

**6th Annual General Meeting of TAKKT AG  
Ludwigsburg, 3 May 2005,**

**Speech held by Georg Gayer,  
Chairman of the Management Board of TAKKT AG**

*Only the spoken word applies*

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**Dear Shareholders,**

**Dear Shareholder Representatives and Members of the Press,**

**Ladies and Gentlemen,**

On behalf of the Management Board, I would like to welcome you to the 6th Annual General Meeting of TAKKT AG here at the Ludwigsburg Forum am Schlosspark. During the next few minutes, I would like to give you an overview of the financial year 2004 and outline the outlook for the company.

Before talking business, I would like to say a few words about the death of Günther Hülse. Dr. Trützscher found the right words to describe Günther Hülse's outstanding personality. The news of his death left the company deeply affected. For many years, Günther Hülse had shaped the TAKKT Group in his typical matter-of-fact, humane and focused way. We owe Günther Hülse a great debt of gratitude and will continue his successful work at TAKKT AG in accordance with his values and the examples he set.

## **2004 in retrospect: positive contribution of "perfect service" project**

Ladies and Gentlemen,

Exactly one year ago, I spoke about our expectations for the financial year 2004. At the time, I projected currency-adjusted growth of three percent. Today we know that TAKKT AG exceeded this target significantly, with turnover growing by 5.8 percent.

The "perfect service" project made an important contribution to this success. This quality improvement initiative is designed to optimise our performance across all divisions. While our satisfied customers and low complaints rates mean that we are already very good, we should not rest on our laurels if we want to expand our leading market position.

By definition, mail order business is done at a distance. This means that mail order companies have no face-to-face contact with their customers - unlike, for instance, your hairdresser, who cuts your hair on a regular basis.

Mail order companies are challenged to offer the perfect range of products and first-class service to retain their customers - from one order to the next.

This can be achieved only if we are clearly better than our competitors and make virtually no mistakes. Our market is huge and so are our growth opportunities.

You may think "what is so special about the 'perfect service' project? - everybody else say their service is perfect". Others, in turn, think that high-quality service costs too much money.

It may be true that everybody speaks about service. But offering perfect service every day is quite a challenging task.

Service at TAKKT begins with the requirement that every customer call must be answered within ten seconds. Service means that we take orders fast and reliably. After all, for our customers and ourselves, time is money.

Service also means that we propose alternative products to our customers whenever this is recommendable.

To us, service also means identifying sources of errors effectively. We discuss good and poor performance with our employees and partners and attempt to avoid previous mistakes in future - which is often easier said than done.

Our bonus/penalty system, for instance, motivates our partners and our employees to meet high quality standards and make constant improvements.

The development of our company suggestion scheme has been very encouraging. Payments for improvement suggestions have tripled in the course of only two years.

Expenses under the bonus/penalty system set up with some of our partners are higher than the income. But this money has been very well invested as it has made us better.

And now to those who say that "service costs money and therefore reduces profitability".

Everybody who thinks so is wrong.

Service - perfect service - definitely cuts costs and increases customer loyalty and turnover.

I will give you two examples:

We have found out that a complaint costs about five to ten times as much as a normal order. So each error avoided saves money and customer losses.

The second example:

You will probably know that in Japan, there is a very successful and profitable car maker and a company in the same line of industry which constantly receives negative headlines.

The successful car maker builds cars which regularly score the best results in the breakdown statistics. Avoiding errors and implementing continuous improvements - that's the company's goal and strategy. These are exactly the same values that are pursued by TAKKT.

The other company builds cars and trucks with numerous defects. Complaints are collected in mailbags but are not addressed. The result: severe financial troubles.

You see that perfect service saves costs: But service is not only a cost-cutting programme but also a growth driver - not very spectacular but reliable.

## **2004 in retrospect: exceeded expectations**

In the year of EU enlargement, we also focused on expanding our market position in Eastern Europe. The companies established in the region in recent years - from Hungary to Estonia - reported high growth rates, with both turnover and results exceeding our expectations.

But excellent work was done not only in Eastern Europe. We exceeded our targets in nearly all other markets as well.

