

**Annual general meeting of TAKKT AG  
26 May 2000 in Ludwigsburg**

**Speech of Georg Gayer,  
Chairman of TAKKT AG**

*Only the spoken word applies*

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Dear shareholders,  
Dear guests,  
Ladies and Gentlemen,

In the name of the management board of TAKKT AG, I would like to welcome you to the first annual general meeting of our company at the Forum in Ludwigsburg.

Since this is the first annual general meeting of TAKKT AG, I would like to start by describing to you in greater detail the development of the TAKKT group. Then I will explain the reasons for the restructuring as part of the spin-off and finally the stock listing. The report of the management board covering the first financial year will follow along with our outlook on the upcoming e-business activities. Before elaborating on our future prospects, I would like to make a few remarks about the development of the TAKKT share and the most important items on the agenda.

**A young group with more than 50 years of experience**

KAISER + KRAFT, the former parent company of today's TAKKT group, was established in 1945 by Mr. Kaiser and Mr. Kraft in Stuttgart-Untertürkheim. As early as the beginning of the 1950s, the direct sale business for transport devices was converted to the new business-to-business mail order trade with the publication of the first catalogue. The strong demand for business and office equipment and the shortage of

available information had a positive impact on the development of the mail order business. The catalogue was and is still an excellent source of information for business and office equipment procurement. In addition to the excellent information content, the competent product range and good service also make it an advantageous purchasing resource for all kinds of companies.

In 1967, KAISER + KRAFT first ventured into other European countries by acquiring the Dutch company Vink en Zonen B.V.

The success of Vink en Zonen B.V. encouraged the company to purchase the French company Frankel Industrie S.A. in 1973 and to establish subsidiaries in Great Britain and Switzerland in 1974, Belgium in 1975, and Austria in 1983.

In 1985, GEHE AG took over 100 percent of the shares of the parent company KAISER + KRAFT GmbH. At that time, turnover amounted to DM 156 million. Under the leadership of GEHE AG, the corporate expansion policy was continued through newly established subsidiaries and acquisitions.

In 1986 and 1989, further blank spots on the map of Europe were eliminated through newly established subsidiaries in Italy and Spain.

By successfully acquiring the Gaerner group in 1987, the company was able to significantly expand its market position in Germany, Austria, Switzerland and the Netherlands.

Parallel to the continued regional expansion in Europe, other non-European markets were investigated with regard to their suitability for further expansion.

By acquiring C & H Distributors in the United States in 1988, we managed to enter the U.S. market. We gradually increased our market share through strong organic growth and by acquiring several smaller

companies such as BrownCor in 1990, Avenue in 1994 and Dozier in 1996.

Today, we are the market leader in the mail order trade for business and office equipment in the North American market.

With the fall of the “Iron Curtain,” we established KAISER + KRAFT in Budapest in 1990, followed two years later by KAISER + KRAFT in Poland and one year later by the Czech subsidiary KAISER + KRAFT in Prague. These are perfect examples of taking advantage of opportunities and that is what we do at the right time for our business.

In 1994, we were able to enter the market for designer office furniture and accessories by acquiring Topdeq. Topdeq’s high-quality product range also opened the dynamically growing Central European service provider market to us. This step has proven to be extremely successful. As a result, we quickly made use of our core competency – duplicating our systems business in new markets.

In 1995, we established Topdeq AG in Switzerland, followed by Topdeq B.V. in the Netherlands in 1996 and since 1 January 2000, we have also commenced operations in France with Topdeq S.A.S.

In 1996, we took the plunge and ventured into another new product line by acquiring the Direct Safety company in the United States – work safety products. While the business and office equipment business partly depends on economic cycles, the market for safety products mainly changes due to legal requirements. It is certain that additional required work safety regulations will have a positive impact on the market.

To strengthen our safety business in the United States, we also acquired the mail order supplier Conney Safety Products in Madison, USA, in 1998. With the business and office equipment product lines from C & H and Conney’s work safety products, we now offer our customers more than 45,000 products.

