TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

Annual Report 2004

Key figures of the TAKKT Group in EUR million under IFRS

	2000	2001	2002	2003	2004
Turnover	762.8	824.1	783.7	713.9	727.6
Change in %	*21.6*	*8.0*	*- 4.9*	*- 8.9*	*1.9*
EBITDA	90.3	86.6	85.7	80.1	87.2
in % of turnover	*11.8*	*10.5*	*10.9*	*11.2*	*12.0*
EBITA	81.3	76.4	75.1	70.3	78.2
in % of turnover	*10.7*	*9.3*	*9.6*	*9.8*	*10.7*
EBIT	68.6	57.7	57.0	53.9	62.5
in % of turnover	*9.0*	*7.0*	*7.3*	*7.5*	*8.6*
Profit before tax	55.5	35.5	39.0	40.6	51.5
in % of turnover	*7.3*	*4.3*	*5.0*	*5.7*	*7.1*
Net income before minority interest	33.5	19.4	24.5	24.4	33.0
in % of turnover	*4.4*	*2.4*	*3.1*	*3.4*	*4.5*
Cash flow	55.1	48.3	53.0	50.5	57.7
Capital expenditure*	169.1	24.0	8.6	9.8	8.6
Depreciation	21.6	28.9	28.7	26.1	24.7
Cash flow per share in EUR	0.75	0.65	0.72	0.68	0.78
Earnings per share in EUR	0.45	0.26	0.33	0.33	0.44
Dividend per share in EUR	0.10	0.10	0.10	0.10	0.15
Fixed assets	407.7	414.6	358.6	311.8	285.9
in % of total assets	*67.9*	*69.2*	*66.4*	*65.0*	*62.5*
Shareholders' equity (own share)	135.9	148.4	149.6	157.2	181.1
in % of total assets	*22.6*	*24.8*	*27.7*	*32.8*	*39.6*
Net borrowings	374.0	353.0	285.7	234.3	182.3
Employees (full-time equivalent) as of 31.12.	1,931	1,964	1,914	1,860	1,840

* incl. acquisitions and finance leasing

TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

KAISER + KRAFT EUROPA	Topdeq	K + K America
KAISER + KRAFT	Topdeq	C&H
gaerner		AVENUE
Gerdmans		CONNEY
KWESTO		Hubert

KAISER + KRAFT EUROPA

Using the strengths of its KAISER + KRAFT, Gaerner, Gerdmans and KWESTO brands, the division offers 33,000 products of business, office and warehouse equipment in 20 European countries and Japan. In addition, KAISER + KRAFT manufactures transport equipment, including customised products and small lots under the EURO*KRAFT* brand name. The heart of logistics is based in the mail order center in Kamp-Lintfort which ensures smooth delivery to approximately 950,000 customers.

TOPDEQ

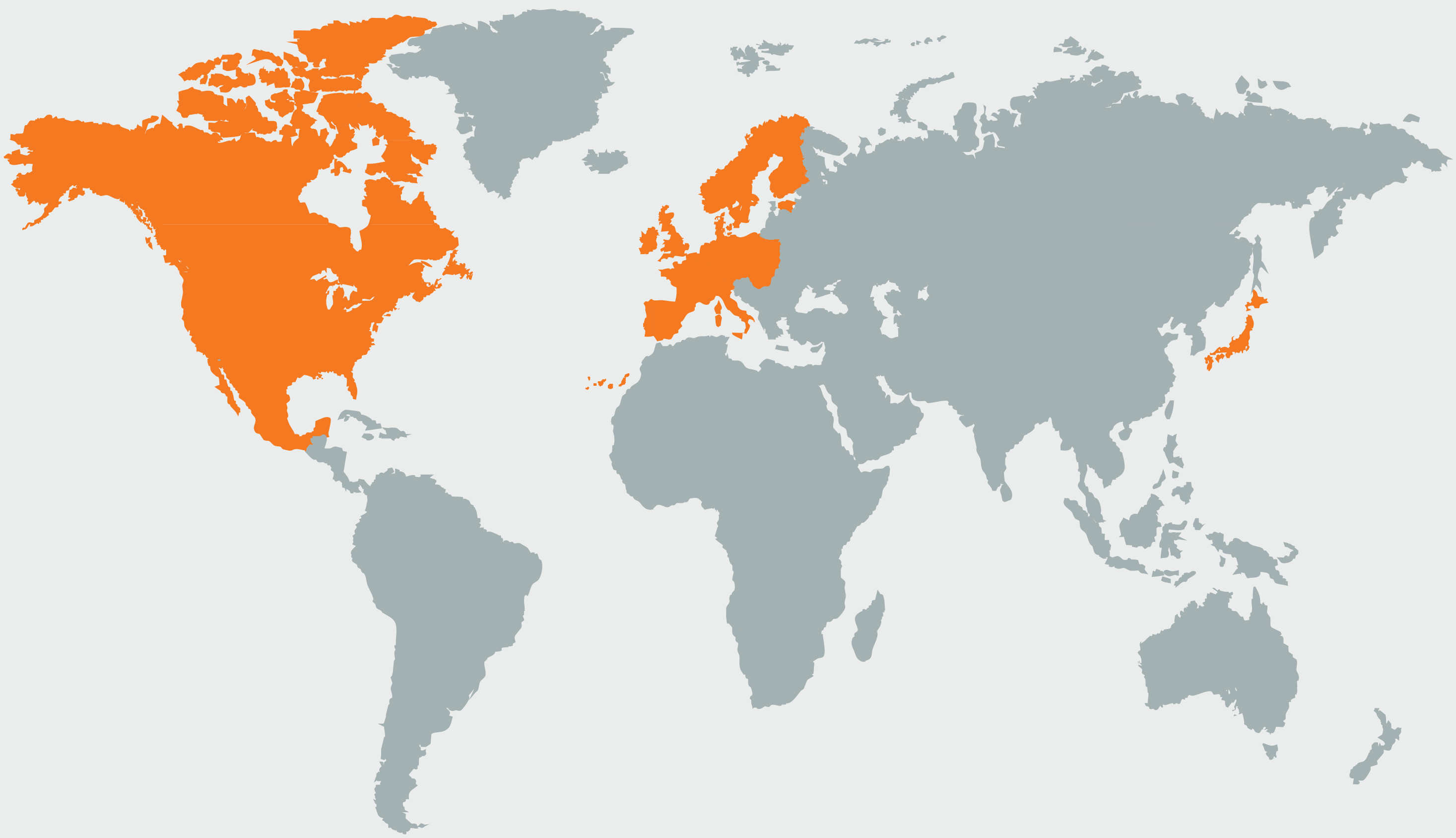
Topdeq sells designer office furniture and accessories in Germany, Switzerland, the Netherlands, France and the USA via catalogue and the Internet. Approximately 450,000 customers appreciate the products of renowned designers like Phillippe Starck and Paolo Rizzatto just as well as the service philosophy of the specialist mail order company. The central warehouse in Pfungstadt as well as three regional warehouses provide for a perfect infrastructure and ensure 24-hour delivery service at Topdeq.

K + K AMERICA

C&H Distributors, Avenue Industrial Supply, Conney Safety Products, Hubert Company and C&H Productos Industriales make up K + K America, the leading B2B mail order company for business equipment in North America. Approximately 1.2 million customers can choose among a range of more than 70,000 articles delivered from a total of three mail order centers and six regional warehouses.

ADDING VALUE SYSTEMATICALLY

TAKKT AG is the leading **B2B mail order Group** for business equipment in Europe and North America. Our diversified product portfolio is geared to the requirements of our customers, who expect us to provide an effective **one-stop-shopping** solution. Our company owes its success to the fact that we have consistently refined and perfected an **efficient** and **stable systems business.** The companies of the TAKKT Group establish an efficient connection between products from thousands of manufacturers and our 2.6 million customers. This way, we generate **value for all market participants.** More than 100,000 **high-quality products** make our range unique in terms of width and depth. Our customers get the full range of equipment for their business from a single source, complemented **by first-class service. Our vision:** to be the world's leading B2B mail order Group for high-quality business equipment for our customers.



Austria www.gaerner.at, www.kaiserkraft.at Belgium www.kaiserkraft.be Canada www.avenuesupply.com Czech Republic www.kaiserkraft.cz, www.kwesto.cz Denmark www.gerdmans.dk Estonia www.gerdmans.ee Finland www.gerdmans.fi France www.frankel.fr, www.topdeq.fr Germany www.gaerner.de, www.kaiserkraft.de, www.topdeq.de Great Britain www.kaiserkraft.co.uk, www.powellmol.co.uk Hungary www.kaiserkraft.hu, www.kwesto.hu Ireland www.kaiserkraft.ie Italy www.kaiserkraft.it Japan www.kaiserkraft.jp Mexico www.chdist.mx Norway www.gerdmans.no Poland www.kaiserkraft.pl, www.kwesto.pl Portugal www.kaiserkraft.pt Slovak Republic www.kwesto.sk Spain www.kaiserkraft.es Sweden www.gerdmans.se Switzerland www.gaerner.ch, www.kaiserkraft.ch, www.topdeq.ch The Netherlands www.hoffmann-zeist.nl, www.vinklisse.nl, www.topdeq.nl USA www.chdist.com, www.conney.com, www.hubert.com, www.topdeq.com

Contents

Ladies and Gentlemen,

On behalf of the Supervisory Board, I would like to thank our shareholders for the confidence they have placed in TAKKT AG. The past financial year has shown that this confidence is justified as both turnover and earnings developed favourably. Thanks to its B2B mail order business model the company is highly profitable and excellently positioned for the long term. The success rests on a broad base, as TAKKT has a well-balanced client and product portfolio. Today the Group's brands have a presence in over 20 countries.

BUSINESS PERFORMANCE IN 2004

TAKKT AG exceeded its turnover targets for the financial year 2004. The Group benefited both from improved catalogues and from the economic recovery in North America and Europe. Growth was additionally driven by the new companies established in recent years. The previous years' capacity adjustments and persistent cost management also contributed to this favourable result. The good cash flow helped TAKKT to further improve its balance sheet structure; the equity ratio increased and borrowings were reduced.

THE WORK OF THE SUPERVISORY BOARD

Throughout the financial year, the Supervisory Board monitored the Management Board's efforts to improve both turnover and earnings and to provide competent advice. In 2004, the Supervisory Board met once per quarter. At these meetings, the course of business, the budgets, the development of the newly established and young companies and risk management were discussed in detail.

The chairmanship of the Supervisory Board changed in the year under review. Günther Hülse attended only one meeting and resigned from office on 4 May 2004 for health reasons. At the same meeting, I, Dr Klaus Trützschler, was appointed as his successor by the Supervisory Board.

On 30 November 2004, Günther Hülse died at the age of 62 after a short, severe illness. This news deeply saddened the company and Supervisory Board. For many years, Günther Hülse has shaped the TAKKT Group with his typical matter-of-fact, humane and focused approach. He had been a member of the Supervisory Board since May 2001 and became its Chairman on 21 September 2001. We owe Günther Hülse a great debt of gratitude and will continue his successful work at TAKKT AG in line with his values and the example he set.

The Supervisory Board's personnel committee met once in the year under review to address a change on the Management Board. Dr Felix A. Zimmermann left TAKKT AG on 31 May 2004 to take up the position of Chief Financial Officer at Celesio AG. We would like to thank Dr Zimmermann for his achievements in the five years he spent with TAKKT AG. Since 1 June 2004, Dr Florian Funck is TAKKT AG's new Chief Financial Officer. A graduate in business administration, he previously held the position of Director of Corporate Controlling and Accounting at Franz Haniel & Cie. GmbH. We are pleased to have won Dr Funck for this important position and wish him every success.

Dr Klaus Trützschler
Chairman of the Supervisory Board

" 2004 was a successful financial year for TAKKT. The Group exceeded its turnover targets and increased all earnings figures at an over-proportional rate."

COOPERATION WITH THE MANAGEMENT BOARD

The cooperation between the Supervisory and Management Boards was exemplary. The Management Board provided the Supervisory Board with detailed reports on the course of business. It also supplied all statutory information required and answered all questions in detail. All topics were discussed appropriately. The members of the Supervisory Board passed resolutions on all matters requiring their approval. Between the Supervisory Board meetings, the Management Board informed the Chairman of the Supervisory Board about all important developments. This information was passed on to the other members at the next respective meeting.

I am satisfied that the Supervisory Board has monitored the management in an appropriate manner and fulfilled its tasks and duties conscientiously.

CORPORATE GOVERNANCE

In accordance with Section 3.10 of the German Corporate Governance Code, the Management and Supervisory Boards report on corporate governance at TAKKT AG on pages 40 to 42 of this Annual Report, where basic information and changes in compensation of the Management Board are provided as well. In December 2004, the Management and Supervisory Boards issued an updated declaration of conformity with the recommendations made by the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act. The declaration of conformity can be found on pages 40 and 41 of the present Annual Report and is also made publicly available on the company's website.

EFFICIENCY REVIEW

In November 2004, we again reviewed the efficiency of the Supervisory Board. With the help of a detailed questionnaire, the members of the Supervisory Board assessed the work and competence of this body.

The results of the efficiency review were discussed in detail at the December meeting. Overall, it can be said that the positive results of the 2003 audit were improved again in the past financial year.

HIGHER DIVIDEND PROPOSED

The positive earnings position and cash flow strength of TAKKT AG will enable us to pay a higher dividend for the financial year 2004. The Management and Supervisory Boards will therefore propose to the Annual General Meeting that the dividend be raised from EUR 0.10 to EUR 0.15 per share so that our shareholders can participate in the increased profits.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting reappointed Dr Ebner, Dr Stolz & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as the auditors for the financial year 2004. They audited the financial statements of TAKKT AG, the consolidated financial statements and the combined management report of TAKKT AG and the Group, which received their unqualified audit opinion. The auditors also examined TAKKT Group’s risk management system and confirmed its effectiveness.

The financial statements, the combined management report and the auditors’ audit report as well as the Management Board’s profit appropriation proposal were submitted to all members of the Supervisory Board.

The Supervisory Board meeting convened for the discussion of the accounts and was attended by the responsible auditors, who reported the results of their audit and provided detailed explanations to the Supervisory Board. The Supervisory Board has confirmed the result of the audit. The Supervisory Board also reviewed the consolidated financial statements, the financial statements of TAKKT AG, the Group management report including the management report of TAKKT AG and the profit appropriation proposal. No objections were raised. We have approved the financial statements of TAKKT AG and the consolidated financial statements, which are therefore final. We agree with the Management Board’s profit appropriation proposal. The Supervisory Board also accepts the combined management report, in particular the assessment of the Group’s future development.

DEPENDENCE REPORT

In view of the fact that Franz Haniel & Cie. GmbH, Duisburg-Ruhrort, retained a majority holding during the year under review, the Management Board submitted the report on relations with affiliated companies for the financial year 2004 to the Supervisory Board as required under Section 312 of the German Stock Corporation Act. This was accompanied by the auditors’ report prepared by Dr Ebner, Dr Stolz & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, in their capacity as auditors of the financial statements pursuant to Section 313 of the German Stock Corporation Act. The auditors have raised no objections and therefore issued the following unqualified report: "Having conducted a proper audit and appraisal, we hereby confirm that the facts set out in the report are correct and the payments made by the company in connection with the legal transactions referred to in the report were not unduly high."

The Supervisory Board also reviewed the report on relations with affiliated companies submitted by the Management Board and the corresponding auditors' report. We have no objections to the auditors' report or to the final declaration of the dependence report, which can be found on page 27 of the Management Report.

THANKS TO THE EMPLOYEES

The Supervisory Board would like to thank the Management Board and all employees of the TAKKT Group for their commitment and their successful work in the financial year 2004. Without them, the Group would have been unable to exceed its growth and earnings targets.

Stuttgart, March 2005
The Supervisory Board

Dr Klaus Trützschler, Chairman

Supervisory Board

DR KLAUS TRÜTZSCHLER | Chairman since 4 May 2004
Member of the Management Board of
Franz Haniel & Cie. GmbH, Gelsenkirchen

GÜNTHER HÜLSE | Chairman until 4 May 2004
died 30 November 2004
Chairman of the Management Board of
Franz Haniel & Cie. GmbH, Krefeld

DR DIETER SCHADT | Vice Chairman
Former Chairman of the Management Board of
Franz Haniel & Cie. GmbH, Mülheim an der Ruhr

WALTER FLAMMER
Head of Organisation at KAISER + KRAFT EUROPA GmbH,
Esslingen

DIETER KÄMMERER
Former Chairman of the Management Board of
GEHE Aktiengesellschaft, Holzgerlingen

MICHAEL KLEIN
Non-Executive Chairman of Rapp Collins Agency/Direct
Friends, Hamburg

THOMAS KNIEHL
Logistics employee at KAISER + KRAFT GmbH, Stuttgart

JULIAN MATZKE
Logistics employee at KAISER + KRAFT GmbH, Stuttgart

PROF. DR DRES. H. C. ARNOLD PICOT
University professor, Gauting

Ladies and Gentlemen,

One year ago, we projected a currency-adjusted organic turnover growth of three percent. Today, we know that TAKKT AG not only reached this target but also exceeded it. Furthermore, all earnings figures increased at an over-proportional rate. We are looking back on a successful financial year.

The Group benefited from the ongoing improvement of our catalogues and services. In addition, economic activity picked up around the world. Both in the United States and in Europe, the economy grew at a higher rate than 2003. Germany also reported an increase in GDP. However, the upward trend in Europe was less stable than in the USA.

Thanks to its high-quality product range and excellent service, TAKKT was again able to win many new customers. This is attributable to the fact that the company has not scaled down its new business efforts in recent years despite the difficult economic environment. On the contrary, the number of catalogues has increased moderately. As a result, three variables that are very important for TAKKT's business – namely the number of customers, the number of orders and the currency-adjusted average order value – continued to grow.

The companies we established in recent years have developed very favourably and exceeded our expectations. 2004 saw TAKKT continue to expand into new markets, as Gerdmans opened a subsidiary in Estonia.

STRONG INCREASE IN TURNOVER AND EARNINGS

The TAKKT Group generated EUR 727.6 (713.9) million in turnover, up 1.9 percent on the previous year. In this context, it should be noted that exchange rate fluctuations, especially the weak US dollar, had a negative impact on the euro figures. In exchange rate adjusted terms, turnover would have been 5.8 percent higher.

Earnings before interest, tax and amortisation climbed 11.1 percent to EUR 78.2 (70.3) million. Profitability continued to improve, which is reflected in an increase in the EBITA margin to 10.7 (9.8) percent. The margin has thus reached the upper end of our target corridor of 9 to 11 percent. These high margins are also due to the fact that TAKKT again showed great flexibility in adapting its capacities to actual order volumes, increasing its productivity.

The good turnover and earnings figures sent the cash flow rising to an impressive EUR 57.7 (50.5). Our Group's cash flow strength allows us to further reduce our liabilities and increase our equity ratio. This puts the Group in an excellent position to exploit future growth opportunities.

Based on this favourable development, we will propose that the dividend for the financial year 2004 be raised from EUR 0.10 to EUR 0.15 per share so as to allow our shareholders to participate in the good results.

CAUTIOUSLY OPTIMISTIC OUTLOOK FOR 2005

TAKKT's sound earnings and financial position form a good basis for the financial year 2005. The Group plans to transfer its successful system business to promising new markets and to establish five new companies on three continents in 2005.

Georg Gayer
Chairman of the Management Board

"TAKKT will continue to transfer its successful systems business to other promising markets: in 2005, the company will establish five new companies on three continents."

Against the background of the planned activities, we are cautiously optimistic for 2005, even though there have been signs of a moderate slowdown in economic activity. We expect the Group to achieve currency-adjusted organic growth of three percent. While the EBITA margin will stay within the target corridor of 9 to 11 percent, it will be down on the 2004 level due to the planned business start-up activities.

TAKKT's exemplary service is a key argument for our customers to buy our products. As in the previous years, we will aggressively push ahead the "Perfect Service" project in 2005, which aims to improve the services in all Group divisions. The "Strategy Concepts" chapter starting on page 46 of this Annual Report provides detailed information about this forward-looking TAKKT initiative.

CHANGE IN THE MANAGEMENT BOARD

In the past financial year, Dr Felix A. Zimmermann left TAKKT AG to take up the position of Chief Financial Officer at Celesio AG. Dr Zimmermann has been on the Management Board since the foundation of TAKKT AG and participated in taking the company public. We would like to thank Dr Zimmermann sincerely for his achievements in the past five years. At the same time, we would like to welcome Dr Florian Funck as new Chief Financial Officer.

WE MOURN GÜNTHER HÜLSE

On 30 November 2004, Günther Hülse, long-serving member of the TAKKT Supervisory Board and CEO of Franz Haniel & Cie. GmbH died at the age of 62 after a short, severe illness. We are all deeply saddend by his death, which has left a void in our lives. Günther Hülse was distinguished by his strong sense of responsibility both towards his professional tasks and the people involved, combining his entrepreneurial vision with modesty in an exemplary fashion. We will sadly miss him.

THANKS TO EMPLOYEES, CUSTOMERS AND PARTNERS

Many people contribute to the success of TAKKT. Our employees went to great lengths to make 2004 an excellent financial year. Our thanks go to them and to the numerous customers who placed their confidence in our Group. We would also like to thank our business partners for their successful cooperation in the past year.

