



ANNUAL REPORT 2005

05



MÜLLER | DIE LILA LOGISTIK

2003





ANNUAL REPORT 2005

5	Table of key figures
6-15	Group management report for the 2005 financial year
16-17	Group balance sheet
18	Group income statement
19	Group cash flow statement
20-21	Statement of changes in group shareholders' equity 2005
22-23	Statement of changes in noncurrent assets



24-66	Notes to the consolidated annual financial statements for the financial year 2005
68-69	Report of the Supervisory Board
70	Declaration of conformity concerning the Corporate Governance Code
71	Auditor's report
72	Company diary 2006
73	Imprint, Note

	2005	2004	percentage change	absolute change
Sales	72,391 kEUR	70,536 kEUR	+2.6%	+1.855 kEUR
EBIT	3,088 kEUR	2,638 kEUR	+17.1%	+450 kEUR
EBIT margin	4,3%	3,7%	-	-
Group net result	1,363 kEUR	900 kEUR	+51.4%	+463 kEUR
Earnings per share	0.17 EUR	0.12 EUR	-	+0.04 EUR
Equity rate	25.3%	21.5%	-	-
Employees (yearly average)	896	846	+5.9%	+ 50
Employees (as per 31/12)	878	1,022	-14.1%	-144

# GROUP MANAGEMENT REPORT OF MÜLLER – DIE LILA LOGISTIK AG FOR THE 2005 FINANCIAL YEAR

## Preface

This group management report discusses the Müller – Die lila Logistik AG Group's business situation during financial year 2005.

For the sake of clarity, explicit mention will be made should the individual company of the same name appear in this report.

## Business Model

As a domestic and internationally operating logistics services provider, the Müller – Die lila Logistik corporate group offers all the activities inherent in consulting (Logistics Design) and in the implementation of logistics solutions (Logistics Operating). The fields of procurement logistics, production logistics and distribution logistics form the core of the group's operating activities. Services fall predominantly into the following four key target industries and branches:

- Automotive (car makers and parts suppliers)
- Electronics
- Industrial Goods
- Consumer Goods

Müller – Die lila Logistik corporate group's customers include well-known companies from a wide range of business fields that operate in Germany and internationally.

## Equity Interests

### Termination of Collaboration in Joint Venture with VEDES

A mutual understanding was reached with the VEDES Group to terminate the 2004 joint venture effective 1 April 2005. The former partners in the joint venture bearing the name Vedes-Müller Logistik GmbH came to an amicable decision to discontinue the joint venture because of changed circumstances and conditions. The required earnings goals could no longer be met in light of vastly reduced expectations for sales in the past 2005 financial year and for the coming financial year. As agreed, Vedes Logistik GmbH, as the sole shareholder, will continue to handle the logistics and manage the company from 1 April 2005 on. There are no

reciprocal claims or accounts receivable stemming from this joint venture.

### Renaming Subsidiaries as a Part of Branch Communication

The focus on communicating the business branch and the resulting adaptation of the corporate image led to the renaming of the following interests from our equity portfolio:

- Müller – Die lila Logistik Deutschland GmbH (formerly Müller Logistics Operating GmbH)
- Müller – Die lila Logistik Verwaltung GmbH (formerly ILS Industrie Logistik Service GmbH)
- Müller – Die lila Logistik GmbH (formerly Wüstefeld Logistik GmbH)
- Müller – Die lila Logistik Polska Sp. z o.o. (formerly M & W Logistics Polska Sp. z o.o.)

Along with renaming these units and reinforcing the brand name, there were a number of accompanying actions that supported these companies' regional corporate image and presentation.

## Industry Performance

The market for providing logistics services is very heterogeneous making it extremely difficult to derive any uniform market trends. Small to midsized logistics companies in the transport sector were subjected to tremendous strains during the 2005 reporting period, including highway truck tolls, rising fuel prices and the influx of foreign competitors. Along with this, customers from every industry added more pressure to realise increased efficiency potentials ahead of third-party-logistics projects. The automotive branch posted only moderate industry-wide growth in 2005.

Müller – Die lila Logistik Group, as a midsized provider of logistics services, can make the following statement regarding its market situation:

The Lila Logistik Group was able to further increase its earnings power during the 2005 financial year thanks to its clear branch focus and concentration on higher-end logistics services. The Lila Logistik Group's revenue growth was slightly better than industry growth due to one-time effects stemming from the dissolution of the joint venture with VEDES and the related deconsolidation.

## Business Performance

### Locations

The Lila Logistik corporate group maintains operating facilities in the German cities of Besigheim, Böblingen, Bremen, Herne, Leipzig, Rodgau, Ulm and Unterföhring.

In connection with a new logistics project, the Minden site was integrated at the close of financial year 2005 into the company Müller - Die lila Logistik Nord GmbH in Bünde near Bielefeld, which was renamed following its acquisition. Fourth quarter also saw an acquisition renamed as the company Müller - Die lila Logistik Ost GmbH (Zwenkau).

International sites include Graz (Austria), Gliwice (Poland) and, since the end of the year, an operating facility in Antwerp (Belgium). The company TKS Unternehmensberatung- und Industrieplanung GmbH, which is carried here at equity, also maintains offices in:

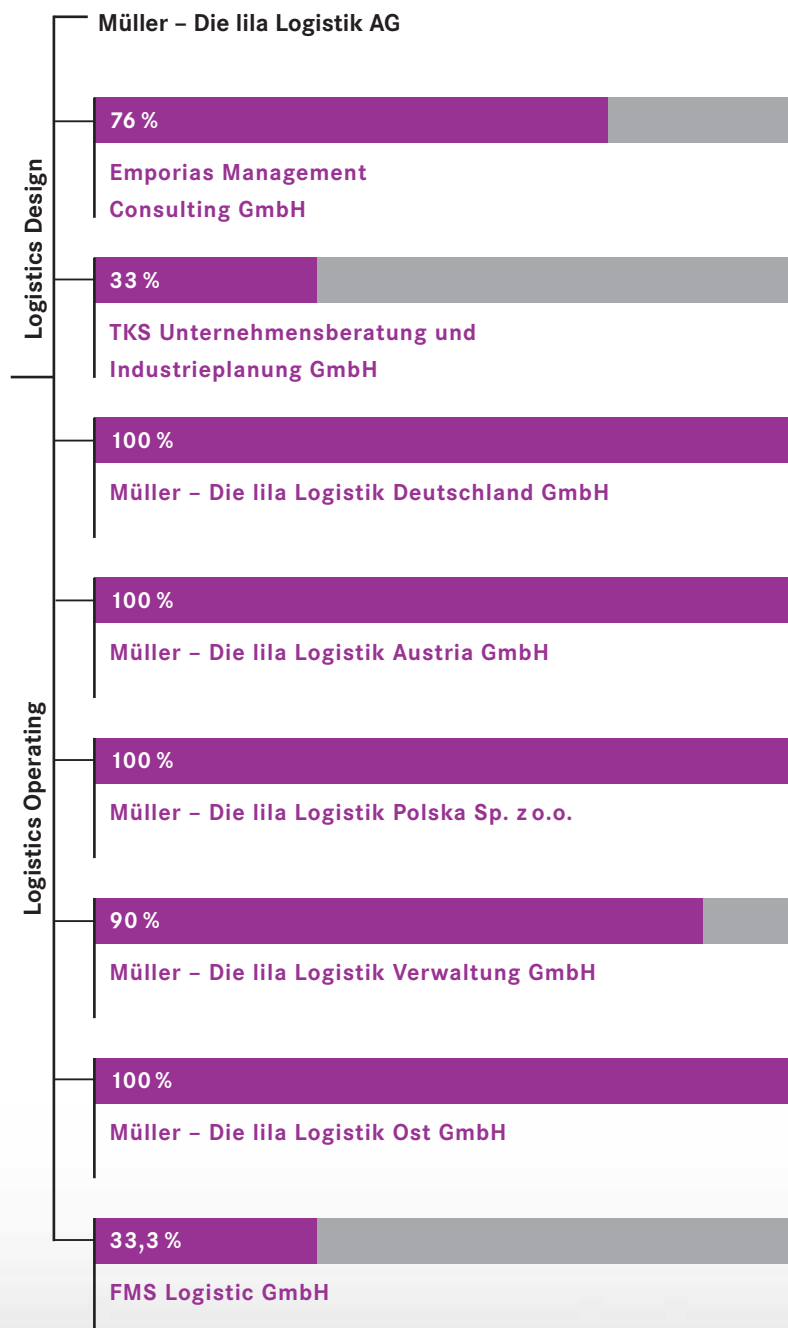
- Eningen (Germany)
- Arad (Romania)
- Győr (Hungary)
- Wroclaw (Poland)
- Shanghai (China)

### Changes in the Consolidation

Vedes-Müller Logistik GmbH was deconsolidated upon the termination of the joint venture with VEDES effective 1 April 2005.

Müller - Die lila Logistik Ost GmbH has been included in the consolidation since December 2005.

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



**Sales**

Sales revenues in financial year 2005 were above those of the previous year and totalled kEUR 72,391 (previous year: kEUR 70,536). The company's sales growth of 2.6% is attributable mostly to increased revenues within the Austrian subsidiary. The approximately kEUR 78,000 variance in sales as projected in the management report of the 2004 Annual Report is due primarily to the termination of the joint venture with VEDES.

Sales revenues were distributed over the quarters as follows:

1st Quarter:	25.2%
2nd Quarter:	24.4%
3rd Quarter:	23.8%
4th Quarter:	26.6%

The increasing internationalisation of the group's activities is clearly evident when looking at how revenues are distributed by country. 73.2% of sales revenues were generated in Germany (previous year: 76.2%) and 26.8% in other European countries (previous year: 23.8%).



**Earnings Performance**

This marks the first time that the annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In previous years they were prepared according to U.S. Generally Accepted Accounting Principles (US GAAP). Individual reconciliations are included in the notes to the consolidated financial statements.

Müller - Die lila Logistik AG showed a positive performance in earnings during the past financial year. The group posted an annual net income of kEUR 1,363 (previous year: kEUR 900) for an increase of 51.4%.

The cost of materials was kEUR 24,049 (previous year: kEUR 24,935), a major portion of which is attributable to Müller - Die lila Logistik Deutschland GmbH. This 3.6% reduction in material costs over that of the previous year is primarily due to lesser freight revenues from one subsidiary.

Personnel expenses during the reporting period totalled kEUR 27,976 for an increase of kEUR 1,150 compared to the previous year. Besides the largest subsidiary Müller - Die lila Logistik Deutschland GmbH, the companies in Herne and Graz (Austria) are significant beneficiaries of this cost item. The other operating expenses rose kEUR 1,400 this past financial year. The increase in personnel and other operating expenses is attributable primarily to the Austrian subsidiary, which last year was included in the consolidated financial statements for only six months.

Even when accounting for the items above, the earnings before interest and taxes (EBIT) still improved by kEUR 450 to kEUR 3,088.





As a result of the principal payments against financial obligations that were undertaken, the net interest balance declined to minus kEUR 1,442 (previous year: minus kEUR 1,489). Income from the financial assets reported using the equity method totalled kEUR 378 (previous year: kEUR 45). Outside shareholders of the majority equity holdings received indemnification in the unchanged amount of kEUR 74 (previous year: kEUR 74). The group's earnings before taxes and minority interests improved by 74% to kEUR 1,951 (previous year: kEUR 1,121).

Besides current taxes, the tax rate of 30.1% (previous year: 19.7%) includes additional tax liabilities stemming from the government audit of the financial years 1998 to 2003 (kEUR 184).

These developments led to an improvement in earnings per share to 17 euro cents (previous year: 12 euro cents). The return on equity rose to 12.4% (previous year: 9.4%).

### Business Segment Performance

The consulting and planning segment (Logistics Design) reported a slight downturn compared to the previous year with sales sinking to kEUR 3,699 (previous year: kEUR 3,823). Its earnings before interest and taxes (EBIT) also declined modestly to kEUR 824 (previous year: kEUR 844).

The segment responsible for the operational implementation of logistic processes (Logistics Operating) posted an increase in sales to kEUR 68,829 (previous year: kEUR 67,339). Here the earnings before interest and taxes (EBIT) grew by a significant 26.2% over last year to kEUR 2,264 (previous year: kEUR 1,794).

The following table shows the sales and earnings performance within the segments:

<b>2005</b>		
Figures in thousand EUR	Sales Revenues	EBIT
Logistics Design	3,699	824
Logistics Operating	68,829	2,264

<b>2004</b>		
Figures in thousand EUR	Sales Revenues	EBIT
Logistics Design	3,823	844
Logistics Operating	67,339	1,794



### Capital Investments, Depreciation and Amortisation

Investments of kEUR 1,557 (previous year: kEUR 3,323) were made in fixed assets during the past financial year. Of this amount, kEUR 238 was used in procuring or replacing IT hardware components, while kEUR 399 was invested in licences and other software. The group also invested kEUR 790 into modernising and expanding its office and plant equipment.

Opposite these investments were ongoing proceeds from the sale of noncurrent assets, including those in connection with the sale of fixed assets to VEDES, totalling kEUR 1,055 (previous year: kEUR 359).

The regular decrease in value of noncurrent assets was recognised through depreciation and amortisation totalling kEUR 1,846 (previous year: kEUR 1,829).

### Net Assets and Financial Situation

Total assets diminished 2.6% to kEUR 43,285 (previous year: kEUR 44,447) as of the reporting date. Two opposite trends can be observed on the assets side of the balance sheet. Trade accounts receivable increased to kEUR 11,638 (previous year: kEUR 9,325). This came about primarily by having realised expanded sales in fourth quarter, which mostly involved clients with payment periods that were better than the norm. On the other hand, the property plant and equipment listed under noncurrent assets decreased to kEUR 15,381 (previous year: kEUR 16,700) due to the sale of assets in line with the disposal of shareholdings in the joint ven-

ture with VEDES and depreciation and amortisation according to plan. The other assets item dropped to zero (previous year: kEUR 977) from having used the opportunity under IFRS to offset pension provisions and long-term financial obligations with the corresponding reinsurance and redemption insurance. Müller - Die lila Logistik AG made the agreed redemption payments on schedule. Existing credit agreements were extended to furnish long-term security for the financing.

The capital ratio improved to 25.3% (previous year: 21.5%).

### Cash Flow and Liquidity

The cash flow from operating activities declined 16.6% due predominantly to an increase in accounts receivable, and resulted in a cash inflow of kEUR 3,071 (previous year: kEUR 3,683). Cash flow from investing activities totalled minus kEUR 776 (previous year: minus kEUR 1,491). The proceeds of kEUR 1,055 (previous year: kEUR 359) from the sale of fixed assets were offset by acquisitions in fixed assets amounting to kEUR 1,427 (previous year: kEUR 1,912). Furthermore, some kEUR 400 in cash was transferred in line with the disposal of corporate shareholdings in the joint venture with VEDES.

The kEUR 2,472 (previous year: kEUR 1,790) in cash used in financing activities is due to the repayment of debts and obligations in the amount of kEUR 3,186 (previous year: kEUR 3,588). Again this past financial year, Müller - Die lila Logistik AG has retired a por-

tion of its financial obligations. The notes to the consolidated financial statements contain additional information about external funding sources.

Müller - Die Lila Logistik AG's cash and cash equivalents totalled kEUR 1,091 as at the end of the reporting period, corresponding to a decrease of kEUR 180 from that at the end of the previous period (previous year: kEUR 1,271).

The debt-to-equity coefficient during the past financial year was 0.75 (previous year: 0.79).

