KROMI

TOOLING | ONE STEP AHEAD

Annual Report 2019/2020

Key figures at a glance (IFRS)

	Fiscal year 2019 / 2020 (1.7.2019 – 30.6.2020)	Fiscal year 2018 / 2019 (1.7.2018 – 30.6.2019)
Revenue	69,447	74,785
Earnings before interest and tax (EBIT)	89	-1,167*
Earnings before tax (EBT)	-2,977	-1,317
Consolidated net profit / loss	-3,158	-1,105
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share in EUR	-0.76	-0.27
Equity ratio	52.1 %	47.0 %
Cash flow from operating activities	7,156	-1,826
Cash flow from investing activities	-753	-601
Cash flow from financing activities	-4,297	2,537
Employees at end of period (excluding Managing Board)	204	200

In EUR thousand (unless otherwise stated)

* Adjusted prior-year figures for the sake of comparability, and in accordance with the amended presentation of currency effects in connection with the business in Brazil starting in the 2019/2020 fiscal year

THE 2019 / 2020 FISCAL YEAR IN FIGURES

13
Countries

In addition to its core market in Germany, KROMI is represented in Spain, France, Austria, Denmark, Liechtenstein, the Netherlands, Poland, the Czech Republic, Slovakia, Slovenia, Romania and Brazil.

13
Locations

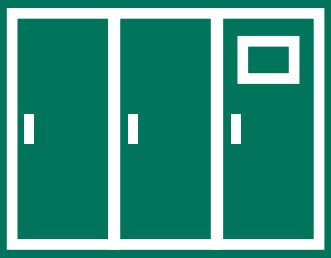
The parent company is headquartered in Hamburg. KROMI has a total of 13 locations, including four in Germany, three in Brazil and a further six in Europe.

204
Employees

Satisfied and motivated employees are of key importance for KROMI's success. Consequently, we, as a company make special efforts to enhance our attractiveness as an employer.
The fact that we are already doing a lot of things the right way is reflected in the long average duration of service of our employees.

EUR 69.4 M
Revenue

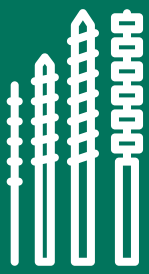
The major share of our revenue is generated in Europe, with our Brazilian subsidiary accounting for a continuously growing revenue share.



448

KTC automatic dispensers

Thanks to the constant interest in our services, we were able to increase the number of KROMI Tool Center dispensers installed at customers to 448 in the 2019/2020 fiscal year.



3,378,822

Tools sold

As a manufacturer-independent specialist, we always supply the right tool, tailored to the customer's specific requirements.

EVERY 9 SEC

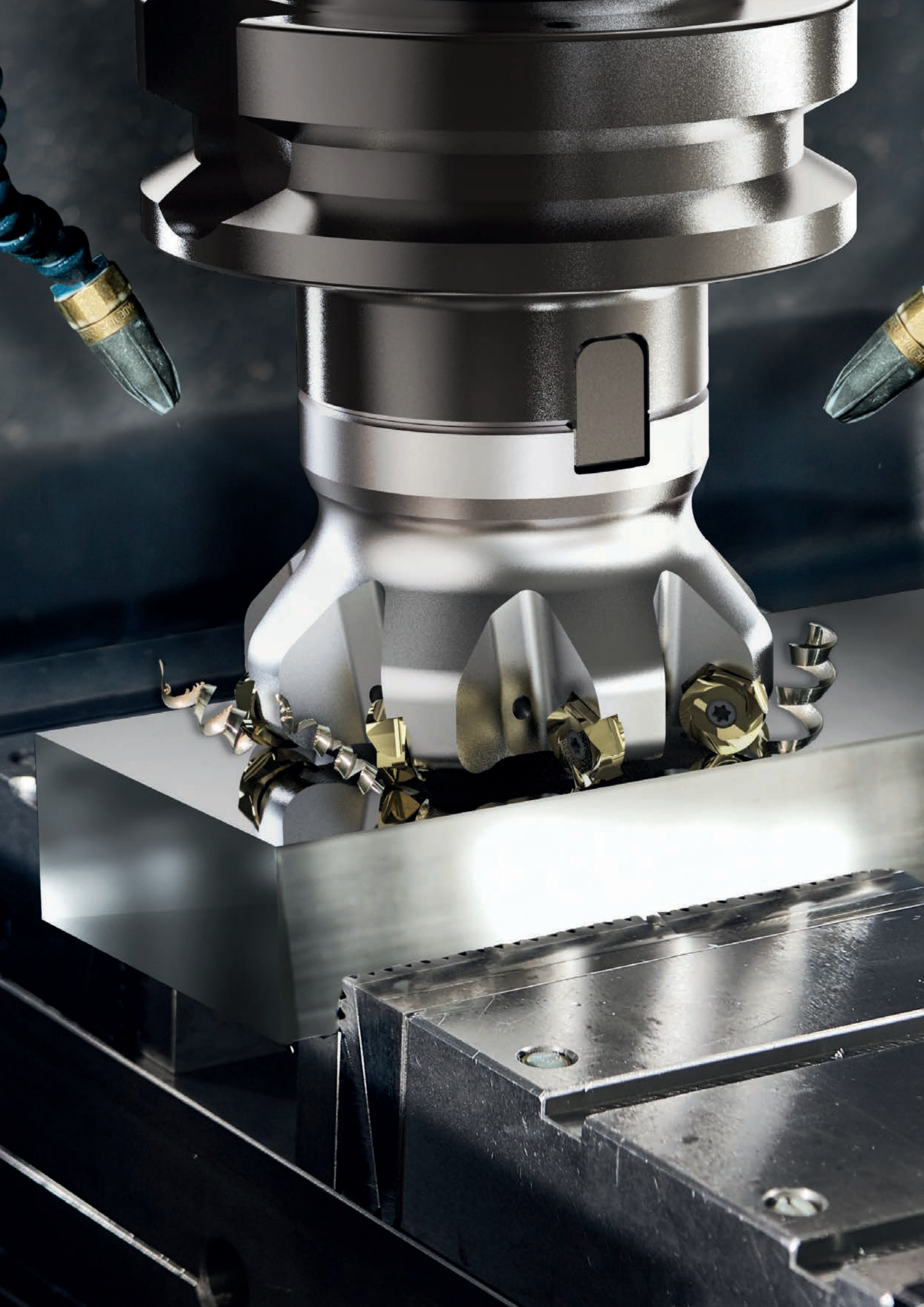
Tool dispensing interval

On average, a tool is removed every nine seconds from one of the KTC dispensers installed at our customers worldwide.

158,543

Regrinding tools sold

KROMI integrates professional regrinding processes at the customer's premises – working together with local regrinding companies that have qualified as KROMI partners, and thereby making an important contribution to sustainability.



TO OUR SHAREHOLDERS


From left to right: Bernd Paulini (CEO), Christian Auth (CFO)

Dear shareholders, employees and friends of our company,

The 2019 / 2020 fiscal year was characterized by highly volatile developments for KROMI. In the first six months, we were on track for four percent year-on-year revenue growth, and we maintained this momentum at the start of 2020, despite the general economic slowdown. Our business model, which we have further developed with a transparent presentation of our services and associated customer benefits, met with very positive response in the market.

Accordingly, in the second half of the fiscal year we aimed to continue the positive trend from the first half of 2019 / 2020. However, in the wake of the coronavirus pandemic, and the contact and travel restrictions imposed as part of far-reaching lockdowns, many of our customers implemented massive cuts to their production levels from March 2020 onwards, with a corresponding effect on our business in these months. Accordingly, we had to adjust our forecast for the 2019 / 2020 fiscal year, and despite a good start to the year recorded a 7.1 percent year-on-year downturn in revenue to EUR 69.4 million.

"The fact that demand for our business model continues unabated is reflected especially in feedback from many of our existing customers, who have expressed specific plans to handle tool management via KROMI in their production companies in other EU countries and other international markets."

Despite this coronavirus-related slump in revenue, we improved EBIT by EUR 1.3 million year-on-year thanks to the steps we had already taken at the start of the fiscal year geared to reducing costs, and to achieve a positive operating result of EUR 0.1 million in these challenging times. We also madevery good progress in optimizing working capital, and generated cash flow from operating activities of EUR 7.2 million.

It is to be noted that fundamental demand for holistic tool management solutions in our core markets remains in place. Drawing on the wide range of services from our four areas of expertise of TOOLS, TECHNOLOGY, LOGISTICS and DATA, we are offering our customers individually designed outsourcing solutions. Above and beyond the supply of cutting tools and technology consulting, our powerful software solutions enable both tool management digitalization and Industry 4.0. The fact that demand for our business model continues unabated is reflected especially in feedback from many of our existing customers, who have expressed specific plans to handle tool management via KROMI in their production companies in other EU countries and other international markets. For this reason, we are looking at expansion plans abroad, also in the current situation.

Uncertainties remain regarding the duration of the coronavirus pandemic. At the same time, however, we have successfully acquired new customers for KROMI in the past fiscal year. Against this backdrop, we expect revenue for the full 2020 / 2021 fiscal year to be on a par with the previous year's level, and we anticipate a breakeven result at the level of profit from operations.

We look forward to continuing the course we are charting with our customers, employees and suppliers, and would like to thank our shareholders for the trust they have placed in us.

Your Managing Board team

Bernd Paulini Christian Auth

OUR AREAS OF EXPERTISE

TOOLS
Diversity from a single source

Drawing on the expertise and experience of twenty years of market leadership, we organize end-to-end procurement logistics from professional purchasing management through to interim storage and invoicing. We work on a manufacturer-neutral basis and develop cost-optimized and tailor-made solutions to meet your needs.

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

TECHNOLOGY
Optimal costs per part

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

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

LOGISTICS
100% availability on site

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

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

DATA
Ready for Industry 4.0

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

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

INTERVIEW WITH THE MANAGING BOARD

Interview with CEO Bernd Paulini and CFO Christian Auth on sector trends, internationalization and organization, as well as the prospects for the future.

The coronavirus pandemic was overriding issue in 2020: How has KROMI weathered this crisis to date?

Bernd Paulini: The coronavirus pandemic arrived at an absolutely inopportune time for us. We had successfully restructured our business model, received very positive feedback from the market, and were back on track for growth in the first half of the year, recording four percent year-on-year revenue growth. From March 2020 onwards, however, the impact that the coronavirus pandemic exerted on our customers' production levels, and thereby on tool consumption, was tremendous. Thanks to the numerous optimization measures we launched in 2019, weachieveda slightlypositive EBIT result despite the loss of revenue.

Christian Auth: In summary, we have come through the crisisin comparatively good shape. The fact that we have been pursuing intensive cost and working capital management since the start of the fiscal year has made asignificant contribution in this context. Although the coronavirus crisis hit us hard on the revenue side in the second half of the year, we were not entirely unprepared thanks to the optimizations and cost reductions. As a result, we performed significantly better in the second half of the year in terms of EBIT, and ultimately posted the positive result we have already mentioned. We achieved a significant improvement on the liquidity side, and increased our cash flow from operating activities by EUR 9 million.

It goes without saying that we have also implemented numerous employee protection measures since March. Thanks to effective distancing and hygiene rules, and the possibility of mobile working, we were ready to serve our customers at any time.

Paulini: This reliability is important for our customers because we are identifying unbroken interest in our services, despite the coronavirus pandemic. We see that – especially in the crisis – companies are increasingly looking at outsourcing solutions in order to realize cost savings. This was also demonstrated by the 2008 / 2009 financial crisis. Accordingly, at present we are conducting significantly

"We see that, especially in the crisis, companies are increasingly looking at outsourcing solutions in order to realize cost savings. This was also demonstrated by the 2008/2009 financial crisis. Accordingly, we are currently conducting significantly more talks with potential new customers than in the months before."

