

# Operational review

## – Europe and Pacific Rim



Steinhoff is a leading supplier of furniture in the highly fragmented European market. We host a broad product spectrum ranging from mass-produced catalogue furniture to high-quality branded product. Our European activities consist of a network of trading, manufacturing, retail and distribution operations. The trading companies and distribution centres are located throughout Europe, while the manufacturing operations are located primarily in Poland, Hungary, Ukraine, Germany, the UK and the Netherlands. Our centralised international sourcing division is located in China. Products manufactured in our European facilities are primarily sold to western European retailers, including our own retail outlets such as Harveys, Bensons for Beds, Sleepmaster and Bed Shed in the UK and Quattro Mobili and Andante in Hungary. Products are distributed either directly from the factories or via our centralised distribution centres strategically located throughout Europe. In Europe, as elsewhere, our strategy is to source and produce goods in lower-cost emerging economies and sell into developed economies. This division made significant further investments in intellectual property through the development and acquisition of brands and trademarks.

### Market

Trading conditions in continental Europe remain competitive, despite moderate signs of recovery. The consolidation trend in these markets continues and the group is well positioned to continue to evaluate the

resulting opportunities. During the year under review, organic growth was mostly achieved through increased market coverage as a result of increased depth and breadth of both our product and price ranges brought about by our increased sourcing capabilities. The investments in developing and acquired brands have benefited both the group and its strategic retail partners. The Polish and Hungarian operations performed well. The Benelux region, through its accelerated roll out of the Henders & Hazel concept, has shown a satisfying improvement in profitability towards the latter part of the financial year. In addition to growth in existing markets, the group continues to pursue and secure new markets. In the UK, the group should continue to benefit from its investment in Homestyle. Despite difficult trading conditions but following decisive restructuring actions, Homestyle is now well positioned to grow. The commercial relationship with Steinhoff, as a significant supplier to Homestyle, has exceeded initial expectations and benefited the group through incremental business gained from this retail distribution base. Steinhoff's UK manufacturing businesses delivered a strong performance and are well positioned for significant growth. Consumer confidence and spending patterns in the Pacific Rim region were subdued, with the furniture retail market in Australia and New Zealand remaining static during the year under review. Focused rebranding initiatives, the development and store roll outs of the new brand, BayLeatherRepublic, and store format conversions are showing signs of improvement. The International

Sourcing division in China continued to perform well and is rapidly becoming a key contributor to the continued success of the divisions it serves within the group.

## Revenue

Revenue from our European operations for the year was €1 830 million, increasing 61% from €1 138 million. A substantial portion of this increase was attributable to the first-time consolidation of the full-year results of Homestyle, which became a subsidiary with effect from July 2005.

## German region

We remain a leading supplier and distributor of furniture in the "German" region comprising mainly Germany, Austria, Switzerland, Scandinavia and Hungary. The German regional operations also supply and distribute, to a smaller degree, to Asia, Poland, the Baltic States, and are currently expanding into the United Arab Emirates. This region's primary customers are large mail order companies, discount mass market retailers and members of independent buying groups. During 2005, dedicated Steinhoff retailers were added to the customer mix, which increased market penetration. The region's main product offering is case goods, upholstered furniture, including motion furniture and mattresses. Operations consist of five production facilities in Germany, eight in Poland, two in Hungary and two logistic centres in Germany. The retail chain Quattro Mobili in Hungary also forms part of the German operations.

Germany has the largest furniture market in Europe, with an estimated ex-factory value of USD20,4 billion (for the 2004 calendar year, as estimated by CSIL Milano) and its spending per capita on furniture is ranked among the top five countries in the world. The German market is highly fragmented, with no manufacturer having more than a 5% market share. CSIL Milano estimates Steinhoff to have a market share of between 3% and 5%. Despite the fact that the German furniture market has been in a declining phase, Steinhoff Germany has managed to increase revenue by double-digit percentage in euro terms, for the past eight financial years. This growth is mainly attributable to market share gains at the expense of other industry

participants and our increasing presence in the mail order market. The branding strategies will continue to contribute to margin growth of the group.

