ANNUAL REPORT 2007

07

MÜLLER | DIE LILA LOGISTIK

ANNUAL REPORT 2007

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	2007	2006	percentage change	absolute change
Sales	82,723 kEUR	80,750 kEUR	+2.4 %	+1,973 kEUR
EBIT	1,477 kEUR	4,376 kEUR	-66.2 %	-2,899 kEUR
EBIT margin	1.8 %	5.4 %	–	–
Group net result	942 kEUR	2,897 kEUR	-67.5 %	-1,955 kEUR
Earnings per share	0.12 EUR	0.37 EUR	-67.6 %	-0.25 EUR
Equity rate	29.0 %	34.3 %	–	–
Employees (yearly average)	956	931	+2.7 %	+25
Employees (as per 31/12)	1,005	924	+8.8 %	+81

DEAR SHAREHOLDERS,
DEAR FRIENDS OF LILA LOGISTIK,

The year 2007 was a year full of bright lights and dark shadows. On the one hand, it was a year with many developments which put us in a very confident mood. We successfully completed the investment phase at our location in Poland and added prestigious new customers for the total group. On the other hand, growing cost pressure in the logistics industry was a burden on our result. As a consequence, we sum up the year 2007 as follows: Müller – Die lila Logistik AG held its strong position on the market. One reason is that we could increase sales compared to the year before to approximately EUR 83 million – another reason is that we continued to pursue, give priority to and achieve our strategic targets throughout this year as well.

No doubt, one of the highlights of the year 2007 was the completion and the start-up of our Logistics Service Center in Gliwice, Poland. For one thing, because it is an important strategic location for the cultivation of the Central Eastern Europe – CEE – market, for another thing, because it keeps further expansion options open for Lila Logistik group. With Hella KGaA Hueck & Co., we could add another globally active player who relies on our competence and innovative power with a sophisticated and very comprehensive logistics profile to our existing customers. In addition, the fact that this customer comes from the ‘automotive’ segment makes us feel especially proud. Because this proves that we have adopted the right course with our continuously stringent focus on our key industries – automotive, electronics, industrial goods and consumer goods. Our property at Besigheim has been sold, and in return we have rented it for a long term. The positive effect on our results will show in the course of the current financial year 2008. For us, this is another step to the systematic repayment of the group’s debts, and, since we have entered into a long-term rental agreement, at the same time a clear commitment to Germany as a business location.

The less pleasant facts include that the development in the routing segment fell far short of our expectations. A crucial element in this respect was the huge increase in energy and fuel prices which burdened us more than we had anticipated. In addition, we had to close down our branch at Rodgau/Hessen because the profitability targets were not achieved there. This matter could be settled in such a way that our customers were not affected by any considerable disadvantages.

What will the future bring? In the CEE region, we wish to use additional chances with our success formula by strengthening the pillars of our success: The combination of consulting and implementation – of design und operating. Its peculiar charm is that innovative, integrated and long-lasting logistics solutions are developed. We wish to and definitely will continue this path successfully by adding new prestigious global players to our existing customers. We will increase our efforts with regard to competent junior staff and will intensify the co-operation with Berufsakademie (university of co-operative education) Heidenheim as well as the co-operation with universities of applied sciences.

During the current financial year, we aim at sales of EUR 86.5 million and at getting a large step closer to our medium-range target – the EUR 100 million mark. We are geared up for the performance of new tasks and excellently positioned with a highly-motivated crew.

We look forward to achieving your and our targets together with you.

Let the future come.

Thank you for your confidence.

Michael Müller
(Chief Executive Officer)

Rupert Früh
(Chief Financial Officer)

The Supervisory Board fulfilled all the duties incumbent upon it under the law, the articles of association and the rules of procedure very carefully in 2007 as well. The Supervisory Board advised the Management Board in the management of the company and supervised its governance. The development in Müller – Die lila Logistik AG, its group companies and various business segments were extensively discussed at the meetings held in 2007. Decisions that were of vital importance, and, as a result, required the consent of the Supervisory Board were thoroughly examined. With one exception, the Supervisory Board members attended the four regularly convened meetings. However, in that single case the absent member participated in the resolution process by absentee vote in writing.

Co-operation between Supervisory and Management Board

The Supervisory Board was informed regularly, comprehensively and without delay both through oral and written reports throughout the financial year. The reports focused on information about the situation of the company and the group companies, about corporate policies as well as the course of business. The Supervisory Board was also kept thoroughly informed about extraordinary business matters in the periods between its regular meetings. The chairman of the Management Board maintained regular contact with the chairman of the Supervisory Board and kept him informed on the latest development of business, significant business events and pending decisions. Deviations in the development of business from plans and targets were explained in detail to the Supervisory Board in so-called monthly reports. The monthly reports also gave information about the development of the business and financial situation as well as the personnel situation. The Management Board submitted all matters requiring Supervisory Board consent for resolution in due time. After careful examination, and to the extent required by law or the articles of association, the Supervisory Board voted on the recommendations presented. Decisions of an urgent nature about business events occurring between the Supervisory Board meetings were taken in writing by way of circular resolution. At the four joint meetings, the Supervisory Board could assure itself that the Management Board has managed the company properly and taken necessary measures in due time and in a target-oriented manner.

Focus of consultations within the Supervisory Board

At the meeting of the Supervisory Board in March, the focus was on the reports on the audit of the annual financial statements and the consolidated financial statements of Müller – Die lila Logistik AG for financial year 2006. At this meeting, the annual financial statements 2006 were approved. Another focal point of the deliberations was the progress made in the investment in the subsidiary in Poland. In June, Dr. Gerd Wecker was unanimously elected vice chairman of the Supervisory Board. In addition, the focus of the Supervisory Board's activities was on the imminent general shareholders' meeting as well as the assessment of risks that are of crucial importance for the Lila Logistik group. The economic development of the branch at Rodgau as well as the opportunities for and the reasonableness of refurbishments at this location were discussed in detail. At the joint meeting in September, which took place at the newly built Logistics Service Center in Gliwice (Poland), the Management Board and the Supervisory Board dealt in detail with the earnings situation of the Lila Logistik group as well as the new project with the customer Hella. The 2008 budget was dealt with in detail at the fourth meeting of the year.

Committee work

At the three meetings of the Audit Committee, priority was given to the annual financial statements, the consolidated annual financial statements and the audit reports of the auditor as well as the risk management. Dr. Gerd Wecker participated in the meetings of the Committee as a new member. The Audit Committee regularly gave recommendations for decision by the Supervisory Board. The Personnel Committee the chair of which was taken over by Dr. Gerd Wecker discussed its own subjects at its meeting in December and likewise referred its recommendations to the Supervisory Board.

Corporate governance und Declaration of Conformity

On 26 February 2002, the Government Commission on the German Corporate Governance Code presented a standard for responsible corporate governance aimed at the creation of sustainable value for German listed companies. The Management Board and the Supervisory Board of a listed company shall give a Declaration of Conformity once per year stating whether the recommendations of the Code have been complied with and are being complied with and which recommendations of the Code were or are not applied by the company.

At their meetings in 2007, the Supervisory Board and the Management Board repeatedly discussed the recommendations and suggestions set forth in the German Corporate Governance Code. For the period up to 19 July 2007, the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)] is based on the Code version of 12 June 2006, for the period from 20 July 2007 it is based on the Code version of 14 June 2007. The notes to the Declaration of Conformity are permanently available on the company's website www.lila-logistik.com and included in the 2007 Annual Report.

At its meeting on 15 June 2007, the Supervisory Board held its annual efficiency audit of its activities. The auditing method which uses a checklist to look into, among other things, the reporting and information system of the Management Board, the work of the committees and the disclosure of information, the corporate strategy as well corporate governance was successfully completed. The checklist for the Supervisory Board audit was up-dated and supplemented. Additionally, its efficiency is audited at regular intervals throughout the year.

Personnel changes in the Supervisory Board

Since January 2007, Prof. Peter Klaus has been heading the Supervisory Board of Müller – Die lila Logistik AG as chairman. In reporting year 2007, one personnel change occurred in the Supervisory Board of Müller – Die lila Logistik AG: Upon application of the Management Board of the company, Dr. Gerd Wecker was appointed to the Supervisory Board on 18 April 2007 by judicial appointment according to § 104 paragraph 2 AktG. His tenure of office expired with the end of the general shareholders' meeting on 22 June 2007. On the same day, the general shareholders' meeting elected Dr. Gerd Wecker to the Supervisory Board of Müller – Die lila Logistik AG in accordance with the agenda.

Adoption of the annual and consolidated financial statements

The annual and consolidated financial statements of Müller – Die lila Logistik AG for the year ended 31 December 2007 as prepared by the Management Board including the AG and consolidated management reports for the financial year 2007 were audited by the audit firm KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main and Berlin, by appointment of the annual general shareholders' meeting of Müller – Die lila Logistik AG on 22 June 2007. The consolidated annual financial statements were prepared according to IFRS (International Financial Reporting Standards). The auditors found the annual and consolidated financial statements including the management report to be in accordance with the properly maintained accounts and legal regulations as well as the articles of association and determined that they accurately present the development of business as well as the business risks going forward. The auditors participated in the meeting of the Audit Committee and the Supervisory Board's balance sheet meeting and reported on material audit findings, in particular commenting on the asset, financial and income situation of both the AG and the group. They approved without objection both the annual financial statements of the Aktiengesellschaft (joint stock company) and the consolidated financial statements.

Considering the results of its own audit, the Supervisory Board has no objections and concurs with the auditors` opinion. The Supervisory Board therefore approves the annual financial statements and the consolidated financial statements of Müller – Die lila Logistik AG, which are thereby adopted. The Supervisory Board endorses the proposal of the Management Board referring to the use of the annual surplus and the remaining accumulated loss.

The Supervisory Board expresses its sincere thanks and appreciation to the Management Board members, all employees as well as the employee union representations of all group companies for the work performed in financial year 2007.

Besigheim, March 2008

For the Supervisory Board

Prof. Peter Klaus
Chairman

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

Michael Müller

Früh

Rupert Früh

CONSOLIDATED MANAGEMENT REPORT OF MÜLLER – DIE LILA LOGISTIK AG FOR THE 2007 FINANCIAL YEAR.

Preamble

The present consolidated management report presents the economic and financial situation of the group of companies consolidated at Müller - Die lila Logistik AG (Lila Logistik group) in financial year 2007. Should any statements in this report pertain to the individual company of that same name, this will be explicitly noted.

Business model

Lila Logistik group is a national and international logistics provider offering comprehensive consulting (Logistics Design) and implementation (Logistics Operating) functions for custom logistics solutions. Lila Logistik group generally differentiates in both segments between routing tasks (in the more generous meaning of road freighting) and factory tasks (handling goods and processes). The areas of sourcing, production, and distribution logistics represent our group's core operating activities. Our services focus on the following four core sectors:

- Automotive (automobile manufacturers and their suppliers)
- Electronics
- Consumer goods
- Industrial goods

Lila Logistik group's customers include renowned national and international companies from various industries.

Equity investments

The investment portfolio of Lila Logistik group remained unchanged in the year under review.

Financial framework conditions and the logistics market

According to the Kiel Institute for the World Economy, the increase in world production and thus the growth of global economy were very strong during 2007. The economy of newly industrialising countries expanded very dynamically, and additionally the production increase in the industrial countries moved up a gear. The business climate clearly blurred towards the end of the year, particularly in response to the housing market crisis (the so-called subprime crisis) in the United States of America. In the euro area, the upswing slowed down a bit in the course of the year 2007. The main driving forces were investments and exports, whereas private consumption rose at a slower rate. The boosting factors in Germany and from abroad were, however, strong enough to absorb the impeding influences like the value added tax increase at the beginning of the year, the Euro's present strength and the instability of the international financial markets.

As reported by the German Federal Statistical Office [Statistisches Bundesamt], the German economy again grew strongly in 2007 (press release No. 015 of 15.01.2008). The price-adjusted gross domestic product (GDP) rose 2.5 % on the previous year. The price and calendar-adjusted GDP growth rate was 2.6 in the year 2007. This economic growth was supported by all economic sectors, but particularly the manufacturing industry (+ 5.2 %), trade, hospitality and transport industry (+ 2.3 %), as well as financial, renting and business services providers (+ 3.1 %). The number of persons in employment was, on average, more than 39.7 million (+ 1.7 %) and reached its highest level since German reunification. The number of unemployed persons decreased by 15.1 % to 3.6 million. The upswing that started in 2006 has, however, slowed down considerably.

The logistics industry benefited from the positive business development in many parts in the year 2007. Road freight transport showed the highest growth rate as to its share in comparison with other transport systems in 2007. This positive development was confronted with adverse effects on the cost side. In April 2007, new regulations of working hours came into effect for driving personnel in accordance with Regulation (EC) No 561/2006. In conjunction with higher diesel and energy costs, these new regulations for working hours and driving hours have a negative effect on the framework conditions of this sector.

For Lila Logistik group, the most important trends in the logistics industry still are the growing internationalisation of the commodity flows within the key industries as well as the growing demand for logistics services at a higher quality level. The increasing cost pressure in the routing segment had negative effects on Lila Logistik group, whereas positive effects came from Lila Logistik group's participation in the general growth in contract logistics in financial year 2007.

Business development

Sites and operating locations

Müller – Die lila Logistik group's domestic sites in the following cities: Besigheim, Böblingen, Bünde, Herne, Recklinghausen, Schorndorf, Ulm, Unterföhring, Zwenkau and Zwickau. The Rodgau location was liquidated on 31 December 2007.

The international operating locations are in Antwerp (Belgium), Graz (Austria), Gliwice and Wroclaw (Poland).

Furthermore, TKS Unternehmensberatung- und Industrieplanung GmbH that the group consolidates at equity is operating sites in: Eningen u. A., Stuttgart, Arad (Romania), Mosonmagyaróvár (Hungary), and Wroclaw (Poland).

Changes in the scope of consolidation

Within the scope of the outsourcing order from Hella KGaA Hueck & Co., Lippstadt, Müller – Die lila Logistik West GmbH, Herne, performs in-house, production und shipment logistics of the customer at the site in Recklinghausen. Since 1 October 2007, Müller – Die lila Logistik West GmbH has been fully consolidated.

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

Control parameters

Lila Logistik group's measurement-relevant parameters include financial and non-financial internal control parameters.

Financial control parameters are, e.g., the following key figures: Earnings before interest and tax (EBIT), profit for the year, operating cash flow, Capex cash flow, cash flow from finance activities, and earning per share. Important elements of the operating control of business units are target/actual comparisons, their analysis from the management's point of view, forward-looking information, as e.g. details about targets, chances and risks.

Besides purely financial control parameters, non-financial factors as, for instance, level of training/education of staff members, quality performance levels as well as customer satisfaction are of major importance.

Sales revenues

Sales revenues of Lila Logistik group increased moderately by 2.4 % or in absolute terms by kEUR 1,973 to kEUR 82,723 in financial year 2007. The slackening momentum of the economy in the second half of 2007 as well as the loss of sales with existing customers resulting from the announced close-down of the Rodgau site were also reasons why the growth impulse of the previous year could not be used to the same extent. Furthermore, new capacities within the routing segment could not be utilised to the planned extent during the year. The project at the customer Hella was launched in the fourth quarter.

Our sales revenues developed as follows on a quarter-by-quarter comparison:

	2007	2006
1. quarter	24.6 %	25.3 %
2. quarter	24.7 %	24.9 %
3. quarter	23.6 %	25.7 %
4. quarter	27.1 %	24.1 %

The regional distribution of sales within Lila Logistik group shows that sales increases were now achieved domestically, with 76.2 % of the group's sales (previous year 70.6 %) being made in Germany. The foreign subsidiaries contributed 23.8 % to sales revenues in financial year 2007 (previous year 29.4 %).

Earnings development

In the financial year just ended, Lila Logistik group generated a net profit for the year of kEUR 942 (previous year kEUR 2,897). The large deviation in comparison with the previous year is primarily due to the fact that earnings for the previous year were improved by income from the sale of the property in Herne in the amount of kEUR 3,309. Effects from the sale of the property in Besigheim initiated in financial year 2007 will only show in the accounting of the first quarter of the current financial year. Furthermore, revenues from the routing segments went down more than scheduled in the course of financial year 2007. The group's net profit for the year was additionally burdened by the close-down cost of the Rodgau site.

Cost of purchased materials and services were kEUR 31,223 (previous year kEUR 28,469). The stronger use of purchased services in conjunction with the higher cost of purchased services, above all in the routing segment, as well as higher energy and toll costs in total resulted in disproportionally higher cost of purchased materials and services. Personnel cost were, including the close-down costs in Rodgau and the project start in Recklinghausen, kEUR 30,971 and nearly at previous year's level of kEUR 30,519. As a result of the sale of the property in Herne as well as the omission of the non-scheduled depreciation of the property in Bochum (kEUR 944), depreciation and amortisation of fixed assets decreased to kEUR 1,596 (previous year kEUR 2,881). Other operating expenses were at previous year's level. Considering the above-mentioned factors, earnings before interest and tax (EBIT) came to kEUR 1,477 (previous year kEUR 4,376, of which an amount of kEUR 3,309 is allocable to the special effect from the property transaction in Herne at the end of the financial year).

The interest balance improved considerably from minus kEUR 1,424 in the previous year to minus kEUR 625 at the end of the year 2007. The crucial factors in this respect were the non-scheduled repayment of financial debts within the framework of the property transaction at Herne in conjunction with the scheduled payments made as well as the capitalisation of interests accrued during construction periods and positive foreign currency effects with the subsidiary in Poland. Income from financial investments reported in accordance with the at-equity method was kEUR 452 and thus slightly below previous year's level (previous year kEUR 464).

The group's pre-tax earnings for the financial year 2007 amounted to kEUR 1,246 (previous year kEUR 3,342). Group earnings after tax were kEUR 942 (previous year kEUR 2,897). As a result of the earnings development described above, earnings per share came to EUR 0.12 (previous year EUR 0.37). The return on equity was 6.3 % (previous year 20.9 %).

Segment development

Lila Logistik group's Logistics Design segment posted sales revenues of kEUR 3,272 (previous year: kEUR 2,642) in financial year 2007. Above all the development of business in the second quarter helped the consulting segment to increase sales revenues in comparison with the previous year by 24 %. Earnings before interest and tax (EBIT) came to kEUR 571 and improved on the year before by 26 %; the corresponding EBIT margin rose to 17.5 % (previous year: 17.2 %).

The Logistics Operating segment that focuses on the operating implementation of logistics processes posted sales revenues of kEUR 79,890 (previous year: kEUR 78,169). The EBIT went down to kEUR 906 (previous year: kEUR 3,923). Two major circumstances slowed down the growth in this segment in 2007 and had negative effects on its earning power: The strongly adverse development of earnings at the Rodgau site as a result of which this site was closed down as of 31 December 2007 negatively affected the development of the sales and revenues of Müller – Die lila Logistik Deutschland GmbH. Furthermore, the routing segment which combines the long-distance freighting of Lila Logistik group fell short of its earning targets.

