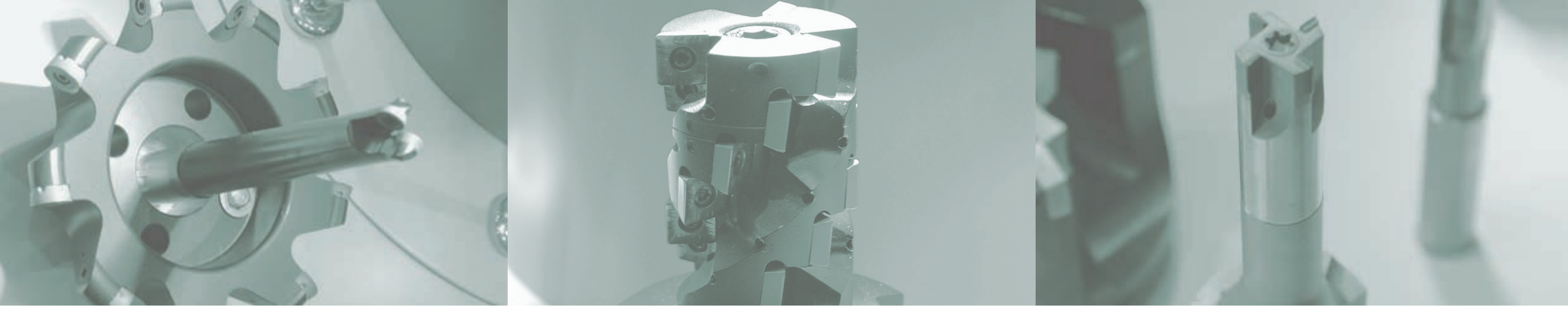
KROMI LOGISTIK AG

# Annual Report 2016 / 2017



# *Key figures at a glance (IFRS)*

| | Financial year 2016/2017 (1.7.16 – 30.6.17) | Financial year 2015/2016 (1.7.15 – 30.6.16) |
|---|---:|---:|
| Revenues | 74,306 | 69,481 |
| Earnings before interest and tax (EBIT) | 2,042 | 1,283 |
| Earnings before tax (EBT) | 1,621 | 997 |
| Consolidated net profit / loss | 1,116 | 409 |
| Number of shares in fiscal year | 4,124,900 | 4,124,900 |
| Earnings per share in EUR | 0.27 | 0.10 |
| Equity ratio in % | 50.8 | 50.7 |
| Cash flow from operating activities | -4,059 | -1,090 |
| Cash flow from investing activities | -539 | -579 |
| Cash flow from financing activities | 3,728 | 2,478 |
| Employees at end of period (excluding Managing Board) | 173 | 157 |

In EUR thousand (unless otherwise stated)

# *Financial calendar*

| | |
|---|---:|
| November 9, 2017 | 3-month report 2017 / 2018 |
| Dezember 7, 2017 | Annual shareholders‘ meeting |

# *Facts – KROMI Logistik AG 2016 / 2017*

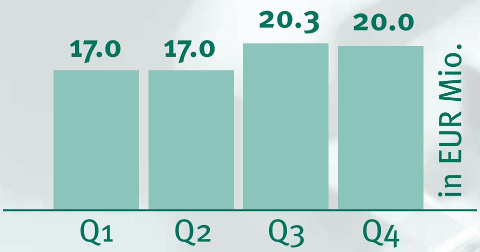
## Global customer confidence

KROMI Logistik is active in 10 countries worldwide. Therefore we are present at our customers‘ location with 4 offices in Germany, in 8 other European countries and Brasil.

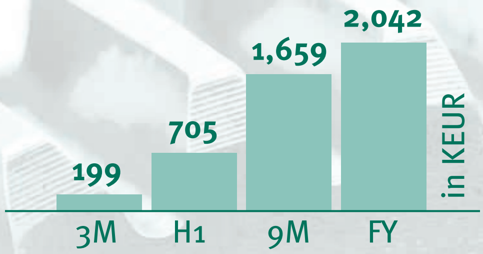
## Success: the employee factor

At year end 2016 / 2017 KROMI Logistik had 173 employees providing top services to our customers day by day.

## EUR 74.3 Mio. revenue record




## steady improvement of EBIT




## KROMI grows faster than the market

Engineering, automiotive supplier, aerospace or ship engine building - with 6.9 % growth KROMI benefits disproportionately from attractive target branches.

# *Tool Management – one stop services*

## 1. Technology counsulting

KROMI analyses metal cutting processes and provides process optimization

## 2. Tool optimisation

KROMI provides the right tool in the right place at the right time.

## 3. Tool store

KROMI reduces tool inventory and costs at permanent availability of tools.

## 4. Tool supply

KROMI guarantees a smooth supply chain.

## 5. Tool developement

KROMI optimises tools for a perfect production.

## 6. Controlling

KROMI provides data based stock monitoring with automised and needs-oriented order.

# *Tool Management – Added value for our customers*

**Controlling: Ideal basis for optimizing the costs per part**

- Full consumption monitoring
- Cost analysis every 10 minutes

**Engineering: Using rationalization potential by optimal deploying**

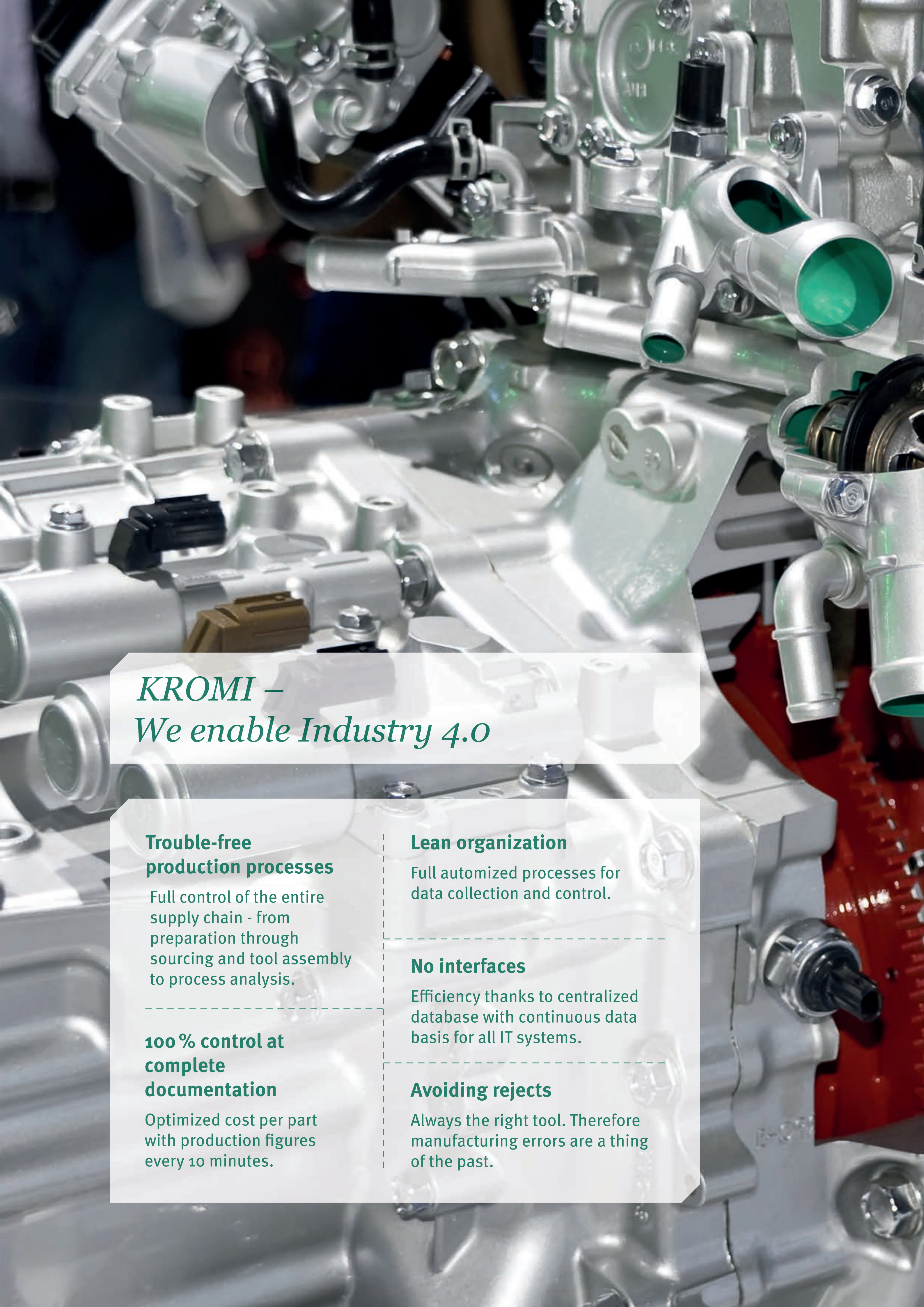
- Analysis of machining processes
- Substitution of cost- and time-intensive tools

## Logistics: No production stop, no supply bottleneck

- Full cross-manufacturer supplier
- 100 % availability
- 24 / 7 supply service

## Consulting: Optimization of inventory level

- Outsourcing of tool supplies
- Professional tool procurement and management



# *KROMI – We enable Industry 4.0*

### Trouble-free production processes

Full control of the entire supply chain - from preparation through sourcing and tool assembly to process analysis.

### 100 % control at complete documentation

Optimized cost per part with production figures every 10 minutes.

### Lean organization

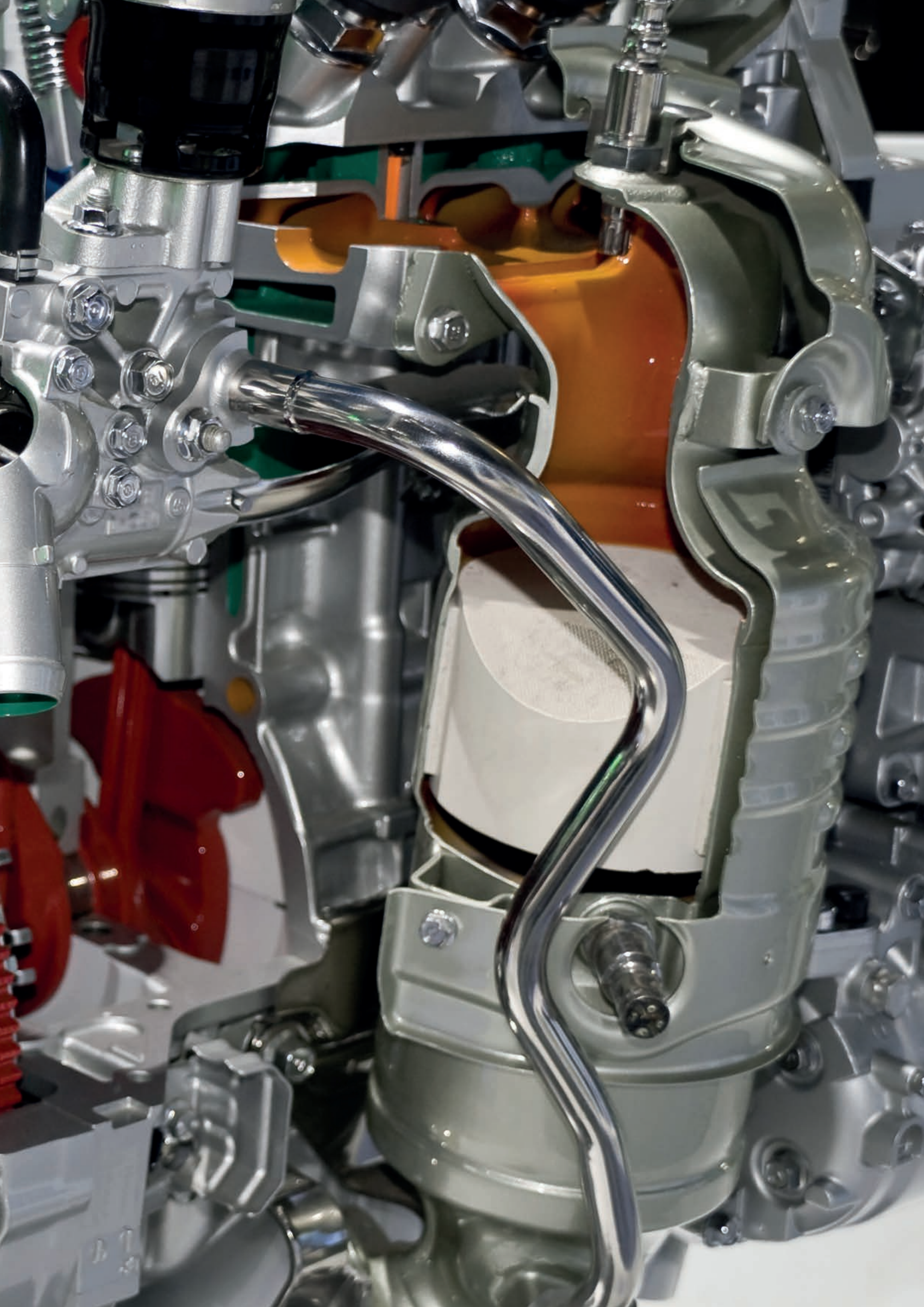
Full automized processes for data collection and control.

### No interfaces

Efficiency thanks to centralized database with continuous data basis for all IT systems.

### Avoiding rejects

Always the right tool. Therefore manufacturing errors are a thing of the past.



Dear shareholders, employees and friends of our company,

The 2016 / 2017 financial year was a very satisfying year for KROMI Logistik. Based on our unique business model with an end-to-end outsourcing concept for supplying manufacturing companies with precision tools, we have enjoyed extremely profitable growth. In line with our strategic objective, we have once again succeeded in further expanding our customer business and growing our sales: with growth of 6.9 % taking sales to EUR 74.3 million, KROMI Logistik has far surpassed the market average for precision or machining tools. Our EBIT figure increased by almost 60 %, meaning it grew significantly faster than sales. This achievement, together with an improved gross profit margin of 24.8 %, underlines the high profitability and enduring solidity of our business model.

Managing Board KROMI Logistik AG (f.l.t.r.: Jörg Schubert (CEO), Bernd Paulini (COO), Axel Schubert (CIO), Uwe Pfeiffer (CFO))

Our sales growth in 2016 / 2017 is the result of positive business development in Germany and abroad. At home we met our budget in terms of winning various new customers and also expanding relations with existing ones, particularly in the major customer segment. KROMI Logistik‘s operating business in European countries outside Germany remained stable. We were able to win further new customers, thereby making up for sales lost in our existing business. Our operation in Brazil posted very pleasing growth: With the opening of our facility in Rio Grande do Sul, great success in winning new customers and by successively ramping up production levels at our existing customers, we increased our sales revenues in Brazil impressively by 89.6 % compared with the previous year. The lower margins that are typical of first-time customers affected operating profit in the process. Accounting-driven currency effects deriving from the exchange rate of the Brazilian real to the euro had a knock-on effect on EBIT at Group level. Currency effects have increased only slightly year-on-year. Such accounting effects are effective purely in accounting terms, but do not impact the cash position. Overall, we succeeded in lifting operating earnings (EBIT) to EUR 2.0 million, a rise of 59.2 % over the previous year.

We also committed ourselves to the system integration of SAP in the reporting year, providing considerable resources for the process. The introduction was successfully implemented within a very short period of time, and further IT measures are currently being taken to optimise the digital integration of customers and suppliers. We are also focusing our look to the future with regard to our range of services, and further refining KROMI Logistik. We are successively aligning our range of services with the sphere of Industry 4.0 in order, in our role as data managers in production, to further optimise our customers‘ value chains.

KROMI Logistik remains on course for growth. We want to systematically exploit future opportunities for growth in the coming years and have therefore invested further in our staff and organisation. Reason enough for us to reinforce the “Group Executive Committee” with André Bartels and Jenis Diz Acosta. Jenis Diz Acosta is the Managing Director of our Brazilian subsidiary KROMI Logistica do Brasil. André Bartels is the Manager of our Back Office. The Group Executive Committee is KROMI Logistik‘s central managing body. This body is tasked with discussing, preparing and enacting strategic decisions on behalf of the company. Consequently, there are currently seven employees represented in the extended steering group.

KROMI Logistik‘s entrepreneurial performance over the past ten years was followed at the beginning of the new fiscal year 2016 / 2017 by a major change in the ownership structure: Investmentaktiengesellschaft für langfristige Investoren TGV (“Langfrist”) has agreed with the previous main shareholders of KROMI Logistik AG to acquire around 45 % of the outstanding shares by way of a purchase agreement. As a result, Langfrist increased its shareholding to around 63 %. As the majority shareholder, Langfrist has also published a takeover offer to KROMI shareholders, which is expressly welcomed by the Management Board and Supervisory Board in a joint statement. After completion of the takeover bid, Langfrist‘s current shareholding amounts to 70.46 %. Langfrist has already held a stake in KROMI Logistik since 2008 and underscores its confidence in the KROMI business model of a manufacturer-independent specialist for professional tool management with this transaction.

We see KROMI Logistik as well prepared for the future and we intend to continue on the growth path of the last few years. For fiscal 2017 / 2018, we are assuming stable year-on-year sales growth in the upper single-digit percentage range as well as distinct, continuous improvement in operating results (EBIT).

Your Managing Board

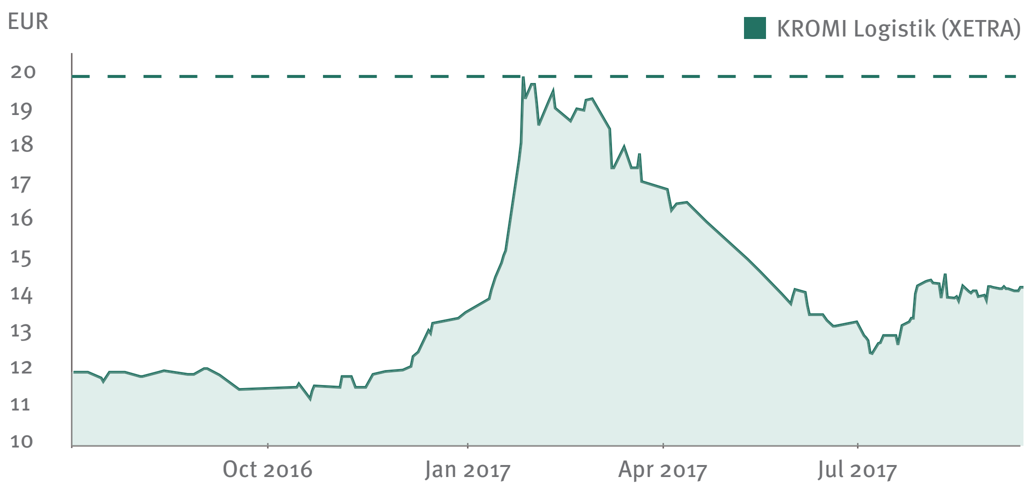
Jörg Schubert | Uwe Pfeiffer | Bernd Paulini | Axel Schubert

# *Capital market information*

## Important key data (July 1, 2016 – September 15, 2017)

| | |
|---|---|
| German Securities Identification Number (WKN) | A0KFUJ |
| ISIN | DE000A0KFUJ5 |
| Ticker symbol | K1R |
| Trading segment | Regulated Market (Prime Standard) |
| Share type | Non-par ordinary bearer shares (no-par shares) |
| Share capital | 4,124,900 |
| Initial listing | March 8, 2007 |
| Designated Sponsor | M.M. Warburg |
| Share price as of July 1, 2016* | EUR 11.95 |
| Share price as of June 30, 2017* | EUR 13.31 |
| Percentage change | +18.3 % |
| 52-week high* | EUR 19.91 |
| 52-week low* | EUR 11.25 |

*Closing price, XETRA trading system of Deutsche Börse AG




Overall, the KROMI Logistik AG share price was positive in fiscal year 2016 / 2017. The share opened at EUR 11.95 on July 1, 2016. After a sideways movement until the beginning of December 2017, the share recorded strong price gains and reached its highest value on January 26, 2017 at EUR 19.91. In the following months, a consolidation phase of the share began. On July 7, 2017 the price reached its interim low (EUR 12.46) and then recovered again in the weeks leading up to mid-September. On September 15, 2017, the share closed at EUR 14.24. The market capitalization of KROMI Logistik amounted to EUR 58.7 million on this trading day.

## Shareholder structure

**Shareholder structure**

| | |
|---|---|
| 2.91 % | Jörg Schubert |
| 6.55 % | KROMI Beteiligungsgesellschaft mbH |
| 70.46 % | Investmentaktiengesellschaft für langfristige Investoren TGV |
| 20.08 % | 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 2016 / 2017 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.

# *Report of the Supervisory Board*

Dear shareholders,

in fiscal 2016 / 2017, 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

Following the changes to the articles of incorporation adopted by the Annual General Meeting on December 08, 2016, the Supervisory Board consists of four members. It did not form any committees from among its number.

The regular term of office served by the Chairman of the Supervisory Board, Wilhelm Hecking, ended on completion of the above-mentioned Annual General Meeting in the financial year 2016 / 2017. Mr Hecking did not stand for reelection to the Supervisory Board. René Dannert also resigned with effect from August 31, 2016. Due to the fact that the Supervisory Board was thus inquorate, Ulrich Bellgardt was appointed as a member of the Supervisory Board by means of a court order issued by the District Court of Hamburg dated September 02, 2016 for the period until the next Annual General Meeting.

At the Annual General Meeting on December 08, 2016, a change in the articles of incorporation was passed in order to increase the number of members on the company's Supervisory Board to four, and Ullrich Bellgardt, Jens Große-Allermann and Stephan Kleinmann were elected as new members of the Board, each for the period until the end of the General Meeting which will decide on whether to approve the actions of the members of the Supervisory Board for the financial year ending on June 30, 2019.

The Supervisory Board member, Prof. Dr. Eckart Kottkamp, had been reelected by means of a resolution adopted by the Annual General Meeting on December 09, 2015 for the period until the end of the General Meeting which will decide on whether to approve the actions of the Board for the financial year 2019 / 2020.

In fiscal 2016 / 2017, the Supervisory Board therefore consisted of:

- Wilhelm Hecking (Chairman of the Supervisory Board), until December 08, 2016
- René Dannert (Deputy Chairman of the Supervisory Board), until August 31, 2016
- Prof. Dr. Eckart Kottkamp
- Ulrich Bellgardt (Deputy Chairman of the Supervisory Board), from September 02, 2016
- Jens Große-Allermann (Chairman of the Supervisory Board), from December 08, 2016
- Stephan Kleinmann, from December 08, 2016

In a meeting on December 20, 2016, the Supervisory Board elected Jens Große-Allermann as its Chairman and Ulrich Bellgardt as his Deputy.

We would like to take this opportunity on behalf of the entire Supervisory Board and the company to thank Wilhelm Hecking and René Dannert. You supported KROMI Logistik AG for years, supplied expert advice on matters of substance and helped to shape the company's positive growth through your commitment.

