TOOLING | ONE STEP AHEAD

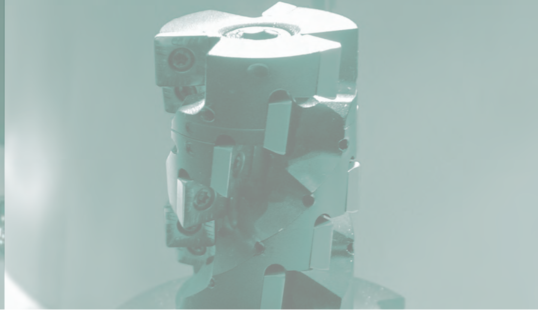
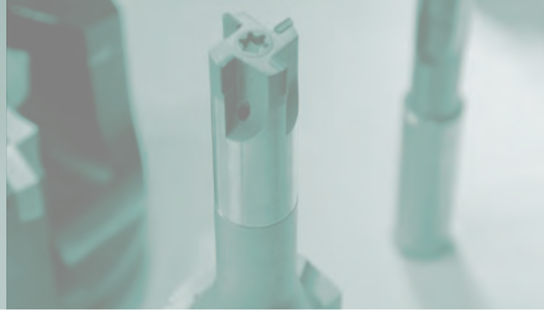
TOOLS

TECHNOLOGY

LOGISTICS

DATA

Annual Report 2017/2018
of KROMI Logistik AG

Key figures at a glance (IFRS)

	Financial year 2017 / 2018 (1.7.17 – 30.6.18)	Financial year 2016 / 2017 (1.7.16 – 30.6.17)
Revenues	80,384	74,306
Earnings before interest and tax (EBIT)	-1,037	2,042
Earnings before tax (EBT)	-1,410	1,621
Consolidated net profit / loss	-2,039	1,116
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share in EUR	-0.49	0.27
Equity ratio in %	51.7	50.8
Cash flow from operating activities	6,168	-4,059
Cash flow from investing activities	-571	-539
Cash flow from financing activities	-4,678	3,728
Employees at end of period (excluding Managing Board)	187	173

In EUR thousand (unless otherwise stated)

Financial calendar

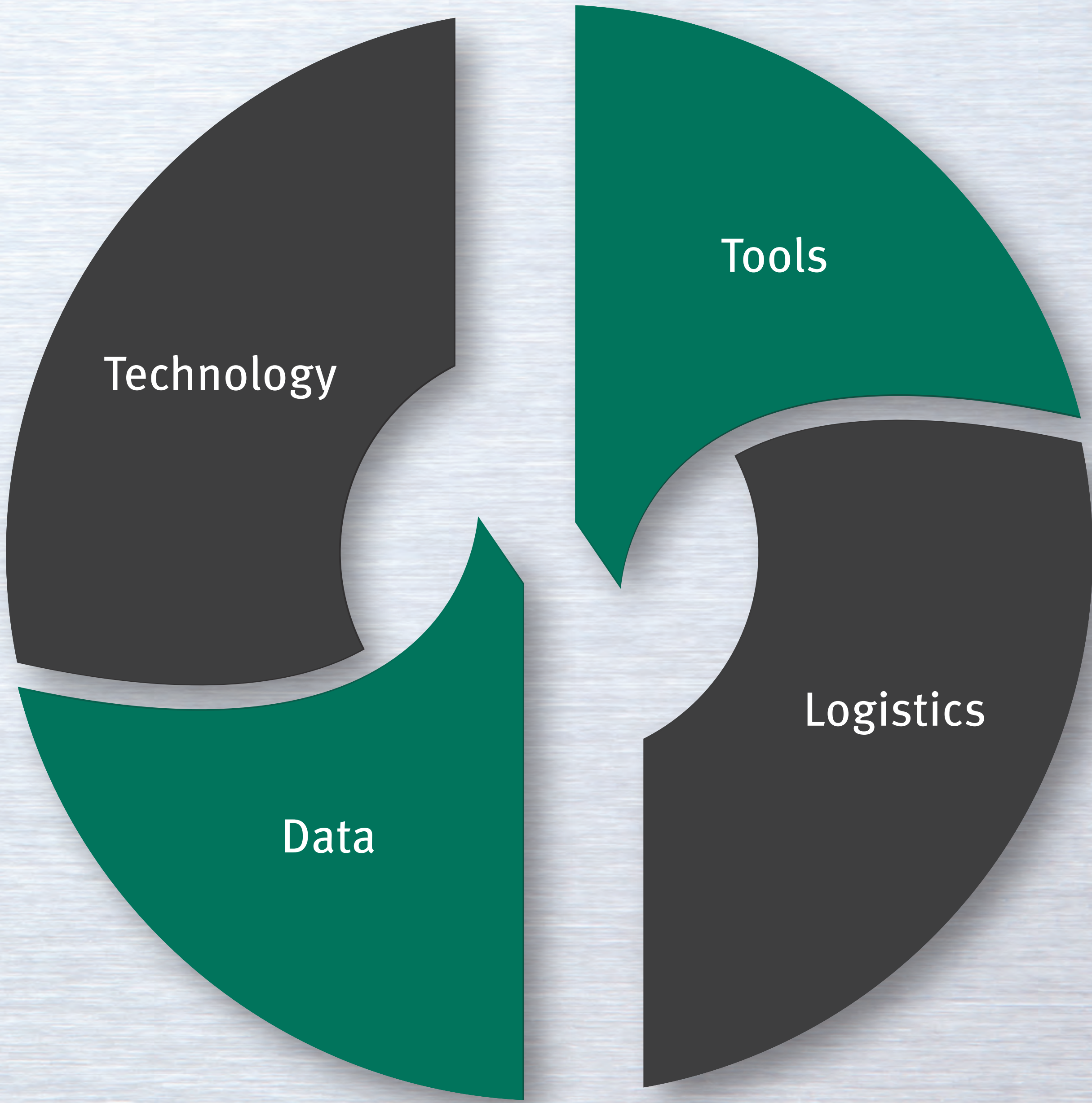
November 8, 2018	3-month report 2017 / 2018
December 5, 2018	Annual shareholders‘ meeting

Tooling – One step ahead

A new brand mark and a new and clear claim: Tooling – One step ahead. We will always remain one step ahead in our competency areas. And this is why we are constantly further developing ourselves – both inwardly and outwardly. Having started as a logistics specialist for machining tools, today we are the leading partner for industrial companies in everything to do with machining. From tools and availability through to the technical further development and deployment of information technology on the path to Industry 4.0: we are optimally positioned along the value chain. In this way, we offer our customers genuine value added.

Our new brand mark and our claim “Tooling – One step ahead” convey to the sector and the public how we see ourselves as a technology company. We know what our customers need – yesterday, today, and tomorrow. Our competences do not end with the pure procuring of machining tools, but instead go one step further: with software solutions we enable the digitalisation of tools management and make Industry 4.0 possible. And so we are always one step ahead.

At the same time, the further development of our corporate claim is based on a strategic restructuring into the four competency areas of Tools, Technology, Logistics and Data: here we bundle our competences and services for our customers.



Independence on a one-stop shop basis

Tools management should be in expert hands. Having the right tool of the right quality at the right time forms a prerequisite for efficient production processes. We assume this task for our customers. We attend to all aspects of procurement logistics up to the machine itself. In order to ensure this, we supply not only tools to our customers but also all requisite products and processes.

As an independent service provider, we work on a manufacturer-neutral basis with all leading tool producers. This enables us to provide the optimal tool or working resource for all our customers' tasks, including a wide selection of different manufacturers.

For the customer, this signifies cost-optimal supplies as part of the individual tools solution. At the same time, complexity in procurement is reduced and warehousing costs are lowered, while also leveraging cost benefits in purchasing.

This is based on our employees' application-specific expertise and the extensive technological and organisational experience we have acquired over almost 20 years of market leadership.

- Professional tool procurement and management
- Outsourcing of tool supplies
- Each individual customer has its own catalogue of articles, including all tool data from the leading tool providers

TECHNOLOGY MANAGEMENT

Optimal costs per part

In our Technology area, we bundle all the measures we offer in order to enhance customer productivity and reduce unit costs in tool deployment.

The KROMI Engineering Process (KEP) – part of a continuous improvement strategy – represents a central instrument. Along with determining a technologically and financially optimal process chain, this also comprises the optimisation of NC programmes and tool deployment plans as part of work preparation: we analyse the costs of tools on a machine and identify the main cost drivers.

Special software tools support a systematic approach and enable different scenarios to be prepared. Costs per part can be gradually optimised thanks to targeted technological measures.

For us, KROMI Technology forms a building block of Industry 4.0: targeted data evaluation enables us to identify potential improvements in processes and technologies. As an external consultant, we are also at our customers' side as a sparring partner.

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

Intelligent supply logistics

The task of procurement logistics is to have the right tool at the right time in the right place. As a professional outsourcing partner, KROMI consequently offers its customers an optimal logistics solution for each article. Intelligent warehouse systems such as the KROMI Tool Server (KTS), the KROMI Tool Center (KTC), the electronic draw cabinet and the carousel comprise the hardware in the KROMI Tool Management Concept. In combination with the KROMI kanban system optimised for operating resources, availabilities in the tool area can be raised to 100 percent.

Logistics systems developed by KROMI offer a unique service: constant availability and transparent consumption. As part of so-called Vendor Managed Inventory (VMI), KROMI even takes over all a customer's inventory management if desired, and concerns itself exclusively with all its supply logistics for tools. Just-in-time delivery with 24 / 7 service also forms part of this. The aim here is not only to maximise availability but also to minimise warehousing and inventory costs in particular.

- World's only full, cross-manufacturer supplier
- 100 percent availability at the right time, at the right place
- 24 / 7 supply service

DATA MANAGEMENT

Ready for Industry 4.0

Transparent consumption analysis requires the IT connection of KROMI supply systems, as only in this way can all tools stocks and withdrawals be fully documented in real time. The KROMI Data area is increasingly influenced by Industry 4.0 as a consequence. KROMI has developed three different measures to digitally connect tool management.

Individual machine consumption can be digitalised via eControl, the KWM tool catalogue digitalises tool data and the eCloud forms a central KROMI database. Web services and visualisation via app are available correspondingly for all these offerings.

Actual consumption can be allocated to their respective cost centres with the help of the online-managed monitoring system eControl KCo. If these data are reconciled with the machines' actual production volumes, actual tool costs per part can be calculated reliably and compared with budgeted figures.

- Full consumption monitoring
- Cost analysis every 10 minutes
- Transparent costs per part and per process step

Dear shareholders, employees
and friends of our company,

The 2017 / 2018 fiscal year proved to be an exciting year for KROMI Logistik. Thanks to our innovative business model, we have further expanded our customer activities, especially in Brazil, and for the first time our Group sales have surpassed the EUR 80 million level. The end of our supply contract with a key customer placed a burden on our results, by contrast. Further non-operating special effects arose from the provision necessitated in connection with the stepping down from office of Jörg Schubert as of December 31, 2017, and the agreed payment instalments until the end of the related period, as well as accounting-based currency losses imputed in connection with our business in Brazil. These special effects also required us to adjust our earnings forecast for the fiscal year under review.

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

Apart from the special effects burdening Group earnings this year, we see high potential for our attractive model in the countries where we are active. Our sales revenue grew by 8.2 percent compared with the previous year to reach EUR 80,384 thousand. Our operating earnings – in other words, EBIT adjusted to reflect non-operating effects – amounted to EUR 1,346 thousand. We thereby exceeded our adjusted forecast for the operating result.

Despite the pleasing revenue growth, the earnings trend was unsatisfactory due to greater margin pressure. For this reason, we will realign our product strategy and instigate important structural measures to secure growth as well as to establish a significantly improved cost structure, in order to secure good and stable profitability. This necessitated extraordinary expenses last year, which will continue to burden our earnings in the current 2018 / 2019 fiscal year. We are convinced that the new product strategy developed under our claim “Tooling – One step ahead” will lead to extended market penetration. With the competency areas of Tools, Technology, Logistics and Data, our customers are to be offered a spectrum of top technical performance, maximum availability and comprehensive transparency. From these, our customers can select what is the most economically viable for them.

Despite the negative one-off effects we incur this fiscal year, with these projects we look with optimism to the future. Numerous promising discussions with customers also reinforce our assessment that ever more manufacturing companies recognise and appreciate the value our service adds. As a data manager with the corporate and technical understanding of our customers and their needs, we see ourselves as optimally positioned for a continuous growth track especially in relation to “Industry 4.0”.

We at KROMI wish to anchor corporate management and an entrepreneurial approach on an even more sustainable base in our daily activity and thinking. We are progressing innovation and technology on a targeted basis to the benefit of our customers, thereby creating values on which stable business relationships are established. With our customers, employees and suppliers, we are pleased to accept the challenges of the future, and to grow accordingly.

Your Managing Board Team

Bernd Paulini Uwe Pfeiffer Axel Schubert

Capital market information

Important key data (July 1, 2017 – September 15, 2018)

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, 2017**	EUR 12.84
Share price as of June 30, 2018**	EUR 12.05
Percentage change	-6.2 %
52-week high***	EUR 15.00
52-week low***	EUR 11.70

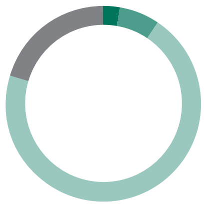
* KROMI Logistik AG's Managing Board (KROMI) decided on August 29, 2018 to apply to the management of the Frankfurt Stock Exchange for the revocation of the admission of KROMI shares to the Prime Standard, whereby trading of KROMI shares in the General Standard is automatically initiated. The change of the stock exchange segment will enable the company to reduce considerable costs and make processes more efficient. The revocation of admission becomes effective three months after publication of the revocation decision by the management of the Frankfurt Stock Exchange.

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

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

Overall, the KROMI Logistik AG share price was slightly negative in fiscal year 2017 / 2018. The share opened at EUR 12.84 on July 1, 2017. After an upswing in August, the share price moved in a range around EUR 14.00 until January 2018. During this period, the share reached its highest value of EUR 15.00 on September 28, 2017. At the end of January, the share price fell slightly and reached its interim low of EUR 11.70 on February 6, 2018. In the following months, the share moved around EUR 12 with slight fluctuations and closed at EUR 12.10 on September 15, 2018. KROMI Logistik's market capitalization amounted to EUR 49.9 million on this trading day. Overall, KROMI Logistik recorded a slight price loss of 5.8 percent in the period from July 1 2017 to September 15, 2018.