#### **Summary of Performance in Financial Year 2005**

In spite of the challenging market environment, financial year 2005 was a successful one for Lila Logistik Group. The earnings situation was further stabilised as financial obligations were retired. The decisions made in 2005 regarding internationalisation and the expansions of existing logistics platforms form the foundation for the strategic growth and development of the entire group.

#### **Personnel**

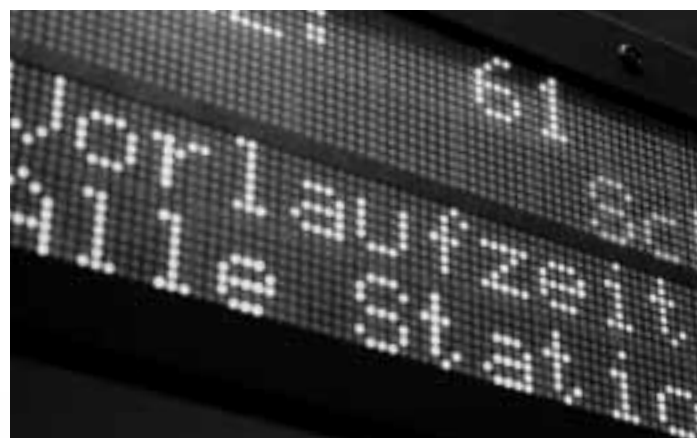
The number of employees in the corporate group declined by 14% to 878 people (previous year: 1,022) as at the 31 December 2005 reporting date. This reduction in core staffing is attributable primarily to having sold the shareholdings in the joint venture to Vedes Logistik GmbH. VEDES then picked up the staff of this joint venture following the two partners' agreed dissolution that took effect on 1 April 2005.

The annual average number of individuals employed in the group during financial year 2005 was 896 (previous year: 846). Of these 75% worked in Germany (previous year: 84%) and 25% in other European countries (previous year: 16%). This simply highlights the group's growing level of internationalisation.

#### **Risk Report**

##### **Risk Management System**

In accordance with § 91, Section 2 of the German Stock Corporation Law (AktG), the management board is required to undertake appropriate steps and, in particular, establish a monitoring system to identify as early as possible any developments that threaten the company's status as a going concern. Provisions of the German Commercial Code (HGB) stipulate that it report on future developments and the risks related to them. A risk management system was introduced within the Lila Logistik Group several years ago in order to identify risks early on and assess and properly deal with them. This risk management system again saw incremental additions and enhancements made to it during financial year 2005. At the core of this system lies management's responsibility to use a variety of tools to quickly identify, analyse and weigh risks within the company in order to implement the necessary precautionary and preventive measures. One way management does this is through monthly reporting that focuses on the financial results of each location/company, as well as on updated forecasts and the risk/opportunities picture.



The company's business operations involve both risks and opportunities. The Lila Logistik Group concentrating on consulting (Logistics Design) and operational logistics (Logistics Operating) is exposed to typical business risks that can have a material impact on the assets, financial and earnings situation of any organisation. These especially include drops in demand and other general and company-specific risks and threats discussed below.

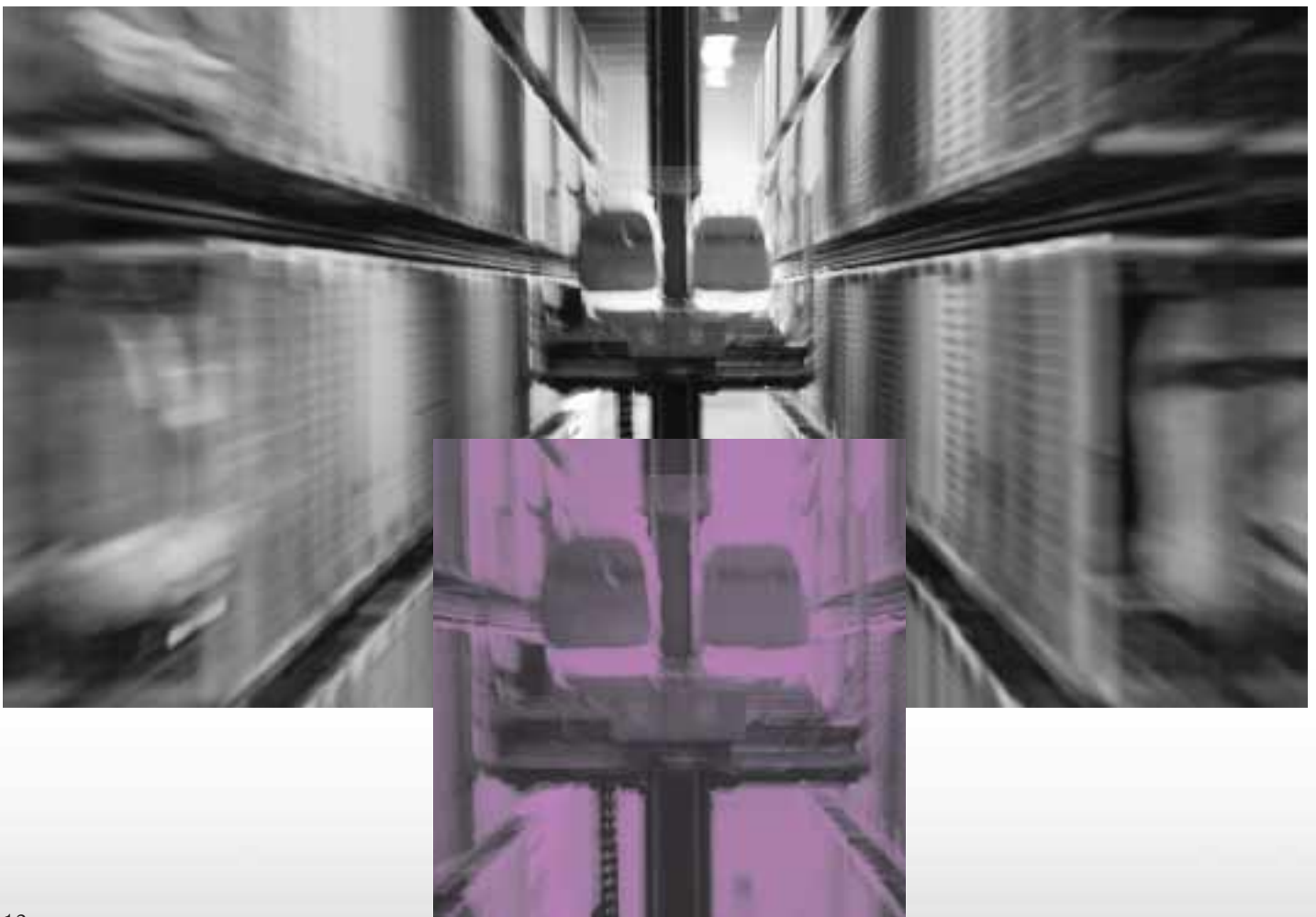
**Overall Economic Risks**

General economic risks always exercise an influence on businesses and the Lila Logistik Group is no exception. Economic disturbances can lead to a drop in demand for production materials, which in turn results in a smaller volume of material flows. Reduced foreign demand may also be a reason for this and can

have a dramatic impact on the export-focused German economy. Rising oil prices can also have a harmful effect. Müller - Die lila Logistik AG and its subsidiaries are aware of seasonal factors and uneven distributions of business, such as when client companies shut down for block leave, and take these into consideration in their corporate planning.

**Dependence on Major Clients**

The Lila Logistik Group's conscious focus on internationally operating companies in its four defined core industries (Automotive, Electronics, Industrial Goods and Consumer Goods) enables the Lila Logistik Group to participate in and profit from these companies' growth. Intensive business relationships and mutual dependencies arise from the growth momentum within these branches



and the individual companies operating in them. The extensive involvement in the clients' workflow and processes provides a comparatively high degree of security in terms of existing business relationships and future orders. The dependencies that result extend both from the customer to the logistics provider and the other way around. Establishing and fostering good customer relationships remains one of the group's pre-eminent goals.

### **Industry Risks**

According to a number of different experts, the logistics sector is one of the biggest industries in the Federal Republic of Germany. Major increases in volume are expected in the coming years, especially for logistics service providers. Because it is so closely integrated with its customers, the Lila Logistik Group is in a position to recognise market trends early on and readily adapt and prepare itself for any changes on the logistics market.

### **Dependence on Individual Management Personnel**

The Lila Logistik Group's business success depends decisively on the qualifications of its employees. The organisational structures needed for positive business performance were continuously updated and improved in 2005. Nevertheless, there is always the risk that key individuals who possess critical knowledge may leave the company.

### **Management of Project Start-Ups**

The second-tier subsidiaries Müller - Die lila Logistik Ost GmbH (Zwenkau) and Müller - Die lila Logistik Nord GmbH (Bünde) that emerged from the 2005 acquisitions and name changes were established on the basis of project start-ups. Such project start-ups always involve operational and financial risks, particularly compu-



tation and liability risks. These risks are assessed through interdisciplinary project management and an intensive project-controlling effort. The actions needed to reduce these risks are derived based on these assessments.

### **IT Risks**

Highly capable and adaptable IT systems are crucial for networking all the different parties involved in the processes of logistics transactions at the Lila Logistik Group. These systems safeguard the group by employing the most up-to-date anti-virus software. Emergency plans are an essential part of our quality management programme and are in place in the event of a system-wide outage. In addition, two physically separate and independent IT sites ensure the functional security and integrity of the IT systems.

### **Risks of Internationalisation**

The company must address the progressing internationalisation and the resulting expansion of the Lila Logistik Group's business activities into additional markets. The economic and legal peculiarities of foreign markets may involve considerable expense. There is also a greater risk of delayed payments and bad debt outside Germany.



The Lila Logistik Group also operates businesses outside the euro zone, particularly in Poland. A portion of the invoices issued there is not expressed or paid in euros. Fluctuations in the exchange rate between the euro and currencies of countries outside the euro zone can influence Müller - Die lila Logistik AG's consolidated earnings.

#### **Entering into Existing Employment Relationships**

Under German law, the acquirer of an enterprise or part of an enterprise legally assumes the rights and obligations of the existing employment relationships at the time of the transfer of the enterprise or part of an enterprise. Therefore, it cannot be ruled out that in line with future acquisitions of enterprises or parts of enterprises, the subsidiaries must continue employment relationships, which they would otherwise not have taken upon themselves had such not been required by law. Even if the company accounts for these economic burdens in the acquisition agreement made with the seller, one can still not rule out that the legally

mandated continuation of the employment relationships upon the acquisition of an enterprise or part of an enterprise may have a negative impact on the companies' financial and earnings situation.

#### **Risks from the Equity Portfolio**

Müller - Die lila Logistik AG is kept informed in detail about the developments and risks within the subsidiaries through its management and oversight of the individual group companies and its standardised system of group controlling. Despite all the measures undertaken, a burden to the company's financial and earning situation as a result of weaknesses in the profitability of the subsidiaries cannot be ruled out.

#### **Risks from the Joint Venture with VEDES**

As agreed, there no longer exist any reciprocal claims and related risks on behalf of the partners stemming from the joint venture with Vedes Logistik GmbH.

#### **Subsequent Events**

As at 1 January 2006 a medium-sized project was launched at each of the locations Bünde, Zwickau and Antwerp (Belgium). In February the board of directors of the Katowice (Poland) Special Economic Zone officially granted Müller - Die Lila Logistik Polska Sp. z o.o. permission to finalise its acquisition of a section of land in Poland. Plans in the initial construction phase call for construction of a 12,000 m<sup>2</sup> logistics service center on this property, so that the company can do business under favourable tax conditions within this special zone.

## Forecast

The Lila Logistik Group will continue operating strategically in its defined core branches on the basis of its business model that combines logistics consulting and the implementation of logistics processes through its subsidiaries. The group expects the economy in Germany and the entire euro area to continue growing at a moderate rate. The Lila Logistik Group anticipates growth rates above that of the general economy for the logistics industry. Due to the volatility of its project business, the planning horizon here is 12 months out.

For the 2006 year the group expects that growth will take place primarily within the Logistics Operating segment. Favourable growth effects are anticipated from the project starts in Zwickau and Antwerp, as well as from shifting operations from Minden and concentrating them in Bünde.

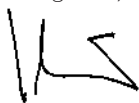
The group expects the Logistics Design segment to contribute to earnings at the same level it does now.

The ongoing internationalisation and expansion of the Lila Logistik Group's business activities into European countries beyond Germany will be just some of the factors shaping the group in financial year 2006 and the years that follow. In particular, the planned project in Poland is designed to represent the foundation for an appropriate presence within that market. Here is where the group sees the basis for a strategic expansion of business operations into the countries of Central and Eastern Europe (CEE). What's more, this move will allow the Lila Logistik Group to reinforce its business relationships with customers that are shifting their activities into Eastern Europe.

The group considers the changes in statutory regulations for shipping and freight transports set for 2009 to be a significant shift in the legislative framework. The Lila Logistik Group is already putting measures in place today to meet and counteract the effects associated with these changes.

Besides the investments in Poland, there are imminent plans and related investments to build an addition of some 6,500 m<sup>2</sup> in Herne. The expansions to the regional production platforms and the subsidiaries' project start-up costs that go with them will be reflected in the earnings for financial year 2006. Nevertheless, the Lila Logistik Group expects slightly increased earnings for 2006 over that of last year because of its branch focus and concentration on higher-end logistics services. Expected sales revenues of some kEUR 75,000 in 2006 will be above the level of 2005. We will also keep pursuing the goal of continuously clearing the group's debt as scheduled.

Besigheim, 20 March 2006



Michael Müller  
Chairman and CEO



Rupert Früh  
Chief Financial Officer

**GROUP BALANCE SHEET**  
(IFRS) as at 31 December 2005



**Assets**

	<b>31.12.2005</b>	<b>31.12.2004</b>
	EUR	EUR
<b>I. Short-term assets</b>		
1. Cash and cash equivalents	1,091,108	1,270,980
2. Marketable securities	0	162,762
3. Trade accounts receivable	11,637,706	9,325,360
4. Receivables from affiliated companies	1,000	0
5. Receivables from related parties and equity-holding companies	44,031	599,879
6. Inventories	125,946	191,652
7. Tax-reimbursement entitlements	172,158	248,962
8. Accrued income, prepaid expenses and other short-term assets	455,501	480,759
<b>Total short-term assets</b>	<b>13,527,450</b>	<b>12,280,354</b>
<b>II. Long-term assets</b>		
1. Tangible fixed assets	15,380,677	16,699,800
2. Investment property	1,865,233	1,916,415
3. Intangible assets	299,988	421,178
4. Goodwill	9,798,248	9,798,249
5. Financial assets	74,178	46,678
6. Equity interests in associated companies	1,417,507	1,314,710
7. Loans	3,788	3,788
8. Deferred tax assets	917,583	988,775
9. Other assets	0	976,576
<b>Total long-term assets</b>	<b>29,757,202</b>	<b>32,166,169</b>
<b>Total assets</b>	<b>43,284,652</b>	<b>44,446,523</b>
The notes to the consolidated financial statements and the group management report are integral parts of the consolidated financial statements.		



