knowledge-based business solutions. Given that the market for business equipment is highly fragmented, TAKKT has the necessary leverage for both growth and consolidation thanks to its excellent positioning. Expansion on three fronts — of our product portfolio and our e-commerce business as well as geographically through the establishment or acquisition of companies — will increase the long-term value of the TAKKT Group.

For us, value-oriented management means consistent management of knowledge. And management of knowledge entails linking the knowledge of processes, markets and customers' interests in intelligent ways. This allows us to recognise and realise our potential for growth. And all will benefit from the resulting growth — employees, customers and shareholders alike.

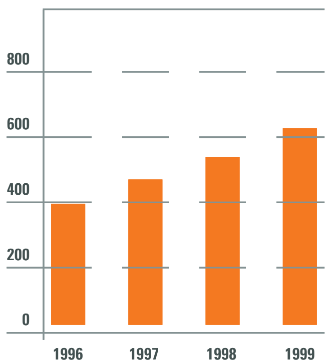
1999 was characterised by a restructuring, a spin-off, a public offering and a positive anticipation of the future. We thank our employees for their competent and committed involvement.

Georg Gayer
Chairman of the Management Board



The Market Situation
Turnover

TURNOVER TAKKT GROUP
in EUR million



Unless stated otherwise, figures for the whole year contained in this annual report are pro-forma figures (cf. Notes to the Consolidated Financial Statements for a detailed explanation).

Management Report of TAKKT AG and the Group

Market leader in a high growth market

The TAKKT Group is very well positioned in the dramatically growing market for business equipment. The group companies are market leaders in both Europe and North America. Thanks to its international orientation, its diversified customer base as well as the breadth and depth of its balanced product portfolio, the group is relatively independent of regional economic fluctuations. In 1999, the TAKKT Group benefited from strong overall growth in North America and a few European countries and used this growth to boost its market penetration.

TAKKT profits from structural changes

Besides the growth in central markets, TAKKT also profited from gradual structural changes. Market analyses show that developing trends in the business-to-business market segment with regard to distribution channels will be detrimental to retailers and wholesalers while they benefit the mail order business. More efficient processes are steadily increasing the share of the mail order business in the total market.

TAKKT posts significant gains

Despite the weaker economic climate in a few European countries, notably Germany, the TAKKT group continued unimpeded on its growth trajectory by virtue of its polished product portfolio, its balanced customer structure and its international orientation. Compared to the prior year, group turnover rose by 16.4% to EUR 627.6 million. Turnover was distributed almost evenly across Germany (32.0%), the remainder of Europe (31.7%) and North America (36.3%). These strong gains were achieved with the help of both strong external and organic growth. Hence group turnover excluding acquisitions increased by 7.8% to EUR 556.5 million.

KAISER + KRAFT EUROPA — continued strong turnover

At EUR 326.5 million (an increase of 4. 3%), the largest turnover was once again achieved by KAISER + KRAFT EUROPA, which comprises the KAISER + KRAFT, Gaerner and Gerdmans subdivisions. Excluding the acquisition of Gerdmans, turnover was EUR 302.4 million (an increase of 1.6%).

However, the development of this division was not uniform. Growth was above average in France, Switzerland, Spain and Hungary while there were

slight declines stemming from the economic climate in Poland, the Czech Republic and Great Britain. The recent venture into Portugal has already shown positive results. The successful integration of Gerdmans, a Swedish group, also had a positive influence, even though the Scandinavian market has not yet lived up to expectations. Gerdmans adopted the order and warehouse processing system of KAISER + KRAFT EUROPA in the year under review. This will allow Gerdmans to profit from future synergies within the TAKKT group. And customers will benefit from the fact that Gerdmans will participate in the central purchasing power, logistics and know-how of the group as a whole.

Following KAISER + KRAFT Germany, in mid-1999 KAISER + KRAFT Switzerland has placed its entire catalogue on Internet and CD-ROM. The customers of the Swiss company have responded enthusiastically to this development.

Topdeq — ongoing success

Topdeq has developed very well. In 1999, the company had a turnover of EUR 73.1 million, an increase of 16.0% over the previous year. Undoubtedly a remarkable achievement.

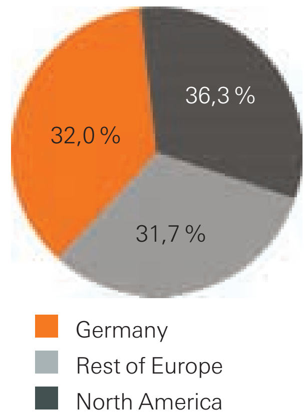
Topdeq sells designer office furniture and accessories within the framework of a scaleable systems approach which can be implemented anywhere and everywhere. The company was successful in all regions, be it in Germany, the Netherlands or Switzerland, even in France, where it established its presence at the beginning of 2000. With the exception of the latter market, all Topdeq products can also be ordered over the Internet since 1999.

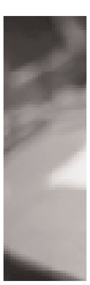
K + K America — strong growth

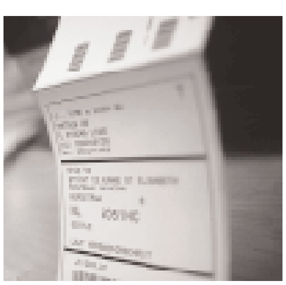
Buoyed by the booming U.S. economy, this division, which consists of C&H Distributors, Avenue Industrial Supply and Conney Safety Products (which, for the first time, was consolidated for the entire year), posted above-average growth. Compared to 1998 when turnover was EUR 163.2 million, in the year under review turnover rose to EUR 228.0 million, an increase of 39.7%. After adjusting for exchange rate effects, the companies' turnover on a dollar basis exceeded that of the previous year by 27.3%. Excluding the acquisition of Conney Safety Products, K + K America improved by 16.2% to EUR 181.0 million.

The advantages of a scaleable systems approach also apply to workplace safety products. This can only be achieved, however, if all synergy effects

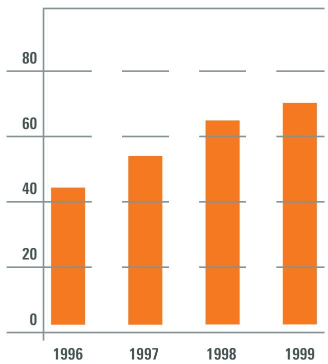
TURNOVER BY REGION







EBITDA TAKKT GROUP
in EUR million



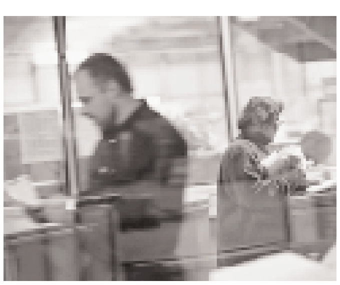
in procurement, logistics, customer databases and central advertising media are exploited. For this reason, the workplace safety activities of the U.S. group will be centralised within Conney Safety Products in Madison/Wisconsin.

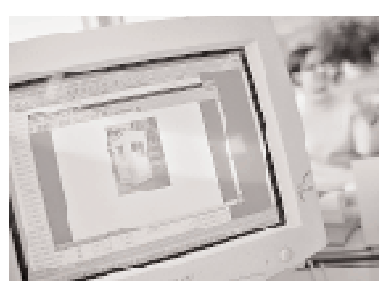
For us, good results are tradition

In the year under review, the dynamic turnover also produced an excellent result. The EBITDA, i.e. the figure that represents the operational strength of a company independent of finance and depreciation, rose by 8.3% to EUR 70.5 million. After accounting for the spin-off, year-end pre-tax profits were EUR 50.5 million (a decrease of 12.6%). The profits after tax rose from EUR 29.5 million to EUR 31.9 million, an increase of 8.1% compared to the previous year. This is due to the decline in the tax rate overall from 48.9% to 36.9%.

Factors influencing the results

In principle, the spin-off did not have an impact on the company's operational profitability. First, although depreciation of EUR 4.3 million on previously hidden reserves was included in the results of the accounting period to 31.12.1999, liquidity was not affected. Furthermore, the higher finance requirement has resulted in higher interest charges of EUR 2.5 million. The initial public offering also entailed an extraordinary charge of EUR 2.0 million. Excluding this additional item, the EBITDA would have been EUR 72.5 million, an increase of 11.4%.





Balance sheet structure — sound basis for further growth

The spin-off of the Mail Order Division from GEHE AG to TAKKT AG has had an impact on the structure of the balance sheet. The inter-company transfers of foreign subsidiaries has led to the disclosure of hidden reserves in foreign subsidiaries. At the spin-off date, these hidden reserves were set off against the transferred shareholders' equity.

In the domestic companies, on the other hand, current operations were sold. Tax regulations made it necessary to disclose previously hidden reserves in the respective individual companies' financial statements. Goodwill, which increased thereby by EUR 109.5 million to EUR 168.2 million, shall be amortised against profits over a 15-year period. In turn, this will reduce TAKKT's future taxable income. Taking both the disclosed hidden reserves and the shareholders' equity of TAKKT AG into consideration, financing volume rose to EUR 220.0 million. With an equity ratio of 25%, the balance sheet structure of TAKKT thus remains stable after the spin-off.

Improved cash flow

The company's earning power has always been strong. For the year under review, the cash flow after tax and depreciation is EUR 45.8 million, an increase of 27.6% over the previous year.

SOURCE AND APPLICATION OF FUNDS
in EUR million

	1996	1997	1998	1999
Profit for year	20.7	25.1	29.5	31.9
Depreciation	4.8	5.8	6.4	13.9
Cash flow	25.5	30.9	35.9	45.8

BALANCE SHEET
Figures in percent

ASSETS

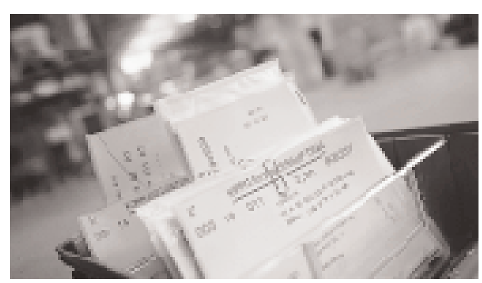
	1999	1998
Fixed assets	64.0	52.6
Current assets	36.0	47.4
Total	100.0	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY

	1999	1998
Shareholders' equity	26.7	44.3
Long-term liabilities	51.3	9.2
Short-term liablilities	22.0	46.5
Total	100.0	100.0

KEY FIGURES

	1999	1998
Equity ratio in percent	26.7	44.3
Time needed to reduce liabilities (in years)	3.4	0.9
Interest coverage	9.4	56.2
Gearing	2.1	0.8



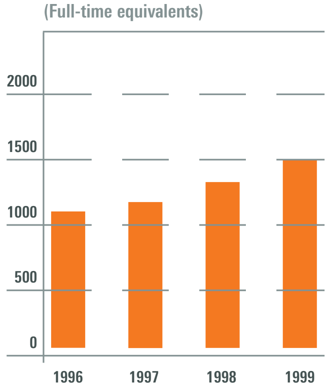
Capital expenditure
Personnel

CAPITAL EXPENDITURE TAKKT GROUP
in EUR million

	1996	1997	1998	1999
Intangible assets	14.3	1.3	62.6	109.3*
Tangible assets	11.2	4.3	11.2	11.8**
	25.5	5.6	73.8	121.1
Depreciation	4.8	5.8	6.4	13.9

*thereof EUR 108.5 million spin-off related.
**thereof EUR 8.5 million spin-off related.

EMPLOYEES
(Full-time equivalents)



Capital expenditure

In the year under review the TAKKT Group invested a total of EUR 121.1 million, of which, due to the spin-off, EUR 117.0 were attributable to domestic goodwill and tangible assets. Capital spending on replacement and capacity expansion amounted to EUR 4.1 million. The majority of this expenditure was made in information technology, the rest being for the modernisation of offices.

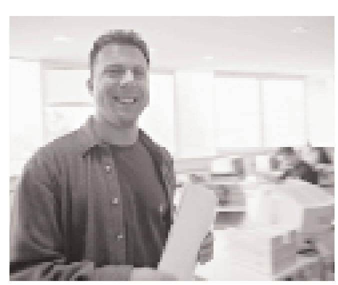
Personnel

The increased business volumes have led to the creation of new jobs at the TAKKT Group in the year under review. Overall, the number of personnel employed by companies of the TAKKT Group rose by 12.6%. In 1999 the group thus had an average of 1,497 employees (full-time equivalents), compared to 1,330 employees in the prior year.

The additional jobs at KAISER + KRAFT EUROPA were created primarily in the e-commerce area. On average, KAISER + KRAFT EUROPA increased its personnel by 1.1% to 801 employees. Both Topdeq and K + K America also took advantage of the excellent business climate to create new jobs. The average full-time personnel at these two companies increased, respectively, by 12.7% to 169 employees and by 32.7% to 515 employees. At 31 December 1999, TAKKT AG (the holding company) had 24 employees.

Ongoing training is crucial

TAKKT AG places great stress on the superior qualifications of its employees. For at TAKKT, knowledge is a strategic resource that gives the company its decisive competitive edge. In an era dominated by electronic-commerce and the Internet, this resource is pivotal, given the increasing demands on employees and hence on companies. TAKKT thus pays attention to its investment in human capital. The company actively supports the involvement of its personnel in the ongoing development of their skills and knowledge. Our employees are offered a wide range of educational and training opportunities, including both internal and external continuing education and training.



Personnel
Research & Development

TAKKT pays particular attention to the appropriate training of managers and employees who will assume management positions in the future.

Employees participate in the company's success

An employee stock ownership programme was instituted for the German employees of the TAKKT Group at the beginning of 2000. They now have the opportunity to acquire employee shares under this programme at preferential prices.

All employees, whose employment or training contracts with TAKKT AG or one of its German subsidiaries had not been terminated as of 1 March 2000, are entitled to participate in this programme. Personnel whose employment or training contracts are temporarily suspended as well as retired staff of the TAKKT Group are also entitled to acquire employee shares.

