

## ANNUAL REPORT 2008

# MÜLLER - DIE LILA LOGISTIK AG

ACCORDING TO HGB

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## **Management Report of Müller - Die lila Logistik AG for the Financial Year 2008**

### **Object of the company**

Müller - Die lila Logistik AG performs various management functions for Lila Logistik group. The subsidiaries perform the operational logistics activities such as consulting, and logistics service operations.

The company's personnel consists of the Management Board, the secretariat to the Management Board, distribution, controlling, corporate development, and investor relations/marketing staff.

All functions mentioned above are either group management functions or internal services that the group parent renders to its subsidiaries against remuneration. The group parent is a joint stock corporation [Aktiengesellschaft] domiciled in Besigheim, Germany, with no secondary business locations.

### **Equity investment**

As to the investment portfolio of Müller - Die lila Logistik AG, the following changes occurred in the period under review: In the second quarter of 2008, the company disposed of the shares held in TKS Unternehmensberatung und Industrieplanung GmbH (TKS), Eningen u. A., and sold them to TKS. The company now does not hold any shares in TKS any longer. At the end of the financial year 2008, an additional 10 % share in Müller - Die lila Logistik Verwaltung GmbH (MLV), Herne, was acquired. Müller - Die lila Logistik AG now holds 100 % of the shares in MLV. As part of the project launch in Wroclaw (Poland), a shelf company was acquired and immediately afterwards renamed Value Added Logistics Sp. z o.o. This new project for a customer from the electronics industry comprises an in-house logistics solution for household appliances. In October, the company established Müller - Die lila Logistik Slovakia s.r.o. domiciled in Bratislava, the capital of Slovakia. The business establishment is located at the premises of the customer about 40 kilometres to the north in Malacky.

The major equity investments of Müller - Die lila Logistik AG:

Müller - Die lila Logistik Deutschland GmbH, D-Besigheim	100 %
Müller - Die lila Logistik Verwaltung GmbH, D-Herne	100 %
Müller - Die lila Logistik West GmbH, D-Herne	100 %
Müller - Die lila Logistik Ost GmbH, D-Zwenkau	100 %
Müller - Die lila Logistik Austria GmbH, A-Graz	100 %
Müller - Die lila Logistik Slovakia s.r.o., SK-Bratislava	100 %
Müller - Die lila Logistik Polska Sp. z o.o., PL-Gliwice	100 %
Value Added Logistics Sp. z o.o., PL-Gliwice	100 %
Emporias Management Consulting GmbH, D-Unterföhring	76 %

#### **Profit transfer agreements**

Müller - Die lila Logistik AG has entered into profit transfer and control agreements with the following of its subsidiaries:

Müller - Die lila Logistik Deutschland GmbH, Besigheim,  
Müller - Die lila Logistik Verwaltung GmbH, Herne, and  
Emporias Management Consulting GmbH, Unterföhring.

#### **Financial framework conditions and the logistics market**

“World Economy in a Downward Spiral”. This headline of a press release of Institut für Weltwirtschaft in Kiel gives an apt summary of the development of the world economy in 2008. The growth of the world economy which was still strong the year before came to an end in 2008. The financial crisis and its impacts on real economy have hit nearly all national economies during the second half of the year and resulted in a strong downward trend so that the global economic activities downright collapsed near the end of the year. The fall in demand in the industrial countries and the worsening of the conditions in the environment of the financial markets step by step also ended the upswing in the newly industrialized countries in the course of the year 2008.

According to independent economic institutes, the German economy has fallen into a recession. Institut für Weltwirtschaft (IfW) in Kiel reports about a deep recession, “...this is the deepest economic slump for the German economy since the year 1974” (Press release published by IfW dated 22 December 2008). The growth of the price adjusted gross domestic product (GDP) calculated by Statistisches Bundesamt (federal statistical office) was 1.3 % in the financial year 2008 just ended, compared with 2.5 % one year earlier. The German economy grew only in the first three months of the year 2008 (+ 1.5 %). For the first time since 2003, the external balance,

i.e. the difference between exports and imports of goods and services, slowed down the economic development with a negative growth of minus 0.3 % in 2008. The number of unemployed persons, on the other hand, was 3.1 million and had fallen to the lowest level since 1993.

The development of the economy in Germany had direct effects on the logistics industry. Parallel with the downswing in the economy as a whole, the order books of the logistics industry were shrinking as well in the second half of the year. The automotive industry and the automotive supply industry as well as retail trade were the most affected sectors. The economic slowdown had particularly negative effects on the sales made by the transportation segment.

The subsidiaries of Müller - Die lila Logistik AG could, nevertheless, note a positive development of business up to the end of the year. The demand for logistics services of higher quality provided by the Logistics Design segment remained strong during the total financial year.

All such effects on the subsidiaries have an indirect influence on Müller - Die lila Logistik AG through the revenues from the equity investments as well as from profit transfer agreements.

## **Business developments**

### **Parameters**

The criteria which Müller - Die lila Logistik AG deems relevant for assessments are crucial financial parameters as, e.g., earnings before interest and taxes (EBIT), annual net profit as well as the comparative analysis of statements of cash flow. In addition, investment reporting is a crucial management control tool.

### **Sales revenues**

The sales revenues of Müller - Die lila Logistik AG amounted to kEUR 958 (previous year kEUR 2,164) in financial year 2008. The decrease in comparison with the preceding year was primarily the result of two effects: On the one hand, no rental income from let parts of the building was recorded under sales revenues as a result of the disposal of the real estate at the headquarters in Besigheim. On the other hand, the amount of services invoiced to customers by the subsidiaries via Müller - Die lila Logistik AG was lower compared to the previous year. The most significant portion of total sales was made in Germany.

### **Development of results**

The annual loss of Müller - Die lila Logistik AG in the 2008 fiscal year amounted to minus kEUR 1,583 (previous year net profit for the year of kEUR 724). In the 2008 fiscal year just ended, the main income and cost items were as follows: The disposal of the real property in Besigheim increased the other operating income by kEUR 4,747 resulting in kEUR 4,942 in net terms (previous year kEUR 957). Costs of material did not accrue. Personnel expenses rose due to higher bonus and profit sharing payments by kEUR 249 to kEUR 1,649 (previous year kEUR 1,400). The decreased need for depreciation due to the disposal of the real estate reduced the total of depreciation, amortisation and impairments on intangible assets and property, plant & equipment to kEUR 239 in the 2008 financial year (previous year kEUR 636). As to the other operating expenses, the following circumstances were of major importance. The rental expenses resulting from the disposal of the real property were recorded for the first time and amounted to

approx. kEUR 74. The book loss from the disposal of the shareholdings in TKS was kEUR 659. Through the use of § 6b EStG [income tax law], the amount of kEUR 4,747 from the disposal of the real property was allocated as a special reserve with an equity portion. In net terms, other operating expenses increased to kEUR 7,665 (previous year kEUR 2,315). Through the conversion of intra-group loans into an additional contribution of capital to Müller - Die lila Logistik Polska Sp. z o.o., interest income decreased to kEUR 623 (previous year kEUR 696). Interest payable significantly decreased from kEUR 1,118 auf kEUR 667 as a result of the comprehensive repayment of loans. Amortisation on investments amounted to kEUR 2,157 (previous year kEUR 0). Revenues from profit transfer agreements with subsidiaries increased to kEUR 3,882 (previous year kEUR 1,621).

The loss per share was minus €0.20 in the 2008 financial year (previous year earnings per share of €0.09). Return on equity came to minus 15.2 % (previous year plus 6.0 %). The result for the year in relation to the equity corresponds to the return on equity.