The TAKKT Group's turnover rose by 1.9 percent to roughly EUR 728 million. As I said earlier, the increase came to almost six percent in

currency-adjusted terms. This is mainly attributable to the fact that all three growth drivers - order numbers, average order value and new business - pointed upwards.

Our profitability continued to improve, so that all earnings figures increased over-proportionally. Earnings per share, for instance, were up by more than 33 percent.

I would like to take this opportunity to thank all employees of the TAKKT Group and all our partners who helped make 2004 such a successful year.

**E-Business TAKKT Group: continuous increasing impact**

Our e-commerce solutions also make an important contribution to growth. The Internet has become an efficient additional distribution channel in all three divisions. In financial 2004, online business accounted for 7.4 percent of the TAKKT Group's total business, roughly 30 percent more than in the previous year. Topdeq USA is the TAKKT Group's leader in this context, with online orders accounting for as much as 20 percent of the company's total sales.

KAISER + KRAFT EUROPA has been increasingly successful in implementing e-procurement projects with large customers. This special form of e-commerce means that electronic catalogues are integrated into customers' computer networks. This enables us to increase our customer retention and to boost our sales volumes. At present, the TAKKT companies run far more than 200 e-procurement projects for their customers.

We will continue to expand our e-commerce and e-procurement offerings as we expect online orders to become increasingly widespread in future. There can be no doubt, however, that there is no substitute for the good old printed catalogue.

**Mail order: advantages of B2B versus B2C**

Ladies and Gentlemen,

The year 2004 was not entirely without turbulence for the mail order sector. The negative buzz caused by the - partially home-made - problems experienced by a certain B2C mail order company temporarily weighed on the price of the TAKKT share. This was entirely unjustified as our company operates in a different business segment and has a different strategic positioning. I would therefore like to take this opportunity to explain some fundamental differences between the B2B mail order business and the B2C mail order business.

In the B2B sector – in TAKKT's case the sale of equipment to business customers – business is determined by companies' demand. Price discounts can hardly generate additional demand. No customer will buy shelves and store them in their cellar only because they happen to be available at a 50 percent discount. This means we are in a comfortable position as we are not exposed to high price pressure. Service and quality - our core competencies - are more important to our customers than the price.

The situation is different in the B2C sector, in the mail order business with private consumers, where advertising and price discounts can generate higher demand. But this also means that the mail order companies in this segment are exposed to a constant, fierce price war.

Let me give you a brief example:

There are men who have countless ties in their wardrobe and every morning ask themselves which tie they should wear. Store X now offers great ties at a 30 percent discount. Our man does not exactly need more ties but he nevertheless buys two ties, only to make his morning problem even bigger.

To all those men among you who might feel offended now, I can tell you that it is exactly the same thing with women and shoes.

For private consumers, shopping is often a great experience. It's quite usual to buy something by mail order, to try it on and to send it back. But this also increases the return rate and sends costs rising.

In the B2B sector, placing an order means work - work which you want to do efficiently. The returns quota is therefore low.

Losses on receivables are also much higher in the B2C sector. First, because private consumers often buy more than they need. Second, because an average order value of EUR 350 means it does not make sense to stretch out payment.

With regard to the product range, a B2B mail order company like TAKKT is also in a better position. Our product range can be sold in many countries without any specific adjustments to local market requirements - bag trucks, tables and office chairs are for universal use. Many B2C products, however, need to be adapted to local requirements - and this causes additional costs.

Unlike our B2C counterparts, we offer our customers products that are made to measure or painted in their company colours. Our best-selling product is one that you cannot find in our catalogue - the custom-made product.

All these examples show that there are huge differences between the B2B and the B2C mail order business. A full description of all the differences would simply take too long, so let's get back to the year 2004.

**Turnover TAKKT Group: currency adjusted organic growth by 5.8 percent**

Let's take a look at the individual figures of TAKKT AG. This slide shows the development of turnover over the past years. Following a phase that was characterised by a different economic environment, we achieved good growth again in 2004. All three divisions - KAISER + KRAFT EUROPA, Topdeq and K + K America - contributed to this growth.

