

**5th Annual General Meeting of TAKKT AG  
Ludwigsburg, May 4, 2004,**

**Speech held by Georg Gayer,  
Board Chairman 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,**

It is my pleasure to welcome you to the 5th Annual General Meeting of TAKKT AG here at the Ludwigsburger Forum am Schlosspark. During the next few minutes, I would like to give you an overview of the financial year 2003 and outline the outlook for the company.

**A look back at our objectives for 2003**

I would like to start with the objectives and statements for the year 2003 that we defined more than a year ago.

Our motto for 2003 was:

- Quality before quantity

This motto applies between others to our product range or to our advertising materials. It also applies to the cornerstones of our company's growth - our organic growth and our growth through acquisitions.

I will proceed in the order of the headlines you can see in the back.

Strengthening our core competencies is the basis for above-average growth. This includes an up-to-date product range which optimally responds to customers' needs. But it also includes top quality service.

The company's management team and employees have worked towards these objectives and provided our customers with new and updated products.

More than 10,000 new products, faster deliveries resulting from warehouse extensions and optimised inventory management, longer opening hours as well as improved advertising materials have helped us strengthen our customer relationships and maintain or expand our market positions in a ongoing difficult environment.

Our new start-ups, KAISER + KRAFT Japan and C&H Mexico, took up operations at the beginning of 2003, while KWESTO Hungary was launched successfully and according to schedule in May 2003.

As you know, the preparatory phase and the development of these companies do not require any significant investments in buildings, machinery, hardware or software. We make use of our transferable systems to tap new markets. The only significant expenses are for our advertising materials.

The main limitations facing our business consist in the availability of addresses or efficiency of our contractors (e.g. suitable carriers) as well as legal provisions and regulations.

With regard to the latter, I would like to say the following:

Everybody in Germany is complaining about the fact that jobs are being relocated abroad. The two main reasons cited in this context are:

- excessive costs
- and excessive regulation.

In my opinion, excessive regulation is the root of all evil. It is not only that excessive regulation has a paralysing effect; in fact, this is the real cause of our excessive costs.

However, we - or our political leaders - do nothing to maintain jobs through greater flexibility and more room for manoeuvre.

In Germany we have the unpleasant habit of imposing additional restrictions and fines on the public at large whenever existing laws or regulations are violated by just a few.

Why not allow greater freedom and impose severe punishment on everybody abusing this freedom?

I would like to take our fax advertising as an example.

We use fax messages to inform our customers - and only our customers - of special offers. Whenever a customer chooses not to receive such fax messages - for any reason whatsoever - we respect this wish. And if we don't do so, we don't complain about the consequences.

We operate in the B2B segment, we know how to treat our customers and we also know that a customer's annoyance can quickly put an end to our business relationships.

Needless to say, there are black sheep also in the mail order industry who don't comply with customers' instructions. Instead of imposing severe

sentences on these black sheep, a host of additional regulations have been adopted which make our business increasingly difficult.

B2B mail order is definitely the most efficient way of cutting purchasing and procurement costs. But we, as a B2B mail order company, must be allowed to inform our customers and advertise our products to them.

This helps avoid potential undesirable developments as the following example shows.

A few weeks ago, a large German company announced they would relocate their purchasing organisation to Czechia in order to cut purchasing process costs. Apparently, this company is not aware of the advantages of B2B mail order.

As I said, cutting purchasing and procurement costs is one of the biggest advantages offered by the B2B mail order business. TAKKT's different catalogues pool a total of roughly 3,000 suppliers and offer customers more than 100,000 selected and tested products at standard terms and conditions. In short, "we provide the customer with a complete market overview for free".

If the above company were to place all orders with TAKKT, it could achieve significant savings, which would perhaps make a relocation of its purchasing organisation unnecessary.

Back to our objectives for 2003. Apart from organic growth, we also want to use acquisitions to grow our business.

- We want to expand our product range.
- We want to push ahead our internationalisation in order to further reduce our exposure to individual industries and regions.

There has been no shortage of candidates in the past two years. Most of the negotiations failed because of the excessively high prices demanded by the sellers. Here, too, we were guided by our motto

“Quality before quantity.”

It is not our aim to buy up a host of companies at exaggerated prices only to be forced to start writing off goodwill shortly afterwards.