The following table shows the development of sales and earnings broken down by business segment:

2007 in kEUR	Sales revenues	EBIT
Logistics Design	3,272	571
Logistics Operating	79,890	906

2006 in kEUR	Sales revenues	EBIT
Logistics Design	2,642	453
Logistics Operating	78,169	3,923

Capital spending, depreciation, amortisation, and impairments

In financial year 2007, Lila Logistik group's capital spending came to kEUR 10,184 (previous year: kEUR 5,751). A considerable portion in the amount of kEUR 8,987 was spent on fixed assets at the location in Gliwice (Poland). The investment phase at the subsidiary in Poland which was started in mid-2006 was completed in the course of the year 2007. The Logistics Service Center was officially taken into operation in September 2007. kEUR 386 (previous year: kEUR 598) were spent on modernising and expanding existing operating equipment as well as hardware components. Furthermore, kEUR 377 (previous year: kEUR 144) were spent on licences and other software.

Correspondingly, scheduled amortisation of fixed assets was kEUR 1,596 (previous year: kEUR 2,881, of which kEUR 944 non-scheduled).

Asset and financial situation

As of the balance sheet date on 31 December 2007, total assets increased to kEUR 51,349 (previous year: kEUR 40,420). Cash and cash equivalents decreased from kEUR 4,345 in the previous year to kEUR 1,295 as of the balance sheet date on 31 December 2007. Cash outflow resulted from scheduled repayment of short- and long-term loans and the investment in the Logistics Service Center at the subsidiary in Poland.

The following factors were primarily responsible for the increase in assets and liabilities by kEUR 10,929: In the short-term assets on the assets side of the balance sheets, trade receivables increased to kEUR 15,826 (previous year: kEUR 10,460). This increase was mainly caused by business with customers allowed an above-average period for payment as well as its consideration on closing, since payments received shortly after the closing date are not considered. In the long-term assets, fixed assets increased to kEUR 12,905. This increase was primarily the result of investments of about EUR 9 million in fixed assets at the subsidiary in Poland. Due to the sale of the property in Bochum and Besigheim planned for and/ or transacted in 2008, these assets were reclassified at their book value in the amount of kEUR 7,014 to the item “Assets held for sale“. This resulted in a corresponding decrease in fixed assets.

On the liabilities side of the balance sheet, the reclassification of middle- and long-term liabilities to banks to short-term debts in connection with the sale of the property in Besigheim increased the item “Short-term loans and short-term portion of long-term liabilities” to kEUR 10,973 (previous year: kEUR 2,234). In return, long-term loans were taken up above all in connection with the financing of the Logistics Service Center in Poland. In total, long-term loans decreased as a result of the effects described above by kEUR 1,330. The annual net profit increased the retained income to minus kEUR 2,996 (previous year: minus kEUR 3,938).

The equity ratio was 29.0 % (previous year: 34.3 %).

Cash flow and liquidity

The operating cash outflow of Lila Logistik group as of the closing date 31 December 2007 was kEUR 691 in net terms (previous year: cash inflow of kEUR 2,585). The strong increase of trade receivables, above all in the transport segment and the subsidiary in Poland, is an essential factor for the change in the operating cash flow and cash outflow in comparison with the previous year. The strong investment activities of Lila Logistik group, above all in Poland, is reflected in the Capex cash flow. For the purchase of long-term assets, EUR 9.7 million were spent resulting in a Capex cash flow of minus kEUR 9,574 in net terms (previous year: kEUR 5,815). In the previous year, the Capex cash flow was essentially influenced by the income from the sale of the property in Herne.

In the financial year under review, a note-backed bullet loan for kEUR 2,000 was taken out to help finance the working capital. The long-term loan agreement entered into during the previous year with IKB Deutsche Industriebank AG was valued at kEUR 5,880 (previous year: kEUR 819) as of 31 December 2007. Taking into account the scheduled instalments paid for finance leasings, the cash inflow from finance activities came to kEUR 7,191 in financial year 2007 (previous year: cash outflow of kEUR 5,145).

As of the closing date 31 December 2007, cash and cash equivalents of Lila Logistik group came to kEUR 1,295 (previous year: kEUR 4,345). The debt ratio that indicates what proportion of debt a company has relative to its assets came to 0.71 (previous year: 0.66).

Overall assessment of the group's development in financial year 2007

In comparison with the previous year, the group's net profit for the year was markedly lower in financial year 2007. This primarily results from the special effect from the sale of real property that made itself felt in the previous year. The earning power of Lila Logistik group was extremely impaired by the weakness in the routing segment as well as earning problems at the Rodgau site.

In some parts, the development of the asset, financial and earnings situation fell short of the expectations of the Management Board.

Personnel

Lila Logistik group has been building up its staff for years. As of 31 December 2007, Lila Logistik group employed 1,005 persons – 81 persons more than in the previous year. On annual average, 956 persons were employed at the sites and locations in Germany and abroad (previous year 931), excluding trainees. Of these 31 % (previous year 28 %) worked abroad in Europe – Austria, Poland and Belgium. In a year-on-year comparison, the changes are primarily caused by the increased activities at the new Logistics Service Center in Poland. 69 % of the Lila Logistik logistics staff were employed at the sites and locations in Germany (previous year: 72 %).

The co-operation with the Heidenheim professional school (Berufsakademie) which began during the previous year was expanded further in the financial year under review. Lila Logistik group is of the opinion that the dual concept combining academic courses of study with hands-on practical training at the workplace fulfils the requirements for suitable basic training of specialist and managerial staff within the Lila Logistik group. Lila Logistik group furthermore has trainees for the classical logistics, administrative and industrial/trade occupations. As at 31 December 2007, 48 young persons received such training (previous year 45 trainees). The average training ratio was 4.5 % (previous year 4.1 %).

Capital structure

So far, the group has exclusively issued no-par bearer shares with a total of 7,955,750 no-par shares outstanding.

The annual general shareholders' meeting on 16 June 2005 authorised Management to increase the company's share capital subject to Supervisory Board consent by issuing new no-par shares against capital contributions in cash or kind but in total not exceeding kEUR 3,160 in one or more tranches up to 16 June 2010 (authorised capital I). Management has been furthermore authorised to increase the company's share capital subject to Supervisory Board consent by issuing new no-par shares against cash capital contribution but in total not exceeding kEUR 790 in one or more tranches up to 16 June 2010 (authorised capital II).

Mr. Michael Müller holds a stake of EUR 4,069,000 (51.15 % equity stake). Bensel Verwaltungs- und Beratungs-Gesellschaft für Vermögensanlagen mbH notified the company that its share in the share capital was EUR 1,341,000 (16.86 %) on 5 September 2007 and that this share was attributable to Süd-Kapitalbeteiligungs-Gesellschaft mbH. Mr. Reisdorf notified the company that his share in the share capital was EUR 410,885 (5.16 %) on 31 October 2006. The remaining shares are in free float.

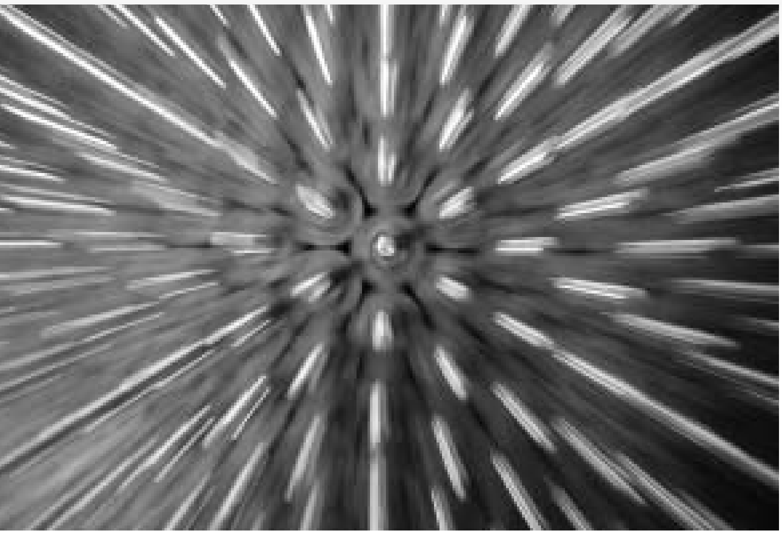
Management Board appointment and amendments to the articles of association

According to the group's articles of association, the Supervisory Board is the corporate body vested with the power to appoint Management Board members, sign their employment contracts, and terminate or annul such appointments. The Supervisory Board is furthermore authorised to change the articles of association of the company to the extent that such change only affects the wording of the articles of association.

Changes in the Management and Supervisory Boards

No personnel changes occurred in the Management Board in the period under review.

One personnel change occurred in the Supervisory Board of Müller – Die lila Logistik AG in the reporting year 2007: Upon application of the Management Board of the company, Dr. Gerd Wecker was appointed to the Supervisory Board by judicial appointment of 18 April 2007 according to § 104 (2) of the German Stock Corporation Act [Aktiengesetz (AktG)]. His tenure of office expired with the end of the general shareholders' meeting on 22 June 2007. At the general shareholders' meeting, Dr. Gerd Wecker was on the same day elected to the Supervisory Board of Müller – Die lila Logistik AG in accordance with the agenda.



Compensation report

The following compensation report explains the structure and the amount of Management Board and Supervisory Board compensation. The compensation report takes into account the provisions of the German Commercial Code [Handelsgesetzbuch] as amended by the German Management Compensation Disclosure Act [Vorstandsvergütungs-Offenlegungsgesetz (VorstOG)] as well as the recommendations of the German Corporate Governance Code to the extent that the company complies with these recommendations.

Additional disclosures are made with reference to shareholdings of Management Board and Supervisory Board members.

Furthermore, the company has agreed individual pension commitments with some Management Board members.

Structure of Management Member board compensation

The Supervisory Board is the corporate body vested with the power to determine Management Board member compensation. The compensation for members of Müller – Die lila Logistik AG's Management Board is geared to the size of the company and its international operations. In the determination of their remuneration, consideration is also given to the responsibilities and corporate performance contributions of the respective Management Board members. Our Management Board member compensation is performance based. It comprises a fixed salary and a variable bonus.

The fixed-amount part consists of a basic salary to be paid in twelve monthly instalments. Christmas or vacation bonuses are not granted.

Our Management Board members receive a variable bonus pegged to certain quantitative corporate goals that closely follow the overall group EBT as set forth in the respective employment contracts.

Management Board compensation in financial year 2007

In the past financial year, Management Board compensation totalled kEUR 607 (previous year: kEUR 848) that broke down as follows:

	2007 kEUR	2006 kEUR	2005 kEUR
Salary	442	421	432
Annual bonus	165	427	225

Supervisory Board compensation in financial year 2007

The annual general shareholders' meeting of Müller – Die lila Logistik AG is the corporate body vested with the power to determine Supervisory Board member compensation pursuant to §14 of the company's articles of association. Supervisory Board member compensation is based on the individual members' tasks and responsibilities.

Supervisory Board member compensation has two components:

- A fixed component, and
- A component based on membership in committees of the company.

The fixed annual compensation of regular Supervisory Board members serves as multiplier to determine the fixed compensation of the officers with the Supervisory Board Chairperson receiving three times as much and the Vice Chairperson one-and-a-half times as much.

In financial year 2007, the compensation for Supervisory Board members of Müller – Die lila Logistik AG totalled kEUR 68 (previous year: kEUR 67).

Supervisory Board member compensation	2007 kEUR	2006 kEUR
Wolfgang Monning Supervisory Board Chairman (until 31 December 2006)	–	25
Prof. Peter Klaus Supervisory Board Chairman (since 1 January 2007)	22	12
Dr. Gerd Wecker Vice Supervisory Board Chairman (Supervisory Board member since 18 April 2007)	16	–
Volker Buckmann Supervisory Board member	6	6
Per Klemm Supervisory Board member	6	6
Klaus Langer Supervisory Board member	12	12
Carlos Rodrigues Supervisory Board member	6	6

Compensation for services provided individually by Supervisory Board members

For services provided individually, Supervisory Board member Dr. Gerd Wecker received an amount of kEUR 2.

Shareholdings of Management and Supervisory Board members

Pursuant to § 15a of the German Securities Trading Act [Wertpapierhandelsgesetz (WpHG)], Management Board and Supervisory Board members of Müller – Die lila Logistik AG shall disclose any purchase or sale of shares in their own listed company and/or any related financial instruments. This also applies to specific executives performing managerial tasks and to any persons they are close to. In the reporting year 2007, Müller – Die lila Logistik AG received two notifications before 31 December 2007, which were also published on the website of the company, stating that Prof. Peter Klaus purchased a total of 5,000 shares of Müller – Die lila Logistik AG through the Stuttgart stock exchange in the first quarter of the financial year.

As of 31 December 2007, Management Board members held a total of 4,077,000 shares in the company corresponding to 51.25 % of Müller - Die lila Logistik AG`s listed share capital. Supervisory Board members held a total of 59,349 shares or 0.75 % of the company's share capital.

An individual list of shareholdings of the bodies of the company is given in the Notes under 25 'Business relations to related parties'.

Risk report

Risk management (system)

The conduct of business is always performed within the critical range between chances and risks. In doing business, the Lila

Logistik group is confronted with risks in different areas. We take reasonable, assessable and controllable risks if the chances they provide give reason to expect long-term added value.

Pursuant to § 91 (2) of the German Stock Corporation Act [Aktiengesetz (AktG)], the Management Board of Müller – Die lila Logistik AG shall have a risk management system in place. The German Commercial Code [Handelsgesetzbuch] moreover requires reporting on the future development and any risks expected with it in the Management Report. In order to identify, assess and manage risks properly and as early as possible, Müller – Die lila Logistik AG implemented a risk management system a few years ago already.

The risk management system of Müller – Die lila Logistik AG is based on characteristic group-wide standards and comprehensive reporting and information systems.

At annual planning meetings, all business segments are scrutinized for chances and risks which are then analysed and evaluated with respect to all aspects of business. The group-wide controlling and reporting system monitors and fine-tunes target compliance throughout the year. The "risk management" and "internal audit" departments supervise the processes within the Lila Logistik group with a view to any existing and potential risks.

Moreover, the company's risk managers on site submit risk reporting data sheets as a quick and ready reference to the top executives. The internal reporting system enables to identify negative developments right away and to take immediate counter actions. As such, risk management revolves around management's responsibility to detect, analyse, and evaluate risks early so that the necessary protective measures can be taken.

There are chances and risks to handle within the company's fields of activities. Müller – Die lila Logistik AG as a services provider with a focus on consulting (Logistics Design) and the provision of logistics services (Logistics Operating) has to run the typical business risks which may influence the asset, financial and earnings situation. They include, above all, downturns in demand and the other general and company-specific risks described here:

Overall economic risks

In 2007, the development of the global economy was generally very positive. Although the global economic growth will strongly slow down in 2008, most analysts do not expect a long-term slump of global economy. As a consequence of the subprime mortgage crisis in the US and its effects on the financial markets, the obviously cooled-off US American economy, the high crude oil prices as well as the resulting worries of investors and consumers, the risks of an unfavourable development have, however, evidently risen. A slow-down of the economic growth could clearly weaken the demand for capital and consumer goods and, ultimately, for transport and logistics services. As a result, there are considerable economy-based risks for the asset, financial and earnings situation of Müller – Die lila Logistik group. Müller – Die lila Logistik AG and its subsidiaries are well aware of seasonal effects and sales fluctuations due to e.g. summer breaks in customer sectors and are taking such effects into account during their annual planning meetings and regular forecast deliberations throughout the year.

Risks of the sector

The logistics industry is largely dependent on the general economic development. As a result, negative economic developments could cause a decrease in the demand for logistics services. Furthermore, external factors may cause continuous price increases,

Dependence on major customers

In financial year 2007 as well, Lila Logistik group established new customer relations and intensified existing business relations. Extensive involvement in customers' processes gives the company a rather secure position in terms of continuity of existing business and future orders. The resulting dependencies between the logistics outsourcer and the logistics provider are mutual. Expanding our customer base and maintaining existing customers remains amongst the top priorities of our business strategy going forward.

particularly in the transport segment. In 2007, the transport industry had to cope with additional costs in the amount of EUR 4.7 billion just as a result of the new directives for driving personnel. For the transport of goods by road which was particularly affected by the new legal situation this results in a 9.4 % rise in transport costs. This is the conclusion of the study "Neues Fahrpersonalrecht in der Europäischen Union" (new directives for driving personnel in the European Union), prepared by the Center of Excellence for Logistics [Logistik-Kompetenz-Zentrum (LKZ)] in co-operation with the Fraunhofer-Center for Applied Research on Technologies for the Logistics Service Industries (ATL) in Nuremberg. Further cost increases as a result of the new directive are expected in 2008 as well. This could cause additional rises in transport services prices. For part of the transport services, the Lila Logistik group uses subcontractors in order to provide the services agreed. In some cases, these services are purchased at prices fixed for a longer term or in accordance with individual orders. Unavailability of sufficient transport capacities or unexpected capacity bottlenecks may cause price increases in the purchase of services. An essential risk also lies in the development of the crude oil prices. If the prices remain stubbornly high or rise strongly, this will undoubtedly make our own transport services more expensive.

Financial risks

One of the key tasks of Müller – Die lila Logistik AG is to ensure availability of financial resources for the companies of the group. To this end, the parent company also optimises the financing of the group.

In this respect, there are two risk factors that are crucial to Lila Logistik group: On the one hand, there are risks resulting from changes in interest rates which are controlled by using derivative financial instruments like interest rate swaps. Medium- and long-term financings are hedged based on maturities and amounts by converting variable interest rates predominantly into fixed interest rate contracts. On the other hand, there are risks resulting from exchange rate changes which have an influence both on the operating cash flow and the financial figures as at the balance sheet dates. The effects on the operating cash flows are limited by using identical currencies for inflows and outflows whenever possible; if this cannot be achieved fully, flanking measures are used as required, as e.g. currency forwards. In individual cases, the use of additional derivatives is examined in order to avoid any effects on balance sheet items. Regular observation of the exchange rate development is the responsibility of the financial controller of the

subsidiary not operating in the euro currency area. The exchange rates triggering the conclusion of a hedging as soon as they are reached are fixed in advance. For the fixing of these thresholds, the assessments of research departments of large German banks are used.

Details about the hedging of interest rate risks and currency management are given in the Notes.

Environmental protection and obligations as a result of environmental laws

Growing requirements on environmental protection and the use of resources cause higher expenses. Savings in statutory levies, on the other hand, can be achieved by using modern vehicles. The danger that an environmental risk occurs is additionally reduced with certified environmental management systems.

Dependency on top-level management

The economic success of Müller – Die lila Logistik AG crucially depends on the qualification of the company's staff. The organisational structures have continuously been improved for a positive corporate development in 2007. Nevertheless, there still remains the fundamental risk that key knowledge carriers may leave the company.

Managing project starts

Project starts are generally subject to operating and financial risks, especially calculation and liability risks. We are carefully assessing these risks in our interdisciplinary project management and through intense project controlling processes. Based on the results of this assessment, we can take appropriate steps to reduce these risks.

IT risks

Networking all the various parties included in the logistics processes of Lila Logistik group requires fully operational and adaptable IT systems. Müller – Die lila Logistik AG is protecting these systems with state-of-the-art virus protection software and has back-up plans for system failures that are also integral parts of the quality management system.

Internationalisation risks

The company has to take account of the increasing internationalisation and the resulting expansion of Lila Logistik group's business activities into additional markets. Economic and legal peculiarities of foreign markets can cause considerable expense of time and money to cope with. Moreover, foreign business is more prone to the risk of payment delays and debtor defaults.