Shareholder structure



■	2,91 %	Schubert Family
■	6,55 %	KROMI Beteiligungsgesellschaft mbH
■	70,46 %	Investmentaktiengesellschaft für langfristige Investoren TGV
■	20,08 %	Free float

Investor Relations

The shares of KROMI Logistik AG have been listed in the Prime Standard of the Frankfurt Stock Exchange since the IPO in March 2007. KROMI Logistik AG‘s Managing Board (KROMI) decided on August 29, 2018 to apply to the management of the Frankfurt Stock Exchange for the revocation of the admission of KROMI shares to the Prime Standard, whereby trading of KROMI shares in the General Standard is automatically initiated. The change of the stock exchange segment will enable the company to reduce considerable costs and make processes more efficient. The revocation of admission becomes effective three months after publication of the revocation decision by the management of the Frankfurt Stock Exchange.

In its presentation to the public, the company is and still will be led by the guiding principle that it should cultivate a transparent information policy, and engage in open dialogue with investors, analysts and the media. 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 2017 / 2018 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 the 2017 / 2018 fiscal year, the Supervisory Board of KROMI Logistik AG continued to perform its duties according to the law, its articles of incorporation, the German Corporate Governance Code and the Supervisory Board's rules of procedure, and supervised and advised the company's management on an ongoing basis.

Composition of the Supervisory Board

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

Through resolutions unanimously approved by the Supervisory Board on January 8, 2018 – including the abstention of the respective individuals involved – the former Deputy Supervisory Board Chairman, Mr. Ulrich Bellgardt, was elected Chairman, and the previous Chairman, Mr. Jens Große-Allermann, was elected Deputy Supervisory Board Chairman by way of an exchange of functions.

In the 2017 / 2018 fiscal year, the Supervisory Board accordingly consisted of:

- Ulrich Bellgardt (from April 1, 2018, Supervisory Board Chairman, until January 3, 2018, Deputy Chairman)
- Jens Große-Allermann – (from April 1, 2018, Deputy Supervisory Board Chairman, until January 3, 2018, Chairman)
- Stephan Kleinmann (expert pursuant to Section 100 (5) of the German Stock Corporation Act [AktG])
- Prof. Dr. Eckart Kottkamp

Meetings

In the 2017 / 2018 fiscal year, the Supervisory Board held five meetings by personal attendance on September 4, September 26 and November 17, 2017 as well as on February 16 and May 30, 2018. All Supervisory Board members attended all meetings, with two auditors representing the independent auditor of the financial statements in attendance in order to explain the annual financial statements to the meeting on September 26, 2017, which approved the financial statements for the fiscal year ending June 30, 2017.

In addition to the aforementioned attended meetings, the Supervisory Board held a total of four telephone conferences.

In early February 2018, the entire Supervisory Board participated in a workshop relating to the corporate mission and strategic queries relating to corporate development, together with the Managing Board and the expanded management group of KROMI Logistik AG. In April 2018, the Supervisory Board Chairman met with the Managing Board and two members of the company's expanded management group in a further workshop examining the status of work on the strategic projects that had been defined in the previous workshop.

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

Supervisory Board activities

The aforementioned meetings and further information and discussions enabled the Supervisory Board to be informed in depth about the company's commercial and financial position, profitability, risk position and risk management, general business policy and important business transactions. The Managing Board informed the Supervisory Board promptly and comprehensively. The Supervisory Board used as its basis the annual budget approved for the 2017 / 2018 fiscal year in order to monitor the management of the business.

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

The performance of the international subsidiaries in their respective domestic markets formed a focus of the activity of the Supervisory Board and its discussions with the Managing Board. Brazil enjoyed particular significance in this context, as in previous years. The positive operating performance of the Brazilian subsidiary, KROMI do Brasil, continued. Here, the Supervisory Board's attention was also directed especially at currency and cash flow matters. The Supervisory Board had itself be informed promptly and in detail about sales trends, and discussed with the Managing Board its expectations and measures for the further development of the Group companies. The system for reporting to the Supervisory Board was continuously further developed.

As part of reporting on business trends, the Supervisory Board had itself be informed about the situation of the specific focus sectors of the company's customers, and developments at important major clients, as well as about forthcoming projects to acquire new customers.

At the telephone meeting on July 20, 2017, the Supervisory Board discussed the intended change at the head of the company from Managing Board Chairman / CEO Jörg Schubert to his successor Mr. Bernd Paulini as Managing Board Spokesman as of the end of 2017, and passed the related resolutions. The Supervisory Board meeting on September 26, 2017 also included Supervisory Board consultations – in the presence of the auditor – relating to the clarification and discussion of the separate financial statements for the fiscal year ending June 30, 2017 and the consolidated financial statements for the fiscal year ending June 30, 2017, as well as planning for the 2017 / 2018 fiscal year. In a Supervisory Board telephone meeting in January 2018, the Supervisory Board approved the exchange of functions between the previous Supervisory Board Chairman and the previous Deputy Supervisory Board Chairman. In the telephone meetings of April 2018, the Supervisory Board consulted concerning matters relating to the processing of the business relationship with a major customer.

Supervisory Board consultations also continuously covered important questions relating to controlling and IT structures. This also included the structuring of customer relationship management (CRM) software.

Corporate governance

The Supervisory and Managing boards continue to act in the awareness that good corporate governance forms an important precondition for the success of the company, and lies in our shareholders' interests. On June 29, 2018, the Managing and Supervisory board renewed its usual annual declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The wording of this declaration is reproduced in this annual report as part of the corporate governance statement.

Audit of the annual financial statements for 2017 / 2018

The separate annual financial statements as well as the consolidated financial statements prepared according to International Financial Reporting Standards of KROMI Logistik AG, as compiled by the Managing Board, and the respective management reports for the 2017 / 2018 fiscal year, 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 September 24, 2018 Supervisory Board meeting to approve the aforementioned financial statements (the "accounts meeting"), the Supervisory Board had the Managing Board explain the company's separate annual financial statements for the fiscal year ending June 30, 2018, and had it report on profitability, especially the company's equity, as well as concerning the progress of business and the company's position. All Supervisory Board members received the requisite documents before this meeting. The auditor was present at the meeting, providing detailed explanations about the audit report, and responding in depth to questions about the financial statements and its related audit report, which the Supervisory Board members raised in the course of the financials meeting. The Supervisory Board concurred with the auditor's report. No concerns arise about the auditor's independence. The Supervisory Board concurred with the auditor's findings. After an in-depth review, the Supervisory Board does not believe that any reason exists to raise objections to the management or to the financial statements prepared by the Managing Board. In consequence, the Supervisory Board approved the separate financial statements for the fiscal year ending June 30, 2018 and the consolidated financial statements for the fiscal year ending June 30, 2018 of KROMI Logistik AG. The separate annual financial statements of KROMI Logistik AG were thereby adopted pursuant to Section 172 of the German Stock Corporation Act (AktG). The Supervisory Board concurred with the Managing Board's proposal concerning the application of unappropriated profit.

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

Hamburg, September 24, 2018

Ulrich Bellgardt
Chairman of the Supervisory Board

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 [German Commercial Code] (old version)”.

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 [German Commercial Code] (old version)

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.

Since 01.01.2018 the executive board consists of three members: The board spokesperson with responsibility for the areas of sales and technology, the chief financial officer, 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 29.06.2018, 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 2017 / 2018 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 percent. 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 (3) 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.
- By way of derogation from Section 5.4.6(2) GCGC, the members of the supervisory board receive a fixed remuneration: there are no performance-related remuneration components. The responsibility and workload of all members of the supervisory board is the same. Even without the incentive of performance-related remuneration, the work is success-oriented and is remunerated appropriately and practicably via the fixed remuneration.

This statement refers to the recommendation of the Code in the version dated 07.02.2017.

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 07.02.2017, with the above-mentioned exceptions.

Hamburg, June 29, 2018

For the Supervisory Board

Ulrich Bellgardt

For the Executive Board

Bernd Paulini | Uwe Pfeiffer | 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 Mr 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 percent of the voting rights.

Remuneration report

The remuneration report summarises the principles for the setting of the remuneration of the executive board 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 KROMI Logistik AG on December 7, 2006 with effect from January 1, 2007. In the period July 1, 2016 to June 30, 2017 pension liabilities in the amount of approximately EUR 38 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 percent 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 46 thousand (Paulini) and EUR 25 thousand (A. Schubert) were generated in the period from 1 July 2016 to 30 June 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 the aforementioned date, the executive board members Bernd Paulini and Axel Schubert, via their 33.3 percent shareholding each in KROMI Beteiligungsgesellschaft mbH each indirectly held a stake in KROMI Logistik AG, with 90,000 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, together with its subsidiaries (hereinafter referred to as a KROMI), is a manufacturer-independent expert in optimising tool availability and tool deployment, especially technologically advanced machining tools for metal and plastics processing in machining operations. As a trustworthy and transparent partner to manufacturing industry, KROMI combines machining technology, data management, streamlined logistics processes and tools wholesaling to form compelling all-round solutions. Thanks to interconnected tool dispensers in customers' production areas in combination with digital inventory controlling, KROMI ensures the optimal utilisation and availability of the requisite working resources at the right time and in the right place. KROMI's activities aim to always offer maximum benefits for customers' machining operations. This entails continuously analysing in detail processes on the customer side and identifying opportunities and potential improvements, in order to optimally integrate tool supplies with all requisite services.

II. Company structure

On the reporting date of June 30, 2018, the KROMI Group had four facilities in Germany: besides the head office in Hamburg, the company has offices in Magdeburg, Düsseldorf and Stuttgart. It also operates subsidiaries in Brazil, Slovakia, Spain and the Czech Republic. In addition, KROMI has customers in Denmark, France, Austria, Poland and Romania. All domestic and foreign subsidiaries and offices are purely service organisations solely responsible for tool controlling and analysis, tool optimisation, as well as decentralised tool supply on customers' premises. The only exception is the subsidiary in Brazil.

III. Segments

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

IV. Services

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

V. Employees

At the end of fiscal 2017 / 2018, KROMI (excluding its Managing Board) employed 187 staff (June 30, 2017: 173). This also includes one trainee in the wholesale and export trade area.

VI. Principles of Group steering

KROMI utilises various key figures in order to manage performance in relation to target attainment. This entails applying planning and controlling processes to prepare the requisite key figures and information for decision-makers at various management levels. Detailed annual plans and respective budget figures are determined based on strategic planning. Rolling monthly forecasts enable differences between budget and actual outcomes to be identified and analysed, allowing countermeasures to be launched at an early juncture in the case of any negative developments. The steering system has not changed compared with the previous year.

Business report

I. Macroeconomic conditions

The Kiel Institute for the World Economy (ifw) calculates that worldwide gross domestic product (GDP) expanded by 3.9 percent in 2017. The world economy remains in a strong upturn in 2018. It is anticipated that global production over the coming two years, 2018 and 2019, will grow further at rates of 3.8 percent and 3.6 percent respectively. Turbulence in financial markets in the context of the forthcoming monetary policy normalisation and the escalation of trade policy conflicts form the main risks in this context.[1]

With a look to the Eurozone, GDP growth of 2.4 percent is expected in 2018, similar to the 2.5 percent level reported in 2017. This expansion continues to be driven by low interest rates and a slightly expansive financial policy. For 2019, the Kiel economists anticipate that Eurozone GDP will increase by 2.1 percent.[2]

Brazil finally overcame its recession last year. After three years characterised by contracting GDP, the economy grew again in 2017, by 1 percent. Unemployment also diminished considerably last year. This was evident in the production gains in the first quarter of 2017, with a 6 percent year-on-year expansion rate. This is especially attributable to exports.[3] It is anticipated that GDP over the coming two years, 2018 and 2019, will advance at rates of 1.7 percent and 2.4 percent respectively.[4]

Constant economic expansion characterised the economic situation in Germany 2017, leading to 2.5 percent GDP growth. According to the German Federal Statistical Office, this represents the fastest growth since 2011, when Germany recovered from the consequences of the global financial crisis. Positive growth drivers in 2017 derived mainly from the domestic economy, primarily private and state consumption spending. Overall, almost all economic sectors made positive contributions to Germany‘s economic growth in 2017.[5] With regard to 2018, the Kiel Institute for the World Economy forecasts GDP growth of two percent. Despite a somewhat weaker start to the year, according to the experts, production will re-accelerate during the further course of the year. A further expansion of Germany‘s GDP is anticipated for 2019. This should amount to 2.3 percent, according to forecasts.[6]

[1] Kiel Institute Economic Outlook World, summer 2018 | [2] Kiel Institute Economic Outlook Euro Area, spring 2018 | [3] Kiel Institute Economic Outlook World, spring 2018 | [4] Kiel Institute Economic Outlook World, summer 2018 | [5] German Federal Statistical Office – press release, January 11, 2018: German economy continued to grow strongly in 2017 | [6] Kiel Institute Economic Outlook Germany, summer 2018

II. Sector-related conditions

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

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

a. Engineering / precision tools

Machine and plant engineering was again the most important growth driver for German industry in 2017, according to the German Mechanical Engineering Industry Association (VDMA). Nominal sales reached a record result, rising by 5.4 percent to reach EUR 226 billion. Price-adjusted production also reported a very positive growth track, with an increase of 3.9 percent. [7]

New order intake in the machine building sector in Germany also recorded a marked increase in 2017. This is sector achieved marked growth of 8 percent year-on-year in real terms. Here, the drivers derived mainly from abroad (plus 10 percent). Both orders from non-Euro countries (up by 9 percent) as well as orders from Euro partner countries (a rise of 11 percent) registered growth in 2017. Domestic demand lagged somewhat, reporting an increase of 5 percent. While in the previous year (2016) machine exports to non-EU countries were minimal, and predominantly orders from non-EU countries held worldwide exports above the zero line, this picture changed fundamentally in 2017. Export volumes were boosted considerably by China, in particular, with an increase of 22.6 percent and surprisingly also the USA with a rise of 11.6 percent, which is due to the fact that more than 10 percent of German machine exports are delivered to each of these markets respectively (USA: EUR 18 billion, China: EUR 17.4 billion). Only the United Kingdom, Turkey as well as the Near / Middle East and North Africa regions remained below the zero line. The precision tools subsector also recorded marked new order intake growth, rising by a total of 7 percent year-on-year in real terms. Growth in Germany amounted to 5 percent, while 12 percent more orders were issued in the precision tools subsector abroad, according to VDMA data.[8]

b. Aircraft construction and aviation

The International Air Transport Association (IATA) continues to report growing flight volumes for 2017 and the further future. Airlines connected a record number of cities worldwide in 2017, with more than 20,000 connections. This represents an increase of 1,351 compared with 2016, and a doubling since 1995. Accordingly, passenger kilometres also registered a strong rise of 8.1 percent in 2017. This is the fastest growth for more than a decade and lies significantly above the average over many years of 5.5 percent. The increase in passenger volumes in 2017 was driven by a broad-based improvement in global economic conditions as well as lower flight prices. Lower prices have been bolstering demand