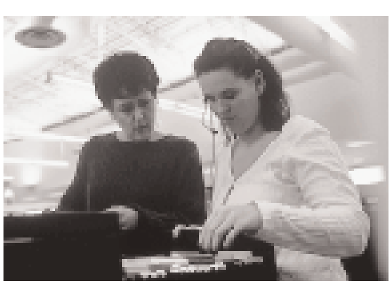
The preferential price for the employee shares in 2000 was selected in a manner designed to take full advantage of the benefits in monetary value granted under § 19 a German Income Tax Act ("EstG"). The difference between the share price at the stock exchange and the preferential price is borne by the company and is not subject to taxes and social security contributions on the part of the employees concerned. As part of the first employee stock ownership programme, 519 German employees purchased a total of 46,648 shares.

TAKKT — always up to date

The business of TAKKT is knowledge intensive. Given that TAKKT never loses sight of this crucial fact, the company is in the process of building a broad foundation for the infrastructure of its Internet business. The media-neutral database of KAISER + KRAFT EUROPA is a milestone in this respect. The system, first developed and implemented in 1995 in co-operation with a leading provider of integrated IT-supported solutions, secures and expands the position of the TAKKT Group as the market leader in the business-to-business mail order segment. The software used by KAISER + KRAFT EUROPA does not require special structures. All product data can therefore be made available on any given platform without necessitating a significant expansion of intra-group IT know-how.

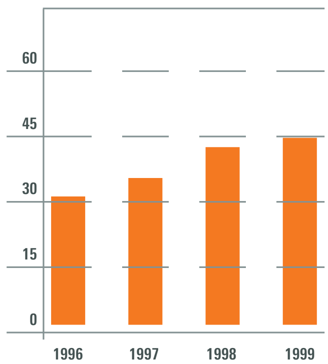
We place great value on the superior qualifications of our employees because for us knowledge is a strategic resource that gives us a competitive advantage.

The media-neutral database provides a broad infrastructural basis for our Internet business.


Research & Development

NUMBER OF MAILINGS
(in millions)



The media-neutral database manages all product information — in ten languages. The special advantage of this database resides in the fact that once all product information has been entered, it can be utilised for the production of various distribution media (catalogues, CD-ROM and the Internet) without additional processing. This media-neutral database has allowed the company to link its catalogue-based business with the new world of e-commerce. Since this occurs independently of the media involved, all types of information can be combined freely on the basis of media or country categories (as well as in the respective currency and language). This reduces advertising media production time and increases flexibility. In short, the media-neutral database is the prerequisite for the rapid and successful implementation of TAKKT's e-commerce and e-procurement projects.

The sophisticated logistics concept utilised in North America and Europe provides yet another example of knowledge-intensive developments at TAKKT. This system rapidly and reliably serves 1.9 million customers in 18 countries. TAKKT also implemented a European Supplier Programme in 1999. The aim is to significantly improve the conditions under which we purchase over 30,000 products and to harness additional synergies by selecting pan-European suppliers according to given standards.

Due to its success in monitoring the impact of its advertising, TAKKT is also at the forefront of developments in this area. These controls allow each division to track the success of individual advertising media and thus to optimise both the number of editions and distribution.

In early 2000, C&H, a subsidiary of K + K America, developed the existing know-how pertaining to delivery processes and deadlines into a special and unique service called "A Guaranteed Delivery Date". After placing an order, customers are immediately advised of the shipping and delivery dates, both of which are guaranteed by C&H. If the order does not arrive on schedule, the shipping charges are borne by C&H. Within the TAKKT Group, C&H is presently the only company that offers this new service, but plans are to have the other American companies follow suit in the near future.

Individual catalogues per mouse click

The KAISER + KRAFT EUROPA Group, the strongest group within TAKKT in terms of turnover, is one of the first European companies to use a Web-based procurement system that makes

Research & Development
Special Events
Risk Management

it possible to offer primarily major customers individually designed and formatted product portfolios extracted from centralised catalogues. Given the incompatibility of different systems, until now it was considered difficult to transmit product data via the Internet. The TAKKT Group was one of the first to embrace the challenges of online procurement, i.e. the purchase of goods and services via the Internet. Using software offered by an IT specialist, TAKKT customers can not only obtain current and customised product catalogues online, but also integrate them into their own purchasing systems.

We were one of the first companies to embrace the challenges of Internet procurement.

Spin-off and initial public offering

TAKKT AG acquired the Mail Order Division which it now operates in a spin-off from GEHE AG. The shareholders of GEHE AG received TAKKT AG shares in exchange for the transfer of the Mail Order Division to TAKKT AG. The spin-off took effect from 1 July 1999. All business transactions effected since this date have been accounted for in the financial statements of TAKKT AG at 31 December 1999.

The shareholdings transferred from GEHE AG to TAKKT AG in connection with the spin-off involved the transfer of the following wholly-owned companies:

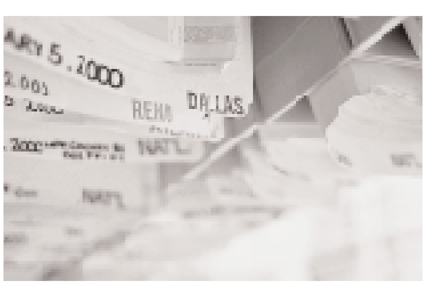
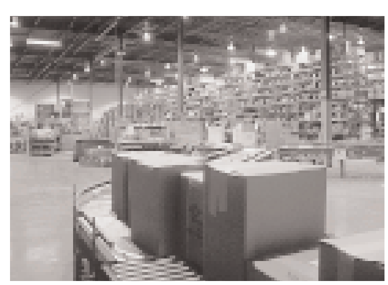
- KAISER + KRAFT EUROPA GmbH with a head office in Stuttgart
- Topdeq Holding GmbH with a head office in Pfungstadt and
- K + K America Corporation with an administrative office in Milwaukee/ Wisconsin.

On 15 September 1999 the TAKKT shares were admitted to official trading at the stock exchanges in Frankfurt and Stuttgart.

Managing risks a professional way/Realising opportunities

Following the applicable provisions of the Corporate Control and Transparency Law ("KonTraG") under § 91, para 2 German Stock Corporation Act, revised version, TAKKT AG has implemented an internal monitoring and control system that assures the profitability, capability and continued existence of the company. This also includes detailed planning, a sophisticated reporting system as well as early warning systems which allow the decision makers to identify specific risks and opportunities and to react to them. All companies, acquired or newly

We identify risks and opportunities quickly and respond promptly.


Special Events
Risk Management

We limit the risks of central warehousing by maintaining separate warehouses. Each division implements its own storage concept.

established, are immediately and consistently incorporated into this risk management programme.

The effectiveness of the individual components is regularly reviewed. Continuous development ensures that new or changing risks and opportunities are rapidly identified and integrated into current operational parameters.

Production and distribution of catalogues

The timely preparation and distribution of accurate catalogues is essential to the mail order business. Untimely or inaccurate catalogues can have a long-term negative impact on the conduct of business. The TAKKT Group reduces this risk by assigning the printing of its catalogues to five different printers at various locations. Further, up to nine catalogue editions are printed each year. The companies belonging to the divisions KAISER + KRAFT EUROPA, Topdeq and K + K America are insured against all possible losses in connection with damage to or destruction of catalogues that might occur on the companies' premises or at the printers' facilities.

Central warehousing

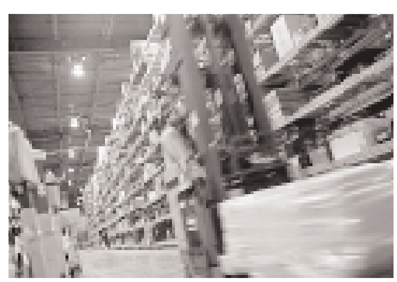
The TAKKT Group limits the risks of central warehousing — possible loss of deliveries or turnover due to the destruction, damage or failure of IT systems etc. — by maintaining separate warehouses. Each one of the three divisions implements its own storage concept.

The delivery capability of these companies is backed by the fact that many of the stored products can be delivered to the customer directly by the supplier (drop shipments) in the event of shortages or outages. To protect against force majeure risks, both the domestic and foreign group companies of the divisions KAISER + KRAFT EUROPA, Topdeq and K + K America are appropriately insured against operational failures.

Economic risks

Our presence in 18 different countries and our special product portfolio reduce our dependence on the economic climate of each individual country to a minimum.

The presence of the TAKKT Group in 18 different countries and its special product portfolio reduce the group's dependence on the economic climate of each individual country to a minimum. The group endeavours to insulate itself from the economic fluctuations of host countries by increasing its diversification in terms of both regions and products.



Higher dynamic growth at TAKKT

Building on the groundwork laid in the year under review, TAKKT AG will continue on its dynamic growthpath. This trend has already been confirmed by the figures for the 1st quarter of 2000.

Plans exist to significantly increase the group's market penetration and thus to expand the long-term market position of all divisions. Targeted acquisitions, both in the group's core markets and in countries, which have not yet been actively drawn into the group's sphere of activities, will be as central to TAKKT's development as is organic growth.

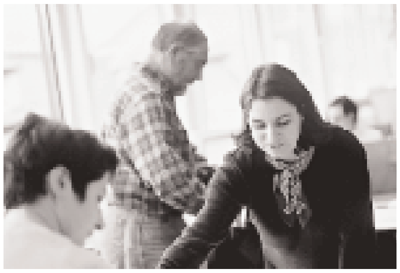
It follows that investments in e-commerce are crucial in strategic terms and thus are systematically boosted by the TAKKT Group, which already has considerable experience in this sector. This includes establishing or expanding network connections via intranets, extranets or the Internet. An Internet-capable organisational structure is already in place. In short, TAKKT is fully prepared for the future.

Dependence Report

Franz Haniel & Cie GmbH, Duisburg-Ruhrort, is the majority owner of TAKKT AG. The report concerning relations with affiliated companies was prepared in accordance with § 312 German Stock Corporation Act. The report concludes with the following statement:

"We declare in summary that according to our knowledge of the pertinent events at the time, TAKKT AG received due consideration for all legal transactions. Furthermore, we declare that the company has, in our opinion, not been put at a disadvantage by the reported business transactions."

We systematically boost investment in e-commerce. This includes networking via intranets, extranets or the Internet.



TAKKT-Group

Experience and Know-How Make Us the Industry Leader

Pioneer with a consistent expansion strategy

The TAKKT Group has become the leading provider in the business-to-business mail order segment in both Europe and North America, offering a wide range of business, office and warehouse equipment as well as workplace safety products.

KAISER + KRAFT was founded in 1945 by Helmut Kraft and Walter Kaiser in Stuttgart. The founders introduced the mail order concept four years later. The basic idea was to sell technical durable goods on the basis of catalogues and prospectuses via direct mail to various industries.

Expansion in Europe

As the first company in its field, KAISER + KRAFT based its expansion strategy on both acquisitions and the establishment of new companies, at home and abroad. The company acquired its first foreign subsidiary in 1967. By 1985, five new foreign companies had been created. GEHE AG, which acquired KAISER + KRAFT in 1985, accelerated the expansion, making it possible to broaden the company's market position in Europe and North America. 1987 saw the establishment of a subsidiary in Italy, the establishment of a central warehouse for Europe in Weiterstadt and the acquisition of the Gaerner Group, one of KAISER + KRAFT's principal competitors.

Expansion to North America

In the context of the expansion to North America, C&H Distributors Inc., Milwaukee/Wisconsin, was acquired in 1988, followed by the acquisition of four additional competitors between 1990 and 1996 (including Avenue Industrial, Toronto/Canada, in 1993). C&H Distributors, Inc., which was founded over 60 years ago, is one of the leading business-to-business mail order vendors in the United States. Its product range includes material handling and warehouse equipment, packaging materials as well as workplace safety products. C&H is a total solutions provider with a large selection in each product category.

New companies in eastern Europe and acquisition of Topdeq

KAISER + KRAFT expanded its activities to the new east German states in 1990 and founded a Hungarian subsidiary in the same year. Subsidiaries in Poland and the Czech Republic followed in 1992/1993. The Topdeq Group was acquired in 1994. It expanded its activities in Germany, the Netherlands and Switzerland into France in early 2000. In 1996, Powell Mail Order Ltd, Llanelli/Great Britain, was added to the roster of subsidiaries, expanding the group's mail order activities in the UK.

Market entry into Scandinavia and move into the workplace safety products mail order segment

In 1998, KAISER + KRAFT acquired both the Scandinavian Gerdmans Group and American Conney Safety Products. These acquisitions also reveal the consistent nature of TAKKT's growth strategy, which is aimed at expansion into new regions and new markets. Both aforementioned companies achieved excellent regional and product-specific market coverage as early as in 1998. The successful integration of these companies by 1999 freed additional synergies, which in turn further strengthened the market position of both Gerdmans and Conney.

Convincing Competencies

Number one on the Internet and CD-ROM

In addition, KAISER + KRAFT has consistently embraced innovative approaches with regard to distribution media. The company became a trend-setter when it presented its first print catalogue. Never before had capital goods been distributed in Germany in this manner. The KAISER + KRAFT Group was also the first company in the industry to offer its complete product line on CD-ROM and the Internet. Furthermore Topdeq has established new industry standards by virtue of its novel service approach, which includes 24-hour access and same-day delivery upon request.

The TAKKT Group believes that its success hinges on the continuous fine-tuning of its ability to be the first to identify new trends and to anticipate the needs of "tomorrow's customers". One of the group's maxims thus is: "We use first mover advantages", i.e. the continuous maintenance of a competitive edge. TAKKT's knowledge of processes, markets and customers' needs lies at the heart of this approach and therefore of our performance and achievements.

Service is decisive

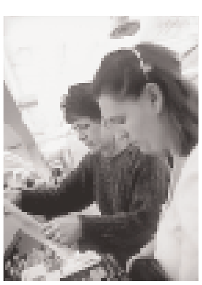
Given that the business-to-business mail order segment is a very fast-paced environment, lasting success cannot be achieved by products alone. Rather, success or failure in this industry are predicated on speed and flexibility. This requires the permanent optimisation of existing qualities.

