DATE April 12, 2005

Eilzustellung
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Name THIEL Logistics+Services

Industry LOGISTICS

Year 2004

ANNUAL BOND REPORT

X

Key Figures

in thousand EUR	2004	2003[1]	Changes
Group Net Sales			
Industry Solutions	608,941	622,555	– 2.19 %
Air & Ocean	300,577	281,071	6.94 %
Regional Logistics Services	819,801	758,586	8.07 %
Other	1,071	1,386	– 22.73 %
Total Net Sales	**1,730,390**	1,663,598	4.01%
Segment results			
Industry Solutions	10,714	15,512	– 30.93 %
Air & Ocean	7,284	– 979	N/A
Regional Logistics Services	21,017	16,255	29.30 %
Non-allocated results	– 13,974	– 23,572	40.72 %
Operating income[2]	**25,041**	7,216	247.02%
EBIT (US GAAP)[4]	**31,769**	– 50,139	N/A
EBIT (IFRS)	**34,070**	N/A	N/A
Net income (loss)	**1,045**	– 156,207	N/A
Earnings per share (in EUR)	**0.01**	– 1.82	N/A
Operating cash flow	**60,865**	38,505	58.07 %
Capital expenditure	**– 26,878**	– 36,825	– 27.01 %
Free cash flow[3]	**48,602**	16,577	193.19 %
Depreciation and amortization	**– 40,769**	– 43,439	– 6.15 %
EBITDA[2]	**73,918**	43,313	70.66 %
Net financial debt	**150,184**	267,471	– 43.85 %
Net financial debt/ EBITDA	**2.03**	6.18	– 67.15 %
Capital stock	**139,344**	107,187	30.00%
Shareholders' equity (US GAAP)	**375,164**	279,753	34.10 %
Shareholders' equity (IFRS)	**377,842**	N/A	N/A
Number of employees	**8,912**	9,613	– 7.29 %

[1] Reclassification according to US GAAP SFAS 144 (discontinued operations)
[2] Before restructuring and impairment
[3] Free cash flow = operating cash flow - capital expenditure + interest payments
[4] EBIT (US GAAP) = operating income + other financial income (expense) + equity in earnings of associated companies

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General – Use of this Report

This report should be read in conjunction with the Thiel Logistik AG 8% Senior Subordinated Notes due 2012 Listing Memorandum dated December 7, 2004 and the 2004 Annual Report of Thiel Logistik AG. In particular, please refer to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in the Listing Memorandum respecting the Description of Our Income Statement, Certain Other Factors Affecting Our Results of Operations, Critical Accounting Policies and Significant Differences between IFRS and US GAAP. This report provides updated or additional information to these sections, which are incorporated by reference herein, only when materially different from the information provided in these sections of the Listing Memorandum. The Listing Memorandum is available from the Luxemburg Stock Exchange (www.bourse.lu) and the 2004 Annual Report of Thiel Logistik AG is available from Thiel Logistik AG (www.thiel-logistik.com).

Important Disclaimer

Market and Industry Data

All figures provided regarding market shares, growth rates and turnover in connection with our business have been obtained from publicly available sources. In particular, we have obtained information or other statements presented in this report regarding market share and industry data relating to our business from providers of industry data.

We do not have access to the underlying facts and assumptions relating to numerical and market data and other information contained in such publicly available sources. Although we believe that this information is reliable, we cannot guarantee the accuracy or completeness of the information, and we have not independently verified it. Accordingly, we assume no liability for the correctness of numerical data, market data or other information from the relevant sources.

Forward-Looking Statements

This report includes forward-looking statements as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, as amended. All statements other than statements of historical fact included in this report, including the statements under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Business” and elsewhere in this report regarding our financial condition or plans to increase sales, earnings and margins and statements regarding other future events or prospects, our future financial performance, plans and expectations in relation to developments in our business, growth and profitability and the applicable economic context, are forward-looking statements. The words “may”, “will”, “expect”, “anticipate”, “believe”, “future”, “continue”, “help”, “estimate”, “plan”, “intend”, “should”, “shall” or the negative or other variations thereof as well as other statements regarding matters that are not historical fact are or may constitute forward-looking statements.

We have based these forward-looking statements on our management’s current view with respect to future events and financial performance. These views reflect the best judgment of our executives but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements.

Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the following risks, uncertainties and assumptions, among others:

- risks related to our dependence on a limited number of large customers, our contract logistics projects, our strategy, our business operations, financial condition and results of operations;
- risks relating to the integration of our acquisitions;
- consolidation and competition in our industry and pricing pressure;
- changes in the regulatory environment and changes in international, legal, administrative or economic conditions;
- risks associated with accounting and financial reporting matters, including possible future impairments of goodwill and fixed assets or valuation allowances on our deferred tax assets;
- risks related to litigation, other legal proceedings and potential future environmental liabilities;
- our exposure to exchange and interest rate fluctuations;
- risks relating to pension liabilities;
- our dependence on key management personnel;
- risks relating to our dependence on third-party information technology;
- risks associated with our structure.

We urge you to read the sections of this report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this report may not occur.

You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

Selected Financial Data

The Consolidated Financial Statements are prepared by the Board of Directors and the Executive Board and presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The presented Consolidated Financial Statements were audited by Ernst & Young in accordance with International Standards on Auditing and given an unqualified auditor´s opinion.

After December 31, 2004, Thiel Logistik Group will disclose its Consolidated Financial Statements according to the International Financial Reporting Standards ("IFRS"). Changing from US GAAP to IFRS has no material effect on the financial figures of Thiel Logistik Group. Please refer to section "Other Financial Data" (page 8) in this report and to note 39, "First-Time Adoption of International Financial Reporting Standards" (page 135) in the Notes to the Consolidated Financial Statements of the 2004 Annual Report of Thiel Logistik AG.

Starting with the financial reporting in 2005 Thiel Logistik Group will report a "Clean EBIT". In comparison with the previously reported "Operating Income" the "Clean EBIT" also includes the line items "Other financial income (expense), net" and "Equity in earnings of associated companies". Please refer to section "Other Financial Data" (page 8) in this report and to the Consolidated Statement of Income (page 81) in the 2004 Annual Report of Thiel Logistik AG.

Due to the seasonal nature of our business, you should not rely on this financial data to predict our results for any future period.

Consolidated Statement of Income

in thousand EUR	2004	2003
Net sales	1,730,390	1,663,598
Cost of sales	(1,600,882)	(1,539,808)
Gross profit	**129,508**	**123,790**
Selling costs	(33,742)	(33,977)
General and administrative costs	(88,382)	(90,060)
Other operating income (expenses), net	17,657	7,463
Total operating expenses	**(104,467)**	**(116,574)**
Operating income before restructuring and impairment	**25,041**	**7,216**
Restructuring costs	-	(14,008)
Impairment of long-lived assets	(1,380)	(5,259)
Impairment of goodwill	-	(30,746)
Operating income (loss)	**23,661**	**(42,797)**
Interest expenses, net	(16,954)	(15,405)
Other financial income (expenses), net	8,009	(7,700)
Equity in earnings of associated companies	99	358
Financial result	**(8,846)**	**(22,747)**
Income taxes	(2,388)	(7,328)
Income (Loss) from continuing operations	**12,427**	**(72,872)**
Loss from discontinued operations, net of tax	(7,073)	(84,250)
Income (Loss) before minority interest	**5,354**	**(157,122)**
Minority interest	(4,309)	915
Net income (loss)	**1,045**	**(156,207)**

Earnings per share - basic and fully diluted *in thousand EUR*	2004	2003
Income (loss) from continuing operations	0.12	(0.85)
Income (loss) from discontinued operations, net of tax	(0.07)	(0.98)
Net income (Net loss)	0.01	(1.82)
Weighted average number of shares outstanding - basic and fully diluted	104,235,439	85,749,990

Pro forma EBIT reconciliation *in thousand EUR*	2004	2003
Operating income	**23,661**	**(42,797)**
Other financial income (expenses), net	8,009	(7,700)
Equity in earnings of associated companies	99	358
Earnings before interest and taxes (EBIT) [1]	**31,769**	**(50,139)**

[1] New definition of EBIT leads to adjustments in the calculation of EBITDA and EBITDAR for the fiscal year 2003 vs. the calculation of the Listing Memorandum dated December 7, 2004. Please refer to section "Other Financial Data" (page 8) in this report.

Consolidated Balance Sheet

in thousand EUR	December 31, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	87,369	51,012
Trading securities	-	402
Trade accounts receivable	205,348	234,613
Inventories	7,220	5,509
Deferred income taxes	2,622	2,638
Prepaid expenses and other current assets	24,772	31,082
Assets held for sale	933	4,897
Assets of discontinued operations	11,738	35,213
Total current assets	**340,002**	**365,366**
Property, plant and equipment	264,074	277,301
Intangible assets	23,632	30,545
Goodwill	286,761	287,758
Investments in associated companies	385	1,315
Investments in affiliated, not consolidated companies and other investments	3,188	3,495
Securities, available-for-sale	3,738	3,668
Securities, held-to-maturity	370	370
Deferred income taxes	23,379	21,586
Other assets	12,454	7,097
Total non-current assets	**617,981**	**633,135**
Total assets	**957,983**	**998,501**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term bank borrowings and current portion of long-term debt	19,834	157,031
Trade accounts payable	165,362	154,684
Lease obligations, short-term	6,747	6,494
Tax provisions	14,513	9,755
Deferred income taxes	419	687
Accrued expenses, other liabilities and deferred income	82,646	109,337
Liabilities of discontinued operations	7,957	34,520
Total current liabilities	**297,478**	**472,508**
Long-term bank borrowings	34,789	107,927
Bonds payable	130,000	-
Lease obligations, long-term	46,183	47,031
Retirement and other employee-related obligations	38,937	46,759
Deferred income taxes	24,718	30,993
Other non-current liabilities	6,523	11,295
Total non-current liabilities	**281,150**	**244,005**
Minority interest	**4,191**	**2,235**
Shareholders' equity	**375,164**	**279,753**
Total liabilities and shareholders' equity	**957,983**	**998,501**

Segment Data

in thousand EUR	2004	2003
Net sales		
Industry Solutions	608,941	622,555
Air & Ocean	300,577	281,071
Regional Logistics Services	819,801	758,586
Operating income (loss)		
Industry Solutions	10,714	15,512
Air & Ocean	7,284	(979)
Regional Logistics Services	21,017	16,255
Total assets		
Industry Solutions	406,826	409,530
Air & Ocean	111,463	108,726
Regional Logistics Services	461,323	473,732

Cash Flow Data

in thousand EUR	2004	2003
Net cash provided by operating activities	60,865	38,505
Net cash used in investing activities	(12,305)	(99,991)
Net cash provided by financing activities	1,356	18,378
Net cash used in discontinued operations	(13,975)	(16,049)
Effects of exchange rate changes on cash	416	(1,396)
Increase (Decrease) in cash and cash equivalents	**36,357**	**(60,553)**

Other Financial Data

in thousand EUR	2004	2003
EBITDA (1) (6)	73,918	43,313
EBITDAR (2) (6)	143,705	109,426
Net Debt (3)	150,184	267,471
Net interest expense (4)	(16,954)	(15,405)
Pro-forma gross interest expense (5)	(15,697)	N/A
Pro-forma net interest expense (5)	(14,544)	N/A
Ratio of Net Debt to EBITDA	2.03	6.18
Ratio of EBITDA to Pro-forma interest expense	4.71	N/A
Ratio of EBITDA to Pro-forma net interest expense	5.08	N/A

Notes:

(1) EBITDA is not a standardized measure and can be defined and calculated differently by each company using it. We define EBITDA as operating income before restructuring and impairment, plus depreciation and amortization. Starting with the financial reporting in 2005 Thiel Logistik Group will report a “Clean EBIT”. In comparison with the previously reported “Operating Income” the “Clean EBIT” and accordingly the EBITDA and EBITDAR also include the line items “Other financial income (expense), net” and “Equity in earnings of associated companies”. Since EBITDA is not a standardized measure, it should not be used to make comparisons from company to company. It is also not a measure of cash flow and should not be relied on as a measure of liquidity in lieu of the cash flow data presented above.

(2) EBITDAR is EBITDA plus rental charges and operating lease expenses.

