

Key Indicators for the Deutsche Steinzeug Group

Fiscal year to 31 st December*		2004	2003	Change	
		€	€	€	%
Group sales	(mill.)	235.8	233.1	+2.7	+1.2
Result before taxes and interest, EBIT	(mill.)	7.2	4.4	+2.8	+63.7
EBIT before special expenditure**	(mill.)	11.7	5.2	+6.6	>+100.0
Result from ordinary operations EGT	(mill.)	-2.5	-6.6	+4.1	+62.3
EGT before special expenditure**	(mill.)	2.1	-4.9	+7.0	>+100.0
Group net loss	(mill.)	-8.3	-7.1	-1.2	-16.9
DVFA/SG net income	(mill.)	-5.3	-8.9	+3.6	+41.0
Investments in property, land and equipment	(mill.)	5.8	2.5	+3.3	>+100.0
Investments in financial assets	(mill.)	0.0	0.0	+0.0	+0.0
Total depreciations	(mill.)	9.9	11.2	-1.3	-11.3
DVFA/SG cash flow	(mill.)	5.5	3.8	+1.7	+44.3
Balance sheet total	(mill.)	176.6	208.1	-31.5	-15.1
of which fixed assets	(mill.)	83.5	93.0	-9.5	-10.2
of which current assets	(mill.)	93.1	115.1	-22.0	-19.1
of which shareholders' equity	(mill.)	14.3	22.5	-8.2	-36.4
of which reserves and accrued liabilities	(mill.)	56.3	59.1	-2.8	-4.6
of which liabilities	(mill.)	106.0	126.5	-20.5	-16.2
Working capital	(mill.)	53.5	56.6	-3.1	-5.4
Net indebtedness	(mill.)	75.6	76.1	-0.5	-0.6
Employees	(Number)	1,720	1,750	-30	-1.7
EBIT profit-sales ratio	(%)	3.04	1.88	+1.16	+61.8
EBIT profit-sales ratio before special expenditure**	(%)	4.97	2.21	+2.76	>+100.0
EGT profit-sales ratio	(%)	-1.05	-2.82	+1.77	+62.6
EGT profit-sales ratio before special expenditure**	(%)	0.88	-2.10	+2.98	>+100.0
DVFA/SG profit-sales ratio	(%)	-2.23	-3.80	+1.57	+41.3
DVFA/SG-ROCE	(%)	-3.95	-6.64	+2.69	+40.5
EBIT-ROCE	(%)	1.56	1.91	-0.35	-18.4
Number of shares giving entitlement to dividend	(Number)	26,839,902	26,839,902	+0	+0.0
DVFA/SG net earnings per share		-0.20	-0.33	+0.13	+40.6
DVFA/SG cash flow per share		0.20	0.14	+0.06	+44.5
Dividend per share		0.00	0.00	+0.00	+0.0
Price on last day of trading		0.73	0.80	-0.07	-8.8
Market capitalization on last day of trading	(mill.)	19.6	21.5	-1.9	-8.9

* Interest for pension liabilities are registered in interest expenditure (financial result)

** Special expenditure from restructuring

Key Indicators for the Ceramic Covering Materials Division

Fiscal year to 31 st December*		2004	2003 **	Change	
		€	€	€	%
Sales	(mill.)	235.6	232.7	+2.9	1.2
Result before depreciation (EBITDA)	(mill.)	21.9	16.1	+5.8	35.9
EBIT before amortization of company value (Operative result)	(mill.)	14.1	8.1	+6.0	75.2
Result before taxes and interest, EBIT	(mill.)	12.0	6.0	+6.0	>+100.0
Result from ordinary operations, EGT	(mill.)	2.4	-4.7	+7.1	>+100.0
EBITDA margin	(%)	9.31	6.92	+2.4	34.23
Operative margin	(%)	6.01	3.48	+2.5	73.05
EGT margin	(%)	1.01	-2.02	+3.0	>+100.0
Investments	(mill.)	5.8	2.5	+3.3	>+100.0

* Interest for pension liabilities are registered in interest expenditure (financial result); results have been adjusted for restructuring costs

** As of 2003 excl. Rako a.s. and DTS GmbH

Key Indicators for the Deutsche Steinzeug Group 2001 - 2004

Fiscal year to 31 st December*		2004** €	2003 *** €	2002 **** €	2001 €
Group sales	(mill.)	235.8	233.1	333.4	427.2
of which sales in Germany	(mill.)	150.6	153.2	215.0	320.4
of which export sales	(mill.)	85.2	79.9	118.4	106.8
Cost of materials	(mill.)	108.1	105.0	146.7	203.0
Personnel expenditure	(mill.)	72.7	74.0	109.9	136.9
Other operating expenditure	(mill.)	48.9	53.5	70.2	93.9
Operating result before taxes and interest, EBIT	(mill.)	7.2	1.7	0.4	-13.6
EBIT before special expenditure*	(mill.)	11.7	2.5	3.8	-9.8
Result from ordinary operations, EGT	(mill.)	-2.5	-6.6	-10.3	-26.5
EGT before special expenditure*	(mill.)	2.1	-4.9	-6.9	-22.7
Group net loss/income	(mill.)	-8.3	-7.1	-19.3	-48.1
DVFA/SG net loss/income	(mill.)	-5.3	-8.9	-10.5	-25.6
Investments in property, land and equipment	(mill.)	5.8	2.5	7.4	23.3
Investments in financial assets	(mill.)	0.0	0.0	0.1	0.0
Total depreciations	(mill.)	9.9	11.2	17.4	27.2
DVFA/SG cash flow	(mill.)	5.5	3.8	-2.2	-20.1
Balance sheet total	(mill.)	176.6	208.1	269.2	395.6
of which fixed assets	(mill.)	83.5	93.0	125.7	202.6
of which current assets	(mill.)	93.1	115.1	142.2	191.6
of which shareholders' equity	(mill.)	14.3	22.5	14.3	42.5
of which reserves and accrued liabilities	(mill.)	56.3	59.1	77.4	86.5
of which liabilities	(mill.)	106.0	126.5	175.2	264.9
Working capital	(mill.)	53.5	56.6	80.4	115.6
Net indebtedness	(mill.)	75.6	76.1	105.7	166.7
Employees	(Number)	1,720	1,750	2,583	4,250
of which in Germany	(Number)	1,665	1,698	2,197	2,493
of which abroad	(Number)	55	52	386	1,757
EBIT profit-sales ratio	(%)	3.04	0.73	0.12	-3.19
EBIT profit-sales ratio before special expenditure*	(%)	4.97	1.09	1.14	-2.29
EGT profit-sales ratio	(%)	-1.05	-2.82	-3.07	-6.21
EGT profit-sales ratio before special expenditure*	(%)	0.88	-2.09	-2.06	-5.32
DVFA/SG profit-sales ratio	(%)	-2.23	-3.80	-3.15	-5.99
DVFA/SG-ROCE	(%)	-3.95	-6.64	-6.85	-11.44
EBIT-ROCE	(%)	1.56	1.91	2.47	-4.38
Number of shares giving entitlement to dividend	(Number)	26,839,902	26,839,902	26,839,902	26,839,902
DVFA/SG net earnings per share		-0.20	-0.33	-0.39	-0.95
DVFA/SG cash flow per share		0.20	0.14	-0.08	-0.75
Dividend per share		0.00	0.00	0.00	0.00
Price on last day of trading		0.73	0.80	0.61	1.03
Market capitalization on last day of trading	(mill.)	19.6	21.5	16.5	27.9

* Special expenditure from restructuring

** In 2004 the interest expenditure (€ 2.6 mill.) for pension liabilities are in the interest expenditure (financial result) and not in personnel expenditure (as in previous years)

*** As of 2003 excl. the clay pipes and mechanical engineering divisions, as well as in the ceramic covering materials division excl. Glazura s.r.o. and Jasba Ofenkachel GmbH

**** As of 2002 excl. Rako a.s. and DTS GmbH



Nature pool, Amstetten/Austria



Verano series, Agrob Buchtal Home Ceramics



Dempsey Barracks,
Paderborn/Germany

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Dear Shareholders, Business Partners and Employees,

For the construction industry the situation on our domestic market in the Federal Republic of Germany has not changed. We now find ourselves in the tenth year in succession with a negative business trend. The climate for investment is still marked by strong restraint. Not least, the general political conditions and the fact that more than five million people were unemployed in our country at the end of 2004, are not conducive to a positive basic attitude in the renovation market which is so important to us.

Despite all these adverse conditions we have managed to further consolidate our market share in Germany. We were able to consolidate our position as the domestic market leader for ceramic covering materials and strengthen our focus on the specialist wholesale trade as our partner in the tile market - a sales orientation which is increasingly being rewarded. Nevertheless, it remains our aim to further reduce our strong dependence on domestic demand, even though we were unable to expand our export activities in the 2004 fiscal year on the scale originally planned. Because with tiles, due to the relatively low added value per kilogram and the resulting high transport costs, as a rule it is primarily the high-quality ranges like Jasba Mosaik and the Hydrotect wall tile programme, but especially Agrob Buchtal architectural ceramics, that are suitable for export, we have tailored our sales strategy accordingly for 2005. Against this background, the cooperation with PCI Augsburg GmbH, the leading producer of tile laying materials in Germany, announced at the international trade fair BAU in Munich in January 2005, is of particular importance to us. We are seeking a very close cooperation in the area of object consulting including technical support in export markets. Since PCI subsidiary or sister companies are represented almost everywhere in Europe, such a cooperation will not only have positive effects for us within the



Dieter Schäfer, Board of Management

context of object identification but above all, through professional support on site in the realization of sophisticated ceramic object solutions. In return, PCI will benefit from our excellent object groundwork.

Our unique selling proposition in surface coatings with Hydrotect was certainly very useful for our sales in 2004, because not only in the architectural area, but also in higher quality home ceramics and mosaics it has helped us to break free of the comparison purely in terms of price. The DVD enclosed with our Annual Report, will allow you personally to once again convince yourself of the advantages of this surface coating: although it is not visible on the tile surface, Hydrotect makes cleaning and caring for these ranges extremely easy.

In two product areas which are important to us, in the year under review we already initiated investments in anticipation of 2005, in order to be in a position to respond more quickly to recognizable market trends. Thus, we established that the M2 small mosaic ranges were not substituted as a result of the market introduction of our exquisite Centino round

mosaic. For this reason - despite the limited investment volume - we have already brought forward the expansion of production for small mosaic at our Ötzingen plant. Because with these lines we not only achieve higher average revenues, but also a very much better added value, this investment is a further step towards the consolidation of Deutsche Steinzeug.

The same applies to the area of supermarket tiles. Because the discounters nowadays prefer larger sizes, but also due to the increasing demands made on our tiles in terms of non-slip features and easy cleaning, we have decided to finally close down our tunnel kiln production. To this end, in close coordination with the leading discounter, we have further developed a high-quality technical surface which not only fulfils these requirements but moreover, satisfies the new European standards for anti-slip properties. This transition from the tunnel to the roller passage kiln, however, was not possible without production faults in the current fiscal year - with corresponding negative effects on the production cost structure of the Sinzig site as well as on the company's liquidity.

In 2004 we have consistently implemented our plan to concentrate totally on our core competencies and put into practice the decision already taken years ago, to withdraw from the field of mechanical engineering. We have disposed of Hürner-Funken GmbH, Atzenhain, Monsun GmbH, Frankfurt, and Jasba Ofenkachel GmbH, Ransbach-Baumbach, within the scope of a management buy-out. Since this offer to acquire corresponded precisely to the offer of external investors, we decided on this solution variant, particularly since the buyer had already assumed responsibility for the management of these three companies several months ago. Furthermore, through this transaction, we were not only able to make a greater contribution to the preservation of the jobs

for the local personnel, but as a result, also considerably reduced the residual risks for our company. A successful continuation of business is also quite important to us, because one of the companies has rented a property which in the medium term will remain in our possession. In addition, we have not yet been relieved of all residual liability claims for the transferred bank liabilities.

We had already pointed out to you at the 2004 Annual General Meeting and also in our quarterly reports that - depending on the future perspectives for the company - in the group final consolidation a considerable depreciation of the book values and the internal inter-company clearing accounts is to be expected. The extraordinary book losses occurring for Deutsche Steinzeug Cremer & Breuer AG nevertheless justify this sale, since we were able to reduce bank and pension liabilities to an identical level in the group. Through the losses reported in the 2004 financial statement under "extraordinary expenditure", however, there is no burden on liquidity.

Although we have made very positive progress in the operative business - in the final analysis also a result of the concentration on our core business area of ceramic covering materials - we did not succeed in making the targeted improvement on the liabilities side of our balance sheet. An essential prerequisite for this would be the influx of additional capital with a simultaneous reduction of our external indebtedness. Therefore, we are continuing our search for a strategic and/or financial investor. It appears, however, that it will be difficult to find an investor outside the strategic environment - due to the situation in the sector and the economy in general, as well as the lack of synergies for such an investor. Undoubtedly, it plays a decisive role here that an investor classifies the required provisions for the liquidity-effective pension burden of around five million Euro annually as a financial liability which can hardly be

reduced in the medium term and to that extent sets them off against the company value.

Despite all the success which our sales teams have registered in recent years as a result of their purposeful market processing and strategic market orientation, we cannot fail to mention the performances of our production teams: in comparison with 2003, despite higher energy expenditure and a qualitatively even more sophisticated product range, production costs have not increased.

Although our plants find themselves in technically good condition, with an eye on further product innovations and energy savings as well as on the limitation of our maintenance expenditure, we will be compelled to invest in the coming years at least on the level of depreciation. This project will be made possible by our more favourable cash-flow situation and supported in an initial stage by a not insignificant interest margin reduction by the banks which are involved in the financing of Deutsche Steinzeug. We also regard this as proof of the confidence in the restructuring progress of our company. Nevertheless, we must not lose sight of the fact that investments equivalent to the level of annual depreciation in the coming years are a minimum prerequisite for the stabilization of our result. As a result of the persisting difficult general economic conditions in Germany, we are only planning moderate sales increases as a result of growth in exports. Provided that our short-term capital structure does not change fundamentally, we must assume that – in percentage terms - the operative result in the next few years will only remain at about the level achieved in the 2004 fiscal year.

Our appearance at BAU 2005 was extremely successful and once again underlined our outstanding position in the German tile market. In both the area

of architectural ceramics and in the stylish home ceramic ambience including Jasba Mosaik, we were able to present our customers with an attractive product range with interesting new developments. We see this as the main reason for the encouraging increase in orders on the books at the beginning of 2005, although the extreme weather conditions all over Europe caused delays in the delivery of the products in the first quarter of 2005. In this respect it remains to be seen whether the extreme restraint in the renovation business which emerged in the first three months of 2005 can at least be compensated for in the course of the year.