Subsidiaries of Müller – Die lila Logistik AG also have business operations outside the euro area, in particular in Poland. Part of the invoices for the business transactions there are not billed or paid in euros. Currency exchange rate fluctuations in the value of the euro relative to currencies outside the euro area can influence the earnings of Lila Logistik group.

Assuming existing employment contracts

Under German law, the purchaser of a full or partial going concern assumes the rights and obligations of this going concern at the time of legal ownership transfer including the rights and obligations arising from employment contracts. In the context of future acquisitions of a full or partial going concern, it is therefore possible that the subsidiaries will have to assume employment contracts that they would not have taken over without the legal transfer of rights and obligations under the going concern regulation. Even if the respective company has taken account of such economic burdens in its purchase agreement with the seller, it remains possible that the statutory continuation of employment contracts under the ongoing concern regulation will adversely affect the respective company's financial and income situation when a full or partial going concern is purchased.

Investment portfolio risks

By assisting its individual affiliated companies and by handling the standardised group controlling, Lila Logistik group has detailed knowledge of the development and risks of its subsidiaries. Nonetheless, it cannot be ruled out that possible profitability problems of subsidiaries may burden the group's financial and earnings situation despite all protection measures taken. Risks may additionally occur with investments where the equity stake held is not 100 %. They could have an influence on the relationship to other stakeholders, pertain to resolutions of stakeholders, and have effects culminating in the control and development of the company. Comprehensive assessments are made at least once per year in order to identify any necessary non-scheduled deprecation of the equity investments. On 31 December 2007, no impairment needed to be recognised.

Risk report summary

Lila Logistik group is mainly exposed to the typical risks of its sector, market, and general business activity. In total, it can be stated that the company's risks are generally limited and manageable without any discernible existential risk. We currently also see no existential risk for the foreseeable future.

Report on post-balance sheet events

Müller – Die lila Logistik AG transacted the sale of the property at the headquarters in Baden-Württemberg originally planned for 2007 in January 2008. The effects from this transaction which were originally planned for 2007 will now influence the financial results of the first quarter of 2008. The payment of the purchasing price for the property arrived in Besigheim in February. The cash inflow will be used to pay back liabilities as planned in the amount of approx. EUR 9 million. In addition, Müller – Die lila Logistik AG was served a suit from TKS Unternehmensberatung und Industrieplanung GmbH in March 2008 for damages arising out of alleged breaches of a covenant in restraint of competition with regard to specific services provided in the logistics design segment for the time since 18 September 2007 and for a promise not to continue the activities concerned.

Outlook

In its Annual Report on the Economy (Jahreswirtschaftsbericht), the German federal government assumes that the economic risks for the current year have risen. Furthermore it is expected that the global momentum – not least as a result of the turbulences of the financial markets in the United States of America and their global consequential effects – will be less strong this year. The foreign economic impulses will slump. With the revaluation of the Euro, the price competitiveness of Germany companies has deteriorated. This will probably lessen the exports quite far into this year. In addition, foreign demand will grow at a slower rate, especially since the US economy is going through a weak phase. Last, but not least, the higher oil prices and the consequential rise in the prices of other energy products will increase the cost for companies and limit the spending power of private households. As a result, the upswing of the German domestic economy will probably continue at a more moderate rate for some time. The federal government forecasts 1.7 % economic growth for 2008. According to the assessment of IKB Deutsche Industriebank, the growth of the logistics sector over the same period will be 5 %, whereas it will go down in the years between now and 2011 to about 3 %.

Lila Logistik group will continue to operate in its defined key customer sectors following its business model and engage in the two core activities of logistics consulting (Logistics Design) and the implementation of logistics processes (Logistics Operating). Lila Logistik group focuses on the automotive, electronics, consumer goods and industrial goods sectors unabatedly. In the short- and middle term, these sectors will operate within the framework conditions described above.

We expect the successful certification of our quality management system in accordance with ISO 9001 and of our environmental management system in accordance with ISO 14001 for the years 2008/2009 as well.

Within the contract logistics segment, Lila Logistik group expects healthy sales growth with robust operating margins until the year 2009. Looking at the time beyond this time horizon, we assume that the growth rates of contract logistics in Germany will continue to be positive.

The development of the transport sector is in particular dominated by growing cost pressure in the current financial year 2008. On the one hand, this is the result of the still steadily increasing fuel and energy prices. On the other hand, the flexibility in the use of drivers is strongly limited by the new European directive for driving personnel with the result that more personnel are required. Since the recent economic upswing has nearly swept the market clean of qualified driving personnel, higher wages are to be expected. If we do not succeed in getting our asking prices on the market, this development will burden the earning power of the transport segment in 2009 as well.

The sale of the property at Besigheim will contribute earnings in the amount of EUR 4.5 million in financial year 2008. When adjusted to offset this special effect, the company expects that the operating result of financial year 2008 will be above previous year's level. Sales revenues are expected to come to a level of about EUR 86.5 million. The progressing debt relief of Lila Logistik group will be pushed ahead in 2008 as well and is planned to be achieved over the following years. The sale of the Besigheim property resulted in a decrease in “Assets held for sale” on the assets side, as well as a decline in liabilities to banks due to the repayment of loans before maturity. As a consequence, interests payable will decrease. Since the property is rented from the purchaser within the framework of a sale-and-lease-back-transaction, there is an increase in rental expenditure.

For the asset, financial and earnings situation of Lila Logistik group, we expect the 2008 trend adjusted for the special effect to continue in financial year 2009.

All in all, the Management Board of Lila Logistik group anticipates a positive development of sales and earnings within both segments over the next two years.

We explicitly point out that actual results may differ from these forward-looking statements.

Besigheim, March 2008

Michael Müller	Rupert Früh
Chief Executive Officer	Chief Financial Officer

Assets

	31.12.2007 EUR	31.12.2006 EUR
I. Long-term assets		
1. Intangible assets	398,099	266,807
2. Goodwill	9,754,084	9,754,084
3. Property, plant & equipment	12,904,636	11,235,070
4. Real estate held for financial investment purposes	0	870,011
5. Non-current financial assets	61,903	61,903
6. Equity stakes in associated companies	1,830,665	1,378,485
7. Loans	110,350	3,722
8. Deferred taxes	1,277,140	887,284
9. Tax refund claims	63,117	64,925
10. Other non-current financial assets	140,712	0
Long-term assets, total	**26,540,706**	**24,522,291**
II. Short-term assets		
1. Cash and cash equivalents	1,294,673	4,345,289
2. Trade receivables	15,826,398	10,459,697
3. Receivables from associated persons, associated companies and companies in which equity stakes are held	153,465	45,947
4. Inventories	29,493	48,850
5. Tax refund claims	108,205	291,175
6. Assets held for sale	7,013,567	0
7. Other short-term assets	382,959	707,029
Short-term assets, total	**24,808,760**	**15,897,987**
Assets, total	**51,349,466**	**40,420,278**

The notes and the consolidated management report are integral parts of the consolidated financial statements.

Liabilities

	31.12.2007 EUR	31.12.2006 EUR
I. Long-term liabilities		
1. Long-term loans	10,767,222	12,097,353
2. Long-term financial leasing liabilities	145,105	12,411
3. Deferred taxes	231,877	11,024
4. Other provisions	287,371	49,800
5. Pension provisions	482,097	161,233
6. Other long-term liabilities	81,983	154,047
Long-term liabilities, total	**11,995,655**	**12,485,868**
II. Short-term liabilities		
1. Short-term share of financial leasing liabilities	125,406	263,639
2. Short-term loans and short-term portion of long-term loans	10,972,586	2,233,709
3. Shareholder loans	15,355	250,000
4. Trade liabilities	6,027,901	4,301,691
5. Liabilities to associated persons and associated companies	229,573	217,360
6. Other provisions	479,288	509,865
7. Tax debts	1,006,314	1,014,890
8. Other short-term liabilities	5,607,161	5,273,796
Short-term liabilities, total	**24,463,584**	**14,064,950**
III. Equity		
1. Subscribed capital	7,955,750	7,938,375
2. Capital reserve	9,643,055	9,638,364
3. Balance sheet loss	-2,995,677	-3,937,968
4. Stock options outstanding	23,341	23,341
5. Accumulated other comprehensive income	74,910	18,500
Share of equity attributable to shareholders of the parent company	14,701,379	13,680,612
6. Minority interests	188,848	188,848
Equity, total	**14,890,227**	**13,869,460**
Liabilities, total	**51,349,466**	**40,420,278**

The notes and the consolidated management report are integral parts of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
for the period 1 January to 31 December 2007
(in accordance with IFRS)

	2007 EUR	2006 EUR
1. Sales revenues	82,722,660	80,750,018
2. Changes in the amount of work in progress	-7,938	7,938
3. Other operating income	2,711,571	5,613,298
4. Cost of purchased materials and services	-31,223,355	-28,468,956
5. Personnel cost	-30,970,711	-30,518,681
6. Depreciation and amortisation of intangible and fixed assets	-1,595,935	-2,880,699
7. Other operating expenses	-20,159,764	-20,127,013
8. Operating earnings	**1,476,527**	**4,375,905**
9. Other interest and similar income	746,766	47,136
10. Finance cost	-1,372,185	–1,471,606
11. Equity income	-57,646	-73,290
12. Income from financial assets stated at equity	452,180	463,699
13. Consolidated earnings before taxes (and after minority interests)	**1,245,642**	**3,341,844**
14. Taxes on income	-303,351	-444,756
15. Consolidated net profit for the year	**942,291**	**2,897,088**
of which		
Shareholders of the parent company	942,291	2,897,088
Minority shareholders	0	0
Earnings per share (undiluted)	0.12	0.37
Earnings per share (diluted)	0.12	0.36
Average number of shares outstanding (undiluted)	7,945,490	7,927,698
Average number of shares outstanding (diluted)	7,945,490	7,943,885

The notes and the consolidated management report are integral parts of the consolidated financial statements.

	2007 €	2006 €
Group annual net earnings	942,291	2,897,088
Depreciation and amortisation	1,595,935	2,880,699
Income from asset appreciation	0	-10,226
Changes in provisions and impairments	502,283	-81,631
Profit from asset disposals	-27,635	-3,451,552
Valuation at equity	-452,180	39,022
Foreign exchange differences	-12,554	-14,277
Change in stock option plan	0	-3,226
Change in deferred tax assets, tax refund claims, and tax liabilities	7,199	140,034
Change in inventories	19,357	77,096
Change in trade receivables and receivables from affiliated and associated companies	-5,448,644	1,045,117
Change in other current assets	183,358	-250,489
Change in trade liabilities, liabilities to affiliated companies and liabilities to associated persons	1,738,422	-697,789
Change in other liabilities and prepayments received	261,300	15,201
Operating cash flow	**-690,868**	**2,585,067**
First consolidation of subsidiaries	0	-2,044
Acquisition of long-term assets	-9,732,244	-5,773,946
Retroactive purchase price adjustment incl. goodwill amortisation	0	44,164
Revenues from disposals of long-term assets	158,374	11,546,373
Capex cash flow	**-9,573,870**	**5,814,547**
Contingent capital increase due to the stock option plan	22,066	22,383
Cash inflow from taking out short or long-term loans	8,555,494	4,154,212
Cash outflow from loan repayments	-1,146,748	-8,582,581
Change in shareholder loans	-234,645	-500,533
Change in finance leases	-5,538	-238,163
Cash flow from finance activities	**7,190,629**	**-5,144,682**
Net liquidity change	-3,074,109	3,254,932
Foreign exchange-related liquidity change	23,493	-751
Cash and cash equivalents at the beginning of the period	4,345,289	1,091,108
Cash and cash equivalents at the end of the period	**1,294,673**	**4,345,289**
Additional disclosures		
Inflow from interests[1]	173,730	9,299
Outflow from interests[1]	1,261,743	1,229,347
Income taxes paid[2]	385,593	243,155

[1] Included in the cash flow from finance activities
[2] Included in the operating cash flow

Balance on 1 January 2007
Capital increase
Surplus from the capital increase
Consolidated earnings
Foreign exchange translation
Stock options outstanding
Balance on 31 December 2007

Balance on 1 January 2006
Capital increase
Surplus from the capital increase
Consolidated earnings
Foreign exchange translation
Stock options outstanding
Balance on 31 December 2006

Changes in Equity 2007

	Subscribed capital EUR	Capital reserve EUR	Revenue reserves EUR	Outstanding stock options EUR	Cumulated other equity EUR	Minority interests EUR	Equity (total) EUR
	7,938,375	9,638,364	-3,937,968	23,341	18,500	188,848	13,869,460
	17,375	0	0	0	0	0	17,375
	0	4,691	0	0	0	0	4,691
	0	0	942,291	0	0	0	942,291
	0	0	0	0	56,410	0	56,410
	0	0	0	0	0	0	0
	7,955,750	**9,643,055**	**-2,995,677**	**23,341**	**74,910**	**188,848**	**14,890,227**

Changes in Equity 2006

	Subscribed capital EUR	Capital reserve EUR	Revenue reserves EUR	Outstanding stock options EUR	Cumulated other equity EUR	Minority interests EUR	Equity (total) EUR
	7,920,750	9,633,606	-6,835,056	26,567	27,916	188,848	10,962,631
	17,625	0	0	0	0	0	17,625
	0	4,758	0	0	0	0	4,758
	0	0	2,897,088	0	0	0	2,897,088
	0	0	0	0	-9,416	0	-9,416
	0	0	0	-3,226	0	0	-3,226
	7,938,375	**9,638,364**	**-3,937,968**	**23,341**	**18,500**	**188,848**	**13,869,460**

	Historical and manufacturing costs				
	1.1.2007	Additions	Disposals	Reclassi-fications	31.12.2007
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets	1,265,329.23	376,573.08	0.00	1,706.87	1,643,609.18
II. Goodwill	10,978,327.34	0.00	0.00	0.00	10,978,327.34
III. Property, plant & equipment					
1. Property and buildings including improvements of third-party properties	9,225,828.78	32,781.65	8,537,210.58	10,655,938.00	11,377,337.85
2. Other plants, operating and office equipment	8,363,211.75	386,198.10	443,022.21	-1,706.87	8,304,680.77
3. Prepayments made and plants under construction	1,827,537.33	8,828,400.67	0.00	-10,655,938.00	0.00
	19,416,577.86	**9,247,380.42**	**8,980,232.79**	**-1,706.87**	**19,682,018.62**
IV. Properties held as financial investments	2,950,551.52	0.00	2,950,551.52	0.00	0.00
V. Non-current financial assets					
1. Equity interests in affiliated companies	30,677.51	0.00	0.00	0.00	30,677.51
2. Equity investments	31,225.84	0.00	0.00	0.00	31,225.84
	61,903.35	**0.00**	**0.00**	**0.00**	**61,903.35**
VI. Equity interests in associated companies	2,083,519.45	452,179.70	0.00	0.00	2,535,699.15
VII. Other loans	3,840.60	108,290.27	1,780.60	0.00	110,350.27
	36,760,049.35	**10,184,423.47**	**11,932,564.91**	**0.00**	**35,011,907.91**

Consolidated asset analysis for the financial year 2007

Cumulated depreciations					Book values		
1.1.2007	D&A in FY 2007	Disposals	Reclassi-fications	31.12.2007	31.12.2007	31.12.2006	
EUR	EUR	EUR	EUR	EUR	EUR	EUR	
998,557.09	245,246.21	0.00	1,706.87	1,245,510.17	398,099.01	266,772.14	
1,224,243.25	0.00	0.00	0.00	1,224,243.25	9,754,084.09	9,754,084.09	
2,118,950.34	524,270.66	2,399,798.52	9,775.65	253,198.13	11,124,139.72	7,106,878.44	***
6,017,049.76	817,009.55	298,392.49	-11,482.52	6,524,184.30	1,780,496.47	2,346,161.99	***
0.00	0.00	0.00	0.00	0.00	0.00	1,827,537.33	
8,136,000.10	**1,341,280.21**	**2,698,191.01**	**-1,706.87**	**6,777,382.43**	**12,904,636.19**	**11,280,577.76**	
2,080,540.52	9,409.00	2,089,949.52	0.00	0.00	0.00	870,011.00	**
0.00	0.00	0.00	0.00	0.00	30,677.51	30,677.51	
0.00	0.00	0.00	0.00	0.00	31,225.84	31,225.84	
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**61,903.35**	**61,903.35**	
705,034.31	0.00	0.00	0.00	705,034.31	1,830,664.84	1,378,485.14	
118.90	0.00	118.90	0.00	0.00	110,350.27	3,721.70	
13,144,494.17	**1,595,935.42**	**4,788,259.43**	**0.00**	**9,952,170.16**	**25,059,737.75**	**23,615,555.18**	*

* The book values as at 31.12.2006 include exchange rate differences in the amount of kEUR 45.

** The reclassification of the piece of land including the building on it in Bochum to “Assets held for sale” results in asset disposals in the amount of the book value of EUR 860,602. The original historical costs were EUR 2,950,552, accumulated depreciations amount to EUR 2,080,541.

*** Effective 01.01.2008, the company sold the piece of land including the building on it in Besigheim. The book value is EUR 6,152,965. The original historical costs amount to EUR 8,572,889, accumulated depreciations amount to EUR 2,419,924. The assets are reported on the balance sheet as “Assets held for sale”.

The statement of changes in noncurrent assets is an integral part of the notes to the consolidated financial statements and thus an integral part of the consolidated financial statements.

	Historical and manufacturing costs				
	1.1.2006	Additions	Disposals	Reclassi-fications	31.12.2006
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets	1,221,406.33	143,591.72	100,062.25	0.00	1,264,935.80
II. Goodwill	11,022,491.91	0.00	44,164.57	0.00	10,978,327.34
III. Property, plant & equipment					
1. Property and buildings including improvements of third-party properties	16,376,794.24	3,177,068.10	10,370,216.50	0.00	9,183,645.84
2. Other plants, operating and office equipment	10,491,213.85	598,248.54	2,739,510.26	0.00	8,349,952.13
3. Prepayments made and plants under construction	0.00	1,827,537.33	0.00	0.00	1,827,537.33
	26,868,008.09	**5,602,853.97**	**13,109,726.76**	**0.00**	**19,361,135.30**
IV. Properties held as financial investments	2,950,551.52	0.00	0.00	0.00	2,950,551.52
V. Non-current financial assets					
1. Equity interests in affiliated companies	58,177.51	0.00	27,500.00	0.00	30,677.51
2. Equity investments	16,000.00	5,000.00	0.00	10,225.84	31,225.84
	74,177.51	**5,000.00**	**27,500.00**	**10,225.84**	**61,903.35**
VI. Equity interests in associated companies	2,132,767.26	0.00	39,021.97	-10,225.84	2,083,519.45
VII. Other loans	3,840.60	0.00	0.00	0.00	3,840.60
	44,273,243.22	**5,751,445.69**	**13,320,475.55**	**0.00**	**36,704,213.36**

Consolidated asset analysis for the financial year 2006

Cumulated depreciations					Book values	
1.1.2006	**D&A in FY 2006**	**Disposals**	**Reclassi-fications**	**31.12.2006**	**31.12.2006**	**31.12.2005**
EUR	EUR	EUR	EUR	EUR	EUR	EUR
921,418.48	176,684.22	99,974.49	0.00	998,128.21	266,807.59	299,987.85
1,224,243.25	0.00	0.00	0.00	1,224,243.25	9,754,084.09	9,798,248.66
4,376,490.75	645,215.00	2,902,755.41	0.00	2,118,950.34	7,064,695.50	12,000,303.49
7,110,840.70	1,063,510.87	2,167,236.76	0.00	6,007,114.81	2,342,837.32	3,380,373.15
0.00	0.00	0.00	0.00	0.00	1,827,537.33	0.00
11,487,331.45	**1,708,725.87**	**5,069,992.17**	**0.00**	**8,126,065.15**	**11,235,070.15**	**15,380,676.64**
1,085,318.62	995,221.90	0.00	0.00	2,080,540.52	870,011.00	1,865,232.90
0.00	0.00	0.00	0.00	0.00	30,677.51	58,177.51
0.00	-10,225.84*	0.00	10,225.84	0.00	31,225.84	16,000.00
0.00	**-10,225.84**	**0.00**	**10,225.84**	**0.00**	**61,903.35**	**74,177.51**
715,260.15	0.00	0.00	-10,225.84	705,034.31	1,378,485.14	1,417,507.11
52.20	66.70	0.00	0.00	118.90	3,721.70	3,788.40
15,433,624.15	**2,870,472.85**	**5,169,966.66**	**0.00**	**13,134,130.34**	**23,570,083.02**	**28,839,619.07**

* This item represents an appreciation of historical costs. The income is recognised under other operating income. Depreciation and amortisation in FY 2006 came to EUR 2,880,698.69.