## Personnel changes on the Managing Board

Jörg Schubert (70) stepped down from his office as Director and Chairman of the Managing Board of KROMI Logistik AG with effect from December 31, 2017 at his own request and with the friendly agreement of the Supervisory Board. Bernd Paulini (55), COO of KROMI Logistik AG, was also appointed as the spokesperson of the Board with effect from January 1, 2018.

Schubert had been Chairman of the Managing Board of KROMI Logistik AG since 2006, and was largely responsible for the company's growth path during this period. The Supervisory Board and Managing Board would like to thank Jörg Schubert already for his many years of successful work for the company, and wish him all the best for the future.

## Meetings

In fiscal 2016 / 2017, the Supervisory Board held five meetings by personal attendance on August 15, 2016, September 22, 2016, November 10, 2016, December 20, 2016, and on March 21, 2017. All members of the Supervisory Board attended all the meetings, while the meeting of September 22, 2016 which approved the annual financial statements as of June 30, 2016, was also attended by two auditors from the auditing company to explain the annual financial statements. The Supervisory Board met on May 22, 2017 — also attended by all its members — by way of a telephone conference.

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

In the year under review, the Managing and Supervisory Boards were at all times in continuous personal and telephone contact – mainly by way of dialogue between the CEO and the CFO and the Supervisory Board Chairman.

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, 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 fiscal 2016 / 2017 in order to monitor the management of the business.

The development of the international subsidiaries in their respective domestic markets continued to form a focus of the activities of the Supervisory Board and its discussions with the Managing Board. In Europe, the Spanish facility once again stood out. There was one setback, however, caused by the closure of a factory of a major customer in Belgium, but this was largely compensated by the fact that the production concerned was relocated to other facilities of the customer's also supplied by KROMI. Business in other European foreign markets performed in line with expectations overall.

As in previous years, the Supervisory Board paid particular attention to the development of KROMI do Brasil in the reporting year. Its unwavering strategic approach and faith in local management in previous years are now reaping rewards. In spite of an economic environment that remains fraught, KROMI do Brasil achieved significant increases in sales and earnings which together with a moderate recovery in the exchange rate of the Brazilian real led to a dynamic rise in earnings which took KROMI do Brasil's euro results into the black for the first time at the level of EBIT and earnings after tax. This development confirms the strategic approach pursued for years by the Managing Board and Supervisory Board with regard to the Brazilian market, and it promises considerable further potential as soon as the economy in Brazil picks up pace.

The Supervisory Board also kept itself informed promptly and in detail about respective further developments, and discussed with the Management Board its expectations and measures for the further development of the Group companies

In the context of monitoring business trends, the Supervisory Board kept itself informed about the situation of the specific focus sectors of the company's customers and developments at important major clients, as well as on pending projects for winning new customers.

The Supervisory Board meeting on September 22, 2016 – in the presence of the auditor – focused on clarifying and discussing the annual financial statements as of June 30, 2016, as well as on plans for fiscal 2016 / 2017. In its meeting on December 20, 2016, questions relating to Directors' contracts were discussed, and three or five-year follow-on employment contracts were concluded with Board members Uwe Pfeiffer, Bernd Paulini and Axel Schubert in February 2017.

Besides current business trends, Supervisory Board consultations were continuously devoted to important questions relating to controlling and IT structures. Specifically, the ongoing briefings on the progress and results of the conversion to SAP formed a regular topic of discussion. This change in the company's IT systems necessitated the inclusion of stocks previously held as a supplier's consignment warehouse in KROMI Logistik AG's own inventories which resulted in changes in the structure of the company's balance sheet and finance. These questions were also discussed with the Managing Board by the Supervisory Board.

## Corporate Governance

The Supervisory and Managing Boards continue to act in the awareness that good corporate governance forms an important precondition for the success of the company, and lies in our shareholders' interests. On MONTH DD, 2017, the Managing and Supervisory boards renewed their 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 2016 / 2017 annual financial statements

The annual separate 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, and the respective management reports for fiscal 2016 / 2017, including the financial accounting, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, and were each issued with unqualified auditor's opinions. In the light of these auditor's reports, the Supervisory Board reviewed the 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 profit.

At the Supervisory Board's financials meeting of September 26, 2017, the Supervisory Board required the Managing Board to discuss the annual financial statements as of June 30, 2016 that were to be approved in this connection, and to report concerning profitability, and, in particular, about the company's equity, as well as on 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, providing detailed explanations about the audit report, and responding in depth to questions raised by the Supervisory Board members in the course of the financials meeting. 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 prepared by the Managing Board. Consequently, the Supervisory Board approved the single-entity annual financial statements of KROMI Logistik AG and the consolidated financial statements of KROMI Logistik, at its meeting on September 26, 2017. The separate 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 profit.

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

Hamburg, September 26, 2017

Jens Große-Allermann
Supervisory Board Chairman

# *Corporate Governance Report*

The term "Corporate Governance" stands for the responsible and management and control of companies, oriented towards long-term economic success. KROMI Logistik AG is also devoted to this aim. Therefore, the responsible governance of the company in accordance with all the relevant laws and regulations and in awareness of its responsibilities toward shareholders, customers, employees and the company, forms the standard for the business decisions of KROMI Logistik AG's executive and supervisory boards, and of their implementation.

Since its introduction in 2002, the German Corporate Governance Code in its current version has formed the guiding principle of KROMI Logistik AG for transparent and responsible corporate governance. KROMI Logistik AG's compliance statement is given the "Statement on corporate governance in accordance with Section 289a of the HGB (old version) [German Commercial Code]".

Deviations from the recommendations of the Code are due to the size of the company and of its organs and due to the structure of its corporate organs and other organisational structures, which do not require all the details of those regulations and arrangements, in the way that the Code provides with a view to its universal validity even for large corporations.

## Statement on corporate governance in accordance with Section 289a of the HGB (old version) [German Commercial Code]

The corporate management of KROMI Logistik AG as a listed company is determined in the first instance by the German Stock Corporation Act and also by the requirements of the German Corporate Governance Code in its current version.

## Mode of operation of the executive and supervisory boards

KROMI is subject to the dual management system described in the German Stock Corporation Act, which outlines a strict separation in personnel between the executive board as the leadership organ and the supervisory board as the monitoring organ. The management and supervisory boards work closely together in the interests of the company.

KROMI Logistik AG's executive board is responsible for managing the company, with the aim of sustainable value creation. The principle of collective responsibility applies in this respect; this means that the members of the executive board are jointly responsible for the entire management of the business. They develop the business strategy and ensure their implementation, in consultation with the supervisory board. The basic principles for cooperation on the KROMI executive board are summarised in the rules of procedure of the executive board.

The executive board consists of four members: The chair, the chief financial officer, an executive board member responsible for the area of technology and products, and an executive board member with responsibility for the areas of IT and administration. Without prejudice to their individual responsibilities, the members of the executive board work in close coordination. In accordance with the rules of procedure, the members of the executive board provide each other with information on a regular basis regarding all important processes of their area of business, and are also actively involved in gleaning information regarding the course of business in the business areas of the other executive board members. Resolutions of the executive board requires a simple majority of the votes cast, unless the law, the articles of association or the rules of procedure stipulate otherwise. In the event that the vote is a tie, the vote of the chair shall be the casting vote.

The executive board regularly, promptly and comprehensively provides the supervisory board with information on all aspects deemed essential for the KROMI group around the development of the business, significant transactions and the current profit situation, including the risk situation and risk management. Where the actual course of business deviates from the plans and objectives established previously, this is fully explained and justified. Unless the supervisory board deems it necessary – in accordance with the German Corporate Governance Code – to sit on its own, the executive board participates in all sessions of the supervisory board. It reports in writing and orally on the agenda items and proposed resolutions, and answers the questions of the individual members of the supervisory board.

For transactions which are of fundamental importance, especially for the net-asset, financial and profit situation of the company, the rules of procedure provide for the approval of the supervisory board, including a specific list of transactions requiring approval.

The supervisory board advises the executive board in the management of the company and monitors its activities. It appoints and dismisses the members of the executive board, decides on the remuneration system for the members of the executive board and sets their respective total remuneration. It is directly involved in all key decisions. According to the HR-strengths of the company and its articles of association, the supervisory board of KROMI Logistik AG shall consist of four members, selected from the shareholders in the company.

The basic principles for the cooperation of the supervisory board of KROMI Logistik AG are stipulated in the rules of procedure of the supervisory board. The company envisages the possibility at a later date of forming committees, given the size of the company and of the supervisory board. The tasks of the supervisory board are all discussed and decided in plenary. The option of passing resolutions by written procedure is to be utilised relatively rarely, and only in particularly urgent cases.

## Compliance statement pursuant to Section 161 of the German Stock Corporation Act

On June 30, 2017, the executive board and the supervisory board of KROMI Logistik AG submitted a compliance statement pursuant to Section 161 of the German Stock Companies Act. According to that statement, KROMI Logistik AG complied with the recommendations of the "Government Commission on the German Corporate Governance Code" (GCGC) in the 2016 / 2017 financial year with the following exceptions, and complies with these recommendations with the following exceptions:

- By way of derogation from Section 3.8(2) GCGC, no excess is agreed in the D&O policy for the supervisory board. The company is of the opinion that even without the agreement of an excess, the supervisory board has a great sense of responsibility and motivation.

- In accordance with Section 4.1.5 GCGC, the executive board shall endeavour to ensure an appropriate proportion of women in managerial positions. The executive board is committed to this aim, though operates no gender-specific HR policy. In filling the management positions within the company, diversity is therefore taken into account, though the focus is on the professional qualifications of the candidates. The executive board sees it in the interests of the company to continue to select the professionally and personally most suitable candidates for any given posts to be filled. In view of this, the executive board, by way of derogation from the provisions of Section 4.1.5(2) GCGC, does not have a target for the proportion of women at the two management levels below the executive board.

- In accordance with Section 4.2.3 GCGC, the remuneration of the members of the executive board as a whole, and in terms of their variable components, must demonstrate maximum limits according to the relevant amounts. The introduction of this provision in 2012 (and its development in 2015), the company introduced a comprehensive new remuneration scheme, which inter alia limits the degree of achievement of target-related variable remuneration to 200 %. This means that even in case of the achievement of targets which is more than two times the measured value, the variable remuneration of the members of the executive board is capped at two times the target value. The company deems these unchanged arrangements to be adequate.

- By way of derogation from Section 4.2.5(3) GCGC, KROMI Logistik AG does not present the remuneration received by the executive board in the remuneration report using the sample tables in accordance with the GCGC annex. The company is convinced that even without these tables, there can be sufficient transparency regarding the remuneration of the members of the executive board, specifically against the backdrop that the existing arrangements for variable remuneration exclude unreasonably high levels of total remuneration a priori, thanks to their calculation bases and caps.

- In accordance with Section 5.1.2 GCGC, the supervisory board must, in its composition of the executive board, ensure diversity and state target proportions for women on the executive board. From the previous considerations set out in Section 4.1.5, the supervisory board of KROMI Logistik AG has forgone such statement. In addition, the relatively small number of members (4) of the executive board means that there is a limit to possible diversity.

- In accordance with Section 5.4.1 GCGC, the supervisory board provides for appropriate participation by women. In relation to this recommendation, the considerations with regard to Sections 4.1.5 and 5.1.2 GCGC apply accordingly. Restrictions on the diversity of the board will inevitably also arise in relation to the supervisory board, due to its restriction to only four members.

- By way of derogation from Section 5.3 GCGC, no committees are formed from the supervisory board. Given the small number of members (4) of the supervisory board the formation of committees is not sensible.

- By way of derogation from the provisions of Section 5.4.1(2) GCGC, no age limit for supervisory board members has been set. In light of the knowledge, abilities and professional experience required under Section 5.4.1(1) GCGC, the fixing of an age limit is not deemed to be sensible. Furthermore, the supervisory board forgoes the establishment of a limit value on the duration of membership of its members. The supervisory board is aware of the importance of any change to its membership, however it deems itself to be in a position to implement this aspect in the interest of the company, even without the definition of a limit value.

This statement refers to the recommendation of the Code in the version dated February 7, 2017.

KROMI Logistik AG will in future continue to comply with the recommendations of the “Government Commission on the German Corporate Governance Code” in the version dated February 7, 2017, with the above-mentioned exceptions.

Hamburg, September 26, 2017

For the Supervisory Board

Jens Große-Allermann

For the Executive Board

Jörg Schubert Uwe Pfeiffer Bernd Paulini Axel Schubert

## Other corporate governance practices / Compliance

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

KROMI sees this as an essential basis of the actions of the management organs, executives and employees of all the companies in the group. A code of conduct applies to the whole group: it is a guiding principle for the management of ethical and legal challenges in day-to-day work and aims to provide orientation in situations of conflict, in order to ensure uniform and exemplary conduct.

Compliance management is directed at conveying and anchoring the values which are binding according to the code of conduct into the structure of the group. Problems and infringements will be looked into in the interest of all parties concerned (employees, customers and shareholders) and of the company; in the event that defects or infringements are recognised, suitable measures are to be taken to eliminate the causes.

The transparency requirements of shareholders and the public shall be met by the company, in particular by providing obligatory and timely information on the company‘s website. On the website, KROMI publishes (amongst other things) all information on ad hoc publicity, financial reports and the financial calendar, voting rights announcements, the transaction of securities by managers, information about the shareholder structure, the general meeting of shareholders and general press releases.

The company has not formally decided to implement or introduce other company-wide standards, such as ethical, labour or social standards. Compliance with the appropriate requirements is seen as a matter of course for KROMI and the company‘s management bodies. The executive board pays personal attention to such questions. Any worrying developments, given the size of the company, are recognised straight away by the executive board and corrected if necessary. In view of the number of staff, all employees have easy and direct access to the executive board as required. The executive board fulfils its responsibility towards staff with the utmost sensitivity and care. This also applies to the ability of all employees to provide evidence of violations in the company in a manner which ensures their protection. The point of contact for this is the chief financial officer, who shall handle such information with the utmost discretion and confidentiality.

In relation to the two management levels below the executive board and with regard to the composition of the executive board and the supervisory board, the executive board and the supervisory board have fixed no quotas for the presence of women, such that no reporting on the achievement of targets is possible.

### Composition and independence of the supervisory board

The current composition of the supervisory board is consistent with the aims and the profile of expertise of the composition of the supervisory board.

The members of the supervisory board, Mr Bellgardt, Dr Kottkamp and Dr Kleinmann are independent in terms of Section 5.4.2. GCGC, whilst the chair of the supervisory board, Mr Große-Allermann is at the same time a member of the executive board of TGV, an investment company who are long-term investors in KROMI Logistik AG with around 70 % of the voting rights.

### Remuneration report

The remuneration report summarises the principles for the setting of the remuneration of the executive board of and of the supervisory board of KROMI Logistik AG, and explains the level and the structure of the income received by the executive board. The report includes data which forms part of the group management report in accordance with Section 315 HGB [German Commercial Code]. Reference is made in this respect to the group management report (remuneration report). In addition to this, please note the following information according to the requirements of the German Corporate Governance Code:

On December 19, 1996, Mr Jörg Schubert received a pension benefit from Tarpenring 11 Vermögensverwaltungs GmbH on leaving, having reached the age of 65, which was taken on by KROMILogistik AG on December 7, 2006 with effect from 1 January 2007. In the period July 1, 2016 to June 30, 2017 pension liabilities in the amount of approximately EUR 6,000 were accrued, as Mr Jörg Schubert had already exceeded the age of 65.

With regard to the executive board members Bernd Paulini and Axel Schubert, pension benefits had already been met upon them reaching the age of 65 in the context of their work for the company before their appointment to the executive board; in the case of Mr Paulini there was also a survivor‘s pension amounting to 60 % of the pension benefit. These agreements with the stated members of the executive board shall continue. For these pension benefits, pension provisions in the amount of approximately EUR 26,000 (Paulini) and EUR 10,000 (A. Schubert) were generated in the period from July 1, 2016 to June 30, 2017.

Mr Uwe Pfeiffer received a contribution-funded pension commitment via a congruent liability insurance. This form of pension commitment requires no formation of pension provisions and is therefore balance-sheet-neutral. The expenses of the company for the liability insurance are counted as operating expenditure, and are contained in the information given in the annex regarding the total remuneration of the members of the executive board.

On June 30, 2017, the executive board member Jörg Schubert owned 3,000 shares, plus the voting rights to be attributed to him in accordance with Section 22(1) WpHG, of the 119,993 shares in the company. The executive board member Uwe Pfeiffer owned over 1,000 shares in the company on the relevant date. On the aforementioned date, the executive board members Bernd Paulini and Axel Schubert, via their 25 % shareholding each in KROMI Beteiligungsgesellschaft mbH each indirectly held a stake in KROMI Logistik AG, with 67,500 voting rights. Executive board members Axel Schubert and Bernd Paulini each held a stake in KROMI Logistik AG, with another 3,000 and 2,200 voting rights respectively.

# Group management report

## Basis of the Group

### I. Group business model

KROMI Logistik AG and its subsidiaries (also referred to below as "KROMI Logistik") offer manufacturing companies an end-to-end outsourcing concept for their supply of precision machining tools, especially machining tools for the processing of metals and plastics. KROMI Logistik addresses companies' complete production chains in this context: from classic tools trading with decentralised supplies through dispensers installed at customers, through to inventory optimisation and warehouse management, as well as consumption controlling and tool deployment optimisation based on inventory and consumption data.

### II. Company structure

The KROMI Group had four facilities in Germany on the reporting date of June 30, 2017: Besides the head office in Hamburg, the Group has offices in Magdeburg, Düsseldorf and Stuttgart. It also operates subsidiaries in the Czech Republic, Slovakia, Spain and Brazil. In addition, KROMI Logistik serves customers in Denmark, Poland, Romania, Austria and France. All domestic and foreign subsidiaries and offices are purely service facilities responsible solely for supplying and optimising tools on the customer's premises. The only exception is our subsidiary in Brazil.

### III. Segments

The corporate purpose of KROMI Logistik is trading with, and 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. Consequently, KROMI Logistik forms its operating segments according to the corporate seat of its customers, thereby basing itself on its relevant sales markets. A differentiation was made in the reporting period between the domestic market (Germany), European countries outside Germany and Brazil.

### IV. Services

Along with supplying its customers, and the related monitoring of stocks 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 (CIP – continuous improvement process) allows improvement potentials to be constantly disclosed to customers, thereby generating savings.

## V. Employees

At the end of fiscal 2016 / 2017, KROMI Logistik (excluding its Managing Board) employed 173 staff (June 30, 2016: 157). This number includes three trainees in wholesale and exports and one machining trainee.

## 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. The steering system has not changed compared with the previous year.

# Business report

## I. Macroeconomic conditions

The Kiel Institute for the World Economy (IfW) paints a positive picture of global economic developments. Sentiment is particularly good in the advanced economies, but the economic situation has also improved noticeably in emerging countries. Global production growth is expected to rise from 3.1 % in the previous year to 3.6 % this year and 3.7 % in the following year.[1] The economic recovery is also holding up in the Eurozone with growth rates of around 2 % this year and 1.9 % in the coming year. The unemployment rate is likely to improve significantly, from 10.1 % in 2016 to 9.2 % in the current and 8.6 % in the coming year.[2]

Brazil has recovered from its deep recession which lasted two years. In 2016 still, GDP contracted by 3.6 % and inflation stood at 8.7 %. The the first quarter of 2017, however, saw economic output rising by one percent year-on-year — over the entire year, economic experts are expecting growth of 0.6 % with the inflation rate halved to 4.4 %. Growth is likely to pick up further in 2018, increasing to 1.6 % without any recurrent rise in inflation. The economic recovery can be expected to continue not only in Brazil but in the whole of South America.[3]

As far as Germany is concerned, the IfW‘s economic experts expect to see growth of 1.7 % which is likely to accelerate to 2.0 % in 2018. Overall, Germany‘s recovery is gaining in breadth, and with many areas working much closer to capacity than normal, it is on the verge of an economic boom. Capital investments are forecast to rise by 2.6 % in 2017 and 4.2 % in 2018 following a figure of only a good two percent in the previous year. Investment in equipment will rise by 5.1 % next year after showing signs of weakness in past quarters due to the uncertain international environment. With the gradual revival of the global economy, exports can also be expected to support the recovery, growing by 4.0 % in the current year and by 4.8 % in 2018.[4]

## II. Sector-related conditions

As a manufacturer-neutral specialist for professional tool management, KROMI Logistik AG offers manufacturing companies at home and abroad end-to-end outsourcing for their supply of precision tools. The focus lies on technically sophisticated machining tools for the processing of metals and plastics. Target sectors for KROMI Logistik AG are all sectors requiring mechanical processing (machining) with a substantial consumption of tools. In particular, such sectors comprise mechanical and plant engineering including precision tools, the automotive supply industry and the aerospace sector. The economic situation in these sectors therefore offers a good indicator for the development of KROMI Logistik‘s customer segments.

The marine engine construction sector is of subordinate significance for KROMI Logistik due to its size.

[1] Kiel Institute for the World Economy (IfW), Weltkonjunktur im Sommer 2017 | [2] Kiel Institute for the World Economy (IfW), Weltkonjunktur im Sommer 2017 | [3] Kiel Institute for the World Economy, Weltkonjunktur im Sommer 2017 | [4] Kiel Institute for the World Economy (IfW) – Deutsche Konjunktur im Sommer 2017

## a. Engineering / precision tools

According to a survey conducted by the German Engineering Federation (VDMA), expectations among its member companies are optimistic. The order intake in May exceeded the level for the previous year by the appreciable margin of 17 % in real terms — sending a clear signal for further economic upturn. The Federation has raised its annual forecast for real growth in machine production in Germany from its previous figure of plus 1 % (October 2016) to plus 3 %. For the period from January to April, production showed growth of 2.3 % by comparison with the previous year.

The order book increased significantly faster than expected in the first five months. There are also hopes that the domestic market will pick up faster than previously forecast. Customers in manufacturing industry are optimistic given that they are working close to capacity. There is also pent-up demand in terms of investment and modernisation, according to the VDMA. Last but not least, business with Asia and above all China grew significantly better than expected. In the first four months of the current year, machinery exports from Germany to China increased by 15 %. Nevertheless, the Engineering Federation also sees risks in important countries — notably the USA and UK — on the road to growth of 3 %. The environment, according to the VDMA, remains fragile.[5]

## b. Aircraft construction and aviation

Aviation, in the opinion of market experts, will continue to display dynamic growth. The UN Aviation Authority IATA is expecting passenger numbers to grow by 7.4 % in 2017, reaching more than four billion passengers worldwide. Air freight volumes will also expand by 7.5 % according to the forecast. The available transport capacity is likely to rise by 6.3 %, and the number of flights from 35.8 million to 37.5 million.[6] Even with conservative estimates and under unfavourable conditions — for example, growing protectionism around the globe — the number of airline passengers is likely to increase to more than five billion by 2036. If growth remains constant, up to 6.5 billion passengers could be transported every year, and in a positive environment, the figure could even be over nine billion.[7] The greatest impetus will come from Asia: In 2022, China will overtake the USA as the country with the largest number of passengers in the world, according to IATA‘s expectations, and India will move up from seventh to third place.[8] US aircraft manufacturer Boeing is forecasting a global demand for 39,620 new passenger aircraft for the next 20 years until 2036.[9]

The German Federal Ministry for Economic Affairs and Energy believes that sector prospects for growth and employment remain favourable, especially medium- and long-term, with reliable subsidy instruments lending the sector planning security. Global market forecasts, which assume a doubling of worldwide aircraft demand by 2030 and average annual growth of around 5 %, ascribe good capacity utilisation prospects to large civilian aircraft manufacturers and their supplier firms. [10]

## c. Automotive supply industry

The 2016 automotive year brought new records for the USA and China, while Western Europe showed strong growth, achieving its best level since 2007. Consequently, these three large markets — making up 70 % of the global car market — played a crucial role in shaping the past automotive year.