Furniture is sold through specialised trading companies focused on specific products, and each company holds a dedicated sales force. Products are distributed from the German region, either directly from our central and eastern European factories or via the central distribution facilities in Westerstede and Leinefelde. The majority of sales in this region consist of sales of products manufactured in the Polish and Hungarian factories. Products sold under the Hukla brand are mainly produced in Germany.

The division's five upholstery factories in Poland are largely dedicated to manufacture a variety of leather and fabric upholstered furniture, primarily for export to Germany, Austria, Switzerland, Scandinavia and the UK. The three case goods facilities in Poland produce a wide range of diningroom furniture, wall units, livingroom furniture and laminated wood products for export, predominantly in fully assembled form. These factories are dedicated to the production of case goods products sold under our Klose brand.

We operate two manufacturing and various retail facilities in Hungary. Kanizsa Trend in Hungary is a mid- to upmarket leather-upholstered furniture producer that sells approximately 35% of its products in Hungary and exports the balance to Germany, Austria, Switzerland, the Benelux countries and the UK. A 12% growth in the domestic market was achieved mainly as a result of the successful brand-building exercise on the Andante brand. Kanizsa Trend will continue with efficiency-raising investments to ensure better market position. In line with our vertical integration strategy, we have undertaken our own retail operations in Hungary due to the absence of existing independent retail distribution channels. The Quattro Mobili retail chain is developing a franchise system. We plan to open approximately 20 franchise shops in eastern Europe in the next five years. Quattro Mobili has a new product portfolio and has shown dynamic growth of 20%.



Markus Jooste

The other Hungarian facility, Danubia Mohács, is a chair factory specialising in leather diningroom chairs, most of which are exported and sold in Germany, Austria, Switzerland and in the UK. Products are distributed and sold into the local market through our owned retail operations. Danubia Mohács showed encouraging growth during the year and turnover nearly doubled compared to last year.

Our competitive advantage results from our focus on quality and service, innovation and strategic alliances with key customers. Our integrated concept enables customers to furnish a whole room with Steinhoff furniture, providing us with a further competitive edge. This approach is supported with strong brands which included brands under license, developed and acquired brands.

The integrated concept stimulates volume, as new ideas for complete room settings result in impulse purchases. The Esprit collection, for example, is a branded collection of various kinds of furniture under one style and presented in one concept. The Esprit collection is only offered to exclusive retailers. The Esprit furniture collection was successfully introduced to our product collection in Cologne in 2006 and we currently have 120 Esprit partners throughout Europe. The Esprit brand will ensure strong growth in the new financial year. Through our focus on

innovation we have become the leader in upholstered cover materials (fabric and leather) in our chosen markets.

We continue to extend our product range to include children's furniture under the Janosch brand umbrella.

During 2005, the benefits from our centralised international sourcing division in China resulted in further growth in our European division.

Both Harveys, Homestyle's furniture retailer, and the German division were able to capitalise on the synergies brought about by the group's investment in Homestyle. The efficiencies and increased volume in the German division resulted in better supplier terms and stock management for both Harveys and the Steinhoff factories that supply them. Together with Harveys we developed a new concept, Flexible Living, which was launched in the UK.

The highlights for the financial year include a double-digit percentage growth in sales compared to last year. We have experienced strong growth in our export business during the year, especially to countries such as the UK, France and Switzerland.

Furthermore, our bathroom factory, Puris Bad, recorded phenomenal growth resulting in double-digit growth in the bottom line.

Preparations were made during the year for the integration of our joint venture leather tannery in India to our existing supply chain. We expect an estimated USD3 million purchase volume from this source during the next year.

Key innovations include:

- Steinhoff Germany received the *Red Dot Design* award for furniture in 2006 for a product developed for the Dieter Knoll Collection.
- In the mobile home sector, Bürstner GmbH, a customer of the German division, received the *Caravan design award – Innovations for new mobility 2006/2007* for using our Novalife fabric in its mobile homes. We supply

**Our integrated concept** enables customers  
to furnish a whole room with Steinhoff  
furniture, giving us a further  
competitive edge

upholstered seating places for the mobile homes, as well as Novalife fabric for use in mobile homes.

