Annual Financial Report 2010

Logwin AG

LOGWIN

Key Figures January 1 – December 31, 2010

Group *in thousand €*	**2010**	2009
Net sales*	1,356,517	1,112,968
Change to 2009	*21.9 %*	
Operating Income (EBIT)*	24,129	9,672
Margin	*1.8 %*	*0.9 %*
Net Result	395	–82,520
Operating Cashflow	25,094	9,208
Net Cashflow	31,993	7,698

Business Segments *in thousand €*	**2010**	2009
Solutions		
Net Sales	689,700	690,434
Change to 2009	*–0.1 %*	
Operating Income (EBIT)	8,085	990
Margin	*1.2 %*	*0.1 %*
Air + Ocean		
Net Sales	666,723	423,923
Change to 2009	*57.3 %*	
Operating Income (EBIT)	22,666	14,176
Margin	*3.4%*	*3.3 %*

	Dec. 31, 2010	Dec. 31, 2009
Equity Ratio	32.6 %	21.0 %
Net Financial Debt *(in thousand €)*	28,098	98,179*
Number of Employees	5,686	5,510*

* Continuing Business Operations

The Annual Financial Report 2010 ist published in both English and German. The English version is a translation from the German original, which is authorative.

Management Report

Business and Overall Conditions

The Logwin Group at a glance The Logwin Group provides comprehensive logistics and transport solutions – from procurement logistics and production-related services to delivery. As an integrated logistics service provider, Logwin combines the advantages of an internationally established logistics group with those of a flexible medium-sized company. With its two business segments Solutions and Air + Ocean, the Logwin Group offers a mix of logistical service components for customer-specific requirements and manages logistics supply chains between suppliers and consumers either separately or as a whole, as requested. As a full-service provider, the Logwin Group can take care of supply chain management, warehousing, value added services and local as well as worldwide transportation by road, rail, air or sea freight on behalf of its customers. Here it makes use of its own specialized networks as well as transportation partners in proven partnerships.

The Logwin Group gave up its business segment Road + Rail in the course of 2010 and is now concentrating its activities on the two remaining business segments Solutions and Air + Ocean. Logwin AG is listed on the Frankfurt Stock Exchange. The majority shareholder is DELTON Vermögensverwaltung AG, Bad Homburg.

Solutions As a specialist in contract logistics, the business segment Solutions offers individual customer- and industry-oriented solutions ranging from supply chain management, transportation and warehousing through to logistical value added services and complete outsourcing projects. The business also maintains special networks, particularly for the fashion and media industries, and operates regional forwarding and special transportation as part of its General Cargo activities. Solutions is organized in the three functional units Sales and Logistics Engineering, Transport and Retail Networks and Logistics and Warehousing.

Air + Ocean The business segment Air + Ocean combines transport and logistics solutions for global air and sea freight with a large number of upstream and downstream added-value services to form efficient logistical supply chains. Air + Ocean draws on an international network that is divided into the five business units Europe Middle East, South East Asia, Far East Asia, Americas and Africa.

Abandonment of the business segment Road + Rail The Logwin Group adapted its business model in the second half of 2009 and the first quarter of 2010, disposing of almost all Road + Rail activities or integrating them into the business segment Solutions. The contracts of sale and transfer with Augustin Network relating to the general cargo network operated in Austria by Logwin Road + Rail Austria GmbH and to Road + Rail activities in Eastern Europe were signed in February 2010. Transaction closing was effected at the end of March 2010. Furthermore, contracts with the JCL Logistics Group relating to the sale of Road + Rail activities in Vorarlberg (Austria), Switzerland, Hungary, France, Italy and Spain were signed in February 2010. The sale of the activities in France, Spain and Italy was effected simultaneously. Transaction closing for the remaining activities took place in April 2010. The tank and silo activities of Logwin Road + Rail Deutschland GmbH were sold to GREIWING logistics for you GmbH with effect from April 1, 2010. These financial statements therefore contain no assets and liabilities relating to these parts of the business.

Financial corporate management of the Logwin Group A number of key control parameters are of central importance for financial corporate management within the Logwin Group. Operating income (EBIT) measures the profitability of the group and the individual business segments. Additional key control indicators are net result and also net cash flow. Economic value added (EVA) is a further key control parameter that measures whether an adequate return on capital employed is being achieved and hence whether profitable growth is ensured for the long-term. Operating income, net result and net cash flow are also fundamental elements of the remuneration system. Discounted cash flow (DCF) analyses are used as the basis for assessing the benefits of major investments.

Course of business The economic performance of the Logwin Group was influenced by the recovery from the global economic and financial crisis that started at the beginning of 2010. The German economy benefited in the first six months particularly from the rapid recovery in the capital goods and automotive sectors. Growth was underpinned above all by a very pleasing development in exports. Private consumer demand also recovered in the course of 2010. The robust labor market, bolstered by growth in production, played a positive role here.

The logistics and transportation sector benefited from the economic recovery and the associated increase in global imports and exports. For the logistics industry, this was reflected in increased transport volumes. Available freight capacity became scarcer due to the increased demand for transport resulting from the economic upturn. This was accompanied by a noticeable rise in transport prices. The Logwin Group clearly profited from these developments, with business volume and sales increasing significantly over the previous year, particularly in the core markets of Germany and Austria as well as in Asia.

In the business segment Solutions the business activities with customers in industry-specific fields in particular – General Cargo, automotive and chemicals activities – benefited from the market-related improvement in 2010. The moderate volume growth in the special network Fashion in the first six months of the year gained momentum in the course of the second half. In contrast, the development in the print market over the whole year was restrained with a corresponding effect on sales in the special network Media.

In the business segment Air + Ocean, demand increased in both air freight and sea freight. All business units, especially Europe Middle East, Far East Asia and South East Asia, were able to report dynamic sales growth. Besides higher volumes, this development was also attributable to the noticeable increase in the level of freight rates around the world compared to the previous year. The business segment Air + Ocean continued the expansion of its network of locations in 2010 and launched its own country organization in Kenya with offices in Nairobi and Mombasa. The business segment also continued to expand its network of locations in Australia, opening an office in Perth. This is already the fourth Logwin location on the Australian continent after Sydney, Melbourne and Brisbane.

Service and process innovations Development activities in the Logwin Group concentrate on service and process innovations. These innovations are developed in close cooperation with customers as preparation for large assignments in order to ensure improved operational and administrative processes. The specialists in the business segment Solutions of the Logistics Engineering unit especially are entrusted with this type of work for complex contract logistics projects.

Earnings Position

Logwin Group In accordance with IFRS 5, net sales, expenses and earnings in the 2010 income statement of the Logwin Group only include the continuing business operations, the business segments Solutions and Air + Ocean. In contrast, the business segment Road + Rail is reported as a discontinued business operation whose expenses and revenues are represented as a net item in the result of discontinued business operations.

In the 2010 financial year, total net sales for the Logwin Group increased by 21.9 % from 1,113.0 million euros to 1,356.5 million euros. Sales at the business segment Air + Ocean climbed significantly. Sales growth here was strengthened by increased freight rates in addition to the rise in sales driven by demand and volumes. In the business segment Solutions, sales remained at the same level as the previous year. Project-related sales losses were offset by a number of new projects and growth in business with existing customers.

At 106.8 million euros, gross profit was 23.6 % above the gross profit of 86.4 million euros for the previous year. Selling costs remained relatively stable compared with 2009 while administrative costs increased over the previous by 6.9 % to 56.3 million euros. Increased administrative costs in the business segment Air + Ocean, primarily due to network expansion, contrasted with significant cost reductions in the business segment Solutions. The reduction in the central administrative costs resulting from the sale of the business segment Road + Rail has not yet had an effect for the complete year. The balance for other operating expenses and income amounts to 0.8 million euros (2009: 2.2 million euros).

Operating income (EBIT) for the reporting year of 24.1 million euros is significantly higher than the figure for the preceding year of 9.7 million euros. The EBIT margin also rose from 0.9 % in 2009 to 1.8 % in 2010.

Valuation adjustments were made to individual German logistics sites in the 2010 financial year. This resulted in a positive effect on earnings of 0.7 million euros. In 2009, the Logwin Group reported impairment expenses on individual logistics sites of -1.4 million euros.

Financing result of -16.4 million euros exceeded the previous year's level (2009: -15.0 million euros) as a result of a notably proportion of the capitalized bond costs being closed out after the partial redemption of the corporate bond. At 8.4 million euros, earnings before income tax in 2010 were above the level of the previous year of -6.7 million euros. The significantly higher earnings before tax were accompanied by higher tax expenses for the continuing business operations of -4.5 million euros (2009: tax returns of 1.3 million euros).

Earnings after tax of the discontinued business operations amounts to -3.6 million euros and mainly relate to subsequent costs incurred by disposal activities and operating income up to the relevant transaction closing dates. In the previous year, current losses of the business segment Road + Rail and impairment losses connected with the abandonment of the business segment were included in earnings after income tax. After a significantly negative value in the previous year (-82.5 million euros), positive consolidated earnings of 0.4 million euros were achieved in the 2010 fiscal year.

Solutions In 2010 the business segment Solutions generated sales of 689.7 million euros, achieving the same level as the previous year (2009: 690.4 million euros). Whereas business volumes in industry-related fields increased significantly as a result of the revival in the overall economy, other fields such as the print market, and as a consequence sales in the special network Media, experienced only sluggish performance. Volume growth in the special network Fashion, on the other hand, gained increasing momentum in the course of the second half of 2010 after a weak start to the year. General Cargo activities saw a very pleasing development. In the reporting period the business segment Solutions generated operating income (EBIT) of 8.1 million euros. Compared with the same period of the previous year this represents an increase of 7.1 million euros (2009: 1.0 million euros). The operating margin improved accordingly to 1.2 % (2009: 0.1 %). Contract logistics continues to be characterized by high competitive pressures. Fluctuations in utilization rates are putting a strain on the profitability of the special networks. The improvement in earnings that was nevertheless achieved was primarily due to focused sales activities and a systematic implementation of cost cutting and process optimization measures.

Air + Ocean In the reporting period, the business segment Air + Ocean generated sales of 666.7 million euros, thus regaining the positive sales growth that it saw before the financial and economic crisis. Compared with the value for the previous year of 423.9 million euros, which was affected by weak transport volumes and relatively low air and sea freight rates, this represents an increase in sales of 57.3 %. Customer demand for logistical services grew as a result of the revival in the overall economy. Transport volumes rose both in air freight and sea freight. All business units were able to benefit from this development and reported dynamic sales growth. In addition to the positive growth in volumes, the significantly higher level of freight rates over 2009 also contributed to growth in sales. Operating income (EBIT) in the 2010 reporting year amounted to 22.7 million euros, which represents an increase in earnings of 8.5 million euros over the previous year (2009: 14.2 million euros). The rise came largely from the largest business units Europe Middle East and Far East Asia. At 3.4 %, the business segment Air + Ocean achieved a pleasing operating margin at the same level of the previous year despite the high level of freight rates (2009: 3.3 %). Besides the clear effect of volumes, this also shows that the business segment was able to pass on the considerable increases in freight rates in the prices for their services, even if only in part and with a certain time delay.

Financial Position

Financial management within the Logwin Group The operating units of the Logwin Group primarily finance themselves via Logwin AG, which provides financial funds in the form of intra-group loans to its subsidiaries from equity capital and above all from the corporate bond issued in 2004.

On October 31, 2010, Logwin AG announced that it had increased its equity capital by issuing 34,782,609 new bearer shares with an exclusion of subscription rights to the new shares. The new shares were acquired by the majority shareholder, DELTON Vermögensverwaltung AG, Bad Homburg, at an issue price of 1.15 euros for each new share. A total of 40.0 million euros accrued to Logwin AG through increasing its capital.

Logwin AG used these funds, together with an additional 25.0 million euros from existing liquidity, to repay a part of the corporate bond. This has reduced the total nominal amount of the bond from 130.0 million euros to 65.0 million euros. The other financial liabilities mainly relate to real-estate loans and finance lease obligations.

The long-term finance structure of the Logwin Group improved in 2010 through the sale of the business segment Road + Rail and the capital increase. Besides an inflow of funds from the sale, the disposal of the business segment Road + Rail also resulted in the transfer of loans, guarantees and long-term leasing obligations to the relevant purchasers. The partial redemption of the corporate bond will materially reduce future interest expenses.

Liquidity analysis and investment In accordance with IFRS 5, the cash flow statement of the Logwin Group includes the continuing business operations as well as the discontinued business operations, i.e. all inflows and outflows of cash relating to the business segment Road + Rail in the 2010 financial year. These are shown seperately.

Operating cash flow saw a very pleasing development and was 25.1 million euros in the 2010 fiscal year, compared to a figure of 9.2 million euros in 2009. The figure for 2010 includes cash outflows of -11.4 million euros relating to the business segment Road + Rail (2009: cash inflows of 2.2 million euros). Besides the positive growth in the operating business, the business segment Solutions and the business segment Air + Ocean both contributed to this very positive development through strict working capital management. Of the cash flow from investment activity of 6.9 million euros (2009: -1.5 million euros), 11.8 million euros can be ascribed to the business segment Road + Rail (2009: 1.9 million euros). This mainly comprises the purchase price payments received for the Road + Rail activities sold in 2010. There is a total net cash flow of 32.0 million euros.

In 2010 cash flow from financing activities amounted to -31.0 million euros (2009: -7.3 million euros), of which -1.5 million euros (2009: -3.1 million euros) was related to the business segment Road + Rail. The major part of net cash flows is accounted for by the partial redemption of the corporate bond (-65.0 million euros) and the capital increase (40.0 million euros).

Net Asset Position

As of December 31, 2010, the Logwin Group reported a balance sheet total of 512.1 million euros compared with 609.2 million euros at the end of the previous year. In the 2009 fiscal year, the balance sheet included assets totaling 130.5 million euros and liabilities of 128.6 million euros for the business segment Road + Rail. Most of these assets and liabilities were disposed of in the past fiscal year. Individual items listed as “available for sale” in 2009 are included in the consolidated statements if they are not likely to be sold within one year of the reporting date. This applies, for example, to retirement obligations.

Non-current assets amount to 254.8 million euros compared with 255.9 million euros in the previous year. The most significant item here is recognized goodwill of 153.4 million euros (2009: 153.8 million euros). This heading also includes property, plant and equipment of 75.3 million euros (2009: 73.9 million euros), other intangible assets of 7.7 million euros and deferred tax assets of 15.3 million euros. When adjusted for the assets available for sale, current assets of the Logwin Group total 255.2 million euros (2009: 222.8 million euros). The largest items here are trade accounts receivable with a value of 160.9 million euros (2009: 133.3 million euros) and cash and cash equivalents of 67.5 million euros (2009: 64.6 million euros). The increase in receivables is due to the significantly higher business volume, especially in the business segment Air + Ocean. Cash and cash equivalents at the end of the fiscal year have already been reduced by the outflow of funds incurred by the redemption of the corporate bond. In this respect the increase compared with the previous year is especially pleasing.

The capital increase performed of 40.0 million euros is reflected in shareholders’ equity. As of December 31, 2010, the Logwin Group reported shareholder equity of 167.0 million euros compared with 128.2 million euros at the end of the previous year. The equity ratio therefore improved from 21.0% to 32.6%.

Non-current liabilities decreased by 59.9 million euros from 178.2 million euros as of December 31, 2009 to 118.3 million euros as of December 31, 2010. The most important reason for this development can be found in the premature partial repayment of the corporate bond amounting to 65.0 million euros. The higher pension obligations recognized in the balance sheet – caused by changes in actuarial parameters and by including pension obligations previously listed as “available for sale” in this item – have a contrasting effect. As of December 31, 2010, current liabilities totaled 226.8 million euros (adjusted comparative value for 2009: 174.1 million euros). This amount primarily includes trade accounts payable of 157.8 million euros (2009: 123.4 million euros), the rise in which mainly was the result of the increase in the volume of business.

Economic Situation of the Group

The Logwin Group was clearly able to benefit from the improved overall economic situation in the past fiscal year. The results of the business segments could be increased considerably thanks to the higher volume of business but also thanks to the positive effects from the cost-reduction measures taken as a response to the financial and economic crisis.

The sale of large parts of the business segment Road + Rail allowed a major step to be taken towards focusing business activities. The capital increase performed in November 2010 coupled with the partial redemption of the bond made on December 15, 2010, improved the long-term financial stability of the Logwin Group in 2010.

Starting from this significantly improved economic situation, the development of the Logwin Group will largely depend on a further stabilization and recovery in the global economy and on its effect on driving sales and earnings. This also involves successful management of the risks associated with the business (please refer to the section on risk management).