[5] VDMA – Mechanical engineering industry raises production forecast for 2017 – Press release dated June 9, 2017 | [6] IATA – Industry Forecast - June 2017 | [7] IATA / Tourism Economics Air Passenger Forecasts, September 2016 | [8] IATA / TE Passenger Forecast Service | [9] Boeing – Boeing forecasts demand for 39,620 new aircraft – Press Release dated July 11, 2016 | [10] BMWI - Branchenfokus - Luft- und Raumfahrt

According to statistics published by the German Automotive Industry Federation (VDA), car sales in these regions grew by a total of 4.5 million new vehicles. The Chinese market alone grew by 17.8 % and maintained its position as the world's largest car market with almost 23.7 million new registrations. It was followed by the USA with 17.4 million new registrations and growth of 0.4 %. In Europe, new registrations grew by 6.5 % to 15.1 million vehicles.[11]

The interim figures for Europe for the first half of 2017 also look positive: the European car market was five percent ahead of the previous year from January to June with 8.5 million newly registered vehicles. In China, sales of new cars rose by 2.7 %, reaching a volume of more than 10.9 million units. Only in the USA has the market weakened since the start of the year, falling by 2.2 % to 8.4 million units. While demand for standard cars fell appreciably by 12 %, pick-ups and other light trucks became even more popular, posting growth of 5 %. Apart from the USA, the international automotive markets showed dynamic growth: Japan grew by 10 %, India by 7.8 %, Russia by 6.9 % and Brazil by 4.3 %.[12]

According to the VDA's assessment, the sales figures in the most important markets are defying the heightened political risks and debates at home and abroad. The Association describes the prospects for the whole of 2017 as fair, and the previous crisis countries of Brazil and Russia, in particular, are slowly picking up. The global market for passenger cars in 2017 can be expected to grow by 2 % to 84.5 million cars. On the other hand, there are international political risks such as Brexit or questions of trade policy vis-à-vis the USA as well as with a view to China. It is a benefit to the German automotive industry in this environment that is becoming tougher overall, that it is globally positioned with production facilities in 22 countries outside Germany. German suppliers are equally internationally aligned with more than 2,200 foreign facilities in around 80 countries.[13]

## III. Course of business – KROMI Logistik in the fiscal year 2016 / 2017

### Corporate strategy and objectives, and its implementation in the Group in fiscal 2016 / 2017

The medium-term strategy of KROMI Logistik focuses on profitable growth through continuously expanding the customer base in existing and new markets. In the case of existing customers, the optimisation and efficiency enhancement of machining processes, and reduction of manufacturing and administration costs, form the focus of their cooperation with KROMI Logistik. Customer loyalty also undergoes constant intensification through innovations to the supply concept and consistent orientation to customer 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 investments are continuously examined with regard to their economic and financial efficiency in order to ascertain whether the capacity exists to respond adequately to changes in market conditions where required. This ensures that resources are focused where they

[11] VDA – Press Release dated January 17, 2017 – 2016 was a good year for international automotive markets | [12] German Association of the Automotive Industry (VDA) – Automotive market in China grows again in June – Press Release dated July 14, 2017 | [13] German Association of the Automotive Industry – German automotive industry raises the tempo of innovation – Press Release dated July 4, 2017

can be deployed the most efficiently for Kromi Logistik. As part of the financial management of KROMI Logistik, the key figures of gross profit margin (sales revenue minus cost of materials expressed as a percentage of sales revenue), sales revenue and the operating result (EBIT) serve as central metrics for the steering system.

Sales and EBIT are key parameters as they are a reflection of earning power. Sales supply crucial insights into the degree to which customers and industries are working to capacity. The gross profit margin is also of central significance as it also reflects earning power, and represents an indicator of changes in the deployment of tools and prices. The company also monitors the supporting parameters of warehousing stock, inventory turnover, and outstanding debtor periods and levels. The Managing Board ensures that stocks are kept at a level which guarantee 100 % tool availability for our customers, while at the same time respecting the lead times of the tool manufacturers. Inventory turnover is also monitored in order to detect changes in stocks and sales (tool consumption). This figure should not average more than 4.0. In the fiscal year under review, it stood at 3.5. Outstanding debtor periods and levels are supporting parameters as they have a direct effect on the Group‘s liquidity, and constitute indicators of customers‘ financial situation. The outstanding debtor period should not exceed 90 days, and the level of receivables should therefore not be higher than the sales in the last 90 days. In the fiscal year under review, the average outstanding debtor period was 99 days, and the level of receivables as of June 30, 2017 was EUR 20,320 thousand. The late payment of a major customer led to a slight rise in the outstanding debtor period. In the meantime, around 90 % of these invoices have been paid, and the remaining 10 % are not contentious.

In the 2016 / 2017 reporting period, KROMI Logistik fully reached the targets that it had set for itself, with its growth outperforming that of its relevant target sectors overall.

### Germany: expansion of the core market

In its home market in Germany, KROMI Logistik achieved its strategic objectives. Various new customers continued to be acquired over the course of the fiscal year elapsed, for example. In addition, relationships with existing customers, and especially in the Group‘s business with major customers, were also expanded and bolstered further. Revenue in the “Germany” segment increased by EUR 2,177 thousand, representing 5.2 % year-on-year growth.

### European countries outside Germany: Acquiring new customers and intensifying business with existing customers

KROMI Logistik‘s operating business in European countries outside Germany remained stable. It managed to acquire further new customers to make up for sales lost in its existing business and through the termination of a supply contract. The revenue generated in European countries outside Germany is therefore on a par with the previous year at EUR 24,381 thousand. The fact that a major customer moved their production to Poland and France as a result of closing a factory in Belgium, will probably be reflected in future in KROMI‘s corresponding foreign facilities. The good business foundation that was already laid in past years paid off in fiscal 2016 / 2017 as a result.

## Brazil: Very successful acquisition of new customers in a demanding environment

Growth at the Brazilian subsidiary remained positive overall in fiscal 2016 / 2017, despite a continued challenging economic environment. The sales lost in existing business suffered in the last few years due to economic circumstances have now recovered and were more than compensated by new business. The sales revenue in Brazil in the reporting period amounted to EUR 5,511 thousand which corresponds to a rise of 89.6 %. Sales in the national currency of the Brazilian real increased by 64.2 %. The lower margins that are typical of first-time customers affected operating profit in the process. Accounting-driven currency effects deriving from the exchange rate of the Brazilian real to the euro had a knock-on effect on EBIT at Group level. Currency effects have increased only slightly year-on-year. Such accounting effects are effective purely in accounting terms, and are not cash-effective. Clear evidence of the potential of the business model in Brazil is shown by the operating stability given continued high demand from numerous further machining operations, and the successful acquisition of new customers despite the challenging market environment. For this reason, KROMI Logistik continues to pursue its strategy of pushing ahead with acquiring new customers in order to benefit to an above-average extent from an economic improvement in Brazil in the medium term.

## Growth with existing customers

Revenues generated with the existing customers of KROMI Logistik reported growth during the year under review. Supplies of further production locations were initiated both in Germany and abroad. The company is constantly examining and realising options to supply existing customers at further locations as part of its growth strategy.

## Optimisation and efficiency enhancement

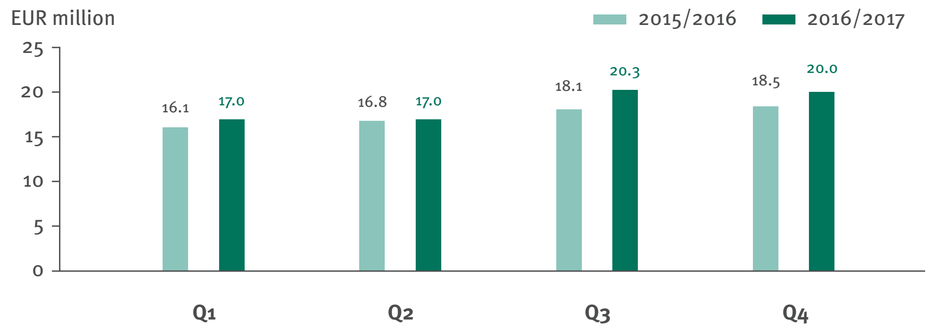
KROMI Logistik process and tool optimisation allows the company to sustainably enhance its customers' business and financial efficiency, thereby forming the basis for the type of long-term customer loyalty that is typical of KROMI's client base. The company continued to further intensify this approach in fiscal 2016 / 2017. KROMI Logistik supplied its customers with current tool and consumption data that are unique in terms of their quality and form the basis for further optimisations along the entire supply chain, for example. Data-based optimisation in the meaning of Industry 4.0 represents an important USP not only among existing customers, but also increasingly in the acquisition of new customers. Since the financial year 2015 / 2016, KROMI has successfully developed and introduced hardware and software tools in order to proactively drive the subject of Industry 4.0 for the benefit of customers. Here, the KROMI system proves convincing through end-to-end data collection without interfaces, low personnel costs, uninterrupted production, the avoidance of rejects, and 100 % controlling through seamless logging.

## IV. Financial position and performance

### a. Results of operations

The 2016 / 2017 fiscal year proved satisfactory for KROMI Logistik. As expected, sales rose by 6.9 % to EUR 74,306 thousand (previous year: EUR 69,481 thousand). Sales growth was therefore within the forecast issued for the financial year for sales growth in the mid-single digit range, and it was higher than the average for the sector: According to figures released by the German Engineering Federation (VDMA), sales in the precision tools sector grew by three percent in 2016 while they were flat in the sub-sector of machining tools. Apart from the reduction in marine engine construction, the sales growth at KROMI Logistik was distributed across all of the target sectors comprising automotive suppliers, general engineering and machine building and aerospace. With this distribution, KROMI Logistik continues to benefit from a customer structure that is diversified across different sectors and markets.

**Revenue 2016 / 2017 compared with the previous quarter and year**




Business growth with both existing and new customers contributed to the good growth that KROMI Logistik recorded. In particular, the company reported success in further expanding its business with major customers. Revenue in the home market of Germany consequently grew by 5.2 %, from EUR 42,237 thousand in the previous year to EUR 44,414 thousand. Sales revenues in European countries outside Germany were stable in spite of changes in the customer portfolio. European countries outside Germany contributed to positive sales growth in the reporting period with sales of EUR 24,381 thousand (previous year: EUR 24,377 thousand), while the Brazil segment generated revenue of EUR 5,511 thousand (previous year: EUR 2,907 thousand) due to a sustained revival of its existing business and extremely strong new business.

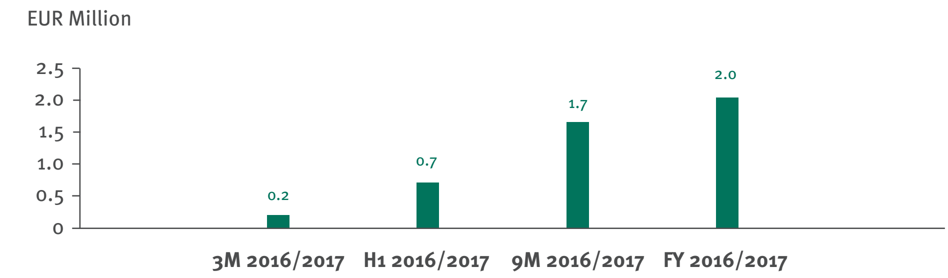
The cost of materials rose at a slightly lower rate than the operating business, increasing by 5.2 %. In absolute terms, therefore, it increased to EUR 55,861 thousand compared with EUR 53,083 thousand in the previous year. Of this figure, Germany accounted for EUR 32,733 thousand, European countries outside Germany for EUR 18,850 thousand and Brazil for EUR 4,278 thousand). The cost of materials ratio improved accordingly and stood at 75.2 % (previous year: 76.4 %). This development is also reflected in a high gross profit margin, which at 24.8 % was above the previous year‘s level of 23.6 %. The increase in the gross profit margin is in line with expectations of the previous year. The gross profit margin in Germany was 26.3 %, in European countries outside Germany 22.7 % and in Brazil 22.4 %.

Staff costs rose 7.4 % year-on-year from EUR 10,185 thousand to EUR 10,937 thousand. The staff cost ratio was 14.7 % which matched the figure for the previous year (14.7 %). The rise in staff costs in the reporting period is due to a slight increase in staffing levels in Germany. Investments were also made in more qualified employees and provisions were increased for variable compensation.

Depreciation and amortisation reduced slightly to EUR 563 thousand, compared with EUR 590 thousand during fiscal 2015 / 2016. Other operating expenses of EUR 5,814 thousand were up compared with the previous year's level of EUR 5,125 thousand. The additional costs for refining the SAP applications as well as the fact that the company did not attend any fairs in Germany in the previous years, were the major factors behind this development.

In fiscal 2016 / 2017, KROMI Logistik succeeded in posting net operating income (EBIT) of EUR 2,042 thousand, an increase of 59.2 % that was disproportionately higher than for sales (previous year: EUR 1,283 thousand). The further rise forecast in EBIT was thus achieved. EBIT was adversely affected in the reporting period by accounting-driven currency effects amounting to EUR 282 thousand. The Group reported consolidated net income of EUR 1,116 thousand after deducting finance costs, other finance income, and taxes on income that are based on the profit or loss of the separate parent entity. KROMI Logistik generated a consolidated net profit of EUR 409 thousand in the 2015 / 2016 reporting year.

**EBIT 2016 / 2017**




## b. Net assets

As of the June 30, 2017 balance sheet date, the total assets of KROMI Logistik AG stood at EUR 49,200 thousand, thereby above their level as of June 30, 2016 (EUR 46,430 thousand).

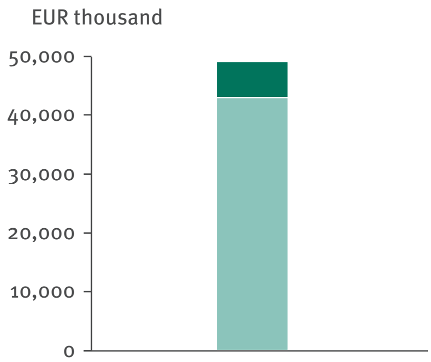
On the assets side of the balance sheet, non-current assets reported a increase from EUR 5,890 thousand as of June 30, 2016 to EUR 6,156 thousand. The main reason for this development is the increase in deferred taxes from EUR 528 thousand to EUR 722 thousand.

Investments totalled EUR 629 thousand. Germany accounted for EUR 499 thousand of this figure, European countries outside Germany for EUR 16 thousand and Brazil for EUR 114 thousand.

In current assets, inventories stood at EUR 21,244 thousand which was roughly equal to the previous year's figure (June 30, 2016: EUR 21,120 thousand). Trade receivables amounted to EUR 20,320 thousand on the 2017 reporting date (June 30, 2016: EUR 16,053 thousand). The increase is primarily due to the expansion of the business, particularly with major customers and large corporations, as well as a generally higher level of receivables on the reporting date for some KROMI customers. The value of short-term assets fell from EUR 1,806 thousand in the previous year to EUR 802 thousand. This decline results mainly from the approximately EUR 700 thousand tax claim on the tax authorities in the previous year, which arises from the invoice for the consignment warehouse transferred to the company's own stock.

Liquid assets fell to EUR 675 thousand as of the 2017 reporting date (June 30, 2016: EUR 1,550 thousand).

**Structure of the balance sheet Assets**

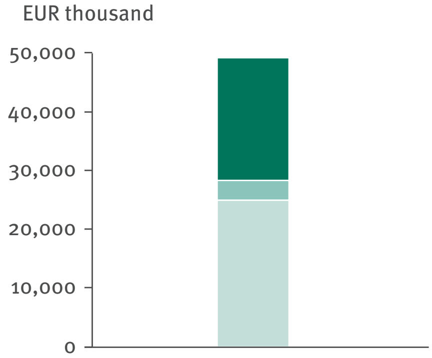



| | EUR thousand |
|---|---|
| **Total assets** | **49,200** |
| Non-current assets | 6,156 |
| Current assets | 43,044 |

As of June 30, 2017, the liabilities side of the balance sheet comprised increased equity by comparison with the previous year, amounting to EUR 24,977 thousand (June 30, 2016: EUR 23,518 thousand). The equity ratio rose slightly from 50.7 % as of June 30,2016 to 50.8 % as of the balance sheet date 2017. Despite the increase in debt financing resulting from the expansion of business, the equity ratio increased compared with the previous year.

The liabilities – comprising both provisions and liabilities in this case – of KROMI Logistik were up from EUR 22,912 thousand, as of June 30, 2016, to a total of EUR 24,223 thousand. Of this EUR 3,360 thousand (June 30, 2016: EUR 3,617 thousand) was accounted for by long-term borrowings and EUR 20,863 thousand (June 30, 2016: EUR 19,295 thousand) by short-term borrowings. Current liabilities towards banks increased in the wake of the expansion of the business to EUR 12,908 thousand (June 30, 2016: EUR 8,684 thousand). At the same time, trade payables fell to EUR 5,305 thousand (June 30, 2016: EUR 8,670 thousand), as liabilities from taking over the consignment stock in the previous year were paid in the financial year and all opportunities to apply discounts were taken.

**Structure of the balance sheet Liabilities**




| | EUR thousand |
|---|---|
| **Total assets** | **49,200** |
| Equity | 24,977 |
| Long-term borrowings | 3,360 |
| Short-term borrowings | 20,863 |

### c. Financial position

Working capital (short-term assets less short-term borrowings) which stood at EUR 22,181 thousand, a slight increase from the previous year (EUR 21,155 thousand), continues to provide a strong and stable basis for the Group‘s targeted, profitable growth.

The cash flow from operating activities amounted to EUR -4,059 in the reporting period, primarily due to an increase in trade receivables. The cash flow from investment activity amounted to EUR -539 thousand.

Funds were obtained essentially by taking advantage of working capital credit lines. Cash flow from financing activities amounted to EUR 3,728 thousand. The main reason for this lies in the fact that further short-term loans were taken out to fund the expansion of the business. Cash and cash and cash equivalents at the end of fiscal 2016 / 2017 amounted to EUR 675 thousand.

KROMI Logistik AG was at all times in a position to meet its payment obligations.

## V. Overall statement on the company‘s financial position

The Managing Board can look back on a satisfactory 2016 / 2017 fiscal year. Business with both existing and new customers reported positive trends. The company succeeded in growing sales in its target sectors of automotive suppliers, aerospace and general mechanical engineering. Regionally, KROMI Logistik achieved sales growth both in Germany and abroad. This results in an overall year-on-year sales increase of 6.9 % to EUR 74,306 thousand, and the Group therefore grew faster than the market. The operating result was increased by 59.2 % over the previous year and amounted to EUR 2,042 thousand. The gross profit margin remained at a high level of 24.8 %, confirming the long-term structure of the business model. With an equity ratio of 50.8 %, liquid assets of EUR 675 thousand and working capital lines of up to EUR 18,500 thousand of which only EUR 12,813 thousand were drawn down, KROMI Logistik enjoys a solid financial position as of the 2017 reporting date for the future development of its business.

# *Corporate Governance Statement in accordance with §289a German Commercial Code (HGB, old version)*

The corporate governance of KROMI Logistik AG as a listed stock corporation is primarily determined by the German Stock Corporation Act (AktG) and, in addition, by the stipulations of the German Corporate Governance Code in its current version. The Corporate Governance Statement has been made publicly available on the Company's Investor Relations website at http://ir.kromi.de/

# *Report on outlook, risks, and opportunities*

## I. Outlook

### a. Managing Board's overall statement on the Group's development in fiscal 2017 / 2018

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 regards KROMI Logistik as well positioned for the current 2017 / 2018 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 to further internationalise the company in the future, consolidate markets, and 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

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

For the mature economies, we expect to see good rates of growth in the current fiscal year, while Russia and Brazil have clearly bottomed out. We continue to see certain economic and structural uncertainties in China as well as in connection with protectionist views that are repeatedly voiced. However, the order books of German industry are well filled. Mechanical engineering companies and automotive suppliers are benefiting worldwide from long-term global trends such as energy efficiency and climate protection as well as the networking of production systems and facilities. Economists at the German Engineering Federation, in particular, are very upbeat for 2017 and they are expecting high sales increases. The aviation sector is growing with steadily rising passenger numbers, bringing with it increasing demand for aeroplanes and their components.

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

[10] Airbus Group, Global Market Forecast 2016

### c. Expected trend for KROMI Logistik

With a look to the 2017 / 2018 fiscal year, the Managing Board is assuming stable year-on-year sales growth in the upper single-digit percentage range, as for the previous year. As a consequence, the Group's plan outpaces the VDMA's forecast range of 3 % for the precision tools sub-segment in calendar 2017. The Board is forecasting a gross profit margin at the level of this financial year although when new business is strong, this normally has a negative effect on the gross profit margin. Measures to increase efficiency in warehousing stock, inventory turnover as well as outstanding debtor periods and levels, have been defined and are being implemented. For the current year, the Board is therefore expecting to see these supporting metrics take a slight turn for the better.

In this context, the Board also expects distinct, continuous improvement in its operating earnings (EBIT) compared to the previous year. Economic developments, and consequently KROMI customers' production levels, will constitute especially decisive factors for our earnings trends.

## II. Report on opportunities and risks

### a. Report and information in accordance with Section 315 No. 4 of the German Commercial Code (HGB, old version)

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 guarantee sufficient security by implementing corresponding controls to ensure that the consolidated financial statements and management report are prepared in line with the corresponding standards despite the identified risks.

### b. Group accounting-related internal controlling system

The Managing Board of KROMI Logistik 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 in preparing the financial statements, and appropriate access regulations in the IT systems of relevance to the financial statements, comprise key accounting control elements. One central element is the principle of functional separation, which aims to ensure that major executory (for example, sales), booking (for example, financial 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.

### c. Risk management and methods

KROMI Logistik has developed systems, methods and bodies to implement and secure its business. These aim to allow the Managing Board to recognise at an early juncture any immaterial or material operating and financial 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 the ERP system SAP. The risk manual documents the key risks that are present, and allocates levels of responsibility within the company. Existing risk potentials are monitored on an ongoing basis, and adequate activities to limit risks are put in place if possible.