#### **Capital spending and depreciation, amortisation and impairments**

In the period under review, Müller - Die lila Logistik AG spent kEUR 5,938 on the assets base of the company (previous year kEUR 636) of which kEUR 5,871 were spent on shares in affiliated companies. Depreciation, amortisation and impairments on intangible assets and property, plant & equipment accounted for kEUR 239 in the 2008 financial year (previous year kEUR 636). Amortisation on financial investments in financial year 2008 amounted to kEUR 2,157 (previous year kEUR 0) based on the valuation using the German income approach method [Ertragswertverfahren].

#### **Assets and financial position**

As of 31 December 2008, the date of the statement of financial position, total assets amounted to kEUR 27,675 (previous year kEUR 32,647). The company's non-current assets decreased to kEUR 17,254 (previous year kEUR 21,523). Within this item on the statement of financial position, two antagonistic effects were of major importance in 2008: Primarily due to the disposal of the real property, property, plant and equipment decreased by kEUR 6,335 to kEUR 59. As a result of an additional contribution of capital amounting to kEUR 5,914 to Müller – Die lila Logistik Polska Sp. Z o.o. in the form of a conversion of two loans, the financial investments rose to kEUR 16,338 (previous year kEUR 14,059). In addition, non-scheduled depreciations amounting to kEUR 2,157 were made on financial assets. As a result of the separation from TKS, equity investments decreased to kEUR 10 (previous year kEUR 1,470). Current assets slightly decreased to kEUR 10,406 in net terms (previous year kEUR 11,092). This amount does not include claims against Müller - Die lila Logistik Polska Sp. z o.o. amounting to kEUR 5,872. Through the repayment of loans in connection with the disposal of the real property, reinsurance agreements regarding pension commitments which had been used as security were released. This liquidation resulted in the elimination of asset values of the reinsurance agreements amounting to kEUR 1,472 and is reflected in the rise in cash and cash equivalents. Cash in hand and at bank amounted to kEUR 4,263 (previous year kEUR 3) as of the date of the statement of financial position.

The annual loss of minus kEUR 1,583 increased the accumulated loss from the previous year with the result that the equity on the liabilities side of the statement of financial position decreased

to kEUR 10,424 (previous year kEUR 12,007). Liabilities at the end of the financial year totalled kEUR 10,821 (previous year kEUR 19,438). As a result of the receipt of payment of the price agreed for the sale of real property and the repayment of loans for which it was used, liabilities to banks decreased to kEUR 5,897 (previous year kEUR 16,535). As part of the cash management, there were liabilities to subsidiaries amounting to kEUR 3,891 (previous year kEUR 2,000). Equity accounted for 37.7 % (previous year 36.8 %) of total assets.

### **Cash flow und liquidity**

Cash and cash equivalents came to kEUR 4,263 (previous year kEUR 3) as of the last day of the period. Operating cash flow contributed kEUR 4,140 to the company (previous year cash outflow of kEUR 1,366). Cash flow from investment activities was dominated by the cash inflow from the sale of the real property as well as the sale of the shareholdings in TKS. As a consequence, there was a kEUR 10,759 cash flow from investment activities to the company (previous year cash outflow of kEUR 629). The repayment of loans in connection with the above-described sales revenues resulted in a cash flow from financing activities totalling minus kEUR 10,638 (previous year cash inflow of kEUR 1.867).

The debt ratio, i.e. the debt to capital ratio, was 0.62 (previous year 0.63).

### **Overall assessment of the development of business**

As a result of the disposal of the real property at the Besigheim location, the liabilities of Müller - Die lila Logistik AG could significantly be reduced in the 2008 financial year. The use of § 6b EStG [Einkommenssteuergesetz (income tax law)] as well as the special effect from the separation from TKS Unternehmensberatung und Industrieplanung GmbH had negative effects on the result. Considering the result achieved and already existing plans, the principle of prudence was applied and value adjustments on the equity investment in Poland were made during the financial year. In view of the difficult environment of the market, the development of business was in line with the expectations of the management until the completion of this management report in the 2009 financial year.

### **Capital structure**

The number of no-par bearer shares issued by the company so far is 7,955,750.

The annual shareholders` meeting on 16 June 2005 authorised the Management Board 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 in one or more tranches, but in total not exceeding kEUR 3,160 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 contributions in cash in one or more tranches, but in total not exceeding kEUR 790 up to 16 June 2010 (authorised capital II).

Mr. Michael Müller holds a share of EUR 4,069,000 (a 51.15 % equity stake) in the share capital. Landesbank Baden-Württemberg notified the company that the share of Süd KB Unternehmensbeteiligungsgesellschaft mbH & Co. Kommanditgesellschaft in the share capital of Müller - Die lila Logistik AG amounted to EUR 1,341,000 (16.86 %) on 22 December 2008 and that this share was attributable to Landesbank Baden-Württemberg. Mr. Rudolf Reisdorf notified

the company that his share in the share capital of Müller - Die lila Logistik AG was EUR 796,370 (10.01 %) on 9 October 2006. The remaining shares are in free float.

#### **Management Board appointment and amendment to the articles of association**

According to the company's articles of association, the Supervisory Board is the corporate body vested with the power to appoint Management Board members. 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 and Supervisory Boards in the period under review.

#### **Compensation report**

The following compensation report explains the structure and the amount of Management Board member compensation. The compensation report takes into account the regulations of the German Commercial Code [Handelsgesetzbuch] as amended with the German Act on the Disclosure of Management Compensation [Vorstandsvergütungsoffenlegungsgesetz (VorstOG)] as well as the recommendations of the German Corporate Governance Code as far as the company complied and/or complies with the recommendations.

Furthermore, disclosures are made as to the shareholdings in the company of Management and Supervisory Board members. Additionally, there are individual pension commitments to Management Board members.

#### **Structure of Management Board compensation**

The Supervisory Board is the corporate body vested with the power to fix Management Board member compensation. The compensation for members of the Management Board of Müller - Die lila Logistik AG is geared to the size of the company and its international operations. In addition, consideration is given to the responsibilities and the individual performance contributed by the Management Board members. Our Management Board member compensation is performance-based. It comprises a fixed compensation component and a variable bonus.

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

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

#### **Management Board compensation in financial year 2008**

In the past financial year, Management Board compensation totalled kEUR 873 (previous year kEUR 607) that broke down as follows:



	2008	2007	2006
	k€	k€	k€
Salary	440	442	421
Annual bonus	433	165	427

### Supervisory Board compensation in financial year 2008

The annual general shareholders` meeting of Müller - Die lila Logistik AG is the corporate body vested with the power to fix 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.

The compensation has two components:

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

The fixed annual compensation of the Supervisory Board chairperson is three times the fixed annual compensation of regular Supervisory Board members, the fixed annual compensation of the vice chairperson is one-and-a-half times as much. Committee chairpersons receive one and a half times the fixed compensation of regular committee members.

In financial year 2008, the compensation for the Supervisory Board members of Müller - Die lila Logistik AG totalled kEUR 73 (previous year kEUR 68).

### Supervisory Board member compensation

Name	Function	2008	2007
Prof. Peter Klaus	Supervisory Board Chairman	23 k€	22 k€
Dr. Gerd Wecker	Supervisory Board Vice Chairman	18 k€	16 k€
Volker Buckmann	Supervisory Board Member	6 k€	6 k€
Per Klemm	Supervisory Board Member	6 k€	6 k€
Klaus Langer	Supervisory Board Member	14 k€	12 k€
Carlos Rodrigues	Supervisory Board Member	6 k€	6 k€

### Supervisory Board member compensation for services provided individually

During the financial year 2008, no additional consulting services were rendered by individual members of the supervisory board.