Bernd Paulini

"Thank to early and intensive cost and working capital management, we increased cash flow from operating activities by EUR 9 million."

Christian Auth

more talks with potential new customers than in the months before. In a number of highly interesting projects, we are also already in final negotiations. We are experiencing a clear revival in terms of new customers.

Sustainability is another topic that is on everyone's lips – and which is also moving the capital markets accordingly. How do you see KROMI positioned in this respect?

Paulini: Sustainability is a major issue for both us and for our customers. With our services, we enable more efficient resource utilization, and are thereby making business models more sustainable. This is not only beneficial from an environmental point of view, but also has a positive financialimpact on the companies concerned. On average, KROMI enables its customers to reduce their tool costs by 15 percent. Which is a huge effect. For this reason, and especially in the crisis, tool utilization optimization is highly relevant for companies. However, it's not just about selecting the right tool. For example, we also integrate professional regrinding processes for our customers. Only a very few companies leverage this potential effectively. At KROMI, we clearly define which tools can be regrinded, and we also take over the entire further process. Here, we work together with local regrinding companies that have qualified as KROMI partners.

Auth: In the past fiscal year, we delivered almost 159,000 reground tools to our customers, thereby making important contributions to sustainability. However, sustainability does not end with environmental concerns. As a listed company in the Regulated Market, we have established stringent systems in order to comply with its high transparency and compliance requirements. And naturally, we are dealing with issues relating to employee development and retention. These topics will secure our sustainable success and profitability.

Customers worldwide are strongly concerned with implementing tool deployment efficiency. How does KROMI perceive the further internationalization of its business activities?

Paulini: Clearly, this topic is of concern for all manufacturing companies, regardless of the industry or countryin which they operate. This is why we are already active in 13 countries. Incidentally, this is also something that we note time and again in conversations with our existing customers. In the case of larger companies, supplying a site is often only the starting point for a gradual roll-out to other countries. A very recent example is one of our major customers from southern Germany. After having taken over supplies at the parent plant in 2019, we are now in the planning phase for the plant in the Czech Republic. We are currently holding many very promising talks with our customers. As a consequence, despite the coronavirus crisis, the expansion of our business activities is a highly topical issue for us.

Today, KROMI is already active worldwide. How do you organize such an international company efficiently, and preserve your own culture?

Paulini: KROMI has already been active in international markets for many years. For this reason, the topic is basically not a new one for us. Our activities are not limited to the region of the European Union. We have also been active in Brazilfor over ten years – and meanwhile at three locations there. During this time, we have also grown extremely rapidly – from around EUR 30 million of revenue to over EUR 80 million in the 2017 / 2018 fiscal year. We have created structures that are designed for further growth. We have centralized and streamlined various areas of responsibility within the Group and, where necessary, established an additional level.

"During this time, we have also grown extremely rapidly – from around EUR 30 million of revenue to over EUR 80 million in the 2017/2018 fiscal year. We have created structures that are designed for further growth."

Bernd Paulini

Auth: For example, we have set up clear regional responsibility, although this has not necessitated any hiring. The German and foreign locations now no longer report directly to the Managing Board. In addition to the Germany region with one person responsible overall, the Central Europe region, among others, is responsible for the markets of Poland, the Czech Republic and Slovakia, as well as for the Iberia region, for Spain and Portugal. We can now manage much more efficiently within the new structure, and are well positioned for additional growth in the future.

Paulini: In 2020, we also created the central "Operations" area at Group level, which bundles the responsibilities that were previously regionally distributed. This was necessary due to KROMI's size, but also in order to leverage synergies. The Operations area is responsible for the operational planning and procurement of tool requirements, and for customer support. We have hired an experienced manager who is responsible for this division.

Auth: Over the past years, we have consistently further developed our business model, realigned structures, and established expansion plans – and we have a very good mix of both experienced staff and new colleagues who bring fresh ideas with them. As a consequence, KROMI is well equipped for further international growth.

The digitalization of business and the economy is a completely different topic concerning all companies. How does KROMI support its customers in this context?

Paulini: Our customers are aware that, thanks to our high-performancesoftware solutions, they always know exactly what is happening on site. Via eControl, for example, you always have an overview of your tool consumption, while you always able to access the entire tool data via the KWM digital tool catalogue. We have integrated our software solutions into the central KROMI eCloud database, which can be accessed via web services and also via app.

KROMI supply systems' data technology connection – which completely documents all tool stocks and withdrawals in real time – enables transparent consumption analysis. Actual consumption can be allocated to respective cost centres with the help of the KROMI eControl KCo. In a comparison with the machines' actual production output quantities, actual tool costs per part can be reliably determined, enabling a comparison between planning data and actual data. Consequently, our customers are ready for Industry 4.0.

“Over the past years, we have consistently further developed our business model and established expansion plans – and we have a very good mix of both experienced staff and new colleagues who bring fresh ideas with them."

Christian Auth

Another major topic at KROMI is the transformation of the business model – the key concept is the "New Business Model". What is the current status here?

Paulini: In the past fiscal year, we worked very determinedly and consistently on the further development and implementation of the new business model. For the respective modules of TOOLS, LOGISTICS, TECHNOLOGY and DATA, we HAVE CREATED the service levels in detail, and defined the resultant customer benefits.

We are now in a position to provide our customers with a transparent offering consisting of our core tool management services package tailored to their requirements. Customers still have the option of selecting services in the individual modules above and beyond the core package, which we take into consideration in our offering. In the fourth quarter of the past fiscal year, we tested this approach in the preparation of offers for new customer projects, and received positive feedback. We are confident that this transparent presentation of our services will enable us to market our business model successfully, and that this approach enjoys a promising future.

Thank you very much for the interview, and good luck for the future!

KROMI SPAIN: INNOVATIVE TOOL MANAGEMENT FOR THE SPANISH MARKET

KROMI has been represented on the Spanish market since the Spanish sales company was formed in Vitoria-Gasteiz in 2009. The company is situated is in the heart of the steel and mechanical engineering industry in the north of the country. From this location, we are serving customers throughout the country from the automotive, aviation and general engineering sectors. KROMI newly acquired two of these 19 customers in the last fiscal year.

During the past fiscal year, KROMI Spain generated EUR 8.1 million, and thereby a share of almost twelve percent of consolidated revenue. Acknowledging its innovative tool management model, KROMI Spain received the Metal Award in the logistics category in November 2019, which is bestowed by the renowned Spanish business journal El Suplemento.

"For us, the Metal Award means recognition of our efforts to relieve customers of the complexity and time involved in tool procurement, storage and logistics."

Oriol Caballé

Pedro Caballé (left), sales representative of KROMI Spain, and Oriol Caballé (right), Managing Director of KROMI Spain, receiving the Metal Award in Madrid in November 2019

KROMI BRAZIL: EXCELLENT OPPORTUNITIES FOR FURTHER GROWTH

Since launching its activities in Brazil in 2008, KROMI has recorded growth. Most recently, revenue in the 2019 / 2020 fiscal year rose by 4.9 percent in the national currency, the Brazilian Real (BRL). Generating a total of EUR 7.6 million, our subsidiary is now accounting for around eleven percent of consolidated revenue. KROMI Logistica do Brasil is a pioneer in the Brazilian market, particularly thanks to its innovative concept focusing on technology consulting and data analysis.

At present, 28 customers in Brazil from the automotive, agricultural commercial vehicle and general engineering sectors are relying on KROMI's services. Four new customers introduced KROMI Tool Management during the past fiscal year. Based on our three facilities in Campinas, Joinville and Porto Alegre, we are excellently positioned to meet this demand, and thereby continue KROMI Brazil's success story.

"Companies in Brazil are increasingly concerned with outsourcing issues. Thanks to our intelligent supply logistics and our Industry 4.0 expertise, we are well positioned in the market to meet this demand."

Jenis Diz Acosta

Jenis Diz Acosta, Managing Director of KROMI Brazil, at the celebration of the company's 10th anniversary in São Paulo in November 2019

Report of the Supervisory Board 2019 / 2020

Dear shareholders,

In the 2019 / 2020 fiscal year, the Supervisory Board of KROMI Logistik AG continued to perform its duties according to the law, its articles of incorporation, the German Corporate Governance Code and the Supervisory Board's rules of procedure, and supervised and advised the company's Managing Board on an ongoing basis.

Composition of the Supervisory Board

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

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

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

Meetings

In the 2019 / 2020 fiscal year, the Supervisory Board held four meetings by personal attendance. All members of the Supervisory Board participated in all meetings. In addition to the meetings, the full Supervisory Board held two video conference meetings and five telephone conferences, in each of which all Supervisory Board members also participated.

In February 2020, the entire Supervisory Board participated in a strategy workshop with both the Managing Board and the extended management team of KROMI Logistik AG.

In addition to information provided at Supervisory Board meetings, the Supervisory Board was informed continuously by the Managing Board about the progress of business by means of monthly financial reporting. Aside from this reporting routine, the Managing and Supervisory boards were also at all times in continuous personal and telephone contact – mainly by way of dialogue between the CEO and the CFO and the Supervisory Board Chairman. Following the outbreak of the coronavirus pandemic in March 2020, a total of eight video conferences ("fixed days") were held between the members of the Managing Board and the Chairman of the Supervisory Board on current and urgent topics.

Supervisory Board activities

The aforementioned meetings as well as further information and discussions enabled the Supervisory Board to be informed in depth about the company's commercial and financial position, profitability, risk position and risk management, general business policy and important business transactions. The Managing Board informed the Supervisory Board promptly and comprehensively. The Supervisory Board took as its basis the annual budget approved for the 2019 / 2020 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 with the participation of all Supervisory Board members.

In addition to the monitoring tasks prescribed for the Supervisory Board, the main focus of the Supervisory Board's activities was on providing support in consultations relating to business expansion and the further development of the IT strategy, as well support in implementing the new business strategy and the development of the IT infrastructure model, and advice on the structuring of corporate financing. As a final matter, the Supervisory Board also dealt with the composition of the Managing Board.

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

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

At its meeting on July 30, 2019, the Supervisory Board discussed the budget for the 2019 / 2020 fiscal year as presented to it by the Managing Board.

In the telephone meeting on August 21, 2019, the Supervisory Board discussed a letter of resignation from Managing Board member Mr. Axel Schubert, and passed resolutions in connection with his resignation from the Managing Board at the end of September 30, 2019, and the termination of his service contract, at the same time.

The Supervisory Board meeting on October 1, 2019 also included Supervisory Board consultations – in the presence of the auditor – relating to the clarification and discussion of the a separate financial statements for the fiscal year ending June 30, 2019 and the consolidated financial statements for the fiscal year ending June 30, 2019.

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 30, 2020, the Managing and Supervisory boards renewed the usual annual declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The wording of this declaration is reproduced in this annual report as part of the corporate governance statement.

Audit of the annual financial statements for 2019 / 2020

The separate annual financial statements as well as the consolidated financial statements of KROMI Logistik AG prepared according to International Financial Reporting Standards by the Managing Board, and the respective management reports for the 2019 / 2020 fiscal year, including the financial records, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, and were each issued with unqualified auditor's reports. In the light of these auditor's reports, the Supervisory Board reviewed the separate annual financial statements prepared by the Managing Board, the consolidated financial statements, and the management reports for both KROMI Logistik AG and the Group, and examined the proposal for the application of unappropriated profit as well as the dependent company report pursuant to Section 313 (2) Clause 3 of the German Stock Corporation Act (AktG).