This growth is attributable to the fact that the three parameters that determine our turnover pointed upwards. Customer and order numbers and the average order value increased. Thanks to improved catalogues and offerings, continued aggressive customer canvassing and thanks to our "perfect service" project, we won over 100,000 new customers in 2004.

**Turnover TAKKT Group: advantage international presence**

Our strong presence in over 20 countries is also a big advantage as it helps reduce our cyclical and regional exposure.

This slide shows a breakdown of turnover by regions. The German market accounted for a slightly increased share of 24.8 percent. The increase was somewhat more pronounced in TAKKT's other European markets, which contributed for 36 percent to total turnover. The share of the US companies declined to 39.1 percent as a result of the weak US dollar. The other regions, namely Japan and Mexico, accounted for 0.1 percent of total Group turnover. The fact that Japan is the second biggest economic power in the world gives a clear indication of our growth opportunities.

Overall, the figures for 2004 prove the stability of the TAKKT Group's turnover structure. Only the weak US dollar pushed our figures slightly downwards.

**Gross Profit: margin up to 40.8 percent**

'Stable structures' is also the right term to describe our gross profit margin. In 2004, we were once again able to moderately expand our gross profit margin from 40.5 percent to 40.8 percent. This favourable development is attributable to several factors. First, we negotiated further improved purchasing terms – especially by stepping up our international procurement activities. Second, the expansion of the Kamp-Lintfort mail order centre had a positive effect, given that the stock-shipment business generally generates higher gross profit margin than the drop-shipment business as it allows us to pool purchasing volumes.

**EBITA: margin at upper end of target corridor of 9 to 11 percent**

Earnings before interest, tax and amortisation, or EBITA for short, rose by 11.1 percent to EUR 78.2 million. Our profitability also continued to improve, as the EBITA margin climbed from 9.8 to 10.7 percent, which is at the upper end of our long-term target corridor of 9 to 11 percent.

There are several reasons for this increase in the EBITA margin. The foundation was laid by the higher gross profit margin. Also, staff productivity has increased. Finally, optimised catalogues and mailings and updated addresses led to increased buying frequency and, hence, to lower relative advertising expenses.

This slide could lead you into thinking that nothing really positive has happened at TAKKT since the year 2000. Although we have improved our productivity and expanded our customer base, this is not reflected in the result? Where is the improvement?

The much-cited dollar/euro exchange rate - or, to be more precise, the weak dollar - conceals our good performance. Based on the dollar/euro exchange rate of the year 2000, TAKKT's EBITA would amount to over EUR 87 million.

But that's only one aspect. In my opinion, the second reason is much more important, namely the accelerated expansion of our business into new

regions. Each newly founded company initially produces start-up losses. If we accelerate the pace of our expansion and establish new companies in larger regions, this inevitably eats in our profitability.

## **TAKKT 2004: new companies since 2000**

Today, we have a presence on three continents. Since 2000, we have established nine new companies and thus improved the basis for our future business. EBITA would be even higher if it were not for the scheduled start-up losses of these new companies.

## **Net income before minority interest: increase at lower tax rate**

Let's now look at a very important figure – net income before minority interest. At EUR 33.0 million, net income was up more than 35 percent on the previous year's EUR 24.4 million. The margin rose to 4.5 percent.

In addition to the factors I mentioned before, namely

- higher turnover
- higher gross profit margin
- improved productivity

this improved result is attributable to reduced interest expenses - which declined because of the repayment of liabilities - and a lower tax ratio. The tax ratio declined from 40 to approximately 36 percent, mainly because of a tax refund in Germany.

## **Planned increase of dividend by 50 percent**

Dear Shareholders, you will be particularly pleased to hear that earnings per share increased by 33 percent to 44 euro cents. This will enable us to increase the dividend by 50 percent. The Management Board and the Supervisory Board recommend to pay out a dividend of 15 euro cents per share, which would represent 34 percent of the net income for the year.

Despite the 50 percent increase in the dividend, which will make your investment in TAKKT even more attractive, we will be able to finance our growth through additional start-ups, to repay our debt as planned and - if possible - to handle small or mid-sized acquisitions.

Ladies and Gentlemen, you are shareholders in a company which has a successful and forward-looking business model. We are highly efficient in bringing together the products offered by thousands of suppliers and our 2.6 million customers - creating value for all market participants in the process.