[7] VDMA, Mechanical Engineering – Figures and Charts 2018 | [8] VDMA, Mechanical Engineering – Figures and Charts 2018

since the end of 2014 and have contributed to a passenger kilometres trend recorded above the long-term average for three consecutive years. In the airfreight area, following a recovery in the second half of 2016, sector-wide freight tonne kilometres trended upward by 9.7 percent in 2017, compared with 3.6 percent in 2016. Airfreight in 2017 grew more than twice as fast as global trade volumes – the highest growth rate since the recovery from the global financial crisis in 2010.[9]

For 2018, the IATA anticipates an increase of 6.5 percent in passenger volumes to more than 4.3 billion passengers worldwide. According to the forecast, freight volumes are also set to grow by 4.0 percent. Consequently, the IATA expects commercial airlines to receive more than the 1,900 new aircraft this year, representing a considerable investment for the sector. Around half of this year's deliveries will replace existing fleet. Accordingly, the fleet is set to increase by 1,000 aircraft this year to almost 30,000 aircraft. The expansion track is expected to go further, as markets are growing quickly and prospects are deemed to remain positive.[10]

The German Federal Ministry for Economic Affairs and Energy (BMWI) 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 global aircraft demand by 2030 and average annual growth of around 5 percent, ascribe good capacity utilisation prospects to large civilian aircraft manufacturers and their supplier firms.[11]

c. Automotive supply industry

The worldwide automotive business performed well overall in 2017, according to the German Automotive Industry Association (VDA). China reported further year-on-year growth of 2 percent, with 24.2 million cars sold. A positive trend in the full 2017 year was also recorded in Europe, with automobile sales reaching their highest level since 2007. Around 15.6 million cars were sold, reflecting three percent growth compared with the previous year. European car sales amounted to around 1.1 million units in December 2017 alone. The Brazilian light vehicle market reached 2.2 million units sold last year, up almost 9 percent on the previous year's level. The rate of increase amounted to 3 percent in December 2017 (205,300 vehicles). This represented the eighth consecutive month of growth. Overall, 2017 was a good automotive year. For 2018, the VDA anticipates that the world car market will grow by 1 percent to 86 million units.[12]

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

III. Course of business – KROMI in the 2017 / 2018 fiscal year

Corporate strategy and objectives, and its implementation in the Group in fiscal 2017 / 2018

In order to exploit market potentials even better in the future, the Managing and Supervisory boards set new focus areas during the course of the 2017 / 2018 fiscal year relating to how the company perceives itself and in terms of its strategy.

The primary corporate objective anchored within KROMI's mission statement is to generate the maximum value for customers through managing tools in machining operations in Europe and Brazil deploying KROMI's ART. Sales and earnings are solely the consequence of all activities directed to customer utility, and the related orientation within the entire company. The optimisation and efficiency enhancement of machining processes as well as cost reduction in production and administration form the focus of KROMI's customer value proposition. The continuous development of KROMI's management and employees is based on this fundamental realignment. In order to foster the company's sustainable growth and development, KROMI employees are to be given even greater scope for entrepreneurial activity than before.

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

Steering system

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

- Sales revenue
- Gross profit margin
- Profit from operations

Furthermore, KROMI applies the following additional indicators:

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

The central performance indicators of gross profit margin (revenue excluding other income less cost of materials in relation to revenue as a percentage), revenue, and profit from operations (revenue to other operating expenses according to income statement items 1 to 6) reflect KROMI's profitability. Revenue provides crucial information about the level of utilisation at customers and in industries. The gross profit margin is also of central importance as it reflects profitability and is an indicator of changes in tools deployment and prices. The company also monitors the additional indicators of warehouse stock, inventory turnover, and outstanding debtor periods and levels. The Managing Board aims to keep warehouse stocks at a level that ensures 100 percent tools availability for customers, and also takes tool manufacturers' delivery period into consideration. The inventory turnover rate is also monitored in order to identify the changes in warehouse stocks and revenue (tool consumption). This should lie between 3.0 and 4.0. This figure amounted to 3.0 in the fiscal year under review (previous year: 3.5). Outstanding debtor periods and levels are additional indicators directly affecting KROMI's liquidity, and indicators of customers' financial positions. The debtor period should not exceed 90 days, and accordingly the level of receivables should not be higher than the revenue for the last 90 days. In the fiscal year under review, the average outstanding debt period amounted to 72 days (previous year: 73 days) and the level of receivables stood at EUR 15,745 thousand as of June 30, 2018 (previous year: EUR 19,118 thousand). The previous year's forecast of a slight improvement in these additional indicators was thereby met.

As part of calculating the preliminary figures for the third quarter of 2017 / 2018, the Managing Board adjusted the gross profit and earnings forecast for the 2017 / 2018 fiscal year. Based on this forecast, the targets that had been set were met in full. Revenue increased to EUR 80,384 thousand in the 2017 / 2018 fiscal year (previous year: EUR 74,306 thousand). The 8.2 percent revenue growth was in the upper single-digit range, as stated in the forecast. The Managing Board originally assumed a continuous and marked year-on-year improvement in profit from operations (EBIT). In contrast to the original expectations, however, the ending of the supply contract with a key customer had considerably negative effects on the gross profit margin and consequently on the Group's profit from operations. The gross profit margin of 22.8 percent was below the previous year's level of 24.8 percent. This led the Managing Board to anticipate for the fiscal year a breakeven to slightly positive profit from operations before non-operative special effects from currency translation as well as the special effects from the liability as part of the departure of former CEO.

Operating earnings, in other words, EBIT adjusted for non-operative and non-cash special effects, amounted to EUR 1,346 thousand (previous year: EUR 2,324 thousand). The operating earnings forecast was thereby exceeded.

With the focus on the strategic realignment to maximise value for customers, KROMI is currently working on adjusting the steering system. Corresponding projects were initiated and implemented for this purpose in the 2017 / 2018 fiscal year. The focus here is on a clearer definition of products within the KROMI portfolio of services, and analysis of the corresponding process costs. The results of the process cost analysis lead to the possibility of making the product range and price positioning even more individual and even more transparent for customers in the future. Additionally, from these results the Managing Board and the management can derive specific options to further develop the business model.

Germany: Positive business development in our core market

Revenues with existing customers were further expanded in the fiscal year under review thanks to the good performance of the economy, despite the termination of the supply contract with a key customer as of the start of the new year. Although new customers were acquired during the course of the fiscal year elapsed, they made only a minor contribution to revenue, or did not contribute at all. Revenue (excluding other income) in the "Germany" segment rose by EUR 1,478 thousand accordingly. This represents 3.3 percent year-on-year growth.

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

KROMI's operating business in European countries outside Germany performed well. KROMI acquired additional new customers and also reported growth in its business with existing customers. Revenue generated in European countries outside Germany was up by a total of EUR 2,566 thousand year-on-year overall. This corresponds to 10.5 percent growth. The usually lower margins for the first-time customer business at the start of the customer relationship initially had a negative impact on the gross profit margin.

Brazil: Very successful sales revenue trend in a demanding environment

Growth at the Brazilian subsidiary remained positive overall in the 2017 / 2018 fiscal year, given a better economic environment. Economically-induced dips in revenue over the past years in the existing business were almost completely recovered, for example. Significant new business was also acquired in the fiscal year elapsed. The past years' trend provides clear evidence of the potential inherent in the business model in Brazil. This development in the Brazilian market nonetheless also led to a disproportionate increase in costs, chiefly staff costs. Due to these market-driven costs, we were unable to meet the originally forecast EBIT margin. KROMI will continue its growth strategy in this market and the German parent company will continue to provide the requisite working capital to the Brazilian subsidiary.

Optimisation and efficiency enhancement

KROMI supplies its customers with the latest tool and consumption data, which are unique in terms of quality, thereby forming the basis for optimising tool deployment thanks to KROMI technologies. 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. Here, the KROMI system proves compelling through end-to-end data collection without interfaces, low personnel costs on the customer side, uninterrupted production, the avoidance of rejects, and 100 percent controlling through seamless logging.

All of these process and tool optimisation measures boost value for the customer, and create the foundation for the long-term partnerships that typify KROMI. This approach continued to be further advanced in the 2017 / 2018 fiscal year and it will be differentiated even further in the future.

IV. Financial position and performance

a. Results of operations

Revenue increased by 8.2 percent to EUR 80,384 thousand in the 2017 / 2018 fiscal year (previous year: EUR 74,306 thousand). The revenue growth thereby lies within the range of the upper single-digit percentage revenue growth forecast for the fiscal year under review. Here, a reduction in revenue in the aerospace area was offset by revenue growth in the areas of general machine building and automotive suppliers, especially in Brazil. With this distribution, KROMI continues to benefit from a customer structure that is diversified across different sectors and markets.

The growing business with existing customers as well as continued strong new customer acquisition especially contributed to this performance at KROMI. Revenue (excluding other income) in the core market of Germany grew by 3.3 percent, from EUR 44,414 thousand in the previous year EUR 45,892 thousand. In European countries outside Germany, revenue was up by 10.5 percent, from EUR 24,381 thousand in the previous year to EUR 26,947 thousand, while revenue in Brazil increased by 36.9 percent to EUR 7,544 thousand (previous year: EUR 5,511 thousand).

The cost of materials rose by 11.1 percent, thereby outpacing the revenue growth rate. In absolute terms, it recorded a year-on-year increase from EUR 55,861 thousand to EUR 62,084 thousand. The cost of materials ratio also reported a corresponding rise to 77.2 percent (previous year: 75.2 percent). In Germany, the cost of materials amounted to EUR 34,860 thousand (previous year: EUR 32,733 thousand), in the rest of Europe outside Germany to EUR 21,428 thousand (previous year: EUR 18,850 thousand), and in Brazil to EUR 5,796 thousand (previous year: EUR 4,278 thousand). This development is also reflected in a lower gross profit margin, which at 22.8 percent was below the previous year's level of 24.8 percent. Crucial factors in this context included the above-average business growth in European countries outside Germany (and in Brazil), as lower gross profit margins – in line with standard market margins – are achieved in these areas, as well as the winding down of a supply contract with a key customer, as part of which price reductions were granted for the reduction in the overall tool stocks. In Germany, the gross profit margin amounted to 24.0 percent (previous year: 26.3 percent), in the rest of Europe outside Germany 20.5 percent (previous year: 22.7 percent) and in Brazil 23.2 percent (previous year: 22.4 percent).

Staff costs rose year-on-year from EUR 10,937 thousand to EUR 12,383 thousand. The staff cost ratio stood at 15.4 percent, thereby above the previous year's 14.7 percent. Staff costs include a special effect from a liability incurred as part of the departure of former CEO. Adjusted for this special effect, the staff cost ratio reduced to 13.9 percent. The number of employees rose by 14 staff members in the reporting year, and concerned European countries outside Germany as well as Brazil.

Depreciation and amortisation were up slightly to EUR 627 thousand, compared with EUR 563 thousand in the 2016 / 2017 fiscal year. Other operating expenses of EUR 7,297 thousand were up compared with the previous year's level of EUR 5,814 thousand. The main contributors to this increase included IT costs as well as legal and advisory expenses.

The result from operations (EBIT) amounted to EUR -1,037 thousand in the 2017 / 2018 reporting year (previous year: EUR 2,042 thousand). These changes are attributable in particular to the extraordinary staff cost liability of EUR 1,245 thousand (previous year: EUR 0 thousand), unrealised currency losses of EUR 1,138 thousand (previous year: EUR 282 thousand), as well as project-based expenses for further developing the business model.

After interest costs, other financial income and income taxes, the Group reports a net result of EUR -2,039 thousand. KROMI generated a consolidated net profit of EUR 1,116 thousand in the 2016 / 2017 reporting year.

b. Net assets

As of the June 30, 2018 balance sheet date, the total assets of KROMI Logistik stood at EUR 45,922 thousand, thereby significantly below their level as of June 30, 2017 (EUR 49,200 thousand).

On the assets side of the balance sheet, non-current assets reported a decrease from EUR 6,156 thousand as of June 30, 2017 to EUR 5,946 thousand.

Current assets amounted to EUR 39,976 thousand (June 30, 2017: EUR 43,044 thousand). This decrease reflects, firstly, a lower level of inventories of EUR 19,977 thousand (June 30, 2017: EUR 21,244 thousand) due to a reduction in total tool stocks held for the customer in connection with the processing of the ending of a supply contract with a key customer and, secondly, from the stocking of new customers. Furthermore, trade receivables recorded a marked decrease to EUR 16,801 thousand (June 30, 2017: EUR 20,320 thousand). This is due to the high level of receivables in the previous year, reflecting factors relating to the reporting date.

Cash and cash equivalents rose to EUR 1,581 thousand as of the 2017 / 2018 reporting date (June 30, 2017: EUR 675 thousand).

On the equity and liabilities side, the balance sheet comprised year-on-year slightly lower equity of EUR 23,721 thousand as of June 30, 2018 (June 30, 2017: EUR 24,977 thousand). The equity ratio rose from 50.8 % on June 30, 2017 to 51.7 % as of the 2018 balance sheet date due to the reduction in debt financing.

KROMI's debt decreased from EUR 24,223 thousand as of June 30, 2018 to EUR 22,201 thousand. Of this amount, EUR 3,406 thousand (June 30, 2017: EUR 3,360 thousand) was attributable to non-current liabilities, and EUR 18,795 thousand (June 30, 2017: EUR 20,863 thousand) was attributable to current liabilities. While other non-current liabilities and current liabilities increased to EUR 527 thousand (due 30 2017: EUR 110 thousand) and EUR 3,483 thousand (June 30, 2017: EUR 2,332 thousand) respectively, especially as part of the departure of former CEO, other current interest-bearing loans reduced from EUR 12,908 thousand in the previous year to EUR 8,705 thousand as of June 30, 2018, particularly after receipt of the invoicing amount arising from the disposal of inventories from the aforementioned contract end. Trade payables increased to EUR 6,241 thousand (June 30, 2017: EUR 5,122 thousand) due to factors relating to the reporting date.

c. Financial position

At EUR 21,181 thousand (June 30, 2017: EUR 22,181 thousand), working capital (current assets less current liabilities) continues to provide a very strong and stable basis for the Group's targeted growth.

