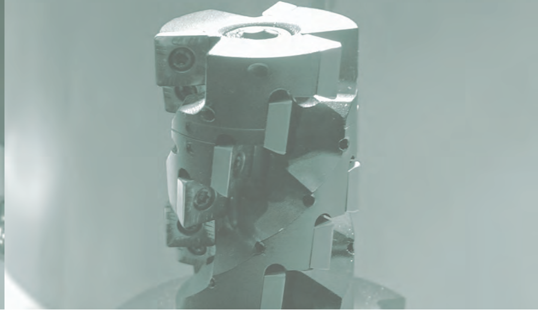
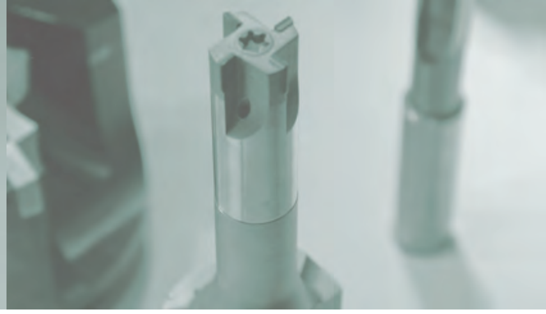
KROMI LOGISTIK AG

Annual Report 2013 / 2014

Key figures at a glance (IFRS)

	Financial year 2013 / 2014 (Jul 1, 2013 – Jun 30, 2014)	Financial year 2012 / 2013 (Jul 1, 2012 – Jun 30, 2013)
Revenues	61,287	59,923
Earnings before interest and tax (EBIT)	1,252	972
Earnings before tax (EBT)	975	675
Consolidated net income	447	100
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share in EUR	0.11	0,03
Equity ratio in %	62.4	60,4
Cash flow from operating activities	992	-684
Cash flow from investing activities	-457	-462
Cash flow from financing activities	-481	1,174
Employees at end of period (excluding Managing Board)	134	123

In EUR thousand (unless otherwise stated)

Financial calendar

November 19, 2014	3-month report 2014 / 2015
November 25, 2014	Presentation at the German Equity Capital Forum 2014
December 10, 2014	Annual shareholders' meeting in Hamburg
February 18, 2015	6-month report 2014 / 2015
May 21, 2015	9-month report 2014 / 2015

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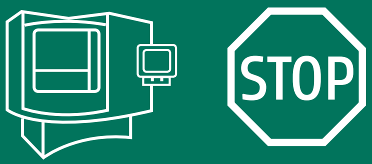
Did you know...

15 % of your machines stop

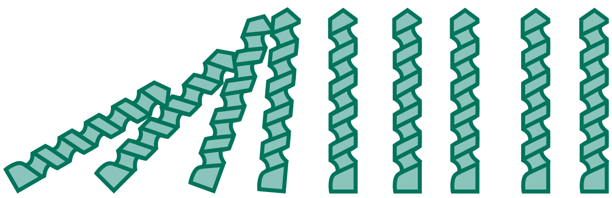
more than **40 %** loss of time

is due to **Buying**

20 % of a workers' time



because of missing tools?



and Organising your tools?

in search for specific Tools?

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Dear shareholders, employees and friends of our company,

We look back on a 2013 / 2014 fiscal year that was challenging, but nevertheless turned out to be satisfactory in the end. KROMI Logistik reported further growth in both revenue and operating earnings (EBIT). We thereby met our forecast for the full fiscal year. Our strategy of growing gradually and, above all, profitably, is proving successful. With a look to earnings, however, we failed to exploit all the potentials on hand, which is due to unforeseeable trends with individual customers. Given these general conditions, our stable business model again proved its strength.

At EUR 61,287 thousand, we grew our revenue by 2.3 % during the period under review. This comprises an acceptable result during times when production in the general engineering sector declined slightly, and when automotive suppliers also registered only minimal growth. Moreover, our business trends were impacted by changes to our customer base.

Bernd Paulini (COO)
Axel Schubert (CIO)
Uwe Pfeiffer (CFO)
Jörg Schubert (CEO)

In Germany, a supply agreement with a large customer of many years‘ standing was discontinued. This fed through to both lower revenues and an impact on earnings. On the other hand, the fall in revenue with this customer was more than offset by the commencement of supplies to a Spanish large-scale machining company, and the optimisation of the existing customer base. Although margins are not yet at their target level during this start-up phase, we have nevertheless not only intensified our international orientation, but also created the foundation for higher-margin business in the future.

With regard to one of our German customers, revenues during the 2013 / 2014 fiscal year were lower than in the previous year, reflecting customers postponing production at locations that KROMI does not supply – or does not supply yet. We are unable to influence these types of short-term strategic decisions by our customers. As far as currently running negotiations are concerned, however, we are optimistic that we can again sustainably boost revenue with this customer in this fiscal year.

Our Brazilian subsidiary continues to be a source of joy for us. Although the Brazilian economy has lost momentum – 1.3 % growth is forecast for 2014 – we again acquired promising new customers in 2013 / 2014, and grew our revenue by 16 %. Expressed in the Brazilian currency, the real, revenue growth even amounted to a remarkable 36 %. The subsidiary’s EBIT performance was also in line with planning. Both EBIT and net income for the year were more than doubled when stated in both euros and reals. Although our existing customer base is currently reporting falling revenues due to the present economic situation, our organisation is functioning efficiently, and there are still many other machining operations that require KROMI expertise. The positive trend over the last two years convinces us that we should continue to focus on this market.

Despite the aforementioned challenges, we generated EUR 1,252 thousand of EBIT in the 2013 / 2014 fiscal year, around 30 % year-on-year growth. Thus, this figure is within the range of our forecast. The EBIT margin stood at 2.0 %, compared with 1.6 % in the 2012 / 2013 fiscal year. Although we would have naturally wished for a little more in terms of the EBIT margin, we nevertheless regard this trend as gratifying overall. A positive factor to be noted in this context is that our business model is now so robust that also unexpected developments can be compensated.

By way of summary: we want to achieve even more. KROMI Logistik has reported very strong growth over the past years, and has significantly expanded its operating activities. We aim to continue to work on this - now and in the future. We are already targeting our existing customers‘ locations in Germany, France, Romania and Belgium, where we will commence supplies during this fiscal year. We have already largely created the respective organisational pre-requisites during the fiscal year elapsed. Our strategy of tapping new markets alongside our long-standing customers continues to bear fruit. In this context, we will push further ahead with the continuous improvement of our internal organisational and process structures, and better orientate ourselves to our customers.

KROMI creates considerable value – as we hear in talks with both existing and potential new customers. The tool and consumption data that we currently provide are unique in the terms of the quality that we deliver. We will exploit this to a greater degree in the future in order to optimise our customers‘ tool deployment, and thereby not only boost their profitability, but ours as well.

We aim to continue consistently on this course during the current fiscal year. We anticipate revenue growth in the upper single-digit percentage range in 2014 / 2015, which would put us significantly ahead of our target sectors‘ forecast growth rates. We are also planning continuous improvement in our operating earnings. In particular, the economy, and consequently KROMI customers‘ production levels, will comprise decisive factors for our earnings trends. If these perform positively, we aim for further EBIT growth as part of our gradual and profitable growth strategy.

We have also, and particularly, our committed employees‘ work and input to thank for the good development and growth of our company over the past years. As a consequence, we would like to take this opportunity to extend our special thanks to them. We have our shareholders to thank for the trust and confidence that they have invested in us and we would appreciate your continued support.

Yours sincerely

Jörg Schubert　　Uwe Pfeiffer　　Bernd Paulini　　Axel Schubert

Interview with the Management Board

Mr. Schubert, what benefits do your customers derive from working together with KROMI?

Jörg Schubert: KROMI's process and tool optimisation measures allow it to sustainably enhance its customers' business and financial efficiency, thereby forming the basis for the type of long-term customer loyalty that is typical of KROMI's client base. We also provide our customers with a constant supply of up-to-date tool and consumption data. These data are unique in terms of quality and their timeliness, and they create the basis for permanent optimisation steps at our existing customers. They also comprise an important USP for the acquisition of new customers.

In which growth phase do you currently see KROMI, and where do things go from here, Mr. Pfeiffer?

Uwe Pfeiffer: Implementing the KROMI systems is still in the start-up phase with many of our customers. Therefore, the full earnings potential has not yet fully affected the numerous new customers, gained in recent years. With our data management and "tool costs per component" calculations, we are implementing a continuous improvement process of our customers that they will benefit from financially over the long term. Once these costs that we deliberately incur during the start-up phase are over, KROMI will be able to grow more profitable with these newly acquired customers. The important thing to bear in consideration is that the larger the customer base, the lower the earnings impact from bringing new customers on board will be.

Where do these initial costs derive from?

Uwe Pfeiffer: The costs of the start-up phase are largely based on the fact that revenues grow only gradually. This is connected with the penetration of production – until we reach the point where we are supplying the full scope of customers' manufacturing operations. We also have to bear personnel and organisational costs for full supply from "day one". Last, but not least, KROMI takes on its new customers' tool stocks, and buys them. Using our tool data, we then start to identify the most economic tools for the customer, and deploy them on a basis that is entirely manufacturer-independent.

Could you give us a specific example from the past business year?

Jörg Schubert: Last year, we generated sustainable revenue growth at the Spanish plant of an internationally operating large-scale machining company. We are proud that, with our system, we are also positioned exactly correctly with this very new customer relationship. KROMI is already perceived as almost indispensable after just a short time. The lower margins that we have also incurred during the start-up phase of this project nevertheless placed an overall burden on our earnings. Despite this, together with the customer we have created the basis for a future supply concept that will already result in an improvement in economic efficiency during the current business year.

What internationalisation strategy are you pursuing?

Jörg Schubert: We aim to enter new markets together with our existing customers. This describes our current internationalisation strategy in a nutshell. We already have an interesting customer base in Europe and Brazil that is continuing to grow. We naturally also wish to accompany these companies when they expand their production worldwide. And this is also what our customers demand of us.

KROMI Logistik has further expanded its market position and grown its sales revenues in European countries outside Germany. Along with scaling up supplies at existing customers, a particular focus in this context is on boosting profitability.

How is your business in Brazil developing?

Jörg Schubert: Once again our Brazilian subsidiary made considerable progress during the last fiscal year. Despite the current cooling of macroeconomic trends, we acquired many new customers and grew our revenue by around 16 % in euro terms. This revenue growth was even as much as 36 % in Brazilian reals, in other words, without adjusting for the currency effect.

Does this mean that you have met your expectations for the Brazilian business?

Uwe Pfeiffer: We are very satisfied. Our Brazilian subsidiary's EBIT loss was halved year-on-year, as planned. We now have our sights firmly set on the breakeven level. Our strategy of consistently further developing our Brazilian business has paid off. We remain fully convinced of the wisdom of our investment in Brazil, also given prospects for 2013 / 2014.

What dividend policy do you plan for the future?

Jörg Schubert: As KROMI is continuing to acquire new customers, we are deploying a major proportion of our financial resources precisely for this. These measures are important for the future of our company. This is because we can only grow the business profitably in the long term with a broad base of established customers. We are very thankful for the support that our shareholders have shown along this path, most of whom have also been shareholders in our company for many years. As soon as we have achieved the strategic objectives of our first growth phase, we also naturally plan to distribute a dividend continuously.

People at KROMI:
Customer engineering

Name: Horst Andrulat | **Position: Customer engineering** | **Age:** 52 years
Training and qualifications: Mechanical engineer | **At KROMI since:** November 1, 2006

Which company area do you work for?

The customer engineering field team plays an important role at KROMI. As part of looking after new customers, we need to carry out an analysis of current conditions that serves as the basis for collaboration with our customers.

What are your main responsibilities?

Since I started at KROMI in the technical advice and sales area, I'ʻve played an active role in further developing the KROMI systems. As part of carrying out an analysis of actual conditions at new customers, we calculate tool costs per component, draw up action plans, as well as feasibility studies, and we carry out tool optimisation. This allows us to show our customers in detail where we can save costs for them. As I'm heavily involved in the further development and programming of these actual condition analyses, I also train new colleagues, and familiarise them with the KROMI system. For this, we hold regular training sessions at our headquarters in Hamburg, which I then head up.

Who do you work together with the most closely?

I'm in close contact with our external field staff and planning managers worldwide. My responsibilities are not tied to a particular customer, so the job entails a lot of travelling to KROMI customers around the whole world.

Can you mention a particular highlight during the past business year?

As part of a special project, we replaced a tool at customer that delivered a very high level of cost savings. Specifically, we replaced a drill with an indexable insert tool. This success is the absolute highlight of the last year for me.

"The initial analysis of tool data at new customers forms the foundation for many years of collaboration."

People at KROMI:
Back office

Name: Denise Meyer | **Position:** Administrator for Poland & quality management | **Age:** 24 years
Training and qualifications: Warehousing & exports administrator | **At KROMI since:** August 1, 2006

Which company area do you work for?

At KROMI, each employee is allocated to a particular customer. I'm responsible for a major customer in Poland, and I attend to this customer with regard to all back office services. I've also been responsible for quality management at the company since the start of 2014.

What are your main responsibilities?

As far as customer management goes, I'm responsible for purchasing and sales, deadline monitoring, data management for KTC articles, and I supervise offers and queries. I'm also responsible for the way in which customer management occurs via telephone. Constant communication with always the same contacts has created a very good customer relationship that makes working together with them very pleasant. This is also a further reflection of the family-type environment at KROMI. We work together very harmoniously not only in-house, but also with our customers. Work also never gets boring because the spectrum of tasks and responsibilities is very extensive.

Who do you cooperate with most closely?

Besides the respective contacts at the major customer, I also work very closely with our planning managers and external sales staff who are located directly in Poland.

Can you mention a particular highlight during the past business year?

I've been responsible for quality management KROMI since the start of 2014. As part of DIN certification according to EN ISO 9000, I also monitor the resultant working instructions, and look after the annual internal and external audit. In order to comply with these standards, we also create nationally and internationally comparable quality standards at KROMI.

"The close contact we maintain with our customers reflects the "family" environment at KROMI."

People at KROMI:
Field service

Name: Sascha Thiele | **Position:** Field staff | **Age:** 42 years
Training and qualifications: Mechanical engineering technician | **At KROMI since:** November 14, 2005

Which company area do you work for?

As a KROMI tool manager, I head up the project team at the Hamburg site.

What are your main responsibilities?

We prepare a KROMI tool management analysis for each new customer. This is our online tool catalogue that describes the entire tools spectrum in detail for each customer. We prepare technical drawings of the specific tools and article descriptions. When we introduce new tools to existing customers, the catalogue is then updated to include this new information. I also look after support queries from customers and staff relating to KROMI tool management.

Who do you collaborate with the most closely?

Mainly with our technical field staff. We also train new feel staff members how to present the KROMI tool catalogues to customers. In questions relating to specific tools, we contact various parties, both KROMI staff and our customers, since we have precise information about the tools.

Can you mention a particular highlight during the past business year?

Last year, a pilot project was launched at a large customer. Here, KROMI is cooperating with ZOLLER, the manufacturer of tool setting devices. This was something special for me because, as part of this project, the tools in the KROMI catalogue were described according to DIN 4000. This is needed to simplify data exchange between the various systems.

"The online tool catalogue forms the basis for tool information for the KROMI articles in the KTC."

People at KROMI: *Disposition*

Name: Cay Schildknecht | **Position:** Planning manager | **Age:** 33 years
Training and qualifications: Warehousing & exports administrator | **At KROMI since:** March 1, 2008

Which company area do you work for?

As KTC planning managers, we travel to our customers' production sites. A colleague and I are mainly responsible for Schleswig-Holstein, and partly also for Denmark. We're responsible for checking the KROMI system, in other words, depending on the customer, the KTC dispensers, the Kanban system and/or the KeC, which is the KROMI e-commerce system.

What are your main responsibilities?

Every day, we check tool stocks at our customers' production sites. What we also find very helpful are the stock notifications that show us at an early stage where tool stocks are starting to deplete. Along with filling the dispensers, maintaining them also forms part of our everyday work. We start the day at the office by checking stocks and incoming tool deliveries, we order goods, and then set out to our customers.

Who do you work together with the most closely?

If stock levels get too low, we send orders to the KROMI in-house staff, so we have intensive contact with our respective colleagues there. We also work very closely together with the technical customer support service. But I'm in most frequent contact with my colleague and deputy, because we support each other on our customer projects. We're also in daily contact with the KTC planning management. Especially if there are any problems with particular systems, or we are about to embark on new projects, then we have very intensive contact with them.

Can you mention a particular highlight during the past business year?

Every year, KROMI carries out a stocktaking process across the whole of Germany. I worked on this last year, and visited external KROMI locations all over Germany. I was very active in this regard, visiting customer sites to see whether the dispensers complied with KROMI regulations. I wouldn't have wanted to have missed out on this experience because it gave me a complete perspective of our customer landscape and various production locations.

"KTC planning management ensures that the KROMI dispensers at our customers are reliable 24/7, and deliver the right tools."

People at KROMI:
Technical consulting and sales

Name: Jens Bornhöft | **Position:** Technical consulting & sales | **Age:** 55 years
Training and qualifications: Master mechanical engineer | **At KROMI since:** March 1, 2002

Which company area do you work for?

My activities are not part of classic external field work as I'm exclusively assigned to one large customer.

What are your main responsibilities?

I attend to the optimisation of machining processes directly at this customer's plant. I'm constantly looking for even better tools to help the technicians there. Once every year, KROMI and the customer jointly coordinate an agreed target of how much is to be saved in terms of costs within the next year – this is then the benchmark that I have to apply myself to every day until I've reached it. To do this, I regularly attend various specialist trade fairs looking for information about tool innovations, and I'm constantly in contact with the tool manufacturers' application technicians, who present their products to me in detail. Based on this information, I then try to find the optimal tool for my customer's manufacturing processes.