**Cash flow: high level proves profitability**

At EUR 57.7 million, cash flow has marked a new record. Given that depreciation and amortisation were more or less on a par with the previous year, the increase is mainly attributable to the improved result, which gives proof of the TAKKT Group's high operational profitability. The cash flow margin rose to 7.9 percent.

**Free cash flow: assured debt repayment and financing of future growth**

Given that capital expenditure remained at a "normal" level in 2004, free cash flow increased by 20.6 percent to a new record level of EUR 49.1 million. The high free cash flow will allow us to reduce our liabilities as planned, to increase the dividend and to finance our future growth.

**Motivated employees allow for gain in profitability**

Ladies and Gentlemen,

These positive figures are the result of the successful and excellent job that is done by many people worldwide for the TAKKT Group. We have clearly improved our profitability in recent years. This allows us to handle a larger order volume with an almost unchanged headcount. At 31 December 2004, the TAKKT Group employed 1,840 full-time employees. 846 of them worked at KAISER + KRAFT EUROPA, 214 at Topdeq and 754 at K + K America. TAKKT AG, the holding company, employed 26 people.

The skills and expertise of our employees are critical to the success of our company. This is why TAKKT attaches great importance to high-quality education and training. Every year, we organise a large number of training

courses with a view to improving the know-how that is available within the company. We have also successively increased the number of traineeships and apprenticeships. In 2004, we began to train young people as specialists in warehouse logistics.

## **TAKKT product portfolio: strong brands with unique service**

Let's now take a look at the three divisions of the TAKKT Group. Before presenting the figures for the past financial year, I would like to remind you of the specific features of each division.

KAISER + KRAFT EUROPA is the biggest and best-selling division of the Group. The division's four brands have a presence in over 20 European countries and Japan and offer their customers a varied range of more than 33,000 high-quality office, business and warehouse products - from simple bag trucks to desks and fully furnished container offices. Some one million customers make this TAKKT division the European market leader in the mail order business for business equipment.

Topdeq sells an exclusive range of approximately 3,000 high-quality office furniture items and accessories. These designer products include chairs by Philippe Starck, a series of desks by Sir Norman Foster and the famous desktop lamp by Wilhelm Wagenfeld. Today, the company serves about 450,000 customers, mainly from the services sector, in its five markets.

Similar to its European counterpart, K + K America, the third TAKKT division combines several mail order companies under a shared umbrella. They sell business and warehouse equipment, industrial safety products equipment for retailers, the food service industry and the hotel market. Between them, the K + K America companies have by far the largest product range of all TAKKT divisions, offering their 1.2 million customers in the USA, Canada and Mexico more than 70,000 items to choose from.

**KAISER + KRAFT EUROPA: main contributor to turnover; high profitability**

2004 was a very positive financial year for KAISER + KRAFT EUROPA. At EUR 379.5 million, turnover was up 6.1 percent on the previous year. The increase is mainly attributable to higher order numbers but also to a higher average order value.

Nearly all KAISER + KRAFT EUROPA companies contributed to this positive trend. Strong growth was achieved by the subsidiaries in Japan, Eastern Europe, Norway, Switzerland and France. Domestic turnover also picked up noticeably following a disappointing first quarter. Business was weak only in the Netherlands.

KAISER + KRAFT EUROPA's profitability increased at a high level. The division's EBITA reached EUR 61.2 million, while the EBITA margin climbed from 15.7 to an excellent 16.1 percent thanks to the increased gross profit margin and improved productivity.

**Topdeq: costs for repositioning**

Let's now take a look at Topdeq. Our second division performed relatively well in a persistently difficult environment. While the weakness of the European office furniture market again weighed on the company's turnover in 2004, the effects were not as strong as in 2003. As in the previous year, Topdeq generated EUR 74.6 million in turnover. Based on stable exchange rates, however, turnover would have been up by 1.7 percent.

Demand for office furniture in Germany, Switzerland and, above all, the Netherlands was weak. By contrast, Topdeq France continued to develop favourably. Turnover of the US subsidiary stagnated in the first six months of the year, only to rise noticeably in the second half of the year. The US market has eventually accepted the price adjustments implemented by Topdeq USA in response to the weak US dollar in the first quarter.