## Liabilities and Shareholders' Equity

	31.12.2005 EUR	31.12.2004 EUR
<b>I. Short-term liabilities</b>		
1. Short-term portion of financial lease liabilities	249,536	144,877
2. Short-term loans and short-term portion of long-term loans	4,694,893	4,212,658
3. Short-term portion of long-term shareholder loans	750,533	250,533
4. Trade accounts payable	4,827,304	4,031,159
5. Liabilities within the scope of the group	25,300	25,150
6. Liabilities to related parties	237,250	189,000
7. Advances from customers	89,000	0
8. Provisions	800,982	618,400
9. Tax liabilities	713,322	94,553
10. Other short-term liabilities	4,944,070	5,017,762
<b>Total short-term liabilities</b>	<b>17,332,190</b>	<b>14,584,092</b>
<b>II. Long-term liabilities</b>		
1. Long-term loans	14,064,539	18,163,481
2. Long-term shareholder loans	0	500,000
3. Long-term capital lease obligations	264,677	312,529
4. Liabilities to related parties	120,000	240,000
5. Deferred taxes	24,526	8,340
6. Provisions	20,000	422,671
7. Pension provisions	117,552	287,827
8. Other long-term liabilities	378,537	355,939
<b>Total long-term liabilities</b>	<b>14,989,831</b>	<b>20,290,787</b>
<b>III. Shareholders' equity</b>		
1. Subscribed capital	7,920,750	7,900,000
2. Capital reserve	9,633,606	9,628,003
3. Stock options outstanding	26,567	17,477
4. Other accumulated equity	27,916	19,724
5. Net loss for the year	-6,835,056	-8,198,340
6. Minority interests	188,848	204,780
<b>Total shareholders' equity</b>	<b>10,962,631</b>	<b>9,571,644</b>
<b>Total liabilities</b>	<b>43,284,652</b>	<b>44,446,523</b>

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

## GROUP INCOME STATEMENT

(IFRS) for the Period 1 January to 31 December 2005



	2005 EUR	2004 EUR
1. Sales revenues	72,391,073	70,535,952
2. Other operating income	2,813,794	2,457,286
3. Changes in the amount of construction contracts	-64,700	14,700
4. Cost of purchased materials and services	-24,048,967	-24,934,609
5. Personnel expenses	-27,975,775	-26,825,607
6. Depreciation and amortisation of fixed and intangible assets	-1,846,323	-1,828,718
7. Other operating expenses	-18,180,843	-16,781,457
<b>8. Earnings from operations</b>	<b>3,088,259</b>	<b>2,637,547</b>
9. Other interest and similar income	2,247	25,139
10. Interest expense	-1,444,287	-1,513,993
11. Equity income	952	953
12. Income from financial assets reported using the equity method	377,684	45,424
13. Other expenses	-74,000	-74,000
<b>14. Group earnings before taxes (and minority interests)</b>	<b>1,950,855</b>	<b>1,121,070</b>
15. Taxes on income	-587,571	-220,953
<b>16. Group net earnings</b>	<b>1,363,284</b>	<b>900,117</b>
Earnings per share (undiluted)	0.17	0.12
Earnings per share (diluted)	0.17	0.11
Average number of share outstanding (undiluted)	7,906,917	7,833,333
Average number of shares outstanding (diluted)	7,992,167	7,927,833

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

**GROUP CASH FLOW STATEMENT**  
**(IFRS)**

	<b>2005</b> EUR	<b>2004</b> EUR
Group annual net earnings	1,363,284	900,117
Adjustment for minority interests	-15,932	143,315
Depreciations	1,846,323	1,828,718
Changes in provisions and value adjustments	-364,447	457,850
Profit/loss from the disposal of property, plant, equipment	17,434	-237,585
Valuation at equity	-102,797	41,576
Foreign currency differences	27,623	38,256
Change	9,090	12,337
Change in deferred tax assets, tax refund claims and tax liabilities	766,315	-93,208
Change in inventories	65,706	93,192
Change in marketable securities	162,762	92,345
Change in accounts receivable from trading and accounts receivable from related companies and associated companies	-2,311,152	-1,877,809
Change in deferred and accrued assets and other assets	-75,890	197,437
Change in trade accounts payable, accounts payable to affiliated companies and accounts payable to related persons	1,152,674	1,390,538
Change in other liabilities, down-payments received and deferred and accrued items	529,862	695,659
<b>Cash flow from operating activities</b>	<b>3,070,855</b>	<b>3,682,738</b>
Disposal/acquisition of subsidiaries, net of cash transferred	-404,023	61,375
Acquisition of property, plant, equipment	-1,426,847	-1,911,687
Income from the disposal of property, plant, equipment	1,054,585	358,943
<b>Cash flow from investing activities</b>	<b>-776,285</b>	<b>-1,491,368</b>
Conditional capital increase from stock option plan	26,353	0
Inflows from short- and long-term borrowings	630,815	1,935,014
Cash repayments of borrowings	-3,185,622	-3,587,809
Change of shareholder loans	0	-51,607
Change of finance leasing	56,807	-85,845
<b>Cash flow from finance activities</b>	<b>-2,471,647</b>	<b>-1,790,247</b>
Net change of cash and cash equivalents	-177,077	401,123
Currency exchange-related changes in cash and cash equivalents	-2,795	-10,516
Cash and cash equivalents at the beginning of the period	1,270,980	880,373
<b>Cash and cash equivalents at the end of the period</b>	<b>1,091,108</b>	<b>1,270,980</b>
<b>Additional disclosures</b>		
Interests received	2,247	25,139
Interests paid	1,326,581	1,466,297
Income taxes paid	48,887	0

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



Balance on 1 January 2005

Capital increase

Premium from capital increase

Minority interests

Group net earnings

Foreign currency translation/  
market valuation of securities

Stock options

**Balance as at 31 December 2005**

Balance on 1 January 2004

Capital increase

Premium from capital increase

Minority interests

Group net earnings

Foreign currency translation/  
market valuation of securities

Stock options

**Balance as at 31 December 2004**

## Changes in Equity 2005

Subscribed capital EUR	Capital reserve EUR	Group annual net loss EUR	Outstanding stock options EUR	Minority interests EUR	Other comprehensive income EUR	Equity (total) EUR
7,900,000	9,628,003	-8,198,340	17,477	204,780	19,724	9,571,644
20,750	0	0	0	0	0	20,750
0	5,603	0	0	0	0	5,602
0	0	0	0	-15,932	0	-15,932
0	0	1,363,284	0	0	0	1,363,284
0	0	0	0	0	8,192	8,192
0	0	0	9,090	0	0	9,091
<b>7,920,750</b>	<b>9,633,606</b>	<b>-6,835,056</b>	<b>26,567</b>	<b>188,848</b>	<b>27,916</b>	<b>10,962,631</b>

## Changes in Equity 2004

Subscribed capital EUR	Capital reserve EUR	Group annual net loss EUR	Outstanding stock options EUR	Minority interests EUR	Other comprehensive income EUR	Equity (total) EUR
7,700,000	9,406,003	-9,277,578	5,140	228,336	-8,016	8,053,885
200,000	0	0	0	0	0	200,000
0	222,000	0	0	0	0	222,000
0	0	179,121	0	-23,556	0	155,565
0	0	900,117	0	0	0	900,117
0	0	0	0	0	27,740	27,740
0	0	0	12,337	0	0	12,337
<b>7,900,000</b>	<b>9,628,003</b>	<b>-8,198,340</b>	<b>17,477</b>	<b>204,780</b>	<b>19,724</b>	<b>9,571,644</b>

STATEMENT OF CHANGES IN NONCURRENT ASSETS IN FINANCIAL YEAR 2005

	1.1.2005	Historical Cost		31.12.2005
	EUR	Additions	Disposals	EUR
	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>				
1. Franchises, trademarks and similar rights and assets, as well as licences to such rights and assets	1,263,561.05	399,282.18	441,436.90	1,221,406.33
2. Goodwill	11,022,491.91	0.00	0.00	11,022,491.91
	<b>12,286,052.96</b>	<b>399,282.18</b>	<b>441,436.90</b>	<b>12,243,898.24</b>
<b>II. Property, plant and equipment</b>				
1. Freehold land, leasehold rights/interests and buildings, including buildings on third-party land	16,375,259.24	9,308.00	7,773.00	16,376,794.24
2. Investment property	2,950,551.52	0.00	0.00	2,950,551.52
3. Other fixed assets, fixtures, fittings and equipment	10,951,763.00	1,018,257.11	1,478,806.26	10,491,213.85
	<b>30,277,573.76</b>	<b>1,027,565.11</b>	<b>1,486,579.26</b>	<b>29,818,559.61</b>
<b>III. Financial assets</b>				
1. Shares in affiliated companies	30,677.51	27,500.00	0.00	58,177.51
2. Equity interests in associated companies	2,029,970.09	102,797.17	0.00	2,132,767.26
3. Equity interests	16,000.00	0.00	0.00	16,000.00
4. Other loans	3,840.60	0.00	0.00	3,840.60
	<b>2,080,488.20</b>	<b>130,297.17</b>	<b>0.00</b>	<b>2,210,785.37</b>
	<b>44,644,114.92</b>	<b>1,557,144.46</b>	<b>1,928,016.16</b>	<b>44,273,243.22</b>

## Development of fixed assets for the period from 1st January to 31 December 2005

Accumulated Depreciation and Amortisation				Carrying Values	
1.1.2005 EUR	Abschreibungen des Geschäftsjahres EUR	Abgänge EUR	31.12.2005 EUR	31.12.2005 EUR	31.12.2004 EUR
842,383.43	208,698.97	129,663.92	921,418.48	299,987.85	421,177.62
1,224,243.25	0.00	0.00	1,224,243.25	9,798,248.66	9,798,248.66
<b>2,066,626.68</b>	<b>208,698.97</b>	<b>129,663.92</b>	<b>2,145,661.73</b>	<b>10,098,236.51</b>	<b>10,219,426.28</b>
3,731,365.75	645,579.00	454.00	4,376,490.75	12,000,303.49	12,643,893.49
1,034,136.62	51,182.00	0.00	1,085,318.62	1,865,232.90	1,916,414.90
6,895,856.36	940,863.30	725,878.96	7,110,840.70	3,380,373.15	4,055,906.64
<b>11,661,358.73</b>	<b>1,637,624.30</b>	<b>726,332.96</b>	<b>12,572,650.07</b>	<b>17,245,909.54</b>	<b>18,616,215.03</b>
0.00	0.00	0.00	0.00	58,177.51	30,677.51
715,260.15	0.00	0.00	715,260.15	1,417,507.11	1,314,709.94
0.00	0.00	0.00	0.00	16,000.00	16,000.00
52.20	0.00	0.00	52.20	3,788.40	3,788.40
<b>715,312.35</b>	<b>0.00</b>	<b>0.00</b>	<b>715,312.35</b>	<b>1,495,473.02</b>	<b>1,365,175.85</b>
<b>14,443,297.76</b>	<b>1,846,323.27</b>	<b>855,996.88</b>	<b>15,433,624.15</b>	<b>28,839,619.07</b>	<b>30,200,817.16</b>

## (1) Accounting principles

### General

The International Financial Reporting Standards (IFRS) were adopted for the first time for the preparation of these financial statements while the consolidated financial statements of the previous year were prepared under the US GAAP (United States Generally Accepted Accounting Principles). With the exception of the adjustments made as a result of the first-time transition to IFRS and described below, deviations of IFRS from the consolidated financial statements under US GAAP as at 31 December 2004 do not have substantial effects for Müller – Die lila Logistik AG.

The consolidated financial statements as at 31 December 2005 of Müller – Die lila Logistik AG were prepared in compliance with the International Financial Reporting Standards (IFRS) the application of which has become obligatory in the European Union. The application of these standards ensures the presentation of a true and fair view of the state of the net assets, financial position and results of Müller – Die lila Logistik AG.

The consolidated financial statements of Müller – Die lila Logistik were for the last time prepared under US GAAP as at 31 December 2004. Differences between the accounting, valuation and consolidation methods as applicable under US GAAP and IFRS are considered by corresponding adjustments in the reporting and comparison period. Müller – Die lila Logistik published the consolidated financial statements as at 31 December 2005 for the first time pursuant to the requirements of IFRS. The transition of accounting from US GAAP to IFRS is based on the requirements of IFRS 1 (“First-time adoption of IFRS”).

In principle, the preparation of the balance sheet and the valuation as well as the explanations and notes to the IFRS consolidated financial statements for the financial year 2004 is based on the accounting and valuation methods taken as a basis of the consolidated financial statements of 2005.

Consolidated financial statements in accordance with the German commercial code are not prepared since § 315a, Section 1 of the German Commercial Code (HGB) in combination with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 which requires that consolidated financial statements are prepared in accordance with the International Financial Reporting Standards.





## **Use of relief options in the transition to IFRS as at 1 January 2004**

### **Corporate Mergers**

Müller – Die lila Logistik AG and its subsidiaries, respectively, acquired several companies in the years 2001 to 2003. The Management Board decided to use the relief option of IFRS 1 for mergers and therefore maintain the classification previously used on the balance sheet for mergers made before the transition date.

### **Stock-Based Compensation**

Options granted to bodies and staff are reported pursuant to IFRS 2. Options issued before 2003 are not considered in compliance with IFRS 1. The valuation of the options is based on an option pricing model which considers the respective blocking periods, performance hurdles, volatility of the basic value as well as the respective interest rates.

### **Pension Provisions**

In compliance with the option of IFRS 1, all actuarial gains and losses were realized in at the time of transition despite the use of the corridor approach.

The transfer from US GAAP to IFRS resulted in the following major deviations:

- For reasons of practicability and transparency, the group income statement has been prepared in accordance with the total cost method (and not, as previously, in accordance with the cost of sales method).
- In connection with the pension obligations, IAS 19.54 was applied. This regulation allows to recognize the amount in the balance sheet from the present cash value of future payments required to settle obligations resulting from employee service at the balance sheet date reduced by the fair value of plan assets direct.
- In the previously published US GAAP statements, interests that accrued in connection with the erection of a building were capitalized and distributed over the period of use of the building. In the course of the transition to IFRS, such a capitalization was no longer made.
- In the transition to IFRS, the provisions in accordance with US GAAP were allocated to the items Provisions and Other liabilities depending on the degree of definition.
- In compliance with IAS 12, deferred taxes are now only reported as long-term.
- Pursuant to IAS 40, investment property is reported separately and valued with the amortized cost of acquisition.
- In the course of the acquisition of further shares in a subsidiary, it was agreed that with the achievement of specific result hurdles for the financial years 2004, 2005 and 2006, further instalments of the purchasing price would become due for payment. Considering the probability of the result hurdles being achieved, they were entered on the liabilities side in compliance with IFRS 3 and in total resulted in an increase of the goodwill by kEUR 360.