(3) Net debt is total indebtedness, as reflected on our Consolidated Balance Sheet, minus cash and cash equivalents, not including indebtedness of discontinued operations.
(4) Net interest expense is consolidated interest expense minus consolidated interest income.
(5) Pro-forma net interest expense is pro-forma gross interest expense, adjusted to deduct pro-forma interest income calculated on the basis of cash and cash equivalents existing on December 31, 2004. We have calculated pro-forma gross and net interest expense as follows:
i. Short-term bank borrowings of EUR 6.1 million, assuming an interest rate of 3.97% , translating into an increase in the net financial expense of EUR 0.2 million;
ii. Long-term bank borrowings (incl. current portion of long-term debt) of EUR 48.5 million, assuming an interest rate of 5.05%, translating into an increase in the net financial expense of EUR 2.5 million;
iii. Lease obligations, short- and long-term of EUR 52.9 million, assuming an interest rate of 4.92%, translating into an increase in the net financial expense of EUR 2.6 million;
iv. Bonds payable of EUR 130.0 million, assuming an interest rate of 8.00%, translating into an increase in net financial expenses of EUR 10.4 million;
v. Cash and cash equivalents of EUR 87.4 million, assuming an interest rate of 1.32%, translating into a financial income of EUR 1.2 million;

The components of pro-forma net interest expense for the year ended December 31, 2004 are as follows:

in thousand EUR	2004
Pro-forma interest expense	(15,697)
Pro-forma interest income	1,153
Pro-forma net interest expense	(14,544)

(6) The following table reconciles our EBITDA calculations presented above to our net income:

in thousand EUR	2003 US GAAP	2004 US GAAP	2004 IFRS
Operating income	(42,797)	23,661	25,962
Other financial income	(7,700)	8,009	8,009
Equity in earnings of associated companies	358	99	99
EBIT	**(50,139)**	**31,769**	**34,070**
Depreciation	(34,391)	(31,150)	(31,150)
Amortization	(9,048)	(9,619)	(9,619)
Impairments	(36,005)	(1,380)	(1,380)
Restructuring costs	(14,008)	-	-
EBITDA	**43,313**	**73,918**	**76,219**
Rental charges and operating lease expenses	(66,113)	(69,787)	(69,787)
EBITDAR	**109,426**	**143,705**	**146,006**

In the Listing Memorandum dated December 7, 2004 an EBITDA of EUR 50.7 million and an EBITDAR of EUR 116.8 million was reported for the fiscal year 2003. The following table reconciles the EBITDA and EBITDAR of the Listing Memorandum to the new definition of EBITDA and EBITDAR according to the reporting of a “Clean EBIT”:

in thousand EUR	2003
EBITDA as reported in the Listing Memorandum	**50,655**
Other financial income	(7,700)
Equity in earnings of associated companies	358
EBITDA as defined in this report	**43,313**

in thousand EUR	2003
EBITDAR as reported in the Listing Memorandum	**116,768**
Other financial income	(7,700)
Equity in earnings of associated companies	358
EBITDAR as defined in this report	**109,426**

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis of the financial condition and results of operations of THIEL Logistik is to be read in conjunction with the sections "Selected Financial Data" (page 5) and "Business" (page 25) in this report. Please refer also to the Listing Memorandum dated December 7, 2004.

The following discussion includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by our forward-looking statements.

Overview

We are a medium-sized provider of logistics services that is active principally in Central and Eastern European countries and also operates in Asia. We specialize in providing entire logistics solutions and provide logistics services throughout the customer's supply chain. We strive to take advantage of the increasing trend toward outsourcing of contract logistics services. Within our strategic focus, we coordinate overland road, rail, air and sea freight services, as well as warehousing and supply chain management activities and the design and execution of customized logistics solutions. We plan to focus on providing an integrated approach of contract logistics and to maintain our strategic focus on our Industry Solutions, Regional Logistics Services and Air & Ocean segments. We currently employ 9,133 people including discontinued operations (8,912 employees excluding discontinued operations) at approximately 400 sites in more than 40 countries. We provide logistics services to our customers through our three business segments: Industry Solutions, Regional Logistics Services and Air & Ocean.

Our principal market is Germany, followed by Austria, Asia, Switzerland and other European countries. The following table shows the net sales accounted for by each region in which we are active as at December 31, 2004 and the twelve months then ended:

in thousand EUR and as a percentage of total net sales		**2004**
Germany	840,527	48.6 %
Austria	477,470	27.6 %
Asia	102,871	5.9 %
Switzerland	79,356	4.6 %
Eastern Europe	71,668	4.1 %
Other	158,498	9.2 %
Total Net Sales	**1,730,390**	**100.0 %**

We anticipate that our levels of activity in Eastern Europe and Asia could increase significantly in the future.

Key Factors influencing our Financial Condition and Results of Operations

Impact of Acquisitions in 2003

The goodwill resulting from acquisitions in 2003 of EUR 81.0 million related to Overbruck Spedition GmbH (“Overbruck”) in an amount of EUR 50.4 million and to the increase of our stake in Microlog from 67.8% by 29.4% to 97.2% in an amount of EUR 28.7 million. All acquisitions have been accounted from the date of acquisition. The Consolidated Financial Statements as of December 31, 2003 include the results of operations of Overbruck for the period April 1, 2003, through to December 31, 2003.

The acquisitions completed in the fiscal year 2003 increased the total assets of Thiel Logistik Group as of December 31, 2003 by EUR 68.8 million.

Impact of Acquisitions in 2004

We have made no acquisitions in 2004. However, Overbruck’s results have been included only for nine months of 2003, compared with twelve months of 2004.

Impairment of Goodwill and Long-Lived Assets

As at December 31, 2004, goodwill amounted to EUR 286.8 million. No goodwill impairments were recorded, whereas in 2003 impairment losses of goodwill totaled EUR 30.7 million. Goodwill after this impairment amounted to EUR 287.8 million as at December 31, 2003. Please refer to section “Critical Accounting Policies – Goodwill and other Intangible Assets” (page 12) in this report.

Goodwill impairments in 2003 comprised EUR 14.0 million for Industry Solutions, EUR 9.6 million for Air & Ocean and EUR 7.1 million for Regional Logistics Services.

Impairment losses of goodwill related to discontinued operations were included in income statement line item “loss from discontinued operations” and amounted to EUR 1.0 million in 2004 and EUR 21.3 million in 2003.

In 2004, impairments of long-lived assets amounted to EUR 1.4 million, whereas in 2003 EUR 5.3 million were written-off due to impairment. We review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Among other things, certain of our warehouses may need to be impaired if we lose the tenant or customer occupying the warehouse and are not able to find a replacement tenant or customer on a timely basis. At the Thiel Automotive Heppenheim warehouse site an agreement with a customer has not been extended beyond June 30, 2005, which would result in decreasing utilization of the capacities at the Heppenheim premises. However, customer contacts are promising, and as a result management is expecting the utilization of capacities at the Heppenheim site to return to a level that will justify the carrying amount of the premises in fiscal year 2005. Please refer to section “Critical Accounting Policies – Long-Lived Assets” (page12) in this report.

Restructuring Costs

We recorded restructuring costs of EUR 14.0 million in 2003 incurred in connection with the concentration on our core business activities, whereas no restructuring costs were reported in 2004 and we do not anticipate to record any major restructuring costs in the near future.

Discontinued Operations

For the year ended December 31, 2004, the loss from discontinued operations amounted to EUR 7.1 million, compared to a loss of EUR 84.3 million in 2003. As at December 31, 2004, assets of discontinued operations accounted for EUR 11.7 million (EUR 35.2 million as at December 31, 2003) and liabilities of discontinued operations accounted for EUR 8.0 million (EUR 34.5 million as at

December 31, 2003). We anticipate that losses from discontinued operations will continue at a reduced level for the foreseeable future. For a discussion of the factors we consider in determining whether operations are to be classified as discontinued, please refer to section “Critical Accounting Policies – Discontinued Operations” (page 13) in this report.

Critical Accounting Policies

The calculation of the following items is important to our financial position and results of operations. However, these calculations require us to make judgments that are necessarily subjective and that may change in future periods. Reliance on different assumptions and judgments could produce materially different results.

Goodwill and other Intangible Assets

Intangible assets include among others customer stock and goodwill. Most of our intangible assets result from the acquisition of companies. The total purchase price paid for a majority stake in a company is allocated to the individual assets acquired and liabilities assumed. The portion of the purchase price, which cannot be allocated to individual assets, is recognized as goodwill and recorded separately in the Consolidated Balance Sheet.

Under US GAAP, we are prohibited from amortizing our goodwill and indefinite life intangible assets. Instead, goodwill and indefinite life intangible assets are tested for impairment at least annually and on an interim basis when an event occurs or circumstances change between annual tests that would more likely than not result in impairment. Under US GAAP, goodwill is assessed for impairment by using the fair-value method that is based on our assessment of future cash flows to be received from the companies in question, discounted to present value at an appropriate rate.

Our judgments as to future cash flows and appropriate discount rates could later prove to have been inaccurate predictors of value. In particular, we may be unable to foresee economic and business developments that result in cash flows that are worse than expected. Accordingly, if we determine that our assumptions about growth rates or discounted values were incorrect or need to be modified over time, book values of assets including goodwill may need to be impaired. Other future events relating to a specific subsidiary or group of subsidiaries may require impairment, as occurred in 2003.

Long-Lived Assets

Long-lived assets include, among others, property, plant and equipment. Long-lived assets are valued at acquisition or manufacturing cost less accumulated depreciation. Long-lived assets are depreciated over their useful lives.

We review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of long-lived assets, excluding goodwill, is assessed by a comparison of the carrying amount of the asset to the total estimated undiscounted cash flows expected to be generated by the asset or group. If the estimated future net undiscounted cash flows are less than the carrying amount of the asset or group, the asset or group is considered impaired, and expense is recognized equal to the amount required to reduce the carrying amount of the asset to its then fair value. If quoted market prices are not available for the long-lived assets, fair value is determined by discounting the cash flows expected to be generated by the asset.

Key areas of judgment for these impairment tests are sale prices, production and sales volume levels, costs and market conditions and appropriate discount rates to be applied to forecasted cash flows. Accordingly, if we determine that our assumptions about expected market conditions or discount rates were incorrect or need to be modified over time, book values of assets may need to be impaired.

Deferred Tax Assets

We provide for income taxes using the liability method, which requires that deferred tax assets and liabilities be recognized for the expected future tax consequences of temporary differences arising between the bases of assets and liabilities for financial reporting and income tax purposes. Currently enacted tax rates are used to determine deferred income tax. Under this method, we are required to record deferred income taxes on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base. Valuation allowances on deferred tax assets are provided where we believe it is more likely than not that we will not realize such amounts.

Currently, we record deferred tax assets resulting from tax loss carry-forwards in different legal entities. We assume that each legal entity with deferred tax assets will have taxable profits in the future against which it will be able to offset tax loss carry-forwards. If our assumption, mainly with regard to a legal entity's future profits, is not realized, or if changes in tax law restrict the utilization of the tax losses, our ability to utilize our tax loss carry-forwards could be jeopardized. This could result in a valuation allowance on the deferred tax assets.

Discontinued Operations

Under Statement of Financial Accounting Standards ("SFAS") No. 144, a discontinued operation of an entity is a subsidiary, cash generating unit or business or geographical segment:
- that either has been disposed of or is classified as held for sale;
- whose operations and cash flows have been, or will be, eliminated from the ongoing operations of the entity as a result of the disposal transaction; and
- in which the entity will have no significant continuing involvement after the disposal transaction.

Under SFAS No. 144, the revenue, expenses and pre-tax profit or loss of discontinued operations and the related tax expense should be presented on the face of the income statement, and the net cash flows of the discontinued operation should be presented separately in the cash flow statement or in the notes.

Assets of discontinued operations are recorded at the lower of the book value or the discounted future net cash flows expected to be generated by the discontinued operations less costs of sale. The expected cash flow depends upon the expected sales price. If this price cannot be derived from an active trading market, then our expectations in relation to an obtainable purchase price strongly affect the valuation of discontinued operations. Even where our expectations are based on ongoing negotiations, these negotiations might fail. Thus, impairments may be required, due to illiquid and small markets for businesses and due to unjustified purchase price expectations.