Accounting principles

(1) General information

The consolidated financial statements as of 31 December 2007 of Müller – Die lila Logistik AG have been prepared in accordance with the International Financial Reporting Standards (IFRS), as pre-scribed by European Union Directive. The application of the standard results in a true and fair representation of Müller – Die lila Logistik AG's actual asset, financial, and earnings situation.

The consolidated financial statements of Müller – Die lila Logistik AG, Besigheim, presented here consist of the Consolidated Income Statement, Consolidated Balance Sheet, Statement of Changes in Noncurrent Assets, Consolidated Cash Flow Statement as well as the Notes to the Consolidated Financial Statements and is prepared in compliance with international accounting rules, the International Financial Reporting Standards, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the EU as well as the regulations under commercial law as set forth in § 315a(1) of the German Commercial Code [Handelsgesetzbuch (HGB)]. All authoritative statements of the International Accounting Standards Board (IASB) have been taken into account.

The accounting and valuations as well as explanations and disclosures to the consolidated financial statements under IFRS for the financial year 2007 are generally based on the same accounting and valuation methods used for the consolidated financial statements for the financial year 2006.

(2) Business model

Lila Logistik group is a national and international logistics provider offering comprehensive consulting (Logistics Design) and implementation (Logistics Operating) functions for custom logistics solutions. Lila Logistik group generally differentiates in both segments routing tasks (in the more generous meaning of road freighting) and factory tasks (handling goods and processes). The areas of sourcing, production, and distribution logistics represent our group's core operating activities.

Our services focus on the following four core and target sectors:

- Automotive (automobile manufacturers and their suppliers)
- Electronics
- Consumer goods
- Industrial goods

Lila Logistik group's customers include renowned national and international companies from various industries.

(3) Corporate domicile

Müller – Die lila Logistik AG is registered with the commercial registry of the Stuttgart local court under no. HRB 301979 and headquarters in Ferdinand-Porsche-Straße 4 in 74354 Besigheim-Ottmarsheim, Germany. Other business locations as at 31 December 2007 include Antwerp in Belgium, Böblingen and Bünde in Germany, Gliwice in Poland, Graz in Austria, Herne, Recklinghausen, Schorndorf, Ulm and Unterföhring in Germany, Wroclaw in Poland as well as Zwenkau and Zwickau in Germany. The Rodgau location was liquidated on 31 December 2007.

Moreover, our company owns a partnership stake in TKS Unternehmensberatung und Industrieplanung GmbH that we consolidate at equity. TKS has business locations in: Eningen u. A. and Stuttgart in Germany, Arad in Romania, Mosonmagyaróvár in Hungary and Wrozlaw in Poland.

(4) Consolidation scope and method

Our consolidated financial statements as of 31 December 2007 include in addition to Müller – Die lila Logistik AG generally all domestic and foreign companies in which Müller – Die lila Logistik AG directly or indirectly holds the majority of voting rights or otherwise has a controlling interest in, with the exception of ILS Depot GmbH, Herne, and FMS Logistic GmbH, Besigheim.

Müller – Die lila Logistik AG starts to consolidate these companies from the time it gains control over them.

The following table shows the consolidated companies:

Company	Corporate domicile	Registered capital in kEUR	Equity stake in percent
Müller – Die lila Logistik Deutschland GmbH	Besigheim	1,010	100 %
Müller – Die lila Logistik Austria GmbH	Graz (Austria)	35	100 %
Müller – Die lila Logistik Polska Sp. z o.o.	Gliwice (Poland)	1,033*	100 %
Müller – Die lila Logistik Ost GmbH	Zwenkau	25	100 %
Müller – Die lila Logistik West GmbH	Herne	25	100 %
Müller – Die lila Logistik Verwaltung GmbH	Herne	256	90 %
Müller – Die lila Logistik GmbH	Herne	31	indirectly 90 %
Müller – Die lila Logistik Nord GmbH	Bünde	25	indirectly 90 %
Emporias Management Consulting GmbH	Unterföhring	50	76 %
TKS Unternehmensberatung und Industrieplanung GmbH	Eningen u. A.	26	33 %

* translated at the exchange rate at the closing date

The subsidiary Müller – Die lila Logistik Polska Sp. z o.o. increased its registered capital in financial year 2006 by kEUR 924 kEUR. At Müller – Die lila Logistik Polska Sp. z o.o., subscribed capital unpaid in the amount of kEUR 28 was fully paid up during the year 2007. By resolution of the shareholders' meeting of 27 September 2007, an additional increase of capital reserves in the amount of kEUR 532 was approved. This amount was fully paid up in financial year 2007. Repayment of this capital injection will be made before or on 31 December 2008 provided that it is not needed to cover the loss shown in the year-end financial report.

TKS Unternehmensberatung und Industrieplanung GmbH is being consolidated at equity in the consolidated financial statements. All other equity interests listed in the table above are fully consolidated.

ILS Depot GmbH of Herne in which Müller – Die lila Logistik AG indirectly holds a 90 % interest is not consolidated due to lack of operating activity. Müller – Die lila Logistik Verwaltung GmbH owns a 100 % stake in Müller – Die lila Logistik Nord GmbH. The company has been included in our consolidated financial statements since 1 January 2006.

In FMS Logistic GmbH, Müller – Die lila Logistik AG holds a 33.33 % interest that is not consolidated at equity due to lack of significance.

Müller – Die lila Logistik West GmbH was for the first time included in the consolidation scope on 1 October 2007.

Müller – Die lila Logistik AG holds all equity interests listed above directly. The only exceptions are Müller – Die lila Logistik GmbH and Müller – Die lila Logistik Nord GmbH which both are fully-owned subsidiaries of Müller – Die lila Logistik Verwaltung GmbH.

All significant receivables and liabilities between affiliated companies and intra-group transactions have been eliminated in the consolidated financial statements. For mergers accounted for under the purchase method, all assets and liabilities are recognised at present value. The purchase price share in excess of the acquired assets' present value is capitalised as goodwill.

IFRS 3 prohibits amortisation of goodwill and instead requires annual impairment testing pursuant to IFRS 36 independently of impairment indicators. Pursuant to the regulations of IFRS 3, scheduled amortisation of goodwill was discontinued. We still impairment test the book values of interests accounted for using the purchase method and the at-equity stated interests (including goodwill) each year and adjust their values if we find indications for more than temporary differences between fair value and book value. The impairment tests performed in the process of preparing the annual financial statements did not reveal any changes.

The financial year of Müller – Die lila Logistik AG and its consolidated subsidiaries is the calendar year. The only exception is TKS Unternehmensberatung und Industrieplanung GmbH whose financial year runs from 1 July of one year to 30 June of the subsequent year. For the purpose of integrating the company into our consolidated financial statements, TKS always prepares interim financial statements as of 31 December of each given year.

List of equity stakes held on 31 December 2007

Consolidated companies	Equity stake
Müller – Die lila Logistik Deutschland GmbH, Besigheim	100 %
Müller – Die lila Logistik Austria GmbH, Graz (Austria)	100 %
Müller – Die lila Logistik Polska Sp. z o.o., Gliwice (Poland)	100 %
Müller – Die lila Logistik Ost GmbH, Zwenkau	100 %
Müller – Die lila Logistik West GmbH, Herne	100 %
Müller – Die lila Logistik Verwaltung GmbH, Herne	90 %
Müller – Die lila Logistik GmbH, Herne	indirectly 90 %
Müller – Die lila Logistik Nord GmbH, Bünde	indirectly 90 %
Emporias Management Consulting GmbH, Unterföhring	76 %
Associated companies	
TKS Unternehmensberatung und Industrieplanung GmbH, Eningen u. A.	33 %
Non-consolidated affiliated companies and equity interests	
ILS Depot GmbH, Herne	(indirectly) 90 %
FMS Logistik GmbH, Besigheim	33.33 %

Application of § 264 (3) HGB

A number of companies which are affiliated consolidated companies of Müller – Die lila Logistik AG and for which the consolidated financial statements of Müller – Die lila Logistik AG represent exempting consolidated financial statements apply the exemptions available pursuant to § 264 (3) of the German Commercial Code [Handelsgesetzbuch (HGB)] with regard to the preparation of the Notes and the Management Report as well as disclosures made.

The companies concerned are:

Müller – Die lila Logistik Deutschland GmbH, Besigheim
Müller – Die lila Logistik Verwaltung GmbH, Herne
Müller – Die lila Logistik GmbH, Herne
Emporias Management Consulting GmbH, Unterföhring

Accounting methods

The annual financial statements of the companies included are uniformly prepared in accordance with the accounting and valuation principles laid down for the group. If the financial statements of companies prepared in accordance with the provisions of their respective national law differ from these principles, all necessary adjustments are made.

The accounting and valuation methods used for the previous year were used again without any change.

For subsidiaries having a balance sheet date that differs from the balance sheet date of the consolidated financial statements, interim financial statements are used as a basis.

The balance sheet, the income statement, the statement of changes in group shareholders' equity and the consolidated cash flow statement were rounded to the nearest whole euro.

Foreign currency translation

The consolidated financial statements are prepared in euro as the functional and reporting currency of the group. Receivables and liabilities denominated in a foreign currency in the individual financial statements are translated promptly at the exchange rate at the date of the business transaction. Changes in exchange rates are taken into account by a revaluation at the middle exchange rate prevailing on the balance sheet date.

The translation differences recognised in the income statement amounted to kEUR 859.

The translation of the annual financial statements of included subsidiaries prepared in a foreign currency is based on the functional currency concept pursuant to IAS 21 The effects of changes in foreign currency exchange rates. As a result, all assets and liabilities are translated at the middle exchange rates at the date of the balance sheet, whereas the equity is translated at historical rates.

The translation of income and expense presented on the income statement is made at the average rates for the year. Differences resulting from the foreign currency translation are allocated to the cumulated other consolidated earnings under equity.

In the consolidated financial statements as at 31 December 2007 and 2006, the following exchange rates were used as a basis for the foreign currency having material influence on the consolidated financial statements.

Exchange rate on closing date

		31.12.2007	31.12.2006
Poland	1 EUR = PLN	3.5820	3.8312

Average exchange rate

		2007	2006
Poland	1 EUR = PLN	3.7829	3.8955

Estimates

The preparation of financial statements in accordance with IFRS requires making certain estimates and assumptions that have an influence on both the assessment of assets and liabilities, the kind and scope of contingencies, the concrete details of purchase commitments as of the balance sheet date, and also the levels of income and expense during the period under review. The assumptions and estimates essentially relate to the group-wide determination of useful lives, the collectability of receivables, the recognition and measurement of provisions as well as the likelihood of realising future tax reliefs. Actual figures may deviate from these estimates. Changes are recognised in profit and loss when better knowledge becomes available.

Intangible assets

Purchased intangible assets are measured at acquisition cost and amortised on a straight-line basis over their useful life of usually three years.

On 31 December 2007, intangible assets with infinite life do not exist.

Goodwill

Goodwill is not amortised on a scheduled basis, but is subject to an annual impairment test.

Property, plant & equipment

Property, plant & equipment are measured in accordance with IAS at acquisition or production cost reduced by the amount of accumulated scheduled depreciation as well as non-scheduled impairment.

Depreciation is usually by the straight-line method in accordance with the usually expected useful life:

Land improvements	5 to 21 years
Buildings and building improvements	4 to 25 years
Vehicles and other transport devices	3 to 8 years
Operating and office equipment	3 to 25 years

Subsequent purchase costs are capitalised.

Leased building improvements and equipment the company has to account for under finance leasing are depreciated and amortised over the term of the rental or leasing agreement.

The management of the company regularly verifies the useful life in terms of technological progress. Maintenance and repair costs are expensed, while capital spending on replacement and improvements that lengthen the usual useful life or increase the capacity are capitalised. If property, plant & equipment are sold or disposed of, they are booked out at historical cost minus cumulated depreciation and amortisation with resulting profits and losses being recognised in the income statement.

Real property held as financial investment

Real property held as financial investment is recognised in the balance sheet at historical costs minus scheduled depreciation in accordance with IAS 16 and, if applicable, impairment in accordance with IAS 36.

Impairment of intangible assets, goodwill, property, plant & equipment and non-current financial assets

IAS 36 Impairment of Assets requires that an assessment be performed at every balance sheet date whether there are indications for impairment with regard to the assets shown on the balance sheet. If such indications can be identified or if an annual review is required, like for intangible assets with infinite useful life as well as goodwill, a so-called impairment test is performed. In this context, the recoverable amount of an asset or a cash generating unit is estimated in order to determine whether an impairment loss needs to be recognised. The recoverable amount is the higher of its fair value less costs to sell and its value in use – always with reference to the individual asset or cash generating unit. Lila Logistik group determines the recoverable amount based on value in use.

The expected business segment cash flows are projected from plans for a three-year period. For sub-sequent periods, the planned growth is taken into account by means of a 1 % reduction of the discount rate. The plans are in particular based on assumptions

concerning macroeconomic developments as well as the development of sales prices, personnel costs and energy prices. The cash flows for the cash generating units and the subsidiary TKS Unternehmensberatung und Industrieplanung GmbH which is consolidated at equity were discounted using interest rates ranging from approx. 11 % to approx. 14 %.

An impairment loss must be recognised if the book value of the asset or cash generating unit exceeds the present value less costs to sell and value in use. Non-scheduled impairment is recognised immediately in the income statement.

A correction of non-scheduled impairment of assets affecting net income is made with the exception of goodwill if the reasons causing it no longer exist. The appreciation is, however, only made to the extent that the book value not taking into account the depreciation if the non-scheduled impairment had not been made in previous years is not exceeded afterwards. Reversion of impairment losses on goodwill is not allowed.

Interest on outside capital

Interest on outside capital has only been capitalised for the new construction of a building in Gliwice, Poland.

Financial instruments

A financial instrument is an agreement which simultaneously creates a financial asset in one company and a financial liability or an equity instrument in another company.

Financial assets primarily pertain to cash and cash equivalents, trade receivables and other assets. Financial assets are always recognised at their respective settlement date.

Financial liabilities regularly establish a claim for return in cash or other financial assets. They include primarily trade liabilities, liabilities to banks, financial leasing liabilities and derivative financial liabilities.

Financial assets recognised for the first time are stated at fair value. The fair value of financial instruments corresponds with the amount for which it would be traded between two parties in a current transaction, other than in conditions of forced sale or liquidation. For all financial assets which are subsequently not assessed at fair value, the transaction costs directly attributable to their acquisition need to be taken into account.

Cash and cash equivalents which include cash in hand, cash accounts and money invested with banks on a short-term basis have a residual maturity of up to three months and are assessed at amortised cost or fair value, respectively.

Trade receivables as well as short-term assets are recognised – where applicable using the effective interest method – at the book value at the time of addition less impairment. The impairment losses which are recognised in the form of individual value adjustments as well as value adjustments for the expected use of discounts and interest losses take adequate account of expected default risks. In determining the default risks, historical default experiences are taken into account as well.

Other long-term assets are recognised using the effective interest method with amortised cost.

Financial assets held for trading are recognised at fair value. They include primarily derivative financial instruments which are not part of a hedging relationship under IAS 39 and, therefore, shall be classified as ‘held for trading’. Profit or loss from a subsequent assessment is recognised in the income statement and presented under other long-term assets.

Primary financial assets allocated to categories other than those listed above are categorised as ‘available for sale’ and are always recognised at fair value. Profits and losses from the assessment at fair value are recognised at fair value in equity. This, however, does not apply to permanent or material impairments as well as currency-based changes in value of debt instruments which are recognised in the income statement. The accumulated profits and losses from the assessment at fair value are only recognised in the income and loss statement upon disposal of the financial assets.

If the fair value of unlisted equity instruments cannot be measured with adequate reliability, the shares are measured at amortised cost (if necessary, less impairment). Dividends are recognised at the date when the right to receive payment is acquired.

Müller – Die Lila Logistik AG has not made use of the possibility to designate financial assets as ‘financial assets at fair value through profit or loss’ when they are recognised in the income statement for time.

At every closing date, the book values of the financial assets which need not be measured at fair value through profit or loss are reviewed as to whether there are objective substantial indications that impairment will occur (e.g. considerable financial difficulties of the debtor or high probability of an insolvency proceeding relative to the debtor or a breach of contract). Impairments, if any, as a result of a lower fair value in comparison to the book value are recognised through profit or loss. If impairments of fair values of financial assets held for sale previously were not recognised through profit or loss in the equity, they must be eliminated from the equity up to the amount of the impairment determined and transferred to profit or loss in the income statement. If it is found at later assessment dates that the fair value has objectively risen as a result of events after the date of recognition, impairments are returned in profit or loss up to the corresponding amount. The fair value of credits and liabilities valued at amortised cost which must be determined based on the impairment test corresponds with the cash value of the estimated cash flows and the future cash flows discounted by the original effective interest rate.

Financial liabilities are measured at fair value when recognised for the first time. For all financial liabilities which are later on not measured by profit and loss, the transaction cost directly attributable to their acquisition are also recognised at fair value.

Trade liabilities as well other primary financial liabilities are always measured at amortised acquisition cost using the effective interest rate method.

As regards financial liabilities, Müller – Die lila Logistik AG has not used the option to choose their designation as 'financial liabilities at fair value through profit or loss'.

Derivative financial instruments not forming part of an effective hedging relationship in accordance with IAS 39 must never be classified as 'held for trading' and shall, therefore, be accounted for at fair value in profit or loss. If they are negative, they are recognised as financial liabilities.

Müller – Die lila Logistik AG uses derivative financial instruments for hedging purposes only. The aim is to reduce currency and interest rate risks during business operations and as to the resulting financial requirements. Derivative financial instruments are neither held nor issued for speculation purposes. All derivative financial instruments (interest rate swaps as well as currency forwards) shall be accounted for at market value on the balance sheet date in accordance with IAS 39. These values may be positive or negative. The market values of the derivative financial instruments are determined taking market data and generally accepted assessment methods as a basis. For the recognition of changes in fair value it is crucial whether or not the derivative financial instrument is part of an effective hedging relationship in accordance with IAS 39. If no hedge accounting is available, the changes in the fair values of derivative financial instruments shall be recognised in profit or loss immediately. If, on the other hand, an effective hedging relationship as set out in IAS 39 exists, the hedge will be recognised as such.