The weak US dollar had an adverse impact on the Topdeq division's gross profit margin, however. Moreover, personnel measures at the management level had a non-recurrent effect on earnings. As a result, EBITA declined to a negative EUR 2.2 million and the EBITA margin stood at a negative 2.9 percent.

The development of EBITA since 2000 requires some closer analysis.

In the year 2000, the Topdeq division consisted of a highly profitable company in Germany and two new companies - established in Switzerland in 1995 and in the Netherlands in 1996 - which had just reached break even. In addition, there was Topdeq France, which was in its first year of operation and incurred a high but planned start-up loss. This added up to the EUR 7.7 million you see on the slide.

In 2001, there was the additional planned start-up loss incurred by Topdeq USA. While we were cautious enough to initially target only the east of the USA, this loss nevertheless had a strong impact on the Topdeq division's results.

Up to that point, everything went according to plan. But in 2001, the biggest ever crisis in the office furniture market began to weigh on the results of the German, Swiss and Dutch companies. Instead of a "black zero", Topdeq posted a negative division result.

Topdeq continued to suffer from the crisis in 2002 and 2003, not only in Europe but also in the USA.

The adjustment of capacities and the optimisation of product ranges and services were only partly successful, so that three Managing Directors had to leave the Topdeq division.

The figures for the first quarter 2005 show that Topdeq has managed to turn around. The division's turnover rose by 12.8 percent in currency-adjusted terms. Profit before tax is back in the black - following a EUR 0.2

million loss in the first quarter of 2004, Topdeq achieved a profit of EUR 0.9 million.

**K + K America in US-Dollar: increased turnover and earnings**

This chart shows the figures for our third division, K + K America. The company generated EUR 339.8 million in turnover, up 7.0 percent on the previous year.

Nearly all subsidiaries of K + K America developed very favourably. C&H Distributors and Hubert Company clearly felt the improved economic situation. Good figures were also presented by Avenue Industrial Supply, our Canadian subsidiary. Incoming orders exceeded our expectations also at C&H Mexico, K + K America's new subsidiary. The situation was different at Conney Safety Products, whose business was affected by the decline in employment in the manufacturing sector. Since mid-year, the situation has improved, however, so that we are cautiously optimistic about the company's future development.

K + K America clearly increased its profitability. EBITA reached USD 33.4 million and the EBITA margin stood at 9.8 percent. The good result is mainly attributable to two factors; the division has made more efficient use of its capacities and cut its advertising expenses without reducing the number of catalogue copies.

**Consolidated balance sheet: reduced total assets and strengthened equity ratio**

Let's now take a look at the Group balance sheet, which continues to be characterised by a solid financial structure. As a result of exchange rate effects and write-downs, TAKKT's total assets declined by 4.8 percent to EUR 457.8 million.

Fixed assets dropped from EUR 311.8 to 285.9 million, due to exchange rate fluctuations, scheduled amortisation of goodwill and depreciation of intangible and fixed assets as well as capital expenditure in a normal

amount. Reflecting the higher sales volume in the fourth quarter of 2004, current receivables and assets rose from EUR 143.4 to 166.5 million.

The liabilities side looks very favourable. As a result of the good net income, equity capital climbed to EUR 181.1 million and would have been even EUR 3.5 million higher if exchange rates had remained unchanged. The equity ratio reached a record level of 39.6 percent.

Borrowings were down EUR 52.3 million on the previous year. TAKKT used EUR 43.6 million of the cash flow to repay debt. Exchange rate effects reduced the company's liabilities by EUR 8.7 million. At 31 December 2004, net borrowings stood at EUR 182.3 million.

This healthy balance sheet structure, which is characterised by reduced liabilities and a good equity ratio, is the basis for continued growth.

#### **TAKKT share: price advance reflects potential**

Ladies and Gentlemen,

Turnover, earnings and the dividend are pointing upwards, the balance sheet structure has improved further - it's all positive news that I have for you today. The good financial year is also reflected in the performance of the TAKKT share.