**Assets**

	<b>31.12.2003</b> <b>US GAAP</b> EUR	<b>IFRS</b> <b>Reconciliation</b> EUR	<b>01.01.2004</b> <b>IFRS</b> EUR
<b>Short-term assets</b>			
Cash and cash equivalents	880,374	0	880,374
Marketable securities	255,107	0	255,107
Trade accounts receivable	7,037,520	0	7,037,520
Receivables from related parties and equity-holding companies	221,431	0	221,431
Inventories	284,845	0	284,845
Tax-reimbursement entitlements	0	365,910	365,910
Deferred taxes	313,714	-313,714	0
Accrued income, prepaid expenses and other short-term assets	2,474,933	-1,586,082	888,851
<b>Total short-term assets</b>	<b>11,467,924</b>	<b>-1,533,886</b>	<b>9,934,038</b>
<b>Long-term assets</b>			
Tangible fixed assets	18,096,185	-2,080,184	16,016,001
Investment property	0	1,984,487	1,984,487
Intangible assets	209,702	-75,016	134,686
Goodwil	9,111,952	0	9,111,952
Financial assets	46,678	0	46,678
Equity interests in associated companies	1,356,286	0	1,356,286
Loans	2,045	0	2,045
Deferred tax assets	834,604	348,535	1,183,139
Other assets	845,193	-79,272	765,921
<b>Total long-term assets</b>	<b>30,502,645</b>	<b>98,550</b>	<b>30.601,195</b>
<b>Total assets</b>	<b>41,970,569</b>	<b>-1,435,336</b>	<b>40,535,233</b>



## Liabilities and shareholders' equity

	31.12.2003 US GAAP EUR	IFRS Reconciliation EUR	01.01.2004 IFRS EUR
<b>Short-term liabilities</b>			
Short-term portion of financial lease liabilities	15,987	0	15,987
Short-term loans and short-term portion of long-term loans	4,104,765	0	4,104,765
Short-term portion of long-term shareholder loans	551,607	0	551,607
Trade accounts payable	2,575,998	0	2,575,998
Liabilities within the scope of the group	173	0	173
Liabilities to related parties	0	0	0
Provisions	2,264,803	-1,974,133	290,670
Income-tax liabilities	512,580	-129,160	383,420
Other short-term liabilities	1,904,967	1,676,793	3.581,760
<b>Total short-term liabilities</b>	<b>11,930,880</b>	<b>-426,500</b>	<b>11,504,380</b>
<b>Long-term liabilities</b>			
Long-term loans	20,336,934	-412,765	19.924,169
Langfristige Gesellschafterdarlehen	250,533	0	250,533
Income-tax liabilities	0	123,993	123,993
Provisions	0	45,351	45,351
Pension provisions	1,292,834	-886,677	406,157
Other long-term liabilities	0	226,765	226,765
<b>Total long-term liabilities</b>	<b>21,880,301</b>	<b>-903,333</b>	<b>20,976,968</b>
<b>Minority interests</b>	<b>228,336</b>	<b>-228,336</b>	<b>0</b>
<b>Shareholders' equity</b>			
Subscribed capital	7,700,000	0	7,700,000
Capital reserve	9,406,003	0	9,406,003
Stock options outstanding	0	5,140	5,140
Other accumulated equity	-126,894	118,878	-8,016
Net loss for the year	-9,048,057	-229,521	-9.277,578
Minority interests	0	228,336	228,336
<b>Total shareholders' equity</b>	<b>7,931,052</b>	<b>122,833</b>	<b>8.053,885</b>
<b>Total liabilities</b>	<b>41,970,569</b>	<b>-1,435,336</b>	<b>40,535,233</b>

**Assets**

	<b>31.12.2004 US GAAP EUR</b>	<b>IFRS Reconciliation EUR</b>	<b>31.12.2004 IFRS EUR</b>
<b>Short-term assets</b>			
Cash and cash equivalents	1,270,980	0	1,270,980
Marketable securities	162,762	0	162,762
Trade accounts receivable	9,325,360	0	9,325,360
Receivables from related parties and equity-holding companies	599,879	0	599,879
Inventories	191,652	0	191,652
Tax-reimbursement entitlements	0	248,962	248,962
Deferred tax assets	167,167	-167,167	0
Accrued income, prepaid expenses and other short-term assets	1,989,191	-1,508,432	480,759
<b>Total short-term assets</b>	<b>13,706,991</b>	<b>-1,426,637</b>	<b>12,280,354</b>
<b>Long-term assets</b>			
Tangible fixed assets	18,707,355	-2,007,555	16,699,800
Investment property	0	1,916,415	1,916,415
Intangible assets	449,099	-27,921	421,178
Goodwill	9,558,249	240,000	9,798,249
Financial assets	46,678	0	46,678
Equity interests in associated companies	1,314,710	0	1,314,710
Loans	3,788	0	3,788
Deferred tax assets	815,745	173,030	988,775
Other assets	1,084,387	-107,811	976,576
<b>Total long-term assets</b>	<b>31,980,011</b>	<b>186,158</b>	<b>32,166,169</b>
<b>Total assets</b>	<b>45,687,002</b>	<b>-1,240,479</b>	<b>44,446,523</b>



## Liabilities

	31.12.2004 US GAAP EUR	IFRS Reconciliation EUR	31.12.2004 IFRS EUR
<b>Short-term liabilities</b>			
Short-term portion of financial lease liabilities	144,877	0	144,877
Short-term loans and short-term portion of long-term loans	4,212,658	0	4,212,658
Short-term portion of long-term shareholder loans	439,533	-189,000	250,533
Trade accounts payable	4,031,159	0	4,031,159
Liabilities within the scope of the group	25,150	0	25,150
Liabilities to related parties	0	189,000	189,000
Provisions	3,917,816	-3,299,416	618,400
Income-tax liabilities	94,553	0	94,553
Other short-term liabilities	2,280,808	2,736,954	5,017,762
<b>Total short-term liabilities</b>	<b>15,146,554</b>	<b>-562,462</b>	<b>14,584,092</b>
<b>Long-term liabilities</b>			
Long-term loans	18,549,623	-386,142	18,163,481
Long-term shareholder loans	500,000	0	500,000
Long-term financial lease obligations	312,529	0	312,529
Liabilities to related parties	0	240,000	240,000
Deferred tax assets	8,340	0	8,340
Provisions	0	422,671	422,671
Pension provisions	1,310,892	-1,023,065	287,827
Other long-term liabilities	242,575	113,364	355,939
<b>Total long-term liabilities</b>	<b>20,923,959</b>	<b>-633,172</b>	<b>20,290,787</b>
<b>Minority interests</b>	<b>204,780</b>	<b>-204,780</b>	<b>0</b>
<b>Shareholders' equity</b>			
Subscribed capital	7,900,000	0	7,900,000
Capital reserve	9,628,003	0	9,628,003
Stock options outstanding	0	17,477	17,477
Other accumulated equity	-95,611	115,335	19,724
Net loss for the year	-8,020,683	-177,657	-8,198,340
Minority interests	0	204,780	204,780
<b>Total shareholders' equity</b>	<b>9,411,709</b>	<b>159,935</b>	<b>9,571,644</b>
<b>Total liabilities</b>	<b>45,687,002</b>	<b>-1,240,479</b>	<b>44,446,523</b>

**Notes to the transition of the consolidated cash flow statement from US GAAP to IFRS**

The transition of the consolidated cash flow statement from US GAAP to IFRS does not result in major adjustments requiring explanation for the items under operating activities, investing activities and financing activities.

**Explanations to the transition of the group income statement from US GAAP to IFRS**

Due to the transition from US GAAP to IFRS, the group net earnings in accordance with IFRS were lower, i.e. -kEUR 127. The differences in the recognition of pension costs and stock-based com-

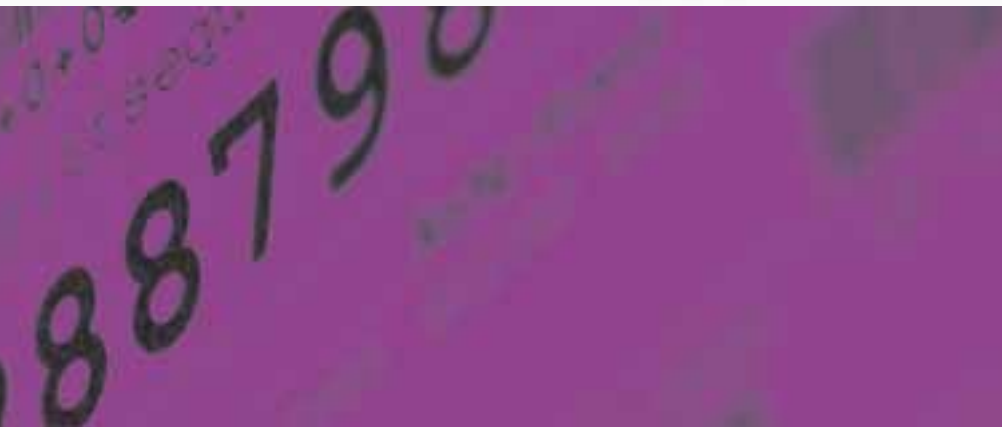
pensation in accordance with IFRS resulted in lower personnel expenses of - kEUR 82. The depreciations on fixed assets in accordance with IFRS were kEUR 5 below the values reported in accordance with US GAAP. The change in the discounting on provisions resulted in higher interest costs of kEUR 4. The differences in earnings resulted in additional costs due to deferred taxes of kEUR 31. The consideration of losses of kEUR 179 assignable to minority interests as appropriation of profit and no longer as part of the group`s net earnings/loss resulted in a corresponding decrease of group net earnings while in accordance with US GAAP the loss assignable to minority interests was eliminated from the group net earnings/loss.

The other differences in both transitions are the result of the restructuring of the individual items in the course of the change of presentation of the income statement from the cost of sales method to the total cost method.



**Transition of the group income statement  
for the period 1 January to 31 December 2004**

	<b>US GAAP 2004 EUR</b>	<b>IFRS Reconciliation EUR</b>	<b>IFRS 2004 EUR</b>
Sales revenues	70,535,952	0	70,535,952
Cost of sales and services	-59,250,550	59,250,550	0
Selling costs	-1,571,735	1,571,735	0
General and administrative expenses	-8,121,411	8,121,411	0
Other operating income and expenses	958,331	-958,331	0
Other operating income	0	2,457,286	2,457,286
Changes in the amount of completed contracts and construction in progress	0	14,700	14,700
Cost of purchased materials and services	0	-24,934,609	-24,934,609
Personnel expenses	0	-26,825,607	-26,825,607
Depreciation and amortisation of fixed assets (and intangible assets)	0	-1,828,718	-1,828,718
Other operating expenses	0	-16,781,457	-16,781,457
	<b>2,550,587</b>	<b>86,960</b>	<b>2,637,547</b>
Interest income/expense	-1,484,892	-3,962	-1,488,854
Equity income	1,103	-150	953
Income/expense for financial assets reported using the equity method	45,424	0	45,424
Other expenses	-74,150	150	-74,000
<b>Group earnings before taxes (and minority interests)</b>	<b>1,038,072</b>	<b>82,998</b>	<b>1,121,070</b>
Taxes on income	-189,819	-31,134	-220,953
<b>Group earnings before minority interests</b>	<b>848,253</b>	<b>51,864</b>	<b>900,117</b>
Minority interests	179,121	-179,121	0
<b>Group net earnings</b>	<b>1,027,374</b>	<b>-127,257</b>	<b>900,117</b>



Balance on 1 January 2004 under US GAAP

Minority interests

Pension provisions

Tangible fixed assets

Stock options

Provisions and  
and other liabilities

Deferred tax assets

**Balance on 1 January 2004 under IFRS**

Balance as at 31 December 2004 under US GAAP

Minority interests

Pension provisions

Tangible fixed assets

Stock options

Provisions and  
and other liabilities

Deferred tax assets

**Balance as at 31 December 2004 under IFRS**



**Transition of the Equity under US GAAP to Equity in accordance with IFRS  
as at 1 January 2004 and 31 December 2004**

<b>Subscribed capital</b> EUR	<b>Capital reserve</b> EUR	<b>Group annual net loss</b> EUR	<b>Outstanding stock options</b> EUR	<b>Minority interests</b> EUR	<b>Other comprehensive income</b> EUR	<b>Equity (total)</b> EUR
7,700,000	9,406,003	-9,048,057	0	0	-126,894	7,931,052
0	0	0	0	228,336	0	228,336
0	0	-266,201	0	0	191,185	-75,016
0	0	-95,697	0	0	0	-95,697
0	0	-5,140	5,140	0	0	0
0	0	30,390	0	0	0	30,390
0	0	107,127	0	0	-72,307	34,820
<b>7,700,000</b>	<b>9,406,003</b>	<b>-9,277,578</b>	<b>5,140</b>	<b>228,336</b>	<b>-8,016</b>	<b>8,053,885</b>

<b>Subscribed capital</b> EUR	<b>Capital reserve</b> EUR	<b>Group annual net loss</b> EUR	<b>Outstanding stock options</b> EUR	<b>Minority interests</b> EUR	<b>Other comprehensive income</b> EUR	<b>Equity (total)</b> EUR
7,900,000	9,628,003	-8,020,683	0	0	-95,611	9,411,709
0	0	0	0	204,780	0	204,780
0	0	-171,461	0	0	185,466	14,005
0	0	-91,140	0	0	0	-91,140
0	0	-17,477	17,477	0	0	0
0	0	26,428	0	0	0	26,428
0	0	75,993	0	0	-70,131	5,862
<b>7,900,000</b>	<b>9,628,003</b>	<b>-8,198,340</b>	<b>17,477</b>	<b>204,780</b>	<b>19,724</b>	<b>9,571,644</b>

**Changes of accounting and valuation methods on the basis of new standards**

In the financial year 2005, the IFRS were taken as a basis; they form the so-called “stable platform” and their application is obligatory for financial years beginning on or after 1 January 2005.

Of these standards, the following were for the first time applied in the financial year 2005 – as far as they are significant for the business operations of our company:

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Balance Sheet Date
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 24 Related Party Disclosures
- IAS 27 Consolidated and Separate Financial Statements under IFRS

- IAS 28 Investments in Associates
- IAS 32 Financial instruments: Disclosures and Presentation
- IAS 33 Earnings per Share
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property
- IFRS 2 Share-based payment
- IFRS 3 Business combinations

The application of these standards was performed in compliance with the respective transitional requirements. Unless explicitly required in the individual standards and unless individually explained below, the application is retroactive, i.e. the presentation is made as if the new accounting and valuation methods had always been applied. There was no need to make adjustments of the comparative figures of the previous year. In detail, the effects on the periods presented in the group financial statements 2005 are:



### **IAS 1 “Presentation of Financial Statements”**

Under the application of the changed standard, the group balance sheet shall be structured by maturity. For this purpose, the assets and debts shall be presented separately by short-term and long-term categories. Short-term items are amounts that are expected to be received or settled within the business cycle of our business segment or within a period of 12 months after the balance sheet date.

Minority interests in the group's equity are a separate item under Equity on the balance sheet. In the income statement, the shares in profits and losses of minority holders are part of the group earnings/loss. The assignment of group earnings to shareholders of the parent company and the minority holders are presented separately.

The presentation of changes in equity was supplemented with minority interests.

### **IAS 21 “The Effects of Changes in Foreign Exchange Rates”**

In accordance with the changed standard, the functional currency of the companies included in the group financial statements must be determined by the primary economic environment in which the respective entity operates. A review of the functional currency of the consolidated companies did not result in any changes.

According to the changed standard, the goodwill and the adjustment to the fair value of assets and liabilities acquired in connection with combinations of companies shall be reported in the functional currency of the respective subsidiary and converted into the currency of presentation of the group as at every balance sheet day. This requirement is applied prospectively to all acquisitions



since 1 January 2005 in accordance with the transitional provision in IAS 21.59. The amounts of adjustments from company acquisitions before 1 January 2005 previously translated just once in accordance with the option in IAS 21.33 o.v. are carried forward as if they had been acquired in the presentation currency of the group.

**IFRS 2 “Share-based payment”**

Müller - Die lila Logistik AG has used the right to choose among the options set out in the transitional provision of IFRS 2.53 and as from 1 January 2005 has applied IFRS 2 only to share-based equity-settled payment transaction which were granted after 7 November 2002 and were not exercisable before 1 January 2005.

The first-time adoption of IFRS 2 had the following effects:

	2005 kEUR	2004 kEUR
Increase of loss carryforward	17	5
Increase of personnel expenses	9	12
Decrease of result for the period	-9	-12
Increase of “Outstanding stock options”	26	17

As a result of the low effects on the result described above, the undiluted and diluted earnings per share remained unaffected.



### **Standards/Interpretations Not Applied Prematurely**

The IASB has published the following standards, interpretations and amendments to existing standards that are not yet obligatory and, therefore, were not yet applied by Müller – Die lila Logistik AG:

#### **IFRS 7 “Financial instruments: Disclosures”**

The IASB published the IFRS 7 in August 2005. This standard gives a summary of the financial instruments that previously were regulated in IAS 30 “Financial Statements of Banks and Similar Financial Institutions” and IAS 32 “Financial Instruments: Disclosure and Presentation”. In this connection, single disclosure requirements were changed and supplemented, respectively. The application of IFRS 7 is obligatory for years beginning on or after 1 January 2007. An earlier application is recommended.

