27 August 1999

LISTING PROSPECTUS

for admission to listing with trading on the official market of the Stock Exchanges
of Frankfurt am Main and Stuttgart

of € 72,900,000
72,900,000 ordinary bearer shares
– each with a calculated nominal value of € 1 per share –

No. 0.050.001 – 72.950.000

– each with full dividend rights from 1 July 1999 –

of

TAKKT AG
Stuttgart

German Security Code (*"Wertpapier-Kenn-Nummer"*) 744 600
ISIN Code DE0007446007
Common Code 10028434

Global Coordinator and Listing Agent
Goldman, Sachs & Co. oHG

Trustee for the TAKKT AG shares within the spin-off
Dresdner Bank AG

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GENERAL INFORMATION

Responsibility for the Contents of the Listing Prospectus

TAKKT AG ("TAKKT" or the "Company" and, together with its subsidiaries and shareholdings, the "TAKKT Group") and Goldman, Sachs & Co. oHG ("Goldman Sachs") take responsibility for the contents of this Listing Prospectus in accordance with § 45 of the German Stock Exchange Act ("*Börsengesetz*") and hereby state that, to the best of their knowledge, the information contained in this Listing Prospectus is correct and that no material information has been omitted.

Inspection of Documents

The documents referred to in this Listing Prospectus which relate to the Company may be inspected during customary business hours at the offices of the Company, Neckartalstraße 155, 70376 Stuttgart, and in the offices of Goldman Sachs, MesseTurm, Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main.

Subject of the Listing Prospectus

This Listing Prospectus relates to 72,900,000 no par value ordinary bearer shares ("Shares") with an assumed nominal value of € 1 (calculated by dividing the aggregate nominal value of the Company's share capital by the total number of shares outstanding), with an aggregate assumed nominal value of € 72,900,000. Following the retirement of certain shares to be resolved by the Board of Management immediately prior to the admission to listing, this amount will represent the entire share capital of the Company. All Shares are entitled to full dividend rights from 1 July 1999.

The Frankfurt Stock Exchange Listing Board ("*Zulassungsstelle*") approved this Listing Prospectus on 27 August 1999. The admission of the TAKKT AG Shares for trading is expected to take place on 13 September 1999. The precise timing depends on the entry of the capital increase of TAKKT AG in the commercial register of TAKKT AG, the entry of the spin-off of the mail order business of GEHE Aktiengesellschaft, Stuttgart, ("GEHE AG") to TAKKT AG in the commercial register of TAKKT AG and the entry of the spin-off in the commercial register of GEHE AG, which is expected to take place on 10 September 1999. The making available to the public of this Listing Prospectus does not constitute an offer for subscription of Shares or for trade in Shares. Neither the Company nor Goldman, Sachs & Co. oHG plan to make such offer (see "*Stock Exchange Admission, Beginning of Quotation*").

SUMMARY OF THE PROSPECTUS

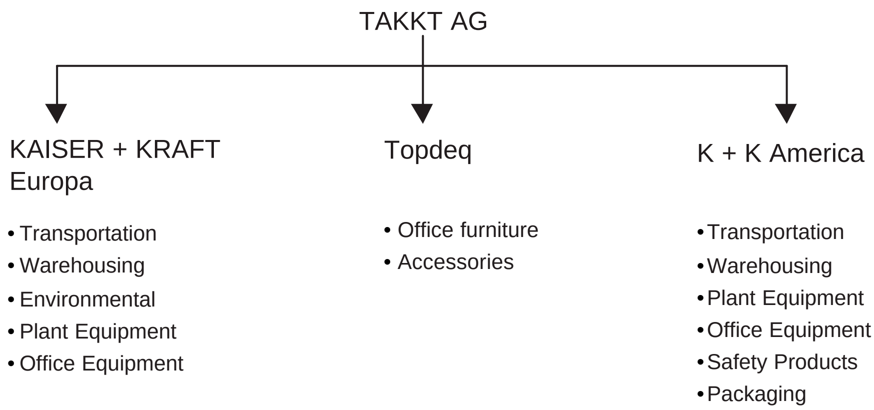
The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Listing Prospectus including the Financial Statements and the notes thereto.

The TAKKT Group

The TAKKT Group is one of the leading suppliers in the business-to-business equipment mail order market in Europe and North America. The TAKKT Group consists of TAKKT AG, the management holding company, three intermediate holding companies as management companies for the three business segments, and 28 operating companies in Europe, the USA and Canada.

The business-to-business sector is divided into the distribution channels of retail, wholesale and mail-order. Almost all products needed by businesses are sold through these distribution channels. These products can be categorised into three main segments: consumables, durable office and plant equipment (durables), and special products such as electric parts, tools and work safety products (specialities). In the overall market for business products, the TAKKT Group concentrates on the business-to-business mail order trade in office, plant and warehouse equipment as well as work safety products, and offers numerous product groups in these segments. With trademarks such as KAISER + KRAFT, Frankel, Powell, Vink en Zonen, Gaerner, Hoffmann, Gerdmans, Topdeq, C&H, BrownCor, Dozier, Direct Safety, Avenue and Conney, the TAKKT Group occupies leading positions in its markets.

The TAKKT Group currently operates three business divisions, each headed by an intermediate holding company that gives the business division its name and manages the sale of the following product groups:



The *KAISER + KRAFT Europa* division sells equipment and furnishings for plants, offices and warehouses. These are partly purchased from upstream suppliers and partly manufactured by KAISER + KRAFT Europa itself in Haan near Düsseldorf. KAISER + KRAFT Europa comprises the intermediate holding company KAISER + KRAFT Europa GmbH, Stuttgart, and its operating subsidiary KAISER + KRAFT GmbH, Stuttgart, ("KAISER + KRAFT") with business activities in Germany, as well as companies in 15 further European countries. The KAISER + KRAFT Europa division also includes the companies belonging to the Gaerner Group in Germany, the Netherlands, Austria and Switzerland with a range of products similar to that of KAISER + KRAFT, as well as the Gerdmans Group in Scandinavia. The activities performed by the Gerdmans companies include the sale of plant, office and warehouse equipment in Scandinavia.

The *Topdeq division* consists of companies providing designer office furniture, equipment and accessories. They offer a 24-hour delivery service. The operating companies in the Topdeq Group in Germany, the Netherlands and Switzerland are managed by Topdeq Holding GmbH, Pfungstadt.

In the *K + K America division*, two US companies and one Canadian company sell transport equipment as well as plant, office and warehouse equipment, safety products and packaging materials in the North American market. The intermediate holding company, K + K America Corp., is headquartered in Milwaukee/Wisconsin, USA.

In 1998, 37% of the sales of the TAKKT Group were attributable to Germany (1997: 36%; 1996: 40%), 33% to other European countries (1997: 30%; 1996: 32%), and 30% to North America (1997: 33%; 1996: 28%).

Products are sold not only through traditional catalogue sales, but also via the internet and CD-ROM.

The Company intends to substantially enhance its value by extending its range of products in select segments in the business-to-business mail order market, through a geographic expansion by means of newly established companies and acquisitions, in particular through its subsidiaries, and by building up e-commerce. Through further investments in new distribution channels and through the continued improvement of its services, the Company seeks to increase the attractiveness of the mail order business and thereby increase the share of the Company in the overall market for plant, office and warehouse equipment. The Company believes that distribution through the internet in particular opens up unique growth opportunities for the mail order business.

Selected Corporate Data of the TAKKT Group

	Business years ending on			Interim financial statements as per
	31/12/1996	31/12/1997	31/12/1998	30/6/1999
	DM '000	DM '000	DM '000	DM '000
Data from the pro forma profit and loss account (1)				
Sales revenues	770,795	918,358	1,054,677	616,626
Cost of materials	470,856	568,582	648,007	376,894
Gross profit	**299,939**	**349,776**	**406,670**	**239,732**
Personnel expenses	89,021	99,520	111,165	65,843
Depreciation	9,394	11,360	12,525	9,210
Business taxes	633	959	916	679
Other operating expenses	123,605	147,588	167,043	113,771
Operating result	**77,286**	**90,349**	**115,021**	**50,230**
Net interest income (expense)	(1,148)	(1,306)	(2,044)	(3,925)
Net income before taxes	**76,138**	**89,043**	**112,977**	**46,304**
Taxes on income, earnings and assets	35,735	39,976	55,301	20,849
Net income	**40,403**	**49,067**	**57,676**	**25,455**
EBIT	77,286	90,349	115,021	50,230
EBITDA	86,680	101,709	127,546	59,440
Cash Flow	49,797	60,427	70,201	34,665
Earnings per share (in DM)	0.55	0.67	0.79	n.a.

(1) Notes to the pro forma profit and loss account and pro forma balance sheet: An equity participation was sold in January 1999 and therefore the financial information for this company is not reflected in the above figures. For K + K America Corp., the figures in the financial statements were adjusted to a uniform depreciation period for goodwill within the TAKKT Group. For the pro forma interim accounts as per 30 June 1999, catalogue costs have not been accrued as was the previous policy of GEHE AG in interim financial statements.

	Business years ending on			Interim financial statements as per
	31/12/1996	31/12/1997	31/12/1998	30/6/1999
	€ ’000	€ ’000	€ ’000	€ ’000
Data from the pro forma profit and loss account [1]				
Sales revenues.	394,101	469,549	539,248	315,276
Cost of materials	240,745	290,711	331,321	192,703
Gross profit	**153,356**	**178,838**	**207,927**	**122,573**
Personnel expenses	45,516	50,884	56,838	33,665
Depreciation	4,803	5,808	6,404	4,709
Business taxes.	324	490	468	347
Other operating expenses	63,198	75,461	85,408	58,170
Operating result	**39,516**	**46,195**	**58,809**	**25,682**
Net interest income (expense) . . .	(587)	(668)	(1,045)	(2,007)
Net income before taxes.	**38,929**	**45,527**	**57,764**	**23,675**
Taxes on income, earnings and assets	18,271	20,439	28,275	10,660
Net income.	**20,658**	**25,088**	**29,489**	**13,015**
EBIT	39,516	46,195	58,809	25,682
EBITDA	44,319	52,003	65,213	30,391
Cash Flow	25,461	30,896	35,893	17,724
Earnings per share (in Euro).	0.28	0.34	0.40	n.a.

1 Notes to the pro forma profit and loss account and pro forma balance sheet: An equity participation was sold in January 1999 and therefore the financial information for this company is not reflected in the above figures. For K + K America Corp., the figures in the financial statements were adjusted to a uniform depreciation period for goodwill within the TAKKT Group. For the pro forma interim accounts as per 30 June 1999, catalogue costs have not been accrued as was the previous policy of GEHE AG in interim financial statements.

	Business years ending on			Interim financial statement as per	Opening balance sheet as per
	31/12/1996	31/12/1997	31/12/1998	30/06/1999	01/07/1999
	DM '000	DM '000	DM '000	DM '000	DM '000
With the exception of the opening balance sheet data from the pro forma balance sheet[(1)]					
Assets					
Concessions and other industrial property rights. . . .	21,932	27,972	106,493	115,730	331,034
Goodwill from capital consolidation	60,393	51,362	84,553	80,531	77,531
Intangible assets.	**82,325**	**79,334**	**191,046**	**196,262**	**408,565**
Tangible assets.	**44,826**	**40,729**	**51,112**	**52,731**	**69,407**
Financial assets	**171**	**187**	**189**	**190**	**139**
Fixed assets	**127,322**	**120,250**	**242,347**	**249,183**	**478,110**
Inventories.	59,714	67,351	80,064	73,201	73,201
Accounts receivable and other assets	113,859	117,199	129,689	217,486	146,277
Cheques, cash on hand, bank balances.	7,041	6,750	5,227	3,900	3,900
Current assets	**180,614**	**191,300**	**214,980**	**294,587**	**223,377**
Prepayments and accrued income	**4,576**	**3,958**	**3,568**	**5,885**	**5,541**
Total assets	**312,512**	**315,508**	**460,895**	**549,655**	**707,029**
Equity and Liabilities					
Subscribed capital	100,000	100,000	100,000	100,000	142,580
Profit reserves	64,739	91,631	96,143	127,649	5,778
Minority interests	6,916	7,572	8,290	8,670	8,670
Shareholders' equity	**171,655**	**199,203**	**204,433**	**236,319**	**157,028**
Pension reserves	8,314	8,780	9,991	9,632	10,211
Other accruals	24,661	26,628	37,304	49,029	43,930
Accruals	**32,975**	**35,408**	**47,295**	**58,661**	**54,141**
Liabilities to banks	33,866	20,843	112,730	111,758	111,758
of which term < 1 year.	25,228	14,955	81,480	79,923	79,923
term > 1 year.	8,638	5,888	31,250	31,835	31,835
Liabilities to affiliated companies	34,476	18,234	52,372	81,816	323,001
Accounts payable.	25,131	28,752	26,913	42,416	42,416
Other liabilities	14,406	13,064	17,148	18,647	18,647
Liabilities	**107,879**	**80,893**	**209,163**	**254,637**	**495,822**
Deferred income	**3**	**4**	**4**	**37**	**37**
Total shareholders' equity and liabilities	**312,512**	**315,508**	**460,895**	**549,655**	**707,029**
Statistical information					
Investments (DM '000)	49,810	11,005	144,386	n.a.	n.a.
Employees (full time).	1,112	1,152	1,465	1,494	1,496

(1) Notes to the pro forma profit and loss account and pro forma balance sheet: An equity participation was sold in January 1999 and therefore the financial information for this company is not reflected in the above figures. For K + K America Corp., the figures in the financial statements were adjusted to a uniform depreciation period for goodwill within the TAKKT Group. For the pro forma interim accounts as per 30 June 1999, catalogue costs have not been accrued as was the previous policy of GEHE AG in interim financial statements.

	Business years ending on			Interim financial statement as per	Opening balance sheet as per
	31/12/1996	**31/12/1997**	**31/12/1998**	**30/6/1999**	**1/7/1999**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**
With the exception of the opening balance sheet data from the pro forma balance sheet (1)					
Assets					
Concessions and other industrial property rights	11,214	14,302	54,449	59,172	169,255
Goodwill from capital consolidation	30,878	26,261	43,231	41,175	39,641
Intangible assets	**42,092**	**40,563**	**97,680**	**100,347**	**208,896**
Tangible assets	**22,919**	**20,824**	**26,133**	**26,961**	**35,487**
Financial assets	**87**	**96**	**97**	**97**	**71**
Fixed assets	**65,099**	**61,483**	**123,910**	**127,405**	**244,454**
Inventories	30,531	34,436	40,936	37,427	37,427
Accounts receivable and other assets	58,215	59,923	66,309	111,199	74,790
Cheques, cash on hand, bank balances	3,600	3,451	2,673	1,994	1,994
Current assets	**92,346**	**97,810**	**109,918**	**150,620**	**114,211**
Prepayments and accrued income	**2,340**	**2,024**	**1,824**	**3,009**	**2,833**
Total assets	**159,785**	**161,317**	**235,652**	**281,034**	**361,498**
Equity and Liabilities					
Subscribed capital	51,129	51,129	51,129	51,129	72,900
Profit reserves	33,101	46,850	49,157	65,266	2,954
Minority interests	3,536	3,872	4,239	4,433	4,433
Shareholders' equity	**87,766**	**101,851**	**104,525**	**120,828**	**80,287**
Pension reserves	4,251	4,489	5,108	4,925	5,221
Other accruals	12,609	13,615	19,073	25,068	22,461
Accruals	**16,860**	**18,104**	**24,182**	**29,993**	**27,682**
Liabilities to banks	17,315	10,657	57,638	57,141	57,141
of which term $<$ 1 year	12,899	7,646	41,660	40,864	40,864
term $>$ 1 year	4,417	3,010	15,978	16,277	16,277
Liabilities to affiliated companies	17,627	9,323	26,777	41,832	165,148
Accounts payable	12,849	14,701	13,760	21,687	21,687
Other liabilities	7,366	6,680	8,768	9,534	9,534
Liabilities	**55,158**	**41,360**	**106,943**	**130,194**	**253,510**
Deferred income	**2**	**2**	**2**	**19**	**19**
Total shareholders' equity and liabilities	**159,785**	**161,317**	**235,652**	**281,034**	**361,498**
Statistical information					
Investments (Euro '000)	25,467	5,627	73,823	n.a.	n.a.
Employees (full time)	1,112	1,152	1,465	1,494	1,496

(1) Notes to the pro forma profit and loss account and pro forma balance sheet: An equity participation was sold in January 1999 and therefore the financial information for this company is not reflected in the above figures. For K + K America Corp., the figures in the financial statements were adjusted to a uniform depreciation period for goodwill within the TAKKT Group. For the pro forma interim accounts as per 30 June 1999, catalogue costs have not been accrued as was the previous policy of GEHE AG in interim financal statements.

The Spin-Off Transaction

The mail order business operated by the TAKKT Group was acquired by the Company by way of a spin-off from GEHE AG. The general meetings of GEHE AG and of TAKKT AG approved of the spin-off by resolution on 2 June 1999. The spin-off will become effective upon its entry in the commercial register of GEHE AG, which is expected to take place on 10 September 1999. In exchange for the transferred assets, the shareholders of GEHE AG will, in the course of the spin-off, receive one new TAKKT AG share for each GEHE bearer share held. For further details of the spin-off see *"The Spin-Off Transaction"*.

INVESTMENT CONSIDERATIONS

Market and Competition

The TAKKT Group operates in the business-to-business mail order market. TAKKT AG is planning to extend its existing know-how from the mail order trade, which it believes is a multipurpose system business, to other products and regions. The Company believes there are further growth opportunities in the increasing use of the internet as a sales medium. The assessment of the market development and the competitive situation as well as strategic business decisions are in principle subject to the availability of reliable market data which in large part do not exist. The reason for this is, on the one hand, the multitude of products and, on the other hand, the fact that the available statistical information is not broken down into distribution channels, and the Company is not aware of any multi-country or Europe-wide studies.

The Company believes that access to the mail order market generally requires competitors to overcome relatively high market access barriers, e.g. the establishment of an efficient warehouse and of attractive and efficient distribution media (catalogue, CD-ROM, internet), the procurement and maintenance of up-to-date and valuable addresses, as well as investment costs for building up a reliable supplier structure. However, new competitors may successfully challenge the market positions of the established sellers and thus also of the TAKKT Group. Additional risks may arise from consolidation of the market which may result in additional large competitors. It is also possible that foreign competitors, in particular US companies, which have so far limited their operations in Europe only to the consumer goods mail order business, will begin to compete with the TAKKT Group also in its business segments.

There can be no assurance that the factors named above will not individually or in their entirety have a negative effect on the sales and the earnings situation of the Company.

Specific Risks in the Mail Order Business

Preparation and distribution of catalogues

In the mail order business, the timely and error-free preparation and distribution of catalogues is especially important. A delayed or mistaken delivery of catalogues can have a sustained negative influence on the course of business. The Company believes that this risk is reduced for the TAKKT Group by the fact that the companies in the TAKKT Group have their catalogues printed by a total of five printers at numerous locations, and that up to nine issues of the catalogues are printed every year. Moreover, the companies in the divisions of KAISER + KRAFT Europa, Topdeq and K + K America are insured against possible effects on the business arising from damage or the destruction of catalogues on the business premises or in the print shops caused for example by fire, strike or vandalism. Despite these factors, problems in the timely and error-free preparation and distribution of catalogues could still have a negative effect on the sales and earnings situation of the Company.

New media / e-commerce

The companies of the TAKKT Group are currently in the process of further developing and extending their activities in the area of e-commerce. Some companies of the TAKKT Group already have an internet presence with many products available on-line and are already developing concrete and complete e-commerce solutions for customers. The growing significance of e-commerce can cause special risks because distribution channels and products become blurred, and the value added chains change. The increasing significance of single sourcing makes it necessary for suppliers to develop complete solutions, for example by adjusting to the customers' merchandise information systems, by forming alliances with complementary sellers to establish virtual marketplaces and by entering into co-operation agreements with service providers. Accordingly, new competitive situations can arise. In addition, building up this type of distribution channel involves major start-up costs which could be lost in whole or in part, if the expectations and forecasts of the Company concerning this mode of distribution are not met. There can be no assurance that the factors named above will not individually or in their entirety have a negative effect on the sales and earnings situation of the Company.

Central warehousing

A further risk in the mail order business can result from central warehousing, a system used by the TAKKT Group. For example, non-delivery or loss of sales can result from destruction, damage, closure by the public authorities, breakdown of the computer systems, a blockade, or any other breakdown or non-accessibility of the central warehouses. The Company tries to limit these risks by providing a separate warehouse system for each of the three divisions within the TAKKT Group. Thus, KAISER + KRAFT Europa has a mail order centre in Germany and three further warehouses in Sweden, France and Germany. Topdeq has its own warehouses in Germany, Switzerland and the Netherlands. K + K America operates a National Distribution Centre in Milwaukee, Wisconsin, USA, and in addition a warehouse for safety products in Madison, Wisconsin, USA, as well as five further warehouses. The readiness of each company to deliver is also ensured by the fact that in case of difficulties, many of the products in the warehousing businesses can be delivered directly by the supplier to the customers (drop shipment business). To insure against the risk of force majeure events, the domestic and foreign group member companies in the KAISER + KRAFT Europa and Topdeq divisions are insured with few exceptions against business interruptions. This insurance exists as a part of the insurance cover for Franz Haniel & Cie. GmbH. Similar insurance cover exists for the operating companies in the K + K America division.

Cyclical and Economic Risks

The demand for office and business equipment products changes with the general economic situation and the increasing or decreasing investment volume of the customers. Due to the presence of the TAKKT Group in 18 different countries and to the special product portfolio of the TAKKT Group, the Company regards the relationship between the general economic situation and special business developments in the different countries as a relatively minor factor. The Company also endeavours to further minimize the impact of the economic situation in individual countries through greater regional and product-specific diversification. Nevertheless, an economic downswing could have a negative effect on the sales and earnings situation of the Company.

Relationship with the Majority Shareholder

At the time of the listing of the Shares of the Company, Franz Haniel & Cie. GmbH, Duisburg, ("Haniel") will be the majority shareholder of TAKKT AG with a share of 51.6%. After the spin-off and the listing of the TAKKT AG Shares, Haniel is expected to be active in seven business sectors with its affiliated companies ELG Haniel GmbH, GEHE Aktiengesellschaft, Haniel Bau-Industrie GmbH, Haniel EnviroService GmbH, Haniel Reederei Holding GmbH, Haniel Textile Service GmbH and TAKKT AG. According to information from Haniel, the mail order business which TAKKT AG represents ranks third within the Haniel Group behind GEHE AG and ELG Haniel GmbH measured by turnover.

Given Haniel's stake in TAKKT AG, Haniel alone will be able to adopt resolutions at the general meeting of the Company which can be passed with a simple majority of the votes cast. This includes, for example, resolutions concerning the election of the shareholders' representatives to the supervisory board as well as resolutions on dividend payments. Moreover, the articles of association of the Company state that resolutions requiring a majority of the equity capital present require the simple majority of the equity capital represented at the time of voting, unless the law or the articles of association demand otherwise. Under German stock corporation law ("*Aktiengesetz*"), the approval of at least 75% of the equity capital represented at the time of voting is necessary for a resolution on certain matters of the Company (e.g. the creation of authorized or contingent capital, a change of the objects of the Company, as well as mergers, demergers and form-changing conversions). Therefore, Haniel, which holds more than 25% of the voting rights, is able to prevent such resolutions from being passed or to otherwise influence decisions of the Company which require the shareholders' approval.

TAKKT AG and its majority shareholder are also connected through the supervisory board chairman of TAKKT AG, Dr. Dieter Schadt, who is also the chairman of the management board of Haniel. Dr. Karl-Gerhard Eick, member of the supervisory board of TAKKT AG, is also a member of the management board of Haniel.

