ANNUAL REPORT 2005

MÜLLER - DIE LILA LOGISTIK AG

ACCORDING TO HGB

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MANAGEMENT REPORT OF
MÜLLER - DIE LILA LOGISTIK AG
FOR THE FINANCIAL YEAR 2005

Corporate Purpose

Müller - Die lila Logistik AG performs a variety of management functions for the Lila Logistik Group. Operational logistics activities, such as consulting and logistics operating services, are implemented by the various subsidiaries.
The company's employees work in the management board, its secretariat and in sales, controlling and investor relations/marketing. All these functions serve in managing the corporate group or are provided to the subsidiaries for a fee. The stock corporation's (AG) registered domicile is Besigheim and it maintains no branch offices.

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.

Müller - Die lila Logistik Ost GmbH

It was because of a pending project launch that the subsidiary Müller - Die lila Logistik Ost GmbH (Zwenkau) emerged in December 2005 from the takeover and renaming of the company NECKARPOOL Verwaltungsgesellschaft mbH.

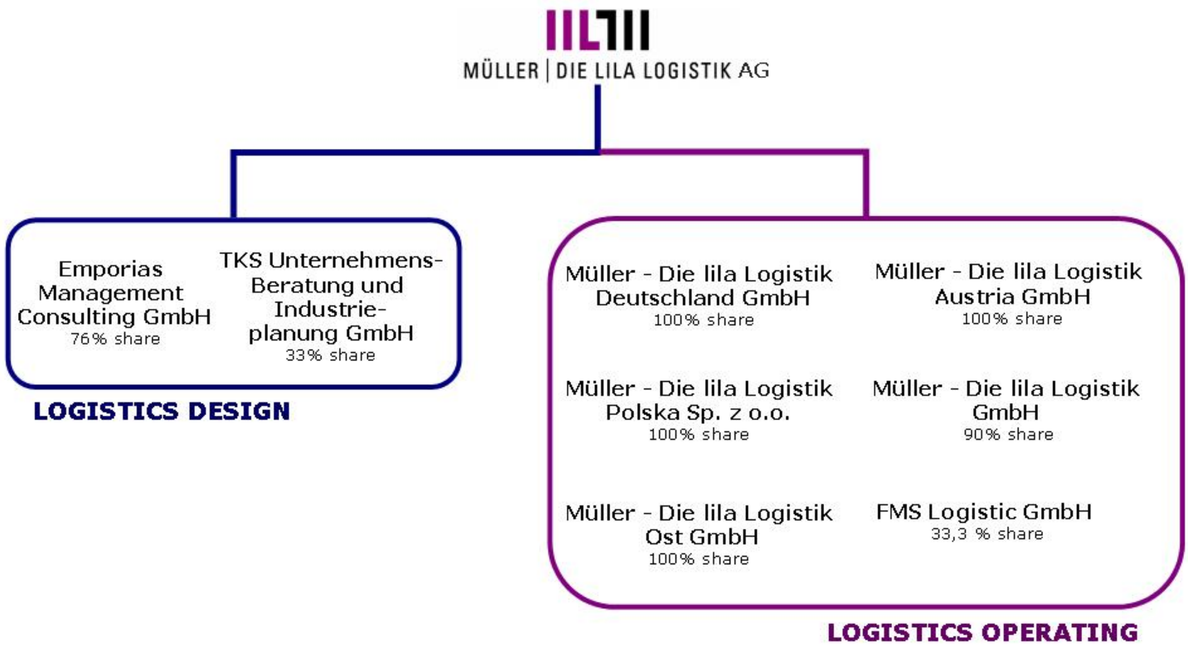
Renaming Subsidiaries as a Part of Branch Communication

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

- 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.

Current group structure not including second-tier subsidiaries:



Profit Transfer Agreements

There are controlling and profit transfer agreements in place between Müller - Die lila Logistik AG and the following subsidiaries:
Müller - Die lila Logistik Deutschland GmbH, Besigheim
Müller - Die lila Logistik Verwaltung GmbH, Herne
Emporias Management Consulting GmbH, Unterföhring.

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 AG, as a midsized provider of logistics services, can make the following statement regarding its market situation: Müller - Die lila Logistik AG 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. Müller - Die lila Logistik AG's revenue growth was slightly better than industry expectations due to one-time effects stemming from the dissolution of the joint venture with VEDES and the related deconsolidation.

Business Performance

Revenues

Müller - Die lila Logistik AG posted sales revenues of kEUR 1,297 in financial year 2005 (previous year: kEUR 2,490). This decrease is attributable primarily to the fact that in the previous year customer orders were invoiced by the AG, whereas in financial year 2005 they were invoiced by the subsidiaries themselves. The company's entire revenues were generated in Germany and Austria.