- Upholstery galleries were implemented in the stores of strategic retail customers where consumers can choose from a selection of approximately 600 different fabrics and leather. These fabrics are delivered to our factories as the customer orders from the retailer.
- The Living Tex fabric, which has similar features to the Novalife fabric, was recently introduced to the market.
- Longlife Liberty was developed in conjunction with one of our suppliers. Longlife Liberty is a chrome-free leather that is more environmentally friendly.

One of the challenges faced during the year was to re-establish the Hukla brand in the market. The Hukla foam technology was transferred to our ICM plant. The foam is produced under the H2L brand. A new building was erected for the production process and some machines transferred from Hukla in addition to those purchased. The current foam plant at Hukla was re-engineered to be more flexible and to reduce the manual labour component in the production process.

We further invested in an upholstery frame production unit at our Prudnik plant. The plant will supply frames to our plants in Klodsko (KPM), Prudnik as well as Hukla.

Trading conditions remained tough, which led to price pressure on lower-priced furniture in our chosen market sector. Despite these challenges, we remain positive for the year to come. We are well positioned, compared to our competitors. Sales and marketing strategies implemented over the past few years are bearing fruit and the benefits are expected to continue.

We expect that the increase in VAT in the beginning of January 2007 will positively influence orders in the first half of this financial year. We believe a possible drop in sales in the latter part of the year will be compensated for by growth in other markets and additional sales growth with group companies and strategic alliance customers.

Ian Topping



Paul van den Bosch



Frank Eberle



Andreas Bogdanski



Geoff McIntosh



Tom Huang



Siegmar Schmidt



**Managing director**

**Markus Jooste** (45), CA(SA)

**Group financial officer**

**Jan van der Merwe** (47), CA(SA)

**Financial director**

**Siegmar Schmidt** (47), (Accountant-general)

**Divisional management**

**German region**

**Frank Eberle** (43) (MD), BBus Admin

**Gerrit Venter** (33) (FD), CA(SA)

**Thomas Schmidt** (43) (Marketing)

**Thomas Möller** (45) (Case Goods)

**Michael Miebach** (42) (Upholstery)

**Uwe Smidt** (45) (Logistics)

**Eastern Europe (Poland and Ukraine)**

**Andreas Bogdanski** (44) (MD), Econ (cum laude)

**Steinhoff UK (including manufacturing in the Netherlands) and Homestyle Group plc**

**Ian Topping** (46) (CEO), MA, MBA

**David Shaw** (54) (MD), Furniture supply division

**Andy Murdoch** (54) (MD: Pritex)

**Ad van der Horst** (53) (MD: Norma) Nima c marketing

**Tim Kowalski** (47) (FD: Homestyle), BSc, FCA

**Bill Carrahar** (43) (MD: Beds division, Homestyle)

**The Netherlands, Belgium and France**

**Paul van den Bosch** (44) (MD), BEcon, MBA

**Theo Prinsen** (63) (FD), SPD Accountancy

**Danny van den Bosch** (42) (R and D/Buying)

**Bernd Niessen** (41) (Logistics and Operational), University Logistics

**Frans Herman** (50) (Marketing) Nevi purchase/Nima Marketing

**Pacific Rim**

**Geoff McIntosh** (52) (MD: Retail)

**Michael Gordon** (40) (MD: Group Services), BAcc, CA(SA), CA(Aus)

**Tim Schaafsma** (33) (Director and Secretary), LLB, ACIS, Solicitor

**Leo Watling** (41) (Freedom Australia)

**Debbie Ridling** (37) (Freedom NZ)

**Peter Spring** (48) (Snooze) BSc (Hons)

**Tim Blinco** (36) (Bayswiss)

**Italo Tius** (56) (BayLeatherRepublic)

**Steinhoff International Sourcing**

**Tom Huang** (32) (Chief Representative), CA(SA)

## Central and eastern Europe

Our central and eastern European operations consist of our own manufacturing facilities in Poland and Ukraine dedicated to the mail order and regional business. We are a major producer for mail order companies in Europe which make up 65% of our annual turnover. Fifty million catalogues containing our products are distributed and we deliver products all over Europe.