Some companies in the TAKKT Group are involved in the central financial management of Haniel. Selected bank accounts of the German companies form a part clearing system under a service agreement with an automatic transmission method and daily clearing. Moreover, the central financial management of Haniel performs advisory functions for the currency, interest and credit management of the TAKKT Group companies. This includes especially the optimisation of terms as well as the development of hedging strategies against interest and currency risks. The financial management serves to efficiently and safely plan all payment flows of the Company. It is planned to extend the financial management of Haniel, which so far related primarily to Germany, to a Euro financial management for the companies of the TAKKT Group and to thus extend it geographically. The independence of TAKKT AG is maintained due to the fact that the central financial management has a mere advisory function. Furthermore, the financial management optimizes investment and credit management. The TAKKT AG is at any time able to access its general resources. However, in the case of an insolvency of Haniel, TAKKT AG and its subsidiaries could lack liquid funds.

With only a few exceptions, loan agreements concluded by the Company provide for a termination right for the lenders if the shareholding of Haniel in the Company falls below 50%. If lenders exercise such rights and terminate the existing loan agreements, the cost to the Company of obtaining loans may increase.

In addition, there is an integrated inter-company relationship for the purposes of value-added tax ("*umsatzsteuerliche Organschaft*") with Haniel as the controlling company. And, apart from a few exceptions, the operating companies in the KAISER + KRAFT Europa and Topdeq divisions are also covered by the property/business interruption and third party liability insurance policies of Haniel.

Year 2000 Compliance

Many data processing systems are programmed to accept years as only two-digit fields. At the beginning of the year 2000 at the latest, four-digit dates must be used to distinguish dates in the 21st century from dates in the 20th century. As a result, the data processing systems used by many companies must be modified and/or replaced to satisfy the year 2000 requirements. The TAKKT Group is in the process of examining its operational systems and processes to determine to what extent its data processing systems are liable to suffer from potential system errors or system breakdowns in connection with the Y2K problem. The necessary conversion work is proceeding according to plan and is expected to be completed in November 1999. The main potential problem areas are the merchandise information systems, the mail order centre in Kamp-Lintfort, the telecommunications system as well as the timely implementation of a new financial bookkeeping software for several subsidiaries. Written confirmation by the main suppliers and most important forwarding agents concerning the year 2000 compliance of their products or services have already been obtained.

Should the Company not succeed in achieving year 2000 compliance in time, this could have a major adverse effect on its overall financial condition. As a mail order business, the Company depends to an especially great degree on the use of computer-aided systems. Should such systems fail, the Company could be temporarily unable to efficiently control and process orders and make deliveries or to conduct its business. Failure by the Company to ensure year 2000 compliance of its financial or administrative systems could cause additional administrative expenses and business interruptions. If suppliers, customers or other third parties do not ensure year 2000 compatibility in their business, this could result in an interruption of business for companies within the TAKKT Group and/or have a major adverse effect on their overall financial condition. Further details concerning the year 2000 problem are contained in the chapter "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Introduction of the Euro

In January 1999 the Euro was introduced as the new currency for the eleven member states of the European Economic and Monetary Union, including Germany, but excluding for example, Sweden and Great Britain. The exact time from which the TAKKT Group will convert its prices for goods and services to Euro has not yet been fixed. Although the management board of the Company assumes that the TAKKT Group will be able, even after converting its prices into Euro, to maintain its differentiated price structure and sales levels, no guarantee can be given that this will be the case. A decline in sales of the goods and services offered by the TAKKT Group as a consequence of the introduction of the Euro could have a major adverse effect on the overall financial condition of the Company.

Absence of a Public Market and Volatility of the Market Price

Prior to the commencement of trading of the Shares on the Frankfurt and Stuttgart stock exchanges there will be no public market for the Shares. For technical reasons, the Shares cannot be quoted immediately after the registration of the spin-off in the commercial register of GEHE AG. However, between the commercial register entry and the quotation of the Shares, which is expected to take place on 15 September 1999, there will be an off-market record of bids and offers for the Shares (so-called "grey market"). As a result, from the trading day following the entry and effectiveness of the spin-off the GEHE shares will be traded "ex entitlement to TAKKT Shares".

Because of the special situation whereby the mail order business previously part of GEHE AG will be transferred to TAKKT AG through the spin-off, and the shareholders of GEHE AG will receive one TAKKT share for each GEHE share as consideration, it is not possible to foresee the prices which will initially and subsequently be quoted for the Shares. It is also not possible to guarantee that active trading in the Shares will develop or continue.

Forward-Looking Statements

The statements included herein regarding future financial performance and results and other statements that are not historical facts are forward-looking statements. The words “expect”, “project”, “estimate”, “predict” and similar expressions are also intended to identify forward-looking statements. Such statements are made on the basis of assumptions and expectations which, although reasonable at this time, may prove to be erroneous. The risks and uncertainties facing the Company going forward, which could affect the accuracy of these forward-looking statements, include, but are not limited to: (1) changes in the market and competitive environment, (2) capital needs, (3) financing costs, and (4) business expenses. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

DIVIDEND POLICY

The first business year of TAKKT AG is a short business year covering the period from 30 March through 31 December 1999. As TAKKT AG itself does not maintain any operating business, and the spin-off of the mail order business to the Company became effective at midnight on 30 June 1999, the first consolidated financial statements of the TAKKT Group will relate to the period from 1 July until 31 December 1999. By written statement to the Company, GEHE AG waived its entitlement to a profit participation in respect of the 50,000 shares included in the spin-off immediately after it became effective (see "*General Information on the Company – Capital Structure*"). Under the Spin-off Agreement between GEHE AG and TAKKT AG, GEHE AG is entitled to the profits relating to its shares in KAISER + KRAFT Europa GmbH, Topdeq Holding GmbH and K + K America Corp. spun off, for the period from 1 January through 30 June 1999. The profit from the mail order business of GEHE AG through 30 June in 1999 will be made available to TAKKT AG as equity capital in the course of the spin-off.

The financial statements of the Company are required to be approved by the management board and the supervisory board. The management board and the supervisory board are authorized when approving the financial statements to transfer up to half of the annual profit to profit reserves. Provided these reserves do not exceed half of the Company's total equity capital, and would not exceed half of this amount after the transfer, the management board and the supervisory board are authorized to transfer up to 66.67% of the annual profit to profit reserves. Amounts transferred to statutory reserves and any loss carry-forward must first be deducted from the annual profit. For each year, the management board approves the annual financial statements and submits them to the supervisory board with its proposal as to the disposition of the annual profit (either payment of dividends, transfer to reserves or carry forward to the next business year). Upon approval by the supervisory board, the management board and the supervisory board submit their combined proposal as to the disposition of the annual profits to the shareholders at the general meeting. The shareholders ultimately determine the disposition of the annual profits, including the amount of the annual dividend. Generally the ability of the Company to distribute dividends and the amount of the dividend in each case depends on the results achieved and on the financial situation of the Company, its liquidity needs, its future prospects and other conditions. Following the resolution on the appropriation of the balance sheet profit by the general meeting, dividends are paid one trading day after the general meeting in compliance with the rules of the relevant clearing system.

TAKKT AG pursues a long-term and reliable dividend policy. On the basis of the expected profit and loss of TAKKT AG, and taking into account the retention of corporate earnings which may be necessary to extend its business activities, the Company intends to pay reasonable dividends. As the deprecation and interest payments caused by the spin-off will reduce the results of TAKKT AG in Germany in the next few years (see "*The Spin-off Transaction – Tax Consequences of the Spin-off*"), dividends will initially be dependent upon earnings of the foreign subsidiaries, i.e. those without any corporation tax credits. However, at least the first dividend paid by TAKKT AG will involve a corporation tax credit as TAKKT AG will receive a part of the equity capital of GEHE AG available for distribution in the course of the spin-off, which was subject to corporation tax at a rate of 45%. In the case of a dividend payment, this tax-burdened equity capital ensures the tax credit for the first dividend of TAKKT AG.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The TAKKT Group comprises a management holding company, TAKKT AG, three intermediate holding companies and 28 operating companies. The TAKKT Group provides numerous products in the areas of plant, office and warehouse equipment and furnishing as well as packaging and safety products through its business-to-business mail order operations, and its well-established trademarks with a prominent market presence occupy leading positions in the markets in which it is active. TAKKT AG is present in 16 European countries and in the United States and Canada through its operating subsidiaries. TAKKT AG sees considerable potential in countries where it is not yet active but where there is a rising demand for plant, office and warehouse equipment as well as safety products. Moreover, TAKKT AG sees growth opportunities in countries where the business-to-business mail order industry is underdeveloped, and generally through the evolution of new media. The Company expects to capitalize on growth opportunities through regional expansion, an extension of its range of products, and the build-up of e-commerce activities. Through further investments in new distribution channels and the continued improvement of its services, the Company intends to enhance the attractiveness of its mail order business compared to traditional retail and wholesale distribution.

The capital consolidation underlying the following pro forma consolidated income statements differentiates in accordance with the provisions in the German Commercial Code ("*Handelsgesetzbuch*", "*HGB*") on capital consolidation between the initial consolidation (offset of the participation book values against the appropriate equity capital values at the time of initial consolidation) and subsequent consolidation (attribution to the profit reserves of equity capital changes realized after initial consolidation).

In view of the acquisition by GEHE AG of the shares of the former GEHE subsidiary KAISER + KRAFT GmbH with effect from 1 July 1985, this date was chosen as the time of initial consolidation of the companies already consolidated by the former KAISER + KRAFT GmbH at that time. For all companies acquired after 1 July 1985, the date for initial consolidation is the acquisition date.

The figures in the financial statements for an equity participation sold in January 1999 are not taken into account in the following pro forma TAKKT Group profit and loss account. For K + K America Corp., the figures in the financial statements were adjusted to a uniform groupwide depreciation period for goodwill.

The following discussion and analysis of financial condition and results of operations are qualified in their entirety by, and should be read in conjunction with, the pro forma consolidated financial statements, together with the notes and other financial information contained in this Listing Prospectus. Unless the context requires otherwise, all DM and Euro amounts appearing herein were rounded up or down to the nearest 100,000 which may cause some rounding differences.

Pro forma Consolidated Profit and Loss Account for the TAKKT Group (in DM)

	1996		1997		1998	
	DM m	**%**	**DM m**	**%**	**DM m**	**%**
Sales revenues	770.8	100.0	918.4	100.0	1,054.7	100.0
Cost of materials	470.9	61.1	568.6	61.9	648.0	61.4
Gross profit	**299.9**	**38.9**	**349.8**	**38.1**	**406.7**	**38.6**
Personnel expenses	89.0	11.5	99.5	10.8	111.2	10.5
Depreciation	9.4	1.2	11.4	1.2	12.5	1.2
Business taxes	0.6	0.1	1.0	0.1	0.9	0.1
Other operating expenses	123.6	16.0	147.6	16.1	167.0	15.8
Operating result	**77.3**	**10.0**	**90.3**	**9.8**	**115.0**	**10.9**
Net interest income (expense)	(1.1)	(0.1)	(1.3)	(0.1)	(2.0)	(0.2)
Net income before taxes	**76.1**	**9.9**	**89.0**	**9.7**	**113.0**	**10.7**
Taxes on income, earnings and assets	35.7	4.6	40.0	4.4	55.3	5.2
Net income	**40.4**	**5.2**	**49.1**	**5.3**	**57.7**	**5.5**

Pro forma Consolidated Profit and Loss Account for the TAKKT Group (in Euro)

	1996		1997		1998	
	€ m	**%**	**€ m**	**%**	**€ m**	**%**
Sales revenues	394.1	100.0	469.6	100.0	539.2	100.0
Cost of materials	240.7	61.1	290.7	61.9	331.3	61.4
Gross profit	**153.4**	**38.9**	**178.8**	**38.1**	**207.9**	**38.6**
Personnel expenses	45.5	11.5	50.9	10.8	56.8	10.5
Depreciation	4.8	1.2	5.8	1.2	6.4	1.2
Business taxes	0.3	0.1	0.5	0.1	0.5	0.1
Other operating expenses	63.2	16.0	75.5	16.1	85.4	15.8
Operating result	**39.5**	**10.0**	**46.2**	**9.8**	**58.8**	**10.9**
Net Interest income (expense)	(0.6)	(0.1)	(0.7)	(0.1)	(1.0)	(0.2)
Net income before taxes	**38.9**	**9.9**	**45.5**	**9.7**	**57.8**	**10.7**
Taxes on income, earnings and assets	18.3	4.6	20.4	4.4	28.3	5.2
Net income	**20.7**	**5.2**	**25.1**	**5.3**	**29.5**	**5.5**

Sales by Division (in DM)

	1996	1997	1998
	DM m	DM m	DM m
KAISER + KRAFT Europa	468.2	510.1	612.2
Topdeq	87.1	104.3	123.2
K + K America	215.5	304.0	319.3
Total	770.8	918.4	1,054.7

Sales by Division (in Euro)

	1996	1997	1998
	€ m	€ m	€ m
KAISER + KRAFT Europa	239.4	260.8	313.0
Topdeq	44.5	53.3	63.0
K + K America	110.2	155.4	163.2
Total	394.1	469.6	539.2

Geographic distribution of the TAKKT Group turnover

	1996	1997	1998
	%	%	%
Germany	40	36	37
Rest of Europe	32	30	33
North America	28	33	30
TAKKT	100	100	100

Year Ended 31 December 1998 Compared to Year Ended 31 December 1997

General

In addition to the growth of the business of the mail order companies, 1998 saw the acquisition of Gerdmans Inredningar AB, Sweden, and its subsidiaries ("Gerdmans Companies") in Scandinavia by the former KAISER + KRAFT GmbH on 1 May 1998, and of the business of Conney Safety Products Inc., USA ("Conney Safety Products") by K + K America on 20 October 1998. Moreover, the first measures to prepare for the spin-off of the mail order business from GEHE AG to TAKKT AG were taken (see "*The Spin-off Transaction*").

Sales Revenues

Sales Revenues rose by DM 136.3 million or 14.8% from DM 918.4 million in 1997 to DM 1,054.7 million in 1998. Of this increase, DM 44.6 million is due to the inclusion of the Gerdmans Companies (DM 30.1 million) and of Conney Safety Products (DM 14.5 million). The remaining increase in sales was attributable to the KAISER + KRAFT Europa division, excluding the Gerdmans Companies (DM 72.0 million) and to the Topdeq division (DM 18.9 million).

Cost of Materials

The cost of materials rose by DM 79.4 million or 14.0% from DM 568.6 million in 1997 to DM 648.0 million in 1998. However, the rate of increase of the cost of materials remained below the rate of increase in sales.

Gross Profit

Gross profit rose by DM 56.9 million or 16.3% from DM 349.8 million in 1997 to DM 406.7 million in 1998, improving slightly (0.5%) as a percentage of sales. The gross profit margin rose in all business segments, reaching 38.6% for the TAKKT Group in 1998, compared to 38.1% in 1997.

Personnel Expenses

Personnel expenses increased by DM 11.7 million or 11.8% from DM 99.5 million in 1997 to DM 111.2 million in 1998. The increase in the number of employees and general wage and salary increases account for an increase of DM 6.0 million in personnel expenses and the inclusion of Conney Safety Products and the Gerdmans Companies accounts for an additional DM 5.1 million. Average annual personnel expenses per employee in 1998 were approximately DM 86,000, as in the previous year. The pension reserves were increased by DM 0.6 million because of a necessary adjustment due to a change in the actuarial tables in Germany.

Depreciation

Depreciation rose by DM 1.1 million or 9.6% from DM 11.4 million in 1997 to DM 12.5 million in 1998. Compared to the previous year, deprecation remained constant as a percentage of sales in 1998 at 1.2%.

Business Taxes

Business taxes fell by DM 0.1 million or 10% from DM 1.0 million in 1997 to DM 0.9 million in 1998.

Other Operating Expenses

Other operating expenses rose by DM 19.5 million or 13.2% from DM 147.6 million in 1997 to DM 167.0 million in 1998. Advertising expenses increased by DM 12.4 million, of which DM 4.5 million is attributable to the Gerdmans Companies and Conney Safety Products, which were newly consolidated in 1998. The remaining increase in advertising expenses is attributable primarily to greater catalogue numbers with comparatively small changes of catalogue costs.

The first-time consolidation of the Gerdmans Companies and of Conney Safety Products also contributed to the increase of other operating expenses. In 1998 other operating costs rose by DM 5.3 million, due essentially to costs for the following items: software maintenance (DM 2.2 million), costs for the integration of safety products into the handling, logistics and distribution activities of K + K America (DM 1.0 million) as well as costs for repairing the administrative building of the subsidiary Frankel Industrie S.A., France, after water damage (DM 0.3 million).

Operating Result

The operating result rose by DM 24.7 million or 27.4% from DM 90.3 million in 1997 to DM 115.0 million in 1998. Operating results improved as a percentage of sales from 9.8% in 1997 to 10.9% in 1998, due to a 0.5% increase in gross profit margin and a 0.6% decrease in the expense ratio as described above.

Net Interest Income (Expense)

Net interest expense increased by DM 0.7 million or 53.8% from DM 1.3 million in 1997 to DM 2.0 million in 1998. The change in net interest expense results primarily from the higher level of debt needed to finance the acquisition of the Gerdmans Companies and Conney Safety Products in 1998.

Net Income before Taxes

Net income before taxes rose by DM 24.0 million or 27.0% from DM 89.0 million in 1997 to DM 113.0 million in 1998. As a percentage of sales, net income before taxes improved from 9.7% to 10.7%.

Taxes on Income, Earnings and Assets

Taxes on income, earnings and assets rose by DM 15.3 million or 38.3% from DM 40.0 million in 1997 to DM 55.3 million in 1998. Of this increase, DM 9.7 million resulted from the higher pre-tax results, DM 5.6 million were due to a one-time reinstatement of original book values for the write-off to a lower going-concern value of foreign participations.

Net Income

Net income increased by DM 8.6 million or 17.5% from DM 49.1 million in year 1997 to DM 57.7 million in 1998. The percentage return on sales after taxes thus rose from 5.3% in 1997 to 5.5% in 1998. Minority interests in the TAKKT Group are held by the Vink Family which holds shareholdings in J.P. Vink en Zonen B.V., Netherlands, and KAISER + KRAFT N.V., Belgium. Minority interests, which form a part of net income, rose by DM 0.3 million from DM 1.0 million in 1997 to DM 1.3 million in 1998. Expressed in percentage terms minority interests remained constant.

Sales per Division

KAISER + KRAFT Europa

The sales in the KAISER + KRAFT Europa division grew by DM 102.1 million or 20.0% from DM 510.1 million in 1997 to DM 612.2 million in 1998. Since its consolidation on 1 May 1998, the Gerdmans Companies contributed sales of DM 30.1 million. The organic growth of the other companies in the KAISER + KRAFT Europa division amounted to DM 72.0 million.

Topdeq

The sales in the Topdeq division rose by DM 18.9 million or 18.1% from DM 104.3 million in 1997 to DM 123.2 million in 1998. All operating companies in this division contributed to the increase.

K + K America

The sales in the K + K America division grew by DM 15.3 million or 5.0% from DM 304.0 million in 1997 to DM 319.3 million in 1998. Since its consolidation in mid-October 1998, Conney Safety Products has contributed sales of DM 14.5 million. A major factor in the relatively small increase in sales for the K + K America division is the effect of exchange rates for the US Dollar into DM in the two business years. In US Dollar terms, sales rose by US$ 21 million or 12.4% from US$ 170 million in 1997 to US$ 191 million in 1998.

Year Ended 31 December 1997 Compared to Year Ended 31 December 1996

General

After a weak beginning in 1997, the mail order business developed positively for all companies in the TAKKT Group. The increase of sales is due primarily to the favourable results in the second half of the year.

Sales Revenues

Sales revenues rose by DM 147.6 million or 19.1% from DM 770.8 million in 1996 to DM 918.4 million in 1997. This is due primarily to the higher sales in the K + K America division (DM 88.5 million). The remaining increase in sales was achieved in the KAISER + KRAFT Europa division (DM 41.9 million) and in the Topdeq division (DM 17.2 million).

Cost of Materials

The cost of materials rose by DM 97.7 million or 20.7% from DM 470.9 million in 1996 to DM 568.6 million in 1997. The cost of materials thus increased by a greater percentage than sales.

Gross Profit

Gross profit rose by DM 49.9 million or 16.6% from DM 299.9 million in 1996 to DM 349.8 million in 1997. Gross profit as a percentage of sales, which was lower in 1997 by 0.8% at 38.1%, declined uniformly in all divisions.

Personnel Expenses

Personnel expenses rose by DM 10.5 million or 11.8% from DM 89.0 million in 1996 to DM 99.5 million in 1997. With an almost unchanged average number of employees (1997: 1,165; 1996: 1,102), the personnel expense as a percentage of sales increased, as did the amount of personnel expenses expressed in absolute terms. Average annual personnel expenses per employee amounted to approximately DM 86,000 in 1997 (DM 81,000 in the previous year).

Depreciation

Deprecation increased by DM 2.0 million or 21.3% from DM 9.4 million in 1996 to DM 11.4 million in 1997. The increase in depreciation resulted primarily from the commencement of operations at the mail order centre in Kamp-Lintfort and from the increase by DM 0.8 million of the depreciation charges for C&H Distributors Inc., USA.

Business Taxes

The business taxes rose by DM 0.4 million or 66.7% from DM 0.6 million in 1996 to DM 1.0 million in 1997. This increase is due mainly to the real estate tax payable following completion of the new administrative building of C&H Distributors Inc., USA.

Other Operating Expenses

Other operating expenses increased by DM 24.0 million or 19.4% from DM 123.6 million in 1996 to DM 147.6 million in 1997. The increase of advertising expenses by DM 18.1 million included in this higher figure is due in particular to the DM 12.0 million increase in advertising expenses in the K + K America division. The remaining increase in business expenses resulted essentially from higher costs for leasing (14% increase due to the new mail order centre in Kamp-Lintfort) and from a 14% increase in communication costs.

Operating Result

The operating result rose by DM 13.0 million or 16.8% from DM 77.3 million in 1996 to DM 90.3 million in 1997. Operating results decreased as a percentage of sales from 10.0% in 1996 to 9.8% in 1997. A 0.8% decrease in gross profit margin was partially offset by an improvement of 0.6% in the expense ratio as descibed above.

Net Interest Income (Expense)

Net interest expense increased by DM 0.2 million or 18.2% from DM 1.1 million in 1996 to DM 1.3 million in 1997.

Net Income before Taxes

Net income before taxes rose by DM 12.9 million or 17.0% from DM 76.1 million in 1996 to DM 89.0 million in 1997. As a percentage of sales, net income before taxes declined from 9.9% in 1996 to 9.7% in 1997.

Taxes on Income, Earnings and Assets

Taxes on income, earnings and assets increased by DM 4.3 million or 12.0% from DM 35.7 million in 1996 to DM 40.0 million in 1997. The tax rate as a percentage of sales fell from 4.6% in 1996 to 4.4% in 1997. This was a result of a larger share of profit distributions compared to retained earnings.

Net Income

Net income increased by DM 8.7 million or 21.5% from DM 40.4 million in 1996 to DM 49.1 million in 1997. The percentage return on sales after taxes thus rose from 5.2% in 1996 to 5.3% in 1997. Minority interests fell by DM 0.1 million or 9.1% from DM 1.1 million in 1996 to DM 1.0 million in 1997. Expressed in percentage terms minority interests remained unchanged.

Sales per Division

KAISER + KRAFT Europa

The sales in the KAISER + KRAFT Europa division rose by DM 41.9 million or 8.9% from DM 468.2 million in 1996 to DM 510.1 million in 1997.

Topdeq

The sales in the Topdeq division grew by DM 17.2 million or 19.7% from DM 87.1 million in 1996 to DM 104.3 million in 1997.

K + K America

The sales in the K + K America division grew by DM 88.5 million or 41.1% from DM 215.5 million in 1996 to DM 304.0 million in 1997. An essential factor is the effect of exchange rates for the US Dollar into DM in the two business years. In US Dollar terms, sales increased by US$ 31 million or 22.3% from US$ 139 million in 1996 to US$ 170 million in 1997.

