

# **ANNUAL REPORT 2004**

## **MÜLLER - DIE LILA LOGISTIK AG**

**ACCORDING TO HGB**

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## **MANAGEMENT REPORT OF MÜLLER – DIE LILA LOGISTIK AG FOR THE 2004 FINANCIAL YEAR**

### **The company's business**

Müller – Die lila Logistik AG undertakes various management functions for the Lila Logistik group. Operational logistics activities, such as consultancy and operational logistical services are handled in the various subsidiaries. The nine (previous year: eight) permanent employees form the Management Board, Management Board secretariat, group controlling, sales and investor relations/marketing. All the functions indicated serve either for the management of the group or are made available to the subsidiaries as an internal, remunerated service. The company's headquarters is in Besigheim; there are no further branch offices.

### **Increase in real capital and increase in the holding in Emporias**

In April Müller - Die lila Logistik AG increased its holding in Emporias Management Consulting GmbH by the issue of new shares. Making partial use of the authorised capital, the Management and Supervisory Boards of Müller - Die lila Logistik AG increased the company's share capital by means of a contribution in kind of EUR 200,000 to the current figure of EUR 7,900,000. The new shares served for the acquisition of a further 25% of the share capital of Emporias Management Consulting GmbH, which was contributed to Müller – Die lila Logistik AG by the managing shareholder by way of a contribution in kind. Shareholder subscription rights were excluded in order to render this acquisition possible. The new shares were issued at a price of EUR 2.11 per share.

### **Shareholdings**

The following changes occurred in the investment portfolio in the 2004 accounting year:

#### **Increase in the interest in Emporias**

As described in the above section, the interest in Emporias was increased by 25% to 76%.

#### **Acquisition of the subsidiary in Graz**

In the course of the outsourcing commission from Magna Steyr in Graz, Müller – Die lila Logistik AG acquired 100% of the company at that time under the name Magna Steyr Logistik GmbH and changed the name to Müller – Die lila Logistik Austria GmbH. As of 1 July 2004 the Lila Logistik group is now also represented in Austria.

#### **Formation of the joint venture with Vedes**

The acquisition of another logistics commission, also resulted in the creation of Vedes-Müller Logistik GmbH, a joint venture between Vedes Logistik GmbH and Müller – Die lila Logistik AG. Since July 2004 the joint venture has taken over parts of the logistics functions for the Vedes organisation at the Nuremberg location.

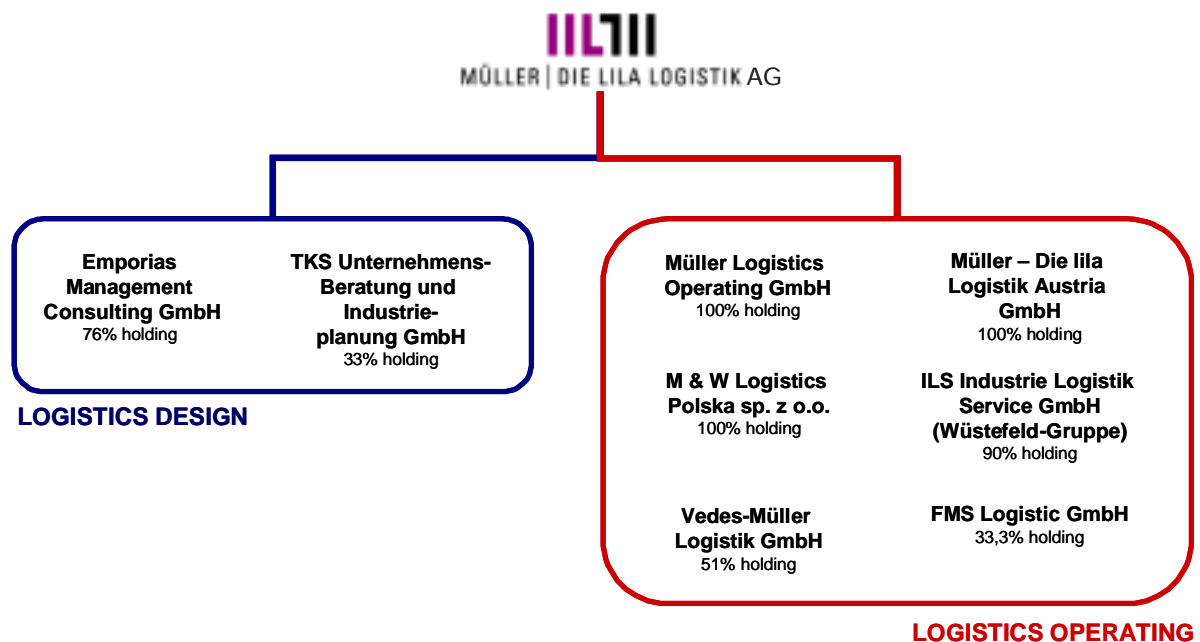
### Reduction of the holding in TKS

Until December 2004 Müller – Die lila Logistik AG held 47% of the shares in TKS Unternehmensberatung und Industrieplanung GmbH. At the end of 2004 14% of the shares of Müller – Die lila Logistik AG were sold back to the majority shareholder of TKS. In this way the current shareholding also reflects the entitlement to profit.

### Purchase of M & W Logistics Polska sp. z o.o.

With the aim of strengthening the Lila Logistik brand in Poland, in December the company purchased from its own subsidiary, ILS Industrie Logistik Service GmbH, 100% of the shares of M & W Logistics Polska sp. z o.o.. This transaction had no immediate impact on the companies included in the consolidation as the Polish subsidiary had already been fully included in the consolidation in the past.

The current group structure (not showing the individual companies) is as follows:



### Profit transfer agreement

On 17 June 2004 the general meeting of shareholders of the individual company authorised the creation of the control and profit transfer agreement between Müller - Die lila Logistik AG and Emporias Management Consulting GmbH. The agreement was entered in the commercial register in the third quarter and thereby applies with retrospective effect from 1 January 2004.

## Course of business

### Turnover

In the 2004 accounting year Müller – Die lila Logistik AG achieved sales revenues of EUR 2,490,000 (previous year: EUR 1,641,000). The increase resulted essentially from the direct invoicing of a consultancy commission by the company. The whole of the turnover was achieved in Germany and Austria.