Accruals, Provisions, Commitments and Contingencies

Risks in connection with potential and pending litigation and potential risks under guarantees and indemnities given with respect to the sale of operations require us to make judgments as to the likelihood of these risks actually being realized. If the actual costs differ from our estimates, our accruals and provisions may not be sufficient. Any deficiencies would be a loss that we would be required to recognize at the time it becomes reasonably estimable. Please refer to section "Business – Litigation and Legal Proceedings" (page 40) in this report.

Results of Operations

Results of Operations for the years ended December 31, 2004 and 2003

The following table summarizes our results of operations in 2004 and 2003:

in thousand EUR and as a percentage of net sales	2004		2003	
Net sales	1,730,390	100.0 %	1,663,598	100.0 %
Cost of sales	(1,600,882)	(92.5) %	(1,539,808)	(92.6) %
Gross profit	**129,508**	**7.5 %**	**123,790**	**7.4 %**
Selling costs	(33,742)	(1.9) %	(33,977)	(2.0) %
General and administrative costs	(88,382)	(5.1) %	(90,060)	(5.4) %
Other operating income (expenses), net	17,657	1.0 %	7,463	0.4 %
Total operating expenses	**(104,467)**	**(6.0) %**	**(116,574)**	**(7.0) %**
Operating income before restructuring and impairment	**25,041**	**1.5 %**	**7,216**	**0.4 %**
Restructuring costs	-	0.0 %	(14,008)	(0.8) %
Impairment of long-lived assets	(1,380)	(0.1) %	(5,259)	(0.3) %
Impairment of goodwill	-	0.0 %	(30,746)	(1.9) %
Operating income (loss)	**23,661**	**1.4 %**	**(42,797)**	**(2.6) %**
Interest expenses, net	(16,954)	(1.0) %	(15,405)	(0.9) %
Other financial income (expenses), net	8,009	0.5 %	(7,700)	(0.5) %
Equity in earnings of associated companies	99	0.0 %	358	0.0 %
Financial result	**(8,846)**	**(0.5) %**	**(22,747)**	**(1.4) %**
Income taxes	(2,388)	(0.1) %	(7,328)	(0.4) %
Income (Loss) from continuing operations	**12,427**	**0.7 %**	**(72,872)**	**(4.4) %**
Loss from discontinued operations, net of tax	(7,073)	(0.4) %	(84,250)	(5.1) %
Minority interest	(4,309)	(0.2) %	915	0.1 %
Net income (loss)	**1,045**	**0.1 %**	**(156,207)**	**(9.4) %**

Net Sales

The following table shows our consolidated net sales for each segment for the years ended December 31, 2003 and 2004:

in thousand EUR and as a percentage of total net sales	2004		2003	
Industry Solutions	608,941	35.2 %	622,555	37.4 %
Air & Ocean	300,577	17.3 %	281,071	16.9 %
Regional Logistics Services	819,801	47.4 %	758,586	45.6 %
Other corporate revenues	1,071	0.1 %	1,386	0.1 %
Total Net Sales	**1,730,390**	**100.0 %**	**1,663,598**	**100.0 %**

Our net sales increased by 4.0% from EUR 1,663.6 million in 2003 to EUR 1,730.4 million in 2004. Adjusted for currency effects sales grew by 4.5%. The acquisition-related sales growth was 1.7% (Overbruck). New customer acquisitions and the expansion of existing business relationships resulted in an organic growth of 2.8%.

Industry Solutions

Net sales in Industry Solutions decreased by 2.2% from EUR 622.6 million in 2003 to EUR 608.9 million in 2004. Net sales across the segment generally weakened between the two periods, which could not be offset by gains in the Media business unit.

The following table shows the net sales in Industry Solutions by business units for the years 2004 and 2003:

in thousand EUR and as a percentage of total net sales		2004		2003
THIEL Automotive	208,740	34.3 %	220,787	35.5 %
THIEL FashionLifestyle	219,723	36.1 %	228,118	36.6 %
THIEL Media	122,344	20.1 %	116,104	18.6 %
THIEL Furniture	48,086	7.9 %	49,121	7.9 %
Other	10,048	1.6 %	8,425	1.4 %
Net Sales in Industry Solutions	**608,941**	**100.0 %**	**622,555**	**100.0 %**

Net sales of our business unit THIEL Automotive decreased by 5.5% from EUR 220.8 million to EUR 208.8 million. This was largely the result of the weak performance of the automotive market in Germany.

Net sales of THIEL FashionLifestyle decreased by 3.7% from EUR 228.1 million to EUR 219.7 million. This decrease was mainly due to the difficult market environment in the German fashion industry, the most important market for THIEL FashionLifestyle, which in turn had an effect on our net sales in this sub-segment.

Net sales of THIEL Media, which have been consolidated since April 2003, increased by 5.4% from EUR 116.1 million to EUR 122.3 million. This increase is the result of new customer relationships and consolidating only nine months of results for our Overbruck subsidiary in 2003 compared to twelve months in 2004.

Net sales of THIEL Furniture decreased by 2.1% from EUR 49.1 million to EUR 48.1 million as a result of the stagnant consumer economy in Germany which could not be fully compensated by increased sales in Central and Eastern European countries.

Air & Ocean

Net sales in Air & Ocean increased by 6.9% from EUR 281.1 million in 2003 to EUR 300.6 million in 2004. This increase is due to a strengthening market in 2004, following a relatively weak market in 2003, as increasing globalization and a friendly market environment in Asia lead to a demand for intercontinental air and sea freight.

Regional Logistics Services

Net sales in Regional Logistics Services increased by 8.1% from EUR 758.6 million in 2003 to EUR 819.8 million in 2004. The increase was largely due to increased outsourcing of logistics by manufacturers in Austria and Southern Germany, as well as increased shipping of products and supplies to and from Eastern Europe.

The following table shows the net sales in Regional Logistics Services by business unit for the years 2004 and 2003:

in thousand EUR and as a percentage of total net sales		2004		2003
Quehenberger	378,919	46.2 %	319,268	42.1 %
Südkraft	223,703	27.3 %	227,076	29.9 %
Delacher	217,179	26.5 %	212,242	28.0 %
Net Sales in Regional Logistics Services	**819,801**	**100.0 %**	**758,586**	**100.0 %**

Net sales of Quehenberger increased by 18.7% from EUR 319.3 million in 2003 to EUR 378.9 million in 2004. This increase was mainly due to an increase in its customer base, both among Austrian manufacturers and in Eastern Europe.

Net sales of Südkraft decreased by 1.65% from EUR 227.1 million in 2003 to EUR 223.2 million in 2004, mainly as a result of the sale of our public transportation businesses in 2004 in Ingolstadt and Munich.

Net sales of delacher increased by 2.3% from EUR 212.2 million in 2003 to EUR 217.2 million in 2004. This increase was mainly due to the expansion of its service offerings and customer base.

Cost of Sales

Costs of sales mainly include cost of purchased services, materials and supplies and personnel costs. Cost of sales increased by 4.0% from EUR 1,539.8 million in 2003 to EUR 1,600.9 million in 2004, in line with the corresponding increase in net sales. These costs were largely driven during the two periods by costs of purchased services (60.5% of net sales in 2003 and 62.2% of net sales in 2004) and personnel costs (18.3% of net sales in 2003 and 16.3% of net sales in 2004).

Gross Profit

The gross profit increased by 4.6% from EUR 123.8 million in 2003 to EUR 129.5 million in 2004. As a percentage of net sales, the gross margin increased from 7.4% in 2003 to 7.5% in 2004. The Thiel Logistik Group's gross margin is subject to seasonal fluctuations. The THIEL FashionLifestyle business unit in particular had an effect on the quarterly development, due to its strong performance in the first and third quarter. Margins increased strongly in the Air & Ocean and Regional Logistics Services segments. One-time expenses in the Industry Solutions business segment reduced the respective gross margin.

Operating Expenses

Operating expenses include selling costs, general and administrative costs and other operating income. Operating expenses decreased by 10.4% from EUR 116.6 million in 2003 to EUR 104.5 million in 2004, as a result of strict cost management. As a percentage of net sales, operating expenses decreased from 7.0% in 2003 to 6.0% in 2004.

Selling costs equaled EUR 34.0 million (2.0% of net sales) in 2003 and EUR 33.7 million (1.9% of net sales) in 2004. Approximately half of these amounts were attributable to salaries. General and administrative costs likewise decreased slightly from EUR 90.1 million (5.4% of net sales) in 2003 to EUR 88.4 million (5.1% of net sales) in 2004. Other operating income increased from EUR 7.5 million to EUR 17.7 million. This includes gains and losses from disposal of long-lived assets, foreign exchange gains and losses, insurance revenue and income from reversal of provisions.

Impairment

Impairments went from EUR 36.0 million in 2003 to EUR 1.4 million in 2004. Impairments for the full year 2003 include goodwill impairments of EUR 30.7 million and impairments of long-lived assets of EUR 5.3 million. In fiscal year 2004 special effects resulted from impairment of capitalized customer contracts and long-lived assets amounting to EUR 1.4 million.

Operating Income

The following table shows our operating income for the years ended December 31, 2004 and 2003:

in thousand EUR	**2004**	**2003**
Industry Solutions	10,714	15,512
Air & Ocean	7,284	(979)
Regional Logistics Services	21,017	16,255
Operating income from segments	**39,015**	**30,788**
Amortization of capitalized customer stock	(4,353)	(4,062)
Depreciation and amortization of unallocated long-lived assets	(2,496)	(2,628)
Results of non-operating entities prior to write-off	(7,125)	(16,882)
Operating income before restructuring and impairment	**25,041**	**7,216**
Restructuring costs	-	(14,008)
Impairment of long-lived assets	(1,380)	(5,259)
Impairment of goodwill	-	(30,746)
Operating income (loss)	**23,661**	**(42,797)**

Operating income before restructuring costs and impairments increased from EUR 7.2 million in 2003 to EUR 25.0 million in 2004, or as a percentage of net sales from 0.4% to 1.5%. This increase is due to organic sales growth, growth through acquisitions, cost reductions and asset dispositions. The amounts for operating income of the segments between the two periods are not fully comparable, as certain head-office operating costs were allocated to the business segments and business units for the first time in 2004.

Operating income after restructuring costs and impairments increased from an operating loss of EUR 42.8 million in 2003 to operating income of EUR 23.7 million in 2004.

Total operating income of our segments for both periods was positive as various effects such as restructuring costs and impairment of goodwill and long-lived assets were not allocated to segments.

Industry Solutions

Operating income in Industry Solutions decreased by 30.9% from EUR 15.5 million in 2003 to EUR 10.7 million in 2004. This decrease is primarily explained by the weakness in our Automotive business unit.

Air & Ocean

Operating income in Air & Ocean increased from an operating loss of EUR 1.0 million in 2003 to an operating income of EUR 7.3 million in 2004. This increase is largely due to higher profit margins in Asia, particularly in China.

Regional Logistics Services

Operating income in Regional Logistics Services increased by 29.3% from EUR 16.3 million in 2003 to EUR 21.0 million in 2004. This increase is largely due to increased organic growth in this segment and strict cost management, which were partially offset by the sale of certain businesses.

Financial Result

Financial result includes the items “Interest expense, net”, “Other financial income (expenses), net” and “Equity in earnings of associated companies”.

Interest expense, net, increased by 10.1% from EUR 15.4 million in 2003 to EUR 17.0 million in 2004. The successful restructuring of the liabilities side of the balance sheet that resulted from the capital increase in April 2004 and the bond issue in December 2004 led to a one-time interest expense incurred as part of the changeover to long-term borrowings.

Other financial income (expenses), net, improved from a loss of EUR 7.7 million in 2003 to income of EUR 8.0 million in 2004, mainly as a result of impairment losses on investments in associated companies and other investments in 2003 and the gain from disposal of other investments in 2004.

Income Taxes

Income taxes decreased from EUR 7.3 million in 2003 to EUR 2.4 million in 2004, due to a recovery of previous written-off tax loss carry-forwards as a result of successful business performance and corporate optimization in 2004.