Stuttgart, March 2005
The Management Board

Georg Gayer, Chairman

Management Board

Georg Gayer
Chairman

Eberdingen-Nußdorf
born 1946

Franz Vogel
Sales

Leinfelden-Echterdingen
born 1948

Dr Florian Funck
Controlling and Finance

Stuttgart
born 1971

Alfred Milanello
Information Technology and Organisation

Ditzingen
born 1941

Management Report of TAKKT AG and the Group

Strategy and business situation

GLOBAL ECONOMY RECOVERS

In 2004, the macroeconomic environment was brighter than in the previous year. Economic activity in the USA and Europe picked up.

US GDP rose by 4.5 percent, compared to a 3.0 percent increase in 2003. The euro-zone achieved a growth rate of 2.0 (0.5) percent. Germany's GDP was up 1.8 percent – following a 0.1 percent decline in 2003.

Besides the Gross Domestic Product (GDP) growth rate, TAKKT also relies on the Purchasing Manager Index as a leading indicator. TAKKT derives a forecast from the index values about the economic development in the ensuing six to eight months. Values of over 50 point to growing market volume and that this will improve sales potential. The US Purchasing Manager Index ISM started the year at a high level. In the course of the year, the index slightly declined, but remained well above 50. The European Purchasing Manager Index showed relatively stable values above the 50 point threshold throughout the year. After a slight rise in the middle of the year, it was back to slightly above 50 points in December.

INDUSTRIAL ENVIRONMENT – SPECIALIST MAIL ORDER COMPANIES ON THE ADVANCE

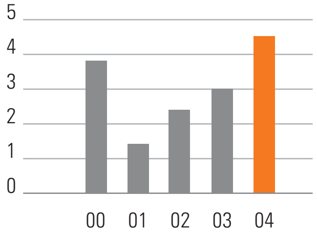
The mail order sector has been marked by a clear trend for several years: specialists such as TAKKT, who have a clear positioning in a defined market segment, have outperformed the non-specialised, department store-type catalogue companies. Positive stimulation for the sector is therefore mostly provided by these specialists, which has also been confirmed by financial analysts' most recent research studies.

Compared to stationary specialist retailers, mail order companies such as TAKKT have advantages in several areas. First, they offer a particularly large range of products – clearly presented in catalogues and all supplied from a single source. What is more, most of the products are available directly ex warehouse. The products are complemented by comprehensive services. Customers receive well thought-out solutions that are tailored to their specific requirements and therefore offer genuine added value.

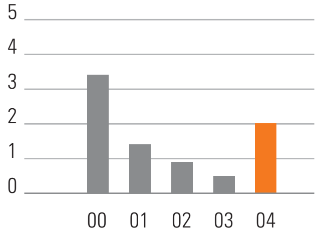
POSITIVE BUSINESS DEVELOPMENT FOR TAKKT

2004 was a pleasing year for TAKKT AG. The intensified new business efforts, the improved product and service offerings and the new companies established in the past

GDP USA
Change in percent



GDP Europe
Change in percent



We offer our customers a variety of ways to choose from our wide range of products. Several thousand products are presented in our catalogues.

years have made the Group much stronger. The company has grown organically and increased its profit margins at an over-proportional rate. The well-balanced customer and product portfolio has helped TAKKT offset cyclical fluctuations in individual sectors and regions. The Group is thus well positioned to transfer its successful systems business to other promising markets and product segments in the coming years.

STRONG INCREASE IN TURNOVER

In the year under review, TAKKT generated EUR 727.6 (713.9) million in turnover, which is equivalent to an increase of 1.9 percent. As in the previous year, the weakness of the US dollar again had an adverse impact on euro figures. Based on unchanged exchange rates, turnover was up by 5.8 percent. This growth is attributable to higher customer and order numbers and to an increase in the average order value.

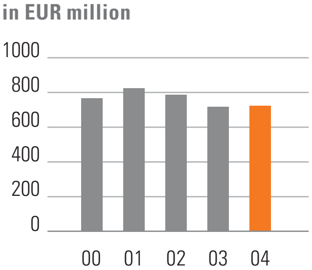
While all three TAKKT divisions contributed to the increase in turnover in exchange rate adjusted terms, the course of business varied across individual markets.

KAISER + KRAFT EUROPA delivered a very positive performance. Nearly all of the division's companies reported higher turnover. Particularly good figures were presented by the subsidiaries in Japan, Eastern Europe, Norway, Switzerland and France. In Germany, turnover slightly exceeded expectations following a weak start to the year 2004. By contrast, business in the Netherlands remained below target. Overall, the division generated EUR 379.5 (357.9) million in turnover, up 6.1 percent on 2003. KAISER + KRAFT EUROPA thus contributed 52.2 (50.1) percent to total Group turnover.

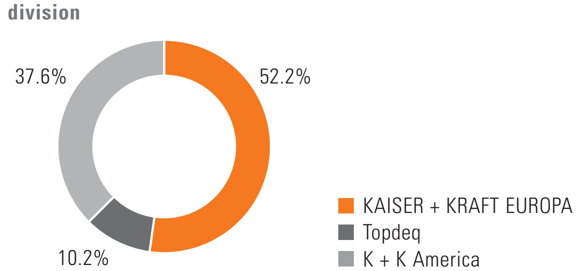
Topdeq performed relatively well in what continued to be a difficult environment. Demand for office furniture in Europe – especially in the Netherlands – remained weak. The division reported EUR 74.6 (74.6) million in turnover. In currency-adjusted terms, turnover rose by 1.7 percent, mainly due to the good performance of the French and US subsidiaries. Topdeq contributed 10.2 (10.5) percent to total Group turnover.

K + K America grew at an almost consistent rate throughout the year. The division's turnover rose by 7.0 percent to USD 339.8 (317.7) million. Due to the weakness of the US dollar, turnover in euros declined by 2.8 percent to 273.5 (281.4) million. Business at C&H Distributors, Hubert Company and Avenue Industrial Supply developed favourably. C&H Productos Industriales, the young Mexican subsidiary, exceeded expectations, whereas

Turnover in EUR million



Turnover by division



The desired items are easily found on our websites – and can be ordered at the click of a mouse.

Conney Safety Products suffered from the declining employment figures in the manufacturing sector. However, the turnover trend in the second half of 2004 gives cause for optimism. K + K America accounted for 37.6 (39.4) percent of total Group turnover.

The divisional trends are also reflected in the regional breakdown of Group turnover. In Germany, turnover climbed to EUR 180.4 (174.0) million, which represents 24.8 (24.4) percent of total turnover. The increase was slightly more pronounced in TAKKT's remaining European markets, where turnover rose to EUR 261.7 (247.1) million, which is equivalent to 36.0 (34.6) of total Group turnover. The turnover share of the US companies was clearly affected by the weak US dollar, with US turnover amounting to EUR 284.5 (292.3) million, which represents 39.1 (40.9) percent of total Group turnover. EUR 1.0 (0.5) million in turnover were generated in the other regions, equivalent to 0.1 (0.1) percent of total Group turnover.

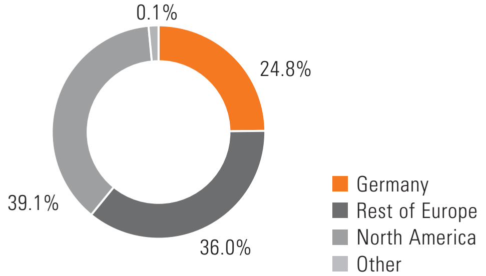
The number of orders received via the Internet continued to increase. Online and e-procurement offerings accounted for approx. 7.4 percent of total Group turnover. Topdeq USA remains at the top of the TAKKT Group in terms of Internet-generated turnover with almost 20 percent.

HIGHER CUSTOMER AND ORDER NUMBERS

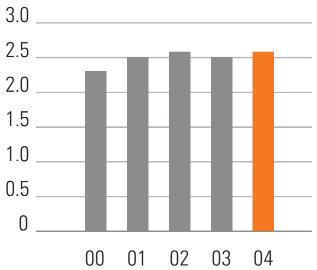
In the past year, TAKKT also benefited from the fact that it had increased its catalogue numbers over the previous years and mailed about half of this advertising material to potential customers. This clearly helped the Group expand its customer base, which represents a foundation for future growth, as both the number of orders and the average order value per customer are set to increase once the economy picks up.

The Group won 100,000 new customers in the year under review, so that the customer base rose to 2.6 million. The number of orders amounted to 2.1 million, 2.8 percent more than 2003. At EUR 346 (349), the average order value remained more or less unchanged from the previous year. In currency-adjusted terms, it was up by 2.8 percent.

Turnover by region



Customers TAKKT Group in million



Those who prefer to place their order in writing simply need to send us a fax – or send their order by mail.

Earnings position

STRONG EARNINGS GROWTH

TAKKT was able to improve its key earnings figures against the previous year. The gross profit margin was slightly increased to 40.8 (40.5) percent. This positive development is attributable to several factors. First, TAKKT has improved its purchasing terms in the year under review. The extension of the Kamp-Lintfort mail order center also had a positive effect, as stock shipments normally generate higher gross profit margins than the drop shipment business due to the pooling of purchasing volumes. The Group's higher gross profit margin forms the basis for the increase in the other earnings figures.

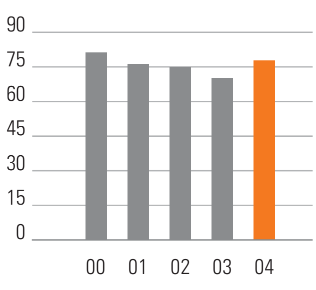
Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 8.9 percent to EUR 87.2 (80.1) million. The EBITDA margin improved significantly and reached 12.0 (11.2) percent. Expenses for the newly established companies were in line with budget but slightly lower than in the previous year.

Earnings before interest, tax and amortisation (EBITA) rose by 11.1 percent to an excellent EUR 78.2 (70.3) million. The EBITA margin also improved again to 10.7 (9.8) percent, which means it is now at the upper end of the target corridor of 9 to 11 percent.

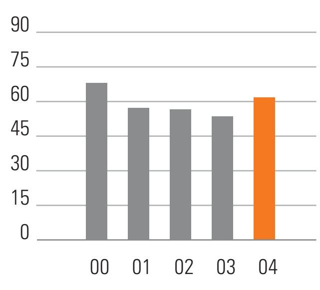
Scheduled amortisation of goodwill remained unchanged from the previous year. The changes shown are the result of currency translation and are due to the depreciation of the US dollar. Under IFRS, scheduled goodwill amortisation will no longer be required from 2005. The consequences are described in the notes on page 75. Earnings before interest and tax (EBIT) rose by 16.0 percent to EUR 62.5 (53.9) million, which represents an EBIT margin of 8.6 (7.5) percent.

TAKKT continued to reduce its interest expense, primarily through consistent debt reduction. The Group also benefited from the persistent weakness of the US dollar, which further reduced interest expense in the translation to euros. By contrast, higher interest rates in the USA had a slightly negative effect on the interest result.

EBITA
in EUR million



EBIT
in EUR million



Our service helpdesk employees take orders on the phone and provide competent advice on the customer's product selection.

Profit before tax climbed 26.8 percent to EUR 51.5 (40.6) million, which represents an PBT margin of 7.1 (5.7) percent.

Due to a tax refund, the TAKKT Group's tax quota was lower than in the previous year. The net income before minority interest amounted to EUR 33.0 (24.4) million, of which EUR 0.6 million are attributable to minority interests and EUR 32.4 million to shareholders. Based on a constant number of 72.9 million shares, earnings per share amounted to EUR 0.44, up 33.3 percent on the previous year.

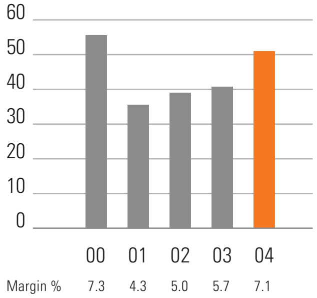
EXCELLENT CASH FLOW

Cash flow increased further at a high level and reached EUR 57.7 (50.5) million, which represents 7.9 (7.1) percent of Group turnover. Given that the accounting rules for goodwill will change in 2005, TAKKT will adopt a new cash flow calculation method, which additionally takes account of deferred taxes. The new calculation method is explained in the notes on page 62 of this Annual Report.

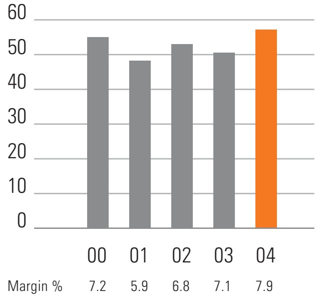
Cash flow calculation in EUR million

	2000	2001	2002	2003	2004
Net income before minority interest	33.5	19.4	24.5	24.4	33.0
Depreciation	21.6	28.9	28.5	26.1	24.7
Cash flow	55.1	48.3	53.0	50.5	57.7

Profit before tax
in EUR million



Cash flow
in EUR million



Once an order has been taken, it is processed by the electronic inventory management system and passed on to a mail order center, e.g. in Kamp-Lintfort.

Financial position

FURTHER IMPROVED BALANCE SHEET RATIOS

The Group's balance sheet is again characterised by a sound financial structure. The high cash flow allowed TAKKT to reduce its financial liabilities while at the same time increasing the equity ratio.

As of 31 December 2004, total assets amounted to EUR 457.8 (479.9) million, while the company's fixed assets totalled EUR 285.9 (311.8) million. At EUR 24.7 million, scheduled goodwill amortisation and depreciation of tangible and intangible assets remained largely unchanged from the previous year's EUR 26.1 million.

Short-term receivables and other assets only changed marginally. Trade receivables increased due to the higher turnover compared to 2003. Customers' payment behaviour has remained good and stable, which is reflected in an average collection period of 38 days. Bad debt write-offs have remained constant below 0.5 percent of turnover. This good value is attributable to strict credit reviews of both new and existing customers as well as a systematic accounts receivable management.

TAKKT moderately increased its inventories with a view to optimising its delivery service. In this context, the Group also used the enlarged capacities of the Kamp-Lintfort mail order center.

As a result of the high net income (after minority interest), shareholders' equity rose to EUR 181.1 (157.2) million. The equity ratio (excl. minority interest) stood at 39.6 (32.8) percent.

Borrowings were down EUR 52.3 million on the previous year. TAKKT used EUR 43.6 million of the cash flow to repay debt. Exchange rate effects reduced the company's borrowings by another EUR 8.7 million. As of 31 December 2004, net borrowings amounted to EUR 182.3 (234.3) million.

With regard to trade payables, TAKKT makes consistent use of supplier credits and cash discounts.

Key figures

	2000	2001	2002	2003	2004
Equity ratio in % (excl. minority interest)	22.6	24.8	27.7	32.8	39.6
Debt repayment period (in years)	4.2	7.5	6.1	5.2	3.7
Interest cover	6.2	3.4	4.2	5.3	7.2
Gearing	2.8	2.4	1.9	1.5	1.0

The rows of shelves in the high-bay warehouse at KAISER + KRAFT EUROPA's mail order center measure 24 metres in height and offer space for 31,000 pallets. 6,000 articles are constantly kept in stock.

The other financial ratios were also improved. The debt repayment period, i.e. the ratio between average net borrowings and cash flow was down from 5.2 to 3.7 years. The gearing ratio, which can be defined as the ratio of net borrowings and shareholders' equity, declined from 1.5 to 1.0. Interest cover, i.e. the ratio between EBITA and net interest expense, reached 7.2 (5.3), thanks not only to increased EBITA but also to slightly reduced interest expense.

This sound financial structure means that TAKKT is excellently positioned for the future. In one-on-one meetings, the banks indicated good ratings for TAKKT.

CAPITAL EXPENDITURE – OPTIMISATION OF SERVICES AND PROCESSES

TAKKT spent EUR 8.6 (9.8) million on the rationalisation, expansion and maintenance of its operations, which means that the value remained within the long-term average of one to two percent of turnover. There were no special large-scale projects in the past financial year. The Group mainly invested in systems helping to optimise its services and processes.

KAISER + KRAFT EUROPA and Hubert, for instance, introduced new telephone systems. The European subsidiaries will gradually change over to Internet telephony (voice over IP). This will allow for efficient integration of telephone and the customer database.

In the context of a multi-year project, K + K America will introduce new IT systems for financial accounting, inventory management and marketing, which are based on a shared software platform. The aim of the project is to increase the efficiency of the business processes, to analyse customer information more effectively and to offer enhanced services.

TAKKT GIVES EMPLOYEES A SHARE IN PROFITS

In the year under review, the number of employees remained almost unchanged in all divisions. Even though the business volume increased, no additional employees were hired. This is due to the fact that TAKKT has significantly increased its productivity in recent years. As of 31 December 2004, the TAKKT Group employed a total of 1,840 (1,860) full-time employees. A break-down by division shows that KAISER + KRAFT EUROPA employed 846 (844) people, Topdeq employed

Capital expenditure TAKKT Group in EUR million

	2000	2001	2002	2003	2004
Intangible assets	144.3	2.6	0.9	1.3	3.1
Tangible assets	24.8	21.4	7.7	8.5	5.5
Total	**169.1**	**24.0**	**8.6**	**9.8**	**8.6**
Depreciation	21.6	28.9	28.7	26.1	24.7

The goods leave the high-bay warehouse on a transport belt.

214 (226) and K + K America employed 754 (764), while the holding company, TAKKT AG, employed 26 (26) people. The average employee age was 40 years.

The success of a company hinges on the competence and knowledge of its staff. TAKKT therefore attaches great importance to the education and training of its employees. The companies of the TAKKT Group offer traineeships for wholesale, export and import merchants, office staff, IT specialists, technical drawers, warehouse staff and industrial mechanics. The company employs a total of 23 trainees in Germany as well as seven part-time enrolled students.

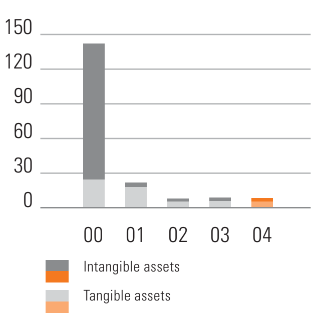
Every year, TAKKT offers a number of training courses with a view to improving the expertise available within the Group. In 2004, seminars for the sales staff were held to enhance their advisory skills. At the Stuttgart headquarters, the Group has additionally converted 500 square metres into an internal showroom where employees can familiarise themselves with the company's products.

With regard to individual training and development, TAKKT uses the comprehensive programme offered by the Haniel-Akademie, where functional and executive staff may attend seminars, for example on employee management or contract negotiations or the improvement of their business management knowledge.

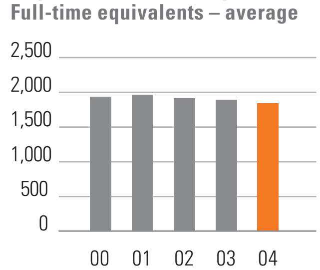
TAKKT wants its employees to share in the value creation and performance of the company with a view to increasing their motivation and commitment. The Group's performance-based remuneration systems offer special incentives for managers and executives. Senior managers' salaries are based on cash flow and economic value added (EVA®), while the salaries of middle-level executives are dependent on their company's operating results and the achievement of personal objectives.

Employee shares are additionally available to the company's German staff. 55 percent of the eligible employees participated in this programme in the past financial year – nine percent more than in the previous year – and acquired in total 31,725 shares. A similar programme will be available again in 2005.

Capital expenditure
in EUR million



Employees TAKKT Group
Full-time equivalents – average



An employee is packing the articles to the orders.

R & D – CUSTOMERS ARE SATISFIED WITH PRODUCTS AND SERVICES

As a B2B mail order company, TAKKT does not perform research and development in the narrower sense of the word. However, the TAKKT companies constantly adjust their product ranges, services and advertising material to match changing market requirements. Every year, many new and improved products are added to the company's catalogues. In the past year, Gaerner added new safety products to its range, while Hubert expanded its range of retail products. This ensures that the products and services are always up to date, which is vital for TAKKT's success.

The divisions regularly conduct surveys to determine their customers' wishes and requirements. In 2004, it was C&H Distributors' and KAISER + KRAFT GB's turn; an internationally renowned agency interviewed selected customers of both companies about their satisfaction with services, products and advertising materials. TAKKT uses the same market research firm throughout the world to ensure that the results can be compared effectively.

The results of the survey again confirmed that TAKKT pursues the right product and service strategy, as customers expressed above-average satisfaction. The surveys conducted in the past years have also shown that customer retention at TAKKT companies is generally much higher – and rising – than for other companies in the mail order industry.

The Group's successful e-procurement offers also contribute to the high customer retention. E-procurement is a special form of e-business, where TAKKT produces electronic catalogues that are directly integrated into the customer's IT system. The products contained in these catalogues are exactly tailored to the respective customer's requirements. The benefits are mutual: customers can place their orders more conveniently, quickly and cost-efficiently, while TAKKT increases its customer retention and turnover. Accordingly, the number of e-procurement projects is growing constantly. KAISER + KRAFT EUROPA, for instance, manages e-procurement projects for over 200 customers.

TAKKT also continued to expand its Internet presence in the past financial year, with new websites launched in nine countries. This means that the Group now has an online presence in nearly all its markets.

Ordered products are scanned in the picking process in order to avoid delivery errors.

ENVIRONMENTAL PROTECTION

TAKKT attaches great importance to protecting our natural resources. Throughout its divisions, the Group makes sure to use natural resources sparingly and avoids environmental pollution. All potential capital expenditue is screened for environmental implications.