### Development of earnings

In the 2004 accounting year the company earned an annual net income for the first time. This amounted to EUR 462,000 (previous year: deficit for the year of EUR 2,194,000). The improvement in earnings was essentially based on the earnings regarding the profit transfer agreement in amount of EUR 3,512,000 (previous year: EUR 756,000). The significant expense positions in the past financial year were Cost of materials at EUR 1,054,000 (previous year: EUR 0) which have to be linked to the application specified above, almost unchanged Personnel expenses at EUR 1,459,000 (previous year: EUR 1,407,000), inclining Depreciation and amortisation of tangible and intangible assets, property, plant and equipment of EUR 759,000 (previous year: EUR 1,163,000) and the basically unchanged Other operating expenses of EUR 2,030,000 (previous year: EUR: 1,961,000). Income from equity investments amounted to EUR 47,000 (previous year: EUR 274,000). Income under profit transfer agreements amounted to EUR 3,512,000 (previous year: EUR 756,000). Income from equity investments EUR 47,000 (previous year EUR 274,000).

### Capital expenditure, depreciation and amortisation

In the period under review the company invested EUR 2,793,000 (previous year: EUR 97,000) in fixed assets. Against this there were disposals of EUR 876,000 (previous year: EUR 529,000).

Depreciation and amortisation amounted to EUR 1,119,000 (previous year: EUR 1,435,000), which included EUR 51,000 (previous year: EUR 152,000) for software and licences, EUR 503,000 for property, plant and equipment (previous year: EUR 806,000), EUR 205,000 for goodwill (previous year: EUR 205,000) and EUR 360,000 for financial assets (previous year: EUR 272,000).

### Net assets and financial position

At 31 December 2004 total assets amounted to EUR 25,588,000 (previous year: EUR 24,851,000). Fixed assets reached EUR 21,025,000 (previous year: EUR 19,943,000), with Shares in affiliated companies amongst others responsible for this increase. As a result of the reappraisal of ILS Industrie Logistik Service GmbH, write-ups of EUR 285,000 were applied. A capital injection totalling EUR 490,000 was decided on for Vedes-Müller Logistik GmbH. In line with the level of its holding, Müller – Die lila Logistik AG contributed an amount of EUR 250,000 to capital reserves, which was already amortised in the 2004 accounting year. The sale of the TKS shares resulted in a loss of EUR 300,000.

On the liabilities side the balance sheet extension was attributable perceptibly to the increase in Shareholders' equity to EUR 6,721,000 (previous year: EUR 5,837,000) as a result of the increase in capital and the profit for the year.

### **Cash flow and liquidity**

At the balance sheet date Liquid assets amounted to EUR 50,000 (previous year: EUR 9,000). Cash flow from current business activities was EUR 3,232,000 (previous year: EUR 269,000), Cash used for investment activities was EUR 1,792,000 (previous year: cash inflow of EUR 227,000) and Cash used for finance activities was EUR 1,399,000 (previous year: EUR 690,000). Total cash flow was EUR 41,000 (previous year: minus EUR 194,000).

As planned, in July 2004 Müller - Die lila Logistik AG started loan redemptions for the medium-term financed part of company acquisitions. During the accounting year the company reduced its liabilities by a total of some EUR 1.4 million.

### **Management changes**

In February 2004 Mr Michael Bachmeier (formerly COO) left the company's Management Board. His tasks were taken over by the CEO, Mr Michael Müller.

At its meeting on 19 March 2004 the Supervisory Board appointed Mr Rupert Früh as CFO. Mr Früh had joined the company in February 2003 as General Finance Manager.

### **Changes to the Supervisory Board**

As a result of the group's growth in recent years and associated with this the increase in the number of personnel, legal rules provided for employee representatives to be appointed to the Supervisory Board by the personnel. This resulted in an increase in the size of the Supervisory Board from three to six members. Consequently in June 2004 the general meeting of shareholders appointed a fourth shareholder representative, Mr Per Klemm. In the second half of the year the personnel of the group elected Messrs Volker Buckmann and Carlos Rodrigues as employee representatives on the Supervisory Board. Messrs Volker Schellenberg and Thomas Diesch were elected as substitute members.

### **Personnel**

At 31 December 2004 the total number of employees was seven (previous year: six). These figures do not include the board members.

## **Risk report**

### **Risk management (system)**

To enable it at an early stage to identify and evaluate risks and to deal with them correctly, and in order to meet the requirements of the legal regulations (e.g. KonTraG), a risk management system was already introduced at Müller - Die lila Logistik AG a number of years ago. This risk management system has been developed and expanded in stages in the past. At its core it comprises the responsibility of the risk manager to use tools in order at an early stage to identify, analyse and evaluate the risks in the company and thus to be able to take the necessary precautionary measures.

The company's areas of activity involve both risks and opportunities. As a service company focussing on logistics design consultancy and logistics operating, Müller - Die lila Logistik AG is exposed to the typical business risks, which can have a significant impact on its capital, finance and income position. This includes in particular falls in demand and the further general and company-specific risks listed here:

### **Macroeconomic risks**

Fundamentally Müller - Die lila Logistik AG is subject to the same economic risks as other companies. In particular a weakening economy results in a reduced need for production materials and hence also in lower material flow volumes. A reason for this may also be reduced demand from abroad, which can have drastic effects on the export-focussed German economy. Seasonal effects and irregular distribution of business, for example as a result of company holidays on the part of clients, are well-known to Müller - Die lila Logistik AG and its subsidiaries and are taken into account in corporate planning.

### **Dependence on large clients**

The strong involvement with client processes implies a comparatively high level of certainty with regard to the existing business and future orders. This dependent relationship exists in both directions – both from the client to the logistical services provider and vice versa. In the 2004 accounting year Müller - Die lila Logistik AG developed new client relationships. This will also be one of the corporate goals in the future.