Employees

As of December 31, 2010 there were 5,686 employees in the Logwin Group compared with 5,510 employees as of December 31, 2009 (continuing business operations). This represents an increase of 176 employees. The number of employees in Germany increased in the period by 242 to 3,217.

Members of the Board of Directors and the Executive Committee

Berndt-Michael Winter (*1954)
Chairman of the Board of Directors and the Executive Committee (Chief Executive Officer)
Chairman of the Management Board, DELTON AG, Bad Homburg v. d. Höhe (GER)

Dr. Antonius Wagner (*1961)
Deputy Chairman of the Board of Directors and the Executive Committee (Chief Financial Officer)
Member of the Management Board, DELTON AG, Bad Homburg v. d. Höhe (GER)

Prof. Dr. Dr. h.c. Werner Delfmann (*1949)
Non-executive member of the Board of Directors
Director of the Seminar for Corporate Management and Logistics,
University of Cologne (GER)

Helmut Kaspers (*1965)
Member of the Executive Committee (Chief Operating Officer Air + Ocean),
Aschaffenburg (GER)

Dr. Michael Kemmer (*1957)
Non-executive member of the Board of Directors
Chief Executive Bundesverband Deutscher Banken, Berlin (GER)

Dr. Yves Prussen (*1947)
Non-executive member of the Board of Directors
Attorney in Luxembourg (L)

Report on the Stock and Corporate Bond of Logwin AG

Logwin share A total of 4.8 million Logwin AG shares were traded on all German stock exchanges in the reporting period. This corresponded to a trading volume of 5.4 million euros. The price of the Logwin share climbed between the beginning and end of the reporting period to close in Xetra trading at a price of 1.38 euros. The share thus benefited from the global recovery in the economy and the logistics markets and from the improved financial and economic situation of the Logwin Group. However, the significance of this share price development is limited due to the low volumes traded.

Key figures for the Logwin share

		Dec. 31, 2010	Dec. 31, 2009
Closing price (Xetra)	*in euros*	1.38	0.98
High/low 52 weeks	*in euros*	1.48/0.92	1.55/0.86
Total number of shares	*in units*	146,257,596	111,474,987
Market capitalization	*in million euros*	201.8	109.2

Annual General Meeting The Ordinary and Extraordinary Annual General Meeting of Logwin AG was held in the Chambre de Commerce in Luxembourg on April 14, 2010. 81 % of the equity capital was represented. All resolutions proposed concerning the points on the agenda were approved almost unanimously.

Capital increase The Annual General Meeting accepted the proposal made by the Board of Directors that the registered share capital be fully or partially increased in accordance with the terms listed in the company's Articles of Association relating to registered capital excluding shareholders' subscription rights.

On October 31, 2010, the Board of Directors of Logwin AG decided to perform a capital increase in line with the authorized capital excluding subscription rights. The share capital was increased by issuing 34,782,609 new bearer shares. The new shares were acquired by the majority shareholder, DELTON Vermögensverwaltung AG, Bad Homburg, at an issue price of 1.15 euros for each new share.

Share ownership The majority shareholder is DELTON Vermögensverwaltung AG. The members of the Board of Directors and the Executive Committee of Logwin AG do not hold any shares or options to purchase shares in Logwin AG.

Performance of the corporate bond After closing 2009 at a price of 92.00, the corporate bond of Logwin AG developed positively in the course of 2010, closing the reporting period at 103.00. In accordance with the terms of the bond, the corporate bond was partially redeemed at a price of 100 % of its nominal value as of December 15, 2010. This reduced the total nominal value of the bond from 130.0 million euros to 65.0 million euros.

Company rating As a result of the company's performance and the capital increase that took place, Standard & Poor's raised its rating from rating category "B–" to category "B". The corporate bond is now rated at "B–". Standard & Poor's rated the outlook as "stable".

The Logwin Group's rating by Moody's Investors Service and for the subordinate corporate bond remained unchanged over the course of the year. In February 2011 Moody's increased the corporate family rating for the Logwin Group from "B3" to "B2", with its outlook being rated as stable. At the same time the rating for the corporate bond increased to "B3" (former "Caa2").

Examination by FREP The German Financial Reporting Panel (FREP) conducted a random examination of Logwin's consolidated financial statements as of December 31, 2009 in accordance with Article 342 b) Section 2 Clause 3 No. 3 of The German Commercial Code. No incorrect accounting was found.

Risk Report

As a global logistics service provider, the Logwin Group faces macroeconomic risks and as well as industry, com-petition, procurement, demand and customer risks. In addition financing risks, interest rate and currency risks, environmental and regulatory risks, management, legal, IT and other risks can also affect business performance, materially impacting on the group's net assets, financial situation and earnings position.

Macroeconomic risks The performance of the global economy and of world trade is of crucial importance for the demand for logistics services and thus for the business performance of the Logwin Group. Significant risks are therefore associated with the future growth of the global economy and particularly with the performance of the major national economies. If the global economy fails to grow or loses significant moment, it could bring with it declining or stagnating demand for logistics services. Should the Logwin Group be forced in these circumstances to make further adjustments, there is the risk that this would materially impact on its earnings situation.

An unexpectedly strong upward trend in the economy could lead to such an increase in demand for transportation capacities that transportation prices see a considerable jump. There is the risk that a price increase on the procurement side cannot be passed on to customers immediately. This could entail earnings risks for the Logwin Group that would lead to downward pressures on earnings.

Furthermore, negative effects could result from a renewed financial crisis accompanied by distortions on foreign currency markets and the subsequent negative consequences for the real economy, especially declining trade. This would directly affect the Logwin Group, both in its business segment Air + Ocean as well as in its business segment Solutions. This applies primarily to the core markets of Europe and Asia. If the financial crisis were to deteriorate once more, it would have a negative impact on the net assets, financial situation and earnings position of the Logwin Group.

Industry-specific risks The economic crisis clearly left its mark on the logistics industry in the past few years. Insolvency figures reached a record level and companies in the transportation and logistics business were forced, like the Logwin Group, to make some painful adjustments to their company structures and strategies. In this regard there are intense competitive pressures. Should there be a renewed economic slowdown or even crisis, there are material risks for the future economic performance of the Logwin Group that could result in reduced sales, underutilized capacity and declining earnings.

Developments in industry-specific costs pose a risk for the Logwin Group's profitability. In connection with providing transportation services and maintaining logistics premises there is the risk that oil and diesel prices may climb. This could be triggered by a devaluation of the euro compared with the US dollar. A further industry-specific risk results from the introduction of or increase in transport-related levies or taxes such as road tolls for trucks. These risks can have a significant negative impact on the net assets, financial situation and earnings position of the Logwin Group.

Besides this, tighter controls on legal working times and stricter environmental regulations can lead to additional costs. In an increasingly security-conscious environment the possibility of the introduction of stricter security measures such as tighter import controls cannot be excluded. It is difficult to assess what the effects of this might be for the logistics industry, but having to meet international security regulations would presumably result in increased administrative costs and significantly higher investment requirements for additional security measures, which would then affect the earnings of the Logwin Group.

Competition and customer risks A surplus of transport capacity caused by a fall in demand and slower globalization can lead to intensified competition for reduced customer orders and volumes.

In addition, the efforts on the part of many market players to differentiate themselves from the competition through industry-specific logistics concepts, especially in times of crisis when order levels are volatile, make them vulnerable as they have no possibility to offset this. This could have a considerable negative effect on the Logwin Group's earnings.

An unrelenting tendency towards consolidation in the logistics industry can lead to a shift in the traditionally strongly fragmented structure of the market, with large logistics groups assuming even greater market importance. For the Logwin Group, this can mean a deterioration in its competitive position if economies of scale in certain activities generate competitive advantage.

In the business segment Solutions, specific risks exist in concentrated competition in niche markets with a small number of competitors. This makes it more difficult to increase market share. Furthermore, the Fashion and Media businesses are highly dependent on developments in the textile and media industries owing to the high level of specialization of their service offering.

In the business segment Air + Ocean, the key competition risks are the unpredictable developments in freight rates. An increase in freight rates, such as the rise seen from mid-2009 through summer 2010, can have major effects on the earnings situation of the Logwin Group. There is the risk that it might not be possible to pass on higher rates to customers fully and in a timely manner. Conversely, a constant fall in freight rates, such as the decrease seen in 2008 through the first half of 2009, can result in a weakening of demand for worldwide air and sea freight transportation and significantly intensify the competition for transport volumes.

Restructuring measures and rationalization programs on the part of customers are causing them to be even more cost-conscious and consequently to demand price cuts from their logistics service providers. This can result in existing logistics contracts being re-examined and an increasing number being put out to tender. Contract periods are also growing ever shorter and there is a tendency to transfer risks such as liability and investment risks to the service provider. There is the risk for the Logwin Group that increasing customer cost sensitivity will have an adverse effect on its earnings performance. This applies especially to the business segment Solutions, which is highly dependent on individual large customers. The success of the business segment Solutions depends to a large degree on business performance in the automotive, chemicals and textiles sectors and to an increasing extent on growth in retail trade. A slowdown in the economic recovery of these sectors would have a direct negative impact on the short- to medium-term earnings expectations of the Logwin Group.

There are additional customer-related risks associated with extended payment periods, increasing delays in payment, payment default and even a continuing high level of anticipated insolvencies. In individual cases, penalties are foreseen for failure to render services in compliance with the contract. These may lead to risks exceeding the warranty risk provided for in law, which could have a negative impact on the net assets, financial situation and earnings position of the Logwin Group.

Procurement risks The Logwin Group uses subcontractors to provide a significant proportion of its services. The services, in particular for forwarding, are contracted on the basis of long-term supply agreements and master agreements. The case might arise of not being able to provide sufficient transportation or warehousing capacities or of having to procure them at considerably increased market prices. These unscheduled price hikes cannot always be passed on to customers immediately. On the other hand, there are risks relating to the underutilization of transportation capacities, particularly in the special networks of the business segment Solutions and in the air freight field at the business segment Air + Ocean as well as risks connected with property or storage space remaining vacant that was rented to meet business requirements.

Price fluctuations on the global oil markets that have a direct effect on the price of heating oil and fuel are an additional risk. This can lead to an increase in the price of services provided that must then be passed on to customers in an appropriately timely manner. When long-term supply agreements are concluded with air and sea freight providers, the Logwin Group may be subject to making penalty payments to the providers when it fails to purchase the target volumes.

Financing risks Experience of the global financial crisis has shown that extraordinary distortions can be anticipated on the capital markets in times of crisis. For market participants this can mean a drastic reduction in the availability of credit and hence in the possibilities of refinancing. Furthermore, this could result in a considerable increase in the level of interest and financing costs that would have a considerable negative influence on the net assets and financial situation of the Logwin Group.

The business operations of a logistics company require it to avail itself of loans and credit-based forms of finance, for example when renting or leasing infrastructure, transport equipment and other technical plant and facilities. Continuing restricted access to means of finance and guaranteed credit lines or a sustained increase in the cost of such financing instruments could lead to considerable risks for liquidity and earnings, which would then impact the Logwin Group's result.

Expiring loans and the remaining amount of 65.0 million euros of the Logwin Group's corporate bond must be repaid at maturity or refinanced by other measures. If the financial funds available at that point in time are not sufficient, and if it is not possible to refinance them, the Logwin Group's future existence will depend on the willingness of shareholders to provide additional equity capital. Alternatively, additional parts of the business would have to be sold off in order to generate liquidity. The Logwin Group's corporate bond has a number of covenants, e.g. regarding the disposal of proceeds from divestments. A permanent breach of those covenants (default) can lead to a mandatory premature redemption of the corporate bond.

Conducting transportation dealings on a global scale requires liquidity to be available at all times and the possibility of guarantees and collateral being provided by generally recognized guarantors, for example to customs and tax authorities and in order to process air and ocean transportation. The Logwin Group's existence could be threatened if the established financial instruments in international trade are no longer available to the Logwin Group to a sufficient extent, or if the customary mechanisms underpinning financial business transactions fail to work.

There is a default risk on trade accounts receivable. The Logwin Group faces increased risks of payment default, which can have a negative impact on earnings if they materialize, in cases where insurance or other collateral is not available or is insufficient, or where hedging is not possible for economic reasons.

Interest rate and currency risks The Logwin Group's worldwide activities mean that a share of its consolidated sales is being generated in non-euro currencies and a corresponding share of assets is also recognized in financial statements in other currencies. A significant risk to earnings from the negative effects of exchange rate movements cannot be excluded.

The use of financial hedging instruments requires the availability of corresponding credit facilities for the Logwin Group and necessitates the existence of functioning exchange rates on the global currency markets. A sustained increase in the direct and indirect costs for hedging instruments can also have an adverse effect on the company's economic performance.

The level of interest can change. Increased rates of interest at the time the bond is refinanced, or over the long-term, can pose a risk to the earnings of the Logwin Group.

Management risks Executives of the Logwin Group accept specific and quantifiable business risks in order to be able to make full use of market opportunities. If these risks materialize they could have a negative effect on the Logwin Group's net assets, financial situation and earnings position.

Legal, regulatory and environmental risks The Logwin Group performs various customs and sales tax-related processes on behalf of its customers as part of cross-border, international transportation activities. Risks are involved in performing these processes and making the required customs or tax declarations. This applies especially when the Logwin Group is liable for the completeness and accuracy of such declarations, for example when bearing joint and several liability. In this context, Logwin Road + Rail Austria GmbH was served with a claim from the Austrian customs authorities in April 2010 demanding payment of import sales tax of around 16 million euros in duties for customs clearance that the company had performed with joint and several liability on behalf of customers in the period between December 2005 and March 2006. The exemption from import sales tax granted at that time was now revoked since the consignee of the goods was allegedly a participant in a missing trader (sales tax carousel) fraud. The company, which remained part of the Logwin Group after the sale of the Road + Rail activities, lodged an appeal against the decision. The customs authorities did not grant the appeal lodged by Logwin, which is why legal steps against the claim will be pursued further. Moreover, the company has an insurer's preliminary confirmation of cover. Against this background, no provision and no contingent liability have been made in these financial statements to cover this matter. This could have considerable negative consequences on the Logwin Group's net asset and financial position if the legal steps prove unsuccessful and the insurer fails to provide (sufficient) cover despite its preliminary confirmation of cover.

Contractual risks such as warranty, indemnification, payment and tax risks could arise in connection with the acquisitions and disinvestments performed by the Logwin Group in the last few years, i.e. the disposal of parts of the company. This applies in particular to business activities sold in the course of the abandonment of the former business segment Road + Rail in the last 18 months.

Moreover, in providing its services and running its own facilities, the Logwin Group is subject to the laws, rules and regulations prevailing in the countries where it operates. In many countries, these regulations include transportation licenses, which in some cases distinguish between national and international activities. Other conditions and licensing requirements may restrict the time of day or day of the week when transportation and logistics activities can be performed. For a number of customer projects, the companies of the Logwin Group are dependent upon retaining their existing current licenses and permits. Losing such authorization could significantly threaten the profitability of the customer projects concerned.

In addition, substantial changes in taxation or levies such as road tolls and other usage-based charges could have a considerable effect on the profitability of current business and impact economic performance negatively. Likewise, regulatory provisions such as the tightening up of the law relating to driving crews result in ever rising labor costs. So, for example, changes in driving and rest times lead to more drivers being required, which places a significantly increased burden on providing road haulage services.

Country-specific risks can result, for example, from incoherent interpretation, application and abrupt amendment of legal, tax and customs regulations in various emerging countries where the legal system does not yet conform to international standards, or only to a limited extent.

The companies of the Logwin Group have applied for trademark protection for most of their brands, in particular for the uniform group brand Logwin, or are already in possession of such property rights. A few registration applications are still pending. Negative effects for the Logwin Group's market presence can therefore not be ruled out. If necessary licensing and trademark rights are not obtained, or if they expire, there can be negative consequences on the chances of implementing a standardized market presence and on the Logwin Group's financial position.

The Logwin Group is particularly affected by environmental laws and regulations in those areas where the provision of logistics services involves having to deal with potentially hazardous materials such as operating filling stations or tank cleaning facilities. In addition, various logistics projects require the handling of hazardous goods.

The logistics and transportation sector, at least in Germany and the rest of the EU, can also be expected to become the focal point for increasing measures stemming from policies relating to the environment and climate change over the next few years. In this context, there are risks that it will only be possible in part to offset the resultant cost increases through increased efficiencies or to pass them on to customers in the form of higher prices. This could have a considerable impact on the Logwin Group's earnings and financial position.

Risks from infringements against national and international legislation The Logwin Group attaches great importance to group-wide compliance with national and international legislation, and a compliance officer has been appointed to ensure this principle is met. Nevertheless, the possibility of infringements against national or international regulations occurring resulting in risks that could threaten the very existence of the Logwin Group cannot be excluded.