As part of risk management, risks are allocated by the respective risk officers. This entails grouping risks according to their relevance and importance. With regard to relevance, differentiation is made between “immaterial”, “material” and “going concern” risks.

### d. Dealing with key potential risks and opportunities

The operational management of KROMI Logistik 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 is of the opinion that the following risks and their treatment will be of particular importance in the 2017 / 2018 fiscal year:

- 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 the future growth of KROMI Logistik. Going-concern risks to the company are known and have been registered, but were not relevant at the time when these annual financial statements were compiled.

## Liquidity risk

The business model of KROMI Logistik 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. Negative market values determined by the mark-to-market method amounted to EUR 111 thousand on the reporting date.

Interest levels remained more or less unchanged in fiscal 2016 / 2017. The Eurozone reference interest rate stood at 0.0 % as of the balance sheet date. It is not expected that this reference interest rate will change fundamentally over the course of the fiscal year. Accordingly, no significant quantifiable risks are expected to arise during the 2017 / 2018 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 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. In particular, if the two largest customers defaulted, this would have a major impact on the financial position, cash flows and results of operations. Between two and five months can pass between the tools being removed from the dispensers and payment actually being received, taking the agreed payment terms into account. KROMI Logistik combats such bad debt risks by diversifying its customer portfolio within the relevant target industries. The company regards such risk as manageable given the historical loss record. Before concluding agreements with new customers, KROMI runs credit checks based on generally accessible information. As part of the receivables management system, all receivables are subject to 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 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 storage and financing risks.

The systems of KROMI Logistik are set up to analyse past tool consumption, and to utilise this information to derive data for demand-based repurchasing, assuming constant consumption. Additional information on future production planning is needed to precisely gear order quantities for tools to customers‘ changing requirements. Only the customer can supply this information. For this reason, KROMI Logistik agrees a suitable communication concept with its customers to record this customer information, and to take it into account in its merchandise planning. If excess stocks still result at KROMI Logistik, however, 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 issued in euros as a general principle. In Brazil, the Brazilian subsidiary buys and sells merchandise in local currency. As a consequence, currently no direct risk exists from changes in exchange rates due to commercial transactions, or only to a minor extent. The Brazilian subsidiary bears the exchange-rate risk for the repayment relating to the debt service to the parent company. It is impossible to hedge this exchange rate risk due to the fact that the currency concerned is the Brazilian real, and because the relevant cash flows occur in the future. As of the end of the fiscal year, the company is unaware of any significant quantifiable risks arising from changes to currency exchange rates in the meaning of the risk definition that could exert a considerable negative or positive effect on the earnings of the KROMI Group.

### Opportunities and risks arising from the investment in Brazil

In Brazil, the speed at which the penetration of the potential market occurred 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 subsidiary‘s development is monitored very closely on a daily basis, and the management receives continuous short-term updates. Further developments in the still challenging macroeconomic situation in Brazil and their effects remain to be seen. The collapse in sales with existing customers seen in the last few years has now been made up, and more than compensated by new business. In view of this situation, as well as the positive trend over the last fiscal years, the Managing Board remains convinced that the revenue and earnings expectations can be met in the long term.

KROMI Logistik has issued letters of comfort in favour of its Brazilian subsidiary. By doing so, KROMI Logistik undertakes to grant its subsidiary financial support, if required, to maintain its business operations.

### Market opportunities and risks

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

KROMI Logistik is currently holding intensive discussions with major corporations regarding the commencement of the entire supply chain. These talks have a very high probability of realisation, which means that the ending supply of a group in the amount of approx. EUR 13,000 thousand can be compensated.

### 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 the business processes of KROMI Logistik. 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 the financial position and performance, and image, of KROMI Logistik. This is particularly important in the period under review against the background of the introduction of SAP Business One as a measure for internal process optimization. The go-live took place on 1 July 2016, so that the current fiscal year was fully reflected in the new system. IT-related risks are monitored constantly. The measures needed to reduce risks are put in place if required. The IT systems are regularly evaluated with regard to their security level, based on the relevant business processes and the data to be processed. Various risk scenarios are taken into account in this regard, such as system downtime or hacker attacks. As a result of these analyses, redundant systems are installed at various locations and additional external back-up systems are deployed. The IT design within KTC supply ensures that KTC dispenser supply is permanently guaranteed for the customer in the event of a defect or temporary server downtime. Data losses are avoided through additional external data back-ups. To further minimise this risk, and to maintain efficient and secure business processes, KROMI 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 the customer structure of KROMI Logistik offers continuous growth potential. The company is pursuing a dual strategy in this context: Firstly, the company‘s international growth is realised through expanding tool management for existing customers who also rely on 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 opening liaison offices, particularly in countries to which many German companies are outsourcing production, KROMI Logistik‘ expertise is available on a directly local basis, and it can position itself in these markets as an experienced outsourcing partner to industrial companies. There is a general country risk due, in principle, to the volume of business represented by the activities of our subsidiary in Brazil resulting from possible changes to the economic or legal framework conditions.

## High market potential

KROMI Logistik 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 that 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. 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 wholesaling, exports and machining technology, for example. As in the past, KROMI Logistik also plans in the future to offer the practical segment for dual students from various faculties.

### e. Overall statement on the Group‘s 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. Based on current information, the Managing Board is of the view that the Group is currently not exposed to any risks that extend above and beyond those that are inseparably connected with its business. 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 fiscal 2016 / 2017, the long-term oriented business model of KROMI Logistik AG proved itself again. Despite the burden of special factors, it remained both 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. Thanks to the constant receipt of payments, availability of credit lines as well as the quality and credit rating of its diversified customer base, KROMI Logistik is in a very healthy position. As of the balance sheet date, no knowledge existed 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 to expectations of significant effects on the financial position and performance.

# *Remuneration report*

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

## I. Remuneration of Managing Board members

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

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

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

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

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

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

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

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

In the year under review, Mr. Jörg Schubert acted as CEO, Mr. Uwe Pfeiffer as CFO, Mr. 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 2016 / 2017 fiscal year amounted to EUR 1,701 thousand (previous year: EUR 1,372 thousand). Individual details on the remuneration of the members of the Managing Board, in particular person-by-person information about remuneration, can be found in the notes.

## II. Remuneration of the Supervisory Board members

The members of the Supervisory Board receive fixed annual remuneration for their activities. The Chairman of the Supervisory Board receives one and a half times the standard remuneration for Supervisory Board members. In fiscal 2016 / 2017, the remuneration for members of the Supervisory Board totalled EUR 80 thousand. Details of the Supervisory Board‘s remuneration can be found in the notes.

# *Takeover law disclosures*

## I. Composition of subscribed share capital

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

## II. Direct or indirect interests exceeding 10 % of voting rights

As of June 30, 2017, the following direct or indirect interests exceeding 10 % of the voting rights in the parent company's share capital, had been reported.

| | Number of voting rights | Interest of voting rights | Of which attribution according to Section 22 (1) of the German Securities Trading Act (WpHG) | |
|---|---|---|---|---|
| | | | Interest | Held by: |
| Investmentaktiengesellschaft für langfristige Investoren TGV | 2,906,390 | 70.46 % | 70.46 % | Norman Rentrop |

Investmentaktiengesellschaft für langfristige Investoren TGV ("Langfrist") has its Head Office in Bonn, Germany.

In a contract dated June 16, 2016, Langfrist obliged KROMI Beteiligungsgesellschaft mbH and Schubert Vermögensverwaltung KG not to dispose of a total of 389,993 KROMI shares held by them and corresponding to 9.45 % of the share capital of KROMI Logistik AG, before June 16, 2019, or to enter into legal transactions with similar economic effect (hereinafter referred to as the "Holding Requirement"), and in relation to these shares to also not accept the voluntary, public offer of Langfrist dated July 22, 2016. Moreover, in the Share Purchase Agreement the sellers have assumed various guarantees, especially relating to the KROMI shares.

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

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

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

minus

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

divided by

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

plus

(d) EUR 12.00.

The exercise period for the Put Option is the period from September 1, 2019 to November 30, 2019 and – if the Put Option is not exercised – additionally the period from September 1, 2021 to November 30, 2021. The 389,993 retained KROMI shares cannot therefore be transferred before September 1, 2019.

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

| Beneficiary | Number of KROMI shares | Exercise period |
|---|---|---|
| KROMI Beteiligungsgesellschaft mbH | 270,000 | 1. 9. 2019 to 30. 11. 2019<br>1. 9. 2021 to 30. 11. 2021 |
| Schubert Vermögensverwaltung KG | 119,993 | 1.9. 2019 to 30. 11. 2019<br>1. 9. 2021 to 30. 11. 2021 |

The total number of KROMI shares held by Langfrist as well as instruments held with respect to KROMI shares in accordance with Section 25 para. 1 (1) no. 2 WpHG, therefore amount to 3,296,383 KROMI shares as on the reporting date of June 30, 2017, thereby corresponding to a share of around 79.91 % of the share capital and voting rights of KROMI Logistik AG.

## III. Holders of shares with special rights

No shares with special rights exist.

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

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

## V. Restrictions on voting rights or restrictions on transfers

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

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

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

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

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

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

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

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

I. To balance out fractional amounts;

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

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

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

The resolution authorises the Managing Board, with the approval of the Supervisory Board, to sell the acquired shares through the stock market, through an offer to all shareholders, or against non-cash consideration excluding shareholders' subscription rights for the purpose of acquiring companies or participating interests in companies. In addition, the Managing Board is authorised to sell the shares against cash consideration excluding shareholders' subscription rights, if the purchase price is not significantly lower than the stock market price of the shares at the time of the sale. This authorisation May only be utilised if it can be ensured that the number of shares to be sold as a 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 that 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 Managing Board members' employment contracts include an extraordinary termination right for the Managing Board members if a shareholder of the target company combines (directly and / or indirectly) more than 50 % of the voting rights of all KROMI shares for the first time. In the case of termination, the respective Managing Board members would receive severance payments equivalent to the compensation that they would have received until the end of the regular duration of their employment contracts (discounted at 10 % p.a.). This termination right was already triggered by the execution of the Share Purchase Agreement, irrespective of the implementation of the offer. In an additional agreement to the share purchase contract, the members of the Managing Board have each given an undertaking to Langfrist not to make use of this right for the purchase contract dated June 16, 2016. The Notes to the consolidated financial statements contain details of the compensation agreements reached with members of the Managing Board.

## IX. Final declaration on the dependent company report in accordance with §313 para. 3 AktG

Following completion of the voluntary takeover bid by Investmentaktiengesellschaft für langfristige Investoren TGV (hereinafter referred to as "Langfrist") on July 22, 2016 to the shareholders of KROMI Logistik AG, Langfrsit holds 70.46 % of the voting rights in KROMI Logistik AG. KROMI Logistik AG is therefore a dependent company of Langfrsit within the meaning of Section 312 of the German Stock Corporation Act (AktG) and is subject to the corresponding reporting requirements.

Accordingly, the Executive Board of KROMI Logistik AG hereby submits the following negative report - both as a final declaration in accordance with Section 312 (3) AktG:

In the fiscal year from July 1, 2016 to June 30, 2017, KROMI Logistik AG did not enter into any legal transactions with Langfrist or its affiliated companies or take any measures at the instigation or in the interests of Langfrist or its affiliated companies, nor did it take or refrain from taking any other measures at the instigation or in the interests of Langfrist or its affiliated companies, including those relating to Langfrist and its affiliated companies in relation to subsidiaries of KROMI Logistik

Hamburg, September 26, 2017

Executive Board of KROMI Logistik AG

Jörg Schubert | Uwe Pfeiffer | Bernd Paulini | Axel Schubert

# *Financial statements*

## *Consolidated balance sheet according to IFRS as of June 30, 2017 and June 30, 2016*

| Assets | 30.6.2017 | 30.6.2016 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 555 | 525 |
| Other property, plant and equipment | 3,541 | 3,524 |
| Other non-current assets | 1,338 | 1,313 |
| Deferred taxes | 722 | 528 |
| **Total non-current assets** | **6,156** | **5,890** |
| **Current assets** | | |
| Inventories | 21,244 | 21,120 |
| Trade receivables | 20,320 | 16,053 |
| Other current receivables | 802 | 1,806 |
| Income tax receivables | 3 | 11 |
| Cash and cash equivalents | 675 | 1,550 |
| **Total current assets** | **43,044** | **40,540** |
| | **49,200** | **46,430** |

| Equity and liabilities | 30.6.2017 | 30.6.2016 |
|---|---|---|
| **Equity** | | |
| Subscribed capital | 4,125 | 4,125 |
| Share premium | 15,999 | 15,999 |
| Retained earnings | 1,007 | 1,007 |
| Other reserves | 780 | 437 |
| Net retained profits | 3,116 | 1,994 |
| Equity attributable to the shareholders | 25,027 | 23,562 |
| Minority interests | -50 | -44 |
| **Total Equity** | **24,977** | **23,518** |
| **Total non-current liabilities** | | |
| Provisions for pensions and other post employment benefits | 2,316 | 2,388 |
| Non-current interest-bearing loans | 900 | 1,000 |
| Other non-current liabilities | 110 | 199 |
| Deferred taxes | 34 | 30 |
| **Total non-current liabilities** | **3,360** | **3,617** |
| **Current liabilities** | | |
| Income tax liabilities | 318 | 140 |
| Other interest-bearing loans | 12,908 | 8,684 |
| Trade payables | 5,305 | 8,670 |
| Other current liabilities | 2,332 | 1,801 |
| **Total current liabilities** | **20,863** | **19,295** |
| **Total liabilities** | **24,223** | **22,912** |
| | **49,200** | **46,430** |

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

## *Consolidated income statement according to IFRS for the period from July 1, 2016 to June 30, 2017 and from July 1, 2015 to June 30, 2016*

| | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| **Revenue** | **74,306** | **69,481** |
| Other operating income | 911 | 785 |
| Cost of material | 55,861 | 53,083 |
| Staff costs | 10,937 | 10,185 |
| Depreciation / amortisation | 563 | 590 |
| Other operating expenses | 5,814 | 5,125 |
| **Profit from operations** | **2,042** | **1,283** |
| Finance costs | 456 | 321 |
| Other financial income | 35 | 35 |
| **Earnings before tax** | **1,621** | **997** |
| Income taxes | 505 | 588 |
| **Company net profit** | **1,116** | **409** |
| Consolidated net income due to shareholders of KROMI Logistik AG | 1,122 | 415 |
| Consolidated net income due to minority interests | -6 | -6 |
| | | |
| Earnings per share | | |
| Shareholders‘ consolidated earnings in EUR | 1,121,669 | 415,296 |
| Number of shares (weighted average for the fiscal year) | 4,124,900 | 4.124,900 |
| **Earnings per share in EUR (undiluted and diluted)** | **0.27** | **0.10** |

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

# *Consolidated statement of comprehensive income according to IFRS for the period from July 1, 2016 to June 30, 2017 and from July 1, 2015 to June 30, 2016*

| | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| **Company net profit** | **1,116** | **409** |
| **Changes of the components, which are not reclassified in the future income statement for the period:** | | |
| Revaluation of pension provisions | 142 | 112 |
| included deffered taxes | -46 | -36 |
| **Changes of the components, which are potentially reclassified in the future income statement for the period:** | | |
| Currency translations | 186 | 70 |
| Changes of the reserve for cash flow hedging | 89 | -5 |
| included deffered taxes | -28 | 2 |
| **Other comprehensive income after tax** | **343** | **143** |
| **Consolidated net income** | **1,459** | **552** |
| due to | | |
| shareholders of KROMI Logistik AG | 1,465 | 558 |
| non-controlling interests | -6 | -6 |

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

# *Consolidated cash flow statement for the period from July 1, 2016 to June 30, 2017 and from July 1, 2015 to June 30, 2016*

| | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Company net profit | 1,116 | 409 |
| + Income tax expense | 505 | 588 |
| +/– Interest received / paid | 422 | 286 |
| +/– Increase / decrease in fixed assets | 563 | 590 |
| +/– Income tax payments | -510 | -629 |
| +/– Increase / decrease in provisions | -290 | 545 |
| +/– Loss / gain from disposals of fixed assets | -36 | 83 |
| +/– Increase / decrease in inventories | -124 | -4,169 |
| +/– Increase / decrease in trade receivables | -4,267 | -705 |
| +/– Increase / decrease in other assets | 980 | -1,053 |
| +/– Increase / decrease of trade liabilities | -2,830 | 2,726 |
| +/– Increase / decrease in other liabilities | 412 | 239 |
| **Net cash from operating activities** | **-4,059** | **-1,090** |
| **Cash flow from investing activities** | | |
| – Payments for the acquisition of non-current assets | -629 | -624 |
| + Cash inflow from the sale of non-current assets | 55 | 10 |
| + Cash inflow from interests | 35 | 35 |
| **Net cash used in investing activities** | **-539** | **-579** |
| **Cash flow from financing activities** | | |
| + Cash inflow from loans | 4,223 | 2,839 |
| – Payments for the repayment of lease liabilities | -100 | -100 |
| – Interest payments | -395 | -261 |
| **Net cash used in financing activities** | **3,728** | **2,478** |
| Net in- / outflow cash and cash equivalents | -870 | 809 |
| +/– Exchange rate related cash change in cash and cash equivalents | -5 | 0 |
| + Cash and cash equivalents – start of period | 1,550 | 741 |
| **Cash and cash equivalents – end of period** | **675** | **1,550** |

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

# *Consolidated statement of changes in equity in the period from July 1, 2016 to June 30, 2017 and from July 1, 2015 to June 30, 2016*

| | Subscribed capital | Share premium | Retained earnings | Net retained profits | Currency translation | Subtotal | Minority interests | Equity |
|---|---|---|---|---|---|---|---|---|
| Notes | | | | | | | | |
| **1.7.2015** | **4,125** | **15,999** | **1,007** | **1,579** | **294** | **23,004** | **-38** | **22,966** |
| Company net surplus | - | - | - | 415 | | 415 | -6 | 409 |
| Other comprehensive income | - | - | - | | 143 | 143 | | 143 |
| Consolidated net income | - | - | - | 415 | 143 | 558 | -6 | 552 |
| **30.6.2016** | **4,125** | **15,999** | **1,007** | **1,994** | **437** | **23,562** | **-44** | **23,518** |
| **1.7.2016** | **4,125** | **15,999** | **1,007** | **1,994** | **437** | **23,562** | **-44** | **23,518** |
| Company net surplus | | | | 1,122 | | 1,122 | -6 | 1,116 |
| Other comprehensive income | | | | | 343 | 343 | | 343 |
| Consolidated net income | | | | 1,122 | 343 | 1,465 | -6 | 1,459 |
| **30.6.2017** | **4,125** | **15,999** | **1,007** | **3,116** | **780** | **25,027** | **-50** | **24,977** |

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

# *Notes to the consolidated financial statements for the financial year 2016 / 2017*

## 1. Introduction

KROMI Logistik AG, (also referred to here as KROMI Logistik), operates in the trade and distribution of machining tools and associated services. It focuses mainly on customers in the area of metal processing who have a high need for tools. In particular, they include automotive suppliers, companies in the aviation industry and companies in the area of general mechanical engineering. All domestic and foreign subsidiaries are purely service facilities, which are exclusively responsible for supplying tools and optimising tools at the customer's premises. The only exception is our subsidiary in Brazil.

The Company has its head office in 22419 Hamburg, Tarpenring 11, Germany. KROMI Logistik is registered at the District Court of Hamburg under the number HRB 98256.

## 2. Explanation of the fundamentals and methodology of the consolidated financial statements

### 2.1. Fundamentals

KROMI Logistik AG has prepared its consolidated financial statements for the financial year ending on June 30, 2017 in accordance with the internationally recognised principles contained in the International Financial Reporting Standards (IFRS), and has used all the International Accounting Standards (IAS) and IFRS adopted by the International Accounting Standards Board (IASB) by June 30, 2017, provided they had been endorsed by the European Commission and published in the Official Journal of the European Union by the time the consolidated financial statements were published, and their application was mandatory.

The consolidated financial statements have been mainly prepared using the historical cost principle. Derivative financial instruments form an exception to this rule, and they have been measured at their fair value. The reporting currency is the euro. Details in the consolidated financial statements are shown in euro thousands (KEUR), mathematically rounded. For subsidiaries whose functional currency differs from the euro, the financial statements prepared in the local currency have been translated to euros at historical rates, rates applicable on the reporting date or at average rates.

The accounting and measurement methods as well as the explanations and details in the IFRS consolidated financial statements for the financial year ending on June 30, 2017, are based on the same accounting and measurement methods used to prepare the IFRS consolidated financial statements as of June 30, 2016 unless changes to the accounting methods are shown in Section 2.2.

The conditions set out in Article 4 of Regulation No. 1606 / 2002 of the European Parliament in conjunction with § 315a of the German Commercial Register (HGB old version) governing exemption from the requirement to prepare consolidated financial statements in accordance with German commercial law, have been met. All information and explanations required under § 315a HGB (old version) which exceed IASB rules and which are required to establish equivalence with consolidated financial statements prepared in accordance with the German Commercial Code, have been supplied.

The consolidated financial statements have been prepared on the assumption that the company is a going concern.

The balance sheet is classified according to maturities in line with IAS 1. The profit and loss statement has been prepared by the cost summary method. To improve the clarity of the presentation, some items in the consolidated balance sheet and the consolidated profit and loss statement have been condensed and explained in the notes to the consolidated financial statements.

The Group has exercised its option under IAS 1 to present a statement of comprehensive income to the extent that the consolidated profit and loss statement is presented as a separate element of the financial statements.

## 2.2. New accounting standards

It is mandatory for the first time to apply some new standards and revisions of existing standards as well as interpretations for financial years beginning on January 1, 2016 or later.

The modifications to IFRS 11 "Joint Arrangements" clarify that the acquisition of shares constituting a business operation as defined by IFRS 3, must be shown in the balance sheet in accordance with this and other applicable standards, unless this conflicts with IFRS 11. It is mandatory to apply the changes for financial years beginning from January 1, 2016. The new rule has no effect on the financial statements of KROMI Logistik AG.

The amendments to **IAS 1 "Presentation of Financial Statements"** contain improvements to financial reporting with respect to the disclosures in the notes. On the one hand, greater emphasis is to be given to the principle of materiality, and on the other, further sub-division of the items in the balance sheet and statement of comprehensive income is to be permitted provided this is appropriate for understanding the financial position, cash flows and results of operations. Furthermore, the changes contain clarifications with regard to the order of disclosures in the notes as well as the identification of significant accounting and measurement methods. It is mandatory to apply the modified rule for financial years beginning from January 1, 2016. The new rule has no effect on the financial statements of KROMI Logistik AG.

The amendments to **IAS 16 "Property, Plant and Equipment"** and **IAS 38 "Intangible assets"** are intended to clarify which methods are appropriate with respect to the amortisation of tangible and intangible assets. It is mandatory to apply these amendments for financial years beginning from January 1, 2016. The new rule has no effect on the financial statements of KROMI Logistik AG.

