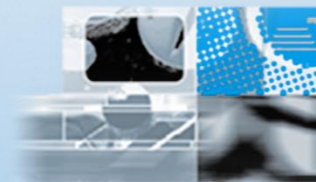




## Joint Report

on the Spin-off of the GEHE Aktiengesellschaft  
Mail Order Division and Transfer to TAKKT AG



**GEHE**  
Aktiengesellschaft

**TAKKT AG**  
BUSINESS EQUIPMENT SOLUTIONS

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The German version of this joint report is authoritative

The Management Board of GEHE Aktiengesellschaft (“GEHE”) is proposing to the Annual General Meeting that the Mail Order Division for office, warehouse and works equipment should be split off from GEHE and floated on the stock exchange as a new independent company. This should be done by splitting it off into TAKKT AG (“TAKKT”), which has been formed by GEHE for this purpose. In this way the two companies both become focussed on their own core competences, or so-called “pure plays”.

During the spin-off the shareholders of GEHE will also be shareholders of TAKKT. The shareholders will receive one TAKKT share in addition to each GEHE share. It will be ensured that directly after the spin-off each GEHE shareholder will have the same shareholding in TAKKT he had in GEHE.

The pre-requisite for the spin-off to come into force is the agreement of the shareholders within the framework of the Annual General Meeting. The General Meeting’s decision legally requires a three-quarters majority of the share capital to be present when the resolution is passed.

The following joint report is from the Management Board of GEHE and TAKKT to the shareholders according to § 127 of the Umwandlungsgesetz (“UmwG”) German Transformation Act about the details of the spin-off including the underlying motives as well as the consequences which are associated with this measure.

## II. CURRENT SITUATION

### 1 GEHE

#### 1.1 Overview

GEHE is a public company registered in Stuttgart. Its stock totalling 364,5 million DM is divided into 72.9 million shares at a par value of DM 5. The consolidated equity of the GEHE group at 31. 12. 1998 amounted to circa 2.26 bn DM (1.16 bn Euro).

The GEHE group is divided into four divisions:

- Pharmaceutical Wholesale (market leader in Europe),
- Pharmaceutical Retail in Great Britain (largest chain of pharmacies in Europe),
- Healthcare Services (largest centrally controlled supplier of technical rehabilitation aids in Germany and France),

- Mail Order for office, warehouse and works equipment.

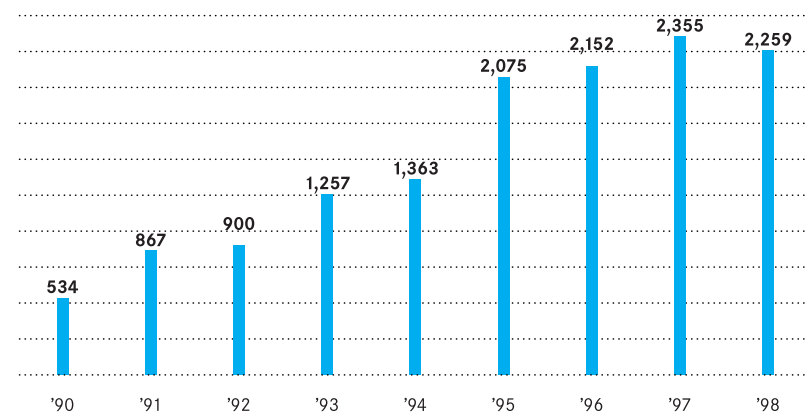
Since the transfer of the German pharmaceutical wholesale business operations into GEHE Pharma Handel GmbH, GEHE operates exclusively as the holding company.

#### 1.2 Development of the GEHE Group

GEHE was founded in 1835 by the businessman Franz Ludwig Gehe in Dresden. It has been a public company since 1903.

GEHE has experienced an impressive growth in the last two decades through acquisition and organic growth. Within the framework of the internationalisation of the company it acquired a majority shareholding in the number 1 in the French pharmaceutical wholesale market, Office Commercial Pharmaceutique, OCP S.A.; GEHE became the biggest European pharmaceutical wholesaler. In Great Britain GEHE successfully acquired AAH plc. in 1995, followed by the acquisition of Lloyds Chemists plc. in 1997. Due to the focus of both companies on pharmaceutical wholesale and retail, GEHE was able to further extend its leading position in pharmaceutical wholesale in Europe and at the same to open up the new division Pharmacy Retail. Also the Healthcare Services Division was able to achieve a European key position as the largest centrally-controlled supplier of technical rehabilitation aids in Germany and France.

Equity of the GEHE Group  
in DM m



The Mail Order Division for office, warehouse and works equipment ("Mail Order Division") was founded by the acquisition of Kaiser + Kraft GmbH in 1985, in accordance with the strategy of diversification at the time. Since then this new division has been expanded strongly through acquisition and organic growth (including newly formed companies).

#### 1.3 Shareholder Structure

GEHE's majority shareholder is Franz Haniel & Cie. GmbH, Duisburg-Ruhrort ("Haniel"), with a shareholding of circa 50.1% in the stock. 10% of the shares are held indirectly by AXA Colonia Konzern AG, Cologne ("AXA Colonia"). Just under 40% of the shares are held by several of private investors (of which circa 1.1% are employee shareholders) as well as domestic and international institutional investors.

In 1998 AXA Colonia successfully placed a convertible loan on part of its GEHE shares amounting to over 518 million DM (265 million Euro) through a Luxembourg subsidiary. After the possible conversion of the loan, which can happen by 2003 at the latest, the circle of GEHE shareholders will widen to include the converting private and institutional holders of the loan when the AXA Colonia shareholding is reduced.

#### 1.4 Turnover, Results and Key Figures

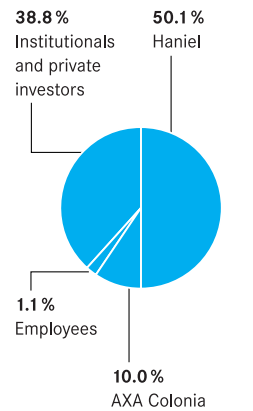
The turnover of GEHE group amounted to 25.4 bn DM (13 bn Euro) in 1998. The results from the usual business activities before income, profit and asset taxes amounted to 504 million DM (258 million Euro). Due to the expansion of the core businesses in the most important European markets since 1993 the foreign share in the important company key figures has grown steadily. The foreign portion of the group turnover amounted to circa 77% in 1998 and accounted for 74% of the profits from normal activities before income, profit and asset taxes.

The Mail Order Division was able to further increase its turnover and profit in 1998. In 1998 the turnover overstepped the billion mark for the first time and reached 1.05 bn DM (537 million Euro). The profit from normal activities before income, profit and asset taxes totalled 112 million DM (57 million Euro). The continued expansion of the Mail Order Division in Europe and USA has resulted in a foreign contribution to the division's turnover of 63% in 1998.

#### 1.5 Employees

On 31. 12. 1998 the GEHE group employed 23,033 staff, converted into full time equivalents. Of those about 15% were employed in Germany and about 85% abroad. GEHE is subject to corporate employee participation according to the Corporate Employee Participation Law 1976. Thus, there is a Supervisory Board which is composed equally of shareholder and employee representatives.

Shareholder Structure



## 2 The Mail Order Division

### 2.1 Overview

The Mail Order Division consists of the following:

#### Kaiser + Kraft Group

The Kaiser + Kraft group includes Kaiser + Kraft GmbH („Kaiser + Kraft“) which operates in Germany as well as companies in a further eleven European countries. It supplies appliances and equipment for the office, warehouse and works sectors, which are partly self-produced but for the main part are sourced from outside suppliers. Self-produced products are assembled in Haan near Düsseldorf. The Kaiser + Kraft group’s central warehouses are situated in Kamp-Lintfort and Haan.

#### Gaerner Group

The Gaerner group offers a similar product range to the Kaiser + Kraft group. It includes Gaerner GmbH & Co. KG, Duisburg, and companies in the Netherlands, Austria and Switzerland.

#### Germans Group

The Germans group supplies office, warehouse and works equipment to the Scandinavian market. It is directed by the Swedish company Gerdmans Inredningar AB, Markaryd. This company is also operationally active and has additional subsidiaries in Denmark, Finland and Norway.

#### Topdeq Group

The Topdeq companies supply design-orientated office furniture, office fittings, office equipment and accessories. They offer a 24-hour delivery service. The Topdeq group’s operating companies in Germany, the Netherlands and Switzerland are directed by Topdeq Holding GmbH, Pfungstadt.

#### K + K America Group

On the North American market transport equipment, works equipment, packaging material and work safety products are sold by two US companies and one Canadian company. These are subsidiaries of K + K America Corporation, with administrative headquarters in Milwaukee, Wisconsin, USA, which acts purely as a holding company.

### 2.2 Historical Development

Kaiser + Kraft was founded in 1945 by Helmut Kraft and Walter Kaiser in Stuttgart-Untertürkheim. In 1949 the mail order concept was introduced. The basic idea consisted of offering technical products to industry through catalogues and brochures and selling them by mail order.

Once the mail order trade had established itself as a widely accepted method of purchasing at the beginning of the 1950s, Kaiser + Kraft was able to expand its range swiftly according to requirements. In order to react better to special customer requirements, it began producing transport equipment itself in 1957. In 1967 the first foreign company was acquired, and by 1983 five further foreign companies were founded. In 1985 GEHE acquired Kaiser + Kraft from its founder Helmut Kraft.

Kaiser + Kraft has expanded strongly at home and abroad as follows:

#### Expansion in Europe

In 1987 a subsidiary was founded in Italy, the first central warehouse in Europe was opened in Weiterstadt and the Gaerner group was acquired, which had been Kaiser + Kraft’s main competitors in its main markets.

#### Expansion in North America

In 1988 the step was taken to enter North America, where C&H Distributors Inc., Milwaukee/Wisconsin, USA, was taken over as well as four further competitors between 1990 and 1996.

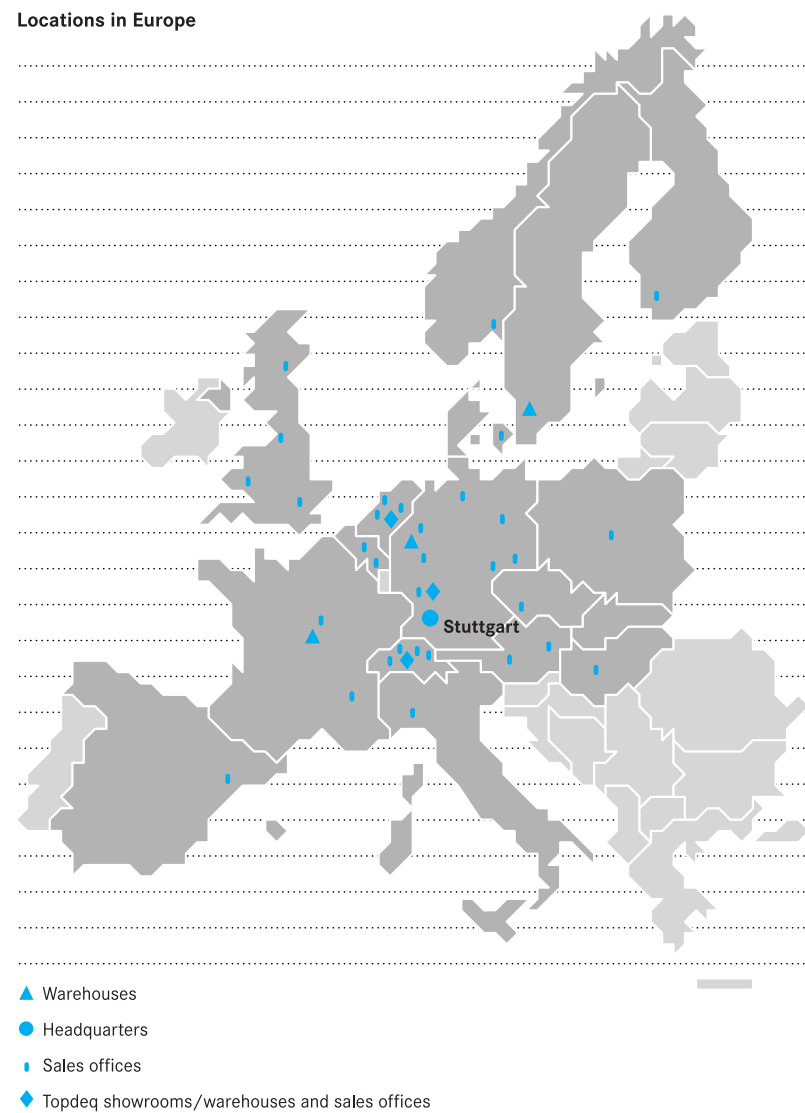
#### Starting Up in Eastern Europe and the Acquisition of Topdeq and Powell

Also in 1990 Kaiser + Kraft commenced trading in the New Federal States of Germany. In the same year a subsidiary was founded in Hungary. In 1992/1993 new companies were founded in Poland and the Czech Republic. In 1994 the Topdeq group was acquired. In 1996 Powell Mail Order Ltd., Llanelli, Great Britain, was added, which led to an expansion of the mail order business in Great Britain.

Locations in North America



Locations in Europe

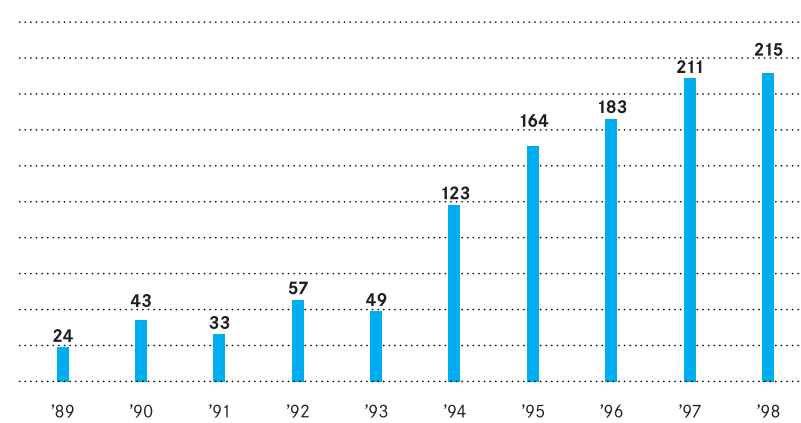


#### Entering the Market in Scandinavia and moving into the Work Safety Product Mail Order Business

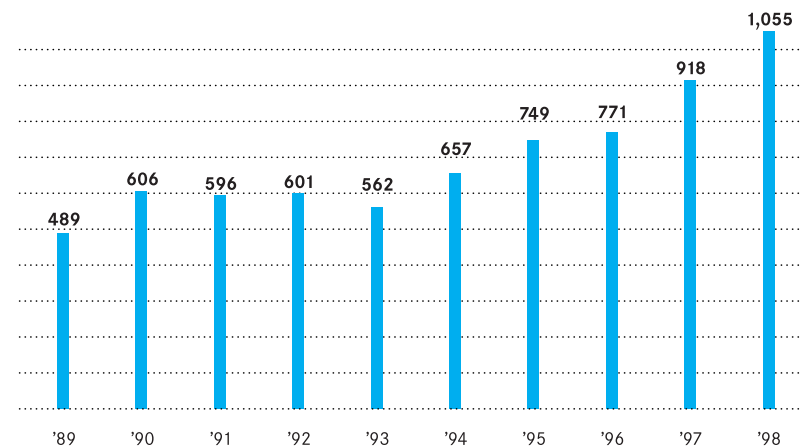
In 1998 Kaiser + Kraft took over the Scandinavian Gerdmans group as well as the Conney Safety Products business in the US.

The maps on this and the preceding page show the locations of the Mail Order Division today.

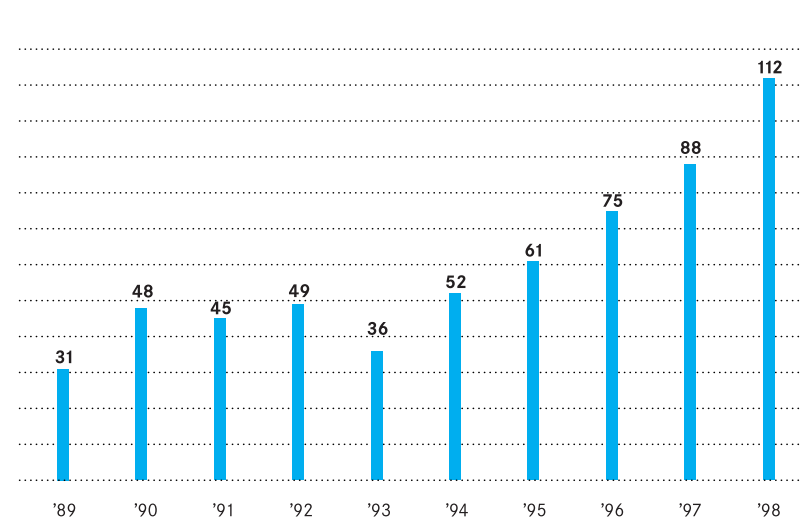
**Development of Equity**  
in DM m



**Turnover<sup>1</sup>**  
in DM m



**Profits**  
in DM m



1 Incl. sales with group companies.

### 2.3 Development of Equity

The consolidated equity of the companies of the Mail Order Division has developed as shown in the chart over the last ten years.

### 2.4 Development of Turnover and Profits

#### 2.4.1 Turnover

Since Kaiser + Kraft was taken over by GEHE in 1985 the turnover of the Mail Order Division has experienced an average increase of 15% p.a. and surpassed the billion mark in 1998 for the first time.

This growth in turnover is a result of organic growth as well as founding new companies and acquisitions. Over the last ten years the turnover has developed as shown in the chart.

#### 2.4.2 Profits

Also the results of the Mail Order Division have developed in a very positive way since the GEHE takeover. The profits from normal activities before income, profit and asset taxes amounted to 112 million DM (57 million Euro) in 1998. These are shown in the chart.

### 2.5 Management

With effect from 01.01.1999 the management of Kaiser + Kraft, the holding company of the Mail Order Division, has been made up as follows:

The Chief Executive Officer is Georg Gayer, who succeeded Horst F. Peer, who retired after seventeen years service with the group. Further members of the management are Alfred Milanello, Franz Vogel and Dr Felix A. Zimmermann.

### 2.6 Employees

On 31.12.1998 1,465 people (converted to full time equivalents) were employed worldwide in the Mail Order Division, of which 585 are employed domestically and 880 abroad. There is no employee participation on the Supervisory Board as the statutory pre-requisites for the creation of a Supervisory Board with employee participation have not been met.

## 3. TAKKT

### 3.1 Overview

TAKKT was founded on 01.03.1999 by GEHE for the purposes of the spin-off. The share capital amounts to 50,000.00 Euro. The company is located in Stuttgart and is registered at the Stuttgart Register of Companies no HRB 19962. TAKKT is to acquire the Mail Order Division within the framework of the spin-off.