### **Dependence on individual members of the management**

The economic success of Müller - Die lila Logistik AG depends to a decisive extent on the qualifications of its employees. The organisation structures for positive development of the enterprise have been implemented in recent months. Nevertheless, there is a fundamental risk that important holders of knowledge may leave the company.

### **Handling of major commissions**

The subsidiaries founded in 2004 each started on a major commission in July last year. This involves fundamental risks, in particular calculation and liability risks and in the case of Müller - Die lila Logistik Austria GmbH also country risks. The interdisciplinary project teams will manage these risks by means of intensive project management and control.

### **IT risks**

Networking of the various participants in the logistical processes demands functional and adaptable IT systems. Müller - Die lila Logistik AG protects these systems by means of the most up-to-date anti-virus programs and counter system-side failure by means of emergency plans, which also form part of quality management.

### **Risks of internationalisation**

In the individual markets Müller - Die lila Logistik AG has to take account of the differing and evolving legal and tax framework and the respective market environment. This can involve substantial expense. Outside Germany there may also be a heightened risk of bad debts.

The Lila Logistik Group also undertakes business outside the Euro Zone, in particular in Poland. A portion of the invoices are not issued or settled in euros. Exchange rate fluctuations between the euro and other currencies of the countries outside the Euro Zone may affect Müller - Die lila Logistik AG's group earnings.

### **Entry into existing employment relationships at subsidiaries**

Under German law the acquirer of a business or part of a business takes over by law the rights and duties of the employment relationship existing at the time of transfer of the business or part of a business. In the context of the future acquisition of businesses or parts of businesses the possibility is therefore not excluded that the subsidiaries may have to continue employment relationships which they would not have taken over without the transfer required by law. Even if the company has taken account of these economic burdens in the acquisition agreement with the disposing organisation, the possibility is not excluded that the continuation of the employment relationships required by law on acquisition of a business or part of a business may have a negative impact on the financial and earnings position of the companies.

### **Risks arising from the investment portfolio**

As a result of supervision of the individual affiliates as well as standardised group accounting control, Müller - Die lila Logistik AG is informed in detail about developments and risks involved in the subsidiaries. Despite all measures taken, an adverse impact on the company's financial and earnings position as a result of weaknesses in the profitability of the subsidiaries cannot be excluded.

### **Post-balance-sheet events**

No significant events occurred between the 2004 balance sheet date and publication of the annual financial statements.

### **Outlook**

In the current year Müller – Die lila Logistik AG will again essentially record profit and loss transfers and group settlements of its subsidiaries as well as rental income for the Besigheim property in its revenues. On the basis of current plans the revenues will approach the levels of 2004. The company plans once again to achieve a net income for the 2005 accounting year.

Besigheim, 11 March 2005

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Michael Müller  
Chief Executive Officer

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Rupert Früh  
Chief Financial Officer



## Balance sheet as at 31 December 2004

### Assets

|  | 31/12/2004           | 31/12/2003           |
|--|----------------------|----------------------|
|  | EUR                  | EUR                  |
| <b>Fixed assets</b>  |                      |                      |
| <b>Intangible assets</b>   |                      |                      |
| Franchises, trademarks and similar rights and assets<br>as well as licences for such rights and assets     | 285,389.00           | 47,837.00            |
| Goodwill   | 1,673,868.00         | 1,878,934.00         |
|  | <u>1,959,257.00</u>  | <u>1,926,771.00</u>  |
| <b>Tangible assets</b>   |                      |                      |
| Freehold land, leasehold rights / interests and<br>buildings including buildings on land not owned         | 7,044,587.06         | 7,337,305.06         |
| Other fixed assets, fixtures, furniture and buildings  | 1,226,885.51         | 1,060,239.51         |
|  | <u>8,271,472.57</u>  | <u>8,397,544.57</u>  |
| <b>Financial assets</b>  |                      |                      |
| Shares in affiliated companies   | 8,419,915.02         | 6,793,655.02         |
| Loans to affiliated companies  | 1,022,583.76         | 1,022,583.76         |
| Participating interests  | 1,350,000.00         | 1,800,000.00         |
| Other loans  | 2,060.00             | 2,045.17             |
|  | <u>10,794,588.78</u> | <u>9,618,283.95</u>  |
|  | <u>21,025,288.35</u> | <u>19,942,599.52</u> |
| <b>Current assets</b>  |                      |                      |
| <b>Accounts receivable and other assets</b>  |                      |                      |
| Trade accounts receivable  | 2,563.16             | 37,323.47            |
| Accounts due from affiliated companies   | 2,994,734.22         | 3,045,209.65         |
| Accounts due from companies with which<br>a participatory relationship exists                              | 23,500.00            | 66,253.70            |
| Other assets   | 1,273,682.27         | 1,523,145.53         |
| --of which with a remaining term of more than one year<br>EUR 1,084,387.25 (previous year: EUR 845,192.64) |                      |                      |
| <b>Cash on hand and with banks</b>   | <u>50,024.98</u>     | <u>8,653.45</u>      |
|  | <u>4,344,504.63</u>  | <u>4,680,585.80</u>  |
| <b>Accrued income and prepaid expenses</b>   | <u>218,520.88</u>    | <u>228,311.92</u>    |
| <b>Total assets</b>  | <u>25,588,313.86</u> | <u>24,851,497.24</u> |