We have one production facility in the Ukraine (approximately 50km from the "new" EU border) which commenced production in 2001. This facility produces upholstered furniture predominantly for the local Ukrainian market as well as for export to Russia. Exports from the Ukraine to Russia are not subject to any material duties, whereas exports from other European countries to Russia carry excessive import duties. As the Ukrainian operations develop, we intend to export more products into western Europe. Production costs in the Ukraine are the lowest among European operations. We have been sourcing high-quality timber from Russia since the early 1990s.

We intend to capitalise on our position as a low-cost local manufacturer and distributor of quality furniture and related household goods in central and eastern Europe. We continue to benefit from lower labour, distribution, energy and real estate costs.

Highlights of the year included very strong growth in the mail order business. We took part in the International Furniture Fair in Cologne during January 2006. We recorded an excellent financial performance during the year with double-digit growth in turnover.

In the year ahead we plan to implement and develop the Mago factory and to redevelop the new factory in our Steipol system.

Difficulties during the year included the rise in raw materials prices as well as oil and fuel prices.

Sales will continue to grow through mail order companies. We plan to further increase our market leadership in the

mail order business and are developing our mail order business with customers in the UK.

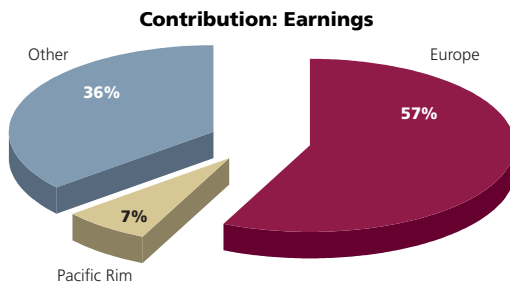
We intend to improve the productivity and efficiency of existing facilities and will continue to target new low-cost manufacturing locations in central and eastern Europe. We will continue to seek further cost savings in current and additional central and eastern European countries as opportunities arise and where political and economic conditions allow. We will also seek to receive tax dispensations and other incentives in connection with new central and eastern European investments which would further contribute to our profitability in this region.

## The Netherlands, Belgium and France

In the Netherlands, we hold a 50% interest in Van den Bosch Beheer BV, a joint venture with the Van Den Bosch family. Van den Bosch Beheer sells a wide range of household goods to retailers in the Netherlands, Belgium, Luxembourg, Germany and exports to the UK. The joint venture does not conduct manufacturing operations and all products are independently sourced.

The company has a two-track policy. Firstly, we sell under private label livingroom furniture with a high price performance ratio to leading retailers in the mid and upper segment of the market. Specialist product ranges are offered, which include diningroom tables, chairs, cabinets and home theatre elements and matching sofas. The main activities are conducted through Habufa Meubelen BV. The Habufa branded products comprise a range of rattan, antique reproduction and upholstered furniture. The Habufa brand sells a wide range of household goods to customers in our targeted market. The strength of Habufa lies in its global sourcing network, which has been established and strengthened over the last 15 years.

Secondly, we offer a marketing and sales solution concept of lifestyle furniture, including accessories and home



decorations. This store-in-store concept trades under the name and style of Henders & Hazel in the European market, which has been a market performer. The products are presented as a modular concept with a combination of livingrooms and specialist product displays, designed as part of a “furniture fashion” concept. We have 60 dedicated retailers with exclusive rights to this concept in Belgium, the Netherlands and Germany. We intend adding further stores, possibly growing the number of stores to 100 in the next financial year. The proven success of the Henders & Hazel concept is a good foundation to expand our market share in the Benelux countries and in Germany.