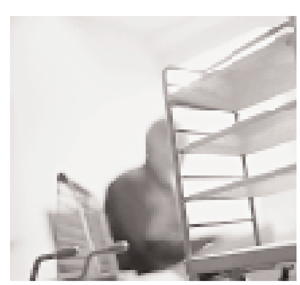
Besides knowledge, personnel and products, service issues are equally vital to the success of any company. Service requirements contribute to the relatively high barriers to market entry in the mail order business. In order to offer high-quality services, the successful and competitive mail order vendor must operate a high-performance logistics system, prepare and maintain attractive distribution media (catalogues, CD-ROM, Internet), maintain current and quality mailing lists, assemble competent teams of advisors and make a considerable investment in the expansion of a reliable supplier infrastructure. All of these components are available to the TAKKT Group both in Europe and North America.

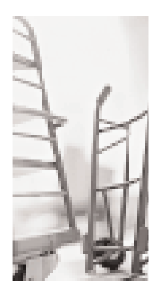
Knowledge assures our competitive edge

The TAKKT Group presently consists of the management holding company TAKKT AG, the intermediate holding companies of the three corporate divisions, KAISER + KRAFT EUROPA, Topdeq and K + K America, which provide pivotal functions in the respective divisions, as well as 28 operational companies in Europe, the United States and Canada. This organisational structure permits us to achieve as much centralisation as necessary and as much market proximity as possible. Synergies and economies of scale are utilised and service is transformed into a system of individualised customer care.

The following core competencies are centralised within the divisions: procurement, logistics, mailing lists and customer databases as well as the preparation of advertising media. Thanks to the holding structure, all knowledge generated in the individual divisions can be shared with the other companies. In this scheme, TAKKT AG serves as the agent that allows knowledge to circulate within the group without restricting the







separate market identity of each subsidiary. This flow of knowledge gives the entire group the decisive advantage of speed and competitiveness that is critical to success in the dynamic mail order business of today.

Knowledge: the key to success

Research has shown that in the near future the business-to-business segment will probably grow much faster than the business-to-consumer segment. Due to its explosive growth at the expense of traditional selling structures, e-commerce will play a major role in these developments. TAKKT will profit from this trend because it already possesses a strong virtual presence. The group is lean, flexible and efficient and can offer its large product line to its customers via catalogues as well as CD-ROM, the Internet and intranets without having to significantly modify its organisational structure.

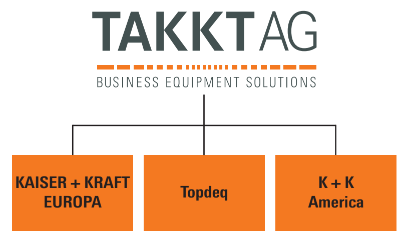
This shows that the decisive competitive edge of the TAKKT Group resides in the intelligent linking of knowledge which centres on processes, markets and customer needs. This knowledge permits TAKKT to offer more to its customers than its competitors : product quality, service, guaranteed and rapid delivery schedules as well as strong brands.

Well-known brands offer integrated solutions

All TAKKT group companies represent brands with excellent product and regional market coverage. These brands have a high degree of acceptance in their respective markets and in most cases are the market leaders. TAKKT's modern corporate structure allows the group to maintain a portfolio that is unique in terms of its product range, services and regional presence. Given the diversity of its highly focussed companies, the TAKKT Group succeeds in presenting itself in all its markets as a specialist in terms of depth and as a generalist in terms of the breadth of its product range.

But TAKKT offers not only business equipment. Given the ability to network its product and systems intelligence, the group is also capable of offering integrated Business Equipment Solutions. This refers to total solutions that include comprehensive purchasing consultation, detailed planning and a comprehensive services package that includes extensive guarantees long after the purchase of a given product.

All of this brings one fact into sharp focus: since our customers are at the centre of our endeavours, their needs are paramount. TAKKT has therefore built up a comprehensive service for



Heralding a New Era

the entire product range. This requires speed, a flexible delivery infrastructure and above all insight into the special needs of each customer.

Knowledge — a strategic asset

Knowledge thus transcends the experience and know-how of individual employees. We consider knowledge a strategic resource. And that explains why we engage in extensive knowledge management — be it in the preparation of our catalogues, the selection of our products, the processing of orders as well as the organisation of our logistics, services and delivery. All of our catalogues are built around a core component of business equipment products that applies to all markets, supplemented by specific modules for each individual market. This assures that all products offered are specific to the respective markets without having to give up the cost and time advantages of a centralised infrastructure.

Competent logistics

Each day our personnel process an average of approx. 6,000 orders thanks to our sophisticated logistics know-how. This is crucial, given that we offer over 75,000 products, undoubtedly a product range whose breadth and depth is not amenable to fully automated processing. KAISER + KRAFT alone moves over one million products annually at its central warehouse in Kamp-Lintfort.

Irrespective of whether we are dealing with shelving systems, pallet trucks, desk chairs or wastepaper baskets — we master the daily onslaught of orders and solve all related logistical problems irrespective of their complexity, quickly and competently. Delivery, installation and post-sales services are timely and efficient, taking into account each customer's needs.

Mastering the challenges of the future

The increasing globalisation of the world's economies, the steadily rising demand for service improvements and the dramatic development of the virtual environment are putting all mail order vendors to the test. TAKKT possesses both the competence and the strategy necessary for meeting these challenges head on. For us, the "mail order business of the future" entails intelligent linking of all components of the value-added chain. This begins with comprehensive sales consultation and detailed CAD-supported planning; rapid, simple and efficient ordering with immediate delivery and installation of the merchandise; and ends with extensive guarantees and return rights. Our formula for succeeding in this business might best be described as "Mail Order Plus". We not only sell goods and services but also assist our customers in our capacity as a service provider who adds value.

Above-average growth

In the course of more than half a century, the TAKKT Group (formerly KAISER + KRAFT) has perfected its scaleable systems approach to such an extent that existing know-how can be transferred to other products and regions at any time. In a word, the scalability of our business permits economies of scale.

This means that TAKKT will pro-actively deal with the challenges it faces in order to ensure that the company's growth outpaces that of the market. Given TAKKT's excellent positioning in the domestic market as well as in European and North American core markets, the company strives to diversify and to expand geographically by establishing new companies or acquiring existing ones. The greatest attention in this context is paid to south-eastern Europe as well as Central and South America.

TAKKT also plans to include select capital goods and speciality products that meet the company's quality require-

ments and to continue to expand the range of all services provided.

Recognition of "E"-opportunities

E-commerce, e-procurement and e-payment will determine the future of the mail order industry. These developments are creating a new type of "mail order vendor", one who succeeds primarily through speed and flexibility. Our company is fully prepared for these challenges. First, because we have been offering our products online for quite some time and second, because we are largely capable of controlling merchandise streams online, independently of the type of order involved. At TAKKT, the Internet-capable infrastructure suitable for tomorrow's virtual world is already a reality.

We are pursuing a two-pronged strategy in the e-commerce segment which ensures optimum proximity to customers. We first make available a marketplace in which all products and services are accessible to all. In addition, we offer individual solutions, especially to major customers. This is accomplished either by linking directly to the customers' intranets or extranets or by presenting the products and services on the platform of a commercial service provider.

In customers' networks

We expect the volume of transactions carried out between companies through such networks to increase significantly, with major consequences for all involved. The presence of a vendor in a customer's network increases process integration, strengthens mutual ties and gives the respective mail order vendor crucial competitive advantages, especially those who deliver total solutions.

E-commerce systems that integrate vendors into customers' merchandise management systems will therefore gain strategic importance in the future. In transactions of this nature, Internet-based electronic vendor catalogues are linked with the standard business software used by the specific customer. TAKKT offers this electronic product information (i.e. the product or catalogue data) to its customers. The customers in turn access this data from within their systems and order online without having to switch media.

Since we consider this type of individualised customer care to be a strategic element, we base all our concepts on partnerships and alliances within internal and external systems. Actual development of this integrated e-procurement system was launched in 1999.

With this development, TAKKT has once more opened a new chapter in the mail order business of the 21st century. This step underscores the company's long-term strategy of increasing its investment in knowledge. We are convinced that TAKKT's competitive advantage is the fruit of its rapidly increasing edge in the sphere of knowledge. This belief, which has a long tradition in our company, has withstood the test of time for more than half a century.

THE EUROPEAN PRESENCE OF THE TAKKT GROUP

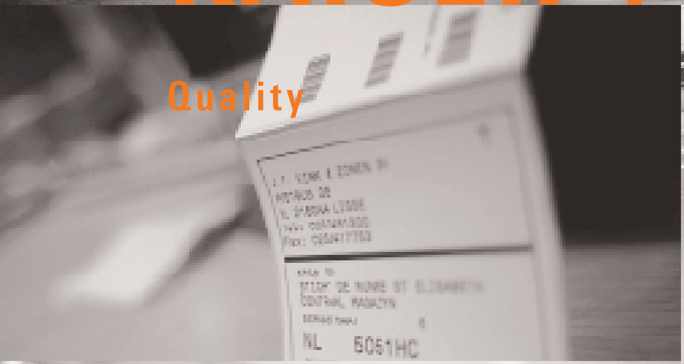
THE NORTH AMERICAN PRESENCE OF THE TAKKT GROUP

- Head office
- Warehouse
- Topdeq showroom/warehouse and sales office
- Sales offices

Virtuality

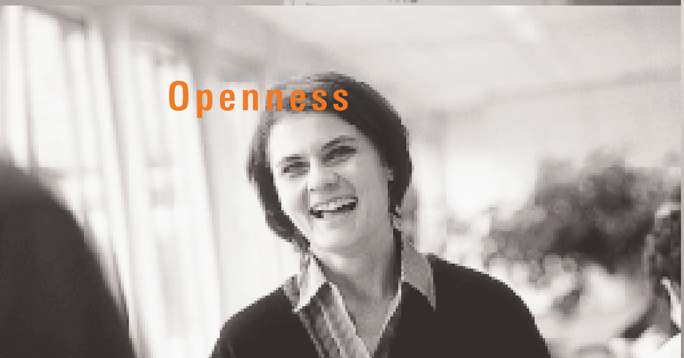
KAISER + KRAFT EUROPA

Quality



Flexibility

Openness



Continued Success

In 1999 the KAISER + KRAFT EUROPA Group continued to grow at the pace set in the prior year. Turnover rose by 4.3% to EUR 326.5 million. This result makes the KAISER + KRAFT EUROPA Group the strongest division within the TAKKT Group. The 1999 EBITDA was EUR 43.6 million, an increase of 8.2% over the previous year.

Market leader in the business-to-business mail order industry

With its sub-divisions KAISER + KRAFT, Gaerner and Gerdmans, KAISER + KRAFT EUROPA offers over 30,000 business, office and warehouse equipment prod- ucts at 37 locations in 16 European countries. This division ranks first in the European business-to-business mail order industry alongside Topdeq, another group division.

Centralised services

In order to harness synergies and exploit economies of scale, KAISER + KRAFT EUROPA GmbH offers centralised services for the group's subordinate operating companies. For example, advertising media and the integrated catalogues of the KAISER + KRAFT EUROPA Group are produced in Stuttgart. The catalogue (up to 850 pages) has a uniform core product component; it appears in nine languages and 16 different versions. Centralised purchasing for the uniform core product segments of KAISER + KRAFT EUROPA group companies is also co-ordinated in Stuttgart. We deploy these economies of scale in purchasing in the context of our European Supplier Programme. We are able to optimise our pan-European flow of goods through the continuous exchange of information regarding central logistics. The Internet presence of the KAISER + KRAFT EUROPA companies is also centrally maintained in Stuttgart.

Kamp-Lintfort — logistics heart of KAISER + KRAFT EUROPA

The European mail order centre in Kamp-Lintfort, which consists of a 24 metre high-bay warehouse, is the logistics heart of KAISER + KRAFT EUROPA. This facility currently serves approximately 800,000 customers throughout Europe. Given the significance of the logistics centre for the expansion of the online mail order business, it was decided in 1999 to expand capacity from 12,000 to 28,000 euro pallet spaces. The expanded logistics centre, which will be operational by mid-2001, will

In order to harness synergies and exploit economies of scale, KAISER + KRAFT EUROPA GmbH offers important centralised services for the division’s operating companies.

We optimise our pan-European flow of goods through the continuous exchange of information regarding central logistics.

KAISER + KRAFT EUROPA

KAISER + KRAFT EUROPA will continue to expand in innovative ways and drive its globalisation process forward on the basis of organic growth and acquisition.

We want to expand the e-commerce distribution channel by linking in directly to the customers' intranets or extranets.

be able to house over 5,500 different articles. TAKKT's subsidiary KAISER + KRAFT EUROPA is investing approx. EUR 17 million in the expansion of this leasing project. Construction is scheduled to begin in the spring of 2000. The expansion of capacity will reduce delivery times for the broadened product range and will contribute to the growing globalisation of procurement. Additional warehouses for regionally specific products are located in France and Sweden. KAISER + KRAFT EUROPA is thus fully equipped to deliver a larger product range even faster than before.

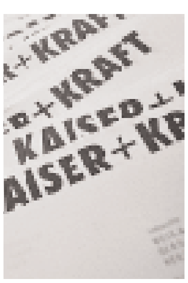
In-house products for individual needs

KAISER + KRAFT has been producing durable transport goods in Haan (near Düsseldorf) since 1971 under the *EURO*KRAFT brand name. *EURO*KRAFT increases the group's flexibility in terms of its product range and provides increasingly individualised customer care, thereby strengthening customer loyalty.

Our goals are always ambitious

Since January 1998, KAISER + KRAFT Germany has offered its entire product range on both CD-ROM and the Internet. KAISER + KRAFT EUROPA plans to expand e-commerce distribution. To this end, major projects concerning the establishment of direct links to customers via their intranets or extranets, which have already been launched and met with success, will be completed as soon as possible and extended to other major customers.

KAISER + KRAFT EUROPA will continue to expand in innovative ways and drive its globalisation process on the basis of both organic growth and acquisitions. Among other things, this includes continuous observation and analyses of all European countries, especially those in Eastern Europe that are the focus of the company's growth strategy. The successful inclusion of the Gerdmans Group, which is represented in all four Scandinavian countries, into the merchandise management system of KAISER + KRAFT EUROPA is one



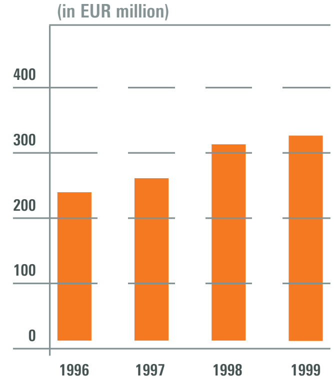
example of our ability to integrate companies. Once the Gerdmans Group has become an integral part of the intensive flow of knowledge within the TAKKT Group, Gerdmans will help strengthen our existing market leadership. For the Swedish company is now better equipped to realise the synergies of the scaleable systems approach, e.g. by exploiting economies of scale.

