KROMI

TOOLING | ONE STEP AHEAD

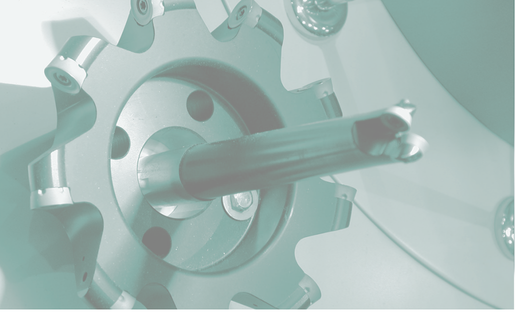
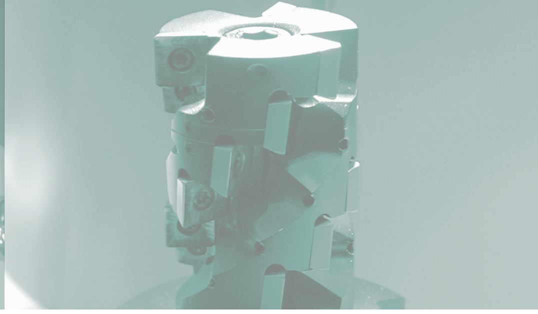
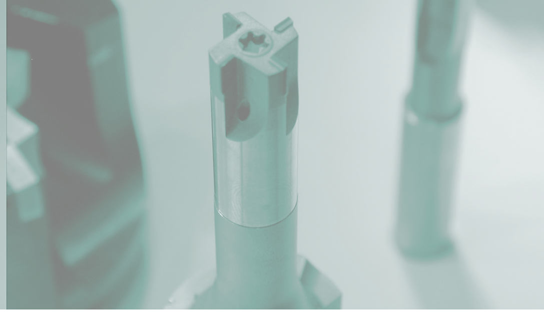
TOOLS

TECHNOLOGY

LOGISTICS

DATA

Annual Report 2018 / 2019
of KROMI Logistik AG

Key figures at a glance (IFRS)

	Fiscal year 2018 / 2019 (1.7.18 – 30.6.19)	Fiscal year 2017 / 2018 (1.7.17 – 30.6.18)
Revenues	74,785	80,384
Earnings before interest and tax (EBIT)	-942	-1,037
Earnings before tax (EBT)	-1,317	-1,410
Consolidated net profit / loss	-1,105	-2,039
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share in EUR	-0.27	-0.49
Equity ratio in %	47.0	51.7
Cash flow from operating activities	-1,826	6,168
Cash flow from investing activities	-601	-571
Cash flow from financing activities	2,537	-4,678
Employees at end of period (excluding Managing Board)	200	187

In EUR thousand (unless otherwise stated)

Financial calendar

December 10, 2019	Annual General Meeting

OUR COMPETENCIES – FOR YOUR EFFICIENCY

As a manufacturer-independent expert, we supportour customers with a wide range of services for optimum tool deployment. We combine technology, data management and logistics processes to create intelligent overall solutions. Our tool management is an ideal interaction of all components, tailored to your individual requirements. To this end, we will concentrate on four core areas in the future: Tools, Logistics, Technology, Data.

CERTIFIED ACCORDING TO DIN ISO 9001

EXPERTISE FROM 20 YEARS OF MARKET LEADERSHIP

ALL SERVICE LEVELS OF TOOL MANAGEMENT FROM A SINGLE SOURCE

TOOLS
Diversity from a single source

With the expertise and experience of 20 years of market leadership, we organise the complete procurement logistics from professional purchasing management through to interim storage and invoicing. We work on a manufacturer-neutral basis and develop cost-optimised and tailor-made solutions to meet your needs.

- Professional tool procurement and management
- Customer-specific article catalogue
- Vendor Managed Inventory

TECHNOLOGY
Optimal costs per part

By strategically bundling all measures, KROMI's technology management enables our tool experts to enhance productivity and reduce unit costs in tool deployment. By analysing tool costs, we identify potential savings and optimise technical processes.

- Analysis of working processes at machine tools
- Substitution of cost- and time-intensive tools
- Continuous improvement process (CIP)

DATA
Ready for Industry 4.0

KROMI data management ensures optimum networking of all components for a perfectly positioned value chain in terms of Industry 4.0. With eControl KCo, the KWM tool catalogue and the central KROMI database (eCloud), KROMI offers three effective instruments for optimal overview.

- Full consumption monitoring
- Cost analysis every 10 minutes
- Digital tool data in the DIN4000 / ISO 13399 format

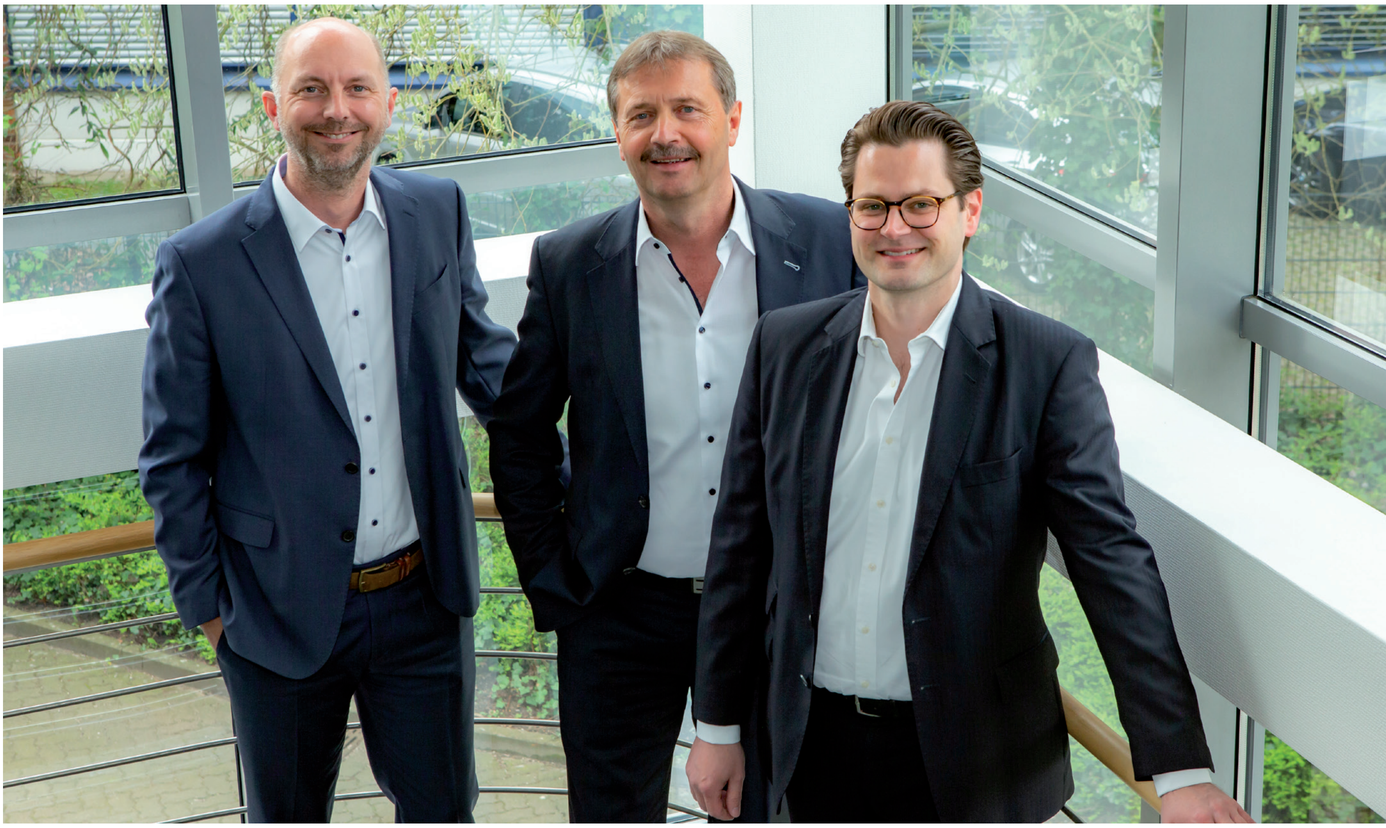
LOGISTICS
100 % availability on site

So that the right tool is at the right place at the right time, KROMI – as a professional outsourcing partner – offers flexible logistics solutions. In this context, intelligent storage systems such as the KROMI Tool Center ensure constant tool availability and consumption transparency. We also take over the organisation of entire existing stocks.

- Full supply independent of manufacturers
- Transparent inventories and costs
- 24 / 7 supply service

Dear shareholders,

The 2018 / 2019 fiscal year was marked by major challenges, which also burdened our revenue and earnings. As expected, the termination of a contract with a major customer at the turn of the 2017 / 2018 year had a noticeable effect. At the same time, we further expanded our business with existing customers and very successfully acquired new customers abroad. Accordingly, we increased our foreign sales in Europe and Brazil by 12.2 %. Although we already compensated for around half of the loss of revenue from the former major customer, this customer was still largely responsible for the decrease in total revenue in 2018 / 2019. Overall, revenue of around EUR 74.8 million was 7 % below the previous year. In terms of results, we achieved an EBIT result from operations of EUR -0.9 million. This result includes three non-operating special effects totalling approximately EUR 0.9 million. These special effects resulted from the conclusion of a termination agreement with a former member of the Managing Board, the insolvency of a customer in the automotive supply industry and currency effects in connection with the business in Brazil. Adjusted for these special effects, we achieved breakeven at the level of EBIT (profit from operations) in fiscal 2018 / 2019.



Managing Board of KROMI Logistik AG (from left to right: Axel Schubert, Bernd Paulini, Christian Auth)

In order to strengthen our competitive position and achieve a sustained turnaround in revenue and earnings, we further developed our business model in 2018 / 2019 . The result: we achieve maximum value for our customers – in line with how such customer values change over time – thanks to a service portfolio that can be flexibly adapted to reflect customer relationships. This service portfolio encompasses our four areas of expertise in TOOLS, TECHNOLOGY, LOGISTICS and DATA. The type and scope of KROMI's services can be individually adapted to ensure optimised processes, ideally matched tools and maximum flexibility at all times. The advantage for our customers is a tailor-made offering with differentiated pricing according to the services required. As always, we operate independently of manufacturers and, as a pioneer in the optimisation of tool availability and deployment, we fully meet our customers' wishes and requirements. As we continue to develop, we are also clearly looking to the future, because our expertise does not stop with the supply of cutting tools and technology consulting. We are taking a significant step further in the direction of Industry 4.0 and, within the scope of our powerful software solutions, are utilising the program, tool and production data we have collected in order to digitalise the entirety of machining-based value added, in response to requirements and to the benefit of our customers.

As expected, 2018 / 2019 was a transitional year in operational terms due to the loss of our largest customer. However, our core markets are intact and demand for integrated outsourcing solutions continues unabated. This is reflected in the expansion of business with existing customers and the successful acquisition of new customers. KROMI has a strong range of services at its disposal, which has become considerably more attractive thanks to further development in 2018 / 2019. For this reason, we are convinced that we will exploit the potential in our domestic and international markets and grow profitably again. For the 2019 / 2020 fiscal year, we expect revenue to increase again by around 10 %. We also expect a slightly positive EBIT profit from operations. As they cannot be forecast, currency effects in connection with the business in Brazil are not taken into consideration.

We would like to thank our shareholders for the trust they have placed in us. Join us on this exciting journey!

Your Managing Board Team

Bernd Paulini | Christian Auth | Axel Schubert

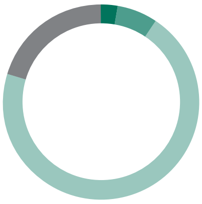
Capital market information

Key data

German Securities Identification Number (WKN)	A0KFUJ
ISIN	DE000A0KFUJ5
Ticker symbol	K1R
Trading segment	Regulated Market (General Standard)*
Share type	No par ordinary bearer shares (no-par shares)
Share capital	4,124,900
Initial listing	March 8, 2007
Designated Sponsor	M.M. Warburg
Share price as of July 2, 2018*	EUR 12,05
Share price as of June 28, 2019*	EUR 7,90
Percentage change	-37.4 %
52-week high**	EUR 12,70
52-week low**	EUR 7,80

* Closing price, XETRA trading system of Deutsche Börse AG
**Intraday, XETRA trading system of Deutsche Börse AG

Shareholder structure



2.91 %	Schubert family
6.55 %	KROMI Beteiligungsgesellschaft mbH
70.46 %	Investmentaktiengesellschaft für langfristige Investoren TGV
20.08 %	Free float

Investor relations

The shares of KROMI Logistik AG had been listed in the Prime Standard of the Frankfurt Stock Exchange since the IPO in March 2007. On August 29, 2018, KROMI's Managing Board together with the Supervisory Board decided to apply for the revocation of the admission of KROMI's shares from the Prime Standard. This step initiates official trading of KROMI shares in the General Standard. By changing stock exchange segment, the Group can reduce expenses. The segment change was completed on December 21, 2018.

In its external profile, the company was and continues to be led by the guiding principle that it should cultivate a transparent information policy, and engage in open dialogue with investors, analysts and the media.

Report of the Supervisory Board

Dear shareholders,

In the 2018 / 2019 fiscal year, the Supervisory Board of KROMI Logistik AG continued to perform its duties according to the law, its articles of incorporation, the German Corporate Governance Code and the Supervisory Board's rules of procedure, and supervised and advised the company's Managing Board on an ongoing basis.

Composition of the Supervisory Board

The Supervisory Board of KROMI Logistik AG consists of four members. It did not form any committees from among its number.

In the 2018 / 2019 fiscal year, the Supervisory Board consisted of:

- Ulrich Bellgardt (Supervisory Board Chairman)
- Jens Große-Allermann (Deputy Supervisory Board Chairman)
- Stephan Kleinmann (expert pursuant to Section 100 (5) of the German Stock Corporation Act [AktG])
- Prof. Dr. Eckart Kottkamp

Meetings

In the 2018 / 2019 fiscal year, the Supervisory Board held five meetings by personal attendance on July 30, August 29, September 24, November 15, December 5, 2018 as well as on February 21, May 21 and June 27, 2019. All members of the Supervisory Board participated in all meetings. In addition to the aforementioned attendance dates, the full Supervisory Board held telephone conferences on August 13, September 26 and November 14, 2018.

On November 8, 2018 and May 22, 2019, the entire Supervisory Board participated in two strategy workshops on the new business model and strategic issues of corporate development with the Managing Board and the extended management team of KROMI Logistik AG.

In addition to information provided at Supervisory Board meetings, the Supervisory Board was informed continuously by the Managing Board about the progress of business by means of monthly financial reporting. Aside from this reporting routine, the Managing and Supervisory boards were also at all times in continuous personal and telephone contact – mainly by way of dialogue between the CEO and the CFO and the Supervisory Board Chairman.

Supervisory Board activities

The aforementioned meetings as well as further information and discussions enabled the Supervisory Board to be informed in depth about the company's commercial and financial position, profitability, risk position and risk management, general business policy and important business transactions. The Managing Board informed the Supervisory Board promptly and comprehensively. The Supervisory Board took as its basis the annual budget approved for fiscal 2018 / 2019 in order to monitor the management of the business.

The Supervisory Board was involved in all decisions of fundamental significance for the company. All resolutions were passed as part of meetings, and with the participation of all Supervisory Board members.

In addition to the monitoring tasks incumbent upon it, the Supervisory Board's activities focused on supporting the further development of the business model of KROMI Logistik AG and advising on corporate finance structures. In addition, the Supervisory Board dealt comprehensively with the composition of the Managing Board.

The Supervisory Board kept itself informed promptly and in detail about revenue trends at the subsidiaries and the German branch operations, and discussed with the Managing Board its expectations and measures for the further development of the Group companies.

The system for reporting to the Supervisory Board was continuously further developed. As part of reporting on business trends, the Supervisory Board had itself be informed about the situation of the specific focus sectors and developments at important major clients as well as about forthcoming projects to acquire new customers.

At the telephone meeting on August 13, 2018, the Supervisory Board discussed a termination agreement with Managing Board member and CFO Mr. Uwe Pfeiffer, and passed the corresponding resolutions in connection with his resignation from the Managing Board at the end of March 31, 2019, and the termination of his service contract, at the same time. In a telephone meeting on November 14, 2018, the Supervisory Board passed resolutions regarding the early resignation of Mr. Uwe Pfeiffer from the Managing Board at the end of December 31, 2018, and the termination of his service contract, at the same time.

At its regular meeting on September 24, 2018, the Supervisory Board discussed appointing Bernd Paulini to be the Chairman of the Managing Board (Chief Executive Officer). The Supervisory Board passed the corresponding appointment resolution in an electronic resolution on October 20, 2018.

At the Supervisory Board meeting held by telephone on September 26, 2018, the Supervisory Board discussed and approved the appointment of Mr. Christian Auth as a member of the Managing Board and as Chief Financial Officer (CFO) with effect from April 1, 2019.

The Supervisory Board meeting on September 24, 2018 also included Supervisory Board consultations – in the presence of the auditor – relating to the clarification and discussion of the a separate financial statements for the fiscal year ending June 30, 2018 and the consolidated financial statements for the fiscal year ending June 30, 2018, as well as planning for the 2018 / 2019 fiscal year.

Supervisory Board consultations also continuously covered important questions relating to controlling and IT structures.

Corporate governance

The Supervisory and Managing boards continue to act in the awareness that good corporate governance forms an important precondition for the success of the company, and lies in our shareholders' interests. On June 28, 2019, the Managing and Supervisory boards renewed the usual annual declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The wording of this declaration is reproduced in this annual report as part of the corporate governance statement.

Audit of the annual financial statements for 2018 / 2019

The separate annual financial statements as well as the consolidated financial statements of KROMI Logistik AG prepared according to International Financial Reporting Standards by the Managing Board, and the respective management reports for the 2018 / 2019 fiscal year, including the financial records, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, and were each issued with unqualified auditor's opinions. In the light of these auditor's reports, the Supervisory Board reviewed the separate annual financial statements prepared by the Managing Board, the consolidated financial statements, and the management reports for both KROMI Logistik AG and the Group, and examined the proposal for the application of unappropriated profit as well as the dependent company report pursuant to Section 313 (2) Clause 3 of the German Stock Corporation Act (AktG).

At the October 1, 2019 Supervisory Board meeting to approve and adopt the aforementioned financial statements (accounts meeting), the Supervisory Board had the Managing Board explain the company's separate and consolidated financial statements for the fiscal year ending June 30, 2019, and had it report on profitability, especially the company's equity, as well as concerning the progress of business and the company's position. All Supervisory Board members received the requisite documents before this meeting. The auditor was present at the meeting, providing detailed explanations about the audit report, and responding in depth to questions about the financial statements and its related audit report, which the Supervisory Board members raised during the financials meeting. The Supervisory Board concurred with the auditor's report. No concerns exist concerning the auditor's independence. The Supervisory Board concurred with the auditor's findings. After an in-depth review, the Supervisory Board does not believe that any reason exists to raise objections to the management or to the financial statements prepared by the Managing Board. In consequence, the Supervisory Board approved the separate financial statements for the fiscal year ending June 30, 2019 and the consolidated financial statements for the fiscal year ending June 30, 2019, of KROMI Logistik AG.

The separate annual financial statements of KROMI Logistik AG were thereby approved pursuant to Section 172 of the German Stock Corporation Act (AktG). The Supervisory Board concurred with the Managing Board's proposal concerning the application of unappropriated profit.

The Supervisory Board would like to thank the Managing Board and all employees for their commitment to the company, and for the work that they have performed.

Hamburg, October 1, 2019

Ulrich Bellgardt
Chairman of the Supervisory Board

Corporate governance

The term "corporate governance" stands for the responsible and management and control of companies, oriented towards long-term financial and business success and profitability. KROMI Logistik AG is also devoted to this aim. For this reason, the responsible management of the company in compliance with all applicable legal regulations, as well as in the awareness of the company's responsibility to its shareholders, customers, employees and society, forms the basis and benchmark for the business decisions that are taken by the Managing and Supervisory boards of KROMI Logistik AG, as well as how such decisions are implemented.

Since its introduction in 2002, the German Corporate Governance Code in its current version has formed the guiding principle of KROMI Logistik AG for transparent and responsible corporate governance. The statement of compliance of KROMI Logistik AG is reproduced in the "Corporate governance declaration pursuant to Section 315 d. of the German Commercial Code (HGB)".

Differences to the Code's recommendations occur as a consequence of the size of the company and its executive bodies and also the business structures of its executive bodies and organisation. These do not require all of the details of the Code's regulations and measures due to the fact that the Code is universally applicable, including for large groups.

Corporate governance declaration pursuant to Section 315 d. of the German Commercial Code (HGB)

KROMI Logistik AG is a listed German public stock corporation (Aktiengesellschaft), and its corporate governance is primarily determined by the German Stock Corporation Act, as well as by the requirements of the German Corporate Governance Code in its respective current version.

Management and Supervisory boards' working methodology

KROMI is subject to the dual management system prescribed by German stock corporation law. This system is characterised by a stringent separation between the Managing Board as the managing body, and the Supervisory Board as the supervisory body. The Managing and Supervisory boards work closely together in the company's interests.

The Managing Board of KROMI Logistik AG is solely responsible for managing the company with the aim of generating sustainable added value. The principle of overall responsibility applies. In other words, the members of the Managing Board are jointly responsible for managing the entire company. They develop the company's strategy, and in agreement with the Supervisory Board they ensure that it is implemented. The principles guiding cooperation on the KROMI Managing Board are set out in the Managing Board's rules of business procedure.