Cash flow from operating activities amounted to EUR 6,168 thousand in the period under review (previous year: EUR -4,059 thousand). Given the consolidated net loss incurred, this derives mainly from a reduction in trade receivables as well as inventories, accompanied by an increase in trade payables as well as other liabilities.

Cash flow from investing activities was recorded at EUR -571 thousand (previous year: EUR -539 thousand), while cash flow from financing activities stood at EUR -4,678 thousand (previous year: EUR 3,728 thousand).

Cash amounted to EUR 1,581 thousand as of the end of the 2017/2018 fiscal year (June 30, 2017: EUR 675 thousand).

KROMI currently has at its disposal EUR 18,700 thousand of working capital credit lines, of which EUR 7,357 thousand were drawn upon as of June 30, 2018.

KROMI was able to meet its payment commitments at all times.

V. Overall statement on the Group's financial position

The Managing Board looks back on a 2017 / 2018 fiscal year that proved to be challenging. The ending and winding down of the supply contract with a key customer placed a heavy burden on KROMI, and the consequences of this loss will continue to accompany us during the new fiscal year. Favoured by a good macroeconomic environment, however, we were already able to offset some of this loss. Thanks to continued high demand for our products and services, we are confident that this loss can be compensated for. The Managing Board and staff have made particular efforts to this end. Business with existing customers performed very well. Sales in the target sectors of automotive suppliers and general engineering expanded at a double-digit percentage rate. Regionally, KROMI continued to report sales revenue growth despite the aforementioned loss of a customer, and revenue abroad was on a positive trend. Overall, the Group reports 8.2 percent year-on-year sales revenue growth to EUR 80,384 thousand.

Although the gross profit margin of 22.8 percent was below the previous year (24.8 percent), it remained within the scope of expectations. Various internal strategic projects are currently underway at KROMI with the aim of expanding the service portfolio and improving the earnings situation by optimizing processes. KROMI incurred a consolidated net loss of EUR 2,039 thousand, compared with a consolidated net profit of EUR 1,116 thousand in the previous year. Before special effects, the consolidated net result would amount to EUR 344 thousand in the reporting year (previous year: EUR 1,398 thousand). With a 51.7 percent equity ratio, EUR 1,581 thousand of liquid assets, and a working capital line of up to EUR 18,700 thousand, KROMI enjoys a stable net assets and financial position and is well equipped to meet future challenges as of the 2018 balance sheet date.

Corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB)

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

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

Report on outlook, risks, and opportunities

I. Outlook

a. Managing Board's overall statement on the Group's development in fiscal 2018 / 2019

Despite strategic investments in optimising the business model – some of which have already been realised and some of which are planned – the Managing Board faces challenging tasks for the current 2018 / 2019 fiscal year. KROMI enjoys a solid base of existing customers, healthy equity capital backing, sufficient liquidity reserves, and a clear vision to continue to serve the continued high level of market demand for its products and services even better and even more individually.

The Managing Board plans to further consolidate and expand the business in the future. Target attainment in all activities serves to manage tools in machining operations in Europe and Brazil by deploying KROMI's ART, in order to generate maximum customer value for the success and profitability of its business. Revenue and earnings are thereby the consequence of this value-oriented orientation. Organic growth is to be achieved primarily at existing locations, while new markets are to be tapped principally by way of accompanying existing customers, in order to then expand them locally. The careful weighing and consideration of opportunities and risks will continue to play a central role in this context in the future.

b. Expected trend in the market environment

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

In turn, for mature economies we expect to see good rates of growth in the current fiscal year. The order books of German industry are well filled. Machine builders 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 Mechanical

Engineering Industry Association (VDMA), in particular, are upbeat for 2018 and expect moderate sales growth. The aviation sector is growing with steadily rising passenger numbers, bringing with it increasing demand for aeroplanes and their components.

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

c. Expected trend for KROMI

We will be able to grow significantly with our existing and new customers. However, it will not be possible to fully compensate for the loss in revenues of the major customer, which will be fully effective in the current financial year. Therefore, the Managing Board assumes a year-on-year decrease in sales revenue in the mid single-digit percentage range for the 2018 / 2019 fiscal year. The gross profit margin is to be held at the 2017 / 2018 fiscal year's level. 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 Managing Board is consequently expecting to see these supporting metrics take a slight turn for the better.

However, the strategically necessary one-off expenses for the further development of the business model will have a negative impact. The Management Board therefore expects a negative operating result in the lower six-digit range.

II. Report on opportunities and risks

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

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

b. Accounting-related internal controlling system

KROMI's Managing Board has set up an internal controlling system for the wide-ranging organisational, technical and commercial workflows in the Group in order to ensure that financial bookkeeping and accounting are conducted properly. As an integral component of the financial accounting process, it comprises preventative, supervisory and revelatory security and controlling measures within the financial accounting and operating functions. The clear allocation of responsibilities and controls 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 dual control principle ensures that no major process goes uncontrolled.

c. Risk management and methods

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

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

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

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

d. Dealing with key potential risks and opportunities

KROMI's operational management is directly responsible for the early recognition, controlling and communication of risks. This allows the company to respond to potential risks both rapidly and comprehensively. The risk policy is geared to the aim of increasing the company's value over the long term. In its overall assessment of the risk situation, the Managing Board is of the opinion that the following risks and their treatment will be of particular importance in the 2018 / 2019 fiscal year:

- Permanent strategic further development of the business model
- The management, steering and controlling of the company's intended growth both in Germany and abroad
- Managing, steering and controlling products, processes, costs and margins
- Proactively monitoring customers, markets and competitors and responding to changes
- The impact on growth dynamics from exogenous macroeconomic developments

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

Liquidity risk

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

Opportunities and risks connected with changes in interest rates

The Group 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 already entered into in the 2011 / 2012 fiscal year in order to hedge the purchase price financing for the Tarpenring 11 building. The negative market values calculated applying the mark-to-market method amounted to EUR 67 thousand as of the balance sheet date.

The interest-rate level was almost unchanged in the 2017 / 2018 fiscal year. The Eurozone reference interest rate stood at 0.0 percent as of the reporting date. It is not expected that this reference interest rate will change significantly over the course of the fiscal year. Accordingly, no significant quantifiable risks are expected to arise during the 2018 / 2019 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 steers and minimises its receivables default risk through consistent debtor management. KROMI's customers primarily comprise established industrial companies with high credit ratings. A risk relating to payment behaviour and solvency nevertheless generally exists. Significant effects for financial position and performance would arise especially given a default on receivable by a customer or a group of customers with a receivables position of more than 10 percent of the overall receivable. The same applies for the termination of the contract with a key customer. Only one group of customers meets this criterion at present. Between two and five months can elapse between the tools being removed from the dispensers and payment actually being received, including the agreed payment targets. KROMI counters receivables default risk through diversification of its portfolio of customers. The Group 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 review by turns by the Managing Board and by the financial management and, if necessary, clarified in a personal discussion with the customer. Equally, all customers are subject to a fixed and automated receivables management / reminder system. As of the balance sheet date, the company was not aware of any significant quantifiable risks arising from the default of debtors in the meaning of the risk definition.

Merchandise risks / warehouse risks

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

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

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

Opportunities and risks arising from the investment in Brazil

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

KROMI has issued a letter of comfort for the benefit of the Brazilian subsidiary. KROMI thereby commits itself to granting its subsidiary financial support to maintain its operating activities where required.

Market opportunities and risks

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

Risks associated with the company's strategy

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

Information technology risks

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

Opportunities arising from the outsourcing trend in manufacturing industry

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

Growth with existing multinational customers

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

High market potential

The market for tool management offers excellent growth opportunities that should strengthen even further due to growing outsourcing trends in industry. As a result of its early introduction of the tool management system in 2000, the Group has already established a pioneering position in the most developed European market by far, 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. With its business, KROMI 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 employees have mostly stayed with the company over a long period. Ensuring that employees remain with the Group for a long period on average will also remain an objective for KROMI in the future. Above and beyond this, KROMI competes with other companies for new, highly qualified staff. A number of measures have been undertaken 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 of these measures. KROMI conducts training in the areas of wholesaling and foreign trade as well as in machining mechanics. As in the past, KROMI plans to continue providing work experience as part of combined work and study courses for students from various academic faculties.

e. Overall statement on the Group's opportunity and risk situation

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

KROMI's long-term business model proved its worth overall in the 2017 / 2018 fiscal year. However, KROMI identifies a stronger trend towards more transparency in relation to performance and costs among its customers and in the market. We have identified this trend and we are working intensively on fulfilling these requirements. In this context, KROMI identifies major opportunities to serve its existing customers on an even more individual basis, and to acquire further customers through meeting this demand situation for the future KROMI model. KROMI is in a very good position thanks to constantly recurring cash inflows, available credit lines as well as the quality and credit standing of its diversified customer base. As of the balance sheet date, the company was not aware of any significant quantifiable risks in the meaning of the risk definition that jeopardised KROMI as a going concern, or which would give rise to expectations of significant effects on its financial position and performance.

Remuneration report

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

I. Remuneration of Managing Board members

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

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

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

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

The level of the variable component takes into consideration existing and other regulations within the company, normal market compensation, and the recommendations of the German Corporate Governance Code. Accordingly, the variable component is fixed at a maximum of 40 percent of total direct compensation for each Managing Board member at KROMI. In this context, 60 percent of the variable compensation is granted as short-term variable compensation following assessment of goal attainment, and 40 percent 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 in a target agreement agrees relevant targets with the Managing Board member for the respective fiscal year. The target agreement to measure variable compensation comprises quantitative targets based on the company's key performance indicators, as well as qualitative goals. The target agreement sets out the mutual relationship of the respective targets (weighting) and the key indicators and target attainment parameters that are relevant for measuring performance in relation to the specific objectives.

Total target attainment is calculated through a weighted addition of the target values achieved for the specific targets. The maximum possible target attainment for the respective individual target amounts to 200 percent of the agreed target value. If a target attainment of 0 percent 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 consideration statutory regulations and the circumstances entailed in the specific case.

By way of divergence from the aforementioned regulations, and in relation to his short-term and long-term variable compensation entitlements for the 2017 / 2018 fiscal year, lump-sum compensation was agreed with Mr. Uwe Pfeiffer, which is to be paid out in full short-term.

Mr. Jörg Schubert was the Chairman of the Managing Board (CEO) until December 31, 2017 of the year under review. With effect as of January 1, 2018, Mr. Bernd Paulini was appointed as the Managing Board Spokesman, having previously been exclusively responsible for the Technology and Products area. For the full course of the fiscal year under review, Mr. Uwe Pfeiffer served as the CFO and Mr. Axel Schubert served as the Managing Board member responsible for the IT and Administration area. Mr. Jörg Schubert's employment contract was unaffected by his stepping down from office as CEO. Accordingly, his contract will continue to be fulfilled as usual until the regular end of the contract as of December 31, 2019. A provision has been formed as of December 31, 2017 for the related expenses, which is explained in greater detail in the notes to the financial statements. Total compensation paid to Managing Board members for fiscal 2017 / 2018 amounted to EUR 1,370 thousand (previous year: EUR 1,701 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 2017 / 2018, the remuneration for members of the Supervisory Board totalled EUR 90 thousand (previous year: 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

KROMI'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 percent of voting rights

As of June 30, 2018, the following direct or indirect interests exceeding 10 percent of the voting rights in the share capital of KROMI Logistik AG had been notified.

	Number of voting rights	Interest of voting rights	Of which attribution according to § 34 (1) 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 registered office in Bonn, Germany.

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

As consideration for the agreed Holding Requirement (including the obligation not to accept 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 of the enterprise value of the KROMI Group for the fiscal year ending June 30 before the respective exercise of the Put Option and the enterprise value of the KROMI Group for the fiscal year ending June 30, 2016)

less

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

divided by

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

plus

(d) EUR 12.00.

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

No separate economic value is ascribed to the Put Option, and it is also not to be valued as consideration for the sale of the KROMI shares under the Share Purchase Agreement, as it relates to the consideration for the additionally assumed obligations (Holding Requirement and assumption of the guarantees in the Share Purchase Agreement). In overview, the respective put options agreed off-bourse in relation to 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, 1. 9. 2021 to 30. 11. 2021
Schubert Vermögensverwaltung KG	119,993	1.9. 2019 to 30. 11. 2019, 1. 9. 2021 to 30. 11. 2021

The total number of KROMI shares held by Langfrist as well as the instruments held in relation to KROMI shares pursuant to Section 38 (1) Clause 1 No. 2 WpHG consequently amount to 3,296,383 KROMI shares as of the June 30, 2018 reporting date, and thereby correspond to an interest of around 79.91 percent in the share capital and voting rights of KROMI Logistik AG.

III. Holders of shares with special rights

No shares with special rights exist.

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

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

V. Restrictions on voting rights or restrictions on transfers

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

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

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

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

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

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

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

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

I. To even out fractional amounts;

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

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

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

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

By way of a resolution by the General Meeting on December 10, 2014, the company was authorised to purchase treasury shares of up to ten percent of its share capital at that time up to December 10, 2019. Together with other shares which May have been acquired for other reasons and which are held by the company or which are to be allocated to it within the meaning of Sections 71a ff. of the German Stock Corporation Act (AktG), the shares acquired as a result of this authorisation May not at any time exceed 10 percent 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 percent higher or 10 percent 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 percent 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 applying a simplified method without reducing the share capital, with the result that the proportion of the other shares in the share capital increases as a 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 percent 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 percent p.a.). This termination right was already triggered by the execution of the Share Purchase Agreement, irrespective of the implementation of the offer. In an additional agreement to the Share Purchase Agreement, the Managing Board members have each entered into a commitment to Langfrist not to utilise this right in relation to the purchase agreement dated June 16, 2016. The notes to the financial statements include details concerning the compensation agreements with Managing Board members.

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

After processing the voluntary takeover offer of Investmentaktiengesellschaft für langfristige Investoren TGV (hereinafter referred to as “TGV”) of July 22, 2016 to the shareholders of KROMI Logistik AG, TGV holds 70.46 percent of the voting rights in KROMI Logistik AG as of the June 30, 2018 reporting date based on the last voting rights notification pursuant to Section 21 / 33 WpHG in each case. As a consequence, KROMI Logistik AG is a dependent company of TGV in the meaning of Section 312 AktG and is subject to the corresponding reporting requirement.