Speaking of write-offs:

Under US Generally Accepted Accounting Principles (GAAP), a goodwill impairment test needs to be performed at regular intervals.

We had this impairment test performed in the USA in the past two years - the auditors found no impairment and, hence, no write-off requirements have been identified.

### **Financial year 2003: the environment remains difficult**

I will now give you the facts and figures for the year 2003.

First of all, let us take a look at the economic environment in which TAKKT operated in the past year.

Just like 2002, the past financial year was characterised by a difficult economic environment. Everybody had expected to see an upswing in Europe, but it never materialised. While the economy recovered somewhat towards the end of 2002, it quickly lost in momentum again, especially in Germany. The upward trend that has been apparent in the US economy since the third quarter of 2003 is mainly being driven by consumer spending and defence spending. Unfortunately, the manufacturing sector, which is the key target group of C&H Distributors and Conney Safety Products, has hardly benefited from this stimulation. Overall, business in

the past financial year was subject to strong fluctuations both in North America and in Europe.

We were nevertheless able to consolidate our position as the leading international B2B mail order company for business equipment. Our profitability has remained high, and we again improved our earnings before taxes. This brings us to the conclusion that TAKKT's growth and portfolio strategy has once again proven its worth in difficult times.

### **Financial year 2003: changing GDP projections**

Needless to say, we would have loved to present you increased turnover figures for 2003. However, all economic projections which predicted at least a moderate upward trend and nurtured hopes of an improved order situation proved to be too optimistic. The research institutes had to downgrade their GDP projections for the industrialised countries several times in the course of the year. Germany clearly finished bottom of the league. While both economic experts and the federal government had expected Germany's GDP to grow by 0.8 percent in March 2003, they downgraded their projections to zero in mid-2003. In fact, the German economy even declined by 0.1 percent.

The USA also failed to live up to its traditional role as an economic growth driver. The US ISM Index, an important monthly early indicator for the performance of the US economy, stayed below the 50 points mark for several months during the first half of the year, indicating declining business in the manufacturing sector. TAKKT was affected by this development in more ways than one. First, US turnover meanwhile accounts for a significant percentage of our total turnover, which means that slow US business has a direct effect on the TAKKT Group as a whole. Second, the current economic situation in the USA generally has an impact on economic development and, hence, demand in Europe.

What is more, the euro exchange rate increased strongly in the past financial year, which made our figures look worse than they are. I will later address the effects of the exchange rate changes in more detail.

**Orders 2003: Strengthened core competencies / broader customer base**

In view of the difficult economic situation, the Management Board is satisfied with the overall course of business.

This applies, in particular, to the number of orders placed by our customers.

The number of orders is the benchmark of our daily work, of our performance. It is the result

- of our new and improved offerings,
  - of the more attractive advertising materials
- and not least
- of our constantly improved services and nearly flawless customer advice and deliveries.

In sluggish economic times, the order values and the order frequency per customer decline; also, a larger number of customers are lost because of insolvency or bankruptcy. In the past two years we were able to compensate for this by winning new customers, therefore widening our customer base, which means we are laying the foundation for substantial growth in an improved economic environment.

**Turnover TAKKT Group: down 1.1 percent in exchange rate-adjusted terms**

Ladies and Gentlemen,

The weak economy and the strong euro had an adverse effect on the turnover of the TAKKT Group, which amounted to EUR 714 million in 2003, down 8.9 percent on the previous year. Based on stable exchange rates, the decline would have been only 1.1 percent. As mentioned before, the average order value and the order frequency declined due to the difficult economic situation. Such a development is definitely not unusual, though. By contrast, we were able to win some 200,000 new customers in 2003, thus broadening our business base.

**Turnover TAKKT Group: diversified product portfolio**

Let us take a look at the breakdown of turnover by regions. Germany accounted for 24.4 percent of our total sales. The 1 percent increase is attributable to the changes in exchange rates. The percentage of the other European companies increased moderately from 32.2 to 34.6 percent for the same reason. Due to the weak dollar, North America's share in total Group turnover declined from 44.4 to 40.9 percent.

The currency fluctuations also led to a shift in the divisions' respective shares in total turnover. KAISER + KRAFT EUROPA accounted for 50.1 percent of total turnover, up 3.2 percentage points on the previous year. Topdeq contributed 10.5 percent, a slightly higher share than in 2002. K + K America's contribution declined by 3.6 percentage points to 39.4 percent.