The standard which must be applied by all companies will probably result in extended disclosures of financial instruments in the first-time adoption by Müller – Die lila Logistik AG in the financial year 2007.

#### **IFRIC 4 “Determining Whether an Arrangement Contains a Lease”**

In December 2004, the IASB published the Interpretation IFRIC 4. This interpretation deals with the problem how it can be determined whether an arrangement is a lease or contains a lease and when a new assessment is required. In addition, it is explained how leasing payments can be separated from payments for other services falling under the scope of the same arrangement.

Application of the interpretation is obligatory for financial years beginning on or after 1 January 2006. The transitional provision gives the option to apply the interpretation retrospectively or to use it for the arrangement existing at the beginning of the earliest period for which comparative information is presented in the financial statements.

Müller – Die lila Logistik AG does not expect effects from the first-time adoption in the financial year 2006.

#### **IFRIC 8 “Scope of IFRS 2”**

In January 2006, the IASB published the Interpretation IFRIC 8 which comments on the scope of IFRS 2. IFRS 2 “Share-based Payment” is applicable to business events in the context of which a company received goods or services in return for share-based payment. According to IFRIC 8, IFRS 2 must also be applied if the company cannot clearly identify the goods or services received.

IFRIC 8 is applicable to financial years beginning on or after 1 May 2006. An earlier adoption is recommended.

The interpretation does not have effects on the future group financial statements of Müller – Die lila Logistik AG since no company included in the group financial statements has transacted business events listed in the interpretation or will transact such business in the foreseeable future.

#### **Amendment to IAS 1 “Presentation of Financial Statements” – Capital disclosures**

In August 2005, the IASB announced an amendment to IAS 1 in connection with the publication of IFRS 7 “Financial Instruments: Disclosures”. Pursuant to this amendment, the financial statements must comprise information which enables the reader of the financial statements to make an assessment of the targets, methods and processes of capital management.

The amendment to IAS 1 shall be applied for financial years beginning on or after 1 January 2007. An earlier adoption is recommended.

The first-time adoption of this amendment to IAS 1 by Müller – Die lila Logistik AG in the financial year 2007 will probably result in extended disclosures in the notes.

**Amendment to IAS 19 “Employee Benefits” – Reporting Actuarial Gains and Losses, Group Plans and Disclosures in the Notes**

In December 2004, the IASB published an amendment to IAS 19.

The amendment covers the following aspects:

- Extension of reporting alternatives for actuarial gains and losses by an option to report amounts accrued in the reporting period at fair value in equity;
- Obligation for reporting claims or liabilities with effect on results in accordance with the contractual agreements in group plans which are shown in the balance sheet like defined contribution plans where the information provided is insufficient;
- Presentation of defined benefit plans that pool the risk of several companies under a common control; and
- Amendments relating to disclosures in the notes about defined benefit plans.

Unless defined as optional – the amendments to IAS 19 must be applied to financial years beginning on or after 1 January 2006.

An earlier adoption is recommended.

The first-time adoption of this amendment to IAS 19 by Müller – Die lila Logistik AG in the financial year 2006 will probably only result in changes in the disclosures in the notes on defined benefit plans in the group. At present, it is not planned to change from the reporting of actuarial gains and losses in accordance with the corridor approach to the reporting of actuarial gains and losses at fair value in equity. Common benefit plans within the Group do not exist.

**Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” – Requirement about the Use of the Fair Value Option**

In June 2005, the IASB published an amendment to IAS 39 about the use of the fair value option. This provision restricts the classification of financial assets in the valuation category "Financial assets at fair value through profit and loss" adopted by the EU and allows it for financial liabilities under specific conditions.

The amendment to IAS 39 shall be applied for financial years beginning on or after 1 January 2006. An earlier adoption is recommended.

This amendment to IAS 39 will probably have no effects on the group financial statements of Müller – Die lila Logistik AG for the financial year 2006.





### Corporate Domicile

Müller - Die lila Logistik AG which is registered in the commercial register of the Vaihingen/Enz District Court under the number HRB 1979-BES has its corporate domicile in Besigheim. Further branches are at Böblingen, Bremen, Gliwice (Poland), Graz (Austria), Herne, Leipzig, Rodgau, Ulm and Unterföhring.

In addition, TKS Unternehmensberatung und Industriepanung GmbH which is included at equity operates at the following locations: Eningen u. A., Arad (Rumania), Györ (Hungary), Wroclaw (Poland) and Shanghai (China).

### Consolidation Scope and Methods

Besides Müller - Die lila Logistik AG, the group financial statements as at 31 December 2005 in principle comprise all German and foreign companies in which Müller Logistik AG has the majority of votes of the company direct or indirect or may exert a controlling influence on the operating activities in any other way.

The companies are included in the group financial statements as from the day Müller - Die lila Logistik AG acquired the possibility to control them.

Participation	Corporate domicile	Nominal capital in kEUR	Share in per cent
Müller - Die lila Logistik Deutschland GmbH (until 20/03/2005: Müller Logistics Operating GmbH)	Besigheim	1,010	100 %
Müller - Die lila Logistik Austria GmbH	Graz (Austria)	35	100 %
Müller - Die lila Logistik Polska Sp. z o.o. (until 25/04/2005: M&W Logistics Polska Sp.z o.o)	Gliwice (Poland)	23 *	100 %
Müller - Die lila Logistik Ost GmbH	Zwenkau	25	100 %
Müller - Die lila Logistik Verwaltung GmbH (until 25/10/2006: ILS Industrie Logistik Service GmbH)	Herne	256	90 %
Müller - Die lila Logistik GmbH (until 03.11.2006: Wüstefeld Logistik GmbH)	Herne	31	90 %
Emporias Management Consulting GmbH	Unterföhring	50	76 %
TKS Unternehmensberatung- und Industriepanung GmbH	Eningen u. A.	26	33 %

\*Note.: The nominal capital totals 100,000 Zloty in the national currency.

TKS Unternehmensberatung und Industrieplanung GmbH is included in the group financial statements in accordance with the equity method. All other participations listed in the table are fully consolidated.

ILS Depot GmbH, Herne, in which Müller - Die lila Logistik AG holds a direct share of 90% is not included in the group financial statements since it is not engaged in operating activities. At the end of the financial year 2005, after acquisition by Müller - Die lila Logistik Deutschland GmbH, the branch activities of the Minden site were integrated into the renamed Verwaltungsgesellschaft Müller - Die lila Logistik Nord GmbH, Bünde, with a nominal capital of kEUR 25. Müller - Die lila Logistik Verwaltung GmbH holds

the 100% participation in Müller - Die lila Logistik Nord GmbH. Since the company was not engaged in operating activities before 1 January 2006, it was not included in the group financial statement.

The participation in FMS Logistic GmbH in which Müller - Die lila Logistik AG holds a participation of 33.33% is not included in accordance with the equity method on the grounds of insignificance.

The participations listed are held by Müller - Die lila Logistik AG direct. The only exceptions are Müller - Die lila Logistik GmbH which is a 100% subsidiary of Müller - Die lila Logistik Verwaltung GmbH as well as Verwaltungsgesellschaft Müller - Die lila Logistik Nord GmbH renamed at the end of the financial year.







All significant claims and liabilities among the affiliated companies and transactions within the group were eliminated in the group financial statements. In connection with company mergers shown in the balance sheets in accordance with the acquisition method, all acquired assets and debts must be recognized at fair value. That part of the purchasing price of the acquired assets that exceeds the fair value is capitalized as goodwill.

IFRS 3 does no longer allow the scheduled amortization of the acquired goodwill, but requires annual impairment tests in accordance with IAS 36 independent of the existence of indices of a possible impairment. Due to this provision of IFRS 3 which was applied retrospectively, a scheduled amortization of the goodwill was no longer made. Since the provisions of the IFRS 3 comply with the provisions of US GAAP, there were no changes in reporting in comparison with US GAAP. The carrying values of the participations shown in the balance sheet in accordance with the acquisition method as well as the at equity participations (including goodwills) will consistently be examined in annual impairment tests and adjusted if there are indications that the fair market value is below the carrying values not only for a limited period of time. The impairment test made in connection with the annual financial statements did not show any changes.

The financial year of Müller – Die lila Logistik AG and its consolidated subsidiaries corresponds with the calendar year. The only exception is TKS Unternehmensberatung und Industrieplanung GmbH with the financial year starting on 1 July of a year and ending on 30 June of the following year. For the inclusion in the group financial statements, TKS always prepares an interim financial statement as at 31 December of each year.

## **Accounting Methods**

### **a) Foreign Currency Translation**

The functional currency of every subsidiary is the local currency of the country. Therefore, assets and liabilities which are shown in the balance sheets of foreign subsidiaries in foreign currencies (excluding equity) are translated into EURO at the exchange rate of the closing date. The translation of income and expenses is made at the average rate of the respective financial year. The difference resulting from the valuation of the equity at a historical rate and of the assets and other liabilities at the rate of the closing date is reported as retained earnings in the equity.

### **b) Estimates**

For the preparation of the financial statements in accordance with generally recognized accounting principles, estimates and assumption are needed which have an influence on the amount of the assets, liabilities and shareholders' equity, the scope of contingent liabilities as at the balance sheet date as well as the amount of income and expenses in the reporting period. The actual results may deviate from these assumptions.

### **c) Cash and Cash Equivalents**

Cash and cash equivalents are reported at nominal value. In accordance with the cash flow statement, cash and cash equivalents include cash in hand as well as cash in bank that is readily available.

### **d) Securities**

Securities and participations are recognized at market prices, as far as they are available. Unrealized profits and losses from the market valuation of securities for trading at short notice (trading portfolio or trading securities) are recognized in earnings. Unreal-



ized profits and losses from all other securities valued at market prices (non-trading portfolio or available-for-sale securities) are reported considering taxes as part of the cumulative other equity. The other securities are valued at their acquisition costs. In the event of permanent impairment, the securities are written down.

#### e) Tangible Fixed Assets

The tangible fixed assets are reported at cost of acquisition less accumulated depreciation. The depreciation is primarily made using the linear method over the commonly expected life.

The following depreciation periods are applied:

Software	3 - 10 years
Fittings on land	5 - 21 years
Buildings and building improvements	3 - 25 years
Vehicles and other transport devices	2 - 11 years
Fixtures and fittings	3 - 25 years

Subsequent costs of acquisition are capitalized. Low-value fixed assets up to a value of EUR 410,00 net are written off fully in the year of acquisition with a disposal being assumed in the year of acquisition for reasons of simplification in the tabulation of assets. Outside capital interests are not capitalized.

Concerning government grants and assistance, respectively, for the acquisition or production of assets (investment subsidies), the cost of acquisition or production are reported less these subsidies in accordance with IAS 20.

Rented building improvements and objects that the company must report in the balance sheet as financial lease are written off over the duration of the rental or leasing agreement.

The useful life is reviewed by the management of the company with a view to the latest technical improvements on a regular basis. Maintenance and repair costs are reported as expenses while replacement and improvement investments that prolong the usual useful life or increase the capacity are capitalized. With the acquisition or disposal of tangible fixed assets, the cost of acquisition and the cumulative depreciation are cleared out and a resulting profit or loss is recognized in the income statement.

Investment property is reported at cost of acquisition less scheduled depreciation in accordance with IAS 16 and, where appropriate, impairment in accordance with IAS 36.

#### f) Intangible Assets

Acquired intangible assets are valued at cost of acquisition and written off using the linear mode over their useful life of mainly three years.



#### **g) Long-Lived Assets**

The company reviews the valuation of long-lived assets including intangible assets when it can be assumed due to events or changed conditions that the carrying value of an asset no longer complies with the actual value (impairment test). The impairment test on an asset that is used and shall not be sold consists in a comparison of the asset's carrying value with its recoverable amount (fair value). In this respect, the fair value is the higher amount from the sales proceeds of the future cash flow which probably can be achieved with this asset. Any impairment is equivalent with the amount that is the difference between a higher carrying value of the asset and a lower fair value.

#### **h) Financial Instruments**

Essentially, the carrying value of the financial instruments of the company, among them cash and cash equivalents, claims as well as short-term and long-term debts, is equivalent with the fair value. The fair value of financial instruments is the amount at which that financial instrument could be bought or sold in a current transaction between two parties, other than in a forced sale or liquidation. The fair value of short-term debts is based on the quoted market price of this or similar financial instruments. The fair value of long-term debts is determined by the current interest rates available to the company for debt on the free market.

#### **i) Taxes on Income**

The actual taxes on income are always shown in the balance sheet in accordance with the applicable fiscal regulations.

Deferred taxes on income and earnings are determined using the balance sheet liability method in accordance with the provisions of IAS 12 "Income Taxes". For the consideration of differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the corresponding tax base as well as tax credit carryforwards, deferred taxes are recognized.

The amount of deferred taxes is dependent on the tax rates payable for earnings before taxes in the year when the differences will probably be settled. Where necessary, deferred tax assets are reduced to the expected recoverable amount. The effect of changes of tax rates on deferred tax assets or liabilities is recognized in the period in which the change is adopted.

Taxes on income include taxes payable to and tax refunds due from the tax authorities in the reporting period plus or less the changes in deferred taxes.

#### **j) Revenue Recognition**

Sales are reported on the day on which the logistics services are performed (IAS 18.20). Revenues from consulting services (Logistics Design) amount to kEUR 3,617 (previous year: kEUR 2,587) and the revenues of logistics services in the Logistics Operating segment amount to kEUR 68,774 (previous year: kEUR 67,949).

**k) Earnings per Share**

<b>Undiluted earnings per share</b>	<b>2005</b>	<b>2004</b>
Group net earnings in kEUR	1,363	900
Weighted average number of shares issued (thousand)	9	12
Group net earnings (undiluted) (in kEUR)	1,372	912
Weighted average number of shares issued (thousand)	7,907	7,833
Undiluted earnings per share (in EUR)	0.17	0.12

The calculation of the diluted earnings per share basically corresponds with the calculation method used for the undiluted earnings per share. The parameters of the calculation must, however, additionally be adjusted by all capital diluting effects resulting from potential shares. The subscription rights from employee shareholdings described in the chapter “Conditional Capital” may in future dilute the undiluted earnings per share and were included in the calculation of the diluted earnings per share – as far as a potential dilution had already occurred in the period under review.

Group net earnings are earnings after taxes. The calculation of the weighted average number of shares is made after the issue date of the shares.

<b>Diluted earnings per share</b>	<b>2005</b>	<b>2004</b>
Group net earnings (in kEUR)	1,372	900
Diluting effect on the result from stock options (in kEUR)	-9	-12
Group net earnings, diluted (in kEUR)	1,363	900
Weighted average number of shares issued (thousand)	7,907	7,833
Diluting potential shares from stock options (thousand)	85	95
Weighted average number of shares issued diluted (thousand)	7,992	7,928
Diluted earnings per share (in EUR)	0.17	0.11

## **(2) Corporate Transactions**

On 27 April 2004, additional 25% of the shares in Emporias Management Consulting GmbH were acquired within the framework of a capital increase by way of non-cash capital contribution of Müller – Die lila Logistik AG in the amount of kEUR 422. With the achievement of contractually agreed result hurdles in the years 2004 to 2006, up to kEUR 120 will become due for payment as a later purchasing price. In compliance with IFRS 3, they were entered on the liabilities side since it is probably that the result hurdles will be achieved which resulted in an increase of the goodwill. In total, this resulted in an additional goodwill of kEUR 720 in 2004. The acquisition caused a total efflux of liquidity of kEUR 360 of which kEUR 120 took effect in the financial year 2005.