Who do you work together with the most closely?

As I work directly at the customer's plant, I communicate several times a day by telephone with our in-house staff at our headquarters in Hamburg – including issuing orders, for example. I'm also in constant contact with our KROMI tool managers, who I regularly help out with questions relating to tool descriptions. KROMI field staff is also continuously exchanging information with each other.

Can you mention a particular highlight during the past business year?

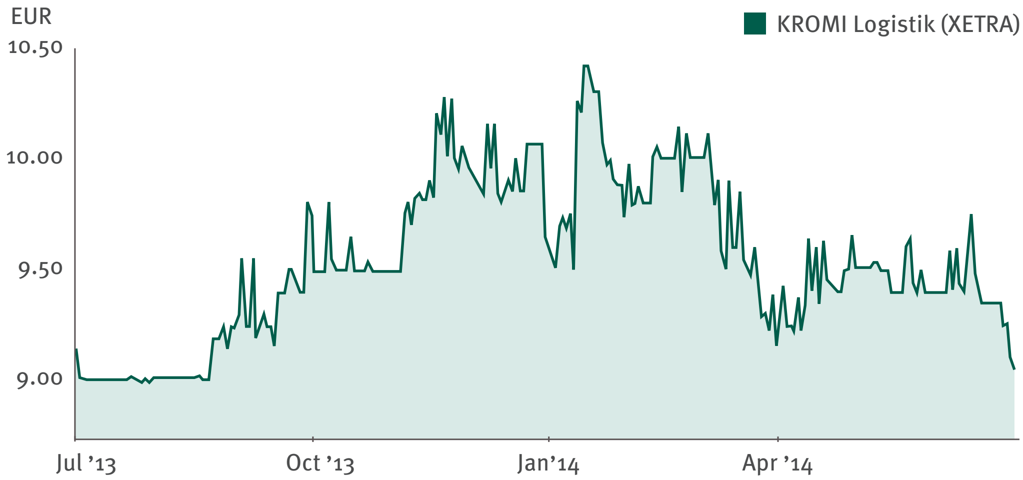
Reaching the targets of the continuous improvement process between KROMI and the customer is always the highlight of the year for me. What's always important for me is to attain the agreed savings in order to generate the greatest possible additional cost benefits for the client.

"Searching for the best tools is a constant task with the aim of further optimising production costs for the customer over the long-term."


KROMI Tool Management
KROMI LOGISTIK AG
▪ Consulting Service
▪ Logistik Service
▪ Controlling Service
▪ Engineering Service

Capital market information

Share price performance (July 1, 2013 – June 30, 2014)



Wichtige Eckdaten

German Securities Identification Number (WKN)	A0KFUJ
ISIN	DE000A0KFUJ5
Ticker symbol	K1R
Trading segment	Regulated Market (Prime 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 June 28, 2013*	EUR 9.17
Share price as of June 27, 2014*	EUR 9.11
Percentage change	-0.7%
52-week high**	EUR 10.55
52-week low**	EUR 9.00

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

On an overall view, the share price of KROMI Logistik AG during the 2013/2014 fiscal year was almost unchanged in low turnover. The share opened at its low for the reporting period of EUR 9.00 on July 1, 2013. The shares appreciated continuously from the end of August 2013 – in line with the overall market – breaching the EUR 10 level in November 2013. Following a slight setback, the share price of KROMI Logistik AG resumed its gains, reaching its high for the fiscal year of EUR 10.41 on January 14, 2014. The KROMI share then traded in a range between EUR 9.00 and EUR 10.00 in continued low trading turnover levels. On June 27, 2014, the last day of the reporting period during which the KROMI shares traded, they closed at EUR 9.11. This corresponds to a market capitalisation of EUR 38.40 million, with the KROMI Logistik AG share consequently reporting a slight price decline of 0.7 % during the 2013 / 2014 fiscal year.

Shareholder structure at the end of the fiscal year

The shareholder structure of KROMI Logistik AG enjoys a stable investor base with a long-term investment orientation. With their interest totalling 54.62 %, the founders of the company and their families, as well as the management level, form a strong foundation for the shares. Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, a further investor that has long-standing ties with the company, holds 15.49 % of the shares. Besides this, the 29.89 % free float caters for a broad investor base, and sufficient share liquidity.

Shareholder structure

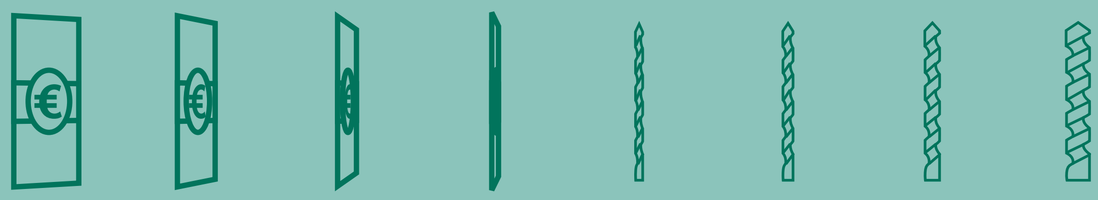
15.71 %	Jörg Schubert
15.64 %	Peter Caro
2.91 %	Schubert family
2.91 %	Caro family
17.45 %	KROMI Beteiligungsgesellschaft mbH
15.49 %	Investmentaktiengesellschaft für langfristige Investoren TGV
29.89 %	Free float

Investor relations

The shares of KROMI Logistik AG have been listed in the Prime Standard of the Frankfurt Stock Exchange since the IPO in March 2007. The company has consciously committed itself to the highest and most extensive transparency standards and reporting duties as a consequence. In its presentation to the public, the company is led by the guiding principle that it should cultivate a transparent information policy, and engage in open dialogue with investors, analysts and the media.

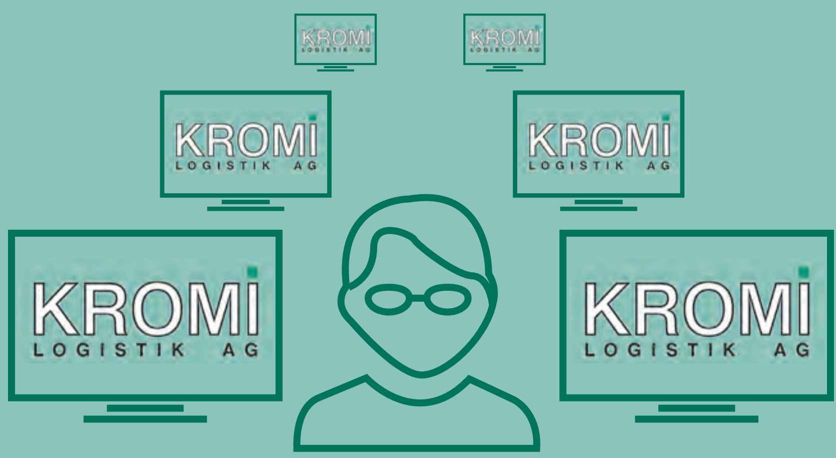
Regular participation by the Managing Board in capital market events, such as investor and analyst conferences, comprises one element of this open communication policy. For example, the company was again represented at the German Equity Capital Forum in Frankfurt am Main during the 2013 / 2014 fiscal year elapsed, and took the opportunity to engage in dialogue with existing and potential investors at a company presentation as well as in one-on-one meetings. The company is to participate again at the Germany Equity Capital Forum in Frankfurt am Main in November 2014, where it will make presentations to investors, analysts, and economic and financial journalists.

Tools are assets which can safe a lot of money.



But how?

You need KROMI

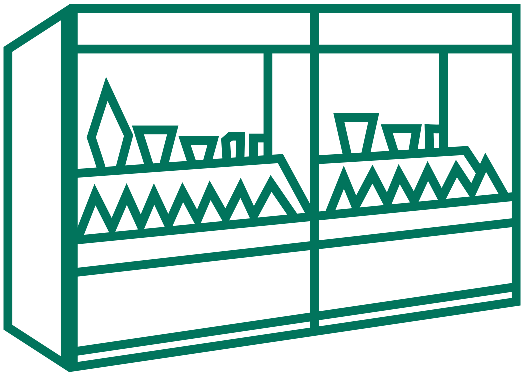


to

analyse and

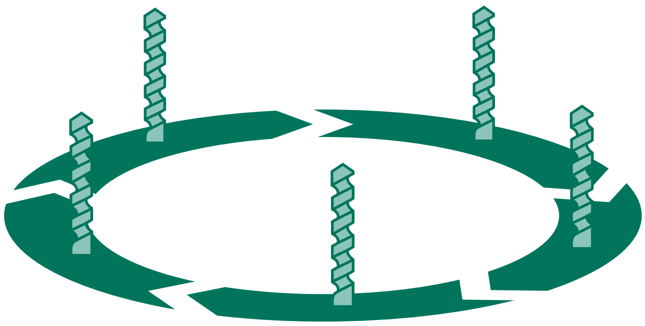
optimise your supply chain.

A powerful supply chain



drastically reduces your

Tools in stock



and improves your **Tool circulation**

in production.

Report of the Supervisory Board

Dear shareholders,

In the 2013 / 2014 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 management on an ongoing basis.

Composition of the Supervisory Board

In line with the articles of incorporation, the Supervisory Board comprises three members. It did not form any committees from among its members.

In the 2013 / 2014 fiscal year, the Supervisory Board consisted of

- Wilhelm Hecking (Supervisory Board Chairman)
- René Dannert (Deputy Supervisory Board Chairman)
- Prof. Eckart Kottkamp.

Supervisory Board of KROMI Logistik AG (f.l.t.r.: René Dannert, Prof. Dr. Eckart Kottkamp and Wilhelm Hecking (Chairman))

Supervisory Board members Hecking and Dannert were appointed to be Supervisory Board members as the result of an election of the AGM of December 14, 2011 for the period until the end of the AGM that approves their discharge for the 2015 / 2016 fiscal year, and Prof. Kottkamp was elected at the previous year's AGM for the period until the end of the AGM that approves the discharge of the Supervisory Board for the 2014 / 2015 fiscal year.

Meetings

In the 2013 / 2014 fiscal year, the Supervisory Board held five meetings by personal attendance on August 6, 2013, 11 September 2013, December 2, 2013, February 17, 2014, and April 24, 2014. With the exception of the meeting on September 11, which Supervisory Board member Prof. Kottkamp was unable to attend but who nevertheless participated in the passing of the resolutions by way of written voting, all Supervisory Board members attended all of the other meetings. Moreover, the Supervisory Board participated in a workshop with the company's entire management team and the heads of the foreign sites in April 2014 where presentations and discussions were held about questions relating to the individual sites, their results, and opportunities to boost productivity and revenue.

In addition to these meetings by personal attendance, the Managing Board constantly informed the Supervisory Board about business progress by means of monthly financial reporting.

In the year under review, the Managing and Supervisory boards continued to be in continuous personal and telephone contact – mainly by way of dialogue between the CEO and the CFO and the Supervisory Board Chairman.

The aforementioned meetings and further information and discussions allowed the Supervisory Board to be informed in depth about the company's commercial and financial position, its risk position, as well as concerning basic business policy. All resolutions were passed as part of meetings by personal attendance, and with the full participation of all Supervisory Board members.

Supervisory Board activities

The Supervisory Board regularly consulted with, and supervised, the Managing Board in the fiscal year elapsed, and was included in all decisions of fundamental significance for the company. The Managing Board continuously, promptly and extensively informed the Supervisory Board concerning all questions of relevance to corporate planning, business policy and development, profitability, the risk position and risk management, strategic measures and important business transactions. The Supervisory Board used as its basis the annual budget approved for the 2013 / 2014 fiscal year in order to monitor the management of the business.

In the 2013 / 2014 fiscal year, differing trends among the international subsidiaries on their respective domestic markets once again formed a particular focus of Supervisory Board activity. The trend which was already observable in the previous year and which is attributable to general macroeconomic and cyclical conditions persisted during the year under review – entailing a pleasing business trend in Germany and a more difficult situation on European markets outside Germany, especially in

Italy and Spain. The Supervisory Board had itself be informed rapidly and in detail about the respective developments, and discussed with the Management Board its expectations and measures for the further development of the Group companies.

The development of KROMI do Brasil remained a further important subject of Supervisory Board activity during the period under review. The Management Board informed the Supervisory Board comprehensively about the very pleasing operating trends – comprising significant revenue and earnings growth, as well as the negative impact of currency and tax effects on the earnings for both the Group and the parent company as a single entity.

In the context of monitoring business trends, the Supervisory Board also had itself be informed about prospects for the individual focal sectors of the company's customers and developments with important major customers, as well as about the further development of the controlling of the company's participating interests, risks and IT structures, in line with the company's continuous business expansion.

The Supervisory Board meeting on September 11, 2013 also included Supervisory Board consultations – in the presence of the auditor – relating to the clarification and discussion of the annual financial statements as of June 30, 2013, as well as planning for the 2013 / 2014 fiscal year.

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. In June 2014, the Managing and Supervisory board renewed its usual annual declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The declaration is reproduced in this annual report as part of the corporate governance statement.

Audit of the 2013 / 2014 annual financial statements

The annual single-entity financial statements of KROMI Logistik AG prepared by the Managing Board according to the regulations of the German Commercial Code (HGB), the IFRS consolidated financial statements of KROMI Logistik AG, and the respective management reports for the 2013 / 2014 fiscal year, including the financial accounting, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, and were each issued with unqualified auditor's opinions. In the light of these auditor's reports, the Supervisory Board reviewed the single-entity 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 retained earnings.

At the Supervisory Board's financials meeting of September 8, 2014, the Supervisory Board prompted the Managing Board to discuss the annual financial statements as of June 30, 2014 that were to be approved in this connection, and to report concerning profitability, and, in particular, about the company's equity, as well as concerning business progress and the company's position. All Supervisory Board members received the requisite documents before this meeting. The auditor was present at the meeting; at the financials meeting, it provided detailed explanations about the audit report, and responded in depth to questions posed by the Supervisory Board members. The Supervisory Board concurred with the auditor's report. No concerns exist about the auditor's independence. The Supervisory Board concurred in full 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 annual financial statements, as well as the management reports for both the Group and the parent company as a single entity, prepared by the Managing Board. As a consequence, the Supervisory Board approved the single-entity annual financial statements and the consolidated financial statements of KROMI Logistik at its meeting on September 8, 2014. The single-entity annual financial statements of KROMI Logistik AG were adopted as a consequence. The Supervisory Board concurred with the Managing Board's proposal concerning the application of unappropriated retained earnings.

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 rendered.

Hamburg, September 8, 2014

Wilhelm Hecking
Supervisory Board Chairman

Corporate governance

The term “corporate governance“ refers to the responsible, transparent management and controlling of companies, geared to their long-term economic success. This is also precisely what KROMI Logistik AG aims to do. That is why the responsible management of the company, in line with all of the relevant legal requirements and regulations, and in awareness of the company‘s responsibilities to its shareholders, customers, employees and society, plays a major role in the entrepreneurial decisions taken by KROMI Logistik AG‘s Managing and Supervisory boards, and in implementing these decisions.

Since being launched in 2002, the German Corporate Governance Code in its respective current version has been KROMI Logistik AG‘s guideline for transparent and responsible corporate governance. KROMI Logistik AG‘s statement of compliance is reproduced in the “Corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB)“.

Differences to the Code‘s recommendations occur as a result of the size of the company and its executive bodies and also the entrepreneurial structures of its executive bodies and organization. These do not require all of the details of the Code‘s regulations and measures because the Code is universally applicable, including for large groups.

Corporate governance declaration pursuant to Section 289a 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.

Management and Supervisory boards‘ working approach

KROMI is subject to the dual management system prescribed by German stock corporation law. This is characterized by a strict split 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.

KROMI Logistik AG‘s Managing Board 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 the cooperation in KROMI‘s Managing Board are set out in the Managing Board‘s rules of business procedure.

The Managing Board consists of four members: its chairperson, the chief financial officer, a Managing Board member for the technology and product area, and a Managing Board member with responsibility for the IT and administrative areas. The Managing Board members work closely together irrespective of their individual areas of responsibility. In line with rules of business procedure, the members of the Managing Board constantly inform each other of all of the key transactions in their areas, and also actively gather information for themselves on the course of business in the other Managing Board members‘ areas. As a rule, resolutions by the Managing Board are passed with a simple majority of votes cast, unless a different majority is required by law, the articles of incorporation, or the rules of business procedure. The CEO has the casting vote in the event of a tied vote.

The CEO provides the Supervisory Board with regular, up-to-the-minute and end-to-end 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 renumeration system for members of the Managing Board, and defines the respective total renumeration. 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 three members who are elected by the company‘s shareholders.

The principles guiding the joint work within KROMI Logistik AG‘s Supervisory Board are set out in the rules of business procedure for the Supervisory Board. The company does not use the opportunity 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 written 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 30, 2014, 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 2013 / 2014 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 point of view of the company, 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, be 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.
- Pursuant to figure 4.2.3 DCGK, the compensation of the Managing Board members should be reported in total and in its variable components in terms of maximum limit amounts. Before this provision was introduced in 2012, the company launched an extensive new compensation scheme which, among other things, limits the degree of target attainment to 300 % for the measurement of variable compensation, in other words, even where target attainment exceeds three times the target value of the measurement amounts, Managing Board members' variable compensation is capped at three times the target amount. The company continues to regard this regulation as appropriate.
- Pursuant to figure 4.2.3 DCGK, when concluding Management Board contracts, attention should be paid that settlements paid to Management Board members who are leaving the company due to a change of control do not exceed 150 % of the settlement of two years' compensation for which provision is made in other instances of an early discontinuation of Management Board activity. The employment contract of Management Board member Uwe Pfeiffer that has been effective since December 2012, comprises a provision to such an extent whereby if a change of control were to occur during the first two years of the new appointment period, it would result in a higher settlement. Given the situation of the other Management Board members in the instance of a change of control and the only temporary significance of this difference, the company regards this divergence from the DCGK in the contract of the only Management Board member who is not a notable shareholder in the company as appropriate and justifiable.