**EBITA: margin within the 9 to 11 percent target corridor**

Earnings before interest, taxes and goodwill amortisation, or EBITA for short, declined by 6.4 percent to EUR 70.3 million in the past financial year. The EBITA margin rose to 9.8 percent despite the reduced turnover and further investments in new business start-ups. As expected, it thus

stayed within our long-term target corridor of 9 to 11 percent. A strict cost-cutting policy, early capacity adjustments and a further improved gross profit margin are the main reasons for our Group's increased profitability.

**Gross profit: margin up to 40.5 percent**

The gross profit margin was increased by 0.5 percentage points to 40.5 percent in the past financial year. There are several reasons for this promising development. Our product range is characterised by mostly stable prices. Moreover, the extension to the Kamp-Lintfort mail order centre has enabled KAISER + KRAFT EUROPA to expand its profitable warehouse business. And the unfavourable economic situation also has some less unfavourable aspects - customers hardly placed any large-scale orders, which usually oblige us to grant discounts.

At the same time, the TAKKT Group's portfolio strategy also had a positive effect on income and margins. Our large, well-balanced customer base allows us to partly mitigate the effects of economic fluctuations in individual industries. Hubert, the US company specialising in the less cyclical services sector, made a significant contribution to the increased gross profit margin, for instance.

**Earnings after taxes: stable despite slightly higher tax ratio**

Earnings after taxes also developed positively. Despite the weak economy and a slightly higher tax ratio, we managed to keep earnings after taxes stable at EUR 24.4 million. In the previous year, we generated EUR 24.5 million. The margin rose from 3.1 to 3.4 percent.

The slightly improved EBITA margin is but one reason for this increase, which is primarily attributable to the fact that interest expenses continued to decline due to the scheduled repayment of our liabilities. This result also reflects the lower interest rates as well as the weak US dollar which led to lower interest expenses in the reporting currency.

Most importantly to you, dear shareholders, earnings per share remained stable at 33 cents.

**Cash flow: high amount confirms earning power**

TAKKT AG has always displayed substantial cash flow strength. In 2003, we were again able to generate a high cash flow of EUR 50.6 million, compared to EUR 53.0 million in the previous year. The moderate decline is mainly due to the fact that depreciation decreased as a result of currency conversion. As you can see, TAKKT continues to be characterised by above-average profitability also in difficult times.

**Free cash flow: sufficient to repay debt and finance growth**

The free cash flow declined from EUR 44.4 million to EUR 40.8 million in the past financial year, which is still an excellent value. This puts TAKKT in a position that is envied by many other companies. We can repay our liabilities as scheduled, distribute a dividend and still finance organic growth as well as minor acquisitions internally. We expect to generate a high free cash flow also in the current financial year.

**TAKKT 2003: capital expenditure at normal level**

The good free cash flow is not least due to the fact that spending on maintenance, rationalisation and capacity expansion remained at a normal level. We invested a total of EUR 9.8 million, which is in line with our long-term plan to invest between 1 and 2 percent of our turnover. A similar amount has been budgeted for 2004.

One focus of our investments in the past financial year was on the continued expansion of our services. For instance, a new high-bay warehouse offering space for an additional 2,700 pallet spaces was added to our Kamp-Lintfort mail order centre. This will enable us to supply our customers throughout Europe with an even larger number of products directly from stock.

In addition, we launched a Group-wide “Perfect Service” project in 2003, which is designed to consistently optimise our services. Because even if we offer our customers an exemplary service in many areas already today, our services are not always perfect. The project involves not only our employees but also the Management Board, the management teams of the subsidiaries and all our partners. The project will help increase customer retention and, hence, improve the order frequency and our profitability.

Ladies and Gentlemen,

If we review what I just said, the course of business in the past financial year gives us every reason to be optimistic. TAKKT was able to generate a clearly satisfactory result in an adverse economic environment. This means that the concentration on our core competencies as well as our international growth and portfolio strategy again proved to be a solid foundation for sustainable success.

### **TAKKT 2003: Japan, Mexico and Eastern Europe**

Speaking of “internationalisation” - we continued to expand our B2B mail order activities into promising new regions in the past financial year. Three new companies started operations in strategically important markets.

