

M&M[®] NEWS

Nachrichten – News – Nouvelles – Новости

For our clients, partners and employees

March / April 2005

Welcome to M&M News

Dear Readers:

This is a joyful month for us: M&M was founded 125 years ago. On April 1st, 1880, M&M was founded in Hof, Germany. Over the years, the original family business has developed into an international group

A recent 'International Transport Journal' interview with Jochen Auffhammer, chairman of the M&M supervisory board, will inform you about the targets that M&M reached and those they are striving to reach.

125 years M&M – that means numerous single, successful steps, such as the first step into the airfreight sector in the early forties, or the first office opened internationally, in Athens, Greece, in the fifties. We have news in this issue about M&M Greece, and about the positive development of more than 55 years M&M airfreight.

April 2005 is also special for us because of the TransInvest International Management Meeting. We are expecting 120 guests from 30 countries for this meeting that is held in Hof to mark the M&M jubilee. The date is set for April 28 to 30.

And now, enjoy reading!



“Every aim reached can serve as a great starting point for new discoveries.” (Ernst Ferstl)

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125 years M&M – Eyes turned even further east

(source: ITJ (Internat. Transport Journal) vom 15. April 2005; Ch. Kulke Fiedler)

M&M Militzer & Münch was founded as a family company in Hof (Germany) on 1 April 1880. Today it has evolved into an international forwarding and logistics group which has its own enterprises and numerous branch offices in more than 30 countries. It employs approximately 2.600 people and generated a turnover of EUR 412 million last year. The ITJ spoke to M&M’s chairman

Welcome to Hof ДОБРЕ ДОШАЙ В ХОФ
Dobro ni dojdovte vo Hof

Benvenuto ad Hof Καλως ηρθατε στο Hof

Serdecznie witamy w Hof Ласкаво прасимо до Хофа ЗАПРАШАЕМ У ХОФ Szeretettel üdvözöljük

Soyez le bienvenu à Hof خوش آمد به هوف 열렬히 환영합니다

Srdècnè Vás vítáme v Hofu Та Хоф-д тавтай морилоно уу

Sveiki atvyke i Hofa Хофга мархамат

Hof Şehrine Hoş Geldiniz Hos geldiniz Hofa Қош келіңіздер қаласына

Добро пожаловать в Хоф

Din inima vă dorim bine ati venit in Hof ازینیم قلب توش آمدید

Willkommen in Hof 欢迎光臨 何

Jochen Auffhammer about the company's past, present and future.



(source: Kulke-Fiedler)

Jochen Auffhammer, chairman of the board of M&M Militzer & Münch International Holding AG

M&M is currently celebrating its 125th anniversary. Are there other reasons to celebrate besides this business milestone?

Yes. M&M has just mastered a difficult period. The group grew very rapidly over the last fifteen years. This development was not without problems. However, in the meantime a successful turnaround has been achieved in almost all the groups companies. But the weak economy and unfavourable conditions especially for our industry are causing some headaches in our native country Germany. Bad debts are dragging us down there. They have recently been reduced by those German companies which have returned to the profit zone. This was mainly due to the dedication and understanding of our staff. If one takes a look at the group's results, which show a positive trend, we certainly have more to celebrate than our anniversary.

Customs clearance business, a particularly strong sector, was lost last year with the EU eastern expansion. Furthermore the investment in our own CEP company in

Russia strongly impacted the results. Despite these factors we were able to post a 3% increase in turnover. However for the reasons mentioned above, the net result for 2004 is lower than that of the preceding year and unfortunately below our expectations.

Our business activities were satisfactory in the Middle and Far East. Iran and China led the way followed by the new EU member states in Central and Eastern Europe. We are also well-positioned in Bulgaria and Romania, the next EU candidate countries. We founded a new strong company – M&M Militzer & Münch Romania Srl – with one of the leading forwarding and logistics providers in Romania a few weeks ago. The target for this market is to offer a full service portfolio including logistics schemes and domestic distribution.

M&M was established as family company 125 years ago. Who actually owns it nowadays?