Pro forma Group Cash Flow Statement

	1996	1997	1998
	DM m	DM m	DM m
Annual profit	40.4	49.1	57.7
Depreciation of fixed assets	9.4	11.4	12.5
Increase (decrease) of accruals	(4.5)	2.4	11.9
Increase (decrease) of inventory	(4.4)	(7.6)	(12.7)
Increase (decrease) of receivables, other assets	(15.8)	(2.7)	(12.1)
Increase (decrease) of trade payables, other liabilities, downpayments received and deferred income	5.2	1.9	1.7
Inflow (outflow) of funds from current business activities	**30.3**	**54.4**	**59.0**
Investments	(49.8)	(11.0)	(144.4)
Retirements of fixed assets	0.4	8.2	0.3
Inflow (outflow) from investment activities	**(49.4)**	**(2.8)**	**(144.1)**
Increase (decrease) of gross financial debts	36.9	(28.9)	126.5
Payments to equity	0.0	0.0	0.0
Profit or loss transfer/dividend	(20.2)	(23.2)	(41.6)
Other changes in share capital	3.2	0.1	(1.4)
Inflow (outflow) of funds from financing activities	**20.0**	**(52.0)**	**83.6**
Increase (decrease) of liquid funds	**0.8**	**(0.3)**	**(1.5)**
Liquid funds on 1 January	6.2	7.0	6.8
Liquid funds on 31 December	7.0	6.8	5.2

Year 2000 Compliance

Many data processing systems are programmed to recognize two-digit dates (the “Y2K problem”). From the beginning of the year 2000 at the latest, four-digit dates must be used to distinguish years in the 21st century from years in the 20th century. As a consequence, the data processing systems used by many companies must be modified and/or replaced to comply with year 2000 requirements. The Y2K problem concerns all technical facilities which contain or process dates, for example computer hardware and software, telecommunications systems, lifts, etc. Because of the domino effect, the breakdown of a system can also affect other systems. This can arise both within the Company and also outside the Company in the co-operation with customers and suppliers. A total shut-down of a crucial system would have serious consequences for the companies in the TAKKT Group as the absence of a manual option in some systems makes the Company totally dependent on their functioning.

As a part of a comprehensive program to assess possible effects of the Y2K problem on the TAKKT Group, regional project teams began their work in the course of 1997. The necessary adjustment work is proceeding according to plan and is expected to be completed in November 1999. The main potential problem areas are the merchandise information systems, the mail order centre in Kamp-Lintfort, the telecommunications system as well as the timely implementation of a new financial bookkeeping software for several subsidiaries. Written confirmation by the main suppliers and most important forwarding agents concerning the Y2K compliance of their products or services have already been obtained. When all compliance checking has been completed, approximately 1,000 man days of work will have been dedicated to the Y2K problem. The use of uniform, comprehensive and detailed checklists prepared specifically for the Company as well as individual action plans with specially defined interim goals for each strategic unit are designed to ensure the efficient implementation as well as the project-related supervision of the overall project. The status and progress of the project are continuously reported directly to the management board of the Company. Where financially feasible, emergency plans were prepared for important strategic problems. Emergency plans were prepared for automatic gate closing systems, the high rack controlling system in the mail order centre, and for welding robots, among other things.

The goods sold by the TAKKT Group are almost exclusively products not affected by the Y2K problem. The services offered or rendered by the TAKKT Group, on the other hand, involve a considerable logistic effort. The breakdown of such systems could cause the TAKKT Group to no longer be able to efficiently control the flow of goods or to plan its business activities. However, because of the fragmented customer and supplier structure and the relatively low average order amount, the Company believes that there is no particular system, the failure of which would have a material effect on the business or financial condition of the TAKKT Group.

The Company believes that all application and information systems which are used have been sufficiently checked for their Y2K compliance. For the most important programs, the software adjustments have already been successfully made and tested for Y2K compliance. The management board therefore expects such events not to materially affect the business or financial condition of the TAKKT Group. However, should suppliers, customers or other third parties not adequately ensure the Y2K compatibility in their businesses, this could have a material adverse effect on the sales and earnings condition of the Company.

Introduction of the Euro/Currency Risks

On 1 January 1999 eleven member states of the European Economic and Monetary Union ("EMU") – Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain – introduced the Euro as the common legal currency. At the same time the exchange rates into Euro were fixed for each currency.

The introduction of the Euro allowed the TAKKT Group to considerably reduce expenses to hedge against currency exposures, as 55% of total sales come from EMU countries, and a further 30% of total sales represent domestic business in the USA and Canada. For the British Pound, the companies of the TAKKT Group have entered into forward foreign exchange hedges in some cases. Before the Euro was introduced, the conversion of the IT systems of the companies affected was successfully completed. Since the introduction the Euro, and during the entire introduction phase, the TAKKT Group has been able to flexibly and individually react to its customers' and suppliers' requirements. In the first six months of 1999, approximately 5% of all orders were processed in Euro.

The time at which prices in advertising media will be stated in Euro instead of the national currencies has not yet been fixed. Internal and external reports will be prepared in Euro from July 1999.

BUSINESS ACTIVITIES

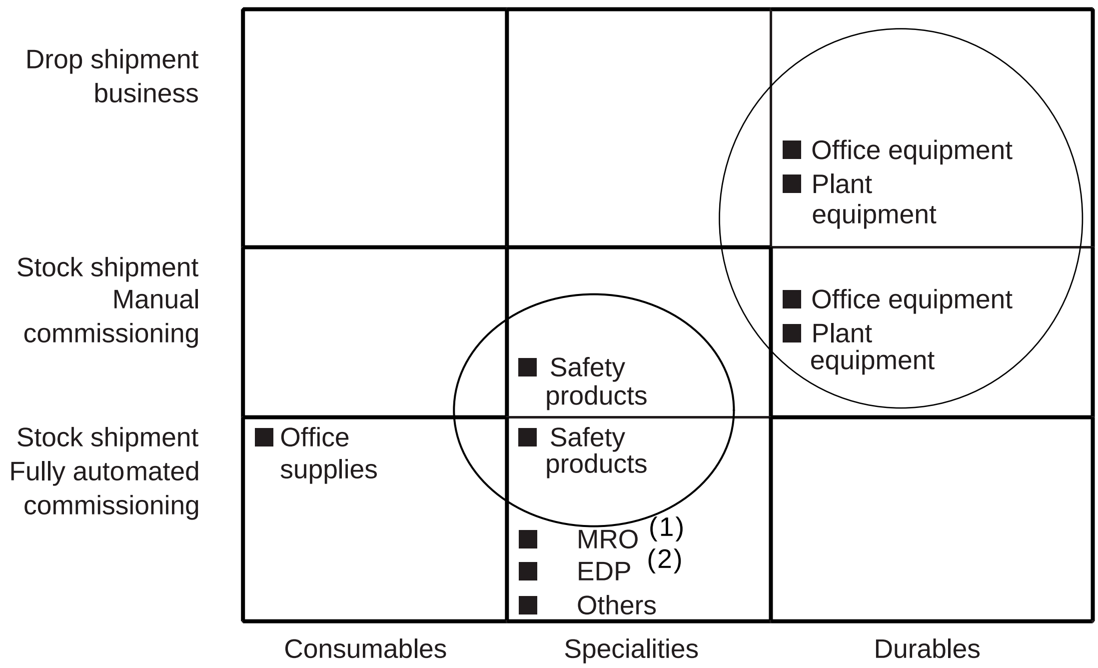
Overview and Divisions

The TAKKT Group is one of the leading suppliers in the business-to-business mail order industry in Europe and North America. Management believes that the TAKKT Group is the leading mail order group for business equipment solutions in these markets. Business equipment solutions represent a further development of the mail order business. The strategy of TAKKT AG is not only to offer individual products, but complete solutions in the area of business equipment. In addition to comprehensive sales advice, this includes detailed planning, full service upon delivery, as well as extensive warranty services after the sale. The Company believes that the range of products it sells is uniquely broad and that it is 100% customer service-oriented.

The business-to-business trade is divided into three distribution channels: retail, wholesale, and mail order. Substantially all products for businesses are sold through these distribution channels. The products can be categorised into consumer goods (consumables), durable products for plant and office equipment (durables) and special products such as electrical component parts, tools and safety products (specialities).

Within this market, the TAKKT Group with its KAISER + KRAFT Europa, Topdeq and K + K America divisions concentrates on the mail order business as a distribution channel and, in terms of products, on durable goods for plant and office equipment and on safety products. The TAKKT Group sells plant and office equipment through drop shipment and manually commissioned stock shipment as well as safety products through manually commissioned and fully automated commissioned stock shipment. The TAKKT Group has no retail or wholesale activities and does not sell any consumer goods.

The thus described market positioning of the TAKKT Group is illustrated below:



(1) MRO= Maintenance, Repair and Operations.

(2) EDP=Electronic Devices Products.

The organisational structure of the TAKKT Group with its three divisions KAISER + KRAFT Europa, Topdeq and K + K America was created specifially to meet the different market requirements of the customer groups of each company in the TAKKT Group. The divisional structure of the organisation is based upon several main criteria: regional considerations (Europe/North America), different purchasing and warehousing concepts for the divisions, as well as special business requirements (e.g. special features of the range of products, customer groups, distribution, and services in the Topdeq division).

The activities of the three divisions in the TAKKT Group are organised under the intermediate holding companies KAISER + KRAFT Europa GmbH, Topdeq Holding GmbH, and K + K America Corp.

KAISER + KRAFT Europa

Through its operating subsidiaries, the KAISER + KRAFT Group, the Gaerner Group and the Gerdmans Group, KAISER + KRAFT Europa is represented in 16 countries with 38 branch offices. The companies in the KAISER + KRAFT Europa division sell more than 30,000 products. KAISER + KRAFT Europa has a central mail order centre and three further warehouses. In 1998 the KAISER + KRAFT Europa division had sales of DM 612 million. On 31 December 1998, 809 full-time employees worked in this division. KAISER + KRAFT Europa concentrates on products in the areas of transportation, warehousing, environment, plant and office equipment.

Topdeq

In Germany, Switzerland and the Netherlands, Topdeq sells designer office equipment and accessories via catalogue and the internet. The customer base consists primarily of small and medium-sized companies in the service division industry. As a special service, Topdeq commits to deliver its products within 24 hours without any surcharge. If an order is placed before 12.30 p.m., the customer can request same-day delivery of his order for an extra charge. Topdeq owns warehouses in Germany, Switzerland and the Netherlands. In 1998, the Topdeq division generated sales revenues of DM 123 million. At 31 December 1998, 156 full-time employees worked in this division.

K + K America

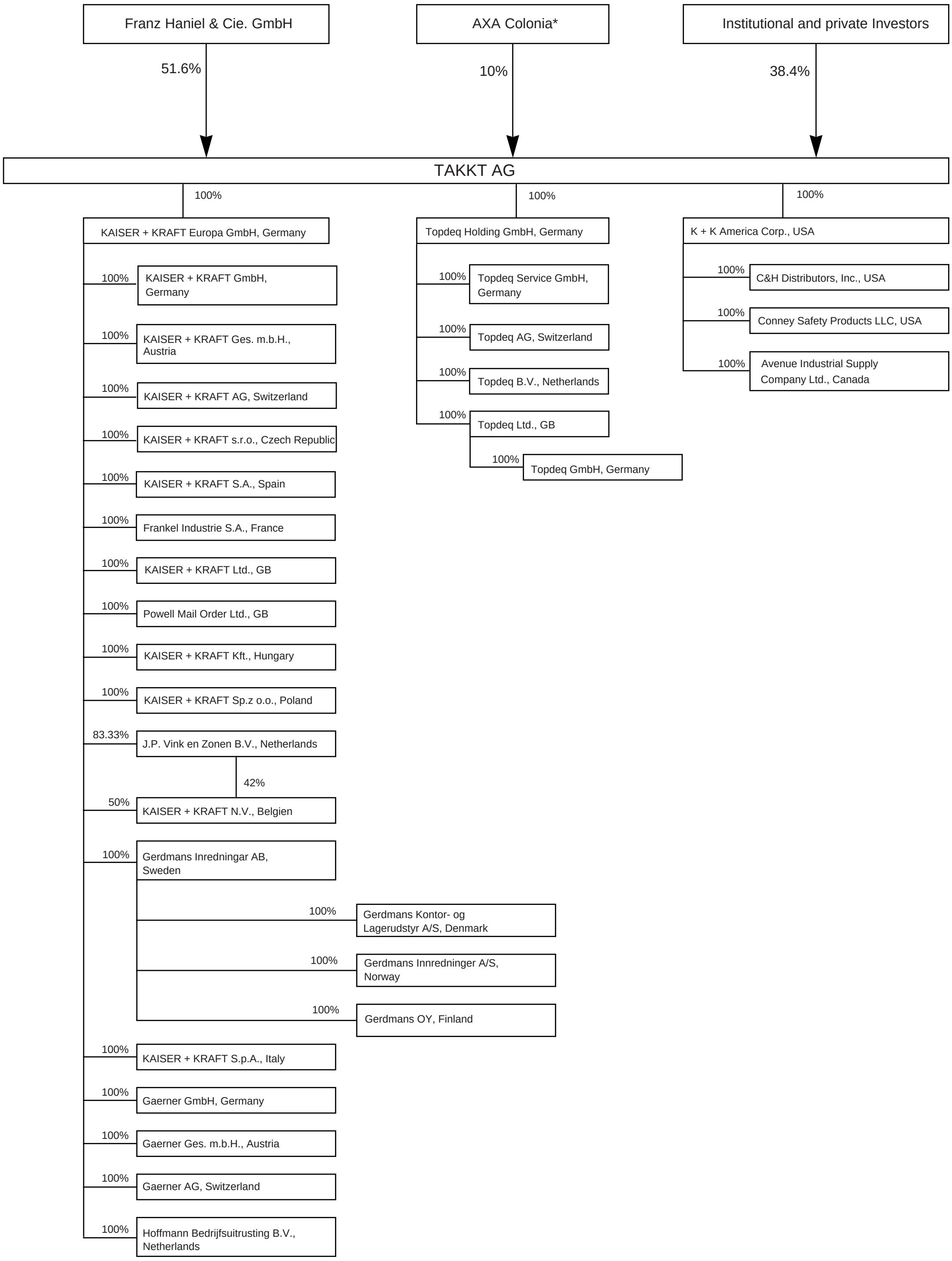
K + K America sells over 45,000 products for use in the transportation, warehousing, plant, office, safety and packaging industries in the USA and Canada. With 500 full-time employees, K + K America achieved sales of DM 319 million in 1998. K + K America has a national distribution centre and owns six further warehouses.

TAKKT AG as management holding company

TAKKT AG is the management holding company for the TAKKT Group. The management holding structure is designed to centralise as much as possible the administration of the TAKKT Group in order to benefit from synergies and economies of scale while maintaining the greatest degree of proximity to the market in order to further improve customer service. The intermediate holding companies for the three divisions, KAISER + KRAFT Europa GmbH, Topdeq Holding GmbH and K + K America Corp., perform important central operating functions for each division. The holding company structure gives the TAKKT Group greater influence in dealing with suppliers, permits the transfer of know-how generated in one division to the other divisions. allows the central provision of technical know-how, and facilitates the strategic planning of the external growth of the TAKKT Group.

Structure of the TAKKT Group

The following diagram shows the corporate structure of the TAKKT Group at the time of the effectiveness of the spin-off of the mail order business of GEHE AG to TAKKT AG:



* See page 43 for further comments.

Corporate Strategy

The Company seeks to become the market leader in Europe and America and the preferred partner in the business-to-business mail order industry for plant, office and warehouse equipment in the 21st century, and to achieve this through the unique breadth and depth of its product range, combined with a complete and uncompromising customer-service orientation. The TAKKT Group seeks to provide business equipment solutions, i.e. a combination of products and services which can be quickly, simply and efficiently ordered and delivered, together with services such as comprehensive customer sales advice, detailed planning – including CAD support -, and, at the option of the customer, assembly, full warranty services and a full post-sale satisfaction guarantee. By successfully implementing this strategy, the Company believes it will be able not only to extend its leading market position in Europe and North America but also, through more comprehensive customer benefits, to strengthen customer loyalty and thus increase the value of the Company in the long term.

There are four central principles underlying the overall strategy of the TAKKT Group:

(i) Further market penetration in the mail order business for plant, office and warehouse equipment in key markets in Europe and North America,

(ii) geographic expansion into areas and regions where the TAKKT Group has not historically been active,

(iii) continued organic growth in mature developed markets supplemented by strategic acquisitions, and

(iv) expansion into select product segments of the business-to-business mail order market.

Further penetration of the mail order market for plant, office and warehouse equipment. Management considers the mail order distribution channel for business equipment to be superior to retail and wholesale distribution and to have great potential for the future. In particular, in view of the evolution of e-commerce, management believes that the significance of mail order as an innovative mode of distribution will increase greatly compared to traditional distribution channels. As a result, the Company plans to make significant investments in the area of new media such as the internet, e-commerce and CD-ROM. In particular, new media is expected to help the Company to more deeply penetrate the markets where the Company already operates. For this, the Company has defined the following priorities:

Extension of the media-neutral database. The digital media-neutral database is the basic platform for all distribution media. It comprises all product-related information and provides central, media-independent and cost-effective information in different currencies and languages for use in varied sales channels such as printed catalogues and digital catalogues on CD-ROM and facilitates the Company's internet presence and its e-commerce activities. The Company is able to combine information in different formats such as text and pictures, depending on the advertising media or the market concerned, and to optimize the choice of media (catalogue, CD-ROM, e-commerce, etc.) when communicating with its customers. The media-neutral database enables the Company to quickly satisfy both growing and changing market requirements.

Development and implementation of e-commerce solutions for customers. In the e-commerce area, TAKKT AG pursues a two-pronged strategy. To be able to ensure maximum flexibility and at the same time optimize market proximity, the Company offers solutions both for its own platform and for third-party platforms. Whereas the Company's own platform provides a individualised virtual marketplace where the Company can offer its own products and services to potential customers, third-party platforms enable the Company to either create direct lines to the intra- or extra-net of an individual customer or to offer many products and services together with other sellers' products and services through the platform of a commercial service provider. The connection with the intra- or extra-net of a customer requires a high degree of process integration and process cost optimization, and thus results in a high degree of customer loyalty. However, since the individual platforms are also very development intensive, the TAKKT Group is able to offer this solution only to large customers. Generally the Company utilises third-party processes in order to gain access to the marketplaces of the commercial service providers, which make available an integrated platform for sellers and customers.

Extension of internet activities. Through the homepages of the operating companies, the TAKKT Group offers an extensive product range through the internet and plans to extend its internet presence to cover its entire product range. This will enable the Company to provide further information to customers and capitalise on sales opportunities outside of the traditional sales channels. In this way, the significance of the internet as a sales channel in relation to the total sales of the TAKKT Group is expected to significantly increase in the future.

In addition to the investments and activities in the area of new media, the Company also aims to continuously improve its customer service offerings. While the wishes and needs of its customers and the desire to provide long-term customer satisfaction with a view to extending its market leadership through the highest possible degree of service flexibility will continue to guide the Company, it expects to concentrate specifically on the development and implementation of custom-made solutions in the business equipment market segment. Key elements of this strategy include, simple and efficient ordering, timely delivery, comprehensive sales advice for the customer, detailed planning – including CAD support –, and, at the option of the customer, assembly as well as full warranty services and a full post-sale satisfaction guarantee.

Geographic expansion. From its strong position in its home and key markets in Europe and North America, the Company expects to further expand geographically and to diversify, with an orientation particularly toward the countries in Southeastern Europe and Central and South America. Two criteria essentially determine the choice of countries into which the TAKKT Group expects to expand. First, the Company expects to target countries where a strongly growing demand for plant, office and warehouse equipment is forecast or has already been identified. This includes, for example, many countries in Central America. Second, the Company will target countries with strong growth opportunities where the business-to-business mail order industry is underdeveloped or non-existent. This includes some Southeastern European countries, among others.

Together with the acquisition of competing companies in each country into which the TAKKT Group will expand, the Company intends to further form new subsidiaries. Based on past experience, the management is confident that it is well positioned to meet these challenges.

Continued organic and acquisition-based growth in mature developed markets. In addition to the expansion into developing markets, the TAKKT Group also plans to continue its growth in mature markets. Organic growth requires more intensive market work through traditional and new sales media or a greater or more market-suited product and service range. Selective acquisitions achieve two goals: access to new markets through an already established company minimising possible market access barriers, and the furtherance of consolidation in markets where the TAKKT Group already operates through subsidiaries.

Expansion into select product segments. Management believes the mail order business of the TAKKT Group is a systematised business which can in principle be replicated, enabling acquired know-how to be transferred to other product segments with the same or similar sales structures. In order to achieve the greatest possible diversification and independence from economic cycles, in addition to its planned expansion into other countries and regions, the Company intends to expand selectively into chosen product segments to achieve a well-balanced product range. In doing so, it intends to concentrate on durable capital goods and special products with a strong focus on quality products and service and on the mail order sales channel, and does not intend to access the high-volume and low-margin consumer goods market.

Divisional Strategy

The overall corporate strategy of the TAKKT Group significantly influences the strategies of each of KAISER + KRAFT Europa, Topdeq and K + K America. However, there are differences between the individual strategies, taking into account regional differences and the products and services that are offered.

KAISER + KRAFT Europa

TAKKT AG intends to extend the product range of KAISER + KRAFT Europa both in terms of breadth and in terms of depth, focusing on durable capital goods and special products.

The Company intends to continuously improve its customer service. To do so, further investments in the regional warehouse in France are planned, and the second phase in the construction of the mail order centre at Kamp-Lintfort is to begin in the next years, doubling its capacity. The Company expects to further improve the quality of delivery while at the same time shorten delivery periods.

Through further extension of its customer data management, the Company plans to target more specifically and more individually its customers in the future in order, for example, to optimize the choice of media (catalogue, CD ROM, e-commerce, etc.) for its contacts with customers. The media-neutral database will play a central role in this, increasing flexibility in the preparation of advertising materials and providing a high degree of cost efficiency.

A further strategic focus is the expansion of e-commerce. In addition to its already strong internet presence, the Company intends to offer not only its own process solutions, but also third-party solutions. Existing large projects involving direct communication with customers via intra- and extra-net are expected to be completed soon and extended to further large customers.

Finally, the division is expected to continue to expand strongly and to diversify geographically through organic growth and selective acquisitions. To achieve this, the Company will consider both the formation of new subsidiaries and the acquisition of companies in existing as well as new markets. Although in principle all European countries are continuously observed and analysed, the focus for the Company's regional expansion is Eastern Europe.

Topdeq

For the success of the Topdeq division, it is essential that it achieves the greatest possible market proximity for its product range, i.e. that it is able to identify new market trends quickly. Management is therefore planning to continue to frequently subject all products to a critical review in order to evaluate whether to retain them in its range of products, and to further expand the product range through new and trendy products.

In addition, quality of service will remain a top priority in this division. For example, Topdeq seeks to improve the 24-hour delivery promise beyond the current level of 95%.

The market penetration, together with quality customer service is expected to generate increased brand recognition for Topdeq. The Company also seeks to have the Topdeq name strongly associated with innovation and service orientation. The Company believes that it will continue to win market share by continuously defining market trends and by being perceived as a trend setter.

In the internet and e-commerce area, the Topdeq disivion intends to offer all its products online. Additional interactive services such as CAD office services are also intended to be made available via the internet.

Finally, following the successful transfer of its business model to Switzerland and the Netherlands, management plans to expand regionally into additional select European countries.

K + K America

The management of the K + K America division seeks to maintain and improve its high product standards and service quality. To achieve this, the breadth and depth of the existing product range will be expanded. In addition, the utilization of the national distribution centre in Wisconsin will continue to be improved to ensure shipping in North America within 24 hours of receipt of an order.

Building on its experience in Europe, the Company plans to offer the entire product range of K + K America online. Moreover, the business segment will focus increasingly on large customers, offering overall solutions in the e-commerce area.

Finally, management is planning to expand into Central and South America. Market studies have been conducted to evaluate expansion into Mexico, which is a particularly attractive candidate because of its membership in the North American Free Trade Area (NAFTA) and because of its gateway function into Latin America.