Earnings Performance

The company achieved annual net earnings of kEUR 1,036 in financial year 2005 (previous year: kEUR 462). Income of kEUR 3,394 (previous year: kEUR 3,512) from the profit transfer agreements was a major contributor to this. Income from equity interests rose to kEUR 275 (previous year: kEUR 47).

Together with these contributions the company also posted savings in the following expense items: The cost of materials declined significantly to kEUR 56 (previous year: kEUR 1,054) because of the discontinuation of invoicing during the reporting period as outlined above. Personnel expenses decreased slightly to kEUR 1,317 (previous year: kEUR 1,459), while the depreciation and amortisation of tangible and intangible fixed assets fell to kEUR 755 (previous year: kEUR 759). The other operating expenses also receded to kEUR 1,728 (previous year: kEUR 2,030), a decline precipitated by the year-earlier start-up of two major projects and related consulting costs. In addition to taking current taxes into consideration, the increase in the total tax expense is due mostly to additional liabilities that arose in conjunction with the government audit of the financial years 1998 to 2003.

Because of these developments, the earnings per share increased to 13 euro cents (previous year: 6 euro cents) and the return on equity of 13.3% almost doubled (previous year: 6.9%).

Investments, Depreciation and Amortisation

During this reporting period Müller - Die lila Logistik AG invested kEUR 303 (previous year: kEUR 2,793) in noncurrent assets. Divestments totalled kEUR 976 (previous year: kEUR 876).

Depreciation and amortisation during the financial year were kEUR 755 (previous year: kEUR 1,119), of which kEUR 62 (previous year: kEUR 51) were attributable to software and licences and kEUR 488 (previous year: kEUR 503) to property, plant and equipment. Goodwill amortisation was unchanged from a year ago at kEUR 205 (previous year: kEUR 205). There were no write downs made on financial assets (previous year: kEUR 360).

Net Assets and Financial Situation

As of the 31 December 2005 reporting date, total assets had declined 6.4% to kEUR 23,942 (previous year: kEUR 25,588) from that of the previous year. Noncurrent assets decreased to kEUR 19,597 (previous year: kEUR 21,025). The cause for this can be found in the disposal of assets in conjunction with the termination of the joint venture with VEDES, as well as in the depreciation and amortisation made during the reporting period.

The reduction on the liabilities and shareholders' equity side of the balance sheet is attributable primarily to liabilities to banks having declined to kEUR 13,236 from kEUR 15,682 as a result of principal repayments on loans.

As of the reporting date, shareholders' equity had risen to kEUR 7,783 (previous year: kEUR 6,721). An amount of kEUR 27 stemmed from options exercised as a part of an employee share-ownership programme. This means that the capital ratio was improved to 32.5% (previous year: 26.3%).

Cash Flow and Liquidity

Cash and cash equivalents totalled kEUR 12 (previous year: kEUR 50) as at the reporting date. Cash flows from operating activities totalled kEUR 1,780 (previous year: kEUR 3,232), cash inflows from investing activities were kEUR 601 (previous year: outflows of kEUR 1,792). Cash used in financing activities was kEUR 2,419 (previous year: kEUR 1,399). Total cash flow was minus kEUR 38 (previous year: kEUR 41).

Ongoing debt elimination is also manifested in the reduction of the debt-to-equity coefficient to 0.67 (previous year: 0.74) with a simultaneously declining balance-sheet total. As of the reporting date, the unused lines of credit totalled kEUR 3,332.

Overall Statement on Performance during Financial Year 2005

Despite a challenging market environment, financial year 2005 was a very successful one for Müller - Die lila Logistik AG. The earnings situation was further stabilised as financial liabilities 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.

Changes in the Management and Supervisory Boards

No changes occurred in either the management board or the supervisory board during the reporting period.

Personnel

There was no change in the number of employees at Müller - Die lila Logistik AG from a year ago. The total number of employees, not including members of corporate boards, was 7 people as at 31 December 2005.

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 at Müller - Die lila Logistik AG 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. Müller - Die lila Logistik AG as a services company 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 Müller - Die lila Logistik AG 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 Müller - Die lila Logistik Group's conscious focus on internationally operating companies in its four defined core industries (Automotive, Electronics, Consumer Goods and Industrial 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 company's pre-eminent goals.

Dependence on Individual Management Personnel

Müller - Die lila Logistik AG'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 computation 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 Müller - Die lila Logistik Group. These systems safeguard the Müller - Die lila Logistik 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 Müller - Die 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.

Müller - Die 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

No significant events occurred between the 31 December 2005 reporting date and the time these annual financial statements were published.

Outlook

Müller - Die lila Logistik AG 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 company expects the economy in Germany and the entire euro area to continue growing at a moderate rate. For the logistics industry, Müller - Die lila Logistik AG anticipates growth rates above that of the general economy. Due to the volatility of its project business, the planning horizon here is 12 months out.