Despite a declining trend in the construction industry for more than a decade – as already mentioned – we have been able to permanently improve our position in the market and our operative result situation. Our customers welcomed our products and appreciate our calculable marketing policy. Despite the need to make savings, market continuity is the key focus of our sales orientation. We have created the prerequisites for the needed export growth. In our plants, the process optimizations realized in the last few years are proving very successful. A further-developed management information and early diagnosis system is supporting our management of the company and allows us to respond quickly to emerging risks in all parts of the company.

Everything we have achieved up to now is still not enough to be able once again to generate an eco-



Wang facade,
Nieuwegein/Netherlands



Calvino series,
Agrob Buchtal Home Ceramics



Trade fair stand BAU 2005

conomic added value for the shareholders in our company. The falling price of the Deutsche Steinzeug share and the fact that we will not have scope in the foreseeable future for the payment of a dividend is understandably disappointing for our shareholders. However, it should also be mentioned that neither the economic location of Germany nor the tile, as a building material and thus classified with the construction industry, permit noticeable improvements. Therefore, it must be our aim to build on what we have achieved up to now and to concentrate all our strengths on restructuring the liabilities side of our balance sheet.

I would not like to close my report without thanking our employees for their committed cooperation. Their renunciation of parts of the special payments, but also extremely moderate wage rates which were negotiated with a sense of proportion in view of the capacity of the tile industry meant, given simultaneous increases in welfare contributions not insignificant income losses for everyone of them.

Despite all this, we have jointly taken and realized necessary decisions quickly and constructively. This shows to a special degree just how important the cohesion of the workforce is. Ultimately, what we have achieved in the 2004 fiscal year, would not have been possible without the cooperation with our Supervisory Board and our employees' councils, right through to the representatives of the banks who have always accompanied us constructively. We re-

gard this as an incentive and will continue to do everything in our power to lead our company into a permanently positive future.

Frechen, April 2005

Dieter Schäfer

Board of Management



Swimming pool,
Berlin-Schöneberg/Germany

Members of the Board of Management and the Supervisory Board



St. Vincenz Hospital,
Paderborn/Germany



Eifel Thermal Baths,
Mechernich/Germany

Board of Management

Dieter Schäfer
Swisttal-Miel

Dr. Ralph-Dieter Schrey
Wachtberg-Villiprott
- up to 30.06.2004 -

Supervisory Board

Wilfried Delker
- as of 17.06.2004 -
Chairman
Königswinter
Vice-President (rtd.) of American
Standard Companies, Inc.,
Piscataway/USA

Gerd Schlossarek *
Deputy chairman - as of 17.06.2004
Kamen
Director of the Ceramics and Glass Industrial
Section at the IG Bergbau, Chemie, Energie,
Hanover

Herbert Allert *
- as of 17.06.2004 -
Schwandorf-Ettmansdorf
Chief Executive of the IG Bergbau, Chemie, Energie,
Oberpfalz district,
Schwandorf

Wilhelm Belz *
- up to 17.06.2004 -
Frechen
Lathe operator

Richard Daxberger *
- up to 17.06.2004 -
Schwarzenfeld
Machine fitter

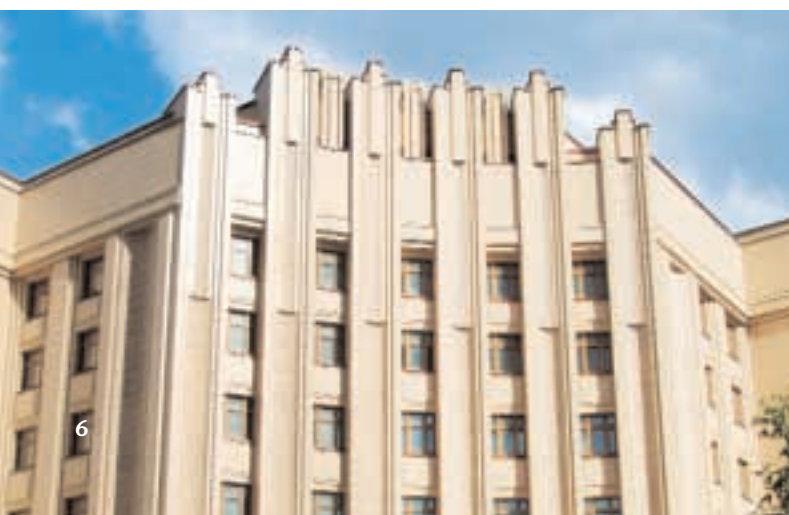
Georg Federer *
- as of 17.06.2004 -
Schwandorf
Chairman of the Employees' Council of the
Schwarzenfeld plant of Deutsche Steinzeug AG
Alfter-Witterschick

Jörg Herpich *
- up to 17.06.2004 -
Maintal
Editor-in-chief of the IG Bauen-Agrar-Umwelt,
Frankfurt

Rainer Kloft *
- as of 17.06.2004 -
Hahn
Chairman of the Central Employees' Council of
Deutsche Steinzeug AG,
Alfter-Witterschick

Helmut Kossmann *

Foreign Ministry, Moscow/Russia





Lux series, Agrob Buchtal Home Ceramics

- as of 17.06.2004 -
Rheinbach
Head of Informatics,
Deutsche Steinzeug AG,
Alfter-Witterschlick

Kaspar Kraemer
Cologne
Graduate Engineer, Architect BDA

Rolf Küpper *
- up to 17.06.2004 -
Rheinbach
Head of Financial Management and Accounting,
Deutsche Steinzeug AG,
Alfter-Witterschlick

Dr. Hermann Rappe
Sarstedt
Pensioner

Manfred F.J. Rütten
- Chairman up to 17.06.2004 -
Monheim
Chief Executive Officer (rtd.), North Rhine-
Westphalia Employers' Association for Crafts,
Düsseldorf

Heinrich Schliefer
Seevetal
Graduate Engineer, Counsellor

Hans-Josef Trimborn *
- up to 17.06.2004 -
- Vice-Chairman -
Rheinbach
Chairman of the General Employees' Council of
Deutsche Steinzeug AG,
Alfter-Witterschlick

Dieter Vianden *

- as of 17.06.2004 -
Alfter-Witterschlick
Deputy-chairman of the Employees' Council of the
Witterschlick plant of Deutsche Steinzeug AG
Alfter-Witterschlick

Franz-Egon Wirtz
Cologne
Member of the Management Board of
S. Loevenich Immobilien AG,
Frechen

Heinrich Wolf
- as of 17.06.2004 -
Executive director of
Steinzeugfabrik Rhenania Wolf oHG,
Frechen
Wolf'sche Hochbaugesellschaft mbH,
Frechen
Giessharzwerk Frechen GmbH & Co. KG,
Frechen

* Employees' representative

Shares held by the organ members:
Board of Management: 31,910
Supervisory Board: 44,977



Historia series,
Agrob Buchtal Architectural Ceramics

Concepts for the style-conscious

Deutsche Steinzeug supports the current trend to interpret home living as an expression of the individual awareness of life, with an enormous range of styles. In particular, universal concepts for the living and wet areas are becoming increasingly important. Innovative highlight is the Lux series with its gently shimmering decorative borders.



Lux series, Agrob Buchtal Home Ceramics



Serie Perola, Agrob Buchtal Home Ceramics

Serie Venezia, Agrob Buchtal Home Ceramics

Serie Verano, Agrob Buchtal Home Ceramics



Report of the Supervisory Board

In the fiscal year of 2004, the Supervisory Board regularly monitored the work of the Board of Management and supported it with advice. The basis for this were the extensive written and verbal reports of the Board of Management. Also, outside the regular meetings, the Supervisory Board also provided the Board of Management with comprehensive advice in all matters of importance to the company. The focus of attention of discussions was, in particular, on the economic situation of the company, the continuing restructuring measures in the year under review as well as the strategic organization of Deutsche Steinzeug Cremer & Breuer AG following the disposal of the Hürner-Funken GmbH, Monsun GmbH and Jasba Ofenkachel GmbH companies which were not part of the core business.

In the 2004 fiscal year, the Supervisory Board duly fulfilled its obligations according to the law and the company's articles of incorporation. In six meetings it was comprehensively informed about the economic and financial situation of company as well the status of the ongoing restructuring programme. The emphasis of the discussions was on the further strategic approach of Deutsche Steinzeug Cremer & Breuer AG after the concentration on the core business of ceramic covering materials which had been striven for years, had been completed with the disposal of the shares in Hürner-Funken GmbH, Atzenhain, Monsun GmbH, Frankfurt, as well as the essential assets and debts of Jasba Ofenkachel GmbH, Ransbach-Baumbach.



Wilfried Delker, Chairman of the Supervisory Board

Outside the regular meetings the Supervisory Board was also regularly informed verbally and in writing by the Board of Management about the current situation of the company. All business transactions requiring approval were dealt with by the Supervisory Board and discussed and decided together with the Board of Management. Against the background of the difficult economic environment, the members of the Supervisory Board were in close contact with the Board of Management throughout the entire year of 2004, providing it with advice and support.

The Audit Committee, formed on the basis of the recommendations of the Corporate Governance Code, met on two occasions. It thereby concerned itself predominantly with questions of accounting including the planned conversion to IFRS and questions of risk management. In addition, it prepared the resolutions of the Supervisory Board on the Annual Financial Statement, the Management Report, the Consolidated Financial Statement and the Consolidated Management Report. The Audit Committee also took suitable measures to ascertain and monitor the independence of the auditor.

The Annual Financial Statement and the Consolidated Financial Statement as of 31.12.2004 as well as the summarized Management Report for the Group and Deutsche Steinzeug Cremer & Breuer AG, were audited by the auditing firm appointed by the Annual General Meeting, Dr. Glade, König und Partner GmbH, Auditing Company, Tax Consultancy Company, Neuss, and given an unqualified auditors'



Hotel pool Phantasialand,
Brühl/Germany



Park Gate, Milton Park,
Abingdon/Great Britain



Manufactum series,
Agrob Buchtal Architectural Ceramics



Finesse series, Jasba

certificate. The Financial Statement and the Management Report, the Consolidated Financial Statement and Consolidated Management Report together with the auditor's reports were made available to all members of the Supervisory Board. The financial statements were discussed in detail in the Audit Committee and at the balance sheet meeting of the Supervisory Board – in both bodies in the presence of, and following a report by the auditor. The Supervisory Board has examined the Financial Statement and the Management Report, the Consolidated Financial Statement and Consolidated Management Report. It raised no objections. The Supervisory Board, therefore, approves the result of the audit. The Annual Financial Statement and Consolidated Financial Statement were approved by the Supervisory Board. The Annual Financial Statement is thus adopted. The Supervisory Board is in agreement with the summarized Management Report and, in particular, the assessment of the further development of the company.

In the course of the concentration on the core competencies of the company, changes have been made in the management structure of Deutsche Steinzeug Cremer & Breuer AG. Dr. Ralph-Dieter Schrey, member of the Board of Management, left the company on 30 June 2004. His position was not refilled.

The mandate of the Supervisory Board of Deutsche Steinzeug which has been in office since 12 August 1999 and is constituted equally, with six representatives each of the shareholders and the employees, ended on 17 June 2004. In the domestic companies, in the period between December 2003 and April 2004, the employees elected six employees' representatives, including two trade union representatives, as well as one representative of the managerial staff. The plant, company and main election committees fulfilled their responsibilities energetically and conscientiously, no complaints were registered about the election procedures.

On 17 June 2004, the Annual General Meeting elected the six representatives of the shareholders. In its constituting meeting the new Supervisory Board unanimously elected both the new Chairman of the Supervisory Board and the Deputy-Chairman of the Supervisory Board, Gerd Schlossarek.

Heinrich Wolf did not stand for re-election at the Annual General Meeting. In accordance with § 9 of the articles of association of the company, Christian Knell and Christiane Heermann were elected as substitute members of the Supervisory Board. We would like to thank all retiring members of the Supervisory Board for their expert and committed activity.

The newly-elected Supervisory Board has unanimously decided that the Mediation Committee to be formed in accordance with § 27 Par 3 Law on Codetermination should also act as the Personnel Committee with the same personnel. It is thus responsible for all personnel matters which it is not absolutely necessary to be decided by the entire body. The Personnel Committee met at one routine meeting in the 2004 fiscal year.

In conclusion, on behalf of the entire Supervisory Board, I would like to express my thanks to the Board of Management and all employees, as well as to the members of the industrial constitution bodies for their efforts in the interests of the company. At the same time, against the background of the continuing difficult general economic conditions in the construction industry, I would like to call upon all of you to continue to demonstrate the same degree of commitment to Deutsche Steinzeug in future – because only together we can succeed in achieving the ambitious objectives for the 2005 fiscal year.

Frechen, 26 April 2005

Wilfried Delker
Chairman of the Supervisory Board

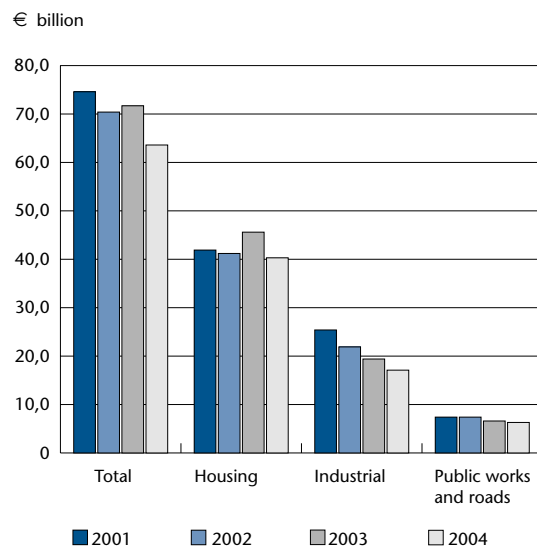
Business trend 2004, Overall economic environment

After almost three years of stagnation, the German economy grew in real terms by 1.7% in 2004. The driving force for growth were exports which increased by 8.2%. While the external contribution (exports minus imports) contributed 1.2% to the economic growth, the share of domestic demand merely added 0.5%. Without the higher number of working days, calculations show that GDP would only have grown by 1.1% instead of 1.7%. Thus, Germany is one of the backmarkers on an international comparison. In the states of the European Union the growth rate amounted to about 2.4%, in the United States it was even as high as around 4.4%. With the exception of the construction industry which declined by 2.1% and has thus registered negative figures in 11 of 14 years since German reunification, all economic sectors contributed to the increase.