Thus at the end of February 2010 the Austrian Federal Competition Authorities submitted petitions to the Vienna Higher Regional court (Oberlandesgericht) against more than 40 Austrian logistics companies, including three companies belonging to the Logwin Group, for alleged infringements of Austrian and European antitrust legislation. The Federal Competition Authorities have applied for fines to be imposed in an unspecified amount. In various statements the Logwin Group and the other forwarding companies have contested the arguments of the Federal Competition Authorities with regard to both their representation of the facts and to their legal opinion. Nevertheless, the Federal Competition Authorities continue to hold their legal opinion, in particular with regard to European law. According to information obtained so far, the Logwin Group does not share the legal opinion of the Austrian Federal Competition Authorities. In its judgement dated February 22, 2011, the Vienna Higher Regional court (Oberlandesgericht) rejected in the first instance claims brought by the Austrian Federal Competition Authorities against members of the so-called forwarding agents' conference (Speditionssammelkonferenz – SSK). Since the Logwin Group, based on the legal opinions it has obtained, does not assume that a fine will actually be imposed and since it is not possible to make a reliable estimate of the possible impact this would have on the 2010 financial statements, no provision has been made and no estimate has been made of a possible contingent liability. Should a fine still be imposed, it could have considerable negative effects on the Logwin Group's net asset and financial position.

IT and other risks The availability of a functioning IT infrastructure and IT applications is critically important for the economic performance of the Logwin Group. IT risks can arise from a possible outage of operational and administrative IT systems, which could impact the course of business. A prolonged outage of IT systems could lead to existential risks for the Logwin Group.

The activities of the Logwin Group's business segments involve liability and warranty risks owing to possible damage and quality defects arising during the provision of services.

Prolonged weak or anticipated prolonged weak performance of individual areas within the Logwin Group involves the risk that the goodwill recognized in the consolidated balance sheet will have to be impaired ("impairment risk"). Another influential factor is the current and anticipated trend in interest rates. In compliance with the requirements of IAS 36, goodwill is subject to an impairment test at least once every twelve months. In this context, sustained weak or weaker than anticipated performance of individual Logwin companies could result in an adjustment of recognized deferred taxes, which would have a negative influence on the net assets, financial situation and earnings position of the Logwin Group.

Risk management system A group-wide risk management system was introduced as a result of a resolution passed by the Board of Directors of Logwin AG in 2003 aimed at ensuring proper company management and implementing a coherent risk policy for Logwin AG. This forms an integral part of the planning and control system within the Logwin Group and is an essential element in managing and controlling the company. The risk management system is also a component in the examination of the annual statements performed by the auditors. The overriding aim of Logwin AG's risk policy is the timely and systematic identification of risks that may endanger the continued existence of the company or which may seriously impact its success so that they can be avoided or their negative effects minimized by initiating prompt counter-measures.

The appropriate transformation of risk policy into an efficient risk management system is guaranteed by group-wide principles and regulations that are set down in risk management guidelines. "Risk owners" in the business segments and holding companies identify and assess risks that can emerge in their areas. These are then systematically summarized at the business unit, business segment or group level depending on predetermined reporting threshold values and communicated to the relevant management levels in the business units and segments as well as to the Executive Committee and the Board of Directors of Logwin AG. Besides regular reporting at specified intervals, emergency reporting procedures in the event of special urgency play an essential part in the risk management system. Controlling the risks is the responsibility of the risk owners themselves, the relevant management levels in the business units or segments or the Executive Committee, depending on the required degree of authority. These clearly defined processes and responsibilities do not just guarantee that all identified risks are duly processed, but also ensure that the Executive Committee and the Board of Directors of Logwin AG are informed about all major risks.

Besides the risk management guidelines, group-wide accounting guidelines also regulate the financial reporting process as a further feature of the internal control and risk management system. The financial reporting process in the Logwin Group reflects its decentralized organizational structure, i. e. at the business segment level the individual group companies are monitored with regard to their reporting preparations, e. g. scheduling and assigning tasks, obtaining balance confirmations, allocating provisions and also with regard to drawing up the financial statements, e. g. numerous, in part system-based, matching and plausibility checks. A further step in the internal system of controls are the letters of representation presented by the management of each subsidiary regarding their annual financial statements. All input and work steps in the consolidation process are documented in the consolidation program which is used across the group and which has a hierarchical system of user rights relating to access and data input and which makes distinctions between groups of users and business areas. Besides the external auditors, the group's internal audit department is also involved in monitoring compliance with the accounting guidelines in selected cases.

Unknown or unrecognized risks may still exist for the Logwin Group despite the existence of a risk management system. The possibility cannot be excluded that the risk management system could prove to be partially or entirely inadequate or fail completely, and that such risks could materialize in the group's course of business or not be identified quickly enough. The occurrence of one or more of these risks could have material negative effects on the net assets, financial situation and earnings position of the Logwin Group.

Outlook

The company controls aiming for profitable growth will enable the Logwin Group to continue to benefit from the economic recovery in 2011.

It is assumed that growth in business volumes and hence sales will be stable in 2011. The Logwin Group is focusing on continuing to raise the level of profitability achieved in the 2010 financial year. The objective of increasing group earnings compared with the reporting period will result from a reduced interest burden and the disappearance of costs arising from the sold business operations as well as from improved performance at the two business segments Solutions and Air + Ocean. From today's perspective, stable growth in business activity is also expected for 2012.

The performance of the business segment Solutions will be largely characterized by further developing business with existing customers combined with a systematic expansion of profitable business with new customers. The business segment Air + Ocean assumes that there will be a moderate rise in freight volumes for 2011 with freight rates remaining stable.

A profitability- and liquidity-oriented business policy with active working capital management will continue to be pursued in order to achieve positive net cash flow relating to investments.

Supplementary Report

There were no significant events between December 31, 2010, and the preparation of the Consolidated Financial Statements by the Board of Directors of Logwin AG on March 1, 2011. We would refer to the comments on page 15 with regard to the decision by the Vienna Higher Regional Court (Oberlandesgericht) dated February 22, 2011, concerning the alleged infringements of Austrian and European antitrust legislation.

Consolidated Financial Statements

Statement of Income

in thousand €	2010	2009	*Note/Page*
Net sales	1,356,517	1,112,968	*8/37*
Cost of sales	−1,249,716	−1,026,559	*9/40*
Gross profit	**106,801**	**86.409**	
Selling costs	−27,158	−26,268	*9/40*
General and administrative costs	−56,326	−52,708	*9/40*
Other income	9,659	8,213	*10/40*
Other expenses	−8,847	−5,974	*10/40*
Operating income (EBIT)	**24,129**	**9,672**	
Valuation effects on fixed assets	736	−1,387	*11/40*
Earnings before interets and income taxes	**24,865**	**8,285**	
Finance income	1,072	787	*12/41*
Finance expenses	−17,503	−15,749	*12/41*
Earnings of continuing business operations before income taxes	**8,434**	**−6,677**	
Income taxes	−4,457	1,254	*13/42*
Earnings of continuing business operations after income taxes	**3,977**	**−5,423**	
Earnings of discontinued business operations after income taxes	**−3,582**	**−77,097**	*30/58*
thereof loss from valuation of discontinued business operations	–	−63,786	
thereof income taxes	925	5,115	
Net result	**395**	**−82,520**	
Attributable to:			
Equity holders of Logwin AG	−329	−82,477	
Non-controlling interest	724	−43	

in €	2010	2009
Earnings per share - basic and fully diluted Income (loss) of continuing business operations attributable to equity holders of Logwin AG	0.03	−0.05
Income (loss) of discontinued business operations attributable to equity holders of Logwin AG	−0.03	−0.69
for income (loss) attributable to the equity holders of Logwin AG	−0.00	−0.74
Weighted average number of shares outstanding	**117,272,089**	**111,474,987**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Statement of Comprehensive Income

in thousand €	2010	2009	*Note/Page*
Net result	**395**	**−82,520**	
Unrealized profit on securities, available-for-sale	27	46	
Unrealized profit on commodity forwards	–	498	
Realized profit on commodity forwards	−498	–	
Change in scope of consolidation	0	–	
Neutral effects from change in fair value reserve	**−471**	**544**	
Actuarial gains and losses	−1,641	1,342	*26/53*
Deferred income taxes	476	−334	
Change in scope of consolidation	22	–	
Neutral effects from actuarial gains and losses from pensions and other long-term obligations	**−1,143**	**1,008**	
Unrealized profit	5,728	1,111	
Change in scope of consolidation	−2,586	–	*30/59*
Neutral effects from change in translation reserve	**3,142**	**1,111**	
Other comprehensive income	**1,529**	**2,663**	
Total comprehensive income	**1,924**	**−79,857**	
Attributable to:			
Equity holders of Logwin AG	1,200	−79,814	
Non-controlling interest	724	−43	

The accompanying notes are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows

in thousand €	2010	2009	Note/Page
Earnings before income taxes	8,434	−6,677	
Financing result	16,431	14,962	12/41
Earnings before interest and income taxes	24,865	8,285	
Adjustments to reconcile to operating cash flows			
Depreciation and amortization	13,035	14,587	9/40
Valuation effects on fixed assets	−736	1,387	11/40
Result from disposal of assets	113	−538	10/40
Other	−2,142	−3,481	
Income taxes paid	−704	−1,350	
Interest expenses paid	−12,045	−11,864	
Changes in working capital, cash effective			
Change in receivables, cash effective	−23,791	9,010	
Change in payables, cash effective	38,183	−13,054	
Change in inventory, cash effective	−331	4,042	
Operating cash flows of continuing business operations	**36,447**	**7,024**	
Operating cash flows of discontinued business operations	−11,353	2,184	
Capital expenditures	−6,998	−5,045	
Proceeds from disposal of consolidated companies and other business units	1,562	–	
Proceeds from disposal of non-current assets	778	3,139	
Payments for acquisitions of subsidiaries, net cash acquired	−226	−1,309	
Other cash flow from investing activities	–	−221	
Investing cash flows of continuing business operations	**−4,884**	**−3,436**	
Investing cash flows of discontinued business operations	11,783	1,926	
Net cash flows of continuing business operations	**31,563**	**3,588**	
Net cash flows of discontinued business operations	430	4,110	
Net Cash flows	**31,993**	**7,698**	
Partial redemption of corporate bond	−65,000	–	23/51
Net cash flow from capital increase	39,818	–	22/50
Changes in short-term financial liabilities	−1,332	239	
Repayment of long-term borrowings	−871	−1,523	
Repayment in finance lease liabilities	−2,063	−2,194	
Distribution to non-controlling interest	−179	−673	
Other cash flows from financing activities	99	–	
Financing cash flows of continuing business operations	**−29,528**	**−4,151**	
Financing cash flows of discontinued business operations	−1,455	−3,135	
Effects of exchange rate changes on cash	1,926	947	
Changes in cash and cash equivalents	**2,936**	**1,359**	
Cash and cash equivalents at beginning of year	64,563	63,204	
Change	2,936	1,359	
Cash and cash equivalents at end of period	**67,499**	**64,563**	20/48

The accompanying notes are an integral part of these Consolidated Financial Statements.

Balance Sheet

Assets *in thousand €*	**Dec. 31, 2010**	**Dec. 31, 2009**	*Note/Page*
Goodwill	153,389	153,788	*14/43*
Other intangible assets	7,728	10,508	*15/45*
thereof software	*5,671*	*8,966*	
Property, plant and equipment	75,261	73,908	*15/46*
Financial assets	1,791	1,708	
Other non-current assets	1,331	771	
Deferred income taxes	15,315	15,195	*21/49*
Total non-current assets	**254,815**	**255,878**	
Inventories	2,940	2,537	*16/47*
Trade accounts receivable	160,933	133,277	*17/47*
thereof receivables from factoring	*16,735*	*13,203*	
Income tax receivables	3,805	6,320	*18/48*
Other receivable and current assets	20,020	16,111	*19/48*
Cash and cash equivalents	67,499	64,563	*20/48*
Assets held for sale	2,102	130,521	*30/58*
Total current assets	**257,299**	**353,329**	
Total assets	**512,114**	**609,207**	

Liabilities and Shareholders' Equity *in thousand €*	**Dec. 31, 2010**	**Dec. 31, 2009**	*Note/Page*
Ordinary shares	131,202	139,344	
Group reserves	34,179	−13,012	
Total group equity	**165,381**	**126,332**	
Non-controlling interest	1,608	1,891	
Shareholders' equity	**166,989**	**128,223**	*22/50*
Corporate Bond	64,183	127,846	*23/51*
Lease obligations, long-term	20,262	22,353	*24/52*
Other long-term financial liabilities	5,785	6,627	*25/52*
Retirement and other long-term employee-related obligations	25,607	17,729	*26/53*
Other long-term provisions	103	15	
Other long-term liabilities	1,392	1,390	
Deferred income taxes	999	2,267	*21/49*
Total non-current liabilities	**118,331**	**178,227**	
Trade accounts payable	157,797	123,354	
Lease obligations, short-term	2,053	1,860	*24/52*
Other financial short-term liabilities	3,313	4,056	*25/52*
Short-term provisions	12,770	7,206	*27/57*
Tax liabilities	5,274	2,119	*28/57*
Other short-term liabilities	45,587	35,544	*29/57*
Liabilities of discontinued business operations	–	128,618	*30/58*
Total current liabilities	**226,794**	**302,757**	
Total liabilities and shareholders' equity	**512,114**	**609,207**	

The accompanying notes are an integral part of these Consolidated Financial Statements.

Statement of Changes in Shareholders' Equity

in thousand €	Capital and reserves attributable to the equity holders of Logwin AG							
	Ordinary shares – voting, non-par value	Additional paid-in capital	Retained earnings and other reserves	Result directly recognised in equity	**Total group equity**	**Non-controlling interest**	**Total share-holders' equity**	*Note/ Page*
January 1, 2009	**139,344**	**174,002**	**–97,860**	**–6,172**	**209,314**	**3,032**	**212,346**	
Net result			–82,477		–82,477	–43	–82,520	
Other comprehensive income			1,008	1,655	2,663		2,663	
Total comprehensive income			**–81,469**	**1,655**	**–79,814**	**–43**	**–79,857**	*–/19*
Changes in translation reserve of foreign entities			–204	204	–		–	
Compensation of additional paid-in capital and net loss		–17,955	17,955		–		–	*22/50*
Acquisition of non-controlling interests (outstanding)			–3,168		–3,168	–370	–3,538	
Distributions					–	–677	–677	
Changes in scope of consolidation					–	–51	–51	
December 31, 2009	**139,344**	**156,047**	**–164,746**	**–4,313**	**126,332**	**1,891**	**128,223**	
Net result			–329		–329	724	395	
Other comprehensive income			–1,143	2,672	1,529	–	1,529	
Total comprehensive income			**–1,472**	**2,672**	**1,200**	**724**	**1,924**	*–/19*
Compensation of additional paid-in capital and net loss		–60,734	60,734		–		–	*22/50*
Reduction of share capital in accordance with decisions at the general meeting	–39,344		39,344		–		–	*22/50*
Capital increase by issuing new shares	31,202	8,616			39,818		39,818	*22/50*
Acquisition of non-controlling interests (outstanding)			–256		–256	–94	–350	
Distributions					–	–179	–179	
Changes in scope of consolidation			–1,713		–1,713	–734	–2,447	
Transfers			–86	86	–		–	
December 31, 2010	**131,202**	**103,929**	**–68,195**	**–1,555**	**165,381**	**1,608**	**166,989**	

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements December 31, 2010

General Information

1 Corporate Information

The consolidated financial statements of Logwin AG, Grevenmacher (referred to in the following as “Logwin AG” or “Logwin”) for the fiscal year as of December 31, 2010, were authorized for issue by resolution of its Board of Directors on March 1, 2011, and under Luxembourg law are still subject to approval by the Annual General Meeting. Logwin AG, 5 an de Längten, L-6776 Grevenmacher, is a limited company incorporated and domiciled in Grevenmacher, Luxembourg, whose shares are publicly traded on the Frankfurt Stock Exchange. The majority shareholder is DELTON AG, Bad Homburg, Germany, through its wholly owned subsidiary DELTON Vermögensverwaltung AG, Bad Homburg, Germany.

As an integrated logistics service provider, Logwin Group has long-standing experience, specialized infrastructure and expertise in various sectors of industry and trade and assumes responsibility for its customers' supply chain management, warehousing, value added services and both local and global freight transportation by air and sea. The principal activities of the group are described in Note 8, “Segment Reporting”.