### Shareholdings of Management and Supervisory Board members

Pursuant to § 15a WpHG [Wertpapierhandelsgesetz (German securities trading act)], 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 2008, Müller - Die lila Logistik AG received one notification before the closing date 31 December 2008, which was also published on the website

of the company, stating that Prof. Peter Klaus purchased a total of 5,400 shares of Müller - Die lila Logistik AG through the Stuttgart stock exchange in the first quarter of the financial year.

As of 31 December 2008, Management Board members held a total 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 64,749 shares or 0.81 % of the company's share capital.

An individual list of shareholdings of the bodies of the company is given in the Notes under "3. Other disclosures".

### **Personnel**

The average number of persons employed by Müller - Die lila Logistik AG did not change in comparison with the previous year. In financial year 2008, nine persons worked for Müller - Die lila Logistik AG, not including members of the Management and Supervisory Boards.

### **Risk report**

#### **Risk management system**

Pursuant to § 91 paragraph 2 of the German Stock Corporation Act [Aktiengesetz], the Management Board of Müller - Die lila Logistik AG shall have an early warning / 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 an efficient risk management system when going public already.

The risk management system of Müller - Die lila Logistik AG is based on 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 controls target compliance throughout the year. The "risk management" department supervises the processes 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.

#### **Essential risk political principles**

Müller - Die lila Logistik AG is fully aware of the fact that business activities are always exposed to risks. Considering this, Müller - Die lila Logistik AG pursues a restrictive, i.e. risk averse strategy. An action or decision must not put the further existence of the company at risk in any way. Risks must be mitigated or avoided and residual risks must be controlled by risk management measures as far as possible.

There are both chances and risks to be handled within the company's fields of activities. Müller - Die lila Logistik AG as a services provider and its subsidiaries with a focus on consulting (logistics design) and the provision of logistics services (logistics operating) are exposed to the typical business risks which may substantially influence the assets, financial and earnings position. They include, above all, downturns in demand and the other general and company-specific risks described here:

### **Overall economic risks**

A crucial risk for the economy as a whole is due to the mortgage crisis in the United States of America and the resulting turbulences on the international financial markets. In financial year 2008, the capital and credit markets experienced significant fluctuations which added momentum to the slump in the world economy at the end of the year. If, as a result of these fluctuations and the slowdown of the economy, the negative effects will persist or even increase, it cannot be guaranteed that they will not have any substantial negative effects on our assets, financial and earnings position as well as our ability to raise capital. The current credit crunch on the financial markets could, e.g., impede the financing opportunities not only of Lila Logistik group, but also of our customers and services providers, with the consequence that intentions as regards our services may change or be delayed or that transactions are perhaps not carried out.

Another economic slowdown could considerably weaken the demand for investment and consumer goods and, in the end, for transportation and logistics services. Therefore, there are significant economy-related risks for the assets, financial and earnings position of Lila Logistik group.

Furthermore, our customers and services providers may become unable to pay invoices in due time or fully because they are not in a position to generate sufficient sales or find it more difficult to get access to the capital markets. Likewise it cannot be ruled out that companies may go into administration as a result of the economic crisis which could pose additional risks for the assets, financial and earnings position of Lila Logistik group.

Numerous other factors like fluctuations of energy and raw material prices as well as global political conflicts will continue to influence macro-economic factors and the international capital markets. The imponderability as to the economic and political conditions may considerably affect our assets, financial and earnings position.

### **Risks relating to transportation services**

The logistics industry is to a large extent dependent on the overall economic development. Negative economic trends might, therefore, result in a decrease in the demand for logistics services.

In addition, external factors may lead to a continuous rise in costs, above all in the transportation segment. As from 1 January 2009, the toll payable on German motorways has been significantly increased. Since 1 January 2009, the forwarders must pay on average 16.3 euro cents instead of 13.5 euro cents per kilometre for heavy vehicles. According to Güterkraftverkehr Logistik und Entsorgung (BGL) e.V. [Freight Haulage, Logistics and Disposal (BGL)], the truck toll rose by 40 % to 90 % depending on the emission class. This could result in further cost increases for the

transportation services providers. Additionally, there are at present some customers who refuse to pay the toll increase, which means that the cost would have to be borne by the company.

DSLV [Deutscher Speditions- und Logistikverband e.V, Bonn (German Association for freight forwarding and logistics)] reports that, according to Statistisches Bundesamt [Federal Office of Statistics], Wiesbaden, the number of insolvency proceedings rose by 22.9 % and as far as forwarders are concerned by 10.7 % from January to October 2008 in comparison with the same period of the previous year. The effects of the increasingly strong slow-down of the economy since late autumn 2008 could significantly increase the risk of insolvency for transportation services providers. For part of the transportation services, 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 for individual orders. Unavailability of sufficient transport capacities or unexpected capacity bottlenecks may cause sourcing-related cost increases. In order to limit the risk of supply shortages, we select our subcontractors very carefully. A geographic distribution of orders in our segments makes us less dependent on regional supply bottlenecks and helps us find alternatives when supply difficulties occur locally.

Another major risk factor is the volatile development of the crude oil prices. If the prices go up considerably, the cost incurred by the transportation services providers could rise substantially. In order to ensure a fixed calculation basis in the route segment and to become partly independent from the imponderability of the diesel market, Lila Logistik has hedged the diesel prices as far as the demand during the first six months of 2009 is concerned.

### **Dependence on major customers**

Also in financial year 2008, the subsidiaries of Müller - Die lila Logistik AG 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 the retention of existing customers remains amongst the top priorities of our business strategy going forward.

About half of the total sales of the subsidiaries of Müller - Die lila Logistik AG are currently generated with customers from the automotive and automotive supply industry. The general conditions for the automotive industry and the automotive supply industry are difficult at present. For the medium-term future, it is expected that sales and profits will decrease, while the number of insolvency proceedings and the resulting mergers and acquisitions will rise. Industry experts are of the opinion that, in addition, the problem of excess capacities on the automotive markets world-wide will even get worse, as was revealed by a global survey among the 200 leading representatives of the automotive and automotive supply industry in January 2009.

Due to the ongoing slow-down of the economy, the reduced credit rating of key account customers harbours bad debt risks. We manage these default risks on the one hand with a claims handling and debt collection management system and partly with factoring; nevertheless it cannot entirely be ruled out that the assets, financial and earnings position of the company will be at risk if a key account customer goes into administration. In the event of potential sales shortfalls, we make short-term capacity adjustments.

### **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. We typically hedge financing that is being passed on within the group to match the respective amounts and maturities to be financed.

In this respect, there are two risk factors that are crucial to Müller - Die lila Logistik AG and its subsidiaries: On the one hand, there are risks resulting from changes in interest rates which are controlled by using derivative financial instruments such as 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 date of the statement of financial position. 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 such as foreign exchange forwards are used as required.

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 that trigger the conclusion of a hedge transaction 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 relating to interest risk hedging and currency management are given in the Notes to the Consolidated Financial Statement 2008 of Müller - Die lila Logistik AG.

### **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**

Motivated and competent staff and managers are a crucial success factor for Müller - Die lila Logistik AG. Therefore, there are risks that such key personnel cannot be found for vacancies or cannot be retained. The organisational structure for a positive development of the company was consistently improved in 2008. Target group oriented investments in human resources at managerial level additionally strengthen identification with the company.

### **Managing project starts**

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

### **IT risks**

The integration of all the various parties involved 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 essential 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 delays in payment and defaults by debtors.

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

### **Assumption of existing employment contracts**

Under German law, the purchaser of a full or partial going concern assumes the rights and obligations of this full or partial 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 earnings position 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, the group parent company Müller - Die lila Logistik AG 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 parent's financial and earnings position despite all preventive measures taken. Risks may additionally occur with investments where the equity stake held is not 100%. They could relate to the relationship with other stakeholders, pertain to resolutions of stakeholders and could have effects culminating in the control and development of the company. Comprehensive assessments on the basis of the German income approach method [Ertragswertverfahren] are made at least once per year in order to identify any necessary unscheduled depreciation of the equity investment.