No reversal of the trend in the construction industry

Demand for construction failed to stabilize once again in 2004. Instead of the necessary revival, the German construction industry experienced the tenth crisis year in succession. Compared with the previous year, nominal turnover declined by approx. 5.5% and, therefore, decreased by a total of 20% in the last four years alone. The reasons for the persisting weakness are, in particular, the negative

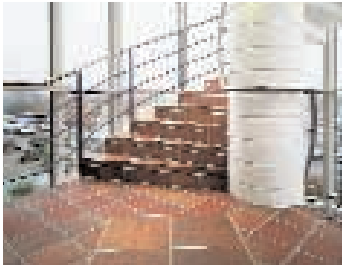
Approved building permits in Germany
(2001 to 2004)



general economic conditions. To give the construction industry the boost it needs – unlike in the past – significantly higher rates of increase are needed in the Gross Domestic Product, particularly as in the year under review the positive influence of some special effects on the construction industry were no longer felt: private home building which had still increased in the previous year due to the discussion about the retention of the owner-occupied home allowance, dwindled faster than expected. In the market for office property, considerable over-capacities are increasing slowing the trend down. Furthermore, the tight financial situation of the public authorities mean that no positive impulses are to be expected from this side either. Finally, structural changes within our domestic economy resulting from the shifting of production abroad are also having a negative effect on the German construction industry.

Centino series, Jasba





Aranäs Kontor, Kungsbacka/Sweden



Chiara series, Jasba

Continued decline in housing construction

In housing construction, investments declined in 2004, even though private households had applied for more planning and building permits, in order to establish their claims to the owner-occupied home allowances according to the terms of the old law. In view of the job risks as well as stagnating real incomes, only relatively few of these building projects were in fact actually started. Commercial housing construction has declined again following a short recovery phase in 2003 due to the surplus capacities which are reflected in high levels of empty property. It is not to be expected that this excess can be reduced in the short term.

The persisting high level of unemployment became the dominant theme during the year under review and will probably be no less explosive in 2005 either. Reforms of the labour market (Hartz IV) have further unsettled consumers since they fear – more strongly than in the past – that the loss of their job will lead to social decline. For this reason, investments which are not absolutely necessary are being postponed for an indefinite period. In this connection, the replacement of tiles, which is less likely to be made for functional than for fashion reasons, is regarded as being of secondary importance. As a consequence, besides the decline in new housing construction, the even more important factor of renovation is being increasingly weakened.

Concentration on core business of ceramic covering materials successfully completed

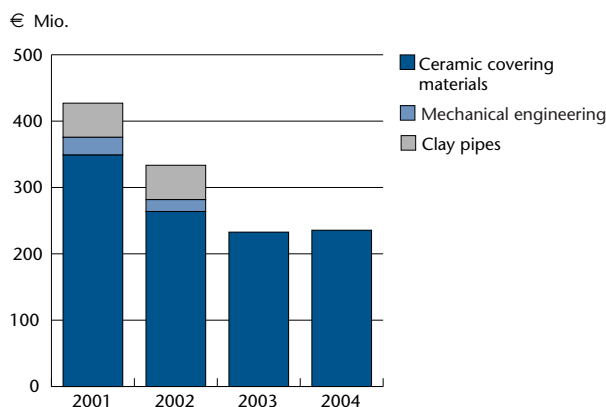
In 2004, we finally completed the long striven-for concentration on the core business of ceramic covering materials. We disposed of the Hürner-Funken GmbH and Monsun GmbH companies as well as the business operations of Jasba Ofenkachel GmbH – including the transfer of the workforce in accordance with § 613 a BGB. In this connection, a loss amounting to about € 9.2 mill. arose in the AG and € 4.5 mill. in the Group. Although this led to a corresponding reduction of our capital stock, the final clearing up of our portfolio, however, was not associated with any loss of liquidity.

We registered sales worth € 235.6 mill. with ceramic covering materials, so that the turnover of the previous year was exceeded by 1.2% or € 2.9 mill.

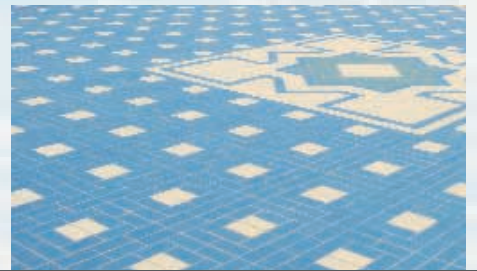
Downward pressure on prices in the tile market continues

In view of the available excess capacities on the domestic and foreign markets as well as the general weakness of demand in the German market, the pressure on the selling prices of the industry continued to be enormous. Furthermore, there was increasing competition from the so-called low wage countries such as China, but also from Eastern Europe. Through a prudent product and pricing policy, Deutsche Steinzeug was able, at least partly, to avoid this trend of declining average revenues and achieve revenues just over last year's level. The revenue level was influenced by changes in the product mix. As a result of temporary shifts in the production of objects already acquired as an order, in favour of frequently cheaper wall tiles, we were unable to quite realize our target revenue. We have managed, however, to further stabilize our market leadership in Germany.

Group sales trend



As of 2003 only ceramic covering materials division



New Corniche Road East, Abu Dhabi/United Arab Emirates





At every step urban flair

Whenever it is a question of the aesthetically and functionally convincing design of paths and squares, with its unique colours and variety of sizes, ceramic paving stones from Deutsche Steinzeug open up new perspectives. For the new seafront promenade in Abu Dhabi over 100,000 m² of ceramic paving stones in the special colours blue, green and beige were laid.



Revenue and assets situation, risk management

Despite a stagnating demand for ceramic covering materials, Deutsche Steinzeug was able to increase sales in its core business area, without added value being impaired as a result. The operative result (before the amortization of goodwill) in the core ceramic covering materials division amounted to € 14.1 mill. in the 2004 fiscal year, thanks to a stabilization of the domestic market leadership and a consistent cost management. As a result, the operative margin rose from 3.5% to 6.0%. Taking into consideration the depreciation of goodwill, the EBIT was € 12.0 mill. (previous year: € 6.0 mill.).

Moderate turnover growth and strict cost management lead to a clear improvement in the operative group result

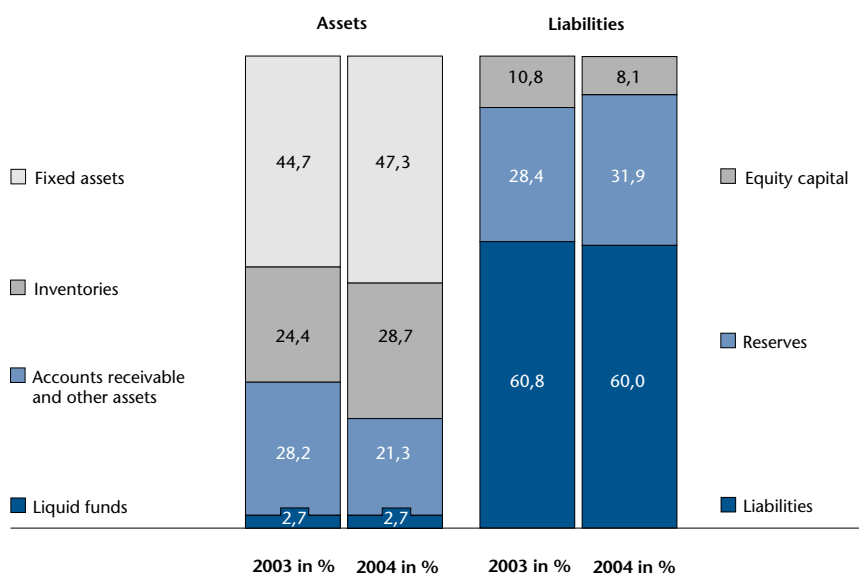
The total turnover in the group increased to € 235.8 mill. and thus exceeded the previous year's turnover (€ 233.1 mill.) by € 2.7 mill. This increase in turnover was achieved despite a persisting market weakness which finds its expression in stagnating overall demand as well as in high pressure on pri-

ces. Compared with the same period of last year, at € 11.7 mill. the EBIT before extraordinary expenditure in the Group, exceeded the previous year's figure (5.2 mill.) by € 6.6 mill. In 2004, the interest for pension liabilities is included in the interest expenditure (financial result). For the purposes of comparison, the values for 2003 are shown not only in their original presentation, but also according to this accounting principle. The stabilization of the company is reflected in the increase of the result of ordinary business activity (EGT) adjusted to allow for extraordinary expenditures by € 7.0 mill. to a figure of € 2.1 m. (previous year: € -4.9 mill.).

Ceramic Covering Materials division

Our core area of business has generally developed extremely positively despite a sales weakness in the domestic market and currency-related problems in exports due to the strong Euro. Sales increased slightly to € 235.6 mill. (previous year: € 232.7 mill.); with the operative result (before amortization of goodwill) an increase of € 6.0 mill. to over € 14.1 mill. was registered. The operative result in 2004

Balance sheet structure





Plenum series, Agrob Buchtal Architectural Ceramics

was thereby adjusted to allow for extraordinary expenditures of € 4.6 m. These arose primarily from the implementation of the restructuring measures (€ 1.7 mill.) as well as extraordinary expenditure resulting from adjustments to personnel capacity associated with them (€ 2.7 mill.).

The high interest burden from bank and pension liabilities has an effect on the EGT with a total of € 9.9 mill. Despite the pressure on prices which results from the available excess capacities, we were able to improve our result through consistent cost management as well as stable market leadership in Germany. In future, therefore, we are directing our attention primarily at increasing average revenues through a concentration on higher-quality product combinations and an increasing share of tile ranges finished with Hydrotect, in order as a result to permanently optimize the added value.

Other areas

With the disposal of companies and/or company operations which were not part of the core business of ceramic covering materials: Hürner-Funken GmbH, Atzenhain, Monsun GmbH, Frankfurt/Main, and Jasba Ofenkachel GmbH, Ransbach-Baumbach, in the form of a management buy-out, the process of focusing on our core competencies was completed. Due to the balance sheet structure and the result

situation of these three corporations, the Group had to make value adjustments to internal claims and reported book values, as a result of which book losses arose. However, since liabilities of the Group arising from bank loans, pension commitments and other liabilities equivalent to the same amount have been transferred to the buyer, the sale contributed to the further consolidation of Deutsche Steinzeug. In total, the extraordinary expenditures of this transaction are a burden on the result, but not on liquidity.

Balance sheet structure

Through the repurchase of the reinsurance cover financed with a bridging loan, it was possible to reduce the Group balance sheet figure by 15.1% (€ 31.5 mill.) to € 176.6 mill. Although the EGT improved by € 4.1 mill, thanks to the strong operative result, it remains negative, due to charges from the restructuring at € -2.5 mill. As a result of the balance sheet loss, the equity capital was reduced by € 8.2 mill. to € 14.3 mill. It was possible to reduce both the pension (€ -0.7 mill.) and bank liabilities (€ -1.2 mill.) in 2004. Nevertheless, the structure of the liabilities side of the Deutsche Steinzeug balance sheet remains unsatisfactory due to the high level of bank and pension liabilities. We are, therefore, energetically pursuing our objective of optimizing the financing of the Group.

Corporate Governance

The current state of the domestic economy and the business situation of the company demand increased coordination with the Supervisory Board which was informed regularly and always promptly by the Board of Management about all questions relevant to the company. Furthermore, in separate preliminary meetings with the employers and workers' representatives in the Supervisory Board, essential agenda items for the subsequent Supervisory Board meetings were discussed together with the Board of Management.

The company again concluded a D & O insurance with a reasonable excess. The remuneration of the Board of Management is broken down into fixed and variable components. At the end of each fiscal year, the Chairman of the Supervisory Board sets the variable remuneration parameters for the subsequent year on the basis of specific targets for the Board of Management and the company.

In accordance with the guidelines of the German Corporate Governance Code, the Supervisory Board of our company has established an Audit Committee. Gerd Schlossarek, delegated to the Supervisory Board as a workers' representative from the trade

union side, was elected Chairman of this Committee. Within the context of the audit of the annual financial statement, this Audit Committee not only commissions the auditor with the general questions of accounting and risk management, but also annually sets specific focal points of the audit.

As a result of the extensive structural changes in Deutsche Steinzeug in recent years, we currently deviate from the guidelines of the German Corporate Governance Code in terms of the staffing of our Board of Management with a single member of the Board. Because we have organized all our marketing activities in the two marketing subsidiaries Deutsche Steinzeug Keramik GmbH and Meissen Keramik Vertriebs GmbH & Co. KG (for the DIY area), for which three managing directors assume responsibility, the distribution of tasks is nevertheless still adequate. In addition, we have formed a management team and can thus ensure that important commercial decisions and controlling functions are coordinated and realized jointly in this executive body. We will propose an amendment to our articles of incorporation to take account of the present staff situation to the 2005 Annual General Meeting.

Concept series, Agrob Buchtal Home Ceramics





Madera series, Jasba

Risk report

As an internationally operating company, Deutsche Steinzeug Cremer & Breuer AG is exposed to various risks. In the year under review, therefore, we have further developed the internal control mechanisms and the management information system. We have an effective system for the early diagnosis, communication and handling of risks, in order to be able to initiate suitable precautions and safeguarding measures at an early stage. In addition, an annual check is made of special risks with respect to their quantitative and qualitative consequences.

The financing situation of Deutsche Steinzeug continues to be difficult. The early warning system for the regulation of turnover and cost trends is, therefore, of vital importance. We can hereby respond promptly to possible deviations in these indicators which have served as the basis for the financial and liquidity planning. Therefore, liquidity planning and control is of particular importance within the context of risk management, so that we can guarantee financing even in the event of budget deviations. Other main emphases of risk management in the 2004 fiscal year were the stabilization of energy expenditure, the avoidance of exchange risks resulting from the exchange rate between the Dollar and the Euro, as well as the lowering of the working capital.

In order to make the cost burden of our company calculable, in contracts with most of our energy

suppliers, we have put a limit on our gas prices which, as a rule, are coupled with the trend in the oil price. We have foregone protection against the currency risk Dollar/Euro, because, on the one hand, we also invoice in Dollars in our export markets and, on the other, procure merchandise worth approximately the same amount on a Dollar basis. The currency losses reported in our profit and loss account are, therefore, essentially exchange rate deviations for loans to our U.S. subsidiary determined on the balance sheet date. As a result of a purposeful package of measures, we have been able to reduce the capital tied up for raw materials and semi-finished goods as planned and thus extended our room for manoeuvre with regard to liquidity.