Loss from Discontinued Operations

Loss from discontinued operations decreased in fiscal year 2004 to EUR 7.1 million (2003: EUR 84.3 million). The group of companies classified as discontinued operations consist of transportation service providers in the Central European region and Asia. In 2004 BTL Logistics AG, Muri, Switzerland, and the information technology sector of the Microlog Group were sold from among the group of discontinued operations.

Minority Interest

The decrease in minority interest from EUR 0.9 million in 2003 to a loss of EUR 4.3 million in 2004 resulted from increased positive operating results and the sale of consolidated subsidiaries in which we hold an interest of less than 100%.

Net Income (Loss)

Following a net loss of EUR 156.2 million in 2003, net income of EUR 1.0 million was generated in 2004, reflecting the reversal of trend underway.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

in thousand EUR	2004	2003
Net cash provided by operating activities	60,865	38,505
Net cash used in investing activities	(12,305)	(99,991)
Net cash provided by financing activities	1,356	18,378
Net cash used in discontinued operations	(13,975)	(16,049)
Effects of exchange rate changes on cash	416	(1,396)
Increase (Decrease) in cash and cash equivalents	**36,357**	**(60,553)**
Cash and cash equivalent at the end of period	**87,369**	**51,012**

Net Cash Provided by Operating Activities

Net cash provided by operating activities is determined indirectly by reconciling our net income to cash provided by operating activities.

Net cash provided by operating activities increased by 58.1% from EUR 38.5 million in 2003 to EUR 60.9 million in 2004.

in thousand EUR	2004	2003
Net income (loss)	1,045	(156,207)
Loss of discontinued operations	7,073	84,250
Depreciation and amortization	42,206	87,175
Changes in working capital	36,369	20,606
Other reconciliations	(25,828)	2,681
Net cash provided by operating activities	**60,865**	**38,505**

In fiscal year 2004, working capital management generated an operating cash effect of EUR 36.4 million (2003: EUR 20.6 million). This was achieved especially through improved receivables management.

Net Cash Used in Investing Activities

Net cash used in investing activities decreased by 87.7% from EUR 100.0 million in 2003 to EUR 12.3 million in 2004. The change for 2004 reflects the more conservative approach to acquisitions and other capital expenditures since 2003 as well as the now completed divestment process resulting from the Thiel Logistik Group's strategic realignment.

in thousand EUR	2004	2003
Payments for acquisitions of subsidiaries, net of cash acquired	(20,637)	(92,767)
Capital expenditures	(26,878)	(36,825)
Proceeds from disposal of non-current assets	32,916	15,862
Other	2,294	13,739
Net cash used in investing activities	**(12,305)**	**(99,991)**

Payments for acquisitions of subsidiaries, net of cash acquired, decreased by 77.8% from EUR 92.8 million in 2003 to EUR 20.6 million in 2004. Payments in 2003 comprised the cash component of the purchase price in the amount of EUR 63.4 million for the first tranche of Overbruck and the purchase price of EUR 30.4 million paid to the remaining shareholders of Microlog in connection with the increase of THIEL Logistik's stake in Microlog from 67.8% to 97.2%. In 2004 there was a cash outflow of EUR 20.6 million for acquisitions, of which EUR 20.0 million resulted from the payment of the remaining purchase price installments for the Overbruck Group.

Capital expenditures decreased by 27.0% from EUR 36.8 million in 2003 to EUR 26.9 million in 2004. Capital expenditures since 2003 were limited primarily to replacement and maintenance measures. In 2003, additions in non-current assets amounted to EUR 38.1 million. Additions in fleet of vehicles accounted for EUR 11.4 million, in land and buildings for EUR 6.8 million, in machinery and equipment for EUR 3.0 million, in tools, fixtures, furniture and office equipment for EUR 9.2 million, in software for EUR 3.2 million and in other assets for EUR 4.5 million. In 2004, additions in non-current assets amounted to EUR 34.0 million. Additions to our fleet of vehicles accounted for EUR 6.6 million, land and buildings for EUR 8.5 million, machinery and equipment for EUR 1.9 million, tools, fixtures, furniture and office equipment for EUR 7.8 million, software for EUR 3.3 million and other assets for EUR 5.9 million.

Proceeds from the disposal of non-current assets increased by 107.5% from EUR 15.9 million in 2003 to EUR 32.9 million in 2004.

Net Cash Provided by Financing Activities

Net cash provided by financing activities decreased by 92.6% from EUR 18.4 million in 2003 to EUR 1.4 million in 2004. Net cash provided by financing activities includes a capital increase through a rights offering in the aggregate amount of EUR 94.9 million in April 2004 and the issuance of a corporate bond, which resulted in a cash inflow of EUR 126.5 million.

in thousand EUR	2004	2003
Changes in short-term borrowings	(136,869)	48,644
Changes in long-term borrowings	(73,138)	(17,519)
Repayment of finance lease obligations	(6,480)	(10,454)
Proceeds from issuance of corporate bond, net	126,546	-
Proceeds from issuance of common stock, net	94,910	-
Other financing activities	(3,613)	(2,293)
Net cash provided by financing activities	**1,356**	**18,378**

Reduction of short-term debt owed to banks resulted in a cash outflow of EUR 136.9 million in 2004 compared to an inflow from short-term debt financing of EUR 48.6 million in 2003. The decrease of short-term debt owed to the banks is mainly due to repayments with the proceeds from the issuance of common stock and corporate bond. Cash used to repay long-term debt owed to banks amounted to EUR 73.1 million in 2004 compared to EUR 17.5 million in 2003.

Net Cash Used in Discontinued Operations

Net cash used in discontinued operations decreased by 12.9% from EUR 16.0 million in 2003 to EUR 14.0 million in 2004. This decrease was the result of the disposal of assets and a reduced business volume within discontinued operations.

Capital Requirements

Our on-going capital requirements include our indebtedness (including both bank loans and capital lease obligations), operating leases, and our current capital expenditure program.

Contractual Obligations

Our primary contractual obligations requiring cash payments comprise, among other things, of debt service (including bank loans and capital lease obligations), rental contracts and operating lease commitments. The following table summarizes contractual obligations for future cash outflows, based on commitments in place as at December 31, 2004:

Maturity in Contractual Obligation *in thousand EUR*	**Total**	**2005**	**2006**	**2007**	**2008**	**2009**	**after 2009**
Debt	118,101	22,776	19,426	11,234	15,432	6,469	42,764
thereof: Loans from banks	48,475	13,686	10,076	4,322	4,870	2,498	13,023
thereof: Capital leases	69,626	9,090	9,350	6,912	10,562	3,971	29,741
Operating leases	271,841	55,796	41,842	34,606	25,981	23,143	90,473
Purchase commitments	1,406	716	183	128	128	128	123
Other	1,424	554	435	335	97	1	2
Total contractual obligations	**392,772**	**79,842**	**61,886**	**46,303**	**41,638**	**29,741**	**133,362**

"Purchase commitments" for the purpose of this table is defined as purchase orders related to equipment and services that have been contractually committed to, but deliveries and services have not yet been received.

With the exception of loans from banks, the aggregate amount of the majority of these obligations did not change significantly from December 31, 2003 to December 31, 2004. Operating lease expenses were EUR 66.1 million in 2003 and EUR 69.8 million in 2004. Aggregate discounted obligations in respect of capital leases were EUR 53.5 million as of December 31, 2003 and EUR 52.9 million as of December 31, 2004.

Pension Liabilities

At December 31, 2004, we had aggregate pension liabilities of EUR 26.6 million (2003: EUR 34.9 million), of which EUR 25.6 million (2003: EUR 33.9 million) were unfunded.

Capital Resources

We intend to meet the cash needs of our contractual obligations and our capital expenditure requirements with our on-going operating cash flow and cash and cash equivalents, together with securities that are available-for-sale. If required by then-current cash needs, we would consider borrowing additional cash (if then permitted by the financial covenants applicable to us) or raising additional equity. Any issuance of additional equity not already authorized would require the consent of our current majority shareholder at any shareholders' meeting at which it is present.

As at December 31, 2004, capital resources included EUR 87.4 million in cash and cash equivalents and securities available-for-sale of EUR 3.7 million. Out of this amount, EUR 1.7 million in cash were pledged for obligations with credit institutions and EUR 0.2 million were restricted due to other contractual obligations.

Our committed and undrawn credit lines equaled EUR 63.1 million at December 31, 2004. Resulting from the issuance of the bond, we intend to enter into new credit lines or restructure existing revolving credit lines to have access to up to EUR 60.0 million.

We believe that our working capital loan facilities are sufficient for our present requirements.

Description of Other Indebtedness

As at December 31, 2004 we had still 90 outstanding bank facilities. None of these bank facilities had an outstanding amount in excess of EUR 5.0 million. We had no significant covenants that could materially restrict the conduct of our business under these bank facilities. For further details on the outstanding bank indebtedness please refer to Note 22 “Borrowings, Risk Management and Deritative Financial Instruments” (page 115) in the Notes to the Consolidated Financial Statements in the 2004 Annual Report of Thiel Logistik AG.

In addition to the bank indebtedness described above, we had senior subordinated notes due 2012 in the amount of EUR 130.0 million outstanding. Please refer to section “Description of the Notes” (page 94) of the Listing Memorandum, for a detailed description of the covenants set out in the indenture for these notes.

Contingent and Off-Balance Sheet Obligations

We have contingent liabilities in respect of bank and other guarantees, letters of comfort to associated companies, assessments and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. These contingencies amounted to EUR 23.5 million as at December 31, 2003, and to EUR 25.3 million as at December 31, 2004. Please refer to section “Litigation and Legal Proceedings” (page 40) in this report.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risk through bank borrowings and other obligations with floating interest rates. The amount of our short- and long-term borrowings with floating interest rates is EUR 19.5 million, or about 37.2% of our total indebtedness. These loans are generally EURIBOR-based. To hedge this interest rate risk, we enter into interest rate swaps, which can expose us to further financial market risk. The following table sets out, for each interest rate swap, the nominal amount and fair value as at December 31, 2004 and the anticipated impact on fair value at December 31, 2004, assuming a 1% increase or decrease in interest rates. These swaps were initially entered into with regard to specific debt.

in thousand EUR	Maturity date	Nominal amount	Fair value at December 31, 2004	Fair value assuming a 1% increase in interest rate	Fair value assuming a 1% decrease in interest rate
ML Grundbesitz GmbH & Co.KG	September 30, 2008	1,945.0	(20.9)	11.7	(57.1)
delacher Logistics AG & Co.KG	June 15, 2005	2,000.0	(32.6)	(32.6) [1)]	(32.6) [1)]

[1)] The interest fixing for the last period has already taken place on December 13, 2004. Therefore an increase or decrease in interest rates does not have an impact on the fair values at December 31,2004.

We are also subject to financial market risk through loans, investments, accounts receivable and accounts payable in currencies other than in our local currencies of operation. To hedge this risk, we are party to different exchange rate swaps. The following table sets out, for each exchange rate swap, the nominal amount and fair value as at December 31, 2004:

in thousand EUR	Nominal amount	Maturity date	Fair value at December 31, 2004
HUF – EUR exchange rate swap	1,139.8	March 23, 2005	(4.3)
ZAR – EUR exchange rate swap	1,296.7	March 23, 2005	12.2
GBP – EUR exchange rate swap	502.7	February 11, 2005	8.9
GBP – EUR exchange rate swap	708.2	February 14, 2005	2.8
CHF – EUR exchange rate swap	987.2	December 29, 2005	(2.5)
CHF – EUR exchange rate swap	107.8	January 27, 2005	(0.1)
CHF – EUR exchange rate swap	129.3	January 28, 2005	(0.1)

We do not buy and sell financial instruments for trading purposes.

Recent Developments

In March 2005 we announced that a purchase agreement for 66% of the shares in Proxar Slovakia Internationale Spedition a.s. from Slovakia was concluded between Quehenberger, a THIEL Logistik Group business unit, and Mondi Group, one of the largest business paper manufacturers in the world, and Eco Invest a.s., a Slovak investment group. The transaction is subject to approval by anti-trust authorities, expected for late April 2005. The remaining shares will continue to be held by Mondi Group, through its Slovak subsidiary, Mondi Business Paper SCP a.s.