### **Report on events subsequent to the statement of financial position date**

ILS Depot GmbH, Herne, was liquidated effective 6 January 2009. The indirect share in the company, which was not operational and was not consolidated, was 100 %.

In an ad hoc release published on 9 February 2009, the company informed that the Management Board and the Supervisory Board of Müller - Die lila Logistik AG decided to apply for a change of listing from Prime Standard to General Standard at the Frankfurt Stock Exchange. In compliance with the requirements regulated by law, Müller - Die lila Logistik AG listed in the General Standard will continue to fulfil its reporting and disclosure obligations, as, for example, the preparation and publication of annual reports and interim reports in accordance with IFRS as well as the ad hoc disclosure obligation. The application was presented to the management of the Frankfurt Stock Exchange on the same day and was published on the web page at [www.deutsche-boerse.com](http://www.deutsche-boerse.com) on 18 February 2009. The revocation will be effective from 18 May 2009.

### **Outlook**

Müller - Die lila Logistik AG will continue to operate in its defined key customer sectors following the business model as a holding company for a group of subsidiaries that engage in the two core activities of logistics consulting and implementation of logistics processes. The managerial organisation of the group was restructured in financial year 2008 and is now oriented towards the business segments distribution/sales, production and services. The distribution/sales activities of Müller - Die lila Logistik AG and its subsidiaries as well as the logistics consulting segment are directly assigned to the Chief Executive Officer. The overall responsibility for the implementation of logistics processes in route and factory were transferred to a chief representative. The chief financial officer is, as before, responsible for the financial and administrative management, which is in future called `services`, and he is, with immediate effect, also responsible for the IT of the group.

It is expected that the integration of global and above all the European business processes which is steadily increasing despite the current economic crisis will have a positive influence on the development of Müller - Die lila Logistik AG. At the time of the preparation of this management report, no reliable statements can be made about potential growth rates in the German economy and in particular the logistics industry. Depending on the source of information, these values are positive or negative. In the medium-term future, positive operational contributions to the economic success of Müller - Die lila Logistik AG are above all expected from the foreign subsidiaries. In the immediate future, the external rises in costs due to higher toll fees and the production decreases in the automotive and automotive supply industry will affect the profit contribution of the subsidiaries.

For financial year 2009, the company assumes that the result achieved will be below the previous year's level. This will essentially be due to the lower profit contributions from some subsidiaries. As a result of the consistent uncertainty ruling the financial and real markets, it is at present not possible to make quantifiable prognoses for 2010.

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

Besigheim, 17 March 2009

Michael Müller  
Chief Executive Officer

Rupert Früh  
Chief Financial Officer

**Responsibility Statement according to §§ 264(2) sentence 3 and 289(1) sentence 5 HGB (German Commercial Code)**

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

Besigheim, 17 March 2009

Michael Müller  
Chief Executive Officer

Rupert Früh  
Chief Financial Officer



## Balance sheet as at 31 December 2008

### Assets

	31.12.2008	31.12.2007
	EUR	EUR
<b>A. Non-current assets</b>		
<b>I. Intangible assets</b>		
1. Concessions, industrial property rights and similar rights as well as licenses in such rights and assets	2,570.00	11,024.00
2. Goodwill	853,876.00	1,058,806.00
<b>II. Property, plant &amp; equipment</b>		
1. Properties, property-like rights and buildings including buildings on third-party properties	0.00	6,136,391.06
2. Other improvements, operating, and office equipment	58,856.00	257,773.00
<b>III. Financial assets</b>		
1. Equity interests in affiliated companies	15,303,461.50	10,464,049.96
2. Loans to affiliated companies	1,022,583.76	2,122,583.76
3. Equity investments	10,225.84	1,470,368.22
4. Other loans	2,060.00	2,060.00
<b>Non-current assets, total</b>	<b>17,253,633.10</b>	<b>21,523,056.00</b>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	0.00	281,501.68
2. Receivables from affiliated companies	5,184,121.50	8,279,354.61
3. Receivables from companies with which a participation relationship exists	12,332.90	12,332.90
4. Other assets	945,882.69	2,516,265.91
-- thereof with residual maturities of more than one year EUR 526,012.16 (previous year EUR 1,998,070.45)--		
<b>II. Cash on hand and credit balances with banks</b>	4,263,267.01	2,858.19
<b>Current assets, total</b>	<b>10,405,604.10</b>	<b>11,092,313.29</b>
<b>C. Prepaid expenses and deferred income</b>	15,820.00	31,983.16
<b>Assets, total</b>	<b>27,675,057.20</b>	<b>32,647,352.45</b>

## Balance sheet as at 31 December 2008

### Liabilities and Shareholders' Equity

	31.12.2008	31.12.2007
	EUR	EUR
<b>A. Equity</b>		
<b>I. Subscribed capital</b>	7,955,750.00	7,955,750.00
<b>II. Capital reserve</b>	11,477,052.51	11,477,052.51
<b>III. Balance sheet loss</b>	-9,008,550.83	-7,425,502.43
<b>Equity, total</b>	<b>10,424,251.68</b>	<b>12,007,300.08</b>
<b>B. Special item with a reserve component</b>	<b>4,747,035.00</b>	<b>0.00</b>
<b>C. Provisions</b>		
1. Pension provisions and similar obligations	570,166.00	507,350.00
2. Tax provisions	1,469.00	114,022.91
3. Other provisions	1,110,909.79	579,796.47
<b>Provisions, total</b>	<b>1,682,544.79</b>	<b>1,201,169.38</b>
<b>D. Liabilities</b>		
1. Liabilities to banks --thereof with residual maturities of up to one year EUR 3,291,838.07 (previous year EUR 11,405,211.99)--	5,896,838.07	16,535,211.99
2. Trade liabilities --with a residual maturity of up to one year	101,692.14	124,122.26
3. Liabilities to affiliated enterprises --with a residual maturity of up to one year--	3,890,978.07	2,000,346.14
4. Other liabilities --with a residual maturity of up to one year-- --thereof for taxes EUR 386,857.16 (previous year EUR 555,027.10)--	931,051.45	777,869.60
<b>Liabilities, total</b>	<b>10,820,559.73</b>	<b>19,437,549.99</b>
<b>E. Prepaid expenses and deferred income</b>	666.00	1,333.00
<b>Equity and Liabilities, total</b>	<b>27,675,057.20</b>	<b>32,647,352.45</b>

## Income statement for the period from 1 January to 31 December 2008

	2008	2007
	EUR	EUR
1. Sales revenues	957,848.74	2,164,035.46
2. Other operating income	4,941,761.26	957,150.84
3. Personnel cost		
a) Wages and salaries	-1,485,649.92	-1,214,492.24
b) Social insurance contributions and pension provision	-163,649.50	-185,565.49
--thereof for pension provision EUR 75,314.71 (previous year EUR 92,410.11)--		
4. Depreciation, amortisation, and impairments of non-current and PP&E assets	-239,032.43	-636,233.47
5. Other operating expense	-7,665,158.73	-2,315,314.16
6. Investment income	445,250.70	596,420.32
7. Income from profit transfer agreements	3,882,341.77	1,620,790.92
8. Other interest and similar income	622,561.12	695,878.76
9. Depreciation and amortisation on financial assets	-2,156,732.73	0.00
10. Interest and similar expense	-666,929.13	-1,118,360.39
<b>11. Income from ordinary business activity</b>	<b>-1,527,388.85</b>	<b>564,310.55</b>
12. Taxes on income	-48,615.13	14.31
13. Other taxes	-7,044.42	159,703.81
<b>14. Net profit for the year</b>	<b>-1,583,048.40</b>	<b>724,028.67</b>
15. Loss carry-forward	-7,425,502.43	-8,149,531.10
<b>16. Balance sheet loss</b>	<b>-9,008,550.83</b>	<b>-7,425,502.43</b>

## Notes to the Annual Financial Statements for Financial Year 2008

### 1. General information on the annual financial statements as well as the accounting and valuation methods used

#### 1.1 Structure

The annual financial statements have been prepared in accordance with legal regulations. The statement of financial position (balance sheet) has been prepared pursuant to article 266 of the German Commercial Code [Handelsgesetzbuch (HGB)] in the structure required for large companies. The income statement has been prepared using the total expenditure format pursuant to article 275, paragraph 2 HGB.