As a result of modifications to **IAS 16 "Property, Plant and Equipment"** and **IAS 41 "Agriculture"**, fruit-bearing plants are in future to be treated as tangible assets as defined by IAS 16. The fruit, on the other hand, is still to be shown in accordance with IAS 41. The new rule has no effect on the financial statements of KROMI Logistik AG.

Amendments to **IAS 27 "Consolidated and Separate Financial Statements"** comprise the introduction of the equity method as an additional accounting treatment for showing holdings in subsidiaries, joint ventures and affiliated companies in single entity IFRS statements. It is mandatory to apply the new rules for financial years beginning from January 1, 2016. The new rule has no effect on the financial statements of KROMI Logistik AG.

**"Improvements to IFRS 2012 - 2014"** represent collective standards for amending various IFRS standards. These comprise both amendments to various IFRS standards affecting the recognition, measurement and presentation of business transactions and terminological or editorial corrections. It is mandatory to apply the new rules contained in the "Improvements to IFRS 2012-2014" for financial years beginning from January 1 2016. The new rule has no effect on the financial statements of KROMI Logistik AG.

The following standards and interpretations or the amendments to existing standards and interpretations to be applied in future relate partially to Group business.

In accordance with the amendment to **IAS 7 "Statement of Cash Flows"**, a company must make disclosures on changes to those financial liabilities where cash inflows and outflows are shown in the Statement of Cash Flows under cash flows from financing activities. Associated financial assets must also be included in the disclosures (e.g. assets from hedge transactions). It is mandatory to apply the modified rule for financial years beginning from January 1, 2017 (subject to a still pending EU endorsement). The possible effects of the new rule on the accounting for KROMI Logistik AG's consolidated financial statements are currently under review.

The amendments to **IAS 12 "Income Taxes"** clarify the accounting treatment of deferred tax assets on unrealised losses from Available-for-Sale financial assets. It is mandatory to apply the modifications for financial years beginning from January 1, 2017 (subject to a still pending EU endorsement). The new rule is not expected to have any major impact on the accounting for KROMI Logistik AG's consolidated financial statements.

Amendments to **IAS 28 "Investments in Associates and Joint Ventures"** and **IFRS 10 "Consolidated Financial Statements"**, are intended to correct known discrepancies between the rules in both standards in the event of the sale of assets to an associated company or a joint venture or the investment of assets in an associated company or joint venture. The original, mandatory time of initial application of January 1, 2016 has been postponed indefinitely; the possibility of early application remains, however. The new rule is not expected to have any major impact on the accounting for KROMI Logistik AG's consolidated financial statements.

The new **IFRS 9 “Financial Instruments”** contains simplified rules governing the way in which financial instruments are treated. In future, it provides for only two categories for classifying financial assets — measurement at amortised cost and measurement at fair value. The previous differentiated classification and measurement model contained in IAS 39 is no longer to apply. IFRS also contains a revised impairment model and new rules on hedge accounting. In the wake of amendments to IFRS 9, IFRS 7 was also amended with respect to supplementary disclosures on comparative periods when IFRS 9 is applied for the first time. It is mandatory to apply the new rules contained in IFRS 9 and IFRS 7 for financial years beginning from January 1 2018. KROMI Logistik AG expects to have to make adjustments which we are not yet able to quantify, particularly in trade receivables as a result of the revised impairment model, as well as the new rules governing the previous category of available-for-sale financial assets. However, this is currently not expected to have any major impact on the financial position, cash flows and results of operations of KROMI Logistik AG.

The new **IFRS 14 “Regulatory Deferral Accounts”** allows national accounting rules to be retained for regulatory deferral accounts when transitioning to IFRS. It is mandatory to apply the new rule for financial years beginning from January 1, 2016 (subject to a still pending EU endorsement), and it will not have any effect on the consolidated financial statements of KROMI Logistik AG.

The new **IFRS 15 “Revenue from Contracts with Customers”** brings together the multiplicity of rules hitherto contained in various standards and interpretations, and defines overarching, uniform basic principles for all categories of sales transactions. It is mandatory to apply the new rule for financial years beginning from January 1, 2018. Early application is permitted, but is not currently intended. The possible effects of the new rule on the accounting for KROMI Logistik AG’s consolidated financial statements are currently under review. As a matter of principle, we do not expect any changes to be made at this point in time compared with the previous practice under IAS 18, and the Group has not yet decided which of the available transitional methods and simplifications to make use of.

The new **IFRS 16 “Leases”** obliges lessees to treat all lease contracts as a financial transaction in principle and to recognise a right-of-use asset and a corresponding lease liability in the balance sheet (right-of-use model). It is mandatory to apply the new rules contained in IFRS 16 for financial years beginning from January 1, 2019 (subject to a still pending EU endorsement). There are various assets available to KROMI Logistik AG for use in the way of remunerated concessions such as vehicles, IT equipment and office buildings. A large proportion of such concessions will be recognised in the balance sheet through the application of IFRS 16 by the 2019 financial year at the latest, which will have a noticeable effect on KROMI Logistik AG’s financial position, in particular.

**IFRIC 22** addresses an application question regarding IAS 21 Effects of Changes in Foreign Exchange Rates. It clarifies at what point the exchange rate is to be determined for translating into foreign currencies transactions containing advance payments received or made. According to this standard, the time at which the asset or liability resulting from the advance payment is first recognised, constitutes the deciding factor in determining the conversion rate for the underlying asset, income or expense.

This interpretation is to be applied for the first time in the first reporting period of any financial year beginning on or after January 1, 2018 — subject to adoption in EU law. Earlier application is permitted.

The Group currently assumes that this will have no major impact on the consolidated financial statements.

**IFRIC 23** The interpretation is to be applied to taxable profits (tax losses), tax bases, unused tax losses, unused tax credits and tax rates if there is uncertainty with regard to income tax treatment under IAS 12. IFRIC 23 will enter into force for reporting periods beginning on or after January 1, 2019.

The Group currently assumes that this will have no major impact on the consolidated financial statements.

**"Improvements to IFRS 2014-2016"** Three IFRS standards have been amended as a result of the Annual Improvements to IFRS (2014-2016). IFRS 12 clarifies that disclosures made under IFRS 12 also apply in principle to holdings in subsidiaries, joint ventures or associated companies which are classified as being held for sale as defined by IFRS 5; disclosures made under IFRS 12.B10-B16 (financial information) form an exception to this rule. IAS 28 clarifies that the option to measure an investment in an associated company or joint venture held by a venture capital company or another qualifying company, can be exercised differently for each investment. The limited exemptions in IFRS 1 Appendix E (IFRS 1.E3-E7) for first-time IFRS adopters have also been cancelled.

Subject to their adoption in EU law, the amendments to IFRS 12 are to be applied for the first time in the first reporting period of any financial year beginning on or after January 1, 2017, and the amendments to IFRS 1 and IAS 28 in the first reporting period of any financial year beginning on or after January 1, 2018. Earlier application is permitted.

The Group currently assumes that this will have no major impact on the consolidated financial statements.

### 2.3. Consolidation principles, group of fully consolidated entities

The Group treats business combinations by the purchase method if the Group has acquired a controlling interest. The Group exercises control over a company if it is exposed to fluctuating returns from its investment in the company, or it owns rights to such returns and has the ability to influence such returns by means of its control over the company.

The group of fully consolidated entities comprises the financial statements of the following companies:

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

The annual financial statements of domestic and foreign companies included in the consolidated financial statements, have been prepared as of the reporting date for the consolidated financial statements (June 30), and are based on standard accounting and measurement methods.

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

### 2.4. Currency translation

Foreign currency transactions are converted at the spot rate at the time of the transactions. In general, we have shown monetary items in foreign currency in the balance sheet by using the rate on the balance sheet date. Translation differences are recognized in the profit and loss statement.

The reporting currency for the consolidated financial statements is the euro which constitutes the functional currency of the parent company. The functional currency of KROMI Slovakia s.r.o. and KROMI Logistik Spain S.L.is the euro. The functional currency of KROMI CZ s.r.o. is the Czech crown. The functional currency of KROMI Logistica do Brasil Ltda. Is the Brazilian real. To translate them into the reporting currency, the assets and liabilities of the subsidiaries are converted at the relevant rate applicable on the balance sheet date. The equity is converted at historical rates. Items in the profit and loss account are shown at average rates. Differences resulting from the conversion are recognised in other comprehensive income and shown separately within consolidated equity. For this, see the Statement of Changes in Equity. The exchange rate relationship between the euro (EUR) and the Brazilian real (BRL) is of material significance for the currency translation of the KROMI Group. The translation was based on the following exchange rates in the years specified:

| EUR in BRL | 30.06.2017 | 30.06.2016 |
|---|---|---|
| Reporting date rate | 3.76 | 3.59 |
| Average rate for the year | 3.52 | 4.10 |

Overall, expenses amounting to EUR 297 thousand (previous year: EUR 235 thousand) were recognised in the profit and loss statement as a result of ongoing currency translation differences in the single entity financial statements and the consolidation of receivables and payables, expenditure and income.

## 3. Summary of main accounting and measurement methods

### 3.1. Items in the consolidated balance sheet

With the exception of goodwill, **intangible assets** acquired for a consideration, are measured at the cost of acquisition at the time of their addition and are subject to systematic, straight-line depreciation over their economic useful life. Systematic, straight-line depreciation is recognised in profit and loss. These are exclusively assets with a limited useful life. A useful life of one to three years was applied to capitalised software licences. The rate of depreciation is therefore 33 % to 100 % p.a.

**Goodwill** acquired for a consideration, results from the transfer of intangible assets from Tarpenring 11 Vermögensverwaltungsgesellschaft mbH. Goodwill is not systematically amortised in accordance with IAS 38 and is reviewed at least once a year to check for any impairment loss. Any impairment loss is recognised immediately in profit or loss.

The impairment review of goodwill is conducted on the basis of estimated future cash flows derived from the budgets of those cash-generating entities to which the goodwill is allocated. The impairment review of goodwill capitalised in the consolidated financial statements is conducted at the level of KROMI Logistik AG. No unscheduled goodwill depreciation was applied as a result of the impairment review.

No expenditure on **research and development activities** eligible for capitalisation under IAS 38, occurred in the reporting period.

Items of **property, plant and equipment** are shown at the cost of acquisition at the time of their addition and systematic, straight-line depreciation is applied to them corresponding to their economic useful life. Systematic, straight-line depreciation is recognised in profit and loss.

The calculation of **scheduled depreciation** is based on the following estimated useful lives:

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

When a financial asset is first recognised, it is shown at its fair value. Transaction costs are taken into account unless it is an asset measured at its fair value in profit and loss.

No securities are held for financial assets.

**Other non-current receivables** contain reinsurance policies taken out to finance pension commitments and which do not represent qualified insurance policies, and bank balances pledged as security for pension commitments. Reinsurance policies are measured in accordance with IAS 19.104A at the fair value of the reinsured assets. Calculations are based on actuarial surveys taking biometric information into account. The expected income is shown in the financial result. Actuarial gains or losses are recognised in full in profit or loss in the financial result in the year in which they occur.

Stocks of goods are shown in **Inventories**. Inventories are shown at their cost of acquisition using the moving average price, if necessary taking into account the net realisable value, if lower. Apart from customary retention-of-title arrangements, inventories are free of third-party rights.

**Trade receivables** are measured at their amortised cost which corresponds in principle to their face value, taking into account all discernible risks for which specific bad debt allowances are formed for individually identifiable risks.

Risks are assessed by the Managing Board on the basis of the future cash flows expected from the relevant balance sheet items at the time when the financial statements are prepared. If payments are assessed as unlikely, this risk is reflected in percentage reductions (individual writedowns). It is the belief of the Managing Board that the bad debt allowances formed provide sufficient cover for the existing risks. It is not possible to either assess or specify a range of probabilities of occurrence.

**Other current assets** as well as Income tax claims are measured at their amortised cost which basically corresponds to their face value, taking into account their value on the reporting date, if lower.

The addition of an asset is recognised as soon as economic ownership has been transferred to the company. Assets are derecognised as soon as economic ownership has been transferred to the purchaser or the loss in value is final and beyond doubt.

**Cash and cash equivalents** are shown at their nominal value.

**Deferred taxes** are accounted for in accordance with IAS 12. Deferred tax assets or liabilities are to be shown for temporary differences resulting from divergent carrying amounts for assets and liabilities between the IFRS balance sheet and the relevant values for tax purposes. Deferred taxes are calculated by applying future, country-specific tax rates to the particular temporary differences. The temporary differences apply almost exclusively to KROMI Logistik AG. The corporate income tax to be applied to domestic companies in Germany in the reporting period was 15 % (previous year: 15.0 %). The solidarity surcharge stands at 5.5 % (previous year: 5.5 %) with respect to corporate income tax. The company's average business tax is approx. 16.5 % (previous year: 16.5 %). After combining the tax rates, a flat-rate tax rate of 32 % (previous year: 32.0 %) has been used to calculate the deferred taxes. A tax rate of 34 % (previous year: 32.0 %) has been applied to the Brazilian subsidiary.

Deferred taxes are divided into tax claims (deferred tax assets) and tax debts (deferred tax liabilities). As a general rule, they are deemed to be non-current in accordance with IAS 1.70. Deferred tax assets resulting from tax loss carry-forwards are capitalised if it is likely that a tax assessment will be available in the foreseeable future which the tax loss carry-forwards can be set off against.

The **subscribed capital** is shown at its nominal value. Payments and contributions by shareholders that exceed the subscribed capital are carried under the **share premium**. The costs of obtaining equity are carried as a deduction from equity in accordance with IAS 32.35 (netted with the share premium), net of any associated income tax benefits.

The **currency translation adjustment item** includes the currency translation differences from converting the financial statements of the subsidiaries from their functional currencies to euros. These differences are recognised in equity with no effect on the profit and loss.

**Provisions** are formed in line with IAS 37 for all discernible obligations to third parties in which, based on an event from the past, it is likely that meeting the obligations will lead to cash outflow and a reliable estimate can be made of the amount of the obligation. If the amount of the obligation and its occurrence are sufficiently certain, it is shown under liabilities.

**Liabilities** are carried at their amortised cost which as a general rule corresponds to their settlement amount, taking into account the effective interest method.

The addition of financial liabilities is recognised as soon as the event on which the liability is based, has occurred. Financial liabilities are derecognised as soon as the debt has been repaid in full or it is certain that it will no longer be claimed.

With the exception of derivative financial instruments which are designated as hedging instruments and are effective as such, financial instruments in the KROMI Group are exclusively assigned to the categories "Loans and Receivables" or "Financial Liabilities which are measured at their amortised cost" in accordance with IAS 39.

KROMI Logistik uses derivative financial instruments in the form of interest rate swaps in order to hedge against interest risks (cash flow hedge). These derivative financial instruments were shown at their fair value at the time the contract was concluded, and revalued at their 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. As of June 30, 2017, the negative market values of the interest rate swaps were shown as a financial liability.

At the beginning of the hedge, both the hedge instrument and the Group's risk management objective and strategy were formally defined and documented with respect to the hedge. The documentation contains a definition of the hedge instrument, the underlying transaction as well as the type of risk being hedged against, and a description of how the company determines the effectiveness of changes in the fair value of the hedge instrument in offsetting the risks resulting from changes in the cash flows of the underlying hedged transaction attributable to the hedged risk. The interest rate swaps were assessed as highly effective.

Profits or losses resulting from changes in the fair value of the interest rate swaps are recognised in other comprehensive income in the reserve for hedging cash flows.

The amounts recognised in other comprehensive income are transferred to the profit and loss account in the same period in which the hedged transaction affects profit and loss, i.e. when the finance costs hedged are recognised.

The interest rate swaps are classified entirely as non-current on grounds of materiality to match the total term of the hedged loan or working capital lines.

### 3.2. Revenue recognition, incurring of expenses

Revenues from the sale of goods and the provision of services are shown in Sales. As a general rule, revenue is recognised on delivery of the goods to the customer, in other words when the essential risks and opportunities associated with ownership are transferred to the buyer, receipt of payment is likely, the costs can be reliably estimated and there is no further power of disposal over the goods. Sales are recognised after deducting price discounts. If delivery is effected by removing goods from KTC dispensers (KROMI Tool Center = tool dispenser consisting of a control panel and tool dispensing unit), set up on the customer's premises, sales are recognised at the time the goods are removed by the customer. Revenues from the provision of services are recognised when the services in question have been supplied. Revenue is measured at the agreed payment amount.

The cost of materials is recognised if the goods are sold or written off due to having become worthless. The measurement is made using a moving average price. Extraordinary write-downs of non-current assets and receivables are applied as soon as impairment occurs. Scheduled depreciation is determined on the basis of the usual useful life, while receivables are depreciated on the basis of the probable loss. Other expenses are recognised as soon as consideration is received. They are measured at the amount of consideration agreed.

Borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs were incurred that can be directly attributed to the acquisition, construction or manufacture of a qualifying asset,. Borrowing costs comprise interest and other costs incurred by a company in connection with taking up a loan.

### 3.3. Employee benefits from pension plans

If there is a performance-related pension plan for employees, it is designed as a direct commitment. No assets are segregated from the balance sheet, therefore, but pension obligations existing on the date of the balance sheet which have been earned pro rata, are established in the balance sheet at their cash value as provisions and netted off against the plan assets from pension liability insurance policies. The pension obligation as of the balance sheet date is measured by actuarial principles using the projected unit credit method. This method takes account not only of acquired entitlements that are known on the date of the balance sheet but also of pension increases to be expected in the future. The calculation is based on actuarial reports, taking account of biometric parameters in accordance with the 2005 G Guideline Tables of Prof. Dr. Heubeck. Actuarial gains / losses are recognised directly in equity in the year in which they originate. The current service cost is shown as a personnel expense and the interest proportion as a finance expense.

The State pension schemes to which the Group pays contributions, are classified as a defined contribution plan. Moreover, the Group has made additional pension commitments implemented through the benevolent fund with matching reinsurance which are also classified as a defined contribution plan. The contributions paid are carried in personnel expenses. There are no assets or liabilities resulting from defined pension commitments that would be attributable to the Group.

### 3.4. Foreign currency translation

Foreign currency liabilities only applied to a minor extent on the balance sheet dates. There are no receivables in foreign currencies.

### 3.5. Contingent liabilities

As defined in IAS 37, contingent liabilities are disclosed in the notes to the consolidated financial statements if the outflow of resources is unlikely or the amount of the obligation cannot be reliably estimated.

### 3.6. Estimates and discretionary judgements

The preparation of consolidated financial statements requires assumptions and estimates which affect the amounts shown in the statements and related explanations. Although these estimates have been made by the Managing Board to the best of their knowledge, actual results May diverge from such estimates.

In applying the Group's accounting and measurement methods, the management made the following discretionary judgements which have a significant impact on the amounts shown in the consolidated financial statements.

As of the reporting date, there are bad debt allowances on trade receivables amounting to EUR 1,107 thousand (previous year: EUR 1,026 thousand). As in the previous year, there was no requirement to perform writedowns on inventories. Management assumes that existing risks are thus sufficiently covered. Actual results and developments May diverge from these estimates and assumptions.

# 4. Disclosures on individual items in the consolidated balance sheet

## 4.1. Non-current assets

### 4.1.1. Intangible assets and property, plant and equipment

Movements in gross acquisition costs and cumulative depreciation in the reporting year and the previous year were as follows:

| in KEUR | Goodwill | Intangible assets Others | Freehold land and buildings | Other property, plant and equipment |
|---|---|---|---|---|
| Acquisition costs as of 1.7.2016 | 150 | 553 | 3,157 | 6,365 |
| Currency differences | 0 | | 0 | 7 |
| Additions — individually acquired | 0 | 150 | 0 | 479 |
| Disposals | 0 | | 0 | -421 |
| Reclassifications | 0 | | 0 | 0 |
| **Acquisition costs as of 30.6.2017** | **150** | **703** | **3,157** | **6,430** |
| Depreciation as of 1.7.2016 | 0 | 178 | 423 | 5,575 |
| Currency differences | 0 | | 0 | 2 |
| Additions | 0 | 120 | 82 | 354 |
| Disposals | 0 | | 0 | -389 |
| Reclassifications | 0 | | 0 | 0 |
| **Depreciation as of 30.6.2017** | **0** | **298** | **505** | **5,542** |
| Carrying amount as of 1.7.2016 | 150 | 375 | 2,734 | 790 |
| **Carrying amount as of 30.6.2017** | **150** | **405** | **2,652** | **888** |

| in KEUR | Goodwill | Intangible assets Others | Freehold land and buildings | Other property, plant and equipment |
|---|---|---|---|---|
| Acquisition costs as of 1.7.2015 | 150 | 509 | 3,157 | 6,641 |
| Currency differences | 0 | 0 | 0 | 3 |
| Additions — individually acquired | 0 | 369 | 0 | 255 |
| Disposals | 0 | -325 | 0 | -534 |
| Reclassifications | 0 | 0 | 0 | 0 |
| **Acquisition costs as of 30.6.2016** | **150** | **553** | **3,157** | **6,365** |
| Depreciation as of 1.7.2015 | 0 | 446 | 341 | 5,562 |
| Currency differences | 0 | 0 | 0 | 7 |
| Additions | 0 | 57 | 82 | 437 |
| Disposals | 0 | -325 | 0 | -431 |
| Reclassifications | 0 | 0 | 0 | 0 |
| **Depreciation as of 30.6.2016** | **0** | **178** | **423** | **5,575** |
| Carrying amount as of 1.7.2015 | 150 | 63 | 2,816 | 1,079 |
| **Carrying amount as of 30.6.2016** | **150** | **375** | **2,734** | **790** |

Intangible assets include software amounting to EUR 405 thousand (previous year: EUR 375 thousand) acquired to run the server and PC systems, as well as licences purchased to implement a new inventory control system. They also show goodwill of EUR 150 thousand (previous year: EUR 150 thousand) resulting from the acquisition of intangible assets from Tarpenring 11 Vermögensverwaltungsgesellschaft mbH. The goodwill is not systematically amortised in accordance with IAS 38, and there was no impairment loss to be recognised.

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

Bank loans and overdrafts amounting to EUR 1,578 thousand (previous year: EUR 1,578 thousand) are secured by mortgages on the properties.

### 4.1.2. Other non-current receivables

This item contains reinsurance policies taken out to finance pension commitments and not constituting plan assets amounting to EUR 345 thousand (EUR 321 thousand). The item also contains bank balances of EUR 993 thousand (previous year: EUR 993 thousand) pledged as security for pension commitments.

The movement in plan assets is shown in Section 4.4.1.

## 4.2. Current assets

### 4.2.1. Inventories

As in the previous year, there are no inventories shown at their net realisable value as of June 30, 2017. No impairment losses were recognised for inventories in the 2016 / 2017 financial year — as in the previous year.