- Pursuant to Section 5.1.2 DCGK, the Supervisory Board is required to take into account an appropriate participation by women when appointing Managing Board members. To this extent, the remarks relating to Section 4.1.5 apply correspondingly for the Supervisory Board. In addition, a Managing Board consisting of only four members offers limited scope to establish diversity among its membership.
- Pursuant to Figure 5.4.1 DCGK, the Supervisory Board should include appropriate participation by women. The considerations relating to Figure 4.1.5 and 5.1.2 DCGK apply correspondingly to this recommendation. Limitations to the diversity of the composition of the Supervisory Board arise of necessity from its restriction to only three members.
- By way of divergence from Section 5.3 DCGK, the Supervisory Board forms no committees. With a Supervisory Board only comprising three members it makes no sense 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.
- By way of divergence from Section 5.4.6 (2) DCGK, the members of the Supervisory Board receive a fixed salary; no components of their renumeration are performance-based. All Supervisory Board members bear the same responsibility and workload. Even without the incentive of a performance-based compensation, the work that is carried out is oriented to performance, and is remunerated appropriately and practically on a fixed payment basis.

This declaration relates to the recommendations of the Code in the version of May 13, 2013.

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 May 13, 2013, with the aforementioned exceptions.

Hamburg, June 30, 2014

For the Supervisory Board

Wilhelm Hecking

For the Management Board

Jörg Schubert　　Uwe Pfeiffer　　Bernd Paulini　　Axel Schubert

Other corporate management practices

The company applies all of the management practices and compliance regulations prescribed by law.

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

The company has not formally approved or introduced other standards which apply company-wide, such as ethical, labour or social standards. Observing the corresponding requirements goes without saying for KROMI and its executive bodies. The Managing Board pays personal attention to these issues. As a result of the company's size, the Managing Board recognizes any misdevelopments directly, and corrects these as necessary. In view of the number of employees, all of the employees have easy and direct access to the Managing Board, which is highly sensitive to its employees, and provides for them well.

Renumeration report

The renumeration report summarizes the principles which which are applied in setting the renumeration for KROMI Logistik AG's Managing and Supervisory boards, and discusses the amount and structure of the Managing Board's 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 (renumeration report). Additionally the following information according to the requirements of the German Corporate Governance Code:

On December 19, 1996, Mr. Jorg Schubert received a pension commitment from Tarpenring 11 Vermogensverwaltungs GmbH in the amount of around EUR 6,000 per month on his 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 added in the period from July 1, 2013 until June 30, 2014 in this regard totaling around EUR 1,008 thousand.

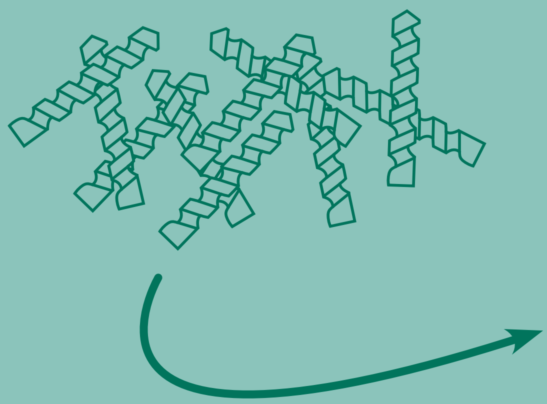
As part of their activity for the company, and already before they were appointed to the Managing Board, Managing Board members Bernd Paulini and Axel Schubert were granted pension commitments on the attainment of their 65th year. In Mr. Paulini's case, this also includes benefits for surviving dependents equivalent to 60 % of the pension commitment. These agreements with the aforementioned Managing Board members continue to be valid. Pension provisions of around €257 thousand (Paulini) and €115 thousand (A. Schubert) were formed for these pension commitments in the July 1, 2013 to June 30, 2014 period.

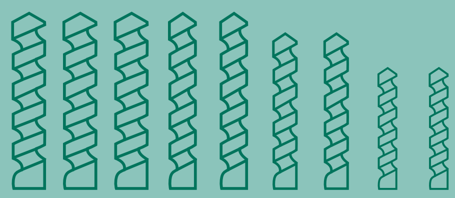
During the year under review, Mr. Uwe Pfeiffer received a defined contribution benefit commitment from a congruently re-insured benefit fund. This form of benefit commitment does not require any provisions for pensions to be formed, and consequently does not affect the balance sheet. The company's expenses for the re-insurance comprise operating expenses, and are included in the information on total renumeration for the members of the Managing Board detailed in the notes to the financial statements.

As of June 30, 2014, Managing Board member Jörg Schubert is the beneficial owner of 648,007 shares, including voting rights for 1,413,006 shares of the company attributable to him in the meaning of Section 22 (1) of the German Securities Trading Act (WpHG). On the same date, Managing Board member Uwe Pfeiffer held 1,000 shares of the company. Indirectly by way of their respective 25% interests in KROMI Beteiligungsgesellschaft mbH, Managing Board members Bernd Paulini and Axel Schubert each indirectly held 180,000 voting rights in KROMI Logistik AG. Managing Board member Axel Schubert directly held a further 3,000 voting rights, and Managing Board Bernd Paulini held an interest in a further 2200 voting rights in KROMI Logistik AG.

We provide our customers with:

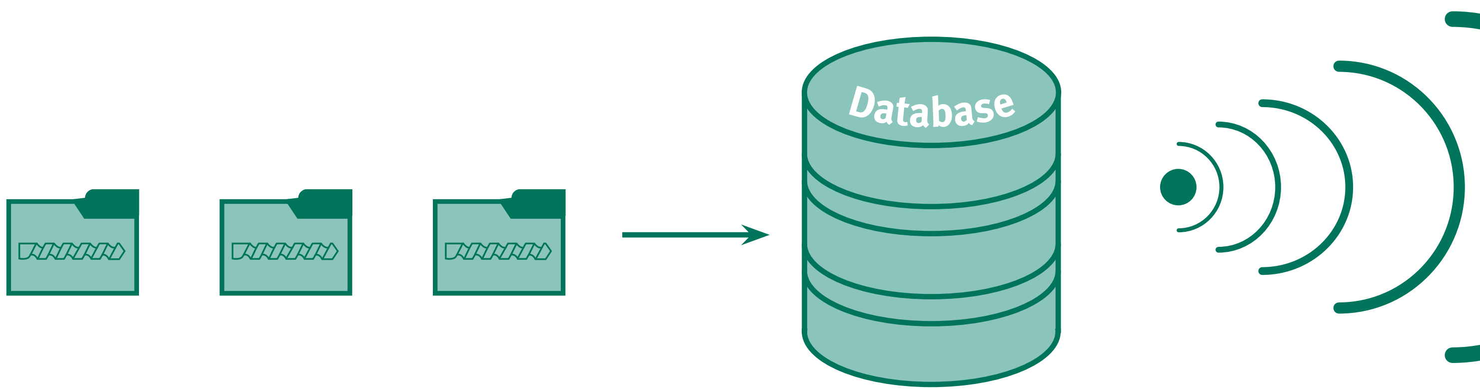
switch from **Clutter**



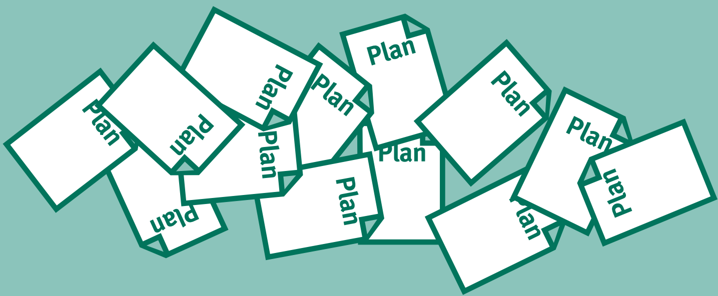


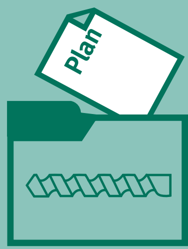
to **Cluster**

Structured tool data is compiled in a Database.



KROMI eliminates **Chaos**





and brings **Order**

The result is a smooth production process.

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Annual Report
Group management report

Basis of the Group

I. Group business model

KROMI Logistik AG (hereinafter called KROMI Logistik) offers manufacturing companies an end-to-end outsourcing concept to supply them with precision machining tools. Along with the classic supplies delivered by KTC dispensers at customer sites, this concept comprises inventory optimisation and warehouse management, consumption controlling, and optimisation of tool deployment in customer production facilities based on inventory and consumption data.

II. Company structure

As of the June 30, 2014 reporting date, the KROMI Group was present at four locations in Germany: along with its headquarters in Hamburg, the Group operates branches in Magdeburg, Erkrath near Düsseldorf, and Eislingen near Stuttgart. It also operates subsidiaries in the Czech Republic, Slovakia, Spain and Brazil. In addition, KROMI Logistik supplies customers in Denmark, Poland, Romania, Austria, Belgium, France and Italy with tools.

III. Segments

KROMI Logistik‘s company purpose is trading with, and the distribution of, machining tools and associated services. The Managing Board believes that it is not pertinent to segment based on products or product groups, as these are homogeneous. In consequence, KROMI delineates its operating segments according to its sales markets (applying its customers‘ headquarter locations accordingly).

IV. Services

Along with supplying its customers, and the related stock of monitoring and filling of KTC dispensers, KROMI Logistik focuses particularly on optimising tool deployment and customer processes. Here, the KEP (KROMI Engineering Process) engineering service rendered by KROMI Logistik is deployed. The optimisation of the machining process (KVP – continuous improvement process) allows improvement potentials to be constantly disclosed to the customer, thereby generating savings.

V. Employees

At the end of the 2013 / 2014 fiscal year, KROMI Logistik AG (excluding its Managing Board) employed 134 staff (June 30, 2013: 123). These figures also include three trainees in the wholesale and export trade area, and three students who are pursuing logistics management studies in cooperation with KROMI Logistik.

VI. Principles of Group steering

KROMI Logistik utilises various key indicators to manage performance relating to the attainment of sustainable, value-oriented growth. This entails applying planning and controlling processes to prepare the requisite key figures and information for decision-makers at various management levels. Based on strategic long-term planning, detailed annual plans and respective budget figures are determined. Rolling monthly forecasts allow 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.

Key financial steering indicators

As part of the financial management of KROMI Logistik, the key figures of gross profit margin (gross profit expressed as a percentage of sales revenue), sales revenue and the operating result (EBIT) serve as central metrics for the steering system. The company also manages the metrics of warehousing stock, inventory turnover, and outstanding debtor periods and levels.

Business report

I. Macroeconomic conditions

The economic situation on global markets was characterised by further slight recovery trends during the 2013 / 2014 fiscal year. Among other factors, moderate growth in emerging economies and the continuing recession in some EU states exerted a negative impact. The German economy continued on its uptrend, by contrast.

According to the International Monetary Fund (IMF), the global economy grew by 3.0 % in 2013, and the IMF forecasts stronger growth of 3.6 % for 2014. In this context, industrialised states are again the growth-drivers, whereas emerging economies are lagging expectations, according to experts.[1]

The EU's statistical department, Eurostat, calculated that EU states' gross domestic product (GDP) registered low growth of 0.1 % over the year elapsed. In the Eurozone, by contrast, economic output contracted by 0.4 % year-on-year in 2013.[2] With regard to 2014, the European Commission sees continued economic recovery, by contrast: it forecasts 1.6 % GDP growth in the EU, and 1.2 % in the Eurozone. The European Commission's forecast is based on the assumption that member states and the EU implement political measures that feed through to a successful reform process. Economic trends in Europe will continue to be afflicted by considerable uncertainties as a consequence.[3]

Although the German economy continues to report weaker growth than in previous years with an average of 0.4 % in 2013, the economic situation has improved tangibly.[4] Influenced by the recession in many European countries, German GDP registered only slow growth of 0.3 % in the third quarter of 2013. Economic output was up by 0.4 % in the fourth quarter of last year. The positive trend continued during the first quarter of 2014 with 0.8 % GDP growth.[5] Although a downtrend was registered again in the second quarter, when German economic output dipped slightly by 0.2 % year-on-year[6], the overall outlook remains positive with the German government forecasting 1.8 % for the full 2014 year.[7] This is a forecast that is also supported by the German Institute for Economic Research (DIW). As was the case in past years, the DIW increasingly regards domestic demand as an important pillar of the German economy. A stable labour market, tangible income growth and low inflation favoured private consumption growth and related import growth. The DIW's economists also anticipate rising exports in the context of faster global economic growth. Although the Eurozone continues to recover, they nevertheless regard the pace as being somewhat slower. Emerging economies are also weaker. For this reason, the DIW, along with the German Federal Government,[8] regards 2.0 % GDP growth in Germany in 2015 as possible.[9]

[1] International Monetary Fund (IMF), World Economic Outlook, April 2014 | [2] Eurostat, real GDP growth rates, status as of: June 27, 2014 | [3] European Commission, press release, May 5, 2014 | [4] German Federal Statistical Office, press release, January 15, 2014 | [5] German Federal Statistical Office, press release, May 15, 2014 | [6] German Federal Statistical Office, press release, August 14, 2014 | [7] German Government, press release, April 15, 2014 | [8] German Government, Spring 2014 Projection, April 15, 2014 | [9] German Institute for Economic Research (DIW), press release, June 17, 2014

II. Sector-related conditions

a. Engineering / precision tools

KROMI Logistik is a tool manager and consequently an outsourcing partner for industrial companies, with the company's core competence focusing on machining tools for the processing of metals and plastics. Although KROMI Logistik is not directly assignable to one of the sectors mentioned below on the basis of its business model, trends in the mechanical and plant engineering sector nevertheless provide a good indicator for the development. According to the German Engineering Federation (VDMA), 2013 was a difficult year for the engineering sector in Germany. New order intake of EUR 206 billion reflected a 2 % year-on-year decline. With a lack of substantial trend directions from either Germany or abroad, order book positions in 2013 were characterised by constant ups and downs in monthly change rates. Although the decline in new order intake from Germany slackened somewhat over the course of the year, international demand had to battle with some significant downturns.[10]

As far as the first half of 2014 is concerned, both new order intake and machine production by the German mechanical engineering sector stood at the previous year's level. A production increase of around 3 % during the first three months was offset by an equal decline during the second quarter 2014. While domestic demand accelerated, orders from abroad, in particular, were down year-on-year. VDMA experts identify the reasons as growing uncertainties for investors, especially given the Ukraine crisis and the resultant disruption to business with Russia. This was only partially offset by growth in Germany and the USA. Given this, the VDMA remains cautious as far as its 2014 annual forecast is concerned, anticipating moderate engineering production growth of 1 %.[11]

The precision tools sub-segment made a positive contribution to the situation of the German engineering sector in 2013 by reattaining its previous year's record level. German precision tool manufacturers reported turnover of around EUR 8.7 billion last year. The two most important foreign markets for precision tools registered differing trends in 2013. Demand for German tools fell slightly in China. In the USA, German companies participated in the strong growth in the automotive industry. The VDMA Precision Tools Association expects that the business situation will improve in the current 2014 year. Manufacturers are assuming that they can exceed the previous two year's record levels by 4 %. In this context, the Association experts anticipate a renewed readiness to invest, and expanding production in the engineering and automotive sectors.[12]

[10] VDMA, Mechanical Engineering – Figures and Charts 2014 | [11] VDMA, press release, July 31, 2014 | [12] VDMA Precision Tools Association, press release, January 15, 2014

To our shareholders | Management report | Business report | Financial statements

b. Aircraft construction, aviation and shipbuilding

The aerospace industry also registered a positive trend in 2013. Sector sales revenue reported significant growth of 7.8 % to an all-time high of EUR 30.6 billion, while the total number of employees grew by 4.8 % to 105,500, according to the German Aerospace Industries Association (BDLI). Civilian aerospace with EUR 21.4 billion of sales is still the sector's most important arm. Although the aerospace industry remains on a success path, it registered a 1 % decline in sales to EUR 2.4 billion due to special effects. Following two years in a difficult environment, defence equipment companies, by contrast, returned to sales growth of 7.2 %, equivalent to EUR 6.8 billion. Global forecasts see worldwide aircraft demand doubling by 2030, representing average annual growth of around 5 %.[13]

As a consequence, growth in civil aviation remains the most important pillar of the aerospace sector in 2013. Global passenger volumes reported above-average growth of 5.2 % in 2013, according to the International Air Transport Association (IATA).[14] This trend strengthened further in the first quarter of 2014, amounting to 5.6 % year-on-year.[15] With regard to global freight volumes, the IATA returned to reporting a slight increase of 1.4 % for 2013, following a slight decline in the previous year. This is due to slower growth in freight volumes compared to global trade.[16] Freight volumes nevertheless stabilised further during the first quarter of 2014, registering 4.4 % growth.[17]

c. Automotive supply industry

The German automotive sector reported a return to 1 % growth in domestic production in the calendar year 2013. This nevertheless comprises a respectable result given the major economic challenges in Europe and the previous year's production decline. Exports of cars produced in Germany returned to growth of 2 %. Export volumes stood at 4.2 million cars in the past calendar year.[18] The German Automotive Industry Association (VDA) forecasts that the number of cars produced will increase by 4 % to around 5.7 million in 2014. As distribution countries the USA and China remained on a growth path, and Europe resumed growth, too.[19] German automotive supply companies exceeded the previous years' high levels. Total sales revenues of EUR 69.9 billion in 2013 were 2 % higher than in the previous year. Around two thirds of this total sales revenue was attributable to business on the German market. Revenues from abroad stood at EUR 25.4 billion, with 3 % growth slightly outpacing domestic sales revenue.[20]

[13] German Aerospace Industries Association (BDLI), press release, April 30, 2014 | [14] International Air Transport Association, press release, February 6, 2013 | [15] International Air Transport Association, press release, May 6, 2014 | [16] International Air Transport Association, press release, March 6, 2014 | [17] International Air Transport Association, press release, May 5, 2014 | [18] German Automotive Industry Association (VDA), press release, January 3, 2014 | [19] German Automotive Industry Association (VDA), press release, July 2, 2014 | [20] German Automotive Industry Association (VDA), 2014 Annual Report, July 2, 2014

III. Course of business – KROMI Logistik in the 2013 / 2014 fiscal year

Corporate strategy and objectives, and its implementation in the Group in the 2013 / 2014 fiscal year

The core of the medium-term strategy of KROMI Logistik is to continuously expand its customer base through acquiring new customers, and through tapping and developing new markets. In the case of existing customers, the optimisation and efficiency enhancement of machining processes, and the reduction of manufacturing and administration costs form the focus of their cooperation with KROMI Logistik. Customer loyalty is also being further intensified through constant innovations of the supply concept, accompanied by the further and consistent orientation to customers' requirements.