2 Statement of compliance with IFRS

The consolidated financial statements of Logwin AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The designation "IFRS" also includes all International Accounting Standards (IAS) applicable at the balance sheet date. All requirements arising from the published standards of the International Accounting Standards Board (IASB) and interpretations of the International Financing Reporting Interpretation Committee (IFRIC), formerly known as the Standing Interpretation Committee (SIC), have been complied with in the consolidated financial statements without exception.

3 General principles of accounting and valuation

The financial statements of the subsidiaries are prepared using uniform accounting and valuation methods and the same balance sheet date as the financial statements of the parent company.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale securities, which have been measured at fair value. General principles of accounting and valuation are in line with last year’s principles. The fiscal year corresponds to the calendar year. The consolidated financial statements are presented in euros (EUR).

4 Consolidation principles

The consolidated financial statements comprise the financial statements of Logwin AG and its subsidiaries (also referred to in the following as the “Logwin Group”) as of December 31 each year. In addition to Logwin AG as the parent company, the fully consolidated subsidiaries include two domestic and 79 foreign companies (2009: four domestic and 100 foreign companies).

The consolidated entities including Logwin AG have developed as follows:

	Dec. 31, 2009	Additions	Disposals	Dec. 31, 2010
Luxembourg	5	–	2	3
Abroad	100	9	30	79
Total	**105**	**9**	**32**	**82**

19 companies were deconsolidated during the 2010 fiscal year as part of the sale of almost all activities of the business segment Road + Rail. These companies were last included in the group financial reporting as of the respective transaction closing dates, which was February 26, 2010, for four companies, March 31, 2010, for twelve companies, April 15, 2010 for two companies and June 5, 2010 for one company. A further 13 companies were sold in the course of corporate restructuring.

Please refer to page 72 for a list of major investments.

All intragroup balances, transactions, income, expenses, gains and losses recognized in the carrying amount of assets, are eliminated in full. Subsidiaries are fully consolidated from the time of acquisition, i.e. from the time at which the group achieves control. They are dropped from the consolidated financial statements at the time they pass from the control of the parent company.

Non-controlling interests represent the portion of net results and net assets of consolidated companies not held by the group and are presented separately in the consolidated income statement and within equity in the balance sheet.

5 New accounting regulations

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have published new accounting regulations in recent years. The table below contains the new regulations that had to be adopted for the first time for the 2010 fiscal year as a result of recognition through the endorsement process of the European Commission.

Standard/Interpretations			Date for mandatory adoption in EU	En-dorse-ment
Amendment	IAS 27	Consolidated and separate financial statements/ Clarifications for various regulations	Jun. 30, 2009	Yes
Amendment	IAS 39	Financial instruments: Recognition and measurement/ Qualified underlying transactions	Jun. 30, 2009	Yes
Amendment	IFRS 1	First-time Adoption of IFRS/ Additional assumptions for first-time adopters	Dec. 31, 2009	Yes
Amendment	IFRS 1	First-time adoption of IFRS/ New structure and hence easier adoption	Dec. 31, 2009	Yes
Amendment	IFRS 2	Share-based payment/Share-based payments within cash settlements with a group of companies	Dec. 31, 2009	Yes
Amendment	IFRS 3	Business combinations/Phase II: General revision as part of the convergence project for IASB and FASB	Jun. 30, 2009	Yes
New interpretation	IFRIC 12	Service concession arrangement	Mar. 29, 2009	Yes
New interpretation	IFRIC 15	Agreements for the construction of real estate	Dec. 31, 2009	Yes
New interpretation	IFRIC 16	Hedges of a net investment in a foreign operation	Jun. 30, 2009	Yes
New interpretation	IFRIC 17	Distributions of non-cash assets to owners	Oct. 31, 2009	Yes
New interpretation	IFRIC 18	Transfers of assets from customers	Oct. 31, 2009	Yes
Amendment	Miscel-laneous	Improvements to IFRS/Clarifications of, corrections to and modified requirements for a total of nine standards and interpretations	Dec. 31, 2009	Yes

The first-time adoption by the Logwin Group resulted in no major effects on accounting and valuations.

Changes embodied in IFRS 3 will have an effect on any future acquisitions, in particular with regard to the option of choosing between the so-called purchased goodwill method and what is known as the full goodwill method.

Moreover, the IASB and the IFRIC have issued new or revised accounting regulations whose adoption is not yet mandatory. These regulations will only become effective in the coming years. A large number of these new accounting standards still must undergo the endorsement process. The Logwin Group has not made use of the option of applying them on a voluntary basis under certain circumstances.

Standard/Interpretations			Date for mandatory adoption in EU	En-dorse-ment
Amendment	IAS 24	Related party disclosures/ Simplified definition of related entities or persons in order to remove inconsistencies	Dec. 31, 2010	Yes
Amendment	IAS 32	Financial instruments: Presentation/ Classification of rights issues	Jan. 31, 2010	Yes
Amendment	IFRS 1	First-time adoption of IFRS/Limited exemption from comparative IFRS 7 disclosures for first-time adopters	Jun 30, 2010	Yes
Amendment	IFRS 7	Financial instruments: Disclosures/ Enhanced disclosures relating to derecognition of financial assets	Jul. 1, 2011	No
New standard	IFRS 9	Financial instruments/Classification and measurements of financial assets	Jan. 1, 2013	No
Amendment	IFRIC 14	Limit on a defined benefit asset, minimum funding requirements and their Interaction/ Prepayments of a minimum funding requirement	Dec. 31, 2010	Yes
New interpretation	IFRIC 19	Extinguishing financial liabilities with equity instruments	Jun 30, 2010	Yes
Amendment	Miscel-laneous	Improvements to IFRS/Clarifications, measurements and transitional regulations	Feb. 23, 2011	Yes
Amendment	IFRS 1	First-time adoption Fixed transition dates and severe hyperinflation	Jul. 1, 2011	No
Amendment	IAS 12	Income Taxes/ recovery of underlying assets	Jan. 1, 2012	No

With the exception of IFRS 9, the adoption of these new or revised accounting regulations are unlikely to have a significant influence on the future financial statements of the Logwin Group. The application of IFRS 9 will entail an examination of the classification of financial instruments used so far and may lead to reassignment. The IASB has now extended IFRS 9 to include the classification and valuation of financial liabilities, the derecognition of financial instruments, impairments and hedge accounting. Once adopted, IFRS 9 will completely replace IAS 39.

6 Significant accounting judgments and estimates

The preparation of financial statements requires management to make certain estimates and assumptions and hence accounting judgments that affect the amounts of assets and liabilities reported at the balance sheet date and costs and revenues during the reporting period. Actual amounts may differ from these estimates, leading to a risk that an adjustment to the carrying amounts of assets or liabilities might be required in subsequent fiscal years.

Uncertainty is in the area of the goodwill impairment test that has to be performed at least once each year, since future cash flows and an appropriate rate of interest must be specified for the discounted cash flow method used here. The carrying amount of capitalized goodwill in the reporting period amounts to 153.4 million euros (2009: 153.8 million euros). We would refer you to the explanations in section 14 "Goodwill". Additional estimates require actuarial calculations of the value of personnel provisions with regard to the assumptions used. Their carrying value as of December 31, 2010 is 25.6 million euros (2009: 17.7 million euros). Please refer to section 26 "Retirement and other employee-related obligations". Estimates have also had to be made with regard to the capitalization of deferred income taxes and expectations regarding future taxable profits and about how these will be offset against tax loss carry-forwards or, where applicable, existing deferred tax liabilities. Their carrying value at the balance sheet date is 15.3 million euros (2009: 15.2 million euros), please refer to section 21 "Deferred Taxes".

Assumptions also have to be made with regard to reporting the useful life of property, plant and equipment and estimates of their recoverable value. The group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. A test for the impairment of accounts receivable and inventory is also necessary. Management must assess to what extent opportunity and risk are transferred to an assignee in order to report receivables appropriately in the balance sheet that are sold in the course of factoring. When differentiating between agreements covering finance leasing and operating leasing, estimates must be made as to how far benefits and encumbrances associated with the leased asset are transferred to the lessee. In addition, assumptions must be made regarding the probability of the expected asset outflows for the creation of provisions. Management accounting judgments also include the classification of a material company as a discontinued business operation covered by the criteria of IFRS 5 and the decision as to whether development costs meet the conditions for capitalization as internally generated intangible assets, in particular software.

Furthermore, it is necessary for management to assess the facts of the matter for the antitrust case in which three Logwin companies are involved and the case relating to customs law of Logwin Road + Rail Austria GmbH. In view of the uncertainty concerning the further course the proceedings will take, even these assessments are at best tentative. Please refer to the discussions in section 34 "Contingent Liabilities".

7 Summary of significant accounting and valuation policies

Foreign currency translation

The consolidated financial statements are presented in euros, which is the group's functional and presentation currency.

The assets and liabilities of group companies with a functional currency other than the euro are translated into euros using the exchange rate in effect at the reporting date and revenues and expenses are translated at the average rate during the fiscal year. Exchange rate gains or losses on foreign currency translation are reported as a separate item under shareholders' equity. On disposal of a foreign operation, the cumulative amount reported in equity relating to that particular foreign operation is recognized in the income statement for the period.

The following table shows the development of the exchange rates of the major currencies used in the consolidated financial statements:

		Average rate		Closing rate	
Currency		2010	2009	Dec 31, 2010	Dec 31, 2009
1 EUR =					
Australian Dollar	AUD	1.4442	1.7749	1.3079	1.6036
Brazilian Real	BRL	2.3345	2.7707	2.2182	2.4934
Swiss Franc	CHF	1.3824	1.5099	1.2475	1.4878
Chinese Renminbi Yuan	CNY	8.9804	9.5179	8.7659	9.7861
British Pound	GBP	0.8582	0.8911	0.8602	0.9040
Hong Kong Dollar	HKD	10.3073	10.8003	10.335	11.1187
Polish Zloty	PLN	3.9950	4.3300	3.9650	4.1249
US Dollar	USD	1.3267	1.3934	1.3280	1.4338

Business combinations

The Logwin Group exercises the option under IFRS 1 "First time adoption of IFRS" which allows an exception to full retroactive restatement in connection with business combinations. For this reason IFRS 3 "Business combinations" has been applied for business combinations occurring after September 30, 2002. Upon acquisition, the group initially measures the identifiable assets, liabilities and contingent liabilities acquired at their fair values as of the acquisition date, thus causing any non-controlling interest in the acquiree to be stated at the proportion of the net fair values of those items. Acquiring additional interests in companies over which control was already achieved as a result of previous transactions (non-controlling interests) is deemed in terms of consolidation theory to be a transfer of shareholder equity between groups of shareholders. In this case, acquisition costs for the additional shareholding are offset against the non-controlling interests that are closed out. Goodwill acquired in a business combination is initially measured at acquisition cost, which is the excess of the acquisition cost of the business combination over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Reporting of discontinued business operations in accordance with IFRS 5

The Logwin Group uses IFRS 5 “Non-current assets held for sale and discontinued operations” in these financial statements. This specifies for the classification as “held for sale” that such assets must be available for immediate sale and that the sale of these assets is highly probable. In addition, “discontinued operations” are defined as a group of assets including their associated liabilities that are to be disposed of together by sale or in some other manner. These assets and liabilities are reported separately in the balance sheet. The former business segment Road + Rail is reported under “discontinued operations”. The business segments Solutions and Air + Ocean together with the central operations of the Logwin Group form the “continuing operations”.

The earnings figures of the discontinued business operations are reported separately in the income statement under ‘Earnings of discontinued business operations’, with appropriate adjustments being made for the corresponding period of the previous year. All information relating to the income statement included in the Notes refers exclusively to the continuing business operations unless otherwise indicated. The term ‘discontinued business operations‘ used in these Notes corresponds to the abandoned business areas as defined in IFRS 5.32.

Revenue recognition

The Logwin Group generates sales from its business segments by providing logistics and service solutions for industry and commerce. Sales are recognized net of sales deductions such as at the time they have materialized according to IFRS. This is generally the case when there is clear evidence of an agreement, ownership has been transferred or the service has been rendered, the price has been agreed or can be determined, and there appears to be adequate certainty of receipt of payment. For business transactions which do not themselves generate revenue but which are conducted in connection with the sales activities, all income is set off against the associated expenditures that arise from the same business transaction in accordance with IAS 1.34, provided this is a fair reflection of the character of the business transaction or event these include, for example, customs clearance activities. If sales relate to discontinued operations, they are included in the result of the discontinued operations.

Earnings per share

The undiluted and diluted earnings per share were calculated on the basis of the weighted average number of shares outstanding.

Intangible assets

Intangible assets acquired separately are measured at the cost of acquisition or production on initial recognition. The acquisition costs of intangible assets acquired in a business combination is the fair value as of the date of acquisition Subsequent measurement is performed at the cost of acquisition or production less any accumulated amortization and any accumulated impairment. Internally generated intangible assets are capitalized provided they meet the criteria for capitalization and the costs incurred exceed the materiality threshold. Otherwise costs are recognized in income in the period in which they incurred.

The amortization period and method and the residual value for an intangible asset with a finite useful life are reviewed at least at each fiscal year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate, and treated as changes in accounting estimates. Amortization on intangible assets with finite useful lives is recognized in the income statement in the expense category consistent with the function of the intangible asset. Capitalized intangible assets are amortized over a useful life of between three and ten years.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement under other operating income when the asset is derecognized.

Property, plant and equipment

Property, plant, and equipment is stated at the cost of acquisition, construction or production less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis, based on an economic useful life of between ten and 50 years for real estate and three to 20 years for machinery, operating and office equipment.

The depreciation period, the depreciation method and the residual value for an item of property, plant and equipment are reviewed at regular intervals. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate and treated as changes in accounting estimates. Depreciation of tangible assets is recognized in the income statement in the expense category consistent with the function of the asset.

An item of property, plant, and equipment is derecognized upon its disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and recognized in the period in which the item is derecognized under other operating income.

Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired (please see also Notes section 6 “Significant accounting judgments and estimates”). An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s net selling price and its value in use. The recoverable amount is calculated for each individual asset unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. To determine the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market expectations for the time value of money and the risks specific to the asset. Impairment losses of continuing operations are disclosed as a separate item in the consolidated income statement.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is determined. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. The increased carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized immediately in the income for the period. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Special points relating to the impairment of goodwill

For the purpose of impairment testing, any goodwill acquired in a business combination is allocated, from the acquisition date, to each of the group’s cash-generating units which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units. Each unit to which the goodwill is allocated

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- is not larger than an business segment based on the group’s primary reporting format determined in accordance with IFRS 8 “Business Segments”.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. In the Logwin Group, the cash-generating units are the business segments. An impairment loss is recognized in cases where the recoverable amount of the cash-generating unit is less than the carrying amount. Allocation may not be performed when the reasons for the impairment no longer exist.

Where part of a cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this way is measured based on the relative values of the fair value associated with the operation disposed of and the portion of the cash-generating unit retained.

The Logwin Group has selected September 30 of each fiscal year as the reference date for its annual goodwill impairment test. If there is any indication for impairment at any other time, an impairment test will be additionally performed at such time.

Inventories

Inventories are stated at the lower of cost or net realizable value using the moving average method. Risks resulting from slow-moving items and from the obsolescence of inventories, as well as uncompleted services that involve impending losses are allowed for by writing them down to their net realizable values.

Taxes

Income tax receivables and income tax liabilities as well as tax provisions are calculated in accordance with IAS 12. In addition, deferred tax assets and deferred tax liabilities are reported in the balance sheet. Deferred income taxes result from temporary differences between the carrying amounts stated in the consolidated balance sheet and the taxation base of assets and unused tax loss carry forwards. Any future tax savings or tax charges that are likely to result from these differences are reported as assets or liabilities. Where the savings or charges underlying the tax deferrals are recognized in equity, the creation or reversal of deferred taxes is also recognized in equity. Deferred taxes also result from consolidation activities. In accordance with IAS 12, no deferred taxes are calculated on the capitalization of goodwill.

The relevant basis for assessment is valued at the rate of tax likely to be applicable at the time of recognition. Country-specific tax rates are always applied for companies included in the consolidation. Thus a corporate tax rate of 15 % plus a solidarity surcharge of 5.5 % on corporate tax is used to calculate deferred taxes for Germany as well as a local business tax rate whose assessment level depends on local circumstances. When deferred tax assets exceed the amount of deferred tax liabilities, their recoverability is evaluated taking the probable development in earnings of the subsidiary in question.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, drafts and short-term deposits. Cash and cash equivalents are liquid assets with an original maturity of three months or less.

