

2nd TAKKT AG General Meeting on 4 May 2001 in Ludwigsburg

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

Only the spoken word applies

Dear shareholders, Dear shareholder representatives and representatives of the press, Ladies and Gentlemen,

I would like to welcome you warmly to this year's annual general meeting of TAKKT AG here in Ludwigsburg.

2000 - a very good year

This year, like last year, I am pleased to report as an exceptionally successful financial year.

In the year 2000, record-breaking figures were reached in nearly all areas: in turnover, in customer growth and in earnings.

The figure that best represents earnings is EBITDA, that is, earnings before interest, tax, depreciation and amortisation. Our EBITDA increased overproportionately to our good growth in turnover. And with an increase of over 20 percent, our cash flow grew strongly as well.

This is a notable achievement because - as we announced - we increased our activities in the expansion of our business through the establishment of new companies.

Without the start-ups Topdeq France and KWESTO, and without the expansion costs of Topdeq USA, we would have been able to improve the margins further. But our strategy was, and is, to expand our successful business to cover new regions and new product fields.

After a phase of starting-up business, we will reap the benefits. The earnings figures of the new companies which we have established in the past confirm this.

Good economic climate

The year 2000 was characterised by a strong economy in most European countries and a good economic climate in the first three quarters in North America.

In this environment, the B2B mail order business was further able to gain market share in comparison to traditional retail and wholesale channels.

In this respect, the TAKKT group with its three divisions KAISER + KRAFT EUROPA, Topdeq and K + K America, was exceptionally successful.

The currency-adjusted organic growth rate of 11.4 percent, which was achieved in the year 2000, was the highest in the past 15 years. This is no coincidence, but rather the result of our company policies which aim to give our customers one hundred percent satisfaction with regards to offers and service.

We were able to further increase both customer trust and customer loyalty.

Added value through profitable growth

The TAKKT group has increased quality and volumes.

Turnover increased by 21.5 percent to EUR 762.8 million, up from EUR 627.6 million in the year 1999.

The sustained growth in turnover is a tradition with us. We increased turnover in 1997 by 19.1 percent to EUR 469.5 million; in 1998 by 14.8 percent; and again in 1999 by 16.4 percent to EUR 627.6 million.

Our domestic market of Germany accounted for 28.6 percent of the total turnover, while the rest of Europe accounted for 30.9 percent and North America, including Hubert, accounted for 40.5 percent.

This balanced distribution of turnover gives TAKKT a solid foundation.

Turnover is distributed across the individual divisions in the following way:

KAISER + KRAFT EUROPA achieved a turnover share of 48 percent. The Topdeq group reached 11.5 percent. The US group, including Hubert, increased its share to 40.5 percent.

Good cost management, operative margins increased

Thanks to supplier concentration and moderate price increases which were accepted by the markets, gross profit margin was held stable at a high level - despite higher freight costs due the increase in the price of oil.

There was a slightly disproportionate increase in personnel expenses due to greater business volume, the newly established companies, and the Hubert acquisition.

After adjusting for foreign exchange effects and the Hubert acquisition, we were still able to increase our performance in terms of

- turnover per employee and
- orders per employee.

EBITDA grows at above-average rate

The TAKKT group did not just grow in the year 2000, it also maintained the high quality of its results.

The EBITDA showed above-average improvement of 24.3 percent to EUR 87.6 (70.5) million.

This is a remarkable achievement, considering the costs of the newly established companies (mainly loss-making start-up and advertising costs), the expenditure for our first catalogue distribution in Mexico, and our investment in e-commerce.

We have surpassed our goal of reaching a margin between 10.5 and 11.0 percent.

EBIT and net income affected by spin-off and acquisition

As opposed to the EBITDA, it is more difficult to compare the EBIT (the earnings before interest and tax) and net income with previous years.

The spin-off, which took place in mid-1999, had an impact on the EBIT and on the net income in the financial year as well.