The ongoing internationalisation and expansion of the subsidiaries' business activities into European countries beyond Germany will be just some of the factors shaping Müller - Die lila Logistik AG 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 company 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 Müller - Die lila Logistik AG to reinforce its business relationships with customers that are shifting their activities into Eastern Europe.

The company considers the changes in statutory regulations for shipping and freight transports set for 2009 to be a significant shift in the legislative framework. Together with its subsidiaries, the company 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^2 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, and based on the current budget horizon for 2006, the company expects slightly increased earnings transfers and consolidated netting with the subsidiaries, as well as stable rental income from the Besigheim property. Current budgeting projects sales revenues to reach the previous year’s level. The company expects slightly improved annual net earnings compared to last year. And, we will go on pursuing the goal of continuously clearing the company’s debt as scheduled.

Besigheim, 20 March 2006

Michael Müller	Rupert Früh
Chairman and CEO	Chief Financial Officer

MÜLLER | DIE LILA LOGISTIK

Balance sheet as at 31 December 2005

A s s e t s

	2005	2004
	EUR	EUR
A. Noncurrent assets		
I. Intangible assets		
1. Franchises, trademarks and similar rights and assets, as well as licences to such rights and assets	54,671.00	285,389.00
2. Goodwill	1,468,802.00	1,673,868.00
II. Property, plant and equipment		
1. Freehold land, leasehold rights/interests and buildings, including buildings on third-party land	6,737,159.06	7,044,587.06
2. Other fixed assets, fixtures, fittings and equipment	406,936.51	1,226,885.51
III. Financial assets		
1. Shares in affiliated companies	8,554,665.02	8,419,915.02
2. Loans to affiliated companies	1,022,583.76	1,022,583.76
3. Equity interests	1,350,000.00	1,350,000.00
4. Other loans	2,060.00	2,060.00
	19,596,877.35	**21,025,288.35**
B. Current assets		
I. Accounts receivable and other assets		
1. Trade accounts receivable	54,631.00	2,563.16
2. Receivables from affiliated companies	2,510,083.59	2,994,734.22
3. Receivables from companies in which a participating interest is held	0.00	23,500.00
4. Other assets	1,559,278.09	1,273,682.27
--of which with a remaining term of more than one year EUR 1,385,568.03 (prior year: EUR 1,084,387.25)--		
II. Cash on hand and balances with banks	12,042.48	50,024.00
	4,136,035.16	**4,344,504.00**
C. Accrued income and prepaid expenses	209,587.28	218,520.88
Assets, total	**23,942,499.79**	**25,588,313.86**

Balance sheet as at 31 December 2005

Liabilities and Shareholders' Equity

		2005 EUR	2004 EUR
A.	**Shareholders' equity**		
I.	**Subscribed capital**	7,920,750.00	7,900,000.00
II.	**Capital reserve**	11,467,602.51	11,462,000.01
III.	**Accumulated loss**	-11,605,397.17	-12,64148471
		7,782,955.34	**6,720,515.30**
B.	**Provisions**		
1.	Provisions for pensions and similar commitments	375,951.00	323,115.00
2.	Tax provisions	479,835.10	0.00
3.	Other provisions	624,038.28	1,017,243.08
		1,479,824.00	**1,340,358.00**
C.	**Liabilities**		
1.	Liabilities to banks --of which with a remaining term of up to one year EUR 2,048,433.20 (prior year: EUR 1,911,730.71)--	13,236,435.16	15,681,893.70
2.	Trade accounts payable --with a remaining term of up to one year--	54,057.85	181,968.97
3.	Liabilities to affiliated companies --with a remaining term of up to one year--	3,230.60	414,114.93
4.	Other liabilities --of which with a remaining term of up to one year EUR 1,385,996.46 (prior year: EUR 749,462.88)-- --of which for taxes EUR 382,648.77 (prior year: EUR 275,052.33)-- --of which are related to social security EUR 11,441.23 (prior year: EUR 11,420.52)--	1,385,996.46	1,249,462.88
		14,679,720.07	**17,527,440.48**
	Liabilities and Shareholders' Equity, total	**23,942,499.79**	**25,588,313.86**