If an effective hedging relationship (hedge accounting) exists, changes in the market value of the derivative instruments used and the related hedged items are either recognised in profit or loss as fair value hedge or in the equity as cash flow hedge.

A fair value hedge is used to hedge the fair values of assets recognised in the balance sheet, of liabilities recognised in the balance sheet or firm commitments not yet recognised in the balance sheet. Any change in the fair value of the derivative used as the hedging instrument shall be recognised in profit or loss in the income statement; the book value of the hedged item shall be adjusted through profit or loss to the extent of the hedged risk (basis adjustment). The adjustments of the book value are not amortised until the hedging relationship has been discontinued.

A cash flow hedge is used to hedge against fluctuations in future cash flows from assets and liabilities recognised in the balance sheet, from firm commitments (in the case of currency risks), or from highly probable planned transactions. In the event of changes of the market value of effective cash flow hedge instruments used to balance future cash flow risks from already existing or planned hedged items, unrealised profits or losses are at first recognised in equity up to the amount of the hedged item. The recognition in profit or loss of the hedged item simultaneously results in an adjustment entry in the income statement. Effects on profits or losses exceeding the hedged item are directly taken to the profit and loss account. For ineffective hedging relationships, unrealised profits or losses are recognised immediately in profits or losses.

In financial year 2007 as in previous years, Müller – Die lila Logistik AG did not apply hedge accounting.

The following table shows the book value as well as the fair market values of all financial instruments per category in kEUR as at 31 December 2007:

	Means of payment		Loans and receivables		Assets available for sale		Assets held for trading		Liabilities valued at amortised cost	
	Book value	Market value	Book value	Market value	Book value	Market value	Book value	Market value	Book value	Market value
Long-term assets					62	62				
Borrowings			108	108	2	2				
Other non-current financial assets			59	59			82	82		
Cash and cash equivalents	1,295	1,295								
Trade receivables			15,826	15,826						
Receivables from associated persons, associated companies and companies in which equity stakes are held			153	153						
Other short-term assets			289	289						
Long-term loans									10,767	10,400
Short-term loans									10,973	10,756
Shareholder loans									15	15
Trade liabilities									6,028	6,028
Liabilities to associated persons and associated companies									215	215
Other short-term liabilities									4,710	4,710
Total	**1,295**	**1,295**	**16,435**	**16,435**	**64**	**64**	**82**	**82**	**32,708**	**32,124**

The present value of loans and receivables primarily corresponds with the book value. This is above all due to the fact that they are in general short-term instruments. For long-term loans and receivables, the book value represents a reasonable approximation to the market value.

The market values of assets held for trading are determined using mathematical financial assessment models and/or market data.

With respect to the short-term liabilities valued at amortised cost, it is assumed that the market values correspond with the book values due to the short maturities.

The following table shows the book values as well as the market values of all financial instruments by category in kEUR as at 31 December 2006.

	Means of payment		Loans and receivables		Assets available for sale		Assets held for trading		Liabilities valued at amortised cost	
	Book value	**Market value**	**Book value**	**Market value**	**Book value**	**Market value**	**Book value**	**Market value**	**Book value**	**Market value**
Long-term assets					62	62				
Borrowings					4	4				
Cash and cash equivalents	4,345	4,345								
Trade receivables			10,460	10,460						
Other short-term assets			310	310			30	30		
Long-term loans									12,098	11,476
Short-term loans									2,234	2,765
Shareholder loans									250	250
Trade liabilities									4,302	4,302
Liabilities to associated persons and associated companies									217	217
Other short-term liabilities									4,165	4,165
Total	**4,345**	**4,345**	**10,770**	**10,770**	**66**	**66**	**30**	**30**	**23,266**	**23,175**

The market values of long-term loans (including the short-term market value portion) were determined as book values of the expected future cash flows.

With respect to loans with variable interest rates, it is assumed that the interest rate of the loan approximately corresponds with the interest rates prevailing on the market on the closing date due to the interest rate adjustments agreed. As a result, the book value of these loans basically is the market value.

For loans with fixed interest rates, the interest rates used for discounting are interest rates which include the general market interest rate level as well as individual credit rating and risk adjustments.

Financial instruments were recognised in the income statement with the following net results:

	2007 kEUR	2006 kEUR
Assets held for trading*	58	56
Assets available for sale	17	11
Loans and receivables	-180	-343
Liabilities measured at amortised coste	-159	-174

* They are derivative instruments that are not included in a hedge accounting.

Net profits and losses from derivative instruments include effects from market value changes which are recognised fully in the earnings and losses of the period.

The net results neither include interest income nor income from the translation of foreign currency.

Interest income from financial assets totals kEUR 91. Interest income furthermore includes income from the translation of foreign currency in the amount of kEUR 523 as well as income from assets held for trading in the amount of kEUR 133. Interest paid for financial liabilities amounts to kEUR 1,265. In addition, finance costs include costs of foreign currency translations in the amount of kEUR 32 as well as costs relating to assets held for trading amounting to kEUR 75.

The net profit/loss from assets available for sale primarily pertains to income from distributions. The net profits/losses from loans and receivables primarily pertain to results from impairments and appreciations which are presented under other operating income and expenses.

Taxes on income

Actual income taxes are always accounted for pursuant to pertinent tax regulations. The expected actual income tax must be calculated for every single item subject to tax. In addition, temporary differences as a result of differences in the treatment of specific items on the balance sheet of local financial statements according to tax laws and the IFRS consolidated financial statements must be assessed. If there are temporary differences, they always result in the fixing of deferred taxes on the assets and liabilities side.

Deferred income taxes are determined using the liability method in accordance with IAS 12 Income taxes. Deferred taxes are accrued to take account of tax consequences of valuation differences between assets and liabilities as stated in the IFRS balance sheet, on the one hand, and the tax assessment base and tax loss-carry forwards, on the other.

The amount of deferred taxes depends on the tax rate on the taxable income in the year in which the differences will probably be settled. Deferred tax assets may be reduced to the probably realisable amount, if necessary. The effect of tax rate changes for deferred tax assets and liabilities is recognised in the period in which such tax rate changes have been adopted.

The income tax item includes tax liabilities to tax authorities and refund claims for the period under review plus or minus any changes in deferred taxes.

Pension provisions and similar obligations

The assessment of pension provisions and similar obligations is made in accordance with IAS 19. The pension awards within Lila Logistik group are contribution-based systems and performance-based commitments. Obligations from performance-based commitments are determined in accordance with the so-called projected unit credit method [Anwartschaftsbarwertverfahren]. With this method, not only the pensions and projected unit credits already known on the balance sheet date, but also future increases in salaries and pensions shall be taken into account using a conservative estimate as a basis.

The calculation is based on annual actuarial valuations taking into account the biometric tables 2005G of Prof. Dr. Klaus Heubeck.

Actuarial profits and losses are only considered if they exceed the 10 % corridor (corridor method). In this case, the amount exceeding the corridor is spread over the expected average remaining working lives of the beneficiaries concerned.

For the part of pension commitments financed by the employees, insurance was taken out. The reinsurance claim corresponds with the actuarial reserve of the insurance company in accordance with business plans. Furthermore, there are reinsurance agreements on an individual basis.

Taking this as a basis, the provisions for reinsured pension commitments are netted out with the plan assets in accordance with IAS 19 in the revised version.

The service costs, the interest share of transfers to provisions as well as income from assets of investment funds are netted out.

Pension commitments are always considered to be long-term.

Realisation of sales and earnings and recognition of expenses

Sales revenues are measured at the fair value of the consideration received or to be received and represent the amounts recoverable for services during business as usual. Price reductions, discounts and sales tax have been deducted.

Sales are recognised at the time the logistics services have been rendered (IAS 18.20) and the volume of sales can reliably be determined.

The unconsolidated revenues from consulting services (Logistics Design) amount to kEUR 3,272 (previous year: kEUR 2,642) and the unconsolidated revenues from logistics services in the Logistics Operating segment amount to kEUR 79,890 (previous year: kEUR 78,169).

Sales from forwarding logistics are realised as soon as the freight has been delivered, sales from contract logistics are realised as soon as the specifically defined object of the agreement has been brought to completion, and sales from consulting services are realised when the contractually agreed components have been performed.

Interest income is recognised in proportion to time taking into account the effective interest method.

In total, expenses are recognised if it is probable that there will be a cash outflow from the company.

Finance costs are recognised through profit and loss in the period in which they have occurred.

Earnings per share

Undiluted earnings per share	**2007**	**2006**
Consolidated net profit (in kEUR)	942	2,897
Recognised personnel expense pursuant to IFRS 2 (in kEUR)*	–	-3
Undiluted consolidated profit (in kEUR)	942	2,894
Weighted average number of shares outstanding (in thousands)	7,945	7,928
Undiluted earnings per share (in EUR)	0.12	0.37

* Adjusting the original assumption for the exercise of options to actual figures as of the balance sheet dated caused a reduction of personnel expense pursuant to IFRS 2.

Diluted earnings per share	**2007**	**2006**
Undiluted consolidated earnings (in kEUR)	942	2,894
Diluting earnings effects from stock options (in kEUR)	–	3
Diluted consolidated earnings (in kEUR)	942	2,897
Weighted average number of shares outstanding in thousands of no-par shares	7,945	7,928
Diluting potential shares from stock options in thousands of no-par shares	–	16
Diluted weighted average number of shares outstanding in thousands of no-par shares	7,945	7,944
Diluted earnings per share (in EUR)	0.12	0.36

The consolidated profit corresponds with earnings after income tax. The calculation of the weighted average number of shares is made after the issue date of the shares.

Diluted earnings per share have been calculated fundamentally like undiluted earnings per share. However, the input figures have to be adjusted for all capital diluting effects resulting from the potential new shares. The subscription rights from vested employee interests discussed in the ‘Contingent capital’ section may dilute the undiluted earnings per share in the future and have been included in the calculation of diluted earnings per share – to the extent that dilution potential already existed in the period under review.

Since subscription rights from vested employee interests do not exist any longer as at 31 December 2007, additional diluting effects cannot occur. As a result, the diluted earnings correspond with the undiluted earnings.

Changes in accounting and valuation methods due to new standards or interpretations

IAS 1 rev.	Presentation of Financial Statements – Capital Disclosures (applicable to financial years starting on or after 1 January 2007)
IAS 17	Leases (applicable to financial years starting on or after 1 January 2007)
IAS 33	Earnings per Share (applicable to financial years starting on or after 1 January 2007)
IFRS 7	Supply of Public Services by Private Sector Operators (applicable to financial years starting on or after 1 January 2007)
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (applicable to financial years starting on or after 1 March 2006)
IFRIC 8	Scope of IFRS 2 (applicable to financial years starting on or after 1 March 2006)
IFRIC 9	Reassessment of Embedded Derivatives under IAS 39 (applicable to financial years starting on or after 1 June 2006)
IFRIC 10	Interim Financial Reporting and Impairment (applicable to financial years starting on or after 1 November 2006)

IFRS 7 'Financial instruments: Disclosures'

In August 2005, the IASB published IFRS 7. In this standard, the disclosures relating to financial instruments previously regulated by IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and IAS 32 'Financial Instruments: Presentation' were combined. As part of this, several individual disclosure obligations were changed and/or supplemented. IFRS 7 shall be used and is binding for financial years starting on or after 1 January 2007.

Within Müller – Die lila Logistik AG, the first-time application of IFRS 7 resulted in comprehensive disclosures relating to financial instruments as of 31 December 2007.

All other standards and interpretation listed above that had to be applied for the first time did not result in material changes in the consolidated financial reporting of Müller – Die lila Logistik AG.

Standards and interpretations not applied early

The IASB has published the following standards, interpretations, and changes to existing standards whose application is not yet binding and that Müller – Die lila Logistik AG chose not to apply before this will be required:

IFRS 8	Segment Reporting (applicable to financial years starting on or after 1 January 2009)
IFRIC 11 / IFRS 2	Share-based Payments and their Assessment (applicable to financial years starting on or after 1 March 2007)
IAS 1 rev.	Presentation of Financial Statements (applicable to financial years starting on or after 1 January 2009)
IAS 23 rev.	Borrowing Costs (applicable to financial years starting on or after 1 January 2008)
IFRIC 12	Service Concession Arrangements (applicable to financial years starting on or after 1 January 2008)
IFRIC 13	Customer Loyalty Programmes (applicable to financial years starting on or after 1 July 2008)
IFRIC 14 / IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to financial years starting on or after 1 January 2008)
IFRS 3 / IAS 27	Business Combinations / Consolidated and Separate Financial Statements

IFRS 8 Segment Reporting

Under IAS 14, segment reporting so far had to use the 'risk-and-reward' approach. Under IFRS 8, segment reporting now uses the 'management approach' for segment identification. According to this approach, relevant information is regularly given to the so-called 'chief operating decision makers' for decision-making purposes. At the same time, segment valuation no longer uses the 'financial accounting approach' of IAS 14 but rather the 'management approach'. IFRS 8 has to be applied to all financial years starting on or after 1 January 2009. Earlier application is allowed. Müller – Die lila Logistik AG will apply IFRS 8 for the first time in financial year 2009 and this will result in changes in the disclosure presentation as part of the segment reporting.

IFRIC 11 Share-based Payments and their Assessment

IFRIC 11 deals with questions regarding the accounting for group-wide share-based payments, the effects of personnel changes within a group as well as share-based payments involving the issue of own shares by the company or the obligation to acquire shares from a third party. IFRIC 11 must be applied to financial years starting on or after 1 March 2007. Early application is recommended. Effects from the application of IFRIC 11 on the future consolidated financial statements of Müller – Die lila Logistik AG are not to be expected.

IAS 1 – Presentation of Financial Statements

Changes relating to assessment issues in conjunction with share-based payments pertain to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements' and are combined in one document titled 'Puttable Financial Instruments and Obligations Arising on Liquidation' and also include minor adjustments in IFRS 7, IAS 39 and IFRIC 2. The changes essentially pertain to a differentiation between equity and borrowed capital. In particular, the new version now allows classifying terminable instruments as equity provided that specific conditions are fulfilled. From a German point of view, the changes are relevant above all with regard to business partnerships which till now have to present their capital under company law as liabilities due to the partners' right of termination. The changes are applicable to financial years starting on or after 1 January 2009. Early application is permitted. Effects from the application of IAS 1 on the future consolidated financial statements of Müller – Die lila Logistik AG are not to be expected.

IAS 23 – Borrowing Costs

The principal change in this standard relates to the elimination of the option to recognise borrowing costs directly as expense which can directly be attributed to the acquisition, construction or production of a qualifying asset. In this context a qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. As a result, the companies must capitalise such borrowing costs as part of the acquisition costs of that qualifying asset. The revised standard does not require that borrowing costs for assets measured at fair value and inventories regularly manufactured or produced in large quantities be capitalised, even if the period to get them ready for their intended sale is considerable. This standard is for the first time applicable to borrowing costs of qualifying assets whose capitalisation is effected on or after 1 January 2009.

IFRIC 12 – Service Concession Arrangements

IFRIC 12 deals with the accounting for the supply of public services by private sector operators. The interpretation is applicable to and binding for financial years starting on or after 1 January 2008. Early application is permitted. Effects from the application of IFRIC 12 on the future consolidated financial statements of Müller – Die lila Logistik AG are not to be expected.

IFRIC 13 – Customer Loyalty Programmes

IFRIC 13 – Customer Loyalty Programmes deals with the accounting for customer loyalty programmes. Pursuant to this standard, loyalty award credits granted under a customer loyalty programme shall be separated from the basic transaction (current sales transaction) and treated as a future sales transaction. In total, a multi-component agreement pursuant to IAS 18.13 exists. IFRIC 13 is applicable to financial years starting on or after 1 January 2009. Early application is recommended. Effects from the application of IFRIC 13 on the future consolidated financial statements of Müller – Die lila Logistik AG are not to be expected.

IFRIC 14 / IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance on how to determine in accordance with IAS 19 Employee Benefits the limit for a surplus which can be recognised as a defined benefit asset. Additionally it explains the effects on the measurement of assets and provisions from performance-based plans due to statutory minimum funding requirements, e.g. as required by law or in compliance with the provisions of the plan. This ensures that companies consistently account for plan asset surpluses as assets. IFRIC 14 requires, however, no additional recognition to be made by the employer as long as the minimum funding contribution is repaid to the company. The interpretation is applicable to financial years beginning on or after 1 January 2008. Early application is recommended.

IFRS 3 / IAS 27 - Business Combinations / Consolidated and Separate Financial Statements

In January 2008, the IASB published the revised standards IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements'. The revised versions clarify how business combinations shall be treated in the accounting. IFRS 3 still does not regulate the combination of companies or businesses under common control. The new versions of IFRS 3 and IAS 27 are applicable to financial years starting on or after 1 July 2009. Early application is permitted, but requires the application of both standards. Effects from the application of IFRS 3 / IAS 27 on the future consolidated financial statements of Müller – Die lila Logistik AG are not to be expected.

Corporate transactions

On 27 April 2004, the company acquired another 25 % stake in Emporias Management Consulting GmbH within the framework of a capital increase in kind of Müller – Die lila Logistik AG in the amount of kEUR 422. Upon meeting contractually agreed earnings milestones in the years from 2004 to 2006, supplementary purchase price payments of at most kEUR 120 per year became due and payable. In accordance with IFRS 3, these have been expensed due to the probability of these earnings milestones being passed and resulted in goodwill appreciation. In 2004, the overall resulting goodwill appreciation amounted to kEUR 720. Owing to the company's earnings performance in financial year 2006, goodwill decreased by kEUR 44. The acquisition thus caused an overall cash outflow of kEUR 316 of which kEUR 76 have been expensed in financial year 2006.

In the course of our business expansion and to finance the construction of a logistics building at Müller – Die lila Logistik Polska Sp. z o.o., the company increased its capital by kEUR 924 in 2006. The outstanding capital at Müller – Die lila Logistik Polska Sp. z o.o. was fully paid up in the year 2007 in the amount of kEUR 28. By general resolution of 27 September 2007, another increase of the capital reserve in the amount of kEUR 532 was approved. It was fully paid up in financial year 2007. Repayment of this capital injection will be made on or before 31 December 2008 provided that it is not needed to cover the loss presented in the year-end financial report.

On 20 August 2007, a management company (GmbH bracket) with a nominal capital of kEUR 25 was acquired at a purchasing price of kEUR 27 which was completely paid in cash and was renamed Müller – Die lila Logistik West GmbH. The acquired cash amounted to kEUR 24. The acquisition of the company is not a business combination within the meaning of IFRS 3. The company performs logistics operations for a customer. Sales revenues for the past financial year amounted to kEUR 1,665. Annual earnings were kEUR 7.