### 3.2 Management Board

The board members of TAKKT are the current members of the Kaiser + Kraft management:

- Georg Gayer, 52, Chairman of the Board, has been with Kaiser + Kraft in various functions since 1978. In 1985 he became director with responsibility for finance, logistics and production areas. As from 01.01.1999 he became Chief Executive Officer of Kaiser + Kraft and at the same time board member of GEHE.
- The board member for information technology and organisation is Alfred Milanello, 57. He has been with Kaiser + Kraft since 1987 and has been Director of Information Technology there since 1988.
- Franz Vogel, 50, was appointed a board member with responsibility for sales. He has been working in the Mail Order Division since 1985, first as Manager in Switzerland and since 1990 as Regional Sales Manager in South and Eastern Europe. Since 01.01.1999 Mr Vogel has been a Director of Kaiser + Kraft.
- The board member for controlling and finance is Dr Felix A. Zimmermann, 32. Since 01.01.1999 he has been a Director of Kaiser + Kraft. Before this he was working for the Finance Department at Franz Haniel & Cie. GmbH.

### III. REASONS FOR THE MAIL ORDER DIVISION BECOMING INDEPENDENT

Kaiser + Kraft was acquired in 1985 as part of GEHE's diversification strategy at the time. In the market segment which Kaiser + Kraft occupied the GEHE board saw good potential for growth, and the acquired company promised to have a very good return potential due to its excellent market orientation. This potential for a high rate of return was to assist GEHE in improving access to the capital market to finance the planned growth in pharmaceutical wholesale.

Today GEHE is Europe's market leader in pharmaceutical wholesale and retail with a turnover of 24.3 bn DM (12.4 bn Euro) in the health-related divisions and also Europe's No 1 in mail order office, warehouse and works equipment with a turnover of around 1.1 bn DM (0.54 bn Euro). The health-related divisions and the Mail Order Division are extremely successful. The companies are active in markets which demonstrate excellent growth perspectives for the future.

There are no synergies between the health-related divisions and the mail order business because there are no similarities between the products supplied, either on the procurement side or on the sales side. The logistics are also different. Whereas in pharmaceutical wholesale 35,000 chemists across Europe are supplied several times a day at a few hours' notice with for the most part small products out of a range of 100,000, which are mainly automatically picked, the mail order business supplies a few thousand large products which have been ordered via catalogue. This results in totally different warehousing and transport conditions. GEHE's health-related divisions and the Mail Order Division therefore have neither common warehousing nor shared logistics.

The Management Boards of GEHE and TAKKT are convinced that making the Mail Order Division independent and the resulting stronger focus on the core competences of the specific fields of business, will further increase the positive development of each division.

Furthermore companies which are concentrated on transparent, clearly defined core areas, the so-called "pure plays", are regularly favoured by the capital markets.

For GEHE, as a company which is committed to the concept of shareholder value, once the decision concerning the best strategy for the future of the division had been made, it was a natural choice to list the Mail Order Division on the stock exchange.

Gaining independence through the spin-off and subsequent quotation has powerful advantages:

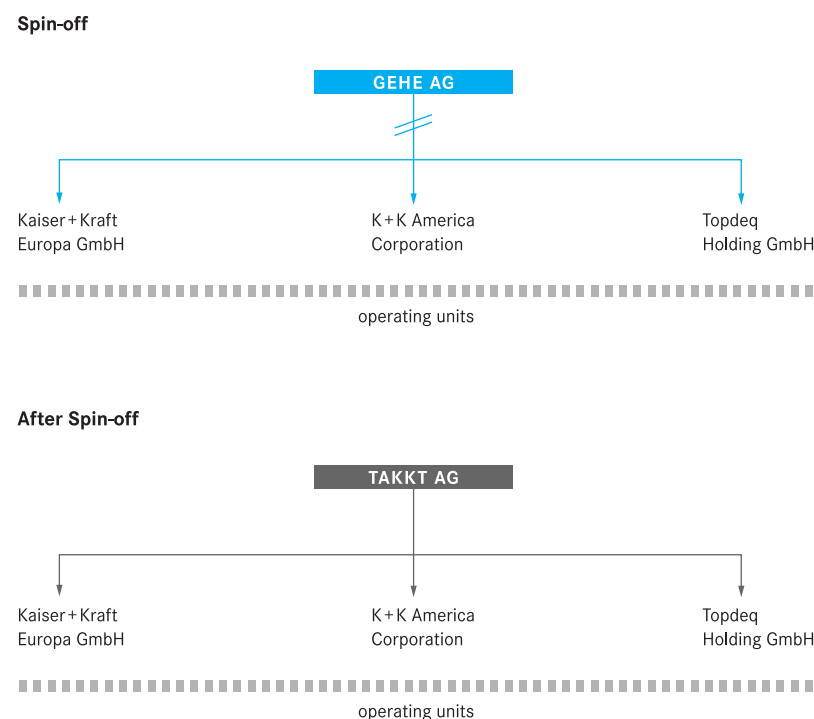
- The GEHE shareholders will become shareholders of TAKKT in the ratio of 1 : 1. The shareholders then have two shares which can be traded independently of each other: a share in GEHE, Europe's market leader in pharmaceutical wholesale and retail, and a share in TAKKT, Europe's No 1 in mail order for office, warehouse and works equipment.
- By creating two "pure plays" the shareholder value concept is honoured. The market evaluation of the GEHE and TAKKT shares will become more market specific. The GEHE Mail Order Division, which until now has hardly been noticed, will become more transparent and its value easier to identify.

Finally the Management Boards of GEHE and TAKKT are convinced that this is an outstanding opportunity to float the Mail Order Division after separation from the GEHE group and to enable the GEHE shareholders to participate in the excellent perspectives and the success of two independent public companies. In this way the shareholders will in future be able to follow a differentiated investment strategy and at the same time be in a position to have shares in both companies.

## IV. COMMERCIAL COMMENTARY AND REASONS FOR SPIN-OFF

### 1 Overview

The Mail Order Division will become independent by being spun-off and transferred to a new company. With the spin-off three 100% GEHE subsidiaries, in which all assets and liabilities of the Mail Order Division are accumulated, will be transferred to TAKKT in one single step.



In return for the assets which have been transferred, the GEHE shareholders will receive new TAKKT shares in addition to their GEHE shares, namely for one GEHE share in a nominal amount of DM 5 one share in TAKKT. Should the spin-off take place after the planned conversion of the GEHE shares to no par value shares, the GEHE shareholders will receive one no par value TAKKT share for every no par value share in GEHE. The shareholder structure before and after the spin-off is shown on page 11.

### 2 Why Spin-off?

#### 2.1 Direct Participation of Shareholders in the Success of Mail Order Division

GEHE views itself as a company which is strongly committed to the concept of shareholder value. For this reason, GEHE strives to create the maximum value for their shareholders in corporate investment and disinvestment decisions. GEHE is likewise committed to this goal, where structural decisions are met such as the Mail Order Division becoming independent. Therefore, the Mail Order Division is to become legally independent by way of a spin-off into TAKKT and is to be floated on the stock exchange as an independent entity. In this way, the GEHE shareholders, who up until now have participated indirectly in the success of the Mail Order Division, will share in the success of this business area in the future in a more intensive and direct manner.

The spin-off allows more flexibility in the decision-making for investors determining their portfolios. In the future, they will be free to decide to what extent they want to participate in the success of the two companies and thereby in different sectors. The spin-off however, does not lead to a greater diversity in the portfolio of the shareholders. By creating two publicly-quoted stock companies, both concentrating on their core competence areas, the shareholders' ability to be involved in the Mail Order Division will be strengthened. Becoming independent as a result of the spin-off will not lead to any noteworthy increase in administration for

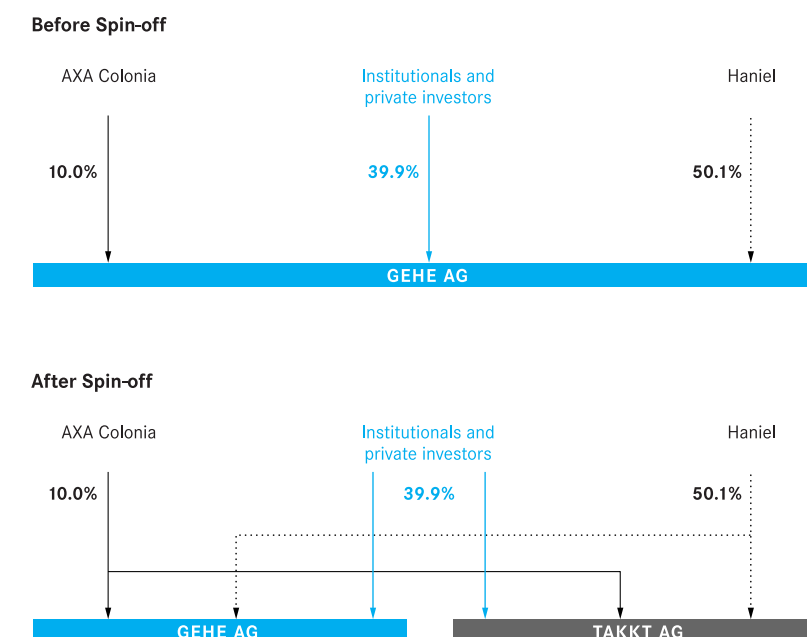
the Mail Order Division. The new organisational structure which was created before and during the spin-off, will in fact lead to an even stronger management focus on each core competence area which will more than compensate for this negligible extra expense.

The spin-off of the Mail Order Division with its subsequent flotation is a solution that gives all GEHE shareholders equal opportunity in achieving the target objectives mentioned above. In particular, it facilitates a further-reaching shareholder participation in the success of the Mail Order Division and gives the shareholders more flexibility in their individual portfolio management.

#### 2.2 Alternatives

From GEHE's point of view, a sale of the division could be considered as an alternative. However, this would prevent our shareholders of their opportunity to have a share in a division with high expectations for returns. Furthermore, a sale would have resulted in a higher tax burden because of the disclosure of hidden reserves, which would have greatly reduced the indirect proceeds for the GEHE shareholders. Within the framework of the spin-off, the hidden reserves will in fact arise, leading to a substantial tax burden for GEHE. On the other hand, there are possibilities for tax deduction for TAKKT, from which the shareholders will profit. Additionally, the Management Boards of GEHE and TAKKT are convinced that in total, the residual tax burden will be over compensated by the advantages, which will result from the spin-off and the subsequent flotation of TAKKT, for both companies and above all, for the shareholders.

The possibility of floating the Mail Order Division after transforming it into a public company without splitting it off, was also considered. In this case newly created shares of a mail order public company within the framework of a capital increase would have had to be issued or GEHE shares in this company would have had to have been sold via the stock exchange. The tax disadvantages



which generally speak against a sale however, also apply without restriction of this kind for a sale on the stock exchange. An equal share ratio in both companies for the GEHE shareholders would have been impossible. Issuing new shares would also have meant, that the GEHE shareholders would have had to invest additional capital, in order to continue participating in the success of the Mail Order Division as before. This is not in the interests of the GEHE shareholders, particularly due to the fact that with the spin-off, a solution is available which embraces the advantages of a flotation without the disadvantages of having to invest additional capital.



### 3 Why Spin-off to Transfer?

The spin-off of the Mail Order Division will be transferred into TAKKT, which was founded by GEHE on 01.03.1999 with the minimum statutory capital of 50,000.00 Euro, as the receiving company (Spin-off to Transfer, § 123 sub-section 2 no 1 UmwG German Transformation Act). The assets to be transferred will therefore be split off and transferred to a company already in existence in a different way than is the case if the company were to be split off to form a new corporate entity. This course of action was chosen mainly because of the planned subsequent flotation after the spin-off. This enables a separation of the incorporation and spin-off procedures. Furthermore, there is an active company in the form of the company TAKKT AG before the spin-off is registered in the register of companies.

The statutes of TAKKT contain the directive for the compulsory recall<sup>2</sup> of all TAKKT “foundation shares” held by GEHE immediately after the spin-off has taken place. This not only ensures that all GEHE shareholders will have the same shareholding in GEHE as in TAKKT, but also that GEHE will no longer

be a shareholder in TAKKT after the spin-off. Thanks to this structure, the spin-off of the Mail Order Division to TAKKT will maintain the same proportions as would a spin-off for the purposes of new formation; a dilution of the shares of individual shareholders can be ruled out. Once the spin-off is valid, each shareholder will have the same proportional share in TAKKT as in GEHE.

### 4 Preparatory Restructuring within the Mail Order Division and its Tax-related Effects

#### 4.1 Overview

Since GEHE acquired Kaiser + Kraft in 1985, the structure of the Mail Order Division had not been changed substantially. Kaiser + Kraft had a dual function: as a holding company for all domestic and foreign mail order activities, and secondly as an operative unit in the German market itself. In order to create a structure corresponding to the requirements of the market for the Mail Order Division, the organically developed structure of the Mail Order Division has been replaced, through a succession of corporate internal transfers, before the spin-off, by a clear separation into three divisions each with its own intermediary holding company.

This structure is to be transferred to TAKKT during the spin-off process. TAKKT will function as the management holding company. Three intermediary holdings together (Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH) are to form the individual operating units underneath. The three intermediary holdings are 100% subsidiaries of GEHE prior to the spin-off. Only GEHE's share in the three intermediary holding companies is subject to the spin-off.

The transfer procedures being put in place prior to spin-off are intended to assign the individual operative units in their “rightful” intermediary holding. The European mail order activities of the Mail Order Division – with the exception of the Topdeq

activities – have been amalgamated under Kaiser + Kraft Europa GmbH. K + K America Corporation remains the intermediary holding for all US and Canadian companies in the Mail Order Division as before. Finally, all the Topdeq activities have been amalgamated under Topdeq Holding GmbH.

Individual transfer processes, which mainly concerned foreign companies and which for this reason were generally made as neutral as possible in terms of taxation, took place through sale on 31.12.1998. The remaining transfers which mainly concern the German companies and causes taxation in Germany, should be executed through agreements, subject to a condition. This condition is subject to the approval of the spin-off agreement at the GEHE AGM.

#### 4.2 Details on Intra-Group Transfers

During the intra-group reorganisation of the Mail Order Division, the following transactions took place:

K + K America Corporation was sold by Kaiser + Kraft to GEHE. For this transaction, the hidden reserves contained in the share book value were disclosed on the basis of the business value<sup>3</sup> of each transferred asset component in the expert's report of Dr. Ebner, Dr. Stolz & Partner GmbH, Steuerberatungsgesellschaft, Wirtschaftsprüfungsgesellschaft, Stuttgart. As the transfer of foreign shares is tax privileged according to § 8 b sub-section 2 Corporation Tax Law (“KStG”), the disposal profits arising were not subject to tax.

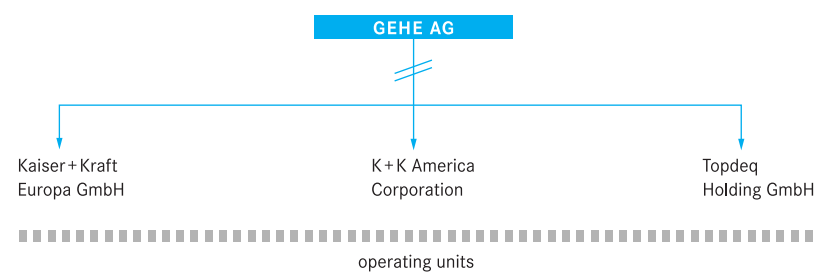
The entire shareholdings of Kaiser + Kraft in foreign companies of the Mail Order Division were disposed of to Kaiser + Kraft Europa GmbH, a 100% subsidiary of GEHE, with effect from 31.12.1998, in so far as they did not relate to the North American business or Topdeq. These disposals took place by disclosing the hidden reserves at the book value of the shares, which were determined by Dr. Ebner, Dr. Stolz & Partner GmbH, Steuerberatungsgesellschaft, Wirtschaftsprüfungsgesellschaft, Stuttgart. The resulting disposal

profits were also subject to preferential tax status according to § 8 b sub-section 2 Corporation Law (KStG).

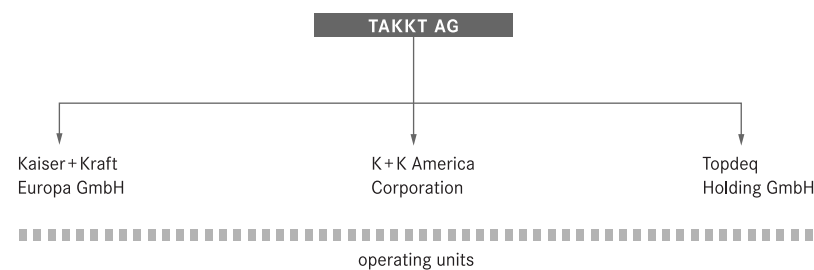
Furthermore, Kaiser + Kraft Europa GmbH acquires itself or through its subsidiaries, all domestic mail order activities with the exception of the Topdeq group. These disposals will also be completed at the business value determined by Dr. Ebner, Dr. Stolz & Partner GmbH, Steuerberatungsgesellschaft, Wirtschaftsprüfungsgesellschaft, Stuttgart. They are subject to the condition that the spin-off agreement receives approval by the GEHE AGM.

The reason for the condition is that the profit arising on disposal of the assets of the German companies is subject to tax, which is not the case for the shares in the foreign subsidiaries. Therefore, the sale will only become effective when the GEHE AGM has agreed to the spin-off of the Mail Order Division.

#### Spin-off



#### After Spin-off



<sup>2</sup> See V. Legal Explanation 2.5 Compulsory Recall of TAKKT Shares (page 24f).

<sup>3</sup> The methods of valuation are explained in annex D.

For tax reasons, the form of the sale of shareholdings (so-called share deals) was in general not chosen for the sale of the domestic mail order activities. The entire assets and liabilities of the previous operative companies (so-called asset deals) were disposed of.

Topdeq Ltd., Watford, Great Britain, Topdeq AG, Hünenberg, Switzerland, and Topdeq B.V., Mijdrecht, the Netherlands, were also transferred with effect from 31.12.1998 to Topdeq Holding GmbH, a company newly formed by GEHE.

These disposals also took place by disclosing the hidden reserves in the book value of the shares as determined by Dr. Ebner, Dr. Stolz & Partner GmbH, Steuerberatungsgesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart. As Topdeq GmbH, which operates the Topdeq domestic business, is a 100% subsidiary of Topdeq Ltd., the transfer of the holding in Topdeq Ltd. also included the Topdeq's German business.