Income statement for the period from 1 January to 31 December 2005

		EUR	EUR
1.	Sales revenues	1,297,076.17	2,490,220.52
2.	Other operating income	1,138,078.82	1,116,900.62
		2,435,154.99	**3,607,121.14**
3.	Cost of materials		
	Cost of services received	-55,939.38	-1,054,274.94
4.	Personnel expenses		
	a) Wages and salaries	-1,178,663.40	-1,283,531.70
	b) Social security contributions and retirement benefit expenses		
	--of which for retirement benefits EUR 65,094.99		
	(prior year: EUR 102,652.76)--	-138,347.74	-175,850,93
5.	Depreciation and amortisation of tangible and intangible fixed assets	-754,764.11	-758,643.36
6.	Other operating expenses	-1,727,992.17	-2,029,590.87
7.	Income from equity investments	275,092.75	47,206.06
8.	Income stemming from a profit transfer agreement	3,394,336.03	3,511,559.79
9.	Other interest and similar income	205,056.99	276,520.94
10.	Writedowns on financial assets	0.00	-360,142.38
11.	Interest and similar expenses	-948,285.23	-1,041,342.24
12.	**Earnings from ordinary activities**	**1,505,648.73**	**739,031.51**
13.	Extraordinary expenses	0.00	-250,533.02
14.	Taxes on income	-254,348.87	0.00
15.	Other taxes	-215,212.32	-26,768.53
16.	**Net income for the year**	**1,036,087.54**	**461,729.96**
17.	Losses carried forward	-12,641,484.71	-13,103,214.67
	Accumulated loss	**-11,605,397.17**	**-12,641,484.71**

Notes to the Financial Statements

for Financial Year 2005

1. General Information about the Annual Financial Statements and the Accounting and Valuation Methods

1.1 Classification Principles

These annual financial statements were prepared on the basis of statutory requirements. The balance sheet was prepared in accordance with the stipulations set forth for large corporations in § 266 of the German Commercial Code (HGB). The income statement is presented using the cost of production method in accordance with § 275, Section 2 of the HGB.

1.2 Accounting Principles

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

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

Noncurrent assets include only those items intended to serve the business over the long term. Provisions were established according to § 249 of the HGB.

1.3 Valuation Principles

The figures stated in the opening balance of this financial year agree with those in the closing balance of the previous financial year. All valuations were made on a going-concern basis. Assets and debts were valued individually. Valuations were made conservatively and all foreseeable risks and losses that arose up to the reporting date have been specifically taken into account, including those identified between the closing date and the time the financial statements were prepared. Only those profits realised up until the closing date were reported. The same valuation principles were used as for the previous annual financial statements. Expenses and income during the financial year were recognised regardless of the time payment was made.

Individual Items are Valued as Follows:

Fixed assets are reported at historical cost less any regular depreciation or amortisation. Depreciation and amortisation are made on a "pro rata temporis" basis.

Minor-value assets (having a net acquisition or historical cost of up to EUR 410.00) are fully depreciated in the year of acquisition.

Goodwill is amortised over its projected useful life in accordance with § 255, Section 4, Page 3 of the German Commercial Code (HGB).

Financial assets are stated at historical cost less any required write downs.

Accounts receivable, the other assets and cash and cash equivalents are reported at their nominal value. The reinsurance reported under other assets is stated at its respective asset value.

Accruals and provisions were determined on the basis of sound business judgement. Pension obligations were calculated at an interest rate of 6.00 percent (unchanged from the previous year) and for the first time according to the actuarial estimates underlying the new Heubeck 2005 G Life Expectancy Tables. The earlier 1998 life expectancy tables were superseded by the 2005 G tables at the beginning of July 2005. All companies that prepare financial statements under commercial-law regulations are required to use these new tables effective 31 December 2005. These include values based on new statistics for transition probabilities (mortality, reduction in earning capacity, marriage rates) relevant to company retirement programmes. Pension obligations pertain to all members of the management board as at the 2005 reporting date, as well as to the former chief financial officer Mr. Alfred Benk, who stepped down from the board on 30 June 2003. The other provisions take into account all recognisable risks and uncertain obligations. Liabilities are reported at the amounts to be repaid.

1.4. Foreign Currency Translation

There were no accounts receivable or payable in foreign currency as of the reporting date.

1.5 Discount

The discount reported in the balance sheet results from the real-estate financing at Ferdinand-Porsche-Strasse 4 in Besigheim-Ottmarsheim from the year 1999. The original amount of kEUR 281 is being written down on a straight-line basis reflecting its time to maturity over 20 years, i.e. until 2019.

2. Notes to the Individual Items of the Balance Sheet and the Income Statement

2.1 Notes to the Balance Sheet

2.1.1 Noncurrent Assets

The changes in and classification of the individual items under noncurrent assets, as well as depreciation and amortisation during the financial year, can be found in the Statement of Changes in Noncurrent Assets.

2.1.2 Financial Assets

In a notarised partnership agreement made at the beginning of February 2004, VEDES Logistik GmbH and Müller - Die lila Logistik AG agreed to form a joint venture under the name Vedes-Müller Logistik. 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, which was immediately written down. Against the backdrop of drastically reduced sales expectations and the resulting failure to reach the required earnings goals, the shareholding partners mutually agreed to discontinue the joint venture. In accordance with the notarised agreement dated 20 May 2005, the collaboration was ended retroactively to 1 April 2005. Müller - Die lila Logistik AG sold its interest for a price of one euro and assigned the interest with its nominal value of kEUR 13 to VEDES Logistik GmbH, which in turn accepted the purchase and the assignment. 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.

