HAGEMEYER

Annual Report 2007

Contents

Profile

Hagemeyer is active in more than 25 countries in Europe, North America and Asia-Pacific. In 2007, we achieved revenues of € 6.4 billion, of which 93% was generated through our core Professional Products and Services (PPS) business. PPS is the value-added, business-to-business distribution of electrical parts and supplies, safety and other Maintenance, Repair and Operations (MRO) products to contractors in the Construction and Installation (C&I) market and to Industry users around the globe.

The remaining 7% of Hagemeyer's 2007 revenues was achieved by our Agencies/ Consumer Electronics (ACE) business. ACE distributes consumer electronics and other branded products in the Netherlands and Australia, and luxury goods in a number of countries in Asia. At 31 December 2007, Hagemeyer employed 18,047 people around the world.

The Hagemeyer Group has its head office in Naarden, the Netherlands.

Our markets

Professional Products and Services (PPS)

Our core business is Professional Products and Services (PPS), the value-added, business-to-business distribution of electrical parts and supplies, safety and other Maintenance, Repair and Operations (MRO) products to contractors in the Construction and Installation (C&I) market and to Industry users. Hagemeyer adds value to its PPS customers and suppliers by enabling them to improve their own customer service and by increasing their efficiency and competitiveness. This core PPS business represents 93% of Hagemeyer's total revenues. We operate PPS in more than 25 countries across Europe, North America and Asia-Pacific.

Europe & Asia-Pacific

In Europe and Australia, approximately 70% of our PPS business is in the C&I market, with the other 30% in Industry. Hagemeyer is number one or two in most of its European markets and in Australia. The great majority of our product range consists of electrical parts and supplies. Safety and other non-electrical MRO products still represent only a small, though steadily growing share of our revenues in these parts of the world.

North America

North America represents more than 20% of our total PPS revenues. Approximately 85% of our business in North America is in the industry market. The remaining 15% is in the C&I business, concentrated in the south-east and mid-Atlantic regions of the USA. Our Canadian and Mexican businesses sell exclusively to industrial customers, while part of our North American business also consists of Integrated Supply contracts where Hagemeyer provides industry users, often on site, with value-added, one-stop-shopping services. These include procurement, logistics and inventory management for a wide range of electrical and non-electrical MRO products. As a result of this industry focus and the importance of our Integrated Supply business in North America, the product range is much broader than electrical supplies alone, and includes a wide range of MRO essentials, such as safety products, cutting tools and abrasives, hand and power tools, electronics, lubricants and fasteners.

Agencies / Consumer Electronics (ACE)

The three companies that form our Agencies / Consumer Electronics (ACE) activities are Hagemeyer Brands in Australia (HBA), Hagemeyer Cosa Liebermann, headquartered in Hong Kong (HCL) and Haagtechno, representing the Panasonic brand in the Netherlands. In 2007 ACE represented 7% of the Group's total net revenue, 5% of the average invested capital (including goodwill) and 10% of operating result. This shows what an important contribution the ACE companies made to the profitability and ROIC of the Group as a whole. We provide ACE with our full support in exploiting their capabilities in the markets in which they operate and in further improving their operating result and return on invested capital, thereby maximizing their value creation for shareholders.

Key figures

(in € millions)	**2007**	2006	2005
Income			
Net revenue	6,444	6,228	5,595
Organic revenue growth [1]	4.3%	11.5%	4.7%
Gross profit	1,485	1,440	1,301
Gross margin	23.0%	23.1%	23.2%
Operating expenses	(1,289)	(1,274)	(1,267)
Operating expenses as % of net revenue	(20.0%)	(20.5%)	(22.7%)
EBITDA [2]	249	212	89
Operating result	199	167	43
Operating margin	3.1%	2.7%	0.8%
Net profit / (loss)	156	140	(58)
Balance sheet (at 31 December)			
Equity	1,008	821	731
Net interest bearing debt [3]	263	407	445
Total assets	2,731	2,632	2,541
Cash flow			
Free cash flow [4]	150	84	3
Ratios			
Gearing [5]	26.1%	49.6%	60.8%
Capital ratio [6]	36.9%	31.2%	28.8%
Average net working capital as % of 12 months revenue	11.8%	12.4%	13.0%
Return On Invested Capital (ROIC) PPS business [7]	9.1%	8.2%	3.3%
Data per share (in €)			
Net profit / (loss) [8]	0.27	0.27	(0.11)
Dividend / interim dividend paid	0.04	0.06	-
Closing price	4.68	3.84	2.74
Employees			
Average number of employees	17,819	17,578	17,417
Number of employees at year-end	18,047	17,519	17,209
Average revenue per employee (in € thousands)	362	354	321

1 *All organic growth percentages in this Annual Report have been calculated on a same number of working days basis, unless explicitly stated otherwise*
2 *Earnings before interest, tax, depreciation and amortization of intangible assets*
3 *Interest bearing bank debt and subordinated convertible bonds, less cash and deposits*
4 *Net cash flow from operating activities less net purchase of non-current operating assets, before acquisitions and divestments of subsidiaries*
5 *Net interest bearing debt / equity*
6 *Equity / total assets*
7 *Before change-of-control-related costs in 2007 and before exceptional items in 2005 and 2006. For full explanation see page 11*
8 *Rounded to the nearest euro cent, based on the weighted average number of shares outstanding*

Board of Management / PPS Executive Committee

Board of Management

Rudi de Becker | 1946, CEO

Joined Hagemeyer in the position of Chief Executive Officer in March 2004. Appointed a member of the Board of Management in the position of Chairman at the AGM of April 2004. Rudi de Becker is a Belgian national. Due to stand down in 2008. Prior to joining Hagemeyer, Rudi de Becker was a member of the Executive Board of Buhrmann, and prior to that he was a member of the Board of Samas and held a number of general management positions with, amongst others, Black & Decker and Xerox.
Hagemeyer shares at 31 December 2007: 300,000.

Tjalling Tiemstra | 1952, CFO

Joined Hagemeyer in the position of Chief Financial Officer in August 2002. Appointed a member of the Board of Management at the AGM of April 2003. Tjalling Tiemstra is a Dutch national. Prior to joining Hagemeyer, Tjalling Tiemstra held the position of CFO at Hollandsche Beton Groep and prior to that he held various senior financial and general management positions with Unilever. Tjalling Tiemstra is a board member of Vereniging Effecten Uitgevende Ondernemingen (VEUO).
Hagemeyer shares at 31 December 2007: 273,812.

Corporate Secretary
Hein Bijl | 1968, Group Legal Counsel / Corporate Secretary and Corporate Compliance Officer

PPS Executive Committee

Rudi de Becker	1946, CEO
Tjalling Tiemstra	1952, CFO
Paul Zekhuis	1965, COO; CEO Central Europe
Fernando Cogollos	1959, CEO Southern Europe
Dave Gabriel	1958, CEO North America
Ulf Gundemark	1951, CEO Nordics
John Hogan	1961, CEO UK & Ireland
Robin Norris	1950, CEO Asia-Pacific
Alex Wouterse	1965, Vice President Operational Support

Letter of the CEO

Dear shareholders and other stakeholders,

2007 was another year of spectacular progress for Hagemeyer. Our net profit before change-of-control-related costs and before movement in deferred taxes improved by € 59 million (61%) compared to 2006. We achieved an operating result of € 209 million before change-of-control-related costs of € 10 million. This boils down to a 25% improvement compared to 2006. Excluding the one-off positive inventory effect caused by copper-cable price increases in 2006, our operating result (excluding change-of-control-related costs) increased by more than 50%. The organic revenue growth for our core PPS (Professional Products and Services) business was 4.0%. We realized a free cash flow of € 150 million, an improvement of € 66 million compared to 2006. We also exceeded our 9% ROIC objective for our core PPS business for 2007.

Particularly strong performances were delivered by our operations in the Nordics region, Germany, the Netherlands and Australia. Although progress in the UK has been somewhat slower than expected, our UK operation nevertheless improved its operating result compared to 2006. Our US operation suffered from a weakening in the market segments where we are active. Our ACE (Agencies / Consumer Electronics) business showed a healthy sales growth and profit improvement mainly driven by our Panasonic business in the Netherlands and our ACE operation in Australia.

Hagemeyer's strong positive momentum, which started in 2004, did not pass unnoticed. Rexel launched a take-over bid for our Company, in cooperation with our other global competitor Sonepar. Although we strongly believe in our stand-alone strategy for the long term, we nevertheless concluded, after careful evaluation, that Rexel's offer is fair to our shareholders and opens new attractive opportunities for Hagemeyer's activities and associates as complementary parts of leading groups. That's why both Hagemeyer's Supervisory Board and Board of Management unanimously recommend the current offer to our shareholders.

If the offer is accepted, the offer price of € 4.85 will represent an increase of Hagemeyer's share price by 261% since 1 January 2004 (AEX: +29%; peers: +136%) and 37% on an annualized basis (AEX: +6%; peers: +23%). In four years time, the Hagemeyer team will have created more than € 2 billion value for its shareholders.

This achievement would not have been possible without the skills, enthusiasm and commitment of our people. I therefore would like to conclude by thanking all my colleagues for the outstanding job they have done during all these years and by wishing them every success for the future. I have no doubt that the combination of the great Hagemeyer teams with the two leading global players will open new opportunities for all.

Best regards,

Rudi de Becker

Financing the company

Hagemeyer's financial structure (including the costs and expenses related to the possible change of control) in 2007 can be summarized as follows:

- Net senior debt /EBITDA ratio as defined in our covenants was 0.8 per year-end;
- The interest cover ratio as defined in our covenants improved from 6.4 in 2006 to 8.9 in 2007;
- Financial gearing (net interest bearing debt/equity) reduced from 49.6% to 26.1%;
- The capital ratio (total equity/total assets) increased from 31.2% to 36.9%.

Positive free cash flow and first dividends since 2003

In spite of organic revenue growth of more than € 250 million, trading working capital decreased, releasing a cash flow of € 27 million in 2007. Free cash flow (net cash flow from operating and investment activities, excluding net cash flow from acquisitions and divestments) amounted to € 150 million, which includes a one-off contribution to the Sagittarius Pension Fund of € 32 million.
Of this free cash flow, € 58 million was returned to shareholders as dividend over 2006 and as interim dividend for 2007. Net € 13 million of shares were purchased to cover employee share schemes.

In spite of dividend payments, the balance sheet strengthened considerably through bond conversion and net profit

During 2007 equity increased by € 187 million from € 821 million to € 1,008 million. Of this increase € 140 million was attributable to the conversion into shares of our € 150 million subordinated convertible bonds, due 2009. Net result contributed € 156 million, whereas equity was reduced by € 58 million through dividend payments and € 35 million translation losses due to currency movements, mainly as a result of a weaker US dollar.

At the same time net senior debt decreased from € 163 million to € 153 million during 2007, leading to a financial gearing of 26.1% and a capital ratio of 36.9%. As part of our financing strategy the company aims at a capital ratio in excess of 25%.

New senior debt facility

Per June 2007 we replaced our senior debt facility of around € 600 million (including a letter of credit facility) due in February 2008, by a new facility of € 545 million, due in June 2012 and including a € 100 million letter of credit facility.

As a result of the seasonality that is inherent to our business, the committed senior revolving facility needs to be sufficiently flexible and large enough to allow for financing seasonal and growth-related fluctuations in working capital. In addition, the maximum level of net senior debt and interest costs in relation to EBITDA should allow for possible adverse developments in revenue and gross margin, as these adverse movements can have a major impact on EBITDA due to the relatively high impact of operational gearing in our business.

On top of the senior facility, we have been preparing for a trade receivables-based securitization programme of around € 250 million, which originally was scheduled to be rolled out from late 2007. The roll-out of this programme has been put on hold for the time being in view of the possible change of control of Hagemeyer N.V.

Policy on additions to reserves and dividend

Additions to reserves and declaration of dividend are primarily determined by our financing strategy. This strategy includes, inter alia, the following objectives:

(i) a capital ratio (total equity/total assets) of at least 25%;
(ii) a net senior debt not exceeding two times twelve months rolling EBITDA.

In addition, distributions of dividend may only be made up to an amount that does not exceed the freely distributable part of the shareholders' equity.

Under normal circumstances Hagemeyer would intend to distribute a dividend of 30%-40% of its net profit, corrected for certain material non-recurring items. The dividend declared would in principle be distributed in cash; any part of the net profit that is not distributed will be added to retained earnings.

No dividend proposed

In August 2007 the Board of Management declared an interim cash dividend of € 0.04 per share, which was paid on 10 September 2007. In connection with the pending offer by Rexel no closing dividend will be proposed, unless Rexel's offer is not completed by 27 April 2008, in which case a closing dividend in cash of € 0.05 per share will be proposed. In combination with the interim dividend paid, this would lead to a total pay-out ratio of around 34% of the net result over 2007.

Weighted Average Cost of Capital (WACC)

Hagemeyer's WACC, is currently estimated at around 8% versus 9% as per year-end 2006. The main reason for this decline is our reduced β (beta), as well as the reduction in the average return on equity as per the AEX-index over the last 15 years.

Group financial review

Key data *(in € millions)*	**2007**	2006
Net revenue	6,444	6,228
Organic revenue growth (same number of working days)	4.3%	11.5%
Gross profit	1,485	1,440
Gross margin	23.0%	23.1%
Operating expenses (before change-of-control-related costs)	(1,279)	(1,274)
Operating expenses (before change-of-control-related costs) as % of net revenue	(19.9%)	(20.5%)
Other operating (expenses) / income	3	1
Operating result (before change-of-control-related costs)	209	167
Change-of-control-related costs	(10)	-
Operating result	199	167
Operating margin	3.1%	2.7%
Average net working capital	761	770
Average net working capital as % of 12 months revenue	11.8%	12.4%

Net revenue

Net revenue in 2007 was € 6,444 million (2006: € 6,228 million). The net effect of acquisitions and divestments led to an increase in revenue of € 61 million. Foreign exchange rate movements reduced revenue by € 102 million, almost completely caused by a weaker US dollar. Reductions due to a weaker Canadian dollar, Mexican peso and British pound were offset by the effect of stronger currencies in Australia and Norway.

Organic growth

Organic revenue growth for the Group was € 257 million. The organic growth rate for the year was 4.3%, decreasing from 5.7% in the first half to 3.1% in the second half. Approximately 75% of the organic revenue growth in 2007 can be attributed to price increases.

Gross profit

Gross profit was € 1,485 million, an increase of € 45 million compared to 2006. Organic growth, partly offset by a small reduction in gross margin, resulted in a gross profit increase of € 57 million. Acquisitions and divestments increased gross profit by € 11 million; foreign exchange rate movements reduced gross profit by € 23 million.

Gross margin

Gross margin for the Group decreased by 10 basis points, from 23.1% in 2006 to 23.0% in 2007. The PPS gross margin stayed flat at 22.7%; the ACE gross margin decreased from 29.5% in 2006 to 28.3% in 2007.

Operating expenses (before change-of-control-related costs)

In the past, Hagemeyer reported operating expenses excluding exceptional items. This practice has been discontinued in 2007 and exceptional items are no longer recognized. The 2006 results included € 23 million of exceptional items.

Operating expenses increased from € 1,274 million in 2006 (including € 22 million exceptional costs) to € 1,279 million in 2007. The cost-to-revenue ratio decreased by 60 basis points from 20.5% in 2006 to 19.9% in 2007.

Acquisitions and divestments led to € 11 million higher operating expenses in 2007; foreign exchange rate

movements reduced operating expenses by € 22 million. Operating expenses in 2007 were affected by the non-recurrence of the 2006 exceptional costs.
General inflation and related salary increases led to an increase of € 30 million in operating expenses. Excluding these factors, the underlying cost increase amounted to € 8 million. ACE accounts for € 3 million of this increase, driven by extra volume. In PPS, cost increases following from cost investments in new branch openings in some countries, in our logistics network in Spain and from growth initiatives in emerging markets were largely offset by cost reductions in the UK (first results of the streamlining of our logistics network) and in the USA.

Change-of-control-related costs

On 21 December 2007 a recommended cash offer for all issued and outstanding shares and bonds of Hagemeyer N.V. was launched. The offer period expires on 4 March 2008. For accounting purposes it is assumed that completion of the envisaged transaction is probable. Change-of-control-related costs charged to operating result in 2007 amounted to € 10 million. In the performance analyses of the following pages and in the ROIC calculation these costs have been left out of consideration.

FTEs

The number of FTEs at 31 December 2007 was 18,047, compared to 17,519 on 31 December 2006. Of the 528 FTE increase in 2007, 395 are related to acquisitions. Divestments reduced headcount by 43 employees. The remaining organic headcount increase was 176 FTEs. Headcount increased by 422 in the emerging markets, and by 161 FTEs in the higher-growth companies in the developed countries. Headcount was reduced by 407 FTEs in the UK and the USA.

Operating result (before change-of- control-related costs)

Operating result improved from € 167 million in 2006 to € 209 million (before change-of-control-related costs) in 2007, driven by revenue growth and improved cost-productivity. The year-on-year comparison in operating result is influenced by the absence of a copper-cable inventory effect in 2007 (in 2006: between € 30 million and € 35 million positive) and of exceptional items of € 23 million.

Net financial expenses

Net financial expenses in 2007 were € 50 million, down from € 55 million in 2006. Financial expenses were substantially reduced in 2007 by the conversion into equity of the € 150 million subordinated convertible bonds by the end of February 2007.

Taxes

Current tax charges for 2007 were € 7 million, compared to € 19 million in 2006. The reduction in current tax charges is mainly due to released tax provisions.
A net deferred tax income of € 12 million was booked in 2007, in comparison to a € 44 million income in 2006. The deferred tax income in 2007 mainly results from entries related to the probable change of control of Hagemeyer N.V.

Net result

The net result for 2007 was € 156 million, compared to € 140 million in 2006.

Net working capital

The average net working capital to revenue ratio for the Group improved from 12.4% in 2006 to 11.8% in 2007.

PPS ROIC

Our key performance measure is Return on Invested Capital (ROIC). We achieved our PPS ROIC target of 9% for 2007. ROIC for our PPS business (before change-of-control-related costs) improved from 8.2% in 2006 to 9.1% in 2007. This compares to a current Weighted Average Cost of Capital of 8%, which is 1% lower than the level of 9% at year-end 2006, mainly as a result of our reduced β (beta), and lower returns in the stock markets.

Free cash flow

Free cash flow before acquisitions and divestments was € 150 million (2006: € 84 million). The improvement in free cash flow is mainly due to a better operating result, lower inventories and higher trade payables, partly offset by a € 32 million payment to the Dutch pension fund.

Cash flow from acquisitions/divestments

Cash flow from acquisitions and divestments was € 39 million negative (2006: nil). This relates predominantly to the acquisitions of BREVA in Belgium, Bryant in the USA and Kolorits and SIA Energo in Latvia.

Net senior debt

Group net senior debt decreased from € 163 million at year-end 2006 to € 153 million at year-end 2007. The free cash flow was mainly used for dividend payments (€ 58 million);

finance lease repayments (€ 45 million); acquisitions and divestments (€ 39 million) and net purchase of own shares (€ 13 million).

Shareholders' equity

Shareholders' equity at 31 December 2007 was € 1,008 million, an increase of € 187 million compared to 31 December 2006. The main components of this movement were the issue of € 140 million share capital, following the conversion of convertible bonds, the addition of € 156 million net profit of 2007 and a reduction of € 58 million following the payment of dividends over 2006 and interim dividend over 2007 results.

Capital ratio

The capital ratio (equity/total assets) improved from 31.2% end of 2006 to 36.9% end 2007.

Gearing

Our gearing (net interest bearing debt/equity) improved from 49.6% at the end of 2006 to 26.1% end 2007.

Shares outstanding

The number of shares outstanding at 31 December 2007 was 585,522,250. The weighted average number of ordinary shares outstanding in 2007 was 577,345,820.

Objective 2009

If Hagemeyer N.V. were to continue as a stand-alone company we would currently expect to achieve a Return on Invested Capital (ROIC) for our PPS activities of around 12% in 2009, well within the 11% - 15% range that we communicated as an objective in the 3rd Quarter Trading Update in October 2007.

PPS ROIC model [1]

(in € millions) 12 months rolling	2005		2006		**2007**	
Net revenue	5,193	100%	5,824	100%	6,010	100%
Organic revenue growth	5.4%		11.6%		4.0%	
Gross profit	1,179	22.7%	1,321	22.7%	1,362	22.7%
Operating expenses [3,4]	(1,112)	(21.4%)	(1,150)	(19.7%)	(1,173)	(19.5%)
Operating result [4]	67	1.3%	171	2.9%	189	3.1%
Pro forma tax charge 26%	(17)	(0.3%)	(44)	(0.7%)	(49)	(0.8%)
NOPAT [4]	**50**	**1.0%**	**127**	**2.2%**	**140**	**2.3%**
PPS ROIC [2]	**3.3%**		**8.2%**		**9.1%**	
13 months rolling						
Average invested capital	**1,505**	**29.0%**	**1,541**	**26.5%**	**1,527**	**25.4%**
Average working capital	652	12.6%	696	12.0%	693	11.5%
Average capitalized goodwill [5]	609	11.7%	614	10.5%	606	10.1%
Average other assets	244	4.7%	231	4.0%	228	3.8%

1 *As compared to a current Weighted Average Cost of Capital (WACC) of 8% (9% at year-end 2006)*
2 *Net operating profit after taxes (excluding change-of-control-related costs in 2007) / average invested capital*
3 *Including corporate expenses and other expenses*
4 *Excludes costs resulting from change of control in 2007 and exceptional items in 2005 and 2006*
5 *At historic cost, excluding amortization*

Professional Products and Services (PPS)*

Key data *(before change-of-control-related costs) (in € millions)*	**2007**	2006
Net revenue	6,010	5,824
Organic revenue growth (same number of working days basis)	4.0%	11.6%
Gross profit	1,362	1,321
Gross margin	22.7%	22.7%
Operating expenses	(1,176)	(1,172)
Operating expenses as % of net revenue	(19.6%)	(20.1%)
Other operating (expenses)/income	3	(0)
Operating result	189	149
Operating margin	3.1%	2.6%
Average net working capital	693	696
Average net working capital as % of 12 months revenue	11.5%	12.0%

* *including corporate expenses of € 22 million in 2007 and € 26 million (including € 5 million exceptional costs) in 2006*

Net revenue

In 2007, net revenue for the PPS business amounted to € 6,010 million, compared to € 5,824 million in 2006. The net effect of acquisitions and divestments was € 66 million positive. Foreign exchange rate movements led to a revenue reduction of € 102 million.

Organic growth

Organic growth in our core PPS business in 2007 was 4.0% or € 222 million in 2007 (2006: 11.6%). Copper price fluctuations did not have a noticeable impact on our revenue, unlike in 2006 when they accounted for a revenue increase of approximately 7%.

The organic growth of 4.0% is almost exclusively attributable to price increases, of which the largest part was non-copper-cable-related. The organic growth in HY1 was 5.8% (with some help from copper price increases and mild winter weather in Q1), decreasing to 2.8% in Q3 and 2.0% in Q4. This growth reduction coincides with a lowering of the price component of organic growth during the year. In Q4 a slowdown of residential construction activity became noticeable in Europe and in the USA. Our emerging market operations have shown solid revenue growth throughout the year.

Gross margin

Our PPS gross margin remained flat compared to 2006, with minimal fluctuation between HY1 and HY2. Our 2006 gross margin was supported by a positive inventory effect, caused by copper-cable price increases. This benefit did not recur in 2007. We have been able to improve our underlying trading margins for copper cable and other product groups.

Operating expenses

PPS operating expenses as a percentage of revenue improved by 50 basis points, from 20.1% in 2006 to 19.6% in 2007. Compared to 2006, the increase of our underlying PPS cost base was limited to € 5 million. This excludes the effect of acquisitions and divestments, foreign exchange rate movements and general inflation and related salary increases. In the UK the project to streamline our logistics network and other efficiency and cost-saving measures are on schedule. In the USA our cost levels were tailored to the lower revenue level. HY2 2007 also saw an acceleration of cost saving activities in other countries.

Operating result

The PPS operating result increased by € 40 million (+27%) from € 149 million (including € 22 million exceptional items) in 2006 to € 189 million in 2007, representing an operating margin improvement of 50 basis points to 3.1%. This 2007 operating result excludes change-of-control-related costs of € 10 million. Changes in copper cable prices had an insignificant net inventory effect in 2007, whereas the estimated non-recurring 2006 positive inventory effect was between € 30 and € 35 million. Excluding this one-off positive inventory effect for 2006, our operating result increased between € 70 million (+59%) and € 75 million (+66%). Acquisitions and divestments led to an increase in our operating result of € 1 million; foreign exchange rate movements caused a decrease of € 1 million.

Net working capital

The net working capital to revenue ratio for the PPS business improved by 50 basis points, from 12.0% in 2006 to 11.5% in 2007. The main driver for improvement was a better inventory ratio, achieved after the introduction of our non-performing inventory analysis tool. A further contribution came from an improved trade payables ratio as a result of better payment terms with suppliers.

Professional Products and Services Europe

Key data *(before change-of-control-related costs) (in € millions)*	**2007**	2006
Net revenue	4,231	3,948
Organic revenue growth (same number of working days basis)	5.9%	12.8%
Gross profit	950	895
Gross margin	22.5%	22.7%
Operating expenses	(785)	(775)
Operating expenses as % of net revenue	(18.6%)	(19.6%)
Other operating (expenses)/income	0	1
Operating result	165	121
Operating margin	3.9%	3.1%
Average net working capital	438	432
Average net working capital as % of 12 months revenue	10.4%	10.9%

In Europe, we have organized our PPS business into four regions:

- Central Europe, comprising Germany, the Netherlands, Belgium, Switzerland, Austria and the Czech Republic;
- Nordics, comprising Sweden, Norway and Finland. Our operations in China, Russia, Poland and the Baltic States report into the Nordics region;
- UK and Ireland;
- Southern Europe, which comprises Spain.

Net revenue

In 2007, net revenue was € 4,231 million, an increase of € 283 million as compared to 2006. Acquisitions and divestments increased revenue by € 62 million; foreign exchange rate movements led to a decrease of € 4 million.

Organic revenue growth

For the full year, organic revenue growth was 5.9%. The HY1 growth rate was 9.3%, slowing down to 2.9% in HY2. Reduction in the growth pace in the latter part of the year is due to lower residential construction activity and to a high comparison base in 2006 (Nordics, Germany).

Gross margin

Gross margin decreased 20 basis points from 22.7% in 2006 to 22.5% in 2007. This gross margin reduction resulted mainly from the non-recurrence of the 2006 inventory gain due to higher copper prices. Other contributions to the lower gross margin were the increasing share of lower-margin emerging markets in our revenue as well as a shift in product-mix in the Nordics and Spain. Gross margins have improved in most of our product groups in 2007.

Operating expenses

Compared to 2006, operating expenses were € 20 million lower as a result of the non-recurrence of exceptional costs in 2007. Acquisitions and divestments raised operating expenses by € 12 million. Inflation-driven cost increases were € 15 million; foreign exchange rate movements led to a decrease of € 1 million. The underlying cost increase was € 4 million. New branch openings and expansion of the sales force in certain countries, as well as the build-up of our RDC network in Spain have led to higher costs. Underlying cost decreases have been achieved in Germany and particularly in the UK as a result of a cost reduction programme.

Operating result

The PPS Europe operating result improved by € 44 million (+ 36%) from € 121 million in 2006 (after € 19 million exceptional costs) to € 165 million in 2007. Acquisitions and divestments had a positive result of € 2 million; the impact of foreign exchange rate movements on operating result was minimal. The inventory effect related to copper price fluctuations was insignificant in 2007.

Net working capital

Average net working capital as a percentage of net revenue improved from 10.9% in 2006 to 10.4% in 2007. This is the result of a better performance in inventory and trade payables, partly offset by an increase in the trade receivables ratio.

UK

In 2007 the UK organization entered a transition phase. Many major issues have been resolved and improving the quality and structure of the organization in all functional areas was our key priority. Major focus was on improving cost efficiency, gross margin and working capital productivity. Organic growth for 2007 was a modest 0.1% (HY1: 2.1% positive; HY2: 1.9% negative). This is mainly the result of Hagemeyer UK continuing to be selective in accepting low-margin business. Deliberate decisions were taken not to accept low-margin, high-service cost projects. We also experienced a slowing down in the market segments where Hagemeyer UK is active. Beside this, the completion of the large Terminal 5 project at Heathrow Airport, the bankruptcy of a large customer and a one-off export order in the oil sector in 2006 had a material adverse impact on 2007 sales growth. In total these facts reduced growth by nearly 2%.

The UK gross margin has been further increased by the implementation of new pricing schemes and the identification and improvement of low-profitability accounts by means of our activity based costing (ABC) tool. The implementation of our cost reduction programme is on schedule; year-end headcount was 6% below prior year and the cost of IT and freight was brought down.

The UK operation continued its efforts to further strengthen and professionalize its organization with the appointments of a new Logistics Director as well as several new Area Directors: in a number of sales areas performance was down year-on-year and remedial action, including personnel changes, has been taken.

A concept for the previously announced further streamlining of the UK's logistics network has been successfully tested at the Regional Distribution Centre in Avonmouth. The project entails the regional bundling of pick & pack and delivery resources. Once fully implemented, this restructuring will result in a significant reduction of the warehouse and delivery costs at branch level. Inventory productivity will also significantly improve. The same concept is already successfully operating in the German organization. The nationwide roll-out in the UK is expected to be completed by the end of 2009. The first effects of these programmes have already been realized in HY2 2007 with productivity increases in the pilot area Avonmouth as well as in several locations around the UK, leading to cost savings versus prior year and therefore positively impacting the 2007 operating profit.

This brings the full year 2007 operating result for the UK to £ 7 million (€ 11 million), an improvement on last year's £ 4 million (€ 6 million) (before exceptional items) despite sales being flat on prior year for the reasons mentioned above.

Central Europe

In **Germany** Hagemeyer was again able to expand its strong position in 2007, growing above market average. Organic revenue growth reached 5.2% (HY1: 8.3%; HY2: 2.7%). Revenue growth was lower than in 2006 due to the absence of significant copper price increases and of the year-end 2006 sales boost fuelled by the VAT increase. Residential construction is slowing down, which affects to some extent our C&I business; this was more than compensated by our successful push for more industrial business. With additional innovative concepts and more resource dedication to industry we were able to expand our customer base and grow our revenue above average in the industrial segment. In close cooperation with our key suppliers in the field of installation we are regaining above-market growth. Growth was also supported by expanding our branch network over the last years (three new outlets in 2007) as well as by the strengthening of our logistics capabilities.

Gross margin in Germany also improved compared to 2006. This is the result of initiatives on the sell side (ABC analysis of customer results; staff training in margin management) and on the buy side (introduction of category management; bundling of purchasing volumes).

Productivity improvements in all areas of the company, the introduction of credit insurance and the reduction of building rents through contract renegotiation, helped to reduce the cost ratio. Higher volumes, better margins and a lower cost to sales ratio have led to a substantial improvement in operating result in Germany.

Our operations in **Switzerland**, **the Netherlands** and **Austria** showed a combined organic revenue growth of 9.3% (HY1: 11.1%; HY2: 7.5%) and reported a strong profit growth. We are particularly satisfied with the successful integration of BREVA in **Belgium**, acquired in January 2007. BREVA has been meeting our expectations in growth and profitability from the start.

Nordics

Hagemeyer occupies the leading position in the Nordic region through its Elektroskandia companies. In 2007 the region grew its revenue organically by 9.4% (HY1: 15.1%; HY2: 4.7%). The growth pace is somewhat lower than in 2006, which is due to the winding down of some very large low-margin contracts.

Operating profit further improved as a result of volume increases and better cost ratios, in spite of investments in resources for the fast-growing markets in China, Russia and Poland.

The market in the mature countries **Sweden**, **Norway** and **Finland** showed a declining growth rate over the year. This is largely explained by C&I customers in many places lacking further resources to handle an increasing demand. At the same time a slowdown in investments in the utility and telecom sectors has been noted.

Our operations in the emerging markets **China**, **Russia**, **Poland** and the **Baltic States** which all report into our Nordics organization, continue to grow rapidly. Especially China and Russia have been growing fast. We have been able to improve our position there as the largest foreign electrical wholesaler through large investments in our sales force and infrastructure. In Poland we have implemented a new ERP system and plans are in preparation for a new central warehouse. In 2007 we opened 12 new branches in these emerging markets.
We have further strengthened our position in the Baltic countries. In **Latvia** we have moved to a market leader position through two acquisitions in the second half of the year.

Spain

We further increased our market share in Spain. The beginning of a decline in residential construction activity in Spain has not kept us from achieving an organic revenue growth of 10.1% (HY1: 13.3%; HY2: 7.0%). Projects in public lighting and solar panels were the main drivers of our revenue growth. A continued strong increase of our revenue from industrial customers has helped to bring our customer portfolio more in balance. Our operating result in 2007 has been increased by higher volumes and a better cost ratio.

The new Regional Distribution Centres in Madrid and Barcelona are operating successfully and have contributed to improved service and inventory productivity. A third Regional Distribution Centre is under construction in Andalusia and will become operational in HY2 2008.

Professional Products and Services North America

Key data *(before change-of-control-related costs) (in € millions)*	**2007**	2006
Net revenue	1,280	1,407
Organic revenue growth (same number of working days basis)	(1.6%)	9.0%
Gross profit	292	317
Gross margin	22.8%	22.5%
Operating expenses	(265)	(274)
Operating expenses as % of net revenue	(20.7%)	(19.5%)
Other operating (expenses)/income	1	0
Operating result	28	43
Operating margin	2.2%	3.1%
Average net working capital	205	220
Average net working capital as % of 12 months revenue	16.0%	15.7%

Hagemeyer's North American region consists of the USA, Canada and Mexico. In contrast to our other regions, approximately 85% of our North American PPS business is in the industrial market, with the balance generated by sales to Construction and Installation (C&I) contractors. In the USA, our C&I business is concentrated in the south-east and mid-Atlantic. Our Canadian and Mexican businesses sell exclusively to Industry users, many active in the oil industry. A significant part of our US business consists of Integrated Supply contracts, often managed on site. Our offer here is much broader than just electrical parts and supplies as it also includes a wide range of safety and other non-electrical Maintenance, Repair and Operations (MRO) products. Hagemeyer occupies a prominent position in the North American market for safety and industrial MRO products and is one of the leaders in the US Integrated Supply market.