The central service functions of the Topdeq division were also sold to Topdeq Service GmbH, a 100% subsidiary of Topdeq Holding GmbH, using asset deals at a business value determined by the experts report of Dr. Ebner, Dr. Stolz & Partner GmbH, Steuerberatungsgesellschaft, Wirtschaftsprüfungsgesellschaft, Stuttgart, subject to disclosure of the hidden reserves of Topdeq International GmbH, subsidiary of Kaiser + Kraft. As there were no significant tax effects resulting from this disposal, they were done without the condition to receive approval at GEHE's AGM.

#### **4.3 Tax Effects on Purchase Agreements Subject to AGM Confirmation**

The purchase agreements concluded subject to confirmation will come into effect upon the GEHE AGM agreeing the spin-off agreement. This leads to a disclosure of the hidden reserves, which have accrued in the individual assets of the domestic companies of the Mail Order Division and which will be subject to tax. These hidden reserves were valued at 232 million DM within the framework of the above mentioned corporate valuations. The release of hidden reserves results in a tax liability of circa 103 million DM.

The taxation of these reserves is more advantageous for the GEHE shareholders than a straight forward sale of the companies in question and transfer to TAKKT. In a disposal situation, domestic assets rated at a higher value can – as a consequence of disclosed hidden reserves – largely be deducted by the acquiring companies for corporation tax and trade tax. Nominal tax relief from additional write-offs amounts to around 121 million DM; under current legal circumstances, the cash value of the tax relief to be expected from the write-offs will amount to approx. 83 million DM, at a discount rate of 6%.

In the event of a straight forward spin-off of the domestic companies however, the disclosed hidden reserves would be subject to full trade and corporation tax; an effective write-off of goodwill would have not been possible. From a net present value point of view, the net balance arising from taxation on the sale of the domestic business and tax relief from future tax-effective write-offs of goodwill amounts to around 20 million DM.

#### **5 Effect on Taxation of Shareholders**

The following description of the tax effects of the spin-off for individual shareholders only serves to provide an overview and does not take the circumstances of the individual shareholder into account. Moreover, it is limited to the spin-off's tax effects under German legislation. This description cannot replace a tax consultation taking into consideration the personal circumstances of each individual shareholder. It is not certain, whether tax-related estimates by GEHE will be endorsed by the tax authorities. It is therefore recommended to all shareholders to seek independent tax advice. This applies in particular to shareholders, who are liable to taxation in a country other than Germany, or who are liable to taxation under other criteria of foreign taxation.

In our opinion, the issue of TAKKT shares does not entail taxable profit for GEHE shareholders, since the spun-off investments represent a sub-operation in accordance with § 15 sub-section 1 no 1 of the Transformation Tax Act ("UmwStG"). This has been confirmed to GEHE by the German tax authorities. As far as the GEHE shares are taxable business assets, the former taxable book values of the GEHE shares shall be allocated to the shares in GEHE and TAKKT after the spin-off. The TAKKT shares shall then be deemed to have been acquired at their portion of share value.

As far as the GEHE shares are part of taxable private assets and (i) represent a substantial interest in accordance with § 17 of the Income Tax Act ("EStG"), or (ii) if the one-year speculation period of § 23 EStG has not yet elapsed, the original cost for the GEHE shares shall be allocated to the GEHE and TAKKT shares after the spin-off. The TAKKT shares shall then be deemed as acquired at their allocated share of the original cost.

If a shareholder retains his GEHE shares within his private assets, and if these do not represent substantial interest in accordance

with § 17 EStG, the spin-off will affect the speculation period for these shares. It is the opinion of the German taxation authorities, that the spin-off will in this case initiate a new speculation period for both the GEHE and the TAKKT shares.

If a person subject to taxation in a country other than Germany, or a person entitled to limited tax exemption is holding GEHE shares, the spin-off will entail no consequences for him according to German tax legislation. If the said shares are part of domestic business assets or represent a substantial interest, then the above explanations shall apply accordingly.

## 6 Effect on Balance Sheet Accounting

### 6.1 GEHE

#### Effect on Holding Company's Accounts

GEHE will draw up the legally required transformation accounts (final accounts) at 30.06.1999, which will form the basis for the spin-off. In this transformation balance sheet, the assets to be transferred, i.e. the 100% shareholdings of GEHE in Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH, are shown at market value. Together, they amount to 550 million DM (281 million Euro) and correspond with the book values of these assets. The pro-forma balance sheet below shows the anticipated GEHE balance sheet at 30.06.1999.

The spin-off will result in a balance sheet reduction for GEHE. The investments to be spun off, with a total book value of 550 million DM (281 million Euro), will be taken off the balance sheet assets of GEHE. The reduction in assets will be offset against the equity position retained profit. The spin-off results in a reduction of the balance sheet for GEHE. The profit brought forward in the transformation accounts at 30.06.1999, of 550 million DM (281 million Euro) corresponds with the amount submitted to the GEHE AGM on 02.06.1999 by the Management and Supervisory Boards for the resolution on the appropriation of profits.

#### Pro forma Balance Sheet of GEHE at 30.06.1999

Assets	30.06.1999 DM m	Effect of spin-off DM m	01.07.1999 DM m
Fixed assets	2,197	- 550	1,647
Current assets	1,579	0	1,579
	<b>3,776</b>	<b>- 550</b>	<b>3,226</b>

Equity and liabilities	30.06.1999 DM m	Effect of spin-off DM m	01.07.1999 DM m
Equity	2,436	- 550	1,886
Accruals	88	0	88
Liabilities	1,252	0	1,252
	<b>3,776</b>	<b>- 550</b>	<b>3,226</b>

#### Effects on Accounts for Taxation Purposes

For taxation purposes the spin-off of the Mail Order Division represents for GEHE partial value (§§ 15, 11 sub-section 2 UmwStG). For this reason, GEHE has valued the assets to be spun off in the transformation accounts at 30.06.1999 (spin-off deadline for tax reasons) at its partial value. Due to the previous intra-group transfers processes, the partial value of the companies belonging to the Mail Order Division also corresponds to the taxable book value. The spin-off therefore has no effect for GEHE on taxable income.

#### Effects on Group Accounts

For the purposes of GEHE's consolidated balance sheet – the assets and liabilities corresponding to the shareholdings to be spun off must be eliminated against consolidated equity, values spin-off date. Consequently, GEHE's balance sheet will be reduced by the value of the spun off assets and liabilities of the Mail Order Division.

### 6.2 TAKKT

#### Effects on Individual Company Accounts

The spin-off of TAKKT will become effective as of 01.07.1999 (spin-off deadline). At the spin-off date, the GEHE shareholdings in the three intermediary holding companies Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH and their subsidiaries which constitute the previous Mail Order Division, will be transferred to TAKKT. The transfer of the three shareholdings will be deemed an addition by TAKKT. The book values shown in the final accounts of GEHE at 30.06.1999 (§ 24 UmwG) will be transferred as original cost.

#### Effects on Consolidated Balance Sheet

The values disclosed in the GEHE consolidated balance sheet for the transferred companies at 30.06.1999 will be the basis for the consolidated balance sheet of TAKKT. Since this balance sheet is not yet available at the time of writing, the following extrapolation will be based on the certified GEHE 1998 consolidated financial statements (pro forma consolidated balance sheet for Mail Order Division). The accounting effects of the spin-off are shown in the pro forma consolidated balance sheet of TAKKT as of 01.07.1999. The following pro forma consolidated balance sheet shows the anticipated consolidated balance sheet structure of the TAKKT group as of 01.07.1999. The previous valuation and consolidation methods have been retained.

**Mail Order Division Pro forma Consolidated Balance Sheet as of 30.06.1999 and  
TAKKT Pro forma Consolidated Balance Sheet as of 01.07.1999**

<b>Assets</b>	<b>Mail Order 30.06.1999 DM m</b>	<b>Effect of spin-off DM m</b>	<b>TAKKT 01.07.1999 DM m</b>
Intangible assets	183	232	415
Tangible assets	53	0	53
<b>Fixed assets</b>	<b>236</b>	<b>232</b>	<b>468</b>
Stocks	86	0	86
Trade and other debtors	139	0	139
Cash and bank	5	0	5
<b>Current assets</b>	<b>230</b>	<b>0</b>	<b>230</b>
<b>Prepayments</b>	<b>3</b>	<b>0</b>	<b>3</b>
	<b>469</b>	<b>232</b>	<b>701</b>

<b>Liabilities</b>	<b>Mail Order 30.06.1999 DM m</b>	<b>Effect of spin-off DM m</b>	<b>TAKKT 01.07.1999 DM m</b>
Issued share capital	100	43	143
Reserves	145	- 130	15
<b>Equity</b>	<b>245</b>	<b>- 87</b>	<b>158</b>
<b>Provisions</b>	<b>47</b>	<b>0</b>	<b>47</b>
Liabilities to banks	113	319	432
Liabilities to group companies	20	0	20
Sundry liabilities	44	0	44
<b>Total liabilities</b>	<b>177</b>	<b>319</b>	<b>496</b>
	<b>469</b>	<b>232</b>	<b>701</b>

Instead of the previous consolidated equity of the Mail Order Division, being the subscribed capital of Kaiser + Kraft, i.e. 100 million DM (51 million Euro) and reserves, TAKKT will have an authorised capital of 72.9 million Euro (143 million DM) and reserves. The intra-group transfers of the foreign subsidiaries shareholdings have released hidden reserves in their book values. These hidden reserves will be offset against the transferred equity at the time of spin-off, in order to carry forward the previous values of the assets and liabilities. This results in shareholders' equity of 158 million DM (81 million Euro).

In the case of the domestic companies, business operations instead of the shares are being sold. This leads to a tax-related

disclosure of hidden reserves in the respective individual financial statements. The resulting goodwill in the amount of 232 million DM (119 million Euro) will be depreciated tax effectively over a period of 15 years. Furthermore there is an interest expense due to additional finance of about 319 million DM (163 million Euro), resulting from the intra-group transfers less the new equity of TAKKT.

**Effects on Balance Sheet for Taxation Purposes**

Taxwise TAKKT must carry forward the values of the transferred assets disclosed in the GEHE transformation accounts at 30.06.1999 (final accounts). The spin-off has no tax-related effects for the acquiring TAKKT, as it represents an equity increase. The spin-off will cause a minor payment of land transfer tax. This land transfer tax represents a deductible operating expense.

**7 Financial Effects caused by the Spin-off**

**7.1 GEHE**

**Effect on Earnings Performance**

With the spin-off, GEHE relinquishes its right to the profits of the Mail Order Division. In the last two years, the profits of the Mail Order Division in the group profits were as follows:

	<b>GEHE group in DM m</b>	<b>Mail Order Division in DM m</b>	<b>thereof: in %</b>
1997	472	88	18.6
1998	504	112	22.2

**Effect on Ability to pay Dividend**

The earnings ability of the core divisions of GEHE is strong enough to cover adequate dividends even after spin-off. Dividends paid out by GEHE will continue to include the corporation tax credit.

**7.2 TAKKT**

**Earnings Performance**

The spin-off does not affect the operative earnings capacity of the mail order companies. TAKKT's results will be subject to depreciation on goodwill but this will have no effect on cash flow. There is also interest expense arising from the additional financing requirements.

**Dividend Coverage**

TAKKT's earnings capacity will cover future dividends. On account of the depreciation of goodwill and interest covered by the spin-off, TAKKT will initially fund its dividend with dividends from its foreign subsidiaries. At least the first dividend will include a corporation tax credit, since - due to the spin-off - TAKKT will receive a part of the GEHE equity available for distribution, which was subject to corporation tax of 45% (EK 45). This taxed equity secures the tax credit for the first dividend payment by TAKKT.

**8 Effects of Spin-off on the Employees**

The effects of the spin-off on the employees are detailed in § 7 of the spin-off agreement attached to this report as annex B (see page 36 ff). To summarise, no negative consequences will arise for the employees as a result of the spin-off.

## 1 Explanation of Spin-off Agreement<sup>4</sup>

### 1.1 Transfer of Assets (§ 1)

With the spin-off, GEHE is transferring part of its assets, i.e. three shareholdings, whose assets and liabilities represent the Mail Order Division, with all rights and duties, by way of a (partial) legal transfer to TAKKT which was founded by GEHE on 01.03.1999 (spin-off for transfer § 123 sub-section 2 no 1 UmwG). The transfer is effected by the granting of TAKKT shares to the shareholders of GEHE. The consequences of the spin-off shall become effective with the entry in the GEHE's register of companies.

Basis of the spin-off shall be the transformation accounts of GEHE at 30.06.1999 as the final accounts in accordance with §§ 125 section 1, 17 sub-section 2 UmwG, audited by PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich. From 01.07.1999 (spin-off date in accordance with § 126 sub-section 1 no 6 UmwG) all decisions and operations by GEHE affecting the assets transferred after the spin-off contract, shall be accounted for by TAKKT. This means, that the effects of the spin-off will become effective internally – i.e. between GEHE and TAKKT – with effect from 01.07.1999.

All transactions of the period from 01.07.1999 up until the effective date of the spin-off, affecting the transferred assets – i.e. the shareholdings representing the previous Mail Order Division of GEHE – will accordingly have been taken into account in the financial statement of TAKKT as of 31.12.1999. Referrals back to 01.07.1999 shall apply only, however, if the spin-off is entered in GEHE's register of companies in 1999. Otherwise, the deadlines shall be delayed in accordance with § 6 of the spin-off contract (see 1.6 below, page 22). TAKKT will carry forward, in its accounts, the values determined in the GEHE transformation accounts for the transferred assets and liabilities.

### 1.2 Subject of Spin-off (§ 2)

Subject of the spin-off, i.e. fully transferred items of the assets and liabilities of GEHE, are 100% of the shares in the following shareholdings of GEHE:

- Kaiser + Kraft Europa GmbH, registered office in Stuttgart, entered in the register of companies of the district court Stuttgart, Germany, under HRB 18864,
- K + K America Corporation, 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,
- Topdeq Holding GmbH, registered office in Pfungstadt, Germany, entered in the register of companies of the district court Darmstadt under HRB 7294,

including any related legal rights.

This includes in particular the shareholdings of the above named companies in the following subsidiaries:

Kaiser + Kraft Europa GmbH has a 100% interest in:

- Kaiser + Kraft Deutschland GmbH, registered office in Stuttgart, Germany;
- Kaiser + Kraft Ges.m.b.H, registered office in Hallwang, Austria;
- Frankel Industrie S.A., registered office in Morangis, France;
- Kaiser + Kraft Ltd., registered office in Watford, Great Britain;
- Powell Mail Order Ltd., registered office in Llanelli, Great Britain;
- Kaiser + Kraft AG, registered office in Cham, Switzerland;
- Kaiser + Kraft s.r.o., registered office in Prague, Czech Republic;
- Kaiser + Kraft S.A., registered office in Barcelona, Spain;
- Kaiser + Kraft Kft., registered office in Budaörs, Hungary;
- Kaiser + Kraft S.p.A., registered office in Como, Italy;
- Kaiser + Kraft Sp. z o.o., registered office in Warsaw, Poland;
- Hoffmann Beteiligungs- and Verwaltungs-GmbH (in future Gaerner GmbH), registered office in Duisburg, Germany;
- Gaerner Ges.m.b.H, registered office in Bergheim, Austria;
- Gaerner AG, registered office in Kilchberg, Switzerland;
- Hoffmann Bedrijfsuitrusting B.V., registered office in Zeist, the Netherlands;
- Gerdmans Inredningar AB, registered office in Markaryd, Sweden.

It is also the major shareholder in Kaiser + Kraft N.V., registered office in Diegem, Belgium, and in J.P. Vink en Zonen B.V., registered office in Lisse, the Netherlands.

K + K America Corporation has a 100% interest in:

- C & H Distributors Inc., registered office in Milwaukee, USA;
- Conney Safety Products LLC, registered office in Madison, USA, and
- Avenue Industrial Supply Company Ltd., registered office in Toronto, Canada.

Topdeq Holding GmbH has a 100% interest in:

- Topdeq Ltd., registered office in London, Great Britain;
- Topdeq Service GmbH, registered office in Pfungstadt, Germany;
- Topdeq B.V., registered office in Mijdrecht, the Netherlands, and
- Topdeq AG, registered office in Hünenberg, Switzerland.

Topdeq Ltd. holds all shares in Topdeq GmbH, Pfungstadt.

### 1.3 Consideration (§ 3)

With effect from the spin-off, TAKKT shall issue, without charge, one TAKKT bearer share of no par value for each GEHE share of 5 DM nominal value to the shareholders of GEHE. Should the spin-off take place after the planned conversion of the GEHE shares to no par value shares, the GEHE shareholders will receive one no par value share TAKKT share for every no par value share of GEHE. The new TAKKT shares will partake in profits from 01.07.1999. In the event of a deadline delay in accordance with § 6 of the spin-off agreement, the entitlement to profit sharing shall change accordingly.

The allocation of TAKKT shares granted in return to GEHE shareholders shall be carried out in accordance with the ratio of the respective shareholding of the shareholders in GEHE. The issue ratio is 1 : 1. No additional cash payments will be made. The TAKKT shares granted in return shall be created entirely by means of a capital increase of TAKKT from previously 50,000.00 Euro by 72,900,000.00 Euro to 72,950,000.00 Euro. According to § 9 no 2, the spin-off agreement is therefore subject to the condition, that GEHE – currently being TAKKT's only shareholder – passes a resolution on the capital increase in order to complete the spin-off.

<sup>4</sup> Please see annex B (page 34 ff) for the spin-off agreement. Please see annex E (page 47 ff) for the reports of the spin-off auditors.

#### **1.4 Special Privileges and Rights (§ 4)**

In return for the transfer of assets of GEHE, TAKKT shall give no preferential treatment to GEHE shareholders. Individual shareholders shall not be given special privileges or rights. Shareholders with special rights (holders of warrants or convertible bonds) do not exist.

It is known, that AXA Colonia Group Finance (Luxembourg) S.A. has issued a convertible bond for the GEHE shares as held by Pluto AG & Co. KG. However, since this bond was not issued by GEHE or on its behalf, it does not represent an entitlement in accordance with § 126 sub-section 1 no 7 UmwG, or, privilege in accordance with §§ 125 section 1, 23 UmwG. Within the spin-off, Pluto AG & Co. KG (AXA Colonia) will therefore receive – like any other GEHE shareholder – one additional TAKKT share for each of their GEHE shares.

Neither will members of the Management or Supervisory Boards, or the auditors of the financial statements of GEHE and TAKKT be granted any privileges within the context of the spin-off, such as the promise of employment or payment. Neither will the spin-off auditors be awarded any particular privilege beyond the payment of an appropriate remuneration for his services.