In the year under review, the total number of shares remained unchanged at 72.9 million. At 31 December 2004, this represented a market capitalisation of approximately EUR 570 million.

The shareholder structure of TAKKT AG also remained largely unchanged. Our main shareholder, Duisburg-based Franz Haniel & Cie. GmbH, holds 72.7 percent of the shares, while the remaining 27.3 percent is held by a wide range of international investors.

Let's now take a look at the performance of the TAKKT share. The share price increased from EUR 5.90 at the end of 2003 to EUR 7.75 on the reporting date. In the second half of the year, we even outperformed the

SDAX. In the course of the year, the share gained more than 31 percent - we hope that you are satisfied with this increase in value.

Dear Shareholders,

I would now like to address items 2 (dividend), 6 (election of Supervisory Board members), 7 (new authorised capital) and 8 (acquisition own shares) on today's agenda.

I already told you a few things with regard to item 2 "Resolution on the appropriation of net income for the financial year 2004".

I have outlined TAKKT's cash flow strength. In addition, our perfected systems business requires relatively little investment, and an equity ratio of almost 40 percent gives us solid financial muscle.

We will enable you, our shareholders, to participate in this success and therefore propose to increase the dividend by 50 percent from 10 euro cents to 15 euro cents per share.

The payout ratio will thus exceed 33 percent. The Management Board and the Supervisory Board ask for your consent.

I would now like to address item 6 on the agenda "Election of Supervisory Board members":

This item was explained in detail in the invitation to today's Annual General Meeting. I will therefore confine myself to the essential.

First:

This is a regular election of the Supervisory Board members. All current members stand for re-election. The Management Board supports their re-election as the solid know-how of the current members will ensure a positive development of the TAKKT Group.

Second:

The Supervisory Board has proposed that the deceased Supervisory Board member, Günther Hülse, shall be succeeded by Professor Dr. Theo Siegert, Chairman of the Managing Board of Franz Haniel & Cie. GmbH. Before the election, Dr. Trützscher will give Professor Dr. Siegert the opportunity to introduce himself. The Management Board endorses the proposal of the Supervisory Board.

Third:

In accordance with our statutes, the Supervisory Board members shall be elected until the end of the Annual General Meeting that will ratify the acts of the Supervisory Board for the financial year 2006.

I would like to point out once again that you are not bound by the proposals made by the Management Board and the Supervisory Board.

Dear Shareholders,

The Management Board and the Supervisory Board would ask you to approve item 7 on the agenda "Resolution on the revocation of the existing authorised capital and the formation of new authorised capital in an amount of EUR 36,450,000 and the respective amendment of the Articles of Association."

The authorisation you granted us five years ago will expire on 31 May 2005. The existing authorised capital shall be revoked and new authorised capital in the same amount shall be formed. This will give us the flexibility that is needed for swift capital action in the case of large acquisitions.

And now to the last item on today's agenda.

The authorisation to acquire own shares in accordance with section 71, paragraph 1, point 8 of the German Stock Corporation Act aims in the same direction as item 7 on the agenda.

Own shares would mainly be acquired with a view to facilitating a potential company takeover or equity investment. It will give us greater financial

flexibility - which may obviate the need for more costly solutions. We do not intend to use the programme to redeem shares. Nor is it meant as a stock option programme.

This resolution - the elements of the authorisation are largely identical with those of the previous year - is designed to extend the expiring authorisation by another 18 months.

Again, the Management and the Supervisory Boards would ask for your consent.

### **Corporate Governance**

Before I come to our expectations for the financial year 2005, I would like to briefly address the topic of corporate governance. The TAKKT management has always attached great importance to managing the company in a transparent and responsible manner. We therefore expressly endorse the German Corporate Governance Code and fully comply with its recommendations save for the following two exceptions.

Given that the Supervisory Board of TAKKT AG is relatively small, we still do not consider it necessary to set up an audit committee.

Nor will we provide individualised information about the compensation of the members of the Management Board and the Supervisory Board. We are convinced that individualised figures would hardly be more meaningful than the cumulative compensation. It would, however, invade the Board members' privacy.

Our full declaration of conformity can be found on our website and in our Annual Report.