Along with the expansion of its core market in Germany, the tapping and further penetration of new markets, and the acquisition of internationally operating large-scale machining operations remain critical aspects of the growth strategy. The company is also constantly examining options to supply its existing customers at further locations.

Above and beyond this, all foreign investments are continuously examined with regard to their economic and financial efficiency in order to see whether the capacity exists to respond adequately to changes in market conditions where required. This continues to ensure that resources are focused where they can be deployed the most efficiently for the Group.

Germany: expansion of the core market

In its home market in Germany, KROMI Logistik achieved its strategic objectives – despite a slight drop in sales revenue. Various new customers continued to be acquired over the course of the fiscal year lapse, for example. Relationships with existing customers were also expanded and secured, with their tool deployment being optimised. The slight decline of EUR 1,023 thousand that was reported in sales revenue in the "Germany" segment was mainly due to the discontinuation of a supply agreement with an automotive supply company. In addition, the outsourcing of individual components of another customer to locations and suppliers that do not form part, or do not yet form part, of KROMI supply, reduced sales revenue. Excluding these extraordinary effects, sales revenue growth of around 14 % was generated from the customer base.

European countries outside Germany: development of existing customers and boosting profitability

KROMI Logistik also further expanded its market position and grew its sales revenues in European countries outside Germany. Along with the broadening of supply at existing customers, a particular focus in this context is boosting profitability. Although sustainable revenue growth at the Spanish plant of an internationally operating large-scale machining company placed an overall burden on earnings as a result of the lower margins that are usual during the start-up phase, the foundation for a higher-margin business was nevertheless laid for the future, which should already cater for earnings improvement in this area during the course of the current fiscal year.

Brazil: acquisition of new customers in a demanding environment

Our Brazilian subsidiary continued to perform in line with planning during the 2013 / 2014 fiscal year. Despite the less dynamic economic environment, numerous new customers were again acquired, and sales were up by around 16 %. In addition, its loss was halved compared with the previous year, as planned. The subsidiary in Brazil is about to break even as a consequence. The Managing Board sees itself as being confirmed in its strategy of consistently further developing the Brazilian business, and remains fully convinced of the expediency of its investment in Brazil, including as a consequence of the evident prospects on offer during the fiscal year elapsed.

Growth with existing customers

During the year under review, KROMI Logistik also continued to gain further locations from existing customers. The organisational preconditions for commencing supplies at further sites in Germany, France, Romania and Belgium were created during the current fiscal year, for example. This provides further evidence of the successful implementation of the growth strategy.

Optimisation and efficiency enhancement

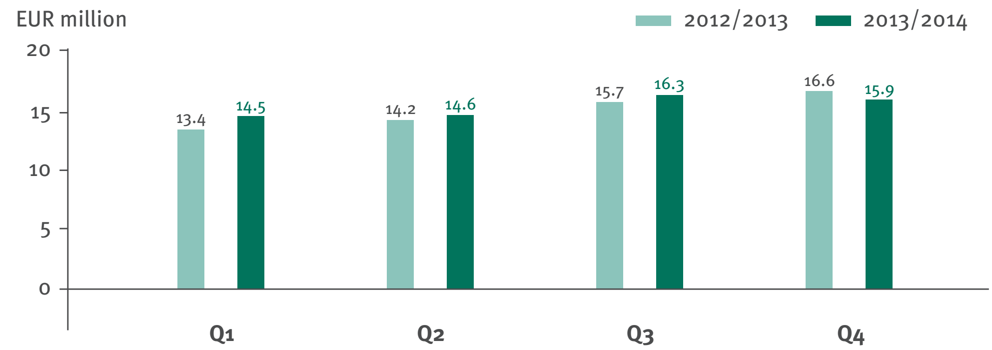
KROMI Logistik‘s process and tool optimisation measures has allowed it to sustainably enhance its customers‘ business and financial efficiency, thereby forming the basis for the type of long-term customer loyalty that is typical of KROMI‘s client base. Above and beyond this, up-to-date tool and consumption data were constantly delivered to customers. These tool data from KROMI Logistik are unique in terms of quality and of their up-to-date status, and they create the basis for further optimisation steps at our existing customers. Moreover, they also comprise an important USP for the acquisition of new customers.

IV. Statement on results of operations, net assets and financial position

a. Results of operations

KROMI Logistik AG reported revenue up by 2.3 % to EUR 61,287 thousand in the 2013 / 2014 fiscal year, as planned (previous year: EUR 59,923 thousand). As a consequence, the company has generated approximately 96.4 % cumulated revenue growth over the past five fiscal years, with this considerable expansion of business activities forming the foundation for the company's profitable growth. In the process, KROMI Logistik has increasingly evolved into an international player. Revenue with customers abroad was expanded further by 11.5 % to EUR 23,195 thousand in the past fiscal year, for example. The home market of Germany, which comprises a 62.2 % share of the total revenue of KROMI Logistik (previous year: 65.3 %), nevertheless remains the main driver of Group revenue trends.

Revenues 2013 / 2014 on quarterly basis and compared to the previous year



Overall, KROMI Logisitk benefited in this context from its well-balanced customer structure that is diversified across several sectors and regions. Further economic recovery on global markets and a generally high production level, especially in the engineering sector, had a positive effect on business trends.

The discontinuation of a large contract with an automotive supplier was more than offset by the general optimisation of existing supplies, as well as the marked expansion of business at the Spanish plant of an internationally operating large-scale machining company. Lower margins are initially being achieved here, as is usual in the start-up phase of supply. The Managing Board nevertheless makes a positive appraisal of fact that this measure has allowed overall revenue with automotive suppliers to be boosted further, thereby forming the basis for higher margin business in the future.

The slight 2.6 % fall in revenue in Germany primarily reflected the outsourcing of production to sites and suppliers that are not, or not yet, integrated into the KROMI system. Given negotiations that are currently underway, however, the KROMI Managing Board is confident that it can return to revenue growth in this area during the current fiscal year.

In line with the aforementioned shifts in revenue composition, the **cost of materials** rose from EUR 45,274 thousand to EUR 46,673 thousand. The **cost of materials ratio** edged up slightly to 76.2 % (previous year: 75.6 %). The first reason for this increase is the aforementioned marked revenue expansion at a Spanish customer, which is accompanied with a higher cost of materials during the start-up phase, and which replaces a higher-margin customer. Secondly, lower revenue in the aerospace area exerted a negative impact. Overall, gross profit (excluding other operating income) fell only slightly from EUR 14,649 thousand to EUR 14,614 thousand. The gross profit margin of 23.8 % was also consequently below the previous year's level (24.4 %). The budgeted level for the **gross profit margin** stood at 25.0 %.

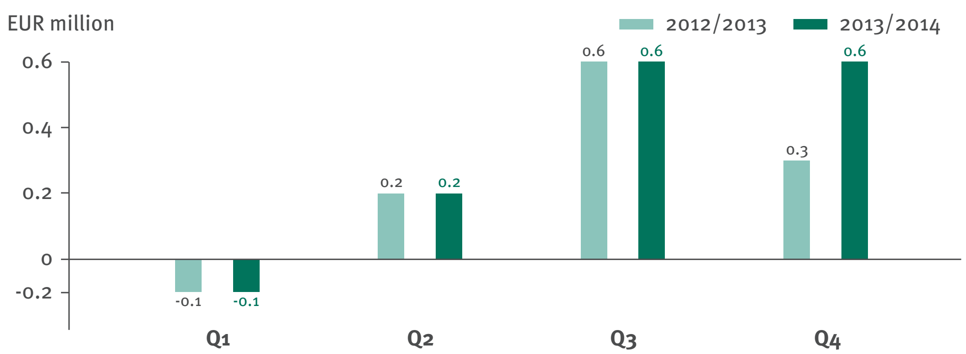
The **staff cost ratio** of 13.2 % was approximately at the previous year's level (13.1 %). In this context, **staff costs** rose only slightly from EUR 7,879 thousand to EUR 8,120 thousand. The KROMI business model can generally be operated with a streamlined personnel structure. This is also reflected in corresponding key personnel indicators.

In a year-on-year comparison, **depreciation and amortisation** fell slightly from a EUR 760 thousand to EUR 757 thousand. Other operating expenses of EUR 5,242 thousand were down by 9.8 % year-on-year (EUR 5,813 thousand). In particular, expenses arising from currency translation in connection with the Brazilian subsidiary of EUR 151 thousand were markedly lower than in the previous year (EUR 556 thousand).

Due to the trend presented above, the Group reported total **operating profit (EBIT)** of EUR 1,252 thousand in the 2013 / 2014 fiscal year elapsed, reflecting significant growth of 28.8 % compared with the previous year (EUR 972 thousand). This corresponds to an EBIT margin of 2.0 %, compared with 1.6 % in the previous year. Consequently the target of boosting profitability and gradually increasing earnings margins was achieved. As expected, the EBIT margin ranged on a low to mid single-digit percentage area.

After deducting tax, KROMI Logistik completed the 2013 / 2014 fiscal year with higher consolidated **net income** of EUR 447 thousand compared with the previous year (previous year: EUR 100 thousand). The tax rate amounted to 54.2 % (previous year: 85.2 %). The markedly higher tax rate in the previous year is due to the fact that an impairment charge applied to the Brazilian subsidiary did not qualify to reduce tax. In the 2013 / 2014 fiscal year, no such extraordinary effects occurred, as a consequence of which the tax charge was reduced to a normal level.

EBIT 2013 / 2014 on quarterly basis and compared to the previous year



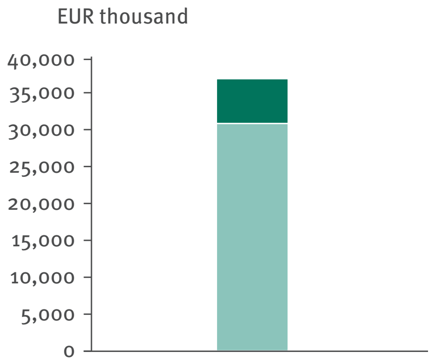
b. Net assets

As of the June 30, 2014 balance sheet date, the **total assets** of KROMI Logistik AG stood at EUR 36,957 thousand, down by EUR 468 thousand compared with the previous year's level (June 30, 2013: EUR 37,425 thousand).

On the **assets side** of the balance sheet, both **current and non-current assets** reported no significant changes. **Non-current assets** fell from EUR 6,619 thousand as of June 30, 2013 to currently EUR 6,083 thousand. This reduction arises mainly from depreciation and amortisation, as well as a decline in other non-current receivables.

In terms of **current assets**, an increase in inventories was offset by a decrease in trade receivables. While **inventories** rose to EUR 15,187 thousand (June 30, 2013 EUR 14,265 thousand), **trade receivables** reduced to EUR 14,472 thousand due to effects related to the reporting date (June 30, 2013: EUR 14,881 thousand). **Cash and cash equivalents** stood at EUR 253 thousand as of June 30, 2014 (June 30, 2013: EUR 199 thousand).

Balance sheet structure – assets



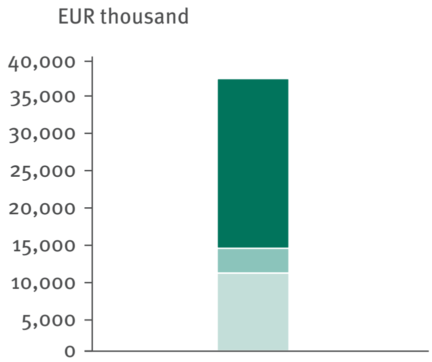
	EUR thousand
Total net assets	**36,957**
Non-current net assets	6,083
Current net assets	30,874

The **equity and liabilities side** of the balance sheet comprised an **equity position** of EUR 23,043 thousand on the last day of the 2013 / 2014 fiscal year. This comprises a year-on-year increase due to the higher level of net income for the year (June 30, 2013: EUR 22,599 thousand). The **equity ratio** consequently registered a slight increase to 62.4 %, compared with 60.4 % as of June 30, 2013.

The company's **liabilities** consisting of provisions and other liabilities amounted to EUR 13,914 thousand as of the June 30, 2014 reporting date, reflecting a marked year-on-year decrease of EUR 912 thousand (June 30, 2013: EUR 14,826 thousand). Of this amount, EUR 3,342 thousand was attributable to non-current assets (June 30, 2013: EUR 3,552 thousand), and EUR 10,572 thousand was attributable to current assets (June 30, 2013: EUR 11,274 thousand). Along with pension provisions, which decreased slightly, non-current liabilities include, in particular, bank borrowings with a residual term of more than one year of EUR 1,200 thousand (June 30, 2013: EUR 1,300 thousand). In comparison with previous year, pledged reinsurance policies (EUR 416 thousand, previous year EUR 350 thousand) were accounted as plan assets, which in turn were offset by pension provisions. Previous year's statement was not adjusted.

Current liabilities primarily consist of EUR 4,631 thousand of short-term **bank borrowings** (June 30, 2013: EUR 5,009 thousand), and **trade payables**. Trade payables were reduced from EUR 5,003 thousand to EUR 4,525 thousand in the fiscal year elapsed. This was mainly due to effects relating to the balance sheet date.

Balance sheet structure – equity and liabilities



	EUR thousand
Total equity and liabilities	**36,957**
Equity	23,043
Non-current liabilities	3,342
Current liablilities	10,572

c. Financial position

Cash flow from operating activities amounted to EUR 992 thousand in the period under review. A cash outflow of EUR 684 thousand was incurred in the previous year. A reduction of trade receivables, in particular, as well as a higher level of consolidated net income are the reasons for this development.

Cash flow from investing activities stood at EUR -457 thousand as of June 30, 2014 (June 30, 2013: EUR -462 thousand). Purchases of further KTCs and other property, plant and equipment primarily occurred in the year under review. Financing funds amounted to EUR 253 thousand at the end of the reporting period, compared with EUR 199 thousand as of June 30, 2013.

At EUR 20,302 thousand (June 30, 2013: EUR 19,532 thousand), **working capital** (current assets less current liabilities) continues to provide a strong and stable basis for the Group‘s targeted, profitable growth.

KROMI Logistik currently has credit lines of EUR 13,000 thousand at its disposal, of which EUR 4,521 thousand are utilised.

V. Overall statement on the company‘s financial position

The Managing Board looks back on a 2013 / 2014 fiscal year that was challenging, but nevertheless satisfactory. The company reported growth in both revenue (+2.3 %) and EBIT (+28.8 %) compared with the previous year. Due to special factors that occurred unexpectedly, the gross profit margin fell by 0.6 percentage points. These key indicators confirm the intrinsic value and stability of the business model. Overall, growth was driven by a good economic environment.

Although special effects such as the outsourcing of components production at a major customer, massive revenue growth at one customer during the start-up phase, and the discontinuation of supply to one customer of many years‘ standing placed a burden on earnings, these factors were nevertheless already almost largely offset during the 2013 / 2014 fiscal year.

Report on events after the balance sheet date

With the start of the new fiscal year, three supply contracts in Italy, Romania and Slovakia were discontinued, as these activities were no longer as economically viable as they had been to date, and were not expected to return to economic viability in the future. The organisations in these regions have largely been maintained due to the supply contracts that still exist at these sites.

Above and beyond this, no events of particular significance occurred following the end of the 2013 / 2014 fiscal year.

Report on outlook, risks, and opportunities

I. Outlook

a. Managing Board's overall statement on the development of the Group in the 2014 / 2015 fiscal year

As a result of the investments in new supply customers in markets that have been made already, or are planned, as well as the acquisitions that have been realised, the Managing Board of KROMI Logistik regards the Group as well positioned for the current 2014 / 2015 fiscal year. KROMI Logistik enjoys a healthy equity capital base, sufficient liquidity reserves and a clearly focused corporate strategy.

For example, the Managing Board plans also in the future to continue to further internationalise the company, to consolidate markets and to consistently further develop the business model in the process with the aim of building up additional USPs. All activities are oriented to profitable growth. 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.

b. Expected trend in the market environment

KROMI Logistik's customers operate on global growth markets. Although local and global downturns exert negative medium-term effects on sector trends, engineering, aerospace and the automotive supply industries, in particular, enjoy prospects of a rise in long-term growth rates.

Not least, further globalisation and strong demand growth in emerging economies such as China and India will ensure full order books for German industry. In addition, engineers and automotive suppliers are benefiting from long-term global trends such as energy efficiency and climate protection, and the intermeshing and networking of production plants and locations. The aviation sector, too, anticipates constant growth in passenger numbers, and consequently growing demand for aeroplanes and their components. The Airbus Group, for example, an important customer for KROMI Logistik, forecasts that passenger volumes will grow by an average of 4.7 % per year over the next two decades.[21]

Given this, KROMI Logistik, with its diversified customer structure, regards itself as well positioned to participate in these sectors' trends and growth.