We have signed a preferred-supplier contract with a French retailer, consisting of 15 stores in the southern and western parts of France. This is a five-year contract and these stores have high-growth potential.

Higher distribution costs as a consequence of the continuing rise in energy prices and reduction of margins have put results under pressure. However, we have experienced double-digit growth in the year under review. For the year ahead, we expect to continue growth in turnover. Emphasis will be to reduce costs and optimise the gross margin to grow the bottom line.

We have extended our service to the UK retailers by delivering and assembling the furniture in the home of the end consumer. This service has strengthened our position in the UK market compared to our competitors, which should lead to high sustainable growth.

Norma, a leading upmarket bedding manufacturer in the Netherlands, was included in Steinhoff through the acquisition of Relyon in October 2001. We believe synergies exist in the bedding market between Norma and the recently acquired Hukla bedding operations, and we have completed the construction of a new distribution centre in Holland to efficiently accommodate planned increased activities there. Norma reports to our Steinhoff UK team and is operated and managed by local management in the Netherlands.

## United Kingdom

Steinhoff UK has historically operated in the furniture and foam manufacturing sectors and the wholesale of imported furniture. Following the investment of 61% in Homestyle Group plc in June 2005, we are now also involved in significant furniture and beds retailing business through Harveys, Bensons, Sleepmasters and Bed Shed retail chains.

The first major step for the group in the UK was the acquisition of the Relyon Group plc in 2001. Through this deal we acquired: Relyon, a premium bed manufacturer supplying most of the middle to upper-market UK furniture retailers; Pritex, a foam conversion business supplying the furniture, automotive and industrial markets; and Norma Boxmeer, one of the leading bed brands in the Netherlands. The Sprung Slumber bed division, a middle-market bed manufacturer, was acquired in 2002.

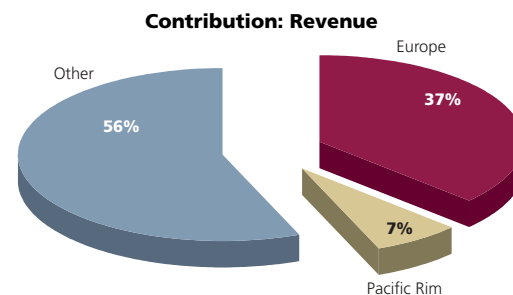
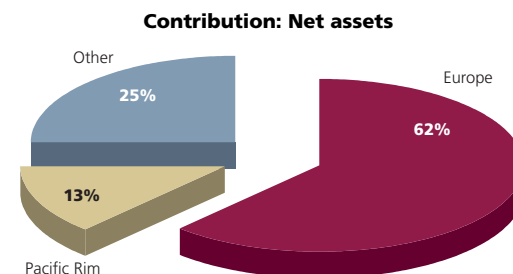
During the year, the manufacturing division performed well. The bed business enjoyed good growth in sales and profitability and Pritex had a record year, reflecting its growing strength in value-added products for automotive and industrial customers.

Our furniture import activities under Steinhoff UK Furniture benefited from the developing relationship with Harveys furniture chain. A significant development in the year was the establishment of a new company, Steinhoff UK Upholstery, which manufactures high-quality upholstery for Harveys on short lead times from a new factory at Bridgend in South Wales. With financial support from the Welsh government, an excellent business development opportunity exists.

On the retail side, we have added two further businesses, Cargo Home Shop and Factory Shack. Cargo Home Shop specialises in retailing home accessory products and Factory Shack in discount furniture retailing in conjunction with the Bed Shed. Both businesses are complementary to our other UK operations and offer cross-fertilisation opportunities.

### Homestyle

Following the refinancing of Homestyle by Steinhoff in June 2005, the year has been a period of stabilisation and



reinvigoration for the Homestyle businesses. Since the investment, significant challenges in the trading environment combined with management changes and a variety of operational issues have all been addressed through decisive action by a largely new executive team. The result of this work is an improving profitability trend and trading operations that are much better positioned to deliver profitable long-term growth.