Over the course of time an international group of companies has evolved from the erstwhile family firm. The headquarters of the parent company M&M International Holding is in St. Gallen (Switzerland). In 2001 M&M was integrated into the Trans-

Invest group, a multinational service conglomerate which is also based in Switzerland. It is backed by private investors from various countries. This is consistent with the international character of our business today.

Is there any relationship between the present company and the founding families?

Werner Münch, one of the two founders of the company, was my great grandfather. Our family is still an M&M shareholder.

Which milestones in the company's history have remained important for the company's present orientation?

Militzer & Münch started rail-freight forwarding services and rail logistics at the end of the 19th century. One of the first titles of the newly founded enterprise was "Authorized rail cartage service of the Royal-Bavarian Railways".

Railfreight transportation services have remained one of our most important business fields to this day. They now embrace far-away destinations such as China, as well as providing carriage for challenging load units and special transports.

There was a series of milestones in the development



of new truck traffic. An example is our first groupage service to Iran in 1961 and the following developments of these relationships. The first truck was driven there at our own risk. This transport service was a significant achievement for the company's future history. Nowadays we have a good connection to Iran.

Immediately after the monetary reform in Germany – more than 50 years ago – M&M branched out into the airfreight business. Our company is leading in this field in several East European markets. In Germany, the medium-sized cooperative alliance "Future Group", to which we belong, is one of the top five shippers.

Since the end of the 1980 and beginning of the 1990s, we began to boost our activities and orientation in an easterly direction. We grasped the opportunity offered by the opening of these markets, in which we had already had many years of experience, to work on location with our own companies. This was the method M&M used to develop its profile as a specialist for the East – from Eastern Europe to the Middle and Far East. A present major milestone is our company's strengthened dedication to end-to-end logistics schemes for trading

companies. Here the initiatives of our Polish, Bulgarian and German companies are particularly outstanding.

Our entrance into the international courier, express and parcel services (CEP) market contributed to the expansion of our profile. Following Kazakhstan, Georgia, Turkmenistan, Uzbekistan and the Baltic states, we were able to obtain the agency for Russia from FedEx. An intensive partnership has developed there.

Are you satisfied with the current situation of the group?

Quite a bit has been said already about our results, progress and problems. It must be underscored that the integration of M&M in the TransInvest group paved the way for the consolidation of our company and opened up new possibilities for development. A significant proportion of this positive development is due to Werner Albert, the president and one of the main shareholders of TransInvest. During the company's most critical phase, he took over the management of the German group – our greatest problem at the time – and achieved a successful turnaround. Today the group and ownership structure of M&M forms a solid

foundation for further successful expansions. We want to use this in order to position ourselves even more favourably in the market.

What are M&M's next targets?

In short: raising the profits, implementing additional cost savings, improving the company profile and providing innovative tailor-made service solutions for our customers. We want to be among the top ten, or even the top five companies in the global forwarding and logistics industry in more markets in the East. We have already accomplished this aim in several markets in Central Asia and Europe. It has become increasingly difficult as competition has grown considerably in these regions.

In future, larger projects are to play a more eminent role. We must make more use of our well-constructed international network. Cooperation between our various national subsidiaries is to be boosted. Platforms such as the recent "4th M&M Air Sea Cargo Meeting" in Sofia (Bulgaria) and the international management meeting of the TransInvest group at the end of April in Hof serve this purpose. Moreover, we want to further expand our logistics competence, develop the IT basis for our business activities and collaborate more closely with our customers. We want to invest more specifically in our employees' vocational training and know-how. We most likely have all these targets and tasks in common with other companies. Our special characteristic is that we do this with a particular focus on the East – that is Eastern Europe to the Far East – and this distinguishes us even more as East specialists.

Chairman of M&M's supervisory board in Switzerland is not your only business activity. You have also developed Autico International, a new forwarding company based in the USA. What do



you find fascinating about the US market?

It offers me the opportunity to enlarge my profile and assume new challenges. Personal reasons are also a factor. Hof in Oberfranken (Bavaria) is not just the place where M&M was founded. It is also my place of birth. What applied to the company's history also applies to me: from Hof out into the world, from a small playing field to an international one, which may become global tomorrow. The history of M&M is not complete by any means.