Products are usually reviewed for their ecological soundness before they are included in the TAKKT catalogues. The production activities of the EURO*KRAFT* brand in Haan, Germany, are also subject to strict ecological control. TAKKT has a policy of not buying, using and selling products containing hazardous substances. The Group companies only use environmentally sound packaging materials, which e.g. are suitable for recycling. Social aspects also play an important role in the Group's procurement activities. To our knowledge, no item in our range is produced by child labour.

An environmental protection effort can only be effective in the long term if it covers the entire process chain. TAKKT therefore involves its suppliers in its environmental protection programmes. Catalogues, for instance, are printed only by companies that are ISO certified and comply with the German Eco-Audit regulations. All materials used for production are ecologically tested. That means that all catalogues are printed on paper bleached in a chlorine-free process.

ISO CERTIFICATION

TAKKT attaches great importance to quality assurance. Many of the European subsidiaries are certified to DIN EN ISO 9001:2000 or comparable standards. The ISO standard gives customers the assurance that certified companies meet certain quality standards – e.g. in order processing or complaints handling. ISO certification is a clear competitive advantage for TAKKT, as some customers only buy from ISO-certified suppliers.

EVENTS AFTER THE BALANCE SHEET DATE

No special events occurred after the end of the financial year 2004.

The stretch-wrapping machine automatically protects the goods and ensures safe transport.

RISK MANAGEMENT AT TAKKT

Efficient risk management is a major element of value-oriented management. The key task is to identify, assess and control risks that endanger future value creation. This is why TAKKT has integrated risk management into its management processes as an important ongoing task.

Planning is an integral element of TAKKT's risk management system. The Group analyses the market and competitive environment of the individual divisions and companies as well as its own potential. This ensures that risks are identified systematically. TAKKT then assesses the risks with regard to their probability and the potential loss. The company also defines measures to limit risks.

Timely and comprehensive reporting is another element of the risk management system. The Management Board receives daily reports on incoming orders and service figures of the individual Group companies. Regular evaluation of economic indicators – e.g. economic growth rates or Purchasing Manager Indices – and ongoing monitoring of the competitive environment are also part of the risk management process. The aim is to anticipate any factors that may jeopardise the implementation of the corporate strategy.

TAKKT additionally controls its operating performance and efficiency as well as compliance with internal guidelines. For this purpose, the systems and processes of all Group companies are regularly reviewed by the Internal Audit Department and external auditors.

Acquisitions and start-ups – such as Gerdmans Estonia in the year under review – are immediately integrated into the risk management system. All new companies must fulfil the same strict requirements as the well-established subsidiaries.

The risk management system is constantly refined and modified whenever required. The appropriateness and effectiveness of the risk management system were confirmed by the auditors. The Group's risk position did not change in the financial year 2004.

The products are loaded onto different trucks depending on their destination.

CYCLICAL AND ECONOMIC RISKS

TAKKT attaches great importance to diversifying its customer and product portfolios to offset cyclical fluctuations. The Group has a presence in over 20 countries on three continents. The product range comprises more than 100,000 items, which are targeted at companies across all sectors, from small service providers, hotels, restaurants and retailers to hospitals and authorities to the manufacturing sector.

This broad base greatly helps stabilise the course of business, reducing TAKKT's exposure to the development in individual sectors or regions. The Group will therefore continue to pursue its successful growth and product portfolio strategy in the coming years. New markets and products will help reduce the effects of cyclical fluctuations.

TAKKT can also respond flexibly to changes in procurement prices – e.g. due to a strong increase in demand for steel – as the Group companies usually revise their catalogues three times a year. This allows them to adjust their prices at short notice or to offer alternative products.

INDUSTRIAL RISKS

The industrial risk in the B2B mail order segment for business equipment is low. Entry barriers for new market participants are relatively high as a great deal of time and substantial capital are required to build up a customer base.

In addition there are several manufacturers for nearly all products offered in the company's catalogues. Should one of these manufacturers be unable to deliver, TAKKT can switch to the products of another supplier. The long-term risk of this situation changing is very low as major consolidation of the supplier market is unlikely.

TAKKT's dependence on individual customers is also low as the business rests on a very broad basis. With some 2.6 million customers in over 20 countries, even the loss of major customers would have hardly any effect on Group turnover.

PRODUCTION AND DISTRIBUTION OF CATALOGUES

Printed catalogues and mailings are the very foundation of TAKKT's business operations. The Group has therefore ensured efficient protection against loss or damage during the production and distribution of catalogues. To minimise the risk of a complete loss, TAKKT has its catalogues

Where are my products? Our customers can trace their orders on the Internet at any time.

printed by six different companies, each of which maintains several branches. Additionally, the companies of the TAKKT Group have taken out special insurance cover for the loss of their advertising material.

With more than 50 million catalogues printed each year, the prices of paper and printing services are an important factor for TAKKT's business operations. The Group therefore signs long-term supply contracts to protect itself against price fluctuations.

To ensure reliable distribution of their catalogues, the TAKKT companies use special IT back-up systems to protect the addresses of existing and potential customers. All information is stored on a central database and regularly backed up, virtually eliminating the risk of information loss.

WAREHOUSING AND LOGISTICS

TAKKT sells products that are virtually timeless; tables, chairs, cabinets and sack trucks will always be in demand. They are not exposed to seasonal price fluctuations or short-term fashion trends. Inventory-related risks with regard to obsolescence, prices and technology of the products are therefore low.

TAKKT Group's three divisions store most of their inventories in large mail order centers. These central warehouses offer major advantages, as the divisions only need to stock smaller volumes and are able to place orders less frequently than would be the case with several smaller warehouses.

Moreover, central warehousing enables efficient international procurement. As a result, TAKKT has a much larger number of suppliers to choose from. The Group can negotiate better terms and conditions, which can be passed on to its customers.

These advantages by far outweigh the risks resulting from central warehousing. Additional regional warehouses are established wherever this is required in order to ensure perfect delivery service.

The mail order center of KAISER + KRAFT EUROPA is located in Kamp-Lintfort and serves nearly all European countries where the division's brands have a presence. Gerdmans and KWESTO are the groups that maintain an additional regional warehouse to serve the Scandinavian and Eastern European markets, respectively.

The goods are on their way. Most orders are processed within 24 hours.

Topdeq maintains a mail order center in Pfungstadt as well as three regional warehouses in Switzerland, France and the USA.

C&H, the K + K America subsidiary, operates a large national distribution center in Milwaukee, with another four warehouses spread across the USA. Conney Safety Products maintains a central warehouse in Madison. Hubert ships nearly all its products from its central warehouse in Harrison to customers throughout North America. Avenue Industrial Supply has a mail order center in Toronto and a regional warehouse in Calgary.

The TAKKT companies constantly review their warehouse concepts to ensure the highest standards of safety, delivery quality, speed and efficiency. Whenever needed, the warehouses are adjusted to changing requirements. Should interruptions in any of the warehouses result in bottlenecks, most of the products can be delivered to customers on a drop shipment basis. Insurance against operational failure and product liability insurance protect the companies against all major risks.

TAKKT relies on logistics service providers to deliver its products. Given that there is a lot of competition in the forwarding industry, the Group can negotiate favourable terms with its partners. While logistics costs depend to some extent on oil prices and road tolls, these two factors have only a limited impact on TAKKT's earnings situation, as total transport expenses represent less than ten percent of turnover.

TRADE RECEIVABLES

Bad debt write-offs account for less than 0.5 percent of turnover. This low ratio is due to the excellent customer base, whose creditworthiness is reviewed on a regular basis. In the period under review, customers' payment behaviour hardly changed against the previous year, with the average collection period remaining at 38 days.

The risk from warranties, guarantees and return privileges is also low. TAKKT sells equipment that is durable and hardly susceptible to defects. The number of customers claiming guarantee is therefore low. Also, customers rarely make use of their return rights. Both ratios have been very stable for many years and are hardly subject to fluctuation. To ensure additional protection, TAKKT has signed sale or return agreements with most of its suppliers.

Upon request, we install the products on customers' premises, making their day-to-day business much easier.

IT RISKS

TAKKT uses numerous IT systems for its business operations. These include high-performance data servers, inventory management software and product management systems. Ensuring smooth, reliable operation of all IT systems is a key risk management task.

The protection of data and functions takes top priority. KAISER + KRAFT EUROPA and Topdeq use high-availability systems, which are accessed by all distribution companies. While one server handles the regular business operations, a special software continuously copies all programs and data to a back-up system. Should the server fail, the back-up system can take over immediately.

The computer systems are regularly reviewed by external IT specialists. They check whether the systems operate reliably, are protected against unauthorised access and whether data can easily be recovered. In 2004, these specialists examined the safety standards of KAISER + KRAFT EUROPA's IT system; in particular, they checked whether unauthorised access is possible. No objections were raised.

TAKKT has imposed high safety standards for the use of IT systems. Employees of KAISER + KRAFT EUROPA, for instance, have signed a document confirming that they will comply with strict regulations governing the use of e-mails, the Internet and other systems.

It is essential for the business activities of the TAKKT Group that all companies can be reached by phone. The Group uses back-up systems and interruption-free power supplies to protect itself against power failures and malfunctions of the telephone system. It is also possible to have phone numbers diverted to other locations. TAKKT has its telephone availability measured at regular intervals. Based on the results of such surveys, the company can adapt the capacities of its call centers to the business volume at short notice.

For the sake of the environment, our waste management service collects empty packagings.

FINANCIAL RISKS

TAKKT has taken various measures to protect itself against risks resulting from changes in exchange rates. The divisions usually buy and sell products in the same currency. Transactions between two currency areas – e.g. the euro-zone and the USA – account for less than ten percent of Group turnover. Up to 75 percent of these transactions are hedged by derivative financial instruments.

The Group's balance sheet and profit and loss account are subject to risks resulting from the translation of foreign subsidiaries' financial statements into the reporting currency. Given that the balance sheet structures of the individual companies are similar, these risks only have a minor impact on the structure of the consolidated balance sheet. However, exchange rate fluctuations, especially of the US dollar, do have an effect on the absolute figures reported in euros.

With a view to minimising the long-term currency translation risks, capital expenditure is always funded in the same currency in which it is made. This approach is part of a strategy that aims to meet certain covenants on a sustained basis. These covenants include, for instance, the ratio between earnings figures and net borrowings and the resulting interest expense.

Interest rates are another important financial risk factor. Interest rate risks result from changes in market rates. TAKKT uses interest rate swaps and interest rate caps to hedge against such risks. No significant risks of price changes, defaults or liquidity impacts arise for TAKKT using for currency and interest hedge instruments. The hedge instruments are described in greater detail in the notes on pages 86 to 88 of this Annual Report.

LEGAL AND OTHER RISKS

In the context of their day-to-day business, the companies of the TAKKT Group are involved in litigation as plaintiffs or defendants. None of these individual cases, nor the sum of these cases, will have a material impact on the financial situation of the Group. Other risks for TAKKT's business operations are also low.

TAKKT spells Service with a capital S. Thus satisfaction among our customers is above average.

Outlook

ECONOMIC ENVIRONMENT

A moderate slowdown in global economic activity is expected for 2005, as experts project economic growth rates to be somewhat lower than in 2004. US GDP is expected to increase by 3.3 (4.5) percent. The euro-zone economy will probably grow by 1.8 (2.0) percent, while the German economy is projected to expand by 1.5 (1.8) percent. According to the Purchasing Manager Indices, the development will be only moderate, at least in the first half of the year. TAKKT AG is nevertheless viewing the financial year 2005 with cautious optimism.

START-UPS AND ACQUISITIONS

TAKKT will aggressively push ahead its proven growth and internationalisation strategy. The Group will continue to transfer its successful business model to promising new markets, with KWESTO, the specialist for Eastern Europe, expanding to Romania.

Also under the brand name KAISER + KRAFT business will be expanded to new countries and make inroads into the Turkish market. It is also planned to establish a subsidiary in China, which is not only an attractive output market but also an interesting procurement market for the TAKKT Group.

Topdeq will be expanding to Belgium and establishing a new company in the greater Brussels area.

Hubert will be setting up a subsidiary in Canada with a view to tapping local customer potential more effectively. The first Hubert catalogues were mailed to prospects north of the US border only three years ago.

In addition to setting up new companies, TAKKT is generally interested in attractive acquisitions that would make a meaningful addition to the Group's portfolio.

TURNOVER AND EARNINGS TARGETS

The Management Board of TAKKT AG expects the Group's currency-adjusted organic turnover to increase by three percent. The EBITA margin will stay within the upper part of the target corridor of 9 to 11 percent. However, due to the Group's intensified start-up activities, the margin will be somewhat lower than in the year under review. Cash flow will again reach a similar high level.

CAPITAL EXPENDITURE

In the financial year 2005, spending on maintenance, expansion and rationalisation of the business operations will be somewhat higher than in 2004 due to the introduction of a new IT platform at K + K America. Such

Quality and service are what customers demand. 2.6 million customers worldwide regularly order from TAKKT.

spending will still be within the long-term average of one to two percent of Group turnover.

FINANCIAL POSITION

The sound balance sheet structure and the cash flow strength of the business model mean that the Group has sufficient financial muscle to fund its continued expansion.

TAKKT's inventories are geared toward the service levels of the subsidiaries and will hardly change in 2005. Trade receivables are a function of the payment terms. No major changes are planned here, either. Provided that TAKKT does not make any acquisitions in 2005, borrowings will be reduced as planned.

DIVIDEND POLICY

In agreement with the Supervisory Board, the Management Board of TAKKT AG pursues a sustainable and predictable dividend policy that takes several factors into account. On the one hand, shareholders must be given an appropriate share in the company's profits. On the other hand, it is important to use the profits generated to strengthen the company's capital base and reduce its liabilities. This approach will create the financial scope that is required for continued growth through acquisitions and new business start-ups.

DEPENDENCE REPORT

In view of the fact that TAKKT AG is majority owned by Franz Haniel & Cie. GmbH, Duisburg-Ruhrort, the Management Board properly reported to the Supervisory Board on relations with affiliated companies under Section 312 of the German Stock Corporation Act. The dependence report ends with the following statement:

"We state that, according to the circumstances known to us at the time that the legal transactions were effected, TAKKT AG received appropriate compensation for each legal transaction. We also state that we are of the opinion that the company was not at a disadvantage in any of the legal transactions reported."

Austria Belgium Czech Republic Denmark Estonia Finland France Germany
Great Britain Hungary Ireland Italy Japan Norway Poland Portugal
Slovak Republic Spain Sweden Switzerland The Netherlands

KAISER + KRAFT EUROPA

Made-to-measure: KAISER + KRAFT EUROPA's in-house production department develops individualised solutions for our customers. Custom products, small batches or products matched to a customer's corporate design are manufactured upon request.

KAISER + KRAFT EUROPA
From pioneer to market leader

Everything began with KAISER + KRAFT 60 years ago. Back in 1945, Walter Kaiser and Helmut Kraft established the company of that name, which would later become the TAKKT Group. At the time, the company was one of the pioneers in the B2B mail order business in Germany. Today, KAISER + KRAFT is the largest and best-selling division of the Group. The division's four brands, KAISER + KRAFT, Gaerner, Gerdmans and KWESTO, have a presence in 20 European countries and Japan and offer their customers a varied range of approximately 33,000 high-quality office, business and warehouse products – from simple sack trucks to desks and swivel chairs to workshop cranes and fully furnished container offices. 950,000 customers make this TAKKT division the European market leader in the mail order business for business equipment.

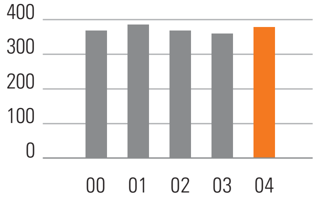
INCREASE IN TURNOVER AND EARNINGS

2004 was a positive business year for KAISER + KRAFT EUROPA. At EUR 379.5 million, turnover was up 6.1 percent on the previous year's EUR 357.9 million. In exchange rate adjusted terms, the increase would have been 6.2 percent. This growth was mainly due to the higher number of orders from both existing and new customers. The average order value was also higher than in the previous year. Nearly all KAISER + KRAFT EUROPA companies contributed to the positive development. Strong growth was generated by the subsidiaries in Japan, Eastern Europe, Norway, Switzerland and France. In Germany, turnover also picked up again after a disappointing first quarter. The Netherlands were the only market to report weak business. KAISER + KRAFT EUROPA's profitability increased at a high level, with EBITA coming in at EUR 61.2 (56.0) million. The EBITA margin rose from 15.7 to 16.1 percent. As of 31 December 2004, KAISER + KRAFT EUROPA employed 846 (844) full-time employees.

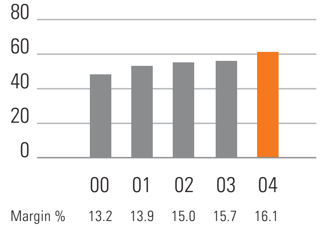
EXPANDING THE MARKET POSITION

The young company KAISER + KRAFT Japan continued its positive development. In view of the positive response from customers, the company increased the size and circulation of its catalogue and now envisions a steady expansion of its product range and delivery radius in the coming years.

Turnover
in EUR million



EBITA
in EUR million



KAISER+KRAFT EUROPA

KAISER + KRAFT EUROPA again made inroads into a new market in 2004, as a new Gerdmans company was set up in Estonia in May. The division also made preparations for expanding its market presence in 2005, with KWESTO, the specialist brand for Eastern Europe, set to expand to Romania. Being the country's first well-known B2B mail order company, KWESTO is sure to leave its mark on the Romanian market. The first catalogue is scheduled to be distributed in summer 2005.

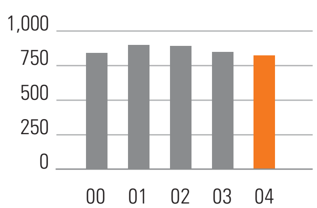
KAISER + KRAFT is also making preparations for the foundation of a new company in Turkey. Based in Istanbul, the company will sell the most successful items from the KAISER + KRAFT range in the Istanbul-Izmir-Ankara triangle, which is the country's economically most important region. Catalogues will be mailed starting in May 2005.

In addition, KAISER + KRAFT plans to enter the Chinese market. The division has maintained a representative office in Shanghai since November 2004 and now intends to establish its own subsidiary. The first catalogue will probably be mailed in autumn 2005. However, China is not only an attractive output market but also an interesting procurement market. In the future KAISER + KRAFT EUROPA and K + K America will increasingly use the People's Republic as a source of products, provided that they live up to TAKKT's high quality requirements.

A NETWORK FOR BETTER SERVICE

No unusually high investments were made in the past fiscal year. KAISER + KRAFT EUROPA introduced a new telephone system in its subsidiaries, which will gradually switch over to Internet telephony (voice over IP). The use of modern software (ACD and CTI) will enable the integration of the telephone systems and the customer databases, paving the way towards even more competent customer service.

Employees
Full-time equivalents – average



France Germany Switzerland The Netherlands USA

TOPDEQ

Ordered today, delivered tomorrow: Orders received by Topdeq before 4.30 p.m. are delivered within 24 hours.

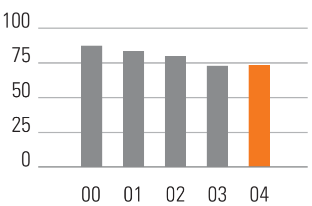
Topdeq
Exclusive design for today's offices

Topdeq sells an exclusive range of approximately 3,000 high-quality office furniture items and accessories. These designer products include chairs by Philippe Starck, a series of desks by Sir Norman Foster and the famous desktop lamp by Wilhelm Wagenfeld. Topdeq joined today's TAKKT Group in 1994 and initially expanded from Germany to neighbouring Switzerland, the Netherlands and France. In 2001, the division went across the Atlantic opening a subsidiary on the US east coast. Today, the company serves about 450,000 customers, mainly from the services sector, in its five markets.

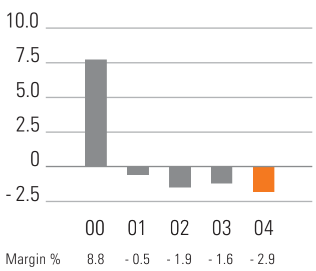
GOOD BUSINESS IN FRANCE AND THE USA

In 2004, the weakness of the European office furniture market again weighed on Topdeq's turnover. The effects were less pronounced than in 2003, however, as the company performed relatively well in a difficult environment. Topdeq achieved a turnover of EUR 74.6 (74.6) million. Based on unchanged exchange rates, however, turnover would have been up by 1.7 percent. While demand for office furniture was weak in Germany, Switzerland and, in particular, the Netherlands, Topdeq France continued to develop favourably. The turnover of Topdeq USA stagnated in the first half of the year, followed by a strong pick-up in the second half. The US market has finally accepted the price adjustments made by Topdeq USA in the first quarter in response to the weak US dollar. However, these adjustments were insufficient to keep Topdeq's gross profit margin stable. The result was also weighed down by personnel measures at the management level. EBITA amounted to EUR - 2.2 (- 1.2) million, while the EBITA margin stood at - 2.9 (-1.6) percent. As of 31 December 2004, Topdeq employed 214 (226) people on a full-time basis.