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

In the fiscal year from July 1, 2017 to June 30, 2018, KROMI Logistik AG performed no transactions with Investmentaktiengesellschaft für langfristige Investoren TGV or companies related with it or measures at the instigation or in the interests of Investmentaktiengesellschaft für langfristige Investoren TGV or companies related to it, and neither realised nor refrained from realising any other measures at the instigation or in the interests of Investmentaktiengesellschaft für langfristige Investoren TGV or companies related to it, including such in relation to Investmentaktiengesellschaft für langfristige Investoren TGV and companies related to it concerning subsidiaries of KROMI Logistik AG.

Hamburg, September 24, 2018

Executive Board of KROMI Logistik AG

Bernd Paulini | Uwe Pfeiffer | Axel Schubert

Financial statements

Consolidated balance sheet according to IFRS as of June 30, 2018 and June 30, 2017

Assets	30.06.2018	30.6.2017
Non-current assets		
Intangible assets	562	555
Other property, plant and equipment	3,522	3,541
Other non-current assets	1,462	1,338
Deferred taxes	400	722
Total non-current assets	**5,946**	**6,156**
Current assets		
Inventories	19,977	21,244
Trade receivables	16,801	20,320
Other current receivables	1,105	802
Income tax receivables	512	3
Cash and cash equivalents	1,581	675
Total current assets	**39,976**	**43,044**
	45,922	**49,200**

Equity and liabilities	30.06.2018	30.6.2017
Equity		
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Other reserves	1,563	780
Net retained profits	1,088	3,116
Equity attributable to the shareholders	23,782	25,027
Minority interests	-61	-50
Total Equity	**23,721**	**24,977**
Non-current liabilities		
Provisions for pensions and other post employment benefits	2,042	2,316
Non-current interest-bearing loans	800	900
Other non-current liabilities	527	110
Deferred taxes	37	34
Total non-current liabilities	**3,406**	**3,360**
Current liabilities		
Income tax liabilities	366	318
Other interest-bearing loans	8,705	12,908
Trade payables	6,241	5,305
Other current liabilities	3,483	2,332
Total current liabilities	**18,795**	**20,863**
	45,922	**49,200**

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

Consolidated income statement according to IFRS for the period from July 1, 2017 to June 30, 2018 and from July 1, 2016 to June 30, 2017

	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Revenue	**80,384**	**74,306**
Other operating income	970	911
Cost of material	62,084	55,861
Staff costs	12,383	10,937
Depreciation / amortisation	627	563
Other operating expenses	7,297	5,814
Profit from operations	**-1,037**	**2,042**
Finance costs	396	456
Other financial income	23	35
Earnings before tax	**-1,410**	**1,621**
Income taxes	629	505
Company net profit	**-2,039**	**1,116**
Consolidated net income due to shareholders of KROMI Logistik AG	-2,028	1,122
Consolidated net income due to minority interests	-11	-6
Earnings per share		
Shareholders' consolidated earnings in EUR	-2,027,814	1,121,669
Number of shares (weighted average for the fiscal year)	4,124,900	4,124,900
Earnings per share in EUR (undiluted and diluted)	**-0.49**	**0.27**

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, 2017 to June 30, 2018 and from July 1, 2016 to June 30, 2017

	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Company net profit	**-2,039**	**1,116**
Changes of the components, which are not reclassified in the future income statement for the period:		
Revaluation of pension provisions	59	142
included deffered taxes	34	-46
Changes of the components, which are potentially reclassified in the future income statement for the period:		
Currency translations	660	186
Changes of the reserve for cash flow hedging	44	89
included deffered taxes	-14	-28
Other comprehensive income after tax	**783**	343
Consolidated net income	**-1,256**	1,459
due to		
shareholders of KROMI Logistik AG	-1,245	1,465
non-controlling interests	-11	-6

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

Consolidated cash flow statement for the period from July 1, 2017 to June 30, 2018 and from July 1, 2016 to June 30, 2017

	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Cash flow from operating activities		
Company net profit	-2,039	1,116
+ Income tax expense	629	505
+ Interest received / paid	373	422
+/– Increase / decrease in fixed assets	627	563
+/– Income tax payments	-763	-510
+/– Increase / decrease in provisions	1,255	-290
+/– Loss / gain from disposals of fixed assets	-22	-36
+/– Increase / decrease in inventories	1,267	-124
+/– Increase / decrease in trade receivables	3,519	-4,267
+/– Increase / decrease in other assets	-427	980
+/– Increase / decrease of trade liabilities	1,119	-2,830
+/– Increase / decrease in other liabilities	630	412
Net cash from operating activities	**6,168**	**-4,059**
Cash flow from investing activities		
– Payments for the acquisition of non-current assets	-615	-629
+ Cash inflow from the sale of non-current assets	21	55
+ Cash inflow from interests	23	35
Net cash used in investing activities	**-571**	**-539**
Cash flow from financing activities		
+/– Cash inflow from loans	-4,247	4,223
– Payments for the repayment of lease liabilities	-100	-100
– Interest payments	-331	-395
Net cash used in financing activities	**-4,678**	**3,728**
Net in- / outflow cash and cash equivalents	919	-870
+/– Exchange rate related cash change in cash and cash equivalents	-13	-5
+ Cash and cash equivalents – start of period	675	1,550
Cash and cash equivalents – end of period	**1,581**	**675**

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

Consolidated statement of changes in equity in the period from July 1, 2017 to June 30, 2018 and from July 1, 2016 to June 30, 2017

	Subscribed capital	Share premium	Retained earnings	Net retained profits	Other reserves	Subtotal	Minority interests	Equity
Notes								
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**
1.7.2017	**4,125**	**15,999**	**1,007**	**3,116**	**780**	**25,027**	**-50**	**24,977**
Company net surplus				-2,028		-2,028	-11	-2,039
Other comprehensive income					783	783		783
Consolidated net income				-2,028	783	-1,245	-11	-1,256
30.6.2018	**4,125**	**15,999**	**1,007**	**1,088**	**1,563**	**23,782**	**-61**	**23,721**

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

Notes to the consolidated financial statements for the 2017/2018 fiscal year

1. Introduction

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

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

2. Information on the principles and methods applied in the consolidated financial statements

2.1. Basics

KROMI has prepared consolidated financial statements according to the internationally recognised principles of International Financial Reporting Standards (IFRS) as of June 30, 2018, and has applied all of the International Accounting Standards (IAS) and IFRS approved by the International Accounting Standards Board (IASB) prior to June 30, 2018, to the extent that these had been endorsed by the European Commission and published in the Official Gazette of the European Union before these consolidated financial statements were published and for which application is mandatory.

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

The accounting and valuation, and the explanations and notes, in the IFRS consolidated financial statements for the fiscal year to June 30, 2018 are based on the same accounting and valuation methods as were applied in the preparation of the IFRS consolidated annual financial statements to June 30, 2017, to the extent that they are not presented in section 2.2 "Changes to accounting policies".

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

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

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

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

2.2. New accounting standards

Of the new standards, interpretations and amendments, KROMI, as a matter of principle, applies those for the first time that would be mandatory, in other words, which are applicable to fiscal years beginning on or after January 1, 2017.

As part of its Disclosure Initiative, on January 29, 2016 the IASB published amendments to **IAS 7 "Statements of Cash Flows"**. The aim is to improve information provided about a company's debt. Information to be disclosed includes cash-effective changes to cash flows from financing activities, currency-related changes, changes deriving from the acquisition and disposal of companies, fair value changes and other changes. The amendments are applicable to fiscal years commencing on or after January 1, 2017. In the year of first-time application, there is no need to state comparable figures for the previous year. The new regulation has no effects on the financial statements of KROMI.

On January 19, 2016, the IASB published amendments to **IAS 12 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"**. Write-downs to a lower market value of debt instruments measured at fair value deriving from changes to the market interest-rate level lead to deductible temporary differences. The amendments are to be applied retrospectively for fiscal years commencing on or after January 1, 2017. The amendments do not have a significant effect on the presentation of the financial position and performance of the KROMI Group.

On December 8, 2015, the IASB published **"Improvements to IFRS 2014 – 2016"**. The amendment to IFRS 12 "Disclosure of Interests in Other Companies", which is relevant for the KROMI Group, clarifies that disclosure requirements, apart from IFRS 12.B10 – B16, also concern interests in companies falling under the application scope of IFRS 5. The amendments to IFRS 12 are applicable from January 1, 2017. The new regulation has no effects on the financial statements of KROMI.

Standards not applied early

For the following new or amended standards and interpretations where application is not mandatory until subsequent fiscal years, the KROMI Group is currently working on implementing the requirements for first-time application. Early application is not planned. At present, KROMI anticipates the following effects on the consolidated financial statements as described below.

Published standards, interpretations and amendments adopted by the EU Commission into European law

On May 28, 2014, the IASB published the new standard **IFRS 15 "Revenue from Contracts with Customers"**. The aim of the new standard for revenue recognition is to aggregate previous regulations as well as to determine standard basic principles applicable for all sectors and categories of sales revenues. Pursuant to IFRS 15, revenue is to be recognised if the company has fulfilled its performance obligation and the customer has acquired power of disposal over the agreed goods and services, and can draw benefits from them. To determine the timing and level of revenue recognition, IFRS 15 entails applying a five-step scheme, including detailed regulations concerning the individual steps.

IFRS 15 will replace IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as related interpretations in the future. IFRS 15 was adopted into EU law on September 22, 2016 and is applicable for fiscal years commencing on or after January 1, 2018. Earlier application is permitted. The application date of IFRS 15 in the EU thereby corresponds to the first-time application date approved by the IASB.

Based on the IFRS 15 analyses conducted of business models and customer contracts typically existing within the KROMI Group, no significant changes are anticipated concerning the timing and level of revenues in the consolidated financial statements due to applying the five-step scheme included in IFRS 15.

On July 24, 2014, the IASB published the fourth and final version of its new **IFRS 9 "Financial Instruments"**. The recognition and measurement of financial instruments according to IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement". Application is mandatory for fiscal years commencing on or after January 1, 2018. Earlier application is permitted.

The new IFRS 9 "Financial Instruments" comprises simplified rules relating to the accounting treatment of financial instruments. In future, it will comprise just two categories for the classification of financial assets: measurement at amortised cost and measurement at fair value. The existing differentiated classification and measurement model of IAS 39 is discontinued. IFRS 9 also includes a revised impairment model and new hedge accounting rules. As part of the amendments to IFRS 9, IFRS 7 was also amended in relation to supplementary disclosures about comparable periods when applying IFRS 9 for the first time. These new regulations of IFRS 9 and IFRS 7 must be applied for fiscal years commencing from January 1, 2018.

No significant valuation effects prospectively arise for KROMI from the categorisation of financial assets deriving from debt instruments according to IFRS 9. These financial assets will continue to be measured at amortised cost under IFRS 9.

Trade receivables, other financial assets and financial resources measured at amortised cost fall under the new impairment regulations of IFRS 9. The KROMI Group will prospectively apply the simplified impairment model for trade receivables, where a risk provision is to be formed for expected losses for all receivables over their remaining term, irrespective of credit quality. It is expected that the application of the impairment regulations as of July 1, 2018 will not lead to any significant change in impairments recognised. In the case of other financial assets and financial resources, the KROMI Group does not assume any increase in default risk between first-time recognition and the first-time application date of IFRS 9.

On January 13, 2016, the IASB published **IFRS 16 "Leases"**. IFRS 16 contains new regulations for the accounting treatment of leases and replaces the current IAS 17 with its related interpretations. The new standard especially affects accounting at the lessee. For example, rights and obligations arising from previous operating leases are to be recognised as rights-of-use and lease liabilities. Under IAS 17, payment obligations arising from operating leases are to be disclosed only in the notes to the financial statements. Due to the changes to accounting at the lessee, we currently anticipate a minor increase in total assets due to the minimum lease payments recognised as assets and liabilities at their present value based on the future minimum lease payments. Moreover, a minor improvement is expected in consolidated EBITDA to a maximum of the level of the minimum lease payments deriving from operating leases as stated in the notes to the financial statements. The EBITDA improvement is attributable to the future recognition of amortisation charges applied to the right-of-use and the interest expense from compounding the lease liabilities instead of the previous lease expense in the income statement. The effects from compounding and amortisation have not yet been quantified. In the case of accounting at the lessee, the new IFRS 16 regulations largely correspond to the previous IAS 17 regulations. Based on investigations conducted to date, the application of IFRS 16 will not lead to any significant effect on the KROMI consolidated financial statements. The amendments must be applied to fiscal years commencing on or after January 1, 2019. Earlier application is permitted to the extent that IFRS 15 is also applied. Due to the adoption of IFRS 16 into European law on October 31, 2017, the first-time application date thereby corresponds to the application date approved by the IASB.

On April 12, 2016, the IASB published **clarifications relating to IFRS 15 "Revenue from Contracts with Customers"**, concerning the following topics: identifying performance obligations arising from a contract, classification as principal or agent, and revenue from licences. Analogously to IFRS 15, the amendments are applicable for fiscal years commencing after January 1, 2018. EU endorsement occurred on October 31, 2017.

On December 8, 2015, the IASB published **"Improvements to IFRS 2014 – 2016"**. The amendments concern IAS 28 and IFRS 1. The amendments to IAS 28 and IFRS 1 are to be applied to fiscal years from January 1, 2018. Earlier application is permitted. The amendments will prospectively not have a significant effect on the presentation of the financial position and performance of the KROMI Group. The amendments were adopted into EU law on February 7, 2018.

Standards, interpretations and amendments that have been published but not yet adopted by the EU Commission into European law

On December 8, 2016, the IFRS IC published a new interpretation IFRIC 22 “Foreign Currency Transactions and Advance Consideration” in the application area of **IAS 21 “The Effects of Changes in Foreign Exchange Rates”**. The foreign currency transaction is recognised in the functional currency applying the cash rate prevailing on the respective transaction date. If a company renders or receives several the prepayments as part of the transaction, the transaction dates, and consequently the exchange rates, are to be determined separately for each prepayment. IFRIC 22 is applicable for fiscal years from January 1, 2018. Earlier application is permitted. The interpretation will not have a significant effect on the presentation of the financial position and performance of the KROMI Group.

On June 7, 2017, the IFRS IC published a new interpretation **IFRIC 23 “Tax Risk Positions from Income Taxes”** in the area of application of IAS 12 “Income Taxes”. IFRIC 23 supplements IAS 12 regulations about reflecting uncertainties relating to the income tax treatment of various circumstances and transactions. IFRIC 23 is applicable for the first time for fiscal years from January 1, 2018. The interpretation will not have a significant effect on the presentation of the financial position and performance of the KROMI Group.