Individual companies were renamed during financial year 2005 in line with modifications to the corporate image. The following name changes were made:

Former Company Name, Corporate Domicile	**New Company Name**	**Date of Entry in Commercial Register**
Müller Logistics Operating GmbH, Besigheim	Müller - Die lila Logistik Deutschland GmbH	21 March 2005
M & W Logistics Polska Sp. z o.o., Gliwice	Müller - Die lila Logistik Polska Sp. z o.o.	26 April 2005
ILS Industrie Logistik Service GmbH, Herne	Müller - Die lila Logistik Verwaltung GmbH	26 October 2005
Wüstefeld Logistik GmbH, Herne	Müller - Die lila Logistik GmbH	4 November 2005

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 by the Luther Rechtsanwaltsgesellschaft mbH of Cologne, 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.

2.1.3 Current Assets

The accounts receivable from affiliated companies totalling kEUR 2,510 mostly include receivables from profits transferred at the end of the year in accordance with the profit transfer agreements made with Müller - Die lila Logistik Deutschland GmbH and Müller - Die lila Logistik Verwaltung GmbH.
The subordination agreement made on 21 August 2002 with Müller - Die lila Logistik Deutschland GmbH was rescinded on 1 July 2005. This agreement included receivables in the amount of kEUR 1,373 and was made in 2002 in order to prevent a threat of over indebtedness. This subordination agreement was able to be set aside since the underlying reason for it was no longer applicable in light of Müller - Die lila Logistik Deutschland GmbH's good earnings performance over the past financial years and its related positive equity development.

The other assets totalling kEUR 1,559 predominantly comprise the asset value of reinsurance (kEUR 1,386) and tax reimbursement claims (kEUR 170).

2.1.4 Share Capital

The share capital totals some kEUR 7,921 and is divided into 7,920,750 individual bearer share certificates.
The share capital was increased by kEUR 5,400 from company funds to kEUR 6,000 by resolution of the 8 February 2001 general meeting of shareholders. In the course of the initial public offering, the 5 March 2001 general meeting of shareholders approved the increase in share capital by kEUR 1,700 to kEUR 7,700. The management board, with the consent of the supervisory board, is empowered until 5 March 2006 to increase the share capital once or a multiple of times, provided the total increase does not exceed kEUR 3,000. In addition, the 5 March 2001 general meeting of shareholders approved a conditional increase of up to kEUR 600 in share capital. The contingent capital was reserved for the employee share-ownership programme.
The management board, with the consent of the supervisory board, decided on 27 April 2004 to increase the share capital by kEUR 200 to kEUR 7,900 by making use of the approved capital. This transaction was entered into the commercial register on 15 June 2004.

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).

New shares valued at kEUR 21 were issued during the financial year as result of the contingent capital increases approved on 5 March 2001 and 15 May 2001. The share capital at the close of the financial year totalled kEUR 7,921, while the contingent capital as at the close of the financial year totalled kEUR 579.

2.1.5 Capital Reserve

As in the previous year, the capital reserve of kEUR 11,468 includes the premium of kEUR 11,240 from the capital increase in line with the flotation as well as the premium of kEUR 222 for the non-cash contribution from the capital increase recorded on 15 June 2004. The differential amount of kEUR 6 between the nominal value of the shares and the exercise price of the options (20,750 units of converted stock options from an employee share-ownership programme) was allocated in 2005.

2.1.6 Other Provisions

The other provisions totalling kEUR 624 (previous year: kEUR 1,017) primarily involve personnel-related obligations in the amount of kEUR 367, costs of kEUR 214 for preparing and auditing the financial statements, and outstanding invoices totalling kEUR 43.

2.1.7 Tax Provisions

Tax provisions pertain to the financial years 1999 to 2005.

2.1.8 Liabilities

The following table shows the remaining term of liabilities and their collateralisation:

	Total amount	Of which with a remaining term of up to one year	Of which with a remaining term of up to five years	Of which with a remaining term of more than five years
	kEUR	kEUR	kEUR	kEUR
Liabilities to banks	13,237	2,049	2,541	8,647
Trade accounts payable	54	54	0	0
Liabilities to affiliated companies	3	3	0	0
Other liabilities	1,386	1,386	0	0
Total liabilities	**14,680**	**3,492**	**2,541**	**8,647**

Liabilities to Banks

Except for a loan in the amount of kEUR 1,950, the liabilities to banks as at 31 December 2005 are secured in full through land charges, assignment of life insurance policies and accounts receivable, transfers of title as collateral and the pledging of business shareholdings.