Turnover
in EUR million



EBITA
in EUR million

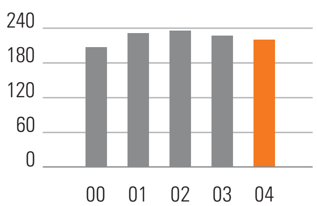


EXPANSION TO BELGIUM

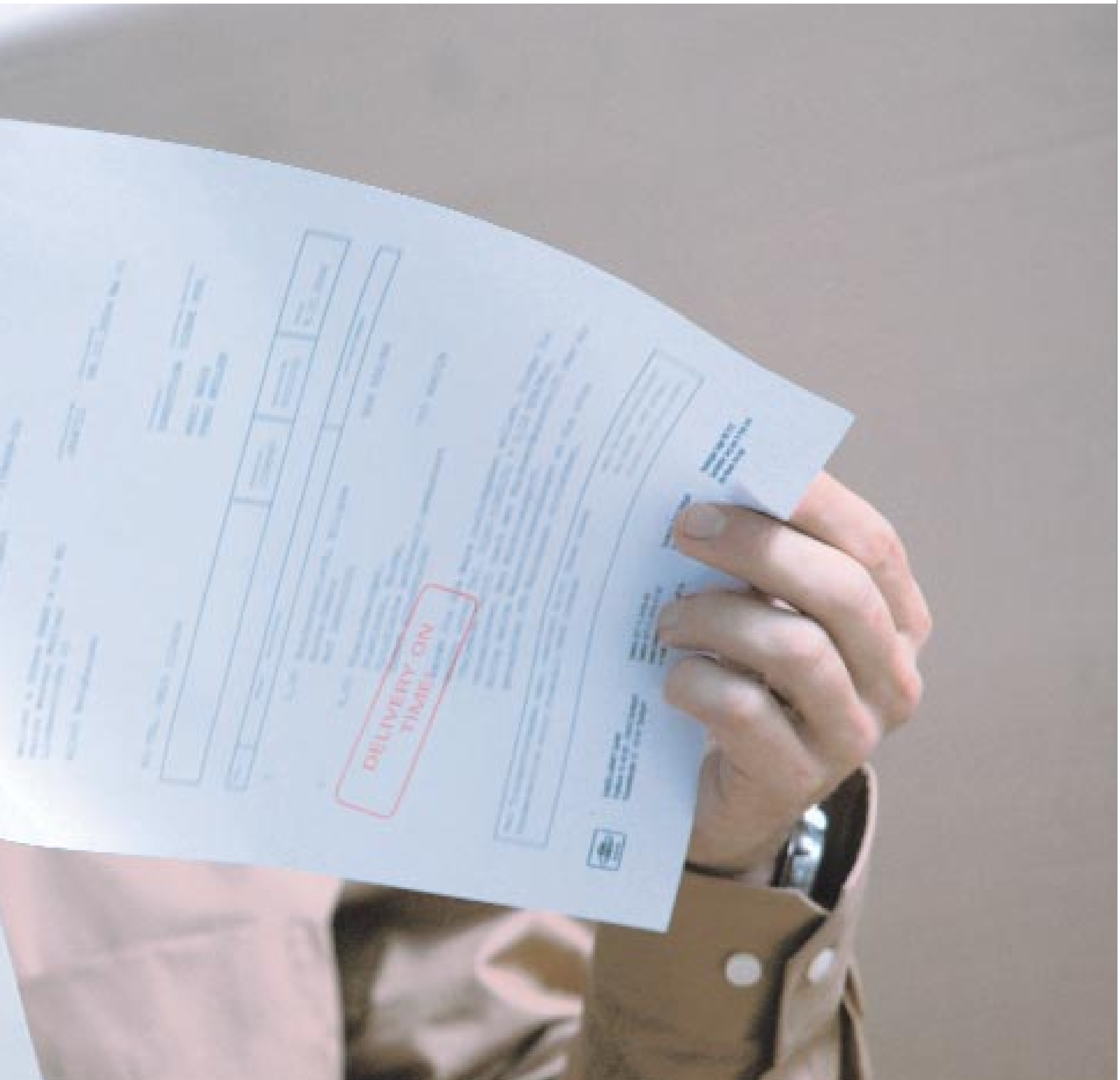
Topdeq optimised its IT systems in 2003 and 2004, integrating all subsidiaries into the inventory management system adopted from KAISER + KRAFT EUROPA in the previous year. Topdeq Netherlands was the first company to be connected to the system in 2003. The summer 2004 integration of Topdeq USA marked the end of the changeover. The standardised software platform makes it possible to process order data in different languages on a central computer in Pfungstadt. This will make it easier and cheaper for the division to make inroads into new markets.

This advantage is already paying off, as Topdeq prepares to expand to Belgium. The inventory management system will enable the new subsidiary in the greater Brussels area to offer its customers a 24-hour delivery service. The regional expansion will also enable Topdeq to make more effective use of the existing infrastructure. The first catalogues in French and Flemish are likely to be mailed in mid-2005.

Employees
Full-time equivalents – average



Canada Mexico USA



K + K AMERICA

Reliable service: C&H guarantees that products are delivered by an agreed time. If this deadline is not met, customers receive a freight cost refund.

K + K America
70,000 products from a single source

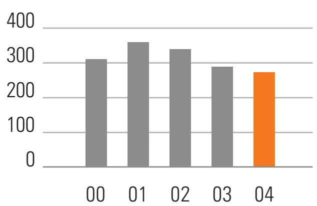
Similar to its European counterpart, K + K America, the third TAKKT division combines several mail order companies under a shared umbrella. C&H Distributors, the largest of the five companies, joined the Group in 1988, followed by Avenue Industrial Supply, Conney Safety Products, Hubert Company and, in 2003, C&H Productos Industriales, Mexico. While C&H Distributors, C&H Mexico and Avenue mainly sell business and warehouse equipment, Conney offers industrial safety products. Hubert specialises in equipment for retailers, the food service industry and the hotel market. Between them, the K + K America companies have by far the largest product range of all TAKKT divisions, offering their 1.2 million customers in the USA, Canada and Mexico more than 70,000 items to choose from.

CLEARLY IMPROVED KEY FIGURES

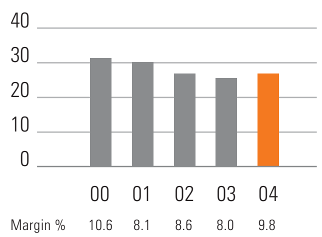
K + K America reported a 7.0 percent increase in turnover to USD 339.8 (317.7) million. Due to the changes in exchange rates, however, turnover in euros was down 2.8 percent on the previous year to 273.5 (281.4) million. The number of orders was up on the previous year and the average order value also increased on a dollar basis.

C&H and Hubert showed a good performance as both companies benefited from improved economic activity. Incoming orders at recently established C&H Mexico exceeded expectations. Avenue Industrial Supply also presented good figures. By contrast, Conney Safety Products fell short of expectations as the labour market in the US manufacturing sector remained weak. The situation improved somewhat in the second half of the year, though. Compared to the previous year, K + K America increased its profitability, with EBITA at USD 33.4 (25.5) million or EUR 26.9 (22.6) million. The EBITA margin reached 9.8 (8.0) percent. The good result is not least attributable to the fact that the division is using its capacities more efficiently. As of 31 December 2004, K + K America employed 754 (764) people on a full-time basis.

Turnover
in EUR million



EBITA
in EUR million



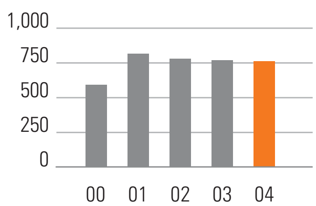
K+K America Corporation

DIFFERENT COMPANIES, ONE IT-PLATFORM

In 2004, K + K America invested in several projects to optimise its processes and services. For instance, the subsidiaries began to introduce new IT systems for financial accounting and inventory management, which are based on a shared software platform. The aim of the project is to increase the efficiency of the business processes, to analyse customer information more comprehensively and to further expand the range of services.

Expansion plans are also on the agenda again at K + K America. Three years ago, Hubert mailed its first catalogue to Canada. Business has developed so favourably in the meantime that the company will now establish a subsidiary in the greater Toronto area in 2005. The new company, which will use the existing infrastructure of Hubert USA, will bring Hubert closer to its customers and allow the company to process inquiries more quickly and efficiently, thus exploiting the market potential more effectively.

Employees
Full-time equivalents – average



Corporate governance

RESPONSIBILITY FIRST

TAKKT has always attached top priority to transparent and responsible corporate governance. This is why the Group has explicitly endorsed the German Corporate Governance Code, whose recommendations the Group meets in full, with only two exceptions.

Given that its Supervisory Board is relatively small, TAKKT continues to believe that it is not necessary to set up an audit committee for this body.

Also, TAKKT has elected not to provide any individualised information on the compensation of the members of the Management Board and the Supervisory Board, given that such individualised information would objectively not be much more meaningful than the cumulative compensation and would also invade the members' privacy, which deserves protection.

GERMAN CORPORATE GOVERNANCE CODE

In December 2004, the Management Board and the Supervisory Board of TAKKT AG issued a joint declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance-Code in accordance with Section 161 of the German Stock Corporation Act (AktG). The English translation of the German original is provided below:

Declaration of conformity pursuant to Section 161 of the German Stock Corporation Act as of 31 December 2004:

"The Management and Supervisory Boards declare that the recommendations of the "Government Commission on German Corporate Governance Code" ("Code") as amended on 21 May 2003 were met throughout the financial year 2004 and will be met in future with the following exceptions:

1. Clause 4.2.4 phrase 2 and Clause 5.4.5 paragraph 3 of the Code
   The compensation paid to members of the Management Board and the Supervisory Board shall not be reported individually.
2. Clause 5.3.2 of the Code
   No audit committee has been established.

Stuttgart, 31 December 2004

For the Supervisory Board and the Management Board of TAKKT AG

Dr Klaus Trützschler – Chairman of the Supervisory Board
Georg Gayer – Chairman of the Management Board"

EFFICIENCY REVIEW

In December 2004, TAKKT again examined the efficiency of its Supervisory Board, as recommended by the Code. With the help of a detailed questionnaire, the members of the Supervisory Board assessed the work and competence of this body. The topics of the questionnaire ("Management of meetings", "Involvement of the Supervisory Board by the Management Board", "Internal processes and corporate governance", "Personnel competence", "Risk management and audit" and "General assessment of the activity of the Supervisory Board") were discussed in detail. The Supervisory Board members found that the results of the review were even better than in the previous year.

COMPENSATION FOR THE MANAGEMENT BOARD

No fundamental changes were made to the compensation scheme for the Management Board in the past fiscal year. TAKKT relies on a value-oriented and performance-based compensation scheme for the members of the Management Board. Their salaries must be in line with their tasks and responsibilities, while at the same time being in an appropriate relation to their achievements and the financial situation of the company. The total compensation of the Management Board must also fulfil these criteria. The compensation for TAKKT's Management Board members therefore comprises a fixed component and a variable component. The fixed component depends on the experience and track record of the members and also reflects general market standards. The variable component comprises a performance bonus and a strategy bonus.

The performance bonus is calculated on the basis of the cash flow, which reflects the company's profitability. This is an incentive for the Management Board to improve growth and profitability. To determine the amount of this bonus, the cash flow of a financial year is compared with the planned cash flow and the cash flow generated in the previous year.

The strategy bonus is based on the economic value added (EVA®). This performance indicator shows to what extent the company has exceeded the rate of return expected by investors. To determine the strategy bonus, the EVA® of a fiscal year is compared with the previous year's EVA®.

Variable remuneration based on EVA® provides a strong incentive to increase the value of the company on a sustainable, long-term basis, which will benefit the company's shareholders, in particular.

For further information on the compensation scheme for the Management Board, visit www.takkt.de ("Share-Corporate Governance").

EVA® CERTIFICATES PROVIDE LONG-TERM INCENTIVE

TAKKT does not issue stock options and will not do so in future. The members of the Management Board and a defined group of executives may subscribe to so-called EVA® Certificates. The holders of these bonds provide the company with debt capital. The amounts repaid depend on the development of the company's value, which means that the certificates include a risk component. The value development may be positive or negative. Profits for the certificate holders represent a certain expenditure for the company.

The value of the certificates is determined on the balance sheet date of each year. The EVA® market value is confirmed by the auditors in the context of their annual audit.

The TAKKT-Share

TIMELY AND TRANSPARENT REPORTING

TAKKT feels it is the company's responsibility to prepare its annual accounts to IFRS (International Financial Reporting Standards) and publish regular quarterly reports. On this basis, the Group has adopted a pro-active investor relations approach, which also involves the top management. TAKKT has a policy of informing all stakeholders and interested parties about important topics simultaneously. All information is presented in a target group-oriented manner and published in a way which ensures that it is available to all interested parties. For this purpose, TAKKT primarily uses its website (www.takkt.de). Whenever the company mails a press release, it is also published on the website. The Financial Calendar informs users about the publication dates of the financial reports and news. Upon request, all publications will be mailed by regular or electronic mail.

MANAGEMENT VISITS LOCAL INVESTORS

Visits to investors in Europe's leading financial centers play an important role for TAKKT's investor relations activities. In 2004, the TAKKT management team went on two roadshows to Frankfurt, London and Paris. Investors in Edinburgh, Copenhagen and Stockholm were also personally informed about the advantages of the B2B mail order business. Overall, about 70 one-on-one and group meetings with shareholders and potential investors were held.

In his capacity as new Chief Financial Officer, Dr Florian Funck introduced himself to analysts in Frankfurt and London in late June and early July, respectively.

TAKKT also used capital market conferences to address institutional and private investors. In January and November 2004, respectively, the company attended the Cheuvreux German Corporate Conference and the German Equity Forum of the German Stock Exchange.

In addition to these activities, many investors sought information about the company's strategy on the phone or in visits to the Stuttgart headquarters. On the occasion of each quarterly report, the Management Board organised a phone conference to answer the questions of shareholders and analysts.

MOTIONS APPROVED BY ANNUAL GENERAL MEETING

On 4 May 2004, the Management Board and the Supervisory Board welcomed some 450 shareholders and guests at the fifth ordinary General Meeting in Ludwigsburg. On this occasion, the company announced a change in the chairmanship of the Supervisory Board. Dr Klaus Trützschler succeeded Günther Hülse, who remained a member of the Supervisory Board until his death in November 2004. At the same time, TAKKT announced that Dr Florian Funck had been appointed new Chief Financial Officer. With effect from 1 June 2004, he succeeded Dr Felix A. Zimmerman, who took up the position of Chief Financial Officer at Celesio AG as of the same date.

The motions submitted by the management were approved by a vast majority of the shareholders, who also approved the payment of a dividend of EUR 0.10 per share. As in 2003, TAKKT again paid out a total of EUR 7.3 million to its shareholders. The shareholders also authorised the Supervisory Board and the Management Board to buy back up to ten percent of the company's own shares. No use was made of this authorisation in the year under review.

AWARD FOR INVESTOR RELATIONS ACTIVITIES

TAKKT's consistent investor relations activities have been acknowledged by independent experts – in 2004, the "Institutional Investor" magazine called the company's financial communications "the best in the business services sector". This title was awarded on the basis of a survey among analysts of investment funds.

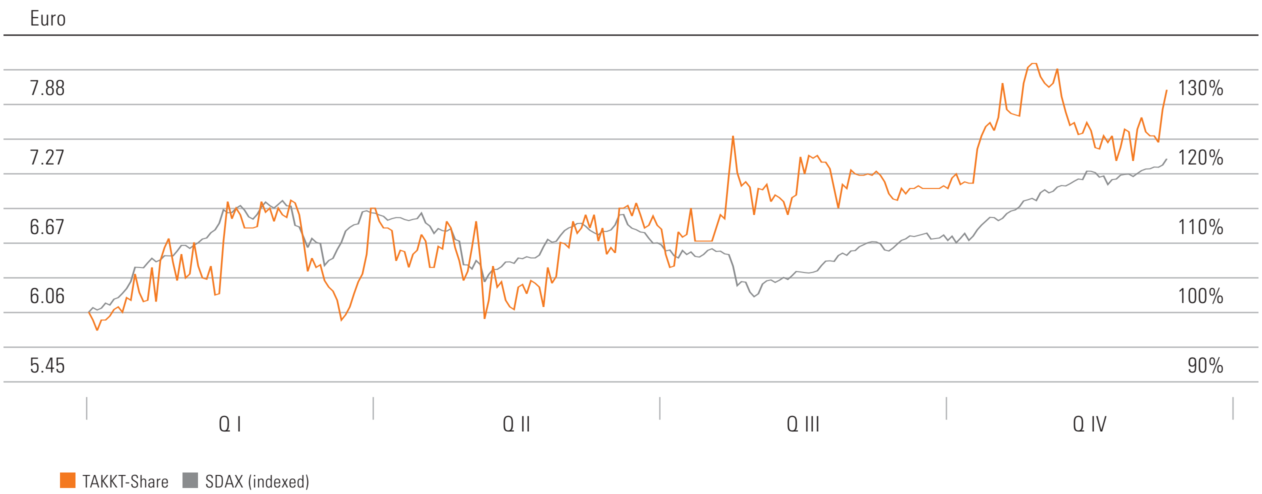
Key figures for the TAKKT-Share under IFRS

	2000	2001	2002	2003	2004
Earnings per share (EPS) in EUR	0.45	0.26	0.33	0.33	0.44
Cash flow per share (CPS) in EUR	0.75	0.65	0.72	0.68	0.78
EBITA in EUR million	81.3	76.4	75.1	70.3	78.2
Equity ratio in %	22.6	24.8	27.7	32.8	39.6
Dividend per share in EUR	0.10	0.10	0.10	0.10	0.15
Dividend rate in %	22.3	39.0	30.7	30.8	33.8
Number of shares in millions	72.9	72.9	72.9	72.9	72.9
Share price in EUR (31.12.)	9.18	5.85	3.51	5.90	7.75
Highest price in EUR	12.05	10.50	7.30	6.01	7.95
Lowest price in EUR	5.90	4.40	3.45	3.50	5.92
Market capitalisation in EUR million (31.12.)	669.2	426.5	255.9	430.1	565.0

HIGHER DIVIDEND PROPOSED

The profitable business model and the high cash flow allow TAKKT AG to give its shareholders an appropriate share in the company's 2004 profits. The Management Board and the Supervisory Board will propose to the General Meeting that a dividend of EUR 0.15 per share be distributed to the shareholders, up EUR 0.05 on the previous year. The payout ratio would thus total 33.8 (30,8) percent.

Performance of the TAKKT-Share, 52 weeks comparision



Source: XETRA

Tailor-made solutions

FROM SACK TRUCKS TO WORKING PLATFORMS: MANY OF OUR PRODUCTS CAN BE FINISHED IN THE CUSTOMER'S COMPANY CORPORATE IDENTITY COLOURS.

Competent advice is an integral element of our service – and is also provided directly on the customer's premises.

Excellent service starts long before the first order is placed and does not end when a shipment is delivered. Carefully compiled catalogues, complementary support services and well thought-out solutions tailored to customers' specific requirements – this is what we call perfect service.

Studies have repeatedly shown that the price is not the single most important buying criterion, especially in the B2B sector. Instead, customers attach great importance to good service and competent advice.

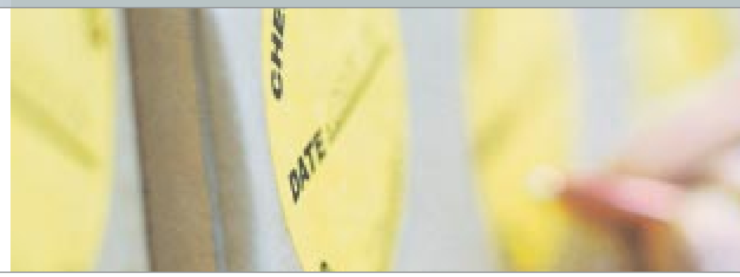
To stand out from the competition, a company therefore needs to provide excellent services. This is where TAKKT shows its full strength, as we offer a service that leaves hardly anything to be desired. In recent years, we have set the standards for the whole industry. Freight prepaid delivery, free CAD planning, the full product range on the Internet – TAKKT was one of the first companies to introduce many of the services that are today taken for granted.

Selected product range

As far as we are concerned customer service begins long before we receive an order. It starts when we compile our product range. TAKKT's catalogues combine products of many thousand manufacturers. Whether it is designer furniture, food displays or transport equipment, our customers get the full equipment for their business from a single source, saving time and money in the process. Between them, our brands offer an impressive range of more than 100,000 items. Everything from a single source – and at an affordable price. This is made possible by our international pooled procurement system, which enables TAKKT to buy at favourable terms throughout the world and pass these items on to our customers. To ensure top quality, all items are subjected to a strict pre-selection process during which we examine, for instance, whether a product is easy and safe to handle and has a long life. Only articles that pass these quality tests are added to our product range.

Top quality advice

Our catalogues are delivered by mail or courier and are also available on the Internet 24/7 (24 hours a day and 7 days a week). The presentation of the products assists customers in their decision-making process. All items are displayed in a clearly structured way, showing the most important variants of each item at a glance – e.g. transport carts made of different materials and for different uses.



Before the goods leave the warehouse, they undergo a thorough quality check.
The result: satisfied customers.

The evolution of service

The high standard of service TAKKT offers its customers today did not come overnight. While the company has always been a leader in terms of service throughout its 60-year history, the standards of the eighties cannot be compared with today's, as many new services were introduced over the years.

Product delivery is a good example of this evolution. Between 1986 and today, KAISER + KRAFT Germany has cut its delivery period by half, although the number of products has increased significantly. This has been made possible by the fact that TAKKT has continuously increased the share of its warehouse business by expanding the mail order center in Kamp-Lintfort. All stocked products are marked in the catalogues accordingly. Topdeq even offers a 24-hour delivery service for all of its 3,000 products.

A lot has also happened with regard to delivery costs. While in the past customers used to pay for the transport, most of the European TAKKT companies today offer free delivery as a standard. KAISER + KRAFT Germany introduced this free delivery service back in August 1994.