Competition

Competitors of KAISER + KRAFT Europa

The markets for the companies in the KAISER + KRAFT Europa division are quite fragmented. The most important competitor of KAISER + KRAFT Europa is Manutan S.A. of France. Like KAISER + KRAFT Europa, Manutan S.A. sells its products through catalogues in 11 countries in Europe and, in addition, offers a comparable product range in the Middle East and Africa exclusively through the mail order sales channel. A further important competitor is SSI Schäfer-Shop GmbH, Betzdorf ("Schäfer-Shop"). Schäfer-Shop is also a European seller of office, plant and warehouse equipment. In addition, Schäfer-Shop also sells consumer goods. Schäfer-Shop concentrates on the

German-speaking region in Europe and operates over 30 retail sales outlets in Switzerland, Austria and Germany. In addition to these important competitors, there are numerous smaller suppliers in Europe who sell plant, office and warehouse equipment via catalogue.

In recent years, American suppliers have increasingly penetrated the European mail order market. However, they concentrate almost exclusively on the sale of consumer goods. The American competitors of the Company generate a substantial share of their sales through retail outlets and wholesale. In addition to corporate customers, they also offer their products to private customers. TAKKT AG therefore regards these companies as competitors only to a limited extent. However, there can be no assurance that US competitors will not expand their presence in the European market, particulary in the area of specialities.

Competitors of Topdeq

The most important competitors of Topdeq are essentially retailers who sell design furniture and accessories of comparable quality. In Germany, 37 retailers have joined forces under the name Cairo and prepared a catalogue with products comparable to those sold by Topdeq. In the Benelux countries, France and Germany, Manutan S.A. issued a design catalogue last year which, however, concentrates mainly on accessories. The Company believes that the product structure and the sales concept of Topdeq is unique in Europe, especially due to its 24 hour delivery service and the frequency of new catalogue publications.

Competitors of K + K America

In the USA and Canada, the market in the area of business-to-business mail order sales is as fragmented as it is in Europe. However, large companies also engage to a certain extent in the mail order business for products that compete with the products sold by K + K America. The most important competitors in this area are the US companies W.W. Grainger, Inc. ("W.W. Grainger") and MSC Industrial Supply Co., Inc. ("MSC").

W.W. Grainger is the biggest US seller of Maintenance, Repair and Operations ("MRO") speciality products. However, the sales system of W.W. Grainger is not comparable to the mail order business of K + K America as W.W. Grainger, although having a catalogue (embracing approx. 80,000 products), sells its products through 350 branches in the United States. In addition, W.W. Grainger has about 1,500 sales representatives in the field. A subsidiary of W.W. Grainger, Lab Safety Supply, Inc., directly competes with K + K America as it sells a product range comparable to that of K + K America, also through catalogues.

MSC also sells its products in the USA through a catalogue (approx. 4,000 pages). These products are essentially MRO specialities. They are currently sold through approximately 78 branches and approximately 220 sales representatives.

Products in the Business-to-Business Mail Order Industry

General

Within the three product groups in the business-to-business mail order industry (consumables, specialities and durables), all materials needed daily in offices or plants, such as paper, ink cartridges, diskettes etc., are categorised as consumables. Generally, consumables are standard products which are needed frequently (weekly/daily) by all business customers.

The group of specialities is subdivided into four subgroups: MRO, EDP (electronic devices products), safety products and other specialities. MRO products include tools and small spare parts for plants, and EDP products include hardware and software as well as telecommunication products. The safety products consist in particular of goods used in workplace safety. The group of other specialities contains the products which cannot be classified as belonging to one of the other groups. The frequency in which they are ordered generally depends on the nature of the product and the customer group.

In the area of durables, two product groups can be distinguished: office equipment and plant equipment. Office equipment refers to furniture for offices and business premises, plant equipment includes products for transportation, warehouse and plant equipment. Compared to consumables, such products are ordered more irregularly.

Product Range of the TAKKT Group

The companies of the TAKKT Group essentially concentrate on the sale of durables and, within the area of specialities, on safety products. The different companies have the following product lines:

KAISER + KRAFT Europa

KAISER + KRAFT Europa has divided its products into five product groups: transportation, warehouse, environment, plant and office. These product groups comprise the following products:

Transportation: transportation equipment, elevating trucks, lifting equipment, wheels and coils, as well as conveyor technology.

Warehouse: shelves, storage and shelving units, cupboards, pallets and large containers.

Environment: storage and filling systems, cleaning equipment, garbage containers, and presses.

Plant: social rooms, plant equipment, shipping materials, ladders and outside facilities, and prefabricated rooms.

Office: office equipment, office chairs and tables, accessories, and computer furniture.

The most important products are those in office, plant, and warehouse equipment.

Topdeq

Topdeq subdivides its products into design-oriented office furniture and accessories. The area of design oriented office furniture has the greater significance.

K + K America

K + K America divides its products into the following groups: transportation, warehouse, plant, office, safety products and packaging. The most significant product groups are transportation, warehouse, plant, and safety products.

Customer Base

The TAKKT Group concentrates exclusively on corporate customers. Management considers this to be advantageous for the following reasons: Firstly, this limitation facilitates the targeted contact with potential customers. Secondly, the focus on corporate customers enables the Company to pursue a uniform product and price policy aligned to the requirements of businesses. Thirdly, compared to a mail order business with private customers, the credit risk is lower and can be better controlled in business-to-business mail order transactions. Finally, the concentration on businesses makes it possible to use efficient logistics oriented to commercial needs.

The customer base differs among the division in the TAKKT Group. Whereas 80% of the customers of Topdeq are service providers and only 20% are customers in the manufacturing sector, 60% of the customers of KAISER + KRAFT Europa are in the manufacturing sector and 40% are service providers. For K + K America the proportion is 30% manufacturing to 70% service providers. However, in all three divisions the relative significance of service providers is rising. If the customers are further divided according to the size of their business (number of employees), there are comparable differences. Whereas Topdeq delivers well over 80% of its products to businesses with less than 50 employees, KAISER + KRAFT Europa and K + K America concentrate on customers with over 50 employees. The share of sales revenues of KAISER + KRAFT Europa and K + K America attributable to the 25% of customers with more than 50 employees is 75% and 80%, respectively.

The TAKKT Group supplies a broad customer base. In the case of KAISER + KRAFT Europa, for example, the top 20 customers accounted for only 5% of its sales in 1998. Topdeq and K + K America also have similarly broad customer bases. The TAKKT Group has a total of 1.6 million customers who regularly receive a catalogue.

Order Processing

All TAKKT Group customers can place their orders by telephone, telefax, mail and, in the case of several companies, through the internet.

In each of the three divisions, the availability of goods in the warehouse is checked at the time an order is received. Topdeq can deliver directly from its warehouse in over 95% of all cases. For KAISER + KRAFT Europa and K + K America, this percentage ranges from approximately 25% to 70%

due to the different ratio of drop shipments to stock shipments. If the goods are in stock, the Company conducts a standard credit review for new customers and, depending on the order volume, for existing customers. If the credit check is positive, the order is filled and the invoice is issued. Otherwise, the goods are delivered exclusively cash on delivery (see "*Payment Methods and Claims Collection*"). Topdeq generally seeks to deliver within 24 hours, KAISER + KRAFT Europa and K + K America seek to ship the goods from their warehouses within 24 hours. All companies issue and mail an invoice at the time of shipment of the goods.

Purchasing and Suppliers

Due to regional and market-specific differences, purchasing in the three divisions of the TAKKT Group is performed centrally in each division.

KAISER + KRAFT Europa currently purchases approximately 80% of its inventory from approximately 130 main suppliers. Of this amount, the 20 largest suppliers ("Top 20") represent approximately 31%. The most important products can also be purchased from alternative suppliers. In total, KAISER + KRAFT Europa currently has approximately 600 active supply relationships. This also includes suppliers which supply only country-specific products designed to satisfy particular demands in the different European countries. There are no long-term supply agreements with fixed purchase quantities or prices.

Topdeq currently has approximately 25 main suppliers. The 20 largest suppliers represent approximately 56% of the total goods purchased. Most Topdeq products can only be obtained to a limited extent from alternative suppliers as the Topdeq products are exclusive for which there are no substitutes. There are no long-term supply agreements with fixed purchase volumes or prices.

K + K America has a similarly fragmented supplier structure to KAISER + KRAFT Europa. Of the more than 900 suppliers, 20 main suppliers account for approximately 48% of all goods supplied. Here, too, there are no long-term supply agreements with fixed purchase volumes or prices, and most products can be purchased also from alternative suppliers.

On the whole, the supply structure of the TAKKT Group can be regarded as very diversified. This minimizes the dependency of the TAKKT companies upon individual suppliers. Exceptions apply to the Topdeq division because of the relatively larger share of branded goods offered by the Topdeq companies.

	Share of Top 20 Suppliers
KAISER + KRAFT Europa	31%
Topdeq	56%
K + K America	48%

Logistics and Warehouses

In the mail order business, there are two main delivery methods: drop shipment and stock shipment.

In a drop shipment, goods are ordered and invoiced through the sales company, but are delivered directly by the producer to the customer. The TAKKT Group utilizes this method where the storage of the goods is not economically sensible or where the customers do not expect the goods to be available quickly.

In a stock shipment, the goods are also ordered and invoiced by the sales company but the goods are first delivered by the producer to the warehouse and from there to customers. The TAKKT Group utilizes stock shipment transactions in particular where customers expect the quick availability of the goods or where a direct delivery by the supplier to the customer is not cost-effective because of transaction costs.

There are two different methods for placing a stock shipment order: manual commissioning and fully automatic commissioning. Whereas manual commissioning is the method used primarily for bulky individual products and small quantities of goods per order, fully automatic commissioning is used for standard products with greater quantities per order. Because of the heterogeneous and in most cases bulky nature of the products most orders are placed using manual commissioning. In the central warehouses of the TAKKT Group semi-automatic commissioning has been introduced only in the area of safety products.

To further optimize manual commissioning in the mail order centre at Kamp-Lintfort (KAISER + KRAFT Europa), a fully-automatic high rack was installed when the mail order centre was built in 1997. This highly modern warehouse makes the fully automated management of certain types of products possible.

KAISER + KRAFT Europa

KAISER + KRAFT Europa has a central mail order centre as well as three further warehouses with a total storage space of 27,000 m^2. The warehouses contain 5,900 products with a total value of approximately DM 14.0 million. Drop shipment transactions account for 70% of the sales of KAISER + KRAFT Europa.

Topdeq

Topdeq has three regional warehouses with a total storage space of 18,000 m^2. The warehouses each contain 2,000 products with a total value of approximately DM 15.0 million. Topdeq makes only stock shipments.

K + K America

K + K America sells its products through a central mail order centre (National Distribution Center) and six further warehouses with a total storage space of 66,000 m^2. The warehouses contain 29,400 products with a total value of approximately DM 30.0 million. The majority of sales are stock shipments; 32% of the sales are drop shipments.

To improve the service and the supply capability, TAKKT AG is in the process of further extending the percentage of stock shipments at KAISER + KRAFT Europa. For Topdeq, it is necessary to exclusively make stock shipments in order to be able to maintain the 24-hour delivery service and high product quality. The Company believes that there is currently a balanced relationship between drop shipments and stock shipments at K + K America.

Distribution and Marketing

In the mail order business, the production and use of advertising must be efficient and close to the market. To be able to meet these requirements, advertising for the TAKKT Group is prepared centrally by each of the three divisions.

The distribution media can be divided into two main categories: print media (catalogues and mailings) and new media (CD-ROM and the internet). In 1998, the TAKKT Group mailed a total of 40 million advertising brochures and catalogues world-wide.

KAISER + KRAFT Europa

The advertising materials for the operating companies in the KAISER + KRAFT Europa division are to a great extent produced centrally in Stuttgart. To streamline the development and production of the advertising material and increase flexibility and market-proximity, a media-neutral database was developed. This database is designed according to the principle “single input – multiple output”. This means that product information is registered once and can then be used for the production of various distribution media (catalogue, CD-ROM and internet). The first set of advertising materials have been successfully prepared with the help of this database.

The operating companies in the KAISER + KRAFT Europa division have a main catalogue (with up to 850 pages) and various excerpted catalogues. Depending on the catalogue and the quality of the customer relationship, these catalogues are sent to the customers up to four times per year.

In addition to the catalogues, some companies in the KAISER + KRAFT Europa division also have a CD-ROM catalogue or an internet presence.

Topdeq

The advertising materials used by the operating companies in the Topdeq division are prepared regionally in order to meet different market requirements.

Three different versions of the main catalogue with up to 124 pages are published and mailed up to nine times per year. In addition, there is a gift catalogue mailed for the Christmas business.

The operating companies in the Topdeq division are expected to offer their products over the internet in the near future.

K + K America

The advertising materials for the operating companies in the K + K America division are produced locally by each company in North America. The main catalogue with up to 580 pages is mailed to customers up to eight times a year. In addition, the companies also mail excerpted catalogues and special catalogues.

Several operating companies in this division have their own internet presence. The operating companies which do not yet use this sales channel are currently preparing to utilize the internet.

The Company is planning to make its sales activities even more service-oriented by optimizing the interrelationship between the internet and individual customer service through a call-back service, by improving the interfaces with intra/extra-nets of the customers, and by positioning parts of the product range in the internet to reach identified target groups.

Payment Methods and Claims Collection

The TAKKT Group offers different payment methods and the collection of claims for customers according to the type of customer relationship (new or existing) and the customers' credit-worthiness (good, neutral, poor). The time allowed for payment is fixed subject to country-specific conditions. For example, existing and new customers of KAISER + KRAFT GmbH, Germany, who are determined to be creditworthy may pay within 30 days and, by paying within 10 days, receive a discount of 2%.

Information on new customers in Europe is obtained from a reputable credit reporting agency. If the information is positive, new customer claims are collected per invoice as in the case of an existing customer. If the customer's credit-worthiness is less than entirely satisfactory, delivery is made against a downpayment or by payment by credit card or EC-cash. If the information is negative, delivery is made only if cash is paid in advance or on delivery.

Because of the broad customer base, the TAKKT Group is not dependent on a few major customers. If one customer fails to pay, this would not have a material adverse effect on the income of the TAKKT Group. For this reason, the TAKKT Group does not maintain insurance against the loss of receivables outstanding.

The amount of the loss of receivables outstanding for the former KAISER + KRAFT GmbH in 1997 and 1998 was as follows:

1997	DM 544,790.55	0.27% of sales
1998	DM 413,394.36	0.17% of sales

In the Topdeq division, existing and new customers in Germany with a good credit rating are allowed 30 days for payment, or within 10 days to receive a discount of 2%. The amount of the loss of receivables outstanding for Topdeq GmbH, Germany, in 1997 and 1998 was as follows. The higher relative losses compared to KAISER + KRAFT Europa and K + K America are due to the different customer structure (i.e. a greater share of newly established businesses):

1997	DM 769,307.95	1.0% of sales
1998	DM 728,825.31	0.8% of sales

At K + K America, decisions on payment methods are made on the basis of the results of a credit review. An invoice is issued upon shipment of the goods and no discounts are granted. The loss of receivables outstanding for C&H Distributors Inc., USA, in 1997 and 1998 was as follows:

1997	US$ 325,718.44	0.20% of sales
1998	US$ 410,453.13	0.24% of sales

Own Production

KAISER + KRAFT has produced durable transportation equipment in Haan near Düsseldorf since 1971. Universal products for all applications – from sack trolleys to practical hand platform stackers – made mainly from steel are produced there. In the course of the reorganisation of the TAKKT Group, these production activities were transferred to KAISER + KRAFT Europa GmbH. Products are produced mainly for the TAKKT Group, but are also sold to third parties. Modern production systems and high quality raw materials help to ensure quick and flexible production as well as a uniform high quality standard. These products are sold under the "EURO*KRAFT*" trade mark.

In addition to standard production, individual items and small series are produced in Haan according to individual customer specifications. Special products can be custom-made for any application in close co-operation with the customer.

Although most mail order companies do not produce their own goods, the Company considers its own production to be advantageous for the following reasons:

- Compared to purchasing from a third company, own production of a limited, standardised product range creates a far greater degree of flexibility. KAISER + KRAFT Europa is able to better respond to individual customers' wishes thereby enhancing the degree of customer loyalty.
- Since commencement of operations, the Company's production in Haan has been profitable. The gross profit margins significantly exceed those in the remaining mail order business.
- Moreover, production under the trade mark EURO*KRAFT* presents an opportunity for market testing, for example for products previously designed only for a particular customer or produced in small numbers, and permits the transfer of know-how to other companies within the TAKKT Group.

Investments

The following table shows the investments for 1996, 1997 and 1998:

	1996	1997	1998
DM '000	49,810	11,005	144,386
Euro '000	25,467	5,627	73,823

A significant portion of the investments in 1996 was attributable to the acquisition of Dozier Equipment International Co., USA, to the acquisition of the business operations of Direct Safety Co., USA, and to the acquisition of shares in Powell Mail Order Ltd., Great Britain, a subsidiary of KAISER + KRAFT Europa GmbH. Further investments were made in the new administration building for a subsidiary of K + K America Corp. and for the construction of a new central warehouse in Kamp-Lintfort, which is operated by KAISER + KRAFT Europa GmbH.

The investments made in 1997 were significantly below those in the year 1996, as no acquisitions were made. In 1997, investments were made in equipment for the KAISER + KRAFT Europa mail order centre in Kamp-Lintfort as well as for the acquisition of hardware and software for various companies.

In line with the TAKKT Groups expansion strategy through acquisitions, the majority of investments in 1998 was used for the acquisition of Gerdmans Inredningar AB, Sweden, a company in the KAISER + KRAFT Europa division, and of the business of Conney Safety Products Inc., USA, a company in the K + K America division. The remainder is attributable to the acquisition of hardware and software as well as office and plant equipment.

The most important ongoing investments concern the development and implementation of e-commerce solutions. For this, TAKKT AG plans to invest approximately DM 10 million in total, over the current and future years, in particular for the development of an internet homepage for the USA and for the extension of the internet activities in Europe, the enlargement of the e-commerce area and the extension of the media-neutral database. The Company is planning to finance these investments primarily from its cash flow.

The Company is planning to improve the reliability and quality of delivery and shorten delivery periods by expanding the mail order centre in Kamp-Lintfort. The investment required for the intended extension of the mail order centre in Kamp-Lintfort is expected to amount to DM 25 million and is expected to be financed almost exclusively from cash flow. The investment is to be made at the beginning of the next millennium.

Patents and Licences

The TAKKT Group has registered its trademarks and other industrial property rights in Germany and in the most important countries where it sells its products. The registered trademarks include among others "KAISER + KRAFT", "EURO*KRAFT*", "gaerner", "Topdeq", "Q", "Q+", "Q-Plus" as well as various designations including the trademark “CONNEY” and “C&H”. Trademark protection for “TAKKT” has been applied for.

The Company does not believe being dependent on trademarks, patents, licences, contracts or new production processes that are materially significant for the business activities or results of operations of the Company.

Real Estate and Operational Facilities

The following table provides an overview of the most significant real estate owned by the TAKKT Group:

Company	Location	Use
KAISER + KRAFT Europa GmbH, Germany	Haan near Düsseldorf	Administration and production
KAISER + KRAFT AG, Switzerland	Cham	Administration
Frankel Industrie S.A., France	Morangis	Administration
KAISER + KRAFT Ltd., Great Britain	Watford	Administration, warehouse
J.P. Vink en Zonen B.V., The Netherlands	Lisse	Administration
Gaerner Ges.m.b.H., Austria	Bergheim	Administration, warehouse
Gerdmans Inredningar AB, Sweden	Markaryd	Administration, warehouse
C&H Distributors, Inc., USA	Milwaukee, Wisconsin	Administration
Conney Safety Products LLC, USA	Madison, Wisconsin	Administration, warehouse

The total acquisition cost for this real estate was DM 53,042,000. The book value on 1 July 1999 amounted to DM 46,693,000.

Of all real estate owned by the TAKKT Group, approximately 23% of the area is developed. Other than areas contained in the above table, the TAKKT Group does not own any undeveloped land.

Further important operational facilities are the administration and warehouse building of KAISER + KRAFT Europa in Kamp-Lintfort, the administration and warehouse building of Topdeq GmbH, Germany, in Pfungstadt and the administration building of KAISER + KRAFT Europa GmbH in Stuttgart.

The plant area and the mail order centre building in Kamp-Lintfort are leased by KAISER + KRAFT Europa GmbH. The Kamp-Lintfort site is particularly important as the warehousing business is operated centrally from there for the companies in the KAISER + KRAFT Europa division.

The buildings in Pfungstadt are leased by Topdeq GmbH, Germany. The site is especially important for the Topdeq division as the German business operations, which contribute an important share to the sales of this division, are conducted from there.

Insurance

The TAKKT Group is insured with a few exceptions through an internationally controlled property/business interruption and third party liability insurance policy for Franz Haniel & Cie. GmbH. The property/business interruption insurance cover is a total risk insurance policy. This insurance covers all risks resulting in damage to items specified in the insurance contract by destruction, damage or loss, subject to standard exclusions described in the insurance contract (e.g. war, nuclear accident, nationalisation, and the like). The policy for business liability, product liability and environmental liability has a fixed aggregate annual maximum liability limit of DM 50 million for personal injury and/or property damage.

The companies in the K + K America division are not insured through the international policy for Franz Haniel & Cie. GmbH. Management believes that the insurance cover maintained by K + K America is adequate. The companies belonging to the Gerdmans Group which were acquired in 1998 are currently being integrated into the international insurance policy for Franz Haniel & Cie. GmbH.

In addition, framework agreements exist for transportation, motor vehicle and group accident insurance, and special insurance policies are in place with requirement-oriented and standard conditions.

In the opinion of management, the TAKKT Group is adequately insured against risk to its business.

Litigation

In the ordinary course of business, the Company is involved in various legal disputes as the plaintiff or the defendant. The following legal disputes have been identified by management as significant.

The minority shareholder of the Belgian participation company KAISER + KRAFT N.V., Diegem, has filed an action against the dividend distribution practise of this company, and demands that dividend payments in an amount equivalent to approximately DM 690,000 are regarded null and void. According to a legal opinion which has been obtained, management believes that the likelihood of success in this legal dispute is remote for the plaintiff. The maximum loss for the Company in the event of its losing the case would be DM 350,000. This amount may rise if the sum in dispute is increased.

The Polish company KAISER + KRAFT Sp.z o.o., Warsaw, is currently involved in a dispute with the Polish tax authorities. The tax authorities have refused to recognize costs for the catalogues mailed by KAISER + KRAFT Sp.z o.o. as deductible expenses. Their position is that a recent amendment of legal provisions prevents expenses for gifts of any kind to existing or potential customers in Poland which are similar to a bonus from being deducted from taxable income. KAISER + KRAFT Sp.z o.o. maintains, supported by a legal opinion, that mail order catalogues should be regarded as advertising for the purpose of increasing sales, and not as a gift similar to a bonus. Should KAISER + KRAFT Sp.z o.o. not prevail, this dispute would result in an additional tax burden of approximately DM 500,000 per year. As a precaution, appropriate reserves have been created for the years 1998 and 1999.

As per 30 June 1999, companies in the TAKKT Group were involved in various disputes before the labour courts. The basis for these proceedings are legal actions against the termination of employment contracts, combined with claims for compensation payments. In the most important case, which involved the dismissal of an executive of a subsidiary, an agreement has been reached in a hearing before the labour court, providing for payment of compensation as well as the plaintiff's retirement on 31 December 1999. Including this case, the total sum in dispute in these proceedings amounts to approximately DM 460,000, and the expected maximum burden upon the Company is DM 610,000.

To the best knowledge of the Company, no other court or arbitration proceedings which could have a major influence on the economic situation of the Company, or had such an influence in the last two years, are pending, nor have any such proceedings been threatened or are to be expected.