As of the 2005 fiscal year, all stock exchange-quoted companies in the European Union will be under obligation to produce consolidated financial statements according to the International Financial Reporting Standards (IFRS), formerly IAS (International Accounting Standards). Since the end of 2003, with external support, we have worked in internal working groups on the parallel implementation of these accounting standards. As a result of timely trial runs and the observation of our precisely defined planning schedule, we have been able to guarantee that the 2005 result can be reported with corresponding previous year's comparison according to IFRS.



Tuwass, Tuttlingen/Germany



Ritz Carlton, Singapore



Bay View Hotel, Penang/Malaysia



Europa Sportpark, Berlin/Germany



Contemporary Classics

First-class examples of architecture all over the world underline the leading role of Deutsche Steinzeug in the area of swimming pool construction. The basis of this success is the Chroma system which has now been comprehensively updated. Planners and architects are thus provided with an ultra-modern range of sizes and colours which support every creative concept.



New production plant for supermarket tiles

Investment, Environment, Research and Development

Following the extensive investment measures implemented, in particular, at the end of the nineties, once again in 2004 Deutsche Steinzeug continued its cautious investment policy, although the investment volume increased from € 2.5 mill. in 2003 to € 5.8 mill. in the year under review. The focus of the investments was on the development of the existing production plants for the production of newly developed sizes and surface structures. We invested around € 2.7 mill. in research and development with main emphases on emission protection, design and quality.

Since, technically-speaking we already have a high-quality plant structure in our works, in 2004, we have invested less in replacement and rationalization measures than in quality assurance and surface design. At € 5.8 mill., our investment volume amounts to almost 60% of the annual depreciations, which can be judged as very cautious in the sector comparison. However, since the general economic conditions still do not show any signs of an upward trend, we set a top priority on the reduction of external indebtedness and the improvement in the cash-flow.

Main investment projects

In the Ötzingen plant, in cooperation with a manufacturer of special machines, we have developed an auxiliary firing material transport and circulation system. With the start-up of operations of this plant, which is unique worldwide, we have more than doubled our production capacity for the most sophisticated small mosaic – at the expense of the usual mosaic lines – which in the long term will allow us to ensure prompt deliveries to our customers in this growth segment. In order to be able to provide our complete Jasba mosaic range with the high-quality Hydrotect coating in the medium term, we have installed a further Hydrotect plant at this site.

In Sinzig, we have started work on construction of an ultra-modern, flexible roller kiln production plant for coated fine stoneware tiles. This line is designed especially for extra-strong object tiles in the 20 x 20 cm size, which are the preferred floor coverings in supermarkets. The individual processes with this plant,

which went into operation in March 2005, are very much more efficient and associated with a reduction of production personnel. In addition, this investment measure plays a major role with regard to the long-term safeguarding of the site. In close consultation with our industrial constitution organs we have made the personnel cuts as socially acceptable as possible. At the end of 2004, we have permanently shut down the two conventional tunnel kilns in the Sinzig plant which were previously used to fire the supermarket tiles.

Investments in environmental protection

We attach great importance to an environmentally-friendly production of our tiles. Not least for this reason, therefore, we are always concerned to ensure that energy consumption is further reduced and that emissions are treated with most modern technology. We were able to complete the project initiated in Sinzig in 2003 for the use of waste heat and internal exhaust gas purification. With a new hoodstretch system in the Sinzig production, the consumption of packaging film is being significantly reduced. In addition, this process no longer produces any CO₂ emissions from the combustion of natural gas.

Research and development

Our research and development activities were primarily focused on the further development of the existing production processes. For example, we have introduced the new supermarket tile to the market which not only satisfies the increased demands for non-slip properties for use in the area of discount markets, but also distinguishes itself through its high strength and easy-cleaning properties.

With a new production method for small mosaic, in Ötzingen we are not only able to produce mosaic ranges in the 2 x 2 cm size, but also rectangular formats in 5 x 2.4 cm size. In the area of home living we are setting new trends by combining our wall tiles with materials like glass or natural stone, for example. In our Schwarzenfeld plant we have developed a process for the production of elegant-rustical split tiles in the hand moulder design.



Outstanding developments 2004/2005

Once again in the 2004 fiscal year, Deutsche Steinzeug has reacted to the declining demand – in particular, in Germany – through further cuts in the areas of personnel and material costs and thus substantially improved its operative result situation.

Management structures in administration and sales tightened

Despite the further positive development compared with the year 2003 in terms of sales and the operative result we are continuing our endeavours, through additional cost reduction measures to compensate for our high interest burden which results from the external indebtedness and - despite the closure of the company pensions systems – the not inconsiderable pension liabilities. In our plants, through a purposeful definition of functional workplaces and improved shift models, we have almost exhausted the potential for possible personnel reductions. Against this background, the overhead costs were reduced as a result of further centralization and cuts in the management structures in administration and sales. In addition, with effect from 30th June 2004, Dr. Ralph-Dieter Schrey will no longer be a member of the company's Board of Management. For the time being, his position will not be refilled.

Due to the persisting difficult business situation in the domestic construction industry, in recent years home improvement centre business has increasingly also been operated directly by our wholesale trade partners or the distribution into the classic home improvement centre chains taken over as full range suppliers. It is, therefore, becoming increasingly difficult for us to establish a clear line of demarcation between the classic home ceramics or retail business and the home improvement market distribution. In order, as far as possible, to avoid cannibalization in our high-quality home ceramic ranges, on the one hand, and the specific DIY products, on the other, as of 1st January 2005, we have concentrated the sales responsibility of Agrob Buchtal Wohnkeramik and the DIY subsidiary Meissen Keramik Vertriebs GmbH & Co. KG on managing director level. This joint management does not mean we are abandoning the previously practiced separate marketing strategies. Instead, we consider it necessary through a clear approach to the different distribution channels – which

will require a tighter coordination of the home and DIY tile programmes – to further strengthen our position in the market.

Well-prepared for the introduction of the motorway toll

In friendly cooperation with the freight-forwarding agents employed by us, we have made thorough preparations for the introduction of the motorway truck toll at the beginning of 2005. Therefore, no delays occurred for us in the transition to the toll invoice. We have taken into account the cost increases arising from the toll charges and the trend in fuel costs for the products which we deliver freight-paid in the 2005 price list. We have seen that our logistics expenditures – also as a result of steadily increasing share of commissioning – are nevertheless continuously increasing.

Holdings in mechanical engineering disposed of

In the year under review, we have completely withdrawn from the mechanical engineering area and disposed of Hürner-Funken GmbH and Monsun GmbH as well as Jasba Ofenkachel GmbH in the course of a management buy-out. As a result we have finally completed the concentration of our business activities on the production and sales of ceramic covering materials.

International trade fair BAU 2005

We were represented at the international trade fair BAU, which was held in Munich from 17th to 22nd January 2005, with a redesigned stand on which we were able to make an outstanding and successful presentation of our brands and tile ranges. The new products introduced by us met with keen interest. In live demonstrations of the easy-cleaning effect of our Hydrotect tiles, not only the trade audience, but also other fair visitors could convince themselves of the advantages of this revolutionary surface coating.



Trade fair BAU 2005



Employees

At the end of 2004, in its core business area of ceramic covering materials, Deutsche Steinzeug Cremer & Breuer AG had a total of 1,720 employees which, in comparison to the previous year (1,750), meant a reduction in the workforce of around 30 persons. This reduction in personnel was mainly effected in the course of the investment measure in Sinzig. As a result, we were able to lower the personnel expenditures from € 74.0 mill. in the 2003 fiscal year to € 72.7 mill. in the year under review.

Workforce again slightly reduced

Once again in 2004, we have consistently continued our restructuring process and in doing so made a further slight reduction in our workforce. In anticipation of our investment planning 2005 we already closed down the tunnel kiln production at our Sinzig plant in the second half of 2004 and thus, responded at an early stage to the changed requirements of our customers with respect to the sizes and surface properties of our supermarket tiles. As we simultaneously needed additional personnel at the Ötzingen site for the installation of a new plant for the production of small mosaic, which had also been brought forward, we were able to offer some employees affected by the shutdown of the Sinzig production alternative jobs within the group.

Declared commitment to training

In a year in which there were frequent and often very controversial debates in Germany about the possible introduction of an apprenticeship surcharge, Deutsche Steinzeug again made a clear commitment to the training of young people and acted accordingly. We offered 26 new apprenticeships in technical as well as commercial occupations and – despite the extensive restructuring carried out within the last few years – in the year under review of 2004 we provided training for a total of 58 young people. In this connection, we are conscious of our responsibility to support young people at the start of their working life. Against this

background, for example, in 2004 we have taken over a study partnership at the Alfter-Oedekoven Extended Elementary School. As early as the 8th year, the pupils will be able to gain initial impressions of training occupations during visits to the company and lessons within the company.

We attach great importance to the training and further training of our employees and correspondingly support them in specialist training and language courses. We would like to attract potential young executives to Deutsche Steinzeug. Within the context of the company's further training programmes, we offer them the possibility, after graduation, to train purposefully for their positions in professional life.

Increasing the flexibility of working time models continued

In the 2004 fiscal year, we have developed new working time models. On the basis of the fully continuous shift models introduced in recent years in our Meißen, Ötzingen and Sinzig plants, in September 2004 we also concluded a plant agreement based on the "annual working time" for the Witterschlick site. This puts us in a position to be able to satisfy the requirements of our customers even more flexibly. Nevertheless, the employees can also arrange their work and leisure time to more precisely suit their personal wishes. In Schwarzenfeld, discussions are in progress with the industrial constitution organs about a comparable solution.

Thanks to the employees

Through the personal engagement of everyone, together with our employees we have succeeded in further improving the result situation of Deutsche Steinzeug. We would like to express our thanks to the entire workforce for the work they have done and to the industrial constitution organs for their constructive cooperation in the implementation of the restructuring measures.





Vinzenz Murr,
Munich/Germany



Hong Kong University,
Hong Kong

The Deutsche Steinzeug share

In the first nine months of the year under review the atmosphere on the German stock market continued to be difficult. Only in the last quarter of 2004 was DAX able, following three quarters in which its movement was sideways, to again move upwards and finish the year under review with an increase of 7.3% at 4,256 points. Against the background of the declining trend in the construction industry, the Deutsche Steinzeug share, which is classified by investors as close to the construction industry, was unable to benefit from this growth towards the end of the year despite a considerably improved operative result.

Following the splendid increases on the German stock market in 2003, the stock exchange year 2004 was largely dominated by the process of consolidation, which was also clearly reflected in the low level of volatility. The market moved sideways over a period of more than three quarters. Only in the final quarter of 2004, following the Presidential elections in the United States was there a phase of revival and the DAX closed the year at 4,256 points. This trend was made possible by a falling oil price, solid economic data in the USA and predominantly positive company reports.

The development of Deutsche Steinzeug is better than its share price

The Deutsche Steinzeug share started the 2004 fiscal year with an opening price of € 0.80. In the first two months it increased to a price of € 0.97, however, it uncoupled itself from the DAX trend in the fourth

quarter 2004. Increases in prices achieved in the course of the year were wiped out in the final months of the year under review, and the share closed the year at € 0.73. Here, the proximity to the construction industry, which has been in a state of depression for several years, also had an effect. Our weak price, however does not reflect the existing high potential of Deutsche Steinzeug which has made considerable progress with its consolidation.

The shareholder structure

In 2004, the shareholder structure has changed slightly compared to the 2003 fiscal year. The family consortium continues to hold the majority of shares with almost 52%. With almost 15% the share of the Italian Gruppo Concorde was approximately at last year's level. The remaining 33% of our shares which are quoted on the General Standard, were held by individual shareholders at the end of 2004.

Improvement in the capital structure

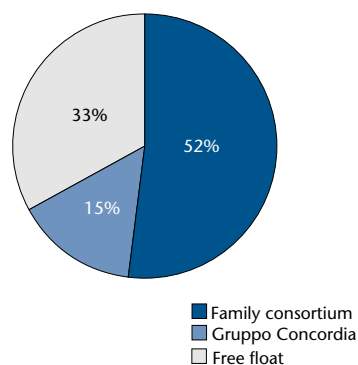
A lack of economic impulses in 2004 meant that the financial situation of the group is continued to be strained, even though the EBIT (result before taxes and interest) has increased in comparison with 2003 (€ 4.4 mill.) by € 2.8 mill. to € 7.2 mill. The result situation is burdened by extraordinary expenditure. Compared with the previous year, the DVFA/SG net result per share improved from € -0,33 to € -0,20, however, it still remains negative.

Deutsche Steinzeug share data

WKN 552800, ISIN DE0005528004

	2004/€	2003/€	Change/€
Number of shares entitled to a dividend (units)	26,839,902	26,839,902	0
DVFA/SG – net earnings per share	-0.20	-0.33	+0.13
DVFA/SG – cash flow per share	0.20	0.14	+0.06
Dividend per share	0.00	0.00	0.00
Dividend yield	-	-	-
Highest price during year	0.97	1.02	-0.05
Lowest price during year	0.72	0.51	+0.21
Price at last trading date	0.73	0.80	-0.07
Market capitalization at last trading date (mill.)	19.6	21.5	-1.88

Shareholders structure





Creative impulses for civil engineering

With contemporary design and refined technology, facade systems from Deutsche Steinzeug provide creative impulses for civil engineering. Project-specific special solutions promote the implementation of sophisticated concepts: for the trade and finance centre in Tianjin/China, KeraTwin K3 in special sizes with concealed fastenings was supplied.



Tianjin Tai Da Financial
Service Zone, Beijing/China



Business trend 2005 and outlook

The situation in the domestic market is hardly likely to change significantly in 2005. Not least, against the background of great uncertainty resulting from the political decision-making vacuum, but also due to the extremely high level of unemployment with far more than five million people out of work, the domestic construction industry is not really gaining momentum. The dollar weakness continues. Above all, it favours cheap imports from the Far East. At the same time, however, our Southern European competitors are increasingly reducing their activities overseas and shifting their focus of attention more towards Western Europe. We have, therefore, been appropriately cautious in our planning for the current year of 2005.

In our planning for 2005, we have assumed that there will not yet be an economic recovery on the domestic market in the current fiscal year. Our current sales trend shows that the extreme wintry weather conditions in comparison with the first quarter of 2004 have particularly hindered our foreign business in the area of architectural ceramics. For the first time in more than ten years, in addition to large parts of Germany, our main export countries like Austria and Switzerland, but also Eastern Europe were affected by a persisting period of frost lasting almost eight weeks, as a result of which outdoor work, in particular, more or less came to a standstill.