Guaranteed delivery dates are another special service. Pioneered by K + K America, this scheme will gradually be rolled out by TAKKT in Europe. The company guarantees that the goods ordered will be delivered by a certain date. If the deadline cannot be met, customers get a freight cost refund of or a discount on the goods.

Which product is best suited for my needs? If in doubt, our customers can rely on the competent advice provided by our staff. They will explain the key benefits of each product on the phone, by e-mail or, and on request, in a personal meeting on the customer's premises. And we even go one step further to deliver truly first-class service: if customers wish to buy a product they cannot find in our catalogues, we will source it for them.

We also manufacture customised products under the EURO*KRAFT* brand name. This KAISER + KRAFT brand manufactures sturdy transport equipment such as bag trucks and platform trucks to customers' specifications as single items or small batches. Customers may also choose to have these products furnished in their company colours.

How does the new furniture best fit into the office? To answer questions like these, TAKKT offers a free planning service. Companies send us the floor plans of their offices as well as details of the desired furniture. Based on this information, our employees prepare a true-to-scale furnishing proposal.

Punctual deliveries are our strength – our customers can rely on us to deliver the goods they have ordered at the agreed time.

Convenient ordering

Once customers have chosen one or several products, they can order them conveniently by phone, mail, fax or online on a 24/7 basis. Large customers additionally benefit from TAKKT's e-procurement service. In this case, a customised online catalogue is integrated into the customer's intranet, where it can be accessed by employees for convenient mouse-click ordering; all orders are transmitted directly to TAKKT's inventory management system. The benefits of this Internet-based order process are mutual: customers can place their orders more conveniently and cost-efficiently, while TAKKT increases its customer retention and turnover.

Fast delivery

As soon as we receive an order, we make sure that it is processed quickly. The journey of a product is largely controlled by our electronic inventory management system. In most cases, items are ready for delivery within 24 hours. Our sophisticated logistics structure guarantees a perfect delivery service – we operate state-of-the-art mail order centers and a network of smaller regional warehouses to ensure that all products are delivered to the customer at the agreed time. Keeping products in stock also allows us to conduct additional quality controls; before products are shipped, our employees check them for potential defects such as paint damage or production flaws.

Thinking of tomorrow today

TAKKT serves its customers even after the products have been delivered. Upon request, our employees install the products on the customer's premises. If desired by the customer, our waste management service can pick up all packaging. Customers can also arrange a regular maintenance service. Wearing parts are kept in stock, while all other spare parts are available at short notice.

Needless to say, all our products are covered by long-term guarantees – a minimum of three years at KAISER + KRAFT, for instance. But this is not the only reason why customers can rely on us in the future: all products offered in our catalogues will be available for many years to come.

Increasing the lead

INTERVIEW: GEORG GAYER, CHAIRMAN OF THE TAKKT MANAGEMENT BOARD, DESCRIBES THE OBJECTIVES OF THE “PERFECT SERVICE” INITIATIVE. THE PROJECT IS DESIGNED TO MAKE AN IMPORTANT CONTRIBUTION TO EXPANDING THE COMPANY’S MARKET POSITION.

TAKKT employees analyse the performance of their operations in detail.

Even good things can be improved. TAKKT's "Perfect Service" project aims to take service to an even higher level – and to make the company even more profitable. Georg Gayer, Chairman of the TAKKT Management Board, provides some background information about the project.

Perfect Service – the name sounds very ambitious. What is this project about?

The "Perfect Service" project aims to improve our services in all divisions. It is true that we are already very good today, which is reflected in high customer satisfaction and low complaint ratios. But we cannot rest on these laurels if we desire to expand our leading market position even further. "Perfect Service" therefore has two main goals: by optimising our service, we increase customer retention and the Group's turnover. At the same time, we save money as the number of costly complaints continues to decline.

Speaking of customer retention, what makes service so eminently important in the mail order business?

That's easy to explain – mail order business means doing business at a distance. Unlike the local grocer, mail order companies have no face-to-face contact with their customers and therefore need to offer added service to retain them. If we are just average or a bit better, this is not sufficient to make customers come back time and again – we need to be perfect.

But that is not all. Our service must be constantly refined and optimised to meet customers growing requirements. What is a standard today can quickly be outdated tomorrow. Customers expect their goods to be delivered ever more quickly and reliably. If a company is unable to keep pace with customers' growing requirements, the gap between expected service and delivered service will gradually widen. We call this phenomenon the "satisfaction trap" – and it is one of the reasons why we have launched the "Perfect Service" project.

Employees are invited to submit innovative ideas to optimize business processes.

You just mentioned the problem of complaints. What can TAKKT do here to get even better?

We always aim to deliver such excellent service that our customers have no reason to complain. This is because whenever a customer complains about a product, this costs at least five times as much as a regular order. There is also the risk of losing a dissatisfied customer altogether. We therefore work hard to identify and eliminate sources of error throughout the Group. It goes without saying that complaints can never be avoided completely. The important thing therefore is that we deal with them professionally. It is exactly when customers are dissatisfied that we have to offer them perfect service and find the best possible solution for them. This means that we listen carefully and take their complaints seriously. This kind of commitment pays off – customers offered excellent assistance to solve their problems are often even more satisfied with our service than those who never had a complaint.

Let's talk about the implementation of the project. What is your approach?

First of all, we have defined high service quality targets for the whole Group, which serve as benchmarks to measure our service. At the same time, we have made complaints handling a management task; the management teams of our companies must analyse at least one complaint per month at their meetings. They develop solutions to avoid this specific complaint in future. Once a solution has proven its value in day-to-day business, it will be implemented at other companies – the TAKKT holding company ensures that the required know-how is transferred between all companies. This way, we have established a highly efficient Group-wide best practice system. This is one of the key elements of "Perfect Service."

How can TAKKT employees contribute to this process?

The system is based on employees' suggestions for process optimisation. After all, they know their day-to-day processes best. Employees who have a suitable idea simply contact their superior. Ideas that have paid off are also passed on to all Group companies. The company's suggestion scheme continued to gain in importance in 2004, which is reflected in a clear increase in suggestions received. About one third of these ideas are put into practice.

TAKKT attaches great importance to knowledge management. The holding company acts as a "knowledge agent" and ensures that know-how is exchanged between the individual divisions.

Could you give us some examples for successful suggestions?

We have implemented a bonus/penalty system which motivates our partners to meet high quality standards. It is not possible for our customers to say whether we or our suppliers have done something wrong. Faults such as delayed delivery or transport damage are strictly charged to our suppliers, while good service is rewarded. Moreover, we try to talk with our partners personally. Ultimately our suppliers are also grateful when we identify sources of error and create greater transparency.

Let's take a look into the future. To what extent will "Perfect Service" influence TAKKT's development in the future?

I am convinced that the project will make an important contribution to TAKKT's future success. The measures we have initiated so far will help us work even more efficiently and in a more service-oriented manner – leading to greater customer satisfaction and increased turnover. The project will help us set new, exemplary standards of service. And we should not forget that fewer errors mean lower costs and therefore higher profits – which means greater job safety for our employees and good dividends for our shareholders.

Consolidated financial statements of TAKKT AG, Stuttgart

Consolidated income statement of TAKKT Group, Stuttgart, 01.01.2004 – 31.12.2004 under IFRS

(in EUR '000)	Notes	2004	2003
Turnover	(1)	727,628	713,898
Changes in inventories of finished goods and work in progress		- 47	68
Own work capitalised		100	55
Gross performance		**727,681**	**714,021**
Cost of sales		431,072	425,198
Gross profit		**296,609**	**288,823**
Other operating income	(2)	5,454	6,887
Personnel expenses	(3)	95,657	95,120
Other operating expenses	(4)	119,241	120,537
EBITDA		**87,165**	**80,053**
Depreciation of other intangible assets and property, plant and equipment	(5)	9,012	9,737
EBITA		**78,153**	**70,316**
Amortisation of goodwill	(6)	15,675	16,445
EBIT		**62,478**	**53,871**
Income/expense from at-equity consolidation		0	0
Other financial result	(7)	- 27	- 81
Net interest	(8)	- 10,921	- 13,158
Financial result		**- 10,948**	**- 13,239**
Profit before tax		**51,530**	**40,632**
Income taxes	(9)	18,491	16,265
Net income before minority interest		**33,039**	**24,367**
Minority interest		640	672
Net income		**32,399**	**23,695**

Consolidated balance sheet of TAKKT Group, Stuttgart, at 31 December 2004 under IFRS

(in EUR '000)

Assets	Notes	2004	2003
Fixed assets			
Goodwill	(10)	211,411	235,107
Other intangible assets	(11)	6,338	5,112
Property, plant and equipment	(12)	68,049	71,464
Investments in associates (valued at-equity)		17	17
Other financial assets	(13)	86	86
		285,901	**311,786**
Non-current assets			
Other receivables and assets	(14)	299	296
Deferred tax assets	(15)	5,072	9,608
		5,371	**9,904**
Current receivables and assets			
Inventories	(16)	56,745	55,342
Trade receivables	(17)	82,752	76,172
Other receivables and assets	(18)	21,424	21,755
Income tax assets		1,604	715
Cash	(19)	3,968	4,219
		166,493	**158,203**
Total assets		**457,765**	**479,893**

Equity and liabilities	Notes	2004	2003
Shareholders' equity	**(20)**		
Issued capital		72,900	72,900
General reserves		76,999	64,313
Other comprehensive income		- 1,241	- 3,732
Net income		32,399	23,695
		181,057	**157,176**
Minority interest	**(21)**	**2,977**	**3,397**
Total equity		**184,034**	**160,573**
Non-current liabilities			
Borrowings	(22)	164,801	213,034
Deferred tax liabilities	(15)	6,922	7,522
Provisions	(23)	10,764	9,716
		182,487	**230,272**
Current liabilities			
Borrowings	(22)	21,477	25,533
Trade payables	(24)	26,386	20,921
Other liabilities	(25)	27,097	30,790
Provisions	(26)	9,141	6,200
Income tax liabilities	(27)	7,143	5,604
		91,244	**89,048**
Total equity and liabilities		**457,765**	**479,893**

Consolidated fixed assets of TAKKT Group, Stuttgart

(in EUR '000)

	Cost					
	01.01.2004	Currency translation	Additions	Reclassi-fications	Disposals	31.12.2004
Goodwill						
Goodwill	260,191	- 10,932	0	0	0	249,259
Goodwill on consolidation	56,538	0	0	0	0	56,538
	316,729	**- 10,932**	**0**	**0**	**0**	**305,797**
Other intangible assets						
Concessions, industrial and similar rights	36,219	- 1,901	855	154	342	34,985
Payments on account	145	0	2,233	- 154	29	2,195
	36,364	**- 1,901**	**3,088**	**0**	**371**	**37,180**
Property, plant and equipment						
Land and buildings, including buildings on third-party land	65,046	- 1,651	254	0	118	63,531
Plant, machinery and office equipment	42,355	- 614	4,804	0	2,884	43,661
Payments on account	0	0	416	0	0	416
	107,401	**- 2,265**	**5,474**	**0**	**3,002**	**107,608**
Investments in associates (valued at-equity)	**17**	**0**	**0**	**0**	**0**	**17**
Long-term investments	**87**	**0**	**0**	**0**	**0**	**87**
Fixed assets	**460,598**	**- 15,098**	**8,562**	**0**	**3,373**	**450,689**

Cumulative depreciation						Net book amounts	
01.01.2004	Currency translation	Additions	Revaluation	Disposals	31.12.2004	31.12.2004	31.12.2003
55,935	- 2,911	13,064	0	0	66,088	183,171	204,256
25,687	0	2,611	0	0	28,298	28,240	30,851
81,622	**- 2,911**	**15,675**	**0**	**0**	**94,386**	**211,411**	**235,107**
31,252	- 1,754	1,686	0	342	30,842	4,143	4,967
0	0	0	0	0	0	2,195	145
31,252	**- 1,754**	**1,686**	**0**	**342**	**30,842**	**6,338**	**5,112**
15,222	- 309	2,450	0	76	17,287	46,244	49,824
20,715	- 544	4,876	0	2,775	22,272	21,389	21,640
0	0	0	0	0	0	416	0
35,937	**- 853**	**7,326**	**0**	**2,851**	**39,559**	**68,049**	**71,464**
0	**0**	**0**	**0**	**0**	**0**	**17**	**17**
1	**0**	**0**	**0**	**0**	**1**	**86**	**86**
148,812	**- 5,518**	**24,687**	**0**	**3,193**	**164,788**	**285,901**	**311,786**

Consolidated statement of changes in total equity of TAKKT Group, Stuttgart

(in EUR '000)

	Issued capital	General reserves	Other comprehensive income	Shareholders' equity	Minority interest	Total equity
Balance at 01.01.2004	**72,900**	**88,008**	**- 3,732**	**157,176**	**3,397**	**160,573**
Currency translation differences	0	- 3,719	277	- 3,442	0	- 3,442
Dividends paid	0	- 7,290	0	- 7,290	- 1,060	- 8,350
Net income	0	32,399	0	32,399	640	33,039
Changes in derivative financial instruments	0	0	2,214	2,214	0	2,214
Balance at 31.12.2004	**72,900**	**109,398**	**- 1,241**	**181,057**	**2,977**	**184,034**

	Issued capital	General reserves	Other comprehensive income	Shareholders' equity	Minority interest	Total equity
Balance at 01.01.2003	**72,900**	**83,844**	**- 7,167**	**149,577**	**3,745**	**153,322**
Currency translation differences	0	-12,241	1,173	- 11,068	0	- 11,068
Dividends paid	0	- 7,290	0	- 7,290	- 1,020	- 8,310
Net income	0	23,695	0	23,695	672	24,367
Changes in derivative financial instruments	0	0	2,262	2,262	0	2,262
Balance at 31.12.2003	**72,900**	**88,008**	**- 3,732**	**157,176**	**3,397**	**160,573**

Consolidated cash flow statement of TAKKT Group, Stuttgart

(in EUR '000)	2004	2003
Net income before minority interest	33,039	24,367
Depreciation and amortisation	24,687	26,182
Cash flow	**57,726**	**50,549**
Deferred taxes affecting net income	2,776	1,293
Other non-cash expenses and income	1,877	- 1,676
Profit and loss on disposal of fixed assets	- 33	- 102
Change in inventories	- 4,233	- 349
Change in trade receivables	- 9,519	- 968
Change in other assets not included in investing and financing activities	222	- 1,197
Change in short- and long-term provisions	4,272	- 21
Change in trade payables	6,028	- 3,033
Change in other liabilities not included in investing and financing activities	753	- 1,694
Cash flow from operating activities	**59,869**	**42,802**
Proceeds from the disposal of fixed assets	233	335
Capital expenditure on fixed assets	- 8,562	- 9,796
Cash flow from investing activities	**- 8,329**	**- 9,461**
Change in borrowings	- 43,576	- 25,881
Dividends to shareholders and minority interest	- 8,350	- 8,310
Other changes in shareholders' equity	84	- 74
Cash flow from financing activities	**- 51,842**	**- 34,265**
Net change in cash	- 302	- 924
Effect of exchange rate changes on cash	51	- 381
Cash at 01.01.	4,219	5,524
Cash at 31.12.	**3,968**	**4,219**

The cash flow statement has been prepared from the consolidated financial statements using the indirect method and has been prepared according to IAS 7. To adjust for exchange rate effects the items of the opening balance sheet were translated at the respective exchange rates prevailing on the reporting date. These figures were compared with the previous closing balance sheet. Any non-cash expenses and income items were also adjusted.

As a result of the modified classification of the balance sheet compared to the previous year, other comparable figures arise. In order to improve comparability the cash flow statement for the previous year was restructured in the individual cash flow positions.

The cash flow from operating activities includes interest cash inflows of EUR 181,000 (EUR 390,000) and interest cash outflows of EUR 10,992,000 (EUR 14,374,000). In 2004 income taxes of EUR 14,926,000 (EUR 15,747,000) were paid.

Capital expenditure relates to maintenance, rationalisation and expansion measures. Assets of EUR 984,000 (EUR 0) were acquired on finance lease.

Borrowings include all interest-bearing liabilities, please see page 80 for further details. EUR 7,290,000 (EUR 7,290,000) dividends were paid to TAKKT AG shareholders in the year under review. This constitutes EUR 0,10 (EUR 0,10) per share.

Cash stated at the balance sheet date includes cash, bank balances and cheques. This was not netted off with short-term borrowings.

Based on the changed accounting rules for goodwill according to IFRS 3, which will be applied as of 2005 (see also page 75), TAKKT has reviewed the implications of these rules for all key figures used in financial communication. Modifications were necessary in the case of cash flow to adjust the distorting non-cash effect caused by deferred taxes.

Cash flow (current definition)

(in EUR '000)	2004	2003
Net income before minority interest	33,039	24,367
Depreciation of fixed assets	24,687	26,182
Cash flow	**57,726**	**50,549**

Cash flow (new definition)

(in EUR '000)	2004	2003
Net income before minority interest	33,039	24,367
Depreciation of fixed assets	24,687	26,182
Deferred taxes affecting net income	2,776	1,293
Cash flow	**60,502**	**51,842**

Primary reporting by segment 2004 of TAKKT Group, Stuttgart

(in EUR '000)

01.01.2004 – 31.12.2004	K + K EUROPA	Topdeq	K + K America	Others/ consolidation	Group total
Segment turnover	379,547	74,608	273,496	- 23	727,628
EBITDA	65,883	- 440	29,451	- 7,729	87,165
EBITA	61,243	- 2,168	26,910	- 7,832	78,153
EBIT	54,584	- 3,595	19,321	- 7,832	62,478
Profit before tax	49,620	- 4,038	12,679	- 6,731	51,530
Net income before minority interest	32,419	- 4,501	7,661	- 2,540	33,039
Scheduled depreciation on segment assets	11,298	3,155	10,131	103	24,687
Other non-cash expenses and income	1,493	1,410	- 2,612	1,586	1,877
Income from at-equity consolidation	0	0	0	0	0
Segment assets	219,667	44,331	196,840	- 9,749	451,089
Thereof book value of assets valued at-equity	17	0	0	0	17
Income tax and deferred tax assets	919	2,537	3,239	-19	6,676
Total assets	**220,586**	**46,868**	**200,079**	**- 9,768**	**457,765**
Segment liabilities	36,297	8,493	22,734	5,864	73,388
Income tax and deferred tax liabilities	6,700	874	4,575	1,916	14,065
Borrowings (short- and long-term)	141,194	8,474	111,329	- 74,719	186,278
Total liabilities	**184,191**	**17,841**	**138,638**	**- 66,939**	**273,731**
Capital expenditure on fixed assets	2,920	972	4,529	141	8,562
Average no. of employees (full-time equivalent)	839	220	767	25	1,851
Number of employees at the reporting date (full-time equivalent)	846	214	754	26	1,840

Primary reporting by segment 2003 of TAKKT Group, Stuttgart

(in EUR' 000)

01.01.2003 – 31.12.2003	K + K EUROPA	Topdeq	K + K America	Others/ consolidation	Group total
Segment turnover	357,892	74,650	281,389	- 33	713,898
EBITDA	61,087	543	25,407	- 6,984	80,053
EBITA	56,038	- 1,206	22,627	- 7,143	70,316
EBIT	49,372	- 2,633	14,275	- 7,143	53,871
Profit before tax	43,962	- 3,025	6,133	- 6,438	40,632
Net income before minority interest	28,375	- 3,315	3,511	- 4,204	24,367
Scheduled depreciation on segment assets	11,714	3,176	11,133	159	26,182
Other non-cash expenses and income	- 404	1,019	- 3,205	914	- 1,676
Income from at-equity consolidation	0	0	0	0	0
Segment assets	228,105	46,497	201,365	- 6,397	469,570
Thereof book value of assets valued at-equity	17	0	0	0	17
Income tax and deferred tax assets	2,882	2,789	3,915	737	10,323
Total assets	**230,987**	**49,286**	**205,280**	**- 5,660**	**479,893**
Segment liabilities	30,608	7,164	25,268	4,587	67,627
Income tax and deferred tax liabilities	7,043	398	3,926	1,759	13,126
Borrowings (short- and long-term)	154,848	14,821	119,862	- 50,964	238,567
Total liabilities	**192,499**	**22,383**	**149,056**	**- 44,618**	**319,320**
Capital expenditure on fixed assets	6,846	964	1,181	805	9,796
Average no. of employees (full-time equivalent)	861	226	775	26	1,888
Number of employees at the reporting date (full-time equivalent)	844	226	764	26	1,860

Segment information

In the scope of segment reporting under IAS 14, the activities of TAKKT AG are broken down into divisions (primary reporting) and regions (secondary reporting). The breakdown into primary segments follows the management approach and takes account of internal controlling and reporting as well as of the organisational structure. The secondary reporting differentiates between Germany, rest of Europe, North America and other countries (Japan and Mexico). In contrast to the previous year goodwill from capital consolidation for secondary reporting was allocated to the segment assets of the respective subsidiary. This resulted in a shift of segment assets from the region "Germany" to "Rest of Europe". The previous year was adjusted accordingly. Segment reporting uses the same accounting standards as the consolidated financial statements. Intra-group transfers are valued at internal prices calculated on the basis of the cost-plus method. The cost-plus method complies with OECD principles. The same approach was pursued in the previous year.