From October 1, 2019, the Managing Board will consist of two members: the Managing Board Chairman (CEO) with responsibility for Sales and Technology and the Managing Board member responsible for Finance and Personnel. Responsibility for IT and Administration will be transferred to the remaining two Managing Board members as of September 30, 2019, following the departure of the Managing Board member currently responsible for these areas. The Managing Board members work closely together irrespective of their individual areas of responsibility. In accordance with the rules of business procedure, the members of the Managing Board keep each other informed on an ongoing basis about all significant events in their business segment. Managing Board resolutions are generally passed by mutual agreement. If an amicable agreement cannot be reached, the CEO makes the decision with his authority to issue directors. A resolution of the Managing Board that was not passed by consensus may be submitted to the Supervisory Board for examination at the request of a member of the Managing Board.

The CEO provides the Supervisory Board with regular, up-to-the-minute and comprehensive information on all of the key aspects of business growth for the KROMI Group, key transactions and the current earnings situation, including risks and risk management. Differences between the course of business and previous forecasts and objectives are discussed in detail, and the related reasons are provided. The Managing Board participates in all Supervisory Board meetings unless the Supervisory Board identifies a need to convene alone in compliance with the German Corporate Governance Code. The Managing Board reports in writing and verbally on the individual agenda items and proposed resolutions, and answers questions from the individual members of the Supervisory Board.

In the case of transactions of fundamental importance, in particular for the company's financial position and results of operations, the rules of business procedure require approval by the Supervisory Board, and include a specific list of transactions that must be approved.

The Supervisory Board advises the Managing Board on managing the company, and supervises its activities. It appoints and dismisses members of the Managing Board, approves the remuneration system for members of the Managing Board, and defines the respective total remuneration. It is involved in all fundamentally important transactions. In line with the number of the company's employees and its articles of incorporation, the Supervisory Board comprises four members elected by the company's shareholders.

The principles guiding the joint work within the Supervisory Board of KROMI Logistik AG are set out in the rules of business procedure for the Supervisory Board. The company does not use the option provided for within the rules of business procedure to form committees due to the size of the company and the Supervisory Board. The Supervisory Board's tasks are all discussed and decided upon by the Board. The possibility of passing resolutions by circulating voting papers is used only infrequently, and then only in particularly urgent cases.

Statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

On June 29, 2019, the Managing and Supervisory boards of KROMI Logistik AG issued a statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG). Accordingly, KROMI Logistik AG has complied, and complies, with the recommendations of the "Government Commission German Corporate Governance Code" (DCGK) in the 2018 / 2019 fiscal year, with the following exceptions:

- By way of divergence from Section 3.8 (2) DCGK, no deductible has been arranged in the D&O insurance for the Supervisory Board. From the company's point of view, a deducible is not required given the sense of responsibility and motivation of the members of the Supervisory Board.

- Pursuant to Section 4.1.5 DCGK, the Managing Board should take into account an appropriate participation by women when making managerial appointments. The Managing Board feels committed to this requirement, but does not yet pursue any gender-specific personnel policy. For this reason, attention is paid to diversity when appointing managers within the company, but the focus is nevertheless on the qualifications of the candidates (both women and men). In the company's interests, the Managing Board regards itself as obliged to continue to appoint the most appropriate candidates in both technical and personal terms for the respective vacant positions. By way of divergence from Section 4.1.5 Clause 2 DCGK, the Managing Board has set no related targets for the proportion of women at the two management levels below the Managing Board.

- By way of divergence from Section 4.2.5 (3) DCGK, KROMI Logistik AG does not utilise the template tables as per the annex of the DCGK when presenting Managing Board compensation in the remuneration report. The company is convinced that even without these tables, sufficient transparency can exist regarding the remuneration of the members of the Managing Board, specifically against the backdrop that the existing arrangements for variable remuneration exclude from the outset unreasonably high levels of total remuneration, thanks to their calculation bases and caps.

- Section 5.1.2 DCGK requires the Supervisory Board to pay heed to diversity when making appointments to the Managing Board, and to set targets for the proportion of women on the Managing Board. The Supervisory Board of KROMI Logistik AG refrains from setting such targets in light of the considerations presented above in relation to Section 4.1.5. In addition, a Managing Board consisting of only three members (from October 1, 2019: two members) offers limited scope to establish diversity among its membership.

- Pursuant to Section 5.4.1 DCGK, the Supervisory Board should include appropriate participation by women. The considerations relating to Sections 4.1.5 and 5.1.2 DCGK apply correspondingly to this recommendation. Restrictions on the diversity of the board will inevitably also arise in relation to the supervisory board, due to its restriction to only four members.

- By way of divergence from Section 5.3 DCGK, the Supervisory Board forms no committees. With a Supervisory Board only comprising four members it is not useful to form committees.

- By way of divergence from Section 5.4.1 (2) DCGK, no retirement age has been set for Supervisory Board members. It does not appear to be sensible to set a retirement age given the knowledge, abilities and specialist experience required pursuant to Section 5.4.1 (1) DCGK. In addition, the Supervisory Board refrains from setting a general limit on Supervisory Board membership. The Supervisory Board is aware of the importance of changing its members, but regards itself as capable of implementing this aspect in the company's interest without setting a general limit.

- For organisational reasons, the publication deadlines stipulated in Section 7.1.2 Clause 3 DCGK will not be met by a few days for the 2018 / 2019 fiscal year. In the opinion of KROMI Logistik AG, non-compliance does not lead to restrictions on the information interests of investors, creditors, employees and the public.

This declaration relates to the recommendations of the Code in the version of February 7, 2017.

- KROMI Logistik AG will continue to comply in the future with the recommendations of the "Government Commission German Corporate Governance Code" in the version of February 7, 2017, with the aforementioned exceptions.

Hamburg, June 28, 2019

For the Supervisory Board

Ulrich Bellgardt

For the Managing Board

Bernd Paulini	Christian Auth	Axel Schubert

Other corporate governance practices / Compliance

In the course of their activities, KROMI Logistik AG and its international subsidiaries come into contact with a variety of legal systems and rules. Throughout the Group, the company applies all legally prescribed corporate governance practices and compliance regulations.

KROMI sees this as an essential basis of the actions of the boards, executives and employees of all the Group companies. A code of conduct applies to the entire Group, which serves as a model for overcoming ethical and legal challenges in day-to-day work and is intended to provide orientation in conflict situations in order to ensure uniform and exemplary action and conduct.

Compliance management is aimed at communicating and anchoring the values binding under the code of conduct within the Group structure. Problems and violations are investigated in the interest of all concerned parties (employees, customers and shareholders) and the company; in the event of identified defects or violations, appropriate measures are taken to eliminate the causes.

The company upholds the transparency requirements imposed by shareholders and the general public by posting mandatory, up-to-date information on its website. On the website, KROMI publishes information including ad hoc disclosures, financial reports and its financial calendar, information on voting rights, directors' dealings, information on the shareholder structure, the General Meeting and general press releases.

The company has not formally decided to implement or introduce other company-wide standards, such as ethical, labour and social standards. Compliance with the appropriate requirements is seen as a matter of course for KROMI and the company's boards. The Managing Board pays personal attention to these issues. Thanks to the company's size, the Managing Board identifies any misdevelopments immediately, and corrects these as necessary. In view of the number of staff, all employees have easy and direct access to the Managing Board as required. The Managing Board fulfils its responsibility towards staff with the utmost sensitivity and care. This also relates to the company's whistleblower scheme. The EQS whistleblower tool is the point of contact for this, which can be used to follow up such information with the necessary discretion and confidentiality.

In relation to the two management levels below the Managing Board and with regard to the Managing and Supervisory boards' composition, the Managing and Supervisory boards have fixed no quotas for the participation of women, such that no reporting on the achievement of targets is possible.

Supervisory Board composition and independence

The current composition of the Supervisory Board corresponds to the objectives and competency profile that the Supervisory Board has set itself for its composition.

The Chairman of the Supervisory Board, Mr. Bellgardt, and Supervisory Board members Prof. Dr. Kottkamp and Mr. Kleinmann are independent as defined in Section 5.4.2 of the DCGK, and the Deputy Chairman of the Supervisory Board, Mr. Große-Allermann, is also a member of the Managing Board of Investmentgesellschaft für langfristige Investoren TGV, which holds approximately 70 % of the voting rights in KROMI Logistik AG.

Remuneration report

The remuneration report summarises the principles that are applied in setting the remuneration for the Managing and Supervisory boards of KROMI and discusses the amount and structure of the Managing and Supervisory boards' income. The report includes information which forms part of the Group management report pursuant to Section 315 of the German Commercial Code (HGB). To this extent, reference is made to the Group management report (remuneration report). Additionally the following information according to the requirements of the German Corporate Governance Code:

With regard to Managing Board Chairman Bernd Paulini and Managing Board member Axel Schubert, pension benefits had already been met upon them reaching the age of 65 in the context of their work for the company before their appointment to the Managing Board; in Mr. Paulini's case, a survivor's pension amounting to 60 % of the pension benefit also exists. These agreements with the aforementioned Managing Board members continue to be valid. For these pension commitments, pension provisions of around EUR 109 thousand (Paulini) and EUR 102 thousand (A. Schubert) were formed in the July 1, 2018 to June 30, 2019 period.

Mr. Christian Auth, Chief Financial Officer and Chief Personnel Officer of the company since April 1, 2019, has received a contribution-financed pension commitment via a congruent reinsurance policy. A monthly payment of EUR 4 thousand is made in this connection.

On December 19, 1996, Mr. Jörg Schubert, the CEO who stepped down as of December 31, 2017, received a pension commitment from Tarpenring 11 Vermögensverwaltungs GmbH upon leaving the company after reaching the age of 65. KROMI Logistik AG assumed this pension commitment on December 7, 2006, with effect from January 1, 2007. Provisions for pensions were formed in the period from July 1, 2018 to June 30, 2019 in this regard totaling around EUR 55 thousand.

Indirectly by way of their respective 33.33 % interests in KROMI Beteiligungsgesellschaft mbH, CEO Bernd Paulini and Managing Board member Axel Schubert each indirectly held 90,000 voting rights in KROMI Logistik AG as of the aforementioned reporting date. CEO Axel Schubert directly held a further 2,200 voting rights, and Managing Board member Bernd Paulini held an interest in a further 3,000 voting rights in KROMI Logistik AG.

Group management report

Basis of the Group

I. Group business model

The KROMI Group (hereinafter referred to as KROMI) is a manufacturer-independent specialist in optimising tool availability and tool deployment, especially technologically advanced machining tools for metal and plastics processing in machining operations. As a trustworthy and transparent partner to manufacturing industry, KROMI combines machining technology, data management, streamlined logistics processes and tools wholesaling to form compelling all-round solutions. Thanks to interconnected tool dispensers in customers' production areas in combination with digital inventory controlling, KROMI ensures the optimal utilisation and availability of the requisite working resources at the right time and in the right place. KROMI's activities aim to always offer maximum benefits for customers' machining operations. This entails continuously analysing in detail processes on the customer side and identifying opportunities and potential improvements, in order to optimally integrate tool supplies with all requisite services.

Besides supplying tools to customers as well as related digital inventory monitoring and the equipping of networked tool dispensers, KROMI focuses on data analysis and the identification of opportunities and potential improvements in processes relating to machining tool deployment.

II. Company structure

KROMI had four locations in Germany as of June 30, 2019. Besides the head office in Hamburg, the Group has offices in Magdeburg, Düsseldorf and Stuttgart. KROMI also has a presence in Brazil, Slovakia, Spain and the Czech Republic. KROMI is also active in Denmark, France, Austria, Poland, Romania, the Netherlands and Liechtenstein.

III. Segments

The Managing Board believes that is not expedient to apply segmentation based on products, product groups or services, given that products and services are homogeneous. Consequently, KROMI forms its operating segments according to the corporate seat of its customers, thereby basing itself on its relevant sales markets. A differentiation was made between the domestic market (Germany), European countries outside Germany, and Brazil, during the reporting period.

IV. Employees

At the end of fiscal 2018 / 2019, KROMI (excluding its Managing Board) employed 200 staff (June 30, 2018: 187). This also includes one trainee in the wholesale and export trade area.

V. Steering system

KROMI utilises various key figures in order to manage performance in relation to target attainment. This entails applying planning and controlling processes to prepare the requisite key figures and information for decision-makers at various management levels. Detailed annual plans and respective budget figures are determined based on strategic planning. Rolling monthly budgets enable differences between budget and actual outcomes to be identified and analysed, allowing countermeasures to be launched at an early juncture in the case of any negative developments. Compared with the previous year, KROMI has expanded its steering system. The key indicators DPO (Days Payables Outstanding), DIO (Days Inventory Outstanding) and DSO (Days Sales Outstanding) were introduced as additional key performance indicators.

KROMI applies the following central performance indicators for planning and steering:

- Sales revenue
- Gross profit margin
- Profit from operations
- DPO (Days Payables Outstanding)
- DIO (Days Inventory Outstanding)
- DSO (Days Sales Outstanding)

Furthermore, KROMI applies the following additional indicators:

- Warehouse stock
- Inventory turnover rate
- Outstanding debtor periods and levels

The central performance indicators of gross profit margin (revenue excluding other income less cost of materials in relation to revenue as a percentage), revenue and EBIT profit from operations reflect KROMI's profitability. Revenue provides crucial information about the utilisation level at customers and in industries. The gross profit margin is also of central importance as it reflects profitability and is an indicator of changes in tools deployment and prices. In addition, the Cash2Cash cycle introduced by KROMI in fiscal year 2018 – 2019, which derives from the performance indicators DPO (average trade payables in the last twelve months divided by the cost of materials in the last twelve months multiplied by 365), DIO (average inventories in the last twelve months divided by the cost of materials in the last twelve months multiplied by 365) and DSO (average trade receivables in the last twelve months divided by the revenues in the last twelve months multiplied by 365), provides a comprehensive overview of the company's capital employed. The company also monitors the additional indicators of warehouse stock, inventory turnover, and outstanding debtor periods and levels. The inventory turnover rate is monitored in order to identify the changes in warehouse stocks and revenue (tool consumption). Outstanding debtor periods and levels are additional indicators directly affecting KROMI's liquidity, and indicators of customers' financial positions.

KROMI completed its process cost analysis in the 2018 / 2019 fiscal year. On this basis, KROMI is currently working on converting this into a cost centre accounting model. KROMI will adjust the control system accordingly in future on the basis of the final cost centre accounting.

Business report

I. Macroeconomic conditions

The Kiel Institute for the World Economy expects global gross domestic product ("GDP") to increase by 3.2 % and 3.3 % in 2019 and 2020 respectively. In 2018, global economic growth amounted to 3.7 %. The continuing high level of global uncertainty is exerting a dampening effect on sentiment. In particular, the escalation of the trade conflict between the United States and China poses a downward risk to the world economy.[1] In the Eurozone, GDP grew by 1.9 % in 2018. Growth expectations for 2019 and 2020 are lower. These amount to 1.2 % for 2019 and 1.4 % for 2020 due to weak impulses from the international environment.[2]

Last year, Brazil registered its second positive GDP performance since the recession ended in 2017. In 2018, GDP grew by 1.1 %, the same level as in the previous year. For 2019 and 2020, an increase of 1.3 % and 2.5 % is expected. Unemployment continued to fall slightly to 12.3 %. The inflation rate is expected to rise slightly in the coming years, but remains stable overall. Prices are expected to increase by 4.2 % in 2019 and by 4.0 % in 2020. In 2018, the inflation rate was 3.7 %.[3]

In Germany, signs of a downturn are emerging after a stable last year in 2018, with an economic growth rate of 1.4 %. GDP declined in the second quarter of 2019. Economic researchers consequently lowered their growth forecasts for this year to 0.4 %. Economic experts expect growth of 1.0 % next year. The reduced expectations are the consequence of high political uncertainties worldwide and the existing shortage of skilled workers, especially in German industry.

II. Sector-related conditions

As a manufacturer-neutral specialist in professional tool management, KROMI is oriented to manufacturing companies both in Germany and abroad. KROMI's focus is on all companies exhibiting significant tool consumption as part of mechanical processing (machining). Such companies especially include machine and plant manufacturers, automotive supply companies, as well as the aerospace industry. The economic situation in these sectors consequently offers a good indicator for KROMI's future development and growth. The marine engine construction sector is of subordinate significance for KROMI due to its size.

[1] Kiel Institute Economic Outlook – World Economy Summer 2019 | [2] Kiel Institute Economic Outlook – Eurozone Economy Summer 2019 / Kiel Institute Economic Outlook – World Economy Summer 2019 | [3] Kiel Institute Economic Outlook – World Economy Summer 2019 | [4] Kiel Institute Economic Outlook – German Economy Summer 2019

a. Mechanical engineering / Precision tools

The German mechanical engineering industry grew again in 2018. According to the German Engineering Federation (VDMA), the sector's nominal sales rose by 2.1 % to a total of EUR 232 billion. The industry is thereby continuing the previous year's growth trend and confirming that it has departed from the unusually prolonged sideways trend.

The positive figures are also reflected in the order situation. New order intake in 2018 reported a further 5 % year-on-year increase. In contrast to the previous year, the growth impetus came primarily from the domestic market. However, machinery exports also grew by 5.3 % to reach EUR 177.8 billion despite the uncertain international environment. Exports to EU countries grew by 6.6 %. Those to China and the USA increased by 9.6 % and 7.1 % respectively. Price-adjusted production was also positive with growth of 2.1 %, reaching a production value of around EUR 224 billion. Average capacity utilisation in the industry was at a high and stable level of 91 %. The number of employees also reached a new high of 1.05 million. The growth trend was also evident in the precision tools sector. New order intake here increased by 3 % in real terms, driven primarily by domestic demand. [5]

b. Aircraft construction and aviation

The UN aviation authority, the IATA, confirms further growth in the aviation industry. Accordingly, spending on air transport rose to USD 845 billion in 2018 and is expected to reach USD 899 billion in 2019, corresponding to 1 % of global GDP, according to the aviation authority.

This trend is particularly evident in civil aviation. The total number of passengers rose to more than 4.3 billion. In 2018, the airlines connected a record number of cities worldwide with around 22,000 flight connections. The number of connections has thereby more than doubled in the last 20 years. In addition, the average passenger load factor rose to 81.9 %. Next year, the number of flight destinations and flight frequency are expected to continue to rise, and flight costs for passengers are expected to fall, which will have a positive effect on the industry. The IATA estimates that an estimated 1,750 new aircraft worth USD 80 billion will be delivered for commercial flights. Around half of the delivers will replace the existing fleet and thereby significantly increase fuel efficiency. As a consequence, the fleet is expected to increase to over 30,000 aircraft in 2019. Future prospects for the air freight sector were less rosy. This reflects the weakening of world trade due to trade conflicts. [6]

[5] VDMA – Mechanical engineering – figures and charts 2019 | [6] IATA – Economic Performance of the Airline Industry – June 2019

c. Automotive supply industry

According to the German Association of the Automotive Industry (VDA), 2018 was a robust year. The European market (EU28 + EFTA) maintained the previous year's level. A total of around 15.6 million cars were sold in Europe. The volume markets in France and Spain stood out with increases of 3 % and 7 % respectively. Germany failed to achieve any year-on-year growth. The automobile market in the USA remained stable year-on-year in 2018. In China, sales volumes in 2018 decreased by almost 4 % to 23.3 million vehicles.[7]

III. Course of business – KROMI in the 2018 / 2019 fiscal year

a. Corporate strategy and objectives, and its implementation in the Group in fiscal 2018 / 2019

KROMI's primary corporate objective is to provide machining companies in Europe and Brazil with the greatest value for customers compared to its competitors by delivering professional tool supply services. Our revenue and earnings are solely the consequence of all our activities geared to value for our customers. The optimisation and efficiency enhancement of machining processes as well as cost reduction in production and administration form the focus of customer value. The continuous development of KROMI's management and employees is based on this fundamental orientation. In order to foster the company's sustainable growth and development, KROMI employees are to be given even greater scope for business activity than before.

As an innovative and manufacturer-independent technology specialist, KROMI optimises tool deployment in machining operations. Here, the company analyses customer processes and data in detail, identifies potential improvements, and optimally integrates tool supplies with all related requisite services. As a reliable and transparent partner to industry, KROMI thereby combines tools wholesaling, machining technology, data management and streamlined procurement and logistics processes to form compelling all-round solutions. With the implementation of this renewed alignment, the Managing Board is aiming for further organic growth in the target markets over the coming years.

b. Key financial steering indicators

According to the adjusted annual forecast, KROMI failed to fully achieve its targets. The 7.0 % decrease in revenue due to the termination of a contract with a major customer in Europe was in the mid single-digit range, as stated in the forecast. The gross profit margin was 22.2 % (previous year 22.8 %) and thereby below the forecast target figure, which assumed that the gross profit margin could be maintained at the previous year's level. This is attributable to the ending of the contract with a major customer as well as strong growth with new customers, as lower gross profit margins are achieved in the start-up phase in this context due to the business model the Group has pursued to date. The EBIT result from operations stood at EUR -942 thousand. Taking into account the currency gains in connection with the business in Brazil (EUR 224 thousand) that this figure this includes, this corresponds to the adjusted forecast of May 21, 2019, which assumed EBIT adjusted for the currency effects in Brazil

[7] VDA – Press release: International automotive business produces solid results in 2018

of EUR -1,100 thousand. The negative operating result is caused by the resignation of a former member of the Managing Board and the associated recognition of a liability of EUR 631 thousand as well as the value adjustment on receivables amounting to EUR 537 thousand as a consequence of the insolvency of a customer. As of the balance sheet date, the newly introduced performance indicators were DPO 33 days, DIO 136 days and DSO 66 days.