In December 2004, the participation in Müller – Die lila Logistik Polska Sp. z o.o. (previously M&W Logistics Polska Sp. z o.o.) was transferred within the group to Müller – Die lila Logistik AG. As a consequence, the group now holds 100% (in 2003: indirect 90%) of the shares.

The company entered into a joint venture with Vedes Logistik GmbH of Nuremberg on 1 July 2004. Müller – Die lila Logistik AG's share was 51% with an original nominal-capital contribution of kEUR 13. Because of this company's earnings performance, the partners decided on 26 November 2004 to make an additional contribution to its capital reserve. Müller – Die lila Logistik AG's share of this was

kEUR 250. Against the backdrop of drastically reduced sales expectations of the joint venture and the resulting failure to reach the required earnings goals, the shareholding partners mutually agreed to discontinue the joint venture. The collaboration was ended retroactively to 1 April 2005. Müller – Die lila Logistik AG sold its interest for a price of 1€ to Vedes Logistik GmbH. The conclusion of this agreement settles all of the reciprocal claims between VEDES AG, Vedes Logistik GmbH and Vedes-Müller Logistik GmbH on the one side, and Müller – Die lila Logistik AG on the other. In addition, it was contractually agreed that no claims would exist against Müller – Die lila Logistik AG arising from any eventual liability/warranty.

On 20 December 2005 Müller – Die lila Logistik AG took over NECKARPOOL Verwaltungsgesellschaft mbH, as recorded in the Stuttgart commercial register under HR B 720219 and having a nominal capital in the amount of kEUR 25. The purchase price for this shelf company was kEUR 28. On that same date the company was renamed Müller – Die lila Logistik Ost GmbH and its corporate domicile was moved to Zwenkau. The purpose of the company is the development, planning, execution, management and control of information and communications technologies, process-managed logistics systems, parameterisable logistics platforms, as well as logistics and services of all kinds. The company started its business activities at the end of the financial year 2005. The proportional annual earnings 2005 amount to kEUR 2.

**(3) Business relationships with related parties**

In the course of the financial year 2000, the main shareholder made an agreement with the company to the effect that the repayment of a loan of kEUR 251 granted in 1998 will only be made on the condition that the company makes adequately high profits in future. When these conditions are fulfilled, Mr. Michael Müller is entitled to claim repayment at the original interest rate, the minimum being 6 % p. a. In the financial year 2004, the change to the better occurred due to the annual surplus. The loan still exists. For the financial year 2005, the interest expenses totalled kEUR 15.

In November 2002, the major shareholders and Süd-Kapitalbeteiligungsgesellschaft mbH each granted an unsecured bullet loan of kEUR 250 within the framework of the restructuring. In 2004, the loans were prolonged to 30 June 2006. Full repayment is due at the end of the period of validity. Unscheduled principal repayments may be made at any time. Interest of 9.25% per annum is paid against each of these shareholder loans. Monthly interest for the preceding month is due beginning 1 July 2004. Total interest expenses in the amount of kEUR 46 were incurred for the 2005 financial year. No security was provided for the loans.

The members of the management board and the supervisory board held the following numbers of shares and options in Müller – Die lila Logistik AG as at 31 December 2005:

As at: 31 December 2005	Shares	Options
Michael Müller	4,064,000	35,000
Rupert Früh	4,000	4,000
Wolfgang Monning	10,428	-
Prof. Peter Klaus	4,614	-
Volker Buckmann	-	-
Per Klemm	46,450	-
Klaus Langer	2,500	-
Carlos Rodrigues	785	10,000

**(4) Fixed assets**

The development of the group's fixed assets is shown in the group statement of changes in noncurrent assets.

Regarding the real estate in Bochum held as a financial investment for which the cost of acquisition model is used the following information is given:

	2005	2004
Rental income	kEUR 205	kEUR 196
Operating expenditure	45 kEUR	49 kEUR
Depreciation methods	linear and degressive	linear und degressive
Useful life taken as a basis	3 – 25 years	3 – 25 years
Cost of acquisition	2,950 kEUR	2,950 kEUR
Accumulated depreciations	1,085 kEUR	1,034 kEUR
Carrying value at 1 January	1,916 kEUR	1,984 kEUR
Depreciations	-51 kEUR	-68 kEUR
Carrying value at 31 December	1,865 kEUR	1,916 kEUR
Fair value at 31 December	2,080 kEUR	2,094 kEUR

The operating expenditure for the real estate in Bochum is fully related to the achievement of rental income.

The determination of the fair value was made on the basis of an expected rental income using a discount factor of 6%. An opinion of an external expert was not available.

The participations shown in the balance sheet in accordance with the equity method amount to kEUR 1,418 (previous year: kEUR 1,315 ). The key figures of the TKS company valued at equity are as follows:

	31.12.2005	31.12.2004
	kEUR	kEUR
Assets	3,862	1,740
Shareholders' equity	800	538
Liabilities and provisions	3,062	1,202
Sales revenues	1,198	1,439
Net profit/loss (-) for the period	1,144	138

## (5) Inventories

In the inventories, raw materials, consumables and supplies as well as trading stock were valued at their cost of acquisition, unless the net realisable value is lower. Construction in progress is valued at cost of production. In this connection, the lower of the amounts of cost of production or net realisable value as at the balance sheet date is reported. The net realisable value is recognised taking the expected realisable sales price less the cost accrued till the date of sale.

In accordance with IAS 2, the cost of production comprise the individual costs attributable direct (salaries) and the overhead

costs attributable to the services performance process. Financing costs are not considered. For inventory risks resulting from the duration of storage and impaired usability, depreciations are made to an adequate and sufficient extent. For inventories existing on the respective balance sheet date, no devaluations needed to be made.

	31.12.2005	31.12.2004
	kEUR	kEUR
Raw materials, consumables and supplies	126	127
Construction in progress	0	65
<b>Total</b>	<b>126</b>	<b>192</b>

## (6) Accounts receivable

Trade accounts receivable are shown in the balance sheet at amortized cost of acquisition cost. For existing credit and transfer risks, claims are recognized at the lower realisable amount. This is reflected in the individual value adjustments made. In the financial year, the value adjustments totalled kEUR 296 (previous year: kEUR 279).

## (7) Cash and Cash Equivalents

Cash and cash equivalents comprised:

	31.12.2005	31.12.2004
	kEUR	kEUR
Cash at banks	1,086	1,250
Cash in hand	5	21
<b>Cash and cash equivalents</b>	<b>1,091</b>	<b>1,271</b>

For the purpose of the cashflow statement, all means of payment with an original life of up to three months are reported as cash and cash equivalents.

**(8) Provisions**

	As at 01.01.2005 kEUR	Use kEUR	Reversal kEUR	Allocation kEUR	As at 31.12.2005 kEUR
<b>Long-term provisions</b>	<b>423</b>	<b>50</b>	<b>354</b>	<b>1</b>	<b>20</b>
Year-end closing cost	279	256	6	293	310
Events of damage	148	148	0	338	338
Others	191	120	0	82	153
<b>Short-term provisions</b>	<b>618</b>	<b>524</b>	<b>6</b>	<b>713</b>	<b>801</b>
<b>Total provisions</b>	<b>1,041</b>	<b>574</b>	<b>360</b>	<b>714</b>	<b>821</b>

The effects of accumulations and discountings of provisions amount to kEUR 21.

**(9) Liabilities to banks**

The liabilities to banks are reported in Euro. On 31 December 2005, the company had a credit line of kEUR 2,500 with Baden-Württembergische Bank AG ("BW-Bank") of which the amount of kEUR 455 was used. In addition, guarantee credits amounting to kEUR 437 were used.

company had a credit line of kEUR 2,545 with Herner Sparkasse as at 31 December 2005. Of this, kEUR 1,863 were used. In addition, guarantee credits of Herner Sparkasse and Commerzbank AG amounting to kEUR 210 were used.

As at the same date, the group had a credit line of kEUR 1,500 with Deutsche Bank AG of which kEUR 213 were used. Furthermore, the





The validity of the amounts owed to banks are as follows

2005	Interest rate	2006 kEUR	2007 kEUR	2008 kEUR	2009 kEUR	2010 kEUR	Later than 2010 kEUR	Total kEUR
<b>With fixed interest rates</b>								
Bank loans	4.40%	128	128	128	128	128	31	671
Bank loans	5.35%	0	0	0	0	0	1,302	1,302
Bank loans	5.00%	0	0	0	0	0	6,062	6,062
Revolving sales financing	6.10%	19	19	19	1	0	0	58
Cash advance	4.90%	1,000	0	0	0	0	0	1,000
Bank loans	5.20%	346	346	346	346	346	1,834	3,564
Bank loans	4.50%	55	55	55	55	55	649	924
<b>Sub-total</b>		<b>1,548</b>	<b>548</b>	<b>548</b>	<b>530</b>	<b>529</b>	<b>9,878</b>	<b>13,581</b>
<b>With variable interest rates</b>								
Bank loans	3-month-Euro-LIBOR + 1.0%	89	0	0	0	0	0	89
Bank loans	6.25% + 2% Provision	740	400	430	0	0	0	1,570
Money market credit	EURIBOR + 1.75%	788	510	510	180	0	0	1,988
Current account	8.25%	217	0	0	0	0	0	217
Current account	6.25% + 2% Provision	86	0	0	0	0	0	86
Current account	8.25%	238	0	0	0	0	0	238
Current account	6.25% + 2% Provision	127	0	0	0	0	0	127
Current account	7.5%/7.75%	857	0	0	0	0	0	857
Current account	7.5%/7.75%	6	0	0	0	0	0	6
<b>Sub-total</b>		<b>3,148</b>	<b>1,250</b>	<b>600</b>	<b>180</b>	<b>0</b>	<b>0</b>	<b>5,178</b>
<b>Total</b>		<b>4,696</b>	<b>1,798</b>	<b>1,148</b>	<b>710</b>	<b>529</b>	<b>9,878</b>	<b>18,759</b>

2004	Interest rate	2005 kEUR	2006 kEUR	2007 kEUR	2008 kEUR	2009 kEUR	Later than 2009 kEUR	Total kEUR
<b>With fixed interest rates</b>								
Bank loans	4.40%	128	128	128	128	128	159	799
Bank loans	5.35%	0	0	0	0	0	1,597	1,597
Bank loans	5.00%	0	0	0	0	0	6,814	6,814
Revolving sales financing	6.10%	19	19	19	19	1	0	77
Cash advance	4.90%	1,000	0	0	0	0	0	1,000
Bank loans	5.00%	11	11	11	11	11	19	74
Bank loans	5.20%	346	346	346	346	346	2,180	3,910
Bank loans	4.50%	55	55	55	55	55	702	977
<b>Sub-total</b>		<b>1,559</b>	<b>559</b>	<b>559</b>	<b>559</b>	<b>541</b>	<b>11,471</b>	<b>15,248</b>
<b>With variable interest rates</b>								
Bank loans	3-month-Euro-LIBOR + 2.58%	250	250	250	125	0	0	875
Bank loans	3-month-Euro-LIBOR + 1.0%	237	89	0	0	0	0	326
Bank loans	6.25% + 2% Provision	660	660	660	250	0	0	2,230
Money market credit	EURIBOR + 1.75%	798	750	510	510	180	0	2,748
Current account	7.5%	836	0	0	0	0	0	836
Other loans	2.67%-4.25%	24	0	0	0	0	0	24
Current account	8.25%	89	0	0	0	0	0	89
<b>Sub-total</b>		<b>2,894</b>	<b>1,829</b>	<b>1,500</b>	<b>725</b>	<b>180</b>	<b>0</b>	<b>7,128</b>
<b>Total</b>		<b>4,453</b>	<b>2,388</b>	<b>2,059</b>	<b>1,284</b>	<b>721</b>	<b>11,471</b>	<b>22,376</b>

The current account liabilities and the bank loans are secured by mortgages, chattel mortgages, assignment of claims from life insurances, rental receivables and other receivables as well as the pledge of shares in the business and shares in the business held by the main shareholder. In addition, collateral security was provided by a guarantee furnished by a German federal state, the guarantee furnished by Müller - Die lila Logistik AG for Müller -

Die lila Logistik GmbH as well as the guarantee furnished by a managing director. The total collateral security provided is kEUR 16,771 (previous year: kEUR 19,959).

In the financial year 2005 for the first time, insurance claims to be used for the repayment of two loans amounting to kEUR 1,062 were set off against the loan liabilities on the basis of respective

agreements with the loan granting banks and the insurance companies.

The interest expenses for short- and long-term liabilities amounted to kEUR 1,444 (previous year: kEUR 1,514) in the financial year.

The interest earnings were kEUR 2 (previous year: kEUR 25).

### (10) Contingent liabilities

The company rented office spaces and transport means within the framework of rental agreements terminable in accordance with applicable laws as well as for a defined period of time. Rental expenses amounted to EUR 5,739 in 2005 and kEUR 5,981 in 2004.

In addition, there are finance leasing agreements for a pallet rack and for an EDP server. The minimum leasing payments from finance leasing for the financial year 2005 were kEUR 238 (previous year: kEUR 98). The future minimum leasing payments for operate and finance lease agreements made for a defined period of time are as shown in the table below:

Financial year 31. Dezember 2005	Finance Lease kEUR	Operate Lease kEUR
2006	265	4,800
2007	265	4,012
2008	15	3,235
Later	0	4,978
<b>Minimum payments in total</b>	<b>545</b>	<b>17,025</b>
Less interest portion	30	
<b>Cash value of minimum leasing payments</b>	<b>515</b>	
Less short-term portion of the finance leasing obligation	250	
<b>Long-term portion of the finance leasing obligation</b>	<b>265</b>	

Financial year 31. Dezember 2004	Finance Lease kEUR	Operate Lease kEUR
2005	164	5,726
2006	164	3,810
2007	163	3,363
Later	0	7,698
<b>Minimum payments in total</b>	<b>491</b>	<b>20,597</b>
Less interest portion	34	
<b>Cash value of minimum leasing payments</b>	<b>457</b>	
Less short-term portion of the finance leasing obligation	145	
<b>Long-term portion of the finance leasing obligation</b>	<b>312</b>	

The residual carrying value of the assets recognized in the balance sheet as finance lease amounts to kEUR 468 as at 31 December 2005 (previous year: kEUR 444).

The operate lease agreements primarily relate to the renting of storage and office spaces as well as vehicles.

Since 1 September 1999, the company has let part of its office and storage space to a customer. The rental agreement is effective till 31 December 2010. The income for 2005 and 2004 was kEUR 391 and kEUR 323, respectively. The future income until 31 December 2010 amounts to kEUR 2,170.

**(11) Litigations**

The company is involved in several litigations resulting from its business operations. Considering the appraisal by the lawyers of the company, the management board is of the opinion that the results of the litigations will have no major negative effects on the financial and earnings position.

**(12) Subscribed capital**

On 2 October 2000, the company was converted from a closed corporation (GmbH) to a stock corporation (AG). The company converted its nominal capital of EUR 540,000 into share capital and issued 540,000 no-par value shares.

On 24 November 2000, the capital increases, the currency conversion and the change of the legal form were recorded in the commercial register.

On 7 December 2000, the shareholders approved the issue of 60,000 shares. As a result, the share capital of the company was increased from EUR 540,000 to EUR 600,000. The additional shares in the company were issued for a total amount of EUR 6,500,000. Of this payment, EUR 60,000 were added to the share capital and EUR 6,440,000 were assigned to the capital reserves.