Customers interested in decreasing their number of suppliers to reduce processing costs will find a suitable partner in K + K America.

Furthermore, we significantly expanded our European activities in 1998 by acquiring the Swedish Gerdmans group. The Gerdmans group is represented in all Scandinavian countries and ranks second in the market.

### **Balanced turnover distribution**

With 28 companies in 18 European countries and North America, the TAKKT group holds an excellent position as the leading mail order supplier for business and office equipment as well as work safety products. Turnover is almost equally divided among Germany, the remainder of Europe and North America. Furthermore, it is remarkable that all three business divisions – that is KAISER + KRAFT EUROPA, Topdeq and K + K America – are equally profitable.

### **Successful spin-off**

In October 1998, the management board of GEHE AG decided to propose a spin-off of the mail order division to the supervisory board. In December, the supervisory board of GEHE AG asked the management board to carry out the project.

The reasons for the spin-off were convincing:

1. Due to the different business structures of pharmaceutical wholesale or retail and the mail order division, there were no synergy effects.
  - The products were different,
  - the customer base was incongruent,  
and
  - the logistics requirements were different as well.

2. With turnover of more than one billion DM and earnings before tax of more than 100 million, the mail order division had reached the critical size for independence.
3. Now GEHE AG – as well as TAKKT AG – can fully concentrate on their core competencies respectively, and finally
4. The capital markets prefer clearly defined groups of companies, the so-called “pure plays.”

With the spin-off and stock listing, we have truly broken new ground in Germany.

- First, we wanted to give the existing shareholders of GEHE AG an opportunity to participate in the success of the new TAKKT share without any additional financial expenditure - and

Secondly, we wanted to keep the tax burden as low as possible, and we succeeded in doing that.

However, the German tax laws required that the spin-off be carried out in a transaction-oriented fashion.

This had no tax effect on the foreign companies. The disclosed goodwill was netted off against the available equity, so that the previous values remain unchanged after the spin-off. This does not apply to the domestic companies. Each business operation had to be sold, which resulted in the taxation of previously hidden reserves. The increased goodwill is depreciated over the conventional 15-year usage period according to the regulations set forth in the German tax and commercial code. As a result, the German companies are burdened with this depreciation over the next 15 years. On the other hand, these tax-deductible expenses will lead to a reduction in tax charges, and this is already apparent with the positive

effect for the financial year under review. The overall tax rate decreased from 48.9 to 36.9 percent.

In summary, the spin-off has the following effects:

1. An increase in total assets due to previously hidden reserves in Germany of about 109.5 million euros.
2. A tax deductible depreciation expense in the amount specified above.
3. The increase in total assets has also resulted in additional finance requirements, which will result in higher interest charges.

I would like to point out that the above-mentioned effects will affect the profit and loss account, but have no impact on the operational profitability of the TAKKT group.

#### **Well prepared for the future due to new group structure**

Furthermore the spin-off gave us the opportunity to restructure our group of mail order companies.

The former parent company KAISER + KRAFT GmbH had three functions:

- It was a management holding company.
- In part, it was a service provider for the domestic and foreign companies, and
- It was an operational sales company for the German market.

This structure was no longer compatible with the requirements of the market and our goal of functional control with clearly defined

responsibilities. With the current structure, we have achieved a clear assignment of the business divisions. It allows us to expand horizontally as well as vertically without the need for another structural adjustment. Our central service functions are concentrated in the three intermediate holding companies respectively.

These include procurement  
advertising  
logistics  
and information technology.

By centralising these important functions, we achieve synergy effects through economies of scale. On the other hand, this provides us with the necessary market proximity.

The individual operational sales companies, which can now fully concentrate on their customers and the customers' needs in their respective regions, are placed below the intermediate holding companies. This open and flexible structure has proven itself in the meantime and enables us to continue on our projected course of dynamic corporate growth.