In addition, the renovation business, that is so important to us, suffered to a great extent due to the political decision-making vacuum and the restrained consumption of domestic consumers. For several years now it has been obvious that the predominantly cautious prevailing mood in Germany is causing the savings quota to rise continuously while, on the other hand, it is hindering or even preventing positive purchasing decisions. We have taken these indicators into account in our planning. Based on our current orders on the books for architectural ceramics, despite the Dollar weak-



Bayonne series, Agrob Buchtal Home Ceramics

ness, despite increased import pressure due to the coupling of the Chinese currency with the Dollar and despite the development of further production capacities in Eastern Europe, we have made a moderate increase in the export sales budget 2005. The basis for this is, on the one hand, a temporary delay in the completion of objects acquired in the previous years, which should be additionally realized in the current year, but on the other, an expected increase in sales in the area of supermarket tiles. As the discounter chains are meanwhile increasingly extending their expansion strategy to foreign markets, we expect additional impulses from this for our exports.

With our sales and turnover figures – mainly due to the weather – we lie below the comparable figures for the previous year and our planned targets. Here, our architectural ceramics business is more seriously affected due to its object orientation. Although we recorded a generally positive EBIT (result before taxes and interest) in the first quarter of 2005, we have already quickly made further efforts to be able to counteract market developments and the negative influence factors on liquidity and the result on the cost side associated with the decline in turnover. For this reason we have reached agreement with our industrial constitution organs to considerably reduce special payments like holiday pay and Christmas bonus or to link their level to the economic development of our company. As a result, we cannot only provide relief for liquidity, but also consolidate the result situation.

The advanced investment in a roller kiln at our Sinzig plant as a substitute for the tunnel kiln, was completed on schedule at the end of February 2005. The quality of the redesigned supermarket tiles in the 20 x 20 cm size will be further improved through production in this plant. All requirements with respect to non-slip properties and easy cleaning are fulfilled. It is to be assumed that the quantities delivered in this tile range will already increase considerably within the next few months.

As already mentioned, at BAU 2005, which is regularly held in Munich in January at two-year intervals, we were able to achieve very successful results. Unlike previous years, not only was our marketing presentation very promising, but also a large number of orders were placed. We are confident, therefore, that we will largely be able to make up the backlog in sales in the next few months.

Despite the difficult general economic conditions, in the area of home ceramics and with the high-quality Jasba mosaic, we will be able to further stabilize sales, turnover and the result. Our forecast is based, on the one hand, on the steadily increasing sales share of tile series finished with the Hydrotect coating and, on the other, the successful product

strategy we have pursued in the last few years. In the meantime, we can offer our partners a tile range which, in terms of design and functionality, clearly distinguishes itself from the conventional offer of ceramic covering materials.

In the area of architectural ceramics, we are endeavouring to increase our export quota. It will be decisive, therefore, how the Dollar exchange rate develops outside the Euro Zone in the next few months. Since, however, with our new Hydrotect coated architectural ceramic series we provide planners and architects with a custom-made colour and size kit, our growth potential for the future should lie here.

After we completed the concentration on our core business in 2004, this year we are focusing our special attention on improving the financing of our group. To this end, we are in close consultation with our banks and potential investors. In this connection, it must be ensured at all costs that financing and redemption agreements are completely implemented in the second half of the year. To that extent, we hope to already be able to report to our shareholders in the next few months about progress in the financing of our group.

Metropolitan series, Wessel Keramik





Village series, Jasba

Details of the financial analysis

In order to inform our shareholders even more comprehensively and provide them with further insights into our commercial evaluations, we have compiled the following details of the financial analysis.

Deutsche Steinzeug Group income statement

	2004 * €'000	2003 €'000	Change €'000
Sales	235,800	233,093	+2,707
Changes in finished goods and work-in-progress	2,673	758	+1,915
Own production capitalized	226	42	+184
Total turnover and operating result	238,699	233,893	+4,806
Cost of materials	108,122	105,017	+3,105
Gross trading profit	130,577	128,876	+1,701
Personnel expenditure	70,010	71,177	-1,167
Other operating expenditure	47,007	52,793	-5,786
Other operating income	8,108	11,511	-3,403
Earnings before depreciations, EBITDA	21,668	16,417	+5,251
Depreciations	9,940	11,174	-1,234
EBIT before special expenditure*	11,728	5,243	+6,485
Income from investments	104	1,033	-929
Interest balance**	-9,755	-11,139	-1,384
Result from ordinary operations EGT	2,077	-4,863	+6,940
Special expenditure*	-4,563	-1,710	-2,853
Extraordinary result	-4,845	0	-4,845
Tax balance	-970	-569	-401
Annual net loss	-8,301	-7,142	-1,159
DVFA/SG adjustments	3,046	-1,986	+5,032
DVFA/SG result	-5,255	-9,128	+3,873
Shares of third parties	-9	272	-281
DVFA/SF net result	-5,264	-8,856	+3,592

* Extraordinary expenditure in 2003 in the area of ceramic covering materials and from the sale of clay pipes and in 2004 restructuring costs in the ceramic covering materials division.

** As of 2004, the interest for pension obligations will be included in interest expenditure and not in personnel expenditure. In order to make an annual comparison possible, the figures for 2003 have been adjusted accordingly.



Grand Hotel, Bad Ragaz/Switzerland



Linea series, Wessel Keramik

Deutsche Steinzeug Group Capital Flow Statement

	2004 €'000
Group net loss	-8,301
Depreciations on fixed assets	9,940
Change in the reserves for pensions	-677
Changes in special items with accrual character	-21
Other expenditure and revenues without effect on payments and earnings	-301
Expenditure and revenues without effect on extraordinary payments and earnings	4,845
Cash flow	5,485
Change in the inventories	79
Change in the other reserves	-2,067
Change in the accounts receivable and other assets	8,021
Change in other liabilities	-6,322
Change in the deferred charges and prepaid expenses and deferred items	255
Cash flow arising from current business operations (1)	5,451
Investments in intangible assets	-209
Investments in property, plant and equipment	-5,599
Inpayments from disinvestments	1,442
Cash flow arising from investment activity (2)	-4,366
Dividend distribution	0
Repurchase of reinsurance	12,158
Redemption of other loan debts	-16,264
Change in the financial debt	2,208
Cash flow arising from financing activity (3)	-1,898
Changes in the companies consolidated and currency-related changes (4)	73
Changes in liquid funds/securities (1 - 4)	-740
Liquid funds/securities on 1 January	5,696
Liquid funds/securities on 31 December	4,956

Result in accordance with DVFA/SG

	2004 €'000
Group net loss	-8,301
DVFA/SG adjustments	3,046
DVFA/SG result	-5,255
Third-party shares of result	-9
DVFA/SG net result	-5,264
Number of dividend-bearing shares	26,839,902
DVFA/SG net result per share (€)	-0,20



Dining hall, Mary Murphy School, Bradford/USA



Chiara series, Jasba



Senso series, Jasba



Village series, Jasba





Wellbeing in modern design

With new colours, sizes and surfaces, Deutsche Steinzeug is responding to the constant change in aesthetic models. Particularly successful are creations which combine a natural look with elegant lines. They create an extremely cosy atmosphere which provides relaxing warmth, peace and a feeling of wellbeing.



Geo series, Agrob Buchtal Architectural Ceramics

Ceramic covering materials

In the 2004 fiscal year, the tile market in our main sales market of Germany was unable to completely avoid the effects of the negative trend in the construction sector. In addition, the strained situation in the labour market had an unfavourable effect on the purchasing behaviour of end-consumers. In the renovation market, which is so important to us, investments tended to be relatively restrained, while the high savings quota in our domestic market hardly changed. Correspondingly, domestic tile consumption remained at the previous year's level.

Deutsche Steinzeug was able to further increase its market share and consolidate its position as the domestic market leader for ceramic covering materials. In the realization of our growth plans in export, however, the weak Dollar continues to cause us problems in sales markets outside the Euro Zone.

Despite the sales weakness on the domestic market and the currency-related difficulties in exports, we were still able to marginally increase our net sales to € 235.6 mill. (€ 232.7 mill.). At the same time, we have managed to increase the operative result before amortization of goodwill from € 8.1 mill to € 14.1 mill. The 2004 operative result was adjusted to allow for extraordinary expenditure totalling € 4.6 mill. This expenditure arose primarily from the implementation of restructuring (€ 1.7 mill.) as well as special expenditure from resulting adjustments of personnel capacity (€ 2.7 mill.).

The high interest expenditure of around € 9.9 mill. per year, however, also continues to be a burden, of which around € 2.6 mill. is accounted for by pensions alone.

Generally, it appears that our consistent market processing and the business terms system introduced two years ago are paying off. Here, we specifi-

cally reward the performances of the individual wholesaler who uses his special strengths in the regional market and determines his own success. Here, we can repeatedly observe how important it is that we are still represented by separate field service teams for the home ceramics and object processing divisions, for Jasba Mosaik and the DIY-area.

In the home ceramics area, the downward pressure on prices continues. New domestic production capacities which have arisen within the last twelve to fifteen months intensify this situation. Therefore, we are increasingly adapting our marketing policy and no longer exclusively selling single products, but rather offering the customer a complete solution in the form of wall and floor combinations with new, larger sizes. With wall tiles in the 30 x 45 cm size and fine stoneware floor tiles in a 30 x 60 cm format, we were thus able to obtain better average revenues. With new developments in the high-quality border area in the form of corner and edge pieces, we have also rounded off our range for exclusive bathroom designs.

We attach great importance to the presentation of our products in the market. With our own concepts for exhibition furniture, we have created the prerequisites, on the one hand, to optimize our market appearance and, on the other, to make a rational and contemporary provision of samples in the customer's exhibitions possible.

With our Jasba brand we focus clearly on small mosaics. With the new Jasba C2 round mosaic we were able to further upgrade our importance as a mosaic producer, since the substitution of the existing Jasba M2 mosaic range that was expected of us, failed to materialize. We have particularly benefited from the development of the Jasba M2 Secura series with the Hydrotect surface coating. This series, which is also very frequently used wherever high non-slip standards are called for, is of special importance for



OP Theatre, St. Bernward Hospital,
Hildesheim/Germany



Social Centre, Leinefelde/Germany



Centino series, Jasba

the users due to the Hydrotect-specific easy cleaning characteristics.

The central point of the product development in architectural ceramics in the year under review was the completely revised Chroma colour system, which we have also improved with Hydrotect. Within the context of an internationally-oriented advertising campaign, supported by intensive public relations activities, we have purposefully drawn the attention of planners and architects to this new colour system. Since, experience shows that with objects, lead times of a year and more must be taken into account between planning and the implementation of the project, here we expect demand to increase at the earliest as of mid-2005.

As a result of production engineering alterations at our Sinzig plant, we fulfil the requirements of the discounters with respect to new surfaces and sizes for the supermarket tiles, in particular, however the stricter regulations for non-slip standards. The positive effects on sales and the result associated with this, however, will have an effect at the earliest in the current 2005 fiscal year.

In the meantime, more than 30% of our products in the object area are offered with the Hydrotect surface coating. Our Architect Service therefore, increasingly focuses on this unique feature when submitting tenders, so that the use of Hydrotect tiles is increasingly requested by the authorities inviting tenders. As the only supplier for this kind of surface coating for ceramic covering materials, with this range we can set ourselves apart from the normal product comparability. Our customers and we too thus have an opportunity to generate an extra margin.

Like all products in the DIY-area, the tile trade is suffering from the growing competition of the home improvement centre operators. Despite the existing

excess of selling space, new home improvement centres are still being opened in Germany, with the consequence that due to the ruinous "discount wars", there is enormous growth in pressure on prices. We try to respond to this with corresponding marketing instruments. In our high-quality exhibition furniture we present the home improvement centre customer with colour and style-coordinated wall

Key Data - Ceramic Covering Materials

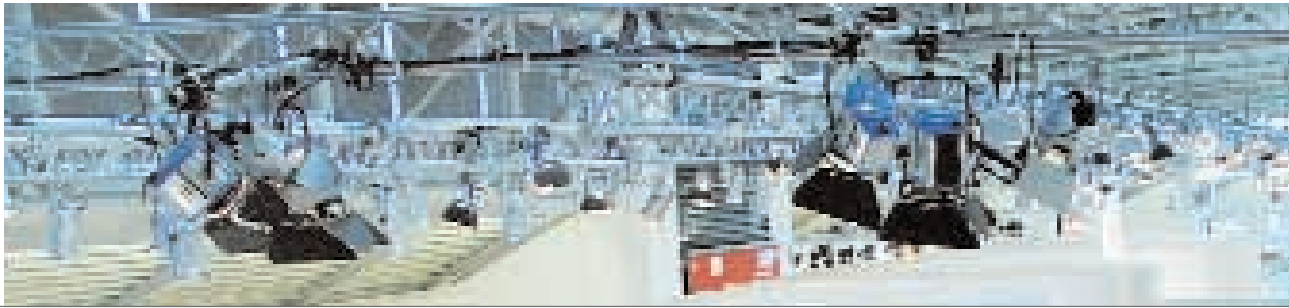
Fiscal year to 31 December*		2004	2003 **	2002 ***	2001***
Sales	(€ mill.)	235.6	232.7	263.8	292.5
Result before depreciations EBITDA	(€ mill.)	21.9	16.1	17.8	1.5
EBIT before amortization of goodwill (Operative result)	(€ mill.)	14.1	8.1	9.6	-8.9
Result before taxes and interest, EBIT	(€ mill.)	12.0	6.0	4.7	-11.8
Result from ordinary operations EGT	(€ mill.)	2.4	-4.7	-6.5	-23.5
EBITDA margin	(%)	9.31	6.94	6.75	0.51
Operative margin	(%)	6.01	3.47	3.64	-3.04
EGT margin	(%)	1.01	-2.02	-2.46	-8.03
Investments	(€ mill.)	5.8	2.5	6.0	13.1
Employees	(Number)	1,720	1,748	2,139	2,352

* Interest for pension liabilities are respectively included in interest expenditure (financial result): results are adjusted to allow for restructuring costs

** as of 2003 excl. Glazura s.r.o. and Jasba Ofenkachel GmbH (2002: € 238.6 mill.)

*** excl. Rako a.s.

and floor tile ranges, so that both the home improvement centre operators and we as suppliers can achieve higher yields. We assume that the relationship between floor and wall tiles within the total DIY sales will change within the next years in favour of an increasing proportion of floor tiles and that the added value in this area of business will thus improve once again.