During the period under review, warehouse stocks were kept at a level that ensures 100 % tool availability for customers, and also takes tool manufacturers' delivery period into consideration. The inventory turnover rate was 2.8 (previous year: 3.0), slightly below the planned range of 3.0 to 4.0. The average term of receivables in the fiscal year under review was 64 days (previous year: 72 days). As of June 30, 2019, receivables amounted to EUR 15,943 thousand (previous year: EUR 15,745 thousand). As planned, the accounts receivable term has consequently not exceeded 90 days. The amount of receivables was also not higher than the revenue of the last 90 days.

c. Germany: Challenging year in our core market

Revenue in Germany decreased from EUR 45,892 thousand in the previous year to EUR 36,099 thousand. This is mainly attributable to the termination of a contract with a major customer and the insolvency of a major customer in the automotive supply industry. However, almost half of the resulting revenue losses were already offset by business with new customers.

d. European countries outside Germany: Acquisition of new customers and expansion of business with existing customers

In European countries outside Germany, KROMI acquired further new customers and also reported growth in its business with existing customers. Accordingly, the operating business performed well and revenue increased by 13.5 % to EUR 30,576 thousand (previous year: EUR 26,947 thousand). The usually low margins for the first-time customer business at the start of the customer relationship nonetheless also had a negative impact on the gross profit margin this year.

e. Brazil: Positive operating trend

Growth in the Group's Brazilian activities remained positive overall in the 2018 / 2019 fiscal year, given a better economic environment. A recovery was made from the economically-induced dips in revenue over the past years in the existing business. Revenue rose by 7.5 % from EUR 7,544 thousand in the same period of the previous year to EUR 8,109 thousand. Significant new business was also acquired in the fiscal year elapsed. The past years' trend provides clear evidence of the potential inherent in the business model in Brazil.

[9] IATA – Annual Review 2018 – June 2018 | [10] IATA – Economic Performance of the Airline Industry – June 2018 | [11] BMWI – Branchenfokus – Luft- und Raumfahrt | [12] VDMA: Press release: International automotive industry has good annual results for 2017

f. Optimisation and efficiency enhancement

KROMI supplies its customers with up-to-date and detailed tool and consumption data, thereby forming the basis for tool deployment optimisation thanks to KROMI technologies. Data-based optimisation in terms of Industry 4.0 represents an important USP not only among existing customers, but also increasingly in the acquisition of new customers. Here, the KROMI system proves compelling through end-to-end data collection without interfaces, low personnel costs on the customer side, uninterrupted production, the avoidance of rejects, and 100 % controlling through seamless logging.

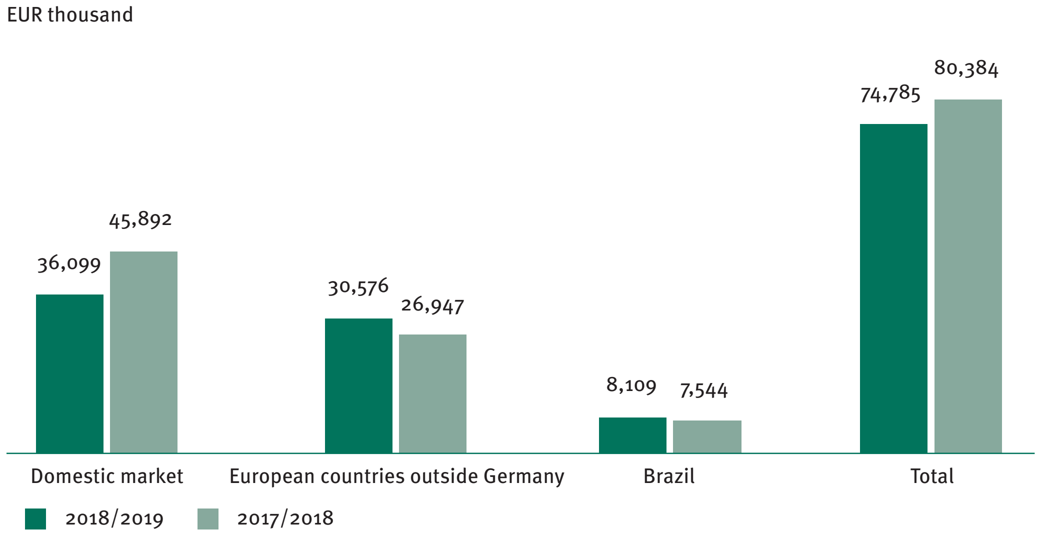
All of these process and tool optimisation measures boost value for the customer, and create the foundation for the long-term partnerships that typify KROMI. This approach continued to be further advanced in the 2018 / 2019 fiscal year and it will be differentiated even further in the future.

IV. Financial position and performance

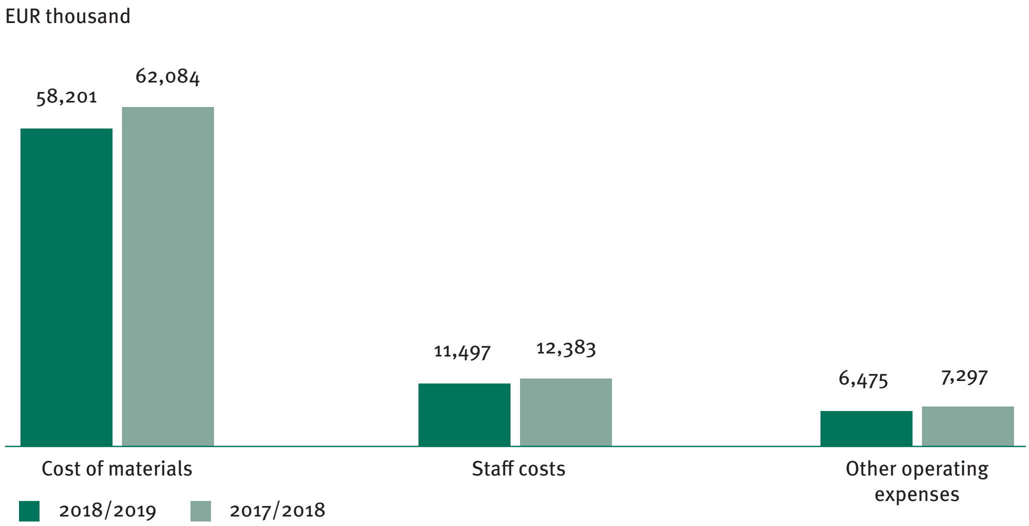
a. Results of operations

Revenues

Revenue decreased by 7.0 % to EUR 74,785 thousand in the period under review. KROMI recorded a decline in domestic revenues. The main contributor to the -21.3 % reduction in domestic revenues was the termination of a contract with a major customer in the fiscal year 2017 / 2018. By contrast, KROMI increased its revenues in other European countries and Brazil by 13.5 % and 7.5 % respectively. Both the expansion of existing customer business and the acquisition of new customers contributed in this context.



Cost of materials, staff costs and other operating expenses year-on-year



The cost of materials decreased by 6.3 % compared to the previous year. In absolute terms, it recorded a year-on-year reduction from EUR 62,084 thousand to EUR 58,201 thousand. The cost of materials ratio (cost of materials divided by revenue) at 77.8 % was higher than in the previous year (77.2 %). The increase in the the cost of materials ratio arose from the termination of a contract with a major customer and a high proportion of new customer business, as lower gross profit margins were achieved in the start-up phase due to the business model applied to date. Accordingly, the gross profit margin amounted to 22.2 %, below the previous year's level of 22.8 %. In Germany, the cost of materials amounted to EUR 28,214 thousand (previous year: EUR 34,860 thousand), in the rest of Europe outside Germany to EUR 23,878 thousand (previous year: EUR 21,428 thousand), and in Brazil to EUR 6,109 thousand (previous year: EUR 5,796 thousand). As a consequence, the gross profit margin amounted to 21.8 % in Germany (previous year: 24.0 %), in the rest of Europe outside Germany 21.9 % (previous year: 20.5 %) and in Brazil 24.7 % (previous year: 23.2 %).

The staff cost ratio (staff costs divided by revenue) stood at the previous year's level of 15.4 % (previous year: 15.4 %). Staff costs include a special effect in the amount of EUR 631 thousand in connection with the CFO's departure as of December 31, 2018. This was lower than the provision formed in the previous year for the resignation of the former CEO.

Depreciation and amortisation decreased slightly to EUR 575 thousand (previous year: EUR 627 thousand). Other operating expenses of EUR 6,475 thousand were down compared with the previous year's level of EUR 7,297 thousand. This change is mainly due to currency losses in connection with the business in Brazil amounting to EUR 1,138 thousand in the fiscal year 2017 / 2018. Currency gains of EUR 224 thousand were generated in the fiscal year under review. They are reported under other operating income. This figure also includes a EUR 537 thousand value adjustment on receivables due to the insolvency of a customer.

The EBIT result from operations amounted to EUR -942 thousand in the reporting year (previous year: EUR -1,037 thousand).

Interest expenses of EUR 387 thousand were slightly below the previous year's level (previous year: EUR 396 thousand).

Due to the parent company's negative result, no income taxes were due in Germany. This item mainly includes the addition of deferred tax assets on the loss incurred by the parent company (EUR 318 thousand) and income taxes paid by the Brazilian company (EUR 78 thousand).

KROMI generated a Group result of EUR -1,105 thousand (previous year: EUR -2,039 thousand). The Group result would have been EUR -161 thousand after excluding special effects, the departure of a member of the Managing Board (EUR 631 thousand) and the value adjustment on receivables due to the insolvency of a customer (EUR 537 thousand) as well as currency gains (EUR 224 thousand).

b. Net assets

Balance sheet

As of the June 30, 2019 balance sheet date, KROMI's total assets stood at EUR 47,593 thousand, thereby above their level in the previous year (EUR 45,922 thousand).

On the assets side of the balance sheet, non-current assets increased slightly from EUR 4,084 thousand in the previous year to EUR 4,132 thousand as of June 30, 2019, mainly due to new KTC machines. Other non-current receivables increased from EUR 1,462 thousand to EUR 1,674 thousand mainly due to a bank balance pledged to a former member of the Managing Board as part of his resignation and which was paid out in installments. Deferred taxes rose from EUR 400 thousand to EUR 817 thousand mainly due to the allocation of deferred tax assets to the loss incurred by the parent company in Germany (EUR 318 thousand).

Current assets amounted to EUR 40,970 thousand (June 30, 2018: EUR 39,976 thousand), as inventories increased to EUR 22,032 thousand (June 30, 2018: EUR 19,977 thousand) due to the successful acquisition of new customers. Trade receivables increased to EUR 15,568 thousand (June 30, 2018: EUR 16,801 thousand). This clearly reflected the effects of optimised receivables management and the lower revenue volume. Cash and cash equivalents rose to EUR 1,693 thousand as of the 2019 reporting date (June 30, 2017: EUR 1,581 thousand).

On the equity and liabilities side, the balance sheet comprised year-on-year lower total equity of EUR 22,371 thousand as of June 30, 2019 (June 30, 2018: EUR 23,721 thousand). The equity ratio decreased from 51.7 % on June 30, 2018 to 47.0 % on the 2019 balance sheet date as a consequence of a higher level of total assets. KROMI's debt rose from EUR 22,201 thousand as of June 30, 2018 to EUR 25,222 thousand. Of this total, non-current liabilities accounted for EUR 3,529 thousand (June 30, 2018: EUR 3,406 thousand) and current liabilities for EUR 21,693 thousand (June 30, 2018: EUR 18,795 thousand) as of the 2019 balance sheet date. This increase is mainly due to a rise in short-term borrowings to finance working capital and the corresponding liability to the aforementioned pledged bank balances. Trade payables increased to EUR 6,785 thousand (June 30, 2018: EUR 6,241 thousand) due to factors relating to the reporting date.

c. Financial position

Working capital (current assets less current liabilities) reduced to EUR 19,277 thousand due to the lower revenue volume (June 30, 2018: EUR 21,181 thousand). KROMI was able to meet its payment commitments at all times.

Cash flow from operating activities amounted to EUR -1,826 thousand in the period under review (previous year: EUR 6,168 thousand). This was mainly due to the negative Group result and an increase in inventories owing to the successful acquisition of new customers.

Cash flow from investing activities amounted to EUR -601 thousand (previous year: EUR -571 thousand), while cash flow from financing activities stood at EUR 2,537 thousand (previous year: EUR -4,678 thousand), which is mainly attributable to the financing of business with new customers.

Cash amounted to EUR 1,693 thousand as of the end of the 2018 / 2019 fiscal year (June 30, 2018: EUR 1,581 thousand).

KROMI currently has at its disposal EUR 17,000 thousand of working capital credit lines, of which EUR 10,224 thousand were drawn upon as of June 30, 2019.

d. Overall statement on the Group's financial position

The 2018 / 2019 fiscal year was marked by major challenges, which burdened revenue and earnings. The effects of the termination of a contract with a major customer at the turn of the year 2017 / 2018 were clearly evident. At the same time, KROMI further expanded its existing customer business and very successfully acquired new customers abroad. Revenue and earnings trends in Brazil, which led to a positive contribution to EBIT, proved to be very pleasing.

Various internal strategic projects are currently underway at KROMI with the aim of expanding the service portfolio and improving the earnings situation by optimising processes. KROMI incurred a Group net loss of EUR 1,105 thousand, compared with a consolidated net profit of EUR 2,309 thousand in the previous year. With a 47.0 % equity ratio and EUR 1,693 thousand of liquid assets, KROMI enjoys a stable net assets and financial position as of the 2019 balance sheet date and is well equipped for the further development of its business activities.

Corporate governance declaration pursuant to Section 315 d. of the German Commercial Code (HGB)

KROMI Logistik AG is a listed German public stock corporation (Aktiengesellschaft), and its corporate governance is primarily determined by the German Stock Corporation Act, and also by the requirements of the German Corporate Governance Code in its respective current version.

The corporate governance declaration has been published on the company's investor relations website at http://ir.kromi.de/.

Report on outlook, risks, and opportunities

I. Outlook

A. Managing Board's overall statement on the Group's development in fiscal 2019 / 2020

The Managing Board plans to further consolidate and expand the business with both existing and new customers in the future. Organic growth is to be achieved primarily at existing locations, while new markets are to be tapped principally by way of accompanying existing customers, in order to then expand them locally. The careful weighing and consideration of opportunities and risks will continue to play a central role in this context in the future. Despite the decrease in revenue in fiscal 2018 / 2019, the Managing Board is confident of achieving profitable long-term growth thanks to the diversified customer structure and the efficiency measures taken.

b. Expected trend in the market environment

KROMI's customers operate in global growth markets. The general mechanical engineering industry, aerospace and the automotive supply industry represent long-term growth sectors — even if rates of growth are subject to pronounced fluctuations over the course of time.

KROMI's target industries are currently feeling the effects of global uncertainty. The VDMA expects production in the mechanical engineering industry to decrease by 2 % in 2019 after almost ten years of growth. Industry sales are expected to amount to EUR 226 billion, compared with EUR 232 billion in the previous year. The German automotive industry is also anticipating a substantial decline in production of 5 %. In foreign markets, however, production will rise to a total of 11.6 million passenger cars. In addition, new and more stringent environmental standards and the trend towards the development of electric drives in the automotive and mechanical engineering industries are expected to have an impact on the volume of metal cutting in the medium term. A similar trend is evident in the airfreight sector, which is experiencing weaker growth in 2019 due to the existing trade conflicts. Civil air traffic will continue to increase. The value of air freight in 2019 is expected to rise by 1.2 % to EUR 6.1 billion.

Despite this backdrop, KROMI sees itself well positioned, with its customer base spread across different sectors and countries, to share in the positive long-term development of its most important target sectors.

c. Expected trend for KROMI

In the current fiscal year, KROMI is planning to generate revenue growth of around 10 % year-on-year with existing and, above all, new customers in contrast to the challenging market developments in 2019 / 2020. Due to high start-up costs for new customer business, the gross profit margin will be slightly below the previous year's level. Efficiency enhancement measures were implemented in business processes as well as for inventories, inventory turnover frequency, as well as for accounts receivable duration and amount during the reporting period. As a consequence, the Managing Board expects a slight improvement in the key figures in the current fiscal year compared with the previous year. These measures will also lead to a slight improvement in the DPO, DIO and DSO key figures.

For the 2019 / 2020 fiscal year, the Managing Board expects a slightly positive EBIT (operating result). As they cannot be forecast, currency effects in connection with the business in Brazil are not taken into consideration.

II. Report on opportunities and risks

a. Report and information in accordance with Section 315 (4) of the German Commercial Code (HGB)

Along with accounting-related processes, the risk management system (RMS) and the internal controlling system (ICS) generally also comprise all risks and controls relating to accounting. With regard to the accounting process, the risk management system aims to identify and measure risks that counter the aim of ensuring that the consolidated financial statements and management report comply with regulations. Identified risks are measured with regard to their impact on the consolidated financial statements. In this connection, the internal controlling system aims to guarantee sufficient security by implementing corresponding controls to ensure that the separate financial statements and management report are prepared in line with the corresponding standards despite the identified risks.

b. Accounting-related internal controlling system

KROMI's Managing Board has set up an internal controlling system for the wide-ranging organisational, technical and commercial workflows in the Group in order to ensure that bookkeeping and financial accounting are conducted properly. As an integral component of the financial accounting process, it comprises preventative, supervisory and revelatory security and controlling measures within the financial accounting and operating functions. The clear allocation of responsibilities and controls as well as appropriate access regulations in the IT systems of relevance to the financial statements comprise key accounting control elements. One central element is the principle of functional separation, which aims to ensure that major executory (for example, sales), booking (for example, financial records) and administrative (for example, IT administration) activities do not stem from a single source. The dual control principle ensures that no major process goes uncontrolled.

c. Risk management and methods

KROMI has developed systems, methods and bodies to implement and secure its business. These aim to allow the Managing Board to recognise at an early juncture any operating and financial risks – whether immaterial, material, or risks that might jeopardise the company as a going concern – and to also mitigate these at an early stage if required. It aims to ensure that critical information is passed on to management directly and in good time. In this context, the risk management system issues the following basic principles and objectives:

1. Standardised view of risks
2. Rapid overview of the actual risk situation within KROMI
3. Consistent disclosure and addressing of loopholes
4. Risk-oriented concentration on key business areas and processes, as well as requisite controls
5. Implementation which is cost-aware and pragmatic, and which does not entail unnecessary bureaucracy
6. Standardised perspective and approach for all controlling-relevant sub-areas

KROMI utilises a spreadsheet-based management and controlling system to measure, monitor and control business growth and risks. This system is mostly based on data from the ERP system and SAP. The risk manual documents the key risks that are present, and allocates levels of responsibility within the company. Existing risk potentials are monitored on an ongoing basis, and adequate activities to limit risks are put in place if possible.

As part of risk management, risks are allocated by the respective risk officers. This entails grouping risks according to their relevance and importance. Concerning the relevance aspect, risks are differentiated into "immaterial", "material" and "going concern" risks.

d. Risks

KROMI's Managing Board is directly responsible for the early recognition, controlling and communication of risks. This allows the company to respond to potential risks both rapidly and comprehensively. In its overall assessment of the risk situation, the Managing Board is of the opinion that the following risks and their treatment will be of particular importance in the 2019 / 2020 fiscal year:

- Sustainable further development of the business model taking market requirements into consideration
- When growth momentum declines due to exogenous macroeconomic developments, products, processes, costs and margins are managed, controlled and monitored to avoid liquidity risks. To hedge or intensively monitor rising credit default risks
- Permanent availability of the data required to implement the business model

The risks detailed here could have a negative impact on KROMI's profitable growth in the future. Going-concern risks to the company are recognised and recorded, but were not relevant at the time when these annual financial statements were compiled.

i. Liquidity risk

KROMI's business model requires the provision of working capital. Maintaining a sufficient liquidity reserve is achieved through careful liquidity management. Both short-term rolling liquidity planning and medium-term financial planning are utilised to calculate the liquidity required. These instruments allow financial requirements to be coordinated and covered on time with lending banks. As a result of successful liquidity management, a significant, quantifiable liquidity risk in the meaning of the best definition did not occur at any time during the period under review.

ii. Risks connected with changes in interest rates

The company currently identifies no risk from sustainable interest-rate risks within the Eurozone. By way of precaution, however, a EUR 1.5 million interest-rate swap was entered into already in the 2011 / 2012 fiscal year in order to hedge the purchase price financing for the Tarpenring 11 building. The negative market value calculated applying the mark-to-market method amounted to EUR 56 thousand as of the balance sheet date.

The interest-rate level was almost unchanged in the 2018 / 2019 fiscal year. The Eurozone reference interest rate stood at 0.0 % as of the balance sheet date. It is not expected that this reference interest rate will change fundamentally over the course of the fiscal year. Accordingly, no significant quantifiable risks are expected to arise during the 2019 / 2020 fiscal year from the change in the reference interest rate in the meaning of the risk definition.

iii. Risk of receivables default / Risk of customer insolvency

KROMI steers and minimises its receivables default risk through consistent debtor management. KROMI's customers primarily comprise established industrial companies with high credit ratings. A risk relating to payment behaviour and solvency nevertheless generally exists. Significant effects for financial position and performance would arise especially given a default on receivable by a customer or a group of customers with a receivables position of more than 10 % of the overall receivable. Only one group of customers meets this criterion at present. Between two and five months can elapse between the tools being removed from the dispensers and payment actually being received, including the agreed payment targets. KROMI counters receivables default risk through diversification of its portfolio of customers. In addition, a trade credit insurance policy was taken out in the 2018 / 2019 fiscal year to further hedge against the insolvency risk and to a large extent to hedge customer receivables. Furthermore, before concluding agreements with new customers, KROMI runs credit checks based on generally accessible information. As part of the receivables management system, all receivables are subject to review by turns by the Managing Board and by the financial management and, if necessary, clarified in a personal discussion with the customer. Equally, all customers are subject to a fixed and automated receivables management / reminder system. As of the balance sheet date, the company was not aware of any significant quantifiable risks arising from the default of debtors in the meaning of the risk definition.

iv. Merchandise risks / Warehouse risks

When accepting a new business relationship, KROMI initially acquires the customer's existing tool inventories, and feeds these gradually into the dispenser supply, thereby bearing the financing risk.