On 22 December 2000, the additional capital increase was recorded in the commercial register.

On 8 February 2001, the general meeting of shareholders approved the increase of the share capital by EUR 5,400,000 out of the company's equity through the conversion of a partial amount of the capital reserve in share capital and the issue of 5,400,000 new, individual bearer share certificates with a proportional amount of the share capital of EUR 1,00 per no-par-value share. This capital increase was recorded in the commercial register on 14 February 2001.





On 5 March 2001, the general meeting of shareholders adopted the resolution to increase the share capital by EUR 1,700,000 to a total of EUR 7,700,000 through a contribution in cash and to issue 1,700,000 new individual share certificates with a proportional amount in the share capital of EUR 1,00 per no-par-value share. This additional capital increase was recorded in the commercial register on 2 April 2001.

By using parts of the approved capital, the share capital of the company was increased by kEUR 200 against a contribution in kind in 2004. The contribution in kind relates to the acquisition of additional 25% in Emporias Management Consulting GmbH at a value of kEUR 422. The new shares were issued at a price of EUR 2.11 per share. The amount of kEUR 222 exceeding the share capital was appropriated to the capital reserve.

The general meeting of shareholders held on 16 June 2005 rescinded the existing and approved the creation of new approved capitals I and II. The management board is empowered until 16 June 2010, with the approval of the supervisory board, to increase the company's share capital once or a multiple of times through

the issue of new individual share certificates for cash or contributions in kind, provided the total increase does not exceed kEUR 3,160 (approved capital I). Furthermore, the management board is empowered until 16 June 2010, with the approval of the supervisory board, to increase the company's share capital once or a multiple of times through the issue of new individual share certificates for cash, provided the total increase does not exceed kEUR 790 (approved capital II). The changes were recorded in the commercial register on 16 August 2005. With this resolution about changes, the previously existing approvals of a capital increase were set aside.

Due to the conditional capital increase approved on 5 March 2001 and 15 May 2001 (conditional capital), warrant shares with a value of kEUR 21 were issued in this financial year. The share capital as at the end of the financial year totalled kEUR 7,921; the conditional capital at the end of the financial year was kEUR 579. The registration in the commercial register was made on 23 December 2005.

Pursuant to the German Stock Corporation Law (AktG), the amount of the dividend available for distribution to shareholders is dependent of the company's equity as shown in the individual financial statements in accordance with the German commercial code (HGB). Dividends may only be paid from the net profit shown on the balance sheet. These amounts differ from the total net earnings in accordance with the IFRS group financial statements. On 31 December 2005, the German year-end financial statements of the individual company showed a net loss for the year of kEUR 11,605 (previous year: kEUR 12,641).





### (13) Capital reserve – initial public offering

Through the initial public offering on 30 May 2001, the company received funds amounting to EUR 11,9 million. The cost that accrued in connection with the initial public offering amounted to EUR 2.9 million. After a netting out with active deferred taxes amounting to EUR 1.1 million, the result is a net amount of EUR 1.8 million which was set off against the capital reserve in 2001.

### (14) Contingent capital: Employee stock ownership

On 5 March 2001, the general meeting of shareholders approved the conditional increase of the share capital by up to EUR 600,000 through the issue of up to 600,000 individual bearer share certificates and a change of the articles of association for the implementation of an employee share-ownership programme in accordance with § 192, Section 2 of the German Stock Corporation Law (AktG). The beneficiaries are the members of the management board and the members of the company's staff. The term of the subscription right per tranche is five years as from the date of the issue of the tranche. Subscription rights not used by the end of the maturity become extinct. The qualifying period for the first-time use is two years as from the allotment of the subscription rights per tranche. After the expiry of this qualifying period, 50% of the subscription

rights can be used. The qualifying period for further 25 % of the subscription rights allotted in a tranche is three years as from the allotment of the subscription rights; the qualifying period for the remaining 25% of the subscription rights is four years as from the allotment. The strike price for the first tranche at the day of acquisition of a share of the company is equivalent to the issue price of the share at the end of the bookbuilding process plus a 20% surcharge as a success target. For the other tranches, the strike price is the average closing price of the last 10 trading days before the ordinary general meeting of shareholders of the respective financial year after the subscription rights have been allotted, plus a surcharge of 20% as a success target, the minimum being the proportion of a share in the share capital.

The option conditions require that every option entitles to acquire one individual share certificate. In total, up to 600,000 subscription rights (total volume) can be issued in up to five annual tranches, beginning with the tranche of the year 2001. For the years 2004 and 2005, no tranches were issued any longer. As a result, this conditional capital expired at the end of 2005. The basic data of the options issued since the approval are explained in the following table:

Option granted in the year	Reference price	Strike price	Number of options issued	Existing options as at 31.12.2005	Options used in the financial year 2005
2001	EUR 7.00	EUR 8.40	141,540	71,580	-
2002	EUR 3.85	EUR 4.62	101,250	50,250	-
2003	EUR 1.06	EUR 1.27	112,500	67,750	20,750

50% of the share options of the year 2003 can be used on 25 August 2005 and on the following 10 bank working days or on 29 March 2006 and on the following 10 bank working days as well as in all following limited periods of exercise. Further 25% of the share options of the year 2003 can be acquired one year later (2006) on the conditions described above. The remaining 25% can for the first time be acquired two years (2007) later on the conditions described above. Unused options become extinct on 18 August 2008 at the latest.

The expenditure attributable to the financial year 2005 for the options granted in the year 2003 amounts to EUR 9,090 (previous year: EUR 12,337). The cumulative expenditure up to 31.12.2005 thus amounts to EUR 26,567. In the balance sheet, this amount was shown in an equity item. The weighted fair value of the share options allotted in the year 2003 was determined using the Black-Scholes stock-options pricing model and linearly distributed over the total 4-year maturity of the option. In this connection, the following weighted average assumptions were used:

Due to the application requirements of IFRS 2 in combination with

IFRS 1, there was no need to report the expenditure for the share options allotted in the years 2001 and 2002. This is in compliance with the financial conditions since the option strike price of EUR 8.40 for the tranche in 2001 and EUR 4.62 for the tranche in 2002 is far above the present share price level.

20,750 share options were exercised in August and September 2005. The average price of the shares traded in this period amounted to EUR 2.26 per share.

Dividend yield	No
Volatility of the share	75 %
Expected life	4 years
Risk-free interest	3.0 %



**(15) Other Accumulated Equity**

This item shows unrealised profits from securities (available-for-sale securities) as well as the differences from the currency translation, each plus the attributable deferred taxes.

	2005 EUR	2005 EUR	2004 EUR	2004 EUR
Unrealised profits/losses from the market valuation of securities (available-for-sale securities)	0		2,061	
Deferred taxes	0	0	-770	1,291
Difference from the currency translation	44,552		29,731	
Deferred taxes	-16,636	27,916	-11,298	18,433
<b>Other accumulated equity</b>		<b>27,916</b>		<b>19,724</b>

As at 31 December 2004, the marketable securities exclusively consist of short-term available-for-sale securities to the amount of kEUR 163 (previous year: kEUR 255). An unrealised price gain of these securities of kEUR 2 as at 31 December 2004 was considered.





## (16) Pension provisions

Pension guarantees have been given to members of the management board and a former member of the management board of the parent company as well as a former managing director of Müller - Die lila Logistik GmbH. The amount of pension payable is set out in contracts and may increase with the length of service in the company.

Although the German law does not require security for these guarantees by separate assets, appropriate insurances contracts have been concluded. The redemption value of the insurances qualifies as a so-called plan asset pursuant to IAS 19 (revised 2004) and has been balanced with the provision.

In principle, the provisions for pensions were determined pursuant to IAS 19 (revised 2004) using the Projected Unit Credit Method and considering the future foreseeable developments. This above all applies to assumptions relating to future remuneration and pension increases. The obligation was determined taking the following premises as a basis:

Pensions	2005	2004
Discount interest rate	3.50 and 4.20 % resp.	5.00 %
Expected return on plan assets	4.18 and 4.50 % resp.	4.25 and 8.15 % resp.
Long-term pension payment increase	1.00 and 2.00 % resp.	1.50 and 1.60 % resp.

The net expenditure for pension payments is broken down as follows:

	2005 EUR	2004 EUR
Periodic service cost	30,842.00	24,657.00
Interest expense	62,844.00	64,642.00
Expected return from plan assets	-57,197.00	-69,927.00
Amortisation of actuarial losses	2,622.00	0.00
Payment for old guarantees	0.00	-112,978.00
<b>Net expenditure/ (-) net earnings</b>	<b>39,111.00</b>	<b>-93,606.00</b>

The actual earnings from plan assets amounted to kEUR 70.

Net pension liabilities recognized in the balance sheet	2005 EUR	2004 EUR
Actual cash value of pension guarantees	1,697,319.00	1,310,892.00
Value of plan assets of the fund	1,211,228.00	992,738.00
Actual cash value of pension guarantees less assets of the fund	486,091.00	318,154.00
Actuarial losses not recognized in the balance sheet	368,539.00	30,327.00
<b>Net pension liabilities recognized in the balance sheet</b>	<b>117,552.00</b>	<b>287,827.00</b>

The actual cash value of the pension guarantees developed as follows:

Actual cash value of pension guarantees	2005 EUR	2004 EUR
Actual cash value as at 1.1.	1,310,892.00	1,292,834.00
Periodic service costs	30,842.00	24,657.00
Interest expense	62,844.00	64,642.00
Actuarial losses	339,963.00	41,737.00
Pension payments	-47,222.00	0.00
Payment of old guarantees	0.00	-112,978.00
<b>Actual cash value as at 31.12.</b>	<b>1,697,319.00</b>	<b>1,310,892.00</b>

### (17) Other Operating Income and Expenses

The other operating income and expenses of the financial years 2005 and 2004 essentially comprise income from the reversal of provisions and the disposal of fixed assets, indemnities paid by insurers, rental and administrative revenues as well as revenues from adjustments to the asset value of pension liability insurances.

The other operating expenses of the financial years 2005 and 2004, among others, comprise the following major items: Vehicle costs, rental costs and costs of office and work space, cost of external personnel, insurance premiums, payments for damages, advertising and travelling costs, telephone and data line costs as well as rental and leasing expenses for fixtures and fittings.

Value of plan assets	2005 EUR	2004 EUR
Plan assets as at 1.1.	992,738.00	886,677.00
Expected earnings	57,197.00	69,927.00
Contributions by the employer	57,119.00	24,724.00
Actuarial profit	0.00	11,410.00
Payments	-22,766.00	0.00
Inflows from pledges	126,940.00	0.00
<b>Value of plan assets as at 31.12.</b>	<b>1,211,228.00</b>	<b>992,738.00</b>

The plan assets exclusively consist of pension liability insurance policies that have been pledged to the beneficiaries.

## (18) Taxes on income

Taxes on income and revenue comprise the corporate income tax including solidarity surcharge and the municipal trade tax in Germany as well as comparable profit-related taxes levied abroad.

Tax accruals and deferrals in the individual balance sheets are the result of the expected use of tax loss carryforwards and of differences in the amounts stated in the commercial balance sheet and tax balance sheet as well as of consolidation processes. Their calculation was made pursuant to the IAS 12.

Earnings (loss) before income tax is to be allocated to the business activities in Germany. The income tax payments (returns) are:

Income taxes	2005 kEUR	2004 kEUR
Taxes paid and payable	505	34
- of which abroad	115	23
Deferred taxes	83	187
<b>Income taxes</b>	<b>588</b>	<b>221</b>

kEUR 295 of the income taxes are attributable to previous periods (previous year: kEUR 0).

With the German shareholders, a corporate income tax rate of 25% (previous year: 25%) was used for the calculation of deferred taxes as at 31 December 2004. In addition, a solidarity surcharge of 5.5% on the corporate income tax as well as an effective trade tax rate of 10.96% (previous year: 10.96%) were considered.

Considering the solidarity surcharge and the trade tax, the resulting tax rate for companies in Germany used for the calculation of deferred taxes was 37.34% (previous year: 37.34%).

The transfer between amounts using the tax rate of 37.34% for the financial years as at 31 December 2005 and 2004 to earnings before income tax and the real tax expenditure is as follows:

Taxes on Income	2005 kEUR	2004 kEUR
Expected tax expenditure taking the tax rates as a basis	-728	-419
Tax-exempt revenues	141	17
Differences in local tax rates	71	24
Non-tax deductible write-ups and write-offs, resp.	0	28
Changes in valuation adjustments on loss carryforwards	349	162
Tax expenditure not related to the period under review	-303	0
Non-deductible operating expenses	-62	-12
Others	-56	-21
<b>Taxes on income</b>	<b>-588</b>	<b>-221</b>

In the foreign currency differences shown in the accumulated other equity, a deferred tax liability of kEUR 16 was recognised directly in equity in 2005 (previous year: kEUR 12).

The deferred tax assets and liabilities are composed of:

	31.12.2005 kEUR	31.12.2004 kEUR
<b>Deferred tax assets</b>		
Tax loss carryforwards	1,219	1,219
Liabilities of related companies	369	351
Obligations from capital leases	2	0
Other assets	855	372
Others	76	87
<b>Total deferred tax assets</b>	<b>2,521</b>	<b>2,029</b>
<b>Deferred tax liabilities</b>		
Tangible fixed assets	13	13
Intangible assets	365	288
Provisions	550	479
Amounts owed to banks	467	76
Other liabilities	216	181
Others	17	12
<b>Total deferred tax liabilities</b>	<b>1,628</b>	<b>1,049</b>
<b>Net deferred tax assets (liabilities)</b>	<b>893</b>	<b>980</b>

For corporate income tax purposes, loss made in Germany may be carried one year back and carried forward permanently as from 2004. For trade tax purposes, loss carry-forwards can only be permanent. On 31 December 2005, Müller - Die lila Logistik AG and its subsidiaries had tax loss carry-forwards for corporate income tax purposes amounting to approx. kEUR 10,400 and for trade tax purposes amounting to approx. kEUR 8,500 that can be carried forward for an unlimited period. The value adjustments on tax loss carryforwards total kEUR 2,458 (previous year: kEUR 2,880) as at 31 December 2005. In the financial year 2005, the value adjustment was closed up to the amount of the use of the tax carryforward by the positive annual result of Müller - Die lila Logistik AG.

The corporate management is of the opinion that the results of the future business activities will probably generate sufficient taxable revenue so that the deferred tax assets recognized in the balance sheet can be realised.

The deferred tax assets and liabilities were reported in the group balance sheets as at 31 December 2005 and 2004 as follows:

	31.12.2005 kEUR	31.12.2004 kEUR
Deferred tax assets, long-term	918	988
Deferred tax liabilities, long-term	25	8
<b>Deferred tax assets, balanced</b>	<b>893</b>	<b>980</b>

## **(19) Segment reporting**

The segment reports were prepared in accordance with IAS 14 (Segment Reporting). Following the internal reporting and organizational structure of the group, the individual closing data of the group were presented split by the different company segments and regions.

In accordance with the dominating organizational structure, primary reporting takes the business units “Logistics Design” and “Logistics Operating” as an orientation.

Customer advisory services both with regard to strategic orientation and in all logistics matters is a major component of the Logistics Design segment. Its range of services comprises the selection and planning of sites and the move of production sites to East Europe. In addition the customers are supported in the optimization of their production and in the revision of IT-supported logistics processes.

The Logistics Operating segment comprises a variety of logistic services in the segments provision organization, warehousing, production supply, production take-over, dispatch, distribution organization as well as the administration of customers' stocks with an optimization of stocks through the provision of additional services.