At the September 28, 2020 Supervisory Board meeting to approve and adopt the aforementioned financial statements (accounts meeting), the Supervisory Board had the Managing Board explain the company's separate and consolidated financial statements for the fiscal year ending June 30, 2020, and had it report on profitability, especially the company's equity, as well as concerning the progress of business and the company's position. All Supervisory Board members received the requisite documents before this meeting. The auditor was present at the meeting, providing detailed explanations about the audit report, and responding in depth to questions about the financial statements and its related audit report, which the Supervisory Board members raised during the financials meeting. The Supervisory Board concurred with the auditor's report. No concerns exist concerning the auditor's independence. The Supervisory Board concurred with the auditor's findings. After an in-depth review, the Supervisory Board does not believe that any reason exists to raise objections to the management or to the financial statements prepared by the Managing Board. In consequence, the Supervisory Board approved the separate financial statements for the fiscal year ending June 30, 2020, and the consolidated financial statements for the fiscal year ending June 30, 2020, of KROMI Logistik AG. The separate annual financial statements of KROMI Logistik AG were thereby approved pursuant to Section 172 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 28, 2020

Ulrich Bellgardt
Supervisory Board Chairman

Corporate governance report

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

Since its introduction in 2002, the German Corporate Governance Code in its current version has formed the guiding principle of KROMI Logistik AG for transparent and responsible corporate governance. The statement of compliance of KROMI Logistik AG is reproduced below in the "Corporate governance declaration pursuant to Sections 289f, 315d of the German Commercial Code (HGB).

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

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

A. Management and Supervisory boards' working methodology

KROMI is subject to the dual management system prescribed by German stock corporation law.

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

From October 1, 2019, the Managing Board has consisted of two members: the Managing Board Chairman (CEO) with responsibility for Sales and Technology, and the Managing Board member responsible for Finance and Personnel. Responsibilities for IT and Administration were transferred to the remaining two Managing Board members as of September 30, 2019, following the departure of the Managing Board member previously responsible for these areas. The Managing Board members work closely together irrespective of their individual areas of responsibility. In accordance with the rules of business procedure, the members of the Managing Board keep each other informed on an ongoing basis about all significant events in their business segment. Managing Board resolutions are generally passed by mutual agreement. If an amicable agreement cannot be reached, the matter is submitted to the Supervisory Board for examination. The Chair of the Managing Board (CEO) is responsible for the coordination of all business areas of the Managing Board, working to ensure that the management of all business areas is uniformly aligned with the goals set by the resolutions of the Managing Board.

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

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

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

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

The Supervisory Board regularly assesses the effectiveness and efficiency of its activities (self-assessment). The assessment is based on discussions between the Supervisory Board Chair and the other Supervisory Board members. The Supervisory Board discusses the results. Suggestions from the Supervisory Board members for the further development of the Supervisory Board's work are taken up and implemented.

Together with the Managing Board, the Supervisory Board ensures long-term succession planning. In doing so, the Supervisory Board pays attention to balance and diversity in relation to the knowledge, skills and experience required of future Managing Board members. In the Supervisory Board's opinion, the basic suitability criteria for filling Managing Board positions include, in particular, professional qualifications, convincing leadership skills and the candidate's performance to date. The Supervisory Board also pays attention to diversity in the composition of the Managing Board. Discussions between the Supervisory Board and the members of the Managing Board as well as contacts with company executives form a basis for long-term succession planning. This gives the Supervisory Board an idea of potential internal successors for the Managing Board. When filling vacant positions on the Managing Board, the Supervisory Board prepares an applicant profile and conducts interviews with suitable internal and external candidates. The Supervisory Board has determined that, as a rule, the members of the Managing Board should not be older than 67 years.

I. Statement of compliance pursuant to Section 161 AktG

On June 30, 2020, the Managing and Supervisory boards of KROMI Logistik AG issued a further statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG):

"The Managing and Supervisory Boards of KROMI Logistik AG declare that the recommendations of the Government Commission of the German Corporate Governance Code in the version dated February 7, 2017 ("DCGK 2017") as published in the Bundesanzeiger (Federal Gazette) on April 24, 2017 have been complied with since the last statement of compliance was issued on June 28/September 19, 2019, with the following exceptions:

- By way of divergence from Section 3.8 (2) DCGK 2017, no deductible has been arranged in the D&O insurance for the Supervisory Board. From the company's point of view, a deducible is not required given the Supervisory Board members' sense of responsibility and motivation.

- Pursuant to Section 4.2.3 DCGK 2017, the remuneration of the Managing Board members should be reported in total and in its variable components in terms of maximum limit amounts. Before introducing this provision in 2012, the company launched a comprehensive new remuneration scheme, which it further developed in 2015 and which includes a 200% limit on the target attainment that can be taken into consideration when measuring variable remuneration. In other words, even where target attainment exceeds twice the target value of the measurements, variable remuneration of the Managing Board members is capped at twice the target level. The company continues to regard these arrangements as appropriate.

- By way of divergence from Section 4.2.5 (3) DCGK 2017, KROMI Logistik AG does not utilize the template tables as per the annex of the DCGK 2017 when presenting Managing Board remuneration in the remuneration report. The company is convinced that even without these tables, sufficient transparency can exist regarding the remuneration of the members of the Managing Board, especially given that the existing arrangements for variable remuneration exclude from the outset unreasonably high levels of total remuneration, thanks to their measurement bases and caps.

- By way of divergence from Section 5.3 DCGK 2017, the Supervisory Board has formed no committees. With a Supervisory Board consisting of only four members, it is not useful to form committees.

- By way of divergence from Section 5.4.1 (2) Clause 2 DCGK 2017, no retirement age has been set for Supervisory Board members. In view of the knowledge, skills and professional experience required for the Supervisory Board position (see Section 5.4.1 (1) DCGK 2017), the specification of an age limit does not appear to be appropriate. In addition, the Supervisory Board refrains from setting a general limit on Supervisory Board membership (Section 5.4.1 (2) Clause 2 DCGK 2017). The Supervisory Board is aware of the importance of changing its members, but regards itself as capable of implementing this aspect in the company's interest without setting a general limit.

- The consolidated financial statements and the Group management report are published within the statutory periods; the interim consolidated financial statements and the interim Group management report are published within the periods stipulated in the German Corporate Governance Code 2017. The publication deadlines set out in No. 7.1.2 Clause 3 DCGK 2017 were missed by a few days for the 2018/2019 fiscal year for organizational reasons; in the opinion of KROMI Logistik AG, non-compliance does not hinder the information interests of investors, creditors, employees and the public.

In addition, the Managing and Supervisory boards of KROMI Logistik AG declare that the company currently complies, and will comply, with the recommendations of the Government Commission's German Corporate Governance Code in the version dated December 16, 2019 (published in the German Federal Gazette [Bundesanzeiger) on March 20, 2020, "DCGK 2020"), with the following exceptions:

- By way of divergence from recommendation C.2 DCGK (2020), no retirement age has been set for Supervisory Board members. In light of the knowledge, skills and professional experience required for the Supervisory Board office (see Principle 11 DCKG 2020), the specification of an age limit does not appear to be sensible.

- By way of divergence from recommendations D.2 to D.5 DCGK 2020, no committees are formed within the Supervisory Board. With a Supervisory Board consisting of only four members, it is not useful to form committees.

- By way of divergence from recommendation G.3 DCKG 2020, the Supervisory Board does not base its assessment of the appropriateness and typical nature of the total remuneration of the individual Managing Board members on a defined peer group of other companies. Accordingly, no disclosure is made in this context.

In relation to the other recommendations of the DCKG 2020 on Managing Board remuneration in G.1 et seq. DCKG 2020, the employment agreements with the current members of the Managing Board of KROMI Logistik AG will be continued until their scheduled expiry date. In connection with the new recommendations on Managing Board remuneration in G.1 et seq. DCKG 2020, the German Corporate Governance Code Government Commission has clarified that changes to the 2020 do not need to be taken into consideration in current Managing Board contracts. In the Supervisory Board's opinion, the Managing Board's remuneration as regulated in the current Managing Board contracts represents appropriate remuneration in view of the Managing Board members' tasks and performance, and the company's situation. Given this, the Managing Board's current contracts have not been adjusted at this time.

Hamburg, June 30, 2020

For the Supervisory Board

Ulrich Bellgardt

For the Managing Board

Bernd Paulini

Christian Auth

B. Other corporate governance practices / Compliance

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

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

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

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

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

Management positions in the company are filled in the company's interests, and in accordance with legal requirements. The Managing Board has set a target for the proportion of women in the two management levels below the Managing Board of at least 20 % for the first, and of at least 20 % for the second, management level below the Managing Board. These targets are to be achieved by June 30, 2025. The Managing Board of KROMI Logistik AG consists of two members. At present, the Managing Board does not include a woman. No plans exist to expand the Managing Board of KROMI Logistik AG. Given this, the Supervisory Board has set a target for the proportion of women on the Managing Board of KROMI Logistik AG of at least 0 % by June 30, 2025. The Supervisory Board has set a target for the proportion of women on the Supervisory Board, whereby at least one woman should belong to the Supervisory Board of KROMI Logistik AG by June 30, 2025. As a consequence, by June 30, 2025, the proportion of women on the Supervisory Board of KROMI Logistik AG should total at least 25 %, given a Supervisory Board consisting of four members.

C. Supervisory Board composition and independence

1. The Supervisory Board is to be composed in such a way that its members as a whole possess the knowledge, skills and professional experience required in order to perform their duties properly. In particular, the Supervisory Board considers the following knowledge and expertise areas as essential for the performance of its duties within the company (expertise profile):

Knowledge of industry and tools, international industry experience, capital market and investor relations knowledge, financial accounting and auditing, internal control system, corporate governance and compliance, digitalization expertise, environmental, social and corporate governance (ESG) system expertise, remuneration schemes for the Managing Board.

At least one member of the Supervisory Board must possess expertise in the financial accounting or auditing areas (financial expert in the meaning of Section 100 (5) of the German Stock Corporation Act [AktG]). Furthermore, the members of the Supervisory Board in their entirety must be familiar with the sector in which the company operates.

2. Furthermore the Supervisory Board specifies the following objectives for its composition:

a) In the Supervisory Board's opinion, it should include an appropriate number of independent members. To this end, more than half of the shareholder representatives should be independent of both the company and the Managing Board. At least one shareholder representative should be independent of the controlling shareholder. The Supervisory Board Chair should be independent of the company and the Managing Board.

b) In its election proposals to the Shareholders' General Meeting, the Supervisory Board will also pay attention to diversity in relation to aspects such as age, gender, educational and professional background, inasmuch as the proposed candidates should reflect a plurality of opinions and experience.

c) The Supervisory Board aims to include at least one woman member on the Supervisory Board by June 30, 2025. This means that by June 30, 2025, the proportion of women on the Supervisory Board of KROMI Logistik AG should total at least 25 %, given a Supervisory Board consisting of four members.

d) Conflicts of interest are to be avoided in the Supervisory Board's composition. The Supervisory Board decides in each individual case in accordance with the law, and taking the German Corporate Governance Code into consideration, how to deal with potential or emerging conflicts of interest.