GENERAL INFORMATION ON THE COMPANY

Historical Development of the Divisions of the TAKKT Group

The Company's origins date from 1945, when Helmut Kraft and Walter Kaiser established KAISER + KRAFT in Stuttgart-Untertürkheim. In 1949, the mail order concept was introduced. The Company began the production of transportation equipment in 1957. The first foreign company was acquired in 1967, and by 1983 five further foreign companies were added, newly incorporated by the Company. In 1985, GEHE AG acquired all shares in the former KAISER + KRAFT GmbH.

Subsequently the former KAISER + KRAFT GmbH strongly expanded in Germany and abroad:

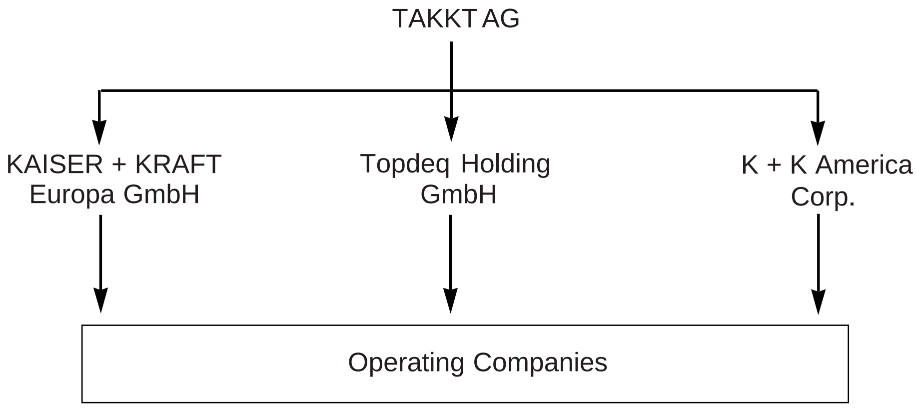
- To expand in Europe, a subsidiary was established in Italy in 1987, the first central warehouse for Europe was opened in Weiterstadt, and the Gaerner Group was acquired.
- In 1988, the business expanded into North America where the former KAISER + KRAFT GmbH acquired C&H Distributors Inc., Milwaukee, Wisconsin, USA, and between 1990 and 1996 four further competitors.
- To extend its business operations regionally in Europe, the former KAISER + KRAFT GmbH established a subsidiary in Hungary in 1990. Further subsidiaries followed in Poland and in the Czech Republic in 1992/1993. In 1994, the former KAISER + KRAFT GmbH acquired the Topdeq Group. In 1996, the mail order business in Great Britain was extended through the acquisition of Powell Mail Order Ltd., Llanelli/Great Britain.
- In 1998, the acquisition of the Scandinavian Gerdmans Group brought access to the market in Scandinavia. In the same year, an expansion of the business activities in the mail order trade for safety products was achieved by the acquisition of Conney Safety Products in the United States.

Restructuring Measures in Connection with the Spin-off

Before the spin-off of the mail order business of GEHE AG to TAKKT AG, the former KAISER + KRAFT GmbH functioned both as a holding for the operating companies, servicing the entire German and foreign mail order activities, and, in the German market, as an operating company. To create a divisional organization suited to the market requirements, the historical structure of the mail order business was replaced by a clear organization with three divisions. This was completed prior to the spin-off by a number of transfers within the TAKKT Group. Heading each division is an intermediate holding company.

The three intermediate holding companies KAISER + KRAFT Europa GmbH, Topdeq Holding GmbH and K + K America Corp. link the various operating companies. To enable the different operating units under the intermediate holding companies to be attributed to the appropriate divisions, transfers were made within the TAKKT Group prior to the spin-off. The European mail order activities, with the exception of the Topdeq activities, were combined under the former shelf company with the firm Erste GEHE Gesellschaft für Beteiligungsbesitz mbH, now KAISER + KRAFT Europa GmbH. K + K America Corp. remained the intermediate holding company for all US and Canadian companies in the mail order business. Finally, all Topdeq companies were transferred to the former shelf company with the firm "BAR" Fünfte Vermögensverwaltungsgesellschaft mbH, now Topdeq Holding GmbH, and thus all Topdeq activities were combined under Topdeq Holding GmbH. In the course of the spin-off, the three intermediate holding companies are to be transferred to TAKKT AG.

To fully benefit from synergies and economies of scale, the intermediate holding companies provide services to the operating companies of the TAKKT Group on the basis of service agreements. TAKKT AG functions as a management holding company.



The former KAISER + KRAFT GmbH and its domestic subsidiaries remaining after the restructuring were not spun off. The mail order business of the former KAISER + KRAFT Europa GmbH in Germany is operated by KAISER + KRAFT GmbH, which belongs to the KAISER + KRAFT division and which was formed for this purpose by GEHE AG in spring 1999 under the name KAISER + KRAFT Deutschland GmbH.

In the course of the reorganization of the mail order business within the TAKKT Group, the following transactions were effected:

K + K America Corp. was sold by the former KAISER + KRAFT GmbH to GEHE AG. This transaction involved the disclosure of hidden reserves on the basis of the market value for the participation. This market value was determined on the basis of an expert opinion delivered by the Company's auditors Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

With effect from 31 December 1998, all participations in foreign companies of the former KAISER + KRAFT GmbH in the mail order business of GEHE AG were sold to KAISER + KRAFT Europa GmbH except where they were attributable to the North American business or concerned Topdeq. These sales also involved the disclosure of hidden reserves on the basis of the market value of the participations as determined by Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

Furthermore, the newly incorporated KAISER + KRAFT Europa GmbH acquired all domestic mail order activities except for the Topdeq Group, either directly or through subsidiaries, by means of the following transactions:

The former KAISER + KRAFT GmbH transferred its entire operating business to the newly incorporated KAISER + KRAFT GmbH. Certain of these assets were then transferred by KAISER + KRAFT GmbH to KAISER + KRAFT Europa GmbH insofar as such assets related to the functions of KAISER + KRAFT Europa GmbH as a service holding company within the TAKKT Group.

Further transfers of assets were made directly by subsidiaries of the former KAISER + KRAFT GmbH to KAISER + KRAFT Europa GmbH. These sales were also made at market value determined by Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

The business premises in Haan near Düsseldorf were separately sold at market value by the former KAISER + KRAFT GmbH to KAISER + KRAFT Europa GmbH.

With effect from 31 December 1998, Topdeq Ltd., London/Great Britain, Topdeq AG, Hünenberg/Switzerland, and Topdeq B.V., Mijdrecht/Netherlands, were transferred to Topdeq Holding GmbH. These sales were also made at market values determined by expert opinions. As Topdeq GmbH, which operates the Topdeq business in Germany, is a wholly owned subsidiary of Topdeq Ltd., the transfer of participations in Topdeq Ltd. also included the domestic Topdeq business.

Central service functions within the Topdeq area were also sold by Topdeq International GmbH, a subsidiary of the former KAISER + KRAFT GmbH, to Topdeq Service GmbH, a wholly owned subsidiary of Topdeq Holding GmbH, by way of a transfer of assets at market value determined by expert opinions disclosing, hidden reserves. The market values were determined by Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

Incorporation of TAKKT AG

TAKKT AG was established on 1 March 1999 by GEHE AG, Stuttgart, as the sole shareholder, and was entered in the commercial register at the local court of Stuttgart on 30 March 1999 under HRB 19962. The members of the first management board and of the first supervisory board of TAKKT AG examined the incorporation process and, in their report of 3 March 1999, stated that the incorporation of TAKKT AG satisfied the statutory requirements.

The management board and the supervisory board of GEHE AG, the founding shareholder, currently have the following members:

Management board of GEHE AG

Dr. Fritz Oesterle, chairman, responsibility: corporate development

Jacques Ambonville, responsibility: OCP Group in the pharma wholesale business and health business

Stefan Meister, responsibility: finance and controlling

Jürgen Ossenberg-Engels, responsibility: GEHE Group in the pharma wholesale business

Michael A. Ward, responsibility: AAH Group in the pharma wholesale business and pharmacies/retail trade

Andreas Zimmer, responsibility: IT

Supervisory board of GEHE AG

Dr. Dieter Schadt, chairman

Friedrich Taake, vice-chairman

Professor Dr. Julius Michael Curtius

Ihno Goldenstein

Günther Hülse

Roland Jodin

Jörg Lauenroth-Mago

Hans-Martin Poschmann

Jürgen Puff

Dr. Ihno Scheevoigt

Professor Dr. Theo Siegert

Professor Dr. Erich Zahn

The address of all members of the management board and the supervisory board is the business address of GEHE AG, Neckartalstraße 155, 70376 Stuttgart.

Domicile, Duration, Business Year

The domicile of the Company is Stuttgart. The financial year is the calendar year. The first financial year of TAKKT AG will be a short business year which began upon the entry of the Company in the commercial register on 30 March 1999 and will end on 31 December 1999 (for the first consolidated financial statements, see *"Dividend Policy"*). The duration of the Company is unlimited. Except in the case of insolvency, the Company can only be dissolved by shareholders' resolution requiring a majority of three quarters of the equity capital represented at the time of the vote. In the case of a dissolution by resolution, the assets of the Company remaining after the discharge of all liabilities are divided among the shareholders pro rata in accordance with their shareholdings.

Corporate Purpose

The corporate purpose is the production and trade, in particular mail order trade, in transportation equipment, warehouse and plant equipment, office equipment of any kind and similar goods, and the rendering of all services which are connected with such production or trade or generally serve the mail order business.

The Company is authorized to transact any business and take any measure connected with such activities or useful for them. It can, in particular, participate in other companies. The Company can engage in all of the above activities through affiliated companies within the meaning of § 15 et seq. German Stock Corporation Act ("*Aktiengesetz*"), and may spin off its business entirely or partially to affiliated companies and/or establish branch offices.

Capital Structure

After the entry in the commercial register of the capital increase resolved on 2 June 1999 and after the mandatory retirement of 50,000 Shares to be resolved by the management board immediately after the capital increase is registered, the equity capital of the Company will amount to € 72,900,000 divided into 72,900,000 bearer shares.

At the time of its incorporation, the equity capital of the Company amounted to € 50,000. At the special shareholders' meeting of the Company on 2 June 1999 the shareholders resolved to increase the capital of the Company for the purpose of implementing the spin-off by € 72,900,000 to € 72,950,000. This was a capital increase against non-cash contributions pursuant to § 125 sentence 1, § 69 section 1 sentence 1 German Conversion Act ("*Umwandlungsgesetz*") in conjunction with § 183 German Stock Corporation Act ("*Aktiengesetz*"). The non-cash contribution made were the interests held by GEHE AG in its wholly owned subsidiaries KAISER + KRAFT Europa GmbH, Topdeq Holding GmbH and K + K America Corp., that were transferred to the Company in the course of the spin-off in accordance with the spin-off agreement of 13 April 1999 between GEHE AG and the Company, including all legal positions connected with these interests. The former mail order business division of GEHE AG constituted the non-cash capital contribution for the purpose of the capital increase. The capital increase will become effective upon its entry in the commercial register of the Company, which is expected on 10 September 1999.

The spin-off agreement constitutes a post-formation agreement ("*Nachgründungsvertrag*") pursuant to § 125 sentence 1, § 67 section 1 German Conversion Act in conjunction with § 52 section 3 German Stock Corporation Act, as the Shares to be issued by TAKKT AG to the shareholders of GEHE AG under the spin-off agreement represent more than one-tenth of the original equity capital of the Company of € 50,000. The supervisory board of the Company examined the spin-off agreement in accordance with § 52 section 3 German Stock Corporation Act and submitted a written post-formation report. Furthermore, a post-formation and non-cash contribution audit ("*Nachgründungs- und Sacheinlageprüfung*") was conducted by Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as the court-appointed auditors for such purpose. These audits confirmed that the post-formation of the Company and the non-cash capital contribution to the capital increase described above were in compliance with the law, and that the value of the cash contribution to be made represents the value of the 72,900,000 Shares created by the Company through the capital increase described above and made available to the shareholders of GEHE AG in the course of the spin-off.

Immediately after the effectiveness of the capital increase, the initial Shares held by GEHE AG in the amount of € 50,000 of the equity capital of the Company are to be redeemed by the management board of the Company pursuant to § 5 of the articles of association of the Company. The capital of the

Company will thereby be reduced to € 72,900,000. In return for these redeemed Shares, GEHE AG will receive only the issue price of € 50,000 originally paid by it.

After this redemption, the calculated nominal value, i.e. the share of the capital of the Company represented by each Share, will amount to Euro 1. The Shares are entitled to a dividend from 1 July 1999. Each Share carries one vote. There are no limitations of the voting rights in respect of the Shares.

The 72,900,000 share certificates (No. 0.050.001 to 72.950.000) are evidenced by three global certificates deposited with Deutsche Börse Clearing AG, Frankfurt am Main. The holders of the Shares have co-ownership rights to the global certificates. The management board decides the form of any share certificates and of any dividend coupons and renewal coupons. Shareholders do not have the right to request definitive share certificates and the Company has no intention of printing definitive securities. If the capital is increased, the shareholders' profit participation can deviate from § 60 section 2 German Stock Corporation Act.

Principal Shareholders

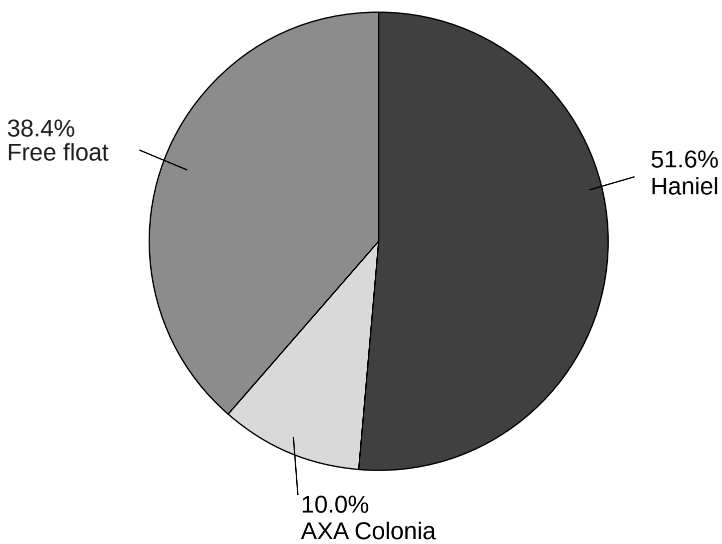
In the spin-off of the mail order business from GEHE AG to TAKKT AG, the shareholders of GEHE AG will receive one TAKKT AG Share for each GEHE AG share held. The redemption of the TAKKT AG Shares held by GEHE AG ensures that the distribution of shareholders of GEHE AG and of TAKKT AG at the time at which the spin-off becomes effective is identical.

The majority shareholder of TAKKT AG is Franz Haniel & Cie. GmbH, Duisburg-Ruhrort ("Haniel"), holding approximately 51.6% of the Shares.

A further 10% of the Shares are held by AXA Colonia Konzern AG, Cologne, ("AXA Colonia") through Pluto Gesellschaft für Beteiligungswerte AG & Co. KG, Cologne. In 1998, AXA Colonia issued an exchangeable bond exchangeable into GEHE shares. Assuming exchange of the bond, which can be effected at any time prior to 13 November 2003, the number of private and institutional holders will increase, reducing the AXA Colonia share. The conditions of the AXA Colonia exchangeable bond state, among other things, that in the case of a spin-off an exchangeable adjustment of the exchange right and of the exchange quotas must be made by the calculation agent in accordance with § 317 BGB. In the case of the spin-off, the adjustment may result in a proportional allocation of TAKKT Shares to the holders of the bonds.

The remaining approximately 38.4% of the Shares are owned by private and institutional investors.

Shareholders of TAKKT AG at the time of the effectiveness of the spin-off of the mail order business to TAKKT AG



Information on equity participations

The following table provides an overview of the most important statistical information relating to material equity participations (at 1 July 1999):

	KAISER + KRAFT Europa GmbH	Topdeq Holding GmbH	K + K America Corp.
Domicile	Stuttgart	Pfungstadt	Wilmington, Delaware, USA
Area of activities	Holding	Holding	Holding
Nominal capital	DM 50,000	DM 50,000	US$ 15,001,000
Shares held	100%	100%	100%
Book value	DM 266,213,000	DM 70,000,000	DM 213,787,000
Earnings from participations (31 December 1998)	—	—	US$ 5,000,000
Claims against TAKKT AG	—	—	—
Liabilities to TAKKT AG	DM 124,000,000	DM 49,000,000	—

	KAISER + KRAFT GmbH	C&H Distributors, Inc.	Gaerner GmbH	Topdeq GmbH
Domicile	Stuttgart	Milwaukee, USA	Duisburg	Pfungstadt
Area of activities	Distribution and trade in plant, office and warehouse equipment	Distribution and trade in plant, office and warehouse equipment as well as safety products	Distribution and trade in plant, office and warehouse equipment	Distribution and trade in office furniture and equipment as well as accessories
Nominal capital	Euro 25,000	US$ 12,016,513	DM 60,000	DM 3,700,000
Shares held	100%	100%	100%	100%
Book value	Euro 25,000	US$ 12,016,513	DM 60,517	GBP 1,342,273
Earnings from participations (31 December 1998)	—	US$ 25,000,000	DM 3,232,331	DM11,250,000
Claims against TAKKT AG	—	—	—	—
Liabilities to TAKKT AG	DM 115,000,000	—	DM 31,000,000	—

Employees

The TAKKT Group had 1,496 full-time employees on 1 July 1999. As of 31 December 1998, 1,465 full-time equivalent employees were employed in the mail order business world-wide of which 585 worked in Germany and 880 abroad. The following table shows the growth of the number of employees:

	Employees in the mail order business
1996	1,112
1997	1,152
1998	1,465

TAKKT AG had 26 employees on 1 July 1999.

Employee Participation Program

The management board of the Company intends to introduce an employee participation program. It is meant to grant employees and executives of the companies of the TAKKT Group Shares of the Company at preferential prices in compliance with the limitations under applicable law. The proposed program is to be substantially similar to the existing employee participation program of GEHE AG.

The employee participation program of GEHE AG is currently structured as follows: Under the employee participation program, employees and executives of GEHE AG are able to acquire employee shares at preferential rates. All employees and executives who, on March 1st of the current year, have a valid employment or training contract, as well as all retired employees of the company, have the right to purchase such shares. The company acquires the number of shares necessary to fulfil the demand in the market. The difference between the stock exchange price and the issue price for the employee shares is not subject to wage tax and social security contributions because the permitted number and the issue price of the employee shares are fixed by the management board in such a way that the monetary advantage to the participant does not exceed DM 300 per year and is not higher than 50 % of the value of the shares acquired (§ 19a German Income Tax Act, *"Einkommensteuergesetz", "EStG"*). The difference between the stock exchange price and the price paid by the employees is paid by GEHE AG. Ancillary costs involved in the acquisition, e.g. handling fees are also paid by GEHE AG. The resale of employee shares is subject to the six-year statutory holding period. Shares sold before the end of the waiting period are subject to taxation on the full amount contributed by the employer, and social security contributions must be paid on such amount. The offer to the employees for the purchase of employee shares is made every year at the end of the calendar year. The purchase price for the shares is payable by the month of June in the following year by an automatic debit of the entire amount or by a retention of wages/salaries in up to three instalments.

Announcements, Paying Agent and Depositing Agent

Under the articles of association of the Company, announcements will be made exclusively through the Federal Gazette ("*Bundesanzeiger*"). Announcements concerning the Shares are published in addition in at least one mandatory publication of the securities exchanges in Frankfurt and Stuttgart. The Company is obliged to appoint and publicly name at least one credit institution as the paying and depositing agent at the stock exchanges where its Shares are admitted to trading and official listing. This credit institution performs transactions like the payment of dividends at the counters, the depositing of shares for attendence at shareholders' meetings and the exercise of preemptive rights – free of charge to the shareholder if the securities are presented. Dresdner Bank AG, Frankfurt am Main, Landesbank Baden-Württemberg, Stuttgart, HSBC Trinkaus & Burkhardt KGaA, Düsseldorf, Bayerische Hypo- und Vereinsbank AG, Munich, and Sal. Oppenheim jr. & Cie. KGaA, Cologne, have been appointed as the initial paying and depositing agents for the Frankfurt and Stuttgart securities exchanges.

Auditors

Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, was chosen as the auditor for the short business year of the Company beginning on 30 March 1999 and ending on 31 December 1999. The consolidated financial statements for the TAKKT Group cover the time from 1 July through 31 December 1999. The financial statements of GEHE AG for the business years 1996, 1997 and 1998 were audited by C&L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (now: PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft). The pro forma consolidated financial statements contained in this prospectus for the business years 1996, 1997 and 1998 were audited by Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

MANAGEMENT

Overview

The corporate bodies of the Company are the management board, the supervisory board and the annual general meeting. The powers and functions of these bodies are regulated by the Stock Corporation Act and the articles of association. The management board is responsible for the day-to-day management of the Company in accordance with the law, the provisions of the articles of association, the shareholders' resolutions, as well as any bylaws for the management board, and represents the Company in dealings with third parties.

The supervisory board appoints the members of the management board and has the right to dismiss them. It supervises the management board in the management of the Company. The supervisory board is not involved in the day-to-day management of the Company. The supervisory board can stipulate that certain kinds of transactions may only be undertaken with its consent. If the supervisory board refuses to give its consent, the management board can demand that the general meeting resolve on such consent. The shareholders' resolution giving such consent requires a majority of at least three quarters of the votes cast at the general meeting. A person cannot at the same time be a member of the management board and of the supervisory board.

In performing their duties, the members of the management board and of the supervisory board are required to apply the diligence of a prudent businessman. In doing so, they must take into account a broad spectrum of interests including the interests of the Company, its shareholders, employees and creditors. Members of the management board and of the supervisory board are personally liable to the Company as joint and several debtors for any damage or loss resulting from a violation of their duties.

Management Board

According to the articles of association, the management board of the Company must consist of at least two persons. The exact number of management board members is fixed by the supervisory board. The management board currently consists of four members. The appointment of substitute members of the management board is permissible. The supervisory board can issue bylaws for the management board. The bylaws can also identify legal acts and transactions which require the consent of the supervisory board. The supervisory board can give such consent in the form of general consent for a certain kind of transaction. The Company is represented by two members of the management board or by a member of the management board together with a fully authorized signatory ("*Prokurist*").

The current members of the management board of the Company are as follows:

- Georg Gayer, graduate business engineer, 53 years, chairman of the management board. Mr. Gayer is responsible for personnel, legal, catalogues and market development, Gaerner Group, Topdeq Group, K + K America Group, and accounting control. Previously, Mr. Gayer was employed by the former KAISER + KRAFT GmbH since 1978, in various roles. In 1984 he was appointed general manager responsible for controlling, finance, warehousing, logistics and production. With effect from 1 January 1999, he was appointed chairman of the management board of the former KAISER + KRAFT GmbH and a member of the management board of GEHE AG, from which he resigned on 30 June 1999.

- Alfred Milanello, economist, 57 years. Mr. Milanello's responsibilities include electronic data processing, order processing, warehousing, organization, new media, and e-commerce. Mr. Milanello worked for the former KAISER + KRAFT GmbH since 1987 and served as its managing director for the IT area since 1988.

- Franz Vogel, Swiss graduate sales director, 50 years. Mr. Vogel is responsible for KAISER + KRAFT Group and Gerdmans Group. Mr. Vogel has been employed in the mail order business since 1985, initially as the managing director for Switzerland and in addition, since 1991, as the regional director for distribution in South and East Europe. Since 1 January 1999, Mr Vogel has been a managing director of the former KAISER + KRAFT GmbH.

- Dr. Felix A. Zimmermann, graduate economist, 33 years. Dr. Zimmermann is responsible for controlling, accounting, finance/M&A and investor relations. Since 1 January 1999, Dr. Zimmermann has been a managing director of the former KAISER + KRAFT GmbH. Before that, he worked in the finance department of Franz Haniel & Cie. GmbH.

The members of the management board can be reached at the business address of the Company.

The members of the management board of the former KAISER + KRAFT GmbH, the assets of which were transferred to KAISER + KRAFT GmbH in the course of the reorganization in preparation for the spin-off, received remuneration including salaries, profit participations, reimbursement of expenses, insurance premiums, commissions and fringe benefits of any kind in the aggregate amount of DM 2,142,000 in 1998.