Net revenue

Net revenue in 2007 was € 1,280 million, down from € 1,407 million in 2006. Foreign exchange rate movements had a negative impact of € 108 million. Acquisitions and divestments increased revenue by € 4 million.

Organic revenue growth

For the full year, organic revenue growth was 1.6% negative. The HY1 growth rate was 4.6% negative, improving to 1.7% positive in HY2, where we saw positive growth in the three countries in our North American region.

Gross margin

Gross margin improved by 30 basis points, up from 22.5% in 2006 to 22.8% in 2007. This improvement was mainly the result of better pricing management in the USA, the weeding out of unprofitable contracts and a shift in revenue mix towards medium-sized industrial customers, where we have a higher gross margin.

Operating expenses

Operating expenses decreased from € 274 million in 2006 to € 265 million in 2007. Exchange rate movements reduced operating expenses by € 22 million. Inflation and related salary increases resulted in an increase of € 9 million; acquisitions and divestments raised operating expenses by € 1 million. Operating expenses increased by € 4 million as a result of the elimination of exceptional income from 2006. The underlying decrease in operating expenses was € 1 million.

Operating result

Operating result for the North American region decreased from € 43 million in 2006 (after € 5 million in exceptional income) to € 28 million in 2007. Foreign exchange rate movements reduced the operating result by € 2 million.

Net working capital

The net working capital to revenue ratio went up from 15.7% in 2006 to 16.0% in 2007. The increase is due to a lower trade payables ratio in the USA, where improvement in processes have reduced cycle times for invoice processing and payment float time, bringing payments to vendors back to agreed terms. The inventory ratio was reduced following a reduction of stockholding for Integrated Supply customers.

USA

Organic revenue growth in the USA was 2.7% negative in 2007 (HY1: 5.5% negative; HY2: 0.3% positive). The expiration and non-renewal of two government contracts early in the year accounted for 1.5 percentage points of the decrease, with the remainder due to the winding down of some unprofitable large MRO customers and reduced levels of activity with a few large Integrated Supply customers, particularly in the automotive industry.

The C&I business achieved modest growth for the full year, despite having a high comparison base from 2006. Growth in this segment was realized primarily in project business related to non-residential construction.

Gross margin improved in the USA as a result of better pricing management and control and a favourable shift in customer mix. Operating costs have been reduced in line with the lower volume in MRO and Integrated Supply.

The lower sales could not be sufficiently offset by an improved gross margin and a controlled cost development. This, in combination with a weaker US dollar, has led to a lower operating result in 2007.

The project to consolidate our IT systems has been substantially completed. The business has been re-aligned into three units (MRO, Integrated Supply and Construction and Installation), a move that will increase focus on each unit's respective customers in order to better serve them.

The above was accomplished in an increasingly challenging economic environment. The housing crisis in the USA and the ensuing credit crunch, combined with high oil prices, has slowed growth across most sectors of the economy. Combined with some major contract losses, this made top-line growth the most challenging aspect of the business in the USA.

Canada

Canada achieved small organic revenue growth for 2007. However, revenue growth improved during the second half of the year. Gains in the resource-based industries in Western Canada were partly offset by closures of two unprofitable branches in Eastern Canada and the significant decline in the conventional oil and gas drilling market in Alberta.

Mexico

After a slow start of the year, Mexico reported a healthy organic revenue growth for the full year 2007. Revenue growth came both from the oil and gas sector and from our branch-based business.

The branch network has been strengthened to better serve the middle market customers and enable the company to increase penetration of MRO products into its already strong safety product offering.

Professional Products and Services Asia-Pacific

Key data *(before change-of-control-related costs) (in € millions)*	**2007**	2006
Net revenue	499	469
Organic revenue growth (same number of working days basis)	3.3%	10.4%
Gross profit	120	109
Gross margin	24.0%	23.2%
Operating expenses	(104)	(97)
Operating expenses as % of net revenue	(20.8%)	(20.7%)
Other operating (expenses)/income	(0)	0
Operating result	16	12
Operating margin	3.3%	2.5%
Average net working capital	64	64
Average net working capital as % of 12 months revenue	12.8%	13.6%

Hagemeyer Australia is our largest PPS operation in the Asia-Pacific region and one of the leading electrical products distributors in Australia. Under the Australian business, Hagemeyer established start-up operations in Singapore, Malaysia and Thailand, to service global customers in these countries.

Net revenue

Net revenue in Asia-Pacific increased by € 30 million, up from € 469 million in 2006 to € 499 million in 2007. Foreign exchange rate movements made revenue go up by € 10 million; there was no impact from acquisitions and divestments.

Organic growth

Organic growth was € 20 million or 3.3% in 2007 (HY1: 7.0% positive; HY2: 0.1% negative).

Gross margin

In spite of an increased share of the Southeast Asian (lower gross margin) companies in our Asia-Pacific revenue, the region's gross margin substantially improved from 23.2% in 2006 to 24.0% in 2007. In Australia several pricing initiatives and a focus on preferred-supplier sales were the key drivers of this improvement.

Operating expenses

Operating expenses for PPS Asia-Pacific increased from € 97 million (including an exceptional income of € 1 million) in 2006 to € 104 million in 2007. Foreign exchange rate movements and inflation caused cost increases of € 2 million and € 3 million respectively; there were no acquisition/divestment-related effects. The underlying cost base increased by € 1 million.

Operating result

Operating result improved to € 16 million in 2007, compared to € 12 million in 2006. The operating margin in Asia-Pacific increased further from 2.5% in 2006 to 3.3% in 2007.

Net working capital

The net working capital ratio for PPS Asia-Pacific improved by 80 basis points, from 13.6% in 2006 to 12.8% in 2007, caused by better management of inventories, trade receivables and payables.

Australia

Our Australian operation experienced a slow-down in the residential construction market. In the commercial construction sector we have chosen to walk away from very low margin business. Overall we have been able to maintain market share in Construction and Installation, while improving our gross margins.

In the industrial segment, the mining boom remains the key driver of growth. Solid growth was booked with industrial customers after the ramping up of a number of large contracts.

Southeast Asia

Our Southeast Asian emerging market operations in Singapore, Malaysia and Thailand perform Integrated Supply services for industrial customers. This part of the business continued to grow exponentially in 2007.

Agencies / Consumer Electronics (ACE)

Key data *(before change-of-control-related costs) (in € millions)*	**2007**	2006
Net revenue	434	404
Organic revenue growth (same number of working days basis)	9.1%	10.2%
Gross profit	123	119
Gross margin	28.3%	29.5%
Operating expenses	(103)	(102)
Operating expenses as % of net revenue	(23.7%)	(25.3%)
Other operating (expenses)/income	0	1
Operating result	20	18
Operating margin	4.6%	4.5%
Average net working capital	68	74
Average net working capital as % of 12 months revenue	15.8%	18.4%

Hagemeyer's ACE business consists of three operations, all active in the areas of importing, marketing and distribution of consumer electronics and/or branded products in certain countries.

- Distribution of Panasonic products in the Netherlands. Consumer electronics form the largest part of this business;
- The distribution of consumer electronics and other branded products in Australia. Examples here are JVC consumer electronics and the top Italian white goods brand SMEG;
- The distribution of luxury goods, such as watches, fashion products and cosmetics in Hong Kong, China, Taiwan Korea and Micronesia. Examples are: Bally, Rolex, Bruno Magli and Porsche Design. Our luxury business operates more than 50 retail stores in these countries.

Net revenue

Net revenue of the ACE activities in 2007 was € 434 million, an increase of € 30 million compared to 2006. Divestments had a negative impact of € 5 million; foreign exchange rate movements had a minimal effect.

Organic growth

Organic growth for 2007 amounted to € 35 million or 9.1% (HY1: 4.5%; HY2: 13.0%). The price erosion in some consumer electronics categories in our businesses was more than offset by significant volume growth, in particular in our Panasonic business in the Netherlands.

Gross margin

Gross margin decreased from 29.5% in 2006 to 28.3% in 2007. This was mainly caused by a negative revenue mix effect. In addition, the share of lower-gross-margin business in the Netherlands in the total ACE revenue increased due to strong growth in this country.

Operating expenses

Operating expenses increased from € 102 million in 2006 (including € 2 million exceptional expenses) to € 103 million in 2007. Divestments and foreign exchange rate movements decreased operating expenses by € 2 million and € 1 million respectively. Cost increases related to salary and inflation amounted to € 3 million. The underlying operating expenses went up by € 3 million; the cost-to-revenue ratio improved from 25.3% in 2006 to 23.7% in 2007.

Operating result

Operating result increased from € 18 million in 2006 to € 20 million in 2007. A higher operating result in our agency businesses in the Netherlands and Australia was partly offset by a lower operating result in our Asian retail business. The impact of foreign exchange rate movements and divestments was minimal.

Net working capital

The net working capital ratio for the ACE business decreased from 18.4% in 2006 to 15.8% in 2007. Better trade receivables and trade payables ratios were achieved by all businesses. A second factor of importance is the increased share of the Panasonic business in the Netherlands, which has a lower NWC ratio, in the total ACE business.

The Netherlands

Our Panasonic business in the Netherlands showed strong growth, driven by flat TV screens and digital still cameras. We achieved market share gains in these product categories.

Australia

Sales in our Australian ACE operation were slightly down on last year. The main contributing factors were the scaling down of our New Zealand business to an agency model and the weaker project housing market in Sydney and Melbourne. Thanks to a better gross margin, our Australian ACE business succeeded in improving its operating results compared to 2006.

Asia

Sales in our luxury goods retail business suffered from ongoing supply and quality problems with one of the brands, leading to our decision to stop cooperation with the supplier. We lost an important cosmetics agency at the end of 2006. New agencies were acquired in skincare products, lifestyle products and watches.

Corporate governance

At Hagemeyer good corporate governance is seen as essential to the interests of its shareholders and other stakeholders. Hagemeyer is therefore committed to integrity and transparency in every aspect of its business, to proper supervision of its business conduct, and accountability to its stakeholders.

The Netherlands Corporate Governance Code (the Code) forms the basis for our governance structure. Hagemeyer is in compliance with the Code, with currently only four exceptions (see below). The Code requires us to report on our governance structures and any developments on an annual basis. Any material changes to our current governance structure will be submitted to shareholders as a separate agenda item in the shareholders' meeting.

Capital structure

Hagemeyer's authorized capital amounts to eight hundred and ten million euros (€ 810,000,000). It is divided into six hundred and seventy-five million (675,000,000) shares with a nominal value of one euro twenty euro cents (€ 1.20) each. Each share confers the right to cast one vote. At 31 December 2007, the number of outstanding shares amounted to 585,522,250. Shares are freely transferable. One shareholder had reported holdings greater than 5% of the total issued Hagemeyer share capital on 31 December 2007.

General Meeting of Shareholders

In line with the Code's provisions and best practices, the Supervisory Board and Board of Management report to shareholders at least once a year at the Annual General Meeting of Shareholders. Annually, not later than in the month of June, the annual meeting shall be held. The General Meetings of Shareholders shall be convened by notice given by the Supervisory Board or the Board of Management. The notice convening the meeting shall be given no later than on the fifteenth day prior to the date of the meeting and shall specify the subjects to be discussed. The Board of Management is authorized for an indefinite period of time to determine a registration date as referred to in section 119 of Book 2 of the Dutch Civil Code.

Shareholders representing, individually or in aggregate, at least 1% of the issued capital of Hagemeyer or representing, individually or in aggregate, at least a value of € 50 million according to the Official Price List of Euronext Amsterdam N.V., have the right to request the Board of Management or the Supervisory Board to place items on the agenda of the General Meeting of Shareholders.

Resolutions of the General Meeting of Shareholders shall be passed on the basis of an absolute majority of votes cast, unless a greater majority is required by law or by the articles of association. The General Meeting of Shareholders has important powers, such as decisions on statutory changes and legal (de)mergers. It adopts the financial statements and profit appropriation. Furthermore, it has the power to appoint, suspend or dismiss members of both the Supervisory Board and the Board of Management. A majority of at least two-thirds of the votes cast, representing more than half of the issued capital, is required to negate a binding nomination of the Supervisory Board to appoint members of the Board of Management and Supervisory Board. Similarly, any appointment, suspension or removal of members of the Board of Management and Supervisory Board, other than proposed by the Supervisory Board, requires a shareholders' resolution based on a majority of at least two-thirds of the votes cast, representing more than half of the issued capital. Proposals of the Supervisory Board to appoint, suspend or remove members of the Board of Management and Supervisory Board require a shareholders' resolution based on an absolute majority of the votes cast. In addition, the General Meeting of Shareholders adopts Hagemeyer's remuneration policy and the remuneration of the Supervisory Board and resolves to an amendment of the articles of association. A resolution by the General Meeting of Shareholders to amend the articles of association other than on proposal of the Board of Management requires a majority of two-thirds of the votes cast representing more than half of the issued capital.

Supervisory Board

Hagemeyer's Supervisory Board is charged with the supervision of the Board of Management, the Group's general progress and that of its operating companies. It supervises the proper execution of risk management and internal control structures and financial reporting, and legal and regulatory compliance. It further decides on the individual remuneration of Board of Management members according to policies approved by the General Meeting of Shareholders. Responsibility for the proper execution of its tasks is vested collectively. However, there are two Supervisory Board committees – the Audit Committee and Remuneration Committee – that report directly to the full Supervisory Board. The Chairman of the Supervisory Board is responsible for the proper functioning of both the Board and its committees. The Supervisory Board's profile, size and composition reflect the expertise required to supervise the Hagemeyer Group's activities. The profile and composition are reviewed regularly. Biographies of Supervisory Board members can be reviewed on page 37 and page 38.

Board of Management

Responsibility for managing the Group is vested collectively with the Board of Management, which currently comprises a Chief Executive Officer and a Chief Financial Officer. Accountabilities include, but are not limited to, setting and achieving business objectives through strategy and policy, risk management, control, financing and regulatory compliance, and the day-to-day management of the Group. The Board of Management is also charged with the management of Hagemeyer's operating companies around the world. For this purpose, the CEOs of the six PPS regions and the three ACE operations report directly to the CEO in the Board of Management, whereas the CFOs of the six PPS regions and the three ACE operations have a direct functional reporting line to the CFO in the Board of Management. Each of the operations in the countries we operate in has been allocated to one of the PPS regions or ACE operations.

The approval of the Supervisory Board shall be required for resolutions of the Board of Management regarding inter alia (a) a participation in or merger with another company and the termination of such participation or merger and (b) the entering into loan agreements through an issuance of debentures. The approval of the General Meeting of Shareholders shall be required for resolutions of the Board of Management regarding an important change of the identity or the character of the company or the enterprise, including (a) the transfer of the enterprise or almost all of the enterprise to a third party, (b) the entering into or termination of long-lasting cooperation between Hagemeyer and another legal person or company, or as fully liable partner of a general or limited partnership, if this cooperation or termination is of far-reaching importance to Hagemeyer and (c) the acquisition or divestment by Hagemeyer of an interest in the capital of a company with a value of at least one-third of the amount of the assets reflected in Hagemeyer's consolidated balance sheet and explanatory notes.

Issuance of shares

Shares shall be issued (including any grant of share subscription rights) pursuant to a resolution of the Board of Management, subject to approval of the Supervisory Board. The duration of this authority shall be established by the General Meeting of Shareholders and shall be for a period of a maximum of five years. The number of shares which may be issued shall also be established by the General Meeting of Shareholders. The current authority of the Board of Management expires on 24 October 2008 and is limited to ten percent (10%) of the issued capital.

Pre-emptive rights

Each holder of shares shall have a pre-emptive right on any issuance of shares (including any grant of share subscription rights) pro rata to the aggregate amount of his shares. He shall, however, have no pre-emptive rights with respect to shares issued for non-cash contribution or shares issued to Hagemeyer employees. The pre-emptive right may be restricted or excluded by the Board of Management, subject to approval of the Supervisory Board. This authority shall terminate on the date of termination of the authority of the Board of Management to issue shares.

Own shares

Subject to approval of the Supervisory Board, Hagemeyer may acquire fully paid-up shares in its own capital, either for no value or if (a) the distributable part of the shareholders' equity is at least equal to the purchase price and (b) the nominal amount of the shares to be acquired or already held by Hagemeyer does not exceed one-tenth of the issued capital. Acquisitions of own shares not by gratuitous title may only take place if the General Meeting of Shareholders has authorized the Board of Management thereto. This authorization shall remain valid for a maximum period of eighteen months. The current authority of the Board of Management expires on 24 October 2008 and is limited to the acquisition of shares for a consideration of at least one euro cent (€ 0.01) and not exceeding the stock exchange price increased by ten percent (10%). No authorization shall be required for the acquisition of shares in Hagemeyer's own capital in order to transfer such shares to Hagemeyer employees in accordance with an employee participation scheme.

The Board of Management is, subject to approval of the Supervisory Board, authorized to grant (conditional) shares under employee share plans. In principle, such grants are subject to achieved performance criteria. As from 2007, Hagemeyer has abolished its employee stock option schemes.

Financial statements, annual report, profits

The Board of Management shall prepare the financial statements and annual report, both of which shall be in the English language. The financial statements shall be audited by the auditor appointed by the General Meeting of Shareholders. The financial statements shall be adopted by the general meeting. The Board of Management shall annually determine what part of the profit is to be appropriated to the reserves. Any part of the profits remaining shall be at the disposal of the General Meeting of Shareholders. Dividend distributions shall be made after the adoption of the financial statements. The Board of Management may decide to pay an interim dividend.

Change of control

In the event of a change of control, our senior debt facility becomes immediately due and payable. Holders of subordinated convertible bonds may in such a case opt for conversion of their bonds or for early redemption. Also, in the case of a change of control, certain distribution and agency agreements in our ACE business may be terminated or amended, members of the Board of Management (see page 4 for more details) and certain Executive Committee members are entitled to a severance payment, and the number of shares acquired by 'ShareMap' participants will be matched proportionately with time and as if the maximum target had been achieved; in such a case, matched shares will be paid in cash. In accordance with the respective terms and conditions of the other share-based incentive schemes, the Supervisory Board has decided that all outstanding entitlements under these schemes will be settled in cash upon completion of the offer by Rexel. Except for agreements and regulations related to the future governance of Hagemeyer (see page 26) following completion of Rexel's offer, there are no other agreements which come into existence or may be amended or terminated in the case of a change of control and whose effect could reasonably be expected to have a material adverse effect on our business, operations, property and condition (financial or otherwise).

Compliance with the Netherlands Corporate Governance Code

This Code for Dutch listed companies became effective on 1 January 2004 and is generally considered to be one of the most comprehensive codes worldwide. The point of departure is the 'apply or explain' principle, which means Dutch listed companies must either apply the Code or explain any non-compliance. At the Annual General Meeting of Shareholders in 2005, Hagemeyer's corporate governance policies were discussed and the subsequent necessary amendments to its articles of association and charters were approved. All relevant documents can be reviewed on our website, www.hagemeyer.com, under Corporate Governance.

The Supervisory Board continues to monitor Hagemeyer's corporate governance practices on the basis of the principles and best practices laid down in the Code.

Hagemeyer complies with all the Code's principles and best practice provisions, with the current exception of only four best practice provisions:

Best practice provision II.1.1

Maximum term of appointment of members of the Board of Management is four years

Hagemeyer complies with one exception. CFO Mr Tiemstra was appointed for an indefinite period before the Code came into effect. His existing contract will be honoured.

Best practice provision II.2.7

Severance payments to members of the Board of Management

Currently, in certain circumstances, severance payments to members of the Board of Management are not limited to the annual gross base salary. For full details of Hagemeyer's policy on severance arrangements please refer to the Remuneration report on pages 39 to 44.

Best practice provision III.5

Establishment of a Supervisory Board Selection and Nomination Committee

No such committee has been established as the Supervisory Board considers the selection and nomination of members of the Board of Management as a collective responsibility.

Best practice provision IV.1.1

Required majority to negate a binding nomination for the appointment of members of the Board of Management and Supervisory Board or a resolution to dismiss members of the Board of Management and Supervisory Board

As described above on page 24, any resolution of the general meeting to appoint, suspend or remove a member of the Board of Management or Supervisory Board, other than as proposed by the Supervisory Board, requires a majority of two-thirds of the votes cast representing more than half of the Company's issued capital. The Supervisory Board and Board of Management believe that it is not advisable to lower these thresholds. It is deemed to be in the interest of Hagemeyer's stakeholders that at least half of the issued capital and a sufficiently qualified majority of the votes cast support such resolution.

Future Governance

In connection with Rexel's offer for Hagemeyer's issued and outstanding shares Rexel and Sonepar agreed to implement a specific corporate governance framework within Hagemeyer as soon as possible after completion of Rexel's offer. This corporate governance framework will remain in place for a limited period of time. Thereafter it will be replaced by a corporate governance framework to be determined by Rexel. For further details, please refer to paragraph 5.14.5 of the Offer Memorandum dated 21 December 2007.

Human resources

Development of number of employees

In 2007 the number of full-time equivalent (FTE) employees at Hagemeyer increased from 17,519 to 18,047 at year-end. This net increase of 528 employees consisted of:

- 395 employees who joined Hagemeyer as a result of acquisitions (mainly in Belgium, Latvia and the USA;
- 583 newly created jobs, mainly in our PPS activities in Finland (branch openings), Eastern Europe and China (substantial growth of activities) as well as in Mexico (new commenced industrial contracts); and
- a reduction of 407 employees in the UK (247 employees) and the USA (160 employees) due to efficiency improvements in the branch network, logistical restructuring and reduced industrial contracts. In addition, we divested a business activity in the USA (43 employees).

59% of our employees work within the PPS operations in Europe and China, 28% in North America and 8% in the Asia-Pacific region. The ACE activities employ 5% of our total number of employees.

International HR, training and management development

The international HR committee, consisting of the six regional HR directors of our PPS business, met a number of times in 2007. In their meetings a variety of HR-related topics were discussed, such as the implementation of an international development programme for high potentials, recruitment of new talent, performance evaluation and remuneration, internal communication, sustainability and social indicators, and the streamlining of employee satisfaction measurement systems with the help of a renowned external benchmarking firm in this field.

'Summit', the Hagemeyer international management development programme which was initiated in 2006 in co-operation with Tias Nimbas Business School in the Netherlands was successfully rounded off in 2007. In this global programme, 45 senior managers of the Group focused on acquiring new knowledge, knowledge-sharing and practical project work. The last module of the programme of four modules, each lasting three to four days, was organized in April 2007 in the Netherlands. It finished with an internal award ceremony for the best group work on assigned strategic topics.

Sustainability

In 2007, Hagemeyer took a number of new, specific steps with respect to sustainability.

Sustainability champions were appointed for each of the six PPS regions to ensure that sustainability gets as broad a basis as possible throughout the Group. This group of champions, consisting primarily of regional HR directors, discussed how to best shape Hagemeyer's future sustainability policy. The input from meetings with senior procurement managers was also taken into account. Based on the outcome of these discussions, the role of the various people involved in sustainability was clearly defined. The organizational set-up and progress of Hagemeyer's sustainability initiatives were standing items on the agenda of the regular meetings of our Executive Committee in 2007.

Building on existing sustainability reporting tools, a more concrete and structural framework was determined for reporting on sustainability performance indicators. The Global Reporting Initiative (GRI) framework served as a guiding principle, but was not adopted in its entirety. The starting point in determining the final set of economic and social performance indicators was that they should fit into the existing financial and management reporting procedures as far as possible. Reporting on certain new social indicators was tested at the half-year mark and modified where necessary.

In 2007, Hagemeyer also initiated reporting on certain environmental indicators. These indicators were developed, determined and defined in consultation with internal operating company experts, and a reporting system was set up aimed at ensuring data reliability and consistency.

Environmental indicators that are most relevant to Hagemeyer include those on:

- use of packaging materials and paper;
- energy and CO2 (on location and in transport of goods);
- waste;
- collection and recycling of used products; and
- certification of environmentally related management systems (ISO 9001).

Hagemeyer also tested its business principles for compatibility with its new environmental policy, resulting in some minor changes to the business principles.

A supplier code was drawn up to clarify Hagemeyer's role in the area of sustainable behaviour in the supply chain. This code was distributed to our largest global suppliers, who were asked to sign the code. The response to this initiative, which should be followed up at other levels within the organization, was very positive.
To better prepare procurement managers for their meetings with suppliers, they were provided with subjects of possible discussion on the topic of sustainability.

In the course of the year, we also took some initial exploratory steps towards establishing a policy and defining actions on community involvement at Group level, in addition to already existing initiatives at local operating company level.

Due to Rexel's offer for Hagemeyer, all steps and reporting as described above have been suspended, pending the outcome and further course of action during the possible take-over and integration process.

Risk management

Within our risk management and internal control framework, we have identified the following main risks that could have a material impact on Hagemeyer's ability to achieve its corporate objectives in case Hagemeyer were to continue as a stand-alone company. These are strategic and operational risks, various kinds of financial risks and litigation risks.

Strategic and operational risks

Competitors may take actions to establish and sustain competitive advantage over the Group. Competition from small local competitors, with a non-comparable cost structure, may increase, while aggressive price-cutting by competition to gain market share may impact both our volumes and gross margin. Suppliers may take actions to change their channel to the market by reducing the role of wholesalers, which may impact our volumes and related gross profit. Furthermore, the industry may lose its attractiveness as a result of an economic downturn in the markets in which Hagemeyer operates. Hagemeyer's PPS business is affected by several cycles, including construction and seasonal cycles.

In this respect, Hagemeyer is particularly affected by possible changes in the European and US economies, which account for 67% and 17% of net revenue respectively. The Agencies/Consumer Electronics (ACE) division is impacted by levels of consumer confidence and seasonality in the consumer electronics market and other markets in which our ACE business operates, but also by the possibility that brand owners might terminate one or more of their distribution and marketing relationships with Hagemeyer at short notice.

By the nature of its business, the Hagemeyer PPS business is subject to the impact of operational gearing, whereby a relatively limited change in its revenue or gross margin levels can materially impact its results, due to the relatively fixed nature of its operational and other costs: at current levels of PPS profitability a change of 5% in PPS gross profit, e.g. as a result of a similar change in PPS revenue, can lead to a change of around 30% in PPS operating result. If this change would be negative this can strongly limit the amount of net senior debt available within the constraints of our current net senior debt/EBITDA covenant and other covenants within our current senior debt facility.

Hagemeyer is highly dependent upon the proper functioning of its information and communication systems, notably its enterprise resource planning systems and their related functionality. These systems are continuously being improved and upgraded, whereby great care is taken to assure business continuity and avoid any disruption of ongoing business processes. Nevertheless, it cannot be ruled out that disruptions may occur as a result of malfunctioning of ongoing systems and/or in systems that are being, or have been, improved or replaced.

In several of the markets it operates in, Hagemeyer is in the process of optimizing its logistical structure. This might imply changes to the composition and location of its product portfolio, including the development, closure and/or opening of new distribution centers and/or branches. These transitional activities can lead to periods of higher operating expenses as well as higher working capital and lower customer service and related revenue in the markets that are affected by these transitional activities.

As part of its strategy, Hagemeyer intends to acquire small and medium-sized distributors of electrical parts and supplies and industrial MRO (Maintenance, Repair & Operations) products. Although these companies will be carefully screened before acquisition, difficulties might occur in the integration of operations, technologies, products and personnel of the acquired entity. In addition, there might be undisclosed and/or unknown liabilities of the acquired entity that might lead to expenses or diversion of management attention.

These strategic risks may have a damaging effect on our operational business in several ways. If they occur, it may also be difficult for us to retain qualified personnel or to fully staff all of our employee positions. The inability to sustain operations, provide essential products and services or recover operations following a major disaster (due to either internal or external causes) could damage the Group's financial strength and performance, as well as its ability to obtain funding. Similarly, insufficient customer service and/or understanding of customer expectations, as well as ineffective and inefficient logistic processes, could have a material adverse effect on our business, financial condition and results of operation.

Financial risks

Risks related to the value and expected gross profit from articles in economic inventories

The financial performance of Hagemeyer can also be affected by movements in the value and expected gross profit from those articles for which it has price exposure. This concerns all economic inventories, i.e. physical inventories owned by Hagemeyer, as well as goods that have been ordered at agreed prices from suppliers, but have not yet been received by Hagemeyer or invoiced to customers. These movements in value can for instance be caused by obsolescence, as well as by fluctuations in the prices of raw materials such as copper, aluminum and steel, in the case that these raw materials form an important part of the cost price of products in our economic inventories. An example of the latter situation is the possible impact that fluctuations in the price of copper might have on the value of our economic inventories in copper cable and/or the achievable gross profit. The impact of these fluctuations on our results will depend upon their phasing and magnitude, as well as on commercial conditions in the various countries and markets we operate in. Hagemeyer does not consider it to be cost-efficient to hedge these risks. For further information on our financial risk management, including sensitivities, please refer to note 25 under 'Notes on the Consolidated Financial Statements'.

Risks related to debt financing

In certain circumstances the impact of Hagemeyer's operational gearing could possibly lead to a default situation in its financial facilities, as a declining EBITDA might lead to a situation where the related covenant ratios could no longer be met. This could lead to a situation that would require Hagemeyer to repay debt before its originally scheduled maturity.

Hagemeyer tries to manage this risk by targeting its key covenant ratios, such as net senior debt divided by EBITDA, as well as the interest cover ratio, to remain at levels that allow for reasonable levels of adverse fluctuations in the components of these covenant ratios.

If a default situation were, however, to occur to the extent that we would have to seek to replace or refinance our current indebtedness, that replacement or refinancing may not be available on terms that are favorable to us, including the possibility of new and restrictive covenants.

Currency and interest risks

In 2007 Hagemeyer's non-euro operations constituted approximately 67% of consolidated net revenue. Currencies that may have the largest impact on our consolidated income statement and balance sheet include the US dollar, the Swedish and Norwegian crown, the British pound and the Australian dollar.

As the reporting currency is the euro, movements versus the euro in the currencies of non-euro countries in which we operate can have an impact on revenue, operating results and other items in the Group's income statement. We do not hedge the currency exposure of expected non-euro results or operating cash flow. However, a negative impact of exchange rate movements on the euro value of net revenue and gross profit in a certain currency is often accompanied by a favorable impact on the euro value of related costs and expenses, and vice versa.

Currency risk exposure on trading transactions is limited as most of our products are purchased and sold in the same currencies. Currency forward contracts with terms of up to one year are used for most of the trading transactions that are exposed to currency risks.

As market prices of some raw materials, such as copper, are quoted in US dollars, currency movements versus the US

dollar might influence purchase prices in non-US dollar currencies of certain products. We do not hedge against these currency movements.
Currency movements can also impact the value of our assets, liabilities, equity and related balance sheet ratios. Translation differences in equity are not hedged, but the impact of possible currency movements on assets is mitigated by financing through debt in corresponding non-euro currencies.

Hagemeyer currently aims to have between 25%-75% of the non-current portion of external borrowings at fixed interest rates. At the year-end 2007, around 47% of our net external debt was structured as debt at fixed interest rates, mainly by the fixed coupon on the outstanding € 135 million convertible bond and by using interest rate swaps to hedge against floating rates. On top of the interbank offered rates, we pay an interest spread that is determined by a pricing grid that is primarily set by the level of net senior debt divided by EBITDA.

Risks related to pension plans

Hagemeyer is involved in a number of defined benefit pension plans, the largest of which cover the majority of our employees in the Netherlands and the United Kingdom. Defined benefit pension accruals in respect of our UK plan ended on 5 April 2002, and the plan thereafter continued as a defined contribution pension plan. The defined benefit accrual before 5 April 2002 still shows a funding deficit. Our pension plan assets principally consist of long-term interest-earning investments and listed equity securities, with approximately 32% of the Dutch plan assets and approximately 65% of the UK plan assets consisting of equity securities. Future market developments may affect assets of our defined benefit pension plans and the plans' compliance with mandatory coverage ratios, causing higher pension charges, pension premiums and contributions payable. In addition, defined benefit pension plans are also sensitive to interest rates, price inflation and other actuarial risks. Future adverse developments in these areas may require us to make significant contributions to certain existing pension plans. In 2007 a one-off contribution of € 32 million was made by Hagemeyer N.V. to the Dutch fund Sagittarius as part of a new financing agreement, which reduces these risks for Hagemeyer N.V. amongst others by eliminating the minimum solvency ratio guarantee of 110% that was part of the previous financing agreement.

Litigation risks

Hagemeyer is involved in a number of legal proceedings, some of which, if adversely concluded, could require the payment of substantial amounts, which could have a material adverse effect on our financial condition and operating results. Although we believe that we have sound legal grounds to defeat all of these claims, we have established provisions for a limited number of these claims, which, as litigation is inherently unpredictable, might prove insufficient to cover them. Regardless of the outcome of a particular claim or claims, litigation may also result in substantial costs and expenses and significantly divert the attention of management.

Risk management

Managing these and other risks forms an integral part of Hagemeyer's business operations.
The Board of Management is responsible for the design, implementation and operation of the Group's risk management and internal control framework. The Board of Management actively manages, to the extent possible, the strategic, financial and operational risks facing the Group. Our risk management and internal control framework includes setting of objectives, event identification, risk assessment and risk response, such as the implementation of business continuity plans and adjustments of financial structures.

The main components of our risk management and internal control framework include:

- Periodical risk identification reviews;
- Regular strategic evaluations of our business (including analyses of operational, legal and regulatory risks);
- Annual budgets;
- Frequent and periodic cash flow forecasting;
- Monthly and quarterly financial reporting;
- Quarterly performance forecasting;
- Regular financial review meetings with operational management;
- Regular performance meetings with operational management;
- Regular meetings with senior corporate staff;
- Quarterly letters of representation which are issued by all our operating companies and signed by their CEOs and CFOs;
- Reports of our Internal Audit department;
- Management letters and audit reports provided by the external auditor;
- Follow-up actions on fraud reports;

- Regular health and safety surveys of our distribution centers and branches;
- The Hagemeyer Business Principles;
- A Whistleblower Policy;
- Business Continuity Plans, focusing on ICT (Information and Communication Technology) processes and logistical processes, notably warehouses.

In 2007 the roll-out of the Hagemeyer Internal Control Standards (HICS) programme was continued. When fully implemented, HICS will provide our operating companies with a self-assessment programme for the minimally required internal controls of the 6 key processes in our business:

- Revenue to collection;
- Procurement to payment;
- Inventory management;
- Human resources and payroll;
- Financial reporting;
- Information and Communication Technology.