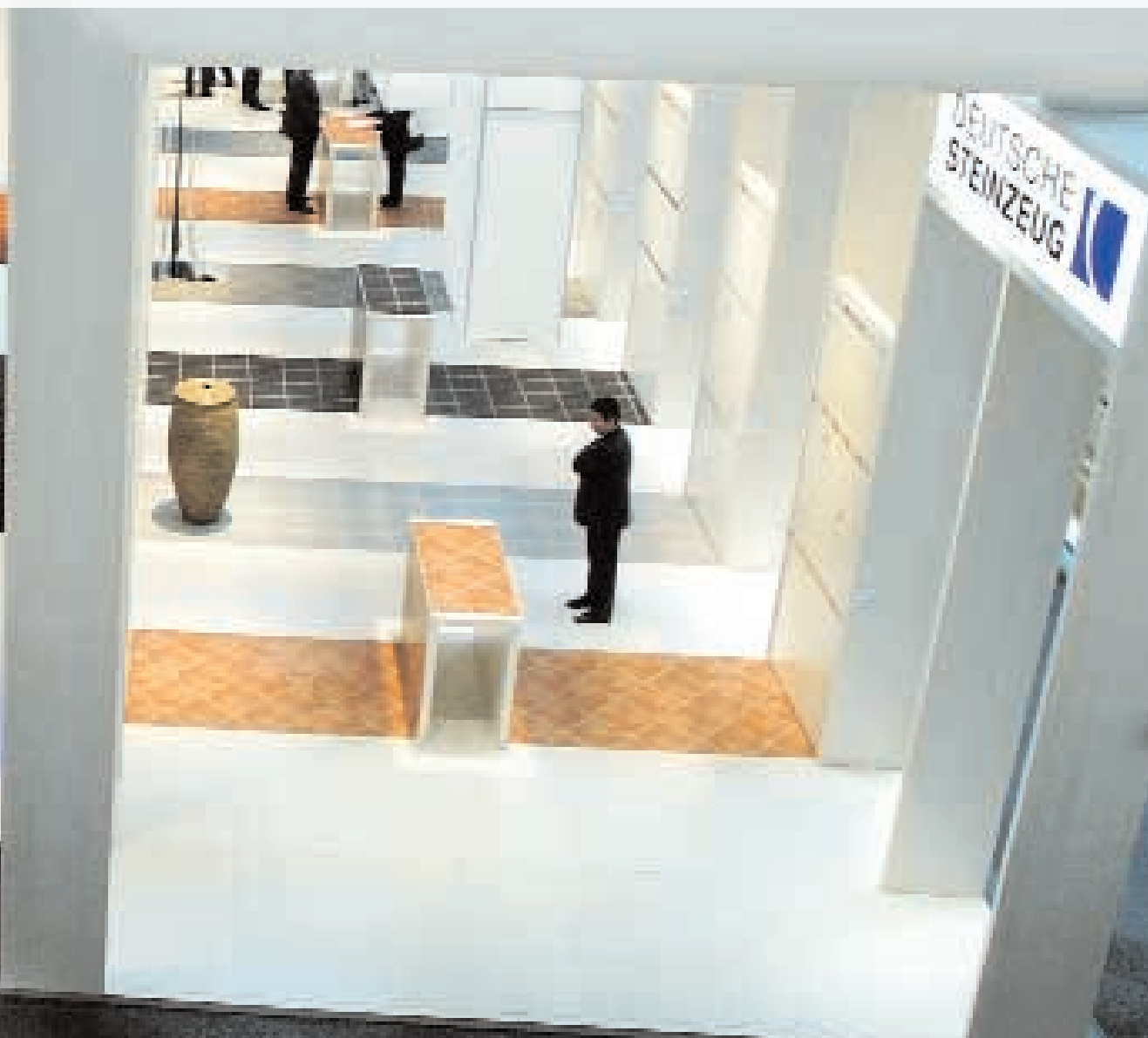


Trade fair stand BAU 2005



Strong presentation for strong products

Deutsche Steinzeug demonstrated its outstanding competence before an international trade public at BAU 2005. The new, light-flooded, trade fair stand provided the ideal setting for the presentation of the eagerly awaited new products. Large crowds were also registered at the live demonstration of the innovative Hydrotect tile coating.



Balance Sheet as of 31.12.2004 Deutsche Steinzeug Cremer & Breuer AG Group

Assets	Note number	31.12.2004 €'000	31.12.2003 €'000
Fixed assets			
Intangible assets		19,405	21,620
Property, plant and equipment		61,987	66,148
Financial assets		2,108	5,229
	6	83,500	92,997
Current assets			
Inventories	7	50,651	50,730
Accounts receivable and other assets	8	35,940	57,118
Shares, other marketable securities	9	437	137
Liquid assets		4,819	5,559
		91,847	113,544
Deferred charges and prepaid expenses	10	1,293	1,560
		176,640	208,101
Liabilities and shareholders' equity			
Shareholders' equity	Note number	31.12.2004 €'000	31.12.2003 €'000
Subscribed capital	11.5	27,065	54,130
Capital reserve	11.1	2,707	0
Earned capital	11.1	137	137
Consolidation compensation items	11.2	-9,428	-11,572
Balance sheet loss	11.1	-10,372	-24,360
Stakes of other shareholders	11.3	4,212	4,197
	11	14,321	22,532
Special items with an equity portion		0	21
Reserves and accrued liabilities	13	56,341	59,085
Reserves and accrued liabilities	14.1	105,959	126,456
Deferred items		19	7
		176,640	208,101

Profit and Loss Statement for 2004 Deutsche Steinzeug Cremer & Breuer AG Group

	Note number	2004 €'000	2003 €'000
Sales	16	235,800	233,093
Change in finished goods and work-in-progress		2,673	758
Production for own plant and equipment capitalized		226	42
Other operating income	17	8,108	11,511
		246,807	245,404
Cost of materials	18	108,122	105,017
Personnel expenses	19	72,712	74,022
Depreciation	20	9,940	11,174
Other operating expenses	21	48,868	53,513
		239,642	243,726
		7,165	1,678
Financial result	22	-9,651	-8,251
Result from ordinary operations		-2,486	-6,573
Extraordinary result	23	-4,845	0
Taxes	24	970	569
Group net loss	25	-8,301	-7,142

Balance Sheet as of 31.12.2004 Deutsche Steinzeug Cremer & Breuer AG

Assets	Note number	31.12.2004 €'000	31.12.2003 €'000
Fixed assets			
Intangible assets		14,278	15,942
Property, plant and equipment		52,549	54,599
Financial assets		35,729	43,572
	6	102,556	114,113
Current assets			
Inventories	7	47,019	47,458
Accounts receivable and other assets	8	23,758	36,710
Shares in associated companies, own shares	9	8,475	7,775
Liquid assets		1,022	1,297
		80,274	93,240
Deferred charges and prepaid expenses	10	430	519
		183,260	207,872
Liabilities and shareholders' equity			
	Note number	31.12.2004 €'000	31.12.2003 €'000
Shareholders' equity			
Subscribed capital	11.5	27,065	54,130
Capital reserve	11.1	2,707	0
Earned surplus	11.4	137	137
Balance sheet loss	11.4	-10,372	-24,360
	11	19,537	29,907
Liabilities	13	49,742	50,904
Deferred items	14.2	113,981	127,061
		183,260	207,872

Profit and Loss Statement for 2003

Deutsche Steinzeug Cremer & Breuer AG

	Note number	2004 €'000	2003 €'000
Sales	16	188,589	182,942
Change in finished goods and work-in-progress		1,279	758
Production for own plant and equipment capitalized		226	42
Other operating income	17	10,632	11,692
		200,726	195,434
Cost of materials	18	105,565	102,487
Personnel expenditure	19	58,386	59,080
Depreciation on intangible assets, plant and equipment	20	8,304	8,571
Other operating expenses	21	19,410	20,260
		191,665	190,398
		9,061	5,036
Financial result	22	-9,950	-9,194
Result from ordinary operations		-889	-4,158
Extraordinary result	23	-9,220	0
Taxes	24	261	404
Net loss		-10,370	-4,562
Retained earnings brought forward from the previous year		-24,360	-19,798
Yield from the capital reduction	11.4	27,065	0
Allocation to capital reserves	11.4	-2,707	0
Balance sheet loss	11.4	-10,372	-24,360

Summarized Notes and Group Notes Deutsche Steinzeug Cremer & Breuer AG, Frechen

1 General

The notes for Deutsche Steinzeug Cremer & Breuer AG and the Group notes are summarized in accordance with § 298 Par. 3 of the Commercial Code (HGB) and published jointly. Insofar as not otherwise stated, the explanations apply to the annual financial statement and the consolidated financial statement.

Deutsche Steinzeug Cremer & Breuer AG's consolidated financial statement and annual financial statement have been prepared to 31 December 2004. The key date for the financial statements of all the companies included in the consolidated financial statement is also 31.12.2004.

Deutsche Steinzeug Cremer & Breuer AG's consolidated financial statement and annual financial statement have been prepared in accordance with the provisions of the Commercial Code (HGB) and of the Stock Corporation Law (Aktiengesetz). The presentation of the profit & loss account is made using the total cost method.

2 Consolidated companies

The parent company and all the subsidiary companies were included in the consolidated companies in accordance with § 290 of the Commercial Code (HGB), corresponding to the holdings on 31.12.2004 worldwide. The consolidated companies include 9 domestic and 5 foreign companies. A further 7 companies which belong to the consolidated companies, each in itself and jointly, are of subordinate significance for the obligation of presenting an image of the asset, financial and earnings position of the Group in correspondence with the actual situation. Parent and subsidiary companies have stakes or voting rights of at least 20% but less than 50% in one domestic and one foreign company.

Deutsche Steinzeug Cremer & Breuer AG, as the controlling company, has concluded controlling and profit-transfer agreements with Deutsche Steinzeug Keramik GmbH, Alfter-Witterschlick and Meissen Keramik GmbH, Meißen.

3 Consolidation principles

Audited and inspected by auditing companies, the individual annual financial statements of all domestic companies as well as the individual annual financial statements, inspected by the Group auditors, of the foreign companies integrated into the consolidated financial statement form the basis for the consolidated financial statement.

The consolidation of capital is effected uniformly under the book value method in accordance with § 301 Par. 1 Clause 2, Number 1 of the Commercial Code (HGB). It is carried out in compliance with § 301 Par. 2 of the Commercial Code (HGB) in accordance with the purely Anglo-Saxon method.

Expenditures and revenues as well as loans, accounts receivable and liabilities between the integrated companies are eliminated as well as intra-group profits arising from intra-group trade. Deferred taxes to the sum of an average group income tax rate of 38% were taken into consideration on eliminated intra-group profits.

4 Currency conversion

The positions of property, plant and equipment are converted at the rates on the balance sheet date, as are the other balance sheet positions. Depreciations, increases and decreases in inventories and annual results are converted at the rate on the balance sheet date. Resulting currency differences

were cleared without effect on the result brought forward. Other positions of the profit and loss statement were converted at the annual average rates. Any resulting differences were cleared with effect on the result.

5 Accounting and valuation principles

A uniform set of principles is applied for accounting, valuation and classification. The accounting and valuation methods used in the consolidated financial statement to 31 December 2004 remained unchanged with respect to the previous year. Statements of integrated subsidiary companies, which have been prepared following deviating principles, are adjusted. Adjustment has been dispensed with only in essential cases.

The setting-off of acquired goodwill with the reserves not affecting the result, was already foregone in 2001 in favour of capitalization under intangible assets. The service life is 15 years.

Property, plant and equipment and intangible assets have been valued at cost of acquisition or of production, minus the scheduled or non-scheduled depreciations, inclusive of non-scheduled accelerated depreciations in respect of tax law. The scheduled depreciations of the fixed assets are mainly based group-wide on the following periods of usefulness:

Premises	12 – 50 years
Kilns	5 – 10 years
Machines and technical equipment	3 – 10 years
Fixtures and fittings	3 – 15 years
Vehicles	2 – 6 years

Low-value economic assets are fully depreciated in the fiscal year.

The book values of the subsidiary and affiliated companies correspond to the acquisition costs, adjusted for the required depreciations. Loans are accounted at nominal values or at the lower agreed value.

The inventories are valued at cost of acquisition or of production or at lower stock market prices or market values or at attributable values. Raw materials and supplies, operating materials and trading stock are assessed at costs of acquisition. Goods are valued at costs of production. These include material costs, direct labour as well as appropriate shares for the material overheads and manufacturing overhead expenses. Interest which accrues in the period of production has not been included as assets. Deductions in value for recognizable risks, especially for such risks which result from period of storage and reduced utility value, have been made on an adequate scale. Insofar as stocks from intra-group deliveries are available at the balance sheet date, the intra-group profits have been eliminated. The FIFO (Group In First Out) procedure has been used here. It is accordingly assumed that the assets delivered by the integrated companies have first been consumed.

Accounts receivable and other assets have been valued at cost of acquisition, liquid assets at the nominal value. Foreign currency items have here been assessed at the rate of their establishment or at the lower rate on the balance sheet date. Risks in the case of accounts receivable have been taken into consideration by means of adequate individual or global allowances. Marketable securities in the current assets have been assessed at the lower attributable value.

The pension reserves have been determined using the component-based procedure on the basis of actuarial principles, taking as a basis an assumed rate of interest of 6%; the “Heubeck 1998 Actuarial Tables” have been adopted here in full.

The other reserves and accrued liabilities take into consideration all recognizable risks and other uncertain obligations. The valuation of the reserves has been made according to a prudent commercial assessment. The liabilities are valued at the repay-

ment amounts, pension debts have been assessed at their cash value. Liabilities in foreign currencies have been assessed at the rate of their establishment or at the higher rate on the balance sheet date.

Explanations of the balance sheet

6 Fixed Assets

The itemization of the asset positions and their development in 2004 are presented as an appendix to this note.

7 Inventories

This item includes:

	DSCB Group		DSCB AG	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	€'000	€'000	€'000	€'000
Raw materials and supplies	6,176	7,015	6,172	7,003
Unfinished goods	2,964	2,498	2,964	2,498
Finished goods, trading stock	41,511	41,217	37,883	37,957
	50,651	50,730	47,019	47,458

8 Accounts receivable and other assets

	DSCB Group		DSCB AG	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	€'000	€'000	€'000	€'000
1. Accounts receivable, trade	15,887	18,929	227	389
- of which with a remaining term of more than one year	0	0	0	0
2. Accounts due from affiliated companies	2,329	3,608	14,366	14,381
- of which with a remaining term of more than one year	2,000	0	5,500	3,596
3. Other assets	17,724	34,581	9,165	21,940
- of which with a remaining term of more than one year	1,109	195	102	90
4. Total	35,940	57,118	23,758	36,710
- of which with a remaining term of more than one year	3,109	195	5,602	3,686

Other assets in the Group include reinsurances of € 2,981,000 (previous year: € 18,233,000) and in

the company of € 2,877,000 (previous year: € 18,075,000) respectively.