### 4.2.2. Trade receivables

Composition

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Gross receivables | 21,427 | 17,079 |
| less bad debt allowances | -1,107 | -1,026 |
| | **20,320** | **16,053** |

Trade receivables relate to receivables from customers from the delivery of goods and the provision of services. The receivables are non-interest-bearing and mainly have a maturity of less than one year. Additional bad debt allowances on trade receivables amounted to EUR 183 thousand (previous year: EUR 148 thousand) in the financial year. Changes in bad debt allowances were as follows:

| in KEUR | Individual allowance |
|---|---|
| **As of 30.6.2015** | **965** |
| Additions recognized as an expense in profit and loss | 148 |
| used / released | -87 |
| **As of 30.6.2016** | **1,026** |
| Additions recognized as an expense in profit and loss | 183 |
| Used / released | -102 |
| **As of 30.6.2017** | **1,107** |

The age structure of trade receivables as of June 30, 2017 is as follows:

| in KEUR | | | | | of which overdue with no bad debt allowance | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount of receivables | of which with bad debt allowance | of which with no bad debt allowance | of which not overdue | up to 3 months | over 3 to 6 months | over 6 to 12 months | over 12 months | Total overdue |
| as of 30.6.2017 | 21,427 | 1,107 | 20,320 | 15,646 | 3,963 | 208 | 503 | 0 | 4,674 |
| as of 30.6.2016 | 17,079 | 1,026 | 16,053 | 13,637 | 2,153 | 120 | 139 | 4 | 2,416 |

As of the balance sheet date, there are overdue receivables amounting to EUR 4,674 thousand (previous year: EUR 2,416 thousand) with no bad debt allowance. Of the overdue receivables for which no bad debt allowance had been formed, a total of EUR 4,312 thousand (previous year: EUR 2,346 thousand) had been received by the time the report was produced. Receivables not overdue are recoverable in the opinion of the Managing Board.

The carrying amount of gross trade receivables (before individual bad debt allowances) by currency is as follows:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Receivables in EUR | 20,239 | 16,312 |
| Receivables in BRL | 1,188 | 767 |
| | **21,427** | 17,079 |

### 4.2.3. Other current assets

Composition

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| VAT | 12 | 900 |
| Advances to sales agents | 5 | 7 |
| Accruals and deferrals | 197 | 157 |
| Bonus accruals | 110 | 90 |
| Debit balances in supplier accounts | 5 | 7 |
| Taxes on industrial products (Brazil) | 187 | 327 |
| Others | 286 | 318 |
| | **802** | **1,806** |

All other current receivables are due within one year. There are no overdue items or bad debt allowances.

### 4.2.4. Cash and cash equivalents

Cash and cash equivalents are short-term deposits in giro accounts and cash on hand totalling EUR 675 thousand (previous year: EUR 1,550 thousand). In the view of management, all funds are intended to meet payment obligations and therefore act as a liquidity reserve.

Liquid assets are denominated in the following currencies:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Liquid assets in EUR | 427 | 1,405 |
| Liquid assets in BRL | 217 | 118 |
| Liquid assets in CZK | 31 | 27 |
| | **675** | **1,550** |

## 4.3. Equity

The Statement of Changes in Equity. shows the changes in individual equity items.

Composition

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Subscribed capital | 4,125 | 4,125 |
| Capital reserve | 15,999 | 15,999 |
| revenue reserves | 1,007 | 1,007 |
| Unappropriated profit | 3,116 | 1,994 |
| Other reserves | 780 | 437 |
| **Equity attributable to shareholders** | **25,027** | **23,562** |
| Minority interests | -50 | -44 |
| | **24,977** | **23,518** |

Composition of other reserves:

| | Adjustment item from currency translation and other reserves | |
|---|---|---|
| in KEUR | 30.6.2017 | 30.6.2016 |
| Currency translation differences | 1,117 | 931 |
| Cash flow hedges | -76 | -137 |
| Revaluation of pensions | -261 | -357 |
| | **780** | **437** |

### 4.3.1. Subscribed Capital and Authorised Capital

As of June 30, 2017, KROMI Logistik AG's subscribed capital stands at EUR 4,124,900 (previous year: EUR 4,124,900). It is divided into 4,124,900 (previous year: 4,124,900) no par value bearer shares. All shares without exception are ordinary shares and carry an equal participating interest in the company's share capital. There are no different share classes. Each share represents one vote at the company's general meeting of shareholders.

By way of a resolution by the General Meeting on December 10, 2014, the Managing Board was authorised subject to the consent of the Supervisory Board to increase the share capital by up to a total of EUR 2,062 thousand by December 09, 2019 through one or more issues of new bearer shares against cash and / or non-cash contributions (Authorised Capital).

All shares were fully paid on the reporting date.

### 4.3.2. Share premium

The share premium relates to the difference of EUR 10 thousand resulting from the formation of the company (spin-off to start up on January 1, 2002) to the extent that the net assets at carrying amounts exceeded the nominal amount of the issued interests, 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 as defined by IAS 32, net of the associated income tax benefits, as well as EUR 3,336 thousand from the premium from the issue of new shares as part of the capital increase carried out in June 2009 after deducting the costs of procuring equity as defined by IAS 32 net of the associated income tax benefits.

### 4.3.3. Revenue reserves

Revenue reserves relate to adjustments from the initial application of IFRS from January 1, 2002 amounting to EUR 7 thousand as well as the allocation to other revenue reserves adopted by the General Meeting on December 9, 2008 amounting to EUR 1,000 thousand from the unappropriated profit in fiscal 2007 / 2008.

### 4.3.4. Reserve for cash flow hedges

This reserve contains the negative fair values of the interest rate swaps which were designated as hedging instruments and are effective as such, net of associated deferred taxes.

### 4.3.5. Adjustment item from currency translation

The differences in the equity values of foreign subsidiaries resulting from changes in exchange rates in the period between the time of initial consolidation and the reporting date, as well as the differences from translating the profit and loss statement at the average rate of exchange, are shown in “Other reserves” together with the “Reserve from cash flow hedge”.

### 4.3.6. Minority interests

Minority interests are shown on the basis of their proportional share of the particular subsidiary’s identifiable net assets. Negative minority interests are shown due to losses incurred which exceed the minority interests’ share of equity.

### 4.3.7. Disclosures on capital management

The Group’s capital structure is essentially made up of current liabilities from regular business transactions and equity. The equity is almost exclusively attributable to the shareholders of the parent company, and it consists essentially of shares issued, the share premium, revenue reserves and other earnings generated. The equity ratio as of June 30, 2017 stood at 50.8 % (previous year: 50.7 %).

KROMI Logistik AG pursues the goal of securing its existing capital on a long-term, sustainable basis and generating an appropriate return on the capital invested. This goal is actively pursued by constantly monitoring the margins for each customer as well as further key indicators. However, the Group’s reported equity merely serves as a passive management criterion while sales, the gross profit margin and EBIT are used as active management parameters.

## 4.4. Long-term borrowings

### 4.4.1. Provisions for pensions

Existing pension commitments comprise several individual commitments representing benefit commitments as defined by IAS 19 (Defined Benefit Plan). These commitments are realised by means of a direct pension commitment. The commitment covers a monthly retirement and invalidity pension for a fixed euro amount. Some commitments also comprise a widow's pension amounting to 60 % of the retirement pension. The pensions are regularly increased by a guaranteed adjustment rate.

We refer to Section 13.1 with respect to the features of the defined benefit pensions.

Pension obligations have been exclusively financed by taking out reinsurance policies which in some cases are set off against the provision in the form of plan assets. There is also a bank balance for financing one commitment. This balance is pledged to the recipient of the pension (see Section 4.1.2.).

Movements in the actuarial value of the obligation in the financial year were as follows:

| | Budgeted value of the obligation | |
|---|---|---|
| **in KEUR** | **30.6.2017** | **30.6.2016** |
| **Status at the beginning of the period** | **2,944** | 2,905 |
| Current service cost | 91 | 91 |
| Interest expense | 62 | 60 |
| **Pension expense** | **153** | 151 |
| **Status at the end of the period (expected)** | **3,097** | 3,056 |
| Amortised actuarial gains (-) / losses (+) **occurring in the period** | -142 | -112 |
| Status at the end of the period (actual) | 2,955 | 2,944 |
| **less plan assets** | **-639** | -556 |
| **Status at the end of the period (netted)** | **2,316** | 2,388 |

The following actuarial assumptions were used to determine the provision:

| **in % p.a.** | **30.6.2017** | **30.6.2016** |
|---|---|---|
| Discount rate | 2.21 | 2.12 |
| Future pension increases | 1.00 – 2.00 | 1.00 – 2.00 |
| Expected employee turnover | 0.00 | 0.00 |

Biometric data (mortality): 2005 G Heubeck Guideline Tables

Significant risks to the pension plans in the Group result in particular from movements in the capital markets which affect the financial assumptions such as the actuarial interest rate but also from changes to demographic assumptions such as changed life expectancy.

Sensitivity calculation with respect to the actuarial interest rate:

| | Interest rate | Defined Benefit Obligation | Service Cost |
|---|---|---|---|
| Basic calculation | 2.21 % | 2,955,038 € | 89,939 € |
| Sensitivity – 0.5 percentage points | 1.71 % | 3,268,137 € | 101,967 € |
| Sensitivity + 0.5 percentage points | 2.71 % | 2,682,888 € | 79,581 € |

Sensitivity calculations with respect to mortality:

| | | Defined Benefit Obligation | Service Cost |
|---|---|---|---|
| Basic calculation | Life expectancy according to Heubeck RT 2005 | 2,955,038 € | 89,939 € |
| Sensitivity | 1 year higher life expectancy | 3,095,483 € | 94,444 € |
| Sensitivity | 1 year higher life expectancy | 2,813,587 € | 85,405 € |

The sensitivity calculations shown above reflect in each case the change to an assumption, whereby the other assumptions remain unchanged from the original base calculation, i.e. no account is taken of possible correlation effects between the individual assumptions. The actuarial interest rate is therefore varied upwards and downwards by 0.5 percentage points in each case, and the life expectancy is increased and reduced by one year with all other assumptions remaining unchanged from the base calculation.

No sensitivity calculation is included with regard to pension indexation as this is a contractually guaranteed adjustment in terms of the amount. Staff turnover was also not subjected to any sensitivity calculation as no turnover is to be expected due to the low number of employees.

The duration of existing pension obligations is 20.00 years.

Plan assets:

This item consists exclusively of reinsurance policies taken out to finance pension commitments, and they represent qualified insurance policies as defined by IAS 19.

Movements in the reinsurance policies in the reporting year were as follows:

| | Zeitwert des Vermögens | |
|---|---|---|
| **in KEUR** | **30.6.2017** | **30.6.2016** |
| **Status at the beginning of the period** | **556** | **484** |
| Interest income | 7 | 11 |
| Contributions from the employer | 76 | 73 |
| Benefits paid | 0 | 0 |
| **Status at the end of the period (expected)** | **639** | **568** |
| Amortised actuarial gains (+) / losses (-) **occurring in the period** | 0 | -11 |
| **Status at the end of the period (actual)** | **639** | **557** |

The income expected from the insurance policies is 3.0 % p.a. (previous year: 3.0 % p.a.). The expectation is based on general interest rates.

Movement in the pension provision:

| **Reporting date in EUR** | **30.6.2017** | **30.6.2016** |
|---|---|---|
| **Net obligation at the beginning** | **2,387,631** | **2,421,008** |
| Contributions | 140,452 | 140,465 |
| Revaluation | -135,653 | -100,796 |
| Pension payments | 0 | 0 |
| Employer's contributions | -76,004 | -73,046 |
| **Net obligation at the end** | **2,316,426** | **2,387,631** |

In addition, the Group has made additional pension commitments implemented through a benevolent fund with matching reinsurance which are also classified as a defined contribution plan. A total of EUR 105 thousand (previous year: EUR 105 thousand) was recognised as an expense for these pension commitments in the reporting year. There are no assets or liabilities resulting from these pension commitments that would be attributable to the Group.

A total of EUR 720 thousand (previous year: EUR 573 thousand) was paid to statutory or state pension schemes for defined contribution plans in fiscal year 2016 / 2017.

### 4.4.2. Long-term, interest-bearing loans

A loan for EUR 1,500 thousand maturing on June 30, 2022 was taken out in fiscal 2011 / 2012 in order to finance the acquisition of a property. The loan is secured by a mortgage. The loan is repaid by means of quarterly payments of EUR 25 thousand. The short-term proportion of the loan of EUR 100 thousand is shown in short-term, interest-bearing loans. The variable interest rate is 3 months EURIBOR + 1.05 % and is secured by means of an interest rate swap (see other non-current liabilities). Interest payments are due quarterly.

### 4.4.3. Other non-current liabilities

KROMI Logistik uses derivative financial instruments in the form of interest rate swaps in order to hedge against interest risks (cash flow hedge).

An interest rate swap for a nominal principal amount of EUR 1,500 thousand was concluded in fiscal 2011 / 2012 to secure the purchase finance for the acquisition of a property. On the basis of the agreement, the Group pays a fixed interest rate of 2.3 % on the nominal principal every quarter, and receives a variable interest rate equal to the 3 months EURIBOR rate. The interest rate swap runs until 2022, matching the maturity of the loan.

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 credit lines. On the basis of the agreement, the Group pays a fixed interest rate of 1.27 % on the nominal principal every quarter, and receives a variable interest rate equal to the 3 months EURIBOR rate. The interest rate swap runs until 2017. The loans meet the criteria of Level 3.

The derivative financial instruments were shown at their fair value at the time the contract was concluded, and revalued at their fair value in subsequent periods. The negative fair value of the interest rate swaps determined by the mark-to-market method as of June 30, 2017 and amounting to EUR 111 thousand (previous year: EUR 199 thousand) is shown as a financial liability. The interest rate swaps are classified entirely as non-current on grounds of materiality to match the total term of the hedged loan or the budgeted working capital lines.

The credit risks have not changed since the issue date. The carrying amount 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 balance sheet and amounts in the IFRS consolidated financial statements as well as from unused tax loss carry-forwards. They relate to the following balance sheet items and loss carry-forwards.

| | | | Change | |
|---|---|---|---|---|
| in KEUR | 30.6.2017 | 30.6.2016 | Profit and loss statement | Other earnings |
| Deferred tax assets | | | | |
| Pension provisions | 429 | 382 | 92 | -45 |
| Interest rate swap (cash flow hedge) | 35 | 64 | | -29 |
| Loss carry-forwards | 258 | 82 | 176 | 0 |
| | 722 | 528 | 268 | -74 |
| Deferred tax liabilities | | | | |
| Goodwill | 34 | 30 | 3 | 0 |
| | 34 | 30 | 3 | 0 |

## 4.5. Short-term borrowings

### 4.5.1. Liabilities from income taxes

The tax liabilities relate essentially to taxes on income to be assessed by the German financial authorities for fiscal years 2016 / 2017 and 2015 / 2016.

Composition:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Corporation tax | 149 | 21 |
| Business tax | 133 | 66 |
| Business tax previous years | 36 | 53 |
| | 318 | 140 |

### 4.5.2. Short-term, interest-bearing loans

Composition:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| HSH Nordbank – money market loan – | 3,500 | 1,500 |
| Commerzbank – money market loan – | 3,000 | 2,500 |
| HypoVereinsbank – euro credit – | 2,500 | 2,500 |
| Commerzbank – current account – | 1,451 | 712 |
| Deutsche Bank – current account – | 1,229 | 753 |
| Hamburger Sparkasse – money market loan – | 1,000 | 500 |
| Deutsche Bank – Brazil – | 114 | 118 |
| HypoVereinsbank – fin. property – | 100 | 100 |
| HSH Nordbank – current account – | 14 | 0 |
| Accrued interest | 0 | 1 |
| | 12,908 | 8,684 |

The current accounts are due daily. As of June 30, 2017, the interest rates lay between 1.05 % and 5.08 %. The money market loans and euro credits over EUR 10,000 thousand mature on September 30, 2017, and the interest rates lay between 1.0 and 1.74 %.

### 4.5.3. Trade payables

Obligations arising from deliveries of goods received which will be paid for after the reporting date, are shown in supplier liabilities. Supplier liabilities are non-interest-bearing and all payable within one to three months.

The carrying amount of trade payables is denominated in the following currencies:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Liabilities in EUR | 4,550 | 8,137 |
| Liabilities in BRL | 572 | 533 |
| | 5,122 | 8,670 |

### 4.5.4. Other current liabilities

Composition:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Staff-related accruals | 1,224 | 815 |
| Liabilities from taxes | 434 | 255 |
| Other liabilities relating to social security | 197 | 176 |
| Others | 477 | 555 |
| | **2,332** | **1,801** |

Staff-related accruals relate mainly to bonus entitlements and outstanding holiday entitlements. Liabilities from taxes result predominantly from VAT liabilities in the EU area.

All other current payables are non-interest-bearing and due within one year.

## 5. Disclosures on the profit and loss statement

### 5.1. Sales revenue

In the reporting period, KROMI Logistik was engaged in the sale of goods and related services. Sales are made up as follows:

| in KEUR | 1.7.2016 – 30.6.217 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Deliveries in Germany | 44,932 | 0 |
| Deliveries abroad (EU) | 24,450 | 0 |
| Deliveries Brazil | 5,511 | 0 |
| Deliveries in Germany* | 0 | 41,030 |
| Deliveries abroad* | 0 | 26,376 |
| Services in Germany* | 0 | 1,860 |
| Services abroad* | 0 | 886 |
| Deductions | -587 | -671 |
| | **74,306** | **69,481** |

* In the future, deliveries and services will no longer be shown separately, but will be grouped together under deliveries and services.

In Brazil, sales revenues of BRL 19,382 thousand (EUR 5,511 thousand) were generated in the financial year 2016 / 2017 (previous year: BRL 11,803 thousand (EUR 2,907 thousand). In the previous year these sales revenues are included in Deliveries abroad and Services abroad.

## 5.2. Other operating income

Composition:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Cost allocations to related parties | 480 | 419 |
| Car benefits in kind | 217 | 262 |
| Income from written-off receivables | 48 | 1 |
| Rents | 35 | 46 |
| Income from the retirement of assets | 0 | 11 |
| Others | 131 | 46 |
| | **911** | **785** |

## 5.3. Material expenses

Composition:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Cost of goods / Purchased Services | 55,792 | 53,671 |
| Duties and import levies Brazil | 1,339 | 588 |
| less discounts | -986 | -932 |
| less bonuses | -284 | -244 |
| | **55,861** | **53,083** |

## 5.4. Personnel expenses

Composition:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Wages and salaries | 9,141 | 8,476 |
| Social security and retirement benefits | 1,796 | 1,709 |
| | **10,937** | **10,185** |

During the financial year from July 1, 2016 to June 30, 2017, an average of 166 staff (previous year: 157), exclusively salaried employees, were employed in the Group, besides the Managing Board. As of June 30, 2017, there were a total of 173 (previous year: 158) employees working in the Group, besides the Managing Board.

## 5.5. Other operating expenses

Composition:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Distribution costs | 3,540 | 2,942 |
| Operating costs | 969 | 919 |
| Administration costs | 697 | 640 |
| Expenses from exchange rate differences | 297 | 235 |
| Allocation to bad debt allowances | 25 | 66 |
| Others | 286 | 323 |
| | 5,814 | 5,125 |

## 5.6. Finance expenses

Composition:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Interest on pension obligation | 395 | 261 |
| Other interest expense | 62 | 60 |
| | 457 | 321 |

## 5.7. Other finance income

Other finance income in the financial year contains interest income from current bank balances amounting to EUR 35 thousand (previous year: EUR 35 thousand).

## 5.8. Income taxes

The income tax item results from the following items in the reporting year:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.201 |
|---|---|---|
| Business tax current year | 388 | 294 |
| Corporate income tax current year | 356 | 266 |
| Solidarity surcharge current year | 20 | 15 |
| Income taxes abroad | 7 | 10 |
| **Tax expenses current year** | **771** | **585** |
| Business tax for previous years | -1 | 0 |
| **Tax expenses previous years** | **-1** | **0** |
| Deferred tax income — temporary differences | -89 | 0 |
| Deferred tax expenses — temporary differences | -176 | 3 |
| **Deferred tax expenses** | **-265** | **3** |
| | **505** | **588** |

The average Group tax rate for the financial year 2016 / 2017 is 32 % (previous year: 32.0 %).

The reasons behind the variances between the expected and actual tax expenses are as follows:

| in KEUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Pre-tax profit | 1,621 | 997 |
| **Expected tax expenses (tax rate 32 %)** | **519** | **319** |
| Taxes for previous years | -1 | 0 |
| Previous year's adjustments | 92 | 0 |
| Losses not usable for taxes | 0 | 0 |
| Losses not yet used for taxes | -146 | 0 |
| Difference in basis of assessment Brazil | 0 | 213 |
| Non-deductible expenses | 41 | 42 |
| Others | 0 | 14 |
| **Actual tax expenses current year** | **505** | **588** |

The tax loss carry-forwards amount to EUR 760 thousand (previous year: EUR 680 thousand) and correspond to deferred tax assets of EUR 258 thousand (previous year: EUR 231 thousand).

The tax losses can be set off in full against the future taxable earnings of the company in which the loss has occurred. Deferred tax claims of EUR 258 thousand (EUR 82 thousand) were recognised for tax loss carry-forwards. The possibility of using them was estimated on the basis of the planning.

### 5.9. EBIT, EBIT margin, gross profit

The Group reported an operating profit of EUR 2,042 (previous year: EUR 1,283 thousand) in the financial year. This also corresponds to the profit before interest and taxes (EBIT). The EBIT margin (percentage of sales revenues) therefore stands at 2.8 % (previous year: 1.9 %). Gross profit increased from EUR 16,398 thousand to EUR 18,445 thousand.

## 6. Leasing

The definition as to whether an agreement contains a lease relationship, is taken on the basis of the financial content of the agreement at the time the agreement is concluded, and it necessitates an assessment of whether fulfilment of the contractual agreement depends on the use of a certain asset or assets, and whether the agreement grants the right to use the asset even if this right is not explicitly defined in the agreement.

All leases meet the criteria for operating leases in accordance with IAS 17. Lease payments for operating leases are directly recognized in profit and loss.

The lease contracts are concluded without option rights and usually with a fixed term of 36 or 60 months.

Operating leases:

| in KEUR | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Total future minimum lease payments on the basis of non-terminable operating leases | 710 | 735 |
| - of which due within one year | 379 | 441 |
| - of which due between one and five years | 331 | 294 |
| Total future minimum lease payments, receipt of which is expected due to non-terminable sub-leases | | |
| - Minimum lease payments | 1,034 | 873 |
| - Payments received from sub-leases | -35 | -46 |

## 7. Contingent liabilities and financial obligations

### Contingent liabilities

Because of the loans to KROMI Logistica do Brasil Ltda, Brazil, KROMI Logistik AG has given Deutsche Bank S.A. - Banco Alemao, Sao Paulo, Brazil, a guarantee of EUR 200,000 for the current working capital loans.