The members of the management board currently receive an aggregate annual remuneration of approximately DM 2,380,000 from TAKKT AG. This amount includes a variable portion of approximately 54%, the final amount of which is contingent upon the achievement of defined targets. A definite total amount of remuneration for the year 1999 is not available at this time. The members of the management boards of companies controlled by TAKKT AG receive an aggregate annual remuneration of approximately DM 190,000.

At 31 December 1998, companies controlled by the Company had pension reserves in the amount of DM 883,801 for pension claims of individuals currently serving as members of the management board of the Company.

At the time of the effectiveness of the spin-off, the management board members hold 1,469 shares of the Company.

The Company has neither granted any loans to management board members nor stood surety or given guarantees for them. The management board members were not involved in any transactions outside the business operations of the Company or in transactions of the Company during the current or preceding business years which were unusual or in such unusual transactions in earlier business years which have not been completed.

Supervisory Board

Under the articles of association, the supervisory board consists of six members. The members of the supervisory board are elected for a fixed term of approximately five years. The term of office of a supervisory board member ends at the conclusion of the general meeting at which the shareholders formally approve of the actions of the members of the supervisory board in the fourth year after the year of their election. The term of office of a substitute member elected or appointed by a court to fill a vacancy or break a deadlock ends at the time of the end of the retiring member's regular remaining term of office. A supervisory board member can resign from office with one month's notice by written notice to the management board. An immediate resignation is permitted if the supervisory board agrees. The right to resign from office for important reasons does not require such an agreement.

The members of the first supervisory board were appointed in compliance with § 30 section 3 sentence 1 German Stock Corporation Act for the time up to the end of the general meeting at which the shareholders formally approve of the actions of the supervisory board members in the short business year ending on 31 December 1999.

The current members of the supervisory board are:

- Dr. Dieter Schadt, chairman,
  graduate economist, chairman of the management board of Franz Haniel & Cie. GmbH,
  residing at Mülheim a.d.R.;

- Dr. Karl-Gerhard Eick,
  graduate economist, member of the management board of Franz Haniel & Cie. GmbH,
  residing in Düsseldorf;

- Dieter Kämmerer,
  graduate economist, former chairman of the management board of GEHE AG,
  residing at Holzgerlingen near Stuttgart;

- Thomas Kniehl,
  industrial employee, employee in the logistics department of KAISER + KRAFT Europa GmbH,
  chairman of the central works council for KAISER + KRAFT GmbH,
  residing in Stuttgart;

- Julian Matzke,
  forwarding employee in the logistics department of KAISER + KRAFT Europa GmbH,

member of the economic committee for KAISER + KRAFT GmbH,
residing in Stuttgart;

- Horst F. Peer,
merchant, chairman of the managing board of the former KAISER + KRAFT GmbH (retired),
residing at Ditzingen near Stuttgart.

The election of a vice chairman for the supervisory board is expected to take place at the next supervisory board meeting.

According to the currently applicable articles of association, the members of the supervisory board receive a reimbursement of expenses and a fixed amount of € 5,000 per year. In addition, a further bonus of € 1,500 for every percentage point by which the dividend paid to the shareholders for the preceding business year exceeds 4% of the capital entitled to dividends, payable after the end of the business year. The supervisory board chairman receives double this amount, his deputy one and a half times the amount of the total remuneration. The Company refunds any value-added tax payable on remuneration to the members of the supervisory board. Both the fixed and variable components of remuneration are reduced proportionally if a member belongs to the supervisory board only for less than a full business year.

At the time of the effectiveness of the spin-off, the supervisory board members hold 10,102 Company shares.

The Company has not granted any loans to supervisory board members and has not stood surety or given guarantees for them. The supervisory board members were not involved in any transactions outside the business operations of the Company or in transactions of the Company during the current or preceding business years which were unusual or in such unusual transactions in earlier business years which have not been completed.

The members of the supervisory board can be reached at the business address of the Company.

The Company is not required to establish a supervisory board subject to co-determination according to the provisions of the German Co-determination Act 1976 or the German Works Constitution Act 1952. However, in connection with the spin-off of the mail order business, GEHE AG has confirmed to the employee representatives for its mail order business to be transferred to the Company that it intends, on the basis of a recommendation by the central works council, to elect two employee representatives to the first supervisory board of TAKKT AG. At the extraordinary shareholders' meeting of the Company on 2 June 1999, among others, Mr. Kniehl and Mr. Matzke were elected to the supervisory board of the Company.

The members of management and supervisory boards will be able to purchase TAKKT AG Shares only within the limits of the planned general employee participation program (see "*General Information on the Company – Employee Participation Program*"). There are no current plans to create special stock option plans for executives.

General Meeting

The general meeting may be held at the domicile of the Company or in a city where a German stock exchange is located or within a 50 km radius of either. The general meeting is called by the management board or the supervisory board. The details regarding the general meeting must be announced at least one month before the last day for shareholders to deposit their Shares. This announcement must be published by the management board in the Federal Gazette ("*Bundesanzeiger*"). The day of the announcement and the final day for depositing the Shares do not count.

Each Share carries one vote at the general meeting. All resolutions adopted at the general meeting may be adopted by simple majority of the votes cast, unless the articles of association or provisions of mandatory law provide otherwise. Where the law requires a capital majority as well as a majority of votes cast, resolutions may be passed by simple majority of the capital represented at the time of the vote, unless the law or the articles of association require otherwise.

THE SPIN-OFF TRANSACTION

The following information is taken from the joint report on the spin-off of the mail order business from GEHE AG to TAKKT AG of 19 April 1999.

TAKKT AG will acquire the mail order business conducted by it by way of a spin-off for the purpose of a merger ("*Abspaltung zur Aufnahme*"). In the course of the spin-off, GEHE AG will transfer to TAKKT AG all participations held by it which make up the mail order business together with all rights and obligations by way of a partial universal succession. The transfer will be made in exchange for TAKKT AG Shares to be issued to the shareholders of GEHE AG. The spin-off will become effective upon its entry in the commercial register for GEHE AG, which is expected on 10 September 1999.

The effect of the spin-off on the relationship between GEHE AG and TAKKT AG will be applied retroactively from 1 July 1999. All business transactions from 1 July 1999 to the day of the effectiveness of the spin-off relating to the transferred assets will be reflected in the financial statements of TAKKT AG at 31 December 1999.

The interests transferred by GEHE to the Company in the course of the spin-off are the 100% participations in the following companies:

- KAISER + KRAFT Europa GmbH, domiciled in Stuttgart,
- Topdeq Holding GmbH, domiciled in Pfungstadt, and
- K + K America Corp. with its headquarters in Milwaukee, Wisconsin,

in each case including all related legal rights and obligations.

Upon the effectiveness of the spin-off, the shareholders of GEHE AG will receive one Share of TAKKT AG for each share of GEHE AG held free of charge. No additional cash consideration will be paid.

The TAKKT AG Shares issued as valuable consideration will be created by an increase of the capital of TAKKT AG from € 50,000 by € 72,900,000 to € 72,950,000.

The redemption provision (§ 237 sections 1 and 6 German Stock Corporation Act) in the articles of association of TAKKT AG relating to the 50,000 Shares taken by GEHE AG upon the incorporation of TAKKT AG ensures that the composition of shareholders of TAKKT AG immediately after the spin-off will be identical to the current composition of shareholders of GEHE AG.

Reasons for the Spin-off of the Mail Order Business of GEHE AG to TAKKT AG

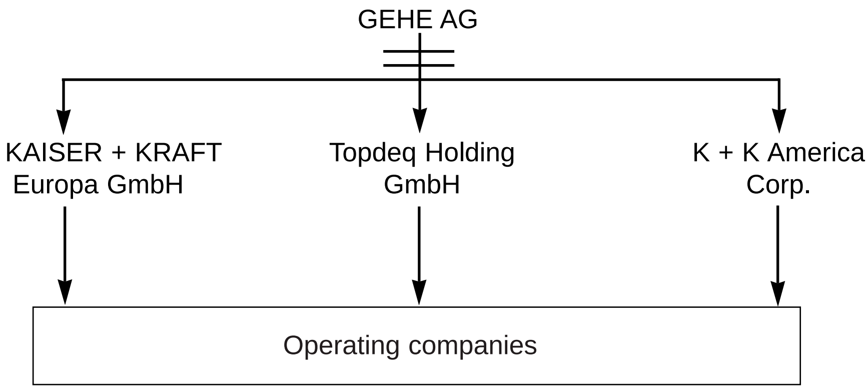
The spin-off of the mail order business of GEHE AG to TAKKT AG was proposed to the shareholders of GEHE AG because the management had determined that, due to the differences between the products being sold, there were no synergies between the health-oriented business activities of GEHE AG and the mail order business, either on the purchasing side or on the distribution side. The logistics of the businesses also differ. For example, whereas 35,000 pharmacies throughout Europe receive largely automatically commissioned deliveries from a product range of up to 100,000 mostly small products several times a day with a delivery period of only a few hours, KAISER + KRAFT Europa sells over 30,000 large products offered through catalogues. Thus, warehousing and transportation conditions are fundamentally different. The health-oriented business activities of GEHE AG and the mail order business therefore have no joint warehouses or common logistics.

The management board of the Company believes that the independence of the mail order business achieved through the spin-off will enable the divisions of the TAKKT Group to focus more on their core business. Moreover, the management boards of GEHE AG and TAKKT AG believe that transparent companies which concentrate on clearly defined core areas, so-called "pure plays", are generally preferred in the capital markets.

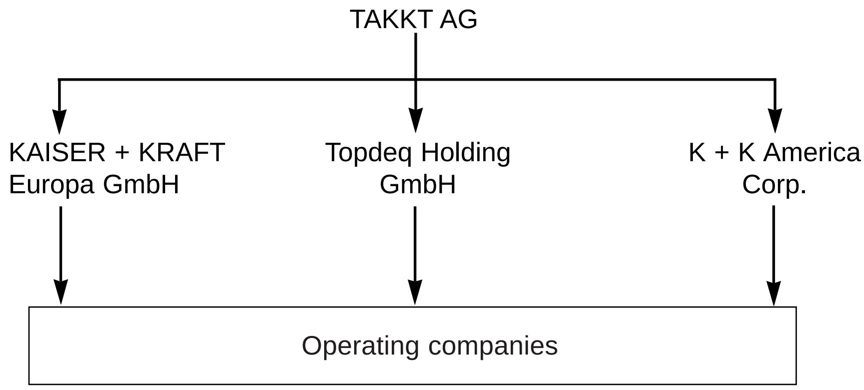
Legal details of the spin-off

The mail order business was made independent by way of a spin-off for the purpose of a merger. Through the spin-off, three wholly owned subsidiaries of GEHE AG comprising all assets and liabilities of the mail order business will be transferred to TAKKT AG in a single transaction.

Pre spin-off

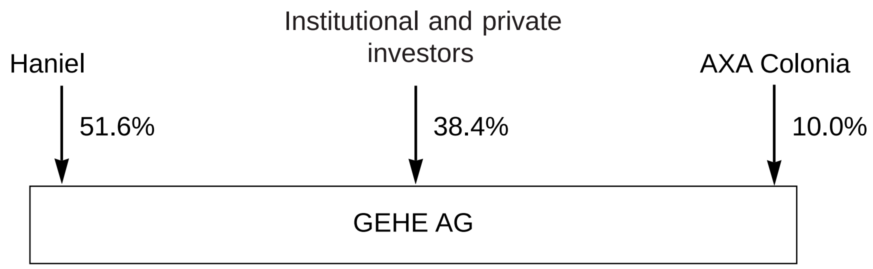


Post spin-off

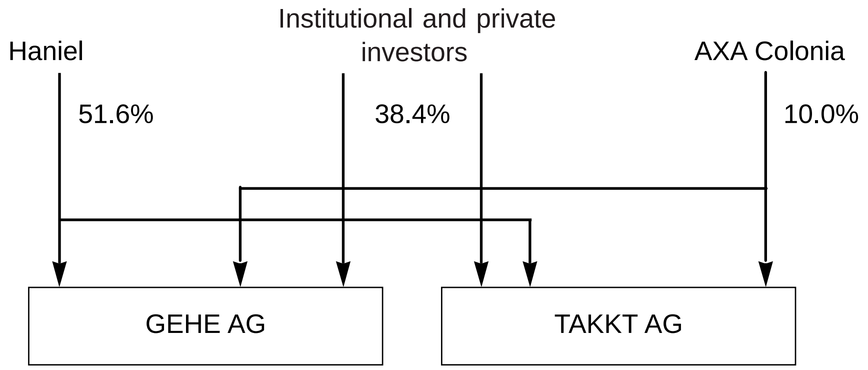


In exchange for the assets transferred, the shareholders of GEHE AG will receive one new Share of TAKKT AG for each share of GEHE AG held. The spin-off will take place in a manner which will preserve the relative shareholdings. This means on the one hand the existing shareholder structure of GEHE AG will not change due to the spin-off, and on the other hand TAKKT AG will have the same shareholder structure as GEHE AG immediately after the effectiveness of the spin-off.

Immediately before the spin-off becomes effective



Immediately after the spin-off becomes effective



Tax Effect of the Spin-off

In the opinion of the Company, the receipt of TAKKT Shares does not represent a taxable profit for the GEHE AG shareholders because the interests spun off constitute a partial business within the meaning of § 15 section 1 sentence 1 German Conversion Tax Act. This has been confirmed in a binding statement by the tax authorities. To the extent that the GEHE AG shares constitute operating assets for the purposes of tax law, the tax book values of the GEHE AG shares will be divided after the spin-off between the GEHE AG shares and the TAKKT AG Shares. The TAKKT AG Shares will be regarded as having been acquired at the portion of the book value attributable to them.

To the extent that the GEHE shares are privately held assets for the purposes of tax law and (i) constitute a material participation within the meaning of § 17 German Income Tax Act ("*Einkommensteuergesetz*", "*EStG*") or (ii) the one-year speculation period of § 23 EStG has not yet expired, the relevant acquisition cost for the GEHE AG shares will be divided after the spin-off between the GEHE AG shares and the TAKKT AG Shares. The TAKKT AG Shares will be regarded as having been acquired at the part of the acquisition cost attributable to them.

If a shareholder holds his GEHE AG shares as personal assets, and the holding does not constitute a material participation within the meaning of § 17 EStG, the spin-off will affect any speculation period which may still be running in respect of these shares. According to the tax authorities, in such cases the spin-off will cause the speculation period to restart both for GEHE AG shares and for TAKKT AG Shares.

If a non-resident individual or a tax payer subject to limited tax liability holds GEHE AG shares, the spin-off will have no consequences for him under German tax law, unless the shares are part of domestic operating assets or constitute a material participation. In the latter case, the above consequences will apply accordingly.

Balance Sheet Effects of the Spin-off

For TAKKT AG, equity capital of DM 142.6 million (€ 72.9 million) plus reserves will replace the current consolidated equity capital of the mail order business in the amount of the subscribed capital of the former KAISER + KRAFT GmbH of DM 100.0 million (€ 51.1 million) plus reserves. In the course of the transfers of foreign subsidiaries within the Group, hidden reserves in the equity participation book values were disclosed. These hidden reserves will be written off against the transferred equity capital at the time of the spin-off in order to be able to preserve the amounts previously stated for assets and liabilities. This results in the equity capital shown in the balance sheet at 1 July 1999 in the amount of DM 157.0 million (€ 80.3 million).

In the case of the domestic companies, the ongoing business operations were sold. This involved a disclosure of hidden reserves in the individual financial statements for tax purposes. Goodwill in the amount of DM 214.1 million (€ 109.5 million) resulting from this will be written off over 15 years, affecting current results. In addition, there are interest payments for a higher financing volume in the approximate amount of DM 241.2 million (€ 123.3 million) resulting from the transfers within the group minus the equity capital of TAKKT AG. The liquidity of TAKKT AG has been ensured through long-term credit lines. (See also the "*Financial Part*")

Financial Effects of the Spin-off

Earnings Capacity

The spin-off does not affect the earnings capacity of the TAKKT Group. However, the ongoing business operations of the domestic companies were sold. This led to a disclosure of hidden reserves in the individual financial statements for tax purposes. Goodwill in the amount of DM 214.1 million resulting from such disclosure will be written off over 15 years, affecting the current results. In addition, a higher financing volume in the approximate amount of DM 241.2 million resulting from the transfers with the group minus the equity capital of TAKKT AG requires higher interest payments.

Effects on Dividend Capacity

The earnings capacity of the TAKKT Group ensures the future dividend capacity of TAKKT AG. Because of deprecation and interest payments resulting from the spin-off, TAKKT AG will initially only be able to pay dividends from dividends distributed by its foreign subsidiaries. However, at least the first dividend paid by TAKKT AG will include a corporation tax credit, as TAKKT AG will have available for distribution by it a part of the equity capital of GEHE AG, previously subject to corporation tax at a rate of 45%. This tax-burdened equity capital ensures a tax credit for the first dividend of TAKKT AG to the extent a dividend is paid. Management believes that the future dividend capacity will be ensured by the operating earnings capacity value of TAKKT AG.

Text of the Spin-Off Agreement between GEHE AG and TAKKT AG

Notarially recorded before notary Hans-Jörg Schröder, practising in Stuttgart, on 13 April 1999. Acting for GEHE AG: management board members Dr. Fritz Oesterle and Stefan Meister. Acting for TAKKT AG: management board members Georg Gayer and Dr. Felix Zimmermann.

§ 1

Transfer of Assets

(1) GEHE Aktiengesellschaft ("GEHE AG"), registered office in Stuttgart, hereby transfers the assets detailed in § 2 below ("Mail Order Division") in its entirety, by way of spin-off for transfer (§ 123 section 2 no. 1 UmwG) to TAKKT AG, registered office in Stuttgart, against the granting of shares in TAKKT AG to the shareholders of GEHE AG.

(2) The spin-off shall be based on the conversion balance sheet of GEHE AG at 30 June 1999 as the final accounts in accordance with §§ 125 sentence 1, 17 section 2 sentence 1 UmwG, as audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich.

(3) The transfer of GEHE AG assets listed in § 2 to TAKKT AG shall ensue on an intra-group basis, with effect from 24:00 hours on 30 June 1999. From 1 July 1999 00:00 hours (spin-off date), all decisions and operations of GEHE AG concerning the transferred assets, shall be for the account of TAKKT AG.

(4) TAKKT AG shall continue in its accounts the values of the assets and liabilities transferred in accordance with § 2, as determined in the final accounts of GEHE AG at 30 June 1999.

§ 2

Subject of Spin-off

The assets of GEHE transferred in their entirety comprise the shares in the following 100% shareholdings of GEHE AG:

a) In KAISER + KRAFT Europa GmbH, registered office in Stuttgart, entered in the commercial register of the local court of Stuttgart, under HRB 18864;

b) in K + K America Corp. statutory registered office in Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of Newcastle, Delaware 19801, USA, and administrative head office in 770 South 70th St., Milwaukee, Wisconsin 53214, USA;

c) in Topdeq Holding GmbH, registered office in Pfungstadt, Germany, entered in the commercial register of the local court of Darmstadt, under HRB 7294,

including any related legal rights.

§ 3

Consideration

(1) In return for the transfer of the assets listed in § 2, TAKKT AG shall issue to the shareholders of GEHE AG, one bearer no par value share of TAKKT AG for each of their bearer 5.00 DM par value shares of GEHE AG. Should the spin-off be completed after the conversion of the GEHE AG shares into shares of no par value each holder of one bearer no par value share in GEHE AG receives one bearer no par value share of TAKKT AG. The shares will be issued without charge and shall be entitled to profits from 1 July 1999. No additional cash payments are required.

(2) The conversion ratio shall be 1:1. The allocation of the shares shall be in line with the shareholding ratios of the shareholders in GEHE AG.

(3) In order to implement the spin-off, TAKKT AG shall increase its authorised capital from currently Euro 50,000.00 by Euro 72,900,000.00 to Euro 72,950,000.00 by issuing 72,900,000 bearer no par value shares with entitlement to profits from 1 July 1999.

§ 4

Special Privileges and Rights

(1) No rights shall be granted to individual shareholders, or to holders of special rights in accordance with § 126 section 1 no 7 UmwG. Neither have measures in accordance with § 126 section 1 no 7 UmwG been provided for such persons.

(2) No privileges in accordance with § 126 section 1 no. 8 UmwG shall be granted to a member of the Management or Supervisory Boards of the participating companies, or to auditors of the statutory accounts or the spin-off.

§ 5

Trustees

GEHE AG shall appoint Dresdner Bank AG in Frankfurt/Main as trustee for the receipt of the shares of TAKKT AG to be granted, and their distribution to the shareholders of GEHE AG. TAKKT AG will pass the shares over to the trustee before the entry of the spin-off in the commercial register of TAKKT AG and instruct the trustee to distribute the shares to the shareholders of GEHE AG after the entry of the spin-off in the commercial register for GEHE AG.

§ 6

Change of Deadline

In the event that the entry of the spin-off in the commercial register for GEHE AG is delayed beyond 31 December 1999, this date shall apply as the date of the final accounts of GEHE AG, deviating from § 1 section 3, and the expiry of 31 December 1999 and the beginning of 1 January 2000 shall be the date for the transfer of assets of GEHE AG listed in § 2 (spin-off date), the change in accounting and the beginning of profit-sharing rights in accordance with § 1 section 3. Any further delay beyond 31 December of the following year shall delay the dates by a further year in each case.

§ 7

Effect of Spin-off on the Employees and their Representatives

(1) The spin-off shall leave the current employment conditions at KAISER + KRAFT Europa GmbH, K + K America Corp. and Topdeq Holding GmbH, or any of their affiliated companies unchanged. This is not a transfer of operations in accordance with § 613a BGB (German Civil Code).

(2) In order to optimise the structure of the mail order business and to establish the target structure for the TAKKT group, intra-group company purchase agreements have been concluded in the run-up to the spin-off. These sales listed below under a) and b) are subject to the condition that the annual general meeting of GEHE AG approves this spin-off agreement and shall then become effective at 23:59 hours on 30 June 1999. The agreement detailed below under c) has already become effective.

a) The previous business of KAISER + KRAFT GmbH, KAISER + KRAFT Europa-Werbe GmbH Agentur für Media- und Marketing Service and VH Einkaufs-Beratungsgesellschaft für Büro- und Betriebseinrichtungen mbH will be sold to two entirely new legal entities, i.e. KAISER + KRAFT Europa GmbH and its subsidiary KAISER + KRAFT Deutschland GmbH.

   The employment relationships hereby affected shall be transferred to the purchaser with all related rights and duties, incl. the transfer of undertakings for employees in accordance with § 613a BGB. For those employees whose employment is transferred, the period of service served and acknowledged shall be deemed as served for the purchaser. Existing rights within the transfer of undertakings for employees (current pensions and unchallengeable claims) shall remain with the seller, notwithstanding other internal agreements.

b) KAISER + KRAFT Europa GmbH will acquire the shares in Hoffmann Beteiligungs- und Verwaltungs-GmbH ("Hoffmann") from VHI Gesellschaft für Beteiligungsbesitz Internationale Versandhandel- Beteiligungsgesellschaft mbH ("VHI"). Furthermore, Hoffmann will acquire the limited partnership interest in Gaerner GmbH & Co. KG ("Gaerner") from VHI. Thereby the entire assets of Gaerner GmbH & Co. KG shall pass to Hoffmann, which will trade in future as Gaerner GmbH. All employment relationships existing with Garner GmbH & Co. KG shall continue with Hoffmann, without there being a transfer of operations in accordance with § 613a BGB. Hoffmann shall assume all rights and duties from existing employment relationships including the transfer of pension undertakings for employees (current pensions and unchallengeable claims).

c) Topdeq Service GmbH has acquired all the assets from Topdeq International GmbH providing services to the Topdeq group. All employment relationships hereby affected have been transferred to Topdeq Service GmbH, including all rights and duties, incl. the transfer of undertakings for employees in accordance with § 613a BGB. For the employees whose employment contracts have been transferred, the period of service served and acknowledged with Topdeq International GmbH shall be deemed served for Topdeq Service GmbH. Existing undertakings for employees (current pensions and unchallengeable claims) shall remain with Topdeq International GmbH, notwithstanding other internal agreements.