Both the breadth and depth of the product portfolio of KAISER + KRAFT EUROPA shall be expanded in order to enlarge the business-to-business segment. The range of services is also subject to continuous improvement. Plans are to make additional investments in the expansion of regional warehouses to supplement the expansion of the central warehouse in Kamp-Lintfort. The administration of customer data will also be improved in the area of data warehousing, with the intent of making customer care even more specific and individualised than it already is.

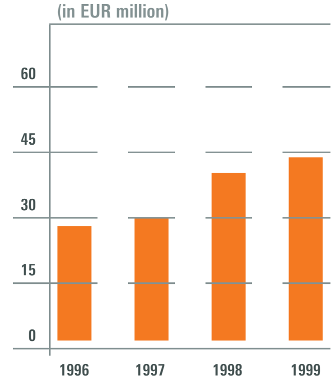
Service as in the USA

In order to learn even more about its customers and their needs, KAISER + KRAFT conducted a consumer survey in Germany. The results could not have been better for the company. In addition to offering a warranty period of at least two years and an unlimited right to return a product, we deliver our merchandise free in all 16 European countries we serve, i.e. without charging costs for shipping, handling, packaging or insurance. The customers surveyed confirmed the visible superiority of the services provided by KAISER + KRAFT Germany relative to those offered by its competitors. This edge is comparable to U.S. standards. And this praise is both the benchmark by which we will be measured and an incentive for future measures.

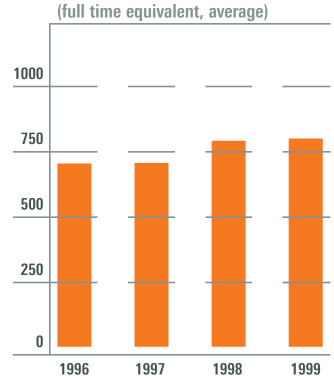
TURNOVER
(in EUR million)

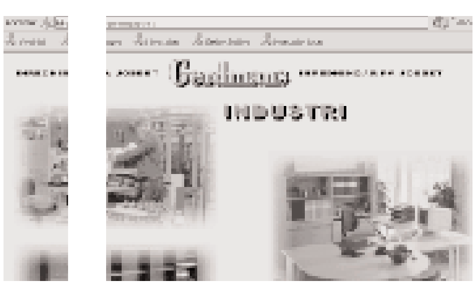


EBITDA
(in EUR million)



EMPLOYEES
(full time equivalent, average)





KAISER+KRAFT
EUROPA

KAISER + KRAFT

gaerner

Gerdmans

Intelligence

Topdeq

Deliability

Design

Customer Proximity

Topdeq

A tradition of success

In the year under review, the Topdeq Group maintained its tradition of success. Compared to the previous year, turnover rose by 16% to EUR 73.1 million. The EBITDA rose as well, to EUR 9.3 million; at 12%, it represents a significant increase over the 1998 result.

Number one among suppliers of designer office furniture

First came the idea to create a work environment that is fun and highly professional. Furthermore customers would be offered high-quality and attractive office furniture and accessories to make this vision a reality.

Meanwhile that idea has spawned a successful company. Today Topdeq markets designer office furniture and accessories by way of catalogues and the Internet in Germany, Switzerland, the Netherlands and France (since January 2000). The successful establishment of new companies in the past few years shows that Topdeq's business concept has high growth potential. Its competitive edge stems from the fact that it has succeeded in creating a European brand for designer office furniture. Top-design, Top-consultation, Top-quality and Top-speed have catapulted Topdeq to the forefront of this speciality mail order segment. The majority of Topdeq's 260,000 customers are small to mid-sized service sector companies. The product range, which is uniform in all countries, comprises approximately 2,000 articles of designer office furniture and accessories. Among others, Topdeq sells the products of such well-known designers as Philippe Starck and Rodolfo Bonetto as well as the work of up-and-coming talent.

1999 Highlights

Preparations for entering the French market by establishing the French branch were a high point of 1999. This step underscores the will and ability of Topdeq to consistently implement its growth strategy. Within the European Union, France's economy is second in terms of growth. This development will have a positive influence on Topdeq's turnover, especially in light of the fact that France is a potentially very large market. Topdeq's entry into the French market is being accompanied by a broad-based media blitz. Print advertisement supplements that showcase Topdeq have been placed in all business trade publications and major newspapers. In addition, a showroom in the vicinity of Paris/France permits customers to view a large selection of Topdeq's products. The French catalogue

As the leading speciality mail order company for design-oriented office furniture and accessories we offer Top-design, Top-consultation, Top-quality and Top-speed.

By establishing a French subsidiary of Topdeq we continue to pursue our growth strategy.

Topdeq

We are developing interactive Internet solutions in order to offer an even more customer-oriented service.

will offer the same products as the catalogue used for Germany, Switzerland and the Netherlands.

Topdeq's innovative spirit also makes itself felt in e-commerce. The company's entire product range has been available to all countries (except France) on the Internet since 1999. Topdeq will develop new Internet solutions in 2000.

The relocation of Topdeq's head office in Pfungstadt was another highlight of 1999. The building's interesting, open and transparent architecture reflects the corporate philosophy of Topdeq to be a trendsetter in the field of designer office furniture.

Our philosophy is to be a trendsetter in the field of designer office furniture.

Multi-faceted services

Deliveries within 24 hours — "ordered today, delivered tomorrow" — is one of Topdeq's strengths. Upon request, orders placed before 12:30 p.m. can even be delivered on the same day, subject to a surcharge. Competent representatives are available during office hours to provide information, submit estimates and draw up three-dimensional office decoration plans according to customers' specifications using CAD-systems. Topdeq offers both individual pieces of furniture and total space and office solutions, from wall clocks to wastepaper baskets. The company's emphasis on top-notch service also includes a 60-month quality guaranty as well as the returnability of merchandise within 30 days — no questions asked, no formalities, no added costs. Topdeq's five-year warranty clearly distinguishes the company's policies from common industry practice, which is often much more restrictive.

Both market proximity and a high degree of recognition of its product portfolio are pivotal to the success of this division. Hence all products are reviewed at regular short intervals to ensure that they meet these requirements; and if necessary, they are brought up to date.

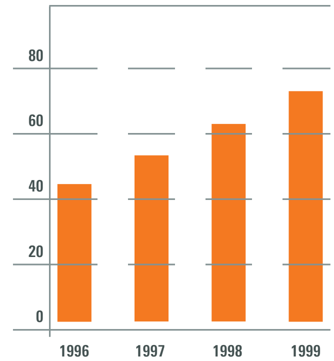
Further expansion

Topdeq plans to use its unique portfolio of products and services to continue its regional expansion. The short-term objective is to increase the company's market penetration in Europe. In the medium and long term, Topdeq plans to be represented in all major markets world-wide. E-commerce will have a central role to play in this growth strategy, as it does within the TAKKT Group as a whole. In the future all customers will be able to order and utilise designer office furniture, accessories and services online.

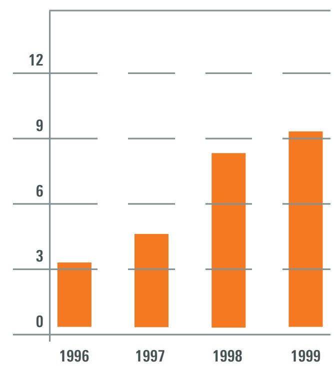
Harnessing synergies

The head office of the Topdeq Group in Pfungstadt is also the nerve centre where all activities of Topdeq's subsidiaries in Germany, Switzerland, the Netherlands and France come together. This is where know-how is bundled and where synergies are exploited for the benefit of the company. The head office in Pfungstadt provides centralised services for all subsidiaries, including central procurement, catalogue production as well as co-ordination of all Internet-based activities. The optimised organisational structure ensures that there are no gaps in the flow of knowledge — to the benefit of Topdeq's group companies and especially their customers.

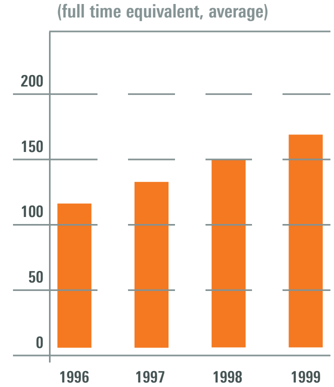
TURNOVER
(in EUR million)



EBITDA
(in EUR million)



EMPLOYEES
(full time equivalent, average)

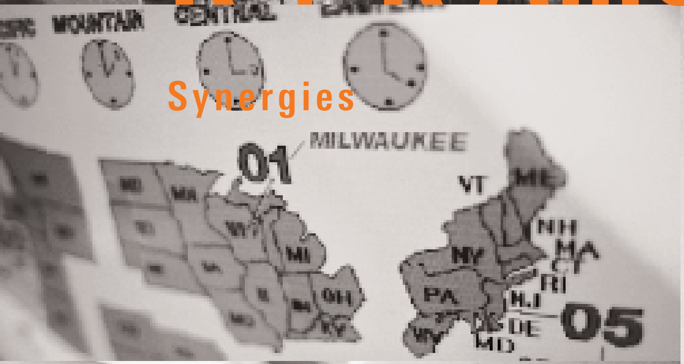


Topdeq

Organisation

K + K America

Synergies



Integration

Optimism

Continued growth

The strength of the U.S. and Canadian economy had an excellent effect on the business of the K + K America Group, whose companies grew at above-average rates in 1999. Turnover rose by 39.7% to EUR 228.0 million, a trend that is also reflected in EBITDA. This key indicator was EUR 23.2 million in the year under review, an increase of 40.5%. After adjustment for currency translation effects, the turnover of the companies on a U.S. dollar basis was 27.3% higher than in the previous year. Excluding the acquisition of Conney Safety Products, K + K America improved by 16.2% to EUR 181.0 million.

Excellent position in North America

K + K America — through its subsidiaries C&H Distributors, Avenue Industrial Supply and Conney Safety Products — is the leading mail order vendor in the United States and Canada. The company offers over 45,000 articles in the areas of transport, storage, business, office and safety products as well as packaging materials.

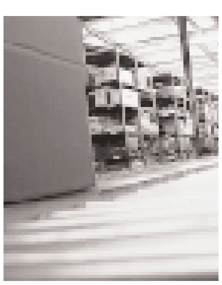
The distribution infrastructure of K + K America — which has been optimised through a network of five regional warehouses in the U.S., one in Toronto/Canada and a national distribution centre — has been the decisive factor in the company's success. At present K + K America has approximately 900,000 customers.

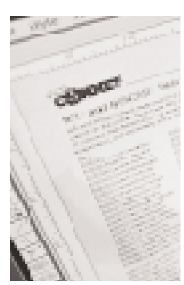
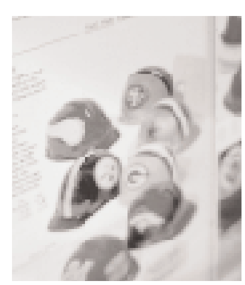
C&H Distributors — the leading all-round provider

C&H Distributors is the market leader in the United States in the business-to-business mail order segment for office, business, and warehouse equipment. As an all-round provider, C&H offers a broad selection of products and services in almost every category. Besides the large national distribution centre in Milwaukee/Wisconsin, the distribution centres in Reno/Nevada, Dallas/Texas, Atlanta/Georgia and Cranbury/New Jersey offer broad coverage to C&H's customers. Typical for a TAKKT company, this infrastructure provides as much centralisation as necessary and as much market proximity as possible. Synergies are exploited and purchasing power is deployed for the customers' benefit.

K + K America — through its subsidiaries C&H Distributors, Avenue Industrial Supply and Conney Safety Products — is the leading mail order supplier in the United States and Canada.

Our corporate structure provides as much centralisation as necessary and as much market proximity as possible.



K + K America

Our business systems can be applied to other products, market segments and regions at any time.

Synergies, which provided the decisive edge, were part of the mix when a new customer service was inaugurated early in 2000. Under C&H's programme called "A Guaranteed Delivery Date", customers are told at the time they place an order when it will be shipped and delivered. If these deadlines are not met, C&H pays the shipping costs. Precise scheduling of this nature was tested with such success that C&H can offer this unique service to its customers without incurring undue risks. C&H is so far the only company to offer this service, but the other K + K America companies plan to follow suit in the near future. It is merely a matter of time, given the excellent network infrastructure.

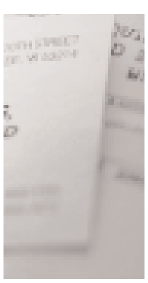
Avenue Industrial Supply — strong market position in Canada

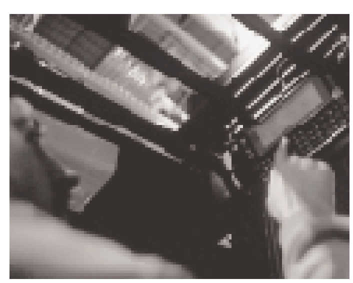
Avenue Industrial Supply, the leading Toronto-based Canadian mail order vendor that provides total solutions for business equipment, is working to strengthen its good position on the North American market. Avenue Industrial also has a speciality: It delivers 98% of all of its products — warehouse and office equipment, workplace safety products and packaging materials — to its customers free of shipping charges. In addition, Avenue Industrial also delivers most products on the same day orders are placed. Excellent service and logistic competence — the hallmarks of the entire TAKKT Group — make it possible.

Avenue delivers 98% of its products to its customers free of shipping charges, most of them even on the same day they are ordered.

Workplace safety with Conney Safety Products

Conney Safety Products is an all-round provider in the field of workplace safety products. Safety products are a viable complement to the existing product range of K + K America. They are not particularly price sensitive and target almost the same customer base. As to be expected, Conney Safety also places a premium on excellent service. Orders are delivered on the same day they are placed, if necessary via airmail. Conney Safety offers a very broad range of products. The company was acquired in 1998 and successfully integrated into the K + K America Group a year later. The objective is to consolidate all safety activities in order to exploit economies of scale in the existing systems business. Yet another example of the applicability of TAKKT's scalable systems approach to new products, market segments and regions — at any time, quickly and at low cost.