## Primary Segments: Business Divisions

Figures in kEUR	Logistics Design	Logistics Operating	Eliminations	Group
<b>2005</b>				
Revenues with third parties	3,617	68,774	0	72,391
Revenues with other segments	82	55	-137	0
Total revenues	3,699	68,829	-137	72,391
EBIT	824	2,264	0	3,088
Depreciations	32	1,814	0	1,846
Investments	142	1,415	0	1,557
Segment assets	2,989	43,943	-4,565	42,367
Segment debts	621	14,968	-3,773	11,816
Cash flow from operating activities	-14	3,500	750	4,236
Cash flow from investing activities	-31	-745	0	-776
Cash flow from financing activities	-71	-2,713	-750	-3,534
Result from equity valuation	378	0	0	378
Carrying value of shares valued at equity	1,417	0	0	1,417
<b>2004</b>				
Revenues with third parties	3,197	67,339	0	70,536
Revenues with other segments	626	0	-626	0
Total revenues	3,823	67,339	-626	70,536
EBIT	844	1,794	0	2,638
Depreciations	35	1,794	0	1,829
Investments	46	1,866	0	1,912
Segment assets	3,152	45,532	-5,226	43,458
Segment debts	748	15,306	-4,554	11,500
Cash flow from operating activities	48	3,593	0	3,641
Cash flow from investing activities	-46	-1,445	0	-1,491
Cash flow from financing activities	-11	-1,779	0	-1,790
Result from equity valuation	45	0	0	45
Carrying value of shares valued at equity	1,315	0	0	1,315

## Secondary Segments: Regions

Figures in kEUR	Germany	International	Eliminations	Group
<b>2005</b>				
Sales revenues with third parties allocated by client domicile	53,000	19,391	0	72,391
Segment assets by geographic location of the assets	41,463	4,677	-3,773	42,367
Investment by geographic location of the assets	1,382	175	0	1,557
<b>2004</b>				
Sales revenues with third parties allocated by client domicile	53,775	16,761	0	70,536
Segment assets by geographic location of the assets	46,219	1,793	-4,554	43,458
Investments by geographic location of the assets	1,683	229	0	1,912

The sales revenues with third parties are reported in the geographic region where the sales revenues are realised. Transactions among the individual segments are made in accordance with the arm's length principle.

**(20) Personnel**

The number of staff of the group based on an average of the year was 896 (previous year: 846), split in the following groups.

	Operational	Administrative	Trainees	Total	Of which are intermittent
2005	592	272	32	896	69
2004	557	261	29	846	73

**(21) Compensation for members of corporate bodies**

In 2005, the compensation for members of the management board of the parent company totalled kEUR 657 (previous year: kEUR 874). The compensation for members of the supervisory board amounted to kEUR 67 (previous year: kEUR 42).

The supervisory board compensation by individual member and components was:

Name	Position	Supervisory Board Compensation	Committee Compensation
Wolfgang Monning	Chairman of the Supervisory Board	19 kEUR	6 kEUR
Prof. Peter Klaus	Deputy Chairman of the Supervisory Board	10 kEUR	2 kEUR
Klaus Langer	Member of the Supervisory Board	6 kEUR	6 kEUR
Per Klemm	Member of the Supervisory Board	6 kEUR	-
Volker Buckmann	Member of the Supervisory Board	6 kEUR	-
Carlos Rodrigues	Member of the Supervisory Board	6 kEUR	-



## (22) Auditor Fees and Services

	2005 kEUR
Fees for audits	89
Other fees	80
	169

Fees for the statutory audit of the annual financial statements and the consolidated financial statements, to include the auditing of the conversion to IFRS for the financial year 2004, are included in the auditing fees.

The other professional fees primarily include consulting services in connection with questions pertaining to quarterly reporting, as well as audit-related consulting especially involving the accounting of individual items under IFRS.

## (23) Shareholdings as at 31 December 2005

	Share quota
<b>Consolidated Affiliated Companies</b>	
Emporias Management Consulting GmbH, Unterföhring	76.00 %
Müller - Die lila Logistik GmbH, Herne	indirect 90.00 %
Müller - Die lila Logistik Verwaltung GmbH, Herne	90.00 %
Müller - Die lila Logistik Polska Sp. z o.o., Gliwice/Poland	100.00 %
Müller - Die lila Logistik Deutschland GmbH, Besigheim	100.00 %
Müller - Die lila Logistik Austria GmbH, Graz/Austria	100.00 %
Müller - Die lila Logistik Ost GmbH, Zwenkau	100.00 %
<b>Associated Companies</b>	
TKS Unternehmensberatung und Industrie- planung GmbH, Eningen u. A.	33.00 %
<b>Unconsolidated Affiliated Companies and Equity Interests</b>	
Müller - Die lila Logistik Nord GmbH, Bünde	indirect 90.00 %
ILS Depot GmbH GmbH, Herne	indirect 90.00 %
FMS Logistic GmbH, Besigheim	33.33 %

**(24) Use of § 264, SECTION 3, HGB**

Some companies limited by shares that are affiliated, consolidated companies of Müller - Die lila Logistik AG and for whom the group financial statements of Müller - Die lila Logistik AG constitute the exempting group financial statements used the optional exemption granted in accordance with § 264, Section 3 of the German Commercial Code (HGB) with reference to disclosures.

They are:

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

**(25) Declaration on the Corporate Governance Code**

The declaration of the management board and supervisory board of Müller - Die lila Logistik AG on the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Law (AktG) was published and made permanently available in December 2005.

**(26) Subsequent events**

Significant events between the balance sheet date and the day of publication are reported in the subsequent events. Approval for publication of the group financial statements by the supervisory board was given on 20 March 2006.

Besigheim, 20 March 2006



Michael Müller  
Chairman and CEO



Rupert Früh  
Chief Financial Officer



The Supervisory Board discharged all the duties incumbent upon it under the law and the articles of association during 2005. The Supervisory Board dealt in detail with the developments in Müller – Die lila Logistik AG, its group companies and business segments during four regularly convened meetings. With very few exceptions, all the members of the Supervisory Board took part in the Board's meetings.

### **Collaboration between the Supervisory and Management Boards**

The Management Board informed the Supervisory Board regularly and comprehensively throughout the financial year, both orally and in writing, about the position of the company and in particular about the development of the business and financial situation, personnel issues and planned capital investments as well as fundamental issues about corporate policies and strategy. It also used monthly reports to update the Supervisory Board about the most important financial operating figures and submitted to it on a timely basis those matters requiring Supervisory-Board consent in the form of a resolution. After careful examination, and to the extent required by law or the articles of association, the Supervisory Board cast its vote on the recommendations presented by the Management Board. The Supervisory Board was also kept thoroughly informed about special business transactions in the periods between its regular meetings. Decisions of an urgent nature that arose between the Supervisory Board's meetings were handled in writing. In the joint meetings, the Supervisory Board could convince itself that the Management Board manages the affairs of the company in proper form and has taken the necessary measures in due time and in a well mapped-out manner.

Furthermore, the Chairman of the Management Board was in 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.

### **Focus of Consultations within the Supervisory Board**

The focus of the activities of the Supervisory Board was on consultations about the termination of the Joint Venture with VEDES as well as project launches at Zwickau, at Bünde-Ennigloh (near Bielefeld) and at Gliwice (Poland). In connection with the project launch at Bünde, there was a detailed discussion about the decision to close down the Bremen site and to integrate the Minden site into the Bünde site. The Supervisory Board approved the disposal of shares of Vedes Müller Logistik GmbH to the VEDES Group and the termination of all activities in the joint venture. In addition, the conversion from US-GAAP-accounting principles to IFRS (International Financial Reporting Standards) for external reporting was dealt with, and a resolution was adopted to appoint again Mr. Michael Müller as chairman of the Management Board. Organisational structures and changes in the participation portfolio were intensely discussed during the meetings of the Supervisory Board.

### **Committee Work**

The Audit Committee which deals with issues relating to accounting and risk management as well the appointment of the auditor and the performance of the year-end audit held three meetings in the financial year 2005. On these occasions, it regularly gave recommendations for decision by the Supervisory Board. In March, the Supervisory Board set up a Personnel Committee in accordance with the recommendations of the German Corporate Governance Code which discussed and assessed relevant subjects in detail.

### **Corporate Governance and Declaration of Conformity**

During the meetings, the Supervisory Board and the Management Board repeatedly discussed recommendations put forth by the German Corporate Governance Code and during the December 2005 meeting approved the 2005 declaration of conformity with the German Corporate Governance Code in its version of 2 June 2005 as prescribed by § 161 of the German Stock Corporation Law (AktG). The declaration and its remarks are included in the 2005 Annual Report and permanently available on the company's website [www.lila-logistik.de](http://www.lila-logistik.de). During its second meeting of the year 2005, the Supervisory Board made an efficiency audit in the form of a self-evaluation. The efficiency of its work was audited on the basis of a 47-item plan prepared in agreement with the auditor. Additionally, its efficiency is audited at regular intervals.

### **Adoption of the Year-End and Group Financial Statements**

The year-end financial statements of Müller - Die lila Logistik AG and the group financial statements prepared by the Management Board as at 31 December 2005 including the management report for the company and the group for the financial year 2005 have been audited by the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main and Berlin, who were appointed by the General Meeting of Shareholders of Müller - Die lila Logistik AG on 16 June 2005. The group financial statements were prepared in accordance with the IFRS (International Financial Reporting Standards). The auditors found the year-end financial statements and the management report to be in accordance with the properly maintained books and the legal regulations as well as the articles of association, and determined that they give a true and fair view of the development of business as well as the risks of its future development.

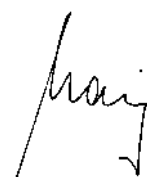
The auditors took part in the financial statements meeting and the meeting of the Supervisory Board Audit Committee held before and reported on the significant results of their audit. In particular they gave explanations of the assets, liabilities, financial and earnings position of the group. They have issued an unqualified opinion on the year-end financial statements of the Aktiengesellschaft (public limited company) and the group.

On the basis of its examination in the Audit Committee in which the auditor also participated, the Supervisory Board has no objections and has endorsed the auditor's results. It therefore approves the group financial statements of Müller - Die lila Logistik AG for the financial year 2005 and the year-end financial statements as compiled by the Management Board, which are thereby adopted.

The Supervisory Board extends sincere thanks and appreciation to the Management Board, the elected employee representatives and all employees for their strong personal commitment and contributions during the last financial year.

Besigheim, March 2006

For the Supervisory Board



Wolfgang Monning

Chairman

**Declaration of the Management Board and Supervisory Board of Müller – Die lila Logistik AG pursuant to § 161 of the Stock Corporation Law (AktG)**

The management board and the supervisory board of Müller – Die lila Logistik AG, headquartered in Besigheim, acknowledge the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) in its version of 2 June 2005 and declare that they were and are in compliance with these recommendations 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 supervisory board be reported in the notes to the consolidated financial statements according to fixed, performance-based and long-term incentive components. The code further recommends that the figures be individualised (Numbers 4.2.4 and 5.4.7, GCGC). The company will continue to refrain from reporting management-board compensation on an individualised basis. Müller – Die lila Logistik AG reports management-board compensation on a year-to-date basis. Furthermore, stock options are reported separately. An individualised reporting of compensation for members of the supervisory board by components and a reporting of other compensation and benefits provided to the members of the supervisory board will be made starting with financial year 2005.

**Performance-Based Compensation for the Supervisory Board**

The German Corporate Governance Code recommends that the members of the supervisory board receive performance-based compensation in addition to fixed compensation (Number 5.4.7, GCGC). The members of the supervisory board of Müller – Die lila Logistik AG receive only fixed compensation.

**Publication Deadlines for Interim Reports**

The German Corporate Governance Code recommends that interim reports be published within 45 days (Number 7.1.2, GCGC). Müller – Die lila Logistik AG will publish its interim reports immediately after their preparation in accordance with the exchange rules and regulations, but in any case not later than two months after the end of the reporting period.

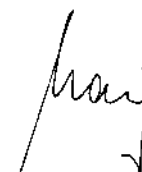
Besigheim, December 2005

For the Management Board:



Michael Müller  
Chairman

For the Supervisory Board:



Wolfgang Monning  
Chairman

We have issued the following unqualified audit opinion:

#### Audit Opinion

“We have audited the consolidated financial statements – consisting of the balance sheet, income statement and notes to the consolidated financial statements – and the accounting procedures and group management report of Müller – Die lila Logistik AG, Besigheim, for the financial year 1 January to 31 December 2005. The company’s management board is responsible for the accounting and preparation of the consolidated financial statements in accordance with German commercial-law regulations. Our responsibility is to express an opinion on the consolidated financial statements, to include accounting procedures and the group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and conduct the audit in a manner that allows sufficient assurance that we can identify misstatements and irregularities that materially affect the representation of the assets, financial and earnings situation as presented in the annual financial statements according to the principles of proper accounting and in the management report. Knowledge of the business activities, the company’s economic and legal situation, as well as expectations regarding potential errors, is taken into account when determining the audit procedures. Sampling is used predominantly within the audit to evaluate the effectiveness of the accounting-related internal control system and the evidence supporting the information contained in the consolidated financial statements and group management report. The audit included an assessment of the annual financial statements of the companies included within the consolidated financial statements, how the

scope of the consolidation was defined, the accounting and consolidation principles applied, the material estimates made by the legal representatives, as well as the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit resulted in no objections being raised.

In our opinion based on the information obtained during the audit, the consolidated financial statements conform with IFRS as required to be applied in the EU and with the applicable supplementing commercial-law requirements pursuant to § 315a, Section 1 of the German Commercial Code (HGB) and in light of these regulations give a true and fair view of the actual assets, financial and earnings situation of Müller – Die lila Logistik AG. The group management report is in agreement with the consolidated financial statements and provides an overall accurate depiction of the group’s situation and correctly presents the risks to and opportunities involved in its future growth and development.”

Stuttgart, 20 March 2006

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Meyer  
Chartered Accountant

Hundshagen  
Chartered Accountant



## COMPANY DIARY 2006

Publication of annual report	29 March
------------------------------	----------


Publication of 3-month report	23 May
-------------------------------	--------

General meeting of shareholders	22 June
---------------------------------	---------

Publication of 6-month report	23 August
-------------------------------	-----------

Publication of 9-month report	22 November
-------------------------------	-------------



**Publisher**

Müller - Die lila Logistik AG  
Ferdinand-Porsche-Straße 4  
74354 Besigheim-Ottmarsheim  
Tel.: +49 (0) 71 43/8 10-0  
Fax: +49 (0) 71 43/8 10-199

[info@lila-logistik.de](mailto:info@lila-logistik.de)  
[www.lila-logistik.de](http://www.lila-logistik.de)

**Layout**

H<sub>2</sub>e, Ludwigsburg

**Contact**

Müller - Die lila Logistik AG  
Investor Relations  
Ferdinand-Porsche-Straße 4  
74354 Besigheim-Ottmarsheim  
Tel.: +49 (0) 71 43/8 10-125  
Fax: +49 (0) 71 43/8 10-199

[investor@lila-logistik.de](mailto:investor@lila-logistik.de)  
[www.lila-logistik.de](http://www.lila-logistik.de)

**Note**

With the exception of the historical information this communication contains statements about the future in the meaning of the “Safe Harbor” conditions of the US Private Securities Litigation Reform Act of 1995, which may be subject to risks and uncertainties. Actual results may differ strongly as a result of a number of factors. These factors include, without claim to completeness, risks relating to the development of products and services, to the introduction of new products and services, to continuing demand for services, to services and prices offered by competitors, to changed economic circumstances at home and abroad and to prompt performance by partner undertakings. Further information on these matters can be found in the company’s sales prospectus and other publications made in the context of publications required by the stock-exchange supervisory authorities.