## Balance sheet as at 31 December 2004

### Liabilities

|   | <u>31/12/2004</u>     | <u>31/12/2003</u>     |
|---|-----------------------|-----------------------|
|   | EUR                   | EUR                   |
| <b>Shareholders' equity</b>   |                       |                       |
| Subscribed capital  | 7,900,000.00          | 7,700,000.00          |
| Capital reserves  | 11,462,000.01         | 11,240,000.01         |
| Accumulated deficit   | <u>-12,641,484.71</u> | <u>-13,103,214.67</u> |
|   | <u>6,720,515.30</u>   | <u>5,836,785.34</u>   |
| <b>Provisions</b>   |                       |                       |
| Provision for pensions and similar commitments  | 323,115.00            | 347.924,00            |
| Tax provisions  | 0.00                  | 85,000.00             |
| Other provisions  | <u>1,017,243.08</u>   | <u>762,407.00</u>     |
|   | <u>1,340,358.08</u>   | <u>1,195,331.00</u>   |
| <b>Liabilities</b>  |                       |                       |
| Liabilities to credit institutions  | 15,681,893.70         | 17,064,802.44         |
| --of which with a remaining term of up to a year EUR 1,911,730.71 (previous year: EUR 1,895,075.01)-- |                       |                       |
| Trade accounts payable  | 181,968.97            | 121,352.94            |
| --with a remaining term of up to a year--   |                       |                       |
| Liabilities from the acceptance of draft notes and the issuing of promissory notes                    | 0.00                  | 16,361.47             |
| Liabilities to affiliated companies   | 414,114.93            | 0.00                  |
| --with a remaining term of up to a year--   |                       |                       |
| Other liabilities   | 1,249,462.88          | 616,864.05            |
| --of which with a remaining term of up to a year EUR 749,462.88 (previous year: EUR 616,864.05)--     |                       |                       |
| --of which on account of taxes EUR 275,052.33 (previous year EUR 17,314.81)--                         |                       |                       |
| --of which in the context of social security-- EUR 11,420.52 (previous year EUR 9,966.04)--           |                       |                       |
|   | <u>17,527,440.48</u>  | <u>17,819,380.90</u>  |
| <b>Total liabilities</b>  | <u>25,588,313.86</u>  | <u>24,851,497.24</u>  |

## Income statement for the period from 1 January to 31 December 2004

|   | 2004                  | 2003                  |
|---|-----------------------|-----------------------|
|   | EUR                   | EUR                   |
| Sales revenues  | 2,490,220.52          | 1,641,372.58          |
| Other operating income  | 1,116,900.62          | 852,790.23            |
|   | <u>3,607,121.14</u>   | <u>2,494,162.81</u>   |
| Cost of materials   |                       |                       |
| Expenses for services received  | -1,054,274.94         | 0.00                  |
| Personnel expenses  |                       |                       |
| Wages and salaries  | -1,283,531.70         | -1,244,726.83         |
| Social security contributions and retirement benefit expenses                     | -175,850.93           | -161,942.77           |
| --of which for retirement benefit EUR 102,652.76 (previous year: EUR 72,352.12)-- |                       |                       |
| Depreciation and amortisation of tangible and intangible fixed assets             | -758,643.36           | -1,163,192.27         |
| Other operating expenses  | -2,029,590.87         | -1,961,361.97         |
| Income from equity investments  | 47,206.06             | 273,784.51            |
| Income on the basis of a profit transfer agreement                                | 3,511,559.79          | 755,897.50            |
| Other interest and similar income   | 276,520.94            | 241,563.08            |
| Amortisation of financial assets  | -360,142.38           | -271,546.18           |
| Interest and similar expenses   | -1,041,342.24         | -1,132,937.67         |
| <b>Result from ordinary operations</b>  | <b>739,031.51</b>     | <b>-2,170,299.79</b>  |
| Extraordinary expenses  | -250,533.02           | 0.00                  |
| Income taxes  | 0.00                  | 814.14                |
| Other taxes   | -26,768.53            | -24,855.31            |
| <b>Surplus / deficit for the year</b>   | <b>461,729.96</b>     | <b>-2,194,340.96</b>  |
| Losses carried forward  | -13,103,214.67        | -10,908,873.71        |
| <b>Accumulated deficit</b>  | <b>-12,641,484.71</b> | <b>-13,103,214.67</b> |

## Notes to the annual financial statements for the 2004 financial year

### 1. General information

#### 1.1 Principles of classification

The annual financial statements have been prepared according to the legal requirements for the classification of financial statements. The balance sheet is presented in accordance with the provisions of Article 266 of the German Commercial Code for large firms organised in a corporate form. The income statement is presented according to the 'type of expenditure' format pursuant to Article 275 (2) of the German Commercial Code.

#### 1.2 Principles of accounting

The annual financial statements include total assets, liabilities, expenses and income, unless statute requires otherwise.

Fixed and current assets, shareholders' equity and liabilities have been stated separately in the balance sheet and adequately itemised.

Fixed assets include only those items intended to serve the business in the long term.

Provisions have been created in the context of Article 249 of the German Commercial Code.

#### 1.3 Principles of valuation

Valuations entered in the opening balance sheet for the year under review coincide with those of the closing balance sheet from the previous financial year. Valuation takes place on a going-concern basis. Assets and liabilities have been valued individually. Under the applicable concept of prudence, all predictable risks and losses arising up to the closing date have been taken into account, even those that have only become known between the accounting date and the preparation of the financial statements. Only those profits generated prior to the closing date have been recognised. The principles of valuation applied to the previous annual financial statements have been maintained. Expenses and income during the accounting year have been recognised irrespective of their time of payment.

Individual positions have been valued as follows:

Intangible assets and fixed assets have been stated at cost and systematically written down on a straight-line basis. Depreciation has been applied 'pro rata temporis'.

Low-value items (with a net purchase price or production cost of less than EUR 410) have been fully depreciated in the year of acquisition.

Goodwill has been amortised in accordance with Article 255 (4) (3) of the German Commercial Code over the scheduled useful life.

Participating interests have been stated at cost less necessary amortisation.

Accounts receivable, other assets and liquid assets have been stated at the nominal amounts.

Provisions have been determined using sound business judgement. In accordance with expert actuarial opinion, pension liabilities have been calculated on the basis of the mortality tables compiled by Prof. Klaus Heubeck in 1998 and an interest rate of 6%. Pension liabilities

relate to all members of the Management Board as at the balance sheet date 2004 and to the former Finance Director, who retired from the Board on 30 June 2003. Other provisions take account of all identifiable risks and contingencies. Liabilities have been stated at their redemption amounts.

#### **1.4. Foreign currency translation**

No accounts receivable or liabilities denominated in foreign currency existed at the balance sheet date.

#### **1.5 Discount**

The discount in the balance sheet results from the loan to finance the property at Ferdinand-Porsche-Str. 4, Besigheim-Ottmarsheim, dating from 1999. The original amount of EUR 280,699.24 will be written down over 20 years, i.e. up to 2019, on a straight-line basis, to reflect its time to maturity.