Primary reporting by division

KAISER + KRAFT EUROPA

KAISER + KRAFT EUROPA GmbH, Stuttgart, comprises the groups KAISER + KRAFT, Gaerner, Gerdmans and KWESTO in 20 European countries. Moreover, the KAISER + KRAFT Group formed a company in Japan in 2002 to pave the way for the coverage of the Asian market. The companies offer approximately 33,000 products via catalogue and, in part, via the Internet. KAISER + KRAFT EUROPA GmbH, Stuttgart, operates an European mail order center in Kamp-Lintfort and one regional warehouse for each of the Gerdmans and the KWESTO Groups, as well as a production facility for durable transport equipment (platform trucks, sack trucks, trolley jacks, etc.) which is located in Haan, near Düsseldorf.
The self-produced products are marketed under the "EURO*KRAFT*" brand. Besides the standard range, the company also manufactures tailor-made products and carries out small-batch production orders in accordance with customer specifications.
This segment focuses on the following product groups: transport, storage, environment, workshop and office equipment.

Topdeq

Topdeq Group sells designer office furniture and accessories via a mail order catalogue and the Internet in Germany, Switzerland, the Netherlands, France and the United States. The division's main customers are predominantly small to medium-size companies from the service sector. Topdeq offers a special 24-hour delivery service and at least a five-year warranty. If requested, orders received before 12:30 p.m. are delivered to the customer on the same day, subject to a surcharge. Topdeq operates warehouses in Germany, Switzerland, France and the United States. The Topdeq Group's product portfolio comprises some 3,000 items.

K + K America

K + K America Corporation, Milwaukee, comprises C&H Distributors, C&H Productos Industriales, Conney Safety Products and Avenue Industrial Supply. These companies sell over 45,000 products (via catalogue and Internet) to the transport, storage, workshop, office, job safety and packaging sectors to customers in the United States, Canada and Mexico. Hubert Company LLC sells approximately 23,000 products to retail grocery stores and the food service industry in the USA and Canada. And since August 2003 it sells another 3,000 products to non-food retailers (general retail). K + K America Group operates three mail order centers in the USA (C&H, Conney and Hubert), four regional warehouses in the USA and two regional warehouses in Canada.

Secondary segment reporting by region 2004 of TAKKT Group, Stuttgart

(in EUR '000) 01.01.2004 – 31.12.2004	Germany	Rest of Europe	North America	Other	Group total
Segment turnover	180,407	261,691	284,481	1,049	727,628
Segment assets	166,616	91,629	192,487	357	451,089
Capital expenditure on fixed assets	2,678	1,208	4,657	19	8,562

Secondary segment reporting by region 2003 of TAKKT Group, Stuttgart

(in EUR '000) 01.01.2003 – 31.12.2003	Germany	Rest of Europe	North America	Other	Group total
Segment turnover	174,039	247,073	292,270	516	713,898
Segment assets	176,027	88,526	204,552	465	469,570
Capital expenditure on fixed assets	7,660	915	1,182	39	9,796

Notes to the consolidated financial statements for the year ended 31.12.2004

1. GENERAL PRINCIPLES

a) Accounting principles

The consolidated financial statements of TAKKT AG have been drawn up in accordance with the regulations issued by the International Accounting Standards Board (IASB); the interpretations (SIC) by the International Financial Reporting Interpretation Committee have been taken into account. All International Financial Reporting Standards (IFRS) valid at 31 December 2004 have been applied.
The standards that were revised in the context of the "Improvements Project" and published in December 2003 (IAS 1, 2, 8, 10, 16,17, 21, 24, 27, 28, 31, 33, 40) will become mandatory as of 1 January 2005. With the exception of IAS 16 and 28 (both revised in 2004), these standards have been applied in advance of the mandatory date as far as they are relevant. The revised 2004 versions of IAS 32 and IAS 39 have not been applied.
The consolidated financial statements comply with the European Union Directive on consolidated accounting (Directive 83/349/EEC). To ensure equality with consolidated financial statements prepared under HGB, all statements and comments required under HGB and outside the scope of IFRS, have also been provided. The conditions for exemption from the preparation of consolidated financial statements under German GAAP, outlined in Section 292a HGB, have been fulfilled. The assessment of such conditions was based on the German Accounting Standard 1 (DRS 1) published by the German Accounting Standards Committee. In accordance with section 292a HGB, the consolidated financial statements have been complemented by additional comments to meet the conditions for exemption from the requirement to prepare consolidated financial statements under German law.
The consolidated financial statements are quoted in euros. Unless otherwise noted, all amounts are quoted in EUR '000.

In order to improve clarity, certain items are aggregated in the balance sheet and income statement. These are explained in detail in the notes. Certain items in the balance sheet and the income statement have been reclassified from the previous year. The current classification in short- and long-term items complies with the requirements of the IASB "Improvements Project". Herewith, TAKKT follows general developments of accounting principles. The differences are described in detail in the individual notes.

The income statement was prepared in accordance with a type of expenditure method and with the separate disclosure of gross profit. Otherwise, the consolidated financial statements have been prepared using the same accounting and valuation principles as in the previous year.

b) Scope of consolidation

TAKKT AG, Stuttgart, which is registered under HRB 19962 with the German Commercial Register of the Stuttgart local court, is the Group's controlling company. TAKKT AG is a B2B mail order company for office, plant and warehouse equipment and has a presence in more than 20 countries. Besides the TAKKT AG, 5 domestic (previous year: 5) and 40 foreign (previous year: 39) companies are included in the consolidated financial statements. The increase in the number of companies results from the foundation of a company. One domestic associated company exists. TAKKT AG is a 72.7 percent subsidiary of Franz Haniel & Cie. GmbH, Duisburg, and the TAKKT Group is therefore included in the latter's consolidated accounts.

c) Consolidation principles

The consolidated financial statements as well as all individual financial statements included in the consolidated financial statements have the same balance sheet date, 31 December 2004.
According to IAS 27, the financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements were prepared using uniform accounting and valuation principles. In accordance with IAS 27, capital consolidation was prepared using the carrying value method by netting acquisition costs with the share in equity of the controlled company at the time of acquisition.
Positive differences arising from first-time consolidation are recognised as goodwill and are amortised over its future estimated useful life on a straight-line basis.
Intra-group profits and losses, turnover, expenses and income as well as all receivables and liabilities between the consolidated subsidiaries were eliminated. Unrealised inter-company profits in fixed assets and inventories were eliminated provided they were not immaterial.
Differences arising from debt consolidation were written off to the income statement, if they individually exceeded EUR 10,000. Receivables and liabilities to third parties were consolidated on the condition that such balances with third parties were mutual effective and could be netted off against each other. Minority interests in a subsidiary's equity and earnings are disclosed in the position "Minority interest" within the total equity section. In accordance with IAS 12, deferred taxes were provided on all consolidation measures effecting the income statement. Amortisation of goodwill on consolidation which is not tax deductible represents the exception.

d) Currency translation

TAKKT AG's reporting currency is euro. In accordance with IAS 21, currency is translated using the functional currency concept. Since all companies manage their businesses autonomously, the respective local currency is identical to the functional currency. Under the functional currency concept, assets and liabilities of all subsidiaries which do not report in euro are translated using the closing rate, whereas income and expenses are translated using the average exchange rate for the year. The goodwill on consolidation was calculated by taking the exchange rate of the consolidated equity at the time of acquisition. The currency adjustments arising subsequently of EUR 4,529,000 (EUR 3,823,000) are recognised in general reserves with no effect on profit.
The TAKKT Group has no subsidiaries in high-inflation countries. In the individual financial statements of TAKKT AG and its subsidiaries, transactions in foreign currencies are translated at the rate prevailing on the date of the transaction. Assets and liabilities in foreign currencies are translated at the rate prevailing on the balance sheet date. Exchange differences are recognised in the income statement under "Other operating expenses".

The exchange rates of the major currencies have changed against the euro as follows:

Currency translation

		Closing rate		Average rate	
Currency	Country	2004	2003	2004	2003
USD	USA	1.3621	1.2630	1.2425	1.1290
CHF	Switzerland	1.5429	1.5579	1.5436	1.5203
GBP	UK	0.7051	0.7048	0.6784	0.6916
SEK	Sweden	9.0206	9.0800	9.1236	9.1233

2. NOTES TO THE INCOME STATEMENT

(1) Turnover

(in EUR '000)	2004	2003
Turnover with third parties	726,879	713,395
Turnover with affiliated companies	749	503
	727,628	**713,898**

Turnover with affiliated companies relates to companies of the majority shareholder, which are not included in TAKKT AG's consolidated financial statements. The major part of this turnover was generated with affiliated companies, particularly the HTS International Group in an amount of EUR 369,000. Turnover with affiliated companies accounted for less than one percent of total turnover.

A breakdown of turnover by segment and geographical region is shown in the segment reports on pages 63 to 66. Turnover is recognised at the time the goods are delivered.

(2) Other operating income

(in EUR '000)	2004	2003
Rental income	282	276
Income from the release of valuation allowances	361	476
Profits on disposal of fixed assets	60	277
Operating income	2,331	2,771
Other income	2,420	3,087
	5,454	**6,887**

In the Annual Report 2003, other income amounted to EUR 8,657,000. In contrast, the income from the release of provisions (EUR 1,306,000) of the previous year was netted against the corresponding costs. Thus, they are now shown under "Other operating expenses" and "Personnel expenses".
The income from the operating currency translation (EUR 802,000) in 2003 is now also shown under "Other operating expenses". The item "Other income" includes EUR 34,000 (EUR 510,000) income from affiliated companies. EUR 140,000 of the previous year's figure can be attributed to an affiliated company, the Celesio Group. In addition the item "Other income" also includes differences from elimination of intercompany transactions, which in contrast to the Annual Report 2003 are not longer disclosed under "Other operating expenses".

(3) Personnel expenses

(in EUR '000)	2004	2003
Wages and salaries	77,743	76,738
Social security costs	14,656	15,920
Retirement and welfare costs	3,065	2,666
Release of personnel-related provisions	- 175	- 255
Other costs	368	51
	95,657	**95,120**

In the Annual Report 2003 personnel expenses amounted to EUR 95,039,000. In contrast, the release of personnel-related provisions is now shown under "Personnel expenses" instead of "Other operating income". A reclassification of other personnel expenses (EUR 336,000) from "Other operating expenses" to "Personnel expenses" was made.
The segment reports on pages 63 and 64 refer to the number of employees of the Group.

(4) Other operating expenses

(in EUR '000)	2004	2003
Loss on disposal of fixed assets	17	175
Valuation allowances on current assets/bad debts	1,791	1,911
Income from the release of provisions	- 77	- 1,051
Operating leasing and rents	10,587	10,569
Operating taxes	932	852
Operating expenses	91,729	94,170
Administrative expenses	14,262	13,911
	119,241	**120,537**
Thereof affiliated companies of Celesio Group	225	541
Thereof affiliated companies of the majority shareholder Franz Haniel & Cie. GmbH	548	415
Thereof related to prior years	636	891

In the Annual Report 2003, a total of EUR 122,388,000 was shown under the position "Other operating expenses". The difference results from the reclassification of "Income from the release of provisions" (EUR 1,051,000). This item was shown under "Other operating income" in the Annual Report 2003. Besides, income from currency translation (EUR 802,000) is no longer included in "Other operating income" but in "Other operating expenses". In contrast, inter-company eliminations (EUR 338,000) have now been included in "Other operating income" instead of "Other operating expenses". Personnel-related expenses of EUR 336,000 were also reclassified to "Personnel expenses".

A major part of other operating expenses is catalogue costs.
Operating taxes include real estate tax, car tax, tax on capital and assets and the French "tax professionelle".

(5) Depreciation of other intangible assets and property, plant and equipment

(in EUR '000)	2004	2003
Intangible assets	1,686	2,036
Property, plant and equipment	7,326	7,701
	9,012	**9,737**

(6) Amortisation of goodwill

(in EUR '000)	2004	2003
Goodwill	13,064	13,827
Goodwill on consolidation	2,611	2,618
	15,675	**16,445**

For more details on goodwill, please refer to page 74.

(7) Other financial result

(in EUR '000)	2004	2003
Expense from the fair market valuation of financial instruments for Group loans	- 27	- 81

More details on the use of derivative financial instruments are disclosed on pages 86 to 88.

(8) Net interest

(in EUR '000)	2004	2003
Interest income		
Income from other long-term assets	4	4
Interest and similar income		
- from Haniel Finance companies	1	158
- from others	176	228
	181	**390**
Interest expense		
Write-down of non-current marketable securities	0	0
Interest and similar expenses		
- to Haniel Finance companies	- 133	- 382
- interest portion of finance leases	- 1,437	- 1,475
- interest portion of finance leases of affiliated companies	- 167	- 178
- interest portion of pension provisions	- 493	- 479
- interest on bank borrowings	- 8,872	- 11,034
	- 11,102	**- 13,548**
	- 10,921	**- 13,158**

(9) Income taxes

Tax expenses include the income taxes paid and taxes due as well as deferred taxes of the individual countries. Deferred taxes were calculated using the respective local tax rates. Tax rate changes determined on the balance sheet date have been taken into account for the calculation of deferred taxes. The income tax rates applied range from 16.0 percent to 40.9 percent.

Breakdown of tax charge

(in EUR '000)	2004	2003
Income taxes	15,715	14,972
Deferred taxes	2,776	1,293
	18,491	**16,265**

Deferred taxes include profit-affecting changes to the valuation allowance on deferred tax assets amounting to EUR 66,000 (EUR 3,113,000).

The difference between the actual tax expense and the calculated tax expense calculated at a tax rate of 38.9 (40.0) percent for TAKKT AG, comprises the following:

Tax rate reconciliation

(in EUR '000)	2004	2003
Group profit before tax	51,530	40,632
Expected average tax expense (tax rate of 38.9%, prior year 40.0%)	20,045	16,253
Non-deductible amortisation of goodwill	1,016	1,047
Changes in tax rates	209	- 321
Differences between local and group tax rates	- 3,712	- 2,722
Non-deductible expenses	1,384	3,490
Non-taxable income	- 41	- 1,196
Change/adjustment of deferred tax on losses carry-forwards	563	- 1,176
Taxes related to prior years	- 1,674	242
Other differences	639	619
Corrections for municipal trade tax	62	29
Actual income tax expense	**18,491**	**16,265**

The calculated tax rate is based on the tax rates currently applicable in Germany. Apart from the corporate income tax of 25.0 percent, the solidarity surcharge of 5.5 percent, as well as the average municipal trade tax rate for the German companies were considered. The change of the calculated tax rate is due to the abolition of the flood victim surcharge for German companies.

Earnings per share

	2004	2003
Number of shares issued (in thousand)	72,900	72,900
Weighted number of shares issued (in thousand)	72,900	72,900
Net income (in EUR '000)	32,399	23,695
Earnings per share (in EUR)	0.44	0.33
Cash flow per share (in EUR)	0.78	0.68

Earnings and cash flow per share are calculated by dividing net income (after minority interest) and cash flow (after minority interest), respectively, by the weighted number of outstanding shares.

The Management and Supervisory Boards propose a payment of a dividend of EUR 0.15 per share for the financial year 2004.

3. NOTES TO THE BALANCE SHEET

Fixed assets

The separately disclosed development of fixed assets (see pages 58 and 59) is an integral part of the notes to the consolidated financial statements. The depreciation and revaluation were translated at average rates as in the income statement. The difference to the closing rate is included in the currency translation.

(10) Goodwill

Some of the past acquisitions were made as so-called "asset deals". In asset deals, all assets are acquired separately by the buyer. If the cost of acquisition exceeded the fair value of the individual identifiable assets, the difference was capitalised as goodwill in the individual balance sheet of the respective acquirer. According to IFRS, capitalised goodwill is usually amortised over a period of 20 years. For tax purposes, it is still depreciated over a period of 15 years. The resulting deferred taxes amounted to EUR 8,117,000 (EUR 6,904,000) as of the reporting date.
In the context of the spin-off from GEHE AG (today Celesio AG), the respective goodwill for the German business activities has also been capitalised.
A part of the goodwill for C&H Distributors, USA, is amortised over a period of 25 years. In the context of the initiated revaluation in conjunction with the acquisition in 1988, customer lists and brand names were capitalised separately, which historically had been included in a lump sum for goodwill. Shorter amortisation periods were chosen for these items. Overall, the weighted amortisation period is shorter than 20 years. No subsequent revaluation on the acquisition date was performed for cost-reasons and reasons of recoverability. At 31 December 2004, the net book value of C&H Distributors' goodwill, which is amortised over a period of 25 years, amounted to EUR 1,379,000 (EUR 1,673,000). No unscheduled amortisation has been recognised.
In the scope of the consolidated balance sheet, goodwill positions of individual balance sheets are translated into the reporting currency euro. The value in the consolidated balance sheet is therefore subject to exchange rate changes.

The net book value of goodwill is broken down over the segments as follows:

Net book value of goodwill

(in EUR '000)	2004	2003
KAISER + KRAFT EUROPA	79,379	84,854
Topdeq	0	0
K + K America	103,792	119,402
	183,171	**204,256**

If acquisitions were made as so-called "share deals", proportionate acquisition costs exceeding equity at the time of purchase were capitalised as goodwill on consolidation. At a Group level, this goodwill is also amortised over a period of 20 years. Amortisation is effective outside the individual balance sheet that is relevant for tax purposes. No deferred taxes result from goodwill on consolidation.

The net book value of goodwill on consolidation is broken down over the segments as follows:		
(in EUR '000)	2004	2003
KAISER + KRAFT EUROPA	15,397	16,581
Topdeq	12,843	14,270
K + K America	0	0
	28,240	**30,851**

With effect from the financial year 2005, TAKKT will apply the new standard IFRS 3. According to this standard the goodwill is no longer amortised on a straight-line basis. The recoverability of the goodwill is tested annually for impairment.
For tax purposes, the goodwill of individual balance sheets will continuously be amortised. This amortisation is eliminated in the consolidated statements; deferred taxes have to be recognised at the same time.

If IFRS 3 had already been applied for 2004, there would have been no impairment charge on goodwill.

Due to the abolition of regular depreciation on goodwill additional deferred taxes have to be provided for. In a pro forma application of IFRS 3 in 2004 deferred taxes expense would have to be increased by EUR 4,990,000.

The key earnings figures would have been as follows:

Earnings figures 2004		
(in EUR '000)	2004 pro forma IFRS 3	2004 as reported
EBITDA	87,165	87,165
EBITA	78,153	78,153
EBIT	78,153	62,478
Profit before tax	67,205	51,530
Net income before minority interest	43,724	33,039

In the course of the impending application of IFRS 3 TAKKT has reviewed all key figures used in finance communications. A modification will be necessary for the cash flow definition, to adjust for the distorting effects of deferred taxes. Please see page 62 for further details.

(11) Other intangible assets

Other intangible assets, which mainly consist of computer software, are disclosed at acquisition costs, plus incidental acquisition expenses. These are based on estimated useful lives of usually two to five years. The expensed portion of research and development is negligible according to the company's business activity. As in the previous year, intangible assets were not subject to any restraints on disposal or ownership.

(12) Property, plant and equipment

Fixed assets which are utilised for more than one year are capitalised at acquisition or manufacturing costs less scheduled depreciation. Unscheduled depreciation according to IAS 36 was not required. In accordance with IAS 23.11, financing costs are not capitalised.
Items of property, plant and equipment are mainly depreciated on a straight-line basis corresponding to their respective useful lives.

Periods of depreciation:	
Buildings	10 – 50 years
Plant, machinery and office equipment	3 – 15 years

Substantial residual values according to IAS 16.46 were not considered in the determination of the depreciable amount. In accordance with IAS 17, assets rented or leased whose economic risk and benefits are assumed by the respective company of the Group (finance lease) are capitalised at the fair value or at the present value of lease payments, if lower. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. To determine the cash value, an interest rate of seven percent or, in the case of special leases, the interest rate underlying the lease contract was used. The obligations for future lease instalments are disclosed under borrowings.
As of the balance sheet date, items of property, plant and equipment with a book value of EUR 21,235,000 (EUR 22,266,000) were capitalised as finance leases. This included additions of EUR 984,000 and disposals of acquisition costs of EUR 1,380,000 (net book value 0) for plant, machinery and office equipment. Leased assets of EUR 16,705,000 (EUR 17,825,000) and EUR 4,530,000 (EUR 4,441,000), respectively, are shown under "Land and buildings" and "Plant, machinery and office equipment".
Finance leases were concluded for a general lease term between two and 22 years; some of the agreements include renewal options at market conditions. In the case of special leases or land or building leases, the lessee is usually entitled to exercise a purchase option at the end of the general lease term. The option price is usually equivalent to the residual book value.
As in the previous year, tangible assets, legally and economically owned by the company, are not subject to any restraints on disposal or ownership rights. Maintenance costs are directly expensed if not subject to capitalisation.

(13) Other financial assets

Other financial assets mainly include securities to match statutory personnel obligations in Austria. These securities are valued at fair value.

(14) Other receivables and assets (non-current)

The long-term other receivables and assets include loans to employees, deposits, and a pension plan reinsurance. In the Annual Report 2003 these positions are shown under "Other assets". The loans to employees and deposits are valued according to the redemption amount. The pension plan reinsurance is derived from an actuarial valuation.

(15) Deferred taxes

In accordance with IAS 12, deferred taxes are determined using the "liability method". The expected future tax assets and liabilities are recognised on all temporary differences between the net book value of the accounted amounts and the tax values of assets and liabilities.

Deferred tax assets from deductible temporary differences and tax losses are recognised only to the extent that it is sufficiently probable that the respective company will generate sufficient taxable profit against which the unused tax losses/credits can be utilised.