New logistics capacities in Aspropyrgos

M&M Hellas SA moved this March. They are now located in Aspropyrgos, with direct access to the "Attiki Odos" motorway. The new location offers warehousing and logistics space with nine ramps and a cross dock, covering more than 8,000 square meters.



For 35 years, M&M Hellas has been a successful player on the Greek market. They have their own logistics center in Athens Rentis (warehousing facilities: 5,500 square meters) as well as in Thessalonica (1,100 square meter warehouse).

With the new logistics center, M&M has considerably widened its range. The new complex meets the highest security standards.

M&M Hellas' competent and experienced staff offer their

customers reliable service and tailored solutions in transportation and logistics.

As of February this year, M&M Hellas was turned into a joint stock company and thus now carries the suffix SA in its official name.

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M&M airfreight has been successful for more than 55 years

M&M realized early that airplanes would be an important factor in global freight transportation. Thus, airfreight has been part of M&M's activities for over 55 years. In October 49, M&M was among the first agents to be nominated officially by IATA. It was a logical step from there to the foundation of M&M airfreight companies.

On the occasion of the M&M Air Sea Cargo Meeting in Sofia this year, we talked to Michail Dantchev, managing director of M&M air cargo Bulgaria. He is responsible for the further development and the coordination of international airfreight transports within the Group.

Where does M&M hold a very strong market position in the airfreight sector?

M&M's position is very strong in Poland, Russia, Ukraine, Bulgaria, and Byelorussia, where we are the biggest, or among the biggest, in the field. We have very active airfreight business in other M&M branches, too. We recently went into the Romanian market with our own branch office. The sea and airfreight sectors of Romania are very promising, too.



Where do you see the biggest chance for growth?

The most promising potential lies in the Far East and China market. At the Sofia meeting, we made concrete plans how to get into these markets. In May we will have a road show in the Far East, where M&M will present itself and its services. Thus, we hope to intensify the cooperation with our Far Eastern agents. At the same time, we also want to get a stronger hold in the US American market, where we are, I am afraid, highly under-represented.

How do you rate your chances in the airfreight section for 2005 and beyond?

IATA prognosticates growth for international airfreight for the next years. The positive development of markets in China, the CIS and Eastern Europe offers vast opportunities, and M&M is very well positioned to partake in the economic growth in these parts. From 2003 to 2004, we had a growth of 39% in our six airfreight companies. Our aim now is to continue this positive trend.

How do you rate the cooperation with the airlines?

M&M boast excellent cooperation with the big airlines. We have been good partners especially with Austrian Airlines and Lufthansa Cargo for years. Both airlines service Eastern Europe and the CIS. Our Group also cooperates beautifully with Cargolux, Aeroflot, Air France,

and LOT, as well as other regional carriers.



How has the extension of the European Union changed the picture?

The extension of the EU was one of the most important milestones in recent history, politically as well as economically. Becoming a member of the EU has initiated interesting developments in these countries. We have a lot of experience in these countries and can thus react to changes in a flexible way, and also profit from these changes.

How do your customers rate the performance of M&M air sea cargo companies?

M&M is working hard to enhance the service we can offer. We are proud of our growth rates – they are above the industry's mean.

We have now contracts with big multinationals that relocate their production and logistics centers more and more towards the East. These contracts go to prove the quality and reliability of our services.

M&M Moscow at „TransRussia“

by Valery Borisov

The 10th anniversary edition of TransRussia, the international exhibition and conference dedicated to transport and logistics took place in Moscow from 22nd to 25th March 2005.

“Militzer & Münch” Moskau together with M&M air sea cargo

Moscow and EMEX Moscow took part in this fair.

Over 300 companies from more than 20 countries participated in the exhibition. In addition to Russian participants, TransRussia presented companies from Belorussia, Kazakhstan, Netherlands, Poland, USA, Ukraine, France, Sweden and Estonia. The National Pavilions of Belgium, Germany, Latvia, Lithuania and Finland also featured. TransRussia was attended by approximately 14,000 trade visitors.