## **2. Notes to the individual items of the balance sheet and income statement**

### **2.1 Notes to the balance sheet**

#### **2.1.1 Fixed assets**

The development and classification of individual fixed asset items as well as write-downs during the year under review can be found in the Statement of movements in fixed assets.

#### **2.1.2 Financial assets**

At the start of February 2004 it was decided by notarial partnership agreement to form a joint venture between Vedes Logistik GmbH and Müller – Die lila Logistik AG. The share of Müller – Die lila Logistik AG is 51% with an original share capital contribution of EUR 12,750. On 26 November 2004 the shareholders decided on the basis of the company's results situation to make an additional contribution to the capital reserve. The share attributable to Müller – Die lila Logistik AG amounts to EUR 250,000. This was written down at the same time.

By notarial contract dated 27 April 2004 the company increased its investment in Emporias Management Consulting GmbH. The increase took place as part of the issue of new shares. Making partial use of the capital authorised for issue, the Management Board and Supervisory Board of Müller - Die lila Logistik AG increased the company's share capital on the basis of contributions in kind by EUR 200,000 to the current EUR 7,900,000. The new shares served for the acquisition of a further 25% of the share capital of Emporias Management Consulting GmbH, which was transferred by the managing partner to Müller - Die lila Logistik AG by way of contribution in kind. This increased the holding in Emporias Management GmbH to 76%.

In the context of an outsourcing project Müller – Die lila Logistik AG acquired the current Müller – Die lila Logistik Austria GmbH. This company's share capital amounts to EUR 35,000.

On 16 December 2004 the holding of Müller - Die lila Logistik AG in TKS Unternehmensberatung und Industrieplanung GmbH was reduced from 47% to 33%. The

shares were sold back to the majority shareholders of TKS Unternehmensberatung und Industrieplanung GmbH at a loss of EUR 300,000. In addition, unscheduled amortisation of EUR 110,000 was applied.

In December Müller - Die lila Logistik AG acquired from its own subsidiary, ILS Industrie Logistik Service GmbH, 100% of the shares of M & W Logistics Polska sp. z o.o., amounting to EUR 750,000. A write-up of EUR 285,000 was applied to the value of the holding in ILS Industrie Logistik Service GmbH on the grounds of the improved income situation.

### **2.1.3 Current assets**

Accounts receivable from affiliated companies totalling EUR 2,995,000 (previous year: EUR 3,045,000) contain essentially accounts receivable totalling EUR 1,373,000 (previous year: EUR 1,373,000) from the subsidiary Müller Logistics Operating GmbH, on which subordination has been declared, and accounts receivable from profit and loss transfer agreements with subsidiaries.

Other assets amounting to EUR 1,274,000 (previous year: EUR 1,523,000) comprise essentially reinsurance policy reserves and tax claims.

### **2.1.4 Share capital**

The share capital totals EUR 7,900,000 and is divided into 7,900,000 bearer shares. By resolution of the general meeting of shareholders on 8 February 2001 the share capital was increased by EUR 5,400,000 to EUR 6,000,000 from company funds. In the course of the flotation, the general meeting of shareholders held on 5 March 2001 decided to increase the share capital by EUR 1,700,000 to EUR 7,700,000. The Management Board is authorised in the period up to 5 March 2006, with the permission of the Supervisory Board, to increase the share capital one or more times by a total of no more than EUR 3,000,000. The general meeting of shareholders held on 5 March 2001 also authorised a conditional increase of share capital by up to EUR 600,000. The conditional capital is earmarked for the employee participation programme. On 27 April 2004, with the consent of the Supervisory Board, the Management Board decided to increase the share capital by EUR 200,000 to EUR 7,900,000, making use of the authorised capital. This was recorded in the Commercial Register on 15 June 2004.

### **2.1.5 Reserves**

The capital reserve of EUR 11,462,000.01 comprises the premium on the capital increase in the course of the flotation, amounting to EUR 11,240,000.01 and the premium for the contribution in kind amounting to EUR 22,000.00 for the increase in capital recorded on 15 June 2004.

### **2.1.6 Other provisions**

Other provisions relate mainly to obligations created for staff, outstanding invoices and closing and auditing fees.

### 2.1.7 Liabilities

The remaining term of liabilities and their collateralisation are indicated in the following overview:

|                           | Total amount<br>EUR '000 | of which with a<br>remaining term of<br>up to<br>1 year<br>EUR '000 | of which with a<br>remaining<br>term of<br>more than 5 years<br>EUR '000 |
|---------------------------|--------------------------|---|--|
| Bank loans and overdrafts | 15,682                   | 1,912   | 8,775  |
| Trade accounts payable    | 182                      | 182   | 0  |
| Other accounts payable    | 1,249                    | 749   | 0  |

Except for a loan in the amount of EUR 2,700,000, Bank loans and overdrafts have been secured in full by means of land charges, assignment of life assurance policies and accounts receivable, chattel mortgages and pledging of business interests.

### 2.1.8 Other liabilities

On 30 December 2000 a loan waiver against repayment from future profits was pronounced by the shareholder Michael Müller. The waiver in the amount of EUR 251,000 is subject to the condition precedent of onset of improvement. This is deemed to be the case if Müller - Die lila Logistik AG earns annual surpluses. In the case of such occurrence Mr Michael Müller is entitled to the loan receivable at the original interest rate, but at least 6% per annum. In the 2002 accounting year Müller - Die lila Logistik AG received the following shareholder's loans:

|   |             |
|---|-------------|
| Shareholder Michael Müller:                           | EUR 250,000 |
| Shareholder Süd-Kapitalbeteiligungs-Gesellschaft mbH: | EUR 250,000 |

The loans plus interest were originally due for payment on 30 June 2004. The term of the loans was extended on 1 July 2004 to 30 June 2006. At the end of the contract term redemption is due in a single amount. Unscheduled repayments are possible at any time. Each of the shareholder loans bears interest at 9.25% p.a.. Interest is payable monthly in arrears from 1 July 2004. For the 2004 financial year total interest expenses of EUR 48,000 accrued. No security was provided for the loans.