#### **1.5 Trustees (§ 5)**

Dresdner Bank AG in Frankfurt/Main has assumed trusteeship in accordance with §§ 125 section 1, 71 UmwG for the receipt of the shares granted to the GEHE shareholders by TAKKT. The TAKKT shares of no par value shall be vested in a global document which shall be handed over to the trustee before the entry of the spin-off into the register of companies of TAKKT. With the entry of the spin-off in the GEHE register of companies, the GEHE shareholders then become shareholders of TAKKT. At the time of the spin-off, the trustee shall hand over to the GEHE shareholders any TAKKT shares they are entitled to, against proof of their shareholder position. Procedural details are listed in chapter VI. Stock Exchange (page 29) of this report.

#### **1.6 Change of Deadline (§ 6)**

In the event that the entry of the spin-off in the register of companies is delayed beyond the 31. 12. 1999, § 6 provides for a delay of the spin-off deadline in accordance with § 1 sub-section 3 of the spin-off contract, to 31. 12. 1999. An according delay of the spin-off deadline shall ensue in the event of a delay beyond the 31. 12. of any following year. The same shall apply for the deadline of the transformation accounts of GEHE, the profit-sharing entitlement of the new shares and any change in accounting in accordance with § 1 sub-section 4 of the spin-off contract.

#### **1.7 Effect of Spin-off on the Employees and their Representatives (§ 7)**

§ 7 details the employment consequences of the spin-off which entail for the employees and their representatives. This provision does not contain any contractual agreements between the parties of the spin-off agreement, but the description of the consequences of the spin-off for the employees and their representations required by § 126 sub-section 1 no 11 UmwG.

#### **1.8 Expenses (§ 8)**

The expenses caused by the spin-off shall be borne equally, by both contractual partners, incl. the expenses of the trustee; but, excluding the expenses for the AGMs determining on the spin-off. This expense arrangement shall also apply should the spin-off not become effective. Under all circumstances, the expenses incurred by any one contractual party in the preparation of contract, such as consultation expenses, shall be assumed by that party only.

#### **1.9 Conditions (§ 9)**

In order to become effective, the spin-off agreement requires approval of the AGMs of GEHE and TAKKT with a respective majority of three quarters of the authorised capital represented during the taking of the decision (§§ 125 sections 1, 13 sub-section 1, 65 sub-section 1 UmwG). Both AGMs shall deliberate on the approval on 02. 06. 1999. The condition in § 9 no 1 of the spin-off agreement clarifies again, that the spin-off agreement shall only become valid after approval by both AGMs.

The spin-off can only ensue if new TAKKT shares have been created by way of a capital increase. For this reason, the spin-off agreement in § 9 no 2 is subject to the suspensive condition, that the shareholders of TAKKT – apart from approving the spin-off contract for TAKKT – agree the capital increase in order to carry out the spin-off. Notwithstanding the above, the spin-off according to the § 131 UmwG shall only become effective upon entry in the GEHE register of companies. The latter requires, that both the increase of the authorised capital for TAKKT (§§ 125, 66 UmwG) and the spin-off have been entered in the TAKKT register of companies (§ 130 UmwG).

#### **1.10 Legal Transfer of Assets and Liabilities (§ 10)**

The rules in § 10 sub-section 1–5 have been made solely as a precautionary measure in the event that should problems arise with the transfer of the holding shares during the spin-off. In order to achieve the required allocation to TAKKT, it has been planned to transfer legally such assets to which the partial legal succession does not apply.

The exemption arrangement in § 10 sub-section 6 shall apply if one of the contractual partners is made jointly liable for a liability incurred by the other contractual partner respectively, according to the spin-off agreement. In accordance with § 133 sub-section 1 UmwG, both contractual partners, party to the spin-off, shall be jointly liable for the liabilities incurred before the spin-off becomes

effective. § 10 sub-section 6 of the spin-off agreement therefore entitles GEHE to exemption, if it is made liable for a liability due to a joint liability in accordance with § 133 sub-section 1 UmwG, which is incurred by TAKKT according to the spin-off agreement. Likewise, § 10 sub-section 6 provides for an according entitlement for TAKKT should the case be reversed. In accordance with § 133 sub-section 3 UmwG, liability is limited to a period of five years, as far as liabilities are concerned that have not been allocated to the respective legal entities in the spin-off agreement.

## 2 Explanation of the Statutes of TAKKT

The statutes of TAKKT<sup>5</sup> are – as opposed to a spin-off for the purposes of new formation (cf §§ 125 section 1, 73, 37 UmwG) – not part of the spin-off agreement, since TAKKT was founded prior to the spin-off. However, the formation was carried out in preparation for the envisaged spin-off. For this reason, the statutes are explained below. Since the statutes of TAKKT largely reflect the statutes of GEHE, the differences between the two will be explained.

### 2.1 Company Name, Registered Office (§ 1)

The company name is TAKKT AG. Registered office of the company is – as it is for GEHE and Kaiser + Kraft – Stuttgart, Germany.

### 2.2 Company Objects (§ 2)

The company's objects show, that TAKKT will take over the entire Mail Order Division of GEHE and assume the task of the holding company within the new group. The business activities of the new group correspond with the previous activities of the Mail Order Division of GEHE.

### 2.3 Announcements (§ 3)

Announcements made by the company shall appear – as in the case of GEHE (cf § 12 of GEHE's statutes) – exclusively in the Federal Gazette.

### 2.4 Amount and Allocation of Authorised Capital, Shares (§ 4)

The authorised capital of the company currently amounts to 50,000.00 Euro. In order to effect the spin-off, this will be increased by 72,900,000.00 Euro to 72,950,000.00 Euro. This shall be immediately followed by a regulatory decrease to 72,900,000.00 Euro, which is required in accordance with § 5 of the statutes. The authorised capital is divided into 50,000.00 (later 72,900,000.00) bearer shares. By this, the option offered in accordance with § 8 of the German Companies Act ("AktG") was

taken up to issue bearer shares with no par value instead of shares with a nominal value. The notional value of a share in the authorised capital of TAKKT is (1) one Euro.

In § 4 sub-section 2, the option offered by § 10 sub-section 5 AktG is taken to exclude the entitlement of the shareholders to the documentation of their shareholdings. With this, the Company avoids substantial expenses for printing and administering the shares. The respective exclusion clause has been included in the statutes of many public limited companies since the new version of § 10 sub-section 5 AktG was introduced by the Public Companies' Transparency Act ("KonTraG") on 27.04.1998.

The ruling in § 4 sub-section 3 corresponds with the statutes of GEHE (§ 3 sub-section 3) and allows the company to determine the type of profit distribution when increasing the authorised capital – as opposed to the provisions in § 60 sub-section 2 AktG.

### 2.5 Recall of GEHE Shares by TAKKT (§ 5)

The spin-off agreement provides for an issue ratio of 1 : 1. GEHE shareholders shall receive shares in the same proportion as they are currently held in GEHE. Upholding this ratio would be – if only minimally – diluted, if GEHE, which founded TAKKT, had a permanent shareholding. For this reason, TAKKT's statutes foresee, that all of GEHE's "founder shares" are recalled and thereby cancelled immediately after the spin-off has taken effect. GEHE will then no longer be a shareholder in TAKKT. It is the GEHE shareholders, who will have an interest in TAKKT – which will be the case immediately after spin-off and in the same proportion.

The recall shall ensue by way of the required compulsory recall, in accordance with § 237 sub-section 1 and 6 AktG, by resolution of the Management Board. This must be carried out as soon as the increase of the authorised capital of TAKKT by 72,900,000.00 Euro to

72,950,000.00 Euro has been entered in their register of companies, and the spin-off has been entered in the register of companies of TAKKT and GEHE. In return for the recalled "founder shares", the issue price agreed upon foundation, in the amount of 50,000.00 Euro, shall be returned to GEHE. In this instance, the regulations on the correct reduction of capital (§§ 222 ff AktG) must be observed. This means in particular – for creditor protection (§ 225 sub-section 2 AktG) – that this issue price may only be refunded after an elapsed period of six months.

The expenses entailed by the recall of the "founder shares" will be borne by the company. These are mainly expenses incurred for the registry court. In accordance with § 10 sub-section 3 of the statutes, the company's Supervisory Board is generally entitled to effect changes in the statutes, as far as they concern their version only (§ 179 sub-section 1 section 2 AktG). § 5 sub-section 3 gives further details for the changes necessary in the statutes upon implementation of the required compulsory recall.

### 2.6 Composition of the Management Board (§ 6)

The number of the members of the Management Board of TAKKT shall be determined by the Supervisory Board. The statutes merely set a lower limit, according to which the company must have a minimum of two members. This provision corresponds in the common practice with large public limited companies. Further provision has been made – as with GEHE – for the appointment of deputy members of the Management Board.

The Supervisory Board can issue binding management rules for the Management Board, which may also pre-empt legal decisions and operations that may only be effected with the approval of the Supervisory Board. By drawing up a list of instances requiring approval within the management rules, the

Supervisory Board has the opportunity to effectively monitor substantial or risky operations of the company and the group. If the Supervisory Board issues management rules, the Management Board is no longer able to issue its own management rules.

### 2.7 Representation (§ 7)

The legal representation of the company by two members of the Management Board, or, one member of the Management Board together with an authorised signatory, corresponds with the provision in the statutes of GEHE. The principle of representation by two persons is extended in § 7 sub-section 2 to the legal representation of the company (authorised signatories, etc).

### 2.8 Composition and Term of Office of the Supervisory Board (§ 8)

The number of members on the Supervisory Board of a public quoted company and its composition depend on the authorised capital and the number of employees. Unlike GEHE, all members of the TAKKT Supervisory Board must be elected by the AGM, in accordance with § 101 sub-section 1 AktG, since the company is neither subject to the Act on Co-determination from 1976, nor to the amended Act on Co-determination, the co-determination rulings for the mining industry or the Business Constitution Act of 1952.

The statutes provide, that the Supervisory Board consists of the legally required minimum number of three members (§ 95 section 1 AktG). However, even before the spin-off becomes effective, the number of Supervisory Board members shall be increased to six in order to account for the future significance of the company as a holding company of the TAKKT group. Term of office for Supervisory Board members is about five years, i.e. from the end of the AGM during which the Supervisory Board members have been elected by the shareholders, up until the end of the AGM deciding on the approval on the actions of the Supervisory Board, for the fourth business

<sup>5</sup> Please see annex C (page 40 ff).

year following the beginning of the term of office; this does not account for the business year during which the term of office begins.

The successor of a member retiring before the end of his/her term of office shall be elected for the remaining term of office of the retired member in order to ensure, that the term of office of all Supervisory Board members terminates at the same time. The members of a Supervisory Board have the right to resign from office by giving of one month's notice in writing to the Management Board; resignations without notice are possible under exceptional circumstances.

### **2.9 Chairperson and Deputy (§ 9)**

The regulations in § 9 sub-section 1 and 2 largely correspond with the regulations in § 5 sub-section 4 of the statutes of GEHE. The same applies for § 9 sub-section 3 with regard to § 5 sub-section 9 of the statutes of GEHE.

### **2.10 Management Rules, Calling of Meetings, Amendments (§ 10)**

The provision in § 10 sub-section 1, according to which the Supervisory Board of the company agrees its own management rules, is based on those set out in the statutes of GEHE (§ 5 sub-section 5). The Supervisory Board of the company shall determine the exact details of the management rules. The provision in § 10 sub-section 2 on the calling of meetings of the Supervisory Boards is in accordance with the legal requirements on the procedures to call meetings and thereby facilitates correct calling of meetings of the Supervisory Board. The rule is in line with § 5 sub-section 6 of the statutes of GEHE. The same applies for § 10 sub-section 3, which allows amendments to the statutes to be made by the Supervisory Board (cf § 5 sub-section 10 of the articles of association of GEHE).

### **2.11 Remuneration of the Supervisory Board (§ 11)**

Following the respective clause in the statutes of GEHE (§ 5 sub-section 11), the members of the Supervisory Board of the company shall be remunerated by a combination of a fixed amount and a dividend-based and thereby performance-related bonus. In this case, the amounts previously applicable for GEHE – converted in Euro, though – shall be almost entirely adopted. The envisaged multipliers for the chairperson and the deputy chairperson are in line with the clause applied at GEHE and the practice within the majority of German public and limited companies. The same applies for the reimbursement of the VAT payable on both types of remuneration. In addition to the statutes of GEHE, § 11 sub-section 2 section 3 contains a clarification, that the remuneration shall be reduced accordingly, if a member has been part of the Supervisory Board for a limited time only during the business year.

### **2.12 Location, Calling of Meetings and Attendance at AGM (§§ 12, 13)**

§§ 12 and 13 stipulate the details of location, the calling of meetings and the attendance at the AGM. They therefore comply with the respective regulations of the German Companies Act. This facilitates the correct calling of meetings and attendance at the AGM. Since the right of the shareholders on a vesting of shares has been excluded, the statutes only provides for a deposit with the deposit facilities or a securities deposit bank specified within the calling of the meeting. In the event, that the company issues share certificates despite the exclusion of the right for documentation, provisions have been made, that the deposit of the share certificates can also be undertaken with the company accountant or a German public notary. Apart from the above, the provisions of §§ 12 and 13 correspond, in the main, with the regulations in the statutes of GEHE (§§ 6, 7).

### **2.13 Chairperson of the AGM (§ 14)**

§ 14 sub-section 1 stipulates, that the AGM is generally chaired by the chairperson of the Supervisory Board, who may, however, delegate this function to another member of the Supervisory Board. In the event that the chairperson of the Supervisory Board is unable to attend, § 14 sub-section 1 enables the Supervisory Board to elect a chairperson from among its members. As with § 14 sub-section 2, the respective provision of § 8 of the statutes of GEHE has likewise been adopted. Furthermore the chairperson may also determine the order of requests to speak during the AGM.

### **2.14 Resolutions (§ 15)**

The legally applicable majority requirements shall apply for the resolutions passed at the AGM. Each share has one vote.

### **2.15 Business Year, Reserves, Appropriation of Profits (§§ 16, 17)**

These regulations are in line with the provisions of GEHE (§§ 10, 11 of statutes). Since the business year corresponds with the calendar year and TAKKT had been founded during the year 1999, an additional provision was required for the first accounting period of the company.

### **2.16 Formation Expenses (§ 18)**

§ 26 AktG stipulates, that formation expenses – i.e. the total expenses granted to shareholders or other persons as remuneration or reward for the formation or its preparation, and charged to the accounts of the company – must be specified separately in the statutes. Accordingly, § 18 of the statutes stipulates that the formation expenses have been estimated at 2,500 Euro.

## **3 Explanation of the Effects of Spin-off**

### **3.1 Issue Ratio**

On completion of the spin-off, GEHE shareholders shall receive for each bearer share of DM 5 par value one bearer share of no par value in TAKKT as consideration for the assets transferred. In so far as the spin-off is completed after the conversion of the GEHE shares into shares of no par value, each bearer share of no par value in GEHE qualifies for one bearer share of no par value in TAKKT.

The issue ratio is therefore 1 : 1. The fact, that the statutes of TAKKT (§ 5) require the compulsory recall of the shares transferred to GEHE upon foundation of TAKKT (§§ 237 sub-section 1 and 6 AktG), ensures, that not only the shareholder structure of GEHE remains unchanged by the spin-off, but that the composition of GEHE shareholders shall remain identical in TAKKT directly after the spin-off. The previous share structure is therefore maintained. The spin-off to TAKKT maintains the same proportions as if the spin-off as of new formation had occurred (§ 123 sub-section 2 no 2 UmwG).

### **3.2 No negative Effect on Legal Status of Shareholders**

Since the new TAKKT shares are – as are the GEHE shares – made out as bearer shares and are not subject to any particular disposal restrictions, there is no necessity for an compensation offer in accordance with §§ 125 section 1, 29 UmwG. Consequently the legal status of the shareholders with regard to type and quality of their shares does not deteriorate.

### **3.3 Effective Spin-off Date**

Upon authentication by a public notary, the spin-off agreement shall be audited for GEHE by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, and for TAKKT by Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, in their function as spin-off auditors.<sup>6</sup>

<sup>6</sup> Please see annex E (page 47 ff).



The spin-off agreement shall become binding, if the AGMs of GEHE and TAKKT both confirm it with the legally required majority. The spin-off itself shall become effective with the entry in the GEHE register of companies as the transferee (§ 131 UmwG). This is dependent upon the prior entry of the capital increase in TAKKT (§§ 125 section 1, 66 UmwG) and the spin-off for TAKKT in the register of companies (§ 130 UmwG). The entry of the spin-off in the register of companies of GEHE shall have the following effects in accordance with § 131 UmwG:

- The assets specified in § 2 of the spin-off agreement shall be transferred in their entirety to TAKKT without any further act of transfer;
- the GEHE shareholders become shareholders of TAKKT at in the same proportion as their shareholding in GEHE.

#### 3.4 No Evaluation Problems

The issue ratio of 1 : 1 and the increase of 72.9 million Euro in the authorised capital of TAKKT allows the issue to the shareholders of GEHE within the spin-off of one no par value share of TAKKT for each GEHE share. The spin-off together with the compulsory recall of the “founder shares” (§ 5 of the statutes of TAKKT) results in identical shareholdings and thereby upholds the status quo. The issue ratio 1:1 does not require any corporate evaluations, since the spin-off shall maintain the current share ownership ratio and all shares of the legal entity TAKKT taking over are granted solely to the shareholders of the transferring legal entity GEHE – as it would be the case in the event of a spin-off for new formation. Since the issue ratio has not been established on the basis of corporate evaluations, there are no “particular difficulties in the evaluation of the legal entities” in accordance with §§ 127 section 2, 8 sub-section 1 section 2 UmwG.

### 3.5 Advice in Accordance with § 142

#### Sub-section 2 UmwG;

#### Post-deadline Formation

##### 3.5.1 Audit of Asset Transfer to TAKKT

In accordance with §§ 142 sub-section 1, 69 sub-section 1 UmwG, the capital increase effected at TAKKT for the purposes of spin-off requires an audit, to be carried out by a legally appointed auditor, of the assets transferred under § 183 sub-section 3 AktG, with regard to the actual value. The audit report on these transferred assets shall be submitted to the district court/court of record “Amtsgericht – Registergericht – Stuttgart”, responsible for TAKKT, in accordance with §§ 183 sub-section 3, 34 sub-section 3 section 1 AktG. It can be seen by any member of the public (§§ 183 sub-section 1, 34 sub-section 3 section 2 AktG).

##### 3.5.2 Post-deadline Formation

Since TAKKT has been entered in the register of companies for less than two years at the time of conclusion of the spin-off agreement, the post-deadline formation provisions of § 52 sub-section 3, 4, 7–9 AktG shall apply accordingly for the spin-off agreement in accordance with §§ 125 section 1, 67 UmwG. The Supervisory Board of TAKKT shall examine the spin-off agreement and draw up a written post-deadline formation report. This shall be followed by a post-deadline formation audit to be carried out by a legally appointed post-deadline formation auditor, who must examine the findings of the Supervisory Board of TAKKT in the post-deadline formation report and confirm, in particular, that the value of the assets transferred by GEHE is at least the issue price of the TAKKT shares issued in return. The post-deadline formation report and audit report shall be submitted together with the registration of the spin-off with to register of companies of TAKKT.