Also more than 300 specialists participated in the “TransRussia Conference”. Key topics included the following: implementing the Russian transport strategy to 2020; improving foreign trade turnover through the development of transport networks; reforming federal rail transport; the development of the national transport infrastructure; international transport corridors; the development of intermodal shipments; sea port infrastructure investment; the improvement of freight forwarding services; logistic management of transport streams.



TransRussia is the largest international transport event in Russia and its neighbouring countries, making it the perfect opportunity for exhibitors to establish their company's presence on the Russian transport market and promote their products and services to a large number of potential clients.

M&M has established new and has supported already existing business contacts, has shown its company's services. The primary aim was to demonstrate to customers how M&M Russia can customize solutions to their transportations and logistics problems. During and after the fair M&M got a plenty of inquiries on transportations. In summary it can be ascertained that the participation was successful and productive.

East European Logistics: growth in the non-food sector

M&M Euronational Spedition GmbH, Hof, has been working since October for one of the leading European retailers. In cooperation with M&M Internationale Spedition GmbH and the regional M&M companies, they have been offering a complete logistics package in the non-food sector for several Eastern markets such as the Czech Republic, Slovakia, Poland, Ukraine, Bulgaria, Croatia, and Romania, and, since January, also Italy, Austria, and France. We are working on doing this service also for Russia.

The service is based on long years of cooperation locally – yet now the package has become much more complex. At the M&M terminal in Hof, between 2,500 and 3,500 pallets are handled continuously, i.e. they are commissioned, and prepared for the stores where they will be sold. Customs services as well as certification for some of the destinations, the transport of the goods to the different regional warehouses, and in some cases, distribution are included in this package, as well as returns.

Our experience shows that our presence in these markets, coupled with our competence, flexibility and the quality of our

service, offers a good basis for such logistics partnerships with retailers.

SystemPlus introduces 12 am service in Europe

Reliable delivery at defined times is an absolute priority for businesses. From 1st April 2005, the pan-European SystemPlus organisation will therefore offer its customers a 12 am service for the main European financial centres. The service will initially be available in Denmark, Belgium, Luxembourg, France, Austria, Switzerland, the Netherlands and the Czech Republic. Expansion to include other countries is planned. In Germany, the 12 am service and the 10 am service have been standard for some years.

More than 400 partner companies offer uniform Europe-wide logistics products with the highest standards of comprehensive service quality. A significant advantage for the customer is the regional strength of the system partners. The feeding of the dispatch into the SystemPlus network allows the regional partners to advise their customers locally, from loading to being checked in at their destination, without being represented Europe-wide.

Wojciech Paprocki honorary professor

Prof. Dr. Wojciech Paprocki (49), member of the Board of M&M IH St. Gallen, and managing director of M&M Polska, was nominated honorary professor of economics by Aleksander Kwasniewski, President of Poland.

Prof. Dr. Paprocki has been teaching since 1979 at the Warsaw School of Economics, and has been in M&M management since 1991.



W.. Paprocki (left) and A. Kwasniewski, President of Poland

Homage to the tsunami-struck people of Sri Lanka

by Elvis Roberts

December 26 had always been known as Boxing Day. Now, the world will remember Dec 26 as tsunami Day, the day, when "Mother Nature's" catastrophe struck the South East Asian countries with the roar of the silent ocean.

Such was the devastation; such was the horror of the pictures and scenes on the world's TV channels, that the whole world united in trying to give help to the victims of this catastrophe. The entire region spelt HELP and RELIEF.

Parents lost their children, children lost their parents, people witnessed their loved ones, and their homes, being swept away by the forces of the ocean, and many towns simply vanished from the map of the world.



M&M Kazhakstan - Team

In one word, the damage was heart breaking.

Like many organizations and companies world-wide, M&M Kazakhstan wanted to help. So, we arranged to ship humanitarian aid – used clothes – to one of the worst

affected countries: Sri Lanka.