Financial Instruments

A financial instrument is a contract that simultaneously leads to the creation of a financial asset at one company and to a financial liability or an equity instrument at another company. Financial instruments are initially recognized on the day of trading or on the settlement date at fair value, plus transaction costs where applicable. Subsequent measurement is performed according to the categories to which the financial assets and financial liabilities are assigned in compliance with IAS 39. The group determines the categorization of its financial assets and financial liabilities when they are initially recognized and examines this categorization at the end of each fiscal year. No reclassifications were effected between the categories during the fiscal year. The Group did not assess any financial assets in income at their fair value on first recognition.

Financial assets	Subsequent measurement	Changes in value
Held for trading or classified on initial recognition as to be measured at fair value (fair value option)	Fair value	Realized and unrealized gains and losses are recognized in the income statement.
To be held to maturity	Amortized cost	Changes in value are not recognized in the income statement until the date of maturity
Loans and receivables	Amortized cost	Value adjustments are performed on separate impairment accounts when bad-debt risks are identified derecognition is performed when uncollectible
Available for sale	Fair value (if this can be reliably determined) or amortized cost	Changes in value are always recognized in equity, transferred from equity to income if sold or if there is a sustained or material decrease in fair value below the carrying amount
Financial liabilities		
Held for trading or classified on initial recognition as to be measured at fair value (fair value option)	Fair value	Realized and unrealized gains and losses are recognized in the income statement.
At amortized cost	Amortized cost	Changes in value are recognized in income immediately

Amortized costs for long-term financial assets and liabilities are calculated using the effective interest rate method.

In principle impairments on financial assets are made based on the aging structure as well as on a case by case basis.

Foreign exchange forward transactions and commodity forward transactions are recognized as derivative financial instruments within the Logwin Group. The purpose of these hedge transactions is to offset the risk of changes in the value of the corresponding underlying business transactions resulting from market price fluctuations and are classified under financial instruments as held for trading.

The purpose of a fair value hedge is to hedge the fair value of an asset or liability recognized in the balance sheet. Gains or losses from the valuation of fair value hedges are recognized in the income statement.

Cash flow hedges are used to hedge the risk arising from fluctuations in future cash outflows from net income due to assets or liabilities reported in the balance sheet or due to expected, highly probably future transactions. Changes in the value of hedging instruments relating to the effective portion are recognized in equity in the reserve for derivative financial instruments (cash flow hedges). Ineffective portions are recognized in income. The underlying measure of effectiveness is performed at each reporting date of published financial statements. The amounts recognized in equity are transferred to income when the hedged transaction affects the net result, for example when hedged interest income or expenses are recognized.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, bonds are subsequently measured at amortized cost using the effective interest method, interest - bearing loans are carried at the repayment amount. Gains and losses are recognized in the income statement when the liabilities are derecognized and through the amortization process.

Leases

The determination whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the start of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and the repayment of the lease liability so as to achieve a constant rate of interest on the residual carrying amount of the lease liability. Finance costs are expensed immediately.

If it is not sufficiently certain that ownership will pass to the group at the end of the term of the lease, capitalized leased assets are depreciated over the shorter of the term of the lease or its useful life.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognized in accordance with IAS 37 when an obligation is present as a result of a past event and it is likely that an outflow of resources is associated with meeting the obligation. The assessment is in the amount of the probable utilization. Provisions with a probable time to maturity of more than one year are recognized at their present value.

Retirement and other long-term employee-related obligations

Retirement and other long-term employee-related obligations comprise defined benefit plans and defined contribution plans.

Defined benefit plans are reported as a liability according to IAS 19 under "Retirement and other long-term employee-related obligations". Retirement pension payments relate primarily to employees of group companies in Germany and are calculated on the basis of length of employment and estimated future salary and pension trends. Furthermore, all Austrian employees are entitled under Austrian law prior to December 31, 2002, (old system) in the event of retirement or involuntary termination of employment to severance pay ranging from two to twelve months of the last monthly salary depending on period of service.

The obligations are accounted for using the projected unit credit method, which also recognizes future increases in benefits based on the development of salaries and pensions. The past-service costs are reported under operating expenses and accrued interest is included as a finance item. In accordance with IAS 19.93 A, gains and losses resulting from changes in actuarial assumptions are recognized in equity. Actuarial reports are prepared each year.

Retirement obligations of other companies are always accounted for following similar principles and in accordance with country-specific aspects. Any plan assets are netted out against pension provisions.

In addition to the defined benefit plans there are also defined contribution plans. Contributions paid into these defined contribution plans are recognized as expenses in the fiscal year.

8 Segment reporting

The classification of segments is made according to the business segments of the Logwin Group. The segment structure reflects the current organizational and management structure of the Logwin Group. This means that reporting is in line with the requirements of IFRS 8.

The business segment Solutions provides comprehensive full-service logistics solutions. The portfolio of services ranges from industry-specific supply chain management and warehousing to value added services and complete logistics outsourcing projects. Solutions provides these services in its three functional units of Sales and Logistics Engineering, Logistics and Warehousing and Transport and Retail Networks.

The business segment Air + Ocean bundles the international air and sea freight activities of the Logwin Group in the Europe Middle East, South East Asia, Far East Asia, Americas and Africa business units.

General income and expenses which cannot be directly allocated to the segments are shown in the “Other” column.

Transactions between the segments are made at “arm’s length”, identical with transactions with third parties. The information on the business segments is reported after consolidation of intrasegment transactions. Transactions between the segments are eliminated in the “Consolidation” column.

The result of each segment is measured by management based on operating income. This operating income is defined as EBIT before special items such as impairment on long-lived assets or goodwill and restructuring costs, as long as they have a relevant impact on the financial condition and results of operations. As far as possible, the general administrative expenses of the holding companies have been allocated to the business segments in line with the principle of causality.

The following shows information relating to the individual segments according to business segments for the periods January 1 to December 31 2010 and 2009.

2010 *in thousand €*	**Solutions**	**Air + Ocean**	**Other**	**Consoli-dations**	**Group**
External sales	684,567	663,941	8,009	–	1,356,517
Intersegment sales	5,133	2,782	4,502	−12,417	–
Net sales	**689,700**	**666,723**	**12,511**	**−12,417**	**1,356,517**
Operating income (EBIT)	**8,085**	**22,666**	**−6,622**	**–**	**24,129**
Financing result					−16,431
Income taxes					−4,457
Net result					**395**
Balance sheet					
Segment assets	254,003	129,225	37,477	–	420,705
Unallocated assets					91,409
Total consolidated assets					**512,114**
Segment liabilities	109,848	105,363	27,333	–	242,544
Unallocated liabilities					102,581
Total consolidated liabilities					**345,125**

2009 *in thousand €*	**Solutions**	**Air + Ocean**	**Other**	**Consoli-dations**	**Group**
External sales	685,747	419,018	8,203	–	1,112,968
Intersegment sales	4,687	4,905	4,098	−13,690	–
Net sales	**690,434**	**423,923**	**12,301**	**−13,690**	**1,112,968**
Operating income (EBIT)	**990**	**14,176**	**−5,494**	**–**	**9,672**
Financing result					−14,962
Income taxes					1,254
Net result					**−82,520**
Balance sheet					
Segment assets	252,279	109,026	28,880	–	390,185
Unallocated assets					219,022
Total consolidated assets					**609,207**
Segment liabilities	95,912	75,921	13,565	–	185,398
Unallocated liabilities					295,586
Total consolidated liabilities					**480,984**

Information about geographical areas

The Logwin Group is subdivided into five geographical areas. In the segment "Other EU" approx. 41 % of sales are generated in Poland and 20 % in the United Kingdom. The remainder is spread over the other countries of the EU. The segment Asia, Pacific Region is headed by China with more than 28 % followed by Hong Kong, Australia and Singapore. The segment Other includes non-EU states and countries in South America and Africa. This segment is dominated by sales in Brazil (31 %), South Africa (18 %) and Chile (13 %). Net sales from external customers are allocated according to the geographical location of the billing entity.

The sales of no single customer represent more than 10 % of the company's total net sales.

Long-lived assets are reported by location of the respective assets. Long-lived assets and capital additions comprise property, plant, and equipment and other intangible assets excluding goodwill but including finance lease contracts.

The tables below present geographic information on net sales from external customers and long-lived assets for the fiscal years 2010 and 2009.

in thousand €	2010		2009	
Germany	728,292	54 %	624,884	56 %
Austria	183,771	14 %	178,382	16 %
Other EU	140,237	10 %	97,003	9 %
Asia, Pacific Region	194,513	14 %	129,736	12 %
Other	109,704	8 %	82,963	7 %
Total net sales	**1,356,517**	**100 %**	**1,112,968**	**100 %**

in thousand €	2010		2009	
Germany	54,228	63 %	51,502	61 %
Austria	9,685	12 %	11,369	14 %
Other EU	15,427	20 %	17,872	21 %
Asia, Pacific Region	2,083	3 %	1,620	2 %
Other	1,566	2 %	2.053	2 %
Total segment assets	**82,989**	**100 %**	**84.416**	**100 %**

Notes to the Statement of Income

9 Expenses by nature

in thousand €	2010	2009
Purchased services	–949,925	–730,521
Materials and supplies	–9,316	–6,320
Personnel expenses	–236,671	–232,607
Operating lease expenses (incl. rental expenses)	–54,602	–56,584
Depreciation and amortization	–13,035	–14,587
Sundry expenses	–69,650	–64,915
Total cost of sales, selling costs, general and administrative costs	**–1,333,200**	**–1,105,535**

In essence, purchased services include transportation services acquired from third parties.

10 Other income and expenses

in thousand €	2010	2009
Foreign exchange gain	7,552	5,860
Gains from disposal of long-term assets	236	662
Sundry income	1,871	1,691
Other income	**9,659**	**8,213**

in thousand €	2010	2009
Foreign exchange loss	–7,618	–5,457
Loss from disposal of long-term assets	–349	–124
Sundry expenses	–880	–393
Other expenses	**–8,847**	**–5,974**

Gains and losses from foreign exchange reflect the volume of business activities invoiced in foreign currencies.

Net income from foreign exchange gains and losses is as follows:

in thousand €	2010	2009
Foreign exchange gain	7,552	5,860
Foreign exchange loss	–7,618	–5,457
Foreign exchange effects, net	**–66**	**403**

11 Valuation effects on fixed assets

Valuation adjustments were made to individual German logistics sites in the 2010 financial year. This resulted in a positive effect on earnings of 0.7 million euros. In 2009, the Logwin Group reported impairment losses on individual logistics sites of -1.4 million euros.

12 Finance income and finance expenses

The following table shows the composition of financing result in fiscal years 2010 and 2009:

in thousand €	2010	2009
Finance income	1,072	787
Finance expenses	−17,503	−15,749
Financing result	**−16,431**	**−14,962**

Interest income from third parties includes specifically interest on long-term trade accounts receivable and tax credits.

in thousand €	2010	2009
Interest on bond	−10,183	−10,400
Interest expenses from bank accounts	−1,862	−1,144
Interest expenses from finance lease	−623	−889
Interest expenses from discounting pensions and other provisions	−993	−1,002
Other interest expenses to third parties	−449	−217
Other finance expenses	−3,393	−2,097
Finance expenses	**−17,503**	**−15,749**

Interest and other finance expenses to third parties includes among other things expenses from the amortization of the costs of issuing the corporate bond.

13 Income taxes

Tax expenses (2009: tax returns) are as follows:

in thousand €	2010	2009
Current income taxes	–5,662	–2,309
Deferred income taxes	1,205	3,563
Total income taxes	**–4,457**	**1,254**

Reconciliation of expected income tax expenses to the tax expenses in the statement of income:

in thousand €	2010	2009
Income before income taxes from continuing business operations	**8,434**	**–6,677**
Income before income taxes from discontinued business operations	*–4,507*	*–82,212*
Income before income taxes	**3,927**	**–88,889**
Expected income taxes (tax rate 30.38 %)	**–1,193**	**27,004**
Non-deductible impairment of goodwill	–	–8,289
Non-deductible valuation effects from divestments	–2,572	–6,226
Tax income and expenses relating to intragroup transactions	567	–3,679
Foreign tax rate differential	1,559	998
Expenses not deductible for tax purposes	–1,399	–2,749
Tax income and expenses relating to prior periods	4,202	579
Valuation allowances of deferred tax assets	–4,546	–1,381
Other taxation effects	–150	111
Total income tax expenses recognized for continuing business operations	**–4,457**	**1,254**
Total income tax expenses recognized for discontinued business operations	*925*	*5,115*

Notes to the Balance Sheet

14 Goodwill

Allocation of goodwill to cash-generating units

The business segments are taken to be cash-generating units of the Logwin Group. The goodwill acquired in the course of company mergers has been allocated to the business segments as follows:

in thousand €	31.12.2010	31.12.2009
Solutions	107,975	108,604
Air + Ocean	45,414	45,184
Goodwill	**153,389**	**153,788**

Goodwill developed as follows:

in thousand €	Goodwill
Acquisition costs	291,700
Accumulated impairments	– 110,856
Carrying amount as of Jan. 1, 2009	**180,844**
Additions	455
Disposals	–225
Reclassification of discontinued business operations	–27,286
Carrying amount as of Dec. 31, 2009	**153,788**
Acquisition costs	227,645
Accumulated impairments	–73,857
Carrying amount as of Jan. 1, 2010	**153,788**
Currency differences	231
Disposals	–630
Carrying amount as of Dec. 31, 2010	**153,389**
Acquisition costs as of Dec. 31, 2010	227,246
Accumulated impairments	–73,857

Goodwill impairment test

The Logwin Group performs a regular goodwill impairment test as of September 30 of each fiscal year. Additional impairments tests are also performed if there are any signs of an impending impairment.

In the course of the regular goodwill impairment test as of September 30, 2010, the recoverable value of the cash-generating units was determined on the basis of the calculation of the value in use using cash flow forecasts that are based on financial planning covering a period of five years. The discount rate after tax used for the cash flow forecasts for the five-year period was at 7.6 % (previous year at 8.5 %). Cash flows beyond the five-year period continue to be extrapolated using a growth rate of 1.5 %. The cash flow forecasts are based on the following underlying assumptions:

- Budgeted sales growth rates – the anticipated growth rates of the respective sectors are used to determine the budgeted sales growth rates. Stable sales growth was assumed for the continuing business operations over the coming years.

- Budgeted operating profit margins – the profit margins generated in the preceding years, increased for expected efficiency improvements, are used to determine the budgeted operating profit margins. Allowance was made here for the fact that developments in earnings will also depend on the economic situation. A constant EBIT margin of 3.0 % was assumed for the business segment Solutions, while 3.2 % was assumed for the business segment Air + Ocean. These expectations correspond to the assumptions used for the previous year.

This impairment test did not reveal any further impairment requirement. The update as of the balance sheet date showed an unchanged situation.

Assuming a long-term growth rate of 1 %, no further impairment should be required. Even a rise in the discount rate used in the cash flow forecast to 8.6 % would not result in an impairment risk. Assuming even lower long-term growth rates or higher discount rates, or a situation in which the underlying planning assumptions for sales and result were significantly missed, would lead to an impairment risk, in particular for the business segment Solutions.

15 Other intangible assets and property, plant and equipment

Other intangible assets

Depreciation on intangible assets of TEUR 1,872 is included in cost of sales (2009: TEUR 2,349). A further TEUR 39 (2009: TEUR 174) relates to selling costs and TEUR 2,314 (2009: TEUR 2.378) to general and administrative costs.

in thousand €	Concessions and other licenses	Customer contracts acquired	Software	Construction in progress	Total
Acquisition costs	5,258	21,103	44,703	753	**71,817**
Accumulated depreciations and amortizations	−3,625	−19,831	−33,466	–	**−56,922**
Carrying amount as of Jan. 1, 2009	**1,633**	**1,272**	**11,237**	**753**	**14,895**
Currency differences	1	–	27	–	**28**
Changes in the scope of consolidation	–	–	−42	–	**−42**
Additions	410	–	2,054	99	**2,563**
Transfers	223	–	497	−672	**48**
Disposals	−50	–	−46	–	**−96**
Depreciation/amortization	−847	−1,272	−4,287	–	**−6,406**
Reclassification of discontinued business operations	−9	–	−474	–	**−483**
Carrying amount as of Dec. 31, 2009	**1,361**	**–**	**8,966**	**180**	**10,508**
Anschaffungskosten	4,386	17,848	40,663	180	**63,078**
Kumulierte Abschreibungen	−3,025	−17,848	−31,697	–	**−52,570**
Carrying amount as of Jan. 1, 2010	**1,361**	**–**	**8,966**	**180**	**10,508**
Currency differences	5	–	39	–	**44**
Additions	656	–	1,506	561	**2,723**
Transfers	39	–	64	−144	**−41**
Disposals	–	–	−14	–	**−14**
Depreciation/amortization	−619	−347	−3,259	−17	**−4,242**
Reclassification of discontinued business operations	–	377	−1,626	–	**−1,249**
Carrying amount as of Dec. 31, 2010	**1,442**	**30**	**5,676**	**580**	**7,728**
Acquisition costs as of Dec. 31, 2010	5,025	18,225	40,160	580	**63,990**
Accumulated depreciations and amortizations	−3,583	−18,195	−34,484	–	**−56,262**

Property, plant and equipment
Cost of sales includes depreciation on property, plant and equipment of TEUR 7,400 (2009: TEUR 7,797), while selling costs include depreciation on property, plant and equipment of TEUR 197 (2009: TEUR 482), and general and administrative costs include depreciation on property, plant and equipment of TEUR 1,213 (2009: TEUR 1,406).