On October 12, 2017, the IASB published amendments to **IFRS 9 “Financial Instruments”**. The amendments concern the measurement of prepayment features with negative compensation. The first-time application date is for fiscal years from January 1, 2019, with earlier voluntary application permitted. The amendments will not have a significant effect on the presentation of the financial position and performance of the KROMI Group prospectively.

On December 12, 2017, the IASB published **“Improvements to IFRS 2015 – 2017”**. The amendments concern IFRS 3 / IFRS 11, IAS 12 and IAS 23. The amendments to IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements” determine that the principles for business combinations achieved in stages (IFRS 3.42A) are to be applied when control is achieved through a business previously managed as a joint operation. However, no revaluation is required when joint control is obtained (joint operation).

The amendment to **IAS 12 “Income Taxes”** requires the income tax effects from receiving dividends to be reported in the operating result. This occurs irrespective of how the tax charge arose.

The amendments to **IAS 23 “Borrowing Costs”** include clarifications to determine the financing cost rate in connection with the procurement of qualified assets.

The first-time application date of the amendments is for fiscal years from January 1, 2019, with earlier voluntary application permitted. The amendments will prospectively not have a significant effect on the presentation of the financial position and performance of the KROMI Group.

2.3. Principles of consolidation, group of consolidated companies

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

The group of consolidated companies includes the financial statements of

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

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

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

2.4. Currency translation

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

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

EUR in BRL	30.06.2018	30.06.2017
Exchange rate on balance sheet date	4.49	3.76
Annual average exchange rate	3.95	3.52

Currency translation differences in the individual financial statements and from the consolidation of receivables, liabilities, expenses and income resulted in expenses that are recognised in income totalling EUR 1,157 thousand (previous year: EUR 297 thousand).

3. Summary of key accounting methods

3.1. Consolidated balance sheet items

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

Acquired **goodwill** relates to the transfer of intangible assets from Tarpenring 11 Vermogensverwaltungsgesellschaft mbH. Amortisation is not applied to goodwill according to IAS 38, but is instead tested for impairment at least once per year. All impairment losses are expensed immediately.

Goodwill is tested for impairment based on forecast-based future cash flows for the cash-generating unit to which the goodwill is allocated. The goodwill that is capitalised in the consolidated financial statements is tested for impairment at the level of KROMI. No goodwill impairment losses were required as a result of impairment testing.

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

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

Depreciation is measured based on the following estimated useful lives:

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

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

No collateral is held for financial assets.

Other non-current receivables include reinsurance policies taken out to finance issued pension commitments that do not comprise qualified insurance policies, and bank balances pledged to cover pension commitments. The reinsurance policies are measured at the fair value of the reinsured assets according to IAS 19.104A. Calculations are based on actuarial surveys based on biometric information. The anticipated income is carried under the net financial result. Actuarial gains / losses are recognised in profit and loss (within the net financial result) in full in the year in which they arise.

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

Trade receivables are carried at amortised cost, which as a rule corresponds to their nominal values, including all recognisable risks. Specific valuation allowances are formed for individual identifiable risks.

Risks are estimated by the Managing Board, assuming the future cash flow from the respective balance sheet item that is anticipated on the date the financial statements are prepared. If payments are regarded as being unlikely, this risk is reflected through percentage reductions (specific valuation allowances). The Managing Board believes that the valuation allowances provide sufficient cover for the existing risks. It is impossible to either estimate or state a range of event probabilities and risks.

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

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

Cash and cash equivalents are carried at nominal value.

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

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

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

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

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

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

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

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

KROMI deploys derivative financial instruments in the form of interest-rate swaps to hedge against interest-rate risks (cash flow hedge). These derivative financial instruments were recognised at fair value on the date when the contracts were entered into, and are remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their fair value is positive as financial liabilities if their fair value is negative. The negative fair values of the interest-rate swaps were reported as financial liabilities as of June 30, 2018.

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

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

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

The interest-rate swaps were fully classified as non-current in line with the total term of the hedged loan and the working capital credit line, and reflecting materiality aspects.

3.2. Recognition of revenues and expenses

Income from the sale of merchandise and the provision of services is carried under revenues. In the case of merchandise, revenue is recognised, as a matter of principle, when the merchandise is delivered to the customer, and consequently when the significant risks and opportunities connected with ownership transfer to the purchaser, the receipt of the consideration is probable, the costs can be estimated reliably, and no further power of disposal over the goods exists. Sales revenues are recognised less price discounts. To the extent that goods are delivered when customers remove merchandise from the KTC dispensers (KROMI Tool Centre, comprising a service desk and tool dispenser unit) installed at customers' facilities, revenues are recognised when the customers remove the merchandise. Income from services is recognised when the respective service is performed. Revenues are measured in the amount of the income received.

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

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

3.3. Employee benefits from pension plans

Any defined benefit plans for employees that exist are structured as a direct commitment. As a result, no assets are removed from the balance sheet, but rather the existing benefit obligations that have been accrued on a pro rata basis on the balance sheet date are carried at their present values as provisions on the balance sheet, and are offset with plan assets arising from reinsurance policies. The benefit commitment on the balance sheet date is measured applying actuarial principles and the projected unit credit method. In this method, not only the acquired entitlements that are known on the balance sheet date, but also future expected pension increases are taken into consideration. Calculations are based on actuarial surveys that are in turn based on biometric information according to the Heubeck 2005 G mortality tables. Actuarial gains and losses are carried directly to equity in the year in which they arise. The current service cost is carried as personnel expenses, and the interest portion is carried as financial expense.

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

3.4. Currency translation

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

3.5. Contingent liabilities

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

3.6. Estimates and assumptions

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

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

On the balance sheet date, valuation allowances of EUR 1,123 thousand had been applied to trade receivables (previous year: EUR 1,107 thousand). No impairment adjustments were required for inventories, as in the previous year. The management believes that existing risks are sufficiently covered as a consequence. Actual results and developments May differ from these estimates and assumptions.

4. Notes on individual consolidated balance sheet items

4.1. Non-current assets

4.1.1. Intangible assets and property, plant and equipment

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

in KEUR	Goodwill	Intangible assets Other	Land and buildings	Other property, plant and equipment
Cost on 1.7.2018	150	703	3,157	6,430
Currency differences	0	0	0	-46
Additions – individual acquisitions	0	240	0	390
Disposals	0	0	0	-64
Reclassifications	0	0	0	0
Cost on 30.6.2018	**150**	**943**	**3,157**	**6,710**
Amortisation / depreciation on 1.7.2017	0	298	505	5,542
Currency differences	0	0	0	2
Additions	0	233	81	313
Disposals	0	0	0	-98
Reclassifications	0	0	0	0
Amortisation / depreciation on 30.6.2018	**0**	**531**	**586**	**5,759**
Carrying amount on 1.7.2018	150	405	2,652	888
Carrying amount on 30.6.2018	**150**	**412**	**2,571**	**951**

in KEUR	Goodwill	Intangible assets Other	Land and buildings	Other property, plant and equipment
Cost on 1.7.2014	150	553	3,157	6,365
Currency differences	0	0	0	7
Additions – individual acquisitions	0	150	0	479
Disposals	0	0	0	-421
Reclassifications	0	0	0	0
Cost on 30.6.2018	**150**	**703**	**3,157**	**6,430**
Amortisation / depreciation on 1.7.2018	0	178	423	5,575
Currency differences	0	0	0	2
Additions	0	120	82	354
Disposals	0	0	0	-389
Reclassifications	0	0	0	0
Amortisation / depreciation on 30.6.2018	**0**	**298**	**505**	**5,542**
Carrying amount on 1.7.2018	150	375	2,734	790
Carrying amount on 30.6.2018	**150**	**405**	**2,652**	**888**

Intangible assets include software in the amount of EUR 412 thousand (previous year: EUR 405 thousand), which is used for the operation of the server and the PC systems, as well as licenses purchased to implement a new merchandise management system. In addition, goodwill is carried in the amount of EUR 150 thousand (previous year: EUR 150 thousand) from the acquisition of intangible assets from Tarpenring 11 Vermögensverwaltungsgesellschaft mbH. According to IAS 38, goodwill is not amortised, and no impairment was reported.

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

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

4.1.2. Other non-current receivables

This item exclusively comprises the re-insurance concluded to finance the pension commitments made, which do not comprise plan assets, in an amount of EUR 469 thousand (EUR 345 thousand). In addition, this item includes EUR 993 thousand of bank deposits pledged to secure the pension commitments (previous year: EUR 993 thousand).

The changes in plan assets are presented in section 4.4.1.

4.2. Current assets

4.2.1. Inventories

As of June 30, 2018, no inventories existed that are recognised at net realisable value, as in the previous year. No impairments to inventories were reported in the 2017 / 2018 fiscal year, as in the previous year.

4.2.2. Trade receivables

Composition:

In KEUR	30.06.2018	30.06.2017
Gross receivables	17,924	21,427
Less valuation allowances	-1,123	-1,107
	16,801	**20,320**

Trade receivables relate to receivables from customers from the delivery of goods and the provision of services. Receivables do not carry interest and are generally due within one year. The additions to the valuation allowances for trade receivables totalled EUR 198 thousand in the fiscal year (previous year EUR 183 thousand). Valuation allowances and reversals of valuation allowances changed as follows:

In KEUR	Specific valuation allowances
As of 30.6.2016	**1,026**
Expensed additions	183
Utilisation / reversal	-102
As of 30.6.2017	**1,107**
Expensed additions	198
Utilisation / reversal	-182
As of 30.6.2018	**1,123**

The term structure of the trade receivables on June 30, 2018 was as follows:

In KEUR					Of which overdue and unimpaired				
	Carrying amount of receivables	Of which impaired	Of which unimpaired	Of which not overdue	Up to 3 months	Between 3 months and 6 months	Between 6 months and 12 months	More than 12 months	Total overdue
As of 30.6.2018	17,924	1,123	16,801	12,278	4,133	183	178	29	4,523
As of 30.6.2017	21,427	1,107	20,320	15,646	3,963	208	503	0	4,674

On the balance sheet date, receivables of EUR 4,523 thousand (previous year: EUR 4,674 thousand) were overdue and had not been written down. Of the overdue unimpaired receivables, receivables in an amount of EUR 4,330 thousand (previous year EUR 4,312 thousand) had been received at the time when this annual report was prepared. The non-overdue receivables have retained their value in the management's assessment.

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

In KEUR	30.6.2018	30.6.2017
Receivables in EUR	16,819	20,239
Receivables in BRL	1,105	1,188
	17,924	**21,427**

4.2.3. Other current assets
Composition:

In KEUR	30.6.2018	30.6.2017
Value added tax	200	12
Advances to commercial representatives	0	5
Prepaid expenses	168	197
Deferred bonus payments	107	110
Creditor accounts in debit	34	5
Industrial product tax (Brazil)	229	187
Other	367	286
	1,105	**802**

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

4.2.4. Cash and cash equivalents
The cash and cash equivalents comprise current account balances and cash in hand of EUR 1,581 thousand (previous year EUR 675 thousand). From the management's perspective, all of these funds are designated for fulfilling payment obligations and consequently form a liquidity reserve.

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

In KEUR	30.6.2018	30.6.2017
Cash and cash equivalents in EUR	1,480	427
Cash and cash equivalents in BRL	67	217
Cash and cash equivalents in CZK	34	31
	1,581	**675**

4.3. Equity

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

Composition:

In KEUR	30.6.2018	30.6.2017
Subscribed share capital	4,125	4,125
Share premium account	15,999	15,999
Retained earnings	1,007	1,007
Unappropriated net profit	1,088	3,116
Other reserves	1,563	780
Equity due to shareholders	**23,782**	**25,027**
Non-controlling interests	-61	-50
	23,721	**24,977**

Composition of the other reserve:

	Adjustment item for currency translation and other reserves	
In KEUR	30.6.2018	30.6.2017
Currency translation differences	1,777	1,117
Cash flow hedges	-46	-76
Remeasurement of pensions	-168	-261
	1,563	**780**

4.3.1. Subscribed share capital and authorised share capital

The subscribed share capital of KROMI amounted to a total of EUR 4,124,900 on June 30, 2018 (previous year: EUR 4,124,900). It comprises 4,124,900 no par value bearer shares (previous year: 4,124,900). All of the shares are ordinary shares and carry an equal participating interest in the company's share capital. No differing share classes exist. One share grants the holder one vote at the General Meeting.

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

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

4.3.2. Share premium account

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

4.3.3. Retained earnings

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

4.3.4. Other reserves

Other reserves include cash flow hedge reserves comprising negative fair values from interest-rate swaps designated as hedging instruments, and which are effective as such, less related deferred tax.

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

4.3.5. Non-controlling interests

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

4.3.6. Information about capital management

The Group's capital structure mostly comprises current liabilities from ongoing business, and equity. Equity is almost entirely attributable to the parent company's shareholders, and mostly comprises shares issued, the capital reserves, revenue reserves and the other earnings. The equity ratio stood at 51.7 % as of June 30, 2018 (previous year: 50.8 %).

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

4.4. Non-current liabilities

4.4.1. Pension provisions

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

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

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

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

	Target value of obligation	
In KEUR	**30.6.2018**	**30.6.2017**
Balance at start of period	**2,955**	2,944
Current service cost	89	91
Interest cost	65	62
Expense for pension benefit	**154**	153
Balance at end of period (expected)	**3,109**	3,097
Actuarial gains (-) / losses (+) resulting and amortised during the period	-59	-142
Balance at end of period (actual)	3,050	2,955
Less plan assets	**-703**	-639
Adjustments due to the departure of an employee	**-305**	0
Balance at end of period (netted)	**2,042**	2,316

The following actuarial assumptions were applied when calculating the provision:

in % p.a.	**30.6.2018**	**30.6.2017**
Discount rate	2.16	2.21
Future pension increases	1.00 - 2.00	1.00 - 2.00
Anticipated employee turnover rate	0.00	0.00

Biometric basis (mortality): Heubeck 2005 mortality tables

New mortality tables (HEUBECK-RICHTTAFELN 2018 G) to measure pension provisions were published on July 20, 2018.

As the average life expectancy has risen, although at a slower rate than in the past, a moderate increase in pension provisions is anticipated over all based on HEUBECK. The transition effect will not be as significant as with the transition to the 2005 G mortality tables.

In our opinion, the HEUBECK-RICHTTAFELN 2018 G do not necessarily need to be applied for the purposes of accounting in IFRS financial statements as of June 30, 2018.