#### 1.2 Accounting methods

The annual financial statements include all assets, liabilities, expenses, and income unless otherwise required by law.

Non-current and current assets, equity, and liabilities are shown separately in the statement of financial position and are sufficiently subdivided.

Non-current assets only include assets of a permanent nature used for the operation of the business. Provisions have been made pursuant to article 249 HGB.

#### 1.3 Measurement methods

The values disclosed for a specific item as of the beginning of a financial year accord with the closing values at the end of the preceding year. Valuations assume the continuation of business operations. Assets and debts were valued separately. All value recognitions are conservative, and all foreseeable risks and losses that have been incurred up to the reporting date have been taken into account even if they have only become known in the period between the reporting date and the preparation of these annual financial statements. Profits are only recognised if they have been realised before or on the reporting date. The valuation methods used in preparing the preceding annual financial statements have been maintained. Expense and income of the financial year under review are stated irrespective of the time of payment.

#### Individual items have been valued as follows:

Intangible assets and property, plant & equipment are stated at amortised historical cost or manufacturing cost less scheduled depreciation by ordinary wear and tear. Depreciation, amortisation, and impairments are calculated over the shortest permissible period using the linear depreciation method and prorated over time.

Low-value goods (acquired or manufactured for up to € 150.00 net) are recognised as expense, If the acquisition cost are above € 150.- and do not exceed the amount of € 1,000.-, a compound item is added pursuant to § 6 (2a) EStG [Einkommenssteuergesetz (income tax act)]. This compound item is written down over 5 years on a linear basis. The time of acquisition in the business year does not have an influence on the calculation of the depreciation amount. In the

event of withdrawal of an individual asset from the company, the compound item is not value-adjusted. As a result, a new compound item must be created for every accounting year. This compound item is kept as a separate item of tangible assets.

Goodwill is amortised over its prospective useful life pursuant to article 255, paragraph 4, sentence 3 HGB. For this, a useful life of 12 years was fixed on the basis of the plans and calculations made by the management. Financial assets are valued at historical cost less applicable impairments. As soon as the reasons for impairment are no longer valid, an appreciation in the value of financial assets is recognised up to their amortised historical cost.

Receivables, other assets, and cash and cash equivalents are recognised at nominal value. Reinsurance policies stated under `Other assets` are recognised at their respective asset value unless this exceeds the value of the underlying obligation.

Provisions are determined according to prudent business practise. Pension obligations are calculated by actuarial expertise based on the Heubeck 2005 G actuarial tables and an interest rate of 6.0 % as in the previous financial year. Other provisions cover all identifiable risks and contingent liabilities. Liabilities are stated at their respective repayment amounts.

#### **1.4 Currency translation**

As of the reporting date, the company had no receivables or liabilities denominated in foreign currencies.

#### **1.5 Disagio**

There was no disagio in financial year 2008.

## **2. Explanations to individual items on the statement of financial position and income statement**

### **2.1 Explanations to individual items on the statement of financial position (balance sheet)**

#### **2.1.1 Non-current assets**

The asset analysis shows the development and classification of individual non-current asset items and their depreciation, amortisation, and impairment in the financial year under review.

By an agreement dated 19 December 2007, the company sold its real property in Besigheim to a third party. This real property is rented by Müller - Die lila Logistik Deutschland GmbH under the agreement dated 19 December 2007. The effective date of the beginning of the rental agreement and transfer of beneficial ownership was 1 January 2008. In financial year 2008, the disposal of the real property in Besigheim resulted in revenue amounting to kEUR 4,747 which was accounted for in a special item with a reserve component (§ 6b EStG). For the simultaneously made rental agreement between Müller - Die lila Logistik Deutschland GmbH and the purchaser of the real property, Müller - Die lila Logistik AG received a commission amounting to kEUR 350.

### 2.1.2 Financial assets

For the subsidiary Müller - Die lila Logistik Polska Sp. z o.o., additional capital payments amounting to kEUR 5,914 were approved by shareholders' resolution of 4 August 2008. At the same time, the conversion of two loans amounting to kEUR 1,100 and kEUR 4,772, which Müller - Die lila Logistik AG had granted to Müller - Die lila Logistik Polska Sp. z o.o. since 2006, as well as payment of an amount of kEUR 42 were made.

Müller - Die lila Logistik AG regularly reviews the book values of its financial and intangible assets for indications of impairment or appreciation as of the reporting date.

According to the latest plans, the initially intended expansion of the usable areas at the Gliwice location will be delayed. With that, the infra-structure provided for the total area will not amortise to the initially projected extent. For this reason, the book value of this investment was written down by kEUR 1,749. The book value of the investment of Müller - Die lila Logistik AG in Müller - Die lila Logistik Polska Sp. z o.o. is kEUR 6,400 (previous year kEUR 2,236) as of the reporting date.

On 20 June 2008, the shelf company GRINFI Sp. z o.o. domiciled in Warsaw / Poland was acquired at a purchasing price equivalent to approx. kEUR 16. On 20 June 2008, its registered office was moved to Gliwice and afterwards the company was renamed Value Added Logistics Sp z o.o. On 22 July 2008, a capital increase amounting to kEUR 141 was made; on 12 November 2008, additional capital payments amounting to kEUR 398 were made.

Due to the negative results in 2008 as well as the underlying plans of Value Added Logistics Sp. z o.o., a total amount of kEUR 408 was written down as of 31 December 2008. The book value of the investment of Müller - Die lila Logistik AG in Value Added Logistics Sp. z o.o. is kEUR 150 as of the reporting date.

On 2 May 2008, Müller - Die lila Logistik AG came to an agreement with the shareholders of TKS Unternehmensberatung und Industrieplanung GmbH (TKS) on a consensual separation. Before that, the company had, as part of the total process, acquired the one-percent share of another minority shareholder for a purchasing price of kEUR 44. The cash flow as a result of the disposal of the afterwards 34 % of the shares of TKS amounted to kEUR 845 which contributed to a further reduction of debts, while the book loss of Müller - Die lila Logistik AG was kEUR 659.

On 7 October 2008, the share in Müller - Die lila Logistik Verwaltung GmbH domiciled in Herne was increased from 90 % to 100 % as of 30 December 2008. The purchasing price for the 10 % share was kEUR 500. With the higher equity investment in Müller - Die lila Logistik Verwaltung GmbH, the indirect shares in Müller - Die lila Logistik GmbH, Herne, Müller - Die lila Logistik Nord GmbH, Bünde, and ILS Depot GmbH also increased from 90% to 100%. ILS Depot GmbH was liquidated after the closing date at the beginning of the year 2009.

### 2.1.3 Current assets

Trade receivables did not exist as at the end of the year (previous year kEUR 282).