### 1 Stock Market Quotation

On account of the spin-off of the Mail Order Division in the ratio of 1 : 1, each shareholder of GEHE shall receive, directly after the entry of the spin-off in the register of companies of GEHE, the entitlement to one bearer no par value share of TAKKT for each of his shares. The entitlement must be confirmed by providing proof of being a shareholder, or by means of the profit share certificate no 55 of the GEHE share for actual securities.

The technical execution of the spin-off, i.e. the issue of the new TAKKT shares, is completed automatically by the bank for those GEHE shareholders who deposit their GEHE shares with a bank in giro-transferable deposit, effected by the bank. Due to the exclusion of share documents in TAKKT, per the statutes, those shareholders of GEHE, who retain their GEHE shares as actual securities, or, with a bank in an individual deposit, can only receive a credit for their TAKKT shares on giro-transferable deposit.

For stock market procedural reasons, the admission for quotation of the TAKKT shares will not commence immediately after the entry of the spin-off in the register of companies. However, it is possible on the days between register of companies entry and the admission for quotation of the TAKKT shares, to arrange for an off-market balance of supply and demand for “entitlements to TAKKT shares”, instead of trading in listed TAKKT shares. This period normally takes a few trading days.

From the trading day following the entry and the effective date of spin-off, the GEHE shares shall be traded “ex entitlement on TAKKT shares” for a few days. This shall apply up until the actual admission for quotation of the TAKKT shares on the stock exchange. After that, the GEHE and TAKKT shares shall be listed separately. TAKKT shares shall be listed in the official trading on the Frankfurt and Stuttgart stock exchanges. These are also the trading locations where the GEHE shares are listed. Both securities

have banks as administrators within the XETRA trading system on the Frankfurt stock exchange. The XETRA administrator’s task lies mainly in the provision of liquidity for both shares.

### 2 Stock Market Price

The stock exchange price for the GEHE and TAKKT shares following the commencement of trading of the TAKKT shares cannot be predicted. The current capital market situation and the different expectations of investors are reflected in the establishment of stock market prices.

GEHE’s dividend ability shall remain unaffected by the spin-off. Furthermore the spin-off will secure the dividend ability of TAKKT. GEHE’s authorised capital will remain unchanged; whereas its assets will be reduced by the spin-off. For this reason, a minor reduction must be expected for the price of GEHE shares. However, the Management Boards of GEHE and TAKKT expect this to be more than offset by the price of the TAKKT shares.

Stuttgart, 19 April 1999

**GEHE Aktiengesellschaft  
Management Board**

signed Dr Fritz Oesterle  
signed Jacques Ambonville  
signed Georg Gayer  
signed Stefan Meister  
signed Jürgen Ossenberg-Engels  
signed Michael A. Ward  
signed Andreas Zimmer

**TAKKT AG  
Management Board**

signed Georg Gayer  
signed Alfred Milanello  
signed Franz Vogel  
signed Dr Felix A. Zimmermann

- A. Pro forma Financial Statements and Profit and Loss Sheet for the Mail Order Division 1996, 1997, 1998
- B. Spin-off Agreement
- C. Statutes of TAKKT AG
- D. Explanation of the Evaluation Methods in Establishing the Purchase Price in Connection with the Preparatory Transfers Processes
- E. Reports of Spin-off Auditors
- F. Abbreviations

A. MAIL ORDER DIVISION  
PRO FORMA FINANCIAL  
STATEMENTS

Assets	31. 12. 1996		31. 12. 1997		31. 12. 1998	
	DM '000	%	DM '000	%	DM '000	%
Concessions, industrial and similar rights	21,932	7.0	27,972	8.8	106,493	23.1
Goodwill arising on consolidation	60,393	19.3	51,362	16.3	84,553	18.4
<b>Intangible assets</b>	<b>82,325</b>	<b>26.3</b>	<b>79,334</b>	<b>25.1</b>	<b>191,046</b>	<b>41.5</b>
<b>Tangible assets</b>	<b>44,826</b>	<b>14.3</b>	<b>40,729</b>	<b>12.9</b>	<b>51,112</b>	<b>11.1</b>
<b>Financial assets</b>	<b>171</b>	<b>0.1</b>	<b>187</b>	<b>0.1</b>	<b>189</b>	<b>0.0</b>
<b>Fixed assets</b>	<b>127,322</b>	<b>40.7</b>	<b>120,250</b>	<b>38.1</b>	<b>242,347</b>	<b>52.6</b>
Stocks	59,714	19.1	67,351	21.3	80,064	17.4
Trade and other debtors	113,859	36.4	117,199	37.2	129,689	28.1
Bank and cash balances	7,041	2.3	6,750	2.1	5,227	1.1
<b>Current assets</b>	<b>180,614</b>	<b>57.8</b>	<b>191,300</b>	<b>60.6</b>	<b>214,980</b>	<b>46.6</b>
<b>Prepayments</b>	<b>4,576</b>	<b>1.5</b>	<b>3,958</b>	<b>1.3</b>	<b>3,568</b>	<b>0.8</b>
<b>Total assets</b>	<b>312,512</b>	<b>100.0</b>	<b>315,508</b>	<b>100.0</b>	<b>460,895</b>	<b>100.0</b>

Equity and liabilities	31. 12. 1996		31. 12. 1997		31. 12. 1998	
	DM '000	%	DM '000	%	DM '000	%
Issued capital	100,000	32.0	100,000	31.7	100,000	21.7
General reserves	64,739	20.7	91,631	29.0	96,143	20.9
Minority interest in equity	6,916	2.2	7,572	2.4	8,290	1.8
<b>Shareholders' equity</b>	<b>171,655</b>	<b>54.9</b>	<b>199,203</b>	<b>63.1</b>	<b>204,433</b>	<b>44.4</b>
Provisions for pensions	8,314	2.7	8,780	2.8	9,991	2.2
Other provisions	24,661	7.9	26,628	8.4	37,304	8.1
<b>Provisions</b>	<b>32,975</b>	<b>10.6</b>	<b>35,408</b>	<b>11.2</b>	<b>47,295</b>	<b>10.3</b>
Liabilities to banks	33,866	10.8	20,843	6.6	112,730	24.4
Liabilities to affiliated companies	34,476	11.0	18,234	5.8	52,372	11.4
Trade creditors	25,131	8.1	28,752	9.1	26,913	5.8
Other liabilities	14,406	4.6	13,064	4.2	17,148	3.7
<b>Liabilities</b>	<b>107,879</b>	<b>34.5</b>	<b>80,893</b>	<b>25.7</b>	<b>209,163</b>	<b>45.3</b>
<b>Deferred income</b>	<b>3</b>	<b>0.0</b>	<b>4</b>	<b>0.0</b>	<b>4</b>	<b>0.0</b>
<b>Total equity and liabilities</b>	<b>312,512</b>	<b>100.0</b>	<b>315,508</b>	<b>100.0</b>	<b>460,895</b>	<b>100.0</b>

A. MAIL ORDER DIVISION  
PRO FORMA  
PROFIT AND LOSS SHEET

	1996		1997		1998	
	DM '000	%	DM '000	%	DM '000	%
Turnover	770,795	100.0	918,358	100.0	1,054,677	100.0
Cost of materials	470,856	61.1	568,582	61.9	648,007	61.5
<b>Gross profit</b>	<b>299,939</b>	<b>38.9</b>	<b>349,776</b>	<b>38.1</b>	<b>406,670</b>	<b>38.5</b>
Personnel expenses	89,021	11.5	99,520	10.8	111,165	10.5
Depreciations	9,394	1.2	11,360	1.2	12,525	1.2
Operating taxes	633	0.1	959	0.1	916	0.1
Other operating expenses	123,605	16.1	147,588	16.2	167,043	15.8
<b>Operating result</b>	<b>77,286</b>	<b>10.0</b>	<b>90,349</b>	<b>9.8</b>	<b>115,021</b>	<b>10.9</b>
Interest result	- 1,148	- 0.1	- 1,306	- 0.1	- 2,044	- 0.2
<b>Profit before taxes</b>	<b>76,138</b>	<b>9.9</b>	<b>89,043</b>	<b>9.7</b>	<b>112,977</b>	<b>10.7</b>
<b>Taxes on income and capital levy</b>	<b>35,735</b>	<b>4.7</b>	<b>39,976</b>	<b>4.4</b>	<b>55,301</b>	<b>5.2</b>
<b>Profit for the year</b>	<b>40,403</b>	<b>5.2</b>	<b>49,067</b>	<b>5.3</b>	<b>57,676</b>	<b>5.5</b>

Note to accounts:

A group company was disposed of in 1999 and consequently the prior year figures has been amended accordingly.

The accounts of K+K America Corporation have been included under US-GAAP accounting principles (as amended for German accounting rules).

**Spin-off agreement between  
GEHE Aktiengesellschaft,  
Neckartalstraße 155,  
70376 Stuttgart, and  
TAKKT AG, Neckartalstraße 155,  
70376 Stuttgart**

**§ 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 their entirety, by way of spin-off for transfer (§ 123 sub-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 transformation accounts of GEHE AG at 30.06.1999 as the final accounts in accordance with §§ 125 section 1, 17 sub-section 2 section 1 UmwG, as audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich.

(3) The transfer of the GEHE AG assets listed in § 2 to TAKKT AG shall ensue on an intra-group basis, with effect from 24:00 hours on 30.06.1999. From 01.07.1999 00:00 hours (spin-off date), all decisions and operations of GEHE AG concerning the transferred assets, shall be accounted for by TAKKT AG.

(4) TAKKT AG shall carry forward 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 30.06.1999.

**§ 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 register of companies of the district court “Amtsgericht Stuttgart”, under HRB 18864;
- b) in K + K America Corporation, 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 register of companies of the district court “Amtsgericht 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 shares into shares of no par value each holder of one bearer no par value share in GEHE receives one bearer no par value share of TAKKT. The shares will be issued without charge and shall be entitled to profits from 01.07.1999. 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 interest of the shareholders in GEHE AG.

(3) In order to execute the spin-off, TAKKT AG shall increase its authorised capital from currently 50,000.00 Euro by 72,900,000.00 Euro to 72,950,000.00 Euro by issuing 72,900,000 bearer no par value shares with entitlement to profits from 01.07.1999.

**§ 4 Special Privileges and Rights**

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

(2) No privileges in accordance with § 126 sub-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 entry of the spin-off in the register of companies of TAKKT AG and instruct the trustee to distribute the

shares to the shareholders of GEHE AG after entry of the spin-off in the register of companies of GEHE AG.

**§ 6 Change of Deadline**

In the event that the entry of the spin-off in the register of companies of GEHE AG is delayed beyond 31.12.1999, the latter date shall apply as the date of the final accounts of GEHE AG contrary to § 1 sub-section 3, and expiring of 31.12.1999 and the beginning of 01.01.2000 shall be the date for the transfer of the assets of GEHE AG listed in § 2 (spin-off date), the change in accounting and the beginning of profit-sharing rights in accordance with § 3 sub-section 1, contrary to § 1 sub-section 3. Any further delay beyond 31.12. of the following year shall delay the dates by a further year respectively.

## §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 Corporation and Topdeq Holding GmbH, or any of their affiliated companies unchanged. This is not a transfer of operations in accordance with § 613 a 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 AGM of GEHE AG approves this spin-off agreement and shall then become effective at 23:59 hours on 30.06.1999. The agreement detailed below under c) has already become effective.

a) The previous businesses of Kaiser + Kraft GmbH, KK-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 arrangements hereby affected shall be transferred to the purchaser with all related rights and duties, incl. the transfer of undertakings for employees in accordance with § 613 a 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. This means, that the entire assets of Gaerner GmbH & Co. KG shall pass to Hoffmann, which will trade in future as Gaerner GmbH. All employment arrangements existing with Gaerner GmbH & Co. KG shall continue with Hoffmann, without there being a transfer of operations in accordance with § 613 a BGB. Hoffmann shall assume all rights and duties from existing employment arrangements 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 for the Topdeq group. All employment arrangements hereby affected have been transferred to Topdeq Service GmbH, including all rights and duties, incl. the transfer of undertakings for employees in accordance with § 613 a BGB. For those employees, whose employment has 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 Corporation 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 being 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 might possibly entail disadvantages for the staff. This has been confirmed of agreements with the existing employee representatives.

(4) Where employee representatives have been established with foreign businesses of Kaiser + Kraft Europa GmbH, K + K America Corporation 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 member of any employers' association. There is therefore still no commitment to any tariff agreements.

(7) Upon completion of the spin-off co-determination on the Supervisory Board of GEHE AG in accordance with the Act on Co-determination 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 they intend to purpose and elect two employee representatives during the election of the other members of the first Supervisory Board of TAKKT AG. The corporate works council of Kaiser + Kraft GmbH can make recommendations in this instance.

(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 Act on Co-determination of 1976.

(9) Wage 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 for these, the employee representatives have been given comprehensive information and access to all relevant documentation.

#### **§ 8 Expenses**

The expenses incurred by the conclusion of this agreement and its execution – including the expenses for the Trustee – but, excluding the expenses of the AGMs 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 expenses occurred by him in the preparation of the agreement.

#### **§ 9 Conditions**

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

1. The formal approval of the AGMs of both companies has been obtained by 30.06.1999, 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 section 1 shall be transferred to TAKKT AG. Where assets are not in directly owned 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 on expiring 30.06.1999. § 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 on the transfer of an asset or a liability is refused, or can only be obtained at excessive expense, the contractual partners make provision 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 sub-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.

**I. General Provisions****§ 1 Name of the Company, Registered Office**

(1) The name of the company is: TAKKT AG.

(2) The company's registered office is in Stuttgart.

**§ 2 Objects of the Company**

(1) The object of the company is the manufacture of and trade, particularly mail order, in transport equipment, storage and operating equipment, office supplies of all kinds and similar goods, together with the provision of all services in connection with the above or with mail order trade in general.

(2) The company is entitled to effect all transactions and other measures in connection with the activities set forth in the above section (1) or which are suitable for promoting these activities. For that purpose, the company shall be entitled in particular to participate in other companies.

(3) The company is also entitled to have all the above activities performed by affiliated companies as defined in §§ 15 ff AktG (Germany Companies Act governing public limited companies), in particular to have its business operations fully or partly outsourced to affiliated companies and/or to set up branches for that purpose.

**§ 3 Announcements**

Company announcements shall be published solely in the official Federal Gazette.

**II. Share Capital and Shares****§ 4 Amount and Division of Share Capital, Shares**

(1) The share capital of the company amounts to Euro 50,000.00 (fifty thousand Euro). It is divided into 50,000 bearer shares of no par value.

(2) The form of any share certificates, profit shares and renewal coupons shall be determined by the Management Board. Shareholders are not entitled to documentation of their shares.

(3) In the case of an increase in share capital, shareholders' profit share may be determined otherwise than set forth in § 60, sub-section 2 AktG.

**§ 5 Redemption of GEHE AG Shares**

(1) During the spin-off, essential assets of GEHE AG, Stuttgart are to be transferred to the company as the absorbing entity. On completion of the spin-off, GEHE AG is no longer to be a shareholder of the company. The 50,000 no par value shares issued to GEHE AG on foundation of the company are therefore to be compulsorily redeemed by the Management Board, after the increase in the company's share capital by Euro 72,900.000 to Euro 72,950,000 and the relevant spin-off has been entered in the commercial register of the company (ordered compulsory redemption).

(2) In return for the redeemed shares, GEHE AG shall be refunded the issue sum paid by GEHE AG, amounting to Euro 50,000. The regulations pertaining to the due and proper capital reduction must be observed. The Management Board is authorised to stipulate the further details of redemption. The costs of this shall be borne by the company.

(3) The Supervisory Board is authorised, on completion of the compulsory redemption of shares as set forth in the above section (1), to amend the wording of the statutes (Amount and Division of Share Capital, Shares) in accordance with the extent of the capital decrease executed, to delete § 5 of the statutes completely and to alter the numbering of the following clauses accordingly.

**III. Management Board****§ 6 Composition**

(1) The Supervisory Board shall determine the number of members of the Management Board. The Management Board shall comprise at least two persons. The appointment of deputy members to the Management Board is permissible.

(2) The Supervisory Board shall be entitled to issue rules of procedure which are binding upon the Management Board. The rules of procedure may specify legal acts and transactions which may be effected only with the consent of the Supervisory Board. The consent of the Supervisory Board may take the form of a general power of attorney for a group of specified transactions.

**§ 7 Representation**

(1) The company is legally represented by two members of the Management Board or by one member of the Management Board together with an executive holding power of attorney.

(2) General powers of attorney to represent the company in legal transactions (proxy, authorisation) may be granted only in such a way that the company is represented by two persons.

**IV. Supervisory Board****§ 8 Composition and Term of Office**

(1) The Supervisory Board comprises three members.

(2) The term of office of members of the Supervisory Board shall end on conclusion of the general meeting which approves the

acts of the Supervisory Board for the 4th financial year after commencement of their term of office. The financial year during which the term of office begins shall not be included when calculating that period.

(3) If a member of the Supervisory Board is elected in place of a member who retires prematurely from the board, his term of office shall run for the remaining term of office of the retiring member.

(4) Each member of the Supervisory Board shall be entitled to resign from office subject to one month's notice, to be given in writing to the Management Board. Resignation from office with immediate effect shall be permissible with the consent of the Supervisory Board. The above provisions shall not affect the member's right to resign from office under exceptional circumstances.

**§ 9 Chairman and Deputy**

(1) The Supervisory Board shall elect from amongst its members a chairman and a deputy for the duration of their term of office in the course of a meeting for which no separate invitation need be issued. The above meeting shall be held after the annual general meeting on conclusion of which the term of office begins for the Supervisory Board members elected by the general meeting.

(2) Should the chairman of the Supervisory Board or his deputy retire from office prematurely for any reason whatsoever, a Supervisory Board meeting shall be convened immediately and a new chairman or deputy elected prior to the passing of any other resolutions.

(3) Unless a resolution to the contrary is passed by the Supervisory Board, any declarations of intent on the part of the Supervisory Board shall be issued on behalf of the board by the chairman or, in his absence, by the deputy.

#### **§ 10 Rules of Procedure, Convening Meetings, Amendment of Articles**

(1) The Supervisory Board shall be entitled to issue rules of procedure within the scope of the mandatory statutory provisions and the provisions of these statutes.