The HICS programme will enable operational improvement, further improve the quality of management information, assist in the prevention of fraud, reduce costs of internal and external audits, improve transparency in the organization and support compliance with laws and regulations.

During the reporting year the HICS programme was substantially implemented at our major operating companies in the USA, the UK, Germany, Sweden, Spain and Australia. The control assessments performed at our operating company in the USA identified a number of internal control weaknesses. These weaknesses are being addressed.
In 2008 and beyond, the HICS programme will be further implemented and internal controls for the above key processes will be further improved if and where necessary.

Business Continuity Plans are now in place in the majority of our operations to secure maximum prevention of possible disruption of our key business enablers ICT and logistics. These plans focus on optimal preparation to limit the negative operational and financial impact such disruption could have. These Business Continuity Plans will be continuously updated and tested regularly.

All material findings of our risk management and internal control systems are shared with the Audit Committee and, where relevant, with the Supervisory Board.

It should be noted though that no risk management framework can ever provide absolute assurance regarding achievement of corporate objectives, nor can it provide an absolute and total guarantee that material errors, losses, fraud or violation of laws or regulations will not occur.

In control statement

The Board of Management is responsible for the design, implementation and operation of the Group's risk management and internal control systems. These comprise policies, processes, tasks, behaviors and other aspects of the Group that, taken together, facilitate the achievement of objectives and prevent or ensure early identification of potential material errors and losses and misrepresentation of circumstances.

Our risk management and internal control systems can, however, never provide absolute assurance regarding the achievement of corporate objectives, or entirely prevent material errors, losses, fraud or violation of laws or regulations from occurring.

As part of our risk management and internal control systems, we have continued the implementation of the Hagemeyer Internal Control Standards (HICS) programme during the reporting year. We currently intend to implement and monitor these compulsory minimum control standards for all relevant business processes, as well as procedures for recurrent risk and control assessments, and a reporting structure on the assessment of results. Internal control deficiencies identified through these assessments are being addressed.

Taking into account the above-mentioned constraints, our risk management and internal control systems give a reasonable degree of certainty during the year that the financial reporting does not contain material inaccuracies. We have no reason to believe that these systems have not functioned properly during 2007 and at this moment there are no indications that the systems would not function properly in 2008 if Hagemeyer were to continue as a stand-alone company. The above-mentioned risk management and internal control systems also provide insight into the extent to which strategic and operational objectives are realized and laws and regulations are complied with.

We discuss our risk management and internal control activities and main findings with the Audit Committee and, where relevant, the Supervisory Board on a regular basis.

Naarden, 20 February 2008

Board of Management
R.W.A. de Becker, *CEO*
J.S.T. Tiemstra, *CFO*

Report of the Supervisory Board

The Supervisory Board of Hagemeyer N.V. herewith submits the 2007 financial statements prepared by the Board of Management. These statements comprise the following:

- The consolidated income statement for the year ended 31 December;
- The consolidated balance sheet as at 31 December;
- The consolidated statement of changes in equity for the year ended 31 December;
- The consolidated statement of cash flows for the year ended 31 December;
- The Company income statement for the year ended 31 December;
- The Company balance sheet as at 31 December;
- The Company statement of changes in equity for the year ended 31 December;
- The notes to the financial statements.

These statements have been audited by Deloitte Accountants B.V., whose Auditors' Report can be found on page 110 and page 129. We concur with these documents and recommend the Annual General Meeting of Shareholders to adopt the 2007 financial statements accordingly.

No dividend proposed

In August 2007 the Board of Management declared an interim cash dividend of € 0.04 per share, which was paid on 10 September 2007. In connection with the pending offer by Rexel no closing dividend will be proposed, unless Rexel's offer is not completed by 27 April 2008, in which case a closing dividend in cash of € 0.05 per share will be proposed. In combination with the interim dividend paid, this would lead to a total pay-out ratio of around 34% of net result.

Report on the 2007 Annual General Meeting of Shareholders

At the Annual General Meeting of Shareholders ('the Meeting') held on 24 April 2007, the 2006 financial statements were adopted, and the dividend proposal was approved. The members of the Supervisory Board and the Board of Management were discharged from liability. The Meeting said farewell to Mr D.G. Eustace.

The Meeting appointed Deloitte Accountants B.V. as external auditor charged with the audit of the 2007 financial statements. The proposed amendments of the Remuneration Policy with respect to the members of the Board of Management were discussed and approved. The Meeting also approved the proposed amendment of the articles of association.

Supervisory Board working structure

The Supervisory Board is charged with the supervision of the Board of Management, the general course of Hagemeyer's affairs and related business. It further provides advice and expertise. The Supervisory Board's tasks include, but are not limited to:

- Monitoring progress with regard to the achievement of Hagemeyer's strategic and business objectives;
- The strategy and risks inherent to the Group's business activities;
- The structure and operation of risk management and internal control systems.

Responsibility for the proper performance of the Supervisory Board's duties is vested collectively. In performing its duties, the Supervisory Board acts in accordance with the interests of the Group and its businesses, taking into consideration the interests of all stakeholders. Its working method is fully in compliance with the Dutch Corporate Governance Code (the 'Code'). Hagemeyer's Supervisory Board has two dedicated committees: the Audit Committee and the Remuneration Committee. Both report to the full Supervisory Board. A Selection and Nomination Committee has not been established, as the Supervisory Board considers the selection and appointment of Board of Management members to be a collective responsibility.

Report on working method

In 2007 the Supervisory Board and the Board of Management met six times according to the meeting schedule for regular meetings.

Attendance regular Supervisory Board meetings

	Regular Supervisory Board meetings 2007					
	19 February	24 April	6 June	15 August	26 October	10 December
A. Baan	*	*	*	*	*	*
D.G. Eustace [1]	*	*	n.a.	n.a.	n.a.	n.a.
M.P.M. de Raad	*	*	*	*	*	*
R. van Gelder	*	*	-	*	*	*
R.M.J. van der Meer	*	*	*	*	*	*
P.H.J.M. Visée	*	*	*	*	*	*

[1] *Retired in the AGM of 24 April 2007*

In these regular meetings the Group's business operations were reviewed, including Hagemeyer's key strategies, the Group's activities in relation to general and financial risks, and the operation of the risk management and internal control systems. In addition, the refinancing of Hagemeyer's senior credit facility and succession planning for senior management were discussed, as were the 2006 financial statements to be presented to shareholders, the PPS financial objectives for 2007 and 2009, monthly reports, the trading update for the first quarter of 2007, the interim report for 2007, the trading update for the third quarter of 2007, Hagemeyer's strategic plan 2008-2010 and the annual budget for 2008. Developments in all regions were closely monitored, with specific attention to the UK and the USA. In addition, there was frequent consultation between the Chairman of the Supervisory Board and the Board of Management.

Furthermore, the Supervisory Board had a large number of meetings with the Board of Management and the respective advisers to discuss the offers of Sonepar and Rexel, resulting in a recommended cash offer of Rexel for Hagemeyer of € 4.85 per share.

The Supervisory Board met several times in the absence of the Board of Management to, inter alia, discuss its own functioning and that of its individual members and the Audit Committee and the Remuneration Committee, the remuneration of the members of the Board of Management and the succession of Mr R.W.A. de Becker. The Supervisory Board concluded that it is functioning satisfactorily and that it continues to meet the composition criteria of the Supervisory Board Profile. The functioning of the Board of Management and its individual members was also evaluated. The Supervisory Board concluded performance to be satisfactory.

Audit Committee in 2007

On behalf of the Supervisory Board to which it reports, this Committee's responsibilities include the supervision of the Board of Management on the operation of the risk management and internal control systems, the provision of financial information by Hagemeyer, the Group's policy on tax planning, its financing, the use of information and communications technology and pension matters. It also proposes external auditors to the Annual General Meeting of Shareholders and evaluates their activities and performance. The Audit Committee met three times in 2007 with the CFO, the Group Controller, the head of Internal Audit and the external auditor. Topics that were discussed included the 2006 financial statements, the 2007 interim report, the 2008 budget, Hagemeyer's financial situation, the management letters and the risk management and internal control systems. The Committee met three times with the external auditor in the absence of the Board of Management.

Remuneration Committee in 2007

This Committee's responsibilities include making proposals to the Supervisory Board on the Remuneration Policy for members of the Board of Management and the remuneration of the individual members of the Board of Management. The Remuneration Committee met four times in 2007 and discussed, inter alia, amendments to ShareMap and the change-of-control policy for members of the Board of Management, Mr Zekhuis' remuneration following his appointment as COO and the treatment of the share based employee incentive schemes in case of a change of control.

Remuneration Policy

The objective of Hagemeyer's Remuneration Policy is to provide terms of employment which attract, retain and motivate top-class executives for the Board of Management, who can drive the business forward, thereby continuously improving the results and increasing the value for the shareholders and whose terms of employment reward their performance in accordance with Hagemeyer's (long-term) strategy. The Supervisory Board, through the Remuneration Committee, implements the Remuneration Policy and determines, based on this policy, the remuneration of the individual members of the Board of Management. The Supervisory Board is of the opinion that the Remuneration Policy and the remuneration of the Board of Management are competitive and effective. For more details on the Remuneration Policy and the remuneration of the Board of Management, please refer to the Remuneration report 2007 on pages 39 to 44 and note 36 to the consolidated financial statements.

Composition

During the Annual General Meeting of Shareholders of 24 April 2007, Mr D.G. Eustace retired as Vice chairman and member of the Supervisory Board, after having fulfilled two four-year terms. Mr M.P.M. de Raad succeeded Mr Eustace as Vice chairman of the Supervisory Board. As the Supervisory Board is of the opinion that the size of five members is sufficient to perform its regulatory duties, the vacancy resulting from Mr Eustace standing down was not filled.

Other developments

The Supervisory Board declares, in line with the Code's best practice II.3.4 and III.6.3 principles, that, to the best of its knowledge, there were no conflicts of interest during the reporting year. Each Supervisory Board member is independent within the meaning of best practice provision III.2.2 of the Code. No member represents any group or organization.

For further information on the Company's performance during the reporting year 2007, please see the report of the Board of Management.

Naarden, 20 February 2008

Supervisory Board

A. Baan, *Chairman*
M.P.M. de Raad, *Vice chairman*
R. van Gelder
R.M.J. van der Meer
P.H.J.M. Visée

Supervisory Board of Hagemeyer

	Year of initial appointment	Year of reappointment	Committee membership
A. Baan *(Chairman)*	2005	2009	Remuneration Committee
M.P.M. de Raad *(Vice chairman)*	2004	2008	Audit Committee
R. van Gelder	2005	2009	Audit Committee (chair)
R.M.J. van der Meer	2006	2010	Remuneration Committee (chair)
P.H.J.M. Visée	2006	2010	Audit Committee

A. Baan | 1942, Chairman

Appointed in 2005; due to stand down in 2009

Former member of the Board of Management of Royal Philips Electronics N.V.

Dutch national

Hagemeyer shares at 31 December 2007: none

Other notable positions

- Chairman of the Supervisory Board of Wolters Kluwer N.V.
- Chairman of the Supervisory Board of Koninklijke Volker Wessels Stevin N.V.
- Chairman of the Trustoffice of Kasbank N.V.
- Member of the Supervisory Board of Océ N.V.
- Chairman of the Supervisory Board of Authority Financial Markets
- Chairman of Dockwise Ltd.

M.P.M. de Raad | 1945, Vice chairman

Appointed in 2004; due to stand down in 2008

Former member of the Board of Management of Koninklijke Ahold N.V., Metro A.G. (Germany), SHV Holdings N.V. and CEO of SHV Makro N.V.

Dutch national

Hagemeyer shares at 31 December 2007: 2,620

Other notable positions

- Vice chairman of the Supervisory Board of CSM N.V.
- Member of the Supervisory Board of HAL Holding N.V.
- Member of the Supervisory Board of Vion N.V.
- Member of the Supervisory Board of Vollenhoven Olie Groep B.V.
- Chairman of the Supervisory Board of the Jeroen Bosch Hospital ('s-Hertogenbosch, the Netherlands)

R. van Gelder | 1945

Appointed in 2005; due to stand down in 2009
Former Chairman of the Executive Board of Royal Boskalis Westminster N.V.
Dutch national
Hagemeyer shares at 31 December 2007: none
Other notable positions

- Member of the Supervisory Board of SBM Offshore N.V.
- Chairman of the Supervisory Board of Altera Vastgoed N.V.
- Board member of Vereniging Effecten Uitgevende Ondernemingen (VEUO)
- Board member of Stichting Nederland Maritiem Land
- Member of the Supervisory Board of Holcim Western Europe S.A.S.

R.M.J. van der Meer | 1945

Appointed in 2006; due to stand down in 2010
Former member of the Board of Management of Akzo Nobel N.V.
Dutch national
Hagemeyer shares at 31 December 2007: none
Other notable positions

- Chairman of the Supervisory Board of Imtech N.V.
- Member of the Supervisory Board of ING Bank Nederland N.V. / ING Verzekeringen Nederland N.V.
- Chairman of the Supervisory Board of Energie Beheer Nederland B.V.
- Chairman of the Supervisory Board of Gazelle Holding B.V.
- Member of the Supervisory Board of James Hardie Industries N.V.

P.H.J.M. Visée | 1961

Appointed in 2006: due to stand down in 2010
Group Treasurer Unilever PLC / N.V.
Dutch National
Hagemeyer shares at 31 December 2007: none
Other notable positions

- Member of the Advisory Committee of Unilever Pension Fund 'Progress'
- Member of the Supervisory Board of Unilever Insurances N.V.

Remuneration report

Remuneration Committee and Policy

Remuneration Committee

The Remuneration Committee is responsible for making proposals to the Supervisory Board on the remuneration policy and the remuneration of the individual members of the Board of Management.

The Remuneration Committee consists of Mr R.M.J. van der Meer (Chairman) and Mr A. Baan. Mr R.M.J. van der Meer was appointed on 24 April 2006.

The Chairman of the Board of Management is invited to attend the Remuneration Committee meetings. The Chairman of the Board of Management does not attend the meetings when his personal remuneration is being discussed.

The Remuneration Committee seeks professional advice from external advisors if and when required.

The Committee met four times during 2007 and both members of the Remuneration Committee were present at each meeting. Subjects discussed during the meetings were, inter alia, remuneration market practices, gross annual base salary review, bonus determination, amendments to ShareMap and the change-of-control policy for members of the Board of Management, Mr Zekhuis' remuneration following his appointment as COO and the treatment of the share based employee incentive schemes in case of a change of control.

Remuneration Policy

The Supervisory Board, through the Remuneration Committee, implements the Remuneration Policy and determines, based on this policy, the remuneration of the individual members of the Board of Management.

The objective of the Remuneration Policy is to provide terms of employment that attract, retain and motivate top-class executives for the Board of Management who can drive the business forward, thereby continuously improving the results and increasing the value for the shareholders. The Policy is designed in such a manner that the terms of employment reward their performance in accordance with Hagemeyer's (long-term) strategy. The individual remuneration will be composed so as to let the terms of employment be competitive compared to similar arrangements of companies that operate internationally, are based in the Netherlands and are of a comparable magnitude and complexity to Hagemeyer.

In determining the individual remuneration of a member of the Board of Management, the Supervisory Board will, apart from the responsibilities of the role, also take into account elements such as required competencies, skills and performance of the individual.

As the Full Potential strategy of Hagemeyer focuses on further improving its profitability in the medium and long term, the Remuneration Policy links a considerable part of the remuneration to Hagemeyer's (long-term) results. This strengthens the Board member's commitment to Hagemeyer and its financial and operational objectives, and strongly aligns the Board member's interest with that of the shareholders.

The Supervisory Board may, if necessary, deviate from the policy. This may be due to market circumstances or if the application of the policy were to be unreasonable.

Every year, the Remuneration Committee assesses whether an adjustment of the terms of employment would be appropriate in order to guarantee alignment with the strategy of Hagemeyer and of market conformity of the terms of employment.

Any changes to the Remuneration Policy will be submitted for approval to the General Meeting of Shareholders.

Remuneration structure

The remuneration of the members of the Board of Management consists of four main items:

- Gross annual base salary;
- Incentive schemes;
- Share plans;
- Pension.

Gross annual base salary

The level of the gross annual base salary is determined taking into account position-related criteria such as responsibility, scope and complexity, and is based on market developments with regard to gross annual base salaries. The annual review date for the gross annual base salary is 1 January of each calendar year.

Incentive schemes

Short-Term Incentive scheme

On the basis of the Short-Term Incentive (STI) scheme, each year a variable cash incentive can be earned by members of the Board of Management, based on the achievement of pre-agreed and measurable targets. An annual bonus may amount to up to 80% of gross annual base salary and is partly linked to the achievement of planned financial results (50% of gross annual base salary) of Hagemeyer and partly to the personal performance (30% of gross annual base salary) of the individual Board member.

At the beginning of each calendar year, the Supervisory Board determines the bonus targets. The Supervisory Board ensures that the bonus targets complement the strategy of Hagemeyer. The targets will support the objective to not only achieve considerable improvements in profitability, but above all to fulfill the full potential of Hagemeyer. The bonus targets may differ year by year and vary per individual member of the Board of Management.

The Supervisory Board determines, based on advice from the Remuneration Committee, if bonus targets have been achieved. Achievement of the financial targets is determined on the basis of Hagemeyer's audited accounts. The Supervisory Board determines the achievement of personal performance targets on the basis of fact-finding with regard to each specific personal target. The Supervisory Board may take special circumstances into account in determining the achievement of these qualitative targets.

Long-Term Incentive scheme

The Long-Term Incentive (LTI) scheme is a bonus scheme for each rolling three-year period in which a bonus amount is determined 1 year after the start of the bonus period. 50% of this bonus is awarded after two years and 50% of this bonus is awarded three years after the start of the bonus period, subject to the member of the Board of Management still being employed by Hagemeyer. The net LTI bonus shall be invested in the Performance Share Plan as described below.

The LTI bonus of Board of Management members may amount to up to 40% of their gross annual base salary. The LTI bonus is determined on the basis of the achievement of the same predetermined performance criteria as the Short-Term Incentive scheme.

Share plans

Share Matching Plan ('ShareMap')

Starting 2006, members of the Board of Management may participate in a share matching plan, which replaced the stock options plan. The purpose of this plan is to reinforce sustainable performance in line with the Hagemeyer strategy, to more directly align the interests of the members of the Board of Management with those of our shareholders and to create a feeling of ownership and financial commitment by investing in Hagemeyer shares.

Under the terms of this plan, members of the Board of Management annually invest in Hagemeyer shares at market value. As from 2007, participation in the Share Matching Plan has become mandatory, with a minimum investment of 50% of the net LTI. The level of maximum voluntary investment (including the amount of the mandatory investment) is 100% of the gross annual base salary. Subject to continued employment, after three years Hagemeyer will grant an additional number of shares at a multiple ranging between 50% and 200% of the number of shares acquired by the member of the Board of Management ('share matching') depending on the achievement of certain targets in the three-year period, to be set by the Supervisory Board for each plan period. In the case of redundancy, death, retirement, sickness or disability, performance matching shares will vest at the discretion of the Supervisory Board, acting reasonably. In the case of a change of control of Hagemeyer, matching takes place proportionately with time and as if the maximum target award would have been achieved. Matched shares will then be paid in cash.

The initially invested shares will be deposited on a blocked share holding account for a period of three years; the matched shares will be subject to a holding period of two years.

The blocked period of investment shares of three years and the holding period of two years of the matched shares are in line with share matching plans of other internationally operating companies based in the Netherlands.

Of the members of the Board of Management, only Mr Tiemstra participates in ShareMap. As compensation for the fact that Mr. De Becker could not participate in ShareMap (his contract would end 30 April 2008) he will receive a double STI-bonus over 2007 subject to achievement of his personal targets.

Performance Share Plan

Under the Performance Share Plan, the members of the Board of Management build up an ownership of Hagemeyer shares in a structured and transparent way. As such, this plan also supports the alignment of interests of the participating Board of Management members with shareholders' interests.

The net after tax amount of any LTI bonus, at least 50% of the conditional shares received once vested, and at least 50% of the theoretical net after tax profit resulting from the exercise of stock options shall be invested in the Performance Share Plan by the members of the Board of Management. For every two consecutive years of employment a premium equaling 50% of the value of the investment is granted, which after deduction of tax has to be invested in this Plan. This investment does not qualify for any premium. The entitlement to any premium will be cancelled in the case of voluntary resignation or termination for 'cause'.

The shares under the Performance Share Plan may not be sold during employment. Selling is only permitted upon termination of employment.

Up to and including 2007, mandatory and actual participation in the Performance Share Plan applies to Mr Tiemstra.

Stock options

Up to and including 2005, members of the Board of Management participated in a stock option programme. Conditional stock options that were granted by the Supervisory Board on the basis of company and personal performance vest three years after grant date if, on average, 50% or more of the maximum Short-Term Incentive had been achieved during that period. In principle, stock options are cancelled upon termination of employment, except in the case of retirement.

A minimum of 50% of the theoretical net after tax profit resulting from the exercise of stock options shall be invested in Hagemeyer shares under the Performance Share Plan, as described above.

As the stock option programme has been replaced by the Share Matching Plan, no new stock options will be granted to the members of the Board of Management.

Conditional shares

The members of the Board of Management may participate in a share programme. The shares will be awarded by the Supervisory Board on the basis of company and personal performance, and vest three years after grant date only if, on average, 50% or more of the maximum Short-Term Incentive has been achieved during that period. Upon vesting, up to half of the shares may be sold to cover income tax exposure. The net remainder of the shares awarded shall be invested in the Performance Share Plan as described above. Conditional not vested shares are cancelled upon termination of employment, except in the event of retirement.

The annual number of conditional shares offered to the individual members of the Board of Management may amount to up to 100,000 per person per annum.

For Mr De Becker the shares will be unconditionally awarded after one year (instead of three years) if 50% or more of his maximum STI bonus has been achieved in the previous year. These shares do not have to be invested in the Performance Share Plan.

Pension

The pension scheme for the members of the Board of Management is governed by the 'Hagemeyer Bestuurs-regeling 1999' and is an average-pay defined benefit pension scheme. The applicable pension age is 65 years. Variable remuneration elements are not subject to pension accrual.

In individual cases, the Supervisory Board may decide to grant a back-service buy-in to attract and retain the appropriate candidate, should market circumstances demand this.

Additional arrangements

In addition to the elements of the remuneration, a number of benefits apply to the members of the Board of Management, in line with market practice in the Netherlands.

These benefits are:

- A fixed expense allowance for business expenses of net € 570 per month for business expenses not otherwise reimbursed;
- Medical insurance premium contribution;
- Company car;
- Telephone costs;
- Participation in Hagemeyer's disability insurance scheme.

Hagemeyer does not provide personal loans to or guarantee obligations of the members of the Board of Management.

Notice period

In the case that members of the Board of Management would like to terminate their employment contract, a notice period of three months is applicable.

In principle, should Hagemeyer terminate the employment agreement of a member of the Board of Management, a notice period of six months is applicable.

Severance payment

Members of the Board of Management are entitled to a severance payment in the event of a change of control.

Severance payments to members of the Board of Management will be triggered if:

(i) Hagemeyer discontinues their employment following a takeover, merger or any other event in which there is a change of control of Hagemeyer;

(ii) Within one year after a takeover, merger or any other event in which there is a change of control of Hagemeyer, either Hagemeyer or the member of the Board of Management terminates the employment due to a material difference of opinion or due to a material alteration in the powers or responsibilities of the member of the Board of Management.

If Hagemeyer discontinues the employment agreement of a member of the Board of Management in the case of a change of control of Hagemeyer N.V., that member is entitled, apart from his base salary during the notice period and the amount of the built-up but not paid LTI, to a severance payment equal to two times his gross annual base salary on the date on which notice is given of the termination of the employment agreement or, if less, the amount of the base salary for the remainder of the contract period after expiration of the notice period. If the member of the Board of Management terminates his employment agreement in the case of a change of control of Hagemeyer N.V., that member is entitled, apart from the base salary during the notice period and the amount of the built-up but not paid LTI, to a severance payment equal to one time his gross annual base salary on the date on which notice is given of the termination of the employment agreement or, if less, the amount of the base salary for the remainder of the contract period after expiry of the notice period.

The change-of-control severance payment is fully payable on the date of termination of the employment agreement.

In the event of involuntary termination for any other reason than a change of control, the members of the Board of Management are not entitled to claim any previously agreed severance package. This means that, in the case that a member's employment contract is terminated involuntarily, severance compensation will be determined on the basis of the applicable legal regulations, the cause or reasons for the termination, and the salary level and legal position of the party concerned.

Remuneration report

In view of the realization of most of the short-tem business targets and also based on the progress made towards full potential of Hagemeyer, the Supervisory Board is satisfied with the effectiveness of the remuneration policy.

In 2007 the Remuneration Policy was implemented as described below:

Gross annual base salary

Effective January 2007, the gross annual base salary level of the members of the Board of Management was increased by 2%. This increase was based on a correction for the cost of living and was not a position-related adjustment. No other additional gross annual base salary adjustment was implemented.

Board of Management	**Gross annual base salary 2007**
R.W.A. de Becker	€ 677,463
J.S.T. Tiemstra	€ 504,624

Short-Term Incentive

Based on the Remuneration Committee's view on the achievement of the targets for the annual bonus, the 2006 results led to an STI bonus pay-out in March 2007 as indicated below.

Board of Management	**STI Amount**	Percentage of 2006 gross annual base salary
R.W.A. de Becker	€ 531,343	80%
J.S.T. Tiemstra	€ 395,783	80%

The targets applicable in 2006 for the bonus of the members of the Board of Management were based on financial criteria (three targets) and on personal performance criteria (five targets).

The financial targets (maximum 50% of gross annual base salary) were operating result before exceptional items, net result before movement in deferred taxes, and PPS net working capital as a percentage of revenue for both Mr De Becker and Mr Tiemstra.

The personal targets applicable in 2006 (maximum 30% of gross annual base salary) included, inter alia, the implementation of a management development programme, improvement of inventory management, preparation for refinancing, acceleration of external reporting.

Long-Term Incentive

The 2006 performance led the Remuneration Committee to decide to award an LTI bonus of 40% of gross annual base salary.

Board of Management	**LTI Amount**	Percentage of 2006 gross annual base salary
R.W.A. de Becker	€ 265,672	40%
J.S.T. Tiemstra	€ 197,892	40%

Share Matching Plan ('ShareMap')

Mr Tiemstra participates in 'ShareMap 2006' and 'ShareMap 2007'. At 31 December 2007 Mr Tiemstra had invested a total number of 194,410 shares into ShareMap.

Performance Share Plan

In March 2007, the net after tax amount of 50% of the LTI bonus awarded to Mr Tiemstra in 2004 and 2005 was invested in the Performance Share Plan. At the same time the 2004 unconditional shares were invested in Performance Share Plan. The total number of shares invested in the Performance Share Plan at 31 December 2007 is 79,402.

Stock options and conditional shares

At the start of his employment, Mr De Becker was awarded 400,000 conditional shares. After each full year of employment, 100,000 shares will be issued to him, subject to his employment and upon achievement of at least 50% of his annual maximum Short-Term Incentive bonus in the previous year. During 2007, 100,000 Hagemeyer shares were granted to Mr De Becker.

In March 2007, 45,000 conditional shares were granted to Mr Tiemstra.

Consequences in case of successful offer by Rexel

In accordance with the respective terms and conditions of the share based incentive schemes described above, the Supervisory Board has decided that all outstanding entitlements under these schemes shall be settled in cash upon completion of the offer by Rexel. In addition, the Supervisory Board has confirmed to Messrs De Becker and Tiemstra its intention to grant them, upon the completion of Rexel's offer 100,000 and 45,000 conditional shares, respectively, which otherwise would have been granted in March 2008 as part of their respective remuneration packages related to performance in 2007. In practice, this grant will be settled in cash and consequently Messrs De Becker and Tiemstra will receive € 485,000 and € 218,250, respectively.

Mr De Becker's existing change-of-control agreement will expire on 28 February 2008 and will not be extended in light of the expiry of Mr De Becker's current employment agreement on 30 April 2008. Consequently, no severance payment will be due to Mr De Becker in case of successful completion of Rexel's offer.

Mr Tiemstra's current position will effectively cease upon completion of Rexel's offer. Consequently, in accordance with his existing contractual arrangement with Hagemeyer, Mr Tiemstra is entitled to a severance payment equal to two times his gross annual base salary plus an amount in respect of the contractual notice period equal to his base salary, bonuses and customary emoluments, which severance payment in the aggregate equals approximately € 1,740,000. In addition to this severance payment Mr Tiemstra will, as a matter of completion of existing contractual obligations of Hagemeyer receive the amount of the built-up but as yet unpaid long term incentive bonus for the period 2005, 2006, 2007 and 2008 (up to 1 March), equaling approximately € 535,000. In addition, pension contributions agreed in February 2006 and otherwise due in October 2008 and 2009 in the aggregate amount of € 200,000 will be paid.

As Mr Tiemstra's services will be required for a limited transition period following the Settlement Date, Mr Tiemstra will, as requested by Rexel, enter into a new employment agreement with Hagemeyer, the terms and conditions of which are equal to his existing terms and conditions, with the exception of the notice period, which will be one month for Mr Tiemstra and three months for Hagemeyer. Mr Tiemstra's new employment agreement will not contain any severance arrangement and any entitlement to severance in respect of service preceding the Settlement Date will be excluded.