Homestyle's results have been consolidated, for the first time, into Steinhoff's results for the full financial year. The refinancing at the time of the acquisition was undertaken to return Homestyle to profitability. An analysis of the results shows that this process is well on track. The turnover for the year was GBP451 million, generating a consolidated loss within the Steinhoff group of GBP5 million. Compared to Homestyle's interim results to 31 October 2005 when a comparable loss of GBP23 million for that six-month period was reported, the turnaround is evident. Homestyle's balance sheet is now stronger with net assets at 30 June 2006 of GBP63 million and net gearing of 29% (which includes indebtedness to Steinhoff). Although the furniture industry in the UK experienced tough trading conditions in 2006, Homestyle's restructuring is well on its way.

Homestyle has two divisions: The furniture division trades under the Harveys brand with 170 locations across the UK. Combined with more attractive store layouts and improved

value product ranges, this division experienced significant sales growth. The beds division retails under three fascias: Bensons, Sleepmasters and Bed Shed from 392 stores. New momentum has been experienced in this division through improved product ranges, better sales management disciplines and refreshed promotional campaigns. Further expansions are planned during the coming year.

As part of the initial investment it was envisaged that a three-year turnaround plan would be put in place to drive the business back to the levels of performance we expect. We are well on track with the turnaround plan. Trading losses have been reduced substantially during the first year and businesses on the furniture and bed sides have both been repositioned.

The strategy with the investment in Homestyle, which has been a notable success, included opening new sources of product to the businesses on improved commercial terms. The full benefits of this relationship are beginning to emerge. Following our investment in Homestyle, we have a substantial vertically integrated furniture manufacturing and furniture retail business in the UK market.

Within this first year, post the investment in Homestyle, the integration mechanism with our factories has worked extremely well and currently 25% of the products sold by the Harveys furniture division are sourced from Steinhoff group companies.

Full details of Homestyle are available in its 2006 annual report and on its website on [www.homestyle.com](http://www.homestyle.com).

## Pacific Rim

In October 2001, we formed a joint venture, Steinhoff Pacific, which acquired the manufacturing operations of Australian retailer, Freedom Group Limited (listed at the time), the second-largest retailer of furniture and household goods in Australia. We assisted in the privatisation of Freedom group in December 2003. Freedom expanded to New Zealand through the acquisition of the Levene stores during the 2004 financial year.

During the year, the Pacific Rim division launched a new group identity and Freedom Group Limited changed its name to Steinhoff Asia Pacific Limited. In January 2006, we acquired the remaining interest in the retail operations of Steinhoff Asia Pacific, which resulted in this entire group becoming wholly owned.

Project Renew's pilot Freedom store in Bella Vista in New South Wales was successfully implemented, including the launch of the new Freedom logo. There has been an immediate and significant lift in sales in the pilot store. The store reflects the strategic aims of Project Renew, namely broadening the appeal of the Freedom brand while maintaining focus on delivering stylish solutions at great value. Project Renew has not simply involved a modification of store interior, but all elements of the business, including product ranges, marketing messages, a new Freedom logo, refined recruitment strategies and store merchandising.

BayLeatherRepublic stores were rolled out during the year. BayLeatherRepublic is now represented in the major markets in Australia, being Sydney, Melbourne and Brisbane/Gold Coast. The in-store presentation of BayLeatherRepublic is almost without par in Australia and is squarely aimed at becoming the market leader in aspirational and contemporary leather furniture.

We have strengthened the furniture offer in Bayswiss stores through the introduction of BayLeatherRepublic

**New momentum** has been experienced in  
the beds division through improved  
product ranges, better sales  
management disciplines and refreshed  
promotional campaigns

galleries, offering the most popular furniture lines to Bayswiss customers. Most Bayswiss stores are located in much higher traffic areas (shopping malls), which presents the opportunity to capture high-value furniture sales by bringing the Bayswiss and BayLeatherRepublic brands together and leveraging common marketing activities.