### **Successful stock exchange listing**

The restructuring process and the spin-off had the ultimate goal of getting the TAKKT group listed on the stock exchange. This was not to make quick profits, but to enable you as our shareholders to participate in our growth-oriented strategy. Apart from continued healthy organic growth and the expansion of our existing business into new regions, we also intend to grow through meaningful acquisitions in the future.

We want to use the opportunities, which arise:

- for further regional expansion,
- for consolidation of the market and developing our position in the market, and

- to expand our product range.

In the future even more than today, we want to offer our customers everything from a single source. Customers can limit the number of suppliers and thereby lower their procurement costs.

We will fully or partly finance our additional capital needs through capital increases.

Agenda item 7 – the creation of new authorised capital – will enable us to do so.

Before I talk about the business development during the past financial year, let me briefly introduce the management board of TAKKT AG:

In total, the management board has more than 50 years of successful experience in the mail order business. I believe this is a stability factor that must not be overlooked.

Let me introduce the members individually:

Alfred Milanello, 58 years old, has been working for our company since 1987. He is in charge of information technology including new media, order processing and the warehouses of the KAISER + KRAFT EUROPA group.

Franz Vogel is 51 years old and began working for our group in 1985 as director of KAISER + KRAFT AG in Switzerland. In 1991, he was appointed regional director Europe. On the management board, he is in charge of sales and marketing at KAISER + KRAFT EUROPA.

Dr. Felix Zimmermann joined our group in 1998. He is in charge of controlling, finance and investor relations. It is hard to overlook that he is our youngest board member at the age of 33.

I am myself 54 years old and joined KAISER + KRAFT GmbH 22 years ago in 1978. I am responsible for the legal and human resources departments, market development and the business divisions of K + K America and Topdeq.

**1999 was another very successful year**

Next I will present the report of the management board about our first financial year.

For a better understanding of my presentation of the figures for the 1999 financial year, please allow me to make a preliminary remark:

The TAKKT group was created through the spin-off on 30 June 1999 and became operational on 1 July 1999. As a result, the first financial statements generated for TAKKT refer to an accounting period from 1 July 1999 to 31 December 1999. In order to facilitate a comparison with 1998 financial year and the current year 2000, we have prepared pro-forma profit and loss accounts for 1998 and the entire year 1999 as well as a pro-forma consolidated balance sheet for the year 1998. Since we value an open and transparent corporate information policy very highly, we have added a segment reporting section to our annual report. We hope that you, our shareholders, will appreciate the additional information, even though this means that part of the annual report is dominated by figures and tables.

Compared to 1998, the turnover of the TAKKT group increased by 16.4 percent in 1999 and reached a new record high of almost 628 million euros as compared to 539 million euros during the previous year. This increase was due to strong external growth as well as distinct organic growth. Excluding the companies of the Gerdmans group in Scandinavia and Conney Safety Products in the United States, which were both acquired during the 1998 financial year, turnover increased by about 8 percent.

The individual business divisions generated the following percentage shares in the overall turnover:

- KAISER + KRAFT EUROPA achieved 52 percent,
- the Topdeq 11.7 percent and
- KK America increased its share to 36.3 percent.

The group's dynamic turnover is also reflected by the excellent earnings figures. The EBITDA, which means earnings before interest, taxes, depreciation and amortisation, also increased by 8.3 percent to 70.5 million euros. Without the extraordinary expenditure for the stock exchange listing, the EBITDA would have amounted to 72.5 million euros, the equivalent of an 11.4 percent increase.

Due to the spin-off, the profit for the year before tax and the extraordinary item at the end of the year was 52.5 million euros, which represents a 10 percent decrease compared to the previous year. As mentioned earlier, the sale of the domestic business operations within the group had an impact on the existing previously hidden reserves.

This led to higher depreciation, especially for goodwill but also for tangible assets. For the period from 1 July 1999 to 31 December 1999, depreciation has increased by 4.3 million euros for the previously indicated reasons. Interest expense increased from one million euros in 1998 to six million euros in 1999. 2.5 million euros were the result of the balance sheet increase and the remaining interest expense was due to financing the purchase price for the Gerdmans group and Conney Safety Products.