At our last Annual General Meeting, I already reported in detail about our Japanese start-up, KAISER + KRAFT Japan. In the meantime, the company has successfully completed its first year in business. Due to the positive response, KAISER + KRAFT Japan has more than doubled the product range, increased the number of catalogues and intensified its advertising activities.

While these measures will not reduce the start-up losses in the current financial year, they will enable us to break even earlier than expected.

Our K + K America division also continued to expand. In January 2003, C&H Mexico mailed the first Spanish catalogue. It is mainly targeted at medium-sized enterprises in this big and important Latin American country. The risks and expenses are limited given that the company can use nearly all of C&H's systems and processes. Notwithstanding some initial problems regarding logistics and handling, the company reached the targets set for 2003.

Products of the KWESTO brand, our specialist brand for Eastern Europe, have been available in Hungary since early May 2003. Response to the first catalogue, which is also primarily targeted at medium-sized companies, has been positive and encouraging. The new company means that KWESTO now has a presence in the four most important Eastern European markets. Apart from Hungary, these are Czechia, Poland and Slovakia. This is an excellent starting position to benefit from the growth stimulation provided by EU enlargement and to further expand in the region.

## **TAKKT product portfolio: strong brands backed by a unique service**

Let us now take a look at the individual TAKKT divisions.

KAISER + KRAFT EUROPA, Topdeq and K + K America provide TAKKT AG with a unique range of more than 100,000 products, which are backed by exemplary services.

- KAISER + KRAFT EUROPA offers more than 30,000 products for the transport, warehouse, plant, environmental and office sectors. The company has a presence in 20 countries and employed 844 people (full-time equivalent) as of the balance sheet date.
- Topdeq is our specialist for design-oriented office furniture and accessories. The company sells 2,000 products in five countries. Topdeq employs 226 people on a full-time basis.

- K + K America markets some 70,000 products for the transport, warehouse, office and occupational safety sectors as well as equipment for retailers, the hotel market and the food service industry. The division employed 764 people on a full-time basis in three countries.

I would now like to report on the business performance of KAISER + KRAFT EUROPA, Topdeq and K + K America in the past financial year.

**KAISER + KRAFT EUROPA: biggest contribution to turnover and high profitability**

I will start with KAISER + KRAFT EUROPA, our strongest division according to turnover. The group comprises the KAISER + KRAFT, Gaerner, Gerdmans and KWESTO brands and contributed some 50 percent to our total turnover in 2003. Against the background of the weak economy, which mainly affected the division's German operations, it was impossible to maintain turnover at the previous year's level. Moreover, the strong euro had an adverse effect on absolute figures. At EUR 357.9 million, KAISER + KRAFT EUROPA's turnover was therefore down 2.5 percent on the previous year. In exchange rate adjusted terms, the decline was only 1.2 percent. The Eastern European companies and the subsidiaries in Spain, Portugal and Belgium reported above-average growth, whereas the German, British and Dutch companies saw their turnover decline.

KAISER + KRAFT EUROPA nevertheless managed to boost EBITA to a record level of EUR 56 million, which represents a 1.7 percent increase over the previous year. An EBITA margin of 15.7 percent meant that KAISER + KRAFT EUROPA remained not only the biggest but also the most profitable division of the TAKKT Group. There are several reasons for this leading position:

- KAISER + KRAFT EUROPA mainly comprises well-established companies, many of which are market leaders and generate above-average margins.
- The start-up losses of new businesses are relatively low in relation to the group's total earnings.
- The four KWESTO companies specialising on Eastern Europe are very successful. Their product ranges are mainly tailored to the requirements of small and medium-sized companies. KWESTO's fast growth shows that it was the right strategy to establish a second brand in Eastern Europe besides KAISER + KRAFT.
- The constant adjustment of our capacities to changing demand in the individual markets has helped us to further optimise our cost level.
- We have not least been able to increase the gross profit margin by expanding the warehouse capacities.

**Topdeq: earnings performance in line with expectations**

Topdeq's business was hit much more strongly by the economic downturn and the very weak market for office furniture than KAISER + KRAFT EUROPA. The systems furniture segment was affected particularly strongly by the reduction in staff numbers in the services sector. The strong euro additionally had a negative effect on the division's figures. Earnings from design-oriented office furniture and accessories therefore declined by 5.9 percent to EUR 74.6 million. In exchange rate-adjusted terms, turnover was down 2.6 percent.