Consolidated financial statements

Contents

[1] *For the year ended 31 December 2007*
[2] *At 31 December 2007*

Consolidated income statement

for the year ended 31 December 2007

(in € thousands)	Notes	2007	2006
Net revenue	28	**6,443,719**	**6,228,203**
Cost of sales		(4,959,031)	(4,788,366)
Gross profit		**1,484,688**	**1,439,837**
Operating expenses	29	(1,289,341)	(1,273,915)
Other operating income / (expense)	30	3,156	710
Operating profit		**198,503**	**166,632**
Share in results of associated companies	6	1,584	2,550
Financial income	31	7,211	13,917
Financial expense	31	(56,809)	(68,508)
Profit before taxes		**150,489**	**114,591**
Tax income / (expense)	32	5,644	24,964
Net profit for the period		**156,133**	**139,555**
Attributable to:			
Equity holders of the parent		156,127	139,553
Minority interest		6	2
		156,133	**139,555**
Earnings per ordinary share (rounded to the nearest Euro cent)	33		
Basic for profit for the year		0.27	0.27
Diluted for profit for the year		0.26	0.25
Weighted average number of ordinary shares outstanding		577,345,820	516,231,499

See accompanying notes on pages 54 to 109

Consolidated balance sheet

at 31 December 2007

(in € thousands)	Notes	2007	2006
Assets			
Non-current assets			
Goodwill	3	505,198	510,569
Other intangible assets	4	25,004	23,139
Property, plant and equipment	5	217,581	207,763
Investments in associates	6	4,475	4,796
Finance lease receivables	8	1,595	2,593
Other non-current financial assets	9	5,364	7,443
Deferred tax assets	21	78,425	68,184
Retirement benefit assets	20	41,215	450
		878,857	**824,937**
Current assets			
Inventories	10	652,063	670,478
Trade receivables	11	1,007,075	1,012,745
Other receivables and prepayments	12	40,679	35,600
Cash and cash equivalents	13	141,656	80,444
		1,841,473	**1,799,267**
Non-current assets classified as held for sale	14	10,857	7,561
		1,852,330	**1,806,828**
Total assets		**2,731,187**	**2,631,765**

See accompanying notes on pages 54 to 109

(in € thousands)	Notes	**2007**	2006
Equity and liabilities			
Equity attributable to equity holders	16	**1,007,980**	**820,996**
Minority interest	17	**101**	**101**
Total equity		**1,008,081**	**821,097**
Non-current liabilities			
Subordinated convertible bonds	18	110,239	105,086
Provisions	19	56,204	51,069
Retirement benefit obligations	20	115,766	131,173
Bank debt	22	281,944	239,558
Finance lease obligations	23	76,425	85,786
Deferred tax liabilities	21	9,570	5,598
Other long-term liabilities		1,586	2,113
		651,734	**620,383**
Current liabilities			
Trade payables and other liabilities	24	1,016,392	997,903
Subordinated convertible bonds	18	-	139,687
Income tax liabilities		20,661	22,067
Provisions	19	21,499	27,115
Short-term debt and current portion of long-term debt	22	12,820	3,513
		1,071,372	**1,190,285**
Total equity and liabilities		**2,731,187**	**2,631,765**

See accompanying notes on pages 54 to 109

Consolidated statement of changes in equity

for the year ended 31 December 2007

	Notes	Attributable to equity holders							
(in € thousands)		Share capital	Share premium	Other reserves	Retained earnings	Profit / (loss) for the period	Total	Minority interest	**Total equity**
Balance at 1 January 2006		**619,429**	**38,920**	**75,741**	**54,853**	**(57,992)**	**730,951**	**-**	**730,951**
Changes in equity for the period 1 January 2006 – 31 December 2006									
Appropriation of 2005 loss		-	-	-	(57,992)	57,992	-	-	-
Unrealized exchange differences on translation foreign operations	16	-	-	(33,724)	-	-	(33,724)	-	(33,724)
Realized exchange differences recognized in the income statement	16	-	-	(7,893)	-	-	(7,893)	-	(7,893)
Net gains / (losses) on cash flow hedges	16	-	-	117	-	-	117	-	117
Revaluation gain taken to equity	16	-	-	1,815	-	-	1,815	-	1,815
Portion of revaluation gain released to income statement	16	-	-	(308)	-	-	(308)	-	(308)
Net income / (loss) recognized directly in equity		**-**	**-**	**(39,993)**	**(57,992)**	**57,992**	**(39,993)**	**-**	**(39,993)**
Profit / (loss) for the period		-	-	-	-	139,553	139,553	2	139,555
Total recognized income and expense for the period		**-**	**-**	**(39,993)**	**(57,992)**	**197,545**	**99,560**	**2**	**99,562**
Share-based compensation plans	35	-	-	2,058	-	-	2,058	-	2,058
Net purchase of shares for share-based compensation plans		-	-	-	(11,638)	-	(11,638)	-	(11,638)
Award of conditional shares to employees	16	120	92	(212)	-	-	-	-	-
Issue of share capital to employees		13	26	-	-	-	39	-	39
Issue of share capital for bond conversion	16	16	19	(9)	-	-	26	-	26
Shares issued to minority interest	17	-	-	-	-	-	-	100	100
Dividends	17	-	-	-	-	-	-	(1)	(1)
Balance at 31 December 2006		**619,578**	**39,057**	**37,585**	**(14,777)**	**139,553**	**820,996**	**101**	**821,097**

See accompanying notes on pages 54 to 109

Continued >

	Notes	Attributable to equity holders							
(in € thousands)		Share capital	Share premium	Other reserves	Retained earnings	Profit / (loss) for the period	Total	Minority interest	**Total equity**
Balance at 1 January 2007		**619,578**	**39,057**	**37,585**	**(14,777)**	**139,553**	**820,996**	**101**	**821,097**
Changes in equity for the period 1 January 2007 – 31 December 2007									
Appropriation of 2006 profit		-	-	-	139,553	(139,553)	-	-	-
Unrealized exchange differences on translation foreign operations	16	-	-	(32,267)	-	-	(32,267)	-	(32,267)
Realized exchange differences recognized in the income statement	16	-	-	(573)	-	-	(573)	-	(573)
Income tax charged directly to equity		-	-	(2,704)	-	-	(2,704)	-	(2,704)
Portion of revaluation gain released to income statement	16	-	-	(247)	-	-	(247)	-	(247)
Net gains / (losses) on cash flow hedges	16	-	-	725	-	-	725	-	**725**
Net income / (loss) recognized directly in equity		**-**	**-**	**(35,066)**	**139,553**	**(139,553)**	**(35,066)**	**-**	**(35,066)**
Profit / (loss) for the period		-	-	-	-	156,127	156,127	6	156,133
Total recognized income and expense for the period		**-**	**-**	**(35,066)**	**139,553**	**16,574**	**121,061**	**6**	**121,067**
Share-based compensation plans	35	-	-	4,630	-	-	4,630	-	4,630
Transfer to short term liability due to change from equity settled to cash settled	35	-	-	(13,283)	-	-	(13,283)	-	(13,283)
Net purchase of shares for share-based compensation plans		-	-	-	(10,133)	-	(10,133)	-	(10,133)
Award of conditional shares to employees	16	-	-	(932)	932	-	-	-	-
Issue of share capital to employees		-	-	(346)	3,473	-	3,127	-	3,127
Issue of share capital for bond conversion	16	88,234	75,260	(23,403)	-	-	140,091	-	140,091
Dividends	17	-	-	-	(58,509)	-	(58,509)	(6)	(58,515)
Balance at 31 December 2007		**707,812**	**114,317**	**(30,815)**	**60,539**	**156,127**	**1,007,980**	**101**	**1,008,081**

See accompanying notes on pages 54 to 109

Consolidated cash flow statement

for the year ended 31 December 2007

(in € thousands)	Notes	**2007**	2006
Operating activities			
Operating profit		198,503	166,632
Adjusted for:			
Depreciation and amortization	29	50,509	45,537
Impairment losses		339	22,534
(Gain) / loss on disposal of property, plant and equipment		(1,988)	(2,255)
(Gain) / loss on disposal of subsidiaries	40	(1,198)	1,578
Increase / (decrease) in provisions		(36,305)	(17,572)
Other non-cash movements		3,562	10,017
Changes in working capital:			
Inventories		2,816	(38,392)
Receivables		(14,245)	(76,159)
Trade payables and other liabilities		39,977	57,527
Operating cash flow		**241,970**	**169,447**
Interest received		3,426	3,673
Dividends received from associates		1,671	1,759
Interest paid and similar charges		(54,765)	(40,108)
Income taxes paid		(25,733)	(21,848)
Net cash from operating activities		**166,569**	**112,923**
Investing activities			
Purchases of property, plant and equipment		(47,927)	(38,659)
Proceeds from sale of property, plant and equipment		36,917	17,787
(Purchases of) / proceeds from intangible assets		(5,918)	(8,096)
Acquisitions of subsidiaries, net of cash acquired	39	(46,353)	(8,546)
Divestments of / (investments in) subsidiaries, participations and other investments		5,767	7,627
Other investments and changes in receivables – net		1,916	630
Net cash from / (used in) investing activities		**(55,598)**	**(29,257)**

See accompanying notes on pages 54 to 109

Continued >

(in € thousands)	Notes	2007	2006
Financing activities			
Proceeds from long-term loans and similar instruments		396,337	-
Repayments of long-term loans and similar instruments		(334,985)	(39,391)
Payments of obligations under finance leases		(45,205)	(38,372)
Proceeds from issue of shares to shareholders		-	39
Purchase of own shares		(16,139)	(7,119)
Proceeds from sale of shares to employees		3,125	1,487
Dividends to shareholders		(58,509)	100
Dividend to minority interests		(6)	(1)
Increase / (decrease) in other non current liabilities		(602)	(292)
Increase / (decrease) in short-term debt		8,040	(4,293)
Net cash from / (used in) financing activities		**(47,944)**	**(87,842)**
Net increase / (decrease) in cash and cash equivalents		**63,027**	**(4,176)**
Change in cash and cash equivalents			
At 1 January		80,444	85,542
Net increase / (decrease) in cash and cash equivalents		63,027	(4,176)
Currency translation effects		(1,815)	(922)
At 31 December	13	**141,656**	**80,444**

See accompanying notes on pages 54 to 109

Notes to the consolidated financial statements

1 General

Hagemeyer N.V. ('the Company') and its subsidiaries ('the Group') is a public limited liability company incorporated and domiciled at Rijksweg 69, 1411 GE Naarden, the Netherlands. The consolidated financial statements, as prepared by the Board of Management, were authorized for issue by the Supervisory Board on 20 February 2008. The consolidated financial statements will be submitted for approval to the General Meeting of Shareholders, which will be held on 28 March 2008.

The principal activities of the Group are described in the Report of the Board of Management.

2 Principal accounting policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU and with Part 9 of Book 2 of the Netherlands Civil Code, effective as at 31 December 2007.

b. Adoption of new and revised Standards

The Group has adopted all new and revised IFRSs and IFRIC interpretations as adopted for use in the EU that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. Adoption of these new and revised Standards and Interpretations did not have any effect on the financial statements of the Group. They did however give rise to additional disclosures.

IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements – Amendments to Capital Disclosures

As of 1 January 2007, the Group adopted IFRS 7 and the complementary amendments to IAS 1. As a result, additional disclosures are made relating to financial instruments and the Group's objectives, policies and processes for managing capital (see note 25). There is no impact on the classification and valuation of the Group's financial instruments.

IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyper-inflationary Economies

IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities has a currency of a hyperinflationary economy as its functional currency, IFRIC 7 has no impact on the financial position or performance of the Group.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract as of 31 December 2007 or 2006, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 10 requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses reversed, the interpretation had no impact on the financial position or performance of the Group.

The Group has not early adopted the other IFRSs and IFRIC interpretations that are not yet effective for 2007. We anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group in the periods of initial application.

c. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments, classified as held for trading, which are stated at fair value.
Unless otherwise indicated, assets and liabilities are carried at their nominal value. Income and expenses are accounted for on an accrual basis.

d. Presentation currency

The consolidated financial statements are presented in Euros, rounded to the nearest thousand.

e. Basis of consolidation

The consolidated financial statements include the financial statements of Hagemeyer N.V. and its subsidiaries as at 31 December of each year. Subsidiaries are those companies over which the Company has control, defined as the power to govern the financial and operating policies so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, until the date of disposal when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All balances, transactions, income and expenses between Group companies are eliminated.
Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

f. Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the combinations.
Any excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the net fair value of the identifiable assets, liabilities and contingent liabilities acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

g. Investments in associates

Associates are those in which the Group holds an interest and is able to exercise significant influence but does not have control over the operations. Investments in associates are accounted for by the equity method of accounting except when classified as held for sale. Under this method, investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The income statement reflects the share of the results on operations of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.
Where a Group company transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses of the associates in excess of the Group's interest in those associates are not recognized unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

h. Foreign currencies

The presentation and functional currency of the Group is the Euro. Each entity in the Group determines its own functional currency based on the primary economic environment in which it operates. Transactions during the year denominated in foreign currencies are translated into respective local functional currencies at exchange rates approximating those prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective local currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising are charged or credited to the income statement. Non-monetary assets and liabilities (measured in terms of historical cost) remain translated at the exchange rate at the dates of the initial transactions.
In order to hedge its exposure on most of its trading transactions that are exposed to foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).
On consolidation, the income statements of foreign entities are translated into Euros at exchange rates approximating those prevailing at the time of the transactions. The balance sheets of foreign entities and the net investments in foreign entities in the Company accounts are translated into Euros at the exchange rates prevailing at the balance sheet date.

Exchange differences arising on translation are credited or charged to a foreign currency translation reserve in equity. Such translation differences are recognized as income or expense upon disposal or liquidation of a foreign entity.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing at the balance sheet date.

i. Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Testing for impairment takes place at least every half year, or more often if there is a triggering event. Any impairment is recognized immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. When the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition (so-called 'negative goodwill'), the excess is recognized directly in the income statement.
Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous Dutch GAAP amounts subject to being tested for impairment at that date. Goodwill arising on acquisitions prior to 1 January 2000 was charged in full to retained earnings.
For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units. An impairment loss results when the recoverable amount of the cash-generating unit (group) to which the goodwill relates is less than the carrying amount of the cash-generating unit (group). Such an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets pro-rata on the basis of the carrying amount of each asset in the unit.

Software

Software is carried at cost less accumulated amortization and accumulated impairment losses if any. Expenditures concerning procured software licenses and the development of software are capitalized as intangible assets and amortized on a straight-line basis over their estimated useful lives, not exceeding 7 years. As far as internally generated software is concerned, only staff expenditures directly related to programming and testing of in-house developed software qualify for capitalization. Indirect expenditures, as well as expenditures for research, implementation, training and data migration are expensed when incurred.

Trade names and customer relationships

Trade names and customer relationships are carried at cost less accumulated amortization and accumulated impairment losses if any. Intangible assets acquired in a business combination are identified and recognized separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value on the date of acquisition. Subsequently, the assets are amortized on a straight-line basis over their estimated useful lives, currently not exceeding 7 years.

The amortization periods of intangible assets besides goodwill are reviewed at least at each financial year-end. Changes in the expected useful life are accounted for by changing the amortization period and treated as accounting estimates.

j. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses if any. Property, plant and equipment not for operational use are carried at the lower of net book value or estimated net recoverable amount (see also note (k) on impairment).
Depreciation is calculated using the straight-line method to write off the cost of individual assets to their residual values over their estimated useful lives as follows:

Buildings	20 - 30 years
Machinery and equipment	5 - 10 years
Motor vehicles	3 - 5 years
IT hardware	3 - 7 years
Leasehold improvements	expected useful life or, where shorter, the term of related lease.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Land is not depreciated.
The assets' residual values and useful lives are reviewed and adjusted if appropriate at each financial year-end. When a major repair or maintenance is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement, if the recognition criteria are satisfied.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is immediately recognized in the income statement.

k. Impairment of tangible and intangible assets, excluding goodwill

At each balance sheet date, the Company assesses whether there are indications that tangible or intangible assets (excluding goodwill) may be impaired. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

l. Non-current assets classified as held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are not depreciated.

m. Other non-current financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The Group currently has no 'held to maturity' investments or 'available for sale' financial assets.

Other non-current financial assets consist of derivatives receivable, receivables, deposits and loans with fixed or determinable payments that are not quoted in an active market. Derivatives are financial assets held for trading and as such are carried at fair value. The other assets are carried at amortized cost using the effective interest method, less impairment losses if any, recorded by means of an allowance account. The effective interest method is a method of calculating the amortized cost of a financial asset (or liability) and of allocating interest income (or expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (or payments) through the expected life of the financial asset (or liability) or, where appropriate, a shorter period.

Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process (based on the effective interest rate).

The Company assesses at each balance sheet date whether receivables and loans are impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the impairment loss is immediately recognized in the income statement.

n. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in first-out method or the weighted average purchase price method. Cost comprises direct materials and all costs incurred to bring the inventories to their present location and condition net of discounts, rebates and bonuses. Net realizable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o. Trade and other receivables

Trade receivables are stated at nominal value less an allowance for uncollectible amounts, if there is objective evidence that the Group will not be able to collect the receivables. Assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis, based on number of days past due. Trade receivables do not carry any interest.

p. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand, as well as short-term deposits with an original maturity of three months or less.

Incoming cheques in transit are included in trade receivables until deposited at banks, at which point they are transferred to cash. Outgoing cheques in transit are included in trade (or other) payables until cleared by the banks. This accounting policy is chosen because it synchronizes the moment of recording cash on the incoming and outgoing side at concrete points in time, not subject to judgment as would be the case if estimates were made as to when other parties receive or issue the cheques. It also reflects operational reality in that creditor / customer financing is recognized as such until the moment that the transaction amounts are added to or deducted from the bank balances.

q. Subordinated convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. This amount is recognized as a liability on an amortized cost basis until extinguished upon conversion or at the instruments' maturity date. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is denominated as the equity component. The 'equity component' was included in non-current liabilities because of Hagemeyer's 'cash alternative election' right in the bond agreement, until 1 December 2005 when the right to this 'cash alternative election' was waived.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly to the income statement. The portion relating to the liability component was capitalized and is amortized over the lifetime of the liability.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt at the date of issuance of the convertible bond to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bond.

r. Bank debt

Financial liabilities are classified as at 'fair value through profit or loss' (only derivative liabilities, see note 2z) or 'other financial liabilities', carried at amortized cost.

Interest-bearing bank debt and overdrafts are initially recorded at the fair value of the consideration received, net of transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

s. Provisions

Provisions are recognized for actual (legal or constructive) obligations, existing at the balance sheet date and arising from past events, for which it is probable that an outflow of resources embodying economic benefits will be required, which can be reasonably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost. Where management expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as an asset only if the reimbursement is virtually certain and the amount of the reimbursement can be measured reliably.

Certain of the Company's subsidiaries provide warranties on products sold. Provision is made for the estimated costs arising under these warranties upon the date of sale of the relevant products.

Provisions for restructuring are recognized when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

t. Retirement benefit assets and obligations

The Company and its subsidiaries maintain pension plans covering the majority of their employees. Pension plans include defined benefit plans and defined contribution plans. Funding policies vary according to local practice and regulations, from fully funded arrangements to unfunded plans. Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed plans are dealt with as payments to defined contribution plans.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations carried out at each year-end for the material plans. Actuarial gains and losses are amortized over the expected average remaining working lives of the participating employees when the net cumulative unrecognized actuarial gains and losses exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at the previous balance sheet date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans. Past service cost is recognized immediately to the extent that the benefits are already vested; otherwise they are amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and past service cost, and as reduced by the fair value of plan assets out of which the obligations are to be settled directly. Any asset resulting from this calculation is limited to past service cost and unrecognized actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan ('balance sheet limit').

u. Taxes

Taxes on income are accrued in the same period as the revenues and expenses to which they relate. Current tax receivables and payables for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are enacted or substantively enacted by the balance sheet date. Provision for taxes, which could arise on the remittance of retained earnings by subsidiaries, is only made when there is a current intention to remit such earnings.

Deferred taxes are recorded, using the liability method, for all temporary differences arising between the carrying values of assets and liabilities for financial purposes and the corresponding tax bases, except for those differences related to investments in subsidiaries and associates where their reversal will not take place in the foreseeable future. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included in equity.

Deferred tax assets, including those relating to the carry-forward of unused tax losses, are recognized to the extent it is probable that future taxable profits will be available against which the unused tax losses or deductible temporary differences can be utilized. The carrying amount is reviewed at each balance sheet date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities settled, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current tax assets and current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The principal temporary differences arise from the obligation to recapture Australian branch losses, convertible bonds, goodwill, depreciation on property, plant and equipment, provisions for doubtful debts, provisions for obsolete stock, provisions for restructuring and other, (provision expenses are only deductible for tax purposes when the actual expenses are incurred) and from tax losses carried forward.

v. Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue, as well as the costs incurred or to be incurred with respect to the transaction, can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates, VAT and other sales-related taxes. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Revenues from the sale of goods are recognized when the significant risks and rewards of ownership have passed to the buyer and when the Group retains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the balance sheet date.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.
The Group's policy for recognition of income from operating leases is described in note x below.

w. Borrowing costs

All borrowing costs are recognized as an expense when incurred.

x. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Contingent rentals are recognized as expenses in the periods in which they are incurred.
Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also allocated over a straight-line basis over the lease term. Contingent rentals are recognized as expenses in the periods in which they are incurred.

y. Share-based payments

The Company issues equity-settled share-based payments to certain employees and management. Equity-settled share-based payments are measured at fair value at the date on which they are granted. The fair value is expensed on a straight-line basis with a corresponding increase in equity over the vesting period (being the period in which the conditions are fulfilled and ending when the employees become fully entitled to the award), based on the Company's estimate of the number of shares that will eventually vest. The fair value of options is measured by use of the Black-Scholes option pricing model. The dilutive effect of outstanding share-based programmes is reflected as additional share dilution in the computation of earnings per share.
All outstanding share-based payment plans are modified to become cash-settled in the event of a change of control. This means that a liability is recognized at the current fair value determined at each balance sheet date. Further details are set out in note 35.

z. Derivative financial instruments and hedge accounting

The Group's activities expose it amongst others to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures for most of its trading transactions that are exposed to currency risks and for a significant part of its borrowings to protect against floating interest rates. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Management, which provide written principles on the use of financial instruments.
Derivative financial instruments are recorded at fair value on the balance sheet. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. Changes in the fair value of derivative financial instruments are recognized in the income statement as they arise unless the instruments qualify for hedge accounting.
The Group designates certain hedging instruments as cash flow hedges. Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to particular risks associated with a recognized asset or liability or a highly probable forecast transaction and which could affect profit or loss. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognized directly in equity and the ineffective portion is recognized immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged interest expenses occur.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the income statement.

The Group's financial risk management policies are set out in note 25.

aa. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Balance sheet and income statement items are adjusted for changes that have no influence upon receipts and payments during the year. Cash and cash equivalents in the consolidated statement of cash flows comprise cash at banks and in hand, as well as short-term deposits with an original maturity of three months or less.

ab. Other

In accordance with Article 2:402 of the Netherlands Civil Code, an abbreviated version of the income statement of the Company is presented.

Non-current assets

3 Goodwill

(in € thousands)	**Total**
Cost	
Balance at 1 January 2006	**630,406**
Additions	7,976
Effect of movement in foreign exchange rates	(28,498)
Balance at 31 December 2006	**609,884**
Balance at 1 January 2007	**609,884**
Additions	21,495
Effect of movement in foreign exchange rates	(32,167)
Balance at 31 December 2007	**599,212**
Amortization and impairment losses	
Balance at 1 January 2006	**(103,952)**
Effect of movement in foreign exchange rates	4,637
Balance at 31 December 2006	**(99,315)**
Balance at 1 January 2007	**(99,315)**
Effect of movement in foreign exchange rates	5,301
Balance at 31 December 2007	**(94,014)**
Carrying amounts	
At 1 January 2006	**526,454**
At 31 December 2006	**510,569**
At 1 January 2007	**510,569**
At 31 December 2007	**505,198**

Acquisitions during the year

Acquisitions of Breva Groep N.V. ('Breva'), Bryant Electric Supply Company ('Bryant'), SIA Kolorits and SIA Energo, as well as certain smaller acquisitions, resulted in additional goodwill of € 21.5 million in 2007. See note 39 for more details.

In 2006, acquisitions of Cardi Belysningsspecialisten AB ('Cardi') and the remaining 50% of shares in EL-Centrum S.A. ('EL-Centrum') resulted in additional goodwill of € 8.0 million. This included € 4.5 million that was previously included in associates.

Impairment testing of goodwill

With the introduction of IFRSs, goodwill is no longer amortized since 1 January 2004. Instead, it was tested for impairment at each half year-end in 2006 and 2007 and it was determined that goodwill was not impaired. No indications or triggering events occurred to require more frequent testing.

The carrying amount of goodwill is allocated to the following cash-generating units (groups):

(in € thousands)	**2007**	2006
PPS North America	174,807	189,189
Hagemeyer Australia	113,809	114,411
A.B.M.	79,963	79,963
Hagemeyer UK	73,407	80,241
Hagemeyer Deutschland	33,677	33,677
Other	29,535	13,088
	505,198	**510,569**

The recoverable amount of the units is based on value-in-use calculations. Those calculations use cash flow projections based on the budget, approved by management, for the coming year, the forecasts for the next four years and extrapolations beyond that using a 0% annual growth rate. A pre-tax Weighted Average Cost of Capital (WACC) of 8% (2006: 9%) has been used to discount the projected cash flows.

The key assumptions on which the cash flow projections are based are as follows:
Per cash-generating unit, local market conditions and actual revenue growth, gross margins and operating expenses achieved in the pre-budget year have been taken into account in the determination of expected revenue growth, gross margins and operating expenses.

4 Other intangible assets

(in € thousands)	Software	Other intangible assets	**Total**
Cost			
Balance at 1 January 2006	**70,793**	**246**	**71,039**
Additions	8,741	-	8,741
Additions through acquisitions	733	4,693	5,426
Disposals	(33,060)	-	(33,060)
Transfer from property, plant and equipment	919	-	919
Effect of movement in foreign exchange rates	(700)	(26)	(726)
Balance at 31 December 2006	**47,426**	**4,913**	**52,339**
Balance at 1 January 2007	**47,426**	**4,913**	**52,339**
Additions	5,922	-	5,922
Additions through acquisitions	777	5,277	6,054
Disposals	(5,103)	-	(5,103)
Transfer from property, plant and equipment	(342)	-	(342)
Effect of movement in foreign exchange rates	(2,359)	261	(2,098)
Balance at 31 December 2007	**46,321**	**10,451**	**56,772**
Amortization and impairment losses			
Balance at 1 January 2006	**(51,337)**	**(246)**	**(51,583)**
Disposals	32,881	-	32,881
Additions through acquisitions	(487)	-	(487)
Amortization	(7,601)	(642)	(8,243)
Impairment	(2,053)	-	(2,053)
Transfer from property, plant and equipment	(19)	-	(19)
Effect of movement in foreign exchange rates	298	6	304
Balance at 31 December 2006	**(28,318)**	**(882)**	**(29,200)**
Balance at 1 January 2007	**(28,318)**	**(882)**	**(29,200)**
Disposals	5,097	-	5,097
Additions through acquisitions	(583)	-	(583)
Amortization	(6,564)	(1,930)	(8,494)
Impairment	(43)	-	(43)
Transfer from property, plant and equipment	(160)	-	(160)
Effect of movement in foreign exchange rates	1,666	(51)	1,615
Balance at 31 December 2007	**(28,905)**	**(2,863)**	**(31,768)**
Carrying amounts			
At 1 January 2006	**19,456**	**-**	**19,456**
At 31 December 2006	**19,108**	**4,031**	**23,139**
At 1 January 2007	**19,108**	**4,031**	**23,139**
At 31 December 2007	**17,416**	**7,588**	**25,004**

In 2006, € 2.1 million was recorded as an impairment loss on software (included in operating expenses). This relates to the full write-off of parts of ERP software in the UK based on value-in-use calculations of the recoverable amount.

The carrying amount of internally generated software is insignificant.

Other intangible assets consist mostly of customer relationships and trade names acquired in business combinations. See note 39 for more details on 2007 acquisitions.

5 Property, plant and equipment

(in € thousands)	Land and buildings	Plant and machinery	Office and computer equipment	Other operating fixed assets	Total
At 1 January 2006					
Cost	187,671	126,875	140,688	33,689	488,923
Accumulated depreciation and impairments	(62,800)	(86,185)	(112,954)	(16,938)	(278,877)
Net book value at 1 January 2006	**124,871**	**40,690**	**27,734**	**16,751**	**210,046**
Net book value at 1 January 2006	**124,871**	**40,690**	**27,734**	**16,751**	**210,046**
Additions through acquisitions	1,534	74	134	206	1,948
Effect of movement in foreign exchange rates	(1,641)	(513)	(429)	(273)	(2,856)
Additions	6,213	11,020	19,475	41,074	77,782
Disposals	(1,966)	(1,204)	(1,244)	(1,465)	(5,879)
Depreciation charge for the year	(9,397)	(10,410)	(10,314)	(7,173)	(37,294)
Impairment loss	(12,164)	(52)	(2,052)	-	(14,268)
Reversal of previous impairment loss	544	-	-	-	544
Reclassification to non-current assets held for sale	(1,950)	(24)	(16)	(20,169)	(22,159)
Reclassifications and transfers to other balance sheet items	3,799	1,085	(1,082)	(3,903)	(101)
Net book value at 31 December 2006	**109,843**	**40,666**	**32,206**	**25,048**	**207,763**
Cost	189,530	121,692	134,136	41,005	486,363
Accumulated depreciation and impairments	(79,687)	(81,026)	(101,930)	(15,957)	(278,600)
Net book value at 31 December 2006	**109,843**	**40,666**	**32,206**	**25,048**	**207,763**
Net book value at 1 January 2007	**109,843**	**40,666**	**32,206**	**25,048**	**207,763**
Additions through acquisitions	10,710	371	253	419	11,753
Effect of movement in foreign exchange rates	(4,166)	(1,211)	(1,121)	(1,049)	(7,547)
Additions	18,026	12,840	12,620	43,062	86,548
Disposals	(2,680)	(319)	(244)	(3,524)	(6,767)
Depreciation charge for the year	(10,426)	(9,208)	(11,942)	(10,438)	(42,014)
Impairment loss	(276)	-	-	-	(276)
Divestments	(2,248)	-	-	-	(2,248)
Reclassification to non-current assets held for sale	(3,002)	-	-	(27,129)	(30,131)
Reclassifications and transfers to other balance sheet items	2,066	(3,302)	1,740	(4)	500
Net book value at 31 December 2007	**117,847**	**39,837**	**33,512**	**26,385**	**217,581**
Cost	197,096	120,545	132,803	42,182	492,626
Accumulated depreciation and impairments	(79,249)	(80,708)	(99,291)	(15,797)	(275,045)
Net book value at 31 December 2007	**117,847**	**39,837**	**33,512**	**26,385**	**217,581**

The impairment losses in 2006 mainly relate to the UK and concern the Runcorn distribution centre where delays in finding a sublessee have resulted in a lower recoverable amount based on value-in-use. They also relate to various office and computer equipment that is no longer used. The value-in-use calculations were performed with a discount rate of 9% (pre-tax weighted average cost of capital in 2006). These impairment losses are included in operating expenses.

No further impairment loss was incurred on the Runcorn distribution centre in 2007 and there were no other indications of impairment to require impairment tests to be carried out. Based on the semi-annual review, no significant changes were necessary to the estimated useful lives of property, plant and equipment.

The carrying amount of the Group's property, plant and equipment held under finance leases can be split as follows:

(in € thousands)	**2007**	2006
Land and buildings	38,263	43,721
Plant and machinery	2,592	3,065
Office and computer equipment	1,748	2,287
Other operating fixed assets	23,938	17,673
	66,541	**66,746**

The fair value of land and buildings has been estimated at € 140 million (2006: € 132 million), or € 22 million above book value. Additions to property, plant and equipment during the year, amounting to € 39.4 million (2006: € 36.4 million), were financed by finance leases.

6 Investments in associates

Summarized financial information in respect of the Group's principal associates is set out below:

(in € thousands)	**2007**	2006
Total assets	24,435	26,914
Total liabilities	(6,331)	(9,635)
Net assets	**18,104**	**17,279**
Group's share of associates' net assets	4,475	4,796
Carrying value investment in associates	**4,475**	**4,796**
Revenues	88,580	79,570
Net profit for the period	8,287	9,655
Group's share of associates' net profit for the period	**1,584**	**2,550**

The Group holds the following significant investments in associates:

Bally Hong Kong Ltd. (China)	25%
Lion-Vallen Ltd. (USA)	10%

Although the Group owns less than 20% of the equity shares of Lion-Vallen, it is included as an associate because it is contractually agreed that Hagemeyer has significant influence on business and financial policy-making processes. None of the associates are listed on public exchanges.

7 Summary financial instruments

(in € thousands)	2007 Carrying amount	2007 Fair value	2007 Income / (expense)	2007 Impairment loss	2006 Carrying amount	2006 Fair value	2006 Income / (expense)	2006 Impairment loss
Financial assets								
Loans and receivables (a)	1,173,017	1,173,017	1,161	(10,016)	1,118,333	1,118,333	27	(19,500)
Held-to-Maturity investments	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (held for trading – derivatives)	1,368	1,368	2,119	-	523	523	-	-
Available for sale financial assets	-	-	-	-	-	-	-	-
	1,174,385	**1,174,385**	**3,280**	**(10,016)**	**1,118,856**	**1,118,856**	**27**	**(19,500)**
Financial liabilities								
Financial liabilities at fair value through profit or loss (held for trading – derivatives)	582	582	421	-	1,899	1,899	(1,848)	-
Financial liabilities at amortized cost (b)	1,500,635	1,656,530	(44,463)	-	1,575,568	1,821,533	(59,289)	-
	1,501,217	**1,657,112**	**(44,042)**	**-**	**1,577,467**	**1,823,432**	**(61,137)**	**-**

(a) Loans and receivables include current and non-current loans and receivables. For further details, refer to notes 8 and 9 for non-current receivables and notes 11, 12 and 13 for current receivables (including cash).

(b) Financial liabilities at amortized cost include the following:
  a. Subordinated convertible bonds – note 18
  b. Bank debt (current and non-current) – note 22
  c. Finance lease obligations (current and non-current) – note 23
  d. Trade payables and other current liabilities – note 24

The fair value of financial assets and liabilities are determined as follows:
For the following short-term assets and liabilities, the fair value approximates the carrying value:
(i) Trade and other receivables
(ii) Cash and cash equivalents
(iii) Trade and other payables
Derivative assets and liabilities are carried at fair value.

The fair value of the Group's finance lease receivables does not significantly differ from the carrying value based on discounting the estimated cash flows at market rate.
The carrying amounts of non-current financial assets (excluding derivatives) approximate their fair values due to the nature of the receivables and deposits included.
The fair value of the convertible bonds is based on market prices.
The carrying amount of the Group's long-term debt approximates its fair value as almost all of the debt bears interest based on a quoted index.
The fair value of the Group's finance lease obligations is based on discounting the estimated future cash flows at the Company's estimated average borrowing rate.

Further details can be found in the following notes.

8 Finance lease receivables

(in € thousands)	Minimum lease receivables 2007	Minimum lease receivables 2006	Present value of minimum lease receivables 2007	Present value of minimum lease receivables 2006
Amounts receivable under finance leases:				
Due within one year	678	916	644	876
Due between one and five years	2,055	3,226	1,581	2,520
Due after five years	22	115	14	73
	2,755	**4,257**	**2,239**	**3,469**
Less: unearned finance income	(516)	(788)		
Present value of minimum finance lease receivables	**2,239**	**3,469**		
Analyzed as:				
Non-current finance lease receivables (recoverable after 12 months)			1,595	2,593
Current finance lease receivables (recoverable within 12 months)			644	876
			2,239	**3,469**

One of the Group companies has sold most of its finance lease agreements to a third party in 2005. Some finance leasing arrangements for electronic office equipment remain. The maximum term of the remaining finance lease agreements is six years and the average term is approximately two years. Unguaranteed residual values of assets leased under these finance leases at the balance sheet date are estimated at € 85,000 (2006: € 138,000). The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 11.2% (2006: 9.4%) per annum. The fair value of the Group's finance lease receivables at 31 December 2007 does not significantly differ from the carrying value based on discounting the estimated cash flows at market rate.

An allowance has been made for estimated uncollectible amounts of € 167,000 (2006: € 197,000). This allowance has been determined by reference to past default experience. A loss of € 138,000 was recognized during the year. This is included in operating expenses. Contingent rent consisted of a price indexation of 1.9% (2006: 1.8%) of the lease payments on retained contracts from March 2007 onwards and is included in revenues.

9 Other non-current financial assets

(in € thousands)	2007	2006
Loans receivable (net)	2,184	2,502
Deposits	1,971	2,251
Insurance receivable	914	1,426
Interest derivatives receivable held for hedging	-	522
Other	295	742
	5,364	**7,443**

All non-current financial assets are carried at amortized cost with the exception of derivatives receivable, which are carried at fair value. Other non-current financial assets are for the most part not interest-bearing.

€ 0.9 million (2006: € 1.4 million) is included with respect to the anticipated insurance coverage for silicosis and asbestos claims in the USA (see also note 19).

In 2006, a review of the recoverable amounts based on value-in-use calculations led to the recognition of an impairment loss of in total € 8.1 million on the full write-off of some receivables and prepaid leases mostly in the UK. The impairment loss was included in operating expenses.

Movements in the allowance for doubtful non-current loans receivable were as follows:

(in € thousands)	**2007**	2006
At 1 January	8,969	6,340
Effect of movement in foreign exchange rates	(943)	(652)
Charge for the year	-	8,091
Amount utilized	-	(4,810)
At 31 December	**8,026**	**8,969**

The allowance above has been formed because it is doubtful that payments will be received on the underlying loan receivable.
There are no significant non-current financial assets that are past due and not impaired.

With the exception of the insurance receivable and the impaired receivables, other non-current financial assets consist of a large number of individually small items with counterparties in diverse geographical areas, limiting our credit risk.

Current assets

10 Inventories

(in € thousands)	**2007**	2006
Finished goods	652,063	670,478
Inventories have been stated net of a provision, to reduce cost to estimated net realizable value, of	49,375	54,102

The amount of inventories recognized as an expense during the period amounts to € 5.0 billion (2006: € 4.8 billion). We refer to cost of sales in the income statement.
The amount of write-down of inventories to net realizable value recognized as an expense is € 10.8 million (2006: € 11.8 million). € 3.5 million (2006: € 2.7 million) of previous write-downs was reversed as the inventories concerned were sold at higher prices than prior estimates of the net realizable value. There were no individually material write-downs of inventory in 2007 or 2006. These inventory value adjustments are charged or credited to cost of sales.

11 Trade receivables

(in € thousands)	**2007**	2006
Trade receivables	1,007,075	1,012,745
Trade receivables have been stated net of an allowance for doubtful debts, of	23,232	27,368

Trade receivables are non-interest bearing and generally on 30-90 days' terms. Included in trade receivables are € 1.6 million (2006: € 0.6 million) of cheques in transit and uncleared deposits.