For the first time, the depreciation of goodwill and interest charges for financing the spin-off applied to the whole year. A comparison between these two figures and previous periods would be of only limited significance.

Such a comparison is also influenced by the acquisition of Hubert, because the interest and depreciation must be taken into account from 16 October 2000.

Depreciation of the goodwill in relation to the spin-off was EUR 7.3 million, compared to EUR 3.6 million in 1999. The depreciation of Hubert's goodwill was around EUR 2 million.

Nonetheless, the earnings before tax and interest (EBIT) improved a good 16.9 percent to EUR 66.1 million. The EBIT margin decreased slightly from 9.0 to 8.7 percent.

Net income rose by 5.2 percent to EUR 33.6 million in comparison to the previous year.

Earnings per share increased

This means that earnings per share increased from EUR 0.44 to EUR 0.46.

You, our shareholders, should benefit from these positive business developments. Therefore, under the second item on the agenda of today's annual general meeting, the "Resolution concerning the appropriation of profits," the management and supervisory boards propose to distribute a dividend of EUR 0.10 per no-par value share.

This corresponds to a distribution rate of 21.7 percent. Together with the tax credit, the gross dividend amounts to EUR 0.14.

We will use the retained profits to strengthen our equity and to invest in further expansion, as is appropriate for a growth company. This means that we will proceed with our growth strategy by establishing new companies and making acquisitions, and we will continue to expand our e-commerce sales channel.

Ladies and gentlemen, after this overview of the turnover and earnings of the TAKKT group, I would now like explain to you in detail the development of our individual divisions.

KAISER + KRAFT EUROPA - highly profitable and highest turnover

At 48 percent, the largest share of turnover was, as in previous years, once again attained by the division KAISER + KRAFT EUROPA.

As mentioned before, the pleasing increase in turnover was due on the one hand to a good economic situation, and on the other hand to our improved, and in part expanded, offers.

We were able to expand our customer base and also increase our turnover per customer.

Turnover climbed to EUR 366.4 (326.5) million. This is an increase of 12.2 percent compared to the previous year.

In particular, the KAISER + KRAFT EUROPA companies in Germany, Switzerland, Spain and France showed above-average growth.

KAISER + KRAFT EUROPA consists of the KAISER + KRAFT group, the Gaerner and Gerdmans groups, and, since mid-2000, KWESTO.

KWESTO is our new Czech subsidiary in Prague. With its 224-page catalogue, the company sells office and factory equipment, most of which currently comes from eastern Europe.

Through this company, we offer a custom-made product portfolio for smaller to mid-sized firms in the growing markets of eastern Europe.

The business development up to this point has exceeded our expectations, both with regards to turnover and the acquisition of new customers.

In the mid to long term, we would like to drive the market penetration forward from the Czech Republic into eastern Europe.

Not only does KAISER + KRAFT EUROPA contribute the greatest share of turnover to the group, it also has an EBITDA margin of 14.3 percent and thus displays the highest profitability.

The earnings before interest, tax, depreciation and amortisation rose by nearly 20 percent in the year under review from EUR 43.6 million to EUR 52.3 million.

Despite the year-long inclusion of the interest charges and depreciation of goodwill resulting from the spin-off, net income for the year still increased by 11.2 percent.

In this context, please allow me to digress briefly and mention our European logistics centre in Kamp-Lintfort:

You may recall that last year we started on the expansion of our mail order logistics centre. On 23 May 2000, the ground was broken for the second phase of construction. The work is proceeding according to plan.

In the middle of this year, we will begin operations in our expanded logistics centre as planned.

The capacity will be more than doubled through this expansion. Delivery times for a large portion of our product range will be considerably reduced, and we will henceforth be in the position to expand our international procurement. These are important aspects for us as a market and service leader in order to gain additional market share.

Topdeq - Front-runner in growth

We come now to Topdeq.

The Topdeq division was - once again - the front-runner in growth within the TAKKT group.