### Financial obligations

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 finance instruments

### Categories of finance instruments

The Group's financial assets consist of liquid assets and receivables. The non-derivative financial instruments for assets comprise receivables provided they are based on a contract and they are not connected to a retirement pension plan. The receivables shown in the balance sheet result from trade. The other current assets are prepaid expenses, bonus accruals and tax receivables.

The non-derivative financial instruments for liabilities and bonus accruals comprise all sub-groups of liabilities with the exception of retirement pension obligations, deferral accounts, deferred taxes and liabilities from income taxes. In addition, items that are not based on a contract (e.g. obligations towards social security agencies or tax authorities) are not included. Non-derivative financial instruments for liabilities therefore consist almost exclusively of the interest-bearing loans shown in the balance sheet and trade payables.

Derivatives only exist in the form of two interest rate swaps which were designated as hedging instruments and are effective as such.

With the exception of derivative financial instruments which are designated as hedging instruments and are effective as such, financial instruments in the KROMI - Group are exclusively assigned to the categories "Loans and Receivables" or "Financial Liabilities which are measured at their amortised cost" in accordance with IAS 39. Due to their short maturities or in the case of long-term loans, due to the variable interest rate, the fair value does not vary greatly from the carrying amounts for these items shown in the balance sheet. The interest rate swaps were measured at their fair value. Apart from the interest rate swaps, there are no further financial instruments measured at their fair value. The current market value of the interest rate swaps was determined by the market-to-market method. No description of the effect of a change in the current market value on equity (so-called sensitivity analysis) has been included due to the low volume and negligible significance.

### Default risk

By default risk, we understand the risk that a counterparty May not be able to meet their contractual obligations and the Group suffers a financial loss as a result. The maximum credit and default risk of financial assets corresponds to the amounts shown on the assets side of the balance sheet.

The Group's default risk results primarily from trade receivables. The amount shown in the balance sheet contains bad debt allowances which the Managing Board has formed on the basis of its assessment of whether outstanding amounts can be collected.

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

### Liquidity risk and interest rate risk

There are no material liquidity risks or interest rate risks in the KROMI Group. With the exception of one long-term loan, liabilities have a residual term of less than one year. The long-term loan with variable interest rates is secured by an interest rate swap. For this reason, the gross cash flows to be expected from these liabilities largely correspond to the amounts shown in the balance sheet.

The Group has a credit line of EUR 18.5 million. As of June 30, 2017, EUR 12.8 million had been drawn down.

### Currency risks

The currency results achieved in the reporting year derive mainly from intra-group transactions between KROMI Logistik AG and its Brazilian subsidiary. There are no major foreign exchange risks beyond that as nearly all supply contracts are concluded in euros.

The Group's financial assets and liabilities not denominated in euros, are almost exclusively accounted for by the Brazilian real. Converted to euros, such financial assets amount to around EUR 1,372 thousand (previous year: EUR 1,100 thousand) on the reporting date, and the financial liabilities to around EUR 572 thousand (previous year: EUR 533 thousand).

### Sensitivity to exchange rate movements

The Brazilian subsidiary is financed through the parent company with loans denominated in euros. A fall in the real of 5 % will lead to foreign exchange losses of EUR 272 thousand, and a rise of 5 % to foreign exchange gains of EUR 272 thousand, both of which would affect the Group's pre-tax earnings.

### Market risk

Market risk is the risk that market prices, e.g. exchange rates, interest rates or share prices, will change, thereby affecting the Group's income or the value of the financial instruments held. The aim of market risk management is to manage and monitor market risk within acceptable boundaries and at the same time to optimise returns.

The Group acquires interest rate swaps to manage market risks. Hedge accounting is to be used, if possible, to manage earnings volatility.

## 9. Notes to the consolidated cash flow statement

The consolidated cash flow statement is divided into the areas of operating activities, investing activities and financing activities in accordance with IAS 7. The cash and cash equivalents shown in the cash flow statement contain bank balances and liquid funds in the form of cash on hand.

As of June 30, 2017, cash and cash equivalents amount to EUR 675 thousand (previous year: EUR 1,550 thousand) and are made up of cash and cash equivalents from Germany (EUR 281 thousand, previous year: EUR 1,217 thousand), Slovakia (EUR 53 thousand, previous year: EUR 63 thousand), Czech Republic (EUR 30 thousand, previous year: EUR 28 thousand), Spain (EUR 94 thousand, previous year: EUR 124 thousand), and Brazil (EUR 217 thousand, previous year: EUR 118 thousand).

The indirect method was selected to determine the cash flow from operating activities. The cash flow statement begins with consolidated earnings. Cash outflows from taxes were allocated to operating activities and shown there separately. Cash outflows from interest paid were allocated to financing activities while cash inflows from interest received were also shown separately under investing activities. Besides depreciation and foreign exchange losses, cash flows from operating activities do not contain any further significant non-cash expenses or income in the 2016 / 2017 financial year — as in the previous year.

## 10. Segment reporting

According to IFRS 8, the identification of reportable operating segments is based on the “management approach”. External segment reporting is thus based on internal financial reports to the ultimate management body. In the KROMI Group, the Managing Board of KROMI Logistik AG is responsible for evaluating and controlling the operating profit of individual segments, and it is considered as the ultimate management body as defined by IFRS 8.

The corporate purpose of KROMI Logistik is trading with, and distribution of, machining tools and associated services. This forms the basis of the Group’s income. The Managing Board believes that it is not pertinent to segment based on products, as these are homogeneous. The Managing Board therefore forms segments on the basis of sales markets. The information refers to the customer locations of Germany (domestic), European countries outside Germany and Brazil as the Group‘s geographical markets currently supplied. European countries include, in particular, Denmark, France, Austria, Poland, Slovakia, Spain and the Czech Republic which account for the major proportion of sales with European customers. The other countries supplied (e.g. Romania) still played a subordinate role in the past financial year. Nearly all sales are invoiced in euros with the result that there are no foreign exchange risks to be reported.

The measurement principles for segment reporting are based on the IFRS principles used in the consolidated financial statements. It is therefore unnecessary to show reconciliation accounts. Where individual items in the segment reporting cannot be determined by means of original data, the Company has made reasonable assumptions about the distribution between the segments. Where it was not possible to make plausible or justified assumptions which would in all likelihood lead to a result approximating to reality, the item in question was not segmented but shown solely in the reconciliation account.

The allocation of external sales and trade receivables is based on the location of the particular customer. Non-current assets and inventories are allocated to regions by the location of the asset concerned. Other assets either constitute financial assets which serve the company as a whole or assets that cannot be plausibly allocated, and consequently they are merely shown in the reconciliation account for the company’s total assets.

Liabilities in the KROMI Group do not essentially represent segment liabilities as they serve the company as a whole or the financing of the overall company (e.g. provisions for pensions, deferred taxes, interest-bearing loans). The remaining segment liabilities (trade payables) have not been allocated as it is not possible to obtain a reasonable basis for their distribution.

KROMI Logistik assesses the performance of the segments on the basis of segment results among other factors. The segment result is composed of the sales revenues less purchased goods and services. Inter-segment sales and outlays are not netted. The segment reporting therefore only contains revenues and expenses with external customers and suppliers.

| | | | Abroad | | | | | |
|---|---|---|---|---|---|---|---|---|
| in KEUR | Home | | EU | Brazil | Total | Abroad* | Total | |
| | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 | 1.7.2016 – 30.6.2017 | 1.7.2016 – 30.6.2017 | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
| **Sales revenues (with external customers)** | **44,414** | 42,237 | **24,381** | **5,511** | 29,892 | 27,244 | **74,306** | 69,481 |
| less purchased goods and services | -32,733 | -31,812 | -18,850 | -4,278 | -23,128 | -21,271 | -55,861 | -53,083 |
| **Segment result** | **11,681** | 10,425 | **5,531** | **1,233** | 6,764 | 5,973 | **18,445** | 16,398 |
| plus other operating income | | | | | | | 912 | 785 |
| less personnel costs | | | | | | | -10,937 | -10,185 |
| less depreciation | | | | | | | -563 | -590 |
| less other operating expenses | | | | | | | -5,814 | -5,125 |
| less / plus financial result | | | | | | | -422 | -286 |
| less / plus taxes on income | | | | | | | -505 | -588 |
| **Consolidated earnings** | | | | | | | **1,116** | 409 |

* In the previous year, only the two segments domestic and foreign operations were distinguished. In the future, a distinction will be made between the segments of Germany, Europe and Brazil. The further splitting of the segments in the financial year does not reduce the information content of the previous year.

| in KEUR | Home | | Abroad EU | Abroad Brazil | Abroad Total | Abroad* | Total | |
|---|---|---|---|---|---|---|---|---|
| | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2017 | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2016 |
| **Segment assets** | **26,394** | 24,100 | **16,248** | **3,018** | 19,266 | 17,121 | **45,660** | 41,221 |
| of which non-current segment assets | 3,635 | 3,652 | 184 | 277 | 461 | 396 | 4,096 | 4,048 |
| of which current segment assets | 22,759 | 20,448 | 16,064 | 2,741 | 18,805 | 16,725 | 41,564 | 37,173 |
| plus cash and cash equivalents | | | | | | | 675 | 1,550 |
| plus assets not assignable to segments | | | | | | | 2,865 | 3,659 |
| **Total assets** | | | | | | | **49,200** | 46,430 |

* In the previous year, only the two segments domestic and foreign operations were distinguished. In the future, a distinction will be made between the segments of Germany, Europe and Brazil. The further splitting of the segments in the financial year does not reduce the information content of the previous year.

Further segment information:

| in KEUR | Home | | Abroad EU | Abroad Brazil | Abroad Total | Abroad* | Total | |
|---|---|---|---|---|---|---|---|---|
| | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2017 | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2016 |
| Investments | 499 | 495 | 16 | 114 | 130 | 129 | 629 | 624 |
| less depreciation | 490 | 401 | 18 | 56 | 74 | 176 | 564 | 577 |
| Significant non-cash items (impairment losses) | | | | | | | | 0 |

* In the previous year, only the two segments domestic and foreign operations were distinguished. In the future, a distinction will be made between the segments of Germany, Europe and Brazil. The further splitting of the segments in the financial year does not reduce the information content of the previous year.

The allocation of sales revenues to deliveries of goods and the provision of services (provision of KTC dispensers) is shown in Item 5.1.

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

The Group generates approx. 17.6 % or EUR 13,066 thousand (previous year: 18 % or EUR 12,517 thousand) of its sales with one group. Of this figure, EUR 13,049 thousand (previous year: EUR 12,514 thousand) is accounted for by the domestic segment, and EUR 17 thousand (previous year: EUR 3 thousand) by the segment of European countries outside Germany.

The Group generates approx. 14.6% or EUR 10,827 thousand (previous year: 14.1% or EUR 9,761 thousand) of its sales with one further group. Of this figure, EUR 2,466 thousand (previous year: EUR 2,418 thousand) is accounted for by the domestic segment, and EUR 8,361 thousand (previous year: EUR 7,343 thousand by the segment of European countries outside Germany.

## 11. Earnings per share

As of June 30, 2017, KROMI Logistik AG's subscribed capital stands at EUR 4,124,900.00 (previous year: EUR 4,124,900.00). It comprises 4,124,900 no par value bearer shares. All shares without exception are ordinary shares and carry an equal participating interest in the company's share capital.

| Units | 30.6.2017 | 30.6.2016 |
|---|---|---|
| Number of shares at the beginning of the period | 4,124,900 | 4,124,900 |
| Number of shares at the end of the period | **4,124,900** | **4,124,900** |

The undiluted earnings per share is calculated by dividing consolidated earnings by the weighted average number of ordinary shares in circulation in the reporting year. The calculation of earnings per share is based on the following data:

| in EUR | 1.7.2016 – 30.6.2017 | 1.7.2015 – 30.6.2016 |
|---|---|---|
| Consolidated earnings | 1,121,669 | 415,296 |
| Number of shares in the financial year | 4,124,900 | 4,124,900 |
| **Earnings per share (undiluted)** | **0.27** | **0.10** |

The diluted earnings per share correspond to the undiluted earnings per share.

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

No dividends were paid in the period from July 1, 2016 to June 30, 2017.

## 12. Related party disclosures

KROMI Logistik AG is the ultimate parent company.

The following disclosures are made on relationships with related companies and persons in accordance with IAS 24. Related companies and persons are divided into the following groups and are composed as follows:

a) direct and indirect shareholders of KROMI Logistik AG when a controlling interest or definitive influence applies:

- Jörg Schubert, Chairman
  Member of the Group Executive Committee
- Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn
- Norman Rentrop, Bonn

The emoluments of Jörg Schubert as Chairman are shown in Item 13.

b) Persons in key positions:

- Wilhelm Hecking (Chairman of the Supervisory Board)
- René Dannert (Member of the Supervisory Board)
- Prof. Dr. Eckart Kottkamp (Member of the Supervisory Board)
- Jens Große-Allermann (Chairman of the Supervisory Board)
- Ulrich Bellgardt (Deputy Chairman of the Supervisory Board)
- Stephan Kleinmann (Member of the Supervisory Board)
- Jörg Schubert (Chairman)
  Member of the Group Executive Committee
- Uwe Pfeiffer (Director)
  Member of the Group Executive Committee
- Bernd Paulini (Director)
  Member of the Group Executive Committee
- Axel Schubert (Director)
  Member of the Group Executive Committee
- Jens Kumpert (Authorised Signatory)
  Member of the Group Executive Committee
- Jenis Diz Acosta (Managing Director)
  KROMI Logistica do Brasil

The emoluments of members of the Managing Board and the Supervisory Board are shown under Item 13.

### Remuneration of members of management in key positions

| in KEUR | 2016 / 2017 | 2015 / 2016 |
|---|---|---|
| Short-term benefits | 2,007 | 1,849 |
| Other long-term benefits | 298 | 154 |
| Benefits on termination of the contract of employment | 153 | 151 |
| | **2,458** | 2,154 |

## 13. Disclosures on the managing bodies of KROMI Logistik AG

### 13.1. Managing Board

For the financial year of KROMI Logistik AG for the year ending on June 30, 2017, the Managing Board was composed as follows:

- Jörg Schubert (Chairman), Quickborn
  further supervisory board mandates / memberships of regulatory bodies: none
- Uwe Pfeiffer (CFO), Hamburg
  further supervisory board mandates / memberships of regulatory bodies: none
- Bernd Paulini (COO), Lüblow
  further supervisory board mandates / memberships of regulatory bodies: none
- Axel Schubert (CIO), Quickborn
  further supervisory board mandates / memberships of regulatory bodies: none

Total emoluments to the Managing Board in the financial year 2016 / 2017 amounted to EUR 1,701 thousand (previous year: EUR 1,372 thousand) and are made up as follows:

| | 2016 / 2017 | | | | 2015 / 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| in EUR | Non-performance-related remuneration | Performance-related remuneration | | Total emoluments | Non-performance-related remuneration | Performance-related remuneration | | Total emoluments |
| Jörg Schubert | 443,379 | 172,428 | 66,243 | 682,050 | 423,659 | 89,100 | 31,757 | 544,516 |
| Uwe Pfeiffer | 271,116 | 103,414 | 40,137 | 414,667 | 257,539 | 53,437 | 19,454 | 330,430 |
| Bernd Paulini | 198,270 | 79,552 | 31,110 | 308,932 | 198,035 | 41,108 | 15,200 | 254,343 |
| Axel Schubert | 192,585 | 74,066 | 29,035 | 295,686 | 190,630 | 38,273 | 14,222 | 243,125 |

In the 2016 / 2017 financial year, commitments were given to pay members of the Managing Board in addition non-share-based remuneration amounting to EUR 172 thousand, depending on the occurrence or non-occurrence of future conditions. This remuneration was divided among members of the Managing Board as follows: Jörg Schubert EUR 69 thousand, Uwe Pfeiffer EUR 41 thousand, Bernd Paulini EUR 32 thousand and Axel Schubert EUR 30 thousand. The main features of the commitment which affect the level of the benefit and its distribution over time, are described in the remuneration report.

Remuneration of EUR 81 thousand was paid in the reporting year, contingent upon whether future conditions were met, and for which the original commitments were made in the financial years 2014 / 2015 and 2015 / 2016. This remuneration was divided among members of the Managing Board as follows: Jörg Schubert EUR 32 thousand, Uwe Pfeiffer EUR 20 thousand, Bernd Paulini EUR 15 thousand and Axel Schubert EUR 14 thousand.

Benefits in kind are measured at the value determined for tax purposes.

As well as the above-mentioned remuneration, the following non-performance-related benefits will be granted on leaving their post:

Jörg Schubert has received a monthly pension commitment of EUR 6,000.00 on leaving the company at the age of 65, and this commitment was assumed by KROMI Logistik AG on December 7, 2006 with effect from January 1, 2007. The commitment includes an invalidity pension of EUR 4,000.00 and a widow's pension of EUR 3,600.00. Current pensions are increased by 1% per year. The cash value of the benefits to which the company has committed amounts to EUR 1,188,197 (previous year: EUR 1,244,252.00) as of June 30, 2017. During the financial year, the provision was reduced by the amount of EUR 56,055 (previous year: EUR 50,056).

Uwe Pfeiffer has received a pension commitment, financed by contributions, for a monthly amount of EUR 3,015.15 (previous year: EUR 3,015.15) implemented through a benevolent fund with matching reinsurance. Since January 1, 2013, KROMI Logistik AG has been paying a monthly fixed amount of EUR 5,000.00 (previous year: EUR 5,000.00) to a benevolent fund. Since he left the service of the company, KROMI Logistik AG has no pension obligations towards Mr Pfeiffer.

Bernd Paulini has received a monthly pension commitment of EUR 4,000.00 on his departure at the age of 65, and in 2013 this was raised to the new retirement age — on reaching the age of 67. The commitment includes an invalidity pension of EUR 4,000.00 and a widow's pension of EUR 2,400.00. Current pensions are increased by 2 % per year. The cash value of the benefits to which the company has committed amounts to EUR 598,972 (previous year: EUR 572,644) as of June 30, 2017. During the financial year, a provision of EUR 26,328 (previous year: EUR 33,547) was formed for this commitment.

Axel Schubert has received a monthly pension commitment of EUR 4,000.00 on his departure at the age of 65, and in 2013 this was raised to the new retirement age — on reaching the age of 67. The commitment contains an invalidity pension of EUR 4,000.00. Current pensions are increased by 2 % per year. The cash value of the benefits to which the company has committed amounts to EUR 324,983 (previous year: EUR 315,006.00) as of June 30, 2017. During the financial year, a provision of EUR 9,977 (previous year: EUR 14,892) was formed for this commitment.

The pension commitments made to Mr Paulini and Axel Schubert had already been given before their appointment as members of the Managing Board.

Members of the Managing Board also have an extraordinary right to terminate their contracts of employment if a shareholder of KROMI Logistik AG for the first time (directly and / or indirectly) controls more than 50 % of the voting rights of all company shares issued. If this right of termination is exercised, members of the Board will be entitled to a severance payment. The level of the severance payment for Board members Axel Schubert and Bernd Paulini will be calculated on the basis of the remuneration which they would have received up until the end of the current calendar year, discounted at 10 % per year. If the contract of the Chairman of the Managing Board, Jörg Schubert, is terminated prematurely or he is dismissed, regardless of the reason, he will be entitled to continued payment of his fixed remuneration for the rest of the calendar year in which the contract ends, but for not less than six months. Entitlement to variable remuneration ends when the contract terminates.

If he is dismissed due to a change of control, Uwe Pfeiffer will be entitled on the basis of his contract effective until December 2, 2017, to a severance payment equating to the remuneration he would have received until the regular end of his contract, discounted at 10 % p.a. In accordance with the contract specified, Mr Pfeiffer will be entitled in all cases involving the premature termination of his contract of employment or his dismissal, to continued payment of his fixed remuneration for the remainder of the calendar year in which the contract ends, but for not less than six months. If he is dismissed due to a change of control after the above-mentioned contract has duly expired, Mr Pfeiffer will be entitled on the basis of the subsequent contract effective from December 3, 2017 to a severance payment equating to the remuneration which he would have received from the day on which his contract of employment is terminated until the end of the year, but for no longer than until his contract would have otherwise ended, discounted at 10 % p.a. However the severance payment is not to be less than EUR 100,000. This minimum severance payment May be limited to the level of remuneration resulting for the period until the regulation end of his contract of employment.

In the event of termination of Managing Board contracts due to the death of the member of the Managing Board, the widow of the board member will receive 100 % of the board member's fixed salary for the month of his death and the five subsequent months, and 50 % for further months until the end of the contractual term originally provided for.

In the event that managing board contracts are terminated due to the revocation of their appointment in accordance with § 84 para. 3 of the German Stock Corporation Act (AktG) — unless such revocation is issued due to a vote of no confidence — or on the basis of extraordinary, effective termination on the part of the company or the member of the Managing Board, the contract will not end with immediate effect but after six months have elapsed since the revocation or the extraordinary termination was effectively issued. This does not apply in cases where the extraordinary termination is issued due to circumstances which entitle the company to pursue compensation. In such cases, the dismissal will be summary, without notice and with immediate effect.

Reference is made to the explanations provided in the remuneration report as part of the group management report.

The shares held by the Managing Board as of June 30, 2017 are as follows:

| | Shares held in units | |
|---|---|---|
| **Name** | **30.6.2017** | **30.6.2016** |
| Jörg Schubert | 119,993 | 1.413,006 |
| Uwe Pfeiffer | 0 | 1,000 |
| Axel Schubert | 70,500 | 183,000 |
| Bernd Paulini | 69,700 | 182,200 |

## 13.2. Supervisory Board

The Supervisory Board comprises the following members:

- Wilhelm Hecking (Chairman), self-employed Business Consultant, Bocholt
  until December 07, 2017
  Further supervisory board mandates / memberships of regulatory bodies:
  - Wollschläger GmbH & Co.KG, Bochum, (Deputy Chairman of the Advisory Board)
  - Frank Wollschläger GmbH, Bochum, (Deputy Chairman of the Advisory Board)

- Jens Große-Allermann (Chairman), Chairman of Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn and Chairman of Fiducia Treuhand AG, Bonn
  from December 08, 2016
  Further supervisory board mandates / memberships of regulatory bodies:
  - WashTec AG, Augsburg
  - FPM Deutsche Investmentgesellschaft mit Teilgesellschaftsvermögen i. L., Frankfurt
  - Sparta AG, Hamburg

- René Dannert, Business Consultant, Hamburg
  until August 31, 2017
  Further supervisory board mandates / memberships of regulatory bodies: none

- Prof. Dr. Eckart Kottkamp, Consultant, Großhansdorf
  Further supervisory board mandates / memberships of regulatory bodies:
  - Lloyd Fonds AG, Hamburg, (Chairman of the Supervisory Board) until March 2017
  - Basler AG, Ahrensburg, (Supervisory Board)
  - Elbphilharmonie Hamburg Bau GmbH & Co. KG, Hamburg, (Supervisory Board) until March 2017
  - Mackprang Holding GmbH & Co. KG, Hamburg, (Chairman of the Advisory Board) until October 2016
  - ACTech GmbH, Freiberg, (Chairman of the Advisory Board)

- Ulrich Bellgardt (Deputy Chairman) Business Consultant, Solothurn Switzerland
  from September 01, 2017
  Further supervisory board mandates / memberships of regulatory bodies:
  - WashTec AG, Augsburg, (Supervisory Board)
- Stephan Kleinmann, Wirtschaftsprüfer, Berlin
  from December 19, 2016
  Further supervisory board mandates / memberships of regulatory bodies: none

Total emoluments to the Supervisory Board in the financial year 2016 / 2017 amounted to EUR 80 thousand and are structured as follows:

| | Fixed remuneration | |
|---|---|---|
| in EUR | 2016 / 2017 | 2015 / 2016 |
| Wilhelm Hecking | 13,150 | 30,000 |
| Jens Große-Allermann | 16,849 | 0 |
| René Dannert | 3,333 | 20,000 |
| Prof. Dr. Eckart Kottkamp | 20,000 | 20,000 |
| Ulrich Bellgardt | 16,219 | 0 |
| Stephan Kleinmann | 10,630 | 0 |

Emoluments to the Supervisory Board were paid to members of the Supervisory Board in July 2017 after closure of the 2016 / 2017 financial year.