The allowance for doubtful debts has been determined by reference to past default experience based on a sliding range of days past due. Receivables more than 360 days past due are fully provided for. Included in trade receivables are € 187.2 million (2006: € 193.8 million) that are past due at the reporting date but are not provided for as the amounts are still considered recoverable. This includes € 17.9 million (2006: € 17.7 million) recoverable VAT. These receivables are on average 28 days past due (2006: 25 days). The Group holds € 7.8 million (2006: € 6.9 million) collateral over these balances, mostly in the form of bank guarantees and bills of exchange. For 40% - 50% of gross trade receivables (excluding recoverable VAT), the Group has the right of retention to inventories sold to the counterparty to the extent that the inventories are still in the possession of the counterparty.
€ 2.4 million (2006: € 4.9 million) of trade receivables have been renegotiated that would otherwise have been past due or impaired.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties that are related entities. There is no customer who represents more than approximately 3% of the total balance of trade receivables.
In the fourth quarter of 2007 Hagemeyer entered into a global credit insurance programme. Under this programme, all trade receivables that have an outstanding position larger than a minimum threshold are eligible for insurance. The programme is currently being rolled out. Where appropriate,

receivable provisioning has been adjusted to reflect the mitigated risk.

Before accepting any new customer, the Group assesses the potential customer's credit quality (with the help of an external agency's criteria) and defines a credit limit. Credit quality and limits are reviewed on an ongoing basis.

Movements in the allowance for doubtful debts were as follows:

(in € thousands)	**2007**	2006
At 1 January	27,368	28,377
Effect of movement in foreign exchange rates	(751)	(785)
Acquisitions	720	2,496
Charge for the year	9,878	11,300
Amount utilized	(12,048)	(13,617)
Unused amounts reversed	(1,935)	(403)
At 31 December	**23,232**	**27,368**

The charge for the year and gain on unused amounts reversed are included in operating selling expenses.

Included in the allowance for doubtful debts are € 4.1 million of trade receivables (2006: € 8.0 million) that have been impaired based on individually known circumstances, such as (impending) bankruptcy, payment defaults and (perceived) breaches of contract on either side.

The carrying amount of trade receivables approximates their fair value.

12 Other receivables and prepayments

(in € thousands)	**2007**	2006
Other receivables	13,386	13,491
Income tax receivables	3,296	1,263
Current finance lease receivables	644	876
Currency derivatives receivable	1,368	1
Prepayments	21,985	19,969
	40,679	**35,600**

Other receivables and prepayments are non-interest bearing and due within one year. There are no significant amounts past due or impaired.

13 Cash and cash equivalents

(in € thousands)	**2007**	2006
Cash at bank and in hand	86,443	75,308
Cash collateral	905	1,942
Short-term deposits	54,308	3,194
	141,656	**80,444**

Short-term deposits are made for varying periods not exceeding three months. The carrying amount approximates the fair value. Cash collateral is mainly used as pledge for issuing bank guarantees.
€ 7.9 million (2006: € 2.5 million) of cash held by a subsidiary is not available for free use by the Group due to local legal restrictions.

14 Non-current assets classified as held for sale

(in € thousands)	Segment	**2007**	2006
Buildings	Corporate	4,753	1,751
Vehicles under finance lease	PPS Europe	6,104	5,495
Warehouse	PPS Europe	-	125
Usufruct rights	PPS Europe	-	190
		10,857	**7,561**

As a consequence of restructuring, a vacated building in Lelystad, the Netherlands, is classified as non-current assets held for sale since 31 December 2005. Market circumstances have delayed the sale; at 31 December 2007, the sale is still expected to eventuate within one year. The proceeds are expected to exceed the net carrying amount; accordingly no impairment loss has been recognized.

A building under finance lease in Etten-Leur, the Netherlands has been reclassified as a non-current asset held for sale since June 2007. Sale is expected within one year. The proceeds are expected to exceed the net carrying amount; accordingly no impairment loss has been recognized.

In the UK, certain vehicles held under finance lease are classified as non-current assets held for sale. Contractually, the Group shares in the gain or loss on disposal. € 27.1 million of net carrying value has been reclassified to assets held for sale in 2007 (2006: € 20.0 million) and vehicles with a carrying amount of € 26.5 million have been sold before 31 December 2007 (2006: € 14.5 million). No impairment loss has been recognized and the vehicles are expected to be sold within one year.

A warehouse in Spain with a carrying amount of € 125,000 was classified as a non-current asset held for sale in November 2006 and sold in April 2007. No impairment loss has been recognized.

After restructuring, € 190,000 was classified as non-current assets held for sale in 2006 relating to usufruct rights in Warsaw, Poland. The rights were sold in April 2007; no impairment loss has been recognized.

15 Assets pledged as security

Assets with the following carrying amounts have been pledged to secure borrowings of the Group:

(in € thousands)	**2007**	2006
Property, plant and equipment	1,751	25,639
Associates	-	1,313
Other non-current financial assets	-	3,072
Inventories	-	131,364
Trade receivables	-	139,122
Other receivables	-	3,764
	1,751	**304,274**

In connection with the 2006 Group credit facility, security was granted over shares of virtually all of Hagemeyer's material Group companies, all of Hagemeyer's material intercompany loans and virtually all bank accounts as well as pledges over inventory, trade receivables and certain other assets of the Group in the USA. As a result of the refinancing of this facility in June 2007 (see note 22), the main Group facility is no longer secured.

The Group's obligations under finance leases (see note 23) are secured by the lessors' title to the leased assets, which have a carrying amount of € 66.5 million (2006: € 66.7 million).

Certain reclassifications have been made in the 2006 figures to align with the 2007 presentation.

Equity and liabilities

16 Equity attributable to equity holders

The Company's share capital is denominated in Euros. The authorized share capital amounts to € 810 million, divided into 675 million ordinary shares with a nominal value of € 1.20 each.

In 2007, 73,528,293 ordinary shares were issued as a result of the conversion of the 2004 subordinated convertible bonds (see note 18 for further details). As a result, the paid-up and called-up ordinary share capital increased by € 88.2 million and the share premium reserve increased by € 75.3 million. The share premium reserve of € 114.3 million is, under existing tax legislation, distributable in ordinary shares free of Dutch income taxes.

4,321,402 ordinary shares with a nominal value of € 5.2 million are held by the Company with a value of € 20.2 million as at 31 December 2007. The net purchase price is deducted from retained earnings. These ordinary shares were intended to be used for employee share-based programmes. 2,272,355 ordinary shares were purchased and settled in 2007. For 1,575,000 ordinary shares, the purchase took place in December 2006 but the cash outflow occurred in January 2007.
An additional 577,925 ordinary shares with a nominal value of € 0.7 million were purchased in 2007 for € 2.0 million and sold to employees for € 2.0 million as part of the ShareMap programme. The difference is deducted from retained earnings.

Changes in the number of ordinary shares issued

(in thousands)	**2007**	2006
Issued 1 January	516,315	516,191
Shares issued during the year	73,529	124
Issued 31 December	**589,844**	**516,315**

Hagemeyer has paid an interim dividend in September 2007 of € 0.04 per share in cash, amounting to € 23.4 million.

Other reserves

Reserve share-based compensation

(in € thousands)	**2007**	2006
At 1 January	3,565	1,719
Recognition of share-based payments expense	4,630	2,058
Shares issued at premium	-	(212)
Award of conditional shares	(932)	-
Exercise of option rights	(346)	-
Transfer to current liability due to change from equity-settled to cash-settled	(13,283)	-
At 31 December	**(6,366)**	**3,565**

In November 2007, the Supervisory and Management Boards decided to settle all share-based payments on a cash basis in case a change of control occurs. Based on this decision and the fact that a change of control in March 2008 is considered probable by Management, all share-based payments will be accounted for as cash-settled from November 2007 onwards. Further details can be found in note 35. A consequence is that the built-up reserve share-based compensation in equity is transferred to current liabilities. An additional charge is levied against equity to the extent that the share-based payments increased in value before the change to cash-settled accounting. The transfer and additional charge result in a reduction of equity of € 13.3 million.

Equity component convertible bond

(in € thousands)	**2007**	2006
At 1 January	61,731	61,740
Shares issued on conversion	(23,403)	(9)
At 31 December	**38,328**	**61,731**

This reserve represents the option component of the subordinated convertible bonds reclassified to equity after the right to 'cash-alternative' election was waived in 2005. In 2007, the 2004 subordinated convertible bonds were converted to ordinary shares. As a result, the related reserve amount is reclassified to share capital and share premium. See note 18 for further details.

Foreign currency translation reserve

(in € thousands)	**2007**	2006
At 1 January	(29,387)	12,230
Recognition of cumulative realized translation differences (to income statement)	(573)	(7,893)
Effect of movements in foreign exchange rates	(32,267)	(33,724)
Income tax effect	(2,685)	-
At 31 December	**(64,912)**	**(29,387)**

Hedging reserve

(in € thousands)	**2007**	2006
At 1 January	169	52
Gain / (loss) recognized on cash flow hedges	163	(142)
Transferred to profit / (loss)	562	259
Net gains / (losses) on cash flow hedges	**725**	**117**
Related income tax	(19)	-
At 31 December	**875**	**169**

See note 25 for details of cash flow hedges.

Revaluation reserve

(in € thousands)	**2007**	2006
At 1 January	1,507	-
Revaluation gain taken to equity	-	1,815
Portion of revaluation gain released to income statement	(247)	(308)
At 31 December	**1,260**	**1,507**

This reserve has arisen on the revaluation of various assets of EL-Centrum in Poland. When the remaining 50% of the shares in EL-Centrum, Poland was acquired in January 2006, differences between the fair value and the original carrying amount of identifiable assets and liabilities were recorded for 100% under IFRS 3 Business Combinations. For the 50% that was already owned by the Group, a reserve is formed to account for the one-time revaluation gain. Upon depreciation of the underlying items, the related amount is released from this reserve to the income statement.

Total of other reserves

(in € thousands)	**2007**	2006
At 31 December	(30,815)	37,585

17 Minority interest

In 2006, Hagemeyer EFS B.V. was set up by a Hagemeyer subsidiary as 95% shareholder and a third party as 5% minority shareholder. The minority interest share of the result of Hagemeyer EFS B.V. amounts to € 5,891 over 2007, of which € 5,841 was paid out in dividend.

(in € thousands)	**2007**	2006
At 1 January	101	-
Shares issued to minority interest	-	100
Minority interest's share in result	6	2
Dividends paid	(6)	(1)
At 31 December	**101**	**101**

18 Subordinated convertible bonds

In March 2005, the Company issued subordinated convertible bonds amounting to € 135 million with a maturity of 7 years. The bonds bear interest at 3.5%. The bonds rank pari passu among themselves and constitute our direct, unconditional, subordinated, unsecured obligation. The bonds rank junior to any of our present or future unsecured and unsubordinated creditors, including the lenders under our facilities. The bonds are convertible into ordinary Hagemeyer shares against a conversion price of € 2.83 per bond at any time between the date of issue of the bonds and their settlement date. Due to the payments of dividend in 2007, the conversion price decreased to € 2.75 as per the terms and conditions of the bonds. The final maturity date of the bonds is 30 March 2012. Bonds with a nominal value of € 12,000 and a carrying value of € 9,529 have been converted into ordinary shares during 2007.

By 1 March 2007, substantially all of the € 150 million 2004 subordinated convertible bonds (bearing interest of 5.75%) were converted into 73,528,293 ordinary shares as a result of the Company notifying the bondholders that the 2004 bonds would be redeemed early on 2 March 2007. The net book value of the 2004 bonds of € 140.1 million was therefore transferred from current liabilities to share capital and share premium.

The net proceeds received from the issue of the convertible bonds were initially split up between a liability component and an option component, representing the fair value of the embedded option to convert the liability into equity of the Company. The fair value of the liability component at the issuance date was calculated using a market interest rate for an equivalent non-convertible bond. The option component was originally included in non-current liabilities because of Hagemeyer's 'cash alternative election' option as worded in the applicable trust deeds, until 1 December 2005 when the right to this 'cash alternative election' was waived. This 'cash alternative election' implied the right to pay out cash instead of issuing shares when the bondholders request conversion.

(in € thousands)	**2007**	2006
Balance at 1 January	**244,773**	**235,250**
Conversion	(140,091)	(27)
Interest accrued	5,557	9,550
At 31 December	**110,239**	**244,773**
Current	-	139,687
Non-current	110,239	105,086

Based on market rates, the fair value of the convertible bond at 31 December 2007 is approximately € 256 million for the € 135 million bond, issued in 2005 (2006: € 204 million). The effective interest rate of the bonds is 9.2 % in 2007 and 9.5% in 2006, based on the interest expenses in the income statement, as related to the debt components of the convertible bonds.

On 8 February 2008, the bankruptcy receivers of Ceteco provisionally attached for an amount of € 190 million the shares of certain of Hagemeyer N.V.'s directly held Dutch subsidiaries and intragroup receivables that were due on 8 February 2008 by these Dutch subsidiaries to Hagemeyer N.V. This provisional attachment would lead to a default under the conditions of our current senior financing facilities and convertible bonds if not remedied before 15 April 2008 for the senior facilities, or 7 May 2008 for the bonds. It is however expected that the completion of the Offer from Rexel will remedy this situation before 15 April 2008, through the repayment of our current senior financing facilities by Rexel and through the completion of the Cash Offer from Rexel for the convertible bonds. In case the Offer from Rexel would not be completed before 15 April 2008, we expect to be able to avoid a default situation by replacing the provisional attachment by a bank guarantee as a stand-alone company before 15 April 2008.

19 Provisions

(in € thousands)	Reorganiza-tion and restructuring	Warranties	Product liability	Taxes	Other	Total 2007	Total 2006
At 1 January	**21,600**	**8,107**	**10,746**	**25,348**	**12,383**	**78,184**	**94,798**
Acquisitions of subsidiaries	-	-	-	870	147	1,017	212
Transfers	-	-	-	-	2,553	2,553	(614)
Effect of movements in foreign exchange rates	(660)	(74)	(1,129)	-	(134)	(1,997)	(2,893)
Amounts charged to the income statement	1,012	11,650	-	18,147	7,191	38,000	27,892
Amounts utilized	(5,836)	(9,733)	(618)	-	(1,857)	(18,044)	(26,283)
Impact change in discount rate	-	-	-	-	-	-	(376)
Accrued interest	460	-	459	-	1	920	1,206
Amounts released to the income statement	(3,702)	(26)	(961)	(17,645)	(596)	(22,930)	(15,758)
At 31 December	**12,874**	**9,924**	**8,497**	**26,720**	**19,688**	**77,703**	**78,184**
Current	5,810	7,952	1,577	3,985	2,175	21,499	27,115
Non-current	7,064	1,972	6,920	22,735	17,513	56,204	51,069

Reorganization and restructuring

This provision will cover costs relating to the reorganization of the PPS division and includes amounts for exiting surplus properties, rationalization of the branch network, as well as amounts for severance payments to redundant employees.

The amount utilized from the restructuring and reorganization provision during 2007 includes € 3.5 million relating to further restructuring of the PPS division. Amounts utilized during 2007 also include € 2.3 million for costs related to restructuring or discontinuation of non-core activities.

The non-current portion of the provision consists mostly of provisions for the net obligations of non-cancellable leases of facilities that are no longer in use. The book value of these provisions (current and non-current) is € 9 million (2006: € 16 million). Due to the nature of these obligations, it is expected that the majority of these provisions will be utilized within ten years of the balance sheet date. The actual or reasonably to be expected sublease income on these facilities is taken into account when calculating the obligations.

Warranties

The warranty provision represents management's best estimate of the Group's liability under warranties granted on its products, based on past experience and industry averages for defective products. All is expected to be utilized within two years of the balance sheet date.

Product liability claims – silicosis and asbestos

Two of our subsidiaries in the USA are defendants in approximately 5,222 (2006: 9,409) silicosis-related claims in various states, the large majority of which are filed in Mississippi and Texas. The plaintiffs in these cases mostly have been or are working in the energy (notably petrochemical), construction, foundry, and manufacturing industries, where sand is either used or is a by-product of sandblasting, drilling, and grinding and for the making of moulds and cores in foundry operations. These plaintiffs allege that they developed silica-related diseases or suffer from diseases such as silicosis, and that a subsidiary of ours distributed respiratory protective products (such as dust masks, respirators and air-fed hoods) that were not adequate to prevent plaintiffs from developing such silica-related diseases or silicosis, and/or that

Hagemeyer's subsidiary failed to give adequate warnings with respect to these products. Some claims also allege that another of Hagemeyer's subsidiaries manufactured a government-approved sandblasting hood that has been alleged to be defective, and that our subsidiary failed to give adequate warnings.

The defendants in these lawsuits are often numerous and include manufacturers and distributors of sand, sandblasting equipment and products, as well as manufacturers and distributors of respiratory protective products.

These subsidiaries are also defendants in approximately 167 asbestos claims filed in Texas, down from approximately 174 in 2006. Plaintiffs in these cases are, for the most part workers in the automotive, construction, and manufacturing industries that allegedly developed an asbestos-related disease, which they claim is due, in part, to exposure to products containing asbestos allegedly manufactured or sold by one of our subsidiaries.

Our costs in connection with these claims are difficult to estimate because the outcome of, or trends in this type of litigation (and therefore our range of potential liabilities) is subject to a number of assumptions and uncertainties, such as the number or size of claims or settlements, the number of financially viable responsible parties, and the potential impact of any pending or future silicosis/asbestos-related litigation or the impact of any toxic tort reform legislation regarding asbestos claims and/or silicosis claims.
A number of claims has been dismissed in both 2006 and 2007. The average cost of these silicosis and asbestos claims for claims resolved, including litigation and settlement costs decreased substantially in 2006 and 2007.

As at 31 December 2007, Hagemeyer's subsidiaries in the USA have established a provision for these claims of € 8.5 million (2006: € 10.7 million) to cover what we recognize as potential silicosis- and asbestos-related liabilities. The provision takes into consideration incurred but not recorded claims, and is calculated on a discounted basis. The anticipated insurance coverage is recorded separately as € 0.9 million (2006: € 1.4 million) loan receivable within other non-current financial assets (see note 9) and € 0.5 million (2006: € 0.5 million) as other current receivables.

Taxes

This represents a provision for a variety of Group tax risks, including corporate income taxes, withholding taxes and payroll taxes. An amount of € 17.6 million has been released in 2007 as a result of the expiration of the statute of limitations with regard to certain matters.

Other

The category 'other' consists of provisions for a variety of legal risks and a provision for long service leave. An additional provision of € 5 million has been recorded for the exposure related to the legal proceedings as described in note 26 'Commitments and contingencies'.
Most is expected to be utilized within five years.

20 Retirement benefit assets and obligations

Defined contribution plans

The Group maintains defined contribution plans for qualifying employees of its subsidiaries in Australia, Canada, Sweden, the UK and the USA. The assets of the plans are held separately from those of the Group in funds under the control of trustees or by insurance companies. In Finland and the Netherlands employees participate in a statutory plan. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plans to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognized in the income statement of € 16.1 million (2006: € 16.2 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined benefit plans

The Group maintains defined benefit plans for qualifying employees of its subsidiaries in the following countries:

Australia	Average earnings retirement plan closed since 2000, held separately under the control of trustees
Germany	Average earnings retirement plan closed since 1993, book reserved
The Netherlands	Average earnings retirement plans, held separately under the control of trustees
Norway	Statutory final salary retirement plan, insured
Sweden	Statutory final salary retirement plan, partly book reserved and partly insured
Switzerland	Average earnings retirement plans, held separately under the control of trustees
UK	Final salary retirement plans, closed as per 5 April 2002, held separately under the control of trustees
USA	Retirement medical plan closed per 31 December 2003, book reserved

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 31 December 2007 by qualified actuaries. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the projected unit credit method.

The following tables summarize the components of the net benefit expense recognized in the consolidated income statement and the funded status and amounts recognized in the consolidated balance sheet, as well as the principal assumptions applied.

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	Eurozone		UK		Other countries	
(in %)	**2007**	2006	**2007**	2006	**2007**	2006
Discount rate	5.4 - 5.6	4.5	5.5	5.1	2.8 – 6.1	2.75 - 5.9
Expected return (bonds)	4.5	4.1	4.85	4.5	3.25 – 5.0	-
Expected return (equities)	7.0 – 7.5	7.1	7.5	7.5	5.0 – 6.75	-
Expected return (other)	4.1 – 5.0	4.5	5.5	-	2.0 - 7.1	2.0 - 7.1
Expected (real) salary increases	0.0 – 3.25	0.0 - 3.0	-	-	2.0 – 4.25	2.0 - 4.0
Expected pension increases	2.0 – 2.5	1.9 - 2.0	2.6 – 3.4	2.6 - 3.4	1.0 – 10.0	1.0 - 10.5
Inflation assumption	2.0 – 2.5	2.0	3.0	3.0	0.0 – 2.5	0.0 - 2.5

The discount rate is based upon the AA corporate bond spot yield curve, taking into consideration the duration of the liabilities.

The expected return on bonds assumes investment in low-risk insurance contracts or government bonds, with a yield to maturity depending on the maturity of the bonds invested in. This yield can generally be derived directly from the financial markets. The expected return on equities is determined by adding an allowance for equity out-performance (the equity risk premium) to the market yield on low-risk government bonds of 3%. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plans' portfolios.

The assumed medical cost trend rates used in measuring the defined benefit obligations relating to medical care plans is 10.0% in 2007 (10.5% in 2006), decreasing with 0.5% per annum to 5.0% as ultimate trend rate in 2018.
A 1.0% increase in the assumed medical cost trend rate would result in an increase of the projected benefit obligation of € 0.6 million, with an immaterial effect on the service cost. A 1.0% decrease in the assumed medical cost trend rate would result in a decrease of the projected benefit obligation of € 0.5 million, with an immaterial effect on the service cost.

The amount recognized in the balance sheet in respect of the Group's defined benefit retirement plans is as follows:

(in € thousands)	2007	2006
Fair value of plan assets	609,428	580,092
Present value of funded liabilities	(645,002)	(671,764)
Present value of unfunded liabilities	(1,638)	(3,701)
Funded status	**(37,212)**	**(95,373)**
Unrecognized actuarial (gains) / losses	(37,339)	(29,983)
Effect of the balance sheet limit	-	(5,367)
At 31 December	**(74,551)**	**(130,723)**
Net liability recognized	(115,766)	(131,173)
Net asset recognized	41,215	450

In accordance with IAS 19, paragraph 58(b) the capitalization of a defined benefit asset is restricted to the amount of the balance sheet limit. The difference between the amount in excess of the balance sheet limit at the end of the year and the amount in excess of the balance sheet limit at the beginning of the year is recognized as an income or expense in the income statement. The effect of the balance sheet limit as per year end has a value of zero and the defined benefit asset is not restricted due to the fact that any surplus will ultimately be reimbursed to the Company, based on the articles of association of the specific pension fund.

Amounts recognized in the income statement in respect of the defined benefit plans are as follows:

(in € thousands)	2007	2006
Current service cost	6,498	8,824
Interest on obligation	31,155	29,067
Expected return on plan assets	(32,617)	(28,903)
Amortization of net (gains) / losses	47	310
Actuarial (gains) / losses resulting from balance sheet limit	(5,366)	(2,130)
Curtailment / settlement (gains) / losses recognized	(701)	-
Transfer in / out	-	792
Total expense / (income)	**(984)**	**7,960**

The total income / expense for the year is included as retirement benefit expenses in staff expenses in the income statement. The actual return on plan assets was € 23.3 million (2006: € 37.8 million).

Changes in the present value of the defined benefit obligations are as follows:

(in € thousands)	2007	2006
Opening defined benefit obligation	675,465	693,825
Current service cost	6,498	8,824
Expected employee contributions	1,437	1,187
Interest on obligation	31,155	29,067
Curtailment / settlement	(1,915)	-
Benefits paid	(27,804)	(30,134)
Actuarial (gains) / losses	(17,209)	(34,149)
Transfer in / out	4,648	1,197
Exchange rate (gains) / losses	(25,635)	5,648
Closing defined benefit obligation	**646,640**	**675,465**

Changes in the fair value of plan assets are as follows:

(in € thousands)	2007	2006
Opening fair value of plan assets	580,092	558,231
Expected return on plan assets	32,617	28,903
Employer contributions	46,343	9,865
Member contributions	1,437	1,187
Benefits paid	(27,804)	(30,134)
Settlement	4,447	-
Actuarial gains / (losses)	(9,355)	8,858
Exchange rate gains / (losses)	(18,349)	3,182
Closing fair value of plan assets	**609,428**	**580,092**
Of which:		
Bonds	290,762	244,680
Equities	260,287	277,567
Other	58,379	57,845

The plan assets do not include any of the Group's own financial instruments nor any property occupied by or other assets used by the Group. The Group expects to contribute approximately € 11.6 million to its defined benefit plans in 2008.

In 2007 a new finance agreement for the pension plans in The Netherlands was agreed upon, stipulating that a lump sum payment of € 32 million is made to the pension scheme.

Arrangements were also made for a premium holiday when the solvency ratio exceeds 150% and for repayment of 20% of the excess funds to Hagemeyer N.V. when the solvency ratio exceeds 200%. This new agreement replaces the previous agreement in which a minimum solvency ratio of 110% was guaranteed by Hagemeyer N.V.

The history of the retirement benefit plans is as follows:

(in € thousands)	**2007**	2006	2005	2004
Fair value of plan assets	609,428	580,092	558,231	498,402
Present value of defined benefit obligations	(646,640)	(675,465)	(693,825)	(630,942)
Funded status	**(37,212)**	**(95,373)**	**(135,594)**	**(132,540)**
Experience (gains) / losses on plan liabilities	15,240	8,192	(1,548)	(437)
Experience adjustments on plan assets	(9,355)	8,858	38,933	11,258

Experience adjustments on defined benefit obligations and plan assets are the difference between assumptions made and actual experience. In accordance with IFRS 1, disclosures with respect to the history of the plans are made as from the 2004 reporting period.

Experience adjustments on plan assets include the total of the positive and negative amounts for the individual pension plans. In previous years, the amounts reported included the total of the absolute amounts for the individual pension plans.

21 Deferred tax assets and liabilities

The movement in deferred tax assets and liabilities during the year was as follows:

2007 Deferred tax assets

(in € thousands)	At 1 January 2007	Exchange differences	(Charge) / release to income statement	Transfer to deferred tax liabilities	Acquisition	Charge to equity	Change in tax rate (to income statement)	**At 31 December 2007**
Reorganization and restructuring provisions	993	(99)	178	964	-	-	-	2,036
Other provisions	4,223	(407)	5,758	(964)	-	-	-	8,610
Tax loss carry forwards	107,217	(2,157)	29,382	-	-	(5,317)	(7,630)	121,495
Deductible temporary differences on accounts receivable and inventory provisions	6,488	(448)	10,963	(15)	113	-	(12)	17,089
Capitalized refinancing costs	2,642	-	-	-	-	(1,321)	-	1,321
Goodwill and other intangible assets	15,732	82	(3,697)	(518)	-	-	(2,282)	9,317
Interest accruals	13,558	(544)	(4,695)	(227)	-	-	(915)	7,177
Other deductible temporary differences	36,192	(868)	1,755	(9,959)	58	-	(1,308)	25,870
Total	**187,045**	**(4,441)**	**39,644**	**(10,719)**	**171**	**(6,638)**	**(12,147)**	**192,915**

2007 Deferred tax liabilities

(in € thousands)	At 1 January 2007	Exchange differences	Charge / (release) to income statement	Transfer to deferred tax assets	Acquisition	Charge to equity	Change in tax rate (to income statement)	**At 31 December 2007**
Taxable temporary differences on accounts receivable and inventory valuation	2,814	(265)	(180)	-	479	-	24	2,872
Accelerated depreciation property, plant and equipment	8,687	(32)	1,171	(6,403)	1,290	-	(4)	4,709
Goodwill and other intangible assets	37,110	(3,409)	1,433	-	1,932	-	(209)	36,857
Convertible bonds	10,258	-	-	-	-	(3,953)	-	6,305
Recapture obligation losses Australian branch	47,851	-	506	-	-	-	-	48,357
Other taxable temporary differences	17,739	(850)	12,370	(4,316)	-	19	(2)	24,960
Total	**124,459**	**(4,556)**	**15,300**	**(10,719)**	**3,701**	**(3,934)**	**(191)**	**124,060**

2006 Deferred tax assets

(in € thousands)	At 1 January 2006	Exchange differences	(Charge) / release to income statement	Transfer to deferred tax liabilities	Transfer to current tax liabilities	Acquisition	Charge to equity	Change in tax rate (to income statement)	At 31 December 2006
Reorganization and restructuring provisions	1,713	(174)	(508)	-	-	-	-	(38)	993
Other provisions	6,415	(653)	(1,375)	(24)	-	-	-	(140)	4,223
Tax loss carry forwards	84,172	(1,207)	33,946	-	-	-	(2,509)	(7,185)	107,217
Deductible temporary differences on accounts receivable and inventory provisions	7,618	(617)	(766)	26	104	244	-	(121)	6,488
Capitalized refinancing costs	4,601	-	-	-	-	-	(1,959)	-	2,642
Goodwill and other intangible assets	3,011	(84)	12,805	-	-	-	-	-	15,732
Interest accruals	1,619	(167)	12,142	-	-	-	-	(36)	13,558
Other deductible temporary differences	21,524	(1,412)	9,879	7,549	-	130	-	(1,478)	36,192
Total	**130,673**	**(4,314)**	**66,123**	**7,551**	**104**	**374**	**(4,468)**	**(8,998)**	**187,045**

2006 Deferred tax liabilities

(in € thousands)	At 1 January 2006	Exchange differences	Charge / (release) to income statement	Transfer to deferred tax assets	Transfer from current tax liabilities	Acquisition	Charge to equity	Change in tax rate (to income statement)	At 31 December 2006
Taxable temporary differences on accounts receivable and inventory valuation	3,159	(371)	43	27	-	-	-	(44)	2,814
Accelerated depreciation property, plant and equipment	741	211	5,818	2,010	40	16	-	(149)	8,687
Goodwill and other intangible assets	31,892	(3,277)	7,706	1,507	-	-	-	(718)	37,110
Convertible bonds	14,726	-	-	-	-	-	(4,468)	-	10,258
Recapture obligation losses Australian branch	54,762	-	675	-	-	-	-	(7,586)	47,851
Other taxable temporary differences	5,413	(410)	7,833	4,007	-	1,076	-	(180)	17,739
Total	**110,693**	**(3,847)**	**22,075**	**7,551**	**40**	**1,092**	**(4,468)**	**(8,677)**	**124,459**

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offsetting) for financial reporting purposes:

(in € thousands)	2007	2006
Deferred tax assets	78,425	68,184
Deferred tax liabilities	9,570	5,598

At the balance sheet date, the Group has unused tax losses of € 1,013 million (2006: € 1,050 million) available to offset against future taxable income. A deferred tax asset of € 121.5 million (2006: € 107.2 million) is recognized in respect of € 431 million (2006: € 358 million) of such losses as, based on the forecasts for the entities concerned, future profits are expected to be available to offset the losses within the foreseeable future. No deferred tax asset is recognized in respect of the remaining € 582 million (2006: € 692 million). Of the total tax losses available of € 1,013 million, € 586 million may be carried forward indefinitely and € 427 million will expire between 2008 and 2026. Realization of carryforward losses is subject to future taxable income, expiration of losses and legislative changes. There are no significant amounts of unrecognized deductible temporary differences.

The movement in deferred tax assets include the effects of the expected change of control following a successful completion of Kelium's offer for all Hagemeyer shares and the subsequent sale of certain Group companies to Sonepar. The net effect of these expected events on deferred tax assets in respect of tax losses is approximately positive € 9 million.

In jurisdictions that suffered a loss in the current and/or prior year, the utilization of € 33 million of deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of taxable temporary differences (currently recognized as deferred tax liabilities). Realization is considered probable based on the budget for the coming year (taking into consideration the probable sale of certain Group companies to Sonepar) and forecasts for the years thereafter.

Approximately € 17.8 million of the net deferred tax assets of € 78.4 million are expected to be utilized within one year.

22 Bank debt

(in € thousands)	2007	2006
Amounts due under long-term credit facilities	278,253	236,775
Bank loans	16,511	6,296
	294,764	**243,071**
Less: amounts repayable within one year	(12,820)	(3,513)
	281,944	**239,558**

Certain reclassifications have been made in the 2006 figures to align with the 2007 presentation.

In June 2007, Hagemeyer has refinanced its existing syndicated facility` into a new 5 years syndicated facility. As per 31 December 2007 the following financing facilities are available to the Company:

- A € 445 million Multi-Currency Revolving Credit Facility, with a maturity date of June 2012; and
- A € 100 million Letter of Credit Facility, with a maturity date of June 2012.

In 2007 € 197 million (2006: € 217 million) of the € 445 million Multi-Currency Revolving Credit Facility consists of a hybrid loan.

The margin is the spread that Hagemeyer pays over the Interbank rate (Euribor / Libor) and is dependent on the ratio Net Senior Debt/EBITDA before material non-recurring items.
The average interest rate in 2007 for the Group was 6.5% on a cash basis (2006: 6.9%).
The carrying amount of the Group's long-term debt approximates its fair value as almost all of the debt bears interest based on a quoted index.
Each of the facilities is subject to cross-guarantees by certain members of the Group and is guaranteed by Hagemeyer N.V.
The facilities contain customary events of default, including, without limitation, payment defaults, breach of representations and warranties, covenant defaults and cross-defaults. If an event of default occurs, the lenders are entitled to accelerate repayment of the amounts owed under the facilities, cancel all commitments and to take all other actions allowed to be taken by a secured creditor.
The facilities contain covenants that place restrictions on, among other things, the incurrence of debt, the creation of security, financial leases and acquisitions.

In 2007, Hagemeyer was in compliance with the covenants under the financing facilities.

Hagemeyer has to meet a leverage ratio based on Net Senior Debt to EBITDA before material non-recurring items which is less than 3.00 : 1.00 and an Interest Cover Ratio based on EBITDA before material non-recurring items to total net interest expense, which should not be less than 3.00 : 1.00.

Hagemeyer is required to meet a Guarantee Cover Ratio as follows:

The aggregate tangible assets of subsidiaries that are guarantors under the facilities must not fall below 75% of the Group-wide consolidated tangible assets, and the aggregate EBITDA before any material non-recurring items of such guarantors must not fall below 75% of the Group-wide consolidated EBITDA before any material non-recurring items. This ratio is tested on a quarterly basis.