The THIEL FashionLifestyle business unit and DHL Solutions, a Deutsche Post World Net company, have agreed to step up their long-standing international cooperation in textile distribution, and to combine operations into a strategic alliance. The objective is to establish a textile distribution network covering the whole of Europe, with uniform standards of operation and harmonized information logistics structures.

BUSINESS

Our Operations

We are a medium-sized provider of logistics services that is active principally in Central and Eastern European countries, principally German-speaking countries and is also active in Asia. We specialize in providing entire logistics solutions and provide logistics services throughout the customer's supply chain. We strive to take advantage of the increasing trend towards outsourcing of contract logistics services. Within our strategic focus, we coordinate overland road, rail, air and sea freight services, as well as warehousing and supply chain management activities and the design and execution of customized logistics solutions. We had net sales of EUR 1.66 billion in 2003 and EUR 1.73 billion in 2004, and we currently employ over 9,100 people (including discontinued operations) at approximately 400 sites in more than 40 countries.

We provide logistics services to our customers through our three business segments:

Industry Solutions

We provide tailored contract logistics services to manufacturers and retailers in specific industries that combine industry-specific know-how and special networks. Industry Solutions frequently cover a manufacturer's entire value chain and often present the opportunity of delivering services with higher added value than traditional transportation services. At present, the industries covered our Industry Solutions segment consists of the following business units:

• THIEL Automotive specializes in contract logistics for the automotive industry with a focus on outsourcing entire logistics functions and also operates warehouses and offers pre-assembly and quality-control services to automobile manufacturers.

• THIEL FashionLifestyle coordinates the warehousing and distribution of fashion goods to wholesalers and retailers, including the garment-on-hangers network throughout Germany and between Germany and Asia. Thiel FashionLifestyle is the German market leader in hanging garment logistics. This business unit also offers logistics services to the lifestyle sector by organizing the delivery of cosmetics, fashion accessories and other products to retailers.

• THIEL Media is a market leader in Germany for specialized logistics services for print media, including press products, books, inserts and catalogues. This business unit offers services throughout the entire supply chain, from procurement for paper mills to retail distribution of print products, as well as value-added services such as labelling and packaging.

• THIEL Furniture is a market leader in new furniture distribution in Germany and offers specialized logistics solutions, transport and other logistics services to manufacturers, suppliers and retailers of new furniture.

In 2004, Industry Solutions accounted for 35.2% of our total net sales.

Air & Ocean

We offer tailored air and ocean transportation services, related warehousing, value-added services and freight management to our mainly medium-sized business customers. Our Air & Ocean division operates under the brand name “Birkart Globistics”. Birkart Globistics supplements the services offered by our other business segments with intercontinental capabilities. Thiel operates its own global network of branch offices and strategic partnerships for specific regions, with a focus on transportation between Germany and Asia. In 2004, Air & Ocean accounted for 17.3% of our total net sales.

Regional Logistics Services

We operate three transport and contract logistics providers that have a longstanding reputation and specific regional strengths. We enjoy strong brand recognition and command strong market positions in some of our regional focus areas. Our business units in this business segment include:

• Quehenberger in Austria and Eastern Europe;

• Südkraft in Southern Germany; and

• Delacher in Western and Central Europe, especially Western Austria, Switzerland, France and the Benelux countries.

In 2004, Regional Logistics Services accounted for 47.4% of our total net sales.

Our Key Strengths

We see our key strengths as including the following:

• Focused market approach and strong market position
Our services are targeted to specific customer industries and regions, allowing us to offer logistics solutions tailored to the needs of our existing and potential customers. We command leading market positions in many subsectors of our chosen customer industries and geographical focus areas. In addition, we believe that the market segments and geographic regions in which we are active offer significant growth potential, as companies increasingly outsource logistics to service providers, and international trade volumes increase.

• Balanced portfolio across services, customers and geographies
We offer a full range of services that include shipping, freight forwarding, contract logistics, outsourcing and value-added services. Our customer base is diversified, with no customer accounting for more than 5% of our net sales. Our services are provided by a number of operationally independent subsidiaries, which are grouped into our three business segments, none of which generates more than half of our consolidated net sales. Although some of our activities are seasonal or cyclical, the diversified nature of our business has a stabilizing effect on our financial results.

• Flexible cost structure
Our businesses focus on the provision of contract logistics services, and purchase the majority of commoditized shipping services from third parties. The base shipping capacity we maintain in-house is partly leased under operating leases with short maturities. In addition, our contracts with customers generally allow us to pass on certain key costs, such as fuel and labor. As a result, we have a cost structure that allows us to respond to changes in demand in a particular market or in the worldwide markets.

• Strong potential for increased cross-selling opportunities
Our business combines expertise in supply chain management with expertise in traditional transportation and warehouse logistics. We have long-term, sometimes exclusive, relationships with leading companies. We seek to leverage on these relationships to provide a wider range of logistics services to those customers. As a result of our comprehensive understanding of our customers' logistics

needs, our clients sometimes choose to outsource their entire logistics functions to us. Our business portfolio allows us to share process expertise and networks across our business segments and creates opportunities to cross-sell logistics solutions. In addition, the focus on supply chain management and tailor-made client solutions leads to flexible services and asset requirements.

• New, experienced management team
Our current management team was appointed in mid-2003 and immediately undertook a thorough restructuring, which has returned our company to positive net income for 2004. Going forward, our management team plans to pursue a strategy of careful, profitable growth, as described below.

Our Strategy

We aim to retain or attain leading market positions in certain targeted industries and geographical regions by developing and implementing new services and expanding existing services and our customer base in these sectors and regions. We plan to focus on providing an integrated offering of contract logistics services and to maintain our strategic focus on the Industry Solutions, Regional Logistics Services and Air & Ocean segments.

Our strategy going forward is to increase profitability through further streamlining of our operations and through careful and focused growth in response to specific opportunities. In particular, we intend to:

• Continue to focus on our specialized, value-added “Industry Solutions” segment
We believe that, as manufacturing and retail become increasingly sophisticated, complex and globalized, there will be an increasing reliance on services providers that can meet the specialized logistics needs of particular industries. We intend to maintain our focus on this segment and to seek out further opportunities for growth in this segment. In addition, we may develop Industry Solutions for additional industries from existing customer relationships in our Regional Logistics Services segment.

• Round out our service offerings and reduce costs through strategic alliances
Forming strategic alliances can serve as a hedge against increasing competition. Among other things, our strategic alliances allow us to increase the range of services we offer at lower costs than we could offer those services on our own. Through the selective establishment of further strategic alliances, we seek to increase our profitability by reducing infrastructure costs and/or generating additional volumes.

• Expand further in key growth markets, particularly China and Eastern Europe
We have recently been awarded a Class-A License for wholly owned foreign enterprises in the People’s Republic of China. This permits us to become fully operational in China without the involvement of a Chinese joint-venture partner. We view China as an important growth market. In addition, we believe that the recent accession of many Eastern European countries to the European Union will result in a growth of manufacturing operations in those countries. A key element of our strategy thus includes expanding our operations in those markets.

• Further reduce costs through more complete integration of acquired companies and through a more efficient structure at our individual business units
We have been successful within the past year at establishing a clear organizational and corporate structure. We believe, however, that there is additional potential to streamline management and operations at the business units level and at each individual company within our segments and to simplify our legal structure.

• Increase cross-selling among our business units
Prior to the appointment of our new management team in mid-2003, many of our subsidiary companies operated fully independently, did not fully exploit all opportunities of membership in the Group and often did not offer services from other Group companies to their customers. A key purpose of our new management information systems is to give each business unit a full view of the services offered by and capacities of other units, thus allowing for better exploitation of the synergetic potential of the Group.

These strategies could involve the targeted acquisition of further operations or companies. We intend to approach any such opportunities very cautiously.

Business Segments

With the exception of CEP services, we offer most of the logistics services described under "The section Logistics Industry" (page 61) of the Listing Memorandum, including both traditional and contract logistics services, through our three business segments: Industry Solutions, Air & Ocean and Regional Logistics Services. We provide logistics services mainly for certain defined industry sectors. In addition, we offer transport and contract logistics services through regional logistics service providers and through our business segment Air & Ocean. For a large number of transport services offered, we engage subcontractors, in particular other freight carriers. Business activities which today form part of Regional Logistics Services are constantly monitored as to their growth and profitability, potential and possible qualification as a Industry Solutions business.

Within our business segments, we have designated certain subsidiaries as lead companies for their respective business units. The lead companies are responsible for the respective market segments, customers, sales, service level and quality management, financial results and the further completion of integration within the Group. Management incentivation at the lead company level and within the operating units is based on jointly defined goals, with particular emphasis on sales and value contribution. In some cases, a company assigned to a specific business unit may also be engaged in business activities of other units and reporting lines may differ from actual legal structures.

Industry Solutions

We provide contract logistics units for specific industry sectors in which we have developed particular specialized expertise (for example automotive processing standards), networks and optimized client solutions that cover various points along the supply chain. Logistics services carried out in our business segment "Industry Solutions" accounted for EUR 608.9 million or 35.2% of our net sales in 2004. The lead companies of the Industry Solutions segment are: Microlog for THIEL Automotive; Birkart Globistics for THIEL FashionLifestyle; Overbruck for THIEL Media, and LOG for THIEL Furniture. For these core sectors, we have developed Industry Solutions based on contract logistics solutions which have already been implemented for customers on an individual and long-term basis. Our customers determine industry standards. This creates innovative solutions and co-sourcing models with customers in order to realize integrated outsourcing. The Industry Solutions segment is set up in a way as to exploit internal synergies from the application of relevant industry expertise and economies of scale.

We focus on Industry Solutions for the automotive, fashion, media and furniture industries. This focus is due in part to our historical development, and in particular to our acquisition of logistics service providers specializing in these sectors. We intend to exploit opportunities to offer our services in other selected sectors in which, in the past, we have developed industry expertise and rendered contract logistics services for individual customers and where the market for contract logistics services offers growth potential ("Potential Core Sector") in particular, the promotion of potential industry solutions by Südkraft and Quehenberger in the chemical industry.

As at December 31, 2004, our Industry Solutions business segment had approximately 3,800 employees (not including discontinued operations) at approximately 150 sites.

The following table shows our net sales in Industry Solutions in 2004 and 2003:

in thousand EUR and as a percentage of total net sales		2004		2003
THIEL Automotive	208,740	34.3 %	220,787	35.5 %
THIEL FashionLifestyle	219,723	36.1 %	228,118	36.6 %
THIEL Media	122,344	20.1 %	116,104	18.6 %
THIEL Furniture	48,086	7.9 %	49,121	7.9 %
Other	10,048	1.6 %	8,425	1.4 %
Net Sales in Industry Solutions	**608,941**	**100.0 %**	**622,555**	**100.0 %**

THIEL Automotive

Our main activity in this sector is the provision of procurement and production logistics services for selected manufacturers and of procurement and distribution logistics services for suppliers. In this sector, we specialize in contract logistics. This business unit also operates warehouses and offers basic assembling and quality control services. THIEL Automotive has more than 1,400 employees at over 40 locations in various countries.

Our lead company for THIEL Automotive is Microlog, a company that is listed on the Frankfurt Stock Exchange. We acquired a 97.2% equity interest in Micrologin 2002 and 2003, thereby gaining specialized knowledge and expertise in the area of contract logistics for this sector.

THIEL Automotive provides services to both manufacturers and suppliers. It offers regional groupage services (area contract freight forwarding), as well as procurement and production logistics. It operates warehouses in the immediate vicinity of production sites to ensure just-in-time and just-in-sequence delivery and organizes the distribution of automotive components to manufacturers and the delivery of spare parts from manufacturers to retailers. THIEL Automotive also offers basic assembling services and quality controls which are sometimes performed at the production site of the supplier or the manufacturer. Microlog's subsidiary Locton Gesellschaft für Logistik-Systeme mbH, as freight forwarder, organizes transport services from suppliers to manufacturers as well as between production sites (factory-to-factory transport) by sub-contracting to third-party carriers. PD Logistics GmbH ("PD Logistics") covers the entire logistics processes of FAG Kugelfischer AG ("FAG"). PD Logistics is a joint venture with FAG, in which Microlog holds a 70% equity interest. Since the acquisition of GST Plateforme Européenne S.A. in 2001, we also have minor activities in the French, Spanish and Italian markets for automotive logistics.