The Supervisory Board's current composition accords with the objectives and expertise profile that the Supervisory Board has set itself for its composition, particularly taking into consideration the election proposals of the Supervisory Board to the Annual General Meeting on December 8, 2020. Overall, the members of the Supervisory Board possess the knowledge, skills and professional experience required to perform their duties properly. Furthermore, the Supervisory Board is of the opinion that it includes a reasonable number of independent members. All of the Supervisory Board members are independent of both the company and its Managing Board in the meaning of the DCKG. In addition, Supervisory Board Chairman Mr. Bellgardt and Supervisory Board members Prof. Dr. Kottkamp and Mr. Kleinmann are independent of the controlling shareholder in the meaning of the DCGK, and Deputy Chairman of the Supervisory Board Mr. Grosse-Allermann is also a member of the Managing Board of Investmentgesellschaft für langfristige Investoren TGV, which holds around 70% of the voting rights in KROMI Logistik AG.

Proposals of the Supervisory Board to the Shareholders' General Meeting will take into consideration the objectives specified by the Supervisory Board for its composition, and will aim to fill the expertise profile for the entire board. The Supervisory Board decides on its proposals for election to the Shareholders' General Meeting in the company's interests, and taking into consideration all circumstances pertaining to the specific case.

D. Remuneration report

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

With regard to Managing Board Chairman Bernd Paulini and former Managing Board member Axel Schubert, pension benefits had already been met upon them reaching the age of 65 in the context of their work for the company before their appointment to the Managing Board; in Mr. Paulini's case, a survivor's pension amounting to 60 % of the pension benefit also exists. These agreements with the aforementioned Managing Board members continue to be valid. For these pension commitments, pension provisions of around EUR 39 thousand (Paulini) and EUR 0 thousand (A. Schubert) were formed in the July 1, 2019 to June 30, 2020 period.

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

On December 19, 1996, Mr. Jörg Schubert, the CEO who stepped down as of December 31, 2017 and who retired in January 2020, received a pension commitment from Tarpenring 11 Vermögensverwaltungs GmbH upon leaving the company after reaching the age of 65. KROMI Logistik AG assumed this pension commitment on December 7, 2006, with effect from January 1, 2007. The settlement amount of the commitment stands at EUR 1,146 thousand as of June 30, 2020.

Indirectly by way of his 50% interest in KROMI Beteiligungsgesellschaft mbH, CEO Bernd Paulini indirectly held 90,000 voting rights in KROMI Logistik AG as of the aforementioned reporting date. CEO Axel Schubert directly held a further 2,200 voting rights, and former Managing Board member Bernd Paulini held an interest in a further 3,000 voting rights in KROMI Logistik AG.

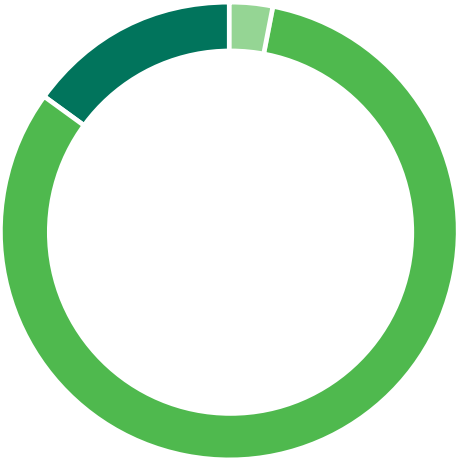
Capital market information

Key data

German Securities Identification Number (WKN)	A0KFUJ
ISIN	DE000A0KFUJ5
Ticker symbol	K1R
Trading segment	Regulated Market (General Standard)
Share type	No par ordinary bearer shares (no-par shares)
Share capital	4,124,900
Initial listing	March 8, 2007
Designated Sponsor	M.M. Warburg
Share price as of July 2, 2019*	EUR 7,90
Share price as of June 30, 2020*	EUR 4,82
Change in percent	-38.99%
52-week high**	EUR 8,80
52-week low**	EUR 4,20

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

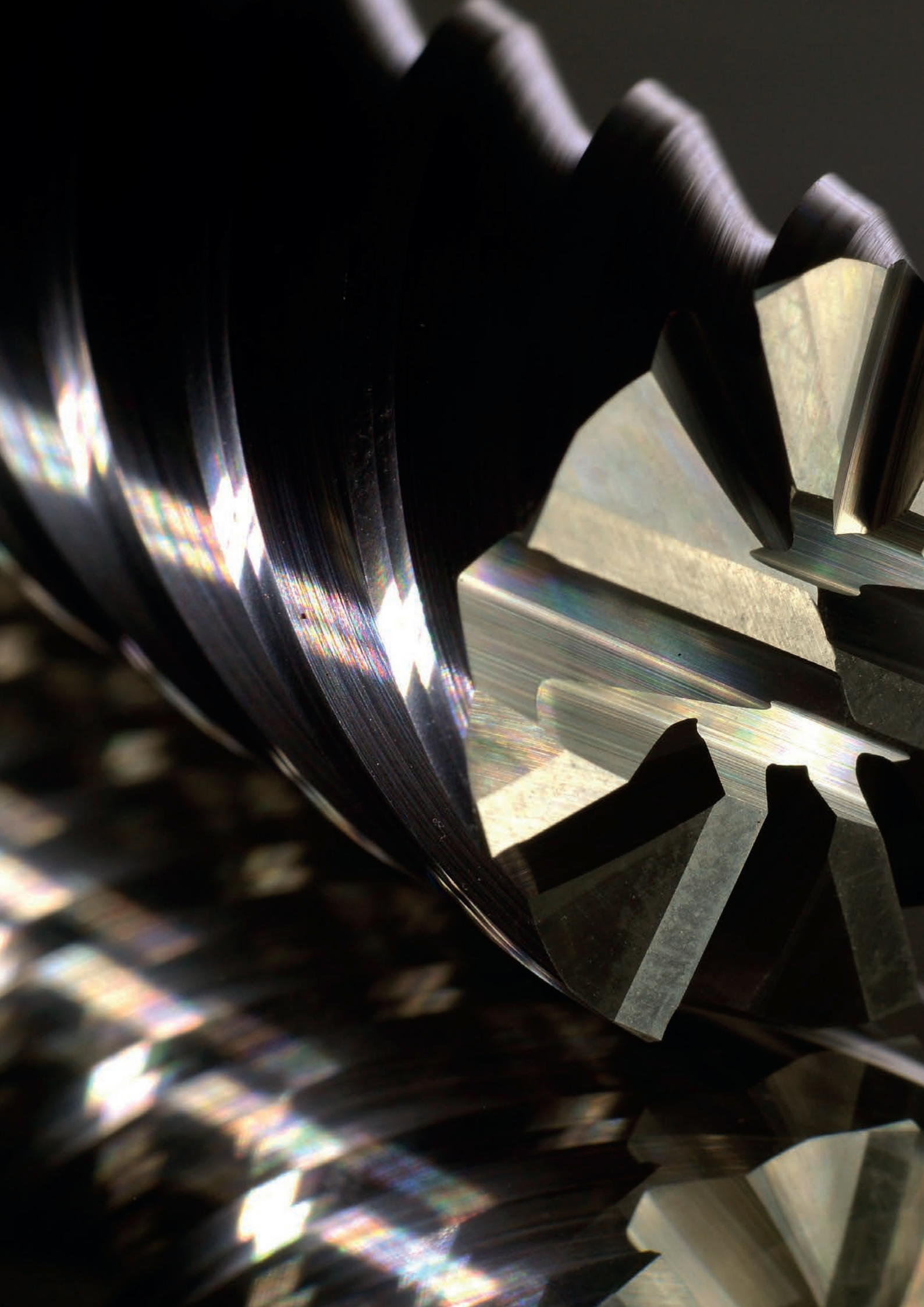
Shareholder structure



3.27 %	KROMI Beteiligungsgesellschaft mbH
81.73 %	Investmentaktiengesellschaft für langfristige Investoren TGV
15.00 %	Free float

Financial calendar

December 8, 2020	**Annual General Meeting**



GROUP MANAGEMENT REPORT

Group management report

A. Basis of the Group

I. Business model

The KROMI Group (hereinafter also referred to as "KROMI and "the Group") is a manufacturer-independent specialist for optimizing tool availability and tool use. This applies, in particular, to technically high-end cutting tools for the processing of metal and plastics in cutting operations.

KROMI regards itself as a trusted and transparent partner for the manufacturing industry. As a future-oriented company, KROMI stands for Industry 4.0. With a wide range of services from the four expertise areas of TOOLS, TECHNOLOGY, LOGISTICS and DATA, KROMI offers customized tool management solutions. KROMI combines data management, efficient machining and logistics processes as well as optimized tool procurement to create a competitive advantage for the customer. With IT-networked tool management and controlling systems, KROMI enables the digitalization of tool management for efficient processes. The advantage for the customer is to always have the optimal operating resources available at the right time and in the right place.

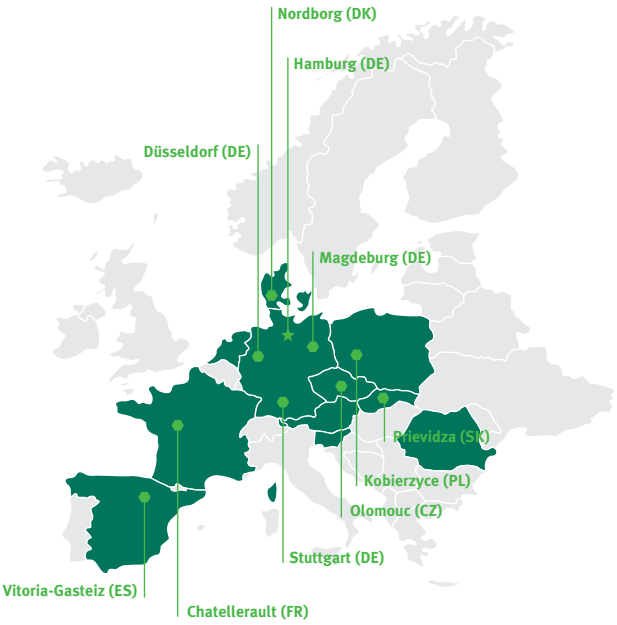
II. Corporate strategy and objectives

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

As a pioneer in tool management and as a manufacturer-independent technology specialist, KROMI optimizes tool deployment in tool management machining operations. The company analyzes customer processes and data in detail, and identifies potential for improvement. This enables KROMI to integrate tool supplies, including all related requisite services, into the customer's overall process with precision. With this alignment, the Managing Board is aiming for organic growth in the target markets over the coming years.

III. Company structure

Our locations in Europe



Sales area

Head office

Branch operation

Our locations in Brazil

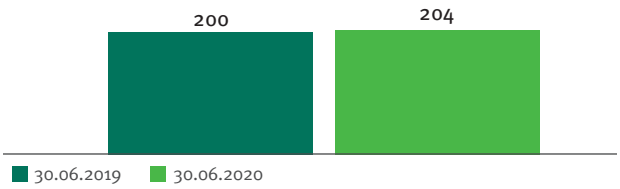
Sales area

Branch operation

IV. Segments

The Managing Board believes that is not expedient to apply segmentation based on products, services and areas of expertise, given that the company's products and services are homogeneous. Consequently, KROMI forms its geographic segments according to its customers' production locations, thereby basing itself on its relevant sales markets. A distinction was drawn between the domestic market (Germany), European countries outside Germany, and Brazil, during the reporting period.