Receivables from affiliated companies totalled kEUR 5,184 (previous year kEUR 8,279) and primarily comprised year-end receivables under profit transfer agreements amounting to kEUR 3,957 (previous year kEUR 1,695) as well as receivables from a working capital credit of Müller - Die lila Logistik AG granted to Müller - Die lila Logistik Polska Sp. z o.o. amounting to kEUR 250. In the previous year, claims relating to a loan and a credit for the financing of the working capital granted by Müller - Die lila Logistik AG to Müller - Die lila Logistik Polska Sp. z o.o. amounted to kEUR 5,872; they were converted into additional capital payments (see chapter Financial assets). Trade receivables from affiliated companies totalled kEUR 977 (previous year kEUR 1,635).

Receivables from companies with which a participation relationship exists include a short-term loan to FMS Logistic GmbH, Besigheim-Ottmarsheim, including interests totalling kEUR 12 (previous year kEUR 12).

Other assets amounting to kEUR 946 (previous year kEUR 2,516) primarily consist of assets arising from reinsurance policies with repurchase values totalling kEUR 526 (previous year kEUR 1,998) and tax receivables of kEUR 248 (previous year kEUR 85). The decrease in assets arising from reinsurance policies is due to the termination of two life insurances which were no longer necessary; they were initially taken out to secure the financing of the real property in Besigheim and were no longer needed after its disposal.

#### **2.1.4 Prepaid expenses and deferred income**

Prepaid expenses and deferred income amounted to kEUR 16 (previous year kEUR 32) as of the reporting date.

#### **2.1.5 Share capital**

As in the previous year, the company's share capital amounts to kEUR 7,956 and is divided into 7,955,750 no-par bearer shares.

The annual general shareholders' meeting on 16 June 2005 resolved the dissolution of the previous and the creation of new authorised capital I and capital 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 contributions in cash or kind in one or more tranches, but in total not exceeding kEUR 3,160 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 contribution in cash in one or more tranches, but in total not exceeding kEUR 790 up to 16 June 2010 (authorised capital II).

#### **2.1.6 Capital reserve**

As in the prior year, the capital reserve amounts to kEUR 11,477.

#### **2.1.7 Special item with a reserve component**

In financial year 2008, the revenue from the disposal of the land and building at the company's headquarters in Besigheim amounting to kEUR 4,747 was accounted for in a special item with a reserve component (§ 6b EStG).

### 2.1.8 Pension provisions

The pension provisions relate to obligations to members of the Management Board who were active as of the closing date and one retired former member of the Management Board. For pension commitments to the former member of the Management Board and his surviving dependents, pension provisions amounting to kEUR 215 (previous year kEUR 200) were made.

### 2.1.9 Tax provisions

Tax provisions in the amount of kEUR 198 (previous year kEUR 114) pertain to the financial year 2008.

### 2.1.10 Other provisions

Other provisions totalling kEUR 1,111 (previous year kEUR 580) pertain to obligations to personnel amounting to kEUR 550 (previous year kEUR 266), financial statement auditing, consulting costs and other audit costs amounting to kEUR 202 (previous year kEUR 198), interests amounting to kEUR 101 (previous year 0) as well as other reserves and outstanding invoices amounting to kEUR 258 (previous year kEUR 116).

### 2.1.10 Liabilities

The residual maturity of the liabilities can be seen in the following table:

	Total	thereof with residual maturities of up to one year	thereof with residual maturities of one to five years	thereof with residual maturities of more than five years
	k€	k€	k€	k€
Liabilities to banks	5,897	3,292	2,605	0
Trade liabilities	102	102	0	0
Liabilities to affiliated companies	3,891	3,891	0	0
Other liabilities	931	931	0	0
<b><u>Total liabilities</u></b>	<b><u>10,821</u></b>	<b><u>8,216</u></b>	<b><u>2,605</u></b>	<b><u>0</u></b>
<b><u>(previous year)</u></b>	<b><u>19,437</u></b>	<b><u>14,307</u></b>	<b><u>5,130</u></b>	<b><u>0</u></b>

#### Liabilities to banks

The liabilities to banks are unsecured.

#### Liabilities to affiliated companies

Trade liabilities to affiliated companies amounted to kEUR 36 (previous year kEUR 160).



## 2.2 Explanations to the Income Statement

### 2.2.1 Sales revenues

In financial year 2008, the company realised sales revenues of kEUR 958 (previous year kEUR 2,164). Sales revenues no longer include rental revenues from the letting of parts of the building due to the disposal of the real property (previous year kEUR 430). As a result of a rental agreement between the 100% subsidiary Müller - Die lila Logistik Deutschland GmbH and the purchaser of the real property, the rental revenues previously received are now directly invoiced to a customer by Müller - Die lila Logistik Deutschland GmbH.

Of the sales revenues achieved, revenues from affiliated companies amount to kEUR 942 (previous year kEUR 1,297). Sales revenue breaks down into domestic and foreign as follows:

in k€	2008		2007	
	k€	in % of total sales revenues	k€	in % of total sales revenues
Domestic	882	92.1 %	2,116	97.8 %
Foreign	76	7.9 %	48	2.2 %
<b>Total</b>	<b>958</b>	<b>100.0 %</b>	<b>2,164</b>	<b>100.0 %</b>

The foreign sales revenues were achieved at a group-wide level with Müller - Die lila Logistik Austria GmbH to the amount of kEUR 41 (previous year kEUR 48) and with Müller - Die lila Logistik Polska Sp. z o.o. to the amount of kEUR 35 (previous year 0).

### 2.2.2 Other operating income

Other operating income amounts to kEUR 4,942 (previous year kEUR 957) and mainly relates to the disposal of the real property in Besigheim amounting to kEUR 4,747, a compensation payment for delayed payment of the purchasing price amounting to kEUR 116, revenues from the reversal of provisions amounting to kEUR 25 as well as miscellaneous other operating income amounting to kEUR 54.

Other operating income also comprises revenues relating to other accounting periods – including the described sale of the Besigheim real property – amounting to kEUR 4,776 (previous year kEUR 267).

### 2.2.3 Other operating expense

Other operating expense totals kEUR 7,665 (previous year kEUR 2,315). They mainly relate to the allocation in a special item with a reserve component amounting to kEUR 4,747, losses from the disposal of financial assets as a result of the sale of the shareholding in TKS amounting to kEUR 659, insurance cost of kEUR 553, external personnel cost and contracted work of kEUR 451, consulting cost (including costs for preparing and auditing financial statements) of kEUR 433, advertising and travel cost of kEUR 226, vehicle cost of kEUR 96, room cost including

repairs and maintenance of kEUR 88, postage and telephone cost of kEUR 33, rent for operating and office equipment as well as business supplies of kEUR 24 and miscellaneous other operating expense amounting to kEUR 356.

This item includes expenses relating to other accounting periods – including the described disposal of the TKS shareholdings – of kEUR 693 (previous year kEUR 26).

#### **2.2.4 Interest**

Interest income amounts to kEUR 623 (previous year kEUR 696) of which kEUR 478 (previous year kEUR 652) pertain to affiliated companies. The decrease in interest income from affiliated companies in comparison with the previous year is the result of the conversion of two intra-group loans of Müller - Die lila Logistik AG into an additional capital payment into Müller - Die lila Logistik Polska Sp. z o.o. in August 2008 and the resulting discontinuation of interest payments. Our interest expense of kEUR 667 (previous year kEUR 1,118) includes kEUR 77 (previous year kEUR 22) in interest paid to affiliated companies.

#### **2.2.5 Taxes on income/ Other taxes**

Taxes on income amounted to kEUR 49 of which kEUR 22 (previous year kEUR 0) relate to previous accounting periods.

Other taxes amounting to kEUR 7 include vehicle tax for cars amounting to kEUR 2 and additional payments for previous years amounting to kEUR 5. In financial year 2007, other taxes showed a balance in our favour of kEUR 160, primarily due to the tax refunds for previous years.