The total borrowings of the Group under the facilities are also subject to limits on the amounts that may be borrowed and outstanding under the facilities at any time, based on net working capital thresholds.

Subject to certain exceptions, the proceeds that Hagemeyer receives from disposals and debt or equity capital markets transactions are allocated to mandatory early repayment of the facilities.

For the purpose of determining compliance with the above financial covenants, the following definitions are used:

EBITDA:

Earnings before interest, tax, depreciation and amortization of intangible assets.

Net Senior Debt:

Cash amounts drawn under Group and/or local senior facilities plus any financial lease obligations to the extent classified as current liabilities on the balance sheet, minus freely available cash investments and cash balances.

Material non-recurring items:

Material non-recurring items (such as restructuring activities, litigation settlements, reversal of provisions (as these terms are used in IAS 1.86/87) and impairments) to the extent that any such items are included in operating profit.

If a change of control eventuates in March 2008, the current syndicated facility will be cancelled in full and all outstanding loans shall be repaid in full together with interest thereon within five days of the change of control.

	2007	2006	2007	2006
(in € thousands)	Current		Non-current	
Unsecured – at amortized cost	-	-	-	-
Loans from syndicated facility [i]	-	-	278,253	-
Convertible bonds [vi]	-	139,687	110,239	105,086
Other bank loans [ii]	12,669	3,376	1,066	-
	12,669	**143,063**	**389,558**	**105,086**
Secured – at amortized cost	-	-	-	-
Loans from syndicated facility [iii]	-	-	-	236,775
Other bank loans [iv]	151	137	2,625	2,783
Finance Lease liabilities [v]	34,471	35,206	76,425	85,786
	34,622	**35,343**	**79,050**	**325,344**
	47,291	**178,406**	**468,608**	**430,430**

i New syndicated facility, details are described under note 22 'Bank debt' (above)

ii Local bilateral loans of certain subsidiaries borrowed at local banks

iii Previous syndicated facility. This facility was a € 500 million (€ 615 million including letters of credit) secured facility and refinanced in June 2007 with the new syndicated facility

iv Small mortgage and bilateral agreements of certain subsidiaries

v See separate note 23

vi See separate note 18

On 8 February 2008, the bankruptcy receivers of Ceteco provisionally attached for an amount of € 190 million the shares of certain of Hagemeyer N.V.'s directly held Dutch subsidiaries and intragroup receivables that were due on 8 February 2008 by these Dutch subsidiaries to Hagemeyer N.V. This provisional attachment would lead to a default under the conditions of our current senior financing facilities and convertible bonds if not remedied before 15 April 2008 for the senior facilities, or 7 May 2008 for the bonds. It is however expected that the completion of the Offer from Rexel will remedy this situation before 15 April 2008, through the repayment of our current senior financing facilities by Rexel and through the completion of the Cash Offer from Rexel for the convertible bonds. In case the Offer from Rexel would not be completed before 15 April 2008, we expect to be able to avoid a default situation by replacing the provisional attachment by a bank guarantee as a stand-alone company before 15 April 2008.

23 Finance lease obligations

The Group leases various office and warehousing facilities. The remaining average lease term approximates 8 years. These leases have a wide range of terms of renewal and escalation clauses. For the year ended 31 December 2007, the average effective borrowing rate was 7.6% (2006: 7.8%), based on actual interest expense in the income statement. The majority of leases are on a fixed repayment basis. Interest rates are fixed at the contract dates and thus expose the Group to interest rate risk.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		Present value of minimum lease payments	
(in € thousands)	**2007**	2006	**2007**	2006
Amounts payable under finance leases:				
Due within one year	35,088	36,434	34,471	35,206
Due between one and five years	51,940	55,616	41,716	44,601
Due after five years	76,197	94,998	34,709	41,185
	163,225	**187,048**	**110,896**	**120,992**
Less: future finance charges	(52,329)	(66,056)		
Present value of lease obligations	**110,896**	120,992		
Analyzed as:				
Non-current finance lease obligation (payable after 12 months)			76,425	85,786
Current finance lease obligation (payable within 12 months)			34,471	35,206
			110,896	**120,992**

The lease obligations are denominated in the following currencies:

(in € thousands)	**2007**	2006
Euro	36,900	43,331
SEK	16,946	21,227
GBP	50,923	53,402
USD	5,716	2,385
Various	411	647
	110,896	**120,992**

The Group's obligations under finance leases are secured by the leased assets. The fair value of the Group's finance lease obligations at 31 December 2007 is estimated at approximately € 121 million (2006: € 133 million) based on discounting the estimated future cash flows at 6.1%, the Company's estimated average borrowing rate for 2007.

24 Trade payables and other liabilities

(in € thousands)	**2007**	2006
Trade payables	766,395	742,100
Current finance lease obligations	34,471	35,206
Other taxes and social security premiums	42,630	39,521
Pension premiums	1,936	823
Other creditors	45,888	44,611
Currency derivative liabilities	582	1,899
Accrued liabilities	124,490	133,743
	1,016,392	**997,903**

Trade payables and other creditors, as well as accrued liabilities, principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is approximately 2 months. Trade payables include € 37.4 million (2006: € 40.7 million) of cheques in transit. The accrued liabilities consist to a large extent of staff-related accruals. Fair value approximates carrying value.

25 Financial risk management

The Group's principal financial instruments, other than derivatives, comprise of bank loans and overdrafts, convertible subordinated bonds, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's trading activities and its sources of finance. It is, and has been through the year under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, commodity price risk, credit risk and liquidity risk. The Group enters into a number of financial instruments to manage its exposure to interest rate and foreign currency risk. These include:

- Foreign currency contracts to hedge the exchange rate risk arising on sales and purchases in foreign currencies.
- Currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings.
- Interest rate swaps to reduce the risk of rising interest rates.

The Group's accounting policies in relation to derivatives are set out in note 2z.

Derivative assets

(in € thousands) at fair value	2007 Current	2006 Current	2007 Non-current	2006 Non-current
Derivatives designated and effective as hedging instr.				
Interest rate swaps	88	-	-	522
Currency derivatives	1,145	-	-	-
Held for trading derivatives				
Currency derivatives	135	1	-	-
	1,368	**1**	**-**	**522**

Derivative liabilities

(in € thousands) at fair value	2007 Current	2006 Current	2007 Non-current	2006 Non-current
Derivatives designated and effective as hedging instr.				
Interest rate swaps	-	-	-	-
Currency derivatives	-	261	-	-
Held for trading derivatives				
Currency derivatives	582	1,638	-	-
	582	**1,899**	**-**	**-**

Foreign currency risk management

Operating in international markets involves exposures to movements in currency exchange rates. As Hagemeyer's reporting currency is the Euro, any movements in foreign currency exchange rates against the Euro can have an impact on its results. For 2007 (2006), the sales are mainly generated in the following countries: 33% (30%) in EMU countries, 20% (22%) in North America, 16% (17%) in the UK, 10% (11%) in Australia, and 9% (10%) in Sweden.

Hagemeyer does not hedge the translation exposure of net income in foreign operations. Changes in currency exchange rates that would have the largest impact on translating international operating profit into the Euro include the US dollar, British pound, Australian dollar and the Swedish and Norwegian crown.

Group policy is that committed transaction exposures are fully hedged via forward exchange contracts managed by local management. As most of the activities in the PPS business are both sourced and sold domestically, Hagemeyer is in these activities not materially exposed to transaction exposures. Hagemeyer's main transaction exposure is in the Australian agency business where overseas imports are invoiced in the currency of the suppliers (US Dollar and Euro) and sales are generated in Australian dollars. These exposures are hedged when they become committed. The hedging tenor of these contracts is less than 6 months. In the table below, the main currency pairs for which Hagemeyer has outstanding forward exchange contracts as per balance sheet date are summarized.

(in € thousands)	Contracts 2007	Contracts 2006	Average rate 2007	Average rate 2006	Fair value 2007	Fair value 2006
Forward foreign exchange contracts (Hedges of payables)						
Buy USD vs AUD	12,800	16,944	0.881	0.767	(19)	(87)
Buy EUR vs AUD	10,358	13,900	1.593	1.688	969	(383)
Buy EUR vs SEK	2,577	-	9.315	-	28	-
Buy CHF vs USD	1,549	1,800	1.135	1.237	22	33

Foreign currency risks in the financing area arise via the structuring of intercompany loans. Intercompany loans between Group Treasury and the Group subsidiaries are generally structured in the functional currency of the subsidiaries. Group Treasury will match the currency of the financing either via an external foreign currency loan or via a foreign currency swap. In this way the translation exposure of investments in foreign subsidiaries financed by debt is hedged. As at 31 December 2007, Hagemeyer's net debt was mainly denominated in the US dollar (42 %), Australian dollar (28%), Euro (21%), and British pound (18%).
All of Hagemeyer's currency swaps have a rollover term under 3 months. The total notional amount of outstanding foreign currency contracts amounts to € 202 million (2006: € 264 million) and consists of foreign currency forwards and foreign currency swaps. At 31 December 2007 the net fair value of the Group's currency derivatives is estimated to be € 0.7 million positive (2006: € 1,9 million negative). These amounts are based on market values of equivalent instruments at the balance sheet date.

As per 31 December 2007, Hagemeyer has no embedded derivatives outstanding (2006: € 0).

Sensitivity
The net amount of the Group's foreign currency denominated monetary assets and monetary liabilities (including intercompany items and hedges) as at 31 December 2007 (2006) represents the exposure. The table below summarizes the foreign exchange transaction exposure of the net monetary positions against the functional currency expressed in Euro. A 10% change in exchange rates has been assumed as a reasonable shift. The sensitivity of the profit before tax to a 10% shift in exchange rates of the main net exposures is presented in the table below.

December 2007 (in € thousands) *Currency pairs*	**10% shift**
EUR vs SEK	2,295
CNY vs USD	487
EUR vs GBP	482
AUD vs THB	476

December 2006 (in € thousands) *Currency pairs*	10% shift
EUR vs GBP	3,105
EUR vs SEK	2,603
EUR vs AUD	587
AUD vs THB	247

As at 31 December 2007, Hagemeyer's hedging reserve is mainly exposed to movements in the US dollar versus the Australian dollar and the Euro versus the Australian dollar. A 10% change in the value of the Australian dollar versus the Euro and the US dollar would result in a change of € 1.6 million in the hedging reserve.

When assessing the meaning of the sensitivity analysis, it should be kept in mind that the year-end exposure per currency does not necessarily reflect the exposure during the year as it may include temporary positions.

Interest rate risk management

Hagemeyer is exposed to interest rate risks as the Group has various borrowings on its balance sheet. Hagemeyer uses interest rate swaps to manage its net exposure to interest rate changes. Hagemeyer's policy is to maintain a portion of fixed interest rate debt between 25% and 75%. At 31 December 2007, approximately 47 % (2006: 71 %) of its net debt had a fixed interest rate profile.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date and assuming that the stipulated change takes place at the beginning of the financial year and is held constant throughout the reporting period in the case of instruments that have floating rates. A 1% increase or decrease is used when reporting interest rate risk internally to key management.

If interest rates had been 1 percent higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2007 would decrease / increase by € 1.5 million (2006: decrease/ increase by € 1.0 million). This is mainly a result of the Group's exposure on variable rate borrowings, after taking into account the interest rate hedges; and
- Other equity reserves would increase/decrease by € 0 as of 31 December 2007 (2006: € 720,000 decrease / increase) mainly as a result of the changes in the fair value of the interest rate swaps classified as cash flow hedges. Because Hagemeyer's interest rate swap matures in February 2008, there is no further exposure to changes in interest rate.

The Group's sensitivity to interest rate changes has increased mainly due to the maturing interest rate swap.

Interest rate swap contracts

Under interest rate swap contracts, the Group exchanges the difference between fixed and floating rate interest amounts. Such contracts enable the Group to mitigate the risk that changes in the market interest rates would effect the future cash flows of financial instruments. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date and is disclosed below. As at 31 December 2007, Hagemeyer had one outstanding interest rate swap denominated in British pound with a notional amount totaling the equivalent of € 54.5 million, maturing in February 2008. Hagemeyer pays a fixed interest rate and receives a floating interest rate under its outstanding interest rate swap. The following table details the notional amount and remaining terms of the interest swap contract.

	Average contracted fixed interest rate		Notional amount		Fair value	
Fixed floating interest swap	**2007**	2006	**2007**	2006	**2007**	2006
	in %	*in %*	*in € 1,000*	*in € 1,000*	*in € 1,000*	*in € 1,000*
Less than 1 year	4.57	-	54,548	-	88	-
1 to 2 years	-	4.57	-	58,300	-	522

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swaps is the Pound Sterling Libor. The Group settles the difference between the fixed and floating interest rate on a net basis.
The full amount is deferred in equity as it is a designated and effective cash flow hedge.

€ 434,000 of changes in the fair value of interest derivatives has been charged to income in the year 2007 (2006: € 12,000).

When assessing the meaning of the sensitivity analysis, it should be kept in mind that the year-end exposure to interest rate movements does not reflect the exposure during the year. This is mainly because the amount of outstanding financial liabilities varies significantly during the year due to seasonal patterns.

Commodity price risk

The Group is exposed to fluctuations in the copper price primarily through its economic inventory of copper cables. Many cable products include a significant amount of copper. Hagemeyer is generally able to transfer commodity price changes to its customers but its margins are influenced by fluctuations in the price of copper. Hagemeyer does not enter into financial contracts to hedge the copper price exposures and therefore there is no exposure to changes in copper prices deriving from financial instruments. The Group's exposure to other commodity price risks is considered to be limited.

Credit concentrations

Credit risk represents the loss the Group recognizes at the reporting date, if counterparties should fail to perform their payment obligations.

It is Group policy that all customers who wish to trade on credit terms are subject to credit evaluations of the financial condition of the customer. In addition, receivable balances are monitored on an ongoing basis and payment terms and credit limits are adjusted when appropriate. Group entities operate under a credit policy, in which these credit guidelines are defined.

The Group continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its treasury transactions and does not anticipate non-performance by these counterparties. The Group enters into treasury transactions only with financial institutions that are major providers of bank credit to the Group. Treasury transactions consist of interest rate swaps, foreign exchange deals and currency swaps.

In the fourth quarter of 2007 Hagemeyer entered into a global credit insurance programme. Under this programme, all trade receivables that have an outstanding position larger than a minimum threshold are eligible for insurance. The programme is currently being rolled out. Where appropriate, receivable provisioning has been adjusted to reflect the mitigated risk.

The credit risk per financial asset category is described in notes 8, 9, 11 and 12.

Liquidity risk

A liquidity buffer in the form of available credit lines, and where necessary cash, is maintained to guarantee the solvency and flexibility of Hagemeyer at all times. The Group's objective is to maintain continuity of funding and flexibility through the use of bank overdrafts, bank loans, subordinated convertible bonds, and finance leases. The Group's policy is that committed funding facilities are available to finance 100% of Hagemeyer's expected funding requirements.
In 2007, Hagemeyer has renegotiated its syndicated facility, originally maturing in February 2008, for a new term until June 2012. The new syndicated facility is an agreement with 5 banks and is for a total amount of € 545 million for which € 445 million can be used to borrow funds. The remainder (€ 100 million) of the total facility can be used for letters of credit. In order to ensure the availability of the syndicated facility, Hagemeyer pays a commitment fee of 1/3 of the total margin. The margin is the interest spread that Hagemeyer pays over the Interbank rate (Euribor / Libor) and is dependent on the ratio Net Senior Debt to EBITDA (see also note 22).

The following table shows Hagemeyer contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative values. The adjustment column represents the possible future cashflows that are not included in the carrying value on the balance sheet (mostly interest payments or accrual).

	2007						
(in € thousands)	Weighted average effective interest rate	< 1 yrs	1-2 yrs	2-5 yrs	> 5 yrs	Adjustment	**Total**
Non-derivative liabilities							
Subordinated convertible bond	3.50%	(4,725)	(4,725)	(149,175)	-	48,386	(110,239)
Amounts due under long-term credit facilities	6.04%	(17,346)	(17,646)	(322,305)[1]	(2,064)	77,418	(281,943)
Short-term debt and current portion of long-term debt	5.35%	(12,867)	-	-	-	47	(12,820)
Other non current liabilities		109	(216)	(744)	(735)	-	(1,586)
Finance lease obligations	7.6%	(35,088)	(14,862)	(37,078)	(76,197)	52,329	(110,896)
		(69,917)	**(37,449)**	**(509,302)**	**(78,996)**	**178,180**	**(517,484)**
Derivative liabilities							
Currency derivatives		(582)	-	-	-	-	(582)
		(582)	**-**	**-**	**-**	**-**	**(582)**
		(70,499)	**(37,449)**	**(509,302)**	**(78,996)**	**178,180**	**(518,066)**

[1] *The facility will be cancelled in full and outstanding loans shall be repaid in case of a change of control*

(in € thousands)	2006 Weighted average effective interest rate	< 1 yrs	1-2 yrs	2-5 yrs	> 5 yrs	Adjustment	Total
Non-derivative liabilities							
Subordinated convertible bond	4.68%	(163,350)[1]	(4,725)	(14,175)	(139,725)	77,202	(244,773)
Amounts due under long-term credit facilities	5.92%	(14,337)	(238,488)	(927)	(2,357)	16,551	(239,558)
Short-term debt and current portion of long-term debt	4.11%	(3,518)	-	-	-	5	(3,513)
Other non current liabilities		(109)	(89)	(998)	(917)	-	(2,113)
Finance lease obligations	7.8%	(36,434)	(15,753)	(39,863)	(94,998)	66,056	(120,992)
		(217,748)	**(259,055)**	**(55,963)**	**(237,997)**	**159,814**	**(610,949)**
Derivative liabilities							
Currency derivatives		(1,899)	-	-	-	-	(1,899)
		(1,899)	**-**	**-**	**-**	**-**	**(1,899)**
		(219,647)	**(259,055)**	**(55,963)**	**(237,997)**	**159,814**	**(612,848)**

[1] *2004 € 150 million convertible bonds were substantially converted by 1 March 2007 (see note 18)*

All instruments held at balance sheet date for which payments are contractually agreed are included. The variable interest payments arising from financial instruments are calculated using the last interest rate applicable at balance sheet date. Uncommitted facilities, which can be repaid at any time, are assigned to the earliest possible time period. All currency derivatives transactions have terms which are shorter than 6 months from balance sheet date.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. Our strategy is to maintain a capital ratio (equity/total assets) of at least 25% and a net senior debt level that does not exceed two times twelve months rolling EBITDA. Within these constraints, Hagemeyer would under normal circumstances intend to distribute a dividend of 30-40% of its net profit, corrected for certain material nonrecurring items.

The capital structure of the Group consists of debt, which includes the bank debt disclosed in note 22, the subordinated convertible bonds disclosed in note 18 and finance lease obligations (note 23), cash and cash equivalents (note 13) and equity attributable to equity holders of the parent, comprising issued capital and premium, reserves and retained earnings as disclosed in note 16.

Management reviews the capital structure on a continuous basis. As a part of this review, the cost of capital and the risks associated with each class of capital is considered. Based on this review, the Group will balance its overall capital structure through the payment of dividends, share buy-backs, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2006.

Other

As at 31 December 2007, the Group had letters of credit outstanding, representing a value of € 80.8 million (2006: € 84.6 million).

26 Commitments and contingencies

Operating leases

The total commitments for future minimum lease payments under non-cancellable operating leases at 31 December amount to:

(in € millions)	2007	2006
Due within one year	99	101
Between one and five years	194	218
Due after five years	88	110
	381	**429**

Approximately € 93 million relating to rent and lease arrangements is included in the 2007 income statement.
Operating lease payments represent rentals payable by the Group for the use of certain of its branches, offices, warehouses, computer hardware and vehicles. These leases have terms of renewal and escalation clauses.
Certain of the Group's properties are subleased. The total of future minimum payments expected to be received under non-cancellable subleases at the balance sheet date amount to € 6 million (2006: € 9 million).

Litigation

As would be expected of a large company with operations in numerous jurisdictions, Hagemeyer is regularly involved in lawsuits, claims, investigations, and proceedings, either as claimant, defendant or target, in the ordinary course of its business.
After taking appropriate legal advice, Hagemeyer has established provisions in respect of these claims (see note 19). The most significant claims are discussed below.

Product liability claims – silicosis and asbestos

Please refer to note 19.

Litigation regarding bankruptcy of Ceteco

Since 1995, Hagemeyer has held, directly and indirectly, approximately 65% of the shares in Ceteco N.V., which was declared bankrupt in May 2000. In October 2003, Ceteco's bankruptcy receivers filed a lawsuit against Hagemeyer and the managing and supervisory board members of Ceteco in a Dutch court for the entire deficit in bankruptcy, currently estimated by the bankruptcy receivers at € 190 million, which includes a subordinated claim of Hagemeyer on Ceteco of € 42 million.
This claim is based on the allegation that the non-executive directors improperly supervised the executive directors while they mismanaged Ceteco, leading to its demise. The basis of the alleged liability is that three of these non-executive directors were members of Hagemeyer's Board of Management during the period of the alleged mismanagement.
In addition, and alternatively, the bankruptcy receivers allege that Hagemeyer, as a majority shareholder of Ceteco, breached a duty of care it owed to Ceteco and its creditors by, among other things, failing to intervene in time to prevent mismanagement at Ceteco. The bankruptcy receivers also claim that Hagemeyer has unjustly discharged Ceteco's Supervisory Board and Board of Management.
The damages in this tort claim are based on the loss suffered by Ceteco in certain countries. Any damages so recoverable in the tort claim will reduce the deficit in bankruptcy and therefore will reduce the amount of the first claim. It is currently expected that the aggregate claim of the bankruptcy receivers will not exceed € 148 million.
One of Ceteco's creditors, Dresdner Bank Lateinamerika AG, claims damages from Hagemeyer in the amount of € 14.5 million based on tort and alleging that Hagemeyer breached a duty of care to Dresdner Bank by failing to intervene in time to prevent mismanagement at Ceteco. The amount claimed forms part of the deficit in Ceteco's bankruptcy. Dresdner Bank has not commenced any formal court proceedings.
On 12 December 2007 the Utrecht district court rendered its judgment in the Ceteco litigation. The court allowed the claim of the bankruptcy receivers of Ceteco and ordered Hagemeyer as well as the former members of the Board of Management and the Supervisory Board of Ceteco to pay a still to be determined amount of damages and referred the parties to a separate proceeding to determine the amount of the damages. In addition Hagemeyer and the former members of Ceteco's Board of Management and Supervisory Board were jointly and severally ordered to make an advance payment of damages of € 50 million. In the meantime Hagemeyer and the former members of Ceteco's Board of Management and Supervisory Board have appealed this judgment. The appeal suspends the enforceability of the judgement, including the advance payment and the commencement of the separate damage proceedings. On 8 February 2008, the bankruptcy receivers provisionally attached for an amount of € 190 million the shares of certain of Hagemeyer N.V.'s directly held Dutch subsidiaries and intragroup receivables that were due on 8 February 2008 by these Dutch subsidiaries to Hagemeyer N.V. This provisional attachment would lead to a default under the conditions of our current senior financing facilities and convertible bonds if not remedied before 15 April 2008 for the senior facilities, or 7 May 2008 for the bonds. It is however expected that the completion of the Offer from Rexel will remedy this situation before 15 April 2008, through the repayment of our current senior financing facilities by Rexel and through the completion of the Cash Offer from Rexel for the convertible bonds. In case the Offer from Rexel would not be completed before 15 April 2008, we expect to be able to avoid a default situation by replacing the provisional attachment by a bank guarantee as a stand-alone company before 15 April 2008. Hagemeyer continues to believe that it has sound legal grounds to defeat all of these claims, but cannot give assurances that its defence will ultimately prevail.

CEF vs. Elektrotechnische Groothandel Bernard and others

One of Hagemeyer's competitors, CEF Holdings Ltd, started a new wholesale business in electrical materials in 1989 in the Netherlands. Subsequently, CEF Holdings claimed it suffered injury from a cartel maintained by, among others, the Dutch trade association of wholesale traders in electrical materials (the FEG) and all members of the FEG including (at that time) Elektrotechnische Groothandel Bernard B.V., one of Hagemeyer's Dutch subsidiaries. In March 1991, CEF Holdings lodged a complaint with the European Commission against, among others, FEG and all of its members. Subsequently, CEF City Electrical Factors B.V. instituted legal proceedings in February 1999 before the district court in Rotterdam against FEG, Technische Unie (the largest FEG member) and Bernard (the second largest FEG member) for damages in the amount of approximately € 98 million exclusive of interest and costs, on the same factual basis.

In October 1999, the European Commission imposed a fine against FEG and Technische Unie because of cartel activities, which decision was confirmed by the European Court of Justice in September 2006. The European Commission did not fine Bernard and later explicitly closed the file on Bernard.

The proceedings before the Rotterdam district court initiated by CEF against FEG, Technische Unie and Bernard that were suspended pending the procedure before the European Court of Justice have been resumed.

In 2006, CEF filed also claims against Hagemeyer N.V., Hagemeyer Nederland B.V., HTG Nederland B.V. and their directors, claiming that these parties have restricted CEF's possibilities for recovery of its alleged damages and holding them liable for the resulting loss, if any.

In part based on the fact that the Commission did not rule against Bernard, Hagemeyer believes it has sound legal grounds to defeat this claim but cannot give assurances that its defence will ultimately prevail.

Belgian Tax Authorities vs. Manudax Belgium

Manudax Belgium N.V., one of Hagemeyer's Belgian subsidiaries, entered into voluntary liquidation on 27 November 2000. During 1999 and 2000, Manudax Belgium received assessments for VAT in connection with fraudulent transactions allegedly entered into by former employees during the period beginning late 1996 until early 1998. The amount of these assessments, including penalties and excluding interest, is € 78.2 million. The interest accrued until 31 December 2007 amounts to € 52.1 million. All assessments are being contested by Manudax Belgium.

Arbitration regarding ABM

In 2001, Hagemeyer acquired ABM, a subsidiary in Spain. In connection with the transaction, it was agreed to make certain earn-out payments to the seller of ABM, contingent upon our achievement of certain agreed adjusted and audited 2002 EBITDA levels. Hagemeyer determined that such agreed EBITDA levels were not achieved, and consequently no earn-out payment was made to the seller of ABM. Hagemeyer's auditor at the time gave an unqualified opinion on the 2002 Spanish statutory accounts, which contractually formed the basis of the adjusted and audited 2002 EBITDA. The seller is however of the opinion that certain agreed EBITDA levels were achieved and accordingly claims an earn-out payment of € 18 million, excluding contractual interest and expenses, currently estimated at € 7.6 million, which claim was upheld in an 'expert determination' proceeding. The expert's decision has been submitted to arbitration. An arbitration award is expected in 2008. Hagemeyer believes it has sound legal grounds to defeat this claim but cannot give assurance that its defence will ultimately prevail.

Other

As at 31 December 2007, the Group had letters of credit outstanding, representing a value of € 80.8 million (2006: € 84.6 million).

27 Segment information

Geographical segments

For management purposes, the Group's core business is currently organized into three operating divisions – Professional Products and Services (PPS) in Europe, in North America and in Asia-Pacific. The remaining non-core activities are organized in the division Agencies / Consumer Electronics (ACE). These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- PPS Europe – the areas of operation are mainly distribution of electrical parts and supplies, safety and other MRO products, and the provision of Integrated Supply services.
- PPS North America – the main areas of operations are the distribution of MRO products including electrical parts and supplies, safety products and related services, and the provision of Integrated Supply services.
- PPS Asia-Pacific (mainly Australia) – the main areas of operation are the distribution of electrical supplies and parts, safety and other MRO products.

- ACE – the operation of various agency businesses of consumer electronics and other branded products in the Netherlands and Australia and of wholesale and retail businesses in luxury goods in several countries in Asia.

Segment information about the Group's operations is presented below.

There are no sales or other operating transactions between the segments. Segment assets consist primarily of property, plant and equipment, intangible assets including goodwill, inventories and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital additions comprise buildings, machinery, office and computer equipment, software, and goodwill arising on acquisitions.

Segment results

	PPS Europe		PPS North America		PPS Asia-Pacific		ACE		Corporate		Group	
(in € millions)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue												
External sales	4,231.3	3,947.8	1,279.7	1,407.0	499.2	468.8	433.5	404.6	-	-	6,443.7	6,228.2
Results												
Segment operating result	164.1	121.4	26.9	43.3	16.0	11.6	19.6	18.1	(28.1)	(27.8)	198.5	166.6
Share in results of associated companies	-	-	0.1	0.1	-	-	1.5	2.1	-	0.4	1.6	2.6
Financial expense – net											(49.6)	(54.6)
Profit / (loss) before taxes											**150.5**	**114.6**
Tax income / (expense)											5.6	25.0
Net profit / (loss)											**156.1**	**139.6**
Segment assets and liabilities												
Segment assets	1,507.6	1,479.1	527.4	575.0	268.9	270.2	144.9	135.7	49.1	10.2	2,497.9	2,470.2
Investments in associates	-	0.1	1.2	1.3	-	-	3.3	3.4	-	-	4.5	4.8
Unallocated assets											228.8	156.8
Consolidated total assets											**2,731.2**	**2,631.8**
Segment liabilities	801.1	793.2	138.2	144.4	75.2	78.5	69.4	58.5	32.0	38.3	1,115.9	1,112.9
Unallocated liabilities											607.2	697.8
Consolidated total liabilities											**1,723.1**	**1,810.7**
Other segment information												
Capital additions	67.5	65.7	14.8	13.3	6.4	4.8	3.8	2.7	-	-	92.5	86.5
Depreciation and amortization	31.9	27.7	10.0	10.1	5.7	4.8	2.9	2.9	-	-	50.5	45.5
Impairment losses recognized in income	0.3	20.9	-	0.2	-	-	-	-	-	1.9	0.3	23.0
Reversal of impairment losses recognized in income	-	0.5	-	-	-	-	-	-	-	-	-	0.5

Business segments

The Group's core PPS business concentrates on three business segments: Construction & Installation, Industrial customers and Other. The remaining non-core activities are organized in the division Agencies / Consumer Electronics (ACE).

The following is an analysis of the revenue per business segment, the carrying amount of the assets and capital additions per business segment, and the average number of employees.

	C&I		Industrial		Other PPS		ACE		Corporate		Total	
(in € millions)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue	3,497.6	3,375.0	2,290.4	2,233.4	222.2	215.2	433.5	404.6	-	-	6,443.7	6,228.2
Segment assets	1,412.9	1,434.2	824.8	817.3	66.2	72.8	144.9	135.7	49.1	10.2	2,497.9	2,470.2
Capital additions	58.7	65.4	28.3	16.3	1.7	2.1	3.8	2.7	-	-	92.5	86.5
Average number of employees	9,383	9,442	6,826	6,510	633	616	920	954	57	56	17,819	17,578

Certain reclassifications have been made in the 2006 figures to align with the 2007 presentation.

28 Net revenue

The Group's revenue is composed of the following main categories:

(in € thousands)	**2007**	2006
Sale of goods	6,343,738	6,125,407
Rendering of services (MRO, integrated supply)	99,981	102,796
	6,443,719	**6,228,203**

29 Operating expenses

(in € thousands)	**2007**	2006
Selling expenses	483,428	502,591
Branch, shipping and warehousing expenses	490,295	467,936
Administrative expenses	315,618	303,388
	1,289,341	**1,273,915**

Included in the operating expenses for 2007 is € 0.3 million for impairment losses. In 2006 € 23.0 million was included for impairment losses, mainly related to pre-paid leases and assets in the UK.

Staff expenses included in operating expenses:

(in € thousands)	**2007**	2006
Salaries and wages	637,787	624,963
Retirement benefit expenses	15,158	24,110
Social security costs	86,698	74,229
Expense of share-based payments	4,630	2,058
	744,273	**725,360**

The average number of employees during 2007 was 17,819 (2006: 17,578). The number of permanent employees at 31 December 2007 was 16,928 (2006: 16,410).

Depreciation / amortization included in operating expenses:

(in € thousands)	**2007**	2006
Other intangible assets	8,494	8,243
Property, plant and equipment	42,014	37,294
	50,508	**45,537**

Also included in operating expenses are the following amounts invoiced by Deloitte worldwide:

(in € thousands)	**2007**	%	2006	%
Type of service				
Statutory audit services	2,477	75.2	3,104	87.5
Audit related - Other	291	8.8	254	7.1
Tax services	119	3.6	66	1.9
Other non-audit services	407	12.4	123	3.5
	3,294	**100**	**3,547**	**100**

30 Other operating income / (expense)

Other operating income and expenses consist of result on sale of subsidiaries and participations, rent received from subleases and similar income.

(in € thousands)	**2007**	2006
Result on sale of subsidiaries and investments	1,197	(1,578)
Other items	1,959	2,288
	3,156	**710**

31 Financial income and expense

(in € thousands)	**2007**	2006
Financial income:		
Interest income	3,424	3,700
Income from other investments	21	63
Other financial income	653	749
Foreign exchange differences – net	-	1,512
Realized exchange differences on liquidated companies	573	7,893
Unrealized profit on financial instruments and derivatives	2,540	-
	7,211	**13,917**
Financial expenses:		
Interest on bank loans and overdrafts	(24,706)	(26,789)
Interest expense on subordinated convertible bonds	(5,381)	(13,349)
Interest on obligations under finance leases	(8,819)	(9,601)
Interest on provisions	(938)	(673)
Unrealized losses on financial instruments and derivatives	-	(1,848)
Interest accrued on subordinated convertible bonds	(5,557)	(9,550)
Foreign exchange difference – net	(1,762)	-
Fee expense	(564)	(774)
Bank and similar charges	(4,817)	(5,924)
Other financial expense	(4,265)	-
	(56,809)	**(68,508)**

See note 18 for further details on the subordinated convertible bond.

Realized foreign exchange differences on liquidated companies are transferred from the foreign currency translation reserve in equity to the income statement.