This development is mainly attributable to the disappointing course of business in Germany, Switzerland and the Netherlands. We anticipated this trend, however, and reduced our costs as a counter-measure. As expected, EBITA came in at a negative EUR 1.2 million.

By contrast, a positive business performance was reported by the young companies in France and the USA, which continued to develop very

positively. Aggressive marketing and the expansion of their delivery ranges helped them win a large number of new customers.

### **E-commerce – consistent expansion of the additional distribution channel**

Ladies and Gentlemen,

At this point, I would like to address the important topic of Internet-based selling, as this distribution channel is used quite heavily by Topdeq's customers. Online orders already account for over 15 percent of Topdeq USA's turnover, which makes the company the leader within the TAKKT Group.

E-commerce has become an efficient additional distribution channel in all three divisions. At the end of 2003, online business accounted for over 5 percent of the TAKKT Group's total business, up 33 percent on the previous year.

In addition, KAISER + KRAFT EUROPA successfully implements 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, hence, to boost our sales volumes. At present, the TAKKT companies run far more than 200 e-procurement projects.

We will continue to expand our e-commerce and e-procurement offerings as we expect online orders to become increasingly widespread in future. This is also confirmed by first-quarter growth rates.

### **K + K America – turnover in US dollars almost stable**

Let's now take a look at our third division, K + K America, which comprises C&H, C&H Mexico, Avenue, Conney and Hubert. Between them, they generated USD 317.7 million, which means that turnover remained almost

unchanged despite the weak economy. EBITA, by contrast, declined by 6.3 percent to USD 25.5 million. Apart from the start-up losses for C&H Mexico and Hubert's new general retail catalogue, higher social security and healthcare contributions had a cost-increasing effect. While this is definitely not an excellent result, it is not so bad, either. This picture becomes somewhat clouded, however, when the figures are translated into euros. Due to the changes in exchange rates, turnover was down 16.6 percent to EUR 281.4 million, while EBITA declined from EUR 28.9 million to EUR 22.6 million.

As in the previous years, Hubert again made a significant contribution to the relatively stable profitability of the US operations. Avenue in Canada also continued the previous years' upward trend and generated a satisfactory result. By contrast, Conney Safety Products and C&H Distributors did not yet benefit from the moderate recovery of the US economy, as the latter is mainly attributable to consumer and defence spending. The manufacturing sector has been sluggish for quite some time and has therefore reduced its spending on new equipment or replacements to a minimum. Past experience has shown that the resulting pent-up demand will lead to much higher demand in future.

**Staff: capacities adjusted**

The number of employees on full-time basis reduced moderately to 1,860 at the reporting date. The long-established companies achieved their capacity adjustments almost exclusively through natural fluctuation. Given that new jobs were created by our new business start-ups, the decline was offset at least partially.

We attach great importance to the training and further development of our employees, also in difficult times. Even though our system business is being increasingly perfected, people remain the critical factor for our success. Based on this knowledge - and not because of the impending "Ausbildungsabgabe" (the proposed charge to be paid by companies

providing no or an insufficient number of traineeships and apprenticeships) - we have increased the number of trainees and apprentices in Stuttgart since September of last year. I can assure you today that TAKKT will continue these investments also in future. After all, training competent young people is not only important for our Group. In our opinion, preparing young people for working life is also a social obligation.

I would like to take this opportunity to thank all employees of the TAKKT Group, also on behalf of my fellow Board members and the members of the Supervisory Board. Thanks to their unusually strong commitment, the TAKKT Group has achieved a quite respectable result in the financial year 2003.

#### **Group balance sheet: reduced total assets**

Let us now take a look at the effects which the course of business and the economic environment had on the Group balance sheet. First, the assets side.

Fixed and financial assets dropped from EUR 358.6 million to EUR 311.8 million, mainly due to changes in exchange rates as well as scheduled goodwill amortisation and scheduled depreciation of intangible assets and tangible assets. Current assets declined by 7 percent to EUR 143.4 million, due to currency effects. Accordingly, total assets were down 11.2 percent to approximately EUR 480 million.

Let's now look at the liabilities of the Group balance sheet. There are two trends that I would like to highlight here. First, we were able to increase the shareholders' equity to EUR 157.2 million, thus raising the equity ratio from 27.7 percent to an excellent 32.8 percent. Second, TAKKT has been able to clearly reduce its liabilities in euros, the reporting currency. As of December 31, 2003, interest-bearing liabilities amounted to EUR 238.6 million, compared to EUR 291.3 million the previous year.