Allowances on deferred taxes on loss carry-forwards amount to EUR 4,314,000. Time limits for tax loss carry-forwards were taken into account. In the Annual Report of 2003 the deferred tax liabilities were shown under position "Other provisions".

Allowances relate to the following loss carry-forwards:

Loss carry-forwards

(in EUR '000)

Carry-forward amounts	up to 1 year	1 to 5 years	over 5 years	Total
	35	1,911	8,325	10,271

Deferred tax assets and liabilities are recognised for valuation differences on the following balance sheet items:

Deferred tax assets and liabilities

(in EUR '000)

	2004 assets	2004 liabilities	2003 assets	2003 liabilities
Goodwill	0	8,117	0	6,904
Other intangible assets and property, plant and equipment	275	8,517	340	9,261
Inventories	335	403	624	518
Trade receivables and other assets	803	1,632	1,383	1,431
Pension provisions	457	3	508	3
Other provisions	1,388	71	1,372	66
Market value of derivative financial instruments	974	152	2,505	104
Loss carry-forwards	3,569	0	3,296	0
Borrowings	9,965	26	10,373	26
Other	8	703	670	672
Subtotal	**17,774**	**19,624**	**21,071**	**18,985**
Netting	- 12,702	- 12,702	- 11,463	- 11,463
Consolidated balance sheet	**5,072**	**6,922**	**9,608**	**7,522**

Deferred taxes in the amount of EUR 794,000 (EUR 2,384,000) on the market value of derivative financial instruments did not affect profit. An offsetting of balances within the same tax jurisdiction was made for the first time amounting to EUR 2,701,000.

(16) Inventories

(in EUR '000)	2004	2003
Raw materials and supplies	739	664
Work-in-progress	591	651
Finished goods and purchased merchandise	55,415	54,027
	56,745	**55,342**

Inventories are always recognised at acquisition or manufacturing costs or the lower of net realisable value. Generally, an average value or a value determined according to the FIFO approach ("first in, first out") is recognised. The manufacturing costs include not only the directly attributable materials used for production and wages but also appropriate portions of the indirect material and production overheads as well as production-related depreciation. Financing costs are not capitalised since no direct relationship exists as required by IAS 23. An obsolesence reserve of EUR 5,313,000 (EUR 4,537,000) has been made on purchased merchandise, taking into account the expected sell-down period of the inventories. If the reasons for the write-downs no longer apply, the original reserves are released. Unrealised inter-company profits of EUR 444,000 (EUR 291,000) have been eliminated from inventories.

(17) Trade receivables

Trade receivables are recognised at their nominal value. Apart from the required individual value adjustments, they are subject to general allowance to cover identifiable credit risks based on past experience.

(18) Other receivables and assets (current)

(in EUR '000)	2004	2003
Receivables from affiliated companies	173	27
Market value of derivative financial instruments	913	635
Catalogue costs of the following year	14,364	13,924
Other assets	5,974	7,169
	21,424	**21,755**

Other receivables and assets are recognised at their nominal value. Receivables from affiliated companies refer to companies included in the scope of consolidation of the main shareholder that are not included in TAKKT AG's, Stuttgart, consolidated accounts. Most of these receivables relate to companies of the HTS International Group. They are recognised at their nominal value and were not subject to any allowance.

Other assets comprise supplier bonuses. Loans to employees, deposits and a pension plan reinsurance, which were disclosed here in 2003, are now shown under "Other receivables and assets (non-current)". Inter-company profits of EUR 1,257,000 (EUR 1,433,000) were eliminated from catalogue costs of the following year.

(19) Cash

(in EUR '000)	2004	2003
Cheques, cash balances	394	948
Cash at banks	3,574	3,271
	3,968	**4,219**

Cash at banks comprise funds with a maturity of up to three months.

(20) Shareholders' equity

For changes in shareholders' equity, refer to page 60. The issued capital of TAKKT AG remained unchanged at EUR 72,900,000 and is divided into 72,900,000 notional no-par shares. Until 31 May 2005, the Management Board is authorised to increase the issued capital subject to the approval of the Supervisory Board, once or several times, by an amount of up to EUR 36,450,000 by issuing new bearer shares. The Annual General Meeting authorised the Management and Supervisory Boards to buy back its own shares. No use was made of this right.

In the past financial year, German employees again had the opportunity to buy employee shares. Shares acquired at the stock exchange for this purpose were sold to employees, subsidised in accordance with Section 19a of the German income tax act (EStG). A total of 31,725 shares were acquired by 426 employees, which means that approximately 55 percent of all eligible employees made use of this option.

General reserves include the earnings reserves contributed by Group companies since their date of acquisition, the corresponding translation adjustments to present values arising from the currency conversion of assets, as well as liabilities not recognised in the income statement, as well as the total of the consolidation and tax adjustments shown in the income statement.

Other comprehensive income includes changes in the market values of derivatives used to hedge future cash flows. Effects of EUR - 1,241,000 (EUR - 3,732,000) were recognised with no effect on profits, taking into account deferred taxes of EUR 794,000 (EUR 2,384,000).

The shareholders have a claim to the unappropriated profits available for distribution by TAKKT AG provided that the latter is not excluded from distribution to the shareholders by law or statutes by way of a shareholders' resolution or as additional charge due to the profit appropriation proposal.

The Management Board proposes to pay a dividend of EUR 10,935,000 (EUR 7,290,000). This would be equivalent to a dividend of EUR 0.15 per share.

(21) Minority interest

(in EUR '000)	2004	2003
Share in capital and reserves	2,337	2,725
Share in net income for the year	640	672
	2,977	**3,397**

Minority interests exist at KAISER + KRAFT N.V., Diegem/Belgium and Vink Lisse B.V., Lisse/Netherlands. All other companies are wholly owned. A list of the shareholdings of TAKKT AG is shown on pages 92 and 93.

(22) Short- and long-term borrowings

(in EUR '000)

	Maturity within 1 year	Maturity of 1 to 5 years	Maturity of over 5 years	31.12.2004	31.12.2003
Liabilities to banks	16,681	68,455	71,045	156,181	202,944
Finance leases	1,534	4,818	19,027	25,379	25,850
Finance liabilities to affiliated companies	1,398	0	0	1,398	7,033
Other	1,864	1,456	0	3,320	2,740
	21,477	**74,729**	**90,072**	**186,278**	**238,567**
Thereof long-term (maturity > 1 year)				164,801	213,034

The remaining period of the liabilities to banks is equivalent to the respective financing commitments and is aligned with the projected future cash flow of the TAKKT Group. Additionally, TAKKT AG has unused credit lines.
Liabilities under finance lease contracts refer to two properties comprising land and buildings, equipment and IT systems. The cash values of the resulting payment obligations are recognised as liabilities and paid back in leasing instalments according to IAS 17 over the term of the lease. To determine the present value, an interest rate of seven percent was used; in the case of special lease contracts, the underlying interest rate was used.
Finance liabilities to affiliated companies refer to companies of the majority shareholder that are not included in the consolidated financial statements of TAKKT AG. These primarily contain a receivable from Haniel Finance Deutschland, Duisburg, of EUR 9,462,000 (liability EUR 1,318,000) and a payable to Haniel Finance B.V., Venlo, of EUR 10,861,000 (EUR 5,713,000). These balances are the result of the current settlement transactions under the existing cash management system.
By participating in the euro cash management system, the TAKKT Group benefits from potential economies of scale for the euro-zone.
Interest rate swaps and caps are used in the context of the interest hedging strategy. As a general rule, approximately 60 to 70 percent of the exposure from interest expense is hedged (for more details, please refer to "Interest rate management" on pages 87 and 88).

Development of short- and long-term borrowings

(in EUR '000)

	01.01.2004	Currency translation	Additions	Repayments	31.12.2004
Liabilities to banks	202,944	- 8,713	13,215	51,265	156,181
Finance leases	25,850	0	984	1,455	25,379
Finance liabilities to affiliated companies	7,033	0	0	5,635	1,398
Other	2,740	0	580	0	3,320
	238,567	**- 8,713**	**14,779**	**58,355**	**186,278**

Except for liabilities under finance lease contracts, which were reported according to IAS 17, all liabilities were recognised with the redemption amount or the amount payable.

Average net borrowings for the financial year amounted to EUR 211,801,000 (EUR 260,447,000). Liabilities were weighted by month and converted using the average rate method, which was also used in the income statement. Additions to liabilities to banks relate to a comparison of the credit lines being used at the beginning and the end of the year. "Other" includes the issued EVA®-certificates.

Borrowings by currency and interest rate hedges

	31.12.2004 (in EUR '000)	Share in total liabilities (in percent)	Weighted maturity (in years)	Average interest rate (in percent)
Hedged by interest rate swap or fixed rate	64,606	34.7	1.8	7.2
Without hedges	46,490	24.9	5.3	2.2
Subtotal of USD liability	**111,096**	**59.6**		
Hedged by interest rate cap	45,000	24.2	5.1	2.7
Without hedges	1,483	0.8	5.1	2.7
Capitalised fixed-interest lease liability	25,379	13.6	7.4	6.3
Subtotal of EUR liability	**71,862**	**38.6**		
Other	**3,320**	**1.8**	**n/a**	**n/a**
	186,278	**100.0**		

A change in general interest rates may have an effect on the TAKKT Group's future interest payments. Interest rate derivatives are used to reduce this dependence. Based on the general interest rates level at the end of the year, the remaining risk can be appraised considering the cash inflows projected for 2005.

In order to respond flexibly to the requirements of the individual Group companies, short-term finance is occasionally taken without hedging the exposure in the market. A 1.0 percent shift in the 3-month USD LIBOR (2.6 percent at year-end) would result in changed interest expense of approximately USD 431,000. A 1.0 percent shift in the 3-month EURIBOR (2.2 percent at year-end) would result in changed interest expense of EUR 345,000. EUR interest rate caps are used to limit the risk to an EURIBOR rate of six percent, respectively. If market values are determined for the individual liabilities (financial instruments), no major differences against the book values are noticeable. For the sake of simplification, the respective book value is used as an approximate value for liabilities with a maturity of less than one year.

(23) Long-term provisions

(in EUR '000)	2004	2003
Pension provisions	9,326	8,562
Personnel provisions	1,438	1,154
	10,764	**9,716**

The personnel provisions relate to early retirement part-time working arrangements and employee long-service awards. In the Annual Report 2003 they were recognised as a long-term item under personnel obligations in the position "Other provisions". The change since the previous year is the result of the usage of EUR 391,000, a release of EUR 5,000 and an addition of EUR 680,000.

Pension provisions

The defined benefit-related claims from direct pension commitments are determined using the projected unit credit method taking future changes in salaries and pensions into account. The past service cost for the beneficiaries is a function of the scheduled development of the provisions for the defined benefits. Differences between the scheduled pension obligations and the present value of the defined benefit obligation at year end are spread over the average remaining working live of the eligible employees provided that they exceed ten percent of the present value of the defined benefit obligation (corridor approach).
Direct pension commitments in Germany are derived using Prof. Dr Klaus Heubeck's biometric calculation tables of 1998.

For Germany the following parameters apply:

Parameters

(in percent)	2004	2003
Assumed rate of interest	5.0	5.7
Salary trend	2.5	2.5
Pension trend	1.5	1.5

The probability of employee fluctuation was considered individually dependent on the job tenure in the company and the age of the beneficiary.
International commitments are not material and are determined using specific local accounting principles and parameters.

Actuarial profits and losses are shown in the income statement if they exceed 10 percent of the pension commitments (corridor approach). The excess amount is spread over the average residual service life of the workforce concerned.

Reconciliation of pension provisions

(in EUR'000)	2004	2003
Present value of funded obligations	1,451	0
Present value of unfunded obligations	10,807	9,220
Fair value of plan assets	- 1,306	0
Unrecognised actuarial gains and losses	- 1,626	- 658
Unrecognised past service cost	0	0
Net pension commitment at 31 December	**9,326**	**8,562**

Change in the net pension commitments

(in EUR '000)	2004	2003
Defined benefit obligations as of 1 January	8,562	8,032
Modifications affecting profit		
- Service cost	642	366
- Interest expense	493	479
- Amortisation of actuarial gains and losses	7	33
Payments under pension obligations	- 375	- 348
Transfer of commitments	- 3	0
Net pension commitments at 31 December	**9,326**	**8,562**

Some foreign companies, especially in North America, have voluntary, defined contribution-based plans for the payment of benefits after termination of employment. Affected US companies pay a pension contribution for their staff to an external fund after 90 days, one year or two years of service. The amounts range from three to 7.68 percent, respectively, of the employee's salary.

The companies cannot derive any claims from their contribution payments; accordingly, no such assets have been capitalised by these companies. Expenses for defined contribution plans amounted to EUR 2,233,000 (EUR 2,266,000) in the past financial year.

(24) Trade payables

Liabilities are recorded at their respective repayment amounts. With regard to trade liabilities, most of the goods delivered are subject to customary ownership retention rights.
Advance payments from customers are included in this position in the amount of EUR 386,000 (EUR 350,000).

(25) Other liabilities

(in EUR '000)	2004	2003
Market values of derivative financial instruments	2,536	6,558
Uninvoiced goods and services	5,268	5,349
Other tax liabilities	5,060	4,150
Personnel liabilities	3,094	2,920
Accrued interest	1,935	2,318
Social security contributions	1,507	1,548
Other short-term liabilities	7,697	7,947
	27,097	**30,790**
Thereof from taxes	5,060	4,150

In the Annual Report 2003 "Other liabilities" amounted to EUR 30,516,000; the difference is now included in "Other provisions". Derivative financial instruments have both short- and long-term maturities. Maturities are selected dependent on the hedging purpose. Derivative financial instruments referring to long-term underlyings had a market value of EUR 2,409,000 (EUR 6,243,000). The market value itself was recognised as short-term. See also page 87.

(26) Short-term provisions

Provisions are made for statutory or factual obligations to third parties that are based on transactions or incidents in the past, where an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. Based on thorough consideration of all discernible risks, they are recognised at their most likely amount and not offset against recourse claims.

Changes in short-term provisions

(in EUR '000)	01.01.2004	Currency translations	Usage	Release	Addition	31.12. 2004
Staff bonuses	3,555	- 198	3,197	127	5,695	5,728
Personnel obligations	357	- 7	248	43	1,112	1,171
Customer credit notes	1,647	- 79	1,122	66	1,374	1,754
Other short-term provisions	641	0	574	11	432	488
	6,200	**- 284**	**5,141**	**247**	**8,613**	**9,141**

The release and addition to provisions were converted at average exchange rates as in the income statement. The difference to the closing rate is included in currency translation. An amount of EUR 274,000 was reclassified to other liabilities at 1 January 2004.

Personnel obligations relate to severance payments.

(27) Income tax liabilities

This position was disclosed under "Other provisions" in the Annual Report 2003.

4. DERIVATIVE FINANCIAL INSTRUMENTS

Fluctuations in exchange rates and interest rates in the international money and capital markets represent the greatest price risks for the TAKKT Group. Derivatives are used to reduce these risks. At the same time potential opportunities should be taken.
The Group's risk management system takes care of the uncertainties of future development of financial markets. It is designed to limit the negative effects of such risks on the Group's financial performance.
A central Treasury Department supports the individual divisions in identifying, evaluating and hedging financial risks. In this context, the principles and guidelines approved by the Management Board are complied with.

Application of IAS 39

All derivatives used to hedge future cash flows are recorded at their fair values under other receivables and assets or other liabilities. Derivatives used to hedge intra-group receivables and liabilities are recognised in the consolidated financial statements. The TAKKT Group does not hold any material financial assets classified as "available-for-sale" or "held-for-trading". The total nominal value of all derivative financial instruments can exceed the hedged items. As part of a continuous hedging strategy, derivatives are implemented in sequence. With respect to the sum of the nominal values, the maturity dates are not relevant.

Currency management

The TAKKT Group possesses own distribution companies in over 20 countries; approximately 55 percent of the consolidated turnover is generated in a currency other than the reporting currency.
To limit risks, the TAKKT Group preferably manages payments in the local currency. For the key currencies purchases and sales of the offered products are generally conducted in the same currency in order to minimise sensitivities to exchange rate fluctuations. Exchange rate risks remain for less than ten percent of Group sales, particularly from inter-company transactions.
These remaining risks are usually assumed by the respective delivering entity. The foreign currency amounts to be sold on the respective dates are determined based on the turnover projections of the individual companies. Roughly 60 to 70 percent of the exposure is hedged by derivatives, preferably forward currency contracts. The projected turnover and payments are usually considered for one catalogue cycle.
All currency instruments used within TAKKT Group to hedge foreign currency turnover are classified as cash flow hedges. Derivatives were reported at their respective fair values with no effect on profits. According to the hedge accounting provisions, all effective hedging relationships were documented. Deferred taxes were provided for on the market values with no effect on profits, taking the specific local tax rates into account.
All derivative financial instruments used in the past financial year could be effectively allocated to an underlying transaction. At a Group level, only market values from derivative financial instruments related to the hedging of inter-company loans had an effect on profits.
Intra-group loans involving more than one currency, are hedged by foreign currency swaps. This locks in prices for intra-group financing transactions. Accordingly, the Group is not exposed to any risk from exchange rate movements.
While the individual company can establish a relation between the derivative instrument and the underlying transaction, so that the derivative may be recognised without affecting profits, the underlying transaction is eliminated in the context of the Group's debt consolidation. From the Group's perspective, the derivative used is no longer earmarked for hedging purposes and is therefore recognised with effect on profits.

Contracts used to hedge future expected turnover or intra-group finance transactions have maturities of one to twelve months. No "netting" of currency derivatives occurred.

Currency hedging (in EUR '000)	Nominal value 2004	Market value 2004	Nominal value 2003	Market value 2003
Currency derivative financial instruments	39,225	553	40,148	216
Thereof from intra-group finance transactions	14,496	- 71	14,587	- 45

The market values of currency forward contracts are determined using Richmond Software Ltd.'s Odyssey treasury system. The market value of a currency forward contract is equivalent to the cash value of the difference between the conversion of the nominal amount at the fixed forward rate and the conversion at the current forward rate on the relevant date.

Interest rate management

Interest payments on liabilities are protected against negative effects of rising interest rates. Generally a risk corridor is targeted that limits the negative effects of interest rate increases while at the same time offering the possibility to benefit from interest rate decreases. The level of the risk corridor is mainly determined by the future free cash flow available to repay borrowings. Interest rate derivatives are mainly used for liabilities with floating interest rates; the TAKKT Group currently uses interest rate swaps and interest rate caps. The table below shows the hedged nominal volumes and the market values of the respective interest rate hedges. The market value represents the present value of all payments for the difference of the interest rate level as of the closing date and the balance sheet date. A "netting" of these transactions does not occur.

Interest rate hedges (in EUR '000)	Nominal value 2004	Market value 2004	Nominal value 2003	Market value 2004
Interest rate swaps	74,606	- 2,409	81,156	- 6,243
Interest rate caps	91,708	233	96,129	104
	166,314	**- 2,176**	**177,285**	**- 6,139**

Interest rate swaps and interest rate caps are valued based on contract counterpart valuations.
The market value of an interest rate swap is equal to the cash value of the future cash flow resulting from this derivative instrument. The cash flows are discounted using maturity-matched interest rates in line with the interest rate curves of the respective currency. The market values of the interest rate caps are determined using the Black-and-Scholes-method.
All interest rate derivatives used by the TAKKT Group are classified as cash flow hedges.

Breakdown of derivative financial instruments

(in EUR '000)	Maturity within 1 year	Maturity 1 to 5 years	Maturity over 5 years	31.12.2004
Currency forward contracts	39,225	0	0	39,225
Interest rate swaps	10,645	63,961	0	74,606
Interest rate caps	25,000	66,708	0	91,708
	74,870	**130,669**	**0**	**205,539**

Additional information on derivative and hedge accounting

Derivatives are recognised in the balance sheet at their fair values. On the day the contract is signed, at the latest, a hedging relationship is established between the derivative financial instrument and an underlying transaction.
This may either serve to hedge the fair value of a balance sheet asset or liability or to hedge a planned transaction (cash flow hedging). Derivative transactions are not held for trading purposes or for reasons of speculation. Changes of the fair value of an effective derivative used to hedge the fair value of an asset or liability, are recognised in the income statement, as changes of the fair value of the underlying transaction. These normally contrary changes offset each other within the income statement.
Changes of the fair value of an effective derivative used to hedge future cash flows are recognised in shareholders' equity with no effect on profits (cf. Consolidated statement of changes in total equity, page 60).
Changes of the fair value of derivatives that do not meet the requirements for hedge accounting are recognised in the income statement. Accordingly, changes of the fair value from intra-group hedges of EUR - 27,000 (EUR - 81,000) were recognised in the income statement. No other recognitions had to be made.
The Group documents all relations between hedges and the underlying transactions. As part of this approach, a relation is established between all derivatives used as hedging instruments and specific assets, liabilities, firm commitments or projected future transactions. Moreover, the Group evaluates and documents, on a continuous basis, whether the used derivatives still classify as effective with regard to the compensation for changes of the fair values or cash flows of the items hedged.
The default risk from derivative financial instruments is the risk of default of a contractual partner. Thus the maximum amount at risk equals the positive market values recognised less the negative market values with the same contractual partner. Since financial transactions are only concluded with first-class counter parties, the actual risk of default can be considered low.

Determination of fair value

The fair values of publicly traded derivatives, securities and other financial investments are based on the publicly available market values prevailing on the balance sheet date. They are represented by market prices or evaluations issued by banks in the context of OTC-trading (over-the-counter).