[21] Airbus Group, Annual Report 2013

c. Expected trend for KROMI Logistik

With a look to the 2014 / 2015 fiscal year, the Managing Board is assuming a growth in revenue in the upper single-digit percentage range. As a consequence, the Group plan lies above the VDMA's forecast range of 4 % for the precision tools sub-segment in calendar 2014.

In this context, KROMI also expects a continuous improvement in its operating earnings. In particular, the economy, and consequently KROMI customers' production levels, will comprise decisive factors for earnings trends. If these perform positively, the Managing Board aims for further EBIT growth as part of its gradual and profitable growth strategy.

II. Report on opportunities and risks

a. Report and information in accordance with Section 315 (2) No. 5 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 and management report. In this connection, the internal controlling system aims to ensure sufficient security by implementing corresponding controls to ensure that the consolidated financial statements are prepared in line with the corresponding standards despite the identified risks.

Group accounting-related internal controlling system

KROMI Logistik AG'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 Group 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 when preparing the financial statements, and appropriate access regulations in the IT systems of relevance to the financial statements, comprise key accounting control elements. A key component is the principle of functional separation, which aims to ensure that major executory (for example, sales), booking (for example, financial accounting) and administrative (for example, IT administration) activities do not stem from a single source. The "two sets of eyes" principle ensures that no major process goes uncontrolled. In addition to this, procedural instructions and IT-supported reporting and consolidation processes support both Group accounting and accounting-related reporting by its subsidiaries included in the consolidated financial statements.

Risk management and methods

KROMI Logistik AG has developed systems, methods and bodies to implement and secure its business. These aim to allow the Managing Board to recognise at an early stage any immaterial and material 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 the Group
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 Logistik 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 financial accounting and materials planning. 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. Regarding the relevance aspect, risks are differentiated into “immaterial“ “material“ and “going concern“ risks.

Dealing with going concern risks

KROMI Logistik AG's operational management 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. The risk policy is geared to the aim of increasing the company's value over the long term. In its overall assessment of the risk situation, the Managing Board has come to the opinion that the following risks and their treatment will be of particular importance in fiscal year 2014 / 2015:

- The management, steering and controlling of the company's intended growth both in Germany and abroad.
- The management, steering and controlling of margins and costs. The impact on growth dynamics from exogenous macroeconomic developments.

The risks detailed here could have a negative impact on KROMI Logistik AG's future growth. Going-concern risks to the company were not identifiable at the time when these consolidated financial statements were compiled.

Liquidity risk

KROMI Logistik AG's business model necessitates 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.

Opportunities and 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. A further interest-rate swap comprising a volume EUR 3.0 million was also entered into in the 2012 / 2013 fiscal year, which serves to hedge the financing of working capital. The hedges are recognised at market values, whereby the portion that no longer forms part of the hedge is reported through profit or loss, and the effective portion is offset with equity. These market values can change depending on the respective interest-rate levels, exerting corresponding positive or negative effects on earnings before tax, consolidated net income and the equity of KROMI Logistik AG.

The interest-rate level tended to fall further over the course of the 2013 / 2014 fiscal year. This resulted in a negative market valuation of the interest rate derivatives.

The Eurozone reference interest rate stood at 0.15 % 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 2014 / 2015 fiscal year from the change in the reference interest rate in the meaning of the risk definition.

Risk of receivables default / risk of customer insolvency

KROMI Logistik AG steers and minimises its receivables default risk through consistent debtor management. The Group's customers primarily comprise established industrial companies with high credit ratings. A risk relating to payment behaviour and solvency nevertheless generally exists. Significant impact on the net assets, financial position and results of operations would arise particularly in bad debts from two major customers. Up to four months can pass between the tools being removed from the dispensers and payment actually being received, including the agreed payment targets. These circumstances give rise to a receivables default risk for KROMI Logistik AG. KROMI combats such default risk by diversifying its customer portfolio within the relevant target industries. In order to minimise the risk of a default on receivables, for example as a result of a customer insolvency, the company has taken out insurance for some of its receivables until June 30, 2013. This insurance policy was cancelled since the company regards the risk as manageable due to the related historic loss record. Before concluding agreements with new customers, KROMI Logistik also runs credit checks based on generally accessible information. As part of the receivables management system, which has now been tightened still further, all receivables are subject to a weekly review by the Managing Board and financial management and, if necessary, clarified in a personal discussion with the customer. 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.

Merchandise risks / warehouse / financing risks

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

KROMI Logistik's systems are set up to analyse past tool consumption and to utilise this information to derive data for needs-based repurchasing, assuming constant consumption. Additional information on future production planning is needed to precisely gear order quantities for tools to the customer's changing requirements. Only the customer can supply this information. That is why KROMI Logistik agrees a suitable communication concept with its customers to record this customer information and to take it into account in its merchandise planning. However, if excess stocks still result at KROMI Logistik, the tool supply agreements stipulate that customers should accept these stocks within fixed agreed dates, to the extent that is impossible 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.

Opportunities and risks relating to changes to currency exchange rates

This potential risk from foreign business as a result of currency translation differences is negligible, as invoices are principally issued in Euros. In Brazil, the Brazilian subsidiary buys and sells merchandise in local currency. As a consequence, there is currently no direct risk 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 Brazilian Real currency and the fact that 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 the earnings of the KROMI Group.

Opportunities and risks arising from the investment in Brazil

In Brazil, the speed of the potential market penetration is proceeding more slowly 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 development of the subsidiary is accompanied very closely on a daily basis and the management is continuously informed at short notice. The positive trend in terms of revenue, income and customer portfolio over the last two fiscal years has shown that a trend turnaround has occurred. The Managing Board accordingly remains convinced that the sales revenue and earnings expectations will be met in the long term.

Market opportunities and risks

KROMI Logistik AG‘s customers are primarily active in Germany as well as in other European countries and Brazil in the general engineering, aerospace, automotive supply and ship engine construction industries. Demand for its products is subject to economic factors, energy costs, seasonal factors, consumer demand and other factors, which incur corresponding impacts on demand for the products and services that KROMI Logistik offers. This could have a negative impact on the Group‘s net assets, financial position and results of operations. As forecasts for the global economy are generally positive, we identify more opportunities than risks for the current fiscal year.

Risks associated with the company‘s strategy

KROMI Logistik aims to generate profitable, sustained growth. Decisions on capital expenditure, strategic alliances and equity participations have been, and are, taken based on this fundamental criterion. Risks associated with the company‘s strategy may 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.

Information technology risks

IT systems form a major component of KROMI Logistik‘s business processes. The use 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 Logistik‘s net assets, financial position and results of operations, and image. IT-related risks are constantly monitored. 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 threat 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 Logistik 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.

Opportunities arising from the outsourcing trend in manufacturing industry

Manufacturing companies are increasingly placing a priority on 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, particularly the outsourcing of precision tools. This generates considerable market potential for KROMI Logistik. 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 Logistik also offers such expertise.

Multinational customer structure

The internationalisation of KROMI Logistik AG‘s customer structure offers continuous growth potential. The company pursues a dual strategy in this context. Firstly, the company‘s international growth is realised through expanding tool management for existing customers, who also make recourse to KROMI Logistik services for new locations abroad. Secondly, KROMI Logistik is driving ahead with its own expansion in additional markets as opportunities arise. As a result of founding subsidiaries, or the opening of liaison offices, particularly in countries to which many German companies are outsourcing production, KROMI Logistik is available on a directly local basis with its expertise, and can position itself on these markets as an experienced outsourcing partner to industrial companies. A general country risk, in consequence of economic or legal changes of determining conditions, is present in principle in our activities of the subsidiary in Brazil, due to the volume of business.

High market potential

KROMI Logistik AG has already established a relatively high market share 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 which should strengthen even further due to growing outsourcing trends in industry. As a result of its 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.

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.

Opportunities and risks relating to personnel

Highly qualified staff form an important success factor for KROMI Logistik AG. With its business, KROMI Logistik is operating in a sector exhibiting constantly growing technical and organisational requirements. Experience, and specialist and technical expertise play a major role as a consequence. In addition, detailed technical knowledge is required particularly in production and materials specialisms. To date, KROMI Group staff 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 Logistik in the future. Above and beyond this, KROMI Logistik 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. The offering of basic and further training forms a central pillar these measures. KROMI Logistik is currently training individuals in the wholesaling and export area, for example. The company also provides the operating aspect for logistics management and business management students who are combining studies with operational experience. The training offering was expanded in the current fiscal year to comprise a training operation for machining technology.

III. Overall statement on the Group opportunity and risk situation

The overall risk and opportunities position of KROMI Logistik derives from the specific risks and opportunities presented above, which are continuously reported and controlled with the help of the established risk management system. According to the information announced today, 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. 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.

During the 2013 / 2014 fiscal year, the long-term oriented business model of KROMI Logistik AG proved itself again. Despite the burden of extremely factors, it remained equally stable and robust. Irrespective of economic trends, KROMI Logistik pursues an active growth strategy with a focus on profitability, as well as continuous cost and process optimisation. As far as liquidity aspects are concerned, the KROMI Group is very well positioned duties constant cash flow, available credit lines, and quality and creditworthiness. As of the balance sheet date, there was no knowledge of any significant quantifiable risks in the meaning of the risk definition which jeopardise the Group as a going concern, or which would give rise the expectation of significant effects on the net assets, financial position and results of operations.

Renumeration report

The renumeration report summarises the principles which are applied in setting the renumeration for KROMI Logistik AG‘s Managing and Supervisory boards, and discusses the amount and structure of the Managing and Supervisory boards‘ income.

I. Renumeration of Managing Board members

The Supervisory Board is responsible for setting the renumeration for the Managing Board members. In doing so, the Supervisory Board bases its decision on the tasks of the respective Managing Board member, their performance, the performance of the 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 renumeration.

The company approved a new renumeration system for the Managing Board members in the 2011 / 2012 fiscal year, and implemented it through corresponding 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 which 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 renumeration. The new compensation scheme which was approved in the year under review 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 account existing and other regulations within the company, normal market compensation, and the recommendations of the German Corporate Governance Code. Accordingly, the variable component at KROMI Logistik AG is limited to 25 % of fixed salary if the target is 100 % achieved.

In view of the objective of continuing to develop KROMI Logistik AG as a profitable growth company, and to thereby pursue a corporate finance policy which is based on a strong equity position, meaningful key metrics relating to profitability and the company's growth are used as the basis to measure corporate success and profitability from which the level of the Managing Board members' variable compensation is derived. Earnings before tax (EBT) as a ratio of sales revenue, and valuation gains and / or valuation losses, are applied as an appropriate profitability metric in this sense. Sales revenue growth is used as the key indicator for growth. At the start of every fiscal year, tolerance ranges are agreed as targets for both key indicators. The planning figures for the respective fiscal year form the basis for the expected figures.

The Managing Board members' variable compensation is determined on this basis after the conclusion of the fiscal year, depending on the level of actual target attainment. In this case, a limit of -100 % to + 300 % to the respective agreed variable compensation component applies. In other words, the variable compensation can amount to a minimum of "EUR 0.0", and the maximum to three times the relevant amount for 100 % target attainment.

Following a transition phase until the 2013 / 2014 fiscal year, which is a condition included in the structure of the compensation model, the variable payments for each fiscal year are paid in three partial payments, the first of which is rendered in the fiscal year which follows the fiscal year that is measured. Both the second and third partial payments are rendered annually in the following two fiscal years, but their level is subject to further dependency on sustained corporate success and profitability since the average degree of total target attainment which is based on a moving average over a three-month observation period is applied as an additional measurement factor.

If a penalty arises for a fiscal year, such a penalty is offset with claims that have not yet been paid out – primarily from previous years, but also from subsequent years, if required – until it has been completely offset. If a loss is determined for a fiscal year, no payments are rendered in the following year. The payments which are postponed as a consequence are not rendered until the year after the next fiscal year for which a profit is reported.

In the year under review, Mr. Jörg Schubert acted as CEO, Mr. Uwe Pfeiffer as CFO, Herr Bernd Paulini as Managing Board member responsible for the Technology and Products area, and Mr. Axel Schubert as Managing Board member responsible for IT and Administration. Total compensation paid to Managing Board members for the 2013 / 2014 fiscal year amounted to EUR 1,203 thousand (previous year: EUR 1,145 thousand). Individual details on the renumeration of the members of the Managing Board, in particular person-by-person information about renumeration, can be found in the notes.

In addition to the total renumeration detailed above, payments are made in the event the employment relationship comes to an end. Relevant information can be found in the notes.

II. Renumeration of the Supervisory Board members

The members of the Supervisory Board receive fixed annual renumeration for their activities. The Chairman of the Supervisory Board receives one and a half times the standard renumeration for Supervisory Board members. In fiscal 2013 / 2014, the renumeration for members of the Supervisory Board totalled EUR 70 thousand. Details of the Supervisory Board's renumeration can be found in the notes.

Takeover law disclosures

I. Composition of subscribed capital

The parent company's subscribed capital totals 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 % of voting rights

As of June 30, 2014, the following direct or indirect interests existed exceeding 10 % of the voting rights in the parent company's share capital.

		Number of voting rights	Interest of voting rights	Of which attribution according to Section 22 (1) of the German Securities Trading Act (WpHG)	Held by:
1	Jörg Schubert	1,413,006	34.26 %	34.18 %	2, 3, 4, Schubert Vermögens-verwaltung KG
2	Schubert & Caro Beteiligungs GmbH & Co. KG	1,110,013	26.91 %		
3	Tarpenring 11 Vermögensverwaltungs GmbH	1,290,013	31.27 %	26.91 %	2
4	Caro & Schubert Vermögensverwaltungs-gesellschaft mbH	1,290,013	31.27 %	31.27 %	2.3
5	KROMI Beteiligungsgesellschaft mbH	720,000	17.45 %		
6	Investmentaktiengesellschaft für langfristige Investoren TGV	639,038	15.49 %		

Mr. Jörg Schubert resides at Quickborn, Germany. Bonn, Germany, is the location of the headquarters of Investmentaktiengesellschaft für langfristige Investoren, TGV. All of the other shareholders named in the above table have their registered office in Hamburg, Germany.

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 programmes exist. If employees hold participating interests in the company, these exercise their controlling rights indirectly.

V. Restrictions on voting rights or 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 dismissal of members of the Managing Board is based on Section 84 of the German Stock Corporation Act (AktG) and Article 6 of KROMI Logistik AG's articles of incorporation. 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 changed 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 changes to the articles of incorporation that affect only their wording.

VII. Authorisation for the Managing Board to issue and repurchase 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 8, 2009, 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 capital 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 reconcile 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 capital contributions;

IV. When issuing shares against cash contributions, to the extent that the issuing 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 8, 2009, the company was authorised to acquire treasury shares of up to 10 % of its share capital at that time up to December 8, 2014. 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 et seq. of the German Stock Corporation Act (AktG), the shares acquired as a result of this authorisation may not at any time exceed 10 % of the share capital. Treasury shares may be acquired via 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 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 result 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 which exists when the shares are issued or sold.

The Managing Board is also authorised to retire the shares acquired as a result 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 using 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 result 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 company has not concluded any agreements that are subject to the condition of a change in control as a result of an acquisition offer.

Please see the renumeration report for information on the Managing Board members‘ extraordinary rights of termination.

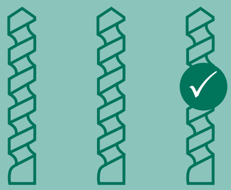
Hamburg, August 20, 2014

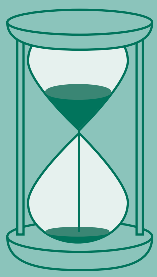
Managing Board of KROMI Logistik AG

Jörg Schubert | Uwe Pfeiffer | Bernd Paulini | Axel Schubert

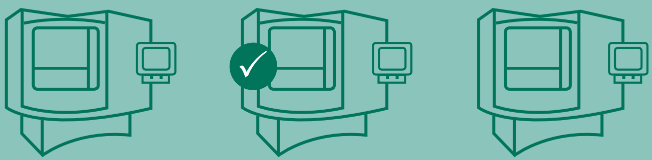
Goal

The correct **Tool**





just in **Time**



at the right **Place**,
to minimise **Costs**.

KROMI-clients can rely 24/7 on perfect tool supply and management.

KROMI: Welcome to the professionals!