Other Liabilities

On 30 December 2000 a loan waiver with debtor warrant was issued by the shareholder Michael Müller. This waiver in the amount of kEUR 251 is subject to the condition precedent of an onset in business improvement. This is deemed to be the case when Müller - Die lila Logistik AG generates annual net earnings. In the event that such a condition arises, then Michael Müller is entitled to the claim arising from the loan agreement at the original interest rate, but not less than 6% per annum. Because of the reported annual net earnings, this condition of improvement already occurred in financial year 2004. The loan continues to exist. Interest expenses totalling kEUR 15 arose for the 2005 financial year.

Müller - Die lila Logistik AG received the following shareholder loans in financial year 2002:

Shareholder Michael Müller:	kEUR 250
Shareholder Süd-Kapitalbeteiligungs-Gesellschaft mbH:	kEUR 250

These shareholder loans plus interest were originally due for payment as at 30 June 2004. On 1 July 2004 the term of the loans was extended until 30 June 2006. Repayment is due in a lump sum at the end of the contract term. 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.

Liabilities to Affiliated Companies

Liabilities to affiliated companies total kEUR 3.

2.2 Notes to the Income Statement

2.2.1 Sales Revenues

The company posted sales of kEUR 1,297 in financial year 2005 (previous year: kEUR 2,490). This drop in sales is attributable to the decline in subsidiary services that Müller - Die lila Logistik AG invoiced to a client.

The external sales revenues of kEUR 55 during the reporting year were generated from a client in Austria. Müller - Die lila Logistik AG's intercompany sales during financial year 2005 were kEUR 1,210 in Germany and kEUR 32 abroad (Austria) (previous year: only revenues in Germany of kEUR 1,277). These sales involved management services and the renting of noncurrent assets.

The breakdown of sales in Germany and abroad was as follows (previous-year figures in brackets):

	In kEUR	As % of total sales
Germany	1,210 (1,277)	93.3%
Abroad	87 (1,213)	6.7%
Total	1,297 (2,490)	100.0%

The sales figures include intercompany nettings of kEUR 1,242 and external revenues totalling kEUR 55.

2.2.2 Other Operating Income

The other operating income totalled kEUR 1,138 (previous year: kEUR 1,117) and primarily concerns rental income, the increase in the asset value of reinsurance, income from the reversal of provisions and reimbursements from previous years. Income relating to other periods in the amount of kEUR 127 (previous year: kEUR 455) is also included.

2.2.3 Cost of Materials

The cost of materials totalling kEUR 56 (previous year: kEUR 1,054) mainly includes intragroup consulting costs for which subsequent invoices were issued. The decline in this item corresponds to the drop in sales reported above.

2.2.4 Depreciation and Amortisation of Intangible Fixed Assets

As in the previous year, there were no special write-offs, depreciation or amortisation made on intangible assets during the financial year.

2.2.5 Other Operating Expenses

The other operating expenses comprise kEUR 435 in charges for consulting services received (including the preparation and auditing of the financial statements), kEUR 276 in insurance costs, kEUR 214 for advertising and travel expenses, kEUR 141 in losses from the disposal of fixed assets, kEUR 125 for the cost of office space, kEUR 123 for external personnel (of which kEUR 105 was for intragroup services), kEUR 111 in vehicle expenses including industrial trucks and conveyers, kEUR 36 in provisions for outstanding invoices, kEUR 35 for repairs and maintenance, as well as other operating expenses in the amount of kEUR 232. This item includes a total of kEUR 209 (previous year: kEUR 305) in expenses relating to other periods.

2.2.6 Interest

Of the interest income of kEUR 205 (previous year: kEUR 277), kEUR 204 (previous year: kEUR 274) relates to affiliated companies. The interest expense of kEUR 948 (previous year: kEUR 1,041) includes expenditures of kEUR 24 (previous year: none) to affiliated companies.

2.2.7 Write downs on Financial Assets

No write downs were made on financial assets during the financial year. Write downs on financial assets in the previous year involved the amortisation of an equity interest as well as write downs against an affiliated company.

2.2.8 Taxes on Income / Other Taxes

kEUR 193 (previous year: none) of the taxes on income are attributable to earlier periods.
Other taxes include taxes relating to other periods in the amount of kEUR 161 (previous year: none).

2.2.9 Net Income for the Year

Net income for the year totalled kEUR 1,036 (previous year: kEUR 462). This figure includes annual earnings of kEUR 1,581 (previous year: kEUR 810 – annual net income of kEUR 1,617 less a loss carry forward of kEUR 807) transferred by Müller - Die lila Logistik Deutschland GmbH; annual earnings of kEUR 1,120 (previous year: kEUR 2,024) less a guaranteed dividend in the amount of kEUR 5 transferred by Müller - Die lila Logistik Verwaltung GmbH; and annual net earnings of kEUR 767 (previous year: kEUR 751) less a guaranteed dividend in the amount of kEUR 69, transferred by Emporias Management Consulting GmbH.