THIEL Automotive supports the supply-chain integration between manufacturers and smaller suppliers by means of IT and logistics concepts. THIEL Automotive has developed industry solutions covering a large number of the logistics services required in the automotive sector including supply chain management. In general, THIEL Automotive sub-contracts its transport services offered to third-party carriers. In addition, with its first-class customer base (for example, BMW, FAG and Hirschmann), THIEL Automotive creates intelligent business models (customer integration) due to its planning and co-outsourcing expertise.

The European automotive sector is dominated by a small number of manufacturers which source their materials from a larger number of suppliers. The intense competition between manufacturers and suppliers, combined with an ongoing consolidation among suppliers and the substantial pressure to minimize costs, has resulted in a decreasing number of automotive suppliers, some of which with global operations. In order for both suppliers and manufacturers to realize cost savings with respect to warehousing, just-in-time and just-in-sequence delivery has become increasingly important. Since the quality of sourced components is critical to automotive manufacturers, logistics services usually enhance quality control in order to reduce costs and time by preventing the delivery and return of defective goods. Despite the tendency towards global operations of both automotive manufacturers and suppliers, logistics services are often assigned and provided on a regional basis at the respective production sites.

The German market for logistics services in the automotive sector is characterized by a large number of competitors. In this sector, THIEL Automotive as a medium-size logistics service provider competes with large logistics companies such as Schenker, Fiege, Exel, Wincanton, the BLG Logistics Group, Schnellecke and D.Logistics. Other competitors in this sector are Rhenus, the Rudolph Logistik Gruppe, Kühne & Nagel (with its subsidiaries Stute, Häring) et al. and Steinle.

Market studies estimate that the overall market volume of the German market for logistics services in the automotive sector, including logistics services not yet outsourced to third-party logistics service providers, accounts for up to EUR 7.9 billion, according to the study “Top 100 der Logistik”.

Shorter product life cycles and an increasing variety of models and configurations have resulted in a growing demand for logistics services in this sector. Due to the competition between manufacturers and substantial pressure on suppliers and manufacturers to reduce costs, we believe that the outsourcing of logistics functions will continue to characterize the market for logistics services in the automotive sector. In addition, we focus on complex logistics packages instead of offering “commodity” services (transport and storage), and broaden our offerings to include value-added services (for example, pre-assembly and certain financial services).

THIEL FashionLifestyle
THIEL FashionLifestyle coordinates the warehousing and distribution of fashion goods to wholesalers and retailers, including the hanging transportation of garments throughout Germany and between Germany and Asia. This business unit also offers logistics services to the lifestyle sector by organizing the delivery of lifestyle products to retail outlets.

Our lead company for the fashion sector is Birkart Globistics which is, with its brand dks DEUTSCHE KLEIDERSPEDITION (“dks”), a leading logistics service provider in the sub-segment for hanging garment transport in Europe. Most of its activities, however, are focused on the provision of logistics services for clients in the German fashion market. We acquired Birkart Globistics in 2002. THIEL FashionLifestyle operates approximately 40 locations in ten countries with more than 1,500 employees.

The activities of THIEL FashionLifestyle include: THIEL Lifestyle Logistics Services which focuses on optimizing the customer’s supply chain; garment-on-hangers Network dks with its specialized equipment focuses on warehouse logistics and transport services of garment on hangers; Logistics with its owned and leased warehouse operations and its network for subcontracted services in the textile industry with organization and execution processing activities, mainly in Northern Africa and Eastern Europe.

THIEL FashionLifestyle provides coordination and value-added services predominantly for German retailers, both domestically and in the producing countries. It runs its own warehouses with appropriate capacities for peak seasons, which are partly adapted to customers’ requirements, and performs value-added services such as quality control and the preparation and labeling of textiles with its own employees. After the arrival of the goods in Germany, THIEL FashionLifestyle coordinates the warehousing and distribution of the goods to wholesalers and retailers throughout the country. Transport services are mainly subcontracted. THIEL FashionLifestyle has designed a special reusable container for the transport of hanging garments that allows optimal usage of freight capacities and, due to the manner in which the garments are hung, eliminates certain steps in the retailer's workflow such as ironing. THIEL FashionLifestyle offers a comprehensive service package for the transportation and storage of hanging garments that covers all order processing stages, including order recording, address checking, pick-up of goods from the sender and distribution to the retailer. In order to consolidate goods flows, THIEL FashionLifestyle has designed and established decentralized textile distribution centers and warehouses with an international presence in manufacturing countries allowing retailers to reduce their on-site inventories by guaranteeing delivery of goods to the point of sale within 24 hours of the customer's request ("never out of stock").

In addition, THIEL FashionLifestyle offers logistics services to the lifestyle sector by distributing or organizing the distribution of cosmetics, fashion accessories and other products to retailers. These services complement THIEL FashionLifestyle's services in the fashion sector. Since both drug and fashion stores served by THIEL FashionLifestyle are located in city centers and pedestrian areas and therefore in close proximity to each other, THIEL FashionLifestyle exploits excess capacities in its transport vehicles.

The market for logistics services in the fashion sector is characterized by a declining fashion market and structural excess capacities. Excess logistics capacities of manufacturers and logistics service providers in the fashion sector are due in part to the declining fashion market in general, the fashion market's heavy dependency on the economic climate and its cyclicality as well as seasonal fluctuations which require logistics service providers to maintain maximum capacities for peak seasons. Traditional apparel retailers and department stores are facing increasing competition from discounters with different supply chain concepts (for example, Aldi, Tesco and Tchibo).

The textile and fashion industry includes the manufacturers of raw materials, the producers that process these materials, end manufacturers, wholesalers and retailers. A growing number of companies in the fashion industry are manufacturing in low-wage economies, from where the goods must be delivered to sales markets. This requires global logistics chains and a harmonization of organizational measures, physical transports and data flows along the entire value chain. As a result of particularly short product lifecycles in the fashion and textile industry, delivery times play a critical role. Increasing price pressure has strengthened the trend among manufacturers towards the outsourcing of entire service areas. The services required from logistics companies in this regard therefore extend to the provision of value-added services.

Despite this trend, we believe the textile and fashion industry will remain a key sector in Germany and the rest of Europe. Notwithstanding the difficult market environment and excess logistics capacities, we believe there continues to be demand for the outsourcing of logistics functions and therefore opportunities for logistics service providers in the area of contract logistics. We also believe that we can exploit the ongoing demand for outsourcing of logistics due to retailers' need to realize logistics cost savings to compensate for weak consumer demand. The market study "Top 100 der Logistik 2003" estimates that the volume of the German market for hanging garment logistics accounts for a total of EUR 0.7 billion, of which an estimated EUR 0.5 billion is outsourced to third-party logistics service providers.

According to the same study, THIEL FashionLifestyle is, through dks, the market leader in the hanging garment sub-segment in Germany. The most important competitors in this sub-segment include Deutsche Textillogistik ("DTL") together with its two shareholders Meyer & Meyer and Barth & Co., MGL Logistik (a subsidiary of Metro), and DHL Fashion.

THIEL Media

THIEL Media is a market leader in Germany for specialized logistics services for print media, including press products, books, inserts and catalogues. This business unit offers services throughout the entire supply chain, from procurement for paper mills to retail distribution of print products, as well as value-added services such as labelling and packaging. THIEL Media regionally focuses on Germany and neighbouring European countries and also serves distinct global markets via airfreight.

Our lead company for the media sector is Overbruck which we acquired from the German publisher Axel Springer AG in 2003. THIEL Media operates in 20 sites with approximately 250 employees. Overbruck has been included in our Consolidated Financial Statements since April 1, 2003. Overbruck has been active in press logistics and paper transport since 1955 and is, given Axel Springer AG's strong market position in the media sector, currently the market leader in this sector in Germany, together with its subsidiary Z. Z. Verlagsservice Eichberg GmbH & Co. KG ("Eichberg"). Overbruck and Eichberg develop logistics solutions for the punctual delivery of press products to their recipients as well as for the transport of paper products from the producers to the printing houses. We have entered into a long-term agreement with Axel Springer AG which grants Overbruck, under certain circumstances, the right to provide press logistics services on an exclusive basis to Axel Springer AG and its subsidiaries until December 31, 2007. Under this agreement, Overbruck is also permitted to offer its services to other customers. Press product distribution on Sundays may, however, be offered to other customers only with the prior approval of Axel Springer AG.

THIEL Media organizes the distribution of German press products, predominantly products of Axel Springer AG and its subsidiaries, by subcontractors to distribution points and wholesalers mainly throughout Germany, but also throughout the rest of Europe and the world, and offers value-added services such as labeling, packaging and package inserts. It assumes responsibility for the punctual delivery of press products, principally magazines, from the printing house to airports, train stations and local distribution points from which wholesalers then transport the products to retailers. Through Overbruck's subsidiary Eichberg, THIEL Media also focuses on the distribution of newspapers. Due to the particular importance of rapid and punctual delivery in the newspaper sector, Eichberg organizes and manages the transport of newspapers from the printer directly to retailers. Eichberg also provides services to publishing houses other than Axel Springer AG and distributes certain other newspapers in addition to the newspapers produced by Axel Springer Verlag and its subsidiaries.

THIEL Media has begun to complement its logistics services in this sector with the distribution of telephone directories, catalogues and advertising materials. Today, THIEL Media distributes such products together with the relevant press products along identical distribution lines to the extent this is feasible. Furthermore, THIEL Media maintains business links with printing houses and, as an outsourcing partner, manages their dispatching and warehousing operations and ensures that newspapers and other press products are delivered on time, as well as, cooperations with competitors such as Fiege.

The logistics market in the media sector can principally be divided into logistics for print products (press products, books and various other print products including inserts and catalogues, etc.) and paper. Rapid and punctual delivery is crucial for the customers in the press logistics segment. Avoiding warehousing costs and achieving just-in-time delivery are the principal demands of customers in the media transport segment.

The overall market for press products in Germany is stagnant and there is a significant downturn in the media business due to reduction of advertisements, customer abstinence and competition from the Internet. The producers of press products and other mass media are therefore under considerable pressure to reduce costs and increase efficiency. Furthermore, many publishing houses still conduct most of their required logistics services internally without sub-contracting a third-party logistics service provider.

The German press logistics market with a market size of approximately EUR 250 million is dominated by a small number of large logistics service providers and is characterized by high entry barriers due to long-standing customer relationships. Through our subsidiary Overbruck, we consider ourselves to be the market leader in the sub-segment of press logistics. The only large logistics service provider organizationally independent of any publishing house is the Ohl Group, with its subsidiary International Media Transport and Distribution ("IMD") being our main competitor in the press logistics segment.

We believe that, notwithstanding excess capacity in the press logistics market, the necessity of increasing the efficiency of logistics functions will result in an increasing demand for the outsourcing of logistics functions and for contract logistics services in this sector. In addition, publishers' high portion of in-house logistics offers outsourcing potential.

THIEL Furniture

We consider THIEL Furniture to be the market leader in new furniture distribution in Germany. THIEL Furniture offers specialized logistics solutions, transport and other logistics services to manufacturers, suppliers and retailers of new furniture.

The market environment of the furniture industry is characterized by adverse market conditions in general, a large number of suppliers, fragmentation among manufacturers and a trend towards consolidation among retailers. The fragmentation of the furniture manufacturing industry, the sector's seasonal nature and shorter product lifecycles have resulted in considerable pressure to minimize costs and to relocate production facilities to low-wage economies such as Eastern Europe. In addition, logistics functions in the furniture industry are mostly provided internally, thus creating excess capacities. Outsourcing can reduce costs, while allowing manufacturers and retailers to deal with logistics processes more efficiently and to concentrate on their core competencies.

The large number of suppliers, manufacturers and retailers, that usually handle deliveries and related logistics among themselves individually, require IT-based logistics management systems, adequate warehousing resources and transport capacities. In addition, the nature of the goods being delivered prevents the use of standardized packaging or handling equipment and places particular demands on the logistics infrastructure. These sector-specific requirements result in high logistics costs and long delivery times. We estimate that logistics costs account for about 40% of total costs in the furniture industry, compared with an average of about 30% in other industries.