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Consolidated balance sheet according to IFRS as of June 30, 2014 (adjusted)

Aktiva	Notes	June 30,2014	June 30,2013
Non-current assets			
Intangible assets	4.1.1.	217	247
Other property, plant and equipment	4.1.1.	4,202	4,472
Other non-current assets	4.1.2.	1,263	1,588
Deferred taxes	4.4.4.	401	312
Total non-current assets		**6,083**	**6,619**
Current assets			
Invesntories	4.2.1.	15,187	14,265
Trade receivables	4.2.2.	14,472	14,881
Other current receivables	4.2.3.	962	1,449
Income tax assets	4.2.4.	0	12
Cash and cash equivalents	4.2.5.	253	199
Total current assets		**30,874**	**30,806**
		36,957	**37,425**

In EUR thousand (unless otherwise stated)

Passiva	Notes	June 30,2014	June 30,2013
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	4.3.5.	218	221
Net retained profits		1,721	1,69
Currency translation	4.3.5.	0	0
Minority interests	4.3.6.	-27	-22
Total Equity		**23,043**	**22,599**
Total non-current liabilities			
Provisions for pensions and other post employment benefits	4.4.1.	1,911	2,123
Non-current interest-bearing loans	4.4.2.	1,200	1,300
Other non-current liabilities	4.4.3.	207	108
Deferred taxes	4.4.4.	24	21
Total non-current liabilities		**3,342**	**3,552**
Current liabilities			
Income tax liabilities	4.5.1.	631	288
Other interest-bearing loans	4.5.2.	4,631	5,009
Trade payables	4.5.3.	4,525	5,003
Other current liabilities	4.5.4.	785	974
Total current liabilities		**10,572**	**11,274**
		36,957	**37,425**

In EUR thousand (unless otherwise stated)

Consolidated income statement according to IFRS from July 1, 2013 to June 30, 2014 (adjusted)

	Notes	Jul 1, 2013 – Jun 30, 2014	Jul 1, 2012 – Jun 30, 2014
Revenue	5.1.	**61,287**	59,923
Other operating income	5.2.	757	775
Cost of material	5.3.	46,673	45,274
Staff costs	5.4.	8,120	7,879
Depreciation / amortisation	4.1.1.	757	760
Other operating expenses	5.5.	5,242	5,813
Profit from operations		**1,252**	972
Finance costs	5.6.	301	322
Other financial income	5.7.	24	25
Earnings before tax		**975**	675
Income taxes	5.8.	528	575
Company net profit / loss		**447**	100
Consolidated net income due to shareholders of KROMI Logistik AG		452	112
Consolidated net income due to minority interests		-5	-12
Earnings per share			
Shareholders' consolidated earnings in EUR		451,599	111,972
Number of shares (weighted average for the fiscal year)		4,124,900	4,124,900
Earnings per share in EUR (undiluted and diluted)		**0.11**	0.03

In EUR thousand (unless otherwise stated)

Consolidated statement of comprehensive income according to IFRS from July 1, 2013 to June 30, 2014 (adjusted)

	Jul 1, 2013 – Jun 30, 2014	Jul 1, 2012 – Jun 30, 2014
Company net profit / loss	**447**	**100**
Changes of the components, which are not reclassified in the future income statement for the period:		
Revaluation of pension provisions	-68	-107
included deffered taxes	22	34
Changes of the components, which are potentially reclassified in the future income statement for the period:		
Currency translations	111	265
Changes of the reserve for cash flow hedging	-99	-37
included deffered taxes	31	12
Other comprehensive income after tax	**-3**	**167**
Consolidated net income	**444**	**267**
due shareholders of KROMI Logistik AG	449	277
due to non-controlling interests	-5	-10

In EUR thousand (unless otherwise stated)

Consolidated cash flow statement according to IFRS from July 1, 2013 to June 30, 2014 (adjusted)

		Notes	Jul 1, 2013 – Jun 30, 2014	Jul 1, 2012 – Jun 30, 2013
Cash flow from operating activities				
	Consolidated earnings before interest and taxes (EBIT)		1,252	972
+	Amortisation / depreciation	4.1.1.	757	760
–	Gains from disposal of non-current assets		0	-20
+ / –	Increase in other non-current receivables	4.1.2.	325	-128
+ / –	Increase / decrease in provisions for pensions (without interest share)		-286	161
– / +	Change in net current assets		-680	-1,561
+	Interest received		24	25
–	Interest paid		-227	-234
+	Income taxes received		12	0
–	Income taxes paid		-185	-659
Net cash from operating activities			**992**	**-684**
Cash flow from investing activities				
+	Cash inflow from the sale of non-current assets		0	20
–	Payments for the acquisition of non-current assets	4.1.1.	-457	-482
Net cash used in investing activities			**-457**	**-462**
Cash flow from financing activities				
	Cash inflow from minority shareholders a spart of cash capital increase		0	2
–	Cash inflow from borrowings		-481	-100
+	Payments fort he repayment of lease liabilities		0	1,272
Net cash used in financing activities			**-481**	**1,174**
	Cash change in cash and cash equivalents		54	28
+	Cash and cash equivalents – start of period		199	171
Cash and cash equivalents – end of period		4.2.5.	**253**	**199**

In EUR thousand (unless otherwise stated)
For information on the cash flow statement please refer to Section 9 of the notes.

Consolidated statement of changes in equity of fiscal year 2012 / 2013 (adjusted)

	Subscirbed capital	Share premium	Retained earnings	Reserve for cash flow hedges	Net retained profits	Currency translation	Subtotal	Minority interests	Equity
Notes	4.3.1.	4.3.2.	4.3.3.	4.3.4.		4.3.5.		4.3.6.	
1.7.2012	**4,125**	**15,999**	**1,007**	**-48**	**1,157**	**104**	**22,344**	**-14**	**22,330**
Payout of dividends	-	-	-	-	-	-	-	2	2
Company net surplus	-	-	-	-	112	-	112	-12	100
Other compre-hensive income	-	-	-	-25		190	165	2	167
Consolidated net income	-	-	-	-25	112	190	277	-10	267
30.6.2013	**4,125**	**15,999**	**1,007**	**-73**	**1,269**	**294**	**22,621**	**-22**	**22,599**
Balance as of June 30, 2014	4,125	15,999	1,007	0	1,269	221	22,621	-22	22,599
1.7.2013	**4,125**	**15,999**	**1,007**	**0**	**1,269**	**221**	**22,621**	**-22**	**22,599**
Company net surplus	-	-	-	-	452	-	452	-5	447
Other compre-hensive income	-	-	-	-	-	-3	-3	0	-3
Consolidated net income	-	-	-	0	452	-3	449	-5	444
30.6.2014	**4,125**	**15,999**	**1,007**	**0**	**1,721**	**218**	**23,070**	**-27**	**23,043**

In EUR thousand (unless otherwise stated)

*The reserves for the cash flow hedging and the reserve for currency translations have been consolidated

Notes to the consolidated financial statements for the 2013 / 2014 fiscal year

1. Introduction

KROMI Logistik AG operates in the wholesaling and retailing of machining tools and associated services. It 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.

The company has its registered office at Tarpenring 11, 22419 Hamburg, Germany.

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

2.1. Basics

KROMI Logistik AG has prepared consolidated financial statements according to the internationally recognised principles of International Financial Reporting Standards (IFRS) as of June 30, 2014, and has applied all of the International Accounting Standards (IAS) and IFRS passed by the International Accounting Standards Board (IASB) prior to June 30, 2014, 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 purchase cost principle. Derivative financial instruments, which are 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 to 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, 2014 are based on the same accounting and valuation methods that were used in the preparation of the IFRS consolidated annual financial statements to June 30, 2013 (provided changes in accounting policies are not included in section 2.2.)

The conditions of Article 4 of the European Parliament‘s Directive No. 1606 / 2002 in combination with Section 315a of the German Commercial Code (HGB) for exemption from the requirement to prepare consolidated financial statements according to the German Commercial Code have been satisfied. All of the notes and information that are required according to Section 315a of the German Commercial Code (HGB) that extend beyond the requirements of the IASB 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 line with IAS 1. The consolidated income statement was prepared according to the nature of expense method. In order to improve the clarity of presentation, consolidated balance sheet items and consolidated income statement items are summarized 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. Changes in accounting policies

For the first time, the Group has applied the new standard IAS 19 "Employee Benefits (2011)". On this behalf, the actuarial gains and losses were recognised in other comprehensive income (loss of EUR 46 thousand, previous year a loss of EUR 73 thousand). The previous year was adjusted accordingly.

In comparison to the previous year, pledged reinsurance policies (EUR 416 thousand, previous year EUR 350 thousand) were accounted as plan assets, which in turn were offset by pension provisions. Previous year's statement was not adjusted.

2.3. New accounting standards

For the fiscal year commencing on July 1, 2013, some new standards and revisions of existing standards, as well as interpretations, require mandatory application the first time, or are being applied early on a voluntary basis. Overall, these revisions result in only minor or no effects on accounting at the KROMI Group.

IAS 12 "Deferred Tax: Recovery of Underlying Assets" includes regulations to measure deferred tax connected with investment property measured at fair value.

The adaptation to **IAS 19 "Employee Benefits"** feeds through to changes in the reporting and measurements of expenses for defined benefit plans, as well as in the case of termination benefits. Mandatory disclosures relating to employee benefits have also been expanded. Please refer to section 4.4.1. for more information about IAS 19.

The adaptation to **IAS 19 "Employee Benefits"** results in changes to the accounting treatment of employee contributions as part of defined benefit plans. These new regulations simplify the treatment of employee contributions that are not tied to the number of service years. In this case, independently of the planning formula, the service cost can be reduced for the period in which the corresponding service is rendered. This new regulation must be applied for fiscal years commencing from January 1, 2014 (subject to any EU endorsement still outstanding). The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

The amendment to **IAS 36 “Impairment of Assets“** specifies disclosures where an asset is impaired and the recoverable amount was determined on the basis of its fair value less costs to sell. This new regulation must be applied for fiscal years commencing from January 1, 2014. The Group has applied the standard voluntarily with effect as of January 1, 2013.

The amendments to **IFRS 7 “Financial Instruments: Disclosures“** comprise newly added disclosure requirements connected with certain offsetting agreement that are intended to make it easier to compare financial statements prepared according to IFRS and US GAAP.

IFRS 13 “Fair Value Measurement“ provides uniform measurement benchmarks across various standards for fair value measurement, including defining the term, and showing which methods are to be applied. IFRS 13 also expands the notes to the financial statements that are required in connection with fair value measurement.

IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine“ covers the accounting treatment of stripping costs in the production phase of a surface mine.

“Improvements to IFRS 2009 – 2011“ comprises an omnibus standard to amend various IFRS. These improvements comprise both amendments to various IFRS with effect on the recognition, measurement and reporting of business transactions, as well as terminological and editorial corrections.

The following standards, interpretations and amendments to existing standards and interpretation, which are to be applied in the future, partially affect the Group‘s business. The Group is currently examining the potential effects of implementing the standards or amendments on the accounting of the KROMI Group.

The new version of **IAS 27 “Separate Financial Statements“** now solely comprises the unchanged regulations relating to IFRS separate financial statements. This new regulation must be applied for fiscal years commencing from January 1, 2014, and will have no effect on the consolidated financial statements of KROMI Logistik AG.

The new version of **IAS 28 “Interests in Associates and Joint Ventures“** regulates for the first time that, in the case of planned partial disposals of an associate or joint venture, the interest that is held for sale is to be accounted for as “non-current assets and discontinued operations held for sale“ pursuant to IFRS 5, to the extent that the related classification preconditions have been satisfied. The remaining interest continues to be carried forward according to the equity method until the disposal of the interest that is held for sale. This new regulation must be applied for fiscal years commencing from January 1, 2014. The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

The amendments to **IAS 32 “Financial Instruments: Presentation“** include additional application guidelines relating to the offsetting financial assets with financial liabilities. This emphasises that an unconditional and legally enforceable offsetting right must also exist in the case of the insolvency of a participating party. This new regulation must be applied for fiscal years commencing from January 1, 2014. The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

The amendment **IAS 39 "Financial Instruments: Recognition and Measurement"** includes simplification regulations whereby the discontinuation of hedge accounting is not required if the novation of a hedging instrument with a central counterparty satisfies certain criteria. This new regulation must be applied for fiscal years commencing from January 1, 2014. The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

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 is to be discontinued. This new regulation must be applied for fiscal years commencing from January 1, 2018 (subject to any EU endorsement still outstanding). The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

IFRS 10 "Consolidated Financial Statements" creates a standard definition for the term of control, and thereby the uniform basis for the existence of a parent-subsidiary relationship, and the related demarcation of the scope of consolidation. This new standard replaces the previously applicable IAS 27 (2008) "Consolidated and Separate Financial Statements according to IFRS" and SIC-12 "Consolidation – Special Purpose Entities". This new regulation must be applied for fiscal years commencing from January 1, 2014, and will have no effect on the consolidated financial statements of KROMI Logistik AG.

IFRS 11 "Joint Arrangements" regulates the accounting treatment of circumstances where an entity exercises joint control over a joint venture or a joint operation. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities –. Non-monetary Contributions by Venturers". The new regulations must be applied to fiscal years commencing from January 1, 2014. This will have no effect on the consolidated financial statements of KROMI Logistik AG.

IFRS 12 "Disclosures of Interests in Other Entities" aggregates the revised disclosure requirements relating to IAS 27 and IFRS 10, IAS 31 and IFRS 11, and IAS 28 into one standard. This new regulation must be applied for fiscal years commencing from January 1, 2014. The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

IFRIC 21 " Levies" clarifies for levies that are levied by a government entity and do not fall into the scope of application of another IFRS, how and, in particular, when such obligations are to be recognised as liabilities pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". This new regulation must be applied for fiscal years commencing from June 17, 2014 (subject to any EU endorsement still outstanding). The potential effects of this new regulation on accounting in the consolidated financial statements are currently being examined.

"Improvements to IFRS 2010 – 2011" and "Improvements to IFRS 2011 – 2013" comprise omnibus standards to amend various IFRS. These improvements comprise both amendments to various IFRS with effect on the recognition, measurement and reporting of business transactions, as well as terminological and editorial corrections. These new regulations must be applied for fiscal years commencing from January 1, 2015 (subject to any EU endorsement still outstanding). The potential effects of these new regulations on accounting in the consolidated financial statements are currently being examined.

IFRS 14 provides entities with the option to continue to account their ‚regulatory deferral account balances' with accordance to their national requirements in the transition to IFRS Reporting Standards. Therefore, IFRS 14 is only applicable for first-time adopters of IFRS but only in combination of the first-time adoption of IFRS 1. Utilisation of IFRS 14 is voluntary. IFRS 14 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, earlier application is permitted.

IFRS 15 comprises a new reporting standard for revenue recognition. This new reporting standard merges previous standards for revenue recognition (including their interpretation). IFRS 15 provides a single, principles based five-step model to be applied across sectors. This regulation will apply to annual reporting periods beginning on or after 1 January 2017.

2.4. Principles of consolidation, scope of consolidation

The Group accounts company mergers using the purchase method when the Group has obtained control. The Group has gained control as soon as the entity is exposed to variable returns from its involvement with the company, or has entitlements to these returns and has the ability to affect those returns through its controlling power within the entity.

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, and
- KROMI CZ s.r.o., Liberec, a wholly-owned Czech company, and
- 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 parent companies and subsidiaries.

2.5. Currency translation

Transactions denominated in foreign currencies are translated using the cash price on the date of the transaction. As a rule, we carry cash items denominated in foreign currencies on the balance sheet using the exchange rate on the balance sheet date. Currency translation differences are all recognized 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 to the reporting currency using the closing date on the respective balance sheet date. Equity is translated using historical exchange rates. Items in the income statement are translated using 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	June 30, 2014	June 30, 2013
Exchange rate on balance sheet date	3.00	2.89
Annual average exchange rate	3.08	2.62

Currency translation differences in the individual financial statements and from the consolidation of receivables, liabilities, expenses and income resulted in expenses that are recognised in income totalling EUR 176 thousand (previous year: EUR 556 thousand).

3. Summary of key accounting methods

3.1. Consolidated balance sheet items

With the exception of goodwill, **intangible assets** acquired against payment are measured at cost on the date when they are included in the financial statements, and are amortised straight-line over their respective useful lives. Straight-line amortisation is carried through profit or loss and relates exclusively to assets with limited useful lives. The amortisation of capitalized 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 from the context of the transfer of intangible assets from Tarpenring 11 Vermogensverwaltungsgesellschaft mbH. Amortisation is not applied to goodwill according to IAS 38, but is tested for impairment at least once per year. All impairments are expensed immediately.

Goodwill is tested for impairment based on forecast-based future cash flows for the cash-generating unit to which the goodwill is allocated. The goodwill capitalized in the consolidated financial statements is tested for impairment at the level of KROMI Logistik AG. No goodwill impairment charges we required as a result of impairment testing.

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

Property, plant and equipment is carried at cost from the date it is acquired and depreciated straight-line over its useful life. Straight-line depreciation is carried through profit or loss.

Depreciation is measured based on the following estimated useful lives:

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

On initial recognition, a financial asset is recognised at fair value. Transaction costs are taken into account, unless it is a profit or loss at fair value of the asset.

For financial assets, no collateral is held.

Other non-current receivables include reinsurance policies taken out to finance issued pension commitments which 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 re-insured 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 and losses are fully recognised in profit and loss under the net financial result.

Merchandise stocks are carried under **inventories**. Inventories are carried at cost, if necessary taking into account a lower net realizable value on the balance sheet date. First-in first-out consumption has been assumed (FIFO). 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. Specific 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. If payments are regarded as being unlikely, this risk is taken into account through percentage reductions (specific valuation allowances). The Managing Board believes that the valuation allowances provide sufficient cover for the existing risks. It is impossible to either estimate or state a range of event probabilities and risks.

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

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

Cash and cash equivalents are carried at the nominal amount.

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 15.0 % in the period under review (previous year: 15.0 %). The Solidarity Surcharge is 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 32.0 % is applied to calculate the deferred tax assets (previous year: 32.0 %). A 34.0 % tax rate is applied for the Brazilian subsidiary (previous year: 34.0 %)

A differentiation is made 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 capitalized to the extent that it is probable that there will be taxable earnings in the foreseeable future against which the tax loss carryforwards can be offset.

Subscribed capital is carried at its nominal amount. Payments and contributions by shareholders that exceed the subscribed 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, according 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 taken 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. As in the previous year, no provisions were consequently required in fiscal 2013 / 2014.

Liabilities are carried at amortised cost taking the effective interest method into account. As a rule this corresponds to the repayment amount.

Financial liabilities are recorded 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 derivative financial instruments which are designated as hedging instruments, and which are effective as such, financial liabilities in the KROMI Group are exclusively allocated to the categories “loans and receivables“ and “financial liabilities at amortised cost“ according to IAS 39.

KROMI Logistik utilises derivative financial instruments in the form of interest-rate swaps in order to hedge against interest-rate risks (cash flow hedge). These derivative financial instruments were 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, and 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, 2014.

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 swaps were assessed to be effective to a high degree.