9 Shares in affiliated companies, own shares

In the AG, in this position the holdings in Deutsche Steinzeug Immobilien GmbH & Co. KG, GELUNA Vermögensverwaltung GmbH and Jasba Ofenkachel Vermögensverwaltung GmbH are listed. As of 31.12.2004, the company held 225,098 of its own individual share certificates, which were bought in the course of the 1998 and 1999 fiscal years on the

basis of the authorizations issued on 23.07.1998 and 12.08.1999 by the Annual General Meetings which have a computed nominal value of € 225,098.--, i.e. 0.83% of the share capital. The valuation is effected at the lower value on the due date, for the own shares use is made of the retention option.

10 Deferred charges and prepaid expenses

In the consolidated Group financial statement and in the AG, this item includes discounts on bank liabilities of € 399,000 (previous year: € 488,000). In addi-

tion this item contains an item of € 493,000 (previous year: € 703,000) for latent taxes.

11 Equity capital items

11.1 Deutsche Steinzeug Cremer & Breuer AG Group

	31.12.2004	31.12.2003
	€'000	€'000
Subscribed capital	27,065	54,130
Capital reserves	2,707	0
Reserves for own shares	137	137
Consolidation excess	-9,428	-11,572
Balance sheet loss	-10,372	-24,360
Shares of third parties	4,212	4,197
Equity capital	14,321	22,532

Development of the Group equity capital in the fiscal year

	01.01.2004	Capital reduction	Annual loss	Other changes	31.12.2004
	€'000	€'000	€'000	€'000	€'000
Share capital	54,130	-27,065	0	0	27,065
Capital reserves	0	2,707	0	0	2,707
Reserves for own shares	137	0	0	0	137
Consolidation excess	-11,572	0	0	2,144	-9,428
Balance sheet loss	-24,360	24,358	-8,301	-2,069	-10,372
Shares of third parties	4,197	0	0	15	4,212
	22,532	0	-8,301	90	14,321

11.2 Consolidation compensation items

Development of consolidation compensation items

	01.01.2004	Change 2004	31.12.2004
	€'000	€'000	€'000
Balance sheet result of the subsidiary companies	-25,550	-385	-25,935
Transfer items to the balance sheet result of the AG	595	2,442	3,037
Differences from the initial consolidation	13,478	0	13,478
Currency conversion differences not affecting the operational result	-95	87	-8
	-11,572	2,144	-9,428

11.3 Stakes owned by other partners

This refers to the partners in the Vereinigte Steinzeugwerke GmbH, Frechen.

	DSCB Group	
	31.12.2004	31.12.2003
	€'000	€'000
Shares in capital, reserves and profit carried forward	4,197	4,636
Shares of current result	15	-439
	4,212	4,197

11.4 Deutsche Steinzeug Cremer & Breuer AG

	DSCB AG	
	31.12.2004	31.12.2003
	€'000	€'000
Subscribed capital	27,065	54,130
Capital reserves	2,707	0
Reserves for own shares	137	137
Consolidation excess	-2	-19,798
Balance sheet loss	-10,370	-4,562
Equity capital	19,537	29,907

Development of the equity capital of DSCB AG in the fiscal year

	01.01.2004	Capital reduction	Annual loss	31.12.2004
	€'000	€'000	€'000	€'000
Nominal capital	54,130	-27,065	0	27,065
Capital reserves	0	2,707	0	2,707
Reserves for own shares	137	0	0	137
Balance sheet loss	-24,360	24,358	0	-2
Shares of third parties	0	0	-10,370	-10,370
	29,907	0	-10,370	19,537

In accordance with the resolution of the Annual General Meeting of 17 June 2004, the nominal capital has been reduced by means of a simplified capital reduction by € 27,065,000 and a sum of € 2,706,500 allocated to the capital reserves.

The remaining sum of € 24,358,500 was used for the balancing of accumulated losses. As a result of the capital reduction the computed nominal value of the share changes to € 1.-- per share.

11.5 Subscribed capital

The subscribed capital of Deutsche Steinzeug Cremer & Breuer AG amounts to € 27,065,000 and is divided up into 27,065,000 individual

share certificates with an accounting par value of € 1.--. The shares are in the name of the owners.

12 Approved capital

With the approval of the Supervisory Board, the Annual General Meeting of 18.06.2003 authorized the Board of Management to increase the capital stock by issuing new shares against cash or in kind, once

or more than once, to a maximum total of € 27,065,000 by 18.06.2008. The Board of Management decides on a possible exclusion of subscription rights with the approval of the Supervisory Board.

13 Reserves and accrued liabilities

Reserves for pensions and similar liabilities have been formed for obligations arising from current pensions, expectancies and obligations similar to pensions as well as their safeguarding and arise exclusively from the financial statements of the German companies. An adjustment to the "Heubeck 1998 Actuarial Tables" has been made both in the consolidated financial statement as well as in the public limited company. On the balance sheet date, there are non-reported pension obligations in the group as well as in Deutsche Steinzeug Cremer & Breuer AG to the sum of € 5,935,000 (previous year: € 6,201,000).

The tax reserves of the Group include domestic tax amounts, which in the Group and in the parent company mainly originate in the tax audit period 1995 – 1998. In the Group there is a reserve for latent taxes on € 319,000 (prev. year: € 0).

The other reserves essentially include amounts for expenditures on personnel and on guarantee and reclamation obligations, restructuring measures as well as for outstanding invoices.

	DSCB Group		DSCB AG	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	€'000	€'000	€'000	€'000
Pension reserves	45,855	46,532	42,700	43,349
Tax reserves	1,123	838	732	762
Other reserves and accrued liabilities	9,363	11,715	6,310	6,793
	56,341	59,085	49,742	50,904

14 Liabilities

14.1 Deutsche Steinzeug Cremer & Breuer AG Group

Type of liabilities	31.12.2004			31.12.2003		
	Remaining term			Remaining term		
	of up to one year €'000	of more than 5 y. €'000	Total €'000	of up to one year €'000	of more than 5 y. €'000	Total €'000
1. Liabilities due to banks	64,907	750	80,457	42,370	11,117	81,669
2. Accounts payable, trade	13,038	0	13,038	13,061	0	13,061
3. Bills payable	10	0	10	52	0	55
4. Accounts due to affiliated companies	1,067	0	3,309	3,552	0	3,552
5. Other liabilities	8,518	558	9,145	15,765	319	28,119
	87,540	1,308	105,959	74,800	11,436	126,456

Of the liabilities, € 65,323,000 (prev. year: € 66,340,000) are secured by mortgages and € 21,634,000 (prev. year: € 22,713,000) by blanket assignment of trade receivables as well as by

transfer of inventories as security. Of the other liabilities, € 0 (prev. year: € 16,264,000) are secured by pledging the premium reserve.

14.2 Deutsche Steinzeug Cremer & Breuer AG

Type of liabilities	31.12.2004			31.12.2003		
	Remaining term			Remaining term		
	of up to one year €'000	of more than 5 y. €'000	Total €'000	of up to one year €'000	of more than 5 y. €'000	Total €'000
1. Liabilities due to banks	63,773	750	78,556	41,093	11,117	79,573
2. Accounts payable, trade	10,965	0	10,965	10,621	0	10,621
3. Accounts due to affiliated companies	7,550	0	21,282	8,426	0	16,369
4. Other liabilities	2,551	558	3,178	8,144	319	20,498
	84,839	1,308	113,981	68,284	11,436	127,061

Of the liabilities, € 58,772,000 (prev. year: € 59,687,000) are secured by mortgages and € 19,784,000 (prev. year: € 20,801,000) by blanket assignment of trade receivables as well as by transfer

of inventories as security. Of the other liabilities, € 0 (prev. year: € 16,264,000) are secured by pledging the premium reserve.

14.3 Other liabilities

The other liabilities include:

	DSCB Group		DSCB AG	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	€'000	€'000	€'000	€'000
Liabilities from taxes	638	769	289	413
Liabilities from social security	2,385	2,363	2,009	1,949
	3,023	3,132	2,298	2,362

15 Contingent liabilities and commitments

	DSCB Group		DSCB AG	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	€'000	€'000	€'000	€'000
Notes discounted	389	529	0	0
Guarantees and endorsements	2,822	3,691	2,822	3,691
	3,211	4,220	2,822	3,691

Liabilities arising from the order of securities for external liabilities of € 1,159,000 (prev. year: € 2,497,000) exist in the Group and of € 1,159,000 (prev. year: € 1,537,000) in the AG.

On the key date, leasing and rental obligations, of € 3,363,000 (prev. year: € 3,700,000) exist in the Group, and of € 1,593,000 (prev. year: € 2,758,000) in the AG.

Explanations of the profit and loss statement

16 Sales revenue

	DSCB Group		DSCB AG	
	2004	2003	2004	2003
	€ mill.	€ mill.	€ mill.	€ mill.
Germany	150.6	153.2	183.0*	178.0*
Abroad	85.2	79.9	5.6	4.9
	235.8	233.1	188.6	182.9

* Mainly intra-company sales of Deutsche Steinzeug Cremer & Breuer AG to its marketing companies

17 Other operating Income

This item essentially includes, in the case of the Group financial statement as well as in the case of Deutsche Steinzeug Cremer & Breuer AG, income arising from the release of reserves and of valuation reserves, income arising from reinsurances and insured losses and in the public limited company also

income from the passing on of costs. The out-of-period income included in this item is, in the Group, € 2,468,000 (prev. year: € 3,911,000) and, in the public limited company, € 1,532,000 (prev. year: € 2,150,000).

18 Expenditure on materials

	DSCB Group		DSCB AG	
	2004	2003	2004	2003
	€'000	€'000	€'000	€'000
Cost of raw materials, supplies and trading stock and for purchased goods	101,371	99,393	98,827	97,046
Cost of purchased services	6,751	5,624	6,738	5,441
	108,122	105,017	105,565	102,487

19 Personnel Expenditure/Employees

	DSCB Group		DSCB AG	
	2004	2003	2004	2003
	€'000	€'000	€'000	€'000
Wages and salaries	58,121	57,025	46,348	44,916
Social security	12,558	12,564	10,469	10,345
Expenditure on pensions	2,032	4,432	1,568	3,818
Expenditure on other benefits	1	1	1	1
	72,712	74,022	58,386	59,080

In the 2004 fiscal year, for the first time the interest quota arising from pension reserves was included in the financial result, Group € 2,662,000 and public

limited company € 2,568,000. The previous year's figures (Group € 2,753,000, AG € 2,661,000) were not adjusted, however.

	DSCB Group		DSCB AG	
	2004	2003	2004	2003
Annual average number of employees				
Wage earners	1,184	1,197	1,165	1,174
Salaried employees	542	578	295	311
	1,726	1,775	1,460	1,485

20 Depreciations

Of the depreciations, in the Group € 2,103,000 (prev. year: € 2,110,000) and in the public limited company € 1,553,000 (prev. year: € 1,564,000)

are accounted for by goodwill which is written off over 15 years. Extraordinary depreciations did not arise in the Group (prev. year: € 876,000).

21 Other operating expenditure

The position of other operating expenditure in the Group as well as in Deutsche Steinzeug Cremer & Breuer AG, includes, among other things, repairs and third-party work, marketing expenditures, renting and leasing expenditures, guarantee expenditures as

well as other administration costs. This position includes out-of-period expenditures of the Group totalling € 577,000 (prev. year: € 1,870,000) and of the public limited company totalling € 459,000 (prev. year: € 24,000).

22 Details of financial results

	DSCB Group		DSCB AG	
	2004	2003	2004	2003
	€'000	€'000	€'000	€'000
Income from investments	10	106	10	321
- of which from affiliated companies	10	106	10	321
Income from profit transfer agreement	94	82	94	82
Depreciations from financial assets	0	0	0	723
Expenses from loss absorption	0	0	658	1,425
Result from investments	104	188	-554	-1,745
Income from loans of the financial assets	2	1	2	1
Other interest and similar income	130	127	355	767
- of which from affiliated companies	1	4	327	719
Interest and similar expenditures	9,887	8,567	9,753	8,217
- of which to affiliated companies	155	142	514	216
Interest balance	-9,757	-8,440	-9,398	-7,450
- of which from affiliated companies	-154	-138	-187	503
Financial result	-9,651	-8,251	-9,950	-9,194

Interest expenditures not identified with a specific period of € 45,000 (prev. year: € 0) are included for both the Group and the public limited company. In addition, in the interest expenditure for the 2004 fiscal year, for the first time € 2,662,000 is included for the Group and € 2,568,000 for the public limited

company as the interest burden of the existing pension obligations. In the interest income of the Group, € 2,000 (prev. year: € 1,000), of the public limited company € 2,000 (prev. Year: € 0) are included unrelated to the period.

23 Extraordinary result

In the fiscal year, an extraordinary result arose which was due to the disposal of the companies or company operations which are no longer part of the

core business – Hürner Funken GmbH, Monsun GmbH and Jasba Ofenkachel GmbH:

	Group	DSCB AG
Disposal losses	3,045	7,420
Foregone receivables	1,800	1,800
	4,845	9,220

In the previous year an extraordinary result was not reported for either the Group or the public limited company.

24 Taxes

	DSCB Group		DSCB AG	
	2004	2003	2004	2003
	€'000	€'000	€'000	€'000
Income taxes	62	194	-28	37
Deferred taxes	492	-115	0	0
Other taxes	416	490	289	367
	970	569	261	404

In the item, tax rebates unrelated to the accounting period in the Group of € 29,000 (prev. year: € 37,000) and in the AG of € 28,000 (prev. year: € 4,000) are set off. The tax expenditures in the

Group unrelated to the accounting period was € 26,000 (prev. year: € 71,000) and in the AG € 3,000 (prev. year: € 0).

25 Group net loss

The Group net loss contains a profit share of € 15,000 due to other shareholders (prev. year: share of loss € 439,000).