Ladies and Gentlemen,

A few more words about the ongoing discussion about an individualised disclosure of the full compensation and fringe benefits of Management Board members.

The example of the USA shows quite clearly where this kind of disclosure will take us. Management compensation and benefits will not decline but increase as everybody wants to earn as much as his colleague - despite obvious differences in performance. This would be a costly kind of transparency - especially for you, ladies and gentlemen.

At the same time, a disclosure would infringe a person's right to informational self-determination. This is shown, for instance, by a judgement of the Federal Constitutional Court, according to which every person has the right to decide about the disclosure and use of their personal data. The law also rules that no information must be given which would disclose individual salaries. Please refer to Section 286.4 of the German Commercial Code if you wish to read more.

We should therefore quickly put an end to the months-long discussion about this issue - our society has more urgent problems to solve.

## **Outlook 2005: Q1**

This takes us to the final topic, the outlook on the year 2005. How will TAKKT perform this year?

A first trend is shown by the figures for the first three months, which we published a few days ago.

The TAKKT Group's first-quarter turnover was up 3.3 percent on the previous year - in currency-adjusted terms, the increase was as high as 4.8 percent. Additionally adjusted for the number of working days, turnover was up by more than 6 percent. This is an excellent figure.

If we compare the growth rate of the first quarter of 2005 with that of the fourth quarter of 2004, however, we see a certain slowdown. This decline is due to the economic development in Europe. The deteriorating sentiment is standing in the way of a sustainable upswing.

The decline in consumer spending - which is the result of an increasingly difficult labour market - is having a negative impact on companies' willingness to invest. Add to this the political parties' unwillingness to implement reforms as well as serious mistakes made by the European Union in the context of Eastern enlargement.

All of a sudden there are loud calls for minimum wages. Attacks are being launched at companies that take advantage of subsidies and low tax rates.

The general uncertainty is difficult to top. In addition, half-truths are used to make things look better than they are.

One example is the statement "As long as we are the world's leading export nation, our costs cannot be too high and red tape cannot be an obstacle".

Those who say this conceal the fact that we are the world's leading export nation because of the relocation of jobs. Because your German car is today largely produced in other countries. Only the final assembly takes place in Germany. In slightly exaggerated words, we are the world leaders in writing invoices. But this does not create jobs.

TAKKT AG will not turn its back on Germany. But our greatest development opportunities certainly lie abroad.

But back to the present, the financial year 2005:

It has always been our aim to be better than the average, better than any other competitor. Even if the German economy should grow by only 0.7 percent this year, we want to achieve higher growth. As I said earlier, we succeeded in doing so in the first quarter of 2005.

In addition to turnover, gross profit and the gross profit margin also pointed upwards. And even though we increased our advertising budget significantly, stable personnel and operating expenses allowed us to improve EBITA by 6.2 percent in the first quarter.

Compared to the previous year, there has been a shift in TAKKT's internal turnover ranking.

The Topdeq Group has taken the lead, boosting its turnover by 12.2 percent. Building on this increased turnover, Topdeq generated a first-quarter EBITA of EUR 1.0 million. Last year, the division reported an EBITA of EUR 0.3 million.

K + K America has taken second place. The positive business trend of 2004 continued. On a US dollar basis, turnover increased by 6.9 percent. All companies contributed to this growth. The EBITA for the first quarter increased at an over-proportional rate of 17.2 percent to USD 9.7 million.

KAISER + KRAFT EUROPA's turnover rose by 2.5 percent. EBITA remained virtually unchanged at a good EUR 17.4 million. An EBITA margin of 17.3 percent means that KAISER + KRAFT EUROPA remains the most profitable division in the TAKKT portfolio.

Let me briefly come back to the "perfect service" project. Our Dutch subsidiary, Vink Lisse, has won the Dutch "Sterkste Schakel" award for the best service. More than 31,500 businesses participated in this contest.

No surprise that Vink Lisse is our most profitable company in what is currently a difficult Dutch market. Our congratulations go to their team for this achievement.

### **Outlook 2005: cautiously optimistic**

The first quarter went according to plan. The question now is what will happen in the coming months. How will the economy develop?

