

KROMI

TOOLING | ONE STEP AHEAD

TOOLS —————○

TECHNOLOGY ———○

LOGISTICS ———○

DATA ———○

Corrected
3-month report 2018/2019
of KROMI Logistik AG

Key share data 3M 2018 / 2019

Ticker / ISIN	K1R / DE000AOKFUJ5
Number of shares	4,124,900
Closing price (September 28, 2018)*	EUR 10,90
High / low*	EUR 14.40 / EUR 10.90
Market capitalisation (September 28, 2018)	EUR 45.0 million

*Closing prices, XETRA trading system of Deutsche Börse AG

Share chart



Shareholder structure



Events 2018

December 05, 2018	General meeting in Hamburg
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Dear shareholders,

dear colleagues and business partners,

Revenue development in the first quarter of 2018/2019 varied considerably from region to region. In Germany the discontinuation of a contract with a major customer, which has already been mentioned several times, still had a significant impact due to a 22.8 percent decline in revenue. KROMI was able to offset 50 percent of this loss by acquiring new customers as well as expanding the activities for existing customers. The foreign business



Managing Board of the KROMI Logistik AG (LTR: Uwe Pfeiffer, Bernd Paulini, Axel Schubert)

on the other hand performed well with revenue growth of 12.7 percent across all regions. In consequence, total revenue in the first three months of EUR 17.6 million was considerably lower than the previous year's EUR 19.2 million. The domestic revenue loss as well as non-operating special effects from a provision due to the departure of a member of the Executive Board as of March 31, 2019 (EUR 650 thousand) and from imputed currency losses of EUR 265 thousand in connection with the investment in Brazil are therefore still burdening our earnings.

EBIT amounted to EUR -1,275 thousand, compared with EUR 627 thousand in the previous year. The operating result – in other words, EBIT adjusted to reflect non-operating effects – amounted to EUR -360 thousand.

In order to more efficiently leverage the future potentials of our markets and our business model, we realign our product and service strategy and strive for establishing a significantly improved cost structure by implementing important structural measures. We are convinced that the new product strategy developed under our claim „Tooling – One step ahead“ will lead to extended market penetration. With our 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. Our customers can select the service mix that suits them best and offers them the highest benefit. After overcoming the currently difficult situation, due to our unique competences in machining processes and our business expertise to the needs of our clients, we consider ourselves optimally positioned to meet the forthcoming challenges, and we look to the future with optimism.

Your Managing Board

Key figures at a glance (IFRS)

KEUR	3M 2018 / 2019 (1/7/18 – 30/9/18)	3M 2017 / 2018 (1/7/17 – 30/9/17)
Revenue	17,570	19,162
Earnings before interest and tax (EBIT)	-1,275	627
Net operating earnings before currency effects	-1,355	516
Group net profit or loss	-1,365	123
Number of shares in fiscal year	4,124,900	4,124,900
Result per share in EUR	-0.33	0.03
Equity ratio in %	50.4	51.7
Cash flow from operating activities	-940	2,733
Cash flow from investing activities	42	-112
Cash flow from financing activities	-119	-2,091
Employees at end of period (excluding Managing Board)	190	180

General Conditions

The world economy is enjoying strong uptrend in 2018, according to the Kiel Institute for the World Economy (IfW). Global production is expected to expand by 3.8 percent this year and by 3.5 percent next year. Eurozone gross domestic product (GDP) is anticipated to grow by 2.1 percent to 2018 and by 1.9 percent in 2019. For Germany, the IfW economists forecast 1.9 percent economic expansion for 2018 and 2.0 percent for 2019. As far as Brazil is concerned, the economists anticipate an increase of 1.0 percent for this year and of 1.9 percent for 2019.

KROMI's main target sectors: the German machine engineering sector performed well thanks to its good new order situation and high order book position, according to information from the German Engineering Federation (VDMA). A real increase in production of 5 percent is anticipated for 2018. Sector growth is set to amount to 2 percent in 2019.

A positive trend is anticipated for the aviation industry. The International Air Transport Association (IATA) expects an increase in passenger traffic of 6.5 percent this year to a level of more than 4.3 billion passengers worldwide. Freight volumes will also grow by 4.0 percent, according to the forecast. For this reason, the IATA expects commercial airlines to receive more than the 1,900 new aircraft this year, representing a considerable investment for the sector. The positive trend in the automotive industry continues, according to the German Automotive Industry Association (VDA). For 2018, the VDA anticipates that the world car market will grow by 1 percent to 86 million units.