Property with a carrying amount of TEUR 13,249 (2009: TEUR 19,346) is mortgaged to secure current loans.

in thousand €	Land and buildings	Machinery and equipment	Tools, fixtures, furniture, office equipment	Vehicle fleet	Construction in progress	Total
Acquisition costs	240,215	58,737	70,148	51,180	392	**420,672**
Accumulated depreciations and amortizations	−97,132	−46,978	−55,400	−40,094	–	**−239,604**
Carrying amount as of Jan. 1, 2009	**143,083**	**11,759**	**14,748**	**11,086**	**392**	**181,068**
Currency differences	−73	−9	20	−34	−1	**−97**
Changes in the scope of consolidation	−98	−26	−65	−33	–	**−222**
Additions	465	793	3,267	1,542	173	**6,241**
Transfers	454	205	−117	−229	−366	**−53**
Disposals	−1,957	−1,001	−207	−959	−18	**−4,141**
Depreciation/amortization	−6,364	−2,515	−5,475	−3,390	–	**−17,744**
Valuation effects on fixed assets	−39,265	–	–	–	–	**−39,265**
Reclassification of discontinued business operations	−43,232	−1,699	−2,268	−4,631	−49	**−51,880**
Carrying amount as of Dec. 31, 2009	**53,015**	**7,507**	**9,903**	**3,352**	**131**	**73,908**
Acquisition costs	109,735	44,232	48,343	22,947	131	**225,389**
Accumulated depreciations and amortizations	−56,720	−36,725	−38,440	−19,596	–	**−151,481**
Carrying amount as of Jan. 1, 2010	**53,015**	**7,507**	**9,903**	**3,352**	**131**	**73,908**
Currency differences	111	230	232	72	1	**646**
Additions	798	632	2,252	838	91	**4,611**
Changes in the scope of consolidation	10	−386	−72	−7	–	**−455**
Transfers	118	78	31	−63	−122	**42**
Disposals	−205	−59	−296	−382	−3	**−944**
Depreciation/amortization	−2,463	−1,472	−3,631	−1,200	−28	**−8,794**
Valuation effects on fixed assets	736	–	–	–	–	**736**
Reclassification of discontinued business operations	5,130	70	75	246	−9	**5,512**
Carrying amount as of Dec. 31, 2010	**57,250**	**6,600**	**8,494**	**2,856**	**61**	**75,261**
Acquisition costs	119,959	39,863	46,110	20,428	61	**226,421**
Accumulated depreciations and amortizations	−62,709	−33,263	−37,616	−17,572	–	**−151,161**

The adjustments required by the restatement of activities of the business segment Road + Rail as discontinued business operations in the 2009 fiscal year are presented in a separate column “Reclassification of discontinued business operations” and refer to the relevant values reported at the balance sheet date.

Individual items of property, plant and equipment and intangible assets reported as “available for sale” in 2009 are represented in the column “Reclassification of discontinued business operations” if as of the reporting date they are unlikely to be sold within one year and relate to the recognized values on the reporting date in the same way as 2009.

16 Inventories

Inventories primarily show fuel, vehicle spare parts and tires with a value of TEUR 2,940 (2009: TEUR 2,537). No inventories were pledged.

17 Trade accounts receivable

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Trade accounts receivable	**148,367**	**124,787**
Less allowance for doubtful accounts	−4,169	−4,713
Trade accounts receivable, net	**144,198**	**120,074**
Trade accounts receivable from factoring	16,735	13,203
Total trade accounts receivable	**160,933**	**133,277**

The carrying amount of trade accounts receivable corresponds to their fair value. As of the reporting date there is no reason to assume that customers will not be able to meet their payment liabilities with regard to trade accounts receivable that are neither impaired nor in default.

The allowances changed as follows:

in thousand €	2010	2009
Opening balance	−4,713	−9,435
Currency differences	−887	−72
Additions	−1,658	−1,950
Utilization	1,433	1,536
Reversals	2,084	1,924
Reclassification of discontinued business operations	−428	3,284
Closing balance	**−4,169**	**−4,713**

These expenses are reported in the item “Selling costs” of the income statement.

The table below shows the aging of unimpaired trade accounts receivable:

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Aging structure		
not overdue	113,904	89,190
< 30 days	24,174	22,694
31–90 days	4,853	3,973
91–180 days	1,000	561
81–360 days	441	26
> 360 days	–	–

As of December 31, 2010, trade accounts receivable of the Logwin Group in the amount of TEUR 55,286 (2009: TEUR 75,035) were secured by credit insurance.

18 Income tax receivables

As of December 31, 2010, income tax receivables of TEUR 3,805 (2009: TEUR 6,320) include tax refunds from corporation tax credit of TEUR 1,971.

19 Other receivables and current assets

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Receivables from loans granted to third parties	2,126	–
Receivables from loans granted to affiliated companies, not consolidated	826	643
Value added tax	4,871	4,569
Advance payments	9,128	8,189
Other current assets	2,121	1,571
Derivative financial instruments	948	1,139
Total other receivables and current assets	**20,020**	**16,111**

20 Cash and cash equivalents

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Cash	67,468	64,367
Cash equivalents	31	196
Total cash and cash equivalents	**67,499**	**64,563**

Cash and cash equivalents comprise checks, cash in hand and bank balances with a total maturity of three months or less.

Since no bank facilities or factoring lines were drawn, cash and cash equivalents do not contain any corresponding figures.

21 Deferred taxes

Deferred tax assets and liabilities consist of the following:

in thousand €	Dec. 31, 2010		Dec. 31, 2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	5,383	494	3,224	1,231
Property, plant and equipment	442	4,320	1,286	1,339
Financial assets	163	10	1,227	220
Current assets	96	317	74	397
Provisions	3,177	753	1,818	122
Liabilities	4,267	296	627	699
Tax loss carry-forwards	92,674	–	79,794	–
Valuation allowances	–85,696	–	–71,114	–
Net amounts	–5,191	–5,191	–1,741	–1,741
Total deferred taxes	**15,315**	**999**	**15,195**	**2,267**

No deferred tax liability provision needed to be made for planned dividend payouts or sales (so-called outside-based differences).

Tax loss carry-forwards are as follows:

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Can be carried forward indefinitely	316,025	269,020
Can be carried forward for a limited period (1–15 years)	2	726
Total tax loss carry-forwards	**316,027**	**269,746**

Insofar as an assessment of the appropriate taxes has been made, loss carry-forwards are reported in accordance with this assessment. If no assessment has been made, the calculated value, or the value reported to the tax authorities, has been used.

22 Shareholders' equity

Share capital
At the Extraordinary General Meeting held on April 14, 2010, it was decided to reduce the share capital to TEUR 100,000. An amount of 39,343,733.75 euro was transferred to an other reserve that can be set off against losses and that can only be disbursed in accordance with rules applicable to a reduction in capital. Furthermore, the company was also authorized to create new authorized capital totaling a further TEUR 100,000, which is divided into an additional 111,474,987 no-par shares. The company has in part made use of this resolution and issued a further 34,782,609 bearer shares at a price of 1.15 euros per new share on November 2, 2010. This increased the share capital to 131,202,165 euro. In the course of this transaction costs of TEUR 182 were incurred for issuing new shares.

As of December 31, 2010, there were 146,257,596 no-par voting shares outstanding. Each share represents 0.897 euros of issued capital.

Allocation of result to reserves
The Annual General Meeting of Logwin AG on April 14, 2010 approved the allocation of the loss of TEUR 60,734 as of December 31, 2009 (2009: TEUR 17,955), in the form of a settlement against additional paid-in capital. This was executed by Logwin AG.

Distributable retained earnings
According to Luxembourg law, companies headquartered in Luxembourg must allocate at least 5 % of net profit for the period from the local financial statements to a legal reserve until the reserve equals 10 % of issued capital. As of December 31, 2010, the consolidated financial statements included a legal reserve of TEUR 5,721 (2009: TEUR 5,721) under "retained earnings and other reserves". The legal reserve cannot be distributed as a dividend.

Result directly recognized in equity
Differences from the translation of the financial statements of subsidiaries with a functional currency other than the euro, the remeasurement of long-lived assets, the effects of the fair value measurement of assets from the acquisition of non-controlling interests in group companies where control was already exercised, and changes in the fair value of derivative financial instruments classified as cash-flow hedges are reported under shareholders' equity as "Result directly recognized in equity".

Acquisition of non-controlling interests (outstanding)
Acquisition of non-controlling interests (outstanding) represents the amount of acquisition costs exceeding the non-controlling interest in the shareholders' equity in cases where outstanding non-controlling interest are acquired and the Logwin Group has already exercised the control over the company concerned.

23 Corporate Bond

In December 2004, Logwin AG issued a senior subordinated bond with a nominal value of TEUR 130,000. Expenses relating directly to the issuance of the bond amounted to TEUR 4,972. Bond issuance expenses are amortized over the term of the bond using the effective interest rate method.

The maturity date of the bond is December 15, 2012. Since December 15, 2010, Logwin AG has been entitled at any time to redeem the corporate bond in full or part at nominal value. Logwin AG made use of this entitlement on December 15, 2010, when it redeemed a part amount of 65.0 million euros. The carrying amount of the bond as of December 31, 2010 was TEUR 64,183 (2009: TEUR 127,846).

Interest on the bond has been fixed at the annual rate of 8 % and is payable in arrears on June 15 and December 15 of each year. This amounted to 10.4 million euros in the reporting year. Future payments will decrease to 5.2 million euros in the coming years as a result of partial redemption.

As part of the issuance of the bond, future bank borrowings and other senior financial liabilities (including finance lease obligations) of the Logwin Group are subject to specific requirements, the most important of which is staying within defined ceilings for the total financial debt of the Logwin Group. The bond agreement also limits the Logwin Group in its ability to distribute dividends and make other payments. In this context significant provisions of the bond agreement relate to:

- Restrictions on the issuing of securities and restrictions on sale and leaseback transactions
- Restrictions on the sale of assets and shares
- Restrictions on transactions with affiliated companies
- Restrictions on mergers and amalgamations
- Obligations relating to reporting and issuing declarations of confirmation by the Company concerning compliance with all the conditions and obligations of the bond agreement

As of December 31, 2010, the Logwin Group was in compliance with the provisions of the bond agreement. The bond has been listed for trading on the Luxembourg Stock Exchange since December 13, 2004 (ISIN XS0207922054). As of December 31, 2010, the fair value of the bond was TEUR 66,950 (December 31, 2009: TEUR 119,600) based on quoted market prices.

24 Liabilities from leasing agreements

Within the Logwin Group certain items of property, plant and equipment are financed through finance leases. This mainly relates to buildings and vehicles as far as this is the favorable financing method. Interest rates and other interest conditions are fixed at the contract date. Some finance leases contain renewal options, purchase options and price adjustment clauses. Finance leases do not provide for conditioned rentals nor do they contain restrictions on the group's activities concerning dividends, additional debt or further leasing.

25 Financial liabilities

The short-term and long-term financial liabilities and the current portion of the long-term debt, classified by maturity, are shown below:

	Dec. 31, 2010				
in thousand €	Short-term	1 to 5 years	Over 5 years	Carrying amount	Average rate of interest
Long-term financial liabilities[1]	–	5,785	–	5,785	5.6 %
Total long-term	**–**	**5,785**		**5,785**	**–**
Short-term financial liabilities	1,464	–	–	1,464	–
Current portion of long-term financial liabilities[2]	1,849	–	–	1,849	5.6 %
Total short-term	**3,313**	**–**	**–**	**3,313**	**–**

[1] Not including corporate bond
[2] Including accrued interest on corporate bond

	Dec. 31, 2009				
in thousand €	Short-term	1 to 5 years	Over 5 years	Carrying amount	Average rate of interest
Long-term financial liabilities[1]	–	6,627	–	6,627	5.9 %
Total long-term	**–**	**6,627**	**–**	**6,627**	**–**
Short-term financial liabilities	2,251	–	–	2,251	–
Current portion of long-term financial liabilities[2]	1,805	–	–	1,805	5.9 %
Total short-term	**4,056**	**–**	**–**	**4,056**	**–**

[1] Not including corporate bond
[2] Including accrued interest on corporate bond

The interest rates of the short-term financial liabilities are at market level.

As of December 31, 2010, the group had credit commitments and borrowing facilities with various banks amounting to 60.8 million euros, of which TEUR 9,098 was drawn.

Long-term financial liabilities are secured by several mortgages on long-lived assets totaling TEUR 5,788 (2009: TEUR 10,014).

26 Retirement and other long-term employee-related obligations

Retirement and other long-term employee-related obligations within the Logwin Group comprise defined benefit plans and defined contribution plans.

Defined contribution plans

The defined contributions plans resulted In payments in a total amount of TEUR 828 (2009: TEUR 720) in fiscal year 2010. Out of the total amount TEUR 530 (2009: TEUR 476) was included in cost of sales, TEUR 99 (2009: TEUR 68) in selling costs and TEUR 199 (2009: TEUR 176) in general and administrative costs.

Principal actuarial assumptions

The following principal actuarial assumptions were used to determine retirement and other long-term employee-related obligations:

	Pension benefits		Other benefits	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Discount rate	5.5 %	6.0 %	5.5 %	6.0 %
Future salary increases	2.5 % – 4.0 %	2.0 % – 4.0 %	1.5 % – 3.0 %	3.0 %
Expected return on plan assets	4.8 %	4.93 %	–	–

Defined benefit plans

The defined benefit plans comprise pension obligations (funded and unfunded pension benefits), long-term severance benefits and long-service bonuses. The expenses for defined benefit plans in the consolidated income statement are as follows:

in thousand €	2010	2009
Expenses for funded pension benefits	−141	−123
Expenses for unfunded pension benefits	−720	−646
Expenses for other benefits	−1,161	−1,044
Expenses for benefits	**−2,022**	**−1,813**

Expenses for defined plans recognized in the consolidated balance sheet are as follows:

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Funded pension benefits	1,070	1,018
Unfunded pension benefits	19,201	11,788
Other benefits	5,336	4,883
Long-term liabilities for partial retirement	–	40
Provisions for retirement and other long-term employee-related obligations	**25,607**	**17,729**

The increase in obligations reported in the balance sheet is primarily due to changes in actuarial assumptions and to the inclusion of obligations in this item that were previously reported as “Available for sale”.

Pension benefits

The expenses for pension benefits in the consolidated income statement are as follows:

	Funded pension benefits		Unfunded pension benefits	
in thousand €	2010	2009	2010	2009
Current service cost	−44	−52	−48	−23
Interest expenses	−139	−124	−672	−623
Return on plan assets	42	53	–	–
Pension expenses	**−141**	**−123**	**−720**	**−646**

Of the total pension expenses of TEUR 861 (2009: TEUR 769), TEUR 32 (2009: TEUR 15) was included in cost of sales, TEUR 6 (2009: TEUR 2) in selling costs and TEUR 12 (2009: TEUR 5) in general and administrative costs. An amount of TEUR 811 (2009: TEUR 747) was included in the financing result.

The present value of projected pension benefits, the development of plan assets and funding status for the fiscal years 2010 and 2009 are as follows:

	Pension benefits	
in thousand €	**Dec. 31, 2010**	**Dec. 31, 2009**
Opening balance of pension benefits	14,232	21,253
Reclassification of discontinued business operations	6,017	−6,303
Current service costs	92	100
Interest expenses	811	1,116
Actuarial (gains) losses	1,006	−339
Benefits paid	−509	−1,343
Other changes	26	−249
Closing balance of pension benefits	**21,675**	**14,232**
Opening balance of plan assets at fair value	1,426	1,743
Reclassification of discontinued business operations	–	−330
Return on plan assets	42	53
Contributions paid	13	13
Benefits paid	−17	−17
Other changes	−60	−36
Closing balance of plan assets at fair value	**1,404**	**1,426**
Net pension benefit obligation	**20,271**	**12,806**

The plan assets consist of direct insurance policies (TEUR 299, 2009: TEUR 297), reinsurance policies (TEUR 788, 2009: TEUR 758) and pension trusts (TEUR 317, 2009: TEUR 371).