Growth in new markets

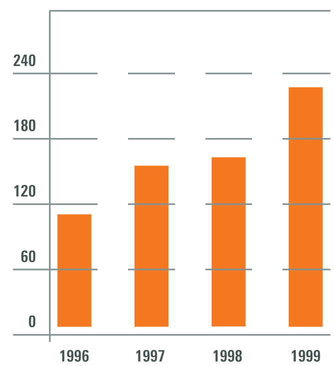
Although its standards are already very high, K + K America continues to improve the quality of its goods and services. This includes expanding the existing product range in both breadth and depth.

K + K America also plans to expand its activities to Central and South America. The group has already concluded the requisite market studies concerning Mexico, which due to its membership in the North American Free Trade Zone (NAFTA) and its function as a bridgehead to South America is an almost ideal candidate.

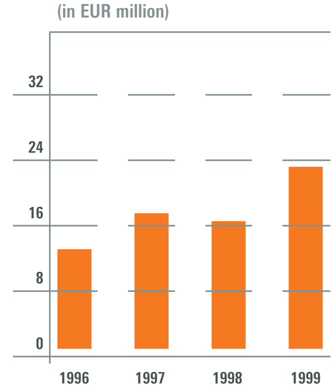
Additional investment in E-commerce

Building on the experience gained in Europe, additional funds are being invested in e-commerce in the USA. Plans exist to make the entire product range available in 2000 on all existing websites of all TAKKT companies. Initial trials are currently conducted with selected customers. The complete Internet offer will be available from May 2000. The new online service includes additional customer service functions, such as expanded product descriptions, callback buttons, shipment tracking options and so forth.

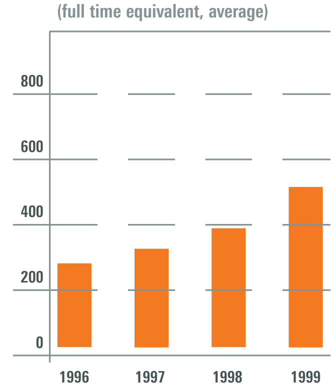
TURNOVER
(in EUR million)

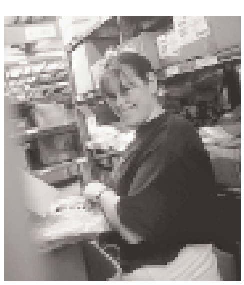


EBITDA
(in EUR million)



EMPLOYEES
(full time equivalent, average)



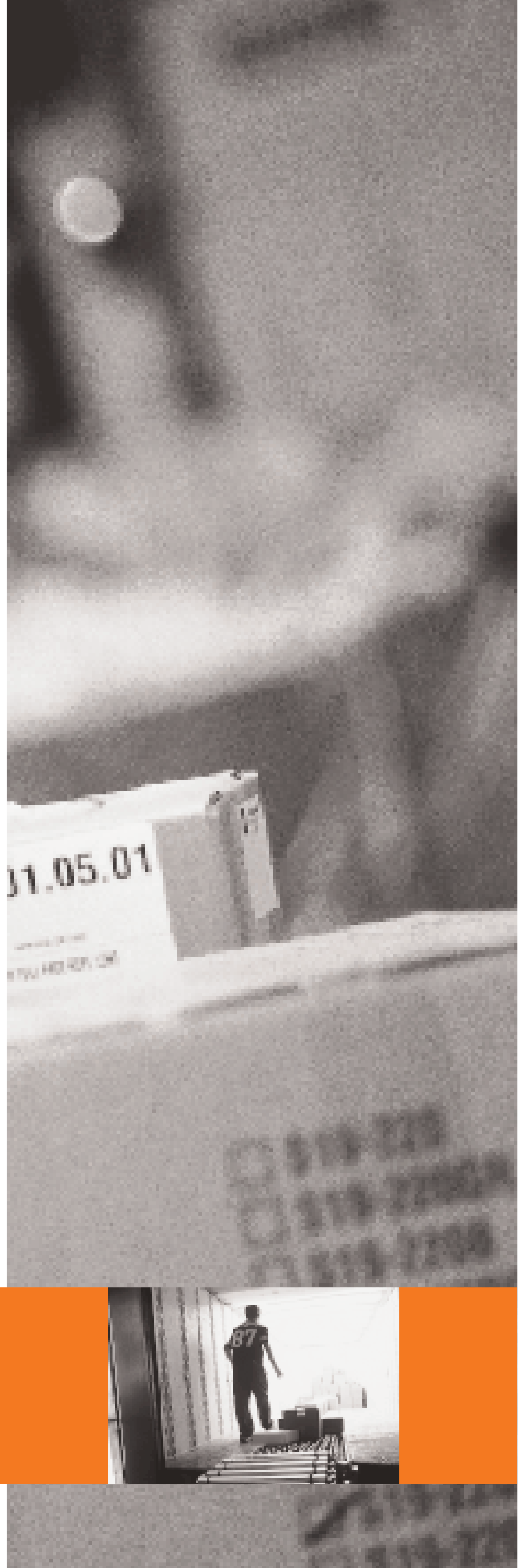


K+K America Corporation

C&H

AVENUE
INDUSTRIAL SUPPLY CO. LTD.

CONNEY



The TAKKT AG spin-off from GEHE AG was the first classical spin-off by a listed German company.

First spin-off at a German stock exchange

TAKKT AG was founded on 1 March 1999 and has been listed on the Frankfurt and Stuttgart stock exchanges since 15 September of the same year. TAKKT AG acquired the former Mail Order Division from GEHE AG on 1 July 1999 by way of a spin-off.

This "classic" spin-off was the first of its kind at a German stock exchange. The Management Boards of both GEHE AG and TAKKT AG pursued this avenue because the core competencies of specific activities are strengthened in the long term by the autonomy of the Mail Order Division. Furthermore, the capital markets prefer companies that focus on transparent, clearly defined core areas. "Pure plays" give greater consideration to the concept of shareholder value, which both companies are committed to uphold. The market valuation of the company also has greater industry specificity.

Shareholder structure

We are committed to the concept of shareholder value.

Based on its shareholdings in GEHE AG, following the spin-off Franz Haniel & Cie GmbH, Duisburg, became the majority shareholder of TAKKT AG with 51.6% of the shares. Ten percent of the TAKKT shares are held by an affiliate of AXA Colonia Konzern AG, Cologne. Institutional and private investors owned 38.4% of TAKKT's shares. At 31 December 1999 Franz Haniel & Cie GmbH held 67.9% of shares.

Dividend

TAKKT AG aims at long-term and predictable dividend policies. The company plans to pay appropriate dividends based on its operational earnings capacity and taking retained earnings into account, which may be necessary for the envisioned expansion strategy to succeed. Although the depreciation and interest charges stemming from the spin-off will reduce the domestic result of TAKKT AG in the coming years, dividends can be paid from domestic profits subject to a corporation tax credit. TAKKT shares participate in the company's profits with effect from 1 July 1999.

Traded as an outperformer

Initial contacts to analysts were established shortly after the spin-off of the Mail Order Division to TAKKT AG. The first analyst conference, which served to introduce the international experts to the TAKKT Group's business, market position and growth strategy, was held at the company's core facility, the European mail order centre in Kamp-Lintfort. Several research reports were generated through these and follow-up initiatives. Based on this, most analysts have classified TAKKT as an outperformer.

TAKKT finds new shareholders

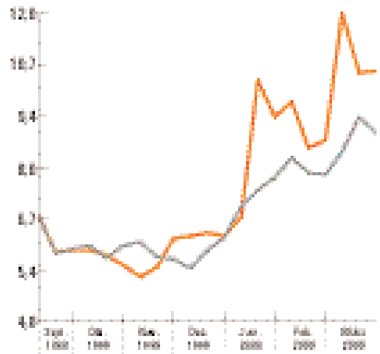
TAKKT's shares were quoted at EUR 6.50 on the first day of trading, followed by a decline in the share price in subsequent weeks. Since the spin-off was implemented at a 1:1 ratio, even institutional investors of GEHE AG, e.g. funds geared exclusively toward investments in the pharmaceutical and healthcare industries or toward MDAX shares, received TAKKT shares. However, because TAKKT does not satisfy either criteria (pharmaceuticals/healthcare, MDAX share) shareholdings were restructured as anticipated. In this phase, the share price occasionally fell below the initial listing price.

But the share price recovered rapidly from this initial decline because other institutional and private investors discovered TAKKT's imaginative approach to growth and its strategy to focus on e-commerce in the business-to-business field, causing the demand for TAKKT shares to rise considerably.

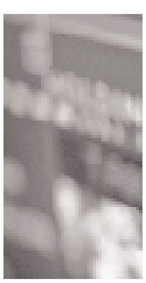
TAKKT is listed on the SMAX

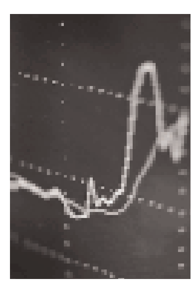
Analysts and investors alike have now recognised TAKKT's strengths. The company is a market leader in the business-to-business segment of the European and North American mail order industry. It offers an optimal portfolio of strong national brands and specific know-how at low risk. In the mail order business, e-commerce is the next logical step and TAKKT has already gained a competitive edge in this regard. Thanks to its own sound expansion policies and its membership in a rapidly consolidating industry, TAKKT has enormous growth potential. The TAKKT share is a value-added share that does not carry many risks, a fact that will make itself felt in a higher company valuation. Given that the TAKKT Group is a pure business-to-business venture with a solid Internet strategy and global activities, its shares are a unique opportunity on the short list of German investors. The listing of TAKKT in the SMAX in March 2000 gave the share yet another boost. At the time of the application for

PERFORMANCE OF THE TAKKT SHARE
(in EUR)



▮ TAKKT share
▮ SDAX





listing in the SMAX (on 18 February 2000) was filed, TAKKT was one of the five largest companies listed in this index with a market capitalisation of EUR 692 million. The listing in the SMAX increases the visibility of TAKKT and thus attracts investors. It is our intention to apply for a listing in the SDAX as soon as possible.

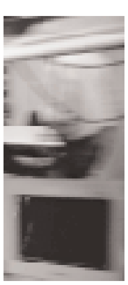
KEY FIGURES FOR THE TAKKT AG SHARE

	pro-forma 1.1. – 31.12.1999	1.7. – 31.12.1999
Earnings per share (EPS) in EUR	0.44	0.26
Cash flow per share (CPS) in EUR	0.63	0.39
EBITDA 1999 in EUR '000	70,476	40,469
Shareholders' equity in EUR '000		99,062
Dividend per share in EUR		0.05
Dividend per share with tax credit in EUR		0.07
Dividend rate (without tax credit) in %		19.2
Number of issued shares in millions		72.9
Share price in EUR (31 Dec 1999)		6.50
Highest price in EUR		7.00
Lowest price in EUR		5.15
Market capitalisation in EUR million (31.12.1999)		473.85

Discussions with investors

In order to respond adequately to the increasing world-wide need of capital markets for information, TAKKT AG engages in investor relations proactively and systematically. In the past year, roadshows were conducted in both Europe and the United States. The first contact with analysts in our distribution centre in Kamp-Lintfort was followed by several events, e.g. at the German Mid Cap Conference (GMCC) and individual meetings. The first months of 2000 saw a European roadshow as well as several group and individual meetings, both at home and abroad.

Besides roadshows and individual discussions, activities concerning investor relations also include tele-conferences and our quarterly reports as well as our TAKKT website. TAKKT will continue to improve investor relations for they are the expression of its transparent and open corporate policies.



Consolidated Financial Statements

In order to facilitate the comparison and analysis of the net worth, financial position and results of operations, pro-forma figures for 1999 and 1998 are provided in addition to the figures for the accounting period (1 July 1999 to 31 December 1999).

Consolidated Balance Sheet of TAKKT AG, Stuttgart

ASSETS

	Notes	31.12.1999 EUR '000	1.7.1999 EUR '000	31.12.1998 pro -forma EUR '000
A. Fixed assets	(1)			
I. Intangible assets	(2)	202,493	208,896	97,680
II. Tangible assets	(3)	34,741	35,487	26,133
III. Financial assets	(4)	69	71	97
		237,303	244,454	123,910
B. Current assets				
I. Stocks	(5)	46,847	37,427	40,936
II. Trade and other debtors	(6)	79,501	74,790	66,309
III. Bank and cash balances	(7)	4,108	1,994	2,673
		130,456	114,211	109,918
C. Prepayments	(8)	3,183	2,833	1,824
		370,942	**361,498**	**235,652**

EQUITY AND LIABILITIES

	Notes	31.12.1999 EUR '000	1.7.1999 EUR '000	31.12.1998 pro -forma EUR '000
A. Shareholders' equity				
I. Issued capital		72,900	72,900	51,129
II. General reserves	(9)	17,908	2,954	49,157
III. Retained earnings		3,645	0	0
IV. Minority interests	(10)	4,609	4,433	4,239
		99,062	80,287	104,525
B. Provisions	(11)	29,653	27,682	24,182
C. Liabilities	(12)	242,226	253,510	106,943
D. Deferred income		1	19	2
		370,942	**361,498**	**235,652**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	1.7.1999 - 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
1. Turnover	(13)	316.268	627.562	539.248
2. Changes in stocks of finished goods and work-in-progress		-15	-59	233
3. Own work capitalised		0	28	30
		316.253	627.531	539.511
4. Cost of goods sold	(14)	195.628	385.761	331.584
5. Gross profit		120.625	241.770	207.927
6. Other income	(15)	3.814	6.630	4.457
7. Personnel expenses	(16)	35.045	68.350	56.838
8. Depreciation of intangible and tangible assets	(17)	9.324	13.944	6.404
9. Operating taxes		287	663	541
10. Other operating expenses	(18)	46.649	106.923	89.865
		33.134	58.520	58.736
11. Net financial result	(19)	-4.013	-6.000	-1.045
12. Extraordinary item	(20)	-1.989	-1.989	0
13. Profit for the year before tax		27.132	50.531	57.691
14. Taxes on income		8.094	18.635	28.202
15. Profit for the year		19.038	31.896	29.489
16. Profits of companies not spun-off from GEHE AG		0	-3.455	0
17. Profit transferred pursuant to a profit transfer agreement		0	0	-21.257
18. Transfer to general reserves		-14.988	-24.106	-7.577
19. Minority interest in profits		-405	-690	-655
20. Retained earnings		**3.645**	**3.645**	**0**