Turnover increased 19.2 percent to EUR 87.1 million.

In the past five years, we were able to nearly double our business in design-oriented office furniture and accessories.

All the companies - in Germany, the Netherlands, Switzerland and France - contributed equally to this success.

In Germany, business developed exceptionally well when measured against the growth of the office furniture market. This was due to the successful sales and marketing measures undertaken for the ten year anniversary of the young company. In the first quarter in particular, we were able to use this event to target our existing customers and new customers.

We are also very satisfied with the development of Topdeq France. It was launched at the start of 2000, and its results exceeded our expectations.

Topdeq continued our regional offensive at the start of this year with its expansion to the US market. From the new location in Cranbury, New Jersey, we can now provide around 2.3 million customers with European-style office furniture within 24 hours - as is the norm for Topdeq. Even in the land of opportunity, this is a unique service.

Here are a few figures to give you an idea of the potential of this market:

The entire US office equipment market has a volume of USD 225 billion (around EUR 250 billion). Office furniture and accessories account for USD 22.5 billion of this total. For our division Topdeq, the move across the Atlantic is an important milestone - not least because of the size of the market.

Our course of expansion is also reflected in Topdeq's results. The decline in the EBITDA from EUR 9.3 to 8.4 million is due to the start-up costs for Topdeq USA and the business expansion in France. Without this expansion, Topdeq would have posted a considerably higher profit.

Effect of the newly established companies

Ladies and Gentlemen, one of the things that drives the growth of the TAKKT group is the expansion of our systems approach to new regions. We have done this with great success for many years. Well over 50 percent of our companies were created in this way, and today they contribute considerably to the success of the entire TAKKT group.

Due to the nature of our business, however, it takes newly established companies three to five years to break even.

Let me therefore briefly explain the start-up phase of our newly established companies and their effects on the profit and loss account.

As opposed to other industries in which an expansion of business is marked by investment in tangible assets (such as buildings and machines) and the subsequent depreciation over several years, our investment in a new market consist primarily of advertising costs - that is, mainly costs for the distribution of catalogues. According to the German Commercial Code (HGB), this investment has to be posted immediately as an expense and thus leads to start-up losses. The customers that are gained by this, however, are already profitable after their second order.

At the start of a company's life cycle, we first send 100 percent of the advertising material to potential customers; over the course of time, this percentage gradually shrinks. The profitable customer base grows and, as mentioned before, the newly founded company breaks even in three to five years.

Proof of this can be seen in the Topdeq companies founded in 1994 and 1995 in Switzerland and the Netherlands. Both companies have since gone through this life cycle and now contribute to the increased net income with their positive results.

For these reasons, we were not surprised by the decline in Topdeq's earnings in the year 2000. With our business expansion in France and the USA, we have laid the cornerstone for sustainable growth in both turnover and profit.

K + K America with earnings increase and successful acquisition

K + K America, our third division, achieved a turnover of USD 285.6 million, 17.5 percent more than in 1999. Calculated in euro, this even adds up to an increase of 35.6 percent.

C&H Distributors, Avenue Industrial Supply, Conney Safety Products and Hubert were able to increase their turnover from EUR 228.0 million to EUR 309.3 million. Hubert has been consolidated as of 16 October 2000 and contributed to the overall turnover with around USD 20 million.

At this point, please allow me to make a few remarks on the successful Hubert acquisition:

In the USA, Hubert is the market leader in the B2B mail order business for equipment and supplies for retail grocery stores and the food service industry, that is, for restaurants, canteens and hotels.

Our K + K America division has thus taken over a new field of products which fits well into the group strategy:

To take advantage of synergies so that we can apply our replicable systems approach systematically to new products, market segments and regions.

In Hubert, we have acquired a highly profitable, well-positioned company. For K + K America - and for the entire TAKKT group, in fact - new opportunities for growth have now been opened up.