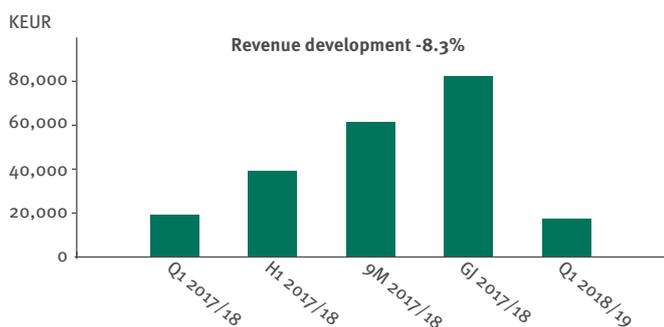
Business Trends

Revenue trends

In the period under review, the revenue of KROMI reduced by 8.3 percent to EUR 17,570 thousand (previous year: EUR 19,162 thousand). Revenue in Germany reduced by 22.8 percent from EUR 11,342 thousand in the previous year to EUR 8,756 thousand. This revenue decrease reflects the discontinuation of a contract with a major customer, which had still made a significant contribution to revenue in the previous year. The operating business outside Germany performed well, with revenue in European countries outside Germany registering a 16.2 percent year-on-year increase

to EUR 7,003 thousand (EUR 6,026 thousand). Thanks to revenue generated mainly with new customers, the aforementioned revenue reduction has already been offset by around 50 percent. In Brazil, revenue in terms of the Brazilian currency, the real, amounted to BRL 8,408 thousand, representing 26.2 percent growth compared with the previous year (BRL 6,663 thousand). Due to the weak real, this development in euros failed to contribute to better Group results. Revenue grew from EUR 1,794 thousand in the previous year to EUR 1,811 thousand.

Sales development



- Revenue development significantly influenced by contract termination with a major German customer.
- Positive revenue development internationally in each industrial sector.
- Sales growth in Brazil of 26% (in BRL).

Expense items, depreciation and amortisation

The cost of materials reduced to EUR 13,723 thousand (previous year: EUR 14,302 thousand), with the cost of materials ratio rising to 78.1 percent in the reporting period (previous year: 74.6 percent). This increase in the cost of materials ratio derives from business with new customers and the higher proportion of foreign business, as there is normally a higher cost of materials ratio here. The gross profit margin reduced from 25.4 percent to 21.9 percent accordingly.

Personnel expenses rose from EUR 2,692 thousand to EUR 3,416 thousand compared to the same period of the previous year. This increase is mainly due to a special effect in connection with the departure of a member of the Management Board as of March 31, 2019 (EUR 650 thousand), new hires in other European countries as well as necessary reclassifications of other expense items for accounting purposes. Depreciation and amortisation of EUR 137 thousand reflected a slight reduction compared with EUR 183 thousand reported in the first three months of 2017/2018. Other operating expenses increased to EUR 1,692 thousand (previous year: EUR 1,594 thousand). Among other items, this position includes unrealised currency losses of EUR 265 thousand (previous year: EUR 6 thousand).

Report on events after the balance sheet date

No transactions of particular significance occurred after the end of the period under review.

Outlook

We will grow significantly with both our existing and new customers. With full effect in the current fiscal year, we will largely offset the loss of revenue from the aforementioned major customer. For this reason, 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. In this context, the gross profit margin is to be held at the level of the 2017/2018 fiscal year, despite the normally higher start-up costs for the new customer business. 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.

Report on Risks and Opportunities

No significant changes have occurred compared with the detailed information about risks and opportunities relating to KROMI as presented in the management report, which was published in the Group annual financial statements for the fiscal year ending June 30, 2018.

Group operating and net results

For the first three months of 2018/2019, KROMI incurred an operating loss (EBIT) of EUR -1,275 thousand, compared with an operating profit of EUR 627 thousand in the previous year. This change is mainly attributable to the decline in revenues and the higher cost of materials ratio as well as the aforementioned special effects. Overall, this led to a consolidated net result of EUR -1,365 thousand for the first three months of 2018/2019 (previous year: EUR 123 thousand).

However, the strategically necessary one-off expenses for the further development of the business model will exert a burdening effect. For this reason, the Managing Board anticipates a negative operating result in the low six-digit range.