Amounts payable to affiliated companies total EUR 414,000.

## 2.2 Notes to the income statement

### 2.2.1 Turnover

In the 2004 accounting year the company achieved a turnover of EUR 2,490,000 (previous year: EUR 1,641,000). EUR 1,277,000 of sales revenues was attributable to affiliated companies.

External turnover in the year under review was achieved with a customer in Austria.

The breakdown of turnover between Germany and abroad was as follows:

|         | in EUR '000 | as a % of<br>total turnover |
|---------|-------------|-----------------------------|
| Germany | 1,277       | 51.3%                       |
| Abroad  | 1,213       | 48.7%                       |
| Total   | 2,490       | 100.0%                      |

All turnover achieved within the Müller - Die lila Logistik AG group in the 2004 accounting year was achieved in Germany. It was achieved in the amount of EUR 1,277,000 (previous year: EUR 1,641,000) for management services and the letting of fixed assets.

### 2.2.2 Other operating income

Other operating income amounted to EUR 1,117,000 (previous year: EUR 853,000) and related primarily to rental income, income from participation write-ups, the raising of reinsurance policy reserves, income from the release of provisions, and refunds from previous years. This included income of EUR 455,000 (previous year: EUR 86,000) relating to other periods.

### 2.2.3 Cost of materials

Cost of materials in the amount of EUR 1,054,000 (previous year: EUR 0) consisted essentially of consultancy expenses incurred within the group, which have been rebilled.

### 2.2.4 Amortisation of intangible fixed assets

In the year under review no unscheduled amortisation was applied to intangible assets (previous year: EUR 47,000 on software).

### 2.2.5 Other operating expenses

Other operating expenses comprise consultancy expenses (including financial statement costs and audit fees) at EUR 500,000, declines in book values for a subsidiary at EUR 300,000, insurance expenses at EUR 239,000, advertising and travel expenses at EUR 201,000, provisions for outstanding invoices at EUR 175,000, cost of external personnel at EUR 108,000 (of which EUR 100,000 for services within the group), occupancy costs at EUR 111,000, vehicle costs at EUR 101,000, repairs and maintenance at EUR 45,000 and other operating expenses of EUR 250,000. In total this position contained expenses of EUR 305,000 (previous year: EUR 299,000) relating to other periods.



### 2.2.6 Interest

EUR 274,000 (previous year: EUR 192,000) of the interest income of EUR 277,000 related to affiliated companies. Interest expense included EUR 0 (previous year: EUR 5,000) relating to affiliated companies.

### 2.2.7 Amortisation of financial assets

Amortisation of financial assets related to amortisation of a shareholding and on an affiliated undertaking (previous year: amortisation on an affiliated undertaking).

### 2.2.8 Extraordinary expenses

The extraordinary expenses related entirely to the occurrence of the improvement case described under 2.1.7 with regard to the loan waiver.

### 2.2.9 Result for the year

The profit for the year amounted to EUR 462,000 (previous year: loss of EUR 2,194,000 for the year). This includes a profit for the year of EUR 2,024,000 remitted by ILS Industrie Logistik Service GmbH (less a guaranteed dividend of EUR 5,000) on the basis of a profit transfer agreement concluded in 2003, a profit for the year of EUR 810,000 remitted by Müller Logistics Operating GmbH (profit for the year of EUR 1,617,000 less a loss carry-forward of EUR 807,000) on the basis of a profit transfer agreement entered into in 2003, and a profit for the year of EUR 751,000 remitted by Emporias Management Consulting GmbH (less a guaranteed dividend of EUR 69,000) on the basis of a profit transfer agreement entered into in 2004.

### 2.2.10 Appropriation of profit

The net income for the 2004 accounting year has been carried forward.

## 3. Other information

The composition of the Supervisory and Management Boards is as follows:

#### Management Board

|                |   |
|----------------|---|
| Michael Müller | Chairman of the Management Board<br>Resident of Stuttgart<br>Qualified in forwarding and haulage management |
|----------------|---|

|             |  |
|-------------|--|
| Rupert Früh | Finance Director<br>Resident of Buchen i.O.<br>Qualified economist<br>Director since 19 March 2004 |
|-------------|--|

Mr Michael Bachmeier retired from the Management Board on 13 February 2004. The provisions formed in the annual financial statements for pension entitlements of a retired member of the Management Board amount to EUR 163,000. In 2004 the members of the Management Board received total remuneration of EUR 873,751.47 (previous year: EUR 652,744.03).

At 31 December 2004 the members of the Management Board of Müller - Die lila Logistik AG held the following options in the company:

Mr Michael Müller, Chairman of the Management Board: 40,000 options  
 Mr Rupert Früh, Member of the Management Board (since 19 March 2004) 8,000 options

### **Supervisory Board**

|                       |  |
|-----------------------|--|
| Wolfgang Monning      | Chairman of the Supervisory Board<br>Resident of Ilsfeld<br>Independent management consultant<br>Member of the Supervisory Board of AXIT AG, Frankenthal and<br>Member of the Administrative Board of Dachser GmbH & Co.,<br>Kempten.  |
| Professor Peter Klaus | Vice Chairman of the Supervisory Board<br>Resident of Bamberg<br>Professor of Business Economics, Logistics Faculty,<br>University of Erlangen/Nuremberg<br>Director of the Fraunhofer Arbeitsgruppe für Technologien der<br>Logistik-Dienstleistungswirtschaft ATL, Nuremberg<br>Deputy Chairman of the Supervisory Board of BILOG AG,<br>Bamberg and<br>Member of the Supervisory Board of DHL Logistics GmbH,<br>Hamburg. |
| Klaus Langer          | Member of the Supervisory Board<br>Resident of Stuttgart<br>Tax consultant and public accountant<br>Member of the Supervisory Board of Müller Weingarten AG,<br>Weingarten.  |
| Per Klemm             | Member of the Supervisory Board (since 17 June 2004)<br>Resident of Stuttgart<br>Managing Director<br>No further mandates.   |
| Volker Buckmann       | Member of the Supervisory Board<br>(since 7 December 2004)<br>Resident of Dortmund<br>Commercial clerk<br>No further mandates.   |
| Carlos Rodrigues      | Member of the Supervisory Board<br>(since 7 December 2004)<br>Resident of Flein<br>Graduate business economist (FH)<br>No further mandates.  |

On 17 June 2004 the general meeting of shareholders appointed Messrs Wolfgang Monning, Prof. Peter Klaus, Klaus Langer and Per Klemm as members of the Supervisory Board. In accordance with articles 96 and 101 of the Companies Act (AktG), together with Article 76 of the Codetermination Law 1952 and Article 8 (1) of the Articles of association, the Supervisory Board consists of four Supervisory Directors from the shareholders and two Supervisory Directors from the employees, whereby the four representatives of the shareholders are to be selected by the general meeting of shareholders and the representatives of the employees by the employees. Messrs Carlos Rodrigues and Volker Buckmann were elected on 7 December 2004 as employee representatives on the Supervisory Board.