Any transition effect would be recognised directly in other comprehensive income.

The new tables have not yet been applied in this set of financial statements.

Furthermore, we wish to point out that an increase in pension provisions of between 1.5 % and 2.5 % is generally expected according to a HEUBECK press statement.

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

Sensitivity calculation relating to the interest rate:

	Interest rate	DBO	SC
Basis calculation	2.16 %	3,050,345 €	91,750 €
Sensitivity -0.5 percentage points	1.66 %	3,369,729 €	103,628 €
Sensitivity +0.5 percentage points	2.66 %	2,772,142 €	81,486 €

Sensitivity calculations relating to mortality:

		DBO	SC
Basis calculation	Life expectancy based on Heubeck 2005 mortality tables	3,050,435 €	91,750 €
Sensitivity	1-year higher life expectancy	3,197,559 €	96,354 €
Sensitivity	1-year lower life expectancy	2,902,284 €	87,120 €

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

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

The duration of the existing pension commitments amounts to 19.00 years (previous year: 20.00 years).

Plan assets:

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

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

	Present value of asset	
In KEUR	30.6.2018	30.6.2017
Balance at start of period	639	556
Interest income	-14	7
Contributions paid by employer	78	76
Payments rendered	0	0
Balance at end of period (expected)	703	639
Remeasurement	0	0
Balance at end of period (actual)	703	639

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

Changes in pension provision:

In EUR	30.6.2018	30.6.2017
Net obligation at start	2,316,426	2,387,631
Payments received	139,461	140,452
Remeasurement	-30,605	-135,653
Pension payments	0	0
Employer contributions	-77,697	-76,004
Adjustments due to the departure of an employee	-305,598	0
Net obligations at the end	2,041,987	2,316,426

During the year under review, the Group also granted benefits through a congruently reinsured benefits fund, which are also classified as a defined contribution plan. During the year under review, an amount of EUR 79 thousand was expensed for these benefit commitments (previous year EUR 105 thousand). The benefit commitments do not result in any assets and liabilities that should be allocated to the Group.

A total of EUR 791 thousand was paid to statutory or state pension plans for defined contribution plans in the 2017 / 2018 fiscal year (previous year EUR 720 thousand).

4.4.2. Non-current interest-bearing loans

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

4.4.3. Other non-current liabilities

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

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

A further interest-rate swap comprising a volume EUR 3.0 million was also entered into in the 2012 / 2013 fiscal year, which serves to hedge working capital credit lines. On the basis of the agreement, the Group makes a quarterly fixed interest payment of 1.27 % of the nominal capital amount, and receives a variable interest rate equivalent to 3-month EURIBOR. The interest-rate swap carried a term until December 31, 2017. These loans meet Level 3 criteria.

These derivative financial instruments were recognised at fair value on the date when the contracts were entered into, and are remeasured at fair value in subsequent periods. The negative fair value of the interest-rate swap of EUR 67 thousand (previous year EUR 111 thousand) is calculated applying the mark-to-market method, and was reported as a financial liability as of June 30, 2018. The interest-rate swaps were fully classified as non-current in line with the total term of the hedged loan and the planned working capital credit line, and taking materiality aspects into consideration.

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

4.4.4. Deferred taxes

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

In KEUR	30.6.2018	30.6.2017	Changes: Income statement	Changes: Other comprehensive income
Deferred tax assets				
Pension provisions	379	429	-84	34
Interest-rate swap (cash flow hedge)	21	35	0	-14
Loss carryforwards	0	258	-258	0
	400	722	-342	20
Deferred tax liabilities				
Goodwill	37	34	3	0
	37	34	3	0

4.5. Current liabilities

4.5.1. Liabilities from income taxes

The tax liabilities relate mainly to income taxes to be demanded by the German tax authorities for the 2015 / 2016 and 2016 / 2017 fiscal years as well as additional taxes arising from the external tax audit was conducted and their adjustment in subsequent years.

Composition:

in KEUR	30.6.2018	30.6.2017
Corporation tax	132	149
Business tax	157	133
Tax provision after audit	77	36
	366	318

4.5.2. Current interest-bearing loans

Composition:

In KEUR	30.6.2018	30.6.2017
HSH Nordbank - money market loan -	2,000	3,500
Commerzbank - money market loan -	2,000	3,000
HypoVereinsbank - Euro loan -	2,000	2,500
Commerzbank - current account -	0	1,451
Deutsche Bank - current account -	0	1,229
Hamburger Sparkasse - money market loan -	1,000	1,000
Deutsche Bank - Brazil	100	114
HypoVereinsbank - real estate financing -	100	100
HSH Nordbank - current account -	1,501	14
Deferred interest	4	0
	8,705	**12,908**

The overdraft is due daily. The interest rate amounted to 4.74 % on June 30, 2018. The money-market and euro loans for EUR 7,000 thousand are due on September 30, 2018, and carry interest rates between 1.04 and 1.64 %.

4.5.3. Trade payables

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

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

	30.6.2018	30.6.2017
Liabilities in EUR thousand	5,558	4,733
Liabilities in BRL thousand	683	572
	6,241	**5,305**

4.5.4. Other current liabilities

Composition:

In KEUR	30.6.2018	30.6.2017
Personnel-related deferrals	2,541	1,224
Tax liabilities	254	434
Liabilities for social security	202	197
Other	946	477
	3,943	**2,332**

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

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

5. Notes to the consolidated income statement

5.1. Revenue

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

in KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Deliveries and services - Germany	46,534	44,932
Deliveries and services - Rest of the world	27,439	24,450
Deliveries and services - Brazil	7,544	5,511
Sales reductions	-1,133	-587
	80,384	**74,306**

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

5.2. Other operating income

Composition:

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Costs transferred to related companies	407	20
Benefits in kind – vehicles	399	480
Income from written-down receivables	75	0
Rents	0	217
Income from disposals of plant	0	35
Other	89	159
	970	**911**

5.3. Cost of materials

Composition:

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Materials utilised	61,526	55,778
Purchased services	1,882	1,339
Taxes in Brazil	251	14
Less discounts	-921	-986
Less bonus payments	-403	-284
	62,084	**55,861**

5.4. Staff costs

Composition:

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Wages and salaries	10,488	9,141
Social security expenses and pensions	1,895	1,796
	12,383	**10,937**

During the fiscal year from July 1, 2017 to June 30, 2018, the Group employed an average of 181 staff, who exclusively comprised salaried employees (previous year: 166), in addition to the members of the Managing Board. As of June 30, 2018, the Group employed a total of 187 staff including the members of the Managing Board (previous year 173).

5.5. Other operating expenses

Composition:

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Distribution costs	3,452	3,540
Operating costs	1,039	969
Administration costs	945	697
Expenses arising from currency differences	1,157	297
Additions to valuation allowances for receivables	42	25
Miscellaneous	662	286
	7,297	5,814

5.6. Financial expenses

Composition:

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Miscellaneous interest expenses	331	395
Interest on pension commitments	65	62
	396	457

5.7. Other financial income

In the year under review, other financial income exclusively comprised EUR 23 thousand of interest income from current accounts (previous year EUR 35 thousand).

5.8. Income taxes

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

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Trade tax current year	0	388
Corporation tax current year	0	356
Solidarity surcharge current year	0	20
Foreign income taxes	13	7
Current year tax expense	**13**	**771**
Trade tax for previous years	132	-1
Solidarity surcharge for previous years	7	0
Corporation tax for previous years	131	0
Previous years' tax expense	**270**	**-1**
Deferred tax income – temporary differences	0	-89
Deferred tax expenses – temporary differences	346	176
Deferred tax income	**346**	**-265**
	629	**505**

The average Group tax rate for the 2017 / 2018 fiscal year stood at 32.0 % (previous year: 32.0 %).

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

In KEUR	1.7.2017 – 30.6.2018	1.7.2016 – 30.6.2017
Pre-tax profit / loss	-1,410	1,621
Expected tax expenses (tax rate 32 %)	**0**	**519**
Taxes for previous years	270	-1
Losses not usable for taxes	258	0
Losses not yet used for taxes	0	-146
Taxes on foreign subsidiaries	13	0
Non-deductible expenses	0	41
Others	88	0
Actual tax expenses current year	**629**	**505**

The tax loss carryforwards amount to EUR 833 thousand (previous year: EUR 760 thousand) and correspond to EUR 283 thousand of deferred tax assets (previous year: EUR 258 thousand).

The tax losses can be offset with the future taxable earnings of the company in which the loss arises. Deferred tax assets of EUR 0 thousand were recognised for tax loss carryforwards (EUR 258 thousand). The possibility of utilisation was estimated based on planning.

5.9. EBIT, EBIT margin, gross profit

The Group reported EUR -1,037 thousand of EBIT during the fiscal year (previous year: EUR 2,042 thousand). This also corresponds to the result before interest and taxes (EBIT). The EBIT margin (as a percentage of revenue) consequently amounted to -1.3 % (previous year: 2.8 %). Gross profit decreased from EUR 18,445 thousand to EUR 18,300 thousand.

6. Leasing

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

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

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

Operating leasing:

in KEUR	30.6.2018	30.6.2017
Total future minimum lease payments as a result of operating leases that cannot be terminated	745	710
- of which: due within one year	410	379
- of which: due within between one and five years	335	331
Payments recognised in income in the period under review from leases and sub-leases		
- Minimum lease payments	986	1,034
- Payments received from subleases	0	-35

7. Contingent liabilities and financial commitments

Contingent liabilities

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

Financial commitments

The defined contribution benefit plans result in monthly payments to a benefit fund of around EUR 5 thousand for the period in which an employment relationship exists with the beneficiary.

8. Financial risks and financial instruments

Categories of financial instruments

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

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

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

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

Default risk

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

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

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

Liquidity and interest-rate risk

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

The Group has a credit line of EUR 18.7 million. The utilisation of this credit line amounted to EUR 7.4 million as of June 30, 2018.

Foreign currency risks

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

Only a small proportion of the Group's assets and liabilities are not denominated in Euros, and are denominated almost exclusively in the Brazilian Real. When translated into Euros, these financial assets totalled around EUR 1,343 thousand on the balance sheet date (previous year: EUR 1,372 thousand), and the financial liabilities totalled around EUR 683 thousand (previous year: EUR 572 thousand).

Sensitivity to changes in foreign currency exchange rates

The parent company finances its Brazilian subsidiary with Euro-denominated loans. A 5 % depreciation in the Real feeds through to EUR 291 thousand of exchange rate losses, and a 5 % appreciation of the Real equals EUR 322 thousand of exchange rate gains, both of which impact Group pre-tax earnings.

Market risk

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

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

9. Notes to the consolidated cash flow statement

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

The cash and cash equivalents position amounts to EUR 1,581 thousand (previous year: EUR 675 thousand) as of June 30, 2018, and consists of cash and cash equivalents from Germany (EUR 1,349 thousand, previous year: EUR 281 thousand), Slovakia (EUR 55 thousand, previous year: EUR 53 thousand), the Czech Republic (EUR 33 thousand, previous year: EUR 30 thousand), Spain (EUR 76 thousand, previous year: EUR 94 thousand) and Brazil (EUR 68 thousand, previous year: EUR 217 thousand).

The indirect method was applied to calculate cash flows from operating activities. The cash flow statement starts with Group profit or loss. The cash outflows from taxes have been allocated to operating activities, where they are carried under a separate item. The cash outflows from interest payments were allocated to financing activities, while cash inflows from interest payments were also reported separately under investing activities. Besides depreciation, amortisation, impairment charges and foreign currency exchange rate losses, cash flow from operating activities in the 2017 / 2018 fiscal year included no further significant non-cash expenses and income, as in the previous year.

10. Segment reporting

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

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

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

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

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

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

			Abroad					
In KEUR	**Home**		**EU**		**Brazil**		**Total**	
	1.7.2017 – 30.6.2018	**1.7.2016 – 30.6.2017**	**1.7.2017 – 30.6.2018**	**1.7.2016 – 30.6.2017**	**1.7.2017 – 30.6.2018**	**1.7.2016 – 30.6.2017**	**1.7.2017 – 30.6.2018**	**1.7.2016 – 30.6.2017**
Revenue (from external customers)	**45,892**	44,414	**26,947**	24,381	**7,544**	5,511	**80,383**	74,306
Less cost of materials	-34,860	-32,733	-21,428	-18,850	-5,796	-4,278	-62,084	-55,861
Segment result	**11,032**	11,681	**5,519**	5,531	**1,748**	1,233	**18,299**	18,445
Plus other operating income							970	912
Less staff costs							-12,383	-10,937
Less amortisation / depreciation							-627	-563
Less other operating expenses							-7,296	-5,814
Less / plus: financial result							-373	-422
Less / plus: income taxes							-629	-505
Consolidated net profit / loss							-2,039	1,116

In KEUR	Home		Abroad				Total	
			EU		Brazil			
	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Segment assets	**19,683**	**26,394**	**17,789**	**16,248**	**3,390**	**3,018**	**40,862**	**45,660**
Of which non-current segment assets	3,554	3,635	149	184	381	277	4,084	4,096
Of which current segment assets	16,129	22,759	17,640	16,064	3,009	2,741	36,778	41,564
Plus cash and cash equivalents							1,581	675
Plus assets not allocated to segments							3,479	2,865
Total assets							45,922	49,200

Further segment information:

In KEUR	Home		Abroad				Total	
			EU		Brazil			
	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Investments	452	499	1	16	177	114	630	629
Less amortisation / depreciation	553	490	17	18	57	56	627	564
Significant non-cash items (impairment losses)							0	0

Revenues are presented according to deliveries of goods and services (provision of KTC dispensers) as described under 5.1.

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

The Group achieves approximately 15.6 % or EUR 12,571 thousand (previous year 14.6 % or EUR 10,827 thousand) of its revenues with one group of companies. Of this total, EUR 3,103 thousand are attributable to Germany (previous year: EUR 2,466 thousand) and EUR 9,468 thousand are accounted for by European countries besides Germany (previous year: EUR 8,361 thousand).

The Group generates approximately 13.8 % or EUR 11,086 thousand (previous year: 17.6 % or EUR 13,066 thousand) of its revenues with another group of companies. Of this total, EUR 10,781 thousand are attributable to Germany (previous year: EUR 13,049 thousand) and EUR 306 thousand are accounted for European countries besides Germany (previous year: EUR 17 thousand).

11. Earnings per share

The subscribed share capital of KROMI amounted to a total of EUR 4,124,900.00 on June 30, 2018 (previous year: EUR 4,124,900.00). It comprises 4,124,900 no par value bearer shares. All of the shares are ordinary shares and carry an equal participating interest in the company's share capital.