Gains or losses arising from changes to the fair value of the interest-rate swap are reported in 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 swaps were fully classified as non-current in line with the total term of the hedged loan and the working capital credit line, 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. As a rule, revenues are recognised from merchandise when the goods are delivered to the customer and therefore, the significant risks and rewards incidental to ownership are transferred to the buyer, the receipt of fees probable is, estimation of costs reliably is, and no further disposal control regarding the goods the case is. Revenues are recognised net of 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 cost of materials is recognised as soon as the merchandise is sold or written off due to zero value. Materials are measured on a 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 recorded 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

If defined benefit plans for employees exist, they are structured as a direct commitment. As a result, 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 using 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 2005G 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 re-insured 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 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 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:

On the balance sheet date, valuation allowances of EUR 977 thousand had been applied to trade receivables (previous year: EUR 939 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:

In EUR thousand	Intangible assets Goodwill	Intangible assets Other	Land and buildings	Other property, plant and equipment
Acquisition costs on 01 / 07 / 2013	150	405	3,157	6,095
Currency differences	0	0	0	0
Additions - individual acquisitions	0	56	0	401
Disposals	0	0	0	-74
Reclassifications	0	0	0	0
Acquisition costs on 30 / 06 / 2014	**150**	**461**	**3,157**	**6,422**
Amortisation / depreciation on 01 / 07 / 2013	0	308	176	4,604
Currency differences	0	0	0	0
Additions	0	86	82	589
Disposals	0	0	0	-74
Reclassifications	0	0	0	0
Amortisation / depreciation on 30 / 06 / 2013	**0**	**394**	**258**	**5,119**
Carrying amount on 01 / 07 / 2013	150	97	2,981	1,491
Carrying amount on 30 / 06 / 2014	**150**	**67**	**2,899**	**1,303**

In EUR thousand	Intangible assets Goodwill	Other	Land and buildings	Other property, plant and equipment
Acquisition costs on 01 / 07 / 2014	150	390	3,082	5,925
Currency differences	0	0	0	-59
Additions - individual acquisitions	0	15	75	392
Disposals	0	0	0	-21
Reclassifications	0	0	0	0
Acquisition costs on 30 / 06 / 2013	**150**	**405**	**3,157**	**6,237**
Amortisation / depreciation on 01 / 07 / 2012	0	201	99	4,200
Currency differences	0	0	0	-9
Additions	0	107	77	576
Disposals	0	0	0	-21
Reclassifications	0	0	0	0
Amortisation / depreciation on 30 / 06 / 2013	**0**	**308**	**176**	**4,746**
Carrying amount on 01 / 07 / 2012	150	189	2,983	1,725
Carrying amount on 30 / 06 / 2013	**150**	**97**	**2,981**	**1,491**

Intangible assets include software in the amount of EUR 68 thousand (previous year: EUR 97 thousand), which is used for the operation of the server and the PC systems. 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 Vermogensverwaltungsgesellschaft 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 collateralised 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. These do not constitute qualified insurance (EUR 273 thousand). In the previous year, this item still included plan assets (EUR 600 thousand). The previous year‘s adjusted figure amounts to EUR 250 thousand). In addition, this item includes EUR 990 thousand of bank deposits pledged to secure the pension commitments (previous year: EUR 988 thousand).

The changes in plan assets are presented in section 4.4.1.

4.2. Current assets

4.2.1. Inventories

As of June 30, 2014, there were no inventories recognised at net realisable value, as in the previous year. There were no impairments to inventories reported in the 2013 / 2014 fiscal year, as in the previous year.

4.2.2. Trade receivables

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Gross receivables	15,449	15,820
Less write-downs	-977	-939
	14,472	14,881

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 92 thousand in the fiscal year (previous year: EUR 54 thousand). Valuation allowances and reversals of valuation allowances changed as follows:

In EUR thousand	Specific allowance
As of June 30, 2012	885
Additions through profit or loss	54
Utilisation / reversal	0
As of June 30, 2013	939
Additions through profit or loss	110
Utilisation / reversal	72
As of June 30, 2014	977

The term structure of the trade receivables on June 30, 2014 was as follows:

in TEUR					Of which overdue and unimpaired				
	Carrying amount of receivables	Of which impaired	Of which unim-paired	Of which not over-due	Up to 3 months	Between 3 months and 6 months	Between 6 months and 12 months	More than 12 months	Total overdue
As of 30 / 06 / 2014	15,449	977	14,472	11,963	2,422	16	54	17	2,509
As of 30 / 06 / 2013	15,820	939	14,881	12,306	2,373	187	12	3	2,575

On the balance sheet date, receivables of EUR 2,509 thousand (previous year: EUR 2,575 thousand) were overdue and had not been written down. Of the overdue unimpaired receivables, receivables in an amount of EUR 2,465 thousand (previous year: EUR 2,345 thousand) had been received at the time when this annual report was prepared. The non-overdue receivables have retained their value in the management's assessment.

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

In EUR thousand	June 30, 2014	June 30, 2013
Receivables in EUR	14,730	14,873
Receivables in BRL	719	947
	15,449	**15,820**

4.2.3. Other current receivables

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Value added tax	376	835
Advances to commercial representatives	163	204
Prepaid expenses	139	166
Deferred bonus payments	83	47
Creditors in debit	20	15
Industrial product tax (Brazil)	170	162
Other	11	20
	962	**1.449**

All other current receivables are due within one year. Overdue or value adjusted items are not included.

4.2.4. Income tax claims

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Trade tax	0	12
	0	**12**

4.2.5. Cash and cash equivalents

The cash and cash equivalents comprise current account balances and cash in hand (EUR 253 thousand; previous year: EUR 199 thousand). From the management's perspective, all of these funds are designated for fulfilling payment obligations and consequently act as a liquidity reserve.

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

In EUR thousand	June 30, 2014	June 30, 2013
Cash and cash equivalents in EUR	244	138
Cash and cash equivalents in BRL	4	39
Cash and cash equivalents in CZK	5	22
	253	**199**

4.3. Equity

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

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Subscribed capital	4,125	4,125
Share premium account	15,999	15,999
Retained earnings	1,007	1,007
Balance sheet profit	1,721	1,269
Other reserves	218	221
Equity due to shareholders Equity	**23,070**	**22,621**
Non-controlling interests	-27	-22
	23,043	**22,599**

Composition of other reserves:

	Currency translation and other reserves	
In EUR thousand	June 30, 2014	June 30, 2013
Currency translation differences	478	367
Cash flow hedge	-141	-73
Revaluation of pensions	-119	-73
	218	**221**

4.3.1. Subscribed capital and authorised capital

KROMI Logistik AG's subscribed capital totalled EUR 4,124,900 on June 30, 2014 (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 8, 2009 the Managing Board was authorised, subject to the consent of the Supervisory Board, for the period through to December 20, 2014 to increase the share capital of the company 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 account

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 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 profits from the 2007 / 2008 fiscal year as approved by the General Meeting on December 9, 2008.

4.3.4. Cash flow hedging reserve

This reserve item includes the negative fair values of interest-rate swaps which were designated as hedging instruments, and which are effective as such, less related deferred tax.

4.3.5. Adjustment item for currency conversion

The differences in the equity of the foreign subsidiaries resulting from changes in the exchange rate between the date of first-time consolidation and the balance sheet date and the differences from the translation of the income statement are disclosed separately under the "other reserves" connected with "reserves from the cash flow hedge" items.

4.3.6. 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 result of the losses incurred that exceed the minority interests in equity.

4.3.7. Information about capital management

The Group‘s capital structure mostly comprises current liabilities from ongoing business, and equity. Equity is almost entirely due 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 62.4 % as of June 30, 2014 (previous year: 60.4 %).

KROMI Logistik AG pursues the objective of sustainably securing its capital over the long term, and of generating an appropriate return on capital employed. It actively pursues this objective by constantly monitoring its margins per customer, and through additional key indicators. In this context, the Group‘s balance sheet equity is only used as a passive control ratio, whereas revenues and EBIT are used as active control ratios.

The Group‘s activities were financed from the operating cash flow. A property acquisition in the previous year was financed using a long-term (non-current) loan.

4.4. Non-current liabilities

4.4.1. Pension provisions

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 computation changed as follows during the fiscal year:

In EUR thousand	Target value of obligation	
	June 30, 2014	June 30, 2013
Balance at start of period	**2,123**	1,881
Ongoing service cost	61	54
Interest expenses	74	81
Expense for pension benefit	**135**	135
Balance at end of period (expected)	**2,258**	2,016
Actuarial gains (-) / losses (+) resulting and amortised during the period	68	107
Balance at end of period (actual)	**2,326**	2,123
Less plan assets	-416	0
Balance at end of period (net)	**1,910**	2,123

The following actuarial assumptions were applied when calculating the provision:

in % p.a.	June 30, 2014	June 30, 2013
Discount Rate	3.10	3.50
Future pension increases	1.00-2.00	1.00-2.00
Anticipated employee turnover	0.00	0.00

Biometric basis (mortality): Heubeck 2005 mortality tables

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:

	Interest rate	DBO	SC
Basis calculation	3.1 %	EUR 2,325,931	EUR 69,109
Sensitivity – 0.5 % points	2.6 %	EUR 2,560,848	EUR 78,843
Sensitivity + 0.5 % points	3.6 %	EUR 2,121,629	EUR 60,789

Sensitivity calculations relating to mortality:

		DBO	SC
Basis calculation	Life expectancy based on Heubeck 2005 mortality tables	EUR 2,325,931	EUR 69,109
Sensitivity	1 year higher life expectancy	EUR 2,421,034	EUR 72,265
Sensitivity	1 year lower life expectancy	EUR 2,227,432	EUR 65,847

In each case, the sensitivity calculations presented above take into account 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 account correlation effects between the individual assumptions. Consequently, the interest rate was adjusted up and down by 0.5 % 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.

Plan assets:

This item exclusively includes the reinsurance concluded to finance the issued pension commitments, with qualified insurance policies and the meaning of IAS 19.

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

	Present value of asset	
In EUR thousand	June 30, 2014	June 30, 2013
Balance at start of period	**350**	**288**
Interest income	14	10
Contributions paid by employer	68	64
Payments rendered	0	0
Revaluation	-16	-12
Balance at end of period (actual)	**416**	**350**

Previous year's amount of reinsurance was not offset through pension obligations.

Change in pension provision:

Balance sheet date	June 30, 2014	June 30, 2013
Net obligation at start	**1,772,700**	**1,592,321**
Pension expenses	121,720	125,295
Re-measurement	83,526	119,298
Pension payments	0	0
Employer contributions	-67,542	-64,214
Net obligations at end	**1,910,404**	**1,772,700**

During the year under review, the Group also granted benefits through a congruently re-insured benefits fund, which are also classified as a defined contribution plan. During the year under review, EUR 105 thousand was reported as expenses for these benefit commitments (previous year: EUR 100 thousand). The benefit commitments do not result in any assets and liabilities that should be allocated to the Group.

A total of EUR 482 thousand was paid to statutory or state pension plans for defined contribution plans in the 2013 / 2014 fiscal year (previous year: EUR 401 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 collateralised with 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 (EEC other non-current liabilities). The interest payments are due quarterly.

4.4.3. Other non-current liabilities

KROMI deploys derivative financial instruments in the form of interest-rate swaps 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.

A further interest-rate swap comprising a volume EUR 3.0 million was also entered into in the 2012 / 2013 fiscal year, which serves to hedge working capital credit lines. On the basis of the agreement, the Group makes a quarterly fixed interest payment of 1.27 % of the nominal capital amount, and receives a variable interest rate equivalent to 3-month EURIBOR. The interest-rate swap carries a term until 2017. The loans accomplish the criteria of “level 3”.

These derivative financial instruments were 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 (EUR 207 thousand; previous year: EUR 108 thousand) is calculated using the mark-to-market method, and was reported as a financial liability as of June 30, 2014. The interest-rate swaps were fully classified as non-current in line with the total term of the hedged loan and the planned working capital credit line, and taking into account materiality aspects.

The credit risks have not changed since the date of issuance. The book value corresponds to the fair value.

4.4.4. Deferred taxes

Deferred taxes result from temporary differences between the carrying amounts of assets and liabilities in the tax base 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:

In EUR thousand	June 30, 2014	June 30, 2013	Changes Income statement	Changes Other comprehensive income
Deferred tax assets				
Pension provisions	253	195	24	34
Interest-rate swap (cash flow hedge)	66	35	-	31
Loss carryforwards	82	82	-	-
	401	312	24	65
Deferred tax liabilities				
Goodwill	24	21	3	-
	24	21	3	0

4.5. Current borrowings

4.5.1. Liabilities from income taxes

Tax liabilities mostly relate to the income taxes to be demanded by the German tax authorities for the 2013 / 2014 and 2012 / 2013 fiscal years.

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Corporate tax	265	155
Corporation tax for previous years	153	0
Trade tax	80	133
Trade tax for previous years	133	0
	631	288

4.5.2. Current interest-bearing loans

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Commerzbank - money market loan -	1,500	2,000
HypoVereinsbank - Euro loan -	1,000	1,000
HSH Nordbank - money market loan -	500	0
Hamburger Sparkasse - money market loan -	0	1,000
Deutsche Bank - current account -	1,521	0
Commerzbank - current account -	0	446
Hamburger Sparkasse - current account -	0	290
HypoVereinsbank - current account -	0	166
HypoVereinsbank - property funding -	100	100
Deferred interest	10	7
	4,631	5,009

The current accounts are due on demand. The interest rates lay between 1.9 % and 6.78 % as of June 30, 2014. The EUR 1,500 thousand is due on December 19, 2014, and the interest rate amounts to 2.1 %. The other money market lending facility is due on October 15, 2014, and carries a 1.98 % interest rate. The Euro lending facility carries a term until October 2, 2014, and 1.98 % interest.

4.5.3. Trade accounts payable

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:

	June 30, 2014	June 30, 2013
Liabilities in EUR thousand	4,082	4,527
Liabilities in BRL thousand	443	476
	4,525	5,003

4.5.4. Other current liabilities

Composition:

In EUR thousand	June 30, 2014	June 30, 2013
Personnel-related deferrals	354	361
Tax liabilities	209	404
Liabilities as part of social security	41	44
Other	181	165
	785	**974**

Personnel-related deferrals mostly relate to bonuses and outstanding vacation entitlements. Tax liabilities arise primarily from VAT liabilities within the EU region.

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

5. Notes to the consolidated income statement

5.1. Revenues

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

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Deliveries - Germany	36,798	37,847
Deliveries - rest of world	22,383	20,064
Services - Germany	1,714	1,693
Services - rest of world	854	781
Sales allowances	-462	-462
	61,287	**59,923**

Revenue of BRL 11,492 thousand (EUR 3,730 thousand) was generated in Brazil in the 2013 / 2014 fiscal year (previous year: BRL 8,441 thousand / EUR 3,217 thousand).

5.2. Other operating income

Composition:

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Cost allocations to related companies	322	358
Benefits in kind - vehicles	324	257
Income from written-down receivables	3	38
Rent	46	46
Income from disposals of plant	0	20
Other	62	56
	757	**775**

5.3. Cost of materials

Composition:

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Materials utilised	47,015	45,331
Purchased services	113	188
Taxes in Brazil	586	486
Less discounts	-786	-705
Less bonus payments	-255	-226
	46,673	**45,074**

5.4. Staff costs

Composition:

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Wages and salaries	6,865	6,575
Social security and retirement benefits	1,255	1,304
	8,120	**7,879**

During the fiscal year from July 1, 2013 to June 30, 2014 the Group employed an average of 129 staff, solely employees, (previous year: 124), in addition to the members of the Managing Board. As of June 30, 2014, the Group employed a total of 134 staff including the members of the Managing Board (previous year: 123).

5.5. Other operating expenses

Composition:

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Selling expenses	3,216	3,336
Operating costs	870	876
Administrative expenses	616	622
Expenses arising from currency differences	176	556
Additions to valuation allowances for receivables	38	55
Miscellaneous	326	368
	5,242	**5,813**

5.6. Financial expenses

Composition:

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Miscellaneous interest expenses	227	241
Interest on pension commitments	74	81
	301	**322**

5.7. Other financial income

In the year under review, other financial income exclusively comprised EUR 24 thousand of interest income from current accounts (previous year: EUR 25 thousand).

5.8. Income taxes

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

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Trade tax current year	274	348
Corporation tax current year	252	323
Solidarity surcharge current year	15	19
Foreign income taxes	3	7
Current year tax expense	**544**	**697**
Trade tax for previous years	1	0
Corporation tax for previous years	13	0
Solidarity surcharge for previous years	0	0
Previous years' tax expense	**14**	**0**
Deferred tax income - temporary differences	-33	-43
Deferred tax expenses - temporary differences	3	3
Tax deferrals – loss carryforwards	0	-82
Deferred tax income	**-30**	**-122**
	528	575

The average Group tax rate for the 2013 / 2014 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:

In EUR thousand	July 1, 2013 – June 30, 2014	July 1, 2012 – June 30, 2013
Profit before tax	975	675
Expected tax expense (tax rate: 32 %)	**312**	**216**
Taxes for prior years	14	0
Losses that cannot be utilised for tax purposes	0	0
Losses not yet utilised for tax purposes	0	83
Brazil: divergent measurement basis	167	242
Non-deductible expenses	33	28
Other	2	6
Actual tax expense for current year	**528**	575

The tax loss carryforwards amount to EUR 447 thousand (previous year: EUR 481 thousand) and correspond to EUR 152 thousand of deferred tax assets (previous year: EUR 163 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 82 thousand were recognised for tax loss carryforwards. Insofar an amount of EUR 70 thousand was not recognised as deferred tax assets. The possibility of utilisation was estimated cautiously based on planning.