With the acquisition of Hubert, we were able to expand the customer base of the TAKKT group immediately by around 175,000 customers, while further reducing our dependency on individual industries. The market volume of the Hubert business amounts to around USD 7.5 billion and is handled primarily by numerous regional merchants.

In the last five years, Hubert grew at an average annual rate of seven percent, compared with an industry growth rate of about five percent per year.

The purchase was financed entirely through outside capital, because K + K America has a sufficiently high and stable cash flow.

In addition to the Hubert acquisition, the K + K America company C&H Distributors invested for the first time in the neighbouring country of Mexico.

Our first steps into the central American country have been successful, but I would like to add that we are moving forward very carefully with our market entrance in Mexico.

Although Mexico is a part of NAFTA, there are still considerable import barriers and protective duties. Based on our initial positive experiences and the knowledge that the barriers just mentioned will be gradually removed, we plan to further expand our activities.

The excellent organic growth of the K + K America group was to a great extent responsible for the earnings increase of over 46 percent. The EBITDA margin was increased from 10.2 to 11.0 percent. The only blemish on an otherwise outstanding financial year was, and is, the continued deterioration of the economic situation since the fourth quarter of the year 2000.

TAKKT 's cash flow remains strong

After this overview of our divisions, please allow me to take another look at the group as a whole.

In the year under review, the cash flow increased by 20.3 percent to EUR 55.1 million. Within the last five years, therefore, we have been able to increase the cash flow by more than 100 percent.

TAKKT AG thus has sufficient liquidity to both reduce liabilities and further expand the business base.

Stable balance sheet

The balance sheet of 31 December 2000 has been strongly influenced by the acquisition of Hubert.

Total assets increased from EUR 370.9 million to EUR 569.3 million. Fixed assets grew from EUR 237.3 million to EUR 386.6 million. Thanks to the acquisition and the strong organic growth, current assets rose by around EUR 48 million.

The outside financing of the Hubert acquisition mentioned earlier, together with the increased volume of business, raised liabilities to EUR 408.5 million.

The ratio of liabilities to total assets thus changed accordingly. The rate is now 71.8 percent as opposed to 65.3 percent in the previous year.

Thanks to higher earnings, the shareholder's equity increased from EUR 99.1 million to EUR 128.1 million. The equity ratio thus amounts to 22.5 percent in comparison to 26.7 percent on 31 December 1999.

The TAKKT balance sheet remains stable and, due to the strength of our cash flow and earnings, enables us to continue to grow by our own efforts.

TAKKT creates new jobs

The newly established companies, but in particular the positive business development, lead to the expansion of our human resources capacity - although we also modernised and streamlined work processes.

We were thus able to create 150 new jobs.

302 new employees came to the TAKKT group through the Hubert acquisition. We employed 2,069 people at the year end - 452 more than the year before.

Our business success is due in large part to our well-trained and motivated employees. This is why we once again increased our spending on education and training in the year under review.

Unfortunately, our job offers do not always correspond to the demand on the job market. Since 1998, we have been training manufacturing mechanics in our production centre in Haan. Last year, despite all our efforts through advertisements, the job centre and the Westdeutsche Rundfunk, we were unable to find any new trainees.

I personally regret this very much.

TAKKT capital expenditure

Let me now say a few words about capital expenditure of TAKKT AG. In total, it amounted to EUR 168.9 million in the financial year 2000.

We focused on three main areas:

The largest amount went into the expansion of our business with the Hubert acquisition in October 2000.

We placed our second focus on the expansion of the KAISER + KRAFT EUROPA European mail order centre in Kamp-Lintfort with the goal of further improving our service. We are investing around EUR 17.0 million in the entire project, which will be leased.

And finally, we invested in the optimisation of our processes - in improved communications systems, in the monitoring and control of merchandise flow, and in the new sales channel of e-commerce, for instance.

A few comments on this:

E-business - the next logical step

We believe that the mail order business cannot do without e-commerce, e-procurement and e-payment. On the contrary: e-commerce is the next logical step for the mail order business model.