Shares	30.6.2018	30.6.2017
Number of shares – start of period	4,124,900	4,124,900
Number of shares – end of period	**4,124,900**	**4,124,900**

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

in EUR	01.07.2017 - 30.06.2018	01.07.2016 - 30.06.2017
Consolidated net profit / loss	-2,027,814	1,121,669
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share (basic)	**-0.49**	**0.27**

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

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

No dividends were paid in the period from July 1, 2017 to June 30, 2018.

12. Related party disclosures

KROMI Logistik AG is the ultimate parent company.

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

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

- Jörg Schubert, member of the Managing Board until December 31, 2017
  Member of the Group Executive Committee – until December 31, 2017
- Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn
- Norman Rentrop, Bonn

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

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

- Schubert Vermögensverwaltung KG, Hamburg
- Schubert family members

c) Other individuals in key positions:

- Ulrich Bellgardt (Supervisory Board Chairman from April 1, 2018, until then Deputy Supervisory Board Chairman)
- Jens Große-Allermann (Deputy Supervisory Board Chairman)
- Prof. Eckart Kottkamp (Supervisory Board member)
- Stephan Kleinmann (Supervisory Board member)
- Jörg Schubert, (Managing Board member)
  Member of the Group Executive Committee until December 31, 2017
- Uwe Pfeiffer (Managing Board member)
  Member of the Group Executive Committee
- Bernd Paulini (Managing Board member)
  Member of the Group Executive Committee
- Axel Schubert (Managing Board member)
  Member of the Group Executive Committee
- Jens Kumpert (authorised company officer)
  Member of the Group Executive Committee
- Jenis Acosta Managing Director of KROMI Logistica do Brasil Ltda
  Member of the Group Executive Committee
- Andre Bartels (authorised company officer)
  Member of the Group Executive Committee

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

Compensation of key management members

In KEUR	2017 / 2018	2016 / 2017
Short-term employee benefits	1,840	2,007
Other long-term benefits	189	298
Post-employment benefits	154	153
	2,183	2,458

13. Information on the executive bodies of KROMI Logistik AG

13.1. Managing Board

The following persons were appointed as members of the Managing Board of KROMI Logistik AG for the fiscal year ending on June 30, 2018:

- Jörg Schubert (Managing Board Chairman / CEO until December 31, 2017), Quickborn
  Further supervisory board mandates / memberships in executive bodies: none
- Bernd Paulini (Managing Board Chairman / CEO from January 1, 2018, until then COO), Lüblow
  Further supervisory board mandates / memberships in executive bodies: none
- Uwe Pfeiffer(CFO), Hamburg
  Further supervisory board mandates / memberships in executive bodies: none
- Axel Schubert (CIO), Quickborn
  Further supervisory board mandates / memberships in executive bodies: none

Total compensation paid to the Managing Board amounted to EUR 1,375 thousand in the 2017 / 2018 fiscal year (previous year: EUR 1,701 thousand), and is derived as follows:

	2017 / 2018				2016 / 2017			
In EUR	Basic compensation	Performance-based compensation	Performance-related remuneration with long-term incentive effect	Total compensation	Basic compensation	Performance-based compensation	Performance-related remuneration with long-term incentive effect	Total compensation
Jörg Schubert	221,690	75,877	45,526	343,093	443,379	172,428	66,243	682,050
Bernd Paulini	219,951	78,119	46,871	344,941	198,270	79,552	31,110	308,932
Uwe Pfeiffer	270,437	111,375	0	381,812	271,116	103,414	40,137	414,667
Axel Schubert	197,557	67,082	40,249	304,888	192,585	74,066	29,035	295,686
				1,374,734				1,701,335

Non-share-based compensation of EUR 88 thousand dependent on the occurrence or discontinuation of future conditions was granted to the Managing Board members in the 2017 / 2018 fiscal year (previous year: EUR 172 thousand). Such compensation was distributed among the Managing Board members as follows: Jörg Schubert EUR 30 thousand (previous year: EUR 69 thousand), Bernd Paulini EUR 31 thousand (previous year: EUR 32 thousand), Uwe Pfeiffer EUR 0 thousand (previous year: EUR 41 thousand) and Axel Schubert EUR 27 thousand (previous year: EUR 30 thousand). The remuneration report presents the main characteristics of the commitment, the impact on the level, and the temporal distribution of the benefit.

Compensation of EUR 130 thousand was granted in the year under review (previous year: EUR 81 thousand), which was dependent on the occurrence or non-occurrence of future conditions and whose original commitments were made in the fiscal years 2015 / 2016 and 2016 / 2017 (previous year: 2014 / 2015 and 2015 / 2016). Such compensation was distributed among the Managing Board members as follows: Jörg Schubert EUR 52 thousand (previous year: EUR 32 thousand), Bernd Paulini EUR 24 thousand (previous year: EUR 15 thousand), Uwe Pfeiffer EUR 31 thousand (previous year: EUR 20 thousand) and Axel Schubert EUR 23 thousand (previous year: EUR 14 thousand).

Provisions for expenses of EUR 1,245 thousand were also formed for Jörg Schubert in the 2017 / 2018 fiscal year, comprising both basic and performance-based compensation to which he remains entitled based on the duration of his service contract until December 31, 2019, although he has stepped down from his office as a Managing Board member and is accordingly discharged of his duties.

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

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

Mr. Jörg Schubert (Managing Board Chairman / CEO until the December 31, 2017) received a pension commitment in the amount of EUR 6,000.00 per month upon exiting the company after reaching the age of 65. KROMI Logistik AG assumed this pension commitment on December 7, 2006, with effect from January 1, 2007. The commitment includes an invalidity pension of EUR 4,000.00 and a widow's pension of EUR 3,600.00. Current pensions are increased by 1% p.a. The present value of the commitment amounts to EUR 1,150,077 as of June 30, 2018 (previous year: EUR 1,188,197). This provision was reduced by an amount of EUR 38,120 thousand during the fiscal year (previous year: EUR 56,055 thousand).

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

Mr. Bernd Paulini has received a pension commitment amounting to EUR 4,000.00 monthly to be received on retiring and after reaching the age of 65. In 2013, this was increased to the new standard retirement age: after reaching the age of 67. The commitment includes an invalidity pension of EUR 4,000.00 and a widow's pension of approximately EUR 2,400.00. Current pensions are increased by 2% p.a. The present value of the commitment amounts to EUR 645,222 as of June 30, 2018 (previous year: EUR 598,972). A provisioning amount of EUR 46,250 was formed during the 2017 / 2018 fiscal year (previous year: EUR 26,328).

Mr. Axel Schubert has received a pension commitment amounting to EUR 4,000.00 monthly to be received on retiring and after reaching the age of 65. In 2013, this was increased to the new standard retirement age: after reaching the age of 67. The commitment includes an invalidity pension of EUR 4,000.00. Current pensions are increased by 2 % p.a. The present value of the commitment amounts to EUR 350,170 as of June 30, 2018 (previous year: EUR 324,983). A provisioning amount of EUR 25,187 was formed during the 2017 / 2018 fiscal year (previous year: EUR 9,977).

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

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

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

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

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

The Managing Board's shareholdings as at June 30, 2018 were as follows:

	Shareholding in number of shares	
Name	**30.6.2018**	**30.6.2017**
Jörg Schubert	0	119,993
Uwe Pfeiffer	0	0
Axel Schubert	93,000	70,500
Bernd Paulini	92,200	69,700

13.2. Supervisory Board

The Supervisory Board is composed of the following members:s

- Ulrich Belgardt (Supervisory Board Chairman from January 4, 2018, previously Deputy Supervisory Board Chairman), management consultant, Solothurn, Switzerland,
  Further supervisory board mandates / memberships in executive bodies:
  - Deputy Chairman of the Supervisory Board of WashTec AG, Augsburg
- Jens Große-Allermann (Deputy Supervisory Board Chairman from January 4, 2018, previously Supervisory Board Chairman), member of the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, as well as member of the Management Board of Fiducia Treuhand AG, Bonn
  Further supervisory board mandates / memberships in executive bodies
  - WashTec AG, Augsburg
  - FPM Deutsche Investmentgesellschaft mit Teilgesellschaftsvermögen i. L., Frankfurt
  - Sparta AG, Hamburg
  - GESCO AG, Wuppertal
- Prof. Dr. Eckart Kottkamp, consultant, Großhansdorf
  Further supervisory board mandates / memberships in executive bodies:
  - Basler AG, Ahrensburg, (Deputy Supervisory Board Chairman)
  - AC Tech GmbH, Freiberg, (Advisory Board Chairman) until October 2017
- Stephan Kleinmann, public certified auditor, partner at Mazars, registered office in Berlin
  Further supervisory board mandates / memberships in executive bodies
  - none

Total compensation paid to the Managing Board amounted to EUR 90 thousand in the 2017 / 2018 fiscal year, and is derived as follows:

	Fixed remuneration	
In EUR	2017 / 2018	2016 / 2017
Ulrich Bellgardt	25,123	16,219
Jens Große-Allermann	24,877	16,849
Stephan Kleinmann	20,000	10,630
Prof. Dr. Eckart Kottkamp	20,000	20,000
Wilhelm Hecking (ausgeschieden zum 7.12.2016)	0	13,150
René Dannert (ausgeschieden zum 31.08.2016)	0	3,333

The compensation for the Supervisory Board was paid out to the Supervisory Board members in July 2018 after the end of the 2017 / 2018 fiscal year.

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

14. Auditor's fee

The total fee invoiced by the auditor for the fiscal year amounts to EUR 93 thousand (previous year EUR 110 thousand), and in the fiscal year under review is due entirely to services related to the auditing of financial statements. In the previous year, besides an amount of EUR 85 thousand for auditing services, an amount of EUR 25 thousand was also invoiced for other services in connection with expert assistance in the audit procedure conducted at the company by the German Financial Reporting Enforcement Panel (DPR).

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

Notification of voting rights

1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany

2. Reason for the notification

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

3. Details of the party subject to the disclosure requirement

Name:	Registered head office and country:
Kabouter Fund II, LLC	Chicago United States of America

4. Names of shareholders

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

none

5. Date on which the threshold is met:

08.11.2017

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	2.93 %	0 %	2.93 %	4,124,900
Last notification	3.10 %	0 %	3.10 %	/

7. Details of existing voting rights

a. Voting rights (§§ 33, 34 WpHG)

	absolute		in %	
ISIN				
new	direct (§ 33 WpHG)	attributed (§ 34 WpHG)	direct (§ 33 WpHG)	attributed (§ 34 WpHG)
DE000A0KFUJ5	120,655	0	2.93 %	0 %
Total	120,655		2.93 %	

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

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

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

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

8. Information about parties subject to disclosure requirement

X	The party subject to the disclosure requirement (3) is neither controlled nor does it control other companies with reportable voting rights in the issue (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 Section 34 (3) WpHG

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

Date of General Meeting:

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

10. Other notes:

none

16. Events after the balance sheet date

The Supervisory Board and Mr. Uwe Pfeiffer agreed to terminate his existing service agreement as of the end of March 31, 2019 (date of leaving the company). With effect as of the end of March 31, 2019, Mr. Pfeiffer will step down from his office as a member of the Managing Board of KROMI.

On August 29, the Managing Board of KROMI passed a resolution to apply to the management of the Frankfurt Stock Exchange pursuant to Section 57 of the stock exchange regulations of the Frankfurt Stock Exchange to revoke the admission of the shares of KROMI to the sub-segment of the regulated market entailing further post-admission duties (Prime Standard), thereby officially leading to the inclusion of the trading of KROMI shares in the regulated market (General Standard).

Due to the change of stock exchange segment, the company's post-admission duties, such as certain reporting publication requirements, will be dispensed with. The company can thereby save considerable costs, and structure its processes more efficiently. The revocation of the admission becomes effective as of the end of three months after the publication on the Internet of the revocation decision by the management of the Frankfurt Stock Exchange (www.deutsche-boerse.de).

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

KROMI Logistik AG, Hamburg, reports an unappropriated net profit of EUR 1,075 thousand according to its annual financial statements prepared as of June 30, 2018 according to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). For the purposes of passing a resolution at the Annual General Meeting, the company's Managing Board proposes to the Supervisory Board that the unappropriated net profit be carried forward to a new account.

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

The Managing and Supervisory boards herewith declare that the statement in the meaning of Section 161 of the German Stock Corporation Act (AktG) has been issued and made publicly accessible to shareholders on the company's website on June 30, 2018 (http: / / ir.kromi.de / websites / kromi / German / 7100 / entsprechenserklaerung-2014.html).

19. Date of authorisation for issue

The Managing Board authorised the consolidated financial statements of KROMI Logistik AG for issue on September 24, 2018 (date of authorisation by the Managing Board for presentation to the Supervisory Board).

Hamburg, September 24, 2018

Managing Board of KROMI Logistik AG

Bernd Paulini | Uwe Pfeiffer | Axel Schubert

Independent Auditors' Report

Reproduction of the Independent Auditor's Report

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

"

Independent Auditor's Report

To KROMI Logistik AG, Hamburg

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

Opinions

We have audited the consolidated financial statements of KROMI Logistik AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated income statement, consolidated statement of comprehensive income[1], consolidated cash flow statement and consolidated statement of changes in equity and for the financial year from 1 July 2017 to 30 June 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report at KROMI Logistik AG for the financial year from 1 July 2017 to 30 June 2018.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 30 June 2018, and of its financial performance for the financial year from July 2017 to 30 June 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

[1] As appropriate, this is to be aligned, ref. IAS 1.10 b) in connection with 1.81A.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537 / 2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
We have determined that there are no key audit matters which need to be reported in our independent auditor's report.

Other Information
Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report
Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined 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, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this group management report.

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 and of the group management report, 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 opinions. 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 of the consolidated financial statements and of 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 systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of 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 the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. 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 be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that May reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, 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 auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 7 December 2017. We were engaged by the supervisory board[2] on 1 June 2018. We have been the group auditor of the KROMI Logistik AG without interruption since the financial year 2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Jochen Haußer.

Hamburg, September 24, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Signature] Dr. Haußer Wirtschaftsprüfer	[Signature] Müllensiefen Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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[2] Exact description of the engaging body.

Responsibility statement (pursuant to Section 117 in conjunction with Section 114 (2) No. 3 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 24, 2018

Managing Board of KROMI Logistik AG

Bernd Paulini	Uwe Pfeiffer	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

Photos

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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