5.9. EBIT, EBIT margin, gross profit

The company reported EUR 1,252 thousand of EBIT during the fiscal year (previous year: EUR 972 thousand). This also corresponds to earnings before interest and taxes (EBIT). The EBIT margin (as a percentage of revenue) consequently amounted to 2.0 % (previous year: 1.6 %). The gross profit decreased from EUR 14,649 thousand to EUR 14,614 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:

In EUR thousand	June 30, 2014	June 30, 2013
Total minimum future lease payments as a result of operating leases that cannot be terminated	865	641
- of which due within one year	429	380
- of which due within between one and five years	436	261
Total minimum future lease payments which are expected to be retained due to leases that cannot be terminated	0	0
Payments recognised in income in the reporting period from leases and subleases		
- minimum lease payments	747	773
- payments received from subleases	-46	-46

7. Contingent liabilities and financial commitments

Contingencies

On the balance sheet date, the company was liable as a joint and several debtor for the loans taken out by Hamburg-based Tarpenring 11 Vermogensverwaltungs GmbH and Krollmann & Mittelstadt Hamburg GmbH and also Magdeburg-based Krollmann & Mittelstadt Magdeburg GmbH with Kreditanstalt fur Wiederaufbau, which totalled EUR 0 thousand on June 30, 2014 (previous year: EUR 125 thousand).

Financial commitments

The defined contribution benefit plans result in monthly payments to a benefit fund of around EUR 9 thousand for the period in which there is an employment relationship with the beneficiary.

8. Financial risks and financial instruments

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. This relates almost exclusively to the trade receivables reported in the balance sheet, and to the advances to commercial representatives reported under other current assets.

The primary financial instruments carried as liabilities and bonus deferrals comprise all sub-groups 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 two interest-rate swaps, which were designated as hedging instruments, and which are effective as such.

With the exception of derivative financial instruments which are designated as hedging instruments, and which are effective as such, financial liabilities in the KROMI Group are exclusively allocated to the categories "loans and receivables" and "financial liabilities at amortised cost" according to IAS 39. However, the short terms of these liabilities, 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 swaps were measured at fair value. Besides these interest-rate swaps, there are no further financial instruments that are measured at fair value. The fair values of the interest-rate swaps were calculated using the mark-to-market method. As a result of the minor extent and negligible meaningfulness, the effect of a change in the fair value on equity (so-called sensitivity analysis) is not presented.

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 tries to limit default risks through a suitable diversification in its customer portfolio.

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 credit line of EUR 13.0 million. The utilisation of this credit line amounted to EUR 4,521 thousand as of June 30, 2014.

Foreign currency risks

The foreign currency results reported during the year under review were mostly from intra-group transactions between KROMI Logistik AG 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. Translated into Euros, on the balance sheet date these financial assets totalled around EUR 719 thousand (previous year: EUR 947 thousand), and the financial liabilities totalled around EUR 443 thousand (previous year: EUR 476 thousand).

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 198 thousand of exchange rate losses, and a 5 % appreciation of the Real equals EUR 218 thousand of exchange rate gains, both of which impact Group pre-tax earnings.

Market risk

Market risk is the risk that the market prices, such as exchange rates, interest rates or stock prices change, and therefore affect the Group's income or the value of its holdings of financial instruments. The aim of market risk management is to control the market risk within acceptable boundaries, while at the same time optimising the entities return.

To manage market risks accordingly, the Group acquires interest rate swaps. In order to control earnings' volatility, hedge accounting should be used as much as possible.

9. Notes to the consolidated cash flow statement

The consolidated cash flow statement (IAS 7) is broken down into operating activities, investing activities and financing activities. During the period under review, the cash and cash equivalents carried in the cash flow statement contained bank balances and cash in hand.

Cash and cash equivalents on June 30, 2014 totalled EUR 253 thousand and comprise cash and cash equivalents from Germany (EUR 109 thousand), Slovakia (EUR 53 thousand), the Czech Republic (EUR 5 thousand), Spain (EUR 82 thousand) and Brazil (EUR 4 thousand).

The indirect method was used to calculate the cash flow from operating activities. The cash flow statement starts with consolidated earnings before interest and tax. The cash outflows from interest and taxes have been allocated to operating activities, and are carried there under a separate item. Besides depreciation, amortisation, impairment charges and foreign currency exchange rate losses, cash flow from operating activities in the 2013 / 2014 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, KROMI Logistik AG‘s Managing Board is responsible for evaluating and managing the segments‘ business performance, and is the top-level management body within the meaning of IFRS 8.

KROMI Logistik‘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 Managing Board believes that segmentation based on products is not pertinent, as these are homogenous. As a result, the Managing Board forms segments based on its sales markets. The figures are based on customers‘ locations in Germany and abroad as the markets that the Group currently supplies. The foreign countries include, in particular, Slovakia, Spain, the Czech Republic, Brazil, Italy, Denmark and Poland, which account for the bulk of sales with foreign customers. The other countries to which deliveries are made (Romania, France and Belgium) continued to play a subordinate role in the fiscal year elapsed. Almost all revenues were invoiced in Euros, with the result that no currency translation risks require reporting.

The valuation principles for segment reporting are based on the IFRS principles applied in the consolidated financial statements. As a result, 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 payables is based on the respective customer's location. The allocation of non-current assets and inventories to regions is based on the location of the respective assets. Other assets are either financial assets, which serve the company as a whole, or assets which cannot feasibly be distributed, 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 result, segment reporting only includes income and expenses with external customers and suppliers.

In EUR thousand	Germany		Abroad		Total	
	7 / 13 to 6 / 14	7 / 12 to 6 / 13	7 / 13 to 6 / 14	7 / 12 to 6 / 13	7 / 13 to 6 / 14	7 / 12 to 6 / 13
Revenue (from external customers)	**38,092**	39,115	**23,195**	20,808	**61,287**	59,923
Less: Cost of materials	-27,954	-28,442	-18,719	-16,832	-46,673	-45,274
Segment result	**10,138**	10,673	**4,476**	3,976	**14,614**	14,649
Plus: Other operating income					757	775
Less: Staff costs					-8,120	-7,879
Less: Depreciation / amortisation					-757	-760
Less: other operating expenses					-5,242	-5,813
Less : Financial result					-277	-297
Less: Income taxes					-528	-575
Group net profit or loss					**447**	100

In EUR thousand	Germany		Abroad		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Segment assets	**19,379**	19,873	**14,699**	13,991	**34,078**	33,864
Of which non-current segment assets	3,702	4,079	717	640	4,419	4,719
Of which current segment assets	15,677	15,794	13,982	13,351	29,659	29,145
Plus: Cash and cash equivalents					253	199
Plus: Assets unallocated to segments					2,626	3,362
Total assets					**36.,957**	37,425

Further segment information:

In EUR thousand	Germany		Abroad		Total	
	7 / 13 to 6 / 14	7 / 12 to 6 / 13	7 / 13 to 6 / 14	7 / 12 to 6 / 13	7 / 13 to 6 / 14	7 / 12 to 6 / 13
Capital expenditure	356	404	101	78	457	482
Less: Depreciation / amortisation	583	601	174	159	757	760
Key non-cash items (Impairment charges)	0	0	0	0	0	0

Revenues are broken down into deliveries of goods and services (provision of KTC dispensers) as described under 5.1.

The company generated at least 10 % of revenues from transactions with the following customers or group of companies.

The KROMI Logistik AG Group records approximately 18.3 % or EUR 11,223 thousand (previous year: 21.4 % or EUR 12,795 thousand) of its revenues with one group of companies. Of this total, EUR 10,988 thousand are attributable to Germany (previous year: EUR 12,568 thousand) and EUR 235 thousand are accounted for by the rest of the world (previous year: EUR 227 thousand).

The Group generates approximately 16.3 % or EUR 10,000 thousand (previous year: 16.1 % or EUR 9,663 thousand) of its revenues with another group of companies. Of this total, EUR 2,422 thousand are due to Germany (previous year: EUR 1,886 thousand) and EUR 7,578 thousand are due to the rest of the world (previous year: EUR 7,777 thousand).

11. Earnings per share

KROMI Logistik AG‘s subscribed capital totalled EUR 4,124,900.00 on June 30, 2014 (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.

Stück	June 30, 2014	June 30, 2013
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:

in EUR	July 1, 2013-June 30, 2014	July 1, 2012-June 30, 2013
Group net profit or loss	451,599	111,972
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share (basic)	**0.11**	0.03

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, 2013 to June 30, 2014.

12. Related party disclosures

KROMI Logistik AG is the ultimate parent company.

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

a) KROMI Logistik AG's direct and indirect shareholders if there is a controlling or significant influence:

- Jörg Schubert, Chief Executive Officer
  Member of the Group Executive Committee
- Caro & Schubert Vermögensverwaltungsgesellschaft mbH, Hamburg
- Tarpenring 11 Vermögensverwaltungs GmbH, Hamburg
- Schubert & Caro Beteiligungs GmbH & Co. KG, Hamburg

Mr. Jörg Schubert's renumeration as a member of the Managing Board is stated under Note 13.

Please refer to Note 7 with regard to the contingent liabilities in connection with Tarpenring 11 Vermögensverwaltung GmbH, Hamburg.

b) Transactions with other related parties:

In the period from July 1, 2013 to June 30, 2014, merchandise (net) was delivered in the amount of EUR 5,675 thousand (2012 / 2013: EUR 4,832 thousand) by Krollmann & Mittelstadt Hamburg GmbH, and a service agreement was in place for management, IT, other equipment, cleaning and maintenance and central HR management, which generated income in the amount of EUR 199 thousand (2012 / 2012: EUR 204 thousand). KROMI Logistik AG also received rental income of EUR 46 thousand (2012 / 2013: EUR 46 thousand).

As of June 30, 2014 current liabilities to Krollmann & Mittelstadt Hamburg GmbH existed in the amount of EUR 474 thousand (June 30, 2013: EUR 497 thousand) and short-term requests in amount of EUR 1 thousand (TEUR 0).

There was a service agreement for management, IT, other equipment, cleaning and maintenance, accounting and central HR management with Krollmann & Mittelstadt Magdeburg GmbH, which resulted in income totalling EUR 117 thousand (2012 / 2013: EUR 153 thousand) for the company.

As of June 30, 2014 current receivables from Krollmann & Mittelstadt Hamburg GmbH existed in the amount of EUR 7 thousand (June 30, 2013: EUR 6 thousand).

Please refer to Note 7 with regard to the contingent liabilities in connection with Krollmann & Mittelstadt Hamburg GmbH, Hamburg and Krollmann & Mittelstadt Magdeburg GmbH, Magdeburg.

c) Other persons in key positions:

- Wilhelm Hecking (Supervisory Board Chairman)
- René Dannert (Supervisory Board member)
- Prof. Eckart Kottkamp (Supervisory Board member)
- Jörg Schubert (Managing Board member)
  Member of the Group Executive Committee
- Uwe Pfeiffer (Managing Board member)
  Member of the Group Executive Committee
- Bernd Paulini (Managing Board member)
  Member of the Group Executive Committee
- Axel Schubert (Managing Board member)
  Member of the Group Executive Committee
- Jens Kumpert (Authorised Company Officer)
  Member of the Group Executive Committee
- Bernd Möller (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

in TEUR	2013 / 2014	2012 / 2013
Payments due short-term	1,607	1,586
Other payments due long-term	12	44
Payments after end of employment contract	135	135
	1,754	1,765

13. Information on KROMI Logistik AG's executive bodies

13.1. Managing Board

The following persons were appointed as KROMI Logistik AG's Managing Board members for the fiscal year ending on June 30, 2014:

- Jörg Schubert (CEO), Quickborn
  Other memberships of supervisory boards / memberships of controlling bodies: none
- Uwe Pfeiffer, Hamburg
  Other memberships of supervisory boards / memberships of controlling bodies: none
- Bernd Paulini, Lüblow
  Other memberships of supervisory boards / memberships of controlling bodies: none
- Jörg Schubert, Quickborn
  Other memberships of supervisory boards / memberships of controlling bodies: none

Total compensation paid to the Managing Board amounted to EUR 1,203 thousand in the 2013 / 2014 fiscal year (previous year: EUR 1,145 thousand), and is derived as follows:

	2013 / 2014				2012 / 2013			
in EUR	Fixed based compen-sation	Performance-based compen-sation	Performance-based compen-sation with a long-term incentive effect	Total payments	Fixed based compen-sation	Performance-based compen-sation	Performance-based compen-sation with a long-term incentive effect	Total payments
Jörg Schubert	423,659	44,381	18,013	486,053	422,886	42,060	0	464,946
Uwe Pfeiffer	257,419	26,617	10,803	294,839	250,604	25,225	0	275,829
Bernd Paulini	186,966	19,500	7,915	214,381	186,865	18,480	0	205,345
Axel Schubert	182,530	18,156	7,369	208,055	181,620	17,206	0	198,826

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

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

Mr. Jörg Schubert received a pension commitment in the amount of EUR 6,000 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 and a widow‘s pension of approximately EUR 3,600.00. Current pensions are increased by 1 % p.a. The present value of the commitment amounts to EUR 1,195,146.00 as of June 30, 2014 (previous year: EUR 1,178,222.00). A provisioning amount of EUR 16,924.00 was formed during the fiscal year (previous year: EUR 67,949.00).

Mr. Uwe Pfeiffer has received a contribution-financed benefit commitment in a monthly amount of EUR 3,015.15 (previous year: EUR 3,015.15) from a congruently re-insured benefit fund. KROMI Logistik AG pays a monthly fixed amount of EUR 5,000.00 (previous year: EUR 5,000.00) to the support fund from January 1, 2013. KROMI Logistik AG will no longer have any benefit commitments to Mr. Pfeiffer once he has left the company.

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 385,635.00 as of June 30, 2014 (previous year: EUR 326,671.00). A provisioning amount of EUR 58,964.00 was formed during the fiscal year (previous year: EUR 60,403.00).

Mr. Axel Schubert 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 EUR 4,000. Current pensions are increased by 2 % p.a. The present value of the commitment amounts to EUR 198,359.00 as of June 30, 2014 (previous year: EUR 160,861.00). A provisioning amount of EUR 37,498.00 was formed during the fiscal year (previous year: EUR 35,775.00).

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 early, 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.

Mr. Uwe Pfeiffer is entitled to a settlement equivalent of the compensation that he would have still received until the standard end of his employment contract, discounted at 10 % p.a., in the instance that his contract is terminated due to a change of control. In all other instances of early termination of his employment contract or because he is recalled from office as a Managing Board member, Uwe Pfeiffer is entitled to a claim to the continued payment of his fixed compensation for the remainder of the calendar year in which the contract ends, albeit at least for six months.

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.

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

The Managing Board‘s shareholdings as at June 30, 2014 were as follows:

		Shares
Name	**June 30, 2014**	**June 30, 2013**
Jörg Schubert	1,413,006	1,413,006
Uwe Pfeiffer	1,000	1,000
Axel Schubert	183,000	183,000
Bernd Paulini	182,200	182,200

13.2. Supervisory Board

Supervisory Board is composed of the following members:

- Wilhelm Hecking (Chairman), independent management consultant, Bocholt
  Other memberships of supervisory boards / memberships of controlling bodies: none

- René Dannert, management consultant, Hamburg
  Other memberships of supervisory boards / memberships of controlling bodies: none

- Prof. Dr. Eckart Kottkamp, consultant, Grosshansdorf
  Other memberships of supervisory boards / memberships of controlling bodies:
  - Lloyd Fonds AG, Hamburg (Supervisory Board Chairman)
  - Basler AG, Ahrensburg (Supervisory Board member)
  - Elbphilharmonie Hamburg Bau GmbH & Co. KG Hamburg, (Supervisory Board member)
  - Mackprang Holding GmbH & Co. KG, Hamburg (Advisory Board Chairman)
  - ACTech GmbH, Freiberg, (Advisory Board Chairman)
  - C. Mackprang jr. GmbH & Co. KG, (Advisory Board member)

Total compensation paid to the Managing Board amounted to EUR 70 thousand in the 2013 / 2014 fiscal year, and is derived as follows:

	Fixed compensation	
in EUR	**2013 / 2014**	**2012 / 2013**
Wilhelm Hecking	30,000	30,000
René Dannert	20,000	20,000
Prof. Dr. Eckart Kottkamp	20,000	20,000

The compensation for the Supervisory Board was paid out to the Supervisory Board members in July 2014 after the end of the 2013 / 2014 fiscal year.

The members of the Supervisory Board did not hold any shares in the company on the balance sheet date. Please refer to the comments in the renumeration report in the Group management report.

14. Auditor‘s fee

The total fee invoiced by the auditor for the fiscal year amounts to EUR 93 thousand (previous year: EUR 90 thousand), and is due entirely to services related to the auditing of financial statements.

15. Notices received pursuant to Section 21 (1) and (1a) of the German Securities Trading Act (WpHG)

There have been no notifications pursuant to Section 21 (1) and (1a) of the German Securities Trading Act (WpHG) in fiscal year 2013 / 2014.

16. Events after the balance sheet date

No significant events occurred after the balance sheet date.

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

KROMI Logistik AG, Hamburg, reports a distributable balance sheet profit of EUR 1,721 thousand according to its annual financial statements prepared as of June 30, 2014 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 balance sheet profit should 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 declaration within 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, 2014 (http://ir.kromi.de/websites/kromi/English/7100/declaration-according-to-_161-aktiengesetz.html).

19. Date of authorisation for issue

The Managing Board authorised the consolidated financial statements of KROMI Logistik AG for issue on August 20, 2014 (date of authorisation by the Managing Board for presentation to the Supervisory Board).

Hamburg, August 20, 2014

Managing Board of KROMI Logistik AG

Jörg Schubert　　Uwe Pfeiffer　　Bernd Paulini　　Axel Schubert

Auditors‘ Report

We have audited the consolidated financial statements prepared by KROMI Logistik AG, Hamburg, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1. July 2013 to 30 June 2014. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Hamburg, September 4, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Haußer	Falke
German Public Auditor	German Public Auditor

Responsibility statement (pursuant to Section 37y No. 1 of the German Securities Trading Act (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 assets, 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, August 20, 2014

Managing Board of KROMI Logistik AG

Jörg Schubert   Uwe Pfeiffer   Bernd Paulini   Axel Schubert

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