KROMI's systems are set up to analyse past tool consumption, and to utilise this information to derive data for demand-based repurchasing, assuming constant consumption. Additional information on future production planning is needed to precisely gear order quantities for tools to customers' changing requirements. Only the customer can supply this information. For this reason, KROMI agrees a suitable communication concept with its customers to record this customer information, and to take it into account in its merchandise planning. If excess stocks still result at KROMI, however, the tool supply agreements stipulate that customers should accept these stocks within fixed agreed dates, to the extent that it is not possible to return excess stocks to the respective suppliers. This approach can be jeopardised if a customer becomes insolvent. As of the balance sheet date, the company was not aware of any significant quantifiable risks arising from merchandise and warehouse risks in the meaning of the risk definition.

v. Risks relating to changes in currency exchange rates

This potential risk from foreign business as a consequence of currency translation differences is negligible, as invoices are generally issued in euros. In Brazil, the Brazilian subsidiary buys and sells merchandise in local currency. As a consequence, currently no direct risk exists from changes in exchange rates due to commercial transactions, or only to a minor extent. The Brazilian subsidiary bears the exchange-rate risk for the repayment relating to the debt service to the parent company. It is impossible to hedge this exchange rate risk due to the fact that the currency concerned is the Brazilian real, and because the relevant cash flows occur in the future. As of the end of the fiscal year, the company is unaware of any significant quantifiable risks arising from changes to currency exchange rates in the meaning of the risk definition that could exert a considerable negative or positive effect on KROMI's earnings.

vi. Risks arising from the investment in Brazil

In Brazil, the speed at which the penetration of the potential market was occurring was slower than initially assumed due to various regulatory administrative processes. The valuation of this equity investment was included in the risk profile for this reason. The subsidiary's development is monitored very closely, and the management receives continuous short-term updates. The further developments and effects of the macroeconomic situation in Brazil, which remains challenging, remain to be seen. The drop in revenue generated in the business with existing customers over the past years has meanwhile been recovered, and is more than offset by new business. In view of this situation, as well as the positive trend over the last fiscal years, the Managing Board remains convinced that the sales revenue expectations can be met long-term.

KROMI has issued a letter of comfort for the benefit of the Brazilian subsidiary. KROMI thereby commits itself to granting its subsidiary financial support to maintain its operating activities where required. As of the balance sheet date, the company was not aware of any significant quantifiable risks in the meaning of the risk definition arising from the investment in Brazil.

vii. Market risks

The customers of KROMI are primarily active in the general engineering, automotive supplies as well as aerospace sectors in Germany as well as in other European countries and in Brazil. Demand for its products is subject to economic factors, energy costs, seasonal effects, consumer demand and other factors, which incur corresponding impacts on demand for the products and services that KROMI offers. This in turn could have a negative impact on KROMI's financial position and performance. Despite the gloomy economic forecasts for the global economy, we do not see any significant quantifiable risks for the current fiscal year.

viii. Risks associated with the company's strategy

Investment as well as cooperation and investment decisions may lead to corporate strategy risks deriving result from expectations that are placed in internal projects (such as capital expenditure), and from strategic alliances not being fulfilled, or not being implemented within the planned time period. These risks are restricted through early-stage analyses of opportunities and risks by experienced specialist units, with the support of external consultants if needed. Significant quantifiable, corporate-strategy risks in the meaning of the risk definition were not identified as of the end of the year under review.

ix. Information technology risks

IT systems form a major component of the business processes of KROMI. The utilisation of IT results in risks with regard to the availability, reliability and stability of business processes as well as the confidentiality of data, which could have a negative impact on KROMI's financial position and performance, and image. IT-related risks are monitored constantly. The measures needed to reduce risks are put in place if required. The IT systems are regularly evaluated with regard to their security level, based on the relevant business processes and the data to be processed. Various risk scenarios are taken into account in this regard, such as system downtime or hacker attacks. As a result of these analyses, redundant systems are installed at various locations and additional external back-up systems are deployed. The IT design within KTC supply ensures that KTC dispenser supply is permanently guaranteed for the customer in the event of a defect or temporary server downtime. Data losses are avoided through additional external data back-ups. To further minimise this risk, and to maintain efficient and secure business processes, KROMI also constantly checks its IT systems, and is constantly developing them further. Significant quantifiable, information technology risks in the meaning of the risk definition were not identified as of the end of the year under review.

e. Opportunities

I. Opportunities arising from the outsourcing trend in manufacturing industry

Manufacturing companies are increasingly focusing on their core competencies. A growing trend prevails toward outsourcing peripheral production areas. Cost pressure, high inventory levels of "C items" (products of low value but which are indispensable for regular production processes), the tying up of capital, and a lack of transparency are reasons that motivate industrial companies to pursue outsourcing, including the outsourcing of precision tools. This generates considerable market potential for KROMI. Customers' frequent lack of tool know-how and the lack of databases to optimise tool deployment also represent a high need for external advice. KROMI also offers such expertise.

ii. Growth with existing multinational customers

KROMI's multinational customer structure offers continuous, high, growth potential. KROMI realises growth through expanding tool management for existing customers that also make recourse to KROMI services for new locations abroad. A general country risk exists, as a matter of principle, in relation to business volumes at our activities at our subsidiary in Brazil due to changes to overall economic or legal conditions.

iii. Market potential

KROMI has already established a reputation within the tool management niche. This market share is nevertheless relatively insignificant compared with the respective market. As a consequence, the market offers excellent growth opportunities that should strengthen even further due to growing outsourcing trends in industry. As a result of its early introduction of the tool management system in 2000, the company has already established a pioneering position in the by-far most developed European market, Germany, and consequently commands a decisive competitive advantage to exploit further market potentials.

iv. High plannability of business

Regular revenues are generated once a KTC has been installed for a customer. This circumstance results in considerable security, and allows business with existing customers to be planned reliably.

v. Qualified personnel

Highly qualified staff form an important success factor for KROMI. With its business, KROMI is operating in a sector exhibiting constantly growing technical and organisational requirements. Experience and expertise consequently play a major role and offer KROMI a great opportunity to grow further. In addition, detailed technical knowledge is required particularly in production and materials specialisms. To date, KROMI employees have mostly stayed with the company over a long period. Ensuring that employees remain with the Group for a long period on average will also remain an objective for KROMI in the future. Above and beyond this, KROMI competes with other companies for new, highly qualified staff. A number of measures have been adopted in order to be able to continue to recruit and retain existing qualified applicants in the future. KROMI conducts training in the areas of wholesaling and foreign trade as well as in machining mechanics. As in the past, KROMI plans to continue provide work experience as part of combined work and study courses for students from various academic faculties.

f. Overall statement on the company's opportunity and risk situation

KROMI's overall risk and opportunities position derives from the specific risks and opportunities presented above, which are continuously reported and controlled with the help of the risk management system that is in place. Based on current information, the Managing Board is of the view that the Group is currently not exposed to any risks that extend above and beyond those that are inseparably connected with its business as well as the expected expansion of business. All risks are monitored continuously where possible, and corresponding hedging and securing measures are implemented. As a consequence, no risks are currently identifiable that could jeopardise the Group's overall financial stability.

KROMI's long-term business model proved its worth overall in the 2018 / 2019 fiscal year. However, KROMI identifies a stronger trend towards more transparency in relation to performance and costs among its customers and in the market. We have identified this trend and we are working intensively on fulfilling these requirements. In this context, KROMI identifies major opportunities to serve its existing customers on an even more individual basis, and to acquire further customers through meeting this demand situation for the future KROMI model. KROMI is in a good position thanks to constantly recurring cash inflows, available credit lines as well as the quality and credit standing of its diversified customer base. As of the balance sheet date, the company was not aware of any significant quantifiable risks in the meaning of the risk definition that jeopardised KROMI as a going concern, or which would give rise to expectations of significant effects on its financial position and performance.

Remuneration report

The remuneration report summarises the principles that are applied in setting the remuneration for the Managing and Supervisory boards of KROMI and discusses the amount and structure of the Managing and Supervisory boards' income.

I. Remuneration of Managing Board members

The Supervisory Board is responsible for setting the remuneration for the Managing Board members. In doing so, the Supervisory Board bases its decision on the tasks of the respective Managing Board member, the member's performance, the performance of the overall Managing Board, the economic situation, the company's success and its future prospects while taking its comparable environment into account, with the aim of setting reasonable overall remuneration.

The company approved a new compensation scheme for the Managing Board members in the 2011 / 2012 fiscal year, and developed it further in fiscal 2014 / 2015 by simplifying its implementation – although leaving the structure unchanged – through concluding corresponding supplementary agreements with the Managing Board members. Accordingly, the Managing Board members are entitled to both fixed and annually variable compensation, and ancillary benefits. The latter are granted in a manner that is normal for the market and for corporations. These include the provision of company cars and accident insurance protection. Such benefits are taxed if they are deemed to comprise monetary benefits.

The Supervisory Board regularly reviews and determines the structure of the Managing Board compensation scheme, and the appropriateness of the remuneration. The compensation scheme is based on the following requirements:

- individually appropriate compensation for each Managing Board member,
- orientation to sustained corporate growth,
- a split between fixed and variable components,
- a multi-year measurement basis,
- inclusion of both positive and negative developments,
- orientation to relevant and demanding targets and key metrics,
- limitation to the variable compensation, and
- the possibility for the Supervisory Board to respond to extraordinary developments.

The level of the variable component takes into consideration existing and other regulations within the company, normal market compensation, and the recommendations of the German Corporate Governance Code. Accordingly, the variable component is fixed at a maximum of 40 % of total direct compensation for each Managing Board member at KROMI. In this context, 60 % of the variable compensation is granted as short-term variable compensation following assessment of goal attainment, and 40 % as long-term variable compensation. In addition to the individual upper limit for total compensation for each Managing Board member, a total bonus upper limit is applicable for the total amount of all variable compensation granted to all Managing Board members in relation to the company's earnings before taxes in the respective fiscal year.

Before the start of each fiscal year, and at the latest by July 31 of the relevant fiscal year, the Supervisory Board in a target agreement agrees relevant targets with the Managing Board member for the respective fiscal year. The target agreement to measure variable compensation comprises quantitative targets based on the company's key performance indicators, as well as qualitative goals. The target agreement sets out the mutual relationship of the respective targets (weighting) and the key indicators and target attainment parameters that are relevant for measuring performance in relation to the specific objectives.

Total target attainment is calculated through a weighted addition of the target values achieved for the specific targets. The maximum possible target attainment for the respective individual target amounts to 200 % of the agreed target value. If a target attainment of 0 % is registered for all of the individual targets, no entitlement exists to variable compensation for the respective fiscal year. No minimum amount has been agreed for variable compensation.

Long-term variable compensation is allocated over a three-year retention period, and paid out in three instalments amounting to a maximum of one third each. Payment of the retained components of variable compensation is granted only if the company reports a sustained positive trend in its value. Negative performance contributions by a Managing Board member, or a negative overall performance by the company, can reduce the level of retained shares that have not yet been paid out, or such shares can lapse in full. The Supervisory Board decides on this at his own discretion, taking into account statutory regulations and the circumstances entailed in the specific case.

Mr. Bernd Paulini was the Chairman of the Managing Board (CEO) during the year under review. Mr. Uwe Pfeiffer was Chief Financial Officer until December 31, 2018. From April 1, 2019, Mr. Christian Auth assumed the position of Chief Financial Officer and Chief Personnel Officer. For the full course of the fiscal year under review, Mr. Axel Schubert served as the Managing Board member responsible for the IT and Administration area. Total compensation paid to Managing Board members for fiscal 2018 / 2019 amounted to EUR 646 thousand (previous year: EUR 1,375 thousand).

As part terminating the contract of Mr. Uwe Pfeiffer at the end of 2018 in agreement with the Supervisory Board, an amount of EUR 631 thousand was recognised in profit or loss, which will be paid out in instalments. Beyond this, Mr. Uwe Pfeiffer has no further claims against the company.

Individual details on the remuneration of the members of the Managing Board, in particular person-by-person information about remuneration, can be found in the notes.

II. Remuneration of the Supervisory Board members

Supervisory Board members receive fixed remuneration of EUR 30 thousand per fiscal year for their activities, and the Supervisory Board Chair receives EUR 80 thousand per fiscal year. The Supervisory Board members receive long-term variable remuneration in addition to fixed remuneration in order to incentivise an orientation to the company's long-term development and growth. The variable remuneration depends on the achievement of a more precisely defined profitability target and on the extent of the Supervisory Board members' own investment in the company's shares, and is due at the earliest after the end of the 2020 / 2021 fiscal year. Supervisory Board members can receive variable remuneration of up to EUR 100 thousand, and the Supervisory Board Chair up to EUR 200 thousand. In the fiscal year under review, the remuneration for the Supervisory Board members totalled EUR 170 thousand (previous year: EUR 90 thousand).

Details of the Supervisory Board's remuneration can be found in the notes.

Takeover law disclosures

I. Composition of subscribed capital

KROMI's subscribed capital amounts to a total of EUR 4,124,900.00. It comprises 4,124,900 no par value bearer shares. The shares are ordinary shares and carry an equal participating interest in the company's share capital. The company has no plans for different share classes. As a consequence, the ownership of one share grants the owner one vote during voting held at the company's Annual General Meeting.

II. Direct or indirect interests exceeding 10 percent of voting rights

As of June 30, 2019, the following direct or indirect interests exceeding 10 % of the voting rights in the share capital of KROMI Logistik AG had been notified.

	Number of voting rights	Interest in voting rights	Of which attribution according to Section 34 (1) of the German Securities Trading Act (WpHG)	
			Interest	Held by:
Investmentaktiengesellschaft für langfristige Investoren TGV	2,906,390	70.46 %	70.46 %	Norman Rentrop

Investmentaktiengesellschaft für langfristige Investoren TGV (TGV) has its registered office in Bonn, Germany.

With an agreement dated June 16, 2016, KROMI Beteiligungsgesellschaft mbH and Schubert Vermögensverwaltung KG committed themselves in relation to TGV not to dispose of a total of 389,993 KROMI shares which they hold and which correspond to 9.45 % of the share capital of KROMI Logistik AG before June 16, 2019, or to enter into legal transactions with similar economic effect (hereinafter referred to as the "Holding Requirement"), and in relation to these shares also not to accept TGV's voluntary public offer. Moreover, in the Share Purchase Agreement the sellers have assumed various guarantees, especially relating to the KROMI shares.

As consideration for the agreed Holding Requirement (including the obligation not to accept TGV's offer) and the assumed guarantees, a put option was agreed with the sellers that enables them to sell the KROMI shares that they have retained to TGV after either three years or five years, at their choosing (hereinafter referred to as the "Put Option").

The purchase price for the KROMI shares to be purchased by way of exercising the Put Option is calculated as follows for one KROMI share:

(a) EBIT of the KROMI Group for the fiscal year ending June 30 before the respective exercise of the Put Option minus the EBIT for the KROMI Group for the fiscal year ending June 30, 2016; this difference multiplied by a factor of eight (= difference of the enterprise value of the KROMI Group for the fiscal year ending June 30 before the respective exercise of the Put Option and the enterprise value of the KROMI Group for the fiscal year ending June 30, 2016)

less

(b) the net financial liabilities of KROMI Group for the fiscal year ending June 30 before the respective exercise of the Put Option minus the net financial liabilities of the KROMI Group for the fiscal year ending June 30, 2016

divided by

(c) 4,124,900 (= number of KROMI shares)

plus

(d) EUR 12.00.

The exercise period for the Put Option is the period from September 1, 2019 to November 30, 2019 and – if the Put Option is not exercised – additionally the period from September 1, 2021 to November 30, 2021. In other words, a transfer of the retained 389,993 KROMI shares cannot occur before September 1, 2019 at the earliest.

No separate economic value is ascribed to the Put Option, and it is also not to be valued as consideration for the sale of the KROMI shares under the Share Purchase Agreement, as it relates to the consideration for the additionally assumed obligations (Holding Requirement and assumption of the guarantees in the Share Purchase Agreement). In overview, the respective put options agreed off-bourse in relation to TGV in each case on June 16, 2016:

Beneficiary	Number of KROMI shares	Exercise period
KROMI Beteiligungsgesellschaft mbH	270,000	1. 9.2019 to 30.11.2019, 1.9.2021 to 30.11.2021
Schubert Vermögensverwaltung KG	119,993	1.9.2019 to 30.11.2019, 1.9.2021 to 30.11.2021

The total number of KROMI shares held by TGV as well as the instruments held in relation to KROMI shares pursuant to Section 25 (1) Clause 1 No. 2 WpHG consequently amount to 3,296,383 KROMI shares as of the June 30, 2018 reporting date, and thereby correspond to an interest of around 79.91 % in the share capital and voting rights of KROMI Logistik AG.

III. Holders of shares with special rights

No shares with special rights exist.

IV. Type of control of voting rights in the event of employee equity participations

No employee participation programs exist. If employees hold participating interests in the company, these exercise their controlling rights indirectly.

V. Restrictions on voting rights or restrictions on transfers

As far as the Managing Board is aware, no restrictions exist relating to voting rights or the transfer of shares, including such arising from agreements between shareholders.

VI. Statutory provisions and provisions of the articles of incorporation regarding the appointment and dismissal of members of the Managing Board and amendments to the articles of incorporation

The appointment and recall from office of members of the Managing Board is based on Section 84 of the German Stock Corporation Act (AktG) and Article 6 of the articles of incorporation of KROMI. These stipulate that the Supervisory Board is responsible for appointing and dismissing Managing Board members. The Managing Board comprises one or several persons. The Supervisory Board determines the number of members of the Managing Board.

The company's articles of incorporation can be amended only by a resolution by the General Meeting within the meaning of Section 179 of the German Stock Corporation Act (AktG). Pursuant to Article 21 of the articles of incorporation, the Supervisory Board is authorised to make amendments to the articles of incorporation that affect only their wording.

VII. Authorisation for the Managing Board to issue and buy back shares

The Managing Board may only issue new shares on the basis of resolutions by the General Meeting.

By way of a resolution by the General Meeting on December 10, 2014, the Managing Board was authorised for a period of five years from the date of entry in the commercial register, subject to the consent of the Supervisory Board, to increase the company's share capital by up to a total of EUR 2,062,000.00 through one or more issues of new no par value bearer shares against cash or non-cash contributions (Authorised Capital).

Shareholders are to be granted subscription rights. However, the Managing Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

I. To even out fractional amounts;

II. To grant subscription rights to the holders of convertible bonds and / or bonds with warrants and / or profit participation certificates to the extent that these would be due to these holders after exercising their conversion or option rights of after fulfilment of their conversion obligation;

III. When issuing new shares against non-cash contributions;

IV. When issuing shares against cash contributions, to the extent that the issue price per share is not significantly lower than the stock market price of the shares already listed on the date the shares are issued, and the number of shares issued in this manner together with the number of treasury shares that were sold during the term of the authorisation to exclude subscription rights and the number of shares that could result from the exercise of option and / or conversion rights or the fulfilment of conversion obligations from option bonds and / or bonds with warrants and / or profit-participation certificates, does not exceed 10 % of the share capital.

The Managing Board is authorised, with the consent of the Supervisory Board, to define the content of share rights, the details of the capital increase and the conditions of the share issue, in particular the issuing amount.

By way of a resolution by the General Meeting on December 10, 2014, the company was authorised to purchase treasury shares of up to ten percent of its share capital at that time up to December 10, 2019. Together with other shares which may have been acquired for other reasons and which are held by the company or which are to be allocated to it within the meaning of Sections 71a ff. of the German Stock Corporation Act (AktG), the shares acquired as a consequence of this authorisation may not at any time exceed 10 % of the share capital. Treasury shares may be acquired through the stock market or a public purchase offer submitted to all shareholders. The consideration paid when acquiring the shares (excluding incidental purchase costs) may not be more than 10 % higher or 10 % lower than the average share price (closing price of KROMI Logistik shares in XETRA trading or a comparable successor system on the Frankfurt Stock Exchange) on the last three days of trading prior to the undertaking to acquire shares or, in the case of a public purchase offer, prior to the day when the offer is published. If the volume of the offered shares exceeds the intended buy-back volume in a public purchase offer, the purchased amount must be proportionate to the shares offered in each case. Provision may be made for preferred acceptance of low numbers of shares of up to 100 shares of the company offered for acquisition per shareholder.

The resolution authorises the Managing Board, with the approval of the Supervisory Board, to sell the acquired shares through the stock market, through an offer to all shareholders, or against non-cash consideration excluding shareholders' subscription rights for the purpose of acquiring companies or participating interests in companies. In addition, the Managing Board is authorised to sell the shares against cash consideration excluding shareholders' subscription rights, if the purchase price is not significantly lower than the stock market price of the shares at the time of the sale. This authorisation may only be utilised if it can be ensured that the number of shares to be sold as a consequence of this authorisation, together with shares from authorised capital excluding shareholders' subscription rights that are issued within the meaning of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), do not exceed 10 % of the share capital that exists when the shares are issued or sold.

The Managing Board is also authorised to retire the shares acquired as a consequence of this authorisation without further resolutions by the General Meeting, and to reduce the share capital by the amount due to the retired shares. The Managing Board can retire the shares applying a simplified method without reducing the share capital, with the result that the proportion of the other shares in the share capital increases as a consequence of the withdrawal. If the shares are retired using the simplified method without reducing the share capital, the Managing Board is authorised to adjust the number of shares in the articles of incorporation.

The authorisation to acquire, re-sell and retire treasury shares can be exercised in whole or in part, on one or on several occasions in each case.