As of the reporting date, members of the Supervisory Board do not hold any shares in the company. Reference is made to the explanations provided in the remuneration report as part of the group management report.

## 14. Auditor‘s fee

The total fee charged by the auditor of the consolidated financial statements for the financial year amounts to EUR 110 thousand (previous year: EUR 77 thousand). Of this EUR 85 thousand (previous year: EUR 77 thousand) is accounted for by auditing services and EUR 25 thousand (previous year: EUR 0 thousand) by other services.

The non-audit services relate to KPMG‘s services as part of the professional support during the test procedures by the German Financial Reporting Enforcement Panel (DPR) within this financial year.

## 15. Notifications received in accordance with § 21 para. 1 and 1a of the German Securities Trading Act (WpHG)

### Notification of voting rights dated 08.07.2016

**1. Details of the issuer**

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany

**2. Reason for the notification**

| | |
|---|---|
| X | Acquisition / sale of shares with voting rights |
| | Acquisition / sale of instruments |
| | Change of total number of voting rights |
| X | Other reason:<br>Conclusion of an acquisition transaction on fulfilment of the condition; group notification in accordance with §24 WpHG |

**3. Details of the party subject to the disclosure requirement**

| Name: | Registered head office and country: |
|---|---|
| Norman Rentrop | |

**4. Names of shareholders**

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

Investmentaktiengesellschaft für langfristige Investoren TGV

**5. Date on which threshold is met**

06.07.2016

**6. Total share of voting rights**

| | Share of voting rights (sum of 7.a.) | Share of instruments (sum of 7.b.1 + 7.b.2.) | Total share (sum of 7.a. 7.b.) | Total number of issuer's voting rights |
|---|---|---|---|---|
| new | 63.34 % | 9.45 % | 72.8 % | 4,124,900 |
| Last notification | 18.25 % | 54.55 % | 72.8 % | / |

### 7. Details of existing voting rights

a. Voting rights (§§ 21, 22 WpHG)

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| New | direct (§ 21 WpHG) | attributed (§ 22 WpHG) | direct (§ 21 WpHG) | attributed (§ 22 WpHG) |
| DE000A0KFUJ5 | 0 | 2612811 | 0 | 63.34 % |
| **Total** | **2612811** | | **63.34 %** | |

b.1. Instruments as defined by § 25 para. 1 No. 1 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|
| | | | | |
| | | Total | | |

b.2. Instruments as defined by § 25 para. 1 No. 2 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Cash payment or physical delivery | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|---|
| Sellers' put option | n / a | 01.09.2019-30.11.2019; 01.09.2021-30.11.2021 | Bar | 389,993 | 9.45 % |
| | | | Total | 389,993 | 9.45 % |

### 8. Information with regard to parties subject to disclosure requirement

| | |
|---|---|
| | The party subject to the disclosure requirement (3.) is neither controlled nor does he control other companies with reportable voting rights in the issuer (1.). |
| X | Complete chain of subsidiaries beginning with the ultimate controlling person or ultimate controlling company: |

| Company | Voting rights in %, if 3 % or higher | Instruments in %, if 5 % or higher | Total in %, if 5 % or higher |
|---|---|---|---|
| Norman Rentrop | | | |
| Investmentaktiengesellschaft für langfristige Investoren TGV | 63.34 % | 9.45 % | 72.8 % |

### 9. For power of attorney pursuant to § 22 para. 3 WpHG

(only possible for attribution pursuant to § 22 para. 1 (1) No. 6 WpHG)

Date of General Meeting:

Total share of voting rights after the General Meeting: % (corresponds to voting rights)

### 10. Other explanations:

none

## Notification of voting rights 14.07.2016

### 1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany

### 2. Reason for the notification

| | |
|---|---|
| X | Acquisition / sale of shares with voting rights |
| | Acquisition / sale of instruments |
| | Change of total number of voting rights |
| X | Other reason: Group notification pursuant to § 24 WpHG |

### 3. Details of the party subject to the disclosure requirement

| Name: | Registered head office and country: |
|---|---|
| Jörg Schubert | |

### 4. Names of shareholders

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

### 5. Date on which threshold is met

06.07.2016

### 6. Total share of voting rights

| | Share of voting rights (sum of 7.a.) | Share of instruments (sum of 7.b.1 + 7.b.2.) | Total share (sum of 7.a. 7.b.) | Total number of issuer's voting rights |
|---|---|---|---|---|
| New | 2.91 % | 0 % | 2.91 % | 4,124,900 |
| Last notification | 37.68 % | n / a % | n / a % | / |

### 7. Details of existing voting rights

a. Voting rights (§§ 21, 22 WpHG)

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| new | direct (§ 21 WpHG) | attributed (§ 22 WpHG) | direct (§ 21 WpHG) | attributed (§ 22 WpHG) |
| DE000A0KFUJ5 | 0 | 119,993 | 0 % | 2.91 % |
| **Total** | **119,993** | | **2.91 %** | |

b.1. Instruments as defined by § 25 para. 1 No. 1 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|
| | | | | |
| | | Total | | |

b.2. Instruments as defined by § 25 para. 1 No. 2 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Cash payment or physical delivery | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|---|
| | | | | | |
| | | | Total | | |

## 8. Information with regard to parties subject to disclosure requirement

| | |
|---|---|
| | The party subject to the disclosure requirement (3.) is neither controlled nor does he control other companies with reportable voting rights in the issuer (1.). |
| X | Complete chain of subsidiaries beginning with the ultimate controlling person or ultimate controlling company: |

| Company | Voting rights in %, if 3 % or higher | Instruments in %, if 5 % or higher | Total in %, if 5 % or higher |
|---|---|---|---|
| Jörg Schubert | | | |
| Schubert Vermögensverwaltung KG | | | |

## 9. For power of attorney pursuant to § 22 para. 3 WpHG

(only possible for attribution pursuant to § 22 para. 1 (1) No. 6 WpHG)

| | |
|---|---|
| Date of General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

## 10. Other explanations:

none

## Notification of voting rights dated 14.07.2016

### 1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany

### 2. Reason for the notification

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

### 3. Details of the party subject to the disclosure requirement

| Name: | Registered head office and country: |
|---|---|
| Kromi Beteiligungsgesellschaft mbH | Hamburg<br>Germany |

### 4. Names of shareholders

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

### 5. Date on which threshold is met

06.07.2016

### 6. Total share of voting rights

| | Share of voting rights (sum of 7.a.) | Share of instruments (sum of 7.b.1 + 7.b.2.) | Total share (sum of 7.a. 7.b.) | Total number of issuer's voting rights |
|---|---|---|---|---|
| New | 6.55 % | 0 % | 6.55 % | 4,124,900 |
| Last notification | 19.20 % | n / a % | n / a % | / |

### 7. Details of existing voting rights

a. Voting rights (§§ 21, 22 WpHG)

| | absolute | | in % | |
|---|---|---|---|---|
| **ISIN** | | | | |
| New | direct (§ 21 WpHG) | attributed (§ 22 WpHG) | direct (§ 21 WpHG) | attributed (§ 22 WpHG) |
| DE000A0KFUJ5 | 270,000 | 0 | 6.55 % | 0 % |
| **Total** | 270,000 | | 6.55 % | |

b.1. Instruments as defined by § 25 para. 1 No. 1 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|
| | | | | |
| | | Total | | |

b.2. Instruments as defined by § 25 para. 1 No. 2 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Cash payment or physical delivery | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|---|
| | | | | | |
| | | | Total | | |

**8. Information with regard to parties subject to disclosure requirement**

| | |
|---|---|
| X | The party subject to the disclosure requirement (3.) is neither controlled nor does he control other companies with reportable voting rights in the issuer (1.). |
| | Complete chain of subsidiaries beginning with the ultimate controlling person or ultimate controlling company: |

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

**9. For power of attorney pursuant to § 22 para. 3 WpHG**

(only possible for attribution pursuant to § 22 para. 1 (1) No. 6 WpHG)

Date of General Meeting:

Total share of voting rights after the General Meeting: % (corresponds to voting rights)

**10. Other explanations:**

none

## Notification of voting rights dated 15.07.2016

Investmentaktiengesellschaft für langfristige Investoren TGV with its head office in Bonn informed us on July 13, 2016 pursuant to § 27 a para. 2 WphG that the objectives communicated on August 16, 2011 in Item 3 have changed. Otherwise, the objectives specified remain essentially unchanged.

1. Investmentaktiengesellschaft für langfristige Investoren TGV regards its participation in KROMI Logistik AG as a long-term investment. The investment serves the purpose of generating trading profits over the long term. It does not serve any strategic objectives.

2. Investmentaktiengesellschaft für langfristige Investoren TGV intends to acquire further voting rights within the next twelve months through acquisition or by other means. In particular, an acquisition occurs as a result of a voluntary, public takeover offer announced on June 16, 2016 pursuant to § 10 para. 1 (1) of the German Securities Acquisition and Takeover Act (WpÜG). The company reserves the right to make further acquisitions — even after the acceptance deadlines for the takeover offer have expired.

3. The party subject to the reporting requirement aims to influence the composition of the Supervisory Board. There is no intention to influence the composition of KROMI Logistik AG's administrative and management bodies.

4. Investmentaktiengesellschaft für langfristige Investoren TGV is currently not aiming to effect any significant change to the capital structure of KROMI Logistik AG, particularly with regard to the debt-to-equity ratio, or any significant change to the dividend policy.

## Notification of voting rights dated 16.09.2016

### 1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany

### 2. Reason for the notification

| | |
|---|---|
| X | Acquisition / sale of shares with voting rights |
| | Acquisition / sale of instruments |
| | Change of total number of voting rights |
| X | Other reason:<br>Processing an acquisition offer under WpÜG; group notification in accordance with §24 WpHG |

### 3. Details of the party subject to the disclosure requirement

| Name: | Registered head office and country: |
|---|---|
| Norman Rentrop | |

### 4. Names of shareholders

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

Investmentgesellschaft für langfristige Investoren TGV

### 5. Date on which threshold is met

14.09.2016

### 6. Total share of voting rights

| | Share of voting rights (sum of 7.a.) | Share of instruments (sum of 7.b.1 + 7.b.2.) | Total share (sum of 7.a. 7.b.) | Total number of issuer's voting rights |
|---|---|---|---|---|
| New | 70.46 % | 9.45 % | 79.91 % | 4,124,900 |
| Last notification | 63.34 % | 9.45 % | 72.80 % | / |

### 7. Details of existing voting right

a. Voting rights (§§ 21, 22 WpHG)

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§ 21 WpHG) | attributed (§ 22 WpHG) | direct (§ 21 WpHG) | attributed (§ 22 WpHG) |
| DE000A0KFUJ5 | 0 | 2.906.390 | 0 % | 70.46 % |
| **Total** | **2,906,390** | | **70.46 %** | |

b.1. Instruments as defined by § 25 para. 1 No. 1 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|
| | | Total | | |

b.2. Instruments as defined by § 25 para. 1 No. 2 WpHG

| Type of instrument | Maturity / expiration | Exercise period / term | Cash payment or physical delivery | Voting rights absolute | Voting rights in % |
|---|---|---|---|---|---|
| | n / a | 01.09.2019 – 30.11.2019; 01.09.2021 – 30.11.2021 | in cash | 389,993 | 9.45 % |
| | | | Total | 389,993 | 9.45 % |

### 8. Information with regard to parties subject to disclosure requirement

| | |
|---|---|
| | The party subject to the disclosure requirement (3.) is neither controlled nor does he control other companies with reportable voting rights in the issuer (1.). |
| X | Complete chain of subsidiaries beginning with the ultimate controlling person or ultimate controlling company: |

| Company | Voting rights in %, if 3 % or higher | Instruments in %, if 5 % or higher | Total in %, if 5 % or higher |
|---|---|---|---|
| Norman Rentrop | | | |
| Investmentgesellschaft für langfristige Investoren TGV | 70.46 % | 9.45 % | 79.91 % |

### 9. For power of attorney pursuant to § 22 para. 3 WpHG

(only possible for attribution pursuant to § 22 para. 1 (1) No. 6 WpHG)

| | |
|---|---|
| Date of General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

### 10. Other explanations:

none

## 16. Events after the reporting date

The Chairman of KROMI Logistik AG, Jörg Schubert, will resign his office as Chairman of the Managing Board with effect from the end of December 31, 2017. Bernd Paulini, COO of KROMI Logistik AG, has been appointed as spokesperson of the Managing Board with effect from January 1, 2018.

## 17. KROMI Logistik AG's proposal for the appropriation of profits

KROMI Logistik AG, Hamburg, is reporting unappropriated profit of EUR 6,443 thousand in its annual financial statements as of June 30, 2017, prepared in accordance with the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The company's Managing Board is making a proposal to the Supervisory Board for adoption by resolution at the General Meeting to carry forward the unappropriated profit to new account.

## 18. Declaration on the Corporate Governance Code in accordance with § 161 AktG

The Managing Board and Supervisory Board hereby declare that the declaration prescribed under § 161 AktG has been submitted and made publicly available to shareholders on the company's homepage (http://www.kromi.de/161-Aktiengesetz.670.0.html?&L=3).

## 19. Date of release for publication

The consolidated financial statements of KROMI Logistik AG were approved for Publication by the Managing Board on September 26, 2017 (day of approval by the Managing Board for presentation to the Supervisory Board).

Hamburg, September 26, 2017

Managing Board of KROMI Logistik AG

Jörg Schubert　　Uwe Pfeiffer　　Bernd Paulini　　Axel Schubert

# *Bestätigungsvermerk des Abschlussprüfers*

## Report on the Audit of the Consolidated Financial Statements

### Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of KROMI Logistik AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated balance sheet position as at 30 June 2017, and the consolidated income statement from 1 July 2016 to 30 June 2017, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 July 2016 to 30 June 2017 and notes to the consolidated financial statements, including a summary of significant accounting policies.

Pursuant to Section 322 (3) sentence 1 half sentence 2 HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on our knowledge obtained in the audit, the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary 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 and financial position of the Group as at 30 June 2017 as well as the results of operations for the fiscal year from 1 July 2016 to 30 June 2017 in accordance with these requirements.

Pursuant to Section 322 (3) sentence 1 half sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations with respect to the propriety of the consolidated financial statements.

### Basis for Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with Section 317 HGB and and EU-auditor's regulation [EU-Abschlussprüferverordnung] (No. 537 / 2014; hereinafter "EU-APrVO") German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Our responsibilities under those standards and additional guidelines are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the requirements of European and German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities applicable in Germany in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In accordance with Article 10 (2) f EU-APrVO we declare that the prohibited non-audit services referred to in Article 5 (1) EU-APrVO were not provided and that we remained independent in accordance with the EU-APrVO of the Group in conducting the audit.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 July 2016 to 30 June 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Migration of financial accounting to SAP Business One

## Reference to the Management Report

In this regard, we refer to the management board‘s comments on ‚Information technology risks‘ in the Management Report under Report on outlook, risks and opportunities‘, Section II. Report on opportunities and risks.

**The financial statement risk**

Effective July 1, 2016, the Company replaced its previously used Diamant and Odin systems with the integrated SAP Business One financial accounting system.

There is the risk for the financial statements that by converting the systems to SAP Business One, stock and movement data were not accuracy transferred during data migration and that the amended processes and controls May result in material misstatement in the financial statements. Migration to SAP Business One affects nearly all items in the balance sheet and income statement and, thus, also core operational processes, such as purchasing, sales and inventories.

**Our response**

The new financial accounting system includes key components of the Company‘s IT infrastructure. Therefore, we involved our IT specialists in the audit to assess the completeness and accuracy of data migration from Odin and Diamant to SAP Business One as well as to examine the design and effectiveness of the automated controls. In doing so, the necessary audit assurance was obtained largely by taking a control-based approach.

For this purpose, from a risk perspective, we evaluated particularly the processes in purchasing, stock control and measurement as well as sales. We obtained an understanding of the processes based on interviews with the management board and employees as well as by inspecting transactions selected on the basis of risk. Relevant controls were identified in order to assess the completeness and accuracy of data transfer and migration to SAP Business One. In doing so, we focused on changes in the process, including the newly designed controls. The main emphasis was on automated controls for ensuring process transparency and the traceability and changeability of data. Among other elements, the effectiveness of automatically matching orders, delivery notes and invoices was assessed in the purchase and sales process.

As part of migrating to SAP Business One, KROMI Logistik AG defined a migration process for the complete and accurate transfer of data. Subsequently, following technical migration, all migrated balances documented in the legacy system were reconciled with those in SAP Business One. To check completeness and accuracy, we examined the documentation of this reconciliation using a deliberate selection.

**Our obserbvations**

The necessary data migration due to converting financial accounting to SAP Business One as well as the accompanying process changes are appropriate and reasonable as a whole.

## Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements

The management board is responsible for the preparation of the consolidated financial statements which comply with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315a (1) 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. Furthermore, the management board is responsible for such internal control as it determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW] will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Section 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW], we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud May involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that May cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the Group management Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions May cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that May reasonably be thought to bear on our independence and related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

## Report on Other Legal and Regulatory Requirements

### Report on the Group Management Report

**Opinion on the Group Management Report**

We have audited the Group Management Report of KROMI Logistik AG, Hamburg, for the fiscal year from 1 July 2016 to 30 June 2017.

In our opinion, based on our knowledge obtained in the audit, the accompanying Group Management Report as a whole provides a suitable view of the Group's position. In all material respects, the Group Management Report is consistent with the consolidated financial statements, complies with the German statutory requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the Group Management Report.

**Basis for Opinion on the Group Management Report**
We conducted our audit in accordance with Section 317 (2) HGB and German generally accepted standards for the audit of management reports promulgated by the German Institute of Public Auditors [IDW]. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of the Management Board and the Supervisory Board for the Group Management Report**
The management board is responsible for the preparation of the Group Management Report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with the German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the management board is responsible for such arrangements and measures (systems) as it determines are necessary to enable the preparation of the Group Management Report in compliance with the requirements of German commercial law applicable pursuant to Section 315a (1) HGB and for providing sufficient and appropriate evidence for the statements in the Group Management Report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the Group Management Report.

**Auditor's Responsibilities for the Audit of the Group Management Report**
Our objectives are to obtain reasonable assurance whether the Group Management Report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our knowledge obtained in the audit, complies with the German statutory requirements, and suitably presents the opportunities and risks of future development and to issue an auditor's report that includes our opinion on the Group Management Report.

As part of an audit, we examine the Group Management Report in accordance with Section 317 (2) HGB and German generally accepted standards for the audit of management reports promulgated by the IDW., we draw attention to the following:

- The audit of the Group Management Report is integrated into the audit of the consolidated financial statements.

- We obtain an understanding of the arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these arrangements and measures (systems).

- We perform audit procedures on the prospective information presented by the management in the Group Management Report. Based on sufficient and appropriate audit evidence, we hereby, in particular, trace the significant assumptions used by the management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

- We are also not issuing a separate opinion on individual disclosures in the Group Management Report; our opinion covers the Group Management Report as a whole.

## Additional requirements in Accordance to Article 10 Abs. 2 Buchst. f EU-AprVO

We were appointed as auditors by the shareholders' meeting held on 8 December 2016. We were appointed by the Supervisory Board on 11 May 2017. We have been engaged as auditors of KROMI Logistik AG, Hamburg, uninterruptedly since the audit of the financial statements for the 2014 financial year.

We declare that the audit opinion in this auditor's report is consistent with the additional report to the audit committee according to Article 11 EU APrVO (long form audit report).

## Responsible Auditor

The engagement partner on the audit resulting in this independent auditor's report is Dr Jochen Haußer.

Hamburg, den 26. September 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dr. Haußer<br>Wirtschaftsprüfer | Willhöft<br>Wirtschaftsprüfer |

# *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, September 26, 2017

Managing Board of KROMI Logistik AG

Jörg Schubert    Uwe Pfeiffer    Bernd Paulini    Axel Schubert

# *Publication details*


**Published by**
KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Telephone: +49 40 / 53 71 51 - 0
Telefax: +49 40 / 53 71 51 - 99
E-Mail: info@kromi.de
Internet: www.kromi.de

**Concept, Text and Design**
cometis AG
Unter den Eichen 7
65195 Wiesbaden
Telephone: +49 611 / 20 58 55 - 0
Telefax: +49 611 / 20 58 55 - 66
E-Mail: info@cometis.de

**Printed by**
WALTER PERSPEKTIVEN
DRUCK & MEDIEN SERVICE GmbH
Pfälzer Straße 78
46145 Oberhausen

**Photos**
Page 2: nikkytok, Shutterstock | Seite 4: United Technologies Corporation – Pratt & Whitney Division
Page 6: dani3315, Shutterstock | Seite 8: yuyangc, Shutterstock


This report includes forward-looking statements which reflect the current views of KROMI Logistik AG's management with regard to future events. As a rule, these are shown by the use of „should", „expect", „assume", „anticipate", „intend", „estimate", „aim", „have the aim of", „forecast", „will be", „desire", „outlook" and similar expressions, and generally include information that is based on current forecasts, estimates or expectations. They are subject to risks and insecurities that are difficult to assess and not in KROMI Logistik AG's control.

These also include factors that have an impact on the development of costs and income, for example regulatory requirements, competition that is more intense than expected, changes in technology, litigation and developments under supervisory law. If these or other risks and insecurities should occur, or if the assumptions on which the statements in this report are based should prove to be incorrect, the actual results of KROMI Logistik AG could differ greatly from the results that are expressed or implied in these statements. KROMI Logistik AG does not assume any guarantee that the forward-looking expectations and assumptions will actually occur. In addition, KROMI Logistik AG declines all responsibility for updating forward-looking statements by taking into account new information or future events.

**KROMI Logistik AG**

Tarpenring 11
22419 Hamburg
Germany

Tel.: 040 / 53 71 51 - 0
Fax: 040 / 53 71 51 - 99