ACCOUNTING PERIOD 1.7.1999–31.12.1999

COST

	1.7.1999 EUR '000	Translation adjustment EUR '000	Additions EUR '000	Reclassifi-cations EUR '000	Disposals EUR '000	31.12.1999 EUR '000
I. Intangible assets						
Concessions, industrial and similar rights	34,744	851	326	116	24	36,013
Goodwill	166,695	1,559	0	0	0	168,254
Payments on account	115		125	-118	0	122
Goodwill on consolidation	56,889	0	0	0	399	56,490
	258,443	2,410	451	-2	423	260,879
II. Tangible assets						
Land, landrights and buildings including buildings on third-party land	28,423	407	599	-10	7	29,412
Technical equipment and machinery	1,458	0	6	0	0	1,464
Other factory and office equipment	18,449	221	1,484	85	1,262	18,977
Payments on account	86	2	0	-73	13	2
	48,416	630	2,089	2	1,282	49,855
III. Intangible assets						
Long-term investments	72	0	0	0	0	72
	306,931	**3,040**	**2,540**	**0**	**1,705**	**310,806**

CUMULATIVE DEPRECIATION AND GOODWILL SET-OFF / NET BOOK VALUE

1.7.1999 EUR '000	Translation adjustment EUR '000	Additions EUR '000	Reclassifi-cations EUR '000	Goodwill set-off EUR '000	Disposals EUR '000	31.12.1999 EUR '000	Net book value 31.12.1999 EUR '000	Net book value 30.6.1999 EUR '000
26,319	717	792	0	0	23	27,805	8,208	8,425
5,980	261	5,420	0	0	0	11,661	156,593	160,715
0	0	0	0	0	0	0	122	115
17,248	0	0	0	1,788	116	18,920	37,570	39,641
49,547	978	6,212	0	1,788	139	58,386	202,493	208,896
3,814	55	556	-1	0	1	4,423	24,989	24,609
0	0	227	0	0	0	227	1,237	1,458
9,115	177	2,329	1	0	1,158	10,464	8,513	9,334
0	0	0	0	0	0	0	2	86
12,929	232	3,112	0	0	1,159	15,114	34,741	35,487
1	0	2	0	0	0	3	69	71
62,477	**1,210**	**9,326**	**0**	**1,788**	**1,298**	**73,503**	**237,303**	**244,454**

PRO-FORMA FINANCIAL YEAR 1999

COST

	1.1.1999 EUR '000	Translation adjustment TEUR	Additions TEUR	Reclassifi-cations TEUR	Disposals TEUR	Effect from spin-off TEUR	31.12.1999 TEUR
I. Intangible assets							
Concessions, industrial and similar rights	34,005	4,418	596	540	959	-2,587	36,013
Goodwill	50,626	8,214	0	0	75	109,489	168,254
Payments on account	442	0	222	-542	0	0	122
Goodwill on consolidation	66,117	0	0	0	399	-9,228	56,490
	151,190	12,632	818	-2	1,433	97,674	260,879
II. Tangible assets							
Land, landrights and buildings including buildings on third-party land	24,885	1,986	744	-10	6	1,813	29,412
Technical equipment and machinery	3,435	0	52	0	1	-2,022	1,464
Other factory and office equipment	21,535	999	2,426	85	3,020	-3,048	18,977
Payments on account	12	0	77	-73	14	0	2
	49,867	2,985	3,299	2	3,041	-3,257	49,855
III. Intangible assets							
Shares in affiliated companies	26	0	0	0	0	-26	0
Long-term investments	72	0	0	0	0	0	72
	98	0	0	0	0	-26	72
	201,155	**15,617**	**4,117**	**0**	**4,474**	**94,391**	**310,806**

CUMULATIVE DEPRECIATION AND GOODWILL SET-OFF | NET BOOK VALUE

1.1.1999 EUR '000	Translation adjustment EUR '000	Additions EUR '000	Reclassifi-cations EUR '000	Goodwill set-off EUR '000	Disposals EUR '000	Effect from spin-off EUR '000	31.12.1999 EUR '000	31.12.1999 EUR '000	31.12.1998 EUR '000
26,766	3,615	1,564	0	0	957	-3,183	27,805	8,208	7,239
3,858	613	7,190	0	0	0	0	11,661	156,593	46,768
0	0	0	0	0	0	0	0	122	442
22,886	0	0	0	3,845	116	-7,695	18,920	37,570	43,231
53,510	4,228	8,754	0	3,845	1,073	-10,878	58,386	202,493	97,680
6,465	163	1,033	-1	0	1	-3,236	4,423	24,989	18,420
2,698	0	349	0	0	1	-2,819	227	1,237	737
14,571	646	3,808	1	0	2,833	-5,729	10,464	8,513	6,964
0	0	0	0	0	0	0	0	2	12
23,734	809	5,190	0	0	2,835	-11,784	15,114	34,741	26,133
0	0	0	0	0	0	0	0	0	26
1	0	2	0	0	0	0	3	69	71
1	0	2	0	0	0	0	3	69	97
77,245	**5,037**	**13,946**	**0**	**3,845**	**3,908**	**-22,662**	**73,503**	**237,303**	**123,910**

Accounting Principles
Scope of Consolidation
Pro-Forma Consolidated Balance Sheets and
Pro-Forma Consolidated Profit and Loss Accounts
Consolidation Policies

Accounting Principles

The consolidated accounts of TAKKT AG for the period ended 31 December 1999 have been prepared in accordance with the requirements of the German Commercial Code (”HGB”) and the German Stock Corporation Act (”AktG”). The amounts are stated in Euros.

For the sake of clarity, certain amounts in the balance sheet and the profit and loss account are presented in summarised form. A breakdown of the individual amounts is provided in the notes.

The profit and loss account was drawn up in accordance with the ”type of expenditure” method, with gross profit being shown separately (§ 298, para. 1 and § 265, para. 5 HGB).

Scope of Consolidation

TAKKT AG, Stuttgart — which was founded by GEHE AG, Stuttgart, on 1 March 1999 as the sole shareholder and registered with the German Commercial Register of the local Stuttgart court on 30 March 1999 — is the group's parent company.

On 30 June 1999, the Mail Order Division of GEHE AG, Stuttgart, was transferred to TAKKT AG in a spin-off (§ 123, para. 2, no 1 German Transformation Act (“UmwG”). The consolidated financial statements of the TAKKT Group thus cover the period from 1 July to 31 December 1999. Besides TAKKT AG, Stuttgart, 6 domestic and 28 foreign companies are included in the group accounts. The schedule concerning the shareholdings of TAKKT AG is filed with the Stuttgart commercial register.

Pro-Forma Consolidated Balance Sheets and Pro-Forma Consolidated Profit and Loss Accounts

In order to provide a better picture of the group's assets, financial and profit situation, TAKKT AG has prepared a pro-forma consolidated balance sheet as of 31 December 1998 as well as pro-forma consolidated profit and loss accounts for the periods from 1 January to 31 December 1998 and from 1 January to 31 December 1999. The pro-forma consolidated balance sheet for the year ended 31 December 1998 as well as the pro-forma consolidated profit and loss account for the period from 1 January to 31 December 1998 were subject to a voluntary audit as conducted by Dr. Ebner, Dr. Stolz und Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, in connection with the application of TAKKT AG for listing on the stock exchange; the auditors issued an unqualified audit opinion.

The pro-forma consolidated balance sheet at 30 June 1999 and the pro-forma consolidated profit and loss account for the period 1 January to 30 June 1999, both of which were prepared voluntarily in connection with the spin-off of the Mail Order Division of GEHE AG to TAKKT AG, were also audited by Dr. Ebner, Dr. Stolz und Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

Any figures provided in the notes to the consolidated financial statements for the previous year or any figures for the complete calendar year 1999 result from the pro-forma consolidated balance sheet and/or the pro-forma consolidated profit and loss accounts.

The subsidiaries of the KAISER + KRAFT Mail Order Division which were transferred to TAKKT AG, Stuttgart in connection with the spin-off from GEHE AG, Stuttgart, were included in the scope of consolidation of the pro forma statements for both 1998 and the first half of 1999.

The pro-forma statements 1998 do not include any fictitious effects of the spin-off, such as additional depreciation or higher interest charges. See Section “Consolidation Policies” with regard to the effects of the spin-off.

Consolidation Policies

With the exception of Topdeq S.A.S., Tremblay en France/France, the balance sheet dates of all of the companies included in the group accounts correspond to the balance sheet date of the consolidated annual accounts as of 31 December 1999.

Interim accounts as of 31 December 1999 were prepared voluntarily for Topdeq S.A.S., Tremblay en France/France, which was founded on 26 August 1999. The company's first accounting period does not end until 31 December 2000.

The individual financial statements were first prepared in accordance with applicable national accounting policies. To the extent that these differ from the accounting regulations set forth in the German Commercial Code (HGB), adjustments were made to bring the foreign financial statements into line with the allocation and valuation principles of the HGB. Valuation adjustments, if necessary, were set off against the equity of the companies concerned.

Consolidation Policies

The balance sheet items in the financial statements of the foreign companies were converted into euros using the average exchange rate prevailing on the balance sheet date or the fixed Euro conversion rates. Exchange differences resulting from the translation of assets and liabilities of the foreign group companies have been set off against general reserves without affecting profits. The profit and loss accounts of the foreign companies have been translated at average rates for the year. The differences resulting from the use of different exchange rates when converting the annual results have been allocated to group reserves without affecting profits.

The individual financial statements, as adjusted to German accounting policies, have been incorporated into the consolidated annual accounts as follows:

- Upon initial consolidation, the book value of the parent company's investment is set off against the subsidiary's equity at the time of the first consolidation (§ 301, para. 1, clause 2, no 1 HGB). Since the spin-off of the Mail Order Division to TAKKT AG led to the creation of a new group, 1 July 1999 was established as the date of initial consolidation.
- Differences arising on consolidation have been treated as goodwill. EUR 280,541,000 were set off against the general reserves in accordance with § 309, para. 1, clause 3 HGB without affecting profits. The remaining net amount of EUR 37,570,000 concerns three shareholdings. This goodwill is amortised over a residual useful life of 9 to 13 years.
- On subsequent consolidation, the group's share in the results of the subsidiaries after initial consolidation is included in general reserves.
- Dividends out of group companies' prior year profits are eliminated against these reserves, as are consolidation adjustments.
- Unrealised intercompany profits of EUR 340,000 in fixed assets as well as unrealised profits of EUR 1,350,000 in stocks have been eliminated. The resulting deferred taxation amounts to EUR 845,000.
- Intra-group debtors and liabilities have been set off against each other in connection with the consolidation of liabilities. Debtors and liabilities to third parties have been consolidated on the condition that such balances with third parties are reciprocal and can be set off against each other .
- Third-party shares in subsidiary's equity and profits are shown under "minority interests".
- Special tax reserves totalling EUR 1,820,000, set up in the individual financial statements to comply with tax regulations, have been reallocated equally to general reserves and tax provisions, as allowed by § 300, para. 2 HGB. The deferred tax liability of EUR 910,000 has subsequently been set off against deferred tax assets.
- All intra-group turnover as well as all intra-group income and expenditure has been fully eliminated in the consolidated profit and loss account.

Effects of the Spin-Off

In order to facilitate a comparison of the consolidated financial statements for the year ended 31 December 1999 with the pro-forma consolidated financial statements for the year ended 31 December 1998, the table below shows the effects of the spin-off on the mail order division from GEHE AG, Stuttgart and its transfer to TAKKT AG, Stuttgart.

The previously consolidated equity of the mail order division, which included the issued capital of the parent company of EUR 51,129,000 and the group's general reserves, was replaced by the share capital of TAKKT AG, Stuttgart, of EUR 72,900,000, plus the general reserves resulting from the set-off of consolidation adjustments (cf. explanation no. 9, general reserves).

The changes in fixed assets arise from the inclusion of goodwill resulting from the transfer of operations in preparation for the spin-off.

The increase in liabilities to banks refers to the increased financing volume that resulted from intra-group transfers, less the equity of TAKKT AG, Stuttgart.

The impact of the spin-off on fixed assets and the liabilities to banks has resulted subsequently in additional depreciation of approximately EUR 4,3 million and higher interest charges of approximately EUR 2,5 million.