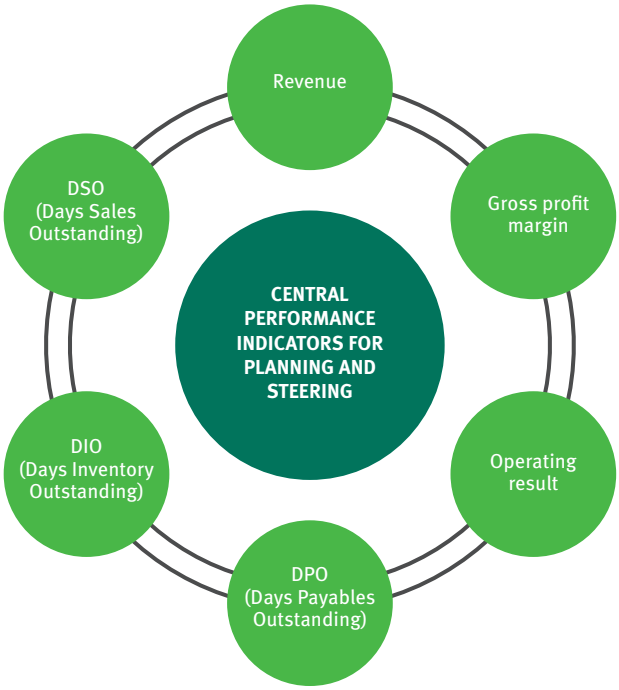
V. Employees



VI. Steering system

KROMI utilizes various key figures in order to manage performance in relation to target attainment. This entails applying planning and controlling processes to prepare the requisite key figures and information for decision-makers at various management levels. Detailed annual plans and respective budget figures are determined based on strategic planning. Rolling monthly budgets enable differences between budget and actual outcomes to be identified and analyzed, allowing countermeasures to be launched at an early juncture in the case of any negative developments.

Central performance indicators for planning and steering:



in addition to the central performance indicators, the supporting parameters of inventory levels, inventory turnover frequency, as well as days of receivables outstanding and the level of receivables, are also actively monitored.

Central performance indicator and definition	Indication
Revenue	Profitability / Capacity utilization of customers and industries / Market coverage
Gross profit margin (Revenue excluding other income less cost of materials in relation to revenue in %)	Profitability / changes for tool deployment and prices
Operating result (Revenue up to and including other operating expenses according to income statement items 1 to 7)	Profitability
Cash2Cash cycle (derived from DPO, DIO and DSO)	Capital employed

Supporting observation metric	Indication
Warehouse stock	Capital employed
Inventory turnover rate	Changes in stock and revenue (tool consumption)
Days of receivables outstanding	Customers' financial position
Receivables level	Customers' financial position

As part of the cost centre accounting system introduced in the 2019 / 2020 fiscal year, in future directly allocable costs will be allocated to the respective customers. In the future, Contribution Margin 2, which is derived from the respective customer revenue less directly allocated costs, will serve as an additional steering parameter. Overhead costs are not included in this control parameter.

In order to avoid duplication, the supporting analysis parameters will not be applied in the future, as these are already taken into account in the Cash2Cash cycle.

B. Business report

I. Macroeconomic conditions

The Kiel Institute for the World Economy forecasts a global decrease in gross domestic product (GDP) of 3.6 % in 2020 as a consequence of the coronavirus pandemic. For 2021, a strong increase in production of 6.7 % is expected.[1] Global economic growth in 2019 amounted to 3.0 %.[2] Uncertainty remains great due to the coronavirus pandemic, which entails far-reaching consequences for overall economic growth. With their countercyclical fiscal and monetary policies, governments and central banks are endeavouring to support the economy on an unprecedented scale in order to contain the effects of the coronavirus. At present, it remains difficult to gauge the full extent of the problem.[3]

In the Eurozone, GDP grew by 1.3 % in 2019. In 2020, the Eurozone is facing its worst recession since the creation of the monetary union. The measures that have been taken in order to contain the pandemic have led to the sharpest slump in economic activity since the creation of monetary union. A recession amounting to 7.1 % is forecast. An increase in production of 5.3 % is anticipated in 2021.[4]

Brazil recorded GDP growth of 1.1 % in 2019. After its recession, this now represents the third consecutive positive year. However, coronavirus is also affecting South America. In the current 2020 year, Brazil's GDP is forecast to decrease by 5.9 %. A recovery of 4.8 % is anticipated in 2021.[5]

After the economic growth rate in Germany in 2018 and 2019 continued to amount to 1.3 % and 0.6 %, production is expected to diminish by 5.5 % in 2020. Both the domestic market as well as foreign trade suffered greatly from coronavirus, and the global economic crisis is weighing on German exports. Worldwide production stoppages and plant closures are placing a burden on corporate balance sheets, which has reduced companies' willingness to invest. GDP growth of 4.8 % is forecast for 2021.[6]

[1] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_69_2020-Q3_Welt_DE_.pdf
[2] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_67_2020-Q2_Welt_DE.pdf
[3] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_69_2020-Q3_Welt_DE_.pdf
[4] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_70_2020-Q3_Euroraum_DE.pdf
[5] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_69_2020-Q3_Welt_DE_.pdf
[6] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_71_2020-Q3_Deutschland_DE_.pdf

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 of KROMI's future development and growth. The marine engine construction sector is of subordinate significance for KROMI due to its size.

a. Mechanical engineering / precision tools

The German mechanical engineering industry failed to match the last two years of growth. The sector's nominal sales decreased in 2019 by 1.7 % year-on-year to EUR 228.7 billion, according to the German Engineering Federation (VDMA). Uncertainty among investors, political upheavals and the structural change occurring in the automotive industry have left their mark.[7]

In 2019, production of machinery and equipment in Germany stood 2.8 % below the previous year's level in real terms. While full order books and production bottlenecks dominated day-to-day business in 2018, and capacity utilization reached a ten-year high, capacity utilization at the end of 2019 dropped to its lowest level since 2016. New order intake in Germany in 2019 has decreased by 9 %. Price-adjusted production in 2019 was down by -2.8 %. Global demand for capital goods has diminished, leading to a lower level of exports from Germany. Economic growth momentum slowed especially in the second half of the year, prompting a decrease of 1.6 % in the second half of 2019. Imports of mechanical engineering products were down by 0.8 % to EUR 76 billion in 2019.[8]

Global machine sales in 2019 rose by a nominal 2 % to around EUR 2.7 trillion. China again took the top position with a sales volume of EUR 876 billion, which corresponds to year-on-year sales growth of 2 %. Second place was taken by the USA, which grew its sales by almost 7 % to EUR 348 billion.[9]

b. Aircraft construction and aviation

The year 2020 will prove to have been the most challenging year in the history of airlines. A net loss of USD 84.3 billion is anticipated. Airlines will also be in the red in 2021, albeit to a lesser extent. Whereas in 2019 air transport spending will have amounted to USD 876 billion, the International Air Transport Association (IATA) expects a sharp slump to USD 434 billion in 2020 as a consequence of the coronavirus pandemic. This corresponds to a reduction of 50.4 %. Passenger traffic will decrease from 4.5 billion in 2019 to an estimated 2.3 billion in 2020.[10] In 2019, around 1,750 new aircraft worth USD 80 billion will be delivered for commercial aviation.[11] According to the IATA, aircraft deliveries planned for 2020 have reduced by 40 % since the start of the year and currently stand at 960 new aircraft.[12] Airlines in all regions are expected to report operating losses in 2020. The restoration of air transport connections in the period after the coronavius pandemic will be crucial to support the recovery of economic growth. Air transport is essential for international trade in industrial goods. Goods, especially for the supplier industry, now account for a large part of cross-border trade. The IATA forecasts that the value of international trade by air will amount to around USD 5.5 trillion in 2020, around 15 % less than in 2019. Tourists travelling by air in 2020 are expected to spend around USD 457 billion, 49 % less than in the previous year. Employment will represent a further negative affect of the crisis. Total employment in the air transport sector is expected to decrease to 38.4 million individuals in 2020, representing a decrease of 45 % in relation to the sector's estimated 70.4 million jobs in 2019.[13]

[7] https://www.vdma.org/documents/14969753/48271265/MaBiZ_2020_final_1587484941149.pdf/34666b3a-4d70-9bfb-81fe-f3a9e13db772
[8] https://www.vdma.org/documents/14969753/48271265/MaBiZ_2020_final_1587484941149.pdf/34666b3a-4d70-9bfb-81fe-f3a9e13db772
[9] https://www.vdma.org/documents/14969753/48271265/MaBiZ_2020_final_1587484941149.pdf/34666b3a-4d70-9bfb-81fe-f3a9e13db772
[10] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance-june-2020-report/
[11] https://www.iata.org/contentassets/6240530b9bcb40a6911262588432fbdf/airline-industry-economic-performance-jun19-report.pdf
[12] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance-june-2020-report/
[13] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance-june-2020-report/

c. Automotive supply industry

Worldwide passenger car sales in 2019 decreased by 3.9 million units to 79.5 million vehicles, a reduction of 5 %. The Chinese market, which diminished by 10 %, played a major role in this trend. The trade conflict with the USA, in particular, placed a burden on the Chinese economy. The European light commercial vehicle market grew by 0.2 million units in 2019. The US market decreased by 0.2 million units. The global market for heavy commercial vehicles declined by 2 % overall. German passenger car production also recorded a decrease in 2019. Fundamentally this reflected not only the diminishing world market but also the conversion of German plants to electric vehicle production.[14]

The European car market recorded growth of 1 % for 2019, according to the German Automotive Industry Association (VDA). The German automotive industry increased its sales in 2019 by approximately EUR 9.1 billion, or 2 %.[15]

The effects of the coronavirus pandemic have triggered a collapse in automotive markets worldwide. In the first half of 2020, new passenger car registrations in Germany decreased by 35 % to 1.21 million. At the same time, the European market reduced by 43 %, the US market by 23 %, and the Chinese market by 27 %. A slight recovery is forecast for the second half of the year, although this will not compensate for the first half. The global passenger car market will shrink by a total of 17 % to 65.9 million units in 2020, according to the VDA.[16]

III. Course of business – KROMI in the 2019 / 2020 fiscal year

a. Germany

Despite acquiring new customers, revenue in Germany decreased from EUR 36,099 thousand in the previous year to EUR 34,422 thousand. This mainly reflects low revenue in the months March to June 2020 caused by the coronavirus pandemic.

b. European countries outside Germany

KROMI also acquired additional new customers in other European countries. However, this failed to offset the effects of the coronavirus pandemic, leading revenue to decrease from EUR 30,576 thousand in the previous year to EUR 27,157 thousand.

c. Brazil

Revenue in Brazil grew in a very gratifying manner in the first half of the fiscal year under review, being additionally boosted by new customers. Revenue in the period July to December 2019 increased by 25 % year-on-year when expressed in terms of the national currency, the BRL. In the entire 2019 / 2020 fiscal year, revenue of EUR 7,867 thousand was achieved due to the effects of the coronavirus pandemic. This corresponds to a reduction of 3.0 % compared to the previous year (previous year: EUR 8,109 thousand).