VIII. Agreements subject to the condition of a change of control and compensation agreements

The Managing Board members' employment contracts include an extraordinary termination right for the Managing Board members if a shareholder of KROMI Logistik AG combines (directly and / or indirectly) more than 50 % of the voting rights of all KROMI shares for the first time. In the case of termination, the respective Managing Board members would receive severance payments equivalent to the compensation that they would have received until the end of the regular duration of their employment contracts (discounted at 10 % p.a.). This termination right was already triggered by the execution of the Share Purchase Agreement, irrespective of the implementation of the offer. In an additional agreement to the Share Purchase Agreement, the Managing Board members have each entered into a commitment to Langfrist not to utilise this right in relation to the purchase agreement dated June 16, 2016. The notes to the financial statements include details concerning the compensation agreements with Managing Board members.

IX. Final statement concerning the dependent company report pursuant to Section 313 (3) of the German Stock Corporation Act (AktG)

After processing the voluntary takeover offer of Investmentaktiengesellschaft für langfristige Investoren TGV of July 22, 2016 to the shareholders of KROMI Logistik AG, TGV holds 70.46 % of the voting rights in KROMI Logistik AG as of the June 30, 2019 reporting date based on the last voting rights notification in each case. Die KROMI Logistik AG ist daher eine abhängige Gesellschaft der TGV i.S.v. § 312 AktG und unterliegt der entsprechenden Berichtspflicht.

Accordingly, the Managing Board of KROMI Logistik AG hereby issues the following negative report, serving at the same time as a final statement pursuant to Section 312 (3) AktG:

In the fiscal year from July 1, 2018 to June 30, 2019, KROMI Logistik AG performed no transactions with Investmentaktiengesellschaft für langfristige Investoren TGV or companies related with it or measures at the instigation or in the interests of Investmentaktiengesellschaft für langfristige Investoren TGV or companies related to it, and neither realised nor refrained from realising any other measures at the instigation or in the interests of Investmentaktiengesellschaft für langfristige Investoren TGV or companies related to it, including such in relation to Investmentaktiengesellschaft für langfristige Investoren TGV and companies related to it concerning subsidiaries of KROMI Logistik AG.

Hamburg, September 30, 2019

Managing Board of KROMI Logistik AG

Bernd Paulini | Christian Auth | Axel Schubert

Consolidated financial statements

Consolidated balance sheet in accordance with IFRS as of June 30, 2019 and June 30, 2018

Assets	Notes	30.06.2019	30.06.2018
Non-current assets			
Intangible assets	4.1.1.	401	562
Property, plant and equipment	4.1.1.	3,731	3,522
Other non-current receivables	4.1.2.	1,674	1,462
Deferred taxes	4.4.4.	817	400
Total non-current assets		**6,623**	**5,946**
Current assets			
Merchandise	4.2.1.	22,032	19,977
Trade receivables	4.2.2.	15,568	16,801
Other current assets	4.2.3.	1,432	1,105
Income tax receivables		245	512
Cash and cash equivalents	4.2.4.	1,693	1,581
Total current assets		**40,970**	**39,976**
		47,593	**45,922**

Equity and liabilities	Notes	30.06.2019	30.09.2018
Equity			
Subscribed capital	4.3.1.	4,125	4,125
Share premium	4.3.2.	15,999	15,999
Retained earnings	4.3.3.	1,007	1,007
Other reserves	4.3.4.	1,319	1,563
Consolidated unappropriated net loss (previous year: net profit)		-19	1,088
Equity due to shareholders		**22,431**	**23,782**
Non-controlling interests	4.3.5.	-60	-61
Total equity		**22,371**	**23,721**
Non-current liabilities	4.4.		
Provisions for pensions and other post-employment benefits	4.4.1.	2,319	2,042
Non-current interest-bearing loans	4.4.2.	700	800
Other non-current liabilities	4.4.3.	470	527
Deferred taxes	4.4.4.	40	37
Total non-current liabilities		**3,529**	**3,406**
Current liabilities			
Income tax liabilities	4.5.1.	120	366
Other current interest-bearing loans	4.5.2.	11,674	8,705
Trade payables	4.5.3.	6,785	6,241
Other current liabilities	4.5.4.	3,114	3,483
Total current liabilities		**21,693**	**18,795**
		47,593	**45,922**

All figures presented in thousands of euros (EUR thousand), unless otherwise stated.

Consolidated income statement according to IFRS for the period from July 1, 2018 to June 30, 2019 and from July 1, 2017 to June 30, 2018

	Notes	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Revenue	5.1	**74,785**	**80,384**
Other operating income	5.2	986	970
Other own work capitalised		35	0
Cost of materials	5.3	-58,201	-62,084
Staff costs	5.4	-11,497	-12,383
Depreciation / amortisation		-575	-627
Other operating expenses	5.5	-6,475	-7,297
Profit from operations		**-942**	**-1,037**
Financial expenses	5.6	-387	-396
Other financial income	5.7	12	23
Result before tax		**-1,317**	**-1,410**
Income taxes	5.8	212	-629
Group net profit / loss	5.9	**-1,105**	**-2,039**
Consolidated net profit / loss due to shareholders of KROMI Logistik AG		-1,106	-2,028
Consolidated net profit / loss due to non-controlling interests		1	-11
Consolidated unappropriated net profit attributable to shareholders of KROMI Logistik AG in the previous year		1,088	3,116
Consolidated unappropriated net loss attributable to non-controlling interests in the previous year		-61	-50
Consolidated unappropriated net profit (previous year: net profit) attributable to shareholders of KROMI Logistik AG in the previous year		-19	1,088
Consolidated unappropriated net loss attributable to non-controlling interests		-60	-61
Earnings per share	10		
Shareholders' consolidated earnings in euros		-1,106,564	-2,027,814
Number of shares (weighted average for the fiscal year)		4,124,900	4,124,900
Earnings per share in EUR (undiluted and diluted)		**-0.27**	**-0.49**

All figures presented in thousands of euros (EUR thousand), unless otherwise stated.

Consolidated statement of comprehensive income according to IFRS for the period from July 1, 2018 to June 30, 2019 and from July 1, 2017 to June 30, 2018

	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
Group net profit / loss	**-1,105**	**-2,039**
Changes in components not reclassified to the income statement in the future:		
Revaluation of pension provisions	-192	59
deferred taxes included	112	34
Changes in components that are potentially reclassified to the income statement in the future		
Currency translation	-172	660
Changes in cash flow hedge reserve	11	44
deferred taxes included	-3	-14
Other comprehensive income after taxes	**-244**	**783**
Consolidated total comprehensive income	**-1,349**	**-1,256**
of which attributable to		
Shareholders of KROMI Logistik AG	-1,350	-1,245
non-controlling interests	1	-11

All figures presented in thousands of euros (EUR thousand), unless otherwise stated.

Consolidated cash restatement for the period from July 1, 2018 to June 30, 2019 and from July 1, 2017 to June 30, 2018

	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Cash flow from operating activities		
Group net profit / loss	-1,105	-2,039
+/– Expense / income from income taxes	-212	629
+/– Interest paid / received	375	373
+/– Depreciation / amortisation and reversals of depreciation / amortisation applied to non-current assets	575	627
+/– Income tax refunds received / income tax paid	232	-1,089
+/– Increase / decrease in provisions	-533	1,255
+/– Loss / gain from non-current asset disposals	-10	-22
+/– Decrease / increase in inventories	-2,055	1,267
+/– Decrease / increase in trade receivables	1,232	3,519
+/– Decrease / increase in other assets	-956	-105
+/– Increase / decrease in trade payables	544	1,119
+/– Increase / decrease in other liabilities	87	634
Cash flow from operating activities	**-1,826**	**6,168**
Investing activities		
– Payments for the acquisition of non-current assets	-623	-615
+ Cash inflow from the disposal of non-current assets	10	21
+ Cash inflow from interest payments	12	23
Cash flow employed in investing activities	**-601**	**-571**
Financing activities		
+/– Cash inflow from loans / cash outflow from the repayment of loans	2,959	-4,247
– Cash outflows from the repayment of loan liabilities	-100	-100
– Cash outflows for interest payments	-322	-331
Cash flow from financing activities	**2,537**	**-4,678**
Net increase / decrease in cash and cash equivalents	110	919
+/– Exchange-rate-related change in cash and cash equivalents	2	-13
+ Cash and cash equivalents at the start of the period	1,581	675
Cash and cash equivalents at the end of the period	**1,693**	**1,581**

All figures presented in thousands of euros (EUR thousand), unless otherwise stated.

Consolidated statement of changes in equity for the period from July 1, 2018 to June 30, 2019 and from July 1, 2017 to June 30, 2018

	Subscribed capital	Share premium	Retained earnings	Unappropriated net loss (previous year: profit)	Other reserves	Subtotal	Non-controlling interests	Equity
Notes								
01.07.2017	**4,125**	**15,999**	**1,007**	**3,116**	**780**	**25,027**	**-50**	**24,977**
Group net loss				-2,028		-2,028	-11	-2,039
Other comprehensive income					783	783		783
Consolidated total comprehensive income				-2,028	783	-1,245	-11	-1,256
30.06.2018	**4,125**	**15,999**	**1,007**	**1,088**	**1,563**	**23,782**	**-61**	**23,721**
01.07.2018	**4,125**	**15,999**	**1,007**	**1,088**	**1,563**	**23,782**	**-61**	**23,721**
Group net loss				-1,106		-1,106	1	-1,105
Other comprehensive income					-244	-244		-244
Consolidated total comprehensive income				-1,106	-244	-1,350	1	-1,349
30.06.2019	**4,125**	**15,999**	**1,007**	**-19**	**1,319**	**22,431**	**-60**	**22,371**

All figures presented in thousands of euros (EUR thousand), unless otherwise stated.

Notes to the consolidated financial statements for the 2018 / 2019 fiscal year

1. Introduction

The KROMI Group (also referred to below as "KROMI") operates in the trade and sale of machining tools and associated services. The Group mostly focuses on customers in the machining metal-working segment that have a high requirement for tools. These include, in particular, automotive suppliers, companies in the aerospace sector, and companies in the general engineering segment. All domestic and foreign subsidiaries and offices are purely service companies solely responsible for tool supply and tool optimisation on the customer's premises. The only exception is our subsidiary in Brazil.

The company has its registered office at Tarpenring 11, 22419 Hamburg, Germany. KROMI is registered at the Hamburg District Court under commercial register sheet number 98256.

2. Information on the principles and methods for the consolidated financial statements

2.1. Basics

KROMI has prepared consolidated financial statements according to the internationally recognised principles of International Financial Reporting Standards (IFRS) as of June 30, 2019, and has applied all of the International Accounting Standards (IAS) and IFRS approved by the International Accounting Standards Board (IASB) prior to June 30, 2019, to the extent that these had been endorsed by the European Commission and published in the Official Gazette of the European Union before these consolidated financial statements were published and for which application is mandatory.

These consolidated financial statements generally apply the historical cost principle. Derivative financial instruments measured at fair value represent an exception to this. The reporting currency is the euro. The figures in the consolidated financial statements are mostly presented in thousands of euros (EUR thousand) and have been rounded. The financial statements of subsidiaries for which the functional currency is not the euro were translated into euros by translating the financial statements prepared in local currencies at historical or average rates of exchange or the rate of exchange on the balance sheet date.

The accounting and valuation, and the explanations and notes, in the IFRS consolidated financial statements for the fiscal year to June 30, 2019 are based on the same accounting and valuation methods as were applied in the preparation of the IFRS consolidated annual financial statements to June 30, 2018, to the extent that they are not presented in section 2.2 “Changes to accounting policies”. Änderungen von Rechnungslegungsmethoden dargestellt sind.

The conditions of Article 4 of the European Parliament's Directive No. 1606 / 2002 in combination with Section 315e (new version) of the German Commercial Code (HGB) for exemption from the requirement to prepare consolidated financial statements according to the German Commercial Code have been met. All of the notes and information required pursuant to Section 315e (new version) of the German Commercial Code (HGB) extending beyond the requirements of the IASB in order to achieve comparability with consolidated financial statements prepared according to the German Commercial Code were included.

The consolidated financial statements have been prepared based on the going concern principle.

The consolidated balance sheets were prepared on an accrual basis in accordance with IAS 1. The consolidated income statement was prepared applying the nature of expense method. In order to improve the clarity of presentation, consolidated balance sheet items and consolidated income statement items are summarised and discussed in the notes to the consolidated financial statements.

The Group exercised the option included in IAS 1 to present a statement of comprehensive income insofar as it presented the consolidated income statement as a separate component of the financial statements.

2.2. New accounting standards

2.2.1. Standards applied for the first time

The Group applied the new and revised IFRS standards and interpretations listed below in the 2018 / 2019 fiscal year:

Standard / interpretation	Title	Mandatory application	Adoption by EU	Significant effects on KROMI Logistik AG
IRFS 9	Financial instruments	01.01.2018	29.11.2016	none, further explanations after the table.
IRFS 15	Revenue from Contracts with Customers	01.01.2018	29.10.2016	none, further explanations after the table.
IRFS 4	Amendments to IFRS 4 "Insurance Contracts" – application of IFRS 9 together with IFRS 4	01.01.2018	09.11.2017	none
IRFS	Annual Improvements to IFRSs (Cycle 2014-2016) – Amendments to IFRS 1 "First-time Adoption of Internation-al Financial Reporting Standards" and IAS 20 "Investments in Associates and Joint Ventures"	01.01.2018	08.02.2018	none
IRFS 2	Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions	01.01.2018	27.02.2018	none
IAS 40	Amendments to IAS 40 – Transfers of Investment Property	01.01.2018	15.03.2018	none
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	03.04.2018	none

Of the new standards, interpretations and amendments, KROMI, as a matter of principle, applies those for the first time that would be mandatory, in other words, which are applicable to fiscal years beginning on or after January 1, 2018.

The new **IFRS 9 "Financial Instruments"** comprises simplified rules relating to the accounting treatment of financial instruments. In future, it will comprise just two categories for the classification of financial assets – measurement at amortised cost and measurement at fair value. The existing differentiated classification and measurement model of IAS 39 has been discontinued as a consequence. IFRS 9 also includes a revised impairment model and new hedge accounting rules. The effects of first-time application are shown below:

	Original IAS 39 measurement category	New IFRS 9 measurement category	Original IAS 39 carrying amount	Original IFRS 9 carrying amount
Assets				
Trade receivables	Loans and receivables	Amortised cost	No value change	
Cash and cash equivalents	Loans and receivables	Amortised cost	No value change	
Equity and liabilities				
Interest-rate swap	Fair value – hedging instrument	Fair value – hedging instrument	No value change	
Non-current interest-bearing loans	Other financial liabilities	Other financial liabilities	No value change	
Other current interest-bearing loans	Other financial liabilities	Other financial liabilities	No value change	
Trade payables	Other financial liabilities	Other financial liabilities	No value change	

The effect of the first-time application of IFRS 9 as of July 1, 2018 was not material. No significant valuation effects arose for KROMI from the categorisation of financial assets deriving from debt instruments according to IFRS 9. Under application of IFRS 9, these financial assets continued to be measured at amortised cost. Trade receivables, other financial assets and financial resources measured at amortised cost now fall under the new impairment regulations of IFRS 9. The KROMI Group has applied the simplified impairment model for trade receivables. For the retrospective analysis, industry-specific loss rates were determined on the basis of past bad debt losses, while for the prospective analysis the existing trade credit insurance, overall economic trends and the age structure of the receivables were included in the calculations. A provision for possible loan losses was consequently recognised for all receivables in the amount of the expected losses over the remaining term. The application of the impairment provisions did not lead to any material change in the impairments already recognised. In the case of other financial assets and financial resources, the KROMI Group does not identify any increase in default risk between first-time recognition and the first-time application of IFRS 9. The effect on the existing interest-rate swap from the first-time application of IFRS 9 was not material.

The new IFRS 15 **"Revenue from Contracts with Customers"** replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as the related interpretations, and establishes uniform, cross-sector, basic principles for all categories of revenue transactions. For this purpose, a 5-step model will be introduced, which prescribes the identification of separate service obligations, the determination of transaction prices, the allocation to service obligations and the revenue recognition method. The adaptations of the new regulation must be applied for fiscal years commencing from January 1, 2018. Based on the business models relating to IFRS 15 and customer contracts typically existing within the KROMI Group, no changes arose concerning the timing and level of revenues in the consolidated financial statements due to the first-time application of the five-step scheme included in IFRS 15. However, as part of the first-time application, bonus provisions were reclassified in the current 2018 / 2019 fiscal year. These are no longer reported as provisions on the liabilities side and directly reduce trade receivables in accordance with IFRS 15.

2.2.2. Standards to be applied in the future

Furthermore, the IASB and the IFRS Interpretations Committee have adopted further standards, interpretations and amendments listed below that are not yet mandatory for the 2018 / 2019 fiscal year, or have not yet been endorsed by the European Union.

Standard / interpretation	Title	Mandatory application	Adoption by EU	Significant effects on KROMI Logistik AG
IRFS 16	Leasing	01.09.2019	09.11.2017	For a description of the effects of IFRS 16, please refer to the notes following the table
IRFS 9	Amendments to IFRS 9 – Prepayment Features with Negative Compensation	01.09.2019	26.06.2018	none
IFRIC 23	Uncertainty over Income Tax Treatments	01.09.2019	24.10.2018	none
IAS 28	Amendments to IAS 28 – Non-current Investments in Associates and Joint Ventures	01.09.2019	11.02.2019	none
IAS 19	Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	01.09.2019	14.03.2019	none
IFRS	Annual Improvements to IFRS (Cycle 2015-2017)	01.09.2019	15.03.2019	none
IFRS	Amendments to References to the Conceptual Framework in IFRS Standards	01.09.2020	outstanding	none
IFRS 3	Amendments to IFRS 3 Business Combinations – Definition of a Business	01.09.2020	outstanding	none
IAS 1 & IAS 8	Amendments to IAS 1 and IAS 8 – Definition of Material	01.09.2020	outstanding	none
IFRS 17	Insurance Contracts	01.09.2020	outstanding	none

IFRS 16 "Leasing" contains new regulations for the accounting treatment of leases and replaces the current IAS 17 with its related interpretations. The new standard especially affects accounting at the lessee. For example, rights and obligations arising from previous operating leases are to be recognised as rights-of-use and as lease liabilities. KROMI does not take into account contracts in which low-value assets are transferred. This also applies to contracts with a term of up to twelve months. Due to the amendments in terms of lessee accounting, we currently anticipate an immaterial increase in total assets of approximately EUR 800 thousand as a consequence of rights-of-use capitalised at present value as well as future minimum lease payments recognised at present value. Furthermore, an insignificant improvement in Group EBITDA in the amount of approximately EUR 250 thousand is expected. The EBITDA improvement is attributable to the future recognition of amortisation charges applied to the right-of-use and the interest expense from compounding the lease liabilities instead of the previous lease expense in the income statement. The Group does not expect any significant effects on EBIT. The amendments must be applied to fiscal years commencing on or after January 1, 2019.

2.3. Principles of consolidation, group of consolidated companies

The Group treats business combinations by applying the purchase method if the Group has gained control. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The group of consolidated companies includes the financial statements of

- KROMI Logistik AG, Hamburg, the Group's parent company,
- KROMI Slovakia s.r.o., Prievidza, a wholly-owned Slovakian company,
- KROMI CZ s.r.o., Liberec, a wholly-owned Czech company,
- KROMI Logistica do Brasil Ltda, Joinville, a Brazilian company in which the company holds a 99 % interest, and
- Kromi Logistik Spain S.L., Vitoria, a Spanish company in which the company holds a 99 % interest.

The financial statements of the German and foreign companies included in the consolidated financial statements were prepared as of the balance sheet date for the consolidated financial statements (June 30), and are based on uniform accounting and valuation methods.

Intra-group profits and losses, revenues, expenses and income are eliminated, as are receivables, liabilities and provisions between the parent company and its subsidiaries.

2.4. Currency translation

Transactions denominated in foreign currencies are translated applying the cash exchange rate on the transaction date. As a rule, we carry cash items denominated in foreign currencies on the balance sheet applying the exchange rate on the balance sheet date. Currency translation differences are all recognised in income.

The reporting currency for the consolidated financial statements is the euro, which is also the parent company's functional currency. The euro is the functional currency of KROMI Slovakia s.r.o. and KROMI Logistik Spain S.L. The Czech Kroner is the functional currency of KROMI CZ s.r.o. The functional currency for KROMI Logistica do Brasil Ltda is the Brazilian real. The assets and liabilities of the subsidiary are translated into the reporting currency applying the closing date on the respective balance sheet date. Equity is translated applying historical exchange rates. Items in the income statement are translated applying average rates of exchange. Differences from currency translation are taken directly to equity and carried under a separate consolidated equity item. Please refer to the statement of changes in equity. The exchange rate for euros (EUR) to the Brazilian real (BRL) comprises a material factor for currency translation in the KROMI Group. Currency translation in the years stated was based on the following exchange rates in each case:

EUR in BRL	30.06.2019	30.06.2018
Exchange rate on balance sheet date	4.35	4.49
Annual average exchange rate	4.41	3.95

Currency translation differences in the individual financial statements and from the consolidation of receivables, liabilities, expenses and income resulted in income that is recognised in profit or loss totalling EUR 220 thousand (previous year: expenses of EUR 1,157 thousand).

3. Summary of key accounting methods

3.1. Consolidated balance sheet items

With the exception of goodwill, purchased **intangible assets** are measured at cost on the date when they are included in the financial statements, and amortised straight-line over their respective useful lives. Straight-line depreciation is carried through profit or loss. These relate exclusively to assets of limited useful life. The amortisation of capitalised software licenses is based on a useful life of one to three years. The amortisation rate is consequently 33 % or 100 % p.a.

Acquired **goodwill** relates to the transfer of intangible assets from Tarpenring 11 Vermogensverwaltungsgesellschaft mbH. In accordance with IAS 38, goodwill is not amortised. No indications of impairment were identified in the reporting period.

Expenses for **research and development activities** that can be capitalised under IAS 38 were not incurred during the period under review.