In Germany, the market for logistics services in this sector is fragmented, and no competitor has a dominant market position. Competitors of THIEL Furniture that focus on furniture and that have traditionally also enjoyed strong customer relationships include Röhr, Schnaus and Steinhoff Logistics.

THIEL Furniture is the smallest business unit within Industry Solutions in terms of net sales. Our lead company in the furniture sector is LOG, a joint venture with Schieder Möbel Gruppe. Of LOG's share capital, 74.9% is owned by THIEL Logistik AG, while the remainder is held by the shareholders of Schieder Möbel Holding GmbH, one of the major European furniture manufacturers with production sites in Germany, Poland, Romania and other European countries. Schieder Möbel Holding GmbH is currently our most important customer in this industry sector, accounting for the majority of our sales in this sector in 2004.

In addition to providing transport and other logistics services for manufacturers, suppliers and retailers, THIEL Furniture has developed an industry solution for Schieder Möbel Gruppe that is tailored to the industry-specific needs and allows the client to reduce delivery times, inventory levels and distribution costs. THIEL Furniture operates a platform for suppliers, manufacturers and retailers with the intention of reducing warehousing and transport capacities and shortening delivery times. The goal is to minimize inventory costs and the cost of capital employed by centrally recording the materials and fabrics required and delivering them to the manufacturers in accordance with the just-in-time principle as well as delivering the products on demand directly to retailers and, in part, to retail customers. In Germany, THIEL Furniture sub-contracts transport services to third-party carriers. In Poland, THIEL Furniture itself acts as carrier, mainly using its own freight vehicles.

A large number of logistics services in the furniture sector are currently not outsourced to third-party logistics service providers and are characterized by relatively low capacity utilization and efficiency. Due to a difficult market environment, the furniture industry is under substantial pressure to reduce costs and increase efficiency. We believe that this pressure should result in an increased demand for the outsourcing of logistics services.

We believe that the usage of return transports to Eastern Europe for forwarding of other products would improve utilization and reduce costs. In addition, we believe that alliances and cooperations will create further transport synergies.

Air & Ocean

In our second business segment, we bundle our air and sea transport activities that complement our regional transport networks and our services offered in “Industry Solutions”. Logistics services carried out in our Air & Ocean segment accounted for EUR 300.6 million or 17.3% of our net sales in 2004. Our lead company in this business segment is Birkart Globistics which also manages THIEL FashionLifestyle. Birkart Globistics supplements the services offered by our Industry Solutions, especially industrial goods, automotive, textiles and consumer goods.

Through our Air & Ocean segment, we are active in the area of intercontinental logistics services, specializing in air and sea transport services but also offering contract logistics services such as value added services, SCM and freight management. When acting as agent for freight capacities, Air & Ocean provides its mostly medium-sized clients with access to intercontinental air and sea transport services. Air & Ocean operates its own global network of branch offices and strategic partnerships for specific regions, with a focus on transportation between Germany and Asia. Utilizing our recently awarded Class-A license for China, we plan to increase our representation in this region by expanding our network of offices and services delivered. Birkart Globistics is a founding member of the exclusive alliances Future Group (air freight) and Group 99 (LCL sea freight) to bundle purchasing power and to cooperate in IT technology, handling services and capacity planning. It cooperates with ventures overseas and enters into cooperation agreements with other transport providers in order to increase freight capacities and thus obtain competitive prices for such capacities. As at December 31, 2004, the companies in the Air & Ocean segment had approximately 1,200 employees located in approximately 70 offices worldwide.

The German market for air and sea transport services is divided into a small number of large intercontinental groups that operate their own networks, some medium-sized logistics service providers and several small companies which are active in the import and export business. The overall market is generally characterized with low margins and price pressure due to high market transparency, an increased importance of air-freight due to specific performance characteristics (for example, short lead-times) and also high importance of ocean-freight, especially container shipping for international cargo transportation.

According to the study “Top 100 der Logistik 2003”, market leading operators of intercontinental logistics in Germany by revenue are Kühne & Nagel, Panalpina, Schenker, DHL and Exel.

As a result of increased globalization and the continued removal of trade barriers, we expect there to be an increase in the international exchange of goods and therefore growth in the market for air and sea transport services and in particular for transport-related value-added services.

Regional Logistics Services

Logistics services carried out in our business segment “Regional Logistics Services” accounted for EUR 819.8 million, or 47.4% of our net sales in 2004. Our subsidiaries included in this business segment provide logistics services on a regional basis with a focus on Central and Eastern Europe. Logistics services offered range from transport services to contract logistics, including supply-chain management. Our lead companies in this business segment are delacher Logistics AG+Co KG for Delacher, Quehenberger Logistik AG & Co KG for Quehenberger and SÜDKRAFT Süddeutsche Kraftwagen-Speditions-GmbH for Südkraft. Our subsidiaries in this business segment operate primarily in the southern part of Germany and in Austria, with traditional client relationships in their respective regions that make them particularly sensitive to their customers’ needs. Even though operating in part locally, our regional service providers are able to offer their mostly medium-sized regional customers better access to transport platforms for national and international Surface, air and sea transport services through our Air & Ocean segment. Regional Logistics Services provide a platform for existing and prospective industry solutions.

As at December 31, 2004, our organization in this segment comprised approximately 200 sites and approximately 3,800 employees (not including discontinued operations).

The following table shows our net sales in Regional Logistics Services in 2004 and 2003:

in thousand EUR and as a percentage of total net sales		2004		2003
Quehenberger	378,919	46.2 %	319,268	42.1 %
Südkraft	223,703	27.3 %	227,076	29.9 %
Delacher	217,179	26.5 %	212,242	28.0 %
Net Sales in Regional Logistics Services	**819,801**	**100.0 %**	**758,586**	**100.0 %**

Quehenberger

Quehenberger is one of the leading logistics services providers in Austria and possesses a strong Central and Eastern European network. Quehenberger is a full service provider with specific competencies in the chemical (“Logochem”) and high tech industries (“Logotec”). It provides freight forwarding services, in particular groupage services, as well as contract logistics services including outsourcing projects, in particular for clients in the chemical and technical sector. In addition, Quehenberger carries out the entire logistics functions for a major Austrian beverage producer and operates its own warehouses, some of which are located at the production sites of its customers.

Quehenberger operates one of the largest Eastern European networks. As at December 31, 2004, Quehenberger operated 35 Austrian branches and more than 45 locations in 13 Eastern European countries, and had approximately 1,400 employees. We believe that we can further expand our operations, in particular in entering new markets, especially Eastern Europe and Central and South Asia. Quehenberger’s main competitors in its Austrian and Central and Eastern European markets are

Schenker, DHL, Gebrüder Weiss, Kühne & Nagel, and in Austria additionally Schachinger, Jöbstl and Lagermax. In addition, Quehenberger competes in regional markets with a large number of small or medium-sized regional and local logistics companies.

Südkraft

Südkraft is a logistics service provider and freight forwarder with regional focus on Germany, where it is well positioned in a number of regional markets. It offers contract logistics, including value-added services, as well as national and international transport services combining road transport with shipment by rail and waterway using swap bodies, containers, trailers or entire truck trailers. Südkraft provides its transport services in cooperation with network partners. It acts as freight forwarder as well as carrier. Its services are focused on the automotive, beverage, construction materials, minerals and chemical sectors. Südkraft provides transport services between production sites and between suppliers and the production facilities of a major German car manufacturer and a major German pharmaceutical company (factory-to-factory transport) as well as certain value-added services, including basic assembling services. Südkraft operates its own and leased warehouses, some of which are located at its clients' production sites. As at December 31, 2004, Südkraft maintained more than 50 locations in Germany, had approximately 1,500 employees (not including discontinued operations) and operated more than 800 vehicles including silo carriers, tankers, bulk vehicles, flat loading, covered and dump trucks.

Südkraft competes with large and medium-sized logistics companies such as DHL, Schenker, Kühne & Nagel, Dachser and ABX Logistics as well as with a number of smaller logistics companies on a regional and local basis.

Delacher

Delacher logistics Group is a logistics service provider and freight forwarder offering general land-based transport services, temperature-controlled transports and industry solutions. Delacher is mainly active in Vorarlberg (Austria), Switzerland, France, Belgium and the Benelux as well as in Hungary, Greece and Turkey. Delacher offers warehousing and international transport services and provides combined road-rail transport services. Delacher operates two terminals for the handling of goods from road to rail and vice versa in Vorarlberg and on the Swiss-Austrian border. Delacher acts almost exclusively as freight forwarder, sub-contracting the vast majority of its transport services to third-party carriers. As at December 31, 2004, Delacher and the other companies in this business unit had approximately 850 employees in approximately 50 locations, primarily in Austria, Switzerland, Hungary, France and The Netherlands.

In its regional and national markets, Delacher competes with large logistics companies such as DHL, Schenker, Panalpina, Danzas and Kühne & Nagel, in Western Austria additionally with Gebrüder Weiss and Dachser, as well as with a large number of regional and local logistics service providers.

We believe that increasing concentration on core competencies (contract logistics, overland transport and tank silo) and the increasing demand for client specific logistics services solutions will enhance our position in the market. We also believe that further access to local markets and the product and service development in existing markets will enhance our position in the market.

Supplier and Customer Relationships

Our companies frequently engage sub-contractors to perform certain logistics services. These services usually comprise individual components along the logistics value chain, particularly transport services, which are carried out by specialized (sub)contractors and freight carriers on an individual basis or within the framework of medium- or long-term framework agreements, depending on our needs and the respective contractor's or freight carrier's capacity. This reduces the capacity-utilization risk we bear by lowering fixed costs for personnel and the vehicle fleet and reduces the capital employed. Moreover, an optimized logistics schedule can be generated and tailored to the customer's needs as well as to the type of goods being transported, since we can select the most suitable sub-contractor in each case. Due to the high degree of fragmentation in the market for freight carriers, we are currently not dependent on any single sub-contractor.

We have a balanced customer portfolio; none of our customers accounted for more than 5% of our consolidated net sales in 2004. We are therefore not dependent on a single customer. Our five largest customers accounted for approximately 16% of our sales in 2004, and certain of our subsidiaries generated a substantial portion of their sales with a single customer and are therefore dependent on single customers. A number of these frequently long-term relationships helped to develop specialized and value-added solutions (for example C&A, BMW, ZF and Otto).

Real Property, Freight and Warehouse Capacities

As at December 31, 2004, we owned real property with a total area of approximately 600,000 square meters and usable space (warehouses and office premises) of around 250,000 square meters, the vast majority of which consisted of warehouses. Our remaining real property comprises land and office buildings at our corporate headquarters in Grevenmacher, Luxembourg, and at the respective sites of our subsidiaries. The book value of the real property ("land and buildings", not including finance lease objects) we own totaled EUR 132.5 million as at December 31, 2004. We have rented additional premises at our various business locations. In total, we managed over 1.2 million square meters of warehouses and office space.

Real property and buildings – for office or warehousing – are either owned by us or operated under short- or long-term leases. As of December 31, 2004, we owned approximately 30% of the facilities used in our operations.

A significant part of the services we offer involves the provision of logistics infrastructure and equipment. For this purpose, we operate approximately 200 warehousing facilities with over 1 million square meters of warehousing space in more than 30 countries and some 1,100 trucks, more than 1,600 trailers and some 2,100 swap containers as of December 31, 2004. Furthermore, we operate freight equipment, such as containers for shipments, and other freight handling equipment, such as fork lifts.

Our trucks, trailers and other freight equipment are owned or operated under leasing arrangements. However, the majority of our transportation services are sub-contracted to third parties, in almost all cases on an ad-hoc basis.

Sales and Marketing

Our business units are responsible for customer relationships with their respective clients. This decentralized organization allows sales activities to be adapted to specific regional or industry-specific needs. In addition, decentralization helps our marketing and sales teams to build strong, personal relationships with local customers. In carrying out their sales activities, our companies are supported by our central sales and marketing resources and have access to our resource network, including group-wide electronic databases, thus allowing for an intensified customer relationship management.

We support the decentralized sales activities of our individual operating companies by centrally coordinating them and in some cases (for example larger tenders) by the provision of additional resources.