2.2.10 Appropriation of Earnings

The net earnings for financial year 2005 will be carried forward.

3. Other Information

Corporate bodies consist of the following:

Management Board

Michael Müller	Chairman Residing in Stuttgart Freight systems administrator
Rupert Früh	Chief Financial Officer Residing in Buchen i.O. Graduate economist

Total compensation for the management board in 2005 was kEUR 657 (previous year: kEUR 874). The members of the management board of Müller - Die lila Logistik AG held the following shares and options in the company on 31 December 2005:

Michael Müller, Chairman:	4,064,000 shares and 35,000 options
Rupert Früh, Director:	4,000 shares and 4,000 options

Supervisory Board

Wolfgang Monning	Chairman of the Supervisory Board Residing in Ilsfeld Independent management consultant Member of the supervisory board of AXIT AG, Frankenthal and Member of the administrative board of Dachser GmbH & Co., Kempten (stepped down on 31 December 2005)
Professor Peter Klaus D.B.A / Boston University	Vice Chairman of the Supervisory Board Residing in Bamberg Professor of business administration, specialising in logistics, University of Erlangen/Nuremberg Director of the Fraunhofer Center for Applied Research on Technologies for the Logistics Service Industries (ATL), Nuremberg Deputy chairman of the supervisory board of BILOG AG, Bamberg and deputy chairman of the supervisory board of GRIESHABER AG, Bad Säckingen
Klaus Langer	Member of the Supervisory Board Residing in Stuttgart Tax consultant and chartered accountant Member of the supervisory board of Müller Weingarten AG, Weingarten.
Per Klemm	Member of the Supervisory Board Residing in Stuttgart Managing director / No other mandates
Volker Buckmann	Member of the Supervisory Board Residing in Dortmund Administrator / No other mandates
Carlos Rodrigues	Member of the Supervisory Board Residing in Flein Graduate business economist (university of applied sciences) / No other mandates

Compensation for members of the supervisory board in financial year 2005 totalled kEUR 67 (previous year: kEUR 42). The members of the supervisory board of Müller - Die lila Logistik AG held the following options in the company on 31 December 2005:

Carlos Rodrigues:	10,000 options

Personnel

The company had an average of 7 salaried employees during the 2005 reporting (unchanged from the previous year) not including members of the management board.

Equity Interests

The company holds an equity interest of at least 20 percent in the following companies:

Müller - Die lila Logistik Deutschland GmbH, Besigheim

Amount of shareholding	100%
Total shareholders' equity	kEUR 1,147
2005 net income (per profit transfer agreement)	kEUR 0

Müller - Die lila Logistik Austria GmbH, Graz

Amount of shareholding	100%
Total shareholders' equity	kEUR 419
2005 net income	kEUR 382

Emporias Management Consulting GmbH, Unterföhring

Amount of shareholding	76%
Total shareholders' equity	kEUR 154
2005 net income (per profit transfer agreement)	kEUR 0

Müller - Die lila Logistik Verwaltung GmbH, Herne

Amount of shareholding	90%
Total shareholders' equity	kEUR 638
2005 net income (per profit transfer agreement)	kEUR 0

ILS Depot GmbH, Herne

Amount of shareholding	(indirect) 90%
Shareholders' equity	kEUR 26
2005 net income (per profit transfer agreement)	kEUR 0

Müller - Die lila Logistik GmbH, Herne

Amount of shareholding	(indirect) 90%
Shareholders' equity	kEUR 156
2005 net income (per profit transfer agreement)	kEUR 0

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

Amount of shareholding	100%
Total shareholders' equity	kEUR 192
2005 net loss	kEUR 180

TKS Unternehmensberatung und Industrieplanung GmbH

Amount of shareholding	33%
Shareholders' equity as at 30 June 2005	kEUR 1,060
Net income for the 2004/2005 financial year	kEUR 702

FMS Logistic GmbH, Besigheim

Share of capital	33.33%
Total shareholders' equity (preliminary)	kEUR 71
2005 net income (preliminary)	kEUR 10

Müller - Die lila Logistik Ost GmbH, Zwenkau

Share of capital	100%
Total shareholders' equity (preliminary)	kEUR 23
2005 net loss	kEUR 2

Müller - Die lila Logistik Nord GmbH, Bünde

Share of capital	(indirect) 90%
Total shareholders' equity (preliminary)	kEUR 23
2005 net loss	kEUR 2

Auditor Fees and Services

	2005
	kEUR
Auditing fees	89
Other professional 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, 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.

4. Contingent Liabilities and Other Financial Obligations

Guaranties totalling kEUR 2,173 (previous year: kEUR 3,086) are in place for subsidiaries. This decrease is attributable to the expiration of leasing agreements and to the shorter remaining terms of accounts receivable for which there was a guaranty.