#### **2.2.6 Net result for the year**

The net loss for the year came to kEUR 1,583 (previous year net profit of kEUR 724). This total comprises a transfer of the result for the year from Müller - Die lila Logistik Deutschland GmbH in the amount of kEUR 1,707 (previous year kEUR 275), a profit transfer from Müller - Die lila Logistik Verwaltung GmbH in the amount of kEUR 1,430 (previous year kEUR 872) less a guaranteed dividend of kEUR 5, and a profit transfer from Emporias Management Consulting GmbH in the amount of kEUR 820 (previous year kEUR 548) less a guaranteed dividend of kEUR 69.

### **3. Other disclosures**

The company's Management Board and Supervisory Board have the following members:

#### **Management Board**

Michael Müller

Chief Executive Officer  
residing in Stuttgart  
Forwarding merchant

Rupert Früh

Chief Financial Officer  
residing in Buchen im Odenwald  
Master of Economics

In financial year 2008, the company paid its Management Board total compensation of kEUR 873 (previous year kEUR 607). The annual general shareholders` meeting on 22 June 2006 resolved that the disclosures required under article 285, paragraph 1, no. 9a, sentences 5 through 9 HGB in the version of the German Management Compensation Disclosure Act [Vorstandsvergütungs-Offenlegungsgesetz (VorstOG)] will not be made for a period of five years as from 1 January 2006. As of 31 December 2008, the Management Board members of Müller - Die lila Logistik AG held the following shares and options in the company:

Mr. Michael Müller Chief Executive Officer	4,069,000 shares
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Mr. Rupert Früh Member of the Management Board:	8,000 shares
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#### **Supervisory board**

Professor Peter Klaus	Chairman of the Supervisory Board D.B.A/ Boston Univ. residing in Bamberg Full professor of business administration, in particular logistics, University of Erlangen / Nuremberg, Head of the Fraunhofer study group on technologies of the logistics services industry [Arbeitsgruppe für Technologien der Logistik- Dienstleistungswirtschaft (ATL)], Nuremberg, Vice Chairman of the Supervisory Board of Grieshaber Logistics Group AG, Bad Säckingen, Vice Chairman of the Supervisory Board of MUK AG, Munich, Chairman of the Advisory Board of Nord-Süd Speditionsgesellschaft mbH, Rheda-Wiedenbrück, and member of the Advisory Board of Kraftverkehr Nagel GmbH, Versmold
Dr. Gerd Wecker	Vice Chairman of the Supervisory Board residing in Munich Lecturer, consultant / no other offices
Klaus Langer	Member of the Supervisory Board residing in Stuttgart Tax advisor and certified auditor / no other offices
Per Klemm	Member of the Supervisory Board residing in Stuttgart Managing director / no other offices

Volker Buckmann      Member of the Supervisory Board (employee representative)  
residing in Dortmund  
Commercial clerk / no other offices

Carlos Rodrigues      Member of the Supervisory Board (employee representative)  
residing in Flein  
Master of Business Administration (FH) / no other offices

Supervisory Board member compensation amounted to kEUR 73 (previous year kEUR 68) in the year under review.

Supervisory Board member compensation broken down by person and category was as follows:

Name	Function	Supervisory Board compensation	Committee compensation
Prof. Peter Klaus	Chairman of the Supervisory Board	k€ 19	k€ 4
Dr. Gerd Wecker	Vice Chairman of the Supervisory Board	k€ 10	k€ 8
Klaus Langer	Supervisory Board member	k€ 6	k€ 8
Per Klemm	Supervisory Board member	k€ 6	-
Volker Buckmann	Supervisory Board member	k€ 6	-
Carlos Rodrigues	Supervisory Board member	k€ 6	-

For services provided individually, Supervisory Board member Dr. Gerd Wecker additionally received kEUR 2 in financial year 2007. There were no other additional payments in financial year 2008.

On 31 December 2008, Supervisory Board members of Müller - Die lila Logistik AG owned the following shares and options in the company:

Name	Function	Shares
Prof. Peter Klaus	Chairman of the Supervisory Board	15,014
Klaus Langer	Supervisory Board member	2,500
Per Klemm	Supervisory Board member	46,450
Carlos Rodrigues	Supervisory Board member	785

#### Personnel

In financial year 2008, the average number of employees was 9 (previous year 9) not including Managing Board members.

### Equity investments

The company owns equity stakes of 20% or more in the following enterprises:

#### Müller - Die lila Logistik Deutschland GmbH, Besigheim

Equity stake	100 percent
Total equity	k€ 1,147
Net profit for the year 2208 (according to profit and loss transfer agreement)	k€ 0

#### Müller - Die lila Logistik Polska Sp. z o.o., Gliwice

Equity stake	100 percent
Total equity	k€ 5,816
Net profit for the year 2008	k€ 259

#### Value Added Logistics Sp. z o.o., Gliwice

Equity stake	100 percent
Total equity	k€ 17
Net loss for the year 2008	k€ -548

#### Müller - Die lila Logistik Austria GmbH, Graz

Equity stake	100 percent
Total equity	k€ 910
Net profit for the year 2008	k€ 803

#### Müller - Die lila Logistik Ost GmbH, Zwenkau

Equity stake	100 percent
Total equity	k€ 196
Net profit for the year 2008	k€ 171

#### Müller - Die lila Logistik West GmbH, Herne

Equity stake	100 percent
Total equity	k€ 374
Net profit for the year 2008	k€ 342

#### Müller - Die lila Logistik Slovakia s.r.o., Bratislava

Equity stake	100 percent
Total equity	k€ 25
Net loss for the year 2008	k€ 0

#### Müller - Die lila Logistik Verwaltung GmbH, Herne

Equity stake	100 percent
Total equity	k€ 638
Net profit for the year 2208 (according to profit and loss transfer agreement)	k€ 0

**Müller - Die lila Logistik GmbH, Herne**

Equity stake	(indirectly)100 percent
Total equity	k€ 156
Net profit for the year 2208 (according to profit and loss transfer agreement)	k€ 0

**ILS Depot GmbH, Herne** (liquidated on 6 January 2009)

Equity stake	(indirectly)100 percent
Total equity	k€ 26
Net loss for the year 2008	k€ 0

**Müller - Die lila Logistik Nord GmbH, Bünde**

Equity stake	(indirectly)100 percent
Total equity	k€ 85
Net profit for the year 2008	k€ 66

**Emporias Management Consulting GmbH, Unterföhring**

Equity stake	76 percent
Total equity	k€ 154
Net profit for the year 2008 (according to profit and loss transfer agreement)	k€ 0

**FMS Logistic GmbH, Besigheim**

Equity stake	33.33 percent
Total equity	k€ 107
Net profit for the year 2008 (preliminary)	k€ 69

**Auditors` services and fees**

	<b>2008</b>	<b>2007</b>
	<b>k€</b>	<b>k€</b>
Fees for financial statement audits	156	99
Tax advisory services	54	48
Other benefits	50	44
	<b>260</b>	<b>191</b>

The auditors' fees comprise fees for the statutory audit of the individual and consolidated financial statements of Müller - Die lila Logistik AG as well as the financial statements of its subsidiaries Müller - Die lila Logistik Deutschland GmbH, Müller - Die lila Logistik Ost GmbH, Müller - Die lila Logistik West GmbH and Emporias Management Consulting GmbH according to German Commercial Code [Handelsgesetzbuch (HGB)] principles and IFRS for the financial year 2008.