Our new corporate strategy is reflected in our branding: Industry Solutions have been rebranded, while strong brand names (Quehenberger, Delacher) will be advanced. Through our central marketing department we intend to strengthen our corporate identity while at the same time supporting the subsidiaries' regional or industry-specific marketing activities. As a result of this allocation of marketing duties among the Group and the individual operating subsidiaries, marketing activities can be tailored to the particularities of the respective sectors or regions while also taking into account each subsidiary's specific customer portfolio. Even though we plan to reduce the number of brand names and corporate logos used within our Group, we intend to continue using our best-known brand names, generally with the suffix "A THIEL Group company".

Our marketing activities include advertising campaigns, sales promotions, mailing activities, press releases, our website, and the websites of our subsidiaries, as well as the attendance of trade fairs and conferences. Our group-wide expenses for sales and marketing activities (selling costs) amounted to EUR 34.0 million in 2003 and EUR 33.7 million in 2004.

Trademarks, Patents and Licenses

Our companies have protected or applied for protection under trademark law for most of their trademarks owned in Germany and in other countries where they run business operations. The trademarks protected include, in particular, the following: THIEL Logistics, THIEL Logistik AG, THIEL Logistik, THIEL FreshNet Logistics + Services, THIEL Furniture Logistics + Services, THIEL Lifestyle Logistics + Services, THIEL Media Logistics + Services, Leave it to us, Wir machen das, Birkart Globistics, dks and Microlog.

We do not maintain a research and development department, since we usually outsource activities, such as the development of specific software to third-party providers. To the extent our companies provide a customer with software, THIEL Logistik or our relevant company holds a license from the owner and is authorized to grant sub-licenses to use this software. Software we require for our own purposes was either developed internally prior to or during 2001 (so that THIEL Logistik holds the respective intellectual property rights) or is licensed from third parties.

With the exception of the above-mentioned software property rights, we do not consider ourselves to be materially dependent on any patents, licenses or new production methods due to the nature of our business activities.

Investments

In 2004, EUR 34.0 million were invested in the Thiel Logistik Group (2003: EUR 38.5 million), 2.0% of net sales. Following the high investments in the prior periods, profit-focused investment management trimmed back investment volumes accordingly. Of the total sum invested in the reporting year, 88.1% was invested in tangible assets and 11.9% in intangible assets.

Investments by Segment

in thousand EUR	2004	2003	Change	Share of total
Industry Solutions	19,408	16,128	20.3 %	57.1 %
Air & Ocean	1,145	1,284	-10.8 %	3.4 %
Regional Logistics Services	11,400	19,407	-41.3 %	33.5 %
Holdings	2,031	1,656	22.7 %	6.0 %
Total	**33,984**	**38,476**	**-11.7 %**	**100.0 %**

Insurance

We believe we have adequate insurance coverage for our business profile. This is arranged and adjusted as needed by the various operating companies or the respective holding companies. At present, a D&O (Directors' and Officers' Liability) insurance policy for the management of our entire Group and a transport liability insurance policy for goods to be transported have been concluded at the Group level. A master agreement exists between THIEL Logistik and several insurers with regard to vehicle insurance policies and to property and liability insurance. Under these agreements, our various subsidiaries can conclude individual policies on standard conditions as needed. In individual cases, particularly in order to fulfill regulatory requirements, specific insurance policies are concluded locally.

Environmental Matters

Our operations are partly subject to certain environmental and occupational health and safety laws and regulations in each of the jurisdictions in which we operate. Among other things, these laws and regulations affect the transportation and storage of hazardous substances and the cleanup of contaminated properties. The violation of such laws and regulations may lead to significant fines or civil or criminal sanctions.

Our logistics services in the chemicals and other industries involving hazardous substances may result in the contamination of sites operated by us. In this case, some jurisdictions in which we are active can impose broad liability for activities that are hazardous to the environment, in part without regard to fault or the lawfulness of the original activity. We believe that we have taken the necessary measures to comply with the relevant laws and regulations.

Government Regulation

Our operations are to a certain extent subject to government regulation. Some countries in which THIEL operates require the company to hold a permit or a license to carry out transportation services. Transborder activities require an additional license. In addition, some jurisdictions restrict overland road transportation services on Sundays and public holidays, however granting various exemptions.

Similar, the 24-hour-operation of logistics facilities are subject to specific labor and other governmental regulations.

Overland road transport services are in most of the countries in which we operate liable to highway tolls or fees. If we are unable to pass on such costs to our customers this could have an immediate adverse effect on our business and results of operations. Please refer to section "Risk Factors – Our business is subject to macroeconomic and other factors beyond our control" (page 14) in the Listing Memorandum.

Employees

As at December 31, 2004, the total number of employees in our group was 8,912 excluding and 9,133 including discontinued operations, of which 359 were trainees. The average number of employees in 2004 was 9,215. As at December 31, 2003, the total number of employees was 10,872 and the average number of employees in 2003 was 10,898 (employed in consolidated companies and discontinued operations).

Litigation and Legal Proceedings

With the exception of the disputes described below, we are not involved in any legal or arbitration proceedings that could have a material adverse effect on our financial position. Other than those described below, to the best of THIEL Logistik's knowledge, no such proceedings are pending or threatened at present.

THIEL Logistik cannot predict the ultimate outcome of the legal proceedings described below. Liabilities arising from these proceedings could substantially exceed the provisions established for this purpose (if any), or potential liabilities the realization of which THIEL Logistik currently considers to be unlikely could actually materialize. As a result, these actions could have a material adverse effect on our business, results of operations and financial condition.

Birkart Globistics

The company Birkart Globistics GmbH & Co. Logistik und Service KG, Aschaffenburg, Germany is subject to an investigation by the German Federal Cartel Office (Bundeskartellamt) in connection with alleged price fixings for forwarding services provided for the U.S. Army. The Federal Cartel Office claims Birkart to have entered into a cartel fixing prices for movings to the detriment of the U.S. Army, hence violating paragraphs 1 and 21 of the Law against Restraints on Competition (Gesetz gegen Wettbewerbsbeschränkungen – "GWB"). Intentional or negligent violations of paragraph 1 GWB may result in third parties being entitled to damages incurred to the violation. The investigations cover a period from 2001 until midyear 2003. Further conversations took place with the Federal Cartel Office, with no conclusion as of December 31, 2004. The Federal Cartel Office intends to impose a fine. Birkart Globistics is subject to a similar investigation by the U.S. Department of Justice, Antitrust Division. First conversations have taken place, but without any result so far. The U.S. American authorities signalized interest in an mutual agreement within the scope of imposing a fine. The management estimates to have an indemnification claim against the former owner of Birkart under the representations and warranties agreed in the purchase agreement between Thiel and the vendor dated December 31, 2001. As of December 31, 2004, Birkart Globistics has provided EUR 1 million for coverage of both cases.

SOWA AG v. Fablog GmbH

In 2001, Fablog GmbH, a former subsidiary of Microlog, acquired certain business activities from

Sowa AG. Under this agreement, Sowa guaranteed the continued existence of the value of equity and certain assets as recorded in the financial statements of 1999. Fablog has withheld EUR 1.3 million of the purchase price claiming repayment of a loan granted to Sowa and as compensation for a decrease in the value of equity and certain assets as recorded in the financial statements 2000 in comparison to those of 1999. Sowa has sued Fablog claiming full payment of the purchase price. With a judgement in June 2003, the district court of Berlin partially ruled in favor of Fablog, but has reduced the compensation claim of Fablog holding that Fablog failed to prove a decrease in the value of assets and that it had waived its rights under the loan agreement. The parties have appealed against this judgement. In June 2003, Microlog had sold Fablog, but has agreed to pursue the lawsuit on behalf of Fablog and to indemnify Fablog from any claims of Sowa in connection with this lawsuit. The outcome of the appeals procedure is uncertain. As of December 31, 2004, a provision in the amount of EUR 0.7 million has been recognized.

Quehenberger

In 1999, Quehenberger and DFDS Dan Transport Group A/S entered into a cooperation agreement with an exclusivity clause for the regions in which they conduct their business, and with a change of control clause which gives one party the right to terminate the agreement, if a competitor acquires a majority interest in respect to the other. In addition, the cooperation agreement provides for a penalty for breach of contract in the amount of EUR 1.5 million. After Thiel's acquisition of Quehenberger in June 2000, DFDS claimed that Quehenberger had violated the exclusivity clause and that Thiel Logistik AG would be a competitor of DFDS and thus, Thiel's acquisition of a majority interest would constitute a change of control under the cooperation agreement. Quehenberger rejects the claims of DFDS because Thiel Logistik AG as a holding company is not a competitor, and claims itself payment of the contractual penalty of EUR 1.5 million plus damages of EUR 0.3 million for losses suffered when DFDS withdrew from the cooperation agreement. The arbitration proceedings, initiated by Quehenberger, are currently pending. The outcome of this dispute is uncertain and will ultimately depend on whether the arbitrator considers Thiel Logistik AG to be a competitor of DFDS. As of December 31, 2004, no provisions have been established in connection with this matter.

delacher + Co. Transport Szállitmáyozó Kft., Hungary

The company delacher + Co. Transport Szállitmáyozó Kft., Hungary, has sued Henkell & Söhnlein Hungaria Kft. before the metropolitan court in Budapest for the amount of EUR 1.2 million. The claim is based on the allegation that Henkell & Söhnlein improperly terminated an exclusive logistics agreement with delacher Hungary, in violation of a duty of cooperation, because it did not disclose to delacher Hungary its intention to terminate the exclusive agreement with delacher Hungary when negotiating an amendment of the agreement. The amendment provided, among other things, for shorter period of notice for termination of the agreement. The metropolitan court in Budapest has scheduled a further hearing for March 31, 2005. As of December 31, 2004, no receivables have been recognized in connection with this matter.

MANAGEMENT

Please refer to the 2004 Annual Report of Thiel Logistik AG, in particular the section “Corporate Governance Report” (page 12). The Annual Report is available on the website of Thiel Logistik AG (www.thiel-logistik.com)

PRINCIPAL SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Principal Shareholder and Shareholders' Structure

In October 2002, DELTON Aktiengesellschaft became the majority shareholder of the Company through its wholly owned subsidiary DELTON Vermögensverwaltung Aktiengesellschaft which owns 50.26% of the Thiel's shares. DELTON is a strategic management holding company holding participations in the areas of pharmaceuticals, household products, power supply and logistics. All shares in DELTON are held by Mr. Stefan Quandt. Mr. Stefan Quandt is a shareholder and deputy chairman of the supervisory board of Bayerische Motoren Werke Aktiengesellschaft (or "BMW"). He is a related party to BMW as defined by Statement of Financial Accounting Standards ("SFAS") No. 57 "Related Party Disclosures".

Related Party Transactions

Entities and persons are regarded as related parties if one party has the ability to control the other party or has an interest in the entity that gives it significant influence over the entity, if the party is an associate or if the party is a member of the key personnel of the entity or its parent.

In 2003 and 2004, the Group rendered services to certain associated companies and not consolidated companies in the ordinary course of business.

Transactions with the DELTON AG and its subsidiaries as well as with the associated companies and not consolidated companies were conducted under standard market conditions. They were reflected in the respective line items of the Consolidated Financial Statements as of December 31, 2004 and 2003 as follows:

	Associates and not consolidated companies		DELTON and its subsidiaries	
	2004	**2003**	**2004**	**2003**
Consolidated Statement of Income				
Net sales	5,342	13,682	2,155	1,189
Cost of sales	(3,778)	(7,200)	-	(287)
Operating expenses	(228)	(1,583)	(105)	(813)
Other operating income, net	40	425	(39)	-
Interest expense, net	17	102	(251)	(344)
Consolidated Balance Sheet				
Receivables	1,446	4,536	593	694
Payables	362	1,268	307	252

Net sales of Thiel Logistik Group generated from transactions with BMW AG amounted to EUR 60.1 million for the year ended December 31, 2004 and EUR 47.5 million for the year ended December 31, 2003. Accounts receivable amounted to EUR 0.8 million as of December 31, 2004 and to EUR 0.6 million as of December 31, 2003. In addition, Thiel Logistik Group purchased / leased vehicles from BMW AG. All transactions were measured at arm's length.

There were no transactions between Thiel Logistik Group and the members of its Board of Directors in fiscal year 2004 and 2003.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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