Notes to the consolidated income statement

(5) Sales revenues

Sales revenues include the amounts charged to customers for goods delivered and services provided. Reductions of revenues as a result of e.g. rebates and discounts are recognised as sales decreases. The sales revenues were achieved with services in the forwarding and contract logistics (Logistics Operating) segment as well as consulting services (Logistics Design) and were broken down by geographic markets as follows:

	2007	2007	2006	2006
	kEUR	%	kEUR	%
Germany	63,074	76.2	57,000	70.6
Other European countries	19,649	23.8	23,750	29.4
Total	**82,723**	**100**	**80,750**	**100**

(6) Other operating income

Other operating income for the financial years 2007 and 2006 essentially include income from the reversal of provisions and the sale of assets, compensation from insurances, rental and administrative income as well as income from adjustments to the asset value of reinsurances. The decrease in other operating income by kEUR 2,902 is primarily the result of income from the sale of real property in Herne as part of a sale-and-lease-back transaction in 2006 (kEUR 3,309).

(7) Personnel cost

	2007	2006
	kEUR	kEUR
Wages and salaries	25,466	24,961
Social security contributions	3,069	3,183
Old age pension cost	2,436	2,375
Total	**30,971**	**30,519**

(8) Other operating expenses

Other operating expenses in the financial years 2007 and 2006 primarily include the following costs: Vehicle cost, rental and room cost, cost of services hired, insurance contributions, cost as a result of damages, advertising and travel cost, cost of telephone and data lines as well as rental and leasing costs for business and office equipment.

(9) Depreciation and amortisation of intangible and fixed assets

	2007 kEUR	2006 kEUR
Depreciation and amortisation of intangible assets	245	177
Depreciation and amortisation of fixed assets (incl. real estates held as finance investments)	1,351	2,704
Total	**1,596**	**2,881**
Of which impairment in accordance with IAS 36	0	944

In financial year 2006, non-scheduled depreciation and amortisation of a property held as finance investment was made in the amount of kEUR 944 within the scope of the annual impairment test. No non-scheduled depreciation and amortisation was made in financial year 2007.

(10) Taxes on income

Taxes on income comprise the corporate tax including solidarity tax and the trade tax payable in Germany as well as comparable taxes on income payable abroad.

Deferred taxes in the individual balance sheets are the result of the expected use of tax losses carried forward and the differences in the valuations in the trade and tax balance as well as the consolidation processes. They are calculated in accordance with IAS 12.

The tax reduction act [Steuersenkungsgesetz] adopted in financial year 2007 results in a decrease of the corporate tax rate in Germany from 25 % to 15 % from the assessment period 2008 on.

As a result, the companies in Germany used a corporate tax rate of 15 % (previous year 25%) for the calculation of deferred taxes as of 31 December 2007. Additionally, a solidarity surcharge of 5.5 % on corporate tax as well as a trade tax rate of 13.76 % (previous year 13.76 %) were taken into account.

Taking account of the solidarity surcharge and trade tax, the resulting tax rate for the calculation of derred taxes for the companies in Germany was 29.59 % (previous year 37.34 %).

For the foreign companies in Poland and Austria, taxes on come of 19 % and 25 %, respectively, were applied.

Taxes on income broken down by origin are:

Taxes on income	2007 kEUR	2006 kEUR
Taxes paid or payable	479	423
– of which abroad	304	193
Deferred tax expense	-176	22
Taxes on income	**303**	**445**

Taxes on income in the amount of kEUR 75 relate to previous periods (previous year Income of kEUR 59).

Deferred taxes in the amount of kEUR 382 (previous year kEUR 22) are the result of temporary differences or reversals thereof. Deferred tax expense as a result of the change of the corporate tax rate in Germany amounts to kEUR 206 for the financial year 2007.

The transition between amounts using a tax rate of 37.34 % for the financial years ended on 31 December 2007 and 2006 for earnings before taxes on income and the actual tax expense is as follows:

	2007 kEUR	**2006** kEUR
Expected tax expense taking the tax rates as a basis	-465	-1,248
Tax-free income	212	157
Differences in local tax rates	7	-27
Changes in tax rates	-206	0
Change of value adjustment on tax losses carried forward	330	719
Non-period tax expense/income	-75	59
Non-deductible operating expenses	-51	-52
Others	-55	-53
Income tax expense	**-303**	**-445**

On the foreign currency differences presented under accumulated other comprehensive income, deferred tax liabilities in the amount of kEUR 17 (previous year kEUR 11) were recognised in equity.

The deferred tax assets and liabilities are as follows:

	31.12.2007 kEUR	31.12.2006 kEUR
Deferred tax assets		
Tax losses carried forward	1,223	1,236
Other assets	710	635
Other liabilities	186	0
Liabilities to associated companies	34	165
Capital leasing liabilities	3	46
Others	127	118
Deferred tax assets, in total	**2,283**	**2,200**
Deferred tax liabilitiesn		
Liabilities to banks	619	554
Goodwill	303	442
Provisions	231	224
Property plant & equipment	4	43
Others	81	61
Deferred tax liabilities, in total	**1,238**	**1,324**
Deferred tax assets (liabilities), net	**1,045**	**876**

The deferred tax assets and tax liabilities were presented in the consolidated balance sheets as of 31 December 2007 and 2006 as follows:

Division of deferred taxes	31.12.2007 kEUR	31.12.2006 kEUR
Deferred tax assets, long-term	1,277	887
Deferred tax liabilities, long-term	232	11
Deferred taxes, balanced	**1,045**	**876**

For corporate tax purposes, it has been allowed in Germany to carry losses back and forward one year as from 2004 on. For trade tax purposes, losses can only be carried forward indefinitely. On 31 December 2007, Müller – Die lila Logistik AG and its subsidiaries had loss carry-forwards for corporate tax purposes amounting to approx. kEUR 9,100 and for trade tax purposes amounting to approx. kEUR 5,800 which can be carried forward indefinitely. The value adjustments on tax loss carry-forwards total kEUR 1,032 (previous year kEUR 1,757) after the changes in loss carry-forwards as a result of the adjustment to the lower income tax rate as of 31 December 2007.

The management is of the opinion that the earnings from future business operations will probably generate a sufficiently high taxable income to realise the deferred tax assets accounted for.

Notes to the consolidated balance sheet

(11) Long-term assets

The development of long-term group assets is shown in the enclosed Statement of changes in noncurrent assets.

The company sold its heritable building right and building in Herne to a leasing company within the framework of a sale-and-lease-back transaction at a book profit of kEUR 3,309 in financial year 2006.

The real property in Bochum held as a financial investment in the previous year was reclassified into the section short-term assets ('assets held for sale') as of the balance sheet date. In this respect, the following disclosures are made:

in kEUR	2006
Rental income	72
Operating expenses	64
Depreciation method	linear and degressive
Underlying useful life periods	3–25 years
Acquisition cost	2,950
Cumulated amortisation	1,085
Book value on 1.1.	1,865
Scheduled depreciation	-51
Non-scheduled depreciation	-944
Book value 31.12.	870
Fair value as at 31.12.	870

Fair value has been calculated on the basis of probably realisable rental income applying a discounting factor of 6 %, no external expert appraisal was available. The extraordinary amortisation of kEUR 944 made in 2006 was, on the one hand, due to the expansion of the Herne logistics service centre resulting in decreasing own use of the Bochum facility and, on the other, to the current regional market for such storage space.

Impairment costs pursuant to IAS 36 did not occur in financial year 2007.

In addition, interests on borrowed capital were capitalised in connection with the construction of the Logistics Service Center in Poland in the amount of kEUR 212 (previous year kEUR 104). The underlying capitalisation rate of borrowing costs is approx. 7 %.

Liabilities to banks as of 31 December 2007 comprised a loan secured with property liens of kEUR 9,950, an absolute guarantee of repayment amounting to kEUR 7,200 including interests and incidental costs, a mortgage in the same amount as well the assignment of claims from insurances and service agreements. Furthermore, there are declarations of commitment as well as transfers of ownership of fixed assets of kEUR 1,076. As of 31 December 2007, there are, in addition, pledges of financial assets.

The reduction of goodwill allocable to Emporias Management Consulting GmbH in 2006 resulted from the company's earnings situation in 2006 (see Corporate transactions under Accounting methods).

The equity investment TKS accounted for at equity comes to kEUR 1,831 (previous year kEUR 1,378). The key figures of the investment consolidated at equity, TKS, were as follows:

	31.12.2007 kEUR	31.12.2006 kEUR
Assets	2,955	4,128
Equity	2,052	681
Liabilities and provisions	903	3,447
Sales revenues	3,866	5,434
Profit for the period	**1,370**	**1,405**

No changes occurred in the goodwill in comparison with the previous year. Goodwill broken down by cash generating units is as follows:

	31.12.2007 kEUR	31.12.2006 kEUR
Müller – Die lila Logistik Verwaltung GmbH	4,983	4,983
Müller – Die lila Logistik Deutschland GmbH	4,044	4,044
Emporias Management Consulting GmbH	727	727
Total	**9,754**	**9,754**

Earnings from associated companies amount to kEUR 452 (previous year kEUR 464).

(12) Inventories

The inventory position comprises raw materials, consumables, supplies, and merchandise recognised at the lower of net realisable value or historical cost. Work in progress is valued at the lower of net realisable value or manufacturing costs as of the balance sheet date. The net realisable value represents the probable sale price minus selling costs up to the sale.

Pursuant to IAS 2, manufacturing costs include immediately allocable direct costs (salaries) and over-head allocable to the production process. Financing costs are not included. Appropriate and sufficient impairments are made to account for inventory risks arising from storage time and loss of usability. No impairments had to be made for the inventories existing on the respective balance sheet dates.

	31.12.2007 kEUR	31.12.2006 kEUR
Raw materials, consumables, and supplies	29	41
Work in progress	0	8
Gesamt	**29**	**49**

(13) Receivables

Trade receivables are recognised at amortised historical costs. If default or transfer risks exist, the receivables are recognised at their lower realisable value. This is also reflected in the individual impairments as well as value adjustments for the expected use of discounts and interest losses.

	31.12.2007 kEUR	31.12.2006 kEUR
Trade receivables	15,826	10,460
Impairments included	493	455

Impairments are reported on separate impairment accounts within Trade receivables.

The impairment account for trade receivables developed as follows:

	2007 kEUR	2006 kEUR
As of 1.1.	**455**	**296**
Addition	252	257
Closing/use	-213	-98
As of 31.12.	**493**	**455**

All income and expense from impairments of trade receivables are recognised under Other operating expenses and Other interest and similar income.

The age structure of overdue receivables that do not qualify for an individual impairment test is as follows as of the balance sheet date:

	31.12.2007 kEUR
1 to 30 days overdue	3,678
31 to 60 days overdue	465
61 to 90 days overdue	104
More than 90 days overdue	194

Receivables that are overdue, but not adjusted for impairment are not reported for financial year 2006, since they cannot be determined reliably for the total group.

With regard to receivables that were neither overdue nor impaired, no indications suggesting that the debtors will not meet their obligations were identified at the closing date.

All trade receivables are due within one year.

(14) Assets held for sale

The balance sheet item 'Assets held for sale' includes the properties in Besigheim and Bochum held for sale.

Besigheim is the location of the headquarters of Müller – Die lila Logistik AG as well as storage spaces for logistics operating. For the sale of the real property in Besigheim, a purchase agreement has already been signed; cash inflow occurred after the balance sheet date in February 2008. The sales revenue amounts to kEUR 11,000; the book value of the property is kEUR 6,153 as of 31 December 2007.

The real property in Bochum is at present rented by different rent payers. From the company's point of view, this real property is no longer considered to be necessary for business operations. The selling process was started in the last quarter of 2007. The sales revenue will probably be slightly higher than the book value of kEUR 861.

The 'Assets held for sale' are fully allocable to the Logistics Operating segment.

(15) Cash and cash equivalents

Cash and cash equivalents in the reporting currency represent the nominal value of cash and cash equivalents. The fair value of cash and cash equivalents in foreign currencies is determined by currency translation based on the rate at the closing date.

Cash and cash equivalents comprised the following components:

	31.12.2007 kEUR	31.12.2006 kEUR
Cash on hand	10	33
Credit balance with banks	1,285	4,312
Total	**1,295**	**4,345**

For cash flow statement purposes, all cash and cash equivalents with original maturities of no more than three months are stated as cash and cash equivalents.

(16) Other assets

Other assets primarily pertain to receivables from creditors with debit balances, receivables from employees and advance payments.

(17) Equity

Subscribed capital

On 2 October 2000, the company changed its legal form from a limited liabilities partnership (Gesellschaft mit beschränkter Haftung, GmbH) to joint stock company (Aktiengesellschaft, AG). The company converted its registered capital of kEUR 540 into share capital and issued 540,000 no-par shares.

On 24 November 2000, the capital increases, currency switch, and change of legal form were entered into the commercial register.

On 7 December 2000, the shareholders approved the issuance of 60,000 shares. This increased the company's share capital from kEUR 540 to kEUR 600. The new shares were offered for a total amount of kEUR 6,500. Of this amount, kEUR 60 was paid into the share capital and kEUR 6,440 into capital reserves. On 22 December 2000, the capital increase was entered into the commercial register.

On 8 February 2001, the annual general shareholders' meeting approved the increase of the share capital by kEUR 5,400 from company coffers by converting part of the capital reserve to share capital and issuing 5,400,000 new no-par bearer shares for a nominal share capital value of EUR 1.00 per no-par share. The capital increase was entered into the commercial register on 14 February 2001.

The annual general shareholders' meeting resolved on 5 March 2001 to increase the share capital by kEUR 1,700 to a total of kEUR 7,700 by cash contribution and to issue 1,700,000 new no-par bearer shares with a nominal share capital value of EUR 1.00 per no-par share. This new capital increase was entered into the commercial register on 2 April 2001.

By partially utilising the authorised capital, the company's share capital was increased by kEUR 200 against contribution in kind in 2004. The contribution in kind pertains to the acquisition of another 25 % stake in Emporias Management Consulting GmbH at a value of kEUR 422. The new shares were offered at EUR 2.11 per share. The surplus proceeds in excess of the share capital portion came to kEUR 222 and were paid into capital reserves.

The annual general shareholders' meeting on 16 June 2005 resolved the dissolution of the existing and creation of new authorised capital I and II. The Management Board has been authorised to increase the company's share capital subject to Supervisory Board consent by issuing new no-par shares against capital contributions in cash or kind, but in total not exceeding kEUR 3,160 in one or more tranches up to 16 June 2010 (authorised capital I).

The Management Board has been furthermore authorised to increase the company's share capital subject to Supervisory Board consent by issuing new no-par shares against cash capital contribution but in total not exceeding kEUR 790 in one or more tranches up to 16 June 2010 (authorised capital II). The changes have been entered into the commercial register on 16 August 2005. With the resolution of these changes all prior existing capital increase authorisations lapsed.

Based on the contingent capital increase resolved on 5 March 2001 and 15 May 2001, kEUR 17 (previous year kEUR 17) in subscription shares were issued in financial year 2007 for the last time. At the end of the financial year, the company's share capital came to kEUR 7,956 (previous year kEUR 7,938); the residual contingent capital at the end of the financial year came to kEUR 544 (previous year kEUR 562).

According to the German Stock Corporation Act (Aktiengesetz (AktG)) the profit share available for dividend distribution to shareholders depends on a company's equity as stated in its individual annual financial statements prepared according to the German Commercial Code (Handelsgesetzbuch (HGB)). Dividend distributions may only be made in amounts up to the balance sheet profit. These amounts deviate from the total balance sheet profit according to IFRS consolidated financial statements. As of 31 December

2007, the company's individual annual financial statements under German Commercial Code rules and regulations showed a balance sheet loss of kEUR 7,420 (previous year kEUR 8,150).

The capital has been fully paid up.

Shares outstanding developed as follows in financial year 2007:

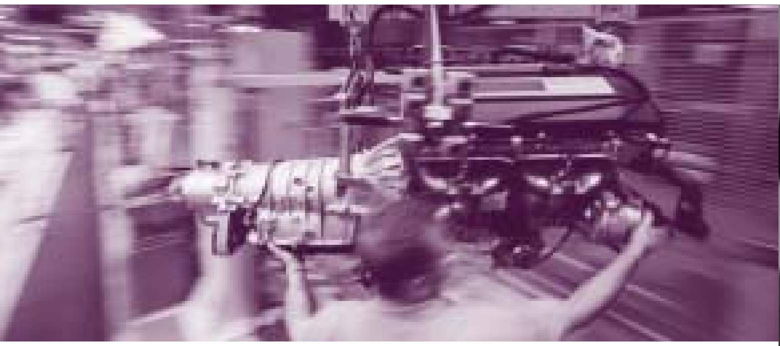
	1.1.2007 kEUR	Use of stock options in 2007 kEUR	31.12.2007 kEUR
Development of shares	7,938,375	17,375	7,955,750

Capital reserve – Initial public offering

Through its initial public offering on 30 May 2001, the company received an inflow of funds in the amount of EUR 11.9 million. The company incurred EUR 2.9 million in costs from going public. After offsetting this against deferred tax assets of EUR 1.1 million, this comes to a net amount of EUR 1.8 million that was netted against capital reserves in 2001.

Contingent capital: Employee shareholdings

The annual general shareholders' meeting on 5 March 2001 resolved the contingent increase of share capital by up to kEUR 600 through issuing up to 600,000 new no-par bearer shares and adopted an amendment to the articles of association to conduct an employee stock ownership programme pursuant to §192 (2) no 3 AktG. Management Board members and employees were entitled



to subscription rights. The subscription rights had total terms of 5 years per tranche starting with the tranche issue. Subscription rights that had not been exercised by the end of the respective tranche term expired. The qualifying period for first-time exercising was two years from subscription right allotment per tranche. After the end of the qualifying period, 50 % of the subscription rights could be exercised. The next 25 % of subscription rights in a given tranche could be exercised after a qualifying period of three years from subscription right allotment. The qualifying period for the remaining 25 % of the subscription rights was four years from the time of allotment. The exercising price for purchasing the company shares for the first tranche corresponded to the original issue price of the shares at the end of the book building process plus a 20 % premium as performance incentive. For the other tranches, the exercising price corresponded to the average closing price of the last ten trading days prior to the annual general shareholders' meeting of the respective financial year following the subscription right allotment plus a 20 % premium as performance incentive but at least the prorated share capital amount allocable to the share. Employees could use their share options in 2007 for the last time.

The option conditions provided that each option entitled the subscription right holder to purchase one no-par share. A total volume of up to 600,000 subscription rights were to be issued in up to 5 annual tranches beginning with the first tranche in 2001. No more tranches were issued for the years 2004 and 2005. At the end of 2005, the contingent capital had thus expired. The following table shows the basic data of the option programme since it has been resolved:

Options granted in	Reference price	Exercising price	Number of options issued	Existing options as of 31.12.2007	Exercised options in FY 2007	Existing options as of 1.1.2007	Expired options in the financial year
2001	7.00 EUR	8.40 EUR	141,540	–	–	–	–
2002	3.85 EUR	4.62 EUR	101,250	–	–	43,250	43,250
2003	1.06 EUR	1.27 EUR	112,500	–	17,375	49,875	32,500

Half of the stock options of the year 2003 could be exercised in the time from 25 August 2005 to the end of the following 10 banks days or from 29 March 2006 to the end of the following 10 bank days as well as on all subsequent exercising windows.

Another 25 % of the 2003 stock options could be exercised one year later at the above-mentioned conditions. The remaining 25 % could be exercised for the first time two years later at the above-mentioned conditions. Options that had not been exercised expired.