During the financial year under review, the TAKKT group's cash flow increased disproportionately by 27.6 percent from 35.9 million to 45.8 million euros. The cash flow development clearly shows the continued operational profitability of the TAKKT group. As a result, we are now able

to finance our significant organic growth from the earnings we have generated.

Due to the lower tax rate, profits after tax increased from 29.5 million to 31.9 million euros as compared to last year. This represents an 8.1 percent increase. On a pro-forma basis, the earnings per share amounted to about 44 cent for the entire 1999 financial year.

The spin-off procedure led to significant changes in the balance sheet total as well as the balance sheet structure. Overall, the balance sheet total increased from 235.7 million to 370.9 million euros. Due to the aforementioned previously hidden reserves, fixed assets increased from 123.9 million to 237.3 million euros. In proportion to the increase in expanded business volume, current assets increased by 18.5 percent to 130.4 million euros. The increase in liabilities by 107.0 million to 242.2 million euros is due not only to the higher business volume but also mainly to financing the increased goodwill. With an equity rate of more than 25 percent, TAKKT can rely on a stable balance sheet structure after the spin-off.

On 31 December 1999, the TAKKT group employed 1,546 staff (full-time equivalents), which represents an increase of 81 employees.

I would like to point out briefly what contribution the individual business divisions have made towards the good results of the 1999 financial year.

#### **KAISER + KRAFT EUROPA**

As in previous years, KAISER + KRAFT EUROPA generated the largest share in overall turnover at 52 percent or 326.5 million euros. Compared to 1998, this represents a 4.3 percent increase. We also recorded above-average turnover increases in France, Switzerland, Spain and Hungary. On the other hand, Poland, the Czech Republic and Great Britain experienced slight economy-related declines. The EBITDA of KAISER + KRAFT EUROPA was 43.6 million euros in 1999 and represents about 62 percent in the overall EBITDA for the TAKKT group. At 8.2 percent,

this increase was clearly larger than the turnover increase compared to 1998.

### **Topdeq**

Topdeq has developed excellently. During the period under review, the division's turnover of 73.1 million euros exceeded the 1998 figure by 16.0 percent: a remarkable result, which was apparently not affected by the overall economic situation. The EBITDA also increased by 12 percent to 9.3 million euros and clearly exceeds last year's figure. The new French subsidiary, which was established in 1999 and became operational in early 2000, already develops excellently, as is evidenced by the figures for the first four-and-a-half months. We had further confirmation that Topdeq's unique product range, combined with the company's excellent service, meets with positive response not only in Germany, Switzerland and the Netherlands but also with our French neighbours.

### **K + K America**

Supported by the continued economic boom in the United States, K + K America, which consists of the companies C & H Distributors, Avenue Industrial Supply and Conney Safety Products (fully consolidated for the first time), grew disproportionately. With an increase of 39.7 percent, K + K America recorded the strongest growth of the three divisions. While turnover was at 163.2 million euros in 1998, the 1999 figure was at about 228.0 million euros. Adjusted for currency conversion effects, the companies' turnover in US dollars was 27.3 percent above the previous year's figure.

Without the acquisition of the Conney, K + K America improved by 16.2 percent to 181.0 million euros. This positive trend also continued with regard to the EBITDA: this indicator amounted to 23.2 million euros for the financial year under review, which represents a 40.5 percent increase compared to 1998.

## **E-commerce – the next logical step for mail order**

Please let me give you some information now about our e-commerce activities. As you may know from our press coverage, e-commerce is a challenge as well as a great opportunity for us. Pure mail order suppliers such as TAKKT have the best prerequisites for also being successful on the internet,

because

- our business model need not be changed
- we have knowledge of a great number of products  
– currently a total of 75,000 articles –
- we offer the necessary service and the required consulting,
- we cope with the logistic challenges on a daily basis.