EFFECTS OF THE SPIN-OFF

		Pro-forma consolidated balance sheet Mail Order Division 30.6.1999 EUR '000	Impact of spin-off EUR '000	Pro-forma consolidated balance sheet TAKKT AG 1.7.1999 EUR '000
Assets:	Intangible assets	100,347	108,549	208,896
	Tangible assets	26,961	8,526	35,487
	Financial assets	97	-26	71
	Fixed assets	127,405	117,049	244,454
	Amounts owed by affiliated companies	33,958	-33,958	0
	Other assets	9,768	-2,451	7,317
	Other current assets	106,894	0	106,894
	Current assets	150,620	-36,409	114,211
	Prepayments	3,009	-176	2,833
		281,034	**80,464**	**361,498**
Equity and Liabilities:	Issued capital	51,129	21,771	72,900
	General reserves	65,266	-62,312	2,954
	Minority interests	4,433	0	4,433
	Shareholders' equity	120,828	-40,541	80,287
	Provision for pensions	4,925	296	5,221
	Other provisions	25,068	-2,607	22,461
	Provisions	29,993	-2,311	27,682
	Liabilities to affiliated companies	41,832	123,316	165,148
	Other liabilities	88,362	0	88,362
	Liabilities	130,194	123,316	253,510
	Deferred income	19	0	19
		281,034	**80,464**	**361,498**

SOURCE AND APPLICATION OF FUNDS

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Profit for the year (incl. minority interests)	19,038	31,896*	29,489**
Fixed assets depreciation	9,324	13,944*	6,404
Increase in provisions	1,803	4,702	6,078
Other expenditure/profits not affecting the movement of funds	599	904	-55
Profit/loss from the disposal of fixed assets	-39	-42	-56
Increase in stocks	-8,880	-3,107	-6,500
Increase/decrease in trade debtors and assets not part of investment and financing activities	-4,014	-10,096	-6,131
Increase/decrease of trade liabilities and other liabilities not part of investment and financing activities	-160	7,304	883
Net cash flow from operations	17,671	45,505	30,112
Proceeds from disposal of tangible/intangible assets	163	325	138
Investments in tangible/intangible assets	-2,540	-4,117	-73,824
Net cash flow from investment activities	-2,377	-3,792	-73,686
Increase/decrease of gross financing liabilities	-13,267	-35,665	64,700
Payments to owners and minority interests (dividends, profit transfers)	0	-91	-21,257
Other changes in shareholders' equity	79	-87	-585
Net cash flow from financing activities	-13,188	-35,843	42,858
Changes in fixed assets from spin-off	0	-117,049	0
Change in other assets from spin-off	0	2,627	0
Change in shareholders' equity from spin-off	0	-40,541	0
Change in other liabilities from spin-off	0	-2,311	0
Change in gross financing liabilities from spin-off	0	157,274	0
Profit/depreciation in companies remaining with GEHE AG	0	-4,538	0
Net cash flow from spin-off	0	-4,538	0
Net change in funds	2,106	1,332	-716
Change in funds arising from exchange differences	8	103	-62
Funds at the beginning of the period	1,994	2,673	3,451
Funds at the end of the period	**4,108**	**4,108**	**2,673**

*) Including the companies remaining with GEHE AG, Stuttgart. **) Prior to the profit transfer to GEHE AG, Stuttgart.

The funds are computed as the sum of cheques and cash in hand and at bank.

Segment reporting

SEGMENT REPORTING 1.7.1999 – 31.12.1999

	K+K EUROPA Group EUR '000	Topdeq Group EUR '000	K+K America Group EUR '000	Other EUR '000	Group total EUR '000
Turnover	162,901	39,117	114,314	- 64	316,268
EBITDA	26,726	5,582	13,718	- 5,557	40,469
Depreciation	6,097	429	2,753	45	9,324
EBIT	20,629	5,153	10,965	- 5,602	31,145
Net financial result	- 2,241	- 497	- 1,431	156	- 4,013
Profits before tax and extraordinary item	18,388	4,656	9,534	- 3,457	29,121
Extraordinary item	0	0	0	- 1,989	- 1,989
Taxes on income	6,349	1,241	3,888	- 3,384	8,094
Profit for the year	12,039	3,415	5,646	- 2,062	19,038
Assets	217,396	35,631	120,580	- 2,665	370,942
Capital expenditure	1,156	758	611	15	2,540
Liabilities	145,154	34,736	64,388	- 2,051	242,227
Average no. of employees (full-time equivalent)	797	176	526	23	1,522
Employees (full-time equivalent) at 31 Dec	804	183	535	24	1,546

PRO-FORMA SEGMENT REPORTING 1.1.1999 – 31.12.1999

	K+K EUROPA Group EUR '000	Topdeq Group EUR '000	K+K America Group EUR '000	Other EUR '000	Group total EUR '000
Turnover	326,536	73,082	228,011	- 67	627,562
EBITDA	43,600	9,327	23,185	- 5,636	70,476
Depreciation	7,639	823	5,437	45	13,944
EBIT	35,961	8,504	17,748	- 5,681	56,532
Net financial result	-3,022	- 169	- 3.043	234	- 6,000
Profits before taxes and extraordinary item	32,939	8,335	14,705	- 3,458	52,521
Extraordinary item	0	0	0	- 1,989	- 1,989
Taxes on income	12,851	3,297	5,872	- 3,384	18,636
Profit for the year	20,088	5,038	8,833	- 2,063	31,896
Assets	217,396	35,631	120,580	- 2,665	370,942
Capital expenditure	1,801	1,260	1,027	29	4,117
Liabilities	145,154	34,736	64,388	- 2,051	242,227
Average no. of employees (full-time equivalent)	801	169	515	12	1,497
Employees (full-time equivalent) at 31 Dec	804	183	535	24	1,546

Segment reporting
Notes on segment reporting

PRO-FORMA SEGMENT REPORTING 1.1.1998 – 31.12.1998

	K+K EUROPA Group EUR '000	Topdeq Group EUR '000	K+K America Group EUR '000	Other EUR '000	Group total EUR '000
Turnover	313,022	63,002	163,230	- 6	539,248
EBITDA	40,310	8,325	16,505	0	65,140
Depreciation	3,347	646	2,411	0	6,404
EBIT	36,963	7,679	14,094	0	58,736
Net financial result	235	- 256	- 1,024	0	- 1,045
Profits before taxes and extraordinary item	37,198	7,423	13,070	0	57,691
Extraordinary item	0	0	0	0	0
Taxes on income	19,528	3,615	5,059	0	28,202
Profit for the year	17,670	3,808	8,011	0	29,489
Assets	138,609	36,366	102,024	- 41,347	235,652
Capital expenditure	24,962 637	48,224	0	73,823	
Liabilities	75,429	9,715	63,200	- 41,399	106,945
Average no. of employees (full-time equivalent)	792	150	388	0	1,330
Employees (full-time equivalent) at 31 Dec	809	156	500	0	1,465

KAISER + KRAFT EUROPA

KAISER + KRAFT EUROPA GmbH, Stuttgart, has distribution companies in the sub-divisions of KAISER + KRAFT, Gaerner and Gerdmans with a total of 37 branches in 16 European countries. The companies of this division offer over 30,000 products. KAISER + KRAFT EUROPA GmbH operates a national mail order centre and three additional warehouses as well as production facilities for durable transportation equipment (platform trucks, sack trucks, trolley jacks etc.) located in Haan, near Düsseldorf, its in-house manufacturing facilities. These products are marketed under the brand name EUROKRAFT. Besides the standard programme, the company also manufactures customised products and carries out small series production orders in accordance with customer specifications. This segment focuses on the following product groups: transport, storage, environment, operational facilities and office equipment.

Topdeq

The Topdeq Group distributes designer office furniture and accessories via a mail order catalogue and the Internet in Germany, Switzerland and the Netherlands (as well as in France since 1 January 2000). Small to mid-size companies in the service sector are the main customer group of this division. Topdeq offers a special 24-hour delivery service and a five-year warranty free of charge. If requested, orders received before 12:30 p.m. can be delivered to the customer on the same day, subject to a surcharge. Topdeq operates its own warehouses in Germany, Switzerland, the Netherlands as well as in France since January 2000.

K + K America

K + K America Corporation, Milwaukee/Wisconsin, markets over 45,000 products in the areas of transport, storage, business, office, safety and packaging in the United States and Canada. The K + K America Group operates a national distribution centre and six additional warehouses.

Notes to the Consolidated Balance Sheet

(1) Fixed assets

The fixed asset schedule, which is disclosed separately, is an integral part of the notes to the consolidated financial statements.

(2) Intangible assets

Both acquired goodwill and other intangible assets are valued at purchase cost less pro-rata depreciation. Acquired goodwill is normally amortised over 15 years and in one instance over a period of 25 years in the (USA).

All other intangible assets (mainly computer software) are valued at purchase cost less pro-rata depreciation using the straight-line method, generally over a useful life of three to four years.

Included in the intangible assets at the end of 1999 is goodwill on consolidation of EUR 37,570,000. This is calculated as follows:

(2) INTANGIBLE ASSETS

	EUR '000
At 31.12.1998 (pro-forma)	43,231
Set-off against reserves	- 2,056
At 30.6.1999 (pro-forma)	41,175
Changes from spin-off	277,219
Set-off against reserves on initial consolidation	- 278,753
At 1.7.1999	39,641
Disposal due to merger with Gerdmans Inredningar AB, Markaryd/Sweden	-283
Set-off against reserves	- 1,788
At 31.12.1999	**37,570**

SET-OFF IN SUBSEQUENT YEARS:

	Annually EUR '000	Total EUR '000
2000 – 2008	3,475	31,275
2009 – 2010	1,575	3,150
2011 – 2012	1,355	2,710
2013	435	435
		37,570

(3) Tangible assets

The additions to tangible assets are capitalised at purchase or production cost. Depreciation is calculated at the maximum rates allowed under tax regulations using both the straight-line method and reducing balance method. Low-value assets are capitalised and written off in full in the year of acquisition.

The depreciation periods are:

Buildings	10 - 50 years
Technical equipment and machinery	5 - 10 years
Other factory and office equipment	3 - 10 years

(4) Financial assets

Financial assets are valued at the cost of acquisition or at the lower applicable value.

(5) STOCKS

(5) Stocks

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Raw materials, consumables and supplies	8,460	8,322
Work-in-progress	579	522
Finished goods	37,808	32,092
	46,847	**40,936**

The raw materials, consumables and supplies as well as the finished goods are valued at the lower of cost or market value. Adequate allowances have been made to cover risks relating to long periods of storage and any absence of marketability. Work-in-progress and finished goods are valued at the cost of production relative to their percentage of completion. The production costs include direct costs and overhead costs which must be capitalised under German tax regulations.

Notes to the Consolidated Balance Sheet

(6) Trade and other debtors

(6) TRADE AND OTHER DEBTORS

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Trade debtors	68,722	58,354
Amounts owed by affiliated companies	25	902
Other assets	10,754	7,053
	79,501	**66,309**

In the case of trade debtors and other assets, adequate provisions have been made to cover identifiable specific risks. A general bad debts provision for trade debtors has been calculated at 3% of net debtors. All other debtors and assets are disclosed at nominal value.

Amounts owed by affiliated companies refer to subsidiaries of the majority shareholder not included in the scope of consolidation of TAKKT AG, Stuttgart.

The other assets comprise mainly tax refunds, prepaid advertising expenditure for the following financial year and supplier bonuses.

The other assets contain receivables of EUR 272,000 with a residual term of more than one year.

(7) Bank and cash balances

(7) BANK AND CASH BALANCES

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Cheques, cash in hand and Bundesbank account	308	409
Bank balances	3,800	2,264
	4,108	**2,673**

(8) PREPAYMENTS

(8) Prepayments

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Deferred taxes	1,854	1,267
Other prepaid expenses	1,329	557
	3,183	**1,824**

Deferred tax liabilities from the reallocation of the special reserves of EUR 910,000 have been set off against deferred tax assets of EUR 845,000 arising on the elimination of unrealised intercompany profits in fixed assets and inventories as well as EUR 1.919 million from individual company financial statements.

(9) GENERAL RESERVES

(9) General reserves

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Capital reserves	208,311	0
General reserves	90,138	70,596
	298,449	70,596
Set-off of goodwill on consolidation	- 280,541	- 22,886
Reserve on consolidation	0	1,447
	17,908	**49,157**

The general reserves include the retained earnings contributed by the group companies since the date of acquisition, the corresponding translation adjustments to present values arising from the currency conversion of assets and liabilities, not affecting profits, as well as the balance of the consolidation and tax adjustments affecting profits.

(10) Minority interests

(10) MINORITY INTERESTS

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Share of issued capital and reserves	4,204	3,584
Share of profit for the year	405	655
	4,609	**4,239**

The share in the pro-forma profit for 1999 was EUR 690,000.

(11) Provisions

(11) PROVISIONS

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Pensions	5,298	5,108
Taxes	7,925	4,394
Other	16,430	14,680
	29,653	**24,182**

Domestic pension provisions are calculated on the basis of the unit cost method in accordance with § 6 a of the German Income Tax Act ("EStG") using an interest rate of 6% and the "1998 Mortality Tables" of Prof. Heubeck. The pension provisions are also calculated according to actuarial methods.

Provisions for taxes include the balance of likely taxes owed in the financial year that have not yet been paid. Provisions for deferred tax liabilities are set off against deferred tax assets. The balance of deferred tax assets is included under prepayments (cf. note 8).

Other provisions comprise amounts for operating expenses, guarantee obligations, invoices outstanding for goods and services, unused holiday, discounts and bonuses as well as audit fees.

The provisions provide adequate coverage for all identifiable but not yet quantifiable commitments and risks; the valuation is based on sound business policies.

With regard to the development of liabilities to banks, cf. "Effects of the Spin-Off". As far as trade creditors are concerned, normal ownership retention rights apply to the goods and services delivered.
The liabilities to affiliated companies refer to subsidiaries of the majority shareholder which are not included in the scope of consolidation of TAKKT AG.

(12) Liabilities, contingent liabilities, other financial commitments and derivative financial instruments

(12) LIABILITIES, CONTINGENT LIABILITIES, OTHER FINANCIAL COMMITMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.1999 EUR '000	up to one year EUR '000	one to five years EUR '000	more than five years EUR '000	31.12.1998 pro-forma EUR '000
Liabilities to banks	191,088	7,253	39,249	144,586	57,638
Payments on account	289	289	0	0	205
Liabilities:					
- trade creditors	19,704	19,704	0	0	13,760
- on bills accepted and drawn	1,319	1,319	0	0	1,253
- to affiliated companies	18,975	18,975	0	0	26,777
Other liabilities	10,851	9,840	1,011	0	7,310
	242,226	**57,380**	**40,260**	**144,586**	**106,943**

Other liabilities include:

OTHER LIABILITIES

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Tax liabilities	4,435	3,036
Social security contributions	1,176	1,096
Miscellaneous	5,240	3,178
	10,851	**7,310**

Notes to the Consolidated Balance Sheet

Warranties to the buyer amounting to a maximum of GBP 10,000,000 were granted in connection with the sale of a group company on 31 December 1995. At the balance sheet date, no claims had been made under these warranties, which are valid until 30 June 2002.