Property, plant and equipment are carried at cost at the time of addition. Own work capitalised is recognised in the amount of directly attributable production personnel costs. If these property, plant and equipment assets are subject to wear and tear, they are reduced by straight-line depreciation.

Depreciation is measured based on the following estimated useful lives:

	Useful life (years)	Depreciation rate (%)
Buildings	33	3
Other property, plant and equipment	1 – 10	10 – 100

A financial asset is initially recognised at fair value. Transaction costs are included to the extent that the asset is not an asset measured at fair value through profit or loss.

No collateral is held for financial assets.

Other non-current receivables include reinsurance policies taken out to finance issued pension commitments that do not comprise qualified insurance policies, and bank balances pledged to cover pension commitments. The reinsurance policies are measured at the fair value of the reinsured assets according to IAS 19.104A. Calculations are based on actuarial surveys based on biometric information. The anticipated income is carried under the net financial result. Actuarial gains / losses are recognised in profit and loss (within the net financial result) in full in the year in which they arise. In addition, this item includes a bank account pledged to the former Chief Financial Officer, which arises from the agreement to pay out the settlement amount in installments over a period of five years.

Merchandise stocks are carried under **inventories**. Inventories are carried at cost, if necessary taking into account a lower net realisable value on the balance sheet date. The first-in-first-out (FIFO) inventory measurement method is applied. If the selling price exceeds the acquisition cost, value adjustments are applied where required. Apart from the rights of retention customary in the industry, inventories are not subject to third-party rights.

Trade receivables are carried at amortised cost, which as a rule corresponds to their nominal values, taking into account all recognisable risks. Valuation allowances are formed for individual identifiable risks.

Risks are estimated by the Managing Board, assuming the future cash flow from the respective balance sheet item that is anticipated on the date the financial statements are prepared, taking into consideration the first-time application of IFRS 9. If payments are regarded as being unlikely, this risk is reflected through percentage reductions (valuation allowances). The Managing Board believes that the valuation allowances provide sufficient cover for the existing risks.

Other current assets and **income tax claims** are carried at amortised cost. As a rule these correspond to the nominal value, reflecting a lower value on the balance sheet date.

The acquisition of an asset is recognised as soon as economic ownership has transferred to the company. Assets are derecognised as soon as economic ownership has transferred to the acquiring party, or a final and certain loss of value has occurred.

Cash and cash equivalents are carried at nominal value.

Deferred taxes are formed according to the requirements of IAS 12. Deferred tax assets and liabilities are to be carried for temporary differences that result from differences in the carrying amounts for assets and liabilities between the IFRS financial statements and the respective tax base. Deferred taxes are calculated based on future national tax rates for the respective temporary differences. The temporary differences are due almost exclusively to KROMI Logistik AG. The corporation tax rate for domestic companies in Germany totalled 15 % in the period under review (previous year 15.0 %). The Solidarity Surcharge amounts to 5.5 % of the amount of corporation tax charged (previous year: 5.5 %). The company's average trade tax rate totals approximately 16.5 % (previous year: 16.5 %). After tax rates have been compounded, a lump-sum tax rate of 32 % is applied to calculate deferred tax assets (previous year 32.0 %). A 34 % tax rate is applied for the Brazilian subsidiary (previous year: 34.0 %).

A distinction is drawn between tax claims (deferred assets) and tax liabilities (deferred liabilities). These are generally non-current pursuant to IAS 1.70. Deferred tax assets resulting from tax loss carryforwards are capitalised to the extent that it is probable that taxable earnings will arise in the foreseeable future against which the tax loss carryforwards can be offset.

Subscribed capital is carried at its nominal value. Payments and contributions by shareholders exceeding the subscribed share capital are carried under the share premium account. The costs of procuring equity are carried as a deduction from equity (netted with the share premium account), net of any associated income tax benefits, pursuant to IAS 32.35.

The **currency translation item** includes the currency translation differences from translating the financial statements of subsidiaries from their functional currencies to euros. These differences are carried directly to equity.

In accordance with IAS 37, **provisions** are formed for all identifiable obligations to third parties for which it is probable that fulfilment of the obligations will lead to an outflow of resources and for which a reliable estimate of the amount of the obligation can be made. If the amount and occurrence of the obligation are sufficiently certain, these are carried under liabilities.

Liabilities are measured at amortised cost, which generally corresponds to the repayment amount, and applying the effective interest method.

Financial liabilities are recognised as soon as the event that results in the liability has occurred. Financial liabilities are derecognised as soon as the liability has been fully redeemed, or if it is certain that it is no longer likely to be utilised.

With the exception of the derivative financial instrument that is measured at fair value, financial instruments in the KROMI Group are allocated exclusively to the amortised cost measurement model underlying IFRS 9. The effect from the first-time application of IFRS 9 was not material.

KROMI deploys derivative financial instruments in the form of an interest-rate swap in order to hedge against interest-rate risks (cash flow hedge). This derivative financial instrument was recognised at fair value on the date when the contracts were entered into, and are remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their fair value is positive as financial liabilities if their fair value is negative. The negative fair values of the interest-rate swaps were reported as financial liabilities as of June 30, 2019.

At the start of hedging, both the hedging relationship and the Group's risk management objectives and strategy relating to the hedging were formally determined and documented. This documentation includes determining the hedging instrument, the underlying transaction and the type of risk hedged, as well as a description of how the company values the efficacy of the hedging instrument's fair value changes in compensating the risks arising from changes to the cash flows of the hedged transaction, which relate back to the hedged risk. The interest-rate swap was assessed as highly effective.

Gains or losses arising from changes to the fair value of the interest-rate swap are reported under other comprehensive income, within the cash flow hedging reserve.

The amounts reported in other comprehensive income are rebooked to the income statement in the period in which the hedged transaction affects net income, in other words, when the hedged interest expenses are reported.

The interest-rate swap was fully classified as non-current in line with the total term of the hedged loan, and taking into account materiality aspects.

3.2. Recognition of revenues and expenses

Income from the sale of merchandise and the provision of services is carried under revenues. In the case of merchandise, revenue is recognised, as a matter of principle, when the merchandise is delivered to the customer, and consequently when the significant risks and opportunities connected with ownership transfer to the purchaser, the receipt of the consideration is probable, the costs can be estimated reliably, and no further power of disposal over the goods exists. Revenues are recognised less price discounts. To the extent that goods are delivered when customers remove merchandise from the KTC dispensers (KROMI Tool Centre, comprising a service desk and tool dispenser unit) installed at customers' facilities, revenues are recognised when the customers remove the merchandise. Income from services is recognised when the respective service is performed. Revenues are measured in the amount of the income received. The first-time application of IFRS 15 did not result in any changes with regard to the timing and amount of revenues, as revenues were already reduced by the expected sales deductions such as cash discounts and bonuses prior to the application of IFRS 15.

The cost of materials is recognised as soon as the merchandise is sold or written off due to zero value. Measurement is performed by applying the moving average price. Impairments to non-current assets and receivables are recognised as soon as the impairment has occurred. Amortisation / depreciation is calculated based on normal useful lives, and valuation allowances are applied to receivables in line with the prospective loss on the receivable. Other expenses are recognised as soon as the service has been rendered. These are measured in the amount of the agreed consideration.

Borrowing costs are expensed in the period in which they are incurred. The company did not incur borrowing costs which can be directly allocated to the purchase, construction or production of a qualified asset. Borrowing costs comprise interest payments and other costs which a company incurs in connection with the drawing down of borrowings.

3.3. Employee benefits from pension plans

Any defined benefit plans for employees that exist are structured as a direct commitment. As a consequence, no assets are removed from the balance sheet, but rather the existing benefit obligations that have been accrued on a pro rata basis on the balance sheet date are carried at their present values as provisions on the balance sheet, and are offset with plan assets arising from reinsurance policies. The benefit commitment on the balance sheet date is measured applying actuarial principles and the projected unit credit method. In this method, not only the acquired entitlements that are known on the balance sheet date, but also future expected pension increases are taken into account. Calculations are based on actuarial surveys that are in turn based on biometric information according to the Heubeck 2018 G mortality tables. Actuarial gains and losses are carried directly to equity in the year in which they arise. The current service cost is carried as personnel expenses, and the interest portion is carried as financial expense.

The state pension plans to which the Group contributes are classified as defined contribution plans. In addition, the Group has made additional benefit commitments through a congruently reinsured benefit fund, which are also classified as a defined contribution plan. The contributions paid in each case are carried under personnel expenses. The defined contribution plans do not result in any assets and liabilities that should be allocated to the Group.

3.4. Currency translation

Only minor amounts of liabilities denominated in foreign currency existed on the balance sheet dates. The company has no receivables denominated in foreign currencies.

3.5. Contingent liabilities

Contingent liabilities as defined by IAS 37 are stated in the notes to the consolidated financial statements to the extent that the outflow of resources is [not] unlikely or the amount of the obligation cannot be reliably determined.

3.6. Estimates and assumptions

The preparation of consolidated financial statements requires the use of estimates and judgement-based assumptions that impact the amounts carried in the consolidated financial statements and the information provided in this regard. Although these estimates have been made according to the best of the Managing Board's knowledge, actual results may differ from these estimates.

When applying accounting and valuation policies in the Group, the management made the following estimates that have a material effect on the amounts in the consolidated financial statements:

As of the balance sheet date, deferred tax assets on loss carryforwards amounted to EUR 318 thousand. Furthermore, on the balance sheet date, valuation allowances of EUR 1,512 thousand had been applied to trade receivables pursuant to IFRS 9 (previous year: EUR 1,123 thousand). No impairment adjustments were required for inventories, as in the previous year. The management believes that existing risks are sufficiently covered as a consequence. Actual results and developments may differ from these estimates and assumptions.

4. Notes on individual consolidated balance sheet items

4.1. Non-current assets

4.1.1. Intangible assets and property, plant and equipment

The gross acquisition costs and cumulative amortisation / depreciation changed as follows in the year under review and in the previous year:

EUR thousand	Intangible assets Goodwill	Other	Land and buildings	Other property, plant and equipment
Cost on 01.07.2018	150	943	3,157	6,710
Currency differences	0	0	0	8
Additions – individual acquisitions	0	49	0	585
Disposals	0	0	0	-108
Reclassifications	0	0	0	0
Cost on 30.06.2019	**150**	**992**	**3,157**	**7,195**
Depreciation / amortisation on 01.07.2018	0	531	586	5,759
Currency differences	0	0	0	1
Additions	0	210	74	291
Disposals	0	0	0	-91
Reclassifications	0	0	0	0
Depreciation / amortisation on 30.06.2019	**0**	**741**	**660**	**5,960**
Carrying amount on 01.07.2018	150	412	2,571	951
Carrying amount on 30.06.2019	**150**	**251**	**2,497**	**1,235**

EUR thousand	Intangible assets Goodwill	Other	Land and buildings	Other property, plant and equipment
Cost on 01.07.2017	150	703	3,157	6,430
Currency differences	0	0	0	-46
Additions – individual acquisitions	0	240	0	390
Disposals	0	0	0	-64
Reclassifications	0	0	0	0
Cost on 30.06.2018	**150**	**943**	**3,157**	**6,710**
Depreciation / amortisation on 01.07.2017	0	298	505	5,542
Currency differences	0	0	0	2
Additions	0	233	81	313
Disposals	0	0	0	-98
Reclassifications	0	0	0	0
Depreciation / amortisation on 30.06.2018	**0**	**531**	**586**	**5,759**
Carrying amount on 01.07.2017	150	405	2,652	888
Carrying amount on 30.06.2018	**150**	**412**	**2,571**	**951**

Intangible assets include software in the amount of EUR 251 thousand (previous year: EUR 412 thousand), which is used for the operation of the server and the PC systems, as well as licenses purchased to implement a new merchandise management system. In addition, goodwill is carried in the amount of EUR 150 thousand (previous year: EUR 150 thousand) from the acquisition of intangible assets from Tarpenring 11 Vermögensverwaltungsgesellschaft mbH. According to IAS 38, goodwill is not amortised, and no impairment was reported.

Other property, plant and equipment relates to KTC dispensers and general office equipment, including office furniture, computers and vehicles.

Bank borrowings of EUR 1,578 thousand (previous year EUR 1,578 thousand) are secured through land charges on property.

4.1.2. Other non-current receivables

This item exclusively comprises the re-insurance concluded to finance the pension commitments made, which do not comprise plan assets, in an amount of EUR 267 thousand (EUR 469 thousand). In addition, this item includes EUR 993 thousand of bank deposits pledged to secure the pension commitments (previous year: EUR 993 thousand). In addition, this item includes bank deposits of EUR 414 thousand pledged to the former Chief Financial Officer, which arises from the agreement to pay out the EUR 631 thousand settlement amount in installments over a period of five years.

The changes in plan assets are presented in section 4.4.1.

4.2. Current assets

4.2.1. Inventories

As of June 30, 2019, no inventories existed that are recognised at net realisable value, as in the previous year. No impairments to inventories were reported in the 2018 / 2019 fiscal year, and consequently as was the case in the previous year.

4.2.2. Trade receivables

Composition:

EUR thousand	30.06.2019	30.06.2018
Gross receivables	17,080	17,924
abzüglich Wertberichtigungen	-1,512	-1,123
	15,568	**16,801**

In the previous year, the item less value adjustments included value adjustments on receivables that were deducted directly from the gross receivables in the current year in accordance with IFRS 15.

Trade receivables relate to receivables from customers from the delivery of goods and the provision of services. Receivables do not carry interest and are generally due within one year. The additions to the valuation allowances for trade receivables totalled EUR 537 thousand in the fiscal year (previous year EUR 198 thousand). Valuation allowances and reversals of valuation allowances changed as follows:

EUR thousand	Valuation allowance
As of 30.06.2017	**1,107**
Expensed additions	198
Utilisation / reversal	-182
As of 30.06.2018	**1,123**
Expensed additions	537
Utilisation / reversal	-148
As of 30.06.2019	**1,512**

The effects from the first-time application of IFRS 9 was not material.

The term structure of the trade receivables on June 30, 2019 was as follows:

EUR thousand	as of 30.06.2019	as of 30.06.2018
Carrying amount of receivables	17,080	17,924
abzüglich Wertberichtigungen	1,512	1,123
Not overdue	12,321	12,278
Overdue		
Up to 3 months	3,014	4,133
Between 3 months and 6 months	101	183
Between 6 months and 12 months	65	178
More than 12 months	67	29
Total overdue	3,247	4,523

On the balance sheet date, receivables of EUR 3,247 thousand (previous year: EUR 4,523 thousand) were overdue. Of the overdue receivables, receivables in an amount of EUR 2,976 thousand (previous year EUR 4,330 thousand) had been received at the time when this annual report was prepared.

The carrying amounts of the gross trade receivables (before valuation allowances) are denominated in the following currencies:

EUR thousand	30.06.2019	30.06.2018
Receivables in EUR	15,313	16,819
Receivables in BRL	1,767	1,105
	17,080	17,924

4.2.3. Other current assets

Composition:

EUR thousand	30.06.2019	30.06.2018
Value added tax	194	200
Deposits	91	0
Prepaid expenses	275	168
Deferred bonus payments	98	107
Creditor accounts in debit	0	34
Industrial product tax (Brazil)	313	229
Other	461	367
	1,432	1,105

All other current receivables are due within one year. No overdue or impaired items are included.

4.2.4. Cash and cash equivalents

The cash and cash equivalents comprise current account balances and cash in hand of EUR 1,693 thousand (previous year EUR 1,581 thousand). From the management's perspective, all of these funds are designated for fulfilling payment obligations and consequently form a liquidity reserve.

The cash and cash equivalents are denominated in the following currencies:

EUR thousand	30.06.2019	30.06.2018
Cash and cash equivalents in EUR	1,586	1,480
Cash and cash equivalents in BRL	72	67
Cash and cash equivalents in CZK	35	34
	1,693	**1,581**

4.3. Equity

For details of the changes in equity please refer to the statement of changes in equity.

Composition:

EUR thousand	30.06.2019	30.06.2018
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Unappropriated net profit	-19	1,088
Other reserves	1,319	1,563
Equity due to shareholders	**22,431**	**23,782**
Non-controlling interests	-60	-61
	22,371	**23,721**

Composition of the other reserves:

	Adjustment item for currency translation and other reserves	
EUR thousand	30.06.2019	30.06.2018
Currency translation differences	1,605	1,777
Cash flow hedges	-38	-46
Remeasurement of pensions	-248	-168
	1,319	**1,563**

4.3.1. Subscribed share capital and authorised share capital

The subscribed share capital of KROMI amounted to a total of EUR 4,124,900 on June 30, 2019 (previous year: EUR 4,124,900). It comprises 4,124,900 no par value bearer shares (previous year: 4,124,900). All of the shares are ordinary shares and carry an equal participating interest in the company's share capital. No differing share classes exist. One share grants the holder one vote at the General Meeting.

By way of a resolution by the General Meeting on December 10, 2014, the Managing Board was authorised, subject to Supervisory Board consent, for the period through to December 9, 2019 to increase the company's share capital by up to a total of EUR 2,062 thousand through one or more issues of new no par value bearer shares against cash and / or non-cash capital contributions (Authorised Capital).

All of the shares had been fully paid in on the balance sheet date.

4.3.2. Share premium

The share premium account comprises a differential amount arising from the formation of the company (spin-off for transfer on January 1, 2002) of EUR 10 thousand, to the extent that the net assets at their carrying amounts exceeded the nominal amount of the issued shares, as well as EUR 12,653 thousand from the premium from the issue of new shares as part of the IPO in March 2007 after deducting the costs of procuring equity within the meaning of IAS 32, as well as EUR 3,336 thousand from the premium from the issue of new shares as part of the capital increase in June 2009 less the associated income tax relief, implemented after deducting the costs of procuring equity within the meaning of IAS 32, less the associated income tax relief.

4.3.3. Retained earnings

Retained earnings relate to the adjustments from the first-time application of IFRS as of January 1, 2002, totalling EUR 7 thousand and from the addition to other retained earnings of EUR 1,000 thousand from the profit from the 2007 / 2008 fiscal year as approved by the General Meeting on December 9, 2008.

4.3.4. Other reserves

Other reserves include reserves for cash flow hedges comprising the negative fair value of the interest-rate swap that was designated as a hedging instrument and which is effective as such, less related deferred taxes, as well as the remeasurement of pension provisions.

Other reserves also include the adjustment item from currency translation. This is derived from differences in the equity values of the foreign subsidiaries based on exchange rate changes in the period between the first-time consolidation date and the balance sheet date, as well as differences from translating the income statement at the average rate.

4.3.5. Non-controlling interests

Non-controlling (minority) interests are carried at the proportionate amount of the identifiable net assets of the respective subsidiary. Negative non-controlling interests are carried as a consequence of the losses incurred that exceed the minority interests in equity.

4.3.6. Information about capital management

The Group's capital structure mostly comprises current liabilities from ongoing business, and equity. Equity is almost entirely attributable to the parent company's shareholders, and mostly comprises shares issued, the capital reserves, revenue reserves and the other earnings. The equity ratio stood at 47.0 % as of June 30, 2019 (previous year: 51.7 %).

KROMI pursues the objective of sustainably securing its capital over the long term, and of generating an appropriate return on capital employed. The company actively pursues this objective by constantly monitoring its margins per customer, and through additional key indicators. However, the Group's accounting capital is only applied as a passive control criterion, while revenue, gross profit margin and EBIT as well as the Cash2Cash cycle introduced in the 2018 / 2019 fiscal year, consisting of the DPO, DIO and DSO ratios, are applied as active control parameters.

4.4. Non-current liabilities

4.4.1. Provisions for pensions and other post-employment benefits

Existing pension commitments relate to several individual commitments the comprise defined benefit plans in the meaning of IAS 19. Such commitments are realised through direct pension commitments. In each case, a monthly retirement and invalidity pension in a fixed euro amount is committed. In addition, in the case of some commitments, a widow's pension exists equivalent to 60 % of the pledged retirement pension. The pensions are increased regularly to reflect a guaranteed adjustment rate.

Please refer to section 13.1 for the characteristics of the defined benefit pension plans.

To finance the pension obligations, exclusively reinsurance policies are concluded that are partially offset as plan assets with the provision. Above and beyond this, a bank deposit exists to finance one commitment. This deposit is pledged to the pension recipient (please see section 4.1.2).

The actuarial obligation value changed as follows during the fiscal year:

	Target value of obligation	
EUR thousand	**30.06.2019**	**30.06.2018**
Balance at start of period	**3,050**	**2,955**
Current service cost	92	89
Interest cost	65	65
Expense for pension benefit	**157**	**154**
Balance at end of period (expected)	**3,207**	**3,109**
Actuarial gains (-) / losses (+) resulting and amortised during the period	-216	-59
Balance at end of period (actual)	**2,991**	**3,050**
Less plan assets	-673	-703
Adjustments due to the departure of an employee	0	-305
Balance at end of period (netted)	**2,318**	**2,042**

The following actuarial assumptions were applied when calculating the provision:

in % p.a.	30.06.2019	30.06.2018
Discount rate	1.48	2.16
Future pension increases	1.00 – 2.00	1.00 – 2.00
Anticipated employee turnover rate	0.00	0.00

Biometric basis (mortality): Heubeck 2018 mortality tables

On July 20, 2018, new mortality tables (HEUBECK-RICHTTAFELN 2018 G) were published for the measurement of pension provisions, which were applied for the first time to calculate pension provisions in the financial statements as of June 30, 2019.

The transition effect was recognised directly in other comprehensive income.

Notable risks pertaining to the Group pension plans arise especially from capital market trends that influence financial assumptions such as the interest rate, as well as changes to demographic assumptions such as a change in life expectancy.