Emoluments for members of the Supervisory Board amounted to EUR 41,937.50 (previous year: EUR 28,125).

On 31 December 2004 the members of the supervisory board held the following options in the company:

|                  |                |
|------------------|----------------|
| Carlos Rodrigues | 10,000 options |
|------------------|----------------|

#### **Personnel**

During the 2004 accounting year the company employed an average of 7 people (previous year: 9) excluding members of the Management Board.

## Holdings

The company has holdings of at least 20 percent in the following companies:

### **Müller Logistics Operating GmbH, Besigheim**

|  |               |
|--|---------------|
| Interest   | 100%          |
| Total shareholders' equity   | EUR 1,147,000 |
| Profit for the year 2004 (according to profit and loss transfer agreement) | EUR 807,000   |

### **Müller – Die lila Logistik Austria GmbH**

|                            |            |
|----------------------------|------------|
| Interest                   | 100%       |
| Total shareholders' equity | EUR 37,000 |
| Deficit for the year 2004  | EUR 8,000  |

### **Emporias Management Consulting GmbH, Unterföhring**

|  |             |
|--|-------------|
| Interest   | 76%         |
| Total shareholders' equity   | EUR 154,000 |
| Profit for the year 2004 (according to profit and loss transfer agreement) | EUR 0       |

### **ILS Industrie Logistik Service GmbH, Herne**

|  |             |
|--|-------------|
| Interest   | 90%         |
| Total shareholders' equity   | EUR 638,000 |
| Profit for the year 2004 (according to profit and loss transfer agreement) | EUR 0       |

### **ILS Depot GmbH, Herne**

|  |                |
|--|----------------|
| Interest   | (indirect) 90% |
| Shareholders' equity   | EUR 26,000     |
| Profit for the year 2004 (according to profit and loss transfer agreement) | EUR 0          |

### **Wüstefeld Logistik GmbH, Herne**

|  |                |
|--|----------------|
| Interest   | (indirect) 90% |
| Shareholders' equity   | EUR 156,000    |
| Profit for the year 2004 (according to profit and loss transfer agreement) | EUR 0          |

### **M & W Logistics Polska sp. z o.o., Gliwice**

|                            |             |
|----------------------------|-------------|
| Interest                   | 100%        |
| Total shareholders' equity | EUR 357,000 |
| Profit for the year 2004   | EUR 62,000  |

### **Vedes-Müller Logistik GmbH, Nürnberg**

|                            |             |
|----------------------------|-------------|
| Interest                   | 51%         |
| Total shareholders' equity | EUR 149,000 |
| Deficit for the year 2004  | EUR 366,000 |

### **TKS Unternehmensberatung und Industrieplanung GmbH**

|  |             |
|--|-------------|
| Interest                                 | 33%         |
| Shareholders' equity at 30 June 2004     | EUR 710,000 |
| Profit for the 2003/2004 accounting year | EUR 144,000 |

### **FMS Logistic GmbH, Besigheim**

|  |            |
|--|------------|
| Interest in the capital                  | 33.33%     |
| Total shareholders' equity (provisional) | EUR 61,000 |
| Profit for the year 2004 (provisional)   | EUR 15,000 |

#### **4. Contingencies and other financial obligations**

Guarantees totalling EUR 3,086,000 (previous year: EUR 2,722,000) have been issued on behalf of subsidiaries.

Other financial obligations which are not stated in the balance sheet and do not represent contingencies within the meaning of Article 251 of the German Commercial Code, but which are material to establishing the position of the company, consisted at the balance sheet date of ongoing obligations (rental contracts and leases). The future expense amounts to EUR 248,000, of which EUR 75,000 in 2005.

#### **5. Statement on the Corporate Governance Codex**

The joint statement by the Management and Supervisory Boards of Müller - Die lila Logistik AG in accordance with AktG Article 161 on the Corporate Government Codex was made public and available on a permanent basis in December 2004.

Besigheim, 11 March 2005

The Management Board

## Development of fixed assets

|   | Acquisition or manufacturing cost |                     |                     |                      |
|---|-----------------------------------|---------------------|---------------------|----------------------|
|   | 01/01/2004                        | Additions           | Retirements         | 31/12/2004           |
|   | EUR                               | EUR                 | EUR                 | EUR                  |
| <b>Intangible assets</b>  |                                   |                     |                     |                      |
| Franchises, trademarks and similar rights and assets as well as licences for such rights and assets | 435,143.59                        | 312,505.00          | 393,514.58          | 354,134.01           |
| Goodwill  | 4,345,433.83                      | 0.00                | 0.00                | 4,345,433.83         |
|   | <b>4,780,577.42</b>               | <b>312,505.00</b>   | <b>393,514.58</b>   | <b>4,699,567.84</b>  |
| <b>Tangible assets</b>  |                                   |                     |                     |                      |
| Freehold land, leasehold rights / interests and buildings including buildings on land not owned     | 8,535,521.02                      | 7,773.00            | 0.00                | 8,543,294.02         |
| Other fixed assets, fixtures, furniture and equipment   | 2,819,078.75                      | 880,974.62          | 1,835,035.56        | 1,865,017.81         |
|   | <b>11,354,599.77</b>              | <b>888,747.62</b>   | <b>1,835,035.56</b> | <b>10,408,311.83</b> |
| <b>Financial assets</b>   |                                   |                     |                     |                      |
| Shares in affiliated companies  | 7,401,126.07                      | 1,591,260.00        | 0.00                | 8,992,286.07         |
| Loans to affiliated companies   | 1,022,583.76                      | 0.00                | 0.00                | 1,022,583.76         |
| Participating interests   | 2,081,772.02                      | 0.00                | 611,403.80          | 1,470,368.22         |
| Other loans   | 2,045.17                          | 14.83               | 0.00                | 2,060.00             |
|   | <b>10,507,527.02</b>              | <b>1,591,274.83</b> | <b>611,403.80</b>   | <b>11,487,398.05</b> |
| <b>Total fixed assets</b>   | <b>26,642,704.21</b>              | <b>2,792,527.45</b> | <b>2,839,953.94</b> | <b>26,595,277.72</b> |