Ladies and Gentlemen,

Before I speak about the TAKKT share, I would like to summarise the major developments of the past financial year.

- The profitability of the TAKKT Group has increased despite a moderate decline in turnover.
- The stable cash flow makes us independent and has laid a solid financial foundation for continued growth.
- The balance sheet structure has improved further.
- More than 200,000 new customers, new product lines and the successful expansion into new regions confirm that our B2B mail order business model continues to guarantee high turnover and earnings also in difficult economic times.

**TAKKT share: well accepted by the market after the conversion**

I would now like to leave a few remarks about the TAKKT share and its performance in the past year.

As expected, the free float increased at the end of 2003 against the background of a convertible bond issued by AXA in March 1998, which matured on November 12. The 10 percent TAKKT shares held by AXA were entirely absorbed by a large number of individual investors.

After the conversion, the free float increased to 27.45 percent, while 72.55 percent are held by Franz Haniel & Cie. GmbH, Duisburg, our main shareholder.

We had launched a stock repurchase program to be used between other things in case that the market would not absorb all TAKKT shares upon conversion of the bond. Due to increased demand - which was supported by a roadshow in early November - we did not have to use the authorisation you granted us at last year's Annual General Meeting.

I would like to take the opportunity to address item 6 on today's agenda, that is

“The authorisation to acquire own shares in accordance with Section 71 Paragraph 1 No. 8 of the German Stock Corporation Act.”

Dear shareholders, this resolution will replace last year's authorisation, which will expire on November 5, 2004, by a new repurchase program, which will expire in November 2005, this is in 18 months as from today.

The Management Board would potentially use the extended authorisation to acquire companies or shares or investments in companies.

This resolution would give us a certain flexibility and make potentially more expensive solutions unnecessary.

As in the past, we do not intend to use the authorisation to withdraw shares from the market.

The individual components of the authorisation are largely identical with those of last year's authorisation.

The Management Board and the Supervisory Board would ask you to agree to this plan.

**TAKKT share: price rises strongly after the conversion**

Let's now take a look at the performance of the TAKKT share in the past year and compare it with the performance of the SDAX.

The chart shows the initially slow start in the first quarter of 2003, which we clearly attribute to the poor economic outlook at the beginning of the year. The price picked up in the spring, directly after the roadshow, which we organised immediately after the annual accounts press conference to target local investors. At this time, the economy also picked up some steam, and the TAKKT share stood at approximately EUR 4.50. The price moved sideways at this level for a long time. In our opinion, this was due to the capital market's uncertainty in conjunction with the AXA convertible bond.

As we know today, this uncertainty was unfounded. The shares resulting from the conversion of the bond were very well absorbed by investors, which had a positive effect on the share price. Since autumn 2003, the share price has thus pointed upwards, additionally benefiting from the accelerating US economy.

In view of the constant earnings per share of 33 cents, the Management Board and the Supervisory Board propose to pay an unchanged dividend of 10 cents per share. This is equivalent to a payout rate of 31 percent, which provides you with an appropriate share in TAKKT AG's profit, while at the same time leaving us sufficient scope to accelerate our growth through new business start-ups and fitting acquisitions, to win market share in established markets and to make scheduled debt repayments.

### **TAKKT 2003: capital market and transparency (corporate governance)**

Before addressing the outlook for the current year, let me say a few words about another important topic, namely corporate governance.

TAKKT attaches great importance to responsible and transparent management. We have therefore expressly endorsed the recommendations of the German Corporate Governance Code.

The Code makes a distinction between compulsory “recommendations” and non-compulsory “suggestions”. Listed companies that do not comply with all recommendations must disclose such non-compliance and explain it. TAKKT feels committed to complying with these recommendations and used to treat its shareholders, partners and employees in an open and fair manner. There are only two points with which we do not comply for good reasons.

First, we still do not consider it necessary to establish an audit committee as the Supervisory Board is a relatively small body with only nine members, each of whom is capable of reviewing the financial statements thoroughly and asking the Management Board the right questions. Second, we will not provide any information about individual Management Board and Supervisory Board members’ compensation, given that such individualised information would objectively not be much more meaningful than the cumulative compensation.