26 Deutsche Steinzeug Group Capital Flow Statement

	2004	2003
	€'000	€'000
Group net loss	-8,301	-7,142
Depreciations on fixed asset	9,940	11,174
Change in the reserves for pensions	-677	-1,007
Change in the special reserve with equity portion	-21	0
Other expenses without effect on payments and earnings of considerable importance	-301	747
Extraordinary expenditure	4,845	0
Cash flow arising from the result	5,485	3,772
Change in the inventories	79	-329
Change in the accounts receivable and other assets	8,021	836
Change in the other reserves	-2,067	-4,198
Change in the other liabilities (excl. bank liabilities)	-6,322	-17
Change in the deferred charges and prepaid expenses and deferred items	255	83
Cash flow arising from current business operations	5,451	147
Investments in intangible assets	-209	-114
Investments in property, plant and equipment	-5,599	-2,384
Book value of the asset retirements	1,442	16,449
Cash flow arising from investment activity	-4,366	13,951
Repurchase of reinsurance cover	12,158	0
Redemption of other loan debts	-16,264	0
Other change in the financial debt	2,208	-15,194
Cash flow arising from financing activity	-1,898	-15,194
Changes due to changes in consolidated companies and currencies	73	-3,941
Changes in the liquid funds/marketable securities	-740	-5,037
Liquid funds/marketable securities on 1 January	5,696	10,733
Liquid funds/marketable securities on 31 December	4,956	5,696

27 Other information

27.1 Remuneration of members of company organs

The total remuneration for the members of the Supervisory Board in 2004 in the Group and the public limited company was € 172,000 (prev. year: Group and public limited company € 152,000). A total of € 13,429,000 (prev. year: € 13,334,000) has been allocated to reserves for pension obligations in respect of former members of the Board of Management and their surviving dependants; the current remuneration for these individuals was € 1,692,000 (prev. year: € 1,660,000). In the reporting year, the total remuneration for the Board of Management in Deutsche Steinzeug Cremer & Breuer AG and the Group was € 1,124,000 (prev. year: € 1,100,000). Of the total remuneration of the Board of Management in 2004, fixed components accounted for € 586,000, variable components for € 247,000 and severance pay € 291,000.

27.2 Information on ownership of shares

The information required in § 285 No. 11 and § 313 Para. 2 of the Commercial Code (HGB) has been compiled separately in accordance with § 287 and § 313 Para. 4 of the Commercial Code (HGB). These have been filed with the Cologne Local Court, Commercial Register 42064. The substantive share ownership is presented in the appendix to these notes.

27.3 Appropriation of the retained earnings

Omitted as a result of balance sheet loss.

27.4 Members of the bodies of the parent company

The members of the bodies of Deutsche Steinzeug Cremer & Breuer AG as well as of their professional activities and memberships in Supervisory Boards and other controlling bodies are shown in the summary pages following this appendix.

Frechen, April 2005

Deutsche Steinzeug Cremer & Breuer AG
The Board of Management



Dieter Schäfer

Name	Main professional activity	Membership of Supervisory Board	Membership of controlling body
Supervisory Board			
Wilfried Delker - as of 17.06.2004 -	Vice-President (rtd) of American Standard Companies, Picataway/USA	-	-
Kaspar Kraemer	Graduate Engineer, Architect. BDA	-	Advisory Council Buchler GmbH, Brunswick Advisory Council Fagus GmbH, Brunswick
Dr. Hermann Rappe	Pensioner	-	-
Manfred F.J. Rütten	Chief Executive Officer (rtd.), NRW Employers' Association for Crafts, Düsseldorf	-	Landesversicherungsanstalt Rheinprovinz, Düsseldorf
Heinrich Schliefer	Graduate engineer, counsellor	VK Norddeutsche Affinerie AG, Hamburg	PEK Norddeutsche Affinerie AG, Hamburg
Franz-Egon Wirtz	Board of Management of S. Loevenich Immobilien AG, Frechen	-	Ceramcolor Holding AG, Zug/Switzerland (Chairman); Colores Cerámicos de Tortos S.A., Tortosa/Spain (Chairman)
Heinrich Wolf - up to 17.06.2004 -	Executive director of Steinzeugfabrik Rhenania Wolf oHG, Frechen Wolf'sche Hochbaugesellschaft mbH, Frechen Gießharzwerk Frechen GmbH & Co. KG, Frechen	-	-
Gerd Schlossarek	Group Head Ceramics and Glass Section IG Bergbau, Chemie, Energie, Hanover	SAINT-GOBAIN GLASS DEUTSCHLAND GmbH, Aachen (Deputy Chairman) SEKURIT SAINT-GOBAIN DEUTSCHLAND, Aachen (Deputy Chairman)	BG Keramik und Glas, Würzburg (Chairman) BAD, Bonn Advisory Council Wächtersbacher Keramik GmbH & Co. KG, Brachtal
Herbert Allert - as of 17.06.2004 -	Chief Executive of the IG Bauen-Agrar-Umwelt, Oberpfalz district, Schwandorf	Zusatzversorgungskasse der Steine und Erden-Industrie und des Betonsteinhandwerks VVaG, Munich	-
Wilhelm Belz - up to 17.06.2004 -	Lathe operator	-	-
Richard Daxberger - up to 17.06.2004 -	Machine fitter	-	-
Georg Federer - as of 17.06.2004 -	Chairman of the Employees' Council of the Schwarzenfeld plant of Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Jörg Herpich - up to 17.06.2004 -	Editor-in-chief of the IG Bauen-Agrar-Umwelt, Frankfurt	-	Advisory Committee of the Urlaubs- und Lohnausgleichskasse der Bauwirtschaft, Wiesbaden
Rainer Kloft - as of 17.06.2004 -	Chairman of the Central Employees' Council of Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Helmut Kossmann - as of 17.06.2004 -	Head of Informatics, Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Rolf Küpper - up to 17.06.2004 -	Head of Financial Management and Accounting, Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Hans-Josef Trimborn - up to 17.06.2004 -	Chairman of the General Employees' Council of Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Dieter Vianden - as of 17.06.2004 -	Deputy-Chairman of the Employees' Council of the Witterschlick plant of Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Board of Management			
Dieter Schäfer	Board of Management Deutsche Steinzeug AG, Alfter-Witterschlick	-	-
Dr. Ralph-Dieter Schrey - up to 30.06.2004 -	Board of Management Deutsche Steinzeug AG, Alfter-Witterschlick	-	-

Auditor's certificate

We have audited the annual financial statement based on the accounts represented by DEUTSCHE STEINZEUG CREMER & BREUER AG, Frechen, as well as the Group result and its report on the situation of the company and the Group for the fiscal year 1 January to 31 December 2004. The preparation of this annual financial statement in accordance with the provisions stipulated under German Commercial Law and the supplementary regulations in the articles of association falls within the responsibility of legal representatives of the company. It is our task to make a judgement on the annual financial statement on the basis of the audit we have conducted, as well as on the Group result and its report on the situation of the company and the Group.

We conducted our audit of the Group financial statement in accordance with § 317 of the Commercial Code (HGB), in compliance with the principles of proper auditing established by the IDW – Institut der Wirtschaftsprüfer (Institute of Auditors). Auditing should accordingly be planned and conducted in such a way that facilitates with adequate certainty the recognition of errors and breaches which essentially impact upon the representation of the asset, finance and earnings situation of the Group as laid out in the annual financial statements and Group results which were compiled in strict adherence to accounting principles. In the determination of the auditing procedures, the knowledge on the business activity and on the economic and legal environment of the company as well as the expectation of possible errors are taken into account. In the course of the audit, the efficiency of the internal controlling system and verification of the details on the accounting and in the annual and Group financial statement and in the situation report on the company and the Group are assessed on the basis of random samples. The audit includes also the assessment of

the applied accounting and consolidation principles and the assessment of the legal representatives as well as an assessment of the annual and Group results, the situation report on the company and the Group. We are of the opinion that our audit forms a sufficient and secure basis for forming our judgement.

Our audit has not led to any objections.

In compliance with standard accounting principles, we are of the conviction that the annual financial statement conveys an accurate picture of the asset, financial and earnings situation of the company and the Group. The report on the situation of the company and the Group presents an accurate picture of the situation of the company and the Group and presents the risk of the future development accurately.

Neuss, 15 April 2005

Dr. Glade, König und Partner GmbH
Auditing Company
Tax Consultancy Company

(Dr. Hans-Joachim Glade)
Auditor

Analysis of investments of the Deutsche Steinzeug Group

Company	Headquarters	Stake in %	National currency	Stake via No.	Equity (in '000's national currency)	Net result 2004 (in '000's national currency)
1 Deutsche Steinzeug Cremer & Breuer Aktiengesellschaft	Frechen					
2 Deutsche Steinzeug Keramik GmbH	Alfter-Witterschlick	100.0	€	1	13,057	-
3 Meissen Keramik Vertriebs GmbH & Co. KG	Dortmund	100.0	€	1	1,522	336
4 Staloton Klinker Vertriebs GmbH	Schwarzenfeld	100.0	€	2	25	-
5 Deutsche Steinzeug France s.a.r.l.	Paris/France	100.0	€	1	37	10
6 Deutsche Steinzeug Nederland B.V.	Ulft/Netherlands	100.0	€	1	74	11
7 Deutsche Steinzeug Schweiz AG	Hergiswil/Switzerland	100.0	CHF	1	166	11
8 Deutsche Steinzeug Italia S.r.l.	Veggia/Italy	100.0	€	2	137	-138
9 Deutsche Steinzeug America, Inc.	Alpharetta/USA	100.0	\$	1	2,918	215
10 Deutsche Steinzeug Immobilien GmbH & Co. KG	Alfter-Witterschlick	100.0	€	1	5,944	-503
11 Meissen Keramik GmbH	Meißen	100.0	€	1	1,037	-
12 Jasba Ofenkachel Vermögensverwaltung GmbH	Ransbach-Baumbach	100.0	€	1	-	-
13 Vereinigte Steinzeugwerke GmbH	Frechen	60.0	€	1	10,531	39
14 GELUNA Vermögensverwaltung GmbH	Frankfurt/Main	100.0	€	1	549	-3,235
15 Hürner Lufttechnik GmbH	Frankfurt/Main	100.0	€	14	-409	-14

Deutsche Steinzeug Cremer & Breuer AG Group

	Total procurement and manufacturing costs						Status 31.12.2004 €'000
	Status 01.01.2004 €'000	Currency changes €'000	Changes in consolidated companies €'000	Additions €'000	Disposals €'000	Transfers €'000	
I. Intangible assets							
1. Trademarks and similar rights as well as licenses to such rights	2,058	0	0	209	27	0	2,240
2. Goodwill	27,704	0	0	0	0	0	27,704
	29,762	0	0	209	27	0	29,944
II. Fixed assets							
1. Land, leasehold, rights and buildings	96,717	-1	0	1	3,209	0	93,508
2. Technical equipment, plant and machinery	187,232	0	0	1,596	2,012	625	187,441
3. Other equipment, operational and office equipment	17,731	-25	0	1,267	618	187	18,542
4. Advance payments and construction in progress	812	0	0	2,735	0	-812	2,735
	302,492	-26	0	5,599	5,839	0	302,226
III. Financial assets							
1. Shares in affiliated companies	9,430	0	0	0	7,323	0	2,107
2. Other investments	47	0	0	0	24	0	23
3. Other loans	69	0	0	0	65	0	4
	9,546	0	0	0	7,412	0	2,134
	341,800	-26	0	5,808	13,278	0	334,304

Deutsche Steinzeug Cremer & Breuer AG

	Total procurement and manufacturing costs				Status 31.12.2004 €'000
	Status 01.01.2004 €'000	Additions €'000	Disposals €'000	Transfers €'000	
I. Intangible assets					
1. Trademarks and similar rights as well as licenses to such rights	2,198	208	0	0	2,406
2. Goodwill	23,469	0	0	0	23,469
	25,667	208	0	0	25,875
II. Fixed assets					
1. Land, leasehold, rights and buildings	97,854	0	1,303	0	96,551
2. Technical equipment, plant and machinery	188,826	1,597	2,012	625	189,036
3. Other equipment, operational and office equipment	17,441	1,054	375	187	18,307
4. Advance payments and construction in progress	812	2,735	0	-812	2,735
	304,933	5,386	3,690	0	306,629
III. Financial assets					
1. Shares in affiliated companies	47,839	314	12,389	0	35,764
2. Other loans	15	0	14	0	1
	47,854	314	12,403	0	35,765
	378,454	5,908	16,093	0	368,269

Accumulated depreciations						Book values		
Status 01.01.2004	Currency changes	Changes in consolidated companies	Additions	Disposals	Status 31.12.2004	Status 31.12.2004	Status 31.12.2003	
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
1,582	0	0	321	27	1,876	364	476	
6,560	0	0	2,103	0	8,663	19,041	21,144	
8,142	0	0	2,424	27	10,539	19,405	21,620	
50,174	0	0	2,054	1,034	51,194	42,314	46,543	
170,201	0	0	4,631	2,012	172,820	14,621	17,031	
15,969	-12	0	831	563	16,225	2,317	1,762	
0	0	0	0	0	0	2,735	812	
236,344	-12	0	7,516	3,609	240,239	61,987	66,148	
4,239	0	0	0	4,213	26	2,081	5,191	
25	0	0	0	25	0	23	22	
53	0	0	0	53	0	4	16	
4,317	0	0	0	4,291	26	2,108	5,229	
248,803	-12	0	9,940	7,927	250,804	83,500	92,997	

Accumulated depreciations				Book values		
Status 01.01.2004	Additions	Disposals	Status 31.12.2004	Status 31.12.2004	Status 31.12.2003	
€'000	€'000	€'000	€'000	€'000	€'000	
1,723	320	0	2,043	363	475	
8,002	1,552	0	9,554	13,915	15,467	
9,725	1,872	0	11,597	14,278	15,942	
59,625	1,781	313	61,093	35,458	38,229	
174,556	4,018	2,012	176,562	12,474	14,270	
16,153	633	361	16,425	1,882	1,288	
0	0	0	0	2,735	812	
250,334	6,432	2,686	254,080	52,549	54,599	
4,280	0	4,244	36	35,728	43,560	
3	0	3	0	1	12	
4,283	0	4,247	36	35,729	43,572	
264,341	8,304	6,932	265,713	102,556	114,113	

Financial calendar 2005/2006

2 May 2005	Publication of the 2004 Annual Report and Balance Sheet Press Conference on the 2004 fiscal year
27 May 2005	Interim report as of 31 March 2005
16 June 2005	2005 Annual General Meeting
19 August 2005	Interim report 1st half-year 2005
18 November 2005	Interim report as of 30 September 2005
3 May 2006	Publication of the 2005 Annual Report and Balance Sheet Press Conference on the 2005 fiscal year
14 June 2006	2006 Annual General Meeting

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The unique Hydrotect coating relaxes water to thin, uniform film and activates the oxygen in the air. That is the basis of its three key advantages:

it has an anti-bacterial effect · it is extremely easy to clean · it destroys unpleasant odours

As a result, Hydrotect proves its worth wherever perfect hygiene without unnecessary hard work is required. In the exterior area the coating ensures brilliantly clean facades and destroys airborne pollution. Hydrotect is ceramically fired in at high temperatures, is practically indestructible and has a permanent effect.



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