Sensitivity calculation relating to the interest rate:

	Actuarial interest rate	Defined Benefit Obligation	Current service cost (for the following fiscal year)
Basis calculation	1.48 %	EUR 2,991,581	EUR 84,431
Sensitivity -0.5 percentage points	0.98 %	EUR 3,299,233	EUR 95,386
Sensitivity +0.5 percentage points	1.98 %	EUR 2,723,298	EUR 74,974

Sensitivity calculations relating to mortality:

		Defined Benefit Obligation	Current service cost (for the following fiscal year)
Basis calculation	Life expectancy based on Heubeck 2018 mortality tables	EUR 2,991,581	EUR 84,431
Sensitivity	1 year higher life expectancy	EUR 3,147,849	EUR 88,974
Sensitivity	1 year lower life expectancy	EUR 2,835,164	EUR 79,894

In each case, the sensitivity calculations presented above take into consideration the change to an assumption whereby the other assumptions remain unchanged compared with the original basis calculation. In other words, the sensitivity analysis does not take into consideration correlation effects between the individual assumptions. Consequently, the interest rate was raised and lowered by 0.5 percentage points in each case, and life expectancy was increased and reduced by one year, whereby all the other assumptions were unchanged compared with the basis calculation.

A sensitivity calculation relating to pension trends has not been presented as the related levels include a contractually guaranteed adjustment. A sensitivity calculation relating to staff turnover has also not been presented, as little turnover is anticipated due to there being very few related staff.

The duration of the existing pension commitments amounts to 19.00 years (previous year: 19.00 years).

Plan assets:

This item exclusively comprises the re-insurance concluded to finance the pension commitments made. These constitute qualified insurance policies in the meaning of IAS 19.

The reinsurance policies changed as follows in the year under review:

	Present value of asset	
EUR thousand	**30.06.2019**	**30.06.2018**
Balance at start of period	**703**	639
Interest income	-99	-14
Employer contributions	69	78
Payments rendered	0	0
Balance at end of period (expected)	**673**	703
Remeasurement	0	0
Balance at end of period (actual)	**673**	703

The income expected from the insurance policies totals 3.0 % p.a. (previous year: 3.0 % p.a. This expectation is based on the general interest-rate level.

Changes in pension provision:

Reporting date in EUR	**30.06.2019**	**30.06.2018**
Net obligation at start	**2,041,987**	**2,316,426**
Expense for pension benefit	140,812	139,461
Remeasurement	-101,283	-30,605
Pension payments	0	0
Employer contributions	-68,569	-77,697
Adjustments due to the departure of an employee in FY 2017 / 2018	305,598	-305,598
Net obligations at the end	**2,318,545**	**2,041,987**

During the year under review, the Group also granted benefits through a congruently reinsured benefits fund, which are also classified as a defined contribution plan. During the year under review, an amount of EUR 82 thousand was expensed for these benefit commitments (previous year EUR 79 thousand). The benefit commitments do not result in any assets and liabilities that should be allocated to the Group.

A total of EUR 857 thousand was paid to statutory or state pension plans for defined contribution plans in the 2018 / 2019 fiscal year (previous year EUR 791 thousand).

4.4.2. Non-current interest-bearing loans

In order to finance a property acquisition, a EUR 1,500 thousand loan with a term until June 30, 2022 was taken out in the 2011 / 2012 fiscal year. This loan is secured by land charges. Repayment is on a quarterly basis in an amount of EUR 25 thousand. The short-term portion of the loan in an amount of EUR 100 thousand is reported among current interest-bearing loans. The variable interest rate is 3-month EURIBOR +1.05 %, which is hedged through an interest-rate swap (see other non-current liabilities). The interest payments are due quarterly.

4.4.3. Other non-current liabilities

Other non-current liabilities include liabilities in the amount of EUR 414 thousand in connection with the aforementioned departure of the CFO as of December 31, 2018.

KROMI deploys derivative financial instruments in the form of an interest-rate swap in order to hedge against interest-rate risks (cash flow hedge).

An interest-rate swap for a nominal capital amount of EUR 1,500 thousand was entered into in the 2011 / 2012 fiscal year to hedge the purchase financing for a property. On the basis of the agreement, the Group makes a quarterly fixed interest payment of 2.3 % of the nominal capital amount, and receives a variable interest rate equivalent to 3-month EURIBOR. The interest-rate swap carries a term until 2022 in line with the loan's term.

The derivative financial instrument was recognised at fair value on the date when the contracts were entered into, and are remeasured at fair value in subsequent periods. The negative fair value of the interest-rate swap of EUR 56 thousand (previous year EUR 67 thousand) is calculated applying the mark-to-market method, and was reported as a financial liability as of June 30, 2019. The interest-rate swap was fully classified as non-current in line with the total term of the hedged loan, and taking into account materiality aspects. The transition from IAS 39 to IFRS 9 had no effect on the recognition of the existing interest rate swap as the only existing hedging instrument. The fair value is determined by the allocation to the category at fair value with changes in value in other comprehensive income.

The credit risks have not changed since the issue date. The carrying amount corresponds to fair value.

4.4.4. Deferred taxes

Deferred taxes result from temporary differences between the carrying amounts of assets and liabilities in the tax-relevant accounts and the carrying amounts in the IFRS financial statements, as well as from tax loss carryforwards that have not yet been utilised. They are attributable to balance sheet items and loss carryforwards as follows:

EUR thousand	30.06.2019	30.06.2018	Changes: Income statement	Changes: Other comprehensive income
Deferred tax assets				
Pension provisions	468	379	-23	112
Interest-rate swap (cash flow hedge)	18	21	0	-3
Loss carryforwards	331	0	331	0
	817	400	308	109
Deferred tax liabilities				
Goodwill	40	37	3	0
	40	37	3	0

4.5. Current liabilities

4.5.1. Liabilities from income taxes

Tax liabilities mainly relate to income taxes to be assessed by the German tax authorities resulting from the relocation of an operating location within Germany and the associated reallocation of the trade tax paid.

Composition:

EUR thousand	30.06.2019	30.06.2018
Corporation income tax	0	132
Trade tax	104	157
Tax provision after tax audit	16	77
	120	366

4.5.2. Current interest-bearing loans

Composition:

EUR thousand	30.06.2019	30.06.2018
HCOB - money market loan -	0	2,000
Commerzbank - money market loan -	4,000	2,000
HypoVereinsbank - fixed interest lending tranche -	4,000	2,000
Commerzbank - current account -	639	0
Deutsche Bank - current account -	1,165	0
Hamburger Sparkasse - money market loan -	0	1,000
Deutsche Bank - Brazil -	104	100
HypoVereinsbank - real estate financing -	100	100
HCOB Nordbank - current account -	1,640	1,501
Deferred interest	26	4
	11,674	8,705

The current accounts are due on demand. The interest rates amounted to between 2.5 % and 4.83 % as of June 30, 2019. The money market loan and the fixed interest lending tranche for EUR 8,000 thousand are due on October 1, 2019, and the interest rates lay between 1.69 and 2.65 %.

4.5.3. Trade payables

Liabilities from deliveries of goods received are carried under trade payables. These are due for payment after the balance sheet date. The supplier payables do not carry interest, and are all due within between one and three months.

The carrying amounts of the trade accounts payable are denominated in the following currencies:

	30.06.2019	30.06.2018
Liabilities in EUR thousand	5,967	5,558
Liabilities in BRL thousand	818	683
	6,785	6,241

4.5.4. Other current liabilities

Composition:

EUR thousand	30.06.2019	30.06.2018
Personnel-related deferrals	1,984	2,081
Tax liabilities	282	254
Liabilities for social security	212	202
Other	636	946
	3,114	3,483

In the previous year, the other bonuses item included provisions for customers, which were deducted directly from receivables in the current fiscal year in accordance with IFRS 15.

Personnel-related deferrals mostly relate to bonuses and outstanding vacation entitlements. This also includes a liability in the amount of EUR 118 thousand, which his connected with the aforementioned resignation of the CFO as of December 31, 2018.

All other current liabilities do not bear interest and are due within one year.

5. Notes to the consolidated income statement

5.1 Umsatzerlöse

KROMI sold goods and associated services during the period under review. Revenues are composed as follows:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Deliveries and services in Germany	36,617	46,534
Deliveries and services in other European countries	31,015	27,439
Deliveries and services in Brazil	8,109	7,544
Sales reductions	-956	-1,133
	74,785	**80,384**

Revenue of BRL 29,819 thousand (EUR 7,544 thousand) was generated in Brazil in the 2017 / 2018 fiscal year (previous year BRL 19,382 thousand / EUR 5,511 thousand).

5.2. Other operating income

Composition:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Income from the release of provisions	248	407
Benefits in kind – vehicles	423	399
Income from currency translation	224	0
Income from written-down receivables	0	75
Other	91	89
	986	**970**

5.3. Cost of materials

Composition:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Merchandise utilisation / procured services	57,343	61,275
Product related taxes in Brazil	2,016	1,882
Less discounts	-790	-670
Less bonus payments	-368	-403
	58,201	**62,084**

5.4. Staff costs

Composition:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Wages and salaries	9,464	10,488
Social security expenses and pensions	2,032	1,895
	11,496	**12,383**

During the fiscal year from July 1, 2018 to June 30, 2019 the Group employed an average of 196 staff (previous year: 181), in addition to the members of the Managing Board. As of June 30, 2019, the Group employed a total of 200 staff including the members of the Managing Board (previous year 187). The employees comprise 20 persons in management, 176 salaried employees, three wage earners and one trainee in wholesale and foreign trade.

5.5. Other operating expenses

Composition:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Distribution costs	3,219	3,452
Operating costs	1,018	1,039
Administration costs	1,034	945
Expenses arising from currency differences	4	1,157
Additions to valuation allowances for receivables	537	42
Miscellaneous	664	662
	6,476	**7,297**

5.6. Financial expenses

Composition:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Miscellaneous interest expenses	322	331
Interest on pension commitments	65	65
	387	396

5.7. Other financial income

In the year under review, other financial income exclusively comprised EUR 12 thousand of interest income from current accounts (previous year EUR 23 thousand).

5.8. Income taxes

Income taxes in the period under review derived from the following items:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Trade tax current year	0	0
Corporation tax current year	0	0
Solidarity surcharge current year	0	0
Foreign income taxes	80	13
Current year tax expense	**80**	**13**
Corporation tax for previous years	0	132
Solidarity surcharge for previous years	0	7
Trade tax for previous years	0	131
Previous years' tax expense	**0**	**270**
Deferred tax income – temporary differences	-292	0
Deferred tax expenses – temporary differences	0	346
Deferred tax income	**-292**	**346**
	-212	629

The average Group tax rate for the 2018 / 2019 fiscal year stood at 32.0 % (previous year: 32.0 %).

The following presents the reasons for the divergences between the expected and actual tax expenses:

EUR thousand	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Loss before taxes	-1,317	-1,410
Expected tax expense (tax rate: 32 %)	-421	-451
Taxes for prior years	2	270
Non-deductible operating expenses	109	55
Change in assessment of loss carryforward in Brazil	0	258
Other tax assessment in Brazil	53	370
Losses not yet utilised for tax purposes	0	0
Foreign subsidiaries' taxes	0	13
Other	46	114
Actual tax expense for current year	-211	629

The tax loss carryforwards amount to EUR 833 thousand (previous year: EUR 760 thousand) and correspond to EUR 317 thousand of deferred tax assets (previous year: EUR 238 thousand).

The tax losses can be offset for an indefinite period with the future taxable earnings of the company in which the loss arises. Deferred tax assets of EUR 317 thousand were recognised for tax loss carryforwards (EUR 254 thousand). The possibility of utilisation was estimated based on planning.

5.9. EBIT, EBIT margin, gross profit

The Group reported EUR -942 thousand of EBIT during the fiscal year (previous year: EUR -1,037 thousand). This also corresponds to the result before interest and taxes (EBIT). The EBIT margin (as a percentage of revenue) consequently amounted to -1.3 % (previous year: -1.3 %). Gross profit decreased from EUR 18,300 thousand to EUR 16,584 thousand.

6. Leasing

Whether an agreement contains a lease is determined on the basis of the economic content of the agreement on the date when the agreement was concluded, and requires an estimate as to whether the satisfaction of the contractual agreement depends on the utilisation of a certain asset or certain assets, and whether the agreement grants the right to the utilisation of the assets, even if such a right is not expressly determined within an agreement.

All other leases meet the criteria for operating leases according to IAS 17. Lease payments for operating leases are recognised directly in profit or loss.

The leases are concluded without options, and with a fixed lease term of 36 or 60 months as a rule.

Operating leasing:

EUR thousand	30.06.2019	30.06.2018
Total future minimum lease payments as a consequence of operating leases that cannot be terminated	813	745
of which due within one year	353	410
of which due within between one and five years	460	335
Payments recognised in income in the period under review from leases and sub-leases		
Minimum lease payments	969	986

7. Contingent liabilities and financial commitments

7.1. Contingent liabilities

KROMI has issued a guarantee letter for EUR 200,000 to Deutsche Bank S.A. – Banco Alemao, São Paulo, Brazil, for loans to KROMI Logistica do Brasil Ltda, Joinville, Brazil, for its current working capital borrowing facilities.

7.2. Financial commitments

The defined contribution benefit plans result in monthly payments to a benefit fund of around EUR 4 thousand for the period in which an employment relationship exists with the beneficiary.

8. Financial risks and financial instruments

8.1. Categories of financial instruments

The Group's financial assets are its cash and cash equivalents and receivables. The primary financial instruments carried under assets are receivables to the extent that these are based on a contract, and to the extent that these are not connected to a retirement benefits plan. These receivables reported on the balance sheet derive from deliveries and services. The other current assets comprise prepayments, accrued income, deferred bonus payments and tax receivables.

The primary financial instruments carried as liabilities and bonus deferrals comprise all sub-segments of liabilities with the exception of commitments for retirement benefits, deferred income, deferred taxes and income tax liabilities. In addition, this does not include items that are not based on a contract (e.g. commitments to social security entities or tax authorities). The primary financial instruments carried under liabilities are almost exclusively interest-bearing loans and trade accounts payable carried under liabilities on the balance sheet.

Derivatives exist only in the form of an interest-rate swap, which was designated as a hedging instrument, and which is effective as such.

With the exception of the derivative financial instrument that is measured at fair value, financial instruments in the KROMI Group are allocated exclusively to the amortised cost measurement model underlying IFRS 9. The short terms of these liabilities, however, and in the case of a longer-term loan, its variable interest rate, mean that their fair value does not differ materially from their carrying amounts on the balance sheet. The interest-rate swap was measured at fair value. Besides the interest-rate swap, no further financial instruments exist that are measured at fair value. The fair values of the interest-rate swap was calculated applying the mark-to-market method.

8.2. Default risk

Default risk is the risk of a counterparty not being able to fulfil its contractual obligations, resulting in a financial loss for the Group. The credit and default risk for financial assets corresponds at most to the amounts carried as assets.

The Group's default risk derives primarily from its trade receivables. The amount carried on the balance sheet includes valuation adjustments applied to doubtful receivables that the Managing Board has formed based on its estimate of its ability to collect the outstanding amounts.

The KROMI Group endeavours to limit default risks through appropriate diversification of its customer portfolio.

8.3. Liquidity and interest-rate risk

No material liquidity or interest-rate risks exist within the KROMI Group. Except for one non-current loan, the liabilities carry residual terms of less than one year. The variable interest-rate non-current loan is hedged with an interest-rate swap. The anticipated gross cash flows from these liabilities consequently largely correspond to the amounts carried on the balance sheet.

The Group has a EUR 17,000 thousand million credit line. The utilisation of this credit line amounted to EUR 10,224 thousand as of June 30, 2019.

8.4. Foreign currency risks

The foreign currency results reported during the year under review originated mostly from intra-group transactions between KROMI and its Brazilian subsidiary. No other material currency translation risks exist as almost all delivery agreements are concluded in euros.

Only a small proportion of the Group's assets and liabilities are not denominated in euros, and are denominated almost exclusively in the Brazilian real. When translated into euros, these financial assets totalled around EUR 2,074 thousand on the balance sheet date (previous year: EUR 1,385 thousand), and the financial liabilities totalled around EUR 818 thousand (previous year: EUR 683 thousand).

8.5. Sensitivity to changes in foreign currency exchange rates

The parent company finances its Brazilian subsidiary with euro-denominated loans. A 5 % depreciation in the Real feeds through to EUR 373 thousand of exchange rate losses, and a 5 % appreciation of the Real equals EUR 412 thousand of exchange rate gains, both of which impact Group pre-tax earnings.

8.6. Market risk

Market risk is the risk that changes occur to market prices such as exchange rates, interest rates and share prices, thereby affecting the Group's income or the value of financial instruments that it holds. The aim of market risk management is to manage and control market risk within acceptable bandwidths, while at the same time optimising returns.

The Group purchased an interest-rate swap in order to manage market risks. As far as possible, hedge accounting is utilised to manage the volatility of results.

9. Notes to the consolidated cash flow statement

The consolidated cash flow statement (IAS 7) is presented according to operating activities, investing activities and financing activities. During the period under review, the cash and cash equivalents reported in the cash flow statement contained bank balances and cash in hand.

The cash and cash equivalents position amounts to EUR 1,693 thousand (previous year: EUR 1,581 thousand) as of June 30, 2019, and consists of cash and cash equivalents from Germany (EUR 1,425 thousand, previous year: EUR 1,349 thousand), Slovakia (EUR 61 thousand, previous year: EUR 55 thousand), the Czech Republic (EUR 36 thousand, previous year: EUR 33 thousand), Spain (EUR 99 thousand, previous year: EUR 76 thousand) and Brazil (EUR 72 thousand, previous year: EUR 68 thousand).

The indirect method was applied to calculate cash flows from operating activities. The cash flow statement starts with Group profit or loss. The cash outflows from taxes have been allocated to operating activities, where they are carried under a separate item. The cash outflows from interest payments were allocated to financing activities, while cash inflows from interest payments were also reported separately under investing activities. Besides depreciation, amortisation, impairment charges and foreign currency exchange rate losses, cash flow from operating activities in the 2018 / 2019 fiscal year included no further significant non-cash expenses and income, as in the previous year.

10. Segment reporting

According to IFRS 8, the identification of operating segments with a reporting requirement is based on the management approach. Accordingly, external segment reporting is based on the internal financial reporting to the top-level management body. In the KROMI Group, the Managing Board of KROMI Logistik AG is responsible for evaluating and managing the segments' business performance, and is the top-level management body within the meaning of IFRS 8.

KROMI's company purpose is trading with, and the distribution of, machining tools and associated services. This forms the basis for the Group's income. The management believes that segmentation based on products is not pertinent, as these are homogeneous. As a consequence, the Managing Board forms segments based on its sales markets. The figures are based on customers' locations in Germany (domestically), European countries besides Germany, and Brazil as the markets that the Group currently supplies. The European countries especially include Denmark, France, Austria, Poland, Slovakia, Spain and the Czech Republic, which account for the predominant share of the sales revenues generated with European customers. The other countries to which deliveries are made (e.g. Romania) continued to play a subordinate role in the fiscal year elapsed. Almost all sales revenues are invoiced in euros, so that, to this extent, no currency risks are to be reported.

The valuation principles for segment reporting are based on the IFRS principles applied in the consolidated financial statements. As a consequence, no reconciliation statements require presentation. If it proved impossible to assign individual items to the segment reporting according to the above (primary) criteria, the company has made reasonable assumptions for the distribution of key assets. If it proved impossible to make any plausible or reasoned assumptions that were very likely to lead to the results similar to those actually obtained, the respective item was not included in the segment reporting, and was shown only in the reconciliation statement.

The allocation of external revenues and trade receivables is based on the respective customer's location. The allocation of non-current assets and inventories to regions is performed according to the location of the respective assets. Other assets are either financial assets that serve the company as a whole, or assets which cannot be distributed feasibly, and which are consequently shown only in the reconciliation statement to the company's total assets.

Liabilities in the KROMI Group are mostly not segment liabilities, as these serve the company as a whole or the financing of the company as a whole (for example, provisions for pensions, deferred taxes, interest-bearing loans). The remaining segment liabilities (trade payables) were not distributed, as a reasonable basis for distribution is impossible.

KROMI assesses the segments’ performance using, for example, segment earnings. Segment earnings comprise revenues less the cost of materials. Revenues and advance payments between segments are not netted. As a consequence, segment reporting only includes income and expenses with external customers and suppliers.

EUR thousand	Germany		Abroad: EU countries outside Germany		Abroad: Brazil		Total	
	07.2018 - 06.2019	07.2017 - 06.2018	07.2018 - 06.2019	07.2017 - 06.2018	07.2018 - 06.2019	07.2017 - 06.2018	07.2018 - 06.2019	07.2017 - 06.2018
Revenue (from external customers)	**36,099**	45,892	**30,576**	26,947	**8,109**	7,544	**74,784**	80,383
Less cost of materials	-28,214	-34,860	-23,878	-21,428	-6,109	-5,796	-58,201	-62,084
Segment result	**7,885**	11,032	**6,698**	5,519	**2,000**	1,748	**16,583**	18,299
Plus other operating income							763	970
Plus other own work capitalised							35	0
Less staff costs							-11,497	-12,383
Less amortisation / depreciation							-575	-627
Less other operating expenses							-6,252	-7,297
Less financial result							-374	-372
Plus / less: Income taxes							212	-629
Group net profit / loss							**-1,105**	**-2,039**

EUR thousand	Germany		Abroad: EU countries outside Germany		Abroad: Brazil		Total	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Segment assets	**19,029**	19,683	**18,456**	17,789	**4,248**	3,390	**41,733**	40,862
Of which non-current segment assets	3,471	3,554	277	149	384	381	4,132	4,084
Of which current segment assets	15,558	16,129	18,179	17,640	3,864	3,009	37,601	36,778
Plus cash and cash equivalents							1,693	1,581
Plus assets not allocated to segments							4,167	3,479
Total assets							47,593	45,922

Further segment information:

EUR thousand	Germany		Abroad: EU countries outside Germany		Abroad: Brazil		Total	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Investments	554	452	5	1	75	177	634	630
Less amortisation / depreciation	504	553	9	17	62	57	575	627
Significant non-cash items (impairment losses)							0	0

The Group generates at least 10 % of its revenue with the following customers or corporate groups.