Over several years the amounts have changed as follows:

in thousand €	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Defined benefit obligation	21,675	14,232	21,253	21,528
Fair value of plan assets	−1,404	−1,426	−1,743	−1,145
Net obligation	**20,271**	**12,806**	**19,510**	**20,383**
Experience-based adjustments to plan liabilities	28	9	11	−19
Experience-based adjustments to plan assets	246	347	637	435

Other benefits:

The expenses for other benefits in the income statement are as follows:

	Unfunded other benefits	
in thousand €	2010	2009
Current service costs	−686	−1,024
Interest expenses	−225	−253
Net actuarial gains (losses) recognized	−250	235
Expenses for other benefits	**−1,161**	**−1,044**

Of the total amount of TEUR 1,161 (2009: TEUR 1,044), TEUR 599 (2009 TEUR 534) was included in cost of sales, TEUR 112 (2009: TEUR 81) in selling costs, TEUR 207 (2009: TEUR 185) in general and administrative costs and TEUR 225 (2009: TEUR 253) in the financing result.

The aggregate change in other benefits and funded status for the fiscal years 2010 and 2009 were as follows:

	Unfunded other benefits	
in thousand €	Dec. 31, 2010	Dec. 31, 2009
Opening balance of other benefits	4,883	11,935
Reclassification of discontinued business operations	3	−6,118
Current service costs	686	1,607
Interest expenses	225	629
Actuarial (gains) losses	580	−1,239
Benefits paid	−1,138	−1,479
Other changes	97	−452
Closing balance of other benefits	**5,336**	**4,883**

27 Short-term provisions

As of December 31, 2010, provisions for litigation for the Logwin Group totaled TEUR 599 (2009: TEUR 506). These amounts relate to various litigation risks in different companies within the Logwin Group, with no single amount exceeding TEUR 150.

Provisions for warranties and product damages amounted to TEUR 1.993 (2009: TEUR 1,855).

in thousand €	**Jan. 1, 2010**	Changes in scope of conso-lidation	Ad-ditions	Utili-zation	Reversal	Transfers	Currency adjust-ments	Reclassi-fication of discon-tinued business operations	**Dec. 31, 2010**
Provisions for litigations and claims	506	–	260	– 194	– 101	26	8	94	599
Provisions for pending losses	700	–	35	–600	–	–	–	3,282	3,417
Provisions for warranties	1,855	–	1,186	–626	–587	–	1	164	1,993
Other short-term provisions	4,145	– 19	4,562	–2,193	–667	– 111	150	894	6,761
Total short-term provisions	**7,206**	**– 19**	**6,043**	**–3,613**	**– 1,355**	**–85**	**159**	**4,434**	**12,770**

28 Income tax liabilities

The recognized liabilities are calculated from deferred tax expenses for fiscal year 2010 amounting to TEUR 13,368 (2009: TEUR 10,631) and prior fiscal years, less prepayments made, totaling TEUR 8,094 (2009: TEUR 8,512).

29 Other liabilities

in thousand €	**Dec. 31, 2010**	**Dec. 31, 2009**
Liabilities relating to personnel:		
Wages and salaries	16,013	12,910
Social securities	1,607	1,835
Not consumed vacation	3,100	2,847
Other taxes and levies	9,555	8,050
Advances received from customers	2,054	1,775
Other liabilities and deferred income	13,258	8,127
Total other short-term liabilities	**45,587**	**35,544**

The increase in other liabilities and deferred income relate in particular to the increased volume of business in sea freight.

The remaining maturities of the financial liabilities in accordance with IAS 32.11 included in other liabilities are shown below:

in thousand €	**Dec. 31, 2010**	**Dec. 31, 2009**
Due within 1 year	25,835	19,576
Due within 2–5 years	473	31
Other financial liabilities	**26,308**	**19,607**

Other Notes

30 Discontinued business operations

In the second half of 2009 and the first quarter of 2010, the Logwin Group disposed of almost all Road + Rail activities or integrated them into the business segment Solutions.

The contracts of sale and transfer with Augustin Network relating to the general cargo network operated in Austria by Logwin Road + Rail Austria GmbH and to land transportation activities in Eastern Europe were signed on February 3, 2010. Transaction closing was on March 31, 2010. Furthermore, contracts with the JCL Logistics Group relating to the sale of Road + Rail activities in Vorarlberg (Austria), Switzerland, Hungary, France, Italy and Spain were signed on February 26, 2010. The sale of the activities in France, Spain and Italy became effective the same day. Transaction closing for the remaining activities took place on April 15, 2010. The tank and silo activities of Logwin Road + Rail Deutschland GmbH were sold to GREIWING logistics for you GmbH with effect from April 1, 2010.

Composition of the result of discontinued business operations
During the year deconsolidation was performed within the discontinued business operations so that expenses and income for the current reporting year are not comparable with those of the previous year.

in thousand €	2010	2009
Net sales	122,413	514,581
Cost of sales	–120,112	–501,902
Gross profit	**2,301**	**12,679**
Operating expenses	–6,758	–29,357
Other income (expenses)	–275	603
Operating income (EBIT)	**–4,732**	**–16,075**
Effects due to the discontinuation of the business segment Road + Rail	976	–63,856
Earnings of discontinued business operations before interest and income taxes	**–3,756**	**–79,931**
Financing result	–751	–2,281
Earnings of discontinued business operations before income taxes	**–4,507**	**–82,212**
Income taxes	925	5,115
Thereof due to discontinuation	–	*4,863*
Earnings of discontinued business operations after income taxes	**–3,582**	**–77,097**

Assets and liabilities available for sale

The assets available for sale as of December 31, 2010 include a plot of land for which a legally signed contract existed. The assets of the discontinued business operations of TEUR 130,521 reported as of December 31, 2009, were primarily related to plant property and equipment (TEUR 51,880), trade accounts receivable (TEUR 66,754). The liabilities consisted mainly of trade accounts payable (TEUR 62,085), financial liabilities (TEUR 30,207) and retirement and other employee-related obligations (TEUR 12,162).

Proceeds from the sale of consolidated companies and other business units stated cash flow statement are as follows:

in thousand €	**Dec. 31, 2010**
Non-current assets	46,421
Inventories	385
Trade accounts receivable	67,740
Other receivables and assets	4,529
Cash	3,867
Financial liabilities	−29,950
Trade accounts payable	−51,085
Other liabilities	−26,015
Losses recognized in equity (in particular from foreign exchange translation)	−2,714
Result of sales	4,264
Fair value of net assets	**17,442**
Less departing cash	−3,867
Proceeds from the sale of business operations	**13,575**

31 Additional information on financial instruments

The following tables provide additional information on the financial instruments held by the continuing operations of the Logwin Group. They show the financial assets and liabilities by IAS 39 valuation category as well as the balance sheet items containing financial instruments with the corresponding carrying amounts.

Financial instruments by valuation category

in thousand €	**Book value Dec. 31, 2010**	Amounts recognized in balance sheet according to IAS 39		
		Amortized cost	Fair value recognized in p/l	Fair value recognized in equity
Loans and receivables (LaR)	241,253	241,253	–	–
Financial investments held to maturity (HtM)	363	363	–	–
Available for sale financial assets (AfS)	1,428	890	–	538
Financial assets held for trading (FAHfT)	948	–	948	–
Financial liabilities measured at amortized cost (FLaAC)	256,202	256,202	–	–
Financial liabilities held for trading (FLHfT)	1,432	–	1,432	–

in thousand €	**Book value Dec. 31, 2009**	Amounts recognized in balance sheet according to IAS 39		
		Amortized cost	Fair value recognized in p/l	Fair value recognized in equity
Loans and receivables (LaR)	202,213	202,213	–	–
Financial investments held to maturity (HtM)	126	126	–	–
Available for sale financial assets (AfS)	1,583	1,185	–	397
Financial assets held for trading (FAHfT)	1,139	–	1,139	–
Financial liabilities measured at amortized cost (FLaAC)	281,805	281,805	–	–
Financial liabilities held for trading (FLHfT)	1,089	–	1,089	–

(LaR) Loans and Receivables
(HtM) Held to Maturity
(AfS) Available for Sale
(FAHfT) Financial Assets Held for Trading
(FLaAC) Financial Liabilities Measured at Amortised Cost
(FLHfT) Financial Liabilities Held for Trading

Balance sheet items including financial instruments

in thousand €	Category in accordance with IAS 39	**Book value Dec. 31, 2010**	Amounts recognized in balance sheet according to IAS 39			Amounts recognized in balance sheet according to IAS 17
			Amortized cost	Fair value recognized in p/l	Fair value recognized in equity	
Assets						
Cash and cash equivalents	LaR	67,499	67,499	–	–	–
Participating interests	AfS	890	890	–	–	–
Trade accounts receivable	LaR	160,933	160,933	–	–	–
Other receivables	LaR	2,171	2,171	–	–	–
Securities, available for sale	AfS	538	–	–	538	–
Securities, held to maturity	HtM	363	363	–	–	–
Other financial assetse	LaR/FAHfT	11,598	10,650	948	–	–
Liabilities						
Financial liabilities	FLaAC	9,098	9,098	–	–	–
Finance lease obligations	n/a	22,316	–	–	–	22,316
Trade accounts payable	FLaAC	157,797	157,797	–	–	–
Corporate Bond	FLaAC	64,183	64,183	–	–	–
Other financial liabilities	FLaAC/FLHfT	26,556	25,124	1,432	–	–

(LaR) Loans and Receivables
(HtM) Held to Maturity
(AfS) Available for Sale
(FAHfT) Financial Assets Held for Trading
(FLaAC) Financial Liabilities Measured at Amortised Cost
(FLHfT) Financial Liabilities Held for Trading

in thousand €	Category in accordance with IAS 39	**Book value Dec. 31, 2009**	Amounts recognized in balance sheet according to IAS 39			Amounts recognized in balance sheet according to IAS 17
			Amortized cost	Fair value recognized in p/l	Fair value recognized in equity	
Assets						
Cash and cash equivalents	LaR	64,563	64,563	–	–	–
Participating interests	AfS	1,185	1,185	–	–	–
Trade accounts receivable	LaR	133,277	133,277	–	–	–
Other receivables	LaR	71	71	–	–	–
Securities, available for sale	AfS	397	–	–	397	–
Securities, held to maturity	HtM	126	126	–	–	–
Other financial assets	LaR/FAHfT	5,441	4,302	1,139	–	–
Liabilities						
Financial liabilities	FLaAC	10,685	10,685	–	–	–
Finance lease obligations	n/a	24,213	–	–	–	24,213
Trade accounts payable	FLaAC	123,354	123,354	–	–	–
Corporate Bond	FLaAC	127,846	127,846	–	–	–
Other financial liabilities	FLaAC/FLHfT	21,008	19,919	1,089	–	–

(LaR) Loans and Receivables
(HtM) Held to Maturity
(AfS) Available for Sale
(FAHfT) Financial Assets Held for Trading
(FLaAC) Financial Liabilities Measured at Amortised Cost
(FLHfT) Financial Liabilities Held for Trading

Other financial assets and liabilities include derivative financial instruments from a hedge of currency risk with positive or negative fair value whose changes are recognized in income for the period.

Fair values of financial instruments

in thousand €	Dec. 31, 2010	
	Book value	Fair value
Financial instruments at amortized cost		
Assets	242,506	242,506
Liabilities	278,517	276,798
Financial instruments at fair value		
Assets	1,487	1,487
Liabilities	1,432	1,432

in thousand €	Dec. 31, 2009	
	Book value	Fair value
Financial instruments at amortized cost		
Assets	203,525	203,525
Liabilities	306,018	295,907
Financial instruments at fair value		
Assets	1,536	1,536
Liabilities	1,089	1,089

As these long-term financial and leasing liabilities are not traded on an active market, the fair values of these financial instruments are determined using valuation methods such as the present value method, applying appropriate market parameters.

The sequence for calculating financial instruments at fair value is as follows:

- Step 1: Quoted (unadjusted) prices on active markets for assets or liabilities of the same type
- Step 2: Methods in which all input factors that materially affect the recognized fair value can be observed either directly or indirectly
- Step 3: Methods using input factors that materially affect the recognized fair value are not based on observable market data.

The fair values of long-term financial and leasing liabilities were determined using market information available at the balance sheet date on the basis of quoted prices of contractual partners in accordance with step 2.

Net results of financial instruments by valuation category

in thousand €	From interest	From subsequent measurement		From derecognition	Net result	
		At fair value	Impairments		2010	2009
Loans and receivables (LaR)	1,065		−1,616		−551	−1,598
Financial investments held to maturity (HtM)		24		−31	−4	34
Available for sale financial assets (AfS)	307	−44			263	9,572
Financial liabilities measured at amortized cost (FLaAC)	−13,831				− 13,831	−12,388
Financial liabilities held for trading (FLHfT)	−2,363	−19			−2,382	−10,923
Total	**−14,822**	**−36**	**−1,616**	**−31**	**−16,504**	**−15,303**

Interest expenses relate to bank interest charges amounting to TEUR 1.862 (2009: TEUR 1.144) and interest on corporate bond of TEUR 10.183 (2009: TEUR 10.400). Income and expenses from the subsequent valuation at fair value relate primarily to the valuation of derivative financial instruments held to hedge currency risks. Expenses on impairment charges include both write-offs for default and impairment on receivables.

Cash and cash equivalents and trade accounts receivable mostly have short maturities. Their carrying amount at the balance sheet date is accordingly close to their fair value.

Trade accounts payable generally have short maturities, so that the carrying amounts are close to their fair value.

32 Additional information regarding risks associated with financial instruments

Financial risks

The Logwin Group has guidelines regulating the handling of financial risks. In accordance with these, items of financial risk are identified and wherever possible hedged. We would also refer you to the explanations contained in the risk report contained in the management report on page 12.

Liquidity risks

The Logwin Group operates a largely centralized cash management system. The companies are obliged to secure their liquidity requirements based on a liquidity prognosis for a period of between three and twelve months by arranging credit lines.

The following cash outflows can be expected in the coming years to service lease obligations and financial liabilities.

in thousand €	Dec. 31, 2010		Dec. 31, 2009	
	Financial liabilities	Lease obligations	Financial liabilities	Lease obligations
Cash flow within 1 year				
Interest	5,254	876	10,469	1,016
Redemption	1,849	2,053	1,805	1,860
Total	**7,103**	**2,929**	**12,274**	**2,876**
Cash flow within 2 years				
Interest	5,558	766	10,797	667
Redemption	67,019	2,225	3,107	1,590
Total	**72,577**	**2,991**	**13,904**	**2,257**
Cash flow within 3 years				
Interest	237	649	10,612	569
Redemption	1,794	1,930	132,359	1,678
Total	**2,031**	**2,579**	**142,971**	**2,247**
Cash flow within 4 years				
Interest	133	564	84	466
Redemption	1,232	1,310	726	1,455
Total	**1,365**	**1,874**	**810**	**1,921**
Cash flow within 5 years and later				
Interest	48	2,360	41	1,341
Redemption	741	14,798	435	17,630
Total	**789**	**17,158**	**476**	**18,971**

The remaining portion of the corporate bond totaling 65.0 million euros will mature on December 15, 2012. Trade accounts payable are always due within one year.

This table only includes interest-bearing instruments held at December 31, 2010 (December 31, 2009) for which payments had already been contractually agreed. Budget figures for future new liabilities are not included.

Credit risiks

Credit risks arising from relationships with customers and banks are subject to a regular evaluation. Credit risks with customers are to large degree counteracted by conducting credit assessments. Furthermore, trade credit insurance exists for the majority of customers, particularly in Germany. Regular checks are made on customers‘ payment history. Loss provisions are made for impending default risks on trade accounts receivable and other financial assets. We would refer to page 12 (Management Report) for further details.

Foreign exchange risk

Foreign exchange risks often compensate each other out with corresponding opposite positions. Wherever possible, the Logwin Group reacts to foreign exchange risks by using hedging instruments.

Financing for subsidiaries is always effected in the domestic currency of the borrowing company. The net position resulting from internal group borrowing through foreign currency loans is mostly hedged by Logwin AG through foreign exchange contracts.

As of December 31, 2010, the Logwin Group had various foreign exchange swaps to hedge the foreign exchange risk of the operating business and to secure Logwin AG's receivables or liabilities arising from group borrowing.