Other financial obligations, which are not reported in the balance sheet and do not represent contingent liabilities in the sense of § 251 of the German Commercial Code (HGB), but are still of significance for assessing the company's situation, consisted as at the reporting date of continuous debt obligations (rental and leasing agreements). The future expense totals kEUR 33, of which kEUR 22 is in 2006.

5. Declaration on the German Corporate Governance Code

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

Besigheim, 20 March 2006

The Management Board

Development of Changes in Noncurrent Assets

		Historical Cost			
		1.01.2005 EUR	Additions EUR	Disposals EUR	31.12.2005 EUR
I.	**Intangible assets**				
	1. Franchises, trademarks and similar rights and assets, as well as licences to such rights and assets	354,134.01	138,511.55	392,078.01	100,567.55
	2. Goodwill	434,5433.83	0.00	0.00	4,345,433.83
		4,699,567.84	**138,511.55**	**392,078.01**	**4,446,001.38**
II.	**Property, plant and equipment**				
	1. Freehold land, leasehold rights/interests and buildings, including buildings on third-party land	8,543,294.02	0.00	7,773.00	8,535,521.02
	2. Other fixed assets, fixtures, fittings and equipment	1,865,017.81	16,755.56	839,141.93	1,042,631.44
		10,408,311.83	**16,755.56**	**846,914.93**	**9,578,152.46**
III.	**Financial assets**				
	1. Shares in affiliated companies	8,992,386.07	147,500.00	262,750.00	8,877,136.07
	2. Loans to affiliated companies	1,022,583.76	0.00	0.00	1,022,583.76
	3. Equity interests	1,470,368.22	0.00	0.00	1,470,368.22
	4. Other loans	2,060.00	0.00	0.00	2,060.00
		11,487,398.05	147,500.00	262,750.00	11,372,148.05
		26,595,277.72	**302,767.11**	**1,501,742.94**	**25,396,301.89**

		Accumulated Depreciation and Amortisation				Carrying Values	
		1.01.2005 EUR	Financial-Year Depreciation and Amortisation EUR	Disposals EUR	31.12.2005 EUR	31.12.2005 EUR	31.12.2005 EUR
I.	**Intangible assets**						
	1. Franchises, trademarks and similar rights and assets, as well as licences to such rights and assets	68,745.01	61768,55	84,617.01	45,896.55	54,671.00	285,389.00
	2. Goodwill	2,671,565.83	205,066.00	0.00	2,876,631.83	1,468,802.00	1,673,868.00
		2,740,310.84	**266,834.55**	**84,617.01**	**2,922,528.38**	**1,523,473.00**	**1,959,257.00**
II.	**Property, plant and equipment**						
	1. Freehold land, leasehold rights/interests and buildings, including buildings on third-party land	1,498,706.96	300,109.00	454.00	1,798,361.96	6,737,159.06	7,044,587.06
	2. Other fixed assets, fixtures, fittings and equipment	638,132.3	187,820.56	190,257.93	635,694.93	406,936.51	1,226,885.51
		2,136,839.26	**487,929.56**	**190,711.93**	**2,434,056.89**	**7,144,095.57**	**8,271,472.57**
III.	**Financial assets**						
	1. Shares in affiliated companies	572,471.05	0.00	250,000.00	322,471.05	8,554,665.02	8,419,915.02
	2. Loans to affiliated companies	0.00	0.00	0.00	0.00	1,022,583.76	1,022,583.76
	3. Equity interests	120,368.22	0.00	0.00	120,368.22	1,350,000.00	1,350,000.00
	4. Other loans	0.00	0.00	0.00	0.00	2,060.00	2,060.00
		692,839.24	**0.00**	**250,000.00**	**442,839.27**	**10,929,308.78**	**10,794,558.78**
		5,569,989.37	**754,764.11**	**525,328.94**	**5,799,424.54**	**19,596,877.35**	**21,025,288.35**

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

Auditor’s Report

We have issued the following unqualified audit opinion:

Audit Opinion

“We have audited the annual financial statements – consisting of the balance sheet, income statement and notes to the financial statements – and the accounting procedures and 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 annual financial statements in accordance with German commercial-law regulations. Our responsibility is to express an opinion on the annual financial statements, to include accounting procedures and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and 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 accounts, annual financial statements and management report. The audit includes an assessment of the accounting principles used and the material estimates made by the management board, as well as an evaluation of the overall presentation of the annual financial statements and management report. We believe that our audit provides a 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 annual financial statements comply with statutory regulations and, in accordance with generally accepted accounting principles, give a true and fair view of the actual assets, financial and earnings situation of Müller - Die lila Logistik AG. The management report is in agreement with the annual financial statements and provides an overall accurate depiction of the company’s situation and correctly presents the risks to and opportunities presented by its future growth and development.“

Stuttgart, 20 March 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Meyer	Hundshagen
Chartered	Chartered
Accountant	Accountant

Contact:

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