Adjusted for the changed fundamental conditions in terms of fluctuation and actual exercising of the options allotted in 2003, the company received resulting income of EUR 0 (previous year EUR 3,226) in financial year 2007. The cumulated expense up to 31 December 2007 thus comes to EUR 23,341. We recognised this in the balance sheet under equity. The weighted present value of the stock option rights allotted in 2003 had been determined using the Black-Scholes stock option price model and amortised linearly over the 4 year option term. To this end, we applied the following weighted average assumptions:

Dividend yield	None
Share volatility	75 %
Expected term	4 years
Risk-free interest	3.0 %

The expense for the stock options allotted in the years 2001 and 2002 needed not be included under the application rules of IFRS 2 in conjunction with IFRS 1. This accords with economic reality, as the option exercise price of EUR 8.40 for the 2001 tranche and EUR 4.62 for the 2002 tranche is above the current share price level.

In August and September 2007 for the last time, 17,375 stock options were exercised. The stock traded for EUR 1.98 per share on average in this period. In financial year 2007, the difference between the nominal value of the shares and the exercise price of the options (the exercise of 17,375 options from the employee stock ownership programme) came to kEUR 5 (previous year kEUR 5) and was considered as additional paid-in capital.

Accumulated other comprehensive income

The accumulated other comprehensive income includes the differences from foreign exchange translations each net of their respective deferred tax expense.

	2007 EUR	**2006** EUR
Difference from foreign exchange translations	92,482	29,524
Deferred taxes	-17,572	-11,024
Accumulated other comprehensive income	**74,910**	**18,500**

The minority interests relate to minority equity stakes in German subsidiaries.

The development of the group's equity is shown in the Statement of changes in group shareholders' equity. Presentation is done in accordance with the principles set out in IAS 1.

(18) Pension provisions

In Lila Logistik group, there are contribution- and performance-based pension plans.

Under the contribution-based pension plans, the commitment of the individual companies is limited to paying the agreed contribution.

Under the performance-based pension plans, the commitment towards pensionable present and retired employees as well as their relatives and survivors requires the payment of promised benefits.

The company has made pension commitments to its Management Board members and a former Management Board member of the parent company as well as a former Managing Director of Müller – Die lila Logistik GmbH. The pension amounts have been contractually agreed and may increase with the time of company service.

Furthermore, pension commitments have been made to employees; the amounts are determined in accordance with a pension regulation and may increase with the time of company service.

Although German law does not mandate securing such commitments with separate assets, we have taken out corresponding insurance policies. The repurchase value of these policies qualifies as a so-called plan asset within the meaning of IAS 19 (as amended in 2004) and has been netted against the corresponding provisions.

Pension provisions always have to be determined pursuant to IAS 19 using the projected unit credit method and taking foreseeable future developments into account. For all performance-based benefit systems, actuarial assumptions are inevitable. Besides life expectancy which in Germany is based on the tables 2005G of Prof. Dr. Klaus Heubeck, the obligation amounts were calculated using the following assumptions:

Pensions	2007	2006
Discount rate	5,17 to 5,45 %	4,21 to 4,48 %
Fluctuation rate	3,00 %	0,00 %
Pension trend	1,00 to 2,00 %	1,00 to 2,00 %
Expected yield on plan assets	4,00 to 4,50 %	4,00 to 4,25 %
Expected salary increase	0,00 %	0,00 %

The expected yield on plan assets is based on the portfolio structure in conjunction with the available market returns of comparable investments.

The necessity of recognising actuarial profits or losses is tested on the basis of the individual plans in accordance with the corridor method. According to this method, the total of unrecognised actuarial profits or losses exceeding the higher amount of the plan asset or defined benefit obligation by more than 10 % is spread over the remaining active life of beneficiaries.

The net pension expense breaks down as follows:

Net expense on pension plans	**2007** EUR	**2006** EUR
Period unit credit expense	40,474	31,340
Interest expense	72,369	62,517
Expected yield on plan assets	-51,062	-52,475
Amortisation of actuarial losses	3,540	55,715
Net expense/(-) net income	**65,321**	**97,097**

Actual income from plan assets amounted to kEUR 86 (previous year kEUR 70).

Net pension plan obligations as shown in the balance sheet	**2007** EUR	**2006** EUR
Projected unit credits pension commitments	1,814,327	1,604,778
Plan asset values	-1,370,840	-1,275,025
Projected unit credits net of fund assets	443,487	329,753
Actuarial profits/losses not shown in the balance sheet	38,610	-168,520
Net pension plan obligations as shown in the balance sheet	**482,097**	**161,233**

The projected unit credit of the pension commitments changed as follows:

Projected unit credits of pension commitments	**2007** EUR	**2006** EUR
Projected unit credits as of 1.1.	1,604,778	1,697,319
Period unit credit expense	40,474	31,340
Interest expense	72,369	62,517
Actuarial profits	-169,035	-123,436
Pension payments	-64,805	-62,962
Assumption of pension obligations within the scope of an outsourcing project	330,546	0
Projected unit credits as of 31.12.	**1,814,327**	**1,604,778**

The pension obligations assumed within the scope of an outsourcing project with projected unit credits for pension commitments amounting to kEUR 331 are not financed by corresponding reinsurances or other plan assets.

Plan asset value	**2007** EUR	**2006** EUR
Plan assets as of 1.1.	1,275,025	1,211,228
Expected income	51,062	52,475
Employer contributions	56,404	35,985
Actuarial profit	34,554	20,869
Payments made	-46,205	-45,532
Plan asset value as of 31.12.	**1,370,840**	**1,275,025**

Plan assets consist exclusively of reinsured policies pledged to the beneficiaries.

For financial year 2008, the best possible estimate of the amounts paid into the scheme is kEUR 85.

Projected unit credits and plan assets developed since 1 January 2004 (time of switch to IFRS pursuant to IFRS 1) as follows:

	2007 kEUR	**2006** kEUR	**2005** kEUR	**2004** kEUR	**1.1.2004** kEUR
Projected unit credits	1,814	1,605	1,697	1,311	1,293
Plan asset value	1,371	1,275	1,211	993	887
Difference	**443**	**330**	**486**	**318**	**406**
Actuarial profits/losses not shown on the balance sheet	39	-169	-369	-30	0
Net obligations	**482**	**161**	**117**	**288**	**406**
Experience-based adjustment of pension obligations as of the balance sheet date	169	123	-199	-42	-97
Experience-based adjustment of plan assets as of the balance sheet date	35	21	-1	11	0

The company furthermore has made a contribution-based commitment to one Management Board member to make premium payments into a reinsured support fund. In 2007, this involved premium payments of kEUR 6 (previous year kEUR 6).

Payments for contribution-based commitments as well as contributions to the German statutory pension insurance are recognised as expense in the period under review. In financial year 2007, such payments came to kEUR 2,326 (previous year kEUR 2,221).

(19) Other provisions

	As of 1.1.2007 kEUR	Use kEUR	Reversal kEUR	Addition kEUR	As of 31.12.2007 kEUR
Long-term provisions	**50**	**0**	**0**	**237**	**287**
Auditing and consulting cost	15	15	0	22	22
Damages	374	309	35	404	434
Others	121	103	0	6	24
Short-term provisions	**510**	**427**	**35**	**432**	**480**
Total provisions	**560**	**427**	**35**	**669**	**767**

Long-term provisions primarily relate to provisions for personnel. Provisions for damages were made up to the estimated amount to be paid for damages caused, but not yet paid in financial year 2007.

	As of 1.1.2006 kEUR	Use kEUR	Reversal kEUR	Addition kEUR	As of 31.12.2006 kEUR
Long-term provisions	**20**	**12**	**0**	**42**	**50**
Auditing and consulting costs	310	284	26	15	15
Damages	338	105	91	232	374
Others	153	118	35	121	121
Short-term provisions	**801**	**507**	**152**	**368**	**510**
Total provisions	**821**	**519**	**152**	**410**	**560**

The decrease in auditing and consulting costs primarily results from auditing costs being recognised under Other liabilities in 2006. The comparable amount in 2006 is kEUR 290.

(20) Contingent liabilities

The company is a respondent in a litigation against a minority interest arising from a possible breach of a no-competition clause laid down in the deed of association. The amount of such a contingent liability cannot be estimated with any reasonable degree of certainty.

(21) Liabilities to banks

Liabilities to banks are broken down by maturity as follows:

	31.12.2007 kEUR	31.12.2006 kEUR
Up to 1 year	10,973	2,234
1 year to 5 years	7,762	4,965
More than 5 years	3,005	7,132
Total	**21,740**	**14,331**

The reason for the shifting of medium- and long-term liabilities to banks to short-term liabilities is the successfully completed sale of the grounds including all buildings at the Besigheim location which will have financial effects as of 1 January 2008.

Using the sales revenue achieved, the company, on the one hand, made an early repayment of two loans in the amount of kEUR 1,597 (expiring in 2014) and kEUR 7,017 (expiring in 2019) in February 2008. On the other hand, another loan totalling kEUR 415 was redeemed.

Liabilities with a term to maturity between one and five years primarily pertain to a bullet loan due in 2009 amounting to kEUR 3 as well as another note loan in the amount of kEUR 2 due in 2011.

The other liabilities (kEUR 7,711) pertain to loans (kEUR 6,092) with fixed and variable repayment as well liabilities on current account amounting to kEUR 1,619.

In financial year 2005 for the first time, claims from insurances in the amount of kEUR 1,062 which were used for repaying loans were set off against loan liabilities. The set-offs were made on the basis of relevant agreements with loan granting banks and the insurance companies concerned. The offset amount in financial year 2007 amounts to kEUR 1,577 (previous year kEUR 1,307).

Interest expense for short- and long-term liabilities amounted to kEUR 1,265 (previous year kEUR 1,445) in the financial year under review. Interest income came to kEUR 91 (previous year kEUR 47).

(22) Leasing relations

The company rents office space and transport means within the scope of rental agreements that are terminable or made for a specific period of time in accordance with legal requirements. Rental expenses totalled kEUR 8,776 in 2007 and kEUR 6,857 in 2006.

Further finance leasing agreements relate to a shelf system, an EDP server as well as its extension. The minimum leasing amounts from finance leasing for the financial year 2007 amounted to kEUR 353 (previous year kEUR 273). The amounts of future minimum leasing payments from operate and finance leasing agreements entered by us for a specific period of time are as stated in the following table:

Financial year 2007	**Finance Lease** kEUR	**Operate Lease** kEUR
2008	140	7,163
2009	122	5,362
2010	30	3,354
2011	0	2,520
2012	0	1,961
Later	0	6,995
Total minimum amount	**292**	**27,355**
Less interests	23	
Present value of the minimum leasing payments	**269**	
Less short-term portion of the finance lease obligation	124	
Long-term portion of the finance lease obligation	**145**	

Financial year 2006	**Finance Lease** kEUR	**Operate Lease** kEUR
2007	273	6,568
2008	13	4,527
2009	0	3,577
2010	0	2,530
2011	0	1,559
Later	0	5,338
Total minimum payments	**286**	**24,099**
Less interests	9	
Present value of the minimum leasing payments	**277**	
Less short-term portion of the finance lease obligation	264	
Long-term portion of the finance lease obligation	**13**	

The amortised value of assets accounted for as finance lease amounts to kEUR 261 (previous year kEUR 264) as of 31 December 2007.

The operate lease agreements primarily pertain to the renting of storage and office spaces as well as vehicles. The increase in minimum payments from operate lease primarily results from a leasing relationship of Müller – Die lila Logistik Deutschland GmbH within the scope of a sale-and-lease-back transaction relating to a piece of land and a building in Besigheim.

Since 1 September 1999, the group has let part of its office and storage space to a customer. The rental agreement ends on 31 December 2010. The income for 2007 and 2006 including incidental expenses was kEUR 430 and kEUR 370. Taking the present amounts as a basis, future income will be kEUR 1,289 until 31 December 2010.

Some rental relationships contain renewal options; this primarily applies to the tenancies of the company's buildings in Herne and Besigheim.

(23) Segment report

The segment report has been prepared according to IAS 14 (Segment Reporting). Based on the group's internal reporting and organisational structure, our consolidated financial statements present key data also differentiated by corporate segments and regions.

In line with the main organisational structure, the primary reporting distinguishes between the group segments Logistics Design and Logistics Operating. The Logistics Design segment focuses on customer consulting in the areas of strategy and all logistics matters. Its range of services comprises site selection and planning. The segment furthermore assists customers in optimising their production and redesigning their IT-supported logistics processes.

The Logistics Operating segment offers a large range of logistics services in the areas of sourcing organisation, warehousing, production supplying, production out and in-sourcing, shipping, distribution organisation, and administration of customer's inventories simultaneously aimed at inventory optimisation through additional services.

Settlement prices for intra-group sales are generally set at market value. Segment earnings are shown as the respective operating result. Segment assets comprise all assets except deferred taxes and current income tax refund claims. Capital expenditure and depreciation, amortisation, and impairments pertain to intangible and property, plant & equipment assets. Segment debt includes deferred and current income tax liabilities, financial liabilities, and all other liabilities and provisions. Segment finance cash flow mainly comprises changes in leasing liabilities, changes in shareholder loans, and cash flow from taking out or repaying bank loans.

Primary segment: Business segment

	Logistics Design kEUR	Logistics Operating kEUR	Eliminations kEUR	Group kEUR
2007				
Revenues from external customers	2,915	79,808	0	82,723
Revenues from other group segments	357	82	-439	0
Total revenues	3,272	79,890	-439	82,723
Operating result	571	906	0	1,477
Depreciation, amortisation, and impairments	18	1,578	0	1,596
Capital expenditure	19	10,165	0	10,184
Segment assets	3,959	46,324	-382	49,901
Segment debts	699	24,097	-382	24,414
Operating cash flow	-105	-836	250	-691
Capex cash flow	-16	-9,558	0	-9,574
Finance cash flow	0	7,441	-250	7,191
Net income / expense from investments consolidated at equity	452	0	0	452
Book value of investments consolidated at equity	1,831	0	0	1,831
2006				
Revenues from external customers	2,617	78,133	0	80,750
Revenues from other group segments	25	36	-61	0
Total revenues	2,642	78,169	-61	80,750
Operating result	453	3,923	0	4,376
Depreciation, amortisation, and impairments	23	2,858	0	2,881
Capital expenditure	46	5,705	0	5,751
Segment assets	2,744	36,540	-108	39,176
Segment debts	485	10,816	-108	11,193
Operating cash flow	112	2,133	340	2,585
Capex cash flow	-7	5,822	0	5,815
Finance cash flow	0	-4,805	-340	-5,145
Net income / expense from investments consolidated at equity	464	0	0	464
Book value of investments consolidated at equity	1,378	0	0	1,378

In financial year 2006, the impairment of a property in Bochum resulted in an impairment charge of kEUR 944 that is allocable to the logistics operations segment.

Secondary segment: Regions

	Germany kEUR	International kEUR	Eliminations kEUR	Group kEUR
2007				
Sales revenues from external customers by customer domicile	63,074	19,649	0	82,723
Segment assets by geographical asset location	38,112	16,675	-4,886	49,901
Capital expenditure by geographical asset location	1,661	9,110	-587	10,184
2006				
Sales revenues from external customers by customer domicile	57,000	23,750	0	80,750
Segment assets by geographical asset location	33,897	7,267	-1,988	39,176
Capital expenditure by geographical asset location	2,524	5,325	-2,098	5,751

Sales revenues from external customers are shown by the geographical location of the sales revenue realisation. Transactions between individual group segments are based on the arm's length principle.

(24) Financial instruments

Financial risk management

Müller – Die Lila Logistik group is exposed to various risks in its financial activities which are controlled and monitored through a systematic risk management system documented in writing:

- Credit risks
- Liquidity risks
- Market risks

Risk management is aimed at avoiding any concentration of risks.

For further information pertaining to the group`s risk management, please see the Risk Report forming part of the Management Report.

Individual risks and the respective risk management measures are described below.

Credit risks

Pursuant to IFRS 7, credit risk is defined as ‘the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation’.

In order to counter credit risks from operating business and specific financial activities, financial business relations are only maintained with banks of excellent repute.

Business with derivative instruments is also only transacted with first-class banks. They are primarily used to hedge currency and interest risks.

We are countering default risks to our receivables by carefully checking counterparty credit ratings (primarily by using external data bases), by carefully supervising accounts receivable, and by rendering extensive services for major customers from the automotive and consumer goods industries that have correspondingly good credit ratings. The default risk is taken into account by allowances for corresponding value adjustments.

Risk concentrations with regard to the customer structure are due to the fact that 55 % of all sales revenues are achieved with five large customers. These five customers account for 43 % of trade receivables. Since at some locations of Müller – Die lila Logistik AG services are provided to one single customer, a concentration of risks may occur at the locations concerned.

The maximum default risk is presented by the book values of the assets on the balance sheet. At the closing date, material agreements decreasing the maximum default risk do not exist.

For further details, we refer to No 13 and No 16.

Liquidity risks

Liquidity risk is defined as the risk that a company could not be able to settle or meet its obligations from financial liabilities.

In order to be able to meet its financial liabilities, Lila Logistik group needs sufficient liquidity. Efficient provision of liquidity is constantly overseen. In order to ensure solvency and financial flexibility at any time, a liquidity reserve in the form of credit lines and cash and cash equivalents is maintained. Liabilities to banks are denominated in euros.

On 31 December 2007, the group had a credit line from Baden-Württembergische Bank AG (BW-Bank) in the amount of kEUR 3,000 which can be used independently both by Müller – Die lila Logistik AG and Müller – Die lila Logistik Deutschland GmbH. The credit line can optionally be used as over-draft, money market credit and aval credit. As of the balance sheet date, the credit line was used up to a total of kEUR 830.

At the same date, the group had a credit line from Deutsch Bank AG in the amount of kEUR 1,500 which was used as of the balance sheet date in the amount of kEUR 1,175.

In addition, the group has a credit line from Sparkasse Herne up to a total of kEUR 900 which was used as of the balance sheet date in the amount of kEUR 284.

Additionally, aval credits from Herner Sparkasse and Commerzbank AG in the total amount of kEUR 711 were used.

There is no time limit for the group on these credit lines.

On 12 July 2006, Müller - Die lila Logistik AG was granted a note loan by LBBW in the amount of kEUR 3,000. A 1 % fee of the amount of the loan was debited on the payment day. The interest rate is 6.66 % p.a. Repayment of the full amount of the loan is scheduled for 15 June 2009.

On 13 August 2007, another note loan agreement in the amount of kEUR 2,000 was made between LBBW and Müller – Die lila Logistik AG. At the payment date, a 1.5 % fee of the amount of the loan was debited. The interest rate is based on the 3-month EURIBOR plus a 2.5 % margin. Repayment of the full amount will be made on 25 June 2011.

With a view to existing interest rate risks, an interest rate swap was arranged with BW-Bank for the note loan of kEUR 2,000. Further details about this interest rate swap are given in the section Interest rate risks.

IKB Deutsche Industriebank AG granted Müller – Die lila Logistik Polska Sp. z o.o. a loan in the amount of kEUR 6,000 for a maximum of 10 years in the year 2006. Payment was made at 100 % in accordance with the progress of construction work when proof of equity financing was provided. The loan commitment fee is 0.75 % p. a. upon conclusion of the loan agreement, calculated on the unused amount of credit, payable quarterly in arrears.
A one-time handling fee of 0.75 % was charged on completion of the credit documentation.

On 12 July 2007, the loan in the amount of kEUR 6,000 was divided into two commitments of kEUR 4,500 and kEUR 1,500.