(2) The meetings of the Supervisory Board shall be convened by the chairman or, in his absence, by his deputy. Meetings may be convened in writing, orally or by means of telecommunication. A meeting must be convened immediately and held no later than within two weeks of convening (§ 110 AktG) if a member of the Supervisory Board or the Management Board submits a request for a meeting stating the purpose and reasons.

(3) The Supervisory Board shall be entitled to amend the statutes provided such amendments affect the wording only.

#### **§ 11 Emoluments of the Supervisory Board**

(1) In addition to reimbursement of their expenses, members of the Supervisory Board shall receive

- a) a fixed remuneration of Euro 5,000.00 per annum, payable on expiry of the financial year,
- b) a bonus of Euro 1,500.00 for each percentage point by which the dividend distributed to the shareholders for the past financial year exceeds 4% of the share capital entitled to dividends.

(2) The chairman of the Supervisory Board shall receive double the sum of the above two emolument payments, his deputy one and a half times that sum. The value added tax payable on the two emoluments shall be reimbursed to the members of the Supervisory Board by the company. In the event that a member belongs to the Supervisory Board only for part of any one financial year, the two emoluments shall be reduced accordingly.

#### **V. Annual General Meeting**

##### **§ 12 Venue and Convening**

(1) The annual general meeting shall be held at the company's registered office or in a city which is the location of a German stock exchange. It may however also be held within a 50-kilometre radius of the company's registered office or of a city which is the location of a German stock exchange.

(2) The annual general meeting shall be convened by Management Board or by the Supervisory Board.

(3) Notice of the annual general meeting shall be published in the official Federal Gazette, stating the information prescribed by law, so that there is a period of one month between the date of publication and the last deposit date in accordance with § 13, section 2 of these statutes, not counting these two days.

##### **§ 13 Participating Rights**

(1) Only those shareholders who have deposited their shares with the depository stipulated in the invitation to the meeting or at a securities deposit bank no later than on the seventh day before the annual general meeting and who leave them there until conclusion of the annual general meeting shall be entitled to participate in the annual general meeting and exercise their voting rights. In respect of due deposit of the shares, it shall suffice if the shares are held in a blocked depot at a bank on behalf of one of the depositories stated in the invitation to the meeting and with the consent of that depository until conclusion of the annual general meeting.

(2) If the last deposit date falls on a Sunday, a Saturday or other state-recognised general public holiday at the depository venue, the shares must be deposited no later than on the preceding working day.

(3) If the company has issued share certificates, the shares may be deposited with the company's cash office or with a German

notary public in addition to the depositories stated in the above section (1).

(4) If the shares are deposited with a German notary or a securities deposit bank, the appropriate confirmation of deposit must be submitted to the company no later than on the first working day, with the exception of Saturday, after expiry of the deposit period.

##### **§ 14 Chairperson at the Annual General Meeting**

(1) The annual general meeting shall be convened by the chairman of the Supervisory Board or another member of the Supervisory Board appointed by the chairman or, in his absence, appointed by the Supervisory Board. In the event that neither the chairman nor a member of the Supervisory Board appointed by the Supervisory Board assumes the chair, the chairman shall be elected by the annual general meeting.

(2) The chairman shall convene the meeting. He shall determine the order of the items on the agenda and the order of speakers, also the manner and order of voting, and shall be entitled to diverge from the announced agenda in that respect.

##### **§ 15 Resolutions**

(1) Each share shall grant one vote at the annual general meeting.

(2) Unless otherwise prescribed by these statutes or by law, resolutions by the annual general meeting shall require a simple majority of the votes cast and, in cases where a majority of the capital is prescribed by law in addition to a majority of the votes, with a simple majority of the share capital represented at the meeting.

#### **VI. Financial Year, Reserves, Appropriation of Balance Sheet Profit**

##### **§ 16 Financial Year**

The financial year shall be the calendar year. The first financial year shall be an accounting period, beginning on registration of the company in the commercial register and ending on the following 31 December.

##### **§ 17 Reserves**

(1) On adoption of the annual accounts by the annual general meeting, half the net earnings for the year shall be allocated to other retained earnings. Any sums to be allocated to the legal reserves or losses brought forward shall first be deducted from the net earnings for the year.

(2) On adoption of the annual accounts by the Management Board and Supervisory Boards, sums amounting to up to half the net earnings for the year may be allocated to other retained earnings. Provided that these other reserves do not exceed half the share capital and provided they would not exceed that amount after allocation, the Management and Supervisory Boards shall further be entitled to allocate up to 66.67% of the net earnings for the year to other retained earnings. sub-section 1, section 2 shall apply accordingly.

#### **VII. Closing Provisions**

##### **§ 18 Formation Expenses**

The costs and expenses (notary's fees, registration fees, publications, general meeting, consulting etc) of forming the company and its registration in the commercial register shall be borne by the company. The formation expenses are estimated at Euro 2,500.00.



## D. EXPLANATION OF THE EVALUATION METHODS IN ESTABLISHING THE PURCHASE PRICE IN CONNECTION WITH THE PREPARATORY TRANSFERS PROCESSES

In preparation for the spin-off, the companies of the Mail Order Division, in which Kaiser + Kraft had a direct and indirect interest until 31. 12. 1998, have been transferred to the future intermediary holdings at their market value.

In order to be able to quantify hidden reserves being disclosed in this process, company valuations have been carried out, that also take into account tax requirements. The objectives of the company valuations were to establish a realistic company value in accordance with the statement HFA 2/1983 "Principles on the Execution of Company Evaluations" by the German Institute of Auditors (Institut der Wirtschaftsprüfer in Deutschland e. V.).

All those companies of the Mail Order Division have been evaluated in so far as they are affected by the restructuring process. 31. 12. 1998 has been uniformly chosen as the valuation date, although the evaluations took place before this date.

For the German companies selling their domestic operations in preparation for the spin-off, only their own direct operations have been valued without including their subsidiaries which have valued separately.

The annual profits before tax have been taken as the basis, in order to establish sustainable viable returns. The following values have been taken:

1996	actual values
1997	actual values
1998	projected values
1999	planned values
2000	planned values

Effects arising from the spin-off process and the subsequent stock market listing have not been included in the planned values that were used as the basis of the valuation.

A continued positive economic development was assumed in establishing the planned values for the years 1999 and 2000.

The years 1996 and 1997 have been included instead of risk deductions.

Conney Safety Products, newly acquired in 1998, and the Gerdmans group also acquired in the same year, have been valued at original cost.

The valuation of the companies was based on sustainable target returns of each company, while applying identical weighting of the annual results. It was assumed, that each company is economically independent but continues to profit from group services such as cheaper catalogue production, centralised purchasing, centralised warehousing, finance, etc.

Many plausibility tests based on deviation analyses were applied to check the viability of the time frame applied in the valuation. There was no need for adjustment.

For those companies preparing their financial statements in foreign currencies, the years 1996 and 1997 converted into DM using actual year-end exchange rates at 31. 12. 1996 and 1997, while projected, or planned figures for the years 1998 to 2000 have been converted using prognose or budget exchange rates.

In order to establish the value of the companies within the Mail Order Division, a calculatory interest rate of 8.0% was assumed. The calculatory interest rate is calculated from the current base rate of 6.0% plus a risk made up of 3.5%, less an inflation allowance of 1.5%.

### Derivation of the Base Rate:

In order to establish the earning value of a company, the capital investment "company" is compared with other suitable investment opportunities. According to HFA 2/1983 and the predominant view of the literature on business administration, the country-specific interest rate, based on the interest rate for long-term public bonds, is adopted as the base rate in order to obtain a more realistic value. According to a publication by the Deutsche Bundesbank (monthly report October 1998), the yield of public bonds was, on average, about 6.0% in the period from 1992 until September 1998. In the appraisal, this average interest rate is taken as a prediction for the long-term viable, country-specific interest rate and thereby regarded as an alternative capital investment.

### Inflation allowance:

Since it can be assumed, that the company is at least partially able to offset effects caused by inflation by means of price increases, the interest rate is suitable to balance inflationary losses by its inherent surcharge. On the basis of an average inflation (price index for living expenses of all private households in Germany) for the years 1992 until September 1998 of about 2.7%, an allowance of 1.5% on the base rate is regarded as appropriate.

### Risk mark up:

Experience shows that capital investment in companies is subject to greater risk than investments in fixed-interest securities. It is true, that the company's chances and risks are equally taken into consideration and compared within the earning projection, however, the fact must be taken into account, that a company may be affected by extraordinary events, which cannot be foreseen in the earnings projection.

Examples for extraordinary events could be operational disruptions due to acts of God, loss of assets due to business shut-down, expenses for restructuring measures, insolvency of major customers, changes in staff composition etc. Furthermore, a company interest is constantly fraught with the latent threat of total loss due to bankruptcy. There are no equal opportunities to offset these risks. The anticipated, yet uncertain future earnings of the company can therefore not be capitalised with the secure interest earnings from public bonds. It is rather that the capitalisation interest rate is higher than the yield earnings of fixed-interest securities, due to the general entrepreneurial risk, which has not been taken into consideration in the establishment of earnings.

Under consideration of these circumstances, a risk allowance of 3.5% on top of the base rate, is deemed appropriate.

**Profits adjustments:**

The profits before tax have been adjusted as follows:

- Addback/deduction of materially significant single and prior year items of income and expense while accounting for according taxes.
- Deduction of income from subsidiaries.
- Addback trade capital and tax net worth for the years 1996/1997 for the domestic companies.
- Deduction of trade tax for domestic companies and corporation tax for foreign companies, since these are definitive charges in both cases. A deduction for of the corporation tax was not required for domestic companies due to the tax credit system. The tax situation as at the valuation date has been assumed.
- As a rule, profits taxes payable by the company owners, which are linked to the ownership in the company, must be taken into consideration in the company valuation. In this case, though, this was not required, since the financial surplus of the alternative investment entails, at any given time, the same profits tax payment as does the company's anticipated financial surplus.
- Deferred taxes were estimated for companies with losses brought forward.
- Apart from the definitive payments of the respectively applicable profits taxes for the foreign companies, a 5% withholding tax deduction was taken off the respective results - where required - on the basis of the hypothesis of full distribution.

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The German version of this joint report is authoritative

## A. Assignment and Execution

1. GEHE Aktiengesellschaft, Stuttgart, (henceforth called "GEHE AG") intends to transfer part of their assets to TAKKT AG, Stuttgart, by way of a spin-off in accordance with § 123 sub-section 2 no 1 of the German Transformation Act (UmwG, spin-off for transfer). This shall take place by way of a spin-off retaining the original shareholding ratios. The spin-off comprises the Mail Order Division for office, warehouse and business equipment, being the companies Kaiser + Kraft Europa GmbH, Stuttgart, K + K America Corporation, Milwaukee, Wisconsin/USA, and Topdeq Holding GmbH, Pfungstadt. It is planned to float the newly created group of companies on the Stock Exchange in 1999.

2. The details of the spin-off are governed by the spin-off agreement, as authenticated by public notary on 13 April 1999 (document no 191/1999S, public notary Hans-Jörg Schröder, Stuttgart). In accordance with § 125 section 1 UmwG, and §§ 65 sub-section 1,13 UmwG, the spin-off agreement shall be submitted for approval at the ordinary AGM of GEHE AG on 2 June 1999. The AGM of TAKKT AG to adopt the spin-off agreement is also planned to take place on 2 June 1999.

3. The spin-off agreement is conditional upon formal approval of the agreement by the AGMs of both companies being completed by 30 June 1999 and that the shareholders of TAKKT AG agree the capital increase required to carry out the spin-off.

4. The spin-off agreement stipulates, that the assets of the Mail Order Division detailed in § 2 shall be transferred, in their entirety, within a spin-off for transfer to TAKKT AG, against the granting of shares of TAKKT AG to the shareholders of GEHE AG.

5. In accordance with § 125 section 1, and § 60 sub-section 1 UmwG, the spin-off agreement must be audited according to provisions of §§ 9-12 UmwG. The spin-off agreement is attached in annex B of the spin-off report.

6. The spin-off report jointly drawn up by the Management Boards of both companies (§ 127 UmwG), explains the legal background and the economic rationale for the spin-off. The spin-off report is not subject to compulsory audit.

7. In accordance with § 125 section 1, and §§ 60 sub-section 2, 10 UmwG, the Management Board of GEHE AG has commissioned us to carry out the audit of the spin-off.

8. We have carried out the spin-off audit in accordance with §§ 9-12 UmwG, which must be applied to the spin-off in accordance with § 125 section 1, and § 60 UmwG. Subject of audit was the spin-off agreement of 13 April 1999.

9. The audit of the spin-off agreement was mainly based on the following documentation:

- spin-off agreement of 13 April 1999, as certified by a public notary,
- joint spin-off report of the Management Boards of GEHE AG and TAKKT AG,
- statutes of GEHE AG and TAKKT AG,
- report by C & L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, on the audit of the Financial Statement of GEHE AG as of 31 December 1998. The 1998 Financial Statements of GEHE AG have an unlimited audit report and were accepted by the Supervisory Board on 12 April 1999.

10. In our audit, we have taken into consideration the statement issued 6/1988 by the Executive Committee of the Institute of Auditors “On Fusion Audits in accordance with § 340 b sub-section 4 AktG”, which is to be applied likewise in the event of a spin-off.

11. Our assignment was performed in April 1999, at the offices of GEHE AG in Stuttgart. All requested information and authentication was supplied to us by the Management Board, or their designated persons. The Management Board has confirmed to us in separate declaration, that all relevant information and documents have been made available to us.

12. Type and scope of our audit activities have been recorded in our working documentation. Our audit results are based on our own findings within the audit, information given by Members of the Management Board and the employees of GEHE AG involved in the spin-off, and the findings and evidence supplied by other external advisors consulted by the Management Board of GEHE AG for the spin-off project.

13. The General Conditions for Assignment for Certified Public Accountants and Accounting Companies, and our Special Conditions for the increased Liabilities Insurance Cover – each in their version of 1 January 1999 – attached at annex, have been agreed for the execution of our assignment and our responsibility, which shall likewise apply when applied to third parties.

## B. Type and Scope of Spin-off Audit

14. In accordance with § 125 section 1, and §§ 60 sub-section 1, 9-12 UmwG, the spin-off audit applies to the investigation of the completeness and correctness of the information given in the spin-off agreement, and, as to whether the planned conversion ratio of the shares, the amount of the additional cash payment – where applicable, and the membership in the receiving legal entity represents a respective equivalent value.

15. A written audit report must be drawn up on the results of the audit. Specifically, a declaration on the Suitability of the Conversion ratios must be included in the audit report, together with a statement, according to which methods the suggested conversion ratio has been established. It must also state, for which reasons the application of these methods is deemed suitable, and which conversion ratio or which equivalent value would result in application of different methods, where several have been applied (§ 12 UmwG).

16. German law does not contain any specific rules as to how to establish the conversion ratio. Principally, the provisions in § 8 sub-section 1 and § 12 sub-section 2 UmwG assume, that a company evaluation must be carried out in such cases.

17. The spin-off of the Mail Order Division for office, warehouse and business equipment occurs by granting shares in TAKKT AG to the shareholders of GEHE AG. For this purpose, the authorised capital of TAKKT AG shall be increased. The new shares shall be issued solely to the shareholders of GEHE AG, in accordance with the existing share interests. Following the spin-off and the compulsory recall of the “founder shares” required in the statutes of TAKKT AG, all shares of TAKKT AG shall be granted to the shareholders of GEHE AG, while retaining the existing shareholdings (spin-off retaining the share ratio).

18. Since this procedure does not entail a conversion of interests, the general opinion is that a conversion ratio as such does not need to be established. The share interests in GEHE AG shall not change because of the spin-off. New, additionally issued shares, at the ratio of 1 : 1, shall be granted to the shareholders of GEHE AG for the assets transferred to TAKKT AG.

19. Therefore, no company evaluation is required to establish the conversion ratio. For this reason, no particular problems can occur in the assessment of the respective legal entity in accordance with § 12 sub-section 2 no 3 UmwG.

20. Since the legal term of Suitability of the Conversion Ratio is based on the relation of the comparative company values – which need not be established in this case – and since, moreover, no shares are converted in this case, but additional shares of TAKKT AG are issued to the shareholders of GEHE AG, the term “issue ratio” shall be used below instead of “conversion ratio”.

21. The legal requirements for the completeness and correctness of the spin-off agreement are detailed in § 126 sub-section 1 UmwG. According to this provision, the spin-off agreement must contain at least the following information (§ 126 sub-section 1 no 1-11 UmwG):

- (1) Company name and registered office of the legal entities participating in the spin-off,
- (2) agreement on the transfer of part of the assets by the transferring legal entity, in their entirety, against the granting of shares in the receiving legal entity,
- (3) issue ratio of the shares and – where applicable – the amount of the additional cash payment,
- (4) details for the transfer of shares in the receiving legal entity,

(5) time of initial entitlement to profit-sharing of these shares, and all special conditions with regard to this entitlement,

(6) deadline, following which the decisions and operations of the transferring legal entity shall be accounted for by the receiving legal entity (spin-off deadline),

(7) rights, granted by the receiving legal entity to individual shareholders and holders of special rights, such as non-voting shares, preferential shares, multiple-voting shares, bonds and bonus rights, or measures provided for such persons,

(8) each special privilege granted to a member of a representative board or a Supervisory Board of the legal entities participating in the spin-off, an auditing certified public accountant or an auditor of the spin-off,

(9) exact designation and division of the items of the assets and liabilities transferred to the receiving legal entity and the transferred businesses and operations,

(10) division of the shares of each of the participating legal entities to the shareholders of the transferring legal entity and scale of this division,

(11) consequences of spin-off for the employees and their representatives, and any measures provided with regard to this issue.

22. The spin-off report, jointly submitted by the Management Boards of GEHE AG and of TAKKT AG, which contains legal explanations and the economic rationale for the spin-off, the spin-off agreement and the issue ratio of the shares, is not subject of a legally required spin-off audit. Neither is the assessment of the economic viability of the spin-off the subject of the audit.

### C. Audit of the Spin-off Agreement

23. We have investigated the spin-off agreement for completeness and correctness with regard to the statements required in § 126 sub-section 1 no 1–11 UmwG. The according explanations in the joint spin-off report by the Management Boards of GEHE AG and of TAKKT AG have also been taken into consideration for this purpose.

The result of the findings established within our audit is, that the spin-off agreement contains all full and correct statements required, and thereby meets the legal requirements. According to the findings of our audit, no objections need be made against any of the further contractual provisions.

24. In accordance with § 126 sub-section 1 no 1–11 UmwG, the following statements have been made on the individual information given:

#### I. Company Name and Registered Office of the Participating Legal Entities (§ 126 sub-section 1 no 1 UmwG)

25. The company name and registered office of the participating companies are detailed in § 1 sub-section 1 of the spin-off agreement and correspond with the statutes of the companies and the entries in the trade register of the district court “Amtsgericht Stuttgart”.