A declaration of conformity pursuant to Paragraph 161 of the German Stock Corporation Act was issued by the Management Board and the Supervisory Board of TAKKT on December 31, 2003. Detailed information and the full wording are published in the Annual Report and on our website.

Ladies and Gentlemen,

I would like to say a few words about the changes in the Supervisory and Management Boards of TAKKT AG.

First, I would like to send a warm message to Mr Hülse. The Management Board, the Supervisory Board and the entire workforce of the TAKKT Group wish you all the best and hope that your know-how and experience will soon be available to us again. All the best to you!

Some of you will have read in the press that Dr. Zimmermann will leave TAKKT AG with effect from May 31.

While we regret this decision, we respect his wish to take up a new challenge.

During the more than five years he spent with TAKKT AG, Dr. Zimmermann successfully implemented several major projects, including

- the spin-off from GEHE AG,
- the IPO and
- the adoption of IAS,

to name but a few.

Apart from these major projects, Dr. Zimmermann showed great commitment and ability in explaining our business model to the capital market. He was also instrumental in making the Group more profitable.

For this, we owe you, Dr. Zimmermann, a debt of gratitude and wish you all the best for your professional future.

Ladies and Gentlemen, Dr. Zimmermann was a genuine Haniel man, coming from Franz Haniel & Cie. GmbH, our main shareholder. His successor, whom I will introduce now, is also a genuine Haniel man.

At today's Supervisory Board meeting, Dr. Funck was unanimously appointed to the Management Board of TAKKT AG with effect from June 1 for the period of 5 years. Dr. Funck will be responsible for Controlling, Groups Accounts as well as Finance and Investor Relations.

Dr. Funck, may I ask you to stand up, please. Thank you.

Haniel's attractiveness as a major corporation and the excellent training opportunities provided by Haniel Academy are our guarantee of having access to so-called "high potentials" whenever we need them.

In his capacity as Director of the Controlling Department, Dr. Funck has been well known to TAKKT AG's Management Board for many years.

Although his job as a controller requires him to keep a critical distance, we know his positive attitude towards the mail order business. This makes him eminently suitable to close the gap left by Dr. Zimmermann as quickly as possible.

Ladies and Gentlemen,

To conclude my presentation, I will give you an outlook on the current financial year. First, a few words about the first quarter of 2004.

### **Outlook on 2004: Profitability further increased in first quarter of 2004**

The moderately positive development of the fourth quarter of 2003 continued in the first three months of 2004.

The euro's strength against many other currencies influenced our figures also in the first quarter of 2004. Turnover declined by 3.6 percent to EUR 184.4 million. In exchange rate adjusted terms, turnover was up almost 3 percent on the previous year. Given that we had one working day more in the first quarter, this increase came to 1.1 percent on a like-for-like basis.

Let's take a look at the individual divisions:

Turnover of KAISER + KRAFT EUROPA rose by 0.2 percent. Adjusted for exchange rates and the number of working days, the division reported a decline by 0.7 percent.

The KWESTO group once again set a positive example, as did the subsidiaries in Switzerland, Spain and Hungary. Business at the K+K companies in Germany and the Netherlands as well as Gerdmans in Sweden remained unsatisfactory.

Our Asian subsidiary in Japan developed extremely favourably. Turnover increased fourfold, naturally at a still low level.

KAISER + KRAFT EUROPA's earnings after taxes improved by 9.1 percent to EUR 9.6 million.

The weak US dollar and Swiss franc had an adverse impact on Topdeq's turnover. In exchange rate-adjusted terms, Topdeq's turnover was up 0.5 percent. After the relatively good fourth quarter of 2003, this is nevertheless somewhat disappointing. The moderate increase is not least attributable to the optimisation of our catalogue mailing activities. In the first quarter of 2004, fewer mailings than in the previous year were sent to the worst-performing address and customer groups. In addition to further cost reductions such as the closure of our Dutch warehouse, this measure has improved the profitability. The loss for the quarter could be reduced from EUR 0.8 million to EUR 0.3 million.

The effect of the higher number of working days was negligible both in the Topdeq group and in the K+K America Group.

The performance of the US group continued to improve. In US dollars, turnover increased by over 6 percent in the first three months. The main contributions were made by C&H and Hubert, whereas Conney, the safety specialist, was unable to benefit from the moderate recovery in the manufacturing sector.