5. OTHER NOTES

Contingent liabilities

(in EUR '000)	2004	2003
Right of recourse from lease agreements	684	690

Letters of comfort for special purpose leasing companies are not disclosed as these liabilities are already included under borrowings.

German Corporate Governance Code

The declaration on the recommendations made by the "Government Commission on the German Corporate Governance Code" required under section 161 of the German Stock Corporation Act was issued and made available to the shareholders on the website of TAKKT AG under www.takkt.de (see pages 40 to 42).

Information on Directors' Dealings

According to section 15a (Directors' Dealings) of the German Securities Trading Act (WpHG), persons who perform management functions at a company that is an issuer of shares as well as natural and legal persons closely related to that person must notify both the issuer and the Federal Banking Supervisory Office of their own dealings involving the issuer's shares or related financial instruments.

TAKKT AG received the following notifications for the financial year 2004: sale of 7,500 TAKKT bearer shares (SIN 744 600) at EUR 6.75 per share on 15 June 2004 and of 5,000 such shares at EUR 6.95 per share on 9 August 2004 by Mrs Waltraud Wätjen, Gielde/Germany, wife of Johann Diedrich Wätjen, member of the Supervisory Board of the TAKKT's parent company, Franz Haniel & Cie. GmbH, Duisburg.

Commitments for capital expenditure

(in EUR '000)	2004	2003
Due in the following year	310	753

Contingent claims and liabilities

At 31 December 2004 there were contingent receivables in connection with early retirement part-time working arrangements. The amounts were negligible. Furthermore, no material contingent liabilities have to be recognised.

Leasing and other financial obligations

(in EUR '000)	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Minimum lease payments	**3,059**	**10,192**	**19,695**	**32,946**
Remaining obligation	0	0	6,527	6,527
Discounted value	- 1,525	- 5,374	- 7,195	- 14,094
Cash value	1,534	4,818	19,027	25,379
Thereof minimum lease payments to affiliated companies	354	1,417	532	2.303
Operate leases				
Minimum lease payments	**8,898**	**22,285**	**12,581**	**43,764**
Thereof minimum lease payments to affiliated companies	130	20	0	150
Total	**11,957**	**32,477**	**32,276**	**76,710**
Thereof to affiliated companies	484	1,437	532	2,453

Most of the finance lease contracts are eligible for exercising call options at the fair value or options to extend at leasing rates prevailing in the market. Operate lease contracts mainly refer to rental obligations for office and warehouse facilities.

Accounting methods differing from German GAAP

These IFRS consolidated financial statements differ in respect of the following methods as used under German GAAP:

- Goodwill from the individual companies is amortised over 20 years (according to German GAAP 15 years).
- Goodwill on consolidation is amortised over a period of 20 years.
- The straight-line method of depreciation is used as the standard depreciation method. In accordance with German GAAP (Leases), leased tangible assets are recognised as assets with the resulting liabilities provided that the companies of the TAKKT Group are perceived the economic owners of the assets.
- Deferred taxes are recognised for all temporary and quasi-permanent differences between tax values and IFRS values. Deferred taxes are provided for on losses carry-forward presuming that they can be used with sufficient certainty.
- Under German GAAP catalogues not yet dispatched are not recorded in inventories, but in other receivables and assets. Catalogues are not completely expensed on dispatch, but written off over the life of the catalogue.
- Accruals with a high degree of certainty as specified in IAS 37 are reclassified to other liabilities.
- In accordance with IAS 19, pension provisions were recognised using the projected unit credit method taking future increases in salaries and pension trends into account.
- Derivative financial instruments are used to limit the potential effects of interest rate and currency risks resulting from operating activities. The TAKKT Group only uses derivatives to hedge future cash flows. In accordance with IFRS, the respective fair values are recognised in the balance sheet. They have no material effect on the profits, they are recognised as other comprehensive income in shareholders' equity.

Related-party transactions

Given that the majority of TAKKT AG is owned by Franz Haniel & Cie. GmbH, the Management Board is obliged, according to section 312 of the German Stock Corporation Act, to issue a report on the company's relations with affiliated companies. This report describes TAKKT Group's relations with Franz Haniel & Cie. GmbH and its affiliated companies as defined in section 15 of the German Stock Corporation Act including the financial effects of such relations. This so-called "dependence report" was reviewed by the Supervisory Board and the auditors of TAKKT AG, who raised no objections. No material business relations existed with other related parties as defined by IAS 24, in particular the Management and Supervisory Boards. TAKKT AG, or any of its Group companies, received appropriate value for all legal transactions. The Management Board is convinced that TAKKT Group was not put at a disadvantage in any of these transactions.
All transactions with affiliated companies were contractually agreed and were carried out at terms that are customary for transactions with third parties outside the TAKKT Group. The business relationships mainly focus on the provision of general services. The claims and liabilities resulting from these transactions are recognised in the explanations of the respective asset and liability items in the notes to the consolidated balance sheet by amount and type. Income and expenses resulting from financing activities are recognised in the financial result. Turnover, other income and other operating expenses of affiliated companies are disclosed under the respective items.

Total remuneration of the Management and Supervisory Boards

The total remuneration of the Management Board amounted to EUR 1,939,000 (EUR 1,806,000). This comprises a fixed component of EUR 749,000 (EUR 724,000), and a variable component of EUR 1,190,000 (EUR 1,082,000). The variable component is subject to the development of cash flow and economic value added compared to the prior year and the budget.
The reimbursement of expenses to the Supervisory Board was EUR 10,000 (EUR 9,000). An accrual of EUR 235,000 (EUR 235,000) was made to cover remuneration payments. There are no further claims or obligations to members of the Supervisory Board.
As of 31 December 2004, the members of the Management Board of TAKKT AG held 7,691 (7,826) shares, while the Supervisory Board members held 31,651 (34,451) shares. With the exception of EVA®-certificates of EUR 1,813,000 (EUR 1.694.000) and the usual amounts due according to the employment contracts, no further claims or obligations existed to members of the Management Board. Contributions to pension plans for members of the Management Board in the past financial year amounted to EUR 190,000 (EUR 207,000).

Exemption from disclosure obligations

Pursuant to Section 264 para. 3 HGB, the following companies are exempt from the obligation to disclose their financial statements:

KAISER + KRAFT EUROPA GmbH, Stuttgart
KAISER + KRAFT GmbH, Stuttgart
Gaerner GmbH, Duisburg
Topdeq Service GmbH, Pfungstadt
Topdeq GmbH, Pfungstadt

TAKKT AG, Stuttgart, – marked with number one in the following table – has a direct or indirect interest in the following companies:

Subsidiaries of TAKKT AG, Stuttgart, at 31 December 2004

No.	Affiliated companies	held by no.	Capital investment (in percent)
1	TAKKT AG, Stuttgart/Germany		
2	KAISER + KRAFT EUROPA GmbH, Stuttgart/Germany	1	100.00
3	KAISER + KRAFT GmbH, Stuttgart/Germany	2	100.00
4	KAISER + KRAFT Gesellschaft m.b.H., Hallwang/Austria	2	100.00
5	KAISER + KRAFT N.V., Diegem/Belgium	2	50.00
		13	42.00
6	KAISER + KRAFT AG, Cham/Switzerland	2	100.00
7	KAISER + KRAFT s.r.o., Prague/Czech Republic	2	99.80
		27	0.20
8	KAISER + KRAFTS.A., Barcelona/Spain	2	100.00
9	Frankel S.A.S., Morangis/France	2	100.00
10	KAISER + KRAFT Ltd., Watford/Great Britain	2	100.00
11	KAISER + KRAFT Kft., Budaörs/Hungary	2	100.00
12	KAISER + KRAFT S.p.A., Lomazzo/Italy	2	100.00
13	Vink Lisse B.V., Lisse/Netherlands	2	83.33
14	KAISER + KRAFT S.A., Lisbon/Portugal	2	100.00
15	KAISER + KRAFT Sp.z o.o., Warsaw/Poland	2	100.00
16	Gaerner GmbH, Duisburg/Germany	2	100.00
17	Gaerner Gesellschaft m.b.H., Elixhausen/Austria	2	100.00
18	Gaerner AG, Baar/Switzerland	2	100.00
19	Hoffmann Bedrijfsuitrusting B.V., Zeist/Netherlands	2	100.00
20	Powell Mail Order Ltd., Llanelli/Great Britain	2	100.00
21	Gerdmans Inredningar AB, Markaryd/Sweden	2	100.00
22	Gerdmans Kontor-og Lag.A/S, Nivaa/Denmark	21	100.00
23	Gerdmans Sisustuse OÜ, Tallinn/Estonia	21	100.00
24	Gerdmans Innredninger A/S, Sandvika/Norway	21	100.00
25	Gerdmans OY, Espoo/Finland	21	100.00
26	KWESTO Service s.r.o., Prague/Czech Republic	2	99.93
		7	0.07

No.	Affiliated companies	held by no.	Capital investment (in percent)
27	KWESTO s.r.o.,Prague/Czech Republic	26	100.00
28	KWESTO Kft., Györ/Hungary	26	100.00
29	KWESTO Sp.z o.o., Wroclaw/Poland	26	100.00
30	KWESTO s.r.o., Nitra/Slovakia	26	100.00
31	KAISER + KRAFT K.K., Chiba/Japan	2	100.00
32	Topdeq Service GmbH, Pfungstadt/Germany	1	100.00
33	Topdeq Ltd., London/Great Britain	32	100.00
34	Topdeq GmbH, Pfungstadt/Germany	32	100.00
35	Topdeq AG, Hünenberg/Switzerland	32	100.00
36	Topdeq S.A.S., Tremblay en France/France	32	100.00
37	Topdeq B.V., Mijdrecht/Netherlands	32	100.00
38	Topdeq Corporation, Cranbury/USA	39	100.00
39	America Design Holding Inc., Cranbury/USA	40	100.00
40	TAKKT America Holding Inc., Milwaukee/USA	1	100.00
41	K + K America Corporation, Milwaukee/USA	40	100.00
42	C&H Distributors LLC, Milwaukee/USA	41	100.00
43	Avenue Industrial Supply Co. Ltd., Toronto/Canada	41	100.00
44	Conney Safety Products LLC, Madison/USA	41	100.00
45	Hubert Company LLC, Harrison/USA	41	100.00
46	C&H Productos Industriales SRLCV, Mexico City/Mexico	41	99.97
		42	0.03

	Associated companies	held by no.	Capital investment (in percent)
47	Simple System GmbH & Co.KG, Munich/Germany	2	30.00

Members of the Management and Supervisory Boards

Supervisory Board:

- Dr Klaus Trützschler (Chairman since 4 May 2004), Gelsenkirchen
  Born 11 December 1948
  Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
  Member of the Supervisory Board of Allianz Versicherungs-AG, Munich, since April 2004
  Member of the Supervisory Board of Bilfinger Berger AG, Mannheim
  Member of the Supervisory Board of Celesio AG, Stuttgart, since December 2004
  Member of the Supervisory Board of Heitkamp-Deilmann-Haniel GmbH, Herne, until May 2004
  Member of the Supervisory Board of Readymix AG, Ratingen
- Günther Hülse (Chairman until 4 May 2004), Krefeld
  Born 21 November 1942, died 30 November 2004
  Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg, until November 2004
  Chairman of the Supervisory Board of Metro AG, Düsseldorf, until June 2004
  Member of the Supervisory Board of Allianz Lebensversicherungs-AG, Stuttgart, until June 2004
  Member of the Supervisory Board of Celesio AG, Stuttgart, until November 2004 (Chairman until April 2004)

- Dr Dieter Schadt (Vice Chairman), Mülheim an der Ruhr
  Born 6 March 1936
  Former Chairman of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
  Member of the Supervisory Board of Delton AG, Bad Homburg
  Member of the Supervisory Board of Esso Deutschland GmbH, Hamburg
  Member of the Supervisory Board of Exxon Mobil Central Europe Holding GmbH, Hamburg
  Member of the Supervisory Board of Lufthansa Service Holding AG, Kriftel
  Member of the Supervisory Board of Rheinmetall AG, Düsseldorf
  Member of the Supervisory Board of RWE Umwelt AG, Essen
- Walter Flammer, Esslingen
  Born 9 February 1947
  Manager Organisation at KAISER + KRAFT EUROPA GmbH, Stuttgart
- Dieter Kämmerer, Holzgerlingen
  Born 6 March 1936
  Former Chairman of the Management Board of GEHE AG, Stuttgart
  Member of the Supervisory Board of GEHE Pharma Handel GmbH, Stuttgart
  Member of the Supervisory Board of Allianz Private Krankenversicherungs-AG, Munich
- Michael Klein, Hamburg
  Born 5 April 1956
  Non-Executive Chairman of Rapp Collins Agency/Direct Friends, Hamburg
- Thomas Kniehl, Stuttgart
  Born 11 June 1965
  Logistics employee at KAISER + KRAFT GmbH, Stuttgart
  Chairman of the joint works council of KAISER + KRAFT GmbH, Stuttgart, and KAISER + KRAFT EUROPA GmbH, Stuttgart
- Julian Matzke, Stuttgart
  Born 2 October 1962
  Logistics employee at KAISER + KRAFT GmbH, Stuttgart
- Prof. Dr Dres. h. c. Arnold Picot, Gauting
  Born 28 December 1944
  University professor
  Chairman of the Supervisory Board of datango AG, Berlin
  Chairman of the Supervisory Board of Sartorius AG, Göttingen
  Member of the Supervisory Board of wunder media GmbH, Munich

Management Board:

- Georg Gayer (Chairman), Eberdingen-Nußdorf
  Vice Chairman of the Supervisory Board of Rectus AG, Eberdingen-Nußdorf
- Dr Florian Funck (Controlling and Finance), since 1 June 2004, Stuttgart
  Member of the Supervisory Board of SmartLoyalty AG, Wiesbaden
- Alfred Milanello (Information Technology and Organisation), Ditzingen
- Franz Vogel (Sales), Leinfelden-Echterdingen
- Dr Felix A. Zimmermann (Controlling and Finance), until 31 May 2004, Wachtendonk

Post balance sheet events

No events occurred after the balance sheet date which have a material impact on the net worth, financial or earnings position of the Group.

Stuttgart, 28 February 2005

TAKKT AG

The Management Board

Audit Report

We have audited the consolidated financial statements prepared by TAKKT AG, Stuttgart, for the year ended 31 December 2004. The preparation and contents of the consolidated financial statements are the responsibility of the company's Management Board. Our responsibility is to express an opinion as to whether the consolidated financial statements comply with International Financial Reporting Standards (IFRS).

We conducted our audit of the consolidated financial statements in accordance with German audit regulations and the standards for the audit of financial statements promulgated by the German "Institut der Wirtschaftsprüfer (IDW)", also in accordance to the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit in a way which gives reasonable assurance that the financial statements are free from material misstatement. Evidence supporting valuations and information disclosed in the consolidated financial statements is examined on a random sample basis. The audit includes a review of the accounting principles used and significant estimates made by the legal representatives as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net worth, financial and earnings position of the Group in accordance with IFRS. Our audit, which also covered the Management Report of TAKKT AG and the Group for the year ended 31 December 2004, raised no objections.

In our opinion, the Management Report of TAKKT AG and the Group provides a fair view of the situation of TAKKT AG and the Group, while presenting an adequate description of future risks as well. We also confirm that the consolidated financial statements and the Management Report of TAKKT AG and the Group for the year ended 31 December 2004 fulfil the requirements for the company's exemption from the duty to prepare consolidated financial statements and a Group Management Report under German law.

Stuttgart, 28 February 2005

Dr Ebner, Dr Stolz und Partner GmbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Gerhard Weigl	Wolfgang Berger
Auditor	Auditor

Glossary

AVERAGE ORDER VALUE
The value of incoming orders is the number of all orders in relation to the average order value. The average order value is influenced by the product range featured in the catalogue and by the economic development. Exchange rate changes also influence the calculation of the average order value for the TAKKT Group.

B2B OR BUSINESS-TO-BUSINESS
Supplier and customer relationships are deliberately established only between corporate customers.

CAD PLANNING
Abbreviation of Computer Aided Design. CAD software can be used, e.g. to furnish office rooms "virtually".

CONSOLIDATION
Consolidation serves the purpose of creating a consolidated accounts from the data provided by individual accounts from all companies in the Group. In the course of the consolidation Group internal transactions are eliminated. The Group accounts comprise a number of companies and show the Group as if it were a single entity.

CORPORATE GOVERNANCE
Company management according to specific rules, regulations, statutes and recommendations, with a special focus on shareholder relations and communication.

DEBT REPAYMENT PERIOD
This figure defines the arithmetical duration of debt repayment in years. At TAKKT AG, it is defined as "average net borrowings/cash flow".

DEFERRED TAXES
Differences between tax regulations and the IFRS regulations for the determination of profits result in different tax burdens. These differences are shown as deferred items on the assets side or the liabilities side of the balance sheet.

DERIVATIVE FINANCIAL INSTRUMENTS
Certificate or contract which refers to another – usually tradable – asset. These derivative financial instruments are usually also tradable. Derivatives include interest rate swaps, currency forwards and currency options.

DROP SHIPMENT BUSINESS
Goods ordered by the customer – including bulky items – are delivered by the supplier directly to the customer. The invoicing procedure is the same as with the warehouse business.

DUPLICABLE SYSTEMS BUSINESS
Ideally, product programs, processes and IT systems are transferred to new customer groups or regions without modification. In the TAKKT Group, existing catalogues are "duplicated" to other regions by transferring the existing catalogue to the language and currency of the target country, where it is then mailed. All other systems, e.g. the mail order center in Kamp-Lintfort and the IT systems, can thus be utilised more effectively.

EBIT
Earnings before interest and tax.

EBITA
Earnings before interest, tax and amortisation.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

E-COMMERCE
Commerce via the Internet; also includes e-procurement in the wider context of the word.

ECONOMIC VALUE ADDED (EVA®, REGISTERED TRADEMARK OF STERN STEWART CO.)
The result generated is seen in relation to the total cost of capital, i.e. the cost of equity and debt. If the company generates a return that exceeds the cost of capital, value is added.

E-PROCUREMENT
The electronic catalogue available on the Internet is edited for Intranet use by selected customers. This procurement approach allows the customer to save on transaction costs.

GEARING
Gearing measures the ratio between the shareholders' equity and net borrowings. This ratio is calculated by dividing net borrowings by the shareholders' equity.

HEDGING
Protection against interest rate, currency and price risks, etc. through the use of derivatives such as option or forward deals which (largely) cover the risks of the underlying transaction.

HIGH AVAILABILITY
Central IT hardware and network system in which two identical systems work in parallel to ensure high performance and data integrity. The central provision of the system reduces service and maintenance costs and ensures that a standardised system is used in the affiliated companies.

INTEREST COVER
Relation between an earnings figure, e.g. EBITA, and net interest expense.

INTEREST RATE CAP
Derivative financial instrument – a guaranteed interest rate limit acquired against payment of a premium. If the interest rate exceeds the cap, the seller of the interest rate cap pays the difference to the acquirer.

INTEREST RATE SWAP
Derivative financial instrument – an agreement between two parties to swap interest payments on the basis of different interest rates. For instance, floating interest rates may be exchanged for fixed interest rates.

INTERNET TELEPHONY (VOICE OVER IP)
Realtime voice transmission over data lines.

INVENTORY MANAGEMENT SYSTEM
Software which manages and documents all inventories, movements of goods and business processes. Open orders are constantly monitored for their status. Upon delivery, all necessary delivery notes and invoices are produced automatically.

MAIL ORDER CENTER
Apart from the warehouse function, i.e. taking goods into or out of stock, a mail order center also fulfils other functions such as strict quality control. Moreover, typical drop shipment items ordered by international customers are combined with stock items for delivery to the customer, thus optimising the transport channels.

MARKET VALUES
Balance sheet items are recognised at the value that can be realised in a market – e.g. the stock exchange – as of the reporting date.

NET BORROWINGS
Net borrowings is the balance of all interest-bearing liabilities and liquid funds reported in the balance sheet.

ORDER PICKING
Compilation of different items into a single shipment to the customer.

RATING
Summary of a systematic evaluation of a company according to previously defined criteria.

RESPONSE RATE
Reaction of the (potential) customer to advertising material. The response rate establishes a relation between the orders received and the amount of advertising material mailed.

RISK MANAGEMENT
Systematic approach to identifying and assessing potential risks for a company and choosing and implementing measures to avoid these risks and to reduce the potential negative effects.

STOCK SHIPMENT
Goods ordered by the customer are delivered from the warehouse. Products are kept in stock by the TAKKT companies.

TRANSLATION RISK
Valuation risk resulting from accounting regulations for the translation of items contained in individual financial statements prepared in foreign currencies.

Financial calendar 2005

23	March	Financial statements press conference in Stuttgart
23	March	DVFA-Analyst conference in Frankfurt/Main
28	April	Interim report for the 1st quarter
3	May	Annual general meeting in Ludwigsburg
4	August	Interim report for the 1st and 2nd quarters
3	November	Interim report for the 1st – 3rd quarters

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TAKKT AG is member of

TAKKT AG is listed in

The annual report is published in German and English.
In case of doubt the German version is authoritative.

Photographic concept, conception, editors and realisation:
Pleon Kohtes Klewes, Düsseldorf

Printer:
Gebrüder Kopp GmbH, Cologne
Photos:
Frank Reinhold, Düsseldorf
Lithography:
digibox, Düsseldorf

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