CONTINGENT LIABILITIES

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Bills of exchange	0	25
Warranties	16,172	14,494
	16,172	**14,519**

OTHER FINANCIAL COMMITMENTS

	31.12.1999 EUR '000	relating to affiliated companies EUR '000
Rental and lease contracts		
due 2000	9,202	1,078
due 2001 - 2004	19,504	52
due 2005 and later	24,262	0
	52,968	1,130
Commitments for capital expenditure		
due 2000	107	0
	53,075	**1,130**

DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.1999 EUR '000	31.12.1998 pro-forma EUR '000
Interest based derivatives nominal volume	108,580	47,639
Currency based derivatives nominal volume	8,140	17,795
Total nominal volume	**116,720**	**65,434**
Interest based derivatives market value	2,561	199
Currency based derivatives market value	30	6
Total market value	**2,591**	**205**

Derivative financial instruments

In the course of its operations, the TAKKT Group is subject to risks arising out of changes in exchange rates and interest rates. In order to minimise these risks the TAKKT Group uses derivative financial instruments as part of its interest and exchange rate management programme. Without the use of these derivative instruments the TAKKT Group would be exposed to significantly higher risks stemming from interest rate and exchange rate variations. The following common derivative instruments are used: interest swaps and caps in connection with the management of interest rate risks and forward contracts and options in connection with the management of exchange rate risks.

At the balance sheet date the following derivative transactions were in effect:

- Rate cap agreements for amounts totalling EUR 76,129,000
- Interest swaps for amounts totalling EUR 32,451,000
- Currency forward contracts totalling EUR 8,140,000

The use of derivative financial instruments by the TAKKT Group is subject to numerous controls. These include the separation of trading, settlement and accounting functions, a self-imposed restriction to a small number of reputable banks and the policy to authorise only a small number of qualified staff to carry out such transactions.

(13) TURNOVER

(13) Turnover

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Analysis by region			
- Germany	101,685	200,490	198,041
- Rest of Europe	100,269	199,061	177,976
- North America	114,314	228,011	163,231
	316,268	**627,562**	**539,248**

(14) COST OF GOODS SOLD

(14) Cost of goods sold

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Raw materials, consumables and supplies	195,622	385,703	330,993
Services received	6	58	591
	195,628	**385,761**	**331,584**

Notes to the Consolidated Profit and Loss Account

(15) Other income

(15) OTHER INCOME

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Profit on disposal of fixed assets	89	121	94
Release of provisions	1,539	2,167	659
Release of bad debt reserves	191	310	354
Other	1,995	4,032	3,350
	3,814	**6,630**	**4,457**

(16) Personnel expenses

(16) PERSONNEL EXPENSES

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Wages and salaries	28,644	55,885	46,047
Social insurance costs	5,160	10,168	8,810
Pension costs	1,241	2,297	1,981
	35,045	**68,350**	**56,838**

Cf. "Segment reporting" for data on the number of employees.

(17) Depreciation

(17) DEPRECIATION

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Intangible assets	6,212	8,754	2,280
Tangible assets	3,112	5,190	4,124
	9,324	**13,944**	**6,404**

The spin-off resulted in additional depreciation of approximately EUR 4,3 million in 1999 cf. "Effects of the Spin-Off".

(18) OTHER OPERATING EXPENSES

(18) Other operating expenses

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Loss on disposal of fixed assets	50	80	42
Write-offs and provisions for current assets/bad debts	1,008	1,947	1,607
Other	45,591	104,896	88,216
	46,649	**106,923**	**89,865**

(19) NET FINANCIAL RESULT

(19) Net financial result

	1.7.1999 – 31.12.1999 EUR '000	1999 pro-forma EUR '000	1998 pro-forma EUR '000
Income from other securities and long-term loans	3	4	4
Other interest and similar income:			
- from affiliated companies	115	1,107	88
- other	234	456	604
	352	1,567	696
Depreciation on financial assets	- 3	- 3	0
Interest and similar charges:			
- to affiliated companies	- 1,694	- 3,257	- 511
- other	- 2,668	- 4,307	- 1,230
	- 4,365	- 7,567	- 1,741
	- 4,013	**- 6,000**	**- 1,045**

In 1999 interest charges totalling approximately EUR 2.5 million were incurred as a result of the increased finance required by the spin-off (cf. "Effects of the Spin-Off").

(20) Extraordinary item

This pertains to extraordinary expenses relating to the initial public offering.

Other Information

Members of the Supervisory and Management Boards

Supervisory Board

- Dr. Dieter Schadt, Chairman, Mülheim an der Ruhr (from 4 August 1999)
  Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg; member of the supervisory board or a comparable control committee of GEHE AG, Stuttgart, ESSO AG, Hamburg, Bankgesellschaft Berlin AG, Berlin and the Office Commercial Pharmaceutique (OCP) S.A., Paris/France
- Horst F. Peer, Deputy Chairman, Ditzingen (from 4 August 1999),
  Former Chairman of the Management of KAISER + KRAFT GmbH, Stuttgart and former member of the Management Board of GEHE AG, Stuttgart
- Dr. Karl-Gerhard Eick, Düsseldorf (1 March to 31 October 1999)
  Former member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg (1 March to 31 October 1999)
  Chairman of the Supervisory Board of Marbert AG, Düsseldorf
- Dieter Kämmerer, Holzgerlingen (from 1 March 1999)
  Former Chairman of the Management Board of GEHE AG, Stuttgart
  Member of the supervisory board or a comparable control committee of GEHE Pharma Handel GmbH, Stuttgart, Vereinte Krankenversicherungs AG, Munich, OCP S.A., Paris/France, and AAH plc, Coventry/Great Britain
- Thomas Kniehl, Stuttgart (from 4 August 1999)
  Employee of KAISER + KRAFT EUROPA GmbH, Stuttgart
- Tilo Köster, Remseck (from 4 August 1999)
  Manager of the Legal Department of GEHE AG, Stuttgart
- Julian Matzke, Stuttgart (from 2 June 1999)
  Employee of KAISER + KRAFT EUROPA GmbH, Stuttgart

Management Board

- Georg Gayer, Chairman, Eberdingen-Nussdorf
  Managing Director of KAISER + KRAFT EUROPA GmbH, Stuttgart and KAISER + KRAFT GmbH, Stuttgart
  Member of supervisory board or comparable position of KAISER + KRAFT s.r.o., Prague/Czech Republic, KAISER + KRAFT Sp. z o. o., Warsaw/Poland, J.P.Vink en Zonen B.V., Lisse/The Netherlands, Gerdmans Inredningar AB, Markaryd/Sweden, Gerdmans Kontor-og Lagerudstyr A/S, Kokkedal/Denmark, Gerdmans Innredninger A/S, Sandvika/Norway, Gerdmans Oy, Esbo/Finland und Topdeq B.V., Mijdrecht/The Netherlands
- Alfred Michael Milanello, Ditzingen
  Director of KAISER + KRAFT EUROPA GmbH, Stuttgart and KAISER + KRAFT GmbH, Stuttgart
  Member of supervisory board or comparable position of KAISER + KRAFT s.r.o., Prague/Czech Republic, KAISER + KRAFT Sp. z o. o., Warsaw/Poland

- Franz Vogel, Stuttgart
  Director of KAISER + KRAFT EUROPA GmbH, Stuttgart and KAISER + KRAFT GmbH, Stuttgart
  Member of supervisory board or comparable position of Gerdmans Inredningar AB, Markaryd/Sweden, Gerdmans Kontor-og Lagerudstyr A/S, Kokkedal/Denmark, Gerdmans Innredninger A/S, Sandvika/Norway, Gerdmans Oy, Esbo/Finland
- Dr. Felix A. Zimmermann, Wachtendonk
  Director of KAISER + KRAFT EUROPA GmbH, Stuttgart and KAISER + KRAFT GmbH, Stuttgart
  Member of Supervisory Board of KAISER + KRAFT s.r.o., Prague/Czech Republic

Remuneration of the Supervisory and Management Board Members

Total remuneration of the members of the Management Board of TAKKT AG was EUR 701,000 within the group. Provisions for the pension liabilities of former directors amount to EUR 874,000.
Remuneration of the members of the Supervisory Board of TAKKT AG totalled EUR 1,000. An accrual of EUR 20,000, contingent upon approval at the Annual General Meeting pursuant to § 113, para. 2 AktG, has been provided for.

Profit Appropriation as proposed by the Management Board

In the balance sheet at 31.12.99 the TAKKT Group discloses retained earnings of EUR 3,645,000. The Management Board proposes that this amount be distributed for 1999. On the basis of this proposal a dividend of EUR 0.05 would be paid on each no-par value share. As the distribution will be made out of taxed domestic income, it attracts a tax credit of 3/7 of the dividend. Shareholders who are fully subject to German taxes may set off this tax credit against their total income tax or corporation tax liabilities. Including the tax credit, the dividend on each no-par value share amounts to EUR 0.07.

Audit Report

We have audited the consolidated financial statements and the management report of TAKKT AG and the group prepared by the Company for the accounting period from 1 July 1999 to 31 December 1999. The preparation of the consolidated financial statements and the management report of TAKKT AG and the group in accordance with German commercial law and supplementary provisions in the articles of incorporation are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the management report of TAKKT AG and the group based on our audit.

Other Information

Audit Report

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the management report of TAKKT AG and the group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report of TAKKT AG and the group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in consolidation, the determination of the companies 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 of 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, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with German principles of proper accounting. On the whole the management report of TAKKT AG and the group provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Stuttgart, 18 February 2000

Dr. Ebner, Dr. Stolz und Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bernhard Steffan	Gerhard Weigl
Wirtschaftsprüfer	Wirtschaftsprüfer

The TAKKT Group

At TAKKT knowledge is tradition

For more than half a century we have been the first to identify new trends and anticipate the needs of "tomorrow's customers". Our knowledge of processes, markets and customers' needs lies at the heart of this approach. This knowledge and its intelligent application has been, is and will continue to be the foundation of our success.

KAISER + KRAFT EUROPA — strong brands with growth value

KAISER + KRAFT EUROPA offers — through its sub-divisions KAISER + KRAFT, Gaerner and Gerdmans — over 30,000 business, office and warehouse equipment products at 37 locations in 16 European countries. Important centralised services are co-ordinated at the head office in Stuttgart, including the production of an integrated catalogue and procurement, logistics and Internet activities. This enables the company to consistently utilise synergies and economies of scale.

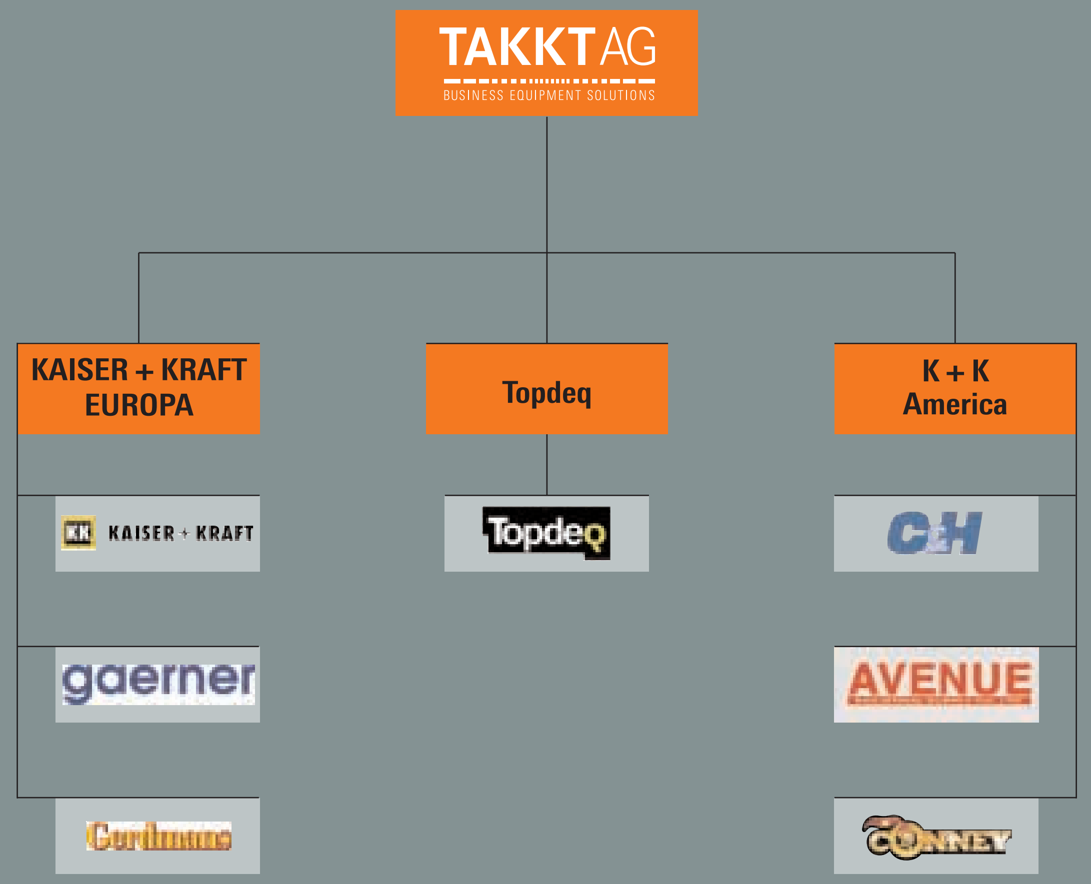
Topdeq — becoming the leading speciality mail order vendor by offering Top-quality

Topdeq markets designer office furniture and accessories by way of catalogues and the Internet in Germany, Switzerland, the Netherlands and France (since January 2000). It is a prime example of a company that has succeeded in creating a European brand for designer office furniture. Top-designs, Top-consultation, Top-quality and Top-speed have made Topdeq a leader in this speciality mail order sector.

K + K America — successful logistics concepts

K + K America — through its subsidiaries C&H Distributors, Avenue Industrial Supply and Conney Safety Products — is the leading mail order vendor in the United States and Canada. The company offers over 45,000 articles in the areas of transport, storage, business, office and safety products as well as packaging materials. K + K America's presence with five regional warehouses in the US, one in Toronto/Canada and a national distribution centre in Milwaukee/Wisconsin, has enabled the company to optimise its procurement and distribution infrastructure which has been a decisive factor in its success.

Organisational chart of the TAKKT group



Financial Calendar 2000

7 February	Interim report January – December 1999
February	Roadshow in Europe
14 April	Financial statement press conference in Stuttgart
14 April	DVFA analyst conference in Frankfurt
25 April	Interim report for the first quarter (January – March 2000)
26 May	Annual General Meeting in Ludwigsburg
20 July	Interim report for the first half year
19 October	Interim report for the third quarter

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