The following table shows the primary transactions:

	Dec. 31, 2010	
	Nominal value in foreign currency	**Amount due in euros**
Foreign exchange contracts to hedge receivables of Logwin AG arising from group borrowing and contracts to hedge transactions from the operating activity		
Sell		
AUD	2,430,000	1,738,937
BRL	2,985,000	1,221,553
CHF	1,846,000	1,365,869
CNY	4,950,000	538,323
GBP	3,740,000	4,332,682
HKD	36,300,000	3,465,300
PLN	26,650,000	6,642,181
USD	8,030,000	5,906,374
ZAR	33,955,000	3,503,976
Other		6,249,067
Total		**34,964,262**
Foreign exchange contracts to hedge payables of Logwin AG arising from group borrowing and contracts to hedge transactions from the operating activity		
Buy		
AUD	2,380,000	1,756,474
CHF	4,992,000	3,747,325
CNY	67,130,000	7,500,082
GBP	5,310,000	6,173,203
HKD	74,045,000	7,052,093
PLN	10,700,000	2,701,516
SGD	4,685,000	2,644,591
USD	6,125,000	4,615,732
Other		4,895,004
Total		**41,086,020**

The derivative financial instruments have terms of up to three months. Derivative financial instruments are included in the balance sheet line items "Prepaid expenses and other current assets" and "Other short-term liabilities"

The following table compares the fair values and the nominal amounts of the derivative financial instruments:

	Dec. 31, 2010		Dec. 31, 2009	
in thousand €	Nominal amount	Fair value	Nominal amount	Fair value
Assets				
Commodity forwards	–	–	–	498
Forward foreign exchange contracts	32,760	948	23,772	641
Total	**32,760**	**948**	**23,772**	**1,139**
Liabilities				
Forward foreign exchange contracts	43,291	1,432	33,050	1,089
Total	**43,291**	**1,432**	**33,050**	**1,089**

The assets are matched by liabilities from the valuation of underlying financial transactions. Liabilities from foreign exchange forward transactions are matched by assets from the valuation of underlying internal financial transactions and transactions of the operating business.

Interest rate risk

The corporate bond of the Logwin Group bears fixed interest. The interest rate for long-term liabilities including the current portion of long-term loans is also fixed. In contrast, short-term liabilities are charged with variable interest rates. In the current situation, a rise in the level of interest rates would not have any material effect on the Logwin Group's interest expenses. However, the risk of changes in interest rates could have greater significance for the Logwin Group depending on the form of refinancing chosen for the remaining portion of the fixed-interest bond.

Furthermore due to interest-related indexation of operating lease contracts and rental contracts, an increase in expenses is possible if the interest level rises.

Capital management

The goal of the Logwin Group's capital management is to preserve its financial stability and maintain its equity resources. The Logwin Group can react to changes in its financial position and performance by implementing appropriate capital measures. It can react to changes in the capital structure by adjusting its equity or debt resources.

Medium and long-term financial decisions are checked for their impact on the capital structure of the Logwin Group on an ongoing basis and adjusted as required. In addition, short and medium-term changes in the capital structure are systematically monitored by analyzing working capital. In addition to changes in absolute values, a key aspect here is relative changes and changes relative to appropriate figures such as sales.

The following items are covered by capital management:

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Corporate bond	64,183	127,846
Financial liabilities and lease obligations	31,414	34,896
Gross financial debt	**95,597**	**162,742**
Less cash and cash equivalents	−67,499	−64,563
Net financial debt	**28,098**	**98,179**
Trade accounts payable	−157,797	−123,354
Other liabilities and provisions	−59,852	−44,155
Trade accounts receivable	160,933	133,277
Income tax receivables/liabilities	−1,469	4,201
Other long- and short-term receivables and assets	21,351	16,882
Inventories	2,940	2,537
Working capital	**−33,893**	**−10,612**
Shareholders' equity	**166,989**	**128,223**

33 Commitments

The following tables show all long-term commitments as of December 31, 2010 and 2009 not included on the balance sheet:

in thousand €	Dec. 31, 2010	Dec. 31, 2009
Fälligkeit innerhalb eines Jahres	35,674	44,285
Fälligkeit innerhalb 2 bis 5 Jahren	69,387	72,464
Danach	37,738	35,057
Summe	**142,799**	**151,806**

Financial commitments comprise almost exclusively operating lease agreements (including rental contracts). The group has operating lease agreements predominantly for warehouses, other buildings and vehicles, where some leases contain renewal options, purchase options, escalation clauses and contingent rentals. There are no resulting restrictions on the group's activities concerning dividends, additional debt or further leasing.

In the financial year 2010, operating lease expenses (including rental expenses) amounted to TEUR 54,602 (2009: TEUR 56,584).

In fiscal year 2010, the group received TEUR 940 from lease commitments (2009: TEUR 98).

34 Contingent liabilities

It can be assumed that the contingent liabilities in respect of bank and other guarantees, letters of comfort and other liabilities arising in the ordinary course of business in existence of December 31, 2010 will not result in material liabilities.

At the end of February 2010 the Austrian Federal Competition Authorities submitted petitions to the Vienna Higher Regional court (Oberlandesgericht) against more than 40 Austrian logistics companies, including three companies belonging to the Logwin Group, for alleged infringements of Austrian and European antitrust legislation. The Federal Competition Authorities have applied for fines to be imposed in an unspecified amount. In various statements the Logwin Group and the other forwarding companies have contested the arguments of the Federal Competition Authorities with regard to both their representation of the facts and to their legal opinion. Nevertheless, the Federal Competition Authorities continue to hold their legal opinion, in particular with regard to European law. According to information obtained so far, the Logwin Group does not share the legal opinion of the Austrian Federal Competition Authorities. In its judgement dated February 22, 2011, the Vienna Higher Regional court (Oberlandesgericht) rejected in the first instance claims brought by the Austrian Federal Competition Authorities against members of the so-called forwarding agents' conference (Speditionssammelkonferenz – SSK). Since the Logwin Group, based on the legal opinions it has obtained, does not assume that a fine will actually be imposed and since it is not possible to make a reliable estimate of the possible impact this would have on the 2010 financial statements, no provision has been made and no estimate has been made of a possible contingent liability. Should a fine still be imposed, it could have considerable negative effects on the Logwin Group's net asset and financial position.

Logwin Road + Rail Austria GmbH was served with a claim from the Austrian customs authorities in April 2010 demanding payment of import sales tax of around 16 million euros in duties for customs clearance that the company had performed with joint and several liability on behalf of customers in the period between December 2005 and March 2006. The exemption from import sales tax granted at that time was now revoked since the consignee of the goods was allegedly a participant in a missing trader (sales tax carousel) fraud. The company, which remained part of the Logwin Group after the sale of the Road + Rail activities, lodged an appeal against the decision. The customs authorities did not grant the appeal lodged by Logwin, which is why legal steps against the claim will be pursued further. Moreover, the company has an insurer's preliminary confirmation of cover. Against this background, no provision and no contingent liability have been made in these financial statements to cover this matter. This could have considerable negative consequences on the Logwin Group's net asset and financial position if the legal steps prove unsuccessful and the insurer fails to provide (sufficient) cover despite its preliminary confirmation of cover.

35 Auditor's fees

The auditor's fees for this fiscal year and the preceding year covered the following services (excluding expenses):

in thousand €	Auditors of Luxembourg companies 2010	Auditors of Luxembourg companies 2009	Auditor's network abroad 2010	Auditor's network abroad 2009
Audit	165	195	872	1,128
Tax advice	–	–	75	116
Other certification and assessment services	–	–	–	–
Other services	–	–	408	693
Total	**165**	**195**	**1,355**	**1,937**

36 Key management personnel compensation

The compensation of non-executive members of the Board of Directors and of members of the Executive Committee includes all amounts received from group companies. The fixed compensation also includes other compensation components.

in thousand €	2010	2009
Members of the Executive Committee	1,374	1,316
thereof fixed portion of short-term benefits	*1,135*	*1,237*
thereof variable portion of short-term benefits and termination benefits	*239*	*79*
Non-executive members of the Board of Directors	180	180

37 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 fiscal years 2010 and 2009, the Logwin Group rendered services to certain associated companies and affiliated non-consolidated companies as part of its ordinary operations. Furthermore, there are supply and service relationships with the parent company DELTON AG and its subsidiaries.

Transactions between the Logwin Group and the consolidated group of DELTON AG as well as its associated companies and affiliated non-consolidated companies were at standard market conditions. They are contained in the following items of the balance sheet and income statement:

	Associated and affiliated, not consolidated companies		DELTON AG and its subsidiaries	
in thousand €	2010	2009	2010	2009
Net sales	–	663	298	286
Cost of sales	–	–3,393	–	–
Operating expenses	–593	–190	–1,350	–1,696
Other operating income, net	8	–1	–	–
Other financial income	–	–		–
Financing result	33	42	100	25
Receivables	1,042	768	12	51
Payables	818	309	364	178

The sole shareholder of DELTON AG, Mr. Stefan Quandt, is a shareholder in and Deputy Chairman of the Supervisory Board of BMW AG. He is a related party to BMW AG as defined by IAS 24 “Related Party Disclosures”.

In 2010, net sales of the Logwin Group to companies of the BMW Group amounted to TEUR 34,842 (2009: TEUR 39,346). Receivables from the BMW Group amounted to TEUR 1,478 as of December 31, 2010 (2009: TEUR 647). In addition, Logwin Group companies procured vehicles from the BMW Group, predominantly by leasing. All transactions were conducted under standard market conditions at arm’s length.

Furthermore, there were transactions between Logwin Group and members of its Board of Directors. In the 2010 fiscal year, these resulted in expenses for the Logwin Group in the amount of TEUR 10 (2009: TEUR 27).

38 Events after the balance sheet date

There were no significant events between December 31, 2010, and the preparation of the Consolidated Financial Statements by the Board of Directors of Logwin AG on March 1, 2011. We would refer to the comments on page 15 of the management report with regard to the decision by the Vienna Higher Regional Court (Oberlandesgericht) dated February 22, 2011, concerning the alleged infringements of Austrian and European antitrust legislation.

Significant subsidiaries[1]

Business segments *Net Sales in thousand €*	Share of capital	Net sales 2010	Employees Dec. 31, 2010
Solutions			
Logwin Solutions Deutschland GmbH, DE-Aschaffenburg	100.0 %	199,343	1,184
Logwin Solutions Fashion GmbH + Co. KG, DE-Aschaffenburg[2]	100.0 %	167,607	698
Logwin Solutions Austria GmbH, AT-Bergheim	100.0 %	138,421	286
Logwin Solutions Media GmbH, DE-Hamburg	100.0 %	101,444	152
Logwin Solutions Lojistik Hizmetleri ve Ticaret Ltd. Sti., TK-Istanbul	100.0 %	15,763	55
Logwin Solutions Consumer Goods GmbH, DE-Cologne	100.0 %	12,855	–
Air + Ocean			
Logwin Air + Ocean Deutschland GmbH, DE-Aschaffenburg	100.0 %	288,080	329
Logwin Air + Ocean China Ltd., CN-Shanghai	100.0 %	80,638	267
Logwin Air + Ocean Hong Kong Ltd., HK-Hongkong	100.0 %	51,887	157
Logwin Air + Ocean Poland Sp.z.o.o., PL-Warzawa	100.0 %	48,747	291
Logwin Air + Ocean Austria GmbH, AT-Bergheim	100.0 %	46,920	47
Logwin Air + Ocean Brazil Logistica e Despacho Ltda., BR – Sao Paulo	100.0 %	34,624	47
Logwin Air + Ocean UK Limited, GB-Hayes	100.0 %	30,444	48
Logwin Air + Ocean Australia Pty. Ltd., AU-Sydney	100.0 %	25,069	40
Logwin Air + Ocean South Africa (Pty.) Ltd., ZA-Johannesburg	100.0 %	21,944	91
Logwin Air + Ocean Singapore Pte. Ltd., SG-Singapore	100.0 %	20,305	96
Logwin Air + Ocean (Thailand) Ltd., TH-Bangkok	100.0 %	16,281	71
Logwin Air + Ocean Belgium N.V., BE-Antwerpen	100.0 %	15,932	16
Logwin Air + Ocean Chile S.A., CL-Santiago	100.0 %	14,461	23
Logwin Air & Ocean Middle East (LLC), AE-Dubai	60.0 %	14,440	49
Logwin Air + Ocean Korea Ltd., KR-Seoul	100.0 %	11,759	24
Logwin Air + Ocean Switzerland AG, CH-Muttenz	100.0 %	11,543	17
Logwin Air + Ocean Taiwan Ltd., TW-Taipeh	100.0 %	11,152	38
Logwin Air + Ocean Italy S.r.l., IT-Milano	51.0 %	11,070	20

[1] Includes all companies with net sales exceeding 10 million euros.
[2] This company makes use of the exemption clause pursuant to § 264 b of the German Commercial Code (HGB).

Declaration by the Board of Directors

The Board of Directors is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the Group Management Report, as well as for all other information provided in the Annual Financial Report.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). Pursuant to the provisions of the Luxembourg Commercial Code, the Management Report contains an analysis of the financial position and performance of the group, as well as further information.

The consolidated financial statements, the Management Report and the Audit Report were subject to a preliminary audit by the Audit Committee and discussed extensively in a meeting of the Board of Directors together with representatives of the auditing company.

The audit of the consolidated financial statements and the Management Report for the fiscal year 2010 did not give rise to any objections. By way of resolution by the Board of Directors, the consolidated financial statements and the Group Management Report were therefore approved for publication.

In line with Luxembourg law, the consolidated financial statements and the Management Report must still be approved by the executive body of the Annual General Meeting.

The Board of Directors of Logwin AG
Grevenmacher (Luxembourg), March 1, 2011

Assurance by the Legal Representatives

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

Berndt-Michael Winter	Dr. Antonius Wagner
(Chairman of the Board of Directors)	(Deputy Chairman of the Board of Directors)

Independent auditor's report

To the Shareholders of Logwin AG

Report on the consolidated financial statements

Following our appointment by the General Meeting of the shareholders dated April 14, 2010, we have audited the accompanying consolidated financial statements of Logwin AG, which comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Logwin AG as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Werner WEYNAND
Luxembourg, 1 March 2011

Additional information for bondholders

As an issuer of a senior subordinated corporate bond, Logwin AG is obliged by Section 4.16 (i) of the bond agreement to provide bondholders with information over and above that contained in the Management Report and the Notes.

Logwin Group The business segment Solutions is the specialist in contract logistics within the Logwin Group. It has 3,344 employees (2009: 3,258) at 126 locations (2009: 113) in 15 European countries (2009: 13) and manages over 700,000 m^2 of warehouse space (2009: 700,000 m^2).

The business segment Air + Ocean has a presence at over 200 locations (2009: 200), including 115 wholly-owned sites (2009: 100) in 30 countries and on all continents. 2,064 employees (2009: 1,937) provide air and sea freight transport as well as numerous upstream and downstream added-value services. In 2010 Air + Ocean transported around 170,000 tonnes of goods by air freight (2009: 152,000) and handled a volume of just under 430,000 containers (TEU) (2009: 370,000 containers (TEU)) as sea freight.

Property and effective floor space The Logwin Group's real estate reported under property, plant and equipment have an effective floor space (offices and storage) of around 165,000 m^2 (2009: 170,000 m^2). Additional office, open-air and covered storage space is also leased at a large number of locations. The Logwin Group makes use of around 1.6 million m^2 of space (2009: 2.1 million m^2), of which 1.0 million m^2 is managed warehouse space (2009: 1.1 million m^2). At the end of the year, the total number of real estate properties was approximately 250 (2009: 330) in 37 countries (2009: 43). As of December 31, 2010, the group owned around 18 % of the real estate it utilizes (2009: 21 %).

Vehicle fleet and leasing obligations At the reporting date Logwin deployed around 230 trucks (2009: 580), 400 trailers (2009: 830) and around 1,500 swap bodies (2009: 1,740). In addition, a considerable number of industrial trucks and other items of equipment are operated, predominantly as leased or rented vehicles.

The Logwin Group also makes extensive use of leased capacity to cover requirements or commissions subcontractors. In addition, there are extensive operating lease obligations, which primarily relate to the use of warehouse real estate, other real estate and vehicles. The total value of future lease obligations under operating and finance lease contracts as of December 31, 2010, was 165.1 million euros (2009: 179.0 million euros). Operating lease expenses amount to 54.6 million euros (2009: 56.6 million euros).

Ratios *in thousand €*	2010	2009	Change
EBITDAR	91,766	80,843	13.5 %
Gross margin[1]	7.9 %	7.8 %	0.1 %
EBIT margin[1]	1.8 %	0.9 %	0.9 %
EBITDA margin[1]	2.7 %	2.2 %	0.5 %
EBITDAR margin[1]	6.8 %	7.3 %	–0.5 %
EBITDA/financing result	2.26	1.62	39.5 %

[1] Change in percentage points