We have been using the Internet as an additional sales channel since 1998, with growing success. This is because we have customers who are already familiar with distance ordering. We have many years of experience in the mail order business and our operational processes are correspondingly well-practised. And we have a broad spectrum of products that is supplemented by a high level of service.

For these reasons, we invested more heavily in the Internet sales channel in the financial year 2000. Since mid-2000, KAISER + KRAFT Germany and C&H Distributors in the USA have both had a second-generation interactive website.

With the already existing Internet offers from Hubert, Conney, and the Topdeq companies in Germany, Switzerland and the Netherlands, and with five additional KAISER + KRAFT EUROPA companies, the TAKKT group now offers over 100,000 products on the World Wide Web.

The growth rates of the Internet business - some of our companies now achieve over 4 percent of their total sales through the Internet - support our strategy of gradually expanding the offers to the remaining companies.

In addition to the Web activities already taking place, KAISER + KRAFT EUROPA was able to establish large e-procurement systems. These are online systems that simplify purchasing for companies, and they have been implemented for companies such as Wacker-Chemie, BASF Coatings, Siemens and Novartis.

Since the middle of last year, employees of these companies have been able to place orders from the KAISER + KRAFT catalogue in an intranet

Web shop. Orders are transmitted online, without any time delay, to Stuttgart, where they are processed and shipped.

The entire ordering process is thus significantly shorter. Both sides benefit from this. Our partners save time and therefore money. And what about us? With our products, we become the customers' preferred supplier.

A share with potential

Ladies and gentlemen, as you can see, it was an interesting and successful year, and one in which we made important strategic decisions regarding our future course.

However, the capital market has not fully honoured this recently. Despite successful projects, the successful acquisition of Hubert and, in my opinion, a very respectable increase in earnings, our share was not able to develop in quite the way that not only we, but also several well-known analysts, had expected.

The reason for the current performance of the TAKKT share - this was revealed in talks with potential investors - is the economic situation in America.

Not too long ago, the international positioning of the TAKKT group met with an extremely positive response. But today, because of the economic downturn in the USA, our involvement in North America is apparently a negative factor.

From a short-term point of view, this is perhaps understandable. But we, the responsible management board, do not have any doubts whatsoever about our business in North America. On the contrary, we are convinced that, by undertaking the appropriate management measures here and in the USA, we will overcome the current slow-down and soon be able to achieve our usual growth rates and earnings.

As a result, nothing should stand in the way of an increase in the value of our share.

The inclusion of our share in the SDAX index from 19 June 2000 had a positive effect on the presence of TAKKT AG in the press. This is not enough, however. Therefore, we are going to increase our activities and convince potential investors step by step of our successful, profitable business model and our clear strategy.

The customer as a value driver

But what makes the TAKKT group so valuable?

What are the real reasons for our success?

To put it simply, the answer is:

- Many satisfied customers -

It is not for nothing that we invest more every year in attracting new customers and maintaining and expanding our regular customer base, in training our employees, and in improving our service.

In this way, we have managed to attract around 10 percent more new customers each year since 1995.

The entire customer base of the TAKKT group now comprises around 2.3 million customers.

Our customers, satisfied customers, are the real value of the TAKKT group and the basis of further success.

The central point of our activities is to convince our customers of the advantages of mail order business.

We want them to be committed to us for our exceptional services, and we want to expand on this commitment with new offers.

We have been very successful in this in the past years. We have not only internationally expanded our customer base, we have also created a broad, risk-diversifying customer portfolio. Today, companies in the service industry are as much a part of our customer base as small businesses, public authorities, Internet start-ups or biotech firms, major corporations and tradesmen. Based on this, we want to make the TAKKT group even more successful.

Supervisory board expansion - additional competence and experience

Allow me briefly to address items 6 and 7 on the agenda of today's annual general meeting:

The management and supervisory board agree that, in an important function such as the supervisory board, it is necessary to have as much competence as possible and - at least to a certain degree - to reflect the shareholdings in TAKKT AG.