|   | Cumulative depreciation / amortisation |   |                     |                     | Book values          |                      |
|---|--|---|---------------------|---------------------|----------------------|----------------------|
|   | 01/01/2004                             | Depreciation / amortisation in the financial year | Retirements         | 31/12/2004          | 31/12/2004           | 31/12/2003           |
|   | EUR                                    | EUR   | EUR                 | EUR                 | EUR                  | EUR                  |
| <b>Intangible assets</b>  |  |   |                     |                     |                      |                      |
| Franchises, trademarks and similar rights and assets as well as licences for such rights and assets | 387,306.59                             | 51,304.00   | 369,865.58          | 68,745.01           | 285,389.00           | 47,837.00            |
| Goodwill  | 2,466,499.83                           | 205,066.00  | 0.00                | 2,671,565.83        | 1,673,868.00         | 1,878,934.00         |
|   | <b>2,853,806.42</b>                    | <b>256,370.00</b>                                 | <b>369,865.58</b>   | <b>2,740,310.84</b> | <b>1,959,257.00</b>  | <b>1,926,711.00</b>  |
| <b>Tangible assets</b>  |  |   |                     |                     |                      |                      |
| Freehold land, leasehold rights / interests and buildings including buildings on land not owned     | 1,198,215.96                           | 300,491.00  | 0.00                | 1,498,706.96        | 7,044,587.06         | 7,337,305.06         |
| Other fixed assets, fixtures, furniture and equipment   | 1,758,839.24                           | 201,782.36  | 1,322,489.30        | 638,132.30          | 1,226,855.51         | 1,060,239.51         |
|   | <b>2,957,055.20</b>                    | <b>502,273.36</b>                                 | <b>1,322,489.30</b> | <b>2,136,839.26</b> | <b>8,271,472.57</b>  | <b>8,397,544.57</b>  |
| <b>Financial assets</b>   |  |   |                     |                     |                      |                      |
| Shares in affiliated companies  | 607,471.05                             | -35,000.00 *)                                     | 0.00                | 572,471.05          | 8,419,915.02         | 6,793,655.02         |
| Loans to affiliated companies   | 0.00                                   | 0.00  | 0.00                | 0.00                | 1,022,583.76         | 1,022,583.76         |
| Participating interests   | 281,772.02                             | 110,142.38  | 271,546.18          | 120,368.22          | 1,350,000.00         | 1,800,000.00         |
| Other loans   | 0.00                                   | 0.00  | 0.00                | 0.00                | 2,060.00             | 2,045.17             |
|   | <b>889,243.07</b>                      | <b>75,142.38</b>                                  | <b>271,546.18</b>   | <b>692,839.27</b>   | <b>10,794,558.78</b> | <b>9,618,283.95</b>  |
| <b>Total fixed assets</b>   | <b>6,700,104.69</b>                    | <b>833,785.74</b>                                 | <b>1,963,901.06</b> | <b>5,569,989.37</b> | <b>21,025,288.35</b> | <b>19,942,599.52</b> |

\*) including write-ups

## **Mutual Statement of the Board of Directors and the Supervisory Board of the Müller – Die lila Logistik AG according to § 161 AktG**

The Board of Directors and the Supervisory Board of the Müller – Die lila Logistik AG situated in Besigheim acknowledge the recommendation of the “Regierungskommission Deutscher Corporate Governance Kodex” of 21 May 2003 and declare that these recommendations have been and will be adhered to with the following exceptions:

### **Account on reimbursement of the Board of Directors and the Supervisory Board**

The Deutsche Corporate Governance Kodex recommends to list the reimbursement of the Board of Directors and the members of the Supervisory Board in the appendix of the annual group figures split up into basic sum and components relating to the company development and components with long-term effects. Furthermore, the Deutsche Corporate Governance Kodex recommends to list these figures individualized (clause 4.2.4 and clause 5.4.5 DCGK). Müller – Die lila Logistik AG list the reimbursement of the Board of Directors and the Supervisory Board cumulated according to their organ. Furthermore, the stock options are reported separately.

### **Reimbursement of Supervisory Board depending on company earnings**

For the Members of the Supervisory Board the Deutsche Corporate Governance Kodex recommends apart from a fixed reimbursement also a remuneration depending on the earnings of a company (clause 5.4.5 DCGK). The members of the Supervisory Board of the Müller – Die lila Logistik AG receive a compensation that is fixed.

### **Publishing of Interim Reports**

The Deutsche Corporate Governance Kodex recommends the publishing of interim reports within 45 days (clause 7.1.2 DCGK). Müller – Die lila Logistik AG will communicate these interim reports according to the regulations of the stock exchange immediately on completion, however, at the latests two months after the reporting period.

Besigheim, December 2004

for the Board of Directors

*Michael Müller*  
Chief Executive Officer

for the Supervisory Board  
*Wolfgang Monning*  
Chairman of the Supervisory Board

## Auditor's Report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of the Müller – Die lila Logistik AG for the business year from January 1 to December 31, 2004. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Müller – Die lila Logistik AG in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Stuttgart, March 11 2005

KPMG Deutsche Treuhand- Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Meyer) (Hundshagen)

[Wirtschaftsprüfer] [Wirtschaftsprüfer]



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