The interest rate of the new credit commitments is linked to the 6-month EURIBOR plus a margin of initially 2 % p.a. Beginning with the release of Müller – Die lila Logistik AG from directly liable suretyship up to a limited amount (Höchstbetragsbürgschaft), but not earlier than on the basis of its attested annual financial statements as of 31 December 2007, the margin is calculated on the basis of attested annual financial statements of Müller – Die lila Logistik Polska Sp. z o.o. in relation to the debt-to-equity ratio.

A long-term interest rate hedging concept was arranged by agreeing an interest rate hedge instrument (payer swap) with IKB Financial Products. Further explanations to the payer swap are given in the section Interest rate risks.

Repayment of the loans is made in half-year instalments beginning six months after the start of business operations. The repayment structure is designed such that initially lower repayment and later-on higher repayment will be made: Two half-year instalments à kEUR 90 and à 30 kEUR from 30. September 2007; two half-year instalments à kEUR 158 and kEUR 53 from 30 September 2008, and 16 half-year instalments à kEUR 250 and à kEUR 83 from 30 September 2009. Furthermore, an amount equivalent to 50 % of the operating cash flow less scheduled repayment of the credit as well as less approved capital spending must be paid for the loan of kEUR 1,500 as special payment.

Current account liabilities and money lent to Müller – Die lila Logistik AG by banks in the amount of in kEUR 14,960 are secured through mortgages, transfers of ownerships, assignments of insurance claims, rental and other receivables as well as hypothetication of participations.

Security for the financing at Müller – Die lila Logistik Polska Sp. z o.o. is primarily provided by a directly liable suretyship up to a limited amount (Höchstbetragsbürgschaft), a mortgage, the transfer of all insurance claims (business interruption insurance), fire insurance, etc.), from service agreements as well as declarations of commitment. The loan is valued at kEUR 5,880 as of 31 December 2007.

Security for the current account liabilities and loans amounting to kEUR 477 at Müller – Die lila Logistik Verwaltung GmbH is provided by mortgages as well transfers of ownership.

As to the maturities of liabilities to banks, we refer to the corresponding statements under item 21.

The following table shows how future undiscounted cash flows (incl. interests and repayment) of liabilities have an influence on the liquidity situation of the group as of 31 December 2007.

Market risks

Market risk is defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risks include the following three types: Currency risk, interest rate risk, and other price risks.

	2008	**2009**	**2010**	**2011**	**2012**	**Later**	**Total**
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities to banks	11,937	4,346	1,114	2,999	885	3,471	**24,752**
Trade accounts payable	6,028	–	–	–	–	–	**6,028**
Other financial obligations	4,710	–	–	–	–	–	**4,710**

Currency risks

Currency risk is defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in currency exchange rates.

Because Müller – Die lila Logistik AG has embarked on a growth course abroad with capital spending and business expansion beyond the euro area, we have engaged in foreign currency transactions starting in the third quarter of 2006. They primarily pertain to the purchase and sale of goods, as well as personnel costs. Currency exchange rate fluctuations without corresponding hedging measures, therefore, have an increasing influence on the group's asset and earnings situation. We are countering this risk through corresponding derivative hedge instruments.

Within the framework of its currency risk hedging, Müller – Die lila Logistik Polska Sp. z o.o. enters into currency option contracts on the Poland zloty (PLN) with banks to secure its own foreign currency transactions.

Our currency hedging strategy generally aims at hedging amounts denominated in foreign currencies at the time a receivable or liability denominated in such foreign currency arises by entering into derivative financial instrument contracts with banks or by netting the amount against opposite cash flows denominated in that currency. Currency risks of planned future transactions may be hedged with short-term (less than one year) hedging instruments. If the hedging transactions meet the strict documentation and efficacy requirements of hedge accounting they are shown in the balance sheet as cash flow or fair value hedges.

In the previous year, the company entered into a currency option contract with a nominal value totalling kEUR 2,179. The nominal value comprises non-netted amounts of bid or ask prices of the respective derivatives. The currency option contracts concluded in 2007 had a total volume of kEUR 7,503. The resulting profits were kEUR 27, the resulting losses totalled kEUR 75.

Lila Logistik group is exposed to default risks to the extent that individual business partners cannot meet their contractual obligations and thus cause financial harm for the group. To counter default risks, we have entered into derivative transactions with various business partners of excellent credit rating.

Interest rate risks

An interest rate risk with negative effects on the asset and earnings situation primarily results from market-related interest rate changes and credit rating changes in case of new borrowing.

We avoid the risk of interest rate changes to some extent by entering into corresponding fixed-rate agreements. Other interest risk management measures include the use of derivative financial instruments like interest rate swaps. Given our balance sheet structure, we are only exposed to interest rate risks in the area of financial liabilities.

Of our short and long-term financial liabilities totalling kEUR 21,740, an amount of kEUR 4,714 is subject to interest rate adjustment at dates in the coming financial year. The remaining short and long-term financial liabilities are under fixed rate agreements until their respective maturities. The interest rate on our short and long-term financial liabilities in financial year 2007 averaged around 7 %.

For purposes of short-term group financing, Müller – Die lila Logistik AG sometimes enters into loan agreements with variable interest rates. This gives us the chance to reduce financing costs if the interest rates on outside capital drop. Müller – Die lila Logistik group is thus subject to interest-rate-related cash flow risks.

As part of our risk management we regularly discuss current interest rate levels and where interest rates may be headed as well as what derivative financial instruments to use and how to use them.

We primarily use interest rate swaps. In 2006, we entered into an interest rate swap contract in the context of a variable-rate loan. The interest rate swap has a maturity of 10 years matching the variable-rate loan and runs from 29 June 2007 to 31 March 2017. Due to the lack of hedge efficacy, the interest rate swap has been expensed in the income statement. As of the balance sheet date, the swap had a positive fair value of kEUR 67. The underlying nominal volume amounts to kEUR 4,500.

On 27 July 2007, the company entered into an interest rate swap agreement for the note loan with a nominal value of kEUR 2,000. The maturity date is 15 June 2011 matching the maturity of the note loan. Due to the lack of hedge efficacy, the interest rate swap has been expensed in the income statement. As of the effective date, the swap had a positive market value of kEUR 15.

Interest rate fluctuation risks are presented in accordance with IFRS 7 using sensitivity analyses. They present the effects of changes in market interest rates on interest payments, interest income and expense, other components of profits or losses as well as, where applicable, the equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in market interest rates on primary financial instruments with fixed rates only have an influence on profit and loss if they are recognised at fair value. As a consequence, all financial instruments with fixed interest rates valued at amortised cost are not exposed to interest rate fluctuation risks within the meaning of IFRS 7.

Fluctuations of market interest rates of financial instrument used as hedging tools within a cash flow hedge for hedging interest-rate-related fluctuations in payments have an influence on the equity and are, therefore, considered in the equity-related sensitivity calculations.

Fluctuations of market interest rates influence the interest income from primary variable interest rate financial instruments whose interest payments are not used as hedge item within the scope of cash flow hedges against fluctuations in interest rates and are, therefore, included in the calculation of the income/loss-related sensitivities.

Fluctuations of market interest rates on interest rate derivatives (interest rate swaps, currency swaps) which are not included in a hedging relationship under IAS 39 influence the other financial result and are, as a consequence, considered in the income/loss-related sensitivity calculations.

If the market interest rate level as of 31 December 2007 had been 100 basis points higher (lower), the group's earnings and equity would have been kEUR 51 (31 December 2006 kEUR 53) lower (higher). The hypothetical effects on profits/losses result from the potential effect from primary, fixed rate financial debts and interest rate derivatives.

Other price risks

Other price risks are defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (excluding those resulting from the interest rate risk or currency risk), no matter whether these changes are caused by specific factors of the individual financial instrument or its issuer or by factors pertaining to all similar financial instruments traded on the market.

As of 31 December 2007, Müller – Die lila Logistik group did not hold any essential financial instruments which are exposed to a market price risk (e.g. stock market prices or indexes).

Capital management

The capital managed by the group corresponds with the consolidated equity. The group's capital management has been aimed at maintaining a healthy and sound balance sheet structure based on going concern values as well as ensuring the necessary financial scopes for future investments.

The group monitors equity by employing the equity ratio and return on equity ratio. The equity ratio is the equity as a percentage of total assets. The return on equity ratio is determined by measuring net profit as a percentage of equity.

As of 31 December 2007 the equity ratio is 29.0 %. In medium term, the target is to achieve an equity ratio of more 40 %.
The return on equity ratio on 31 December 2007 was 6.3 %. The return on equity ratio for the previous year of 20.9 % results from a sale-and-lease-back transaction. In medium term, the group aims to achieve a return on equity ratio of 7–10 %.

These ratios are shown in the table below:

	2007 kEUR	**2006** kEUR
Equity excluding minority interests	14,701	13,680
Minority interests	189	189
Equity	14,890	13,869
Total assets	51,349	40,420
Equity ratio	**29.0 %**	**34.3 %**
Net profit of the group	942	2,897
Return on equity	**6.3 %**	**20.9 %**

The Group is not subject to minimum capital requirements.

Other explanatory notes

(25) Business relations to related parties

In financial year 2000, the main shareholder made an agreement with the company that it only has to repay the loan for kEUR 251 granted in 1998 under the condition that the company generates sufficient profits to serve this obligation. If the condition is met, Michael Müller shall be entitled to claim loan service at the original interest rate but at least 6 % per year. The company met the improvement condition already in financial year 2004 with a net profit for the year. On 31 December 2007, the company still owed a total of kEUR 15 (previous year kEUR 250) under this loan. Payment of the rest will be made in financial year 2008. The resulting total interest expense in financial year 2007 came to kEUR 4 (previous year kEUR 15).

A sport sponsorship project in which, among others, Michael Müller took part was supported by several sponsors. Lila Logistik group participated in this project contributing kEUR 25.

The two unsecured bullet loans in the amount of kEUR 250 each granted in November 2002 within the context of the company's restructuring by the main shareholder and Süd-Kapitalbeteiligungsgesellschaft mbH were repaid in full in financial year 2006. The total interest expense on these two loans in financial year 2006 came to kEUR 24.

Müller – Die lila Logistik Polska Sp. z o.o. hired TKS Polska Projektowanie Premyslowe Sp. z o.o., a subsidiary of TKS Unternehmensberatung und Industrieplanung GmbH, to plan the new construction of a logistics service centre in Gliwice (Poland). Pursuant to the agreement dated 26 October 2005, the cost of rendering these planning services total kEUR 300 plus a travel and expense allowance of kEUR 15. In financial year 2007, TKS Polska Projektowanie Premyslowe Sp. z o.o received payments in the amount of kEUR 58 (previous year kEUR 247), translated from PLN to EUR. The project was completed in October 2007.

In financial year 2007, Emporias Management Consulting GmbH entered into a rental agreement with its managing partner. Rental expenses accruing in this context were kEUR 13. In addition, the company used project-related consulting services provided by Dr. Jacobi GmbH whose partner is at the same time a managing partner of Emporias Management Consulting GmbH. The volume of the consulting services amounted to kEUR 81. As of 31 December 2007, the short-term liabilities to Dr. Jacobi GmbH amounted to kEUR 5.

As of 31 December 2007, members of the Management Board and the Supervisory Board owned the following number of shares and options in Müller – Die lila Logistik AG:

Name	31.12.2007 Shares	31.12.2007 Options	31.12.2006 Shares	31.12.2006 Options
Mr. Michael Müller	4,069,000	–	4,066,500	12,500
Mr. Rupert Früh	8,000	–	6,000	2,000
Mr. Wolfgang Monning (bis 31.12.2006)	–	–	21,428	–
Mr. Prof. Peter Klaus	9,614	–	4,614	–
Mr. Per Klemm	46,450	–	46,450	–
Mr. Klaus Langer	2,500	–	2,500	–
Mr. Carlos Rodrigues	785	–	785	5,000

Board members compensation

In financial year 2007, the Management Board members of the parent company received compensation totalling kEUR 607 (previous year kEUR 848). The annual general shareholders' meeting on 22 June 2006 resolved that the disclosures required under § 285 sentence 1 no 9 letter a sentences 5 to 9 of the German Commercial Code [Handelsgesetzbuch (HGB)] in the version of the German Management Compensation Disclosure Act [Vorstandsvergütungs-Offenlegungsgesetz (VorstOG)] in conjunction with § 314 (1) no 6 letter a of the HGB shall be omitted for 5 years from 1 January 2006.

	2007 kEUR	2006 kEUR
Salary	442	421
Annual bonus	165	427

Salary includes payment for contribution-based schemes amounting to kEUR 6 (previous year kEUR 6).

For pension commitments to former members of the Management Board, pension provisions (taking account of plan assets) were made in the amount of kEUR 99 (previous year kEUR 111).

The supervisory board members received the following compensation broken down by person and components:

Name	Function	2007 Supervisory Board compensation	2007 Committee compensation	2006 Supervisory Board compensation	2006 Committee compensation
Wolfgang Monning	Supervisory Board Chairman until 31.12.2006	–	–	19 kEUR	6 kEUR
Prof. Peter Klaus	Supervisory Board Chairman since 1.1.2007	19 kEUR	3 kEUR	10 kEUR	2 kEUR
Dr. Gerd Wecker	Supervisory Board Vice Chairman Supervisory Board Member since 18.04.2007	10 kEUR	6 kEUR	–	–
Klaus Langer	Supervisory Board member	6 kEUR	6 kEUR	6 kEUR	6 kEUR
Per Klemm	Supervisory Board member	6 kEUR	–	6 kEUR	–
Volker Buckmann	Supervisory Board member	6 kEUR	–	6 kEUR	–
Carlos Rodrigues	Supervisory Board member	6 kEUR	–	6 kEUR	–

In financial year 2007, Supervisory Board member compensation totalled kEUR 68 (previous year kEUR 67).

For services provided individually, Supervisory Board member Dr. Gerd Wecker additionally received an amount of kEUR 2.

(26) Litigations

The company is involved in various legal disputes which arise in the normal course of business. Giving due consideration to the assessment of the lawyers of the company, the Management Board does not think that these litigations will have a material negative impact on the asset and earnings situation of the company.

(27) Number of employees

The group employed 1,001 persons (previous year 971) on annual average. The break-down is as follows:

	2007	2006
Operating	636	631
Administrative	320	300
Trainees	45	40
Total	**1.001**	**971**

Of which 19 (previous year 57) were temporary staff.

	31.12.2007 kEUR	31.12.2006 kEUR
Auditing fees	99	96
Tax advisory services	48	5
Other services performed for the parent company or for subsidiaries	44	38
Total	**191**	**139**

(28) Auditor fees and services

Auditing fees include fees for the mandatory audit of the annual and consolidated financial statements of the individual company Müller – Die lila Logistik AG and its subsidiaries Müller – Die lila Logistik Deutschland GmbH and Emporias Management Consulting GmbH using HGB and IFRS accounting.

Other services mostly pertain to consulting services in the context of special issues regarding specific interim reporting matters and audit-related advice especially in the context of IFRS accounting for individual facts and circumstances.

(29) Declaration of compliance with the German Corporate Governance Code

The Management Board and the Supervisory Board of listed Müller – Die lila Logistik AG, Besigheim, have given a declaration in accordance with § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)] on the recommendations of the 'Commission of the German Corporate Governance Code' and made permanently available to shareholders by publishing it on the website of the company on the Internet (www.lila-logistik.com).

(30) Supplementary report

Müller – Die lila Logistik AG transacted the sale of its real estate at its headquarters in Baden-Württemberg planned in 2007 in January 2008. The financial effects from this transaction which were originally planned for 2007 will influence the balance sheet of the first quarter of 2008. In February, the purchase price for the real estate in Besigheim was received resulting in a contribution to earnings of approx. EUR 4.5 million. The cash inflow will be used to pay back loans in the amount of approx. EUR 9 million as planned. Within the scope of a sale-and-lease-back transaction, the property is leased back from the purchaser. The minimum term of the rental agreement is 8 years.

The Management Board of Müller – Die lila Logistik AG has released the consolidated financial statements on 7 March 2008 for submittal to the Supervisory Board. The task of the Supervisory Board is to examine the consolidated financial statements and to declare whether or not it approves the consolidated financial statements. After the completion of the consolidated financial statements, Müller – Die lila Logistik AG was served a suit from TKS Unternehmensberatung und Industrieplanung GmbH for damages arising out of alleged breaches of a covenant in restraint of competition with regard to specific services provided in the logistics design segment and for a promise not to continue the activities concerned.

Besigheim, March 2008

Michael Müller Chief Executive Officer	Rupert Früh Chief Financial Officer

Declaration of the Management Board and the Supervisory Board of Müller – Die lila Logistik AG pursuant to § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)]

The Management Board and the Supervisory Board of Müller – Die lila Logistik AG, headquartered in Besigheim, adhere to the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) as amended on 14 June 2007 and declare that these recommendations were and are complied with except for those listed below:

Individualised reporting of compensation for members of the Management Board and Supervisory Board

The German Corporate Governance Code recommends that the compensation for members of the Management Board and the Supervisory Board be disclosed, subdivided into non-performance-related, performance-related, and long-term incentive components, unless decided otherwise by the annual general shareholders' meeting by sufficient majority vote (number 4.2.4 therein). The general shareholders' meeting 2006 voted against such disclosures so that we continue to refrain from publishing the individual amounts of compensation accounts for our Management Board members. Müller – Die lila Logistik AG discloses the total amount of compensation paid to the members of the Management Board. Stock options are reported separately. The German Corporate Governance Code furthermore recommends reporting the compensation of Supervisory Board members in the notes to the consolidated financial statements, subdivided into fixed as well as performance-related components (number 5.4.7 GCGC). The company has been disclosing Supervisory Board member compensation and other compensation and advantages granted individually to Supervisory Board members, broken down into its components, since financial year 2005.

Performance-related compensation for the Supervisory Board

The German Corporate Governance Code recommends that members of the Supervisory Board receive fixed as well as performance-related, variable compensation (number 5.4.7 GCGC). The members of the Supervisory Board of Müller – Die lila Logistik AG receive only fixed compensation.

Formation of a Nomination Committee by the Supervisory Board

The German Corporate Governance Code recommends to form a Nomination Committee '...exclusively composed of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the general meeting' (number 5.3.3.). The Supervisory Board of Müller – Die lila Logistik AG carefully considers the resolutions recommended to the general shareholders' meeting including the proposals for the election of Supervisory Board members.

Publication deadlines for interim reports

The German Corporate Governance Code recommends that interim reports be made publicly accessible within 45 days of the end of the reporting period (number 7.1.2 GCGC). Müller – Die lila Logistik AG makes the interim reports publicly accessibly immediately upon completion in accordance with stock exchange regulations, but in any event not later than within two months of the end of the reporting period.

Besigheim, December 2007

For the management board:

Michael Müller
Chairman

For the supervisory board:

Prof. Peter Klaus
Chairman

We have audited the consolidated financial statements prepared by the Müller – Die lila Logistik AG, Besigheim, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 of the German Commercial Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group 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, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Müller – Die lila Logistik Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 25 March 2007
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Meyer	Hamm
Wirtschaftsprüfer	Wirtschaftsprüfer

COMPANY DIARY 2008

Publication of annual report	31 March 2008
Publication of 3-month-report	28 May 2008
General meeting of shareholders	19 June 2008
Publication of 6-month-report	29 August 2008
Publication of 9-month-report	26 November 2008

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Note

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