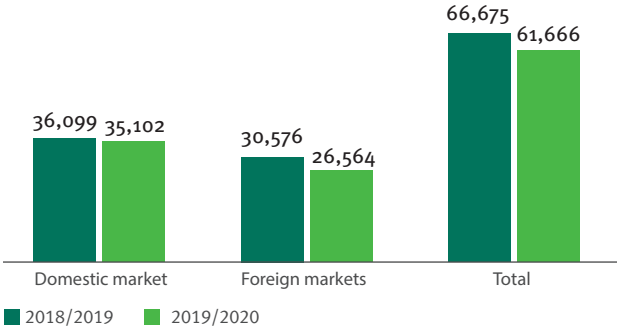
d. Trends in financial steering indicators

The adjusted forecast of May 15, 2020 was achieved for revenue, and even slightly exceeded for the operating result. The original corporate planning for the 2019/2020 fiscal year was not met in full, mainly owing to the effects of the coronavirus pandemic. However, despite a 7.1 % year-on-year downturn in revenue, KROMI recorded a positive operating result, as announced at the start of the fiscal year under review. The following presents an overview of trends and developments:

[14] https://www.vda.de/de/services/Publikationen/analysen-zur-automobil-konjunktur-2019.html
[15] https://www.vda.de/de/services/Publikationen/analysen-zur-automobil-konjunktur-2019.html
[16] https://www.vda.de/de/presse/Pressemeldungen/200703-VDA-erwartet-f-r-2020-rund-ein-Viertel-weniger-Pkw-Verk-ufe-in-Deutschland-und-Europa

Key steering indicator	Original forecast for 2019 / 20	Adjusted forecast for 2019 / 20	Actual 2019 / 2020	Previous year 2018 / 2019
Revenue	Revenue growth of around 10 %	Single-digit percentage year-on-year decrease in revenue	-7.1 %	-7.0 %
Gross profit margin	Slightly below the previous year's level	n / a	22.2 %	22.2 %
Operating result (EBIT)	Slightly positive	Slightly negative	EUR 89 thousand	EUR -1,167 thousand
Warehouse stock	Slight improvement	n / a	17,939	22,032
Inventory turnover	Slight improvement	n / a	2.9	2.8
Days of receivables outstanding	Slight improvement	n / a	61	64
Receivables level	Slight improvement	n / a	11,120	15,568
DPO (days of payables outstanding)	Slight improvement	n / a	-32	-33
DIO (days of inventory outstanding)	Slight improvement	n / a	136	136
DSO (days of sales outstanding)	Slight improvement	n / a	63	66

While visible improvements were achieved in working capital compared with the previous year, the effects of the coronavirus pandemic from April 2020 onwards exerted a negative effect on profitability. The considerable reduction in revenue and the resultant lower gross profit were mitigated thanks to early and consistent cost management over the entire fiscal year.



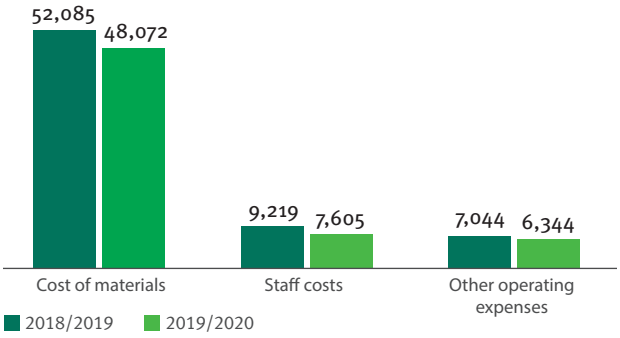
IV. Financial position and performance

a. Results of operations

Revenue

Revenue decreased by 7.1 % to EUR 69,447 thousand in the period under review (previous year: EUR 74,785 thousand). In addition to a weakening in the general engineering sector since the start of the fiscal year under review, this downturn primarily reflects the coronavirus-related lockdown during the fourth quarter of 2019 / 2020, which led to major restrictions or production stops for KROMI's customers. As a consequence, KROMI recorded a substantial drop in demand and revenue across all sectors and in all markets in the fourth quarter.

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



The cost of materials decreased by 7.2 % compared to the previous year. In absolute terms, it reduced to EUR -54,010 thousand in the 2019 / 2020 fiscal year (previous year: EUR -58,195 thousand). The cost of materials ratio (cost of materials / revenue) remained identical to the previous year at 77.8 % (previous year: 77.8 %). Accordingly, the gross profit margin amounted to 22.2 % (previous year: 22.2 %).

The staff cost ratio was below the previous year's figure at 14.3 % (previous year: 15.4 %), mainly due to the permanent reduction in the number of Managing Board members in 2019 and the special effect of EUR 631 thousand in the previous year's staff costs in connection with the departure of a Managing Board member as of December 31, 2018.

Amortization, depreciation and impairment losses doubled compared to the previous year and amounted to EUR -1,082 thousand (previous year: EUR -575 thousand). The increase was mainly due to the amortization of capitalized rights of use reflecting changes in presentation as part of the first-time application of IFRS 16. The resultant amortization of capitalized rights of use from rental agreements and vehicle leases amounted to EUR 485 thousand in the 2019 / 2020 fiscal year.

Starting with the 2019 / 2020 fiscal year, expenses from currency effects in connection with the business in Brazil are reported under financial expenses, and income from these currency effects under other financial income. The previous year's figures have been adjusted accordingly for better comparability. Other operating expenses in the 2019 / 2020 fiscal year decreased by EUR 1,343 thousand year-on-year to EUR 5,139 thousand (previous year: EUR 6,482 thousand). In the previous year, this item included a specific value adjustment of EUR 537 thousand due to a customer's insolvency.

The EBIT operating result improved compared to the previous year. KROMI recorded significantly improved, slightly positive, EBIT of EUR 89 thousand (previous year: EUR -1,167 thousand).[17]

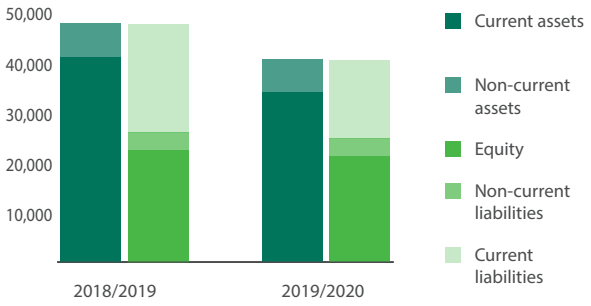
Financial expenses of EUR of EUR 3,111 thousand were up significantly on the previous year's level (EUR 387 thousand). As a consequence of the continuous decrease in the rate of exchange of the Brazilian Real, these include negative currency effects in connection with the business in Brazil in the amount of EUR 2,718 thousand. In the same period of the previous year, positive currency effects of EUR 224 thousand arose, which are shown under other financial income. These non-operating currency effects arose primarily from euro-based loans between the parent company and the Brazilian subsidiary. As of July 1, 2020, the loans no longer exist, so that the corresponding currency effects will no longer apply from the 2020 / 2021 fiscal year onward. Moreover, financial expenses include interest on lease liabilities of EUR 28 thousand, which was recognized for the first time in accordance with IFRS 16. Other financial income amounted to EUR 45 thousand in the reporting period (previous year: EUR 236 thousand).[18]

Income taxes of EUR -181 thousand mainly reflect the reversal of deferred tax assets of the individual company, which were formed in the previous year in relation to losses.

KROMI recorded a consolidated net result of EUR -3,158 thousand (previous year: EUR -1,105 thousand), mostly reflecting the non-operating currency effects described above in the amount of EUR 2,718 thousand in connection with the business in Brazil.

b. Net assets

Balance sheet



As of the June 30, 2020 balance sheet date, KROMI's total assets stood at EUR 40,395 thousand, thereby below their level in the previous year (EUR 47,594 thousand).

[17] Adjusted prior-year figures for the sake of comparability, and in accordance with the amended presentation of currency effects in connection with the business in Brazil starting in the 2019/2020 fiscal year

[18] Adjusted prior-year figures for the sake of comparability, and in accordance with the amended presentation of currency effects in connection with the business in Brazil starting in the 2019/2020 fiscal year

On the assets side of the balance sheet, non-current assets were unchanged year-on-year at EUR 6,597 thousand as of June 30, 2020. At EUR 931 thousand, rights of use from leases were reported for the first time in accordance with IFRS 16. Non-current financial assets decreased by EUR 1,097 thousand. This is due to the fact that a bank deposit was pledged as collateral for pension benefits when a former member of the Managing Board left the company. This is now freely available again and is consequently reported under cash and cash equivalents.

A reduction in inventories exerted a positive effect on current assets. As part of consistent working capital optimization over the entire fiscal year, inventories were reduced to EUR 17,939 thousand (previous year: EUR 22,032 thousand). The lower business activities in the fourth quarter reflecting coronavirus also exerted an effect in this context. Equally, trade receivables were reduced from EUR 15,568 thousand in the previous year to EUR 11,120 thousand as of June 30, 2020 thanks to improved receivables management. The decrease in trade receivables also reflects lower revenue in the third and fourth quarters in the wake of the coronavirus pandemic.

Cash and cash equivalents increased from EUR 1,693 thousand in the previous year to EUR 3,779 thousand as of June 30, 2020. This is mainly attributable the fact that a bank deposit was pledged as security for the pension benefits of a former member of the Managing Board when he left the company, and is now freely available again.

On the equity and liabilities side, the balance sheet comprised year-on-year lower total equity of EUR 21,052 thousand as of June 30, 2020 (previous year: EUR 22,371 thousand), reflecting the consolidated net result. The equity ratio rose from 47.0 % on June 30, 2019 to 52.1 % on the 2020 balance sheet date as a consequence of a lower level of total assets. Liabilities decreased from EUR 25,222 thousand as of June 30, 2019 to EUR 19,342 thousand. Non-current liabilities accounted for EUR 3,637 thousand of this amount as of June 30, 2020 (previous year: EUR 3,529 thousand). Current liabilities amounted to EUR 15,705 thousand (previous year: EUR 21,695 thousand). This decrease reflects a lower level of loans were taken out to finance working capital thanks to working capital optimization, business trends in the fourth quarter of 2019 / 2020, and lower trade payables.

c. Financial position

Working capital (current assets less current liabilities) of EUR 18,093 thousand stood at the previous year's level (previous year: EUR 19,275 thousand). KROMI was able to meet its payment commitments at all times.

Cash flow from operating activities amounted to EUR 7,156 thousand in the period under review (previous year: EUR -1,826 thousand). This very substantial improvement occurred mainly thanks to the targeted reduction of both inventories and trade receivables.

Cash flow from investing activities amounted to EUR -753 thousand (previous year: EUR -601 thousand), while cash flow from financing activities stood at EUR -4,297 thousand (previous year: EUR 2,537 thousand). The significantly lower financing requirement mainly reflects significantly optimized inventories and the lower level of trade receivables.

Cash and cash equivalents amounted to EUR 3,779 thousand as of the end of the 2019 / 2020 fiscal year (June 30, 2019: EUR 1,693 thousand).

KROMI currently has at its disposal EUR 15,263 thousand of working capital credit lines, of which EUR 4,584 thousand were drawn upon as of June 30, 2020.

As a consequence, the company's financial position as of the balance sheet date has improved significantly compared to the previous year, despite the severe impact of the pandemic.

V. Overall statement on the Group's financial position

In retrospect, the 2019/ 2020 fiscal year presented a very varied economic situation.

In the first six months of the year, year-on-year revenue growth of 4.2 % was achieved, despite a general economic slowdown. In Brazil, revenue in the local currency BRL even increased by 25 %.

Accordingly, KROMI was on a growth track in the first half of the fiscal year.

Due to the coronavirus pandemic and the extensive lockdown, KROMI's customers massively reduced their production levels from March 2020, which exerted a considerable effect on business growth from April 2020.

Accordingly, KROMI had to adjust its forecast for the 2019 / 2020 fiscal year, and after a good start to the year recorded a 7.1% year-on-year downturn in revenue to EUR 69,447 thousand. Despite the coronavirus-related decrease in revenue, the steps taken to cut costs at the start of the fiscal year under review led to a year-on-year significantly improved, and positive, operating result (EUR 89 thousand). Moreover, unlike in the same period of the previous year, no negative one-off effects were incurred.