#### II. Agreement on the Transfer of Assets (§ 126 sub-section 1 no 2 UmwG)

26. In accordance with § 2 of the spin-off agreement, GEHE AG transfers part of their assets with all rights and duties, in their entirety, to TAKKT AG. In return, the shareholders of GEHE AG receive shares in TAKKT AG, in the same ratio as their previous shareholdings in GEHE AG (spin-off for transfer to retain existing share ratio). Subject of spin-off are the assets of the Mail Order Division for office, warehouse and business equipment. According to § 2 of the spin-off agreement, these comprise the 100% share interests of GEHE AG in:

- Kaiser + Kraft Europa GmbH, Stuttgart
- K + K America Corporation, Milwaukee, Wisconsin/USA
- Topdeq Holding GmbH, Pfungstadt

27. The capital increase planned by TAKKT AG, required in order to carry out the spin-off, is explained in detail in § 3 sub-section 3 of the spin-off agreement.

#### III. Issue Ratio (§ 126 sub-section 1 no 3 UmwG)

28. As explained above, a conversion ratio does not have to be established in the event of a spin-off for transfer which retains the existing share ratio, since there is no conversion of shares. All shares of the receiving legal entity (TAKKT AG) shall be granted exclusively to the shareholders of the transferring legal entity (GEHE AG). For this reason, the statement in spin-off agreement, that all shares shall be granted to the shareholders of GEHE AG, is sufficient. The spin-off agreement is therefore complete.

29. The required information on the division of the shares in the receiving legal entity (TAKKT AG) is listed in § 3 sub-section 1 and 2 of the spin-off agreement.

According to these statements, the issue ratio is 1 : 1. In return for the transfer of the assets listed in § 2 of the spin-off agreement, TAKKT AG shall grant to the shareholders of GEHE AG one bearer no par value share of TAKKT AG for each bearer share of GEHE AG with a par value of DM 5.00. Should the spin-off only become effective after the planned conversion of the authorised capital of GEHE AG to no par value shares has been entered in the trade register, one bearer no par value share of TAKKT AG shall be granted for each bearer no par value share of GEHE AG.

30. The spin-off of the Mail Order Division shall be effected by the transfer to TAKKT AG, which was formed on 1 March 1999 by GEHE AG and has an authorised share capital of EUR 50,000. A dilution of the interest ratio of the individual shareholders is excluded, since § 5 of the statutes of TAKKT AG requires a compulsory recall of all “founder shares” of TAKKT AG held by GEHE AG, immediately after the spin-off has become effective. The compulsory recall ensues in accordance with § 237 sub-section 1 and 6 AktG, by decision of the Management Board. The decision must ensue immediately after the increase in the authorised capital of TAKKT AG has been entered in the trade register of TAKKT AG, and the spin-off has been entered in the trade registers of TAKKT AG and of GEHE AG.

Following the recall of the shares, GEHE AG is effectively no longer a shareholder of TAKKT AG. This ensures, that all shareholders of GEHE AG receive shares in TAKKT AG corresponding to their previous shareholdings in GEHE AG.

#### IV. Details on the Transfer of the Shares (§ 126 sub-section 1 no 4 UmwG)

31. § 5 of the spin-off agreement lists the details for the transfer of the shares of TAKKT AG. Accordingly, GEHE AG shall appoint Dresdner Bank AG, Frankfurt/Main, as the trustee for the receipt of the shares to be granted by TAKKT AG. TAKKT AG shall hand over the shares to the trustee before entry of the spin-off in the trade register of TAKKT AG, and instruct the trustee to distribute the shares to the shareholders of GEHE AG, after the spin-off has been entered in the trade register of GEHE AG. No expenses shall be incurred for the shareholders by the issue of the shares (§ 3 sub-section 1 of the spin-off agreement).

32. In accordance with § 71 UmwG, a trustee must be appointed. The spin-off shall only be entered in the trade register after the trustee has reported to the court that he retains control of the shares (§ 71 sub-section 1 section 2 UmwG).

33. Within the spin-off agreement, the shareholders are made no cash offer for redemption in accordance with § 125, and § 29 UmwG. According to § 29 sub-section 1 section 2 UmwG, the receiving legal entity (TAKKT AG) is obliged to offer every shareholder, who may file recourse against the decision of the AGM, an adequate compensation in the spin-off agreement, if the shares in the receiving legal entity are subject to a restriction for disposal required by the statutes.

Since the new shares of TAKKT AG – as are the shares of GEHE AG – are made out as bearer shares and are not subject to any restriction for disposal as prescribed by the statutes, a cash redemption offer is not required. The legal status of the shareholders will therefore not change with regard to the type and quality of their interest.

#### **V. Initial Profit-Sharing in the New Shares (§ 126 sub-section 1 no 5 UmwG)**

34. According to § 3 sub-section 3 of the spin-off agreement, the shares to be granted by TAKKT AG are entitled to profit-sharing from 1 July 1999.

35. If the spin-off has not been entered in the trade register of GEHE AG by midnight of 31 December 1999, the shares granted in return shall be entitled to profit-sharing only from 1 January 2000 (§ 6 of the spin-off agreement). Any further delay of entry beyond the 31 December of any subsequent year shall delay the beginning of the entitlement to profit-sharing by an additional year respectively.

#### **VI. Spin-off Deadline (§ 126 sub-section 1 no 6 UmwG)**

36. In accordance with § 1 sub-section 3 of the spin-off agreement, the spin-off of part of the assets of GEHE AG to TAKKT AG shall ensue internally, with effect from 30 June 1999 24:00 hours. From 1 July 1999 00:00 hours (spin-off deadline) all decisions and operations by GEHE AG concerning the transferred assets, shall be accounted for by TAKKT AG. According to § 25 and § 17 sub-section 2 UmwG, the spin-off shall be based on the audited final accounts of GEHE AG as of 30 June 1999 (§ 1 sub-section 2 of the spin-off agreement).

37. In the event, that the spin-off has not been entered in the trade register of GEHE AG on 31 December 1999, the spin-off of the assets of GEHE AG to TAKKT AG shall ensue with effect on 1 January 2000 00:00 hours according to § 6 of the spin-off agreement. In the event of a further delay of the entry beyond the 31 December of any subsequent year, the deadlines shall be delayed by an additional year in accordance with the provisions detailed above.

#### **VII. Granting of Special Privileges to Individual Shareholders or Holders of Special Rights (§ 126 sub-section 1 no 7 UmwG)**

38. In accordance with § 4 sub-section 1 of the spin-off agreement, no special privileges will be granted to individual shareholders or holders of special rights. Neither are any measures planned for the benefit of any such persons. Within our audit, there has been no evidence as to the granting of special privileges to any such persons.

39. According to the information given to us and the findings of our audit, there are no holders of special rights (preferential shares, multiple-voting shares, non-voting shares, bonds or bonus rights) in accordance with § 126 sub-section 1 no 7 UmwG.

40. The convertible bond issued by AXA Colonia Konzern Finance (Luxembourg) S.A. does not represent a special privilege in accordance with § 126 sub-section 1 no 7 UmwG, or special right in accordance with §§ 125 section 1, 23 UmwG, since this bond was not issued by GEHE AG or on their behalf.

#### **VIII. Granting of Special Privileges (§ 126 sub-section 1 no 8 UmwG)**

41. In accordance with § 4 sub-section 2 of the spin-off agreement, neither are the members of the Management or Supervisory Boards, the auditing certified public accountants of the participating companies or the auditors of the spin-off granted any special privileges. Within our audit, there has been no evidence as to the granting of special privileges to any such persons.

42. We hereby declare accordingly, that we – being the auditing certified public accountants of the final accounts and the spin-off – have not received any special privilege.

#### **IX. Division of Assets (§ 126 sub-section 1 no 9 UmwG)**

43. § 2 of the spin-off agreement details the assets and liabilities of GEHE AG to be transferred in their entirety. These comprise the shares in three companies, which have been listed and exactly identified under their company name and registered office, as well as the type and amount of the interest (cf. section 26). The transfer of these assets shall ensue including any related legal interests.

44. With effect of spin-off, all shares of the companies to be transferred are being transferred without requiring any further procedures. If individual assets and liabilities belonging to the transferred assets, are not legally transferred to TAKKT AG, the provisions in § 10 sub-section 1–5 of the spin-off agreement have been included as a precautionary measure, according to which GEHE AG will transfer these assets and liabilities by way of legal act, either as of 30 June 1999 or at a later date in accordance with § 6 of the spin-off agreement (§ 10 sub-section 1 and 2 of the spin-off agreement). In cases, where additional transfer action is required, GEHE AG and TAKKT AG are required in accordance with § 10 sub-section 3 of the spin-off agreement, to initiate the required action. In the meantime, and in the event, that a transfer may not be possible, or only at excessive expense, GEHE AG and

TAKKT AG shall assume internally, that the transfer becomes effective externally as of the spin-off deadline (§ 10 sub-section 4 of the spin-off agreement).

#### **X. Division of Shares (§ 126 sub-section 1 no 10 UmwG)**

45. In accordance with § 3 sub-section 1 of the spin-off agreement, TAKKT AG shall grant the shareholders of GEHE AG one bearer share of no par value in TAKKT AG for each bearer share of DM 5.00 in GEHE AG. In the event, that the spin-off only becomes effective after the planned conversion of the authorised capital of GEHE AG to shares of no par value has been entered in the trade register, each shareholder of GEHE AG shall receive one bearer share of no par value in TAKKT AG for each bearer share of no par value of GEHE AG. By defining the issue ratio at 1:1 – which shall be retained for GEHE AG after the conversion to shares of no par value – and due to the compulsory recall of the “founder shares” of TAKKT AG, the shareholdings will remain identical.

#### **XI. Consequences for the Employees and their Representatives (§ 126 sub-section 1 no 11 UmwG)**

46. The consequences of the spin-off for the employees and their representatives, as well as any related measures, are governed by § 7 of the spin-off agreement.

#### **Consequences for Employees**

47. In accordance with § 7 sub-section 1 of the spin-off agreement, the spin-off shall have no effect on the existing employment structures at Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH, or any of their affiliated companies. A transfer of operations in accordance with § 613 a BGB is not being carried out and all existing operative agreements shall continue to apply.

48. Principally, neither will the intra-group company transfers carried out in accordance with § 7 sub-section 2 of the spin-off agreement, in the run-up to the spin-off – which are partially subject to the suspensive condition of approval of the spin-off by the AGM of GEHE AG – have any negative consequences for employees concerned.

#### Consequences for the Employees' Representatives

49. Works councils, corporate works councils or business committees existing with the operations of Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH, or any of their affiliated companies, shall remain in office. The spin-off will not lead to any changes in operations (§ 7 sub-section 3 of the spin-off agreement). Current agreements with the existing employee representatives have been made available to us.

50. 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 spin-off. TAKKT AG itself is not obliged to establish a European works council.

51. The prerequisites of the legal provisions on co-determination of employees in the Supervisory Board do not apply to TAKKT AG. However, GEHE AG being the shareholder in TAKKT AG, has declared to the employee representatives of the Mail Order Division, to suggest and elect two employee representatives during the election of further members of the first Supervisory Board of TAKKT AG. The corporate works council of Kaiser + Kraft GmbH can make recommendations in this respect.

52. TAKKT AG is part of the Franz Haniel & Cie. GmbH group, Duisburg, which is subject to co-determination on the Supervisory Board, in accordance with the Act on Co-determination of 1976.

53. According to the findings of our audit, the consequences of the spin-off for the employees and their representatives, have thereby been fully and correctly explained.

### C. Results of Audit and Final Declaration on the Suitability of the Issue Ratios in accordance with § 12 sub-section 2 UmwG

54. Following the final results of our audit assignment, we, the auditing certified public accountants of the spin-off agreement, which was concluded on the spin-off of the Mail Order Division for office, warehouse and business equipment of GEHE AG – the latter being the transferring legal entity – to TAKKT AG being the receiving legal entity, shall make the following final declaration:

“The spin-off agreement of 13 April 1999 contains all complete and correct statements required in accordance with § 126 UmwG.

The transferred assets and liabilities have been detailed correctly in the spin-off agreement.

Since all shares of TAKKT AG, Stuttgart, are issued by way of a spin-off and transfer in accordance with § 123 sub-section 2 no 1 UmwG – to retain the ratio of 1:1 – to the shareholders of GEHE AG, Stuttgart, there is no requirement for a company evaluation in order to establish the issue ratio. This having been provided, we can confirm, that the issue ratio, according to which the shareholders of GEHE AG shall receive one bearer no par value share of TAKKT AG for each bearer share of GEHE AG, is legally suitable.”

Munich, 21 April 1999  
PwC Deutsche Revision  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



*Eisold*      *Küpfer*  
Eisold      Küpfer  
Wirtschaftsprüfer      Wirtschaftsprüfer

- A. **Assignment and Execution**
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- D. **Results of Audit and Final Declaration on the Suitability of the Conversion Ratio in accordance with § 12 sub-section 2 German Transformation Act (UmwG)**

The German version of this joint report is authoritative

## A. Assignment and Execution

1 The Management Board of GEHE Aktiengesellschaft ("GEHE") intends to separate the Mail Order Division for office, warehouse and business equipment from GEHE. This shall ensue by way of spin-off into TAKKT AG ("TAKKT"), a company formed by GEHE for this purpose. With this spin-off and transfer to TAKKT AG in accordance with § 123 sub-section 2 no 1 UmwG, which retains the same share ratio, two companies focusing on their respective core competences are to be created. The new company is to be floated on the Stock Exchange in 1999.

2 In the notarial deed of 13 April 1999, issued by the public notary Hans-Jörg Schröder, registered office in Stuttgart, the spin-off agreement attached in annex B, for the joint spin-off report of the Management Boards of GEHE and TAKKT respectively, was concluded between GEHE as the transferring legal entity and TAKKT as the receiving legal entity.

3 The spin-off agreement is conditional on formal approval by the AGMs of both public companies by 30 June 1999, and the resolution for a share capital increase by the shareholders of TAKKT in order to complete the spin-off.

4 We have been appointed as auditors of this spin-off report by the Management Board of TAKKT in accordance with § 125 section 1 and §§ 10 and 60 UmwG. Our report was completed in April 1999.

5 The regulations of §§ 9-12 UmwG, which – due to the absence of specific regulations on the audit in the 3rd book of the UmwG – have been applied respectively to the spin-off in accordance with § 125 section 1 and § 60 UmwG, and have been taken into account in this report.

6 Subject of this audit report was the spin-off agreement of 13 April 1999.

7 With the spin-off agreement, the assets of the Mail Order Division, as detailed in § 2 of the spin-off contract, are to be transferred in their entirety by way of spin-off for transfer to TAKKT, against the granting of TAKKT shares to the shareholders of GEHE.

8 The Management Boards of GEHE and TAKKT have submitted a joint spin-off report in accordance with § 127 UmwG on the planned spin-off. This report was made available to us during the audit of the spin-off agreement.

9 Our audit was therefore mainly based on:

- The spin-off agreement in accordance with § 126 UmwG, notarial deed of 13 April 1999, issued by public notary Hans-Jörg Schröder, Stuttgart, document no 191/1999 S
- Joint spin-off report in accordance with § 127 UmwG, by the Management Boards of GEHE and TAKKT
- Company statutes of GEHE and TAKKT, respectively.



10 In carrying out our assignment, we have taken into account the statement HFA 6/1988 “On Fusion Audits in accordance with § 340 b sub-section 4 AktG”, issued by the “Institut der Wirtschaftsprüfer” (Institute of Certified Public Accountants).

11 All requested information and evidence was supplied to us by the Management Board of TAKKT. The completeness of the information given and the documentation supplied has been confirmed to us by the Management Board of TAKKT in a separate declaration. The type and scope of our audit activities have been recorded in our working papers.

12 Our assignment and its execution are based on the “General Conditions of Assignment for ‘Wirtschaftsprüfer’ and ‘Wirtschaftsprüfungsgesellschaften’”, in the version dated 1 January 1999.

13 These arrangements shall likewise apply to third parties in accordance with the agreements made.

## B. Basis for the Spin-off Audit

14 The legal basis for the audit to be carried out by our company are §§ 125, 60, section 1 and §§ 9–12 UmwG. Subject of the audit of the spin-off for the transfer in accordance with § 123 sub-section 2 no 1, is the spin-off contract in accordance with §§ 9 f UmwG. The minimum content of the spin-off and transfer contracts is set out in § 126 UmwG. In accordance with § 12 UmwG, the certified public accountant auditing the spin-off must provide a written report on the results of his audit. The audit report must be completed with a declaration, as to whether the conversion ratio of the shares, the amount of additional cash payments – where applicable, or the membership in the receiving legal entity represents an appropriate equivalent value.

15 The following information must be included:

- Methods which have been applied for the suggested conversion ratio
- reasons for the application of these methods
- which conversion ratio or which equivalent value would result in application of the different methods, where several have been applied; at the same time, it must be laid out, which weighting has been assigned to the different methods in establishing the suggested conversion ratio, or of the equivalent value, and the values they have been based on, and which particular problems have occurred in the assessment of the legal entities.

Any particular problems in the assessment of the legal entities must be specifically referred to.

16 Another integral part of the spin-off audit to be carried out by our company is the examination of the completeness of the spin-off agreement in accordance with § 126 UmwG. However, the evaluation of the suitability of the spin-off agreement was not the subject of our audit.

17 In accordance with § 12 UmwG, we submit the following report on the results of our audit.

## C. Audit of the Spin-off Agreement

18 In accordance with our assignment, we have investigated the spin-off agreement of 13 April 1999 as to completeness and correctness of the data supplied in accordance with § 126 sub-section 1 no 1–11 UmwG. We can now provide the following detailed report on the data required in § 126 UmwG:

### 1. Designations of the Legal Entities Participating in the Spin-off (§ 126 sub-section 1 no 1 UmwG)

19 According to § 126 sub-section 1 no 1, the spin-off agreement must contain the designated name or company and registered office of the legal entities participating in the spin-off. § 1 of the spin-off agreement lists the required data on the company name and registered office of the legal entities concerned. They correspond with the statutes of GEHE, the respective trade register entry with the registry court “Registergericht Stuttgart”, and the statutes of TAKKT, which has been attached as annex C to the joint spin-off report, and the register entry with the registry court “Registergericht Stuttgart”.

### 2. Agreement on the Transfer of Assets (§ 126 sub-section 1 no 2 UmwG)

20 § 1 of the spin-off agreement governs the transfer of the Mail Order Division in its entirety, by way of spin-off for transfer to TAKKT, against granting of TAKKT shares to the shareholders of GEHE.