In contrast, our competitors – the specialised retailers – operate locally. They run a store and sell through internal or external sales representatives. Shifting their business to the internet creates logistics problems and painful disruptions of their traditional business. On the other hand, the pure internet companies – the so-called start-ups – have great problems with service and logistics. Therefore, we are convinced that we are in an excellent position to make use of the opportunities offered by the internet.

The phrase

“E-Commerce is the next logical step for the mail order business”

fully applies to our company.

Since 1998, KAISER + KRAFT Germany has been offering its full product range on CD and over the internet. Since mid-1999, KAISER + KRAFT Switzerland has also been present on the World Wide Web, and in mid-2000 the companies in Belgium and the Netherlands as well as Gaerner

Germany will also offer their full product range over the internet and on CD-ROM.

Over the internet, which is accessible to everybody, we also reach smaller customers especially at KAISER + KRAFT EUROPA and K + K America. With our offer of so-called e-procurement systems, we can also improve customer loyalty of our major clients. We hope that this will result in a turnover increase per customer, because our customers are interested in reducing their processing costs by decreasing the number of their suppliers. Without having done intensive advertising, we have already met with great response to this offer.

Topdeq in Germany, Switzerland and the Netherlands also successfully offers its product range over the internet, and since mid-May the product range of C & H has also been available on the Web.

Currently, Topdeq as well as KAISER + KRAFT EUROPA are working on their second-generation web pages. In future, we will be able to offer our customers even more service functions, such as:

- Information about product availability,
- Shipment tracking,
- Provision of information that is individualised for the customer,
- A call-back button for customer inquiries,

and many more.

As in Europe, we will also provide our current product range on the Web in North America during the next few months. With 45,000 items in the product segments business and office equipment and work safety, K + K America will offer a product range that many up and coming marketplaces cannot immediately provide, not to mention the excellent service that turned K + K America into the leading mail order supplier.

Our corporate plans assume that beginning in 2001 / 2002 turnover on the internet will increase substantially.

However, it is difficult to assess today what share of our traditional business will shift to the web business and how much in additional turnover can be generated. The potential is enormous. Despite all the opportunities offered by the internet, we will under no circumstances neglect our successful and profitable traditional business.

### **Good performance and further growth potential**

Back to the real world and our TAKKT share.

In principle, we are satisfied with the share price development up to this point. The share price for the newly introduced TAKKT share on 15 September 1999, the first day of trading, was 6.50 euros. After many investors, particularly from the institutional sector, turned their backs on us for understandable reasons, such as

- TAKKT is not a pharmaceutical company
- TAKKT is not an M-DAX company,

we succeeded in winning new shareholders through analyst meetings and numerous road shows. After a temporary low at 5.10 euros, the share recovered in January and February to reach the maximum share price of 12.50 euros.

With a share price of 8.5 euros this week, the share achieved a performance of over 30 percent within eight months. I think this is a result we can be proud of. However, we aren't yet satisfied. As a result, we will continue to intensify our investor relations efforts.

Our first-time employee stock ownership programme met with great interest and showed us that our employees share our optimistic future outlook for TAKKT.

Before I talk about the prospects for the current 2000 financial year, I would like to address the most important items on the agenda for today's annual general meeting:

Under item 2

"Use of the retained earnings for the 1999 financial year," the management and supervisory boards propose that the retained earnings be used as follows.

- a) Payment of a dividend of 5 cents per share for a total amount of 3,645,000 euros  
and
- b) Carrying forward 2,719,303 euros.

We intend to use our strengthened equity capital base, which will make up 26.7 percent of the balance sheet total, to finance our future organic growth. I am asking for your approval of this measure.

Agenda item 7:

By creating new authorised capital in the amount of about 36.5 million euros, we want to create an opportunity for our group to be able to react quickly with capital measures for larger acquisitions in the future. Again, I am asking for your support of our strategy and your approval in this matter as presented.