With cash and cash equivalents of EUR 3,779 thousand and an equity ratio of 52.1% as of June 30, 2020, the company believes that it is well positioned to return to profitable growth in the future, including in this challenging market environment, thanks to improved receivables and inventory management.

C. Corporate governance declaration pursuant to Section 315 D HGB [19]

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

The corporate governance declaration has been published on KROMI's investor relations website at http://ir.kromi.de/websites/kromi/German/7050/erklaerung-zur-unternehmensfuehrung.html.

D. Report on outlook, risks, and opportunities

I. Outlook

a. Managing Board's overall statement on the Group's development in fiscal 2020 / 2021

The Managing Board plans to further consolidate and expand the business with both existing and new customers in the future. Additional growth is to be achieved primarily at existing locations, while new markets are to be tapped principally by way of supporting existing customers. Despite the decrease in revenue in fiscal 2019 / 2020, the Managing Board is confident of achieving profitable medium-term growth thanks to the diversified customer structure and the efficiency measures taken.

b. Expected trend in the market environment

Over the long term and beyond economic cycles, KROMI's customers are active in growth markets, even if KROMI's target industries are heavily impacted as a consequence of the coronavirus pandemic. From today's perspective, the general mechanical engineering, aviation and automotive supply sectors are also under pressure to transform. The German mechanical engineering industry has recorded significantly lower new order intake in the year 2020 to date. Customers ordered 13% fewer machines, components and services than in the same period last year.[20] According to the IATA, total global spending in the air transport sector will decrease significantly in 2020. The automotive industry is also suffering from the coronavirus pandemic. The VDA expects a decrease of 17% on the global passenger car market. The first half of 2020 was particularly hard hit.

According to the current status of information, it can be assumed that the coronavirus pandemic will lead to restrictions in public life for months to come. Given this, it is barely possible to make a valid statement on trends in the market environment. Through accelerated implementation of digitalization and a stronger focus on sustainability, KROMI believes that its business model and its diversification of customers across sectors and countries generally leave it well positioned to participate in the positive long-term growth expected in its key target industries.

[19] Disclosure typical of management reports albeit not audited.
[20] https://www.vdma.org/documents/106133/28364567/Auftragseingang-Maschinenbau-Mai2020_1593692139476.pdf/99dccdd7-1e6f-92b9-e27a-eodef7d4abea

c. KROMI's expected trend

After the coronavirus pandemic impacted business only in the fourth quarter of its 2019 / 2020 fiscal year, KROMI budgets that its revenue in 2020 / 2021 fiscal year will reflect a further reduction in demand from its existing customers over a period of twelve months as a consequence of the uncertain duration of the coronavirus pandemic. However, after taking newly acquired customers into consideration, KROMI is forecasting revenue at the previous year's level.

During the first half of the 2019 / 2020 fiscal year, KROMI rolled out its modified new business model, which is geared more closely to meet individual customer requirements. Furthermore, a performance program was implemented during the same period. Business process efficiency enhancement and the redimensioning of requisite capacities are aimed at boosting productivity in the current fiscal year as a whole. Progress in relation to inventory levels, inventory turnover rate, days of receivables outstanding and receivables levels was already achieved in the reporting period. For this reason, the Managing Board expects a further slight year-on-year improvement in DIO, DPO and DSO during the current fiscal year. In summary, revenue for the 2020 / 2021 fiscal year is expected to stand at the previous year's level, with a slight improvement at the level of the gross profit margin, and a breakeven result at the operating level.

II. Report on opportunities and risks

a. Report and information pursuant to 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 financial accounting. With regard to the financial accounting process, the risk management system aims to identify and measure risks that run counter to the aim of ensuring that the annual financial statements and management report comply with regulations. Identified risks are measured in relation to their impact on the annual financial statements and management report. In this connection, the internal controlling system aims to ensure sufficient security by implementing corresponding controls so 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 organizational, technical and commercial workflows within 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 as well as appropriate access regulations in the IT systems of relevance to the financial statements comprise key financial accounting control elements. One central element is the principle of functional separation, which aims to ensure that major executory (e.g. sales), booking (e.g. financial records) and administrative (e.g. IT administration) activities do not derive 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 enable the Managing Board to recognize at an early juncture any operating and financial risks – whether immaterial, material, or risks that might jeopardize the company as a going concern – and also to 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:

- standardized view of risks,
- rapid overview of the actual risk situation within KROMI,
- consistent disclosure and addressing of loopholes,
- risk-oriented concentration on key business areas and processes, as well as requisite controls,
- implementation that is cost-aware and pragmatic, and that does not entail unnecessary bureaucracy,
- standardized perspective and approach for all controlling-relevant sub-areas.

KROMI utilizes the Jedox spreadsheet-based management and controlling system in order 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 known, and allocates levels of responsibility within the company. Existing risk potentials are monitored on an ongoing basis, and adequate activities to limit risks are put in place if possible.

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

d. Risks

KROMI's Managing Board is directly responsible for the early recognition, controlling and communication of risks. This enables the company to respond to potential risks both rapidly and comprehensively. In its overall assessment of the risk situation, the Managing Board is of the opinion that the following risks and their treatment will be of particular importance in the 2020 / 2021 fiscal year:

i. Market risks and the coronavirus pandemic

KROMI's customers are primarily active in the general engineering, automotive supplies as well as aviation 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 entail 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.

An extraordinary reason for a sharp fluctuation in demand for KROMI services occurred at the end of the third quarter of the 2019 / 2020 fiscal year with the global spread of the coronavirus and associated containment measures. The resultant plant closures and production stops impacted several of KROMI's customers, and led to a massive downturn in revenue at these customers. Given the difficulty of forecasting trends from here on and the possibility of a second lockdown in Germany and at KROMI's other locations and sales areas, which could lead to a substantial downturn in revenues and earnings, this risk must be classified as material for the time being.

KROMI will carefully monitor the impact on its customers, analyze the repercussions for its own business, and adapt to the new conditions.

ii. 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 utilized 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 risk definition did not occur at any time during the period under review.

iii. Risks connected with changes in interest rates

The company currently identifies no risk from sustainable interest-rate risks within the Eurozone. By way of precaution, however, a EUR 1.5 million interest-rate swap was entered into already in the 2011 / 2012 fiscal year in order to hedge the purchase price financing for the Tarpenring 11 building. The negative market value calculated applying the mark-to-market method amounted to EUR 35 thousand as of the balance sheet date.

The interest rate level was almost unchanged in the 2019 / 2020 fiscal year. The Eurozone reference interest rate stood at 0.0 % as of the balance sheet date. It is not expected that this reference interest rate will change fundamentally over the course of the fiscal year. Accordingly, no significant quantifiable risks are expected to arise during the 2020 / 2021 fiscal year from the change in the reference interest rate in the meaning of the risk definition.

iv. Risk of receivables default / risk of customer insolvency

KROMI steers and minimizes 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 a receivable by a customer or a group of customers with a receivables position of more than 10 % of the overall receivable. Only one group of customers meets this criterion at present. Between two and four months can elapse between the tools being removed from the dispensers and payment actually being received, including the agreed payment targets. KROMI counters receivables default risk through diversification of its portfolio of customers. In addition, a trade credit insurance policy was taken out in the 2018 / 2019 fiscal year to further hedge against the insolvency risk, which to a large extent hedges customer receivables. Before a new customer

contract is concluded, the customer's credit standing is also checked on the basis of generally available 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.

v. 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 analyze past tool consumption, and to utilize this information to derive data for demand-based repurchasing, assuming constant consumption. Additional information on future production planning is needed to precisely gear order quantities for tools to customers' changing requirements. Only the customer can supply this information. For this reason, KROMI agrees a suitable communication concept with its customers to record this customer information, and to take it into account in its merchandise planning. If surplus stocks still arise at KROMI, however, the tool supply agreements stipulate that customers should accept such stocks within fixed agreed dates, to the extent that it is not possible to return surplus stocks to the respective suppliers. This approach can be jeopardized 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.

vi. Risks relating to changes in currency exchange rates

This potential risk from foreign business as a consequence of currency translation differences is negligible, as invoices are generally issued in euros. In Brazil, the Brazilian subsidiary buys and sells merchandise in local currency. As a consequence, currently no direct risk exists from changes in exchange rates due to commercial transactions, or only to a minor extent. 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 effect on KROMI's earnings.

vii. Risks arising from the investment in Brazil

In Brazil, the speed at which the penetration of the potential market was occurring was slower due to various regulatory administrative processes. The subsidiary's development is monitored very closely, and the management receives continuous short-term updates. The further developments and effects of the macroeconomic situation in Brazil, which remains challenging, remain to be seen. The drop in revenue generated in the business with existing customers over the past years has meanwhile been recouped, and is more than offset by new business. Based on the past fiscal years' positive trend, revenue growth in the new fiscal year, and promising discussions with new customers, the Managing Board remains convinced that expectations will be met in the medium term.

KROMI has issued a letter of comfort valid for an indefinite period of time for the benefit of the Brazilian subsidiary. Above and beyond this, the company was not aware as of the reporting date of any significant quantifiable risks, in the meaning of the risk definition, arising from the investment in Brazil.

viii. Risks associated with the company's strategy

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

ix. Information technology risks

IT systems form a key component of KROMI's business processes. The utilization of IT entails risks in relation to the availability, reliability and stability of business processes, as well as data confidentiality, which could have a negative effect on KROMI's financial position and performance, as well as its image. IT-related risks are monitored constantly. Measures needed to reduce risks are implemented where required. The IT systems are regularly evaluated in relation to their security level, based on the relevant business processes and the data to be processed. Various risk scenarios are taken into account in this context, such as system downtime and 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 ensured 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 minimize this risk, and to maintain efficient and secure business processes, KROMI also constantly checks its IT systems, and is constantly developing them further. Significant quantifiable, information technology risks in the meaning of the risk definition were not identified as of the end of the year under review.

e. Opportunities

i. Opportunities arising from the outsourcing trend in manufacturing industry

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

ii. Growth with existing multinational customers

KROMI's multinational customer structure offers continuous, high, growth potential. KROMI realizes growth through expanding tool management for existing customers that also make recourse to KROMI services for new locations abroad. This offers KROMI's customers the opportunity to streamline their own structures and thereby remain competitive, particularly in a difficult economic environment as a consequence of coronavirus.

iii. Market opportunities as a manufacturer-independent pioneer

As a sector pioneer and trailblazer, KROMI has established a reputation within the tool management niche. This market share is nevertheless relatively insignificant compared with the respective market. As a consequence, the market offers excellent growth opportunities that should strengthen even further due to growing outsourcing trends in industry. Moreover, unlike its competitors, KROMI is not tied to specific manufacturers, and instead offers tool management spanning all manufacturers.

iv. Qualified personnel

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

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

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

KROMI's long-term business model proved its worth overall in the 2019 / 2020 fiscal year. However, KROMI identifies a stronger trend towards more transparency in relation to performance and costs among its customers and in the market. KROMI has identified this trend and is working intensively on fulfilling these requirements. In this context, KROMI identifies major opportunities to serve its existing customers on an even more individual basis, and to acquire further customers through meeting this demand situation for the future KROMI model. KROMI is in a good position thanks to constantly recurring cash inflows, available credit lines as well as the quality and credit standing of its diversified customer base. As of the balance sheet date, the company

was not aware of any significant quantifiable risks in the meaning of the risk definition that jeopardized KROMI as a going concern, or which would give rise to expectations of significant effects on its financial position and performance.