32 Tax income / (expense)

The Group's tax income / (expense) consists of the following:

(in € thousands)	**2007**	2006
Current income tax charge	(6,901)	(19,488)
Adjustments to current tax related to prior years	157	725
Deferred taxes (see note 19)	12,388	43,727
	5,644	**24,964**

The difference between the Group's overall expected tax rate (the weighted average statutory tax rate based on the result before tax of each subsidiary) and the effective tax rate arises due to the following:

(in € thousands)	2007	%	2006	%
Expected tax income / (expense)	(46,948)	(31.2)	(35,439)	(31.0)
Tax losses not recognized during the year	(10,581)	(7.0)	(13,895)	(12.1)
Utilization of tax losses	60,060	39.9	67,733	59.1
Items not deductible for tax purposes	(5,749)	(3.8)	(1,718)	(1.5)
Effect of change in enacted tax rates on deferred position	(11,956)	(7.9)	(321)	(0.3)
Adjustments to current tax related to prior years	157	0.1	725	0.7
Adjustments to deferred tax related to prior years	1,389	0.9	-	-
Net release Group's tax provision	17,645	11.7	8,468	7.4
Withholding taxes	(943)	(0.6)	(1,616)	(1.4)
Other	2,570	1.7	1,027	0.9
Effective tax income / (expense)	**5,644**	**3.8**	**24,964**	**21.8**

Hagemeyer's operating activities are subject to income taxes in various countries with statutory tax rates between 0% and 40%. The expected tax rate for the Group has changed compared to last year due to changes in some of these tax rates and due to changes in the relative weighting of results of operating companies as a consequence of different operating company results as compared to prior year.

One of the Group's subsidiaries pays income taxes at a higher rate if net profit or retained earnings are paid out as dividends. If the full amount of unrestricted equity reserves were to be paid out as dividend, € 1.3 million of income tax would be payable.

33 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Potential shares are only considered for the calculation of diluted earnings per share if they have a dilutive effect (i.e. their exercise or conversion would increase the loss or decrease the profit per share).

In 2007 the 2004 € 150 million subordinated convertible bonds were fully converted to ordinary shares. Potential ordinary shares resulting from the 2005 € 135 million convertible bonds would have a dilutive effect and are included in diluted earnings per share.

No potential ordinary shares from employee share and option plans are included in the diluted earnings per share calculation. In November 2007, it has been decided to settle all share-based payments on a cash basis in case a change of control occurs. As a consequence of the take over bid by Rexel on all Hagemeyer shares, it is probable that all option and share plans will indeed be settled on a cash basis by the end of March 2008 (see note 35), therefore no further dilution is expected.

In 2006, potential ordinary shares resulting from convertible bonds and from some of the outstanding conditional shares and options for employees would have had a dilutive effect and are included in diluted earnings per share. Outstanding conditional shares under ShareMap were not included as the plan's 3-year cumulative target had not yet been achieved as at 31 December 2006 (refer to note 35 for details).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2007	2006
Net profit / (loss) *(in € thousands)*	156,133	139,555
Minority interest *(in € thousands)*	(6)	(2)
Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings per share *(in € thousands)*	156,127	139,553
Interest on convertible bonds (net of tax) *(in € thousands)*	8,149	16,121
Amortization pre-paid expenses on issuance of convertible bonds (net of tax) *(in € thousands)*	290	1,079
Net profit / (loss) attributable to ordinary equity holders of the parent for diluted earnings per share *(in € thousands)*	**164,566**	**156,753**
Weighted average number of ordinary shares for basic earnings per share (excluding shares repurchased)	577,345,820	516,231,499
Effect of dilutive conditional shares and share options	6,478,406	1,698,339
Effect of convertible bonds	57,009,006	121,223,122
Weighted average number of ordinary shares for diluted earnings per share (excluding shares repurchased)	**640,833,232**	**639,152,960**
Basic earnings per share *(in €)*	**0.27**	**0.27**
Diluted earnings per share *(in €)*	**0.26**	**0.25**

34 Related party transactions

There are no significant transactions between the Group and its associates. Transactions between the Company and its subsidiaries are included in the Company's separate financial statements.

Key management personnel consists of the Board of Management. We refer to note 36 for compensation of the key management personnel.

€ 42 million of pension premiums was paid to post-employment benefit plans for the benefit of employees in the UK and the Netherlands.

35 Share-based payments

Share-based payments are made to certain key executives as a means to attract and retain professional and talented people in our business.

Stock options

Stock options granted are exercisable at a price equal to the closing value of the Company's shares on the date of grant. The standard vesting period is 3 years. If the options remain unexercised after a period of 5 years from vesting date, the options expire. Options are in principle forfeited if the employee leaves the Group. Furthermore, the stock option offer is conditional upon the average bonus received during the vesting period. The stock option offer is not conditional on performance for employees at head office in the Netherlands.

The position of the option programme at the beginning and end of 2007 respectively was as follows:

Year of grant	Number of shares based on outstanding options		Exercise price (in €)	Share price at date of grant (in €)	Expiration date[1]
	31 December 2007	1 January 2007			
1999	-	2,332	26.85	26.85	5 March 2007
	-	9,000	22.10	22.10	1 September 2007
2000	18,000	28,000	20.00	17.47	11 March 2008
	12,424	13,640	17.47	17.47	11 March 2008
2001	20,000	20,000	20.00	23.90	6 March 2009
2002	22,000	32,000	20.00	23.23	5 March 2010
	-	2,014	23.23	23.23	5 March 2007
	22,130	24,162	23.23	23.23	5 March 2010
2003	71,304	71,465	3.42	3.42	11 March 2008
	229,170	264,370	3.42	3.42	11 March 2011
2004	422,608	955,126	1.91	1.91	27 April 2012
2005	1,065,048	1,116,549	2.12	2.12	1 March 2013
2006	988,913	1,054,564	3.60	3.60	6 March 2014
	2,871,597	**3,593,222**			

[1] *In case of a change of control (see note 37), cash settlement is expected in March 2008*

During 2007 527,768 stock options were exercised at a weighted average exercise price of € 1.95. As a result of stock option holders leaving the employment of the Group 174,011 stock options were withdrawn in 2007. In addition to this 13,346 stock options expired in 2007, without exercise being possible. Furthermore 6,500 stock options were withdrawn in relation to not meeting performance objectives.
At 31 December 2007, all outstanding options from 2004 and earlier are exercisable.

Conditional shares

Conditional shares offered in 2007 generally have a vesting period of 3 years. For Mr R.W.A. de Becker, a term of 1 year applies. The offer of conditional shares is forfeited if the employee leaves the Group. Furthermore, the conditional share offer is conditional upon the average bonus received during the vesting period. The conditional shares offered are not conditional on performance for employees at head office in the Netherlands except for the Board of Management.

The position of the conditional shares programme at the beginning and end of 2007 respectively was as follows:

Year of offer	Number of shares conditionally offered		Share price at date of offering (in €)	Transfer date[1]
	31 December 2007	1 January 2007		
2004	4,000	310,550	1.91	March 2007
2005	349,800	364,550	2.12	March 2008
2006	-	100,000	3.60	March 2007
	467,149	491,149	3.60	March 2009
2007	100,000	-	3.58	March 2008
	593,465	-	3.58	March 2010
	1,514,414	**1,266,249**		

[1] *In case of a change of control (see note 37), cash settlement is expected in March 2008*

As a result of holders of conditional shares leaving the employment of the Group, 56,680 conditional shares were withdrawn in 2007 (of which 13,180 conditional shares were offered in 2007). Furthermore 2,167 conditional shares were withdrawn in relation to not meeting performance objectives. A total of 399,633 conditional shares was transferred to the conditional shareholders in 2007. In 2007 606,645 conditional shares were granted to employees and 100,000 conditional shares were granted to the Board of Management.

ShareMap

Under the terms of the Share Matching Plan (ShareMap), eligible employees can invest in Hagemeyer shares. Three years after such investment, subject to the achievement of (financial) targets to be determined by the Supervisory Board, Hagemeyer will grant a number of shares ranging between 50% - 200% of the number of shares acquired. In principle, no matching will apply when the employee leaves the Group before the date of matching. The position of the ShareMap programme at the beginning and end of 2007 respectively was as follows:

Year of investment	Number of investment shares purchased by participants		Share price of shares invested (in €)	Date of matching[1]
	31 December 2007	1 January 2007		
2006	400,403	409,282	3.60	9 May 2009
2007	1,145,056	-	3.48	7 March 2010
	1,545,459	**409,282**		

[1] *In case of a change of control (see note 37), pro rata cash settlement is expected in March 2008*

In 2007 1,157,064 shares were invested by employees in ShareMap. A total of 20,887 shares of the shares purchased in 2006 and 2007 by the participants are no longer eligible for matching as at 31 December 2007 due to end of employment.

General

It is the Group's principal policy to settle share-based payments by means of share repurchases on the stock market. Alternatively, Hagemeyer can issue new shares subject to the approval of the shareholders. In 2007 Hagemeyer has bought 2,200,000 shares in the market to cover short-term obligations arising from share-based programmes.

The Group recognized total expenses of € 9.4 million (2006: € 2.1 million) related to share-based payment plans during the year. In principle all share-based payments are equity-settled. However, the Supervisory Board and the Board of Management have decided in November 2007 to settle all share-based payments on a cash basis in case a change of control occurs. Based on this decision all share-based payments will be accounted for on a cash settlement basis in accordance with IFRS 2 due to the fact that a change of control is probable in March 2008 as a consequence of the take over bid by Rexel on all Hagemeyer shares (see note 37). Expected settlement in March 2008 also leads to accelerated vesting of all option and share plans (in the money) at a share value of € 4.85. Due to the accelerated vesting and the change in accounting from equity settlement to cash settlement there has been an additional charge in the income statement of € 4.7 million and € 6.4 million, in the reserve share-based compensation in equity. Furthermore, there is a net transfer to current liabilities of € 13.3 million. The exposure for settlement of the option and share plans in cash has been accounted for as a short term liability and amounts to € 18.0 million.

For further information on stock options, conditional shares and investment shares held by the members of the Board of Management, we refer to note 36 'Remuneration of members of the Supervisory Board and Board of Management'.

36 Remuneration of members of the Supervisory Board and the Board of Management

Supervisory Board

In 2007, the members of the Supervisory Board received the following remuneration:

Gross remuneration during the year 2007

(in €)	Fixed remuneration	Committee fee[1]	**Total 2007**
A. Baan *Chairman*	42,500	7,000	49,500
D.G. Eustace, *Vice-Chairman*[2]	12,500	2,333	14,833
R. van Gelder	32,500	7,000	39,500
R.M.J. van der Meer	32,500	7,000	39,500
M.P.M. de Raad[3]	35,833	7,000	42,833
P.H.J.M. Visée	32,500	7,000	39,500

[1] *A committee fee of € 7,000 per annum for the members of the Supervisory Board who serve on the Remuneration or Audit Committees*

[2] *4 months until 24 April 2007*

[3] *As of 24 April 2007, vice chairman*

In addition to the remuneration described above, the members of the Supervisory Board received a fixed allowance for business expenses not otherwise reimbursed of € 250 per person per month. The members of the Supervisory Board do not receive variable remuneration.

Board of Management

In 2007, the remuneration of the members of the Board of Management consisted of the following elements in accordance with the Remuneration Policy and the Remuneration report as described on pages 39 to 44 of this Annual Report and can be summarized as follows:

(in €)	Cost before change of control effects 2007	Adjustments change of control[2]	Total cost reported in 2007[1]	Total cost reported in 2006	Adjustments previous years	Cost attributable to 2006[1]
Gross annual base salary						
R.W.A. de Becker	677,463	-	677,463	664,179	-	664,179
J.S.T. Tiemstra[4]	504,624	1,740,000	2,244,624	494,729	-	494,729
Pension cost						
R.W.A. de Becker	141,209	-	141,209	316,756	-	316,756
J.S.T. Tiemstra	326,069	-	326,069	261,855	-	261,855
Sub-total cost of unconditional remuneration						
R.W.A. de Becker	818,672	-	818,672	980,935	-	980,935
J.S.T. Tiemstra	830,693	1,740,000	2,570,693	756,584	-	756,584
Short-term incentive						
R.W.A. de Becker	1,083,941	-	1,083,941	518,256	-	518,256
J.S.T. Tiemstra	403,699	-	403,699	386,035	-	386,035
Long-term incentive						
R.W.A. de Becker	266,141	-	266,141	504,820	257,548	247,272
J.S.T. Tiemstra	198,241	-	198,241	402,856	214,197	188,659
Stock options						
R.W.A. de Becker	-	-	-	-	-	-
J.S.T. Tiemstra	39,150	35,321	74,471	65,500	-	65,500
Conditional shares						
R.W.A. de Becker	358,500	34,609	393,109	323,000	-	323,000
J.S.T. Tiemstra	133,237	230,893	364,130	100,950	-	100,950
ShareMap						
R.W.A. de Becker	-	-	-	-	-	-
J.S.T. Tiemstra	212,025	227,670	439,695	63,736	-	63,736
Performance Share Plan						
R.W.A. de Becker	-	-	-	-	-	-
J.S.T. Tiemstra[3]	366,677	(358,184)	8,493	100,878	51,714	49,164
Sub-total conditional remuneration accrued						
R.W.A. de Becker	1,708,582	34,609	1,743,191	1,346,076	257,548	1,088,528
J.S.T. Tiemstra	1,353,029	135,700	1,488,729	1,119,955	265,911	854,044
Total cost	**4,710,976**	**1,910,309**	**6,621,285**	**4,203,550**	**523,459**	**3,680,091**
R.W.A. de Becker	**2,527,254**	**34,609**	**2,561,863**	**2,327,011**	**257,548**	**2,069,463**
J.S.T. Tiemstra	**2,183,722**	**1,875,700**	**4,059,422**	**1,876,539**	**265,911**	**1,610,628**
Sub-total short-term employee benefits	2,669,727	1,740,000	4,409,727	2,063,199	-	2,063,199
Sub-total post-employment benefits	467,278	-	467,278	578,611	-	578,611
Sub-total other long-term benefits	464,382	-	464,382	907,676	471,745	435,931
Sub-total share based payments	1,109,589	170,309	1,279,898	654,064	51,714	602,350

[1] *All conditional cost of remuneration are amounts net accrued during to the year relating to grants in current year and previous years*

[2] *See note 37 for disclosures on the change of control*

[3] *Adjustment of € 358,184 relates to overaccrual of Performance Share Plan in the situation of equity settlement compared to the situation of change of control in which prorata payment will be done*

[4] *In case the change of control eventuates, Mr Tiemstra's current position will effectively cease to exist on settlement date. Consequently, in accordance with his existing contractual arrangement with Hagemeyer, he is entitled to a severance payment equal to two times his gross annual base salary plus an amount in respect of the contractual notice period equal to his base salary, bonuses and customary emoluments, which amounts to approximately € 1.7 million*

Total cost of remuneration

The total costs of the remuneration of the Board of Management amount to € 6.6 million in 2007 (2006: € 4.2 million). The expenses in 2007 include € 1.9 million costs related to the pending change of control. The total costs in 2006 include additional accruals for previous years of € 0.5 million.

Periodically paid remuneration

Gross annual base salary

The gross annual base salary for Mr R.W.A. de Becker and Mr J.S.T. Tiemstra was increased by 2.0% as of 1 January 2007 as a correction for cost of living. The members of the Board of Management are entitled to a company car. Furthermore, the members of the Board of Management received a contribution to the premium for the medical insurance and other customary plans such as disability insurance, as well as telephone costs.

The members of the Board of Management received a fixed expense allowance of € 570 per person per month for business expenses not otherwise reimbursed.

Remuneration payable in the long term

The members of the Board of Management participated in a pension scheme in 2007.

Bonus schemes

Annual bonus ('Short-Term Incentive')

The STI bonuses are accrued in the balance sheet and will be disbursed in the year after. The actual STI bonuses awarded for 2006 and paid in 2007 are mentioned in the Remuneration report as described on pages 39 to 44.

Long-term Incentive

The LTI bonuses are accrued in the balance sheet in accordance with the LTI term. The actual LTI bonuses awarded for 2006 and payable in two equal tranches of 50% in 2008 and 2009 are mentioned in the Remuneration report as described on pages 39 to 44.

If the change of control eventuates, Mr Tiemstra will, as a matter of completion of exisiting contractual obligations, receive the amount of the built-up but as yet unpaid LTI bonus for the period 2005, 2006, 2007 and 2008 (up to 1 March).

Equity incentive schemes

Conditional stock options

Conditional stock options offered to members of the Board of Management:

	Year	Options offered	Exercise price (in €)	Exercisable from (if conditions met)	Expiry date[1]	Options with-drawn	Options expired / exercised	**Total outstanding (as at 31 December 2007)**
J.S.T. Tiemstra	2005	135,000	2.12	27 Feb 2008	1 March 2013	-	-	135,000
J.S.T. Tiemstra	2004	135,000	1.91	28 Feb 2007	27 April 2012	-	-	135,000
J.S.T. Tiemstra	2003	50,000	3.42	7 March 2006	11 March 2008	-	-	50,000
								320,000

[1] *In case of a change of control (see note 37), cash settlement is expected in March 2008*

Conditional shares

The members of the Board of Management participate in a conditional share programme.

Conditional shares offered to members of the Board of Management:

	Year	Shares offered	Award date[1]	Shares awarded	Shares withdrawn	Total outstanding (as at 31 December 2007)
R.W.A. de Becker	2007	100,000	27 Feb 2008	-	-	100,000
R.W.A. de Becker	2006	100,000	28 Feb 2007	100,000	-	-
J.S.T. Tiemstra	2007	45,000	Feb / March 2010	-	-	45,000
J.S.T. Tiemstra	2006	45,000	Feb / March 2009	-	-	45,000
J.S.T. Tiemstra	2005	45,000	27 Feb 2008	-	-	45,000
J.S.T. Tiemstra	2004	45,000	28 Feb 2007	45,000	-	-
						235,000

[1] *In case of a change of control (see note 37), cash settlement is expected in March 2008*

Share Matching Plan ('ShareMap')

Mr Tiemstra participates in ShareMap '07. He invested € 500,000 in ShareMap, including 100% of his net-STI over 2006.

	Year	Shares invested	Matching date[1]	Total outstanding (as at 31 December 2007)
J.S.T. Tiemstra	2007	143,719	7 March 2009	143,719
J.S.T. Tiemstra	2006	50,691	9 May 2008	50,691

[1] *In case of a change of control (see note 37), cash settlement is expected in March 2008*

Performance Share Plan

In February 2007, the net after tax amount of 50% of the LTI bonus awarded to Mr. Tiemstra in 2004 and 2005 was invested in the Performance Share Plan (23,603 shares). Furthermore in February 2007 the conditional shares 2004 were invested in the Performance Share Plan (45,000 shares).

	Year	Shares invested	Premium date[1]	Total outstanding (as at 31 December 2007)
J.S.T. Tiemstra	2007	68,603	Feb / March 2010	68,603
J.S.T. Tiemstra	2006	10,799	Feb / March 2009	10,799

[1] *In case of a change of control (see note 37), cash settlement is expected in March 2008*

37 Change of control

On 21 December 2007, Kelium S.A.S. (a subsidiary of Rexel S.A.) offered to buy all of Hagemeyer N.V.'s issued and outstanding ordinary shares for € 4.85 per share and convertible bonds for € 2,020.83 per bond. The offer period commenced on 24 December 2007 and ends on 4 March 2008. Settlement is expected in March 2008. More details can be found in the Offer Memorandum.

As the offer period extends beyond the closing date of 31 December 2007 and beyond the date that these financial statements are authorized for issue, namely 20 February 2008, an assessment has to be made as of year-end 2007 and 20 February 2008 whether the change of control can be considered probable for the valuation of various items, such as share-based payments, committed severance payments, capitalized transaction costs related to financing facilities and deferred tax assets on carry-forward losses.

As management considers it probable that the change of control will indeed take place in March 2008, the following items are included in the income statement for the year ending 31 December 2007:

(in € thousands)	**Amount**	Note
Acceleration and cash settlement of share-based payments	(4,723)	35
Other staff expenses	(1,743)	36
Bid advisory costs	(3,457)	
Total operating expenses	**(9,923)**	
Accelerated write-off of capitalized financing transaction costs	(1,026)	
Financial income and expense	**(1,026)**	
Adjustments of capitalized carryforward tax losses	11,639	21
Deferred income tax	**11,639**	

Classifications and valuations as per 31 December 2007 include the effect of decisions and/or actions as announced by Rexel in the Offer Memorandum. Any other decisions that may be reached in the future could of course also affect the current valuations.

Therefore, except for the items mentioned above, classifications and valuations are based on a scenario of a stand-alone consolidated Hagemeyer N.V. in the future.

Although management considers it unlikely, it is possible that the change of control will not take place in March 2008. If at that point, it becomes probable that no change of control will take place in the foreseeable future, this will have the following effects on the Group's consolidated financial position and results:

1. Other staff expenses (provision for severance payment to the CFO) will be released to staff expenses.
2. The contingent cash settlement alternative of the share-based payment programmes will no longer be probable. The accounting for the plans will therefore revert to be based on equity settlement. Neither will vesting of all the plans be probable in March 2008. The charges to the income statement and equity resulting from the conversion to cash settlement and accelerated vesting will therefore be reversed, resulting in a gain in staff expenses of € 4.7 million and a positive booking in equity of € 13.3 million. The current liability of € 18.0 million will partly be released and partly be transferred back to equity.
3. The bid advisory costs that have been recognized will NOT be reversed. The services have been rendered and the charges are non-refundable.
4. The additional write-off of capitalized transaction costs related to the long-term credit facility and other financing will be reversed, leading to a gain of € 1.0 million in financial income and expense.
5. Deferred tax assets related to carryforward tax losses will decrease by € 8.9 million. € 11.6 million will be expensed in the income statement (deferred tax expense) and € 2.7 million will be reversed in equity.

38 Non-IFRS benchmark figures 2006

The Company uses adjusted operating result figures as key performance measure in 2006. Adjusted figures, such as operating result, were stated before exceptional items of income and expense. Because of their nature, magnitude or frequency of occurrence, these exceptional items of income and expense were reported separately in order to provide a fair view of the performance resulting from normal operating activities or developments.

In 2006 the operating result before exceptional items was € 189.8 million.

The practice of reporting exceptional items has been discontinued in 2007.

The following exceptional items were excluded from the operating profit for this purpose in 2006:

(in € thousands)	2006
Result on sale of subsidiaries, participations and investments	(1,578)
Restructuring charge - PPS	(19,509)
Regulatory and risk management	26
Other items	(2,128)
	(23,189)

The reconciliation between the operating result, as reported in the income statement and the adjusted operating result was as follows:

(in € thousands)	2006
Operating result in income statement (under IFRSs)	166,632
Items as listed above	23,189
Adjusted operating result as used for internal performance measures	**189,821**

39 Acquisition of subsidiaries

The Group acquired 100% of the shares in Breva Groep N.V. (Belgium) in January 2007, 100% of the shares in Bryant Electric Supply Company (USA) in August 2007, 100% of the shares in SIA Kolorits (Latvia) in November 2007 and 100% of the shares in SIA Energo (Latvia) in November 2007. All acquisitions are electrical wholesalers and distributors of Maintenance, Repair and Operations (MRO) products.
The cost of acquisition of the companies was paid in cash and includes total costs of acquisition amounting to € 0.8 million.

The initial accounting for the 2007 acquisitions except Breva Groep N.V. is provisionally determined as the necessary market valuations and other calculations have not been finalized.

The fair value of the identifiable assets and liabilities of the acquisitions as at the dates of acquisition, provisionally determined except for Breva Groep N.V., and the corresponding book values immediately before the acquisitions were as follows:

(in € thousands)	Book value Breva	Fair value on acquisition Breva	Book value Bryant	Fair value on acquisition Bryant	Book value others	Fair value on acquisition others	**Total fair value on acquisitions**
Property, plant and equipment	318	350	176	176	3,415	11,227	11,753
Software and licenses	283	132	-	-	46	62	194
Customer relationships	-	3,250	-	1,614	-	78	4,942
Trade name	-	204	-	78	-	53	335
Other non current assets	126	-	-	3	-	-	3
Non current assets held for sale	2,077	2,077	-	-	-	-	2,077
Inventories	4,242	4,052	3,711	3,555	4,062	3,955	11,562
Trade and other receivables	12,630	12,434	4,587	4,548	2,693	2,685	19,667
Cash and cash equivalents	2,057	2,057	15	15	244	244	2,316
Provisions and retirement benefit obligation	-	(53)	-	(94)	-	(870)	(1,017)
Deferred income tax liabilities	(671)	(1,595)	-	(732)	(141)	(1,203)	(3,530)
Bank loans	(347)	(347)	-	-	(2,460)	(2,460)	(2,807)
Finance lease obligation	-	-	(1,306)	(1,306)	(58)	(58)	(1,364)
Trade payables	(7,391)	(7,391)	(2,393)	(2,393)	(4,640)	(4,639)	(14,423)
Other payables	(1,048)	(1,108)	(186)	(265)	(661)	(661)	(2,034)
Total net assets acquired	**12,276**	**14,062**	**4,604**	**5,199**	**2,500**	**8,413**	**27,674**
Goodwill on acquisition		8,209		4,878		8,408	21,495
Total consideration		**22,271**		**10,077**		**16,821**	**49,169**

The initial accounting in the Hagemeyer 2006 financial statements of the fair value of the identifiable assets and liabilities of Breva Groep N.V. at the date of acquisition was provisionally determined. At the date of these financial statements, market valuations and other calculations have been finalized and have impacted the recognized fair values of acquired assets and liabilities as follows:

(in € thousands)	Final fair value on acquisition	Adjustment	Unaudited fair value on acquisition	Unaudited book value
Property, plant and equipment	350	51	299	318
Software and licenses	132	1	131	283
Customer relationships	3,250	-	3,250	-
Trade name	204	-	204	-
Other non-current assets	-	(1)	1	126
Non-current assets held for sale	2,077	-	2,077	2,077
Inventories	4,052	(170)	4,222	4,242
Trade and other receivables	12,434	2	12,432	12,630
Cash and cash equivalents	2,057	-	2,057	2,057
Provisions	(53)	427	(480)	-
Deferred income tax liabilities	(1,595)	(88)	(1,507)	(671)
Bank loans	(347)	-	(347)	(347)
Trade payables	(7,391)	-	(7,391)	(7,391)
Other payables	(1,108)	(60)	(1,048)	(1,048)
Total net assets acquired	**14,062**	**162**	**13,900**	**12,276**
Goodwill on acquisition	8,209	(155)	8,364	
Total consideration	**22,271**	**7**	**22,264**	

Net cash outflow on acquisitions:

(in € thousands)	**Total**
Total purchase consideration in cash	49,169
Less: purchase consideration still to be paid	(500)
Less: cash and cash equivalents acquired	(2,316)
	46,353

Goodwill arose in the business combinations because the cost effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits cannot be recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the net profit for the year is € 1.2 million attributable to Breva, € 0.3 million loss to Bryant and an insignificant effect from other acquired companies. Had these business combinations been effected at 1 January 2007, the revenue of the Group would have been approximately € 46 million and the profit for the year would have been approximately € 0.4 million higher. These estimates are unaudited and based on the figures available from the acquired companies for 2007 before the dates of acquisition.

40 Disposal of subsidiaries

Immediately following the business combination with Breva Groep N.V., Hagemeyer disposed of the subsidiary Breva Invest N.V. for € 2.1 million in cash.

In March 2007, the Group disposed of SEASK Terra AB for € 2.8 million in cash. Resulting in a gain on disposal of € 0.5 million.

41 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has made the following accounting judgments and estimates, which have the most significant effect on the amounts recognized in the financial statements:

- Kelium S.A.S. has offered to buy all outstanding ordinary shares and bonds of Hagemeyer N.V. The offer period ends 4 March 2008. Note 37 explains that management considers it probable that the change of control will eventuate in March 2008 and details the resulting accounting consequences.
- Management has assumed that a bank guarantee can be secured no later than mid April 2008 which will lift and replace the provisional attachment on the shares of certain of Hagemeyer N.V.'s directly held Dutch subsidiaries and intragroup receivables that were due on 8 February 2008 by these Dutch subsidiaries to Hagemeyer N.V.
- Information about the assumptions and their risk factors as relating to goodwill impairment are detailed in note 3.
- Estimates and judgments made with respect to impairment losses on intangible assets and property, plant and equipment are detailed in notes 4, 5 and 29.
- Note 20 explains estimates and judgments made as related to the accounting for retirement benefit plans.
- In note 25, detailed analysis is given of the financial risks of the Group in relation to interest rates, foreign exchange and other market risks.
- Hagemeyer is involved as defendant, claimant or target in a number of lawsuits, claims, investigations and proceedings. After taking appropriate legal advice, management has established provisions in respect of these claims (see note 19). Final verdicts, settlements or resolution may result in a variance to the liability as accounted for. This applies in particular to the litigation matters Ceteco, CEF, Manudax and ABM as described in note 26 and silicosis, as described in note 19.
- Management has applied judgments in providing for the costs of vacated property and/or assets put out of use. In particular, assumptions were made as to realizable disposal and sublease income. To the extent that these assumptions will appear to be incorrect, provisions and/or asset impairments will need adjustment through the income statement.
- Estimates on future realization of tax carryforward losses are explained in note 21.

42 Post balance sheet date events

On 8 February 2008, the bankruptcy receivers of Ceteco provisionally attached for an amount of € 190 million the shares of certain of Hagemeyer N.V.'s directly held Dutch subsidiaries and intragroup receivables that were due on 8 February 2008 by these Dutch subsidiaries to Hagemeyer N.V. This provisional attachment would lead to a default under the conditions of our current senior financing facilities and convertible bonds if not remedied before 15 April 2008 for the senior facilities, or 7 May 2008 for the bonds. It is however expected that the completion of the Offer from Rexel will remedy this situation before 15 April 2008, through the repayment of our current senior financing facilities by Rexel and through the completion of the Cash Offer from Rexel for the convertible bonds. In case the Offer from Rexel would not be completed before 15 April 2008, we expect to be able to avoid a default situation by replacing the provisional attachment by a bank guarantee as a stand alone company before 15 April 2008.

Hagemeyer continues to believe that it has sound legal grounds to defeat all of these claims, but cannot give assurances that its defence will ultimately prevail.

Auditors' report

To the Shareholders and Supervisory Board of Hagemeyer N.V.

Report on the consolidated financial statements

We have audited the consolidated financial statements 2007, set out on pages 45 to 109, which are part of the financial statements of Hagemeyer N.V., Naarden, which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Hagemeyer N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.
Rotterdam, 20 February 2008
R.J.M. Dassen

Company financial statements

Contents

[1] *For the year ended 31 December 2007*
[2] *At 31 December 2007*

Company income statement

for the year ended 31 December 2007

(in € thousands)	Notes	2007	2006
Result from participations after taxes		129,609	159,656
Other results	13	26,518	(20,103)
Net profit / (loss) for the period		**156,127**	**139,553**

Proposed appropriation of net result to equity holders of the Company

(not incorporated in the balance sheet)

(in € thousands)	2007	2006
Dividend of € 0.06 per ordinary share	-	35,400
Interim dividend of € 0.04 per share	23,405	-
Add / (charge) to retained earnings	132,722	104,153
	156,127	**139,553**

See accompanying notes on pages 118 to 128

Company balance sheet

(before appropriation of net result)
at 31 December 2007

(in € thousands)	Notes	2007	2006
Assets			
Non-current assets			
Goodwill and other intangible assets	3	2,828	3,279
Property, plant and equipment	4	282	384
Investments in subsidiaries	5	756,124	759,349
Loans to subsidiaries	6	580,483	669,091
Retirement benefit assets	7	40,374	159
Deferred tax asset	8	37,749	-
		1,417,840	**1,432,262**
Current assets			
Receivables from subsidiaries		8,300	7,805
Prepayments and other receivables		6,097	27,318
Cash and cash equivalents		137	483
		14,534	**35,606**
Total assets		**1,432,374**	**1,467,868**

See accompanying notes on pages 118 to 128

(in € thousands)	Notes	2007	2006
Equity and liabilities			
Equity	9		
Share capital		707,812	619,578
Share premium		114,317	39,057
Revaluation reserve		1,260	1,507
Legal reserves			
Reserve profits subsidiaries		15,426	11,812
Cumulative translation reserve		(64,912)	(29,387)
Other reserves			
Reserve share-based compensation		(6,366)	3,565
Equity component convertible bond		38,328	61,731
Hedging reserve		875	169
Retained earnings		45,113	(26,589)
Net profit / (loss)		156,127	139,553
Equity attributable to equity holders		**1,007,980**	**820,996**
Provisions	10	**10,000**	**5,000**
Non-current liabilities			
Subordinated convertible bonds	11	110,239	105,086
		110,239	**105,086**
Current liabilities			
Subordinated convertible bonds	11	-	139,687
Payables to subsidiaries		274,274	360,443
Other payables	12	914	364
Accrued liabilities		28,967	36,292
		304,155	**536,786**
Total equity and liabilities		**1,432,374**	**1,467,868**

See accompanying notes on pages 118 to 128

Company statement of changes in equity

for the year ended 31 December 2007

(in € thousands)	Note	Share capital	Share premium	Legal and other reserves	Retained earnings	Profit / (loss) for the period	Total equity
		Attributable to equity holders					
Balance at 1 January 2006		**619,429**	**38,920**	**86,460**	**44,134**	**(57,992)**	**730,951**
Changes in equity for the period 1 January 2006 – 31 December 2006							
Appropriation of 2005 loss		-	-	-	(57,992)	57,992	-
Unrealized exchange differences on translation foreign operations	9	-	-	(33,724)	-	-	(33,724)
Realized exchange differences recognized in the income statement	9	-	-	(7,893)	-	-	(7,893)
Addition to legal reserve	9	-	-	1,093	(1,093)	-	-
Net gains / (losses) on cash flow hedges	9	-	-	117	-	-	117
Revaluation gain taken to equity	9	-	-	1,815	-	-	1,815
Portion of revaluation gain released to income statement	9	-	-	(308)	-	-	(308)
Net income / (loss) recognized directly in equity		**-**	**-**	**(38,900)**	**(59,085)**	**57,992**	**(39,993)**
Profit for the period	9	-	-	-	-	139,553	139,553
Total recognized income and expense for the period		**-**	**-**	**(38,900)**	**(59,085)**	**197,545**	**99,560**
Share-based compensation plans	9	-	-	2,058	-	-	2,058
Net purchase of shares for share-based compensation plans	9	-	-	-	(11,638)	-	(11,638)
Award of conditional shares to employees	9	120	92	(212)	-	-	-
Issue of share capital to employees	9	13	26	-	-	-	39
Issue of share capital for bond conversion	9	16	19	(9)	-	-	26
Balance at 31 December 2006		**619,578**	**39,057**	**49,397**	**(26,589)**	**139,553**	**820,996**

Continued >

		Attributable to equity holders					
(in € thousands)		Share capital	Share premium	Legal and other reserves	Retained earnings	Profit / (loss) for the period	**Total equity**
Balance at 1 January 2007		**619,578**	**39,057**	**49,397**	**(26,589)**	**139,553**	**820,996**
Changes in equity for the period 1 January 2007 – 31 December 2007							
Appropriation of 2006 profit	9	-	-	-	139,553	(139,553)	-
Unrealized exchange differences on translation foreign operations	9	-	-	(32,267)	-	-	(32,267)
Realized exchange differences recognized in the income statement	9	-	-	(573)	-	-	(573)
Addition to legal reserve		-	-	3,614	(3,614)	-	-
Income tax charged directly to equity		-	-	(2,704)	-	-	(2,704)
Net gains / (losses) on cash flow hedges	9	-	-	725	-	-	725
Revaluation gain taken to equity	9	-	-	-	-	-	-
Portion of revaluation gain released to income statement	9	-	-	(247)	-	-	(247)
Net income / (loss) recognized directly in equity		**-**	**-**	**(31,452)**	**135,939**	**(139,553)**	**(35,066)**
Profit for the period		-	-	-	-	156,127	156,127
Total recognized income and expense for the period		**-**	**-**	**(31,452)**	**135,939**	**16,574**	**121,061**
Share-based compensation plans	9	_-	-	4,630	-	-	4,630
Net purchase of shares for share-based compensation plans	9	-	-	-	(10,133)	-	(10,133)
Award of conditional shares to employees	9	-	-	(932)	932	-	-
Transfer to short-term liability due to change from equity to cash settled	9	-	-	(13,283)	-	-	(13,283)
Issue of share capital to employees	9	-	-	(346)	3,473	-	3,127
Issue of share capital for bond conversion	9	88,234	75,260	(23,403)	-	-	140,091
Dividends	9	-	-	-	(58,509)	-	(58,509)
Balance at 31 December 2007		**707,812**	**114,317**	**(15,389)**	**45,113**	**156,127**	**1,007,980**

See accompanying notes on pages 118 to 128

Notes to the Company financial statements

1 General

Hagemeyer N.V. ('the Company') is a public limited liability company incorporated and domiciled at Rijksweg 69, 1411 GE Naarden, the Netherlands. The Company financial statements, as prepared by the Board of Management, were authorized for issue by the Supervisory Board on 20 February 2008. The Company financial statements will be submitted for adoption to the General Meeting of Shareholders, which will be held on 28 March 2008.