## **Notices pursuant to article 21, paragraph 1 of the German Securities Trading Act [Wertpapierhandelsgesetz, WpHG]**

Mr. Michael Müller has a share of EUR 4,069,000 (51.15%) in the share capital. Landesbank Baden-Württemberg notified the company that the share of Süd KB Unternehmensbeteiligungsgesellschaft mbH & Co. Kommanditgesellschaft in the share capital was EUR 1,341,000 (16.86% of voting rights) on 22 December 2008 and that this amount is attributable to Landesbank Baden-Württemberg. Mr. Rudolf Reisdorf notified the company that his share in the share capital was EUR 796,370 (10.01 %) on 9 October 2008.

The remaining shares are in free float.

### **Derivative financial instruments**

In financial year 2008, Müller - Die lila Logistik AG entered into interest-related hedges in the form of interest rate swaps.

One interest-rate swap at Baden-Württembergische Bank relates to a bank loan with a nominal value of kEUR 2,000. The market value and fair value, respectively, of this interest-rate swap is minus kEUR 101 as 31 December 2008. The measurement was made using generally applied valuation methods.

On 14 August 2008, Müller - Die lila Logistik AG entered into an interest rate derivative with Kreissparkasse Ludwigsburg. The nominal volume of the hedged item is kEUR 825 as of the reporting date. The market value and fair value, respectively, is minus kEUR 32 as of 31 December 2008.

### **4. Legal liabilities and other financial obligations**

The company has assumed sureties and avals for subsidiaries totalling kEUR 10,123 (previous year kEUR 10,503).

Other financial obligations not shown in the statement of financial position (balance sheet) and not constituting legal liabilities within the meaning of article 251 HGB existed as of the reporting date in the form of continuing performance obligations (rental and lease agreements) for which future expense amounts to kEUR 334 (previous year kEUR 167). The increase on the previous year mainly results from the letting of office space of Müller - Die lila Logistik Deutschland GmbH to Müller - Die lila Logistik AG. Future expense relating to continuing performance obligations to affiliated companies amounts to kEUR 274.

### **5. Declaration of compliance with the German Corporate Governance Code**

The joint declaration of the Management and Supervisory Boards of Müller - Die lila Logistik AG pursuant to article 161 of the German Stock Corporation Act [Aktiengesellschaftsgesetz (AktG)] on compliance with the German Corporate Governance Code was published and has been permanently available since December 2008.

Besigheim, 17 March 2009

The Management Board

## Development of Changes in Noncurrent Assets

Historical and manufacturing costs						
	1.1.2008	Additions	Repostings	Disposals	31.12.2008	
	EUR	EUR	EUR	EUR	EUR	
<b>I. Intangible assets</b>						
1. Concessions, industrial property rights, and similar rights and assets as well as licenses to such rights and assets	104,724.05	2,400.00	0.00	0.00	107,124.05	
2. Goodwill	4,345,433.83	0.00	0.00	0.00	4,345,433.83	
	4,450,157.88	2,400.00	0.00	0.00	4,452,557.88	
<b>II. Property, plant &amp; equipment</b>						
1. Properties, property-like rights, and buildings including buildings on third-party properties	8,535,521.02	0.00	0.00	8,535,521.02	0.00	
2. Other improvements, operating, and office equipment	1,072,442.52	20,747.43	0.00	750,367.63	342,822.32	
	9,607,963.54	20,747.43	0.00	9,285,888.65	342,822.32	
<b>III. Financial assets</b>						
1. Equity interests in affiliated enterprises	10,464,049.96	5,896,144.27	1,100,000.00	0.00	17,460,194.23	
2. Loans to affiliated enterprises	2,122,583.76	0.00	-1,100,000.00	0.00	1,022,583.76	
3. Equity investments	1,470,368.22	44,000.00	0.00	1,504,142.38	10,225.84	
4. Other loans	2,060.00	0.00	0.00	0.00	2,060.00	
	14,059,061.94	5,940,144.27	0.00	1,504,142.38	18,495,063.83	
	28,117,183.36	5,963,291.70	0.00	10,790,031.03	23,290,444.03	
Cumulated amortisation						
	1.1.2008	D&A&I in the financial year	Disposals	31.12.2008	Book values	
	EUR	EUR	EUR	EUR	31.12.2008	31.12.2007
	EUR					
<b>I. Intangible assets</b>						
1. Concessions, industrial property rights, and similar rights and assets as well as licenses to such rights and assets	93,700.05	10,854.00	0.00	104,554.05	2,570.00	11,024.00
2. Goodwill	3,286,627.83	204,930.00	0.00	3,491,557.83	853,876.00	1,058,806.00
	3,380,327.88	215,784.00	0.00	3,596,111.88	856,446.00	1,069,830.00
<b>II. Property, plant &amp; equipment</b>						
1. Properties, property-like rights, and buildings including buildings on third-party properties	2,399,129.96	0.00	2,399,129.96	0.00	0.00	6,136,391.06
2. Other improvements, operating, and office equipment	814,669.52	23,248.43	553,951.63	283,966.32	58,856.00	257,773.00
	3,213,799.48	23,248.43	2,953,081.59	283,966.32	58,856.00	6,394,164.06
<b>III. Financial assets</b>						
1. Equity interests in affiliated enterprises	0.00	2,156,732.73	0.00	2,156,732.73	15,303,461.50	10,464,049.96
2. Loans to affiliated enterprises	0.00	0.00	0.00	0.00	1,022,583.76	2,122,583.76
3. Equity investments	0.00	0.00	0.00	0.00	10,225.84	1,470,368.22
4. Other loans	0.00	0.00	0.00	0.00	2,060.00	2,060.00
	0.00	2,156,732.73	0.00	2,156,732.73	16,338,331.10	14,059,061.94
	6,594,127.36	2,395,765.16	2,953,081.59	6,036,810.93	17,253,633.10	21,523,056.00



## CORPORATE GOVERNANCE

### **Declaration of conformity 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 6 June 2008 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 total compensation of each member of the Management 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 (section 4.2.4).

*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 granted are reported separately.*

#### **Committee chair**

The German Corporate Governance Code recommends that the chairman of the Supervisory Board "(shall) also chair the committees that handle contracts with members of the Management Board and prepare the Supervisory Board meetings." (section 5.2).

*The chairman of the Supervisory Board, Prof. Peter Klaus, is a member of the committee that handles the contracts with the members of the Management Board (Personnel Committee). Due to the high number of tasks of the chairman of the Supervisory Board and the intense and continued co-operation of the committee members, the Personnel Committee is chaired by Dr. Gerd Wecker.*

#### **Performance-related compensation for the Supervisory Board**

The German Corporate Governance Code recommends not only fixed compensation, but in addition "... performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise." (section 5.4.6).

*Müller - Die lila Logistik AG is of the opinion that there should not be a motive-based connection between the supervisory duties and the financial performance of the enterprise since the supervisory duties are clearly defined. Any further supervision, if at all possible, will not necessarily result in improved financial performance of the enterprise. The members of the Supervisory Board of Müller - Die lila Logistik AG receive adequate 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" (section 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. In addition to the existing Audit Committee as well as the existing Personnel Committee, the formation of a Nomination Committee requires an excessively high amount of extra time and expenses. Questions that must be handled by the Nomination Committee are discussed and decided by the Supervisory Board.*

### **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 (section 7.1.2).

*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. Publication within 45 days causes a disproportionate increase in workload for all parties involved in their preparation.*

Besigheim, December 2008

**For the Supervisory Board**

**For the Management Board**

**Prof. Peter Klaus**  
Chairman of the Supervisory Board

**Michael Müller**  
Chairman of the Management Board

## Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Müller - Die lila Logistik AG, Besigheim, for the business year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Müller - Die lila Logistik AG in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Stuttgart, 17 March 2009

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
(formerly Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft)

Göttgens  
Wirtschaftsprüfer

Hamm  
Wirtschaftsprüfer

## Contact

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