Balance sheet (unaudited)

Assets KEUR	30/09/2018	30/06/2018
Non-current assets		
Intangible assets	526	562
Other property, plant and equipment	3,378	3,522
Other non-current assets	1,532	1,462
Deferred taxes	411	400
Total non-current assets	5,847	5,946
Current assets		
Inventories	20,817	19,977
Trade receivables	15,696	16,801
Other current receivables	895	1,105
Income tax receivables	630	512
Cash and cash equivalents	562	1,581
Total current assets	38,600	39,976
	44,447	45,922

Equity and liabilities KEUR	30/09/2018	30/06/2018
Equity		
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Other reserves	1,630	1,563
Net retained profits	-275	1,088
Equity attributable to the shareholders	22,486	23,782
Minority interests	-64	-61
Total Equity	22,422	23,721
Total non-current liabilities		
Provisions for pensions and other post employment benefits	2,081	2,042
Non-current interest-bearing loans	775	800
Other non-current liabilities	170	527
Deferred taxes	38	37
Total non-current liabilities	3,064	3,406
Current liabilities		
Income tax liabilities	361	366
Other interest-bearing loans	8,674	8,705
Trade payables	5,694	6,241
Other current liabilities	4,232	3,483
Total current liabilities	18,961	18,795
Total liabilities	22,025	22,201
	44,447	45,922

Income statement (unaudited)

KEUR	3M 2018 / 2019 (1/7/2018 – 30/9/2018)	3M 2017 / 2018 (1/7/2017 – 31/9/2017)
Revenue	17,570	19,162
Other operating income	123	236
Cost of material	13,723	14,302
Staff costs	3,416	2,692
Depreciation / amortisation	137	183
Other operating expenses	1,692	1,594
Profit from operations	-1,275	627
Finance costs	80	117
Other financial income	0	6
Earnings before tax	-1,355	516
Income taxes	10	393
Company net profit	-1,365	123

Cash flow (unaudited)

KEUR	3M 2018 / 2019 (1/7/2018 – 30/9/2018)	3M 2017 / 2018 (1/7/2017 – 30/9/2017)
Cash flow from operating activities		
Company net profit	-1,365	123
+ Income tax expense	10	393
+ Interest expenses and interest income	80	111
+/- Interest received / paid	137	108
+/- Increase / decrease in fixed assets	-143	-105
+/- Income tax payments	425	-319
+/- Increase / decrease in inventories	-841	-62
+/- Increase / decrease in trade receivables	1,105	2,387
+/- Increase / decrease in other assets	141	-45
+/- Increase / decrease of trade liabilities	-548	-108
+/- Increase / decrease in other liabilities	59	250
Net cash from operating activities	-940	2,733
Investing activities		
- Payments for the acquisition of non-current assets	42	-118
+ Cash inflow from interests	0	6
Net cash used in investing activities	42	-112
Cash flow from financing activities		
+/- Cash inflow from loans	-30	-1,949
- Payments for the repayment of lease liabilities	-25	-25
- Interest payments	-64	-117
Net cash used in financing activities	-119	-2,091
Net in-/outflow cash and cash equivalents	-1,017	530
+/- Exchange-rate related changes in cash/cash equivalents	-2	0
+ Cash and cash equivalents – start of period	1,581	675
Cash and cash equivalents – end of period	562	1,205

Imprint

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The 3-month report is also available in German. In the case of discrepancies, the German version shall prevail. The digital versions of the Annual Report of KROMI Logistik AG as well as the interim reports are posted on the Internet and are available at www.kromi.de under the Investor Relations heading.

Disclaimer

This report includes forward-looking statements that reflect the current views of KROMI Logistik AG's management with regard to future events. As a rule, these are shown by words such as "should", "expect", "assume", "anticipate", "intend", "estimate", "aim", "have the aim of", "forecast", "will be", "desire", "outlook", and similar expressions. Forward-looking statements are based on the currently valid budget, estimates and expectations. They are subject to risks and uncertainties that are difficult to estimate and outside KROMI Logistik AG's control.

These also include factors that have an impact on costs and income, for example, regulatory requirements, competition that is more intense than expected, changes in technology, litigation, and development under supervisory law. If these or other risks and uncertainties should occur, or if the assumptions on which the statements in this report are based prove to be incorrect, the actual results of KROMI Logistik AG could differ greatly from the results that are expressed or implied in the statement. KROMI Logistik AG does not assume any guarantee that the forward-looking expectations and assumptions included in this report 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.