Capt'nSnooze has launched its strategic plan to become the market leader in bedroom and sleep solutions retail in Australia. With additional marketing expenditure and adopting the tagline Sleep Well, Snooze has revolutionised the way in which bedding retailers communicate to their customers. This year also saw the conclusion of development work for new branding, in-store design and product ranging.

The difficulties experienced by Steinhoff Asia Pacific during the year predominantly arose due to adverse market conditions caused by macroeconomic pressures. Australia and New Zealand have experienced rising interest rates as well as record fuel prices. This has placed enormous pressure on consumer spending, particularly in discretionary and big-ticket items such as furniture. Another indicator which impacts on many of our businesses in the Pacific Rim is the level of residential property activity/growth, which for most of Australia has been steady at best during this financial year. The market has been at its most competitive in many years, with almost year-round discounting activities by all competitors, putting pressure on margins.

In light of the fact that Steinhoff Asia Pacific is a relatively vertically integrated operation, with its own manufacturing and importing divisions, the negative impact on retail sales has been felt throughout the group.

Steinhoff Asia Pacific is focused on delivering a significant improvement in its financial performance in 2006/07. The group should benefit from large sales increases in Freedom, as Project Renew initiatives spread to all Australian stores. Capt'nSnooze will launch its rebranding and new in-store look, which will underwrite its strategic repositioning and

lift sales in its stores. Bayswiss and BayLeatherRepublic are looking to increase profitability by increasing margins and focusing on key brand competencies. The manufacturing and imports divisions will work together to exploit their own competitive advantages in servicing the Australian and New Zealand markets.

Although no corporate acquisitions were made by Steinhoff Asia Pacific during the financial year, tough trading conditions normally bring the potential for appropriate acquisitions of retail and manufacturing businesses. As in the past, the division continues to identify and evaluate acquisition growth opportunities in Australia and elsewhere.

## China

Our German division initiated the opening of a representative office in Shenzhen, China, to source products efficiently. This office also draws on the sourcing experience of Habufa and Freedom. We established the Steinhoff International Sourcing division, which is a pure service provider and which supports the sourcing of products for each division and territory where we operate, at competitive prices with quality review and planning.

Our business model is one of complete transparency as a buying agent through which we eliminate traders and other unnecessary intermediaries. As all our intragroup customers have unique sourcing needs, we tailor our sourcing services to individual requirements and operating practices.

Our services include: Identifying and qualifying suppliers, comprehensive material and product development technical assistance, comprehensive fabric development, coordinating sample approvals, lab tests and raw materials supply, supervising logistic and shipping information, undertaking quality assurance inspection at all vendor production locations as well as supply management.

Steinhoff International Sourcing is a merchandise sourcing organisation where we manage the sourcing requirements

of 21 Steinhoff group companies and their strategic retail customers across three continents, namely Australasia, Europe and southern Africa.

This division's competitive advantage is that our intragroup customers can access our supply base of nearly 100 factories and our integrated product database from three different continents, which we have accumulated over the past three years. Our in-house fabric specialists work with our furniture sourcing team to ensure that stringent colour-fast standards and quality are met, which in turn ensures the highest quality standards of furniture being produced.

Global production has changed drastically, with production facilities expanding into new distant locations. We have consequently expanded our team to facilitate the sourcing network in these broader regions, such as Vietnam, potentially Indonesia and other countries in Asia. This provides us with a critical framework for directly accessing distant production facilities.

We experienced phenomenal growth in the past three years especially in the most recent year. We tripled our order income in the year under review and increased our product category from a single category to five different product categories. The growth in our product knowledge and order intake efficiencies enabled us to maintain our expense-to-order ratio, which is well below the industry norm.

manufacturing

distribution

Germany



Poland



Ukraine



manufacturing

Hungary



United Kingdom



Netherlands

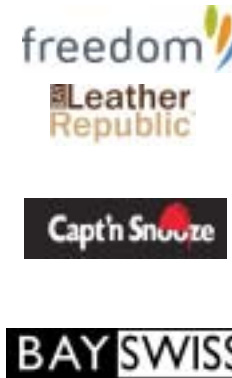


Australia



New Zealand

retail



distribution