Until now, Dr. Schadt was the only representative of the principal shareholder Franz Haniel & Cie. GmbH and a member of our supervisory board.

The management board and supervisory board thus propose to raise the number of members of the supervisory board from six to nine, make the regulations in the articles of incorporation regarding terms of office more flexible, and standardise the regulations regarding the end of the term of office of all supervisory board members.

Under item 7 on the agenda, the supervisory board nominates the following gentlemen for election to the supervisory board:

1. Günther Hülse

Member of the management board of Franz Haniel & Cie. GmbH, resident in Krefeld.

Many of you will have learned from the press that, from June of this year, Mr. Hülse will take over as chairman of the management

board of our principal shareholder.

2. **Dr. Klaus Trützscher**

also a member of the management board of Franz Haniel & Cie.
GmbH,
resident in Gelsenkirchen
and

3. **Walter Flammer**

Organisation manager of KAISER + KRAFT EUROPA GmbH,
resident in Esslingen

The additional activities and functions of the nominees for election to the supervisory board can be found in your invitation to today's annual general meeting, so I do not need to list them here.

The management board is certain that, through this expansion of the supervisory board, even more competence and experience will be available to us so that we may successfully reach our goals for the future.

The management board requests that you grant your consent to this.

Outlook 2001 - good opportunities for growth

In conclusion, the outlook for the current financial year 2001.

From my previous remarks, you will have learned that, since the fourth quarter of 2000, our division *K + K America* has been affected by the continually deteriorating economic situation in North America. We are feeling the typical effects of an economic slump:

- the average value of orders is decreasing,
- as is the purchasing frequency of customers.

Thanks to our increased advertising activities, we are continuing to experience customer growth, if to a somewhat lesser extent. We are not losing customers.

But this welcome fact will not be able to make up for the decrease in turnover due to the lower average value of orders mentioned earlier and the reduction in purchasing frequency.

Thanks to the relatively good business development of Hubert and its high profitability, we will in all probability be able once again to achieve the good EBITDA margin of the previous year.

When looking at the first quarter of 2001 for the *Topdeq group*, we must take into account the special effect of the first quarter of the previous year. As was mentioned, in the first quarter of 2000 we achieved extraordinarily high growth rates of 23 percent thanks to the activities surrounding the 10-year anniversary of Topdeq GmbH. This growth cannot be repeated this year. The decrease in turnover in the first quarter will however - and we are sure of this - be compensated for in the three remaining quarters.

In addition to this special effect, the result of the Topdeq group in the first quarter was influenced by the operative start of Topdeq USA. As I have

already mentioned, the investment (the shipped catalogues) in the US market puts a considerable strain on the quarterly result. The division *KAISER + KRAFT EUROPA* is in excellent shape:

Turnover increased by 14.8 percent in the first quarter.

We were able to achieve the growth in turnover through our improved and expanded offers and by stepping up our advertising activities in the first quarter of 2001. The completed e-procurement projects also contributed to the good increase in turnover.

Ladies and gentlemen, shareholders, the first quarter of 2001 did not go quite as we would have expected it to develop a year ago. Above all, the economic slump in North America is making it difficult for us here.

But there has been no fundamental change in the position of the group, its opportunities for growth or its profitability.

For the entire year 2001, our organic growth will probably come in somewhat beneath the long-standing average of 7.5 percent after a very good year 2000 with an increase of 11.4 percent.

With Hubert, TAKKT will once again achieve double-digit growth in 2001 in both turnover and EBITDA.

We are convinced of our good business model and we will continue with our successful strategy.

Where reasonable, we will expand our business base through new companies and acquisitions.

We will further expand the sales channel of e-commerce, we will improve our services, and we will update our offers to bring them in line with the market and make them even more attractive with additional products.

We are staying on course.

Thank you for your attention.

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