We directed our shipment to "Lanka Jathika Sarvodaya Sramadana Sangamaya Inc", one of the leading NGOs in Sri Lanka working for Tsunami victims.

We are aware that our shipment is just a gesture; that the losses can never be recovered, but we hope we can at least contribute with an open heart to help these people and to guide them back towards a "normal" life.

A visit to the transport logistic 2005

As already mentioned, M&M will participate in the Munich transport logistic 2005 fair. The fair, to be held from May 31st to June 3rd.

**transport
logistic**

M&M will be presenting the M&M companies of Poland, Russia & Baltica, Bulgaria, and Germany. M&M Russia and M&M Baltica will have the second day, M&M Bulgaria the third day.

What is planned? M&M will showcase its various transport and logistics services. Moreover, there will be culinary specialties from these countries.

So, here is a cordials invitation to visit M&M at stand # 228, in hall A5."

Information from the Trans-Invest Group

North-South corridor: Russia – Persian gulf

For some time now the TransInvest Group – M&M is part of the Group – has been contributing to the development of the north south corridor from Russia to the Persian Gulf.

On the occasion of "Transrussia", a logistics fair, Werner Albert, President of the Board of TransInvest, informed about the chances and perspectives of north south transports between Europe and Asia.



(source: RAI)

Thus, he said that there is now more interest in developing and expanding the north south transport routes from Russia via Iran to the gulf region. At a meeting of railroad managers in Baku this spring, representatives of Iran, Russia, and Azerbaijan agreed on this. Since the end of 2004, the combined route via the Caspian Sea has been offered – the gap has been closed with the new Russian port of Olja. This route is gaining more and more importance.

Another route, along the western shore of the Caspian Sea, is still waiting for a railroad track of 220 km to be finished between Ghazin-Rasht-Astara with a branch servicing the port of Anzali. There are, said Albert, already concrete proposals from a railroad consortium from the three countries involved.

Another route is possible if the railroad border post is Dshulfa (or: Jolfa) in the Southern Caucasus is reactivated. There

was considerable interest in this variant. Yet, the outcome depended totally on the relations between Armenia and Azerbaijan. An agreement of both countries to cooperate in this north south corridor would certainly have positive results.

Asked about the future of an international corridor via the Caspian Sea, Albert said, there would certainly be a competition between the different solutions. Yet, they all had their advantages. Thus, Iran and Russia are direct neighbors in the route via the Caspian Sea. That would make coordinating interests and the regulatory framework for the cooperation much easier. Via the Caspian Sea, Kazakhstan also is a neighbor to Iran.

As to the commitment of the TransInvest Group in this matter, Albert explained: "Our Group has been active in this matter for years concerning railroad connections, the infrastructure of the ports, and the vessels for the multimodal transport. We are also interested in the other two alternatives, and are checking possibilities to develop these. To put it in a nutshell: We give each variant a chance."

Historically, companies within the Group had been working the traditional Caucasian corridor. In this field, M&M had been holding an important rank, too, for years.

In view of the capacities for transloading and handling at Dshulfa, TransInvest would welcome the reactivation of that railroad border point. The route would need modernizing, but – if political agreement is reached – this could be done in no time.

Asked about the volume of cargo going along this corridor, Albert estimated that there might be something like 3 million tons per year, once the gap between Azerbaijan and Iran is closed. Especially, since Russia would be one of the partners.

The railroad border point on the traditional north south route via Dshulfa had boasted a volume

of 4 million tons before the Armenia- Azerbaijan conflict had put an end to this route.

The figures that people are mentioning for the combined transport via the Caspian Sea are even more impressive: 20 million tons are prognosticated by the year 2010. High hopes are put into cargo from Germany and other western European exporters. At first there would be bilateral business, as Albert explains. Shortages in vessel capacity had to be overcome. "A realistic prognosis for this decade might be, for international transport, 2 to 4 million tons per year. Thus, by 2015, we would be looking at 10 million tons per year for the three routes combined. That should be possible."

Iran would be the country that profits most of the development. Transit cargo from Central Asian countries to the Gulf and to Turkey and Europe are transported via Iran.



(source: CCTST)

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