For the purpose of complying with articles 379 and 414, Book 2 of the Netherlands Civil Code, a complete list of companies associated with the Group is available at the Chamber of Commerce in Hilversum and at the Company's offices. The principal operating companies included in the consolidation of the Hagemeyer Group are listed on pages 131 to 134 of this report.

2 Principal accounting policies

a. Statement of compliance

The Company financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code. As permitted by Article 2:362 paragraph 8 of this code, the Company financial statements have been prepared applying the same IFRS accounting policies as used in the consolidated financial statements in order to maintain consistency between the figures in the consolidated and Company financial statements. In accordance with Article 2:402 of the Netherlands Civil Code, an abbreviated version of the income statement is presented.

b. Adoption of new and revised Standards

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except that investments in subsidiaries are stated at net asset value as the Company effectively exercises influence of significance over the operational and financial activities of these investments. The Company's share in the undistributed earnings of subsidiaries and associated companies is taken to retained earnings, except when the Company is unable to secure payment of dividend. In such cases, the share in undistributed earnings is recorded in a legal reserve.

In addition to these accounting principles, the following applies:

IAS 39 Financial Instruments: Recognition and Measurement Amendment for financial guarantee contracts – amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognized initially at fair value and to be subsequently measured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*. This amendment has no effect on the consolidated financial statements. Although the Company has a number of financial guarantees outstanding on behalf of its subsidiaries, this amendment does not have an effect on the Company financial statements of Hagemeyer N.V. because these are prepared in accordance with Title 9 of Book 2. Only IFRS accounting policies applied in the consolidated financial statements are followed in order to maintain consistency.

Non-current assets

3 Goodwill and other intangible assets

(in € thousands)	2007	2006
Goodwill		
Net book value at 1 January	**2,651**	**2,955**
Effect of movements in foreign exchange rates	(278)	(304)
Net book value at 31 December	**2,373**	**2,651**
Cost	2,661	2,973
Accumulated amortization and impairment	(288)	(322)
Net book value at 31 December	**2,373**	**2,651**
Software		
Net book value at 1 January	**628**	**800**
Additions	10	7
Amortization	(183)	(179)
Net book value at 31 December	**455**	**628**
Cost	1,822	1,812
Accumulated amortization	(1,367)	(1,184)
Net book value at 31 December	**455**	**628**
Total intangible assets at 31 December	**2,828**	**3,279**

4 Property, plant and equipment

(in € thousands)	2007	2006
Net book value at 1 January	**384**	**579**
Disposal	(27)	-
Additions	180	142
Depreciation	(255)	(337)
Net book value at 31 December	**282**	**384**
Net cost	1,650	1,508
Accumulated depreciation	(1,368)	(1,124)
Net book value at 31 December	**282**	**384**

The carrying amount of the Company's property, plant and equipment concerns office equipment and computers of € 181,000 (2006: € 304,000) and other operating assets of € 101,000 (2006: € 80,000).

5 Investments in subsidiaries

(in € thousands)	2007	2006
At 1 January	759,349	600,281
Effect of movements in foreign exchange rates	(32,779)	(21,819)
Investments, including conversion of loans	42,339	9,373
Transfer to Group company	(31,900)	-
Share in results for the year	129,609	159,656
Dividends received	(1,176)	(2,445)
Disposals and repayments	(110,043)	12,371
Revaluation Poland	-	1,815
Unrealized hedging result	725	117
At 31 December	**756,124**	**759,349**

6 Loans to subsidiaries

(in € thousands)	2007	2006
At 1 January	669,091	876,283
Effect of movements in foreign exchange rates	(1,102)	(17,909)
Additional loans	45,027	16,622
Divestments	(6,124)	-
Settlements	(84,070)	(205,905)
Conversion to equity	(42,339)	-
At 31 December	**580,483**	**669,091**

7 Retirement benefit asset

Defined contribution plans

Some Dutch subsidiaries of the Company are required to pay specified pension premiums based on actuarial calculations. These premiums of € 1.0 million (2006: € 1.2 million) are paid directly to the Company. For the Company, this constitutes a negative defined contribution expense. For the subsidiaries involved, the payment of these pension premiums covers all the related pension risks.

Defined benefit plans

The Company maintains defined benefit plans for qualifying employees of the Company and its subsidiaries based in the Netherlands (average earnings retirement plans, held separately under the control of trustees). The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 31 December 2007 by qualified actuaries. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the projected unit credit method.

The following tables summarize the components of the net benefit expense recognized in the Company income statement and the funded status and amounts recognized in the Company balance sheet for the respective plans, as well as the principal assumptions applied.

The principal assumptions used for the purpose of the actuarial valuation are as follows:

(in %)	2007	2006
Discount rate	5.5	4.5
Expected return (bonds)	4.5	4.1
Expected return (equities)	7.5	7.1
Expected return (other)	4.5	4.5
Expected (real) salary increases	0.0 – 3.0	0.0 - 3.0
Expected pension increases	2.0	1.9 - 2.0
Inflation assumption	2.0	2.0

The discount rate is based upon the AA corporate bond spot yield curve, taking into consideration the duration of the liabilities.

The expected return on bonds assumes investment in low-risk insurance contracts or government bonds, with a yield to maturity depending on the maturity of the bonds invested in. This yield can generally be derived directly from the financial markets. The expected return on equities is determined by adding an allowance for equity out-performance (the equity risk premium) to the market yield on low-risk government bonds of 3%. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plans' portfolios.

The amount recognized in the balance sheet in respect of the Company's defined benefit retirement plans is as follows:

(in € thousands)	**2007**	2006
Fair value of plan assets	367,328	335,398
Present value of funded liabilities	(300,703)	(308,097)
Funded status	**66,625**	**27,301**
Unrecognized actuarial (gains) / losses	(26,251)	(21,775)
Effect of the balance sheet limit	-	(5,367)
Net asset recognized at 31 December	**40,374**	**159**

In accordance with IAS 19, paragraph 58(b) the capitalization of a defined benefit asset is restricted to the amount of the balance sheet limit. The difference between the amount in excess of the balance sheet limit at the end of the year and the amount in excess of the balance sheet limit at the beginning of the year is recognized as an income or expense in the income statement. The effect of the balance sheet limit as per year-end has a value of zero and the defined benefit asset is not restricted due to the fact that any surplus will ultimately be reimbursed to the Company, based on the articles of association of the specific pension fund.

In 2007 a new finance agreement for the pension plans in the Netherlands was agreed upon, stipulating that a lump sum payment of € 32 million is made to the pension scheme. Arrangements were also made for premium holiday when the solvency ratio exceeds 150% and for repayment of 20% of the excess funds to Hagemeyer N.V. when the solvency ratio exceeds 200%. This new agreement replaces the previous agreement in which a minimum solvency ratio of 110% was guaranteed by Hagemeyer N.V.

Amounts recognized in the income statement in respect of the defined benefit plans are as follows:

(in € thousands)	**2007**	2006
Current service cost	3,779	4,873
Interest on obligation	13,528	12,614
Expected return on plan assets	(17,148)	(15,154)
Amortization of net (gains)/ losses	-	100
Actuarial (gains) / losses resulting from the balance sheet limit	(5,366)	(2,130)
Total expense / (income)	**(5,207)**	**303**

The total income or expense for the year is included as retirement benefit expenses in the staff expenses in the income statement. The actual return on plan assets was € 10.3 million (2006: € 19.0 million).

Changes in the present value of the defined benefit obligations are as follows:

(in € thousands)	**2007**	2006
Opening defined benefit obligation	308,097	316,388
Current service cost	3,779	4,873
Expected employee contributions	356	300
Interest on obligation	13,528	12,614
Benefits paid	(15,200)	(15,700)
Transfer in / out	-	14,409
Actuarial (gains) / losses	(9,857)	(24,787)
Closing defined benefit obligation	**300,703**	**308,097**

Changes in the fair value of plan assets are as follows:

(in € thousands)	**2007**	2006
Opening fair value of plan assets	335,398	320,972
Expected return on plan assets	17,148	15,153
Employer's contributions	35,008	600
Member contributions	356	300
Benefits paid	(15,200)	(15,700)
Transfer in / out	-	10,236
Actuarial gains / (losses)	(5,382)	3,837
Closing fair value of plan assets	**367,328**	**335,398**
Of which:		
Bonds	214,050	181,115
Equities	115,258	120,743
Other	38,020	33,540

The plan assets do not include any of the Company's own financial instruments nor any property occupied by or other assets used by the Group.

The history of the retirement benefit plans is as follows:

(in € thousands)	**2007**	2006	2005	2004
Fair value of plan assets	367,328	335,398	320,972	296,113
Present value of defined benefit obligations	(300,703)	(308,097)	(316,388)	(300,583)
Funded status	**66,625**	**27,301**	**4,584**	**(4,470)**
Experience (gains) / losses on plan liabilities	9,857	14,920	-	-
Experience adjustments on plan assets	(5,382)	3,837	19,580	6,656

Experience adjustments on defined benefit obligations and plan assets are the difference between assumptions made and actual experience. In accordance with IFRS 1, disclosures with respect to the history of the plans are made as from the 2004 reporting period.

Experience adjustments on plan assets include the total of the positive and negative amounts for the individual pension plans. In previous years, the amounts reported included the total of the absolute amounts for the individual pension plans.

8 Deferred tax asset

2007 Deferred tax assets

(in € thousands)	At 1 January 2007	(Charge) / release to income statement	Charge to equity	**At 31 December 2007**
Reorganization and restructuring provisions	-	328	-	328
Other provisions	-	2,550	-	2,550
Tax loss carry forwards	53,419	49,069	(5,317)	97,171
Capitalized refinancing costs	2,642	-	(1,321)	1,321
Other deductible temporary differences	3,203	(859)	-	2,344
Total	**59,264**	**51,088**	**(6,638)**	**103,714**

2007 Deferred tax liabilities

(in € thousands)	At 1 January 2007	Charge / (release) to income statement	Charge to equity	**At 31 December 2007**
Accelerated depreciation property, plant and equipment	936	50	-	986
Convertible bonds	10,258	-	(3,953)	6,305
Recapture obligation losses Australian branch	47,851	506	-	48,357
Other taxable temporary differences	219	10,079	19	10,317
Total	**59,264**	**10,635**	**(3,934)**	**65,965**

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offsetting) for financial reporting purposes:

(in € thousands)	**2007**	2006
Deferred tax asset	37,749	-
Deferred tax liability	-	-

At the balance sheet date, the Company has unused tax losses of € 362 million (2006: € 326 million) available to offset against future taxable income. A deferred tax asset of € 97.2 million (2006: € 53.4 million), including a withholding tax credit of € 4.9 million, is recognized in respect of all of the available losses (2006: € 209 million) as, based on the forecasts, future profits are expected to be available to offset the losses within the foreseeable future. No deferred tax asset was recognized in 2006 with respect to the remaining € 117 million. Of the total tax losses available of € 362 million, all will expire between 2008 and 2016. Realization of carryforward losses is subject to future taxable income, expiration of losses and legislative changes. There are no significant amounts of unrecognized deductible temporary differences.

Equity and liabilities

9 Equity

The Company's share capital is denominated in Euros. The authorized share capital amounts to € 810 million, divided into 675 million ordinary shares with a nominal value of € 1.20 each.

In 2007, 73,528,293 ordinary shares were issued. As a result, the paid-up and called-up ordinary share capital increased by € 88.2 million and the share premium reserve increased by € 75.3 million. The share premium reserve of € 114.3 million is, under existing tax legislation, distributable in ordinary shares free of Dutch income taxes.

4,321,402 ordinary shares with a nominal value of € 5.2 million are held by the Company as at 31 December 2007 with a value of € 20.2 million. The net purchase price is deducted from retained earnings. These ordinary shares are intended to be used for employee share-based programmes.
An additional 577,925 ordinary shares with a nominal value of € 0.7 million were purchased in 2007 for € 2.0 million and sold to employees as part of the ShareMap programme for € 2.0 million. The difference is deducted from retained earnings.

(in thousands)	**2007**	2006
Changes in the number of ordinary shares issued		
Issued 1 January	516,315	516,191
Shares issued in the year	73,529	124
Shares issued at year-end	**589,844**	**516,315**

(in € thousands)	**2007**	2006
Paid up and called up ordinary share capital		
At 1 January	619,578	619,429
Award of conditional shares to employees	-	120
Issue of share capital to employees	-	13
Issue of share capital for bond conversion	88,234	16
At 31 December	**707,812**	**619,578**
Share premium		
At 1 January	39,057	38,920
Premium on award of conditional shares to employees	-	92
Premium on issue of share capital to employees	-	26
Premium on bond conversion and transfer from equity component convertible due to conversion	75,260	19
At 31 December	**114,317**	**39,057**

Legal and other reserves

(in € thousands)	**2007**	2006
Revaluation reserve		
At 1 January	1,507	-
Revaluation gain taken to equity	-	1,815
Portion of revaluation gain released to income statement	(247)	(308)
At 31 December	**1,260**	**1,507**

The revaluation reserve has arisen on the revaluation of various assets of EL-Centrum in Poland. When the remaining 50% of shares in EL-Centrum, Poland was acquired in January 2006, differences between the fair value and the original carrying amount of identifiable assets and liabilities were recorded for 100% under IFRS 3 *Business Combinations*. For the 50% that was already owned by the Group, a reserve is formed to account for the one-time revaluation gain. Upon depreciation of the underlying items, the related amount is released from this reserve to the income statement.

(in € thousands)	**2007**	2006
Reserve profits subsidiaries		
At 1 January	11,812	10,719
Transfer from retained earnings	3,614	1,093
At 31 December	**15,426**	**11,812**

A legal reserve is formed to the extent that profits from Group companies are not freely available for distribution to the Company.

(in € thousands)	**2007**	2006
Foreign currency translation reserve		
At 1 January	(29,387)	12,230
Recognition of cumulative realized translation differences (to income statement)	(573)	(7,893)
Effect of movements in foreign exchange rates	(32,267)	(33,724)
Related income tax	(2,685)	-
At 31 December	**(64,912)**	**(29,387)**

To the extent of the negative balance of the cumulative foreign currency translation reserve of € 64.9 million no distributions can be made from the other reserves.

(in € thousands)	**2007**	2006
Reserve share-based compensation		
At 1 January	3,565	1,719
Recognition of share-based payments expense	4,630	2,058
Shares issued at premium	-	(212)
Award of conditional shares	(932)	-
Exercise of conditional shares	(346)	-
Transfer to current liability due to change from equity-settled to cash-settled	(13,283)	-
At 31 December	**(6,366)**	**3,565**

In November 2007, the Supervisory and Management Boards decided to settle all share-based payments on a cash basis in case a change of control occurs. Based on this decision and the fact that a change of control in March 2008 is considered probable by management, all share-based payments will be accounted for as cash-settled from November 2007 onwards. Further details can be found in note 35 of the consolidated financial statements.

(in € thousands)	**2007**	2006
Equity component convertible bond		
At 1 January	61,731	61,740
Shares issued on conversion	(23,403)	(9)
At 31 December	**38,328**	**61,731**

This reserve represents the option component of the subordinated convertible bond reclassified from equity after the right to 'cash alternative election' was waived in 2005. In 2007, the 2004 subordinated convertible bonds were converted to ordinary shares. As a result, the related reserve amount is reclassified to share capital and share premium. See note 11 for further details.

(in € thousands)	**2007**	2006
Hedging reserve		
At 1 January	169	52
Gain / (loss) recognized on cash flow hedges	163	(142)
Transferred to profit / (loss)	562	259
Net gains / (losses) on cash flow hedges	**725**	**117**
Income tax	(19)	-
At 31 December	**875**	**169**

(in € thousands)	**2007**	2006
Retained earnings		
At 1 January	112,964	(13,858)
Net purchase of shares for share-based compensation programmes	(10,133)	(11,638)
Award of conditional shares to employees	932	-
Issue of share capital to employees	3,473	-
Transfer to legal reserve	(3,614)	(1,093)
Dividends	(58,509)	-
At 31 December	**45,113**	**(26,589)**
Net profit / (loss) for the period	**156,127**	**139,553**
Equity attributable to equity holders	**1,007,980**	**820,996**

10 Provisions

(in € thousands)	**2007**	2006
Taxes	-	-
Other	10,000	5,000
	10,000	**5,000**

An additional provision has been recorded for the exposure related to the legal proceedings as described in note 26 'Commitments and contingencies' of the consolidated financial statements. This provision has a non-current nature.

11 Subordinated convertible bond

In March 2005, the Company issued subordinated convertible bonds amounting to € 135 million with a maturity of 7 years. The bonds bear interest at 3.5%. The bonds rank pari passu among themselves and constitute our direct, unconditional, subordinated, unsecured obligation. The bonds rank junior to any of our present or future unsecured and unsubordinated creditors, including the lenders under our facilities. The bonds are convertible into ordinary Hagemeyer shares against a conversion price of € 2.83 per bond at any time between the date of issue of the bonds and their settlement date. Due to the payments of dividend in 2007, the conversion price decreased to € 2.75 as per the terms and conditions of the bonds. The final maturity date of the bonds is 30 March 2012. Bonds with a nominal value of € 12,000 and a carrying value of € 9,529 have been converted into ordinary shares during 2007.

By 1 March 2007, substantially all of the € 150 million 2004 subordinated convertible bonds were converted into 73,528,293 ordinary shares as a result of the Company notifying the bondholders that the 2004 bonds would be redeemed early on 2 March 2007. The net book value of the 2004 bonds of € 140.1 million was therefore transferred from current liabilities to share capital and share premium.

For additional information, see note 18 of the consolidated financial statements.

12 Other payables

(in € thousands)	**2007**	2006
Taxes and social security	914	359
Other creditors	-	5
	914	**364**

13 Other results

Other results mainly consist of the balance of the unrecovered stewardship expenses, interest income and costs related to the (re)financing of the Group in 2007 and 2006.

14 Commitments and contingencies

Pursuant to article 403, Book 2 of the Netherlands Civil Code, the Company has guaranteed the liabilities of the majority of its Dutch subsidiaries. A complete listing of these subsidiaries has been filed at the Chamber of Commerce in Hilversum.

The Company is part of the fiscal unity 'Hagemeyer N.V. c.s.' for corporate income tax and VAT purposes and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity.

Other commitments and contingent liabilities such as corporate and bank guarantees, taxes including fiscal unity and other claims, were consistent with normal business practice and the Company's financial position.

The Company guarantees up to GBP 72 million in case a deficit in the UK Pension Scheme occurs that Hagemeyer UK Ltd would be unable to (fully) pay.

We further refer to note 26 of the consolidated financial statements.

15 Related party transactions

There are no significant transactions between the Company and its associates. Transactions between the Company and its subsidiaries are included in the Company financial statements. These transactions include the charge-out of management fees and interest on intercompany financing.

We refer to note 36 of the consolidated financial statements for key management personnel compensation.

€ 35.0 million of pension premiums was paid to post-employment benefit plans for the benefit of employees of the Group. Further details can be found in note 7.

16 Remuneration of members of the Supervisory Board and Board of Management

We refer to note 36 of the consolidated financial statements.

17 Share-based payments

We refer to note 35 of the consolidated financial statements.

18 Employees

The average number of persons employed by the Company during 2007 was 2 (2006: 2).

19 Change of control

We refer to note 37 of the consolidated financial statements.

20 Post balance sheet date events

We refer to note 42 of the consolidated financial statements.

Naarden, 20 February 2008

Supervisory Board

A. Baan, *Chairman*

M.P.M. de Raad, *Vice Chairman*

R. van Gelder

R.M.J. van der Meer

P.H.J.M. Visée

Board of Management

R.W.A. de Becker, *CEO*

J.S.T. Tiemstra, *CFO*

Auditors' report

To the Shareholders and Supervisory Board of Hagemeyer N.V.

Report on the company financial statements

We have audited the company financial statements 2007, set out on pages 111 to 128 which are part of the financial statements of Hagemeyer N.V., Naarden, which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the Report of the Board of Management, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the company financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the company financial statements give a true and fair view of the financial position of Hagemeyer N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.
Rotterdam, 20 February 2008
R.J.M. Dassen

Other data

Articles of Association concerning profit appropriation

Article 33 of the Articles of Association states the following:

The Board of Management shall prepare the financial statements and annual report, both of which shall be in the English language. The financial statements shall be audited by the accountant appointed by the general meeting. The financial statements shall be adopted by the general meeting. The Board of Management shall annually determine what part of the profit is to be appropriated to the reserves. Any part of the profits remaining shall be at the disposal of the general meeting. Dividend distributions shall be made after the adoption of the financial statements. The Board of Management may decide to pay an interim dividend.

Proposed appropriation of net result to equity holders of the Company

(not incorporated in the balance sheet)

(in € thousands)	**2007**	2006
Dividend of € 0.06 per ordinary share	-	35,400
Interim dividend of € 0.04 per ordinary share	23,405	-
Add / (charge) to retained earnings	132,722	104,153
	156,127	**139,553**

Post balance sheet date events

Please refer to note 42 of the consolidated financial statements.

Principal operating companies

Professional Products and Services (PPS)

Europe

Central Europe

	Net revenue[1]	Number of branches
Germany[2]	960.3	72
Netherlands	206	17
Belgium, Switzerland, Austria	188.1	14

UK & Ireland

	Net revenue[1]	Number of branches
United Kingdom, Ireland	1,106.5	293

Nordics

	Net revenue[1]	Number of branches
Sweden	595.4	47
Norway	284.2	23
Finland	221.3	37
China, Russia, Estonia, Latvia, Lithuania, Poland	279.7	79

Southern Europe

	Net revenue[1]	Number of branches
Spain	389.8	73

North America

North America

	Net revenue[1]	Number of branches
USA	1,035.30	241
Canada, Mexico	244.4	80

Asia-Pacific

Asia-Pacific

	Net revenue[1]	Number of branches
Australia	469.8	177
Singapore/Malaysia, Thailand	29.4	5

[1] *Net revenue for the year ended 31 December 2007 (in € millions)*
[2] *Including Czech Republic and Slovakia*

Central Europe

Hagemeyer Deutschland	**CEO P.H. (Paul) Zekhuis**	**www.hagemeyerce.com**
Germany	Hagemeyer Deutschland GmbH & Co. KG, Munich [1]	
Czech Republic	Hagemeyer Czech Republic s.r.o., Prague	
Slovakia	Hagemeyer Slovak Republic s.r.o., Bratislava	
Hagemeyer Nederland	**Managing Director P. (Paul) de Bruijn**	**www.hagemeyer.nl**
The Netherlands	Hagemeyer Nederland B.V., Capelle a / d IJssel	
Breva	**Managing Director J. (Jo) Breemans**	**www.breva.be**
Belgium	Breva N.V., Zonhoven	
Winterhalter + Fenner	**CEO J. (Johannes) Kuhn**	**www.w-f.ch** **www.electrolan.ch**
Switzerland	Winterhalter + Fenner AG, St. Gallen ElectroLAN S.A., Neuchâtel	
Hagemeyer Austria	**CEO D. (David) von Ow**	**www.hagemeyer.at**
Austria	Hagemeyer Austria GmbH, Vienna	

[1] *Exemption in accordance with art 264 b German Commercial Code (HGB) from the requirement of preparing financial statements and a management report and having these audited and disclosed*

United Kingdom & Ireland

Hagemeyer UK	**CEO J. (John) Hogan**	**www.hagemeyer.co.uk**
United Kingdom	Hagemeyer (UK) Ltd., Birmingham	
Ireland	Eastern Electrical Ltd., Dublin	

Nordics

Elektroskandia Sweden	**CEO U.A. (Ulf) Gundemark**	**www.elektroskandia.se** **www.elektroskandia.com.cn**
Sweden	Elektroskandia AB, Stockholm Cardi Belysningsspecialisten AB, Stockholm	
China	Elektroskandia Logistics (Shanghai) Co. Ltd., Shanghai Elektroskandia (Shanghai) Co. Ltd., Shanghai Hagemeyer Commerce & Trade (Shanghai) Co., Ltd. Shanghai	

Elektroskandia Norway	**CEO M. (Morten) Harsem**	**www.elektroskandia.no**
Norway	Elektroskandia AS, Oslo	
Elektroskandia Finland	**CEO M. (Markku) Säkö**	**www.elektroskandia.fi** **www.elektroskandia.ru** **www.elektroskandia.ee** **www.elektroskandia.lv** **www.elektroskandia.lt**
Finland	Elektroskandia Oy, Hyvinkää Suojainviisikko Oy, Vantaa	
Russia	ZAO Elektroskandia, St. Petersburg	
Estonia	Elektroskandia AS, Tallinn	
Latvia	Elektroskandia SIA, Riga SIA Energo, Riga SIA Kolorits, Riga SIA Baltlauva, Riga	
Lithuania	UAB Elektroskandia, Vilnius	
Elektroskandia Poland	**CEO P. (Pawel) Wedrychowski**	**www.elektroskandia.pl**
Poland	Elektroskandia S.A., Poznan	

Southern Europe

ABM	**CEO F. (Fernando) Cogollos**	**www.ABM.es**
Spain	ABM-Hagemeyer, Madrid	

North America

Hagemeyer North America	**CEO D.G. (Dave) Gabriel**	**www.hagemeyerna.com** **www.vallen.com** **www.evallen.com** **www.lionvallen.com** **www.fittest.com** **www.worldsafety.com** **www.proveedora.com** **www.enconsafety.com** **www.centuryvallen.com** **www.ehagemeyer.com**
USA	Hagemeyer North America, Inc., North Charleston, South Carolina Encon Safety Products, Inc., Houston, Texas Bryant Electric Supply, Inc., Charlotte, North Carolina	
Canada	Hagemeyer Canada Inc., Edmonton, Alberta	
Mexico	Proveedora de Seguridad Industrial del Golfo, S.A. de C.V., Tampico	

Asia-Pacific

Hagemeyer Australia	**CEO R. (Robin) Norris**	**www.hagemeyeraustralia.com**
Australia	Hagemeyer Australia LLP, Melbourne, Victoria	
Singapore / Malaysia	Hagemeyer Singapore PPS Pte. Limited, Singapore	
Thailand	Hagemeyer-PPS (Thailand) Ltd., Bangkok, Thailand	

Agencies / Consumer Electronics (ACE)

Hagemeyer Brands Australia	**CEO M.P. (Michael) Touma**	**www.hagemeyer.com.au**
Australia	Hagemeyer Brands Australia Pty. Ltd., Sydney, NSW	
Hagemeyer - Cosa Liebermann Group - Asia	**CEO P.J. (Patrice) Brendle**	
China	HCL Group (Hong Kong) Limited, Hong Kong Cosa Liebermann Limited, Hong Kong	
South Korea	Cosa Liebermann Korea Co. Ltd., Seoul	
Micronesia	Caronel Inc., Guam Caronel Saipan Inc., Saipan	
Taiwan	Cosa Liebermann Limited (HK), Taiwan Branch, Taipei	
Haagtechno / Kompro	**CEO F.A.W. (Frans) Hoogervorst**	**www.panasonic.nl**
The Netherlands	Haagtechno B.V., 's-Hertogenbosch Kompro B.V., 's-Hertogenbosch	

A complete list of companies associated with the Hagemeyer Group is available at the Chamber of Commerce in Hilversum and at the Company's offices

Exchange rates

The principal exchange rates vis-à-vis the euro, as used in the preparation of the financial statements:

	As at 31 December 2007	As at 31 December 2006	Average during 2007	Average during 2006
Australian dollar	1.675	1.666	1.634	1.665
Canadian dollar	1.442	1.526	1.468	1.423
Chinese renminbi	10.736	10.252	10.417	9.989
Hong Kong dollar	11.480	10.240	10.683	9.748
Mexican peso	15.900	14.200	14.854	13.611
Norwegian crown	7.960	8.240	7.999	8.042
Swedish crown	9.415	9.035	9.245	9.249
UK pound	0.733	0.671	0.684	0.681
US dollar	1.473	1.319	1.370	1.255

Glossary of terms

Average net working capital
Average net working capital based on the closing balance of each month in the period December to December (13 months)

Capital ratio
Total equity as a percentage of total assets

Change-of-control-related costs
Operating costs that are exclusively the result of the probable change of control of Hagemeyer N.V. (and that would not have arisen otherwise)

Diluted earnings per share
Net result per share based on the weighted average number of shares outstanding, plus the effect of conversion rights of convertible bonds, dilutive options and share rights

Dilutive options and share rights
Those options and share rights of which the exercise price is below the average market price over the period and of which the conditions for exercise have been satisfied. The option and share rights are only included to the extent that they would, if exercised, decrease earnings per share

EBITDA
Earnings before interest, tax, depreciation and amortization of intangible assets

Exceptional items
Income or expenses related to normal operating activities, which because of their nature, magnitude or frequency of occurrence, are reported separately in order to provide a fair view on the result from normal operating activities, and in particular the development thereof. Reporting of Exceptional Items has been discontinued as of 2007.

Free cash flow
Net cash flow from operating activities less net capital expenditures, before acquisitions and divestments of subsidiaries

Gearing
Net interest-bearing debt as a percentage of total equity

Gross margin
Gross profit as a percentage of net revenue

Gross profit
Net revenue less cost of sales

Inventory ratio
13 months average inventory as a percentage of 12 months net revenue

Net result per share
Net result per share based on the weighted average number of shares outstanding during the year, rounded to the nearest € cent

Net interest expense
Interest expense from cash amounts drawn under Group and/or local senior facilities plus annual coupon payments on subordinated convertible bonds and interest expense on financial leases minus interest earned on cash investments and cash balances

Net revenue
Revenue net of sales taxes, discounts, bonuses and rebates

Net senior debt
Cash amounts drawn under Group and/or local senior facilities, minus freely available cash investments and cash balances

Net trading working capital
Inventories and trade receivables, less trade payables

Net working capital
Net trading working capital, other current receivables and pre-payments, less other current liabilities

Net working capital ratio
13 months average net working capital as a percentage of 12 months net revenue

Number of FTEs
Number of employees expressed as Full Time Equivalent

Operating margin
Operating result as a percentage of net revenue

Operating result
Gross profit less operating expenses plus other operating income

Organic revenue growth
Net revenue in the current period at current exchange rates less net revenue in the base period at current exchange rates, adjusted for net revenue from acquired and/or divested companies

Organic revenue growth percentage
Organic revenue growth as a percentage of net revenue in the base period at current exchange rates, adjusted for net revenue from companies divested since the base period, calculated on a same number of working days basis

PPS ROIC
Return on Invested Capital for our PPS business, being the net operating profit after a pro forma tax charge as a percentage of the average invested capital (including capitalized goodwill at historic cost, excluding amortization)

Trade payables ratio
13 months average trade payables as a percentage of 12 months net revenue

Trade receivables ratio
13 months average trade receivables as a percentage of 12 months net revenue

Disclaimer

This Annual Report includes forward-looking statements. Other than statements of historical fact, all statements included in this Annual Report, including, without limitation, those regarding our financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events, including numerous assumptions regarding our present and future business strategies, operations and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors relating to the company, including: our ability to enhance operational performance, increase our revenue and improve our margins; our ability to reduce spending and losses; our ability to continue to reduce our indebtedness; our liquidity needs exceeding expected levels; our ability to maintain our relationships with suppliers, insurers and customers; our ability to maintain our market share in the markets in which we operate; the state of the global economy, particularly as it relates to the demand for Construction and Installation products, and electrical materials and safety, Maintenance, Repair and Operations products; and our anticipated future results. Many of our assumptions are beyond the control of Hagemeyer and are inherently subject to substantial uncertainty. Our assumptions involve significant elements of subjective judgment that may or may not prove to be accurate, and consequently no assurances can be made regarding the analyses or conclusions derived from analyses based upon such assumptions. These forward-looking statements exclude the impact of currently unforeseen future fair value adjustments and / or impairments. Actual results may differ materially from those expressed in these forward-looking statements, and one should not place undue reliance on them. The forward-looking statements contained herein speak only as of the date on which they are made and are subject to change without notice and other than as required by applicable law or the applicable rules of any exchange on which our securities may be traded, we have no intention or obligation to update forward-looking statements.

Colofon

Realization
Dart, Amsterdam

Printing
HuigHaverlag Printing, Wormerveer

HAGEMEYER