(3) The existing businesses KAISER + KRAFT Europa GmbH, K + K America Corp. and Topdeq Holding GmbH, or any of their affiliated companies, shall remain unaffected by the spin-off. As far as parts of one business are acquired by different companies by means of intra-group company purchase agreements in accordance with section 2, these shall continue as joint businesses on the basis of an agreement between these companies. Existing works councils, corporate works councils or economic committees shall retain their office. The spin-off is not linked with any change in business that could involve disadvantages for the staff. This has been confirmed by agreements with the existing employee representatives.

(4) Where employee representatives have been established with foreign businesses of KAISER + KRAFT Europa GmbH, K + K America Corp. or Topdeq Holding GmbH, or one of their affiliated companies, these shall remain in office unaffected by the spin-off.

(5) The responsibility of the European works council of GEHE AG for the employees of KAISER + KRAFT Europa GmbH and Topdeq Holding GmbH, as well as those of their affiliated companies, shall end with effect of the spin-off. TAKKT AG is not obliged to establish a European works council.

(6) All existing wage agreements shall remain unchanged. TAKKT AG, KAISER + KRAFT Europa GmbH and Topdeq Holding GmbH, as well as any of their affiliated companies, are – like GEHE AG and KAISER + KRAFT GmbH and their affiliated companies of the Mail Order Division – not members of any employers' association. They are therefore not yet bound by any collective agreements.

(7) Upon completion of the spin-off co-determination on the Supervisory Board of GEHE AG in accordance with the Co-determination Act of 1976 shall end for the employees of KAISER + KRAFT Europa GmbH and Topdeq Holding GmbH, or any of their affiliated companies.

The statutory regulations on the co-determination of employees in the Supervisory Board shall not apply to TAKKT AG.

Prior to completion of the spin-off, the number of Supervisory Board members of TAKKT AG shall be increased from three to six, in order to account for the future significance of the Company as the holding Company of the TAKKT group. GEHE AG, as shareholder of TAKKT AG, has announced to the employee representatives of the Mail Order Division that it intends to nominate and elect two employee representatives during the election of the other members of the first Supervisory of TAKKT AG. The corporate works council of KAISER + KRAFT GmbH can make recommendations for this.

(8) Like GEHE AG, TAKKT AG is part of the Franz Haniel & Cie. GmbH group. Franz Haniel & Cie. GmbH is subject to co-determination on the Supervisory Board in accordance with the Co-determination Act of 1976.

(9) Worker agreements to regulate all job-related aspects affected by the spin-off have been made by including all domestic employee representatives of the Mail Order Division of GEHE AG. In order to prepare these, the employee representatives have been given comprehensive information and access to all relevant documentation.

§ 8

Costs

The costs incurred for the conclusion of this agreement and its execution – including the expenses of the Trustee – but excluding the expenses of the general meetings determining the spin-off – shall be borne equally by GEHE AG and TAKKT AG, even if the spin-off should not become effective. Each contractual partner is solely responsible for the costs occurred by him in the preparation of the agreement.

§ 9

Conditions

The spin-off agreement is subject to the following conditions precedent:

1. The formal approval of the general meetings of both companies has been obtained by 30 June 1999, and

2. the shareholders of TAKKT AG pass a resolution to increase the share capital in order to complete the spin-off.

§ 10

Legal Transfer of Assets and Liabilities

(1) Where individual assets and liabilities which are not part of the assets listed in § 2 are not legally transferred to TAKKT AG, GEHE AG shall transfer these assets and liabilities directly to TAKKT AG. TAKKT AG shall accept any such transfer. The contractual parties agree that the ownership of the assets transferred in accordance with sentence 1 shall be transferred to TAKKT AG. Where assets are not directly held by GEHE AG, GEHE AG shall cede its claims to these assets to TAKKT AG. TAKKT AG shall accept any such ceded rights.

(2) The transfer of the assets and liabilities listed in section 1 shall be effective upon the expiry of 30 June 1999. § 6 applies accordingly. The transfer shall become effective as soon as the spin-off has been completed as foreseen in this document.

(3) Where further prerequisites must be met or official authorisation must be sought, the contractual partners are obliged to undertake all required declarations and actions.

(4) The contractual partners shall – where required – jointly endeavour to obtain the approval of third parties for the transfer of said assets and liabilities. If approval of the transfer of assets or a liability is refused, or can only be obtained at excessive expense, the contractual partners make provisions internally, as if the approval required for correct transfer had been granted.

(5) Rights and liabilities from contracts, shareholdings, memberships and private and statutory legal status of any kind, shall be regarded as assets and liabilities in accordance with sections 1 to 4.

(6) If GEHE AG or TAKKT AG are made liable as joint and several debtor for a liability (§ 133 section 1 UmwG), which relates to the other company respectively, following this spin-off agreement, the other company shall be obliged to relieve the company from this liability.

STOCK EXCHANGE ADMISSION, BEGINNING OF QUOTATION

In connection with the spin-off, the following results with respect to the admission of the Shares of the Company to the stock market and the listing of the shares of GEHE AG:

GEHE AG has appointed Dresdner Bank AG, Frankfurt am Main, as trustee for the receipt of the Shares of TAKKT AG to be granted and their delivery to the shareholders of GEHE AG. Before the entry of the spin-off in the commercial register of TAKKT AG, TAKKT AG will deliver the Shares to be granted to the trustee and instruct the trustee to submit the Shares to the shareholders of GEHE AG after the entry of the spin-off in the commercial register of GEHE AG. Accordingly, Dresdner Bank AG as trustee shall transfer the Shares of TAKKT AG to be granted to the shareholders of GEHE AG to such shareholders immediately after the entry of the spin-off in the commercial register of GEHE AG. GEHE AG shareholders holding their GEHE AG shares in securities accounts with credit institutions will be credited their TAKKT AG Shares to the respective securities accounts via these credit institutions, depending on the entry of the spin-off in the commercial register of GEHE AG which is expected to take place on 13 September 1999. GEHE shareholders holding their GEHE AG shares as actual securites have to report to the trustee in order to receive the TAKKT AG Shares to be granted to them; actual securities for TAKKT AG Shares will not be handed out.

Due to technical issues on the stock exchange, the quotation of the TAKKT Shares cannot begin immediately after the entry of the spin-off in the commercial register of GEHE AG. On the trading days between the entry in the commercial register and the commencement of trading of the TAKKT AG Shares, an over-the-counter offer and demand for “claims to TAKKT AG Shares” may arise (so-called “grey market”). Generally, this lasts only for a few trading days. From the trading day following the effective date of the spin-off and the commercial register entry, the GEHE AG shares will be traded “ex claim to TAKKT AG Shares”. The GEHE AG shares and TAKKT AG Shares will be separately listed from the time of the first listing of the TAKKT AG Share. The GEHE AG shares are listed on the stock exchanges of Frankfurt and Stuttgart where application has been made for the TAKKT AG Shares to be admitted for listing and official quotation. Trading in both securities is sponsored by designated banks (“*Betreuer*”) for the purposes of the XETRA trading system on the Frankfurt stock exchange.

Stock exchange trading of the entire share capital of TAKKT AG in the amount of € 72,900,000, divided into 72,900,000 no par value shares, is expected to begin on 15 September 1999 on the Frankfurt and Stuttgart stock exchanges assuming that the commercial register entry which is planned for 10 September 1999 has been effected. The Company will publish the commencement of trading in its Shares in a national authorised journal for the Frankfurt and Stuttgart stock exchanges.

GERMAN TAXATION

This section contains a brief summary of a number of important German taxation principles which are or may be of material relevance with regard to a holding of the Shares. It does not aim to present a comprehensive or complete description of all aspects of German tax law which could be relevant for the shareholders. This summary is based on the national German law applicable at the date of this prospectus as well as typical double taxation treaties as they currently exist between the Federal Republic of Germany and other countries. In both areas, tax regulations can change quickly, possibly with retroactive effect. Prospective investors are advised to consult their tax adviser as to the tax consequences of any purchase, ownership or disposal or cost-free transfer of Shares and as to the possible refund of German withholding tax (capital yield tax). Only a tax adviser is able to adequately assess the particular tax circumstances of the shareholder, especially if the shareholder resides outside Germany.

Taxation of the Company

German corporations are subject to a profit-related trade income tax. The rate of this tax depends on the community in which the Company and its operating facility or facilities are located. In determining the corporation tax of the corporation, the trade income tax is deductible as a business expense.

German corporations are subject to a corporation tax of 40% on retained earnings and of 30% on distributed profits. A solidarity surcharge of 5.5% is levied on the corporation tax liability. The corporation tax and the solidarity surcharge combined amount to an effective tax rate of 31.94% of distributed profits.

Shareholders subject to unlimited taxation in Germany (as well as foreign shareholders holding shares as a part of the assets of an operating facility or permanent establishment in Germany) are entitled to offset or have reimbursed 3/7 of the dividends distributed by a German corporation (after the deduction of the corporation tax but before the capital yield tax is deducted). Exceptions apply for dividend payments made from tax-free foreign income or dividend payments, which are treated as repayments of capital for the purposes of tax law.

Taxation of Dividends

German corporations are required to withhold and remit a withholding tax (capital yield tax) of 25% of the profit distribution. The solidarity surcharge of 5.5% is also levied on the capital yield tax amounting to 1.375% (5.5% (surcharge) of 25% (capital yield tax)) of the distributed dividends.

Dividends paid to domestic shareholders are also subject to income or corporation tax and, if possible, to trade tax as well. Exceptions may apply to dividends paid from tax-free foreign income to shareholders subject to corporation tax liability or to dividends regarded for the purposes of tax law as repayments of capital. The tax is based on the general tax rate. Dividend payments to natural persons are, however, tax-free provided they do not exceed the individual's tax-free amount of DM 6,000 (DM 12,000 for married couples assessed together) for the year 1999 and DM 3,000 (DM 6,000 for married couples assessed together) from the year 2000 on plus the lump sum allowance for income-related expenses in the amount of DM 100 (DM 200 for married couples assessed together). A solidarity surcharge of 5.5% is also levied on the assessed capital yield or corporation tax of the shareholder. The assessment basis for the solidarity surcharge is reduced where corporation tax paid by the Company is set off from the shareholders' income or corporation tax. Provided a non-liability application is submitted to the paying Company, income may be paid out without deducting capital yield tax and inclusive of the corporation tax imputation credit. The same applies if it can be assumed that an assessment on income will not occur, provided a non-assessment certificate is presented.

For foreign shareholders holding the Shares as a part of the assets of an operating facility or permanent establishment in Germany, the dividends are taxed as a part of the profits from the operating facility or permanent establishment. Income tax is calculated on the basis of the basic tariff for domestic tax payers, but at least 25% of the income. The corporation tax rate on profits of foreign legal entities from a German operating facility is 40%. These foreign shareholders also pay a solidarity surcharge of 5.5% of the income or corporation tax assessed (after the set-off of corporation taxes paid by the Company, if any). Profit transferred from the operating facility or permanent establishment to a foreign parent company is not subject to German capital yield tax.

Shareholders resident in Germany as well as foreign shareholders holding shares as a part of the business assets of an operating facility or permanent establishment in Germany are entitled to offset the capital yield tax withheld by the distributing company (including solidarity surcharge) against their income or corporation tax liability.

Shareholders resident in Germany as well as foreign shareholders holding shares as a part of the assets of the operating facility or permanent establishment in Germany are moreover entitled to offset corporation tax paid by the Company in the amount of 3/7 of the resolved and distributed dividend (before capital yield tax) under the corporation tax imputation procedure. This also reduces the assessment basis for the solidarity surcharge on their income or corporation tax liability. No imputation credit applies where distributed profits were tax-exempt at the Company, e.g. as a result of a double taxation treaty. The purpose of the corporation tax imputation procedure is to avoid, as far as possible, double taxation by German corporation and income taxes in the relationship between the Company and its shareholders, and to ensure that the dividends are taxed in accordance with the shareholders' personal situation.

Insofar as the allowable capital yield and corporation tax exceeds the shareholders' income or corporation tax, the set-off credit balance is refunded. This does not apply to the solidarity surcharge attributable to the corporation tax of the corporation.

For foreign shareholders whose shares are not a part of the operating assets of a German operating facility or permanent establishment, the income or corporation tax is paid by means of the capital yield tax deduction. The corporation tax paid by the Company is not deductible or refundable in such cases. The capital yield tax may be reduced as set out below.

Under most German double taxation treaties, the rate of the withholding tax applicable to dividends for foreign shareholders is reduced to 15%. The withholding tax reduction is applied in such a way that the difference between the withholding tax (including the solidarity surcharge) and the actual withholding tax liability under the applicable double taxation treaties is refunded on application by the German tax authorities (Bundesamt für Finanzen, Friedhofstraße 1, 53225 Bonn). Application forms for refund can be obtained from the German tax authorities or the German embassies or consulates in several countries. Most double taxation treaties provide for further reductions for dividends distributed to corporations holding at least 10% of the (voting) shares of the distributing company. For exemption or refund can also be applied to dividends distributed to parent companies as defined in Directive no. 90/435/EEC of the EC Council of 23 July 1990 (the Parent Subsidiary Directive).

Taxation of Capital Gains

Any profit from the disposal of shares held by a shareholder resident in Germany as a part of operating assets or by a foreign shareholder as a part of an operating facility or permanent establishment in Germany are subject to standard taxation.

Profits from the disposal of shares privately held by a shareholder resident in Germany are subject to taxation only if the disposal takes place within one year of acquisition or – after the expiry of this speculation period – if the shareholder directly or indirectly held at least 10% of the shares of the Company at any time during the five years preceding the disposal. Losses from the disposal of privately held shares sustained by the shareholder within one year of the acquisition of the shares may be offset by the amount of the profit achieved by the shareholder in the same calendar year from other private taxable sales transactions. Losses that are not offset reduce the income of the shareholder from private sales transactions in the previous calendar year or in the subsequent calendar years.

A foreign shareholder who does not hold the shares as a part of the assets of an operating facility or permanent establishment in Germany is only subject to German taxation of profits from the sale of shares if he directly or indirectly held at least 10% of the shares of the Company at any time during the five years preceding the sale. However, most German double taxation treaties so provide for an exemption for German taxation in such cases.

Inheritance or Gift Tax

The transfer of shares to another person by way of a gift or inheritance is in principle subject to German inheritance or gift tax if:

(a) the testator or donor or the heir, recipient of the gift or other acquirer has his residence or habitual abode in Germany at the time of the transfer of the assets, or was not abroad for more than five years as a German citizen without any residence in Germany, or

(b) other than in the case of (a), the shares of the testator or donor are a part of operating assets for which an establishment is maintained or a permanent representative is appointed in Germany, or

(c) the testator or donor either alone or in conjunction with persons closely associated with him or her directly or indirectly holds at least 10% of the share capital of the German corporation.

The few currently applicable German double inheritance taxation treaties (e.g. the treaty with the USA) generally provide for German inheritance or gift tax to be payable only in the cases of (a) and (b).

Other Taxes

In the case of purchase, sale or other disposal of shares, no German capital transfer tax, sales tax, stamp duty or similar taxes are payable. Wealth taxes are not levied in Germany. Trade taxes on capital have not been levied since 1 January 1998.

FINANCIAL PART

Pro forma Consolidated Profit and Loss Account

	Business years ending on		
	31/12/1996	31/12/1997	31/12/1998
	DM '000	DM '000	DM '000
Sales revenues	770,795	918,358	1,054,677
Cost of materials	470,856	568,582	648,007
Gross profit	**299,939**	**349,776**	**406,670**
Personnel expenses	89,021	99,520	111,165
Depreciation	9,394	11,360	12,525
Business taxes	633	959	916
Other operating expenses	123,605	147,588	167,043
Operating result	**77,286**	**90,349**	**115,021**
Net interest income (expense)	(1,148)	(1,306)	(2,044)
Net income before taxes	**76,138**	**89,043**	**112,977**
Taxes on income, earnings and assets	35,735	39,976	55,301
Net income	**40,403**	**49,067**	**57,676**

Pro forma Consolidated Balance Sheet

	Business years ending on		
	31/12/1996	31/12/1997	31/12/1998
	DM '000	DM '000	DM '000
Assets			
Concessions and other industrial property rights	21,932	27,972	106,493
Goodwill from capital consolidation	60,393	51,362	84,553
Intangible assets	**82,325**	**79,334**	**191,046**
Tangible assets	**44,826**	**40,729**	**51,112**
Financial assets	**171**	**187**	**189**
Fixed assets	**127,322**	**120,250**	**242,347**
Inventories	59,714	67,351	80,064
Accounts receivable and other assets	113,859	117,199	129,689
Cheques, cash on hand, bank balances	7,041	6,750	5,227
Current assets	**180,614**	**191,300**	**214,980**
Prepayments and accrued income	**4,576**	**3,958**	**3,568**
Total assets	**312,512**	**315,508**	**460,895**
Equity and Liabilities			
Subscribed capital	100,000	100,000	100,000
Profit reserves	64,739	91,631	96,143
Minority interests	6,916	7,572	8,290
Shareholders' equity	**171,655**	**199,203**	**204,433**
Pension reserves	8,314	8,780	9,991
Other accruals	24,661	26,628	37,304
Accruals	**32,975**	**35,408**	**47,295**
Liabilities to banks	33,866	20,843	112,730
of which term $<$ 1 year	25,228	14,955	81,480
term $>$ 1 year	8,638	5,888	31,250
Liabilities to affiliated companies	34,476	18,234	52,372
Accounts payable	25,131	28,752	26,913
Other liabilities	14,406	13,064	17,148
Liabilities	**107,879**	**80,893**	**209,163**
Deferred income	**3**	**4**	**4**
Total shareholders' equity and liabilities	**312,512**	**315,508**	**460,895**

Pro forma Consolidated Cash Flow Statement

	1996	1997	1998
	DM '000	DM '000	DM '000
Annual profit	40,403	49,067	57,676
Depreciation of fixed assets	9,394	11,360	12,525
Increase (Decrease) of accruals	(4,514)	2,434	11,887
Increase (Decrease) of inventories	(4,415)	(7,637)	(12,713)
Increase (Decrease) of receivables, other assets	(15,813)	(2,722)	(12,100)
Increase (Decrease) of trade payables, other liabilities, downpayments received and deferred income	5,199	1,931	1,727
Inflow (outflow) of funds from current business activities	30,254	54,433	59,002
Investments	(49,810)	(11,005)	(144,386)
Retirements of fixed assets	381	8,240	269
Inflow (outflow) from investment activities	(49,429)	(2,765)	(144,117)
Increase (Decrease) of gross financial debts	36,946	(28,917)	126,543
Payments to reserves	0	0	0
Profit or loss transfer/dividend	(20,155)	(23,180)	(41,576)
Other changes in share capital	3,197	138	(1,375)
Inflow (outflow) of funds from financing activities	19,988	(51,959)	83,592
Increase (decrease) of liquid funds	813	(291)	(1,523)
Liquid funds on 1 January	6,228	7,041	6,750
Liquid funds on 31 December	7,041	6,750	5,227

Notes to the 1998 Pro Forma Consolidated Financial Statements of the TAKKT Group, Stuttgart

Consolidated Companies

To prepare the spin-off of the mail order business from GEHE AG, Stuttgart, to TAKKT AG, various restructuring measures were taken during 1998. Consequently, the shares in certain companies were transferred from the former parent company of the mail order group, the former KAISER + KRAFT GmbH, Stuttgart, to GEHE AG or to companies which are wholly owned by GEHE AG.

The following subsidiaries were consolidated for the first time in 1998:

Conney Safety Products LLC, Madison, Wisconsin/USA
,,BAR" Fünfte Vermögensverwaltungsgesellschaft mbH, Hamburg
(now: Topdeq Holding GmbH, Pfungstadt)
,,BAR" Sechste Vermögensverwaltungsgesellschaft mbH, Hamburg
(now: Topdeq Service GmbH, Pfungstadt)
Gerdmans Inredningar AB, Markaryd/Sweden
Industri AB Västboverken, Markaryd/Sweden
Köp-Kraft Inredningsprodukter AB, Markaryd/Sweden
Gerdmans Kontor-og Lagerudstyr A/S, Kokkedal/Denmark
Gerdmans Innredninger A/S, Sandvika/Norway
Gerdmans OY, Esbo/Finland
Erste GEHE Gesellschaft für Beteiligungsbesitz mbH, Stuttgart
(now: KAISER + KRAFT Europa GmbH, Stuttgart)

As in previous years, GEHE Immobilien Verwaltungs-GmbH, Berlin, in which the majority of the voting rights are indirectly held by the former KAISER + KRAFT GmbH, was not consolidated. The company had no business operations for the TAKKT Group in 1998.

The subsidiaries included in the pro forma consolidated financial statements are named individually in the following list. This list of shareholdings is an integral part of the notes to the pro forma consolidated financial statements.

List of shareholdings at 31 December 1998

In addition to the former KAISER + KRAFT GmbH, Stuttgart, – which appears as number 1 in the following list – the following subsidiaries are included in the pro forma 1998 financial statements.

No.	Name and domicile of the company	Participation quota (in %)	National currency	Share capital	Held by No.
1	The former KAISER + KRAFT GmbH, Stuttgart	100	DEM	100,000,000.00	GEHE AG, Stuttgart
2	KAISER + KRAFT Gesellschaft m.b.H., Hallwang/Austria	100	ATS	6,000,000.00	14
3	KAISER + KRAFT N.V., Diegem/Belgium . .	50 42	BEF	6,000,000.00	14 12
4	KAISER + KRAFT AG, Cham/Switzerland . .	100	CHF	500,000.00	14
5	KAISER + KRAFT s.r.o., Prag/Czech Republic	100	CZK	10,000,000.00	14
6	KAISER + KRAFT S.A., Barcelona/Spain . .	100	ESP	120,000,000.00	14
7	Frankel Industrie S.A., Morangis/France . . .	100	FRF	1,715,300.00	14
8	KAISER + KRAFT Ltd., Watford/Great Britain	100	GBP	225,000.00	14
9	Powell Mail Order Ltd., Llanelli/Great Britain	100	GBP	17,333.00	14
10	KAISER + KRAFT Kft., Budaörs/Hungary . .	100	HUF	40,000,000.00	14
11	KAISER + KRAFT S.p.A., Como/Italy	100	ITL	700,000,000.00	14
12	J.P. Vink en Zonen B.V., Lisse/Netherlands	83.33	NLG	60,000.00	14
13	KAISER + KRAFT Sp.z o.o., Warsaw/ Poland	100	PLN	200,000.00	14
14	Erste GEHE Gesellschaft für Beteiligungsbesitz mbH, Stuttgart	100	DEM	50,000.00	GEHE AG, Stuttgart
15	Gaerner GmbH & Co. KG, Duisburg	100	DEM	1,050,000.00	14
16	Gaerner Gesellschaft m.b.H., Bergheim/ Austria	100	ATS	3,500,000.00	14
17	Gaerner AG, Kilchberg/Switzerland.	100	CHF	100,000.00	14
18	Hoffmann Bedrijfsuitrusting B.V., Zeist/ Netherlands	100	NLG	200,000.00	14
19	Topdeq International GmbH Verwaltungsgesellschaft, Pfungstadt	100	DEM	10,000,000.00	1
20	Topdeq Ltd., London/Great Britain	100	GBP	4,058.94	14
21	Topdeq GmbH, Pfungstadt	100	DEM	3,700,000.00	14
22	,,BAR" Fünfte Vermögensverwaltungsgesellschaft mbH, Hamburg.	100	DEM	50,000.00	GEHE AG, Stuttgart
23	,,BAR" Sechste Vermögensverwaltungsgesellschaft mbH, Hamburg.	100	DEM	50,000.00	22
24	Topdeq AG, Hünenberg/Switzerland	100	CHF	1,000,000.00	22
25	Topdeq B.V., Mijdrecht/Netherlands	100	NLG	1,500,000.00	22
26	K + K America Corporation, Wilmington, Delaware/ USA	100	USD	15,001,000.00	GEHE AG, Stuttgart
27	C & H Distributors, Incorporated, Milwaukee, Wisconsin/ USA	100	USD	12,016,513.15	26
28	Avenue Industrial Supply Company Ltd., Toronto/Canada	100	CAD	112.00	26
29	Conney Safety Products LLC, Madison/USA	100	USD	20,000,100.00	26
30	Gerdmans Inredningar AB, Markaryd/ Sweden	100	SEK	1,000,000.00	14
31	Gerdmans Kontor- og Lagerudstyr A/S, Kokkedal/ Denmark	100	DKK	500,000.00	30
32	Gerdmans Innredninger A/S, Sandvika/ Norway.	100	NOK	50,000.00	30
33	Gerdmans OY, Esbo/Finland	100	FIM	15,000.00	30
34	Industri AB Västboverken, Markaryd/ Sweden	100	SEK	100,000.00	30
35	Köp-Kraft Inredningsprodukter AB, Markaryd/Sweden	100	SEK	100,000.00	30
36	VHI Internationale Versandhandels-Beteiligungsgesellschaft mbH, Stuttgart. . .	100	DEM	10,000,000.00	1
37	KK-Werbe GmbH Agentur für Media- und Marketing Service, Stuttgart	100	DEM	100,000.00	36
38	VH Einkaufs-Beratungsgesellschaft für Büro- und Betriebseinrichtungen mbH, Stuttgart	100	DEM	100,000.00	36
39	Hoffmann Beteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung, Duisburg	100	DEM	60,000.00	36

GEHE Immobilien Verwaltungs-GmbH, Berlin, which is wholly owned by VHI Internationale Versandhandelsbeteiligungsgesellschaft mbH, Stuttgart, is not included in the pro forma consolidated financial statements. The nominal capital of this company at 31 December 1998 amounted to DM 50,000, the equity capital to DM 368,260.88 (DM 370,159.84 in the preceding year). In 1998 the Company had a loss for the year in the amount of DM 1,898.96 (annual profit in the preceding year: DM 86,722.54).