By confirming profit and loss transfer agreements between TAKKT AG and its wholly owned subsidiaries, KAISER + KRAFT EUROPA GmbH and Topdeq Holding GmbH, we are pursuing two goals:

1. The profit and loss transfer agreements submitted serve to establish a fiscal unity between TAKKT AG and KAISER + KRAFT GmbH or Topdeq Holding GmbH. The integrated fiscal unit allows for joint taxation of the subsidiaries and the controlling company. The profit and loss transfer agreements replace dividend

payments, thus avoiding the usual interest disadvantage from a withholding tax burden associated with dividends between group companies.

2. With these profit and loss transfer agreements, we further ensure that the profits of KAISER + KRAFT EUROPA GmbH or Topdeq Holding GmbH can be distributed to TAKKT AG during the same financial year without incurring any legal risks.

Again, I am asking for your approval.

Agenda item 6 deals with the election of the supervisory board.

I would like to take the opportunity to introduce the members of the supervisory board, who are also up for election:

Dr. Dieter Schadt serves on our supervisory board as a representative of our main shareholder, Franz Haniel & Cie. GmbH, where he is the chairman of the management board. At TAKKT, he is also the chairman of the supervisory board.

Horst Peer serves as deputy chairman. Before his departure at the end of 1998, he worked as my predecessor for a period of 16 years managing the former KAISER + KRAFT group.

Dieter Kämmerer – chief executive of GEHE AG until the end of 1998, played an active role in the development of the former KAISER + KRAFT group since it was acquired by GEHE in 1985.

Professor Picot teaches management science at Munich University with a strong focus on current issues in the so-called “New Economy” including e-business in which we are becoming increasingly active.

Messrs Kniehl and Matzke are the two employee representatives on the supervisory board, which illustrates the significant position our employees hold in the TAKKT group.

Overall, I am convinced that TAKKT AG has an extremely competent supervisory board. Therefore I am asking you to pass a vote of confidence in this supervisory board.

I would also like to take this opportunity of expressing my heartfelt thanks to the supervisory board for their good and constructive collaboration.

### **A clear strategy for further growth**

Ladies and Gentlemen,

Finally, I would like to present to you the assessment of the management board of our company's future prospects:

Based on our excellent position, namely that our business will continue to win market shares due to cost and system advantages compared to stationary retail, direct distribution and wholesale, we have an absolutely positive outlook regarding the future of TAKKT AG. In detail, our strategy is as follows:

- Expanding the existing business through continuous improvement of the range of products and services.
- Continued regional expansion through newly established subsidiaries,
- Through acquisitions, to stabilise and extend our position in the market but also to expand our product range, and finally
- We will develop new customer segments through e-commerce and generate additional turnover with our major customers through our e-procurement systems.

During the current 2000 financial year, our assessment becomes reality: Order intake and turnover in all three areas exceed our expectations. We were able to conclude the first quarter with a turnover increase of more than 15 percent. Until now, this positive development hasn't changed. As a result, we expect a turnover increase of at least 10 percent for the 2000 financial year. Apart from the relatively positive economic situation, our improved catalogues, the high growth rates in the internet business and the successful start of our French Topdeq subsidiary all promote our corporate growth.

Mid-2000 we will launch a new catalogue for our companies in eastern Europe. With this additional catalogue, whose range of products and services is oriented toward the needs of the local customers, we can tap into the existing market potential more easily and quickly without cannibalising the existing business.

Also in 2000, we will venture into the Mexican market. With this project, we will further expand our successful C & H business.

The extension of our mail order centre in Kamp-Lintfort – the “breaking ground” ceremony on Tuesday of this week – will enable us to handle the additional turnover volume in a customer-oriented fashion.

Despite the expected – and planned – initial losses for these projects, we will be able to further increase our profits, even if this performance may be somewhat lower than our turnover growth.

As you can see, we are improving our TAKKTics in order to speedily reach our objectives.

Thank you for your attention.