Given that the US dollar was weaker than in the first quarter of 2003, turnover in euros declined strongly by 8.9 percent. As I said before, this does not affect our profitability.

Earnings after taxes of the US group improved by more than 60 percent.

The TAKKT Group's EBITDA margin increased from 12.3 to 13.3 percent, with EBITA rising from EUR 23.5 million to almost EUR 25 million.

Due to the above as well as because of reduced liabilities, lower interest rates and a lower tax ratio, earnings after taxes increased by a disproportionate 27.5 percent.

Overall, this has been a good start to 2004.

Nevertheless, we must ask ourselves:

How will things evolve in the next months?

How will the economy develop?

Which trend could be seen at the steel price?

First, the price of steel:

The steel price influences the prices of many of our suppliers' products. Due to strong demand and scarce capacities, the price of steel has surged.

We will increasingly be forced to accept increased prices. Part of these additional expenses can be translated - with some delay - into higher selling prices, but not all.

We do therefore not expect to see a further increase in our gross profit margin, which, at 41.2 percent in the first quarter of 2004, has reached an

absolute high. We do not expect the margin to drop below 40 percent, either.

**TAKKT: Outlook on 2004**

Ladies and Gentlemen,

The positive development in the first three months makes us optimistic for the full year 2004. The economic outlook seems to be improving, with key economic data pointing to a continued upswing in the USA. We assume that, apart from the consumer goods sector, the manufacturing and services sectors will also recover. It will take some time, however, for this stimulation to make itself felt in the other markets served by the TAKKT Group.

We are cautious, however, because we consider the economies in the USA and especially in Europe to be very vulnerable. Also, economic researchers' and governments' growth projections frequently proved to be too optimistic in the past two years.

While the continued strength of the euro may have a negative effect on our turnover target, it will leave our earnings margins unaffected. The price increases resulting from the high steel price are a fact, but they will have only a limited effect on our profitability.

If the growth rates projected by economic researchers are actually achieved, we expect the TAKKT Group's turnover to grow by approximately 3 percent in exchange rate adjusted terms. Earnings before and after taxes would then increase at a even higher rate.

How will we achieve these ambitious targets?

In view of the relatively uncertain economic outlook, we will continue to focus on optimising our processes, services, advertising materials and product ranges and on expanding our position in the individual markets. The “Perfect Service” project will certainly bring us forward. In addition, we will make effective use of our growth opportunities. We are convinced that the new businesses established in recent years have huge potential.

## **Outlook on 2004: Expanding our market position (EU accession countries)**

The KWESTO and KAISER + KRAFT brands already have a presence in the major Eastern European markets. EU enlargement, will lay the foundation for a continued dynamic development in these countries, which will have a positive effect on the activities of our subsidiaries in Poland, Czechia, Hungary and Slovakia. Today already, the growth rates posted by the accession countries clearly exceed the current EU average. Their relatively low purchasing power will approach the EU level in the medium term.

That our words are followed by deeds is shown by the following announcement.

Before the end of this month, we will mail the first catalogue in the Baltic States.

We have already established a company in Tallinn, Estonia. Employees have been hired and trained. The infrastructure is in place.

With that, we already have a presence in five of the ten EU accession countries. More importantly, however, these five countries represent 85 percent of the potential of all accession countries.

Needless to say, we will also expand in our other markets. KAISER + KRAFT Japan and Topdeq USA, for instance, intend to gradually expand their delivery ranges in the coming years. Our good cash flow provides us with the funds needed to finance this expansion as well as a potential minor acquisition.

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

Ladies and Gentlemen,

As you can see, TAKKT AG is excellently positioned thanks to a successful business model, a strong international presence and a well-balanced customer and product portfolio. Despite the weak economy, we have a broad and constantly growing customer base. The TAKKT Group therefore stands a good chance of benefiting disproportionately from an imminent economic upswing. In an upswing, order values and order frequency will increase noticeably again - with a direct positive effect on turnover. The gratifying development of our Internet and e-procurement activities will also contribute to continued growth.

Our successful business model stands for

- stable gross profit margins,
  - stable EBITA margins
- and a high
- cash flow.

It is worthwhile to work for TAKKT, it is also worthwhile to invest in TAKKT.

This is what the TAKKT management and the TAKKT employees will continue to work for.

Thank you very much for your attention.