Consolidation Principles

The balance sheet date for the financial statements of all subsidiaries included in the pro forma consolidated financial statements is the same as the balance sheet date for the pro forma consolidated financial statements as per 31 December 1998.

The individual accounts were prepared in compliance with the national accounting rules in each case. Where these rules deviate from the accounting rules in the German Commercial Code, the foreign accounts were adjusted to the classification and evaluation rules under German commercial law. The respective value adjustments arisen are offset against the equity capital of the company concerned.

The amounts stated in the financial statements of the foreign companies were converted into Deutsche Mark based on the average exchange rates on the balance sheet date. Currency differences arising on the different balance sheet dates from the conversion of the assets and liabilities of foreign group member companies based on changing exchange rates were allocated to the profit reserves without affecting profit and loss.

The adjustments for German law were made as follows:

The capital consolidation was implemented according to the Anglo-Saxon method, which differentiates between initial consolidation and subsequent consolidation.

For initial consolidation, the participation book values of the parent company were offset against the equity capital of the controlled companies at the time of the acquisition. In doing so, the so-called book value method applies pursuant to § 301 section 1 sentence 2 no. 1 HGB (German Commercial Code). Where the date of acquisition was before 1 July 1985, the consolidation was based as in previous years on this date of the first inclusion into the pro forma consolidated accounts.

The subsequent consolidation allocates the group share of the results member companies earned after the balance sheet date for the initial consolidation to profit reserves.

In the year under review, the profits distributed by group member companies from previous years retained in the mail order group and the consolidation measures having an effect on profit and loss were also offset against these reserves.

Loans as well as claims and liabilities between the group member companies were offset for the purpose of debt consolidation. Likewise, claims and liabilities to third parties were consolidated provided they were reciprocal and capable of set-off.

In the pro forma consolidated income statement, all sales between the group member companies and all other earnings and expenses within the group were fully consolidated. Profits from intercompany transactions were of minor significance in 1998; nevertheless, insofar as they arose from catalogue deliveries, they were eliminated taking into account deferred tax pursuant to § 306 HGB. Half of the special items with an equity portion in the amount of DM 2,740,000 in total (DM 250,000 in the previous year), which are shown in the individual accounts only in accordance with provisions of tax law, were allocated to the profit reserves, and the other half was transferred to a deferred tax accrual.

Notes on the pro forma consolidated balance sheet

Fixed assets

The development of the fixed assets shown separately is an integral part of the notes to the pro forma consolidated financial statement.

Intangible assets

The intangible assets as per the end of the year 1998 include goodwill from the capital consolidation in the amount of DM 84,553,000. This amount can be broken down as follows:

	Gross	Set-off	Net
	DM '000	DM '000	DM '000
Status on 31 December 1997 before set-off	88,969	0	88,969
Set-off against reserves	0	(37,607)	(37,607)
Status on 31 December 1997 after set-off	88,969	(37,607)	51,362
Additions	40,346	0	40,346
Set-off against reserves for additions in previous years	0	(7,155)	(7,155)
Status on 31 December 1998	129,315	(44,762)	84,553

The remaining goodwill in principle concerns the goodwill regarded as sustained. Such goodwill is set off against the profit reserves over a period of 15 years.

Goodwill shown in individual accounts is written off over 15 – 25 years according to the straight-line method of depreciation. The other intangible assets, consisting essentially of computer software, were evaluated at cost minus pro rata temporis straight-line depreciation on the basis of a planned useful life of 5 years in general.

Tangible assets

Additions to the tangible assets are capitalized at cost. Tangible assets were depreciated with the maximum amounts admissible under tax law both in accordance with the straight-line method of depreciation and as well as degressively. The following useful lives are assumed:

Buildings	10 – 50 years
Technical equipment and machines	5 – 10 years
Plant and office equipment	3 – 10 years

Company-produced additions to plant and equipment were capitalized at cost.

Financial assets

The value shown for the financial assets are the costs of acquisition or the lower appropriate amounts.

Inventory

	31/12/1998	31/12/1997
	DM '000	DM '000
Raw materials and supplies	16,277	16,306
Unfinished products	1,020	950
Finished goods and products	62,767	50,095
	80,064	67,351

The raw materials, supplies and the goods were evaluated at the cost of acquisition, taking into account the principle of the lower of cost or market value. Risks arising from long storage duration and poor marketability were taken into account through reasonable mark-downs.

Unfinished and finished products are shown with the cost of manufacture in accordance with the degree of completion of manufacture; the costs of manufacture include the individual costs as well as factory overhead to be capitalised under German tax law.

Accounts receivable and other assets

	31/12/1998	31/12/1997
	DM ’000	DM ’000
Trade receivables	114,130	102,028
Claims against affiliated companies	1,764	1,801
Other assets	13,795	13,370
	129,689	117,199

Perceivable individual risks were taken into account through value adjustments regarding accounts receivable and other assets. The lump-sum valuation adjustments of trade receivables amounted in principle to 3% of the net amount of the claims. Apart from that, accounts receivable and assets are shown with their nominal values.

The other assets include claims with a remaining term of more than one year in the amount of DM 744,000 and suppliers’ bonuses in the amount of DM 964,000.

Cheques, cash on hand, bank balances

	31/12/1998	31/12/1997
	DM ’000	DM ’000
Cheques, cash on hand, central bank balances	800	949
Bank balances	4,427	5,801
	5,227	6,750

Prepayments and accrued income

	31/12/1998	31/12/1997
	DM ’000	DM ’000
Deferred taxes	2,478	3,189
Other prepaid expenses and deferred charges	1,090	769
	3,568	3,958

Deferred tax liabilities from the allocation of the special items with an equity portion are set off against deferred tax assets from consolidation measures having an effect on profit and loss.

Profit reserves

	31/12/1998	31/12/1997
	DM ’000	DM ’000
Gross profit reserves	138,074	126,866
Goodwill set off	(44,762)	(37,607)
Passive differences from capital consolidation	2,831	2,372
	96,143	91,631

The profit reserves contain the retained profits contributed by the group member companies since the time of acquisition, the countervalue from the currency conversion for assets and liabilities, shown in a manner not affecting the profit and loss, as well as the balance of consolidation measures affecting the profit and loss and tax accruals and deferrals.

Pension reserves

The provisions for pensions in Germany were determined by means of an interest rate of 6% in accordance with the going-concern value method pursuant to § 6a EStG and the “Guiding Tables 1998” by Dr. Klaus Heubeck. Otherwise provisions for pensions were determined in accordance with actuarial principles.

Other accruals

	31/12/1998	31/12/1997
	DM '000	**DM '000**
Provision for taxes	8,593	5,821
Other	28,711	20,807
	37,304	26,628

The provisions cover all perceivable liabilities and risks whose amounts have not yet been determined. The perceivable liablilities and risks were determined by means of a reasonable commercial assessment.

Tax provisions include the remaining expected liabilities for the year under review for which advance payments have not been made.

The other provisions cover in particular provisions for business expenses, warranty obligations, outstanding invoices for goods and services not yet received, vacation not yet taken, discounts and bonuses as well as auditing costs.

Liabilities to banks

The liabilities to banks include liabilities in the amount of DM 31,250,000 with a remaining term of 1 to 5 years.

Liabilities to affiliated companies

The liabilities to affiliated companies have a remaining term of up to one year and concern the sole shareholder in the amount of DM 52,364,000 (DM 18,231,000 in the previous year).

Accounts payable

The accounts payable have a remaining term of up to one year.

Other liabilities

	31/12/1998	31/12/1997
	DM '000	**DM '000**
Advance payments on orders	400	340
Bills payable	2,451	1,849
Other liabilities:		
– thereof taxes	5,937	4,522
– thereof social security	2,145	1,809
– thereof other	6,215	4,544
	17,148	13,064

The other liabilities include liabilities in the amount of DM 868,000 with a remaining term of 1 to 5 years.

Notes to the Pro Forma Consolidated Profit and Loss Account

The classification of the pro forma profit and loss account was changed pursuant to § 265 section 6 and 7 HGB:

The breakdown of the position "personnel expenses", "wages and salaries" and "social security contributions and expenses for old age pensions" is made in the notes.

The position "other taxes" appears under the position "other operating expenses". This also includes net worth taxes and trade tax on capital.

Instead of "other interest and similar income" and "interest and similar expenses" the accounts show the "net interest income (expense)". Instead of "result of ordinary business activities" the position shown is "net income before taxes".

Sales revenues

	1998	1997
	DM '000	DM '000
Break down into regions:		
– thereof Germany	387,335	334,986
– thereof rest of Europe	348,091	279,417
– thereof overseas	319,251	303,955
	1,054,677	918,358

Cost of materials

The cost of materials contain services included in the amount of DM 1,156,000 (DM 256,000 in the previous year).

Personnel expenses

	1998	1997
	DM '000	DM '000
Wages and salaries	90,060	81,408
Social security contribution	17,230	15,186
Pension costs	3,875	2,926
	111,165	99,520

On average the following number of employees were employed in the TAKKT Group:

White collar workers	1,062
Blue collar workers	268
	1,330

By analogous application of § 286 section 4 HGB, the remuneration for the managing directors is not indicated in accordance with § 314 section 1 number 6 HGB.

Other operating expenses

	1998	1997
	DM '000	DM '000
Losses from the retirement of fixed assets	78	83
Value adjustments of current assets/losses of claims	3,142	2,969
Other expenses	172,541	152,958
	175,761	156,010
Earnings from the retirement of fixed assets	182	341
Earnings from:		
– the release of provisions	1,290	1,488
– other	7,246	6,593
	8,718	8,422
	167,043	147,588

Net interest income (expense)

	1998	1997
	DM '000	DM '000
Income from other securities and long-term financial investments	8	9
Other interest and similar income:		
– thereof affiliated companies	173	207
– thereof other	1,181	1,461
	1,354	1,668
Interest and similar expenses:		
– thereof affiliated companies	(999)	(984)
– thereof other	(2,407)	(1,999)
	(3,406)	(2,983)
	(2,044)	(1,306)

Non-periodic income and expenses

The pro forma consolidated income statement contains the following important non-periodic items:

	1998	1997
	DM '000	DM '000
Income		
Income from the release of provisions:		
– thereof provisions of pensions	10	35
– thereof others	1,290	1,453
Reduction of value adjustments	692	428
Income from retirements of fixed assets	182	341
Other non-periodic income	798	872
	2,972	3,129
Expenses		
Losses from the retirement of fixed assets:		
Intangible assets/tangible assets	83	83
Other non-periodic expenses	625	250
	708	333
	2,264	2,796

Liabilities and other financial obligations

Contingent liabilities

	1998	1997
	DM '000	DM '000
Contingent liabilities on bill of exchange	50	6
Guarantees to lessors	367	1,004
Guarantee sale NEAT IDEAS LIMITED, Doncaster/Great Britain	27,980	29,820
	28,397	30,830

In connection with the sale of the shares in NEAT IDEAS LIMITED, Doncaster/Great Britain, on 31 December 1995 guarantees were given to the buyer in the maximum amount of GBP 10,000,000. No claims were made against the former KAISER + KRAFT GmbH, Germany, from these guarantees in the time up to the audit. The guarantee obligations will exist until 30 June 2002.

Other financial obligations

	DM '000	thereof to affiliated companies
Obligations under lease agreements		
payable 1999	15,763	2,121
payable 2000 – 2003	32,912	16
payable 2004 and later	49,393	0
	98,068	2,137
Purchase obligations under capital investments payable 1999	131	0
	98,199	2,137

Stuttgart, 30 July 1999

TAKKT AG
Management Board

Gayer Milanello Vogel Dr. Zimmermann

Development of the Consolidated Fixed Assets of the TAKKT Group, Stuttgart, Business Year 1998 (pro forma)

Cost of acquisition/manufacturing

	Status on 1 January 1998	Currency adjustment	Changes within the consoli-dated companies	Additions	Transfers	Retirements	Status on 31 December 1998
	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000
I. Intangible assets							
Concessions and industrial property rights	66,599	(3,671)	0	2,327	1,364	110	66,509
Goodwill	18,866	(1,195)	0	81,345	0	0	99,016
Downpayments made	1,676	0	0	552	(1,364)	0	864
Goodwill from capital consolidation	88,969	0	0	40,346	0	0	129,315
Total intangible assets	176,110	(4,866)	0	124,570	0	110	295,704
II. Tangible assets							
Land and buildings, facilities on third-party premises, and installations in rented premises	36,088	(901)	3,651	9,839	0	5	48,672
Technical equipment and machines	6,299	0	0	469	(3)	46	6,719
Plant and office equipment	37,755	(656)	3,101	4,866	54	3,001	42,119
Downpayments made and work in progress	7	0	0	66	(51)	0	22
Total tangible assets	80,149	(1,557)	6,752	15,240	0	3,052	97,532
III. Financial assets							
Shares in affiliated companies	50	0	0	0	0	0	50
Investments held as fixed assets	140	0	0	0	0	0	140
Total financial assets	190	0	0	0	0	0	190
	256,449	**(6,423)**	**6,752**	**139,810**	**0**	**3,162**	**393,426**

Accumulated depreciation

	Status on 1 January 1998	Currency adjustment	Changes within the consolidated companies	Additions	Set-off goodwill	Retirements	Appreciation	Status on 31 December 1998
	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000	DM '000
I. Intangible assets								
Concessions and industrial property rights	52,950	(2,973)	0	2,475	0	102	0	52,350
Goodwill	6219	(657)	0	1,984	0	0	0	7,546
Downpayments made	0	0	0	0	0	0	0	0
Goodwill from capital consolidation	37,607	0	0	0	7,155	0	0	44,762
Total intangible assets	96,776	(3,630)	0	4,459	7,155	102	0	104,658
II. Tangible assets								
Land and buildings, facilities on third-party premises, and installations in rented premises	10,786	(86)	238	1,711	0	4	0	12,645
Technical equipment and machines	4,770	0	0	553	0	46	0	5,277
Plant and office equipment	23,865	(366)	1,938	5,802	0	2,741	0	28,498
Downpayments made and work in progress	0	0	0	0	0	0	0	0
Total tangible assets	39,421	(452)	2,176	8,066	0	2,791	0	46,420
III. Financial assets								
Shares in affiliated companies	0	0	0	0	0	0	0	0
Investments held as fixed assets	3	0	0	0	0	0	2	1
Total financial assets	3	0	0	0	0	0	2	1
	136,200	**(4,082)**	**2,176**	**12,525**	**7,155**	**2,893**	**2**	**151,079**

Book values

		Status on 31/12/1998	Status on 31/12/1997
		DM '000	DM '000
I.	**Intangible assets**		
	Concessions and industrial property rights	14,159	13,649
	Goodwill	91,470	12,647
	Downpayments made	864	1,676
	Goodwill from the capital consolidation	84,553	51,362
	Total intangible assets	191,046	79,334
II.	**Tangible assets**		
	Land and buildings, facilities on third-party premises, and installations in rented premises	36,027	25,302
	Technical equipment and machines	1,442	1.529
	Plant and office equipment	13,621	13,890
	Downpayments made and work in progress	22	7
	Total tangible assets	51,112	40,729
III.	**Financial assets**		
	Shares in affiliated companies	50	50
	Investments held as fixed assets	139	137
	Total financial assets	189	187
		242,347	**120,250**

Pro Forma Consolidated Management Report for the TAKKT Group, Stuttgart, for the Business Year 1998

The mail order business of the TAKKT Group proceeded successfully in the business year 1998.

The sales revenues rose by DM 136.3 million (+ 14.8%) to DM 1,055 million and thus for the first time exceeded the threshold of sales of one billion. Domestic sales rose much more than in previous years at a rate of 15.6%. Abroad sales further increased by 14.4%, this development being influenced by the acquisition of the Scandinavian Gerdmans Group (+ DM 30.1 million) and of the US Company Conney Safety Products (+ DM 14.5 million) in 1998, but also by the changing exchange rates. The foreign share of total sales remained at the previous years' level (63%) in 1998.

The increase of the cost of materials by 14.0% remained below the growth of sales so that the gross profit margin improved slightly by 0.5%; it now stands at 38.6%.

On the cost side, there were also increases which, however, remained proportionately below the sales development. Especially advertising expenses (+ 12.2%) and personnel costs (+ 11.8%) rose. The entire operating expenses increased by 13.2%.

The operating result clearly improved by DM 24.7 million (+ 27.4%) to DM 115.0 million.

Higher financing costs in connection with outside capital needed for the acquisition of companies resulted in a deterioration of the interest result compared to the previous year (- DM 0.7 million). A consolidated annual profit (before taxes) in the amount of DM 113.0 million was achieved.

After deducting tax expenses of DM 55.3 million and before the transfer of profits (DM 41.6 million), the consolidated profit is shown in the amount of DM 57.7 million, an increase of DM 8.6 million over the previous year.

Investments in tangible assets and software again clearly rose in 1998. DM 18.1 million were invested compared to DM 11 million in the previous year.

The continuing expansion of the TAKKT Group remained on course also in 1998 through further acquisitions of companies. On 1 May 1998 the Swedish company Gerdmans Inredningar AB, Markaryd with subsidiaries in Norway, Denmark and Finland was acquired. Gerdmans has been active in the mail order business on the Scandinavian market since 1947 with a similar catalogue offer of office and plant equipment. With this acquisition, the TAKKT Group is now represented in 16 European countries.

In the USA, Conney Safety Products, Madison/Wisconsin, was taken over by K + K America Corp., Wilmington, on 20 October 1998 by way of an asset deal. Conney provides safety products as a mail order business and thereby reinforces the business in this area begun already in 1996 by C&H with the take-over of the Direct Safety Division.

The imminent turn of the millennium requires special characteristics of computer systems. Moreover, it will be necessary to create the preconditions by 1 January 2000 at the latest to smoothly process all Euro transactions. For the TAKKT Group, project groups have already been working planfully for months to this end. The Company believes that the necessary adjustment work will be completed in time.

The course of business in the TAKKT Group in the first months of the new business year was in line with our expectations as it was characterized by the slight economic downswing which became apparent already in the course of the second half of the previous year.

Also in the further course of the business year, we expect a recovery and a clear increase in sales also in 1999 with a reasonable group result.

Stuttgart, 30 July 1999
TAKKT AG
Management Board

Auditors' Opinion on the Audit of the Pro Forma Consolidated Financial Statement and the Pro Forma Consolidated Management Report

Having duly audited the pro forma consolidated financial statement of the TAKKT Group, Stuttgart, we append the following unqualified audit opinion to the attached pro forma consolidated financial statement as per 31 December 1998 and the pro forma consolidated management report for the business year 1998 as follows:

> "Based on an audit performed in accordance with our professional duties, the pro forma consolidated financial statements comply with the legal regulations. The pro forma consolidated financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results. The pro forma consolidated management report is in agreement with the pro forma consolidated financial statements."

Stuttgart, 30 July 1999

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

sgd., Gerhard Weigl	sgd., Wolfgang Berger
Auditor	Auditor

RECENT COURSE OF BUSINESS AND OUTLOOK

Compared to the successful first half of 1998 (15% increase over the comparable period in 1997) the TAKKT Group increased its sales in the first half of 1999 by 17% from DM 526.9 million to DM 616.6 million. An important contribution to growth came from acquisitions in the year 1998 (the Gerdmans companies and Conney Safety Products). In addition, the Topdeq division continued to develop very positively. Higher investments in updated and higher volume catalogues had a positive effect in principle which, however, was partly offset by a deteriorating economic situation in the manufacturing sector in the KAISER + KRAFT Europa and K + K America divisions. Excluding the effect of acquisitions, sales in the first half of 1999 increased by 5 % over the comparable period in 1998.

The pre-tax income did not keep pace with the increase of sales, increasing by 12% from DM 41.3 million to DM 46.3 million. This is essentially due to the fact that Conney Safety Products, purchased in October 1998, which considerably extended the safety product range, did not achieve positive results, as expected, and to the increased amount of advertising expenses in the KAISER + KRAFT Europa and K + K America divisions.

In addition, the result was further negatively impacted by the initial expenses for preparing the spin-off of the mail order business to TAKKT AG. The additional costs in the amount of DM 2.0 million arising in the first half year 1999 are attributable primarily to new employees, auditing costs for the semi-annual financial statements as well as preparation for the stock exchange listing of TAKKT AG.

EBITDA, which better illustrates the operating business of the TAKKT Group, improved in the first half year of 1999 by 24% from DM 48.0 million to DM 59.4 million compared to the first half of 1998.

Based on the development of business activities in July and August 1999, the Company continues to expect a positive business course for the second half of 1999 compared to the first half of 1999 with basically constant sales revenues, inventory turnover and costs. Although the operating earnings capacity of the Company will in principle not suffer in the future from the effects of the spin-off, the results of the Company in the second half of 1999 will be affected for the first time by increased interest payments due to the spin-off in the amount of approximately DM 5.7 million, and by the higher depreciation of goodwill in the amount of approximately DM 7.1 million. Finally, non-recurring expenses for the stock exchange listing of TAKKT AG will reduce the result.

Stuttgart, August 1999

TAKKT AG

On the basis of this

LISTING PROSPECTUS

72,900,000 ordinary bearer shares

– each with a calculated nominal value of € 1 per share –

No. 0.050.001 – 72.950.000

– each with full dividend rights
from 1 July 1999 –

of

TAKKT AG
Stuttgart

– German Security Code ("*Wertpapier-Kenn-Nummer*") 744 600 –

shall be admitted to listing with trading on the official market of the Stock Exchanges of
Frankfurt am Main and Stuttgart

on ● September 1999.

Frankfurt am Main, August 1999

Goldman, Sachs & Co. oHG

Legal advisors of the Company

Hengeler Mueller Weitzel Wirtz

Legal advisors of Goldman, Sachs & Co. oHG

Deringer Tessin Herrmann & Sedemund
associated with Freshfields

Auditors of the Company

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

Trustee for the TAKKT AG Shares for the Purposes of the Spin-off

Dresdner Bank AG,
Frankfurt am Main