Global economic activity is likely to slow down in the course of 2005. Experts project the growth rates of the large economies to be lower than in 2004. Euro-zone GDP is projected to grow by 1.8 percent or less. The US economy will probably grow by 3.3 percent, which would be a much lower

growth rate than last year. Given that changes in the growth rates are important indicators for TAKKT, we expect to see hardly any positive economic stimulation in North America and especially in Europe. In Germany, in particular, there have been no signs of sustained economic growth so far.

What are the reasons?

There are many reasons - and I already mentioned some of them

- the high budget deficits on both sides of the Atlantic,
- high commodity prices,
- the unfavourable euro / US dollar exchange rate
- governments' passiveness with regard to economic policy.

## **Outlook 2005: focus on expansion and perfect service**

Ladies and Gentlemen,

Despite the economic situation, TAKKT is cautiously optimistic. Our solid earnings and financial position forms a good basis for further growth: In 2005, we will focus on transferring our successful business model to promising markets. Five new companies on three continents will start operations in the coming months.

The foundation of KAISER + KRAFT China is a particularly exciting project. The positive development of our Japanese subsidiary shows that our business model works well in Asia. This is why we now want to benefit from the opportunities offered by the booming Chinese economy. Provided that the authorities will grant the required approvals, KAISER + KRAFT China will mail its first catalogue in autumn 2005. However, the People's Republic is not only an interesting output market but also an attractive procurement market. Going forward, KAISER + KRAFT EUROPA and K + K America will increasingly source products from China – provided, of course, that they meet our high quality standards.

Moreover, KAISER + KRAFT now also has a presence in Turkey. The new subsidiary in greater Istanbul sells the most successful products in the KAISER + KRAFT range. This week, the company will mail the first catalogues in the country's economically most important region between Istanbul, Izmir and Ankara.

The third new start-up of the KAISER + KRAFT EUROPA division is KWESTO Romania. KWESTO, our specialist brand for Eastern Europe, will be the first renowned B2B mail order company in this country. This pioneering role will allow the company to clearly make its mark on this up-and-coming market. KWESTO plans to mail the first catalogue in autumn 2005.

Topdeq will also make inroads into a new market. The division will establish a company in greater Brussels. Thanks to the new inventory management system, the company can offer its Belgian customers a 24-hour delivery service, with products supplied directly from the Pfungstadt mail order centre. The first French and Flemish catalogues will be mailed in the next few days.

Expansion is also an item on K + K America's agenda again. Three years ago, Hubert, the US subsidiary, mailed its first catalogue to Canada. Business has meanwhile developed so positively that Hubert will establish a subsidiary in greater Toronto in 2005.

All five start-ups have one thing in common. They do not have to start from scratch but can adopt the tried-and-tested product ranges and systems of their respective brands. This is a huge advantage as it reduces the risk significantly and makes costs relatively predictable.

We have set ourselves ambitious objectives for 2005, not only in terms of market presence. We also aim to further improve our quality. We will therefore continue our "perfect service" project in 2005. As you can see we have great plans for this year.

What figures does the TAKKT management project for 2005 against this background?

We expect the Group to achieve currency-adjusted like-for-like growth of three percent.

Investments in the new business start-ups will reduce turnover by approximately 0.5 percent. Things look a bit different where profitability is concerned. Given that we open five new companies at the same time, scheduled start-up expenses and catalogue costs will weigh on our profitability.

Due to improvements at the established TAKKT companies, the EBITA margin will nevertheless reach between nine and eleven percent again.

We even expect it to be in the upper half of this target corridor, which means 10 percent and more.

## **Good reasons to invest in TAKKT**

Ladies and Gentlemen,

I am convinced that we are excellently positioned to continue the success story of TAKKT AG in the coming years. The figures for 2004 give impressive proof of the fact that we have a successful, forward-looking business model. The new start-ups and our Perfect Service project will lay the basis for continued dynamic growth and for expanding our market position. The management and the employees of TAKKT AG will devote their skills and their energy to achieving this goal. It will therefore pay off to invest in TAKKT.

I would like to close my presentation with this positive outlook.

Thank you very much for your attention!