The Group achieves approximately 18.0 % or EUR 13,474 thousand (previous year 16.0 % or EUR 120,855 thousand) of its revenues with one group of companies. Of this total, EUR 3,756 thousand are attributable to Germany (previous year: EUR 3,152 thousand) and EUR 9,718 thousand are accounted for European countries besides Germany (previous year: EUR 9,703 thousand).

The Group generates approximately 11.6 % or EUR 8,693 thousand (previous year: 9.1 % or EUR 7,342 thousand) of its revenues with another group of companies. Of this total, EUR 5,026 thousand are attributable to Germany (previous year: EUR 5,316 thousand) and EUR 3,667 thousand are accounted for European countries besides Germany (previous year: EUR 2,025 thousand).

11. Earnings per share

The subscribed capital of KROMI amounted to a total of EUR 4,124,900.00 on June 30, 2019 (previous year: EUR 4,124,900.00). It comprises 4,124,900 no par value bearer shares. All of the shares are ordinary shares and carry an equal participating interest in the company's share capital.

Shares	30.06.2019	30.06.2018
Number of shares – start of period	4,124,900	4,124,900
Number of shares – end of period	**4,124,900**	**4,124,900**

Basic earnings per share are calculated by dividing the consolidated earnings by the weighted average number of ordinarily shares in circulation in the year under review. Earnings per share are calculated based on the following data:

EUR	1.7.2018 - 30.6.2019	1.7.2017 - 30.6.2018
Group net profit / loss	-1,106,564	-2,027,814
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share (basic)	**-0.27**	**-0.49**

Diluted earnings per share correspond to the basic earnings per share.

The Managing Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital by up to a total of EUR 2,062 thousand (Authorised Capital). This authorised capital can lead to diluted earnings per share in future as soon as the Managing Board avails itself of this authorisation.

No dividends were paid in the period from July 1, 2018 to June 30, 2019.

12. Related party disclosures

KROMI Logistik AG is the ultimate parent company.

Pursuant to IAS 24, the following information is provided on related parties. Related parties are divided into the following groups and are comprised as follows:

A) Direct and indirect shareholders of KROMI Logistik AG with a controlling or significant influence:

- Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn
- Norman Rentrop, Bonn

b) Parties related to shareholders in the meaning of a):

- Schubert Vermögensverwaltung KG, Hamburg
- Schubert family members

c) Other individuals in key positions:

- Ulrich Bellgardt (Chairman of the Supervisory Board)
- Jens Große-Allermann (Deputy Supervisory Board Chairman)
- Prof. Eckart Kottkamp (Supervisory Board member)
- Stephan Kleinmann (Supervisory Board member)
- Bernd Paulini (Managing Board member)
  Member of the Group Executive Committee
- Christian Auth, (Managing Board member)
  Member of the Group Executive Committee from 01.04.2019
- Axel Schubert, (Managing Board member)
  Member of the Group Executive Committee until 30.09.2019
- Uwe Pfeiffer, (Managing Board member)
  Member of the Group Executive Committee until 31.12.2018
- Jens Kumpert (authorised company officer)
  Member of the Group Executive Committee
- Jenis Acosta Managing Director of KROMI Logistica do Brasil Ltda
  Member of the Group Executive Committee
- Andre Bartels (authorised company officer)
  Member of the Group Executive Committee

The Managing and Supervisory boards' compensation is detailed under Note 13.

Compensation of key management members

EUR thousand	2018 / 2019	2017 / 2018
Short-term employee benefits	1,261	1,840
Other long-term benefits	0	189
Post-employment benefits	157	154
	1,418	**2,183**

13. Information on the executive bodies of KROMI Logistik AG

13.1. Managing Board

The following persons were appointed as members of the Managing Board of KROMI Logistik AG for the fiscal year ending on June 30, 2019:

- Bernd Paulini (Managing Board Chairman / CEO until January 1, 2018, until then COO), Lüblow
  Further supervisory board mandates / memberships in executive bodies: none
- Christian Auth (CFO from April 1, 2019), Hamburg
  Further supervisory board mandates / memberships in executive bodies: none
- Axel Schubert (CIO until September 30, 2019), Quickborn
  Further supervisory board mandates / memberships in executive bodies: none
- Uwe Pfeiffer (CFO until December 31, 2018), Hamburg
  Further supervisory board mandates / memberships in executive bodies: none

Total compensation paid to the Managing Board amounted to EUR 646 thousand in the 2018 / 2019 fiscal year (previous year: EUR 1,375 thousand), and is derived as follows:

	2018 / 2019				2017 / 2018			
EUR	Performance-independent compensation	Performance-dependent compensation	Performance-based compensation with long-term incentive effect	Total payments	Performance-independent compensation	Performance-dependent compensation	Performance-based compensation with long-term incentive effect	Total payments
Bernd Paulini	256,740	0	0	256,740	219,951	78,119	46,871	344,941
Christian Auth	54,280	0	0	54,280	0	0	0	0
Axel Schubert	203,367	0	0	203,367	197,557	67,082	40,249	304,888
Uwe Pfeiffer	131,598	0	0	131,598	270,437	111,375	0	381,812
Jörg Schubert	0	0	0	0	221,690	75,877	45,526	343,093

Non-share-based compensation of EUR 0 thousand dependent on the occurrence or discontinuation of future conditions was granted to the Managing Board members in the 2018 / 2019 fiscal year (previous year: EUR 88 thousand). The remuneration report presents the main characteristics of the commitment, the impact on the level, and the temporal distribution of the benefit.

Compensation of EUR 0 thousand was granted in the year under review (previous year: EUR 130 thousand), which was dependent on the occurrence or non-occurrence of future conditions and whose original commitments were made in the fiscal years 2016 / 2017 and 2017 / 2018 (previous year: 2015 / 2016 and 2016 / 2017).

Payments in kind were valued on the same basis as for tax purposes.

In connection with the departure of Mr. Uwe Pfeiffer as of December 31, 2018, expenses of EUR 631 thousand were also recognised in the 2018 / 2019 fiscal year.

In addition to the remuneration detailed above, the following non-performance-based payments are made in the event the employment relationship comes to an end:

Mr. Bernd Paulini has received a pension commitment amounting to EUR 4000.00 monthly to be received on retiring and after reaching the age of 65. In 2013, this was increased to the new standard retirement age: after reaching the age of 67. The commitment includes an invalidity pension of approximately EUR 4,000.00 and a widow's pension of approximately EUR 2,400.00. Current pensions are increased by 2 % p.a. The present value of the commitment amounts to EUR 753,979 as of June 30, 2019 (previous year: EUR 645,222). A provisioning amount of EUR 108,757 was formed during the 2018 / 2019 fiscal year (previous year: EUR 46,250).

Mr. Christian Auth has received a commitment to contribute EUR 4,000.00 per month to a congruently reinsured provident fund. KROMI Logistik AG pays a monthly fixed amount of EUR 4,000.00 (previous year: EUR 0.00) to the support fund from April 1, 2019. KROMI Logistik AG will no longer have any benefit commitments to Mr. Auth once he has left the company.

Mr. Axel Schubert has received a pension commitment amounting to EUR 4,000.00 monthly to be received on retiring and after reaching the age of 65. In 2013, this was increased to the new standard retirement age: after reaching the age of 67. The commitment includes an invalidity pension of EUR 4,000.00. Current pensions are increased by 2 % p.a. The present value of the commitment amounts to EUR 452,346 as of June 30, 2019 (previous year: EUR 350,170). A provisioning amount of EUR 102,176 was formed during the 2018 / 2019 fiscal year (previous year: EUR 25,187).

The pension commitments to Mr. Bernd Paulini and Mr. Axel Schubert already existed before they were appointed to be Managing Board members.

In addition, Managing Board members are entitled to an extraordinary right to cancel their employment contracts if a shareholder of KROMI Logistik AG for the first time (directly and / or indirectly) acquires more than 50 % of the voting rights of all of the company's issued shares. These Managing Board members are entitled to a settlement if this cancellation right is exercised. The level of the settlement for the Managing Board members Axel Schubert and Bernd Paulini is measured on the basis of the compensation which they would have received until the end of the current calendar year, discounted by 10 % per year. If Managing Board Chairman Mr. Jörg Schubert ends his employment contract prematurely, or is recalled from the Board, for whatever reason, he is entitled to the continued payments of his fixed compensation for the rest of the calendar year in which the contract ends, although at least for six months. The entitlement to variable compensation ends when the contract ends.

If Managing Board contracts end due to the death of the respective Managing Board members, the widow of the Managing Board member receives 100 % of the Managing Board member's fixed salary for the month of death and the five following months, and 50 % for the further months until the end of the originally intended contractual term.

In the instance that Managing Board contracts are terminated due to a revocation of appointment pursuant to Section 84 (3) of the German Stock Corporation Act (AktG), to the extent that the revocation is not due to a withdrawal of confidence, or due to the effective extraordinary termination by the company or the Managing Board member, the contract does not end with immediate effect, but instead after the expiry of six months after the revocation or extraordinary termination was declared effective. This does not apply in instances where the extraordinary termination was due to circumstances that entitle the company to damage compensation claims. In such instances, termination is extraordinary, without notice, and with immediate effect.

Mr. Jörg Schubert received a pension commitment in the amount of EUR 6,000.00 per month upon exiting the company after reaching the age of 65. KROMI Logistik AG assumed this pension commitment on December 7, 2006, with effect from January 1, 2007. The commitment includes an invalidity pension of approximately EUR 4,000.00 and a widow's pension of approximately EUR 3,600.00. Current pensions are increased by 1 % p.a. The settlement amount of the commitment stands at EUR 1,204,584 as of June 30, 2019.

Please refer to the comments in the remuneration report in the Group management report.

The Managing Board's shareholdings as at June 30, 2019 were as follows:

	Shareholding in number of shares	
Name	**30.06.2019**	**30.06.2018**
Bernd Paulini	92,200	92,200
Christian Auth	0	0
Axel Schubert	93,000	93,000
Uwe Pfeiffer - resignation on December 31, 2018 -	0	0
Jörg Schubert - resignation on December 31, 2017 -	0	0

13.2. Supervisory Board

The Supervisory Board is composed of the following members:

- Ulrich Bellgardt (Chairman), Management Consultant, Solothurn, Switzerland,

  Further supervisory board mandates / memberships in executive bodies

  - Chairman of the Supervisory Board of WashTec AG, Augsburg (July 2019 to December 2019, until July 2019 Deputy Chairman of the Supervisory Board)

- Jens Große-Allermann (Deputy Chairman), member of the Managing Board of Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, as well as member of the Managing Board of Fiducia Treuhand AG, Bonn

  Further supervisory board mandates / memberships in executive bodies

  - WashTec AG, Augsburg
  - GESCO AG, Wuppertal
  - Sparta AG, Hamburg (until May 15, 2019)

- Prof. Dr. Eckart Kottkamp, consultant, Großhansdorf

  Further supervisory board mandates / memberships in executive bodies

  - Basler AG, Ahrensburg (Deputy Supervisory Board Chairman)

- Stephan Kleinmann, Certified Public Auditor / Tax Adviser, Managing Shareholder of Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg

  Further supervisory board mandates / memberships in executive bodies

  - none

Total compensation paid to the Managing Board amounted to EUR 170 thousand in the 2018 / 2019 fiscal year, and is derived as follows:

	Fixed remuneration	
EUR	2018 / 2019	2017 / 2018
Ulrich Bellgardt	80,000	25,123
Jens Große-Allermann	30,000	24,877
Stephan Kleinmann	30,000	20,000
Prof. Dr. Eckart Kottkamp	30,000	20,000

The compensation for the Supervisory Board was paid out to the Supervisory Board members in July 2018 after the end of the 2018 / 2019 fiscal year. The members of the Supervisory Board receive long-term variable remuneration in addition to fixed remuneration in order to incentivise an orientation to the company's long-term development and growth. The variable compensation depends on the attainment of a more specifically defined profitability target as well as the scope of Supervisory Board members' own investment in the company's shares, and will fall due at the earliest after the end of the 2020 / 2021 fiscal year. Provisions totaling EUR 100 thousand (previous year: EUR 0 thousand) were recognised for this in the 2018 / 2019 fiscal year. The members of the Supervisory Board can receive variable remuneration of up to EUR 100 thousand, the Chair of the Supervisory Board up to EUR 200 thousand.

The members of the Supervisory Board held the following number of shares in the company on the balance sheet date.

	Shareholding in number of shares	
Name	**30.06.2019**	**30.06.2018**
Ulrich Bellgardt	7,000	0
Jens Große-Allermann	0	0
Stephan Kleinmann	3,500	0
Prof. Dr. Eckart Kottkamp	3,500	0

Please refer to the comments in the remuneration report in the Group management report.

14. Auditor's fee

The total fee invoiced by the auditor for the fiscal year amounts to EUR 89 thousand (previous year: EUR 93 thousand), and in the fiscal year under review is due entirely to services related to the auditing of financial statements.

15. Notices received pursuant to Section 33 (1) and (1a) of the German Securities Trading Act (WpHG)

Notification of voting rights

1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany

2. Reason for the notification

X	Acquisition / sale of shares with voting rights
	Acquisition / sale of instruments
	Change in total number of voting rights
	Other reason:

3. Details of the party subject to the disclosure requirement

Legal entity: Kabouter Fund I QP, LLC
Registered office, state: Chicago, United States of America

4. Names of shareholders

with 3 % or more voting rights, if different from 3.

5. Date on which the threshold is met:

22.05.2019

6. Total share of voting rights

	Share of voting rights (sum of 7.a.)	Interest in instruments (Sum of 7.b.1. 7.b.2.)	Total shares (Sum of 7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
new	2.90 %	0 %	2.90 %	4124900
Last notification	3.24 %	n / a %	n / a %	/

7. Details of voting rights holdings

a. Voting rights (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	attributed (Section 34 WpHG)	direct (Section 33 WpHG)	attributed (Section 34 WpHG)
DE000A0KFUJ5	119639	0	2.90 %	0.00 %
			%	%
Total	119639		2.90 %	

b.1. Instruments as defined by § 38 Abs. 1 Nr. 1 WpHG

Type of instrument	Maturity / expiry	Exercise period / term	Voting rights: absolute	Voting rights in %
				%
		Total		%

b.2. Instruments as defined by Section 38 (1) No. 2 WpHG

Type of instrument	Maturity / expiry	Exercise period / term	Cash payment or physical delivery	Voting rights: absolute	Voting rights in %
			Total	/	

8. Information about parties subject to disclosure requirement

X	Notifier (3) is neither controlled, nor does the notifier control other companies that hold voting rights of the issuer (1), or to which voting rights of the issuer are attributed.
	Complete chain of subsidiaries beginning with the ultimate controlling person or ultimate controlling company:

Company	Voting rights in %, if 3 % or higher	Instruments in %, if 5 % or higher	Total in %, if 5 % or higher

9. For power of attorney pursuant to Section 34 (3) WpHG

(possible only for attribution pursuant to Section 34 (1) Clause 1 No. 6 WpHG)

Date of General Meeting:	
Total voting rights (6) after the General Meeting:	

Interest in voting rights	Interest in instruments	Total shares
%	%	%

10. Other information:

none

16. Events after the balance sheet date

Axel Schubert, Chief IT Officer at KROMI Logistik AG, informed the Supervisory Board on August 16, 2019 that he wished to resign from his position as a member of the Managing Board for personal reasons with effect from September 30, 2019. The Supervisory Board accepted the resignation.

After June 30, 2019, an extension of the working capital credit lines until September 30, 2020 was concluded with each of the financing banks.

17. Proposal for the appropriation of profits for KROMI Logistik AG

KROMI Logistik AG, Hamburg, reports an unappropriated net profit of EUR -113 thousand according to its annual financial statements prepared as of June 30, 2019 according to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). For the purposes of passing a resolution at the Annual General Meeting, the company's Managing Board proposes to the Supervisory Board that the unappropriated net profit be carried forward to a new account.

18. Statement pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the Corporate Governance Code

The Managing and Supervisory boards herewith declare that the statement in the meaning of Section 161 of the German Stock Corporation Act (AktG) has been issued and made publicly accessible to shareholders on the company's website on June 30, 2019

(http://ir.kromi.de/websites/ kromi/German/7100/entsprechenserklaerung-2014.html).).

19. Date of authorisation for issue

The Managing Board authorised the consolidated financial statements of KROMI Logistik AG for issue on September 30, 2019 (date of authorisation by the Managing Board for presentation to the Supervisory Board).

Hamburg, September 30, 2019

Managing Board of KROMI Logistik AG

Bernd Paulini	Christian Auth	Axel Schubert

Independent Auditor's report

Reproduction of the Independent Auditor's Report

Based on the results of our audit, we have issued the following unqualified audit opinion:

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Independent Auditor's Report

To KROMI Logistik AG, Hamburg

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit opinions

We have audited the consolidated financial statements of KROMI Logistik AG, Hamburg, and its subsidiaries (the Group), comprising the consolidated balance sheet as of June 30, 2019, the consolidated income statement for the period from July 1, 2018 to June 30, 2019, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from July 1, 2018 to June 30, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Furthermore, we have audited the Group management report of KROMI Logistik AG for the fiscal year from July 1, 2018 to June 30, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and in accordance with these requirements give a true and fair view of the Group's net assets and financial position as of June 30, 2019 and of its results of its operations for the fiscal year from July 1, 2018 to June 30, 2019, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; hereinafter "EU Audit Regulation") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" of our audit opinion. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key audit issues in the audit of the consolidated financial statements

We have determined that no key audit matters exist that need to be reported in our independent auditor's report.

Other information

The legal representatives are responsible for the other information. Other information includes the annual report, with the exception of the audited consolidated financial statements, the Group management report and our audit opinion.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information and, accordingly, we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information is free of material misstatement

- exhibit material discrepancies with the consolidated financial statements, with the Group management report or with the knowledge acquired during the audit, or
- appear to be presented incorrectly in some other way.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the presentation of the Group's financial position and performance in accordance with these requirements. In addition, the legal representatives are responsible for internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the entity as a going concern, if relevant. Furthermore, they are responsible for accounting under the going concern assumption unless an intention exits to liquidate the Group or to discontinue operations, or no realistic alternative exists.

Moreover, the legal representatives are responsible for the preparation of the Group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks pertaining to future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a Group management report in accordance with the applicable German legal provisions and to provide sufficient and suitable evidence for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the Group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks pertaining to future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the Group management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can arise from violations or inaccuracies and are regarded as material if it could reasonably be expected that they will individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the Group management report.

During the audit, we exercise our best judgment and maintain a critical stance. Furthermore,

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the consolidated financial statements and the Group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the Group management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- we evaluate the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the legal representatives, as well as related disclosures.
- we draw conclusions about the appropriateness of the going concern assumption applied by the legal representatives and, on the basis of the audit evidence obtained, whether a material uncertainty exists in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to express an opinion on the related consolidated financial statements and on the Group management report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue its business activities.
- we assess the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the Group's financial position and performance in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB.
- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we assess the consistency of the Group management report with the consolidated financial statements, its legal pronouncements and the Group management report as a whole.
- we perform audit procedures on the forward-looking statements in the Group management report as presented by the legal representatives. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions on which the legal representatives' forward-looking statements are based and assess the proper derivation of the forward-looking statements from such assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. A significant unavoidable risk exists that future events will differ materially from the forward-looking statements.

Among other matters, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that are reasonably believed to affect our independence and the safeguards that have been put in place to that effect.

From among the matters discussed with those responsible for monitoring, we identify those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are consequently the most important matters for the audit. We describe these matters in the auditor's report unless required to do so by law or other regulations.

Other statutory and other legal requirements

Miscellaneous disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as auditors of the consolidated financial statements by the Annual General Meeting on December 5, 2018. We were appointed by the Supervisory Board on July 30, 2019. We have been the Group auditor of KROMI Logistik AG without interruption since fiscal year 2014.

We declare that the audit opinions contained in this opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU Audit Regulation.

Auditor responsible

The auditor responsible for the audit is Dr. Jochen Haußer.

Hamburg, September 30, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Dr. Haußer	signed Müllensiefen
Wirtschaftsprüfer	Wirtschaftsprüfer

”

Responsibility statement (declaration pursuant to Section 117 in conjunction with Section 114 (2) No. 3 WpHG)

To the best of our knowledge, we declare that, according to the principles of proper consolidated reporting applied, the consolidated financial statements provide a true and fair view of the Group's net performed financial position and results of operations, that the Group management report presents the Group's business including the results and the Group's position such as to provide a true and fair view, and that the major opportunities and risks of the Group's anticipated growth for the remaining fiscal year are described.

Hamburg, September 30, 2019

Managing Board of KROMI Logistik AG

Bernd Paulini	Christian Auth	Axel Schubert

Publication details

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This report includes forward-looking statements which reflect the current views of the management of KROMI Logistik AG with regard to future events. They are generally identified by the words "should", "expect", "assume", "intend", "assess", "aim", "plan", "will", "strive", "outlook" and similar expressions. Forward-looking statements are based on current plans, estimates and expectations. They are subject to risks and insecurities that are difficult to assess and not in the control of KROMI Logistik AG.

These include factors that affect cost and revenue trends, such as regulatory requirements, more intense competition than expected, changes in technology, litigation and regulatory developments. Should these or other risks and uncertainties materialise, or should assumptions underlying the statements made in this report prove incorrect, the actual results of KROMI Logistik AG may differ materially from those expressed or implied by such statements. KROMI Logistik AG does not assume any guarantee that the forward-looking expectations and assumptions will actually occur. In addition, KROMI Logistik AG declines all responsibility for updating forward-looking statements by taking into account new information or future events.

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