The spin-off shall be based on the transformation accounts of GEHE as of 30 June 1999, being the final accounts in accordance with §§ 125 section 1, 17, sub-section 2 section 1 UmwG, as audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich. The assets, which comprise the Mail Order Division of GEHE AG and are the object of the spin-off, have been listed in § 2 of the spin-off agreement. These are GEHE’s 100% shareholdings in:

■ Kaiser + Kraft Europa GmbH, Stuttgart, Germany

■ K + K America Corporation, Milwaukee, Wisconsin/USA

■ Topdeq Holding GmbH, Pfungstadt, Germany

21 The transfer of these assets as listed in § 2 to TAKKT, shall take place at 24:00 hours on 30 June 1999.

### 3. Conversion Ratio of the Shares (§ 126 sub-section 1 no 3 UmwG)

22 According to § 126 sub-section 1 no 3 UmwG, the conversion ratio of the shares and – where applicable – the amount of the additional cash payment, or statements on the membership in the receiving legal entity, must be made in the event of split and subsequent spin-off.

23 According to § 3 sub-section 2 of the spin-off contract, the conversion ratio is 1 : 1. In return for the transfer of the assets listed in § 2, TAKKT grants the shareholders of GEHE one bearer no par value share of TAKKT for each bearer share of GEHE at par value of DM 5.00. Should the spin-off become effective only after entry of the planned conversion of the authorised capital of GEHE to security shares, one no par value share of TAKKT shall be issued for each no par value share of GEHE. The shares shall be issued without charge, with profit-sharing from 1 July 1999. No additional cash payments need to be made. The shareholders of GEHE are thereby receiving shares in TAKKT at

the same ratio as their shares in GEHE. The conversion ratio of 1 : 1 mentioned in the spin-off agreement therefore actually represents an issue ratio.

24 The spin-off of the Mail Order Division takes place with a transfer to TAKKT as the receiving company, which was formed by GEHE on 1 March 1999 with the legally required minimum authorised capital of EUR 50,000.00, and does not retain any further assets beyond the authorised share capital as paid in cash. A dilution of the shareholding of individual shareholders will not occur, since the statutes of TAKKT require a compulsory recall of all TAKKT founder shares held by GEHE, immediately after the spin-off has taken effect. The recall follows by way of administrative compulsory recall according to § 237 sub-section 1 and 6 AktG, by decision of the Management Board. This must follow immediately after the increase of the authorised capital of TAKKT by EUR 72,900,000.00 to EUR 72,950,000.00 has been entered in the trade register and the spin-off has been entered in the trade registers of TAKKT and GEHE.

25 With the recall, GEHE is effectively no longer a shareholder in TAKKT. This ensures, that all GEHE shareholders receive a shareholding in TAKKT corresponding to their current shareholding in GEHE.

26 In view of the spin-off retaining the share ratio, and the conversion ratio (issue ratio) of 1 : 1, which allows TAKKT – in combination with the authorised capital increased by EUR 72.9 million – to grant the shareholders of GEHE one share of TAKKT for each share of GEHE within the spin-off, the shareholding structures will be the same for GEHE and TAKKT.

27 Since the share structures are identical, the conversion ratio (issue ratio) of 1 : 1 will not have to be established on the basis of company evaluations. For this reason, there are no particular difficulties in the valuation of the respective legal entity in accordance with § 12 sub-section 2 no 3 UmwG.

#### **4. Details on Transfer of Shares (§ 126 sub-section 1 no 4 UmwG)**

28 During the split and spin-off, the spin-off agreement must contain details on the transfer of the shares of the receiving legal entity, or on the acquisition of membership in the receiving legal entities. According to § 5 of the spin-off contract, GEHE appoints Dresdner Bank AG in Frankfurt/Main as trustee for the shares to be issued by TAKKT and their transfer to the shareholders of GEHE. TAKKT shall issue the shares to the trustee before entry of the spin-off in the trade register of TAKKT, and instruct the trustee to distribute the shares to the shareholders of GEHE after entry of the spin-off in the trade register of GEHE.

29 The appointment of the trustee is required in accordance with § 125 section 1 and § 71 UmwG. According to § 71 UmwG, the spin-off may be entered only after the trustee has reported to the court, that he is in control of the shares.

30 The spin-off agreement does not contain any cash redemption offer for the shareholders in accordance with §§ 125 section 1 and 29 UmwG. According to § 29 sub-section 1 section 2 UmwG, the receiving legal entity is obliged to offer every shareholder, who may file recourse against the decision of the AGM, an adequate compensation in the spin-off agreement, if the shares in the receiving legal entity are subject to disposal restrictions as required by the company's statutes.

31 No such restriction for disposal exists for the bearer no par value shares of TAKKT. For this reason, no cash redemption offer is necessary.

#### **5. Initial Profit-Sharing of the New Shares (§ 126 sub-section 1 no 5 UmwG)**

32 According to § 3 of the spin-off contract, the bearer no par value shares of TAKKT, which shall be granted to all shareholders of GEHE in the same ratio as their previous shareholdings and at no extra charge, are entitled to profit-sharing from 1 July 1999. The entitlement to profit-sharing for the no par value shares of TAKKT, with effect from 1 July 1999 in accordance with § 3 of the spin-off contract, shall change, if the spin-off has not been entered by midnight of 31 December 1999 in the trade register of GEHE. In this case, the beginning of 1 January 2000 shall be the deadline for the transfer of the assets of the GEHE Mail Order Division in accordance with § 6 spin-off contract, and the beginning of the entitlement to profit-sharing in accordance with § 3 sub-section 1. In the event of a further delay beyond the 31 December of any subsequent year, the deadlines shall be delayed by an additional year respectively.

#### **6. Spin-off Deadline (§ 126 sub-section 1 no 6 UmwG)**

33 According to § 1 of the spin-off agreement, the transfer of the Mail Order Division of GEHE to TAKKT shall be carried out internally, with effect from 30 June 1999 24:00 hours. From 1 July 1999 00:00 hours (spin-off deadline), all decisions and operations by GEHE concerning the transferred assets, shall be accounted for by TAKKT.

34 In the event that the spin-off has not been entered in the trade register of GEHE by midnight on 31 December 1999, 31 December 1999 shall count as the deadline of the final accounts of GEHE, in contradiction to § 1 sub-section 3 of the spin-off agreement, and midnight on 31 December 1999 and the beginning of 1 January 2000 shall count as the deadline for the transfer of the assets of GEHE listed in § 2 of the spin-off agreement (spin-off date) – in contradiction to § 1 sub-section 3. In the event of a further delay beyond the 31 December of the subsequent year, the deadlines shall be delayed by an additional year respectively.

#### **7. Granting of Special Rights to Individual Shareholders (§ 126 sub-section 1 no 7 UmwG)**

35 According to § 4 sub-section 1 of the spin-off agreement, the receiving company TAKKT shall grant no special rights in accordance with § 126 sub-section 1 no 7 UmwG to individual shareholders or to holders of special rights. Neither are measures in accordance with § 126 sub-section 1 no 7 UmwG provided to any such persons.

36 Within the legally required audit, we have not identified any evidence that special rights in accordance with this rule are being granted.

37 According to the information given to us and the results of our audit, there are no holders of special rights (such as non-voting shares, preferential shares, multiple-voting shares, bonds and bonus rights) in accordance with § 126 sub-section 1 no 7 (2nd sub-section) UmwG. The convertible bonds issued by Axa Colonia Konzern Finance (Luxembourg) S.A. do not represent a special right in accordance with § 126 sub-section 1 no 7 UmwG, or in accordance with §§ 125 section 1, 23 UmwG, since these bonds were not issued by GEHE or on their behalf.

#### **8. Granting of Special Privileges (§ 126 sub-section 1 no 8 UmwG)**

38 According to § 4 of the spin-off agreement, no special privileges are granted to any member of the Management Board or Supervisory Boards of the participating companies, or to the auditors of the final accounts of the spin-off.

39 There has been no evidence as to the granting of special privileges to the Management or Supervisory Boards. We hereby declare accordingly, that we – being the auditors of the final accounts and the spin-off – have not received any special privileges.

## 9. Division of Assets

### (§ 126 sub-section 1 no 9 UmwG)

40 The spin-off agreement must contain an exact description and division of assets and liabilities being transferred to the receiving legal entity, and the transferred businesses and operations and their allocation to the receiving legal entities.

41 The assets and liabilities of GEHE to be transferred are listed in detail in § 2 of the spin-off agreement.

42 These are the following GEHE 100% shareholdings in:

- Kaiser + Kraft Europa GmbH, registered office in Stuttgart, entered in the trade register of the district court “Amtsgericht Stuttgart” under HRB 18864
- K + K America Corporation, statutory office in the Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801, USA, and administrative head office in 770 South 70th Street, Milwaukee, Wisconsin 53214, USA
- Topdeq Holding GmbH, registered office in Pfungstadt, Germany, entered in the trade register of the district court “Amtsgericht Darmstadt” under HRB 7294

incl. any related legal status.

43 The spin-off shall be based on the transformation accounts of GEHE as of 30 June 1999, as the final accounts in accordance with §§ 125 section 1, 17 sub-section 2 section 1 UmwG, as audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, Germany.

44 § 10 of the spin-off contract contains provisions for the event that individual assets and liabilities belonging to the assets listed in § 2 are not legally transferred to TAKKT. In this case, GEHE shall transfer these assets and liabilities directly to TAKKT and TAKKT shall accept any such transfer.

The transfer of these assets and liabilities shall become effective on expiring of 30 June 1999.

45 The 100% shareholdings of GEHE in Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH represent the entire Mail Order Division for office, warehouse and business equipment of GEHE. The new independent status of the Mail Order Division and the separation from GEHE is intended to provide for an increased focus on the core competences of the specific business areas of GEHE and TAKKT, and to create so-called “pure plays”.

## 10. Division of the Shares

### (§ 126 sub-section 1 no 10 UmwG)

46 § 126 sub-section 1 no 10 UmwG stipulates that – in the event of split and subsequent spin-off – the division of the shares of membership of each of the participating legal entities to the shareholders of the transferring legal entity, and the scope of the division must be stated.

47 In order to implement the spin-off, TAKKT shall increase its current authorised capital of EUR 50,000.00 by EUR 72,900,000.00 to EUR 72,950,000.00 by issuing 72,900,000 new bearer no par value shares (§ 3 sub-section 3 of the spin-off contract). Immediately following this issue, the authorised capital shall be decreased to EUR 72,900,000.00 in accordance with the compulsory recall required in § 5 of the statutes of TAKKT. Following the capital increase, and compulsory recall, the authorised share capital shall be divided up into 72,900,000 bearer no par value shares.

48 This number of no par value shares facilitates the granting to the shareholders of GEHE within this spin-off, one no par value share in TAKKT for each share in GEHE. The spin-off therefore provides – in combination with the compulsory recall of the founder shares – for identical shareholdings and thereby ensures that the shareholder ratio remains the same.

## 11. Consequences for the Employees

### (§ 126 sub-section 1 no 11 UmwG)

49 § 7 of the spin-off agreement explains the consequences of the spin-off for the employees and their representatives.

#### 11.1. Consequences of the Spin-off for the Employees

50 As explained in § 7 sub-section 1 of the spin-off agreement, the spin-off shall have no effect on the existing employment conditions at Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH, or any of their affiliated companies. A transfer of operations in accordance with § 613 a BGB (German Civil Code) is not being carried out.

51 In the run-up to the spin-off, however, a re-structuring of the Mail Order Division has been carried out by means of intra-group transfers. This comprises the division into three business units each led by an intermediate holding company, in order to adapt to changing market requirements and the strong growth of the Mail Order Division.

52 These intra-group transfers have in part been made conditional upon the AGM of GEHE approving the spin-off agreement. They then become effective from 30 June 1999 23:59 hours.

53 The following intra-group transactions are subject to this condition:

- Transfer of the business operations of Kaiser + Kraft GmbH, KKWerbe GmbH Agentur für Media- und Marketing Service and VH Einkaufs-Beratungsgesellschaft für Büro- und Betriebseinrichtungen mbH, which have been sold to two new legal entities, i.e. Kaiser + Kraft Europa GmbH and its company, Kaiser + Kraft Deutschland GmbH. The employment conditions hereby affected shall be transferred to the purchaser, at the time of the deadline, with all related rights and duties, incl. the transfer of undertakings for employees in accordance with § 613 a BGB. Employees’ rights and entitlements shall remain unaffected by this transfer

process. Notwithstanding other internal agreements, existing rights within the transfer of pension obligations for retired employees (current pensions and unchallengeable claims) shall remain with the sellers – as has been correctly laid out in the spin-off agreement.

- There has been an additional transfer of the shares in Hoffmann Beteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung (“Hoffmann”) from VHI Internationale Versandhandels-Beteiligungsgesellschaft mbH (“VHI”) to Kaiser + Kraft Europa GmbH. Due to the additional acquisition of the limited partnership interest in Gaerner GmbH & Co. KG by Hoffmann, a merger of the entire assets of Gaerner shall ensue with Hoffmann, which shall trade in future under the company name of Gaerner GmbH. This does not represent a transfer of operations in accordance with § 613 a BGB. All employment arrangements existing with Gaerner shall be deemed a consequence of the merger with Hoffmann, including all rights and duties resulting from the existing employment arrangements, including the transfer of undertakings for retired employees (current pensions and unchallengeable claims).

- The acquisition of all assets by Topdeq Service GmbH from Topdeq International GmbH, which provided essential services for companies of the previous Topdeq group, has already been completed. According to § 613 a BGB, all employment arrangements hereby affected have been transferred to Topdeq Service GmbH, including all rights and duties, including the transfer of undertakings for employees. Any periods of service served and acknowledged with Topdeq International GmbH shall be deemed served for Topdeq Service GmbH. Existing undertakings for retired employees (current pensions and unchallengeable claims) shall remain with Topdeq International GmbH, notwithstanding other internal agreements.

### 11.2. Consequences of Spin-off for the Employees' Representatives

54 Works councils, corporate works councils or business committees existing with the operations of Kaiser + Kraft Europa GmbH, K + K America Corporation and Topdeq Holding GmbH, or any of their affiliated companies, shall remain in office. The spin-off has not led to any changes in operations. Respective agreements with the existing employee representatives have been made available to us.

55 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 itself is not obliged to establish a European works council. The prerequisites of co-determination of the employees in the Supervisory Board do not apply for TAKKT. However, GEHE being the shareholder in TAKKT, has declared to the employee representatives of the Mail Order Division, to suggest and elect two employee representatives during the election of further members of the first Supervisory Board of TAKKT. The corporate works council of Kaiser + Kraft GmbH can make recommendations in this respect.

56 TAKKT is part of the Franz Haniel & Cie. GmbH group, which is subject to co-determination on the Supervisory Board, in accordance with the Act on Co-determination of 1976.

57 According to the findings of our audit, the consequences of the spin-off for the employees and their representations, as well as the related measures to be taken have been fully and correctly explained.

### 12. Other Arrangements in the Spin-off Agreement

#### a) Transfer of Assets

58 § 1 of the spin-off agreement states, that TAKKT shall carry forward in their accounting the values for the transferred assets and liabilities in the GEHE's final accounts at 30 June 1999.

#### b) Expenses Incurred by the Agreement

59 § 8 of the spin-off agreement provides for any expenses resulting from the completion of the agreement and its detailed explanations, including the expenses for the trustee, but excluding however the expenses for the AGMs deciding on the spin-off, shall be borne 50/50 by both GEHE and TAKKT – even in the event that the spin-off does not become effective. The expenses incurred by any one contractual party in the preparation of agreement, shall be borne by that contractual partner only.

60 For this reason, no disadvantages have been identified in this arrangement for any of the contracting parties.

#### c) Provisions for Legal Transfer of Assets and Liabilities

61 § 10 of the spin-off agreement contains detailed provisions on the legal transfer of assets and liabilities.

62 In our opinion, no objections need be made against any of these provisions.

### D. Results of Audit and Final Declaration on the Suitability of the Conversion Ratio in accordance with § 12 sub-section 2 UmwG

63 Following the final results of our audit assignment, we, the auditors of the spin-off agreement, conclude on the spin-off of the Mail Order Division of GEHE and transfer to TAKKT as the receiving legal entity and make the following declaration:

64 “The spin-off agreement of 13 April 1999 contains complete and correct statements required in accordance with § 126 UmwG for the event of spin-off in accordance with § 123 sub-section 2 no 1.

The transferred assets and liabilities have been detailed correctly in the spin-off agreement.

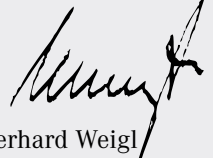
The spin-off agreement we have audited provides for the retention of the share ratio within the spin-off of the Mail Order Division of GEHE, with an issue ratio of 1 : 1.


Due to the spin-off of the Mail Order Division at the ratio of 1 : 1, each shareholder of GEHE shall receive – immediately following the entry of the spin-off in the trade register of GEHE – the entitlement to one bearer no par value share of TAKKT for each of his/her shares. Should the spin-off only become effective after entry of the planned conversion of the authorised capital of GEHE to security shares, one share of TAKKT shall be issued for each bearer no par value share of GEHE. Due to the spin-off retaining the share ratio, with the conversion ratio (issue ratio) of 1 : 1, no company evaluation has been required to establish the suitability of the conversion, i.e. issue ratio. For this reason, there have been no particular difficulties in the appraisal of the legal entities.

On the basis of our audit assignment, we hereby confirm the suitability of the conversion ratio.”



Stuttgart, 21 April 1999  
Dr. Ebner, Dr. Stolz und Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

  
Gerhard Weigl  
Wirtschaftsprüfer

  
Wolfgang Berger  
Wirtschaftsprüfer

## F. ABBREVIATIONS

<b>AGM</b>	Annual General Meeting
<b>AktG</b>	German Companies Act
<b>AXA Colonia</b>	AXA Colonia Group AG, Cologne
<b>bn</b>	billion
<b>EStG</b>	German Income Tax Act
<b>f</b>	following (page)
<b>ff</b>	following (pages)
<b>GEHE</b>	GEHE Aktiengesellschaft, Stuttgart
<b>Haniel</b>	Franz Haniel & Cie. GmbH, Duisburg-Ruhrort
<b>i.e.</b>	that is
<b>Kaiser + Kraft</b>	Kaiser + Kraft GmbH, Stuttgart
<b>KStG</b>	German Corporation Tax Act
<b>m</b>	million
<b>Mail Order Division</b>	Mail Order Division for office, warehouse and works equipment of GEHE Aktiengesellschaft
<b>no</b>	number
<b>p.a.</b>	per annum (per year)
<b>subs.</b>	sub-section
<b>TAKKT</b>	TAKKT AG, Stuttgart
<b>UmwG</b>	German Transformation Act
<b>UmwStG</b>	German Transformation Tax Act

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