E. Remuneration report

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

I. Remuneration of Managing Board members

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

The company approved a new remuneration scheme for the Managing Board members in the 2011/2012 fiscal year, and developed it further in the 2014/2015 fiscal year 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 remuneration, 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 remuneration scheme, and the appropriateness of the remuneration. The remuneration scheme is based on the following requirements:

- individually appropriate remuneration for each Managing Board member,
- orientation to sustained corporate development and 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 remuneration, 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 remuneration, and the recommendations of the German Corporate Governance Code. Accordingly, the variable component is fixed at a maximum of 40 % of total direct remuneration for each Managing Board member at KROMI. In this context, 60 % of the variable remuneration is granted as short-term variable remuneration following assessment of goal attainment, and 40 % as long-term variable remuneration. In addition to the individual upper limit for total remuneration for each Managing Board member, a total bonus upper limit is applicable for the total amount of all variable remuneration granted to all Managing Board members in relation to the company's earnings before tax 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 remuneration comprises both quantitative targets based on the company's key performance indicators, as well as qualitative goals. The target agreement sets out the mutual relationship of the respective targets (weighting) and the key indicators and target attainment parameters that are relevant for measuring performance in relation to the specific objectives.

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

Long-term variable remuneration 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 remuneration 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.

In the year under review, Mr. Bernd Paulini served as Chairman of the Managing Board and Mr. Christian Auth as Chief Financial and Personnel Officer. Mr. Axel Schubert served as the Managing Board member responsible for the IT and Administration area until September 30, 2019. Total remuneration paid to Managing Board members for the 2019 / 2020 fiscal year amounted to EUR 715 thousand (previous year: EUR 646 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

Supervisory Board members receive fixed remuneration of EUR 30 thousand per fiscal year for their activities, and the Supervisory Board Chair receives EUR 80 thousand per fiscal year. The Supervisory Board members receive long-term variable remuneration in addition to fixed remuneration in order to incentivize their orientation to the company's long-term development and growth. The variable remuneration depends on the achievement of a more precisely defined profitability target and on the extent of the Supervisory Board members' own investment in the company's shares, and is due at the earliest after the end of the 2020 / 2021 fiscal year. Supervisory Board members can receive variable remuneration of up to EUR 100 thousand, and the Supervisory Board Chair up to EUR 200 thousand. In the fiscal year under review, the total remuneration paid to the members of the Supervisory Board amounted to EUR 136 thousand (previous year: EUR 170 thousand), reflecting a 20 % voluntary waiver given the coronavirus pandemic.

Details of the Supervisory Board's remuneration are presented in the notes to the financial statements.

F. Takeover law disclosures

I. Composition of subscribed capital

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

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

As of June 30, 2020, and on the basis of the last respective voting rights notification, the following direct or indirect interests exceeding 10 % of the voting rights in the share capital of KROMI Logistik AG had been notified.

	Number of voting rights	Interest in voting rights	Of which attribution according to Section 34 (1) WpHG	
			Interest	Held by:
Investmentaktiengesellschaft für langfristige Investoren TGV	**3,371,359**	81.73 %	81.73 %	Norman Rentrop

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

III. Holders of shares with special rights

No shares with special rights exist.

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

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

V. Restrictions on voting rights or restrictions on transfers

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

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

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

The company's articles of incorporation can be amended only by a resolution by the General Meeting in the meaning of Section 179 AktG. Pursuant to Article 21 of the articles of incorporation, the Supervisory Board is authorized to make amendments to the articles of incorporation that affect only their wording.

VII. Authorization 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 Shareholders' General Meeting.

By way of a resolution by the General Meeting on December 10, 2019, the Managing Board was authorized 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 a maximum of EUR 2,062,000.00 through one or more issues of new no par value bearer shares against cash or non-cash capital contributions (Authorized Capital 2019), and thereby to determine a start of dividend-entitlement differing from the law in accordance with Section 5 (5) of the articles of incorporation. As a matter of principle, shareholders are entitled to subscription rights. The new shares may also be underwritten by a bank designated by the Managing Board or by a company operating in accordance with Section 53 (1) Clause 1 or Section 53b (1) Clause 1 or (7) of the German Banking Act (KWG) or a consortium of such issuing banks with the obligation to offer them to the shareholders for subscription (indirect subscription right).

Furthermore, the Managing Board is authorized, in each case with the approval of the Supervisory Board, to exclude shareholders' subscription rights once or on several occasions,

I. insofar as this is necessary to compensate for residual amounts;

II. to the extent necessary to grant the holders of warrant or conversion rights, or conversion obligations from bonds or participation rights with warrant or conversion rights or conversion obligations, to the extent to which they would be entitled as shareholders after exercising the warrant or conversion right, or fulfilling the conversion obligation;

III. insofar as the new shares are issued against cash capital contributions and the share capital calculated for the issued shares does not exceed a total of 10 % of the share capital either at the time when this authorization becomes effective or at the time when this authorization is exercised (maximum amount), and the issue price of the new shares to be issued is not significantly lower than the stock exchange price of the company's already listed shares of the same class at the time when the issue price is finally fixed; or

IV. insofar as the new shares are issued against capital contributions in kind, particularly in the form of companies, parts of companies, participations in companies, receivables or other assets (such as patents, licences, copyrighted rights of use and exploitation, and other intellectual property rights).

The maximum amount in accordance with section III above is to include shares which (i) are issued or sold by the company during the term of this authorization, excluding subscription rights, on the basis of other authorizations in direct or analogous application of Section 186 (3) Clause 4 AktG, or (ii) are issued or are to be issued to service bonds or participation rights with conversion or warrant rights, or a conversion obligation, provided that the bonds are issued during the term of this authorization, excluding subscription rights, in analogous application of Section 186 (3) Clause 4 AktG.

VIII. Agreements subject to the condition of a change of control as well as remuneration agreements

The Managing Board members' employment contracts include an extraordinary termination right for the Managing Board members if a shareholder of KROMI Logistic AG combines (directly and/or indirectly) more than 50 % of the voting rights of all KROMI shares for the first time. In the case of termination, the respective Managing Board members would receive severance payments equivalent to the remuneration that they would have received until the end of the regular duration of their employment contracts (discounted at 10 % p.a.). In Mr. Paulini's case, 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 then Managing Board members had each entered into a commitment to TGV not to utilize this right in relation to the purchase agreement dated June 16, 2016. The notes to the financial statements include details concerning the remuneration agreements with Managing Board members.

IX. Final statement on the dependent company report pursuant to Section 313 (3) AktG

On June 30, 2020, Investmentgesellschaft für langfristige Investoren TGV held 81.73 % of the voting rights in KROMI Logistik AG based on the respective most recent voting rights notification. 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, 2019 to June 30, 2020, 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 realized nor refrained from realizing 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 28, 2020

Managing Board of KROMI Logistik AG

Bernd Paulini Christian Auth

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

A. Consolidated balance sheet in accordance with IFRS as of June 30, 2020 and June 30, 2019

	30.6.2020*	30.6.2019
Non-current assets	**6,597**	**6,623**
Intangible assets	458	401
Property, plant and equipment	3,875	3,731
Rights of use	931	0
Non-current financial assets	577	1,674
Deferred tax assets	756	817
Current assets	**33,798**	**40,970**
Inventories	17,939	22,032
Trade receivables	11,120	15,568
Other current assets	951	1,432
Income tax receivables	10	245
Cash and cash equivalents	3,779	1,693
Assets	**40,395**	**47,593**

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

	30.6.2020*	30.6.2019
Equity	**21,052**	**22,371**
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Other reserves	3,229	1,319
Consolidated unappropriated net loss	-3,310	-19
Equity due to shareholders	**21,050**	**22,431**
Non-controlling interests	2	-60
Non-current liabilities	**3,637**	**3,529**
Provisions for pensions	2,184	2,319
Non-current interest-bearing loans	600	700
Non-current leasing liabilities	476	0
Other non-current liabilities	330	470
Deferred tax liabilities	47	40
Current liabilities	**15,705**	**21,693**
Income tax liabilities	25	120
Current interest-bearing loans	8,372	11,674
Trade payables	4,603	6,785
Current leasing liabilities	467	0
Other current liabilities	2,239	3,114
Equity and liabilities	**40,395**	**47,593**

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

* The Group applied IFRS 16 for the first time as of July 1, 2019 using the modified retrospective method. The comparative information for the 2018 / 19 fiscal year is not adjusted when this method is applied.

B. Consolidated income statement according to IFRS for the period from July 1, 2019 to June 30, 2020 and from July 1, 2018 to June 30, 2019

	1.7.2019 to 30.6.2020*	1.7.2018 to 30.6.2019**
Revenue	69,447	74,785
Other operating income	722	762
Other own work capitalized	111	35
Cost of materials	-54,010	-58,201
Staff costs	-9,960	-11,497
Depreciation / amortization	-1,082	-575
Other operating expenses	-5,139	-6,476
Operating result (EBIT)	**89**	**-1,167**
Financial income	45	236
Financial expenses	-3,111	-387
Earnings before tax (EBT)	**-2,977**	**-1,317**
Income taxes	-181	212
Group earnings after tax (EAT)	**-3,158**	**-1,105**
Consolidated net profit / loss due to shareholders of KROMI Logistik AG	-3,144	-1,106
Group net profit / loss due to non-controlling interests	-14	1
Consolidated unappropriated net loss (previous year: consolidated unappropriated net profit) attributable to shareholders of KROMI Logistik AG	-19	1,088
Consolidated unappropriated net loss attributable to non-controlling interests in the previous year	-60	-61
Consolidated unappropriated net loss attributable to shareholders of KROMI Logistik AG	-3,310	-19
Consolidated unappropriated net profit (previous year: consolidated unappropriated net loss) attributable to non-controlling interests	2	-60
Earnings per share		
Shareholders' consolidated earnings in EUR	-3,144,348	-1,106,564
Number of shares (weighted average for the fiscal year)	4,124,900	4,124,900
Earnings per share in EUR (undiluted and diluted)	**-0.76**	**-0.27**

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

*The Group applied IFRS 16 for the first time as of July 1, 2019 using the modified retrospective method. The comparative information for the 2018 / 19 fiscal year is not adjusted when this method is applied.
*Adjusted prior-year figures for the sake of comparability, and in accordance with the amended presentation of currency effects in connection with the business in Brazil starting in the 2019/2020 fiscal year

C. Consolidated statement of comprehensive income according to IFRS for the period from July 1, 2019 to June 30, 2020 and from July 1, 2018 to June 30, 2019

	1.7.2019 to 30.6.2020*	1.7.2018 to 30.6.2019
Group net profit / loss	**-3,158**	**-1,105**
Changes in components not reclassified to the income statement in the future:		
Revaluation of pension provisions	148	-192
deferred taxes attributable thereto	90	112
Changes in components that are potentially reclassified to the income statement in the future:		
Currency translation	1,662	-172
Changes in cash flow hedge reserve	12	11
deferred taxes attributable thereto	-2	-3
Other comprehensive income after taxes	**1,910**	**-244**
Consolidated total comprehensive income	**-1,248**	**-1,349**
of which attributable to		
shareholders of KROMI Logistik AG	-1,325	-1,350
non-controlling interests	77	1

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

*The Group applied IFRS 16 for the first time as of July 1, 2019 using the modified retrospective method. The comparative information for the 2018 / 19 fiscal year is not adjusted when this method is applied.

D. Consolidated cash flow statement according to IFRS for the period from July 1, 2019 to June 30, 2020 and from July 1, 2018 to June 30, 2019

	1.7.2019 - 30.6.2020*	1.7.2018 - 30.6.2019
Cash flow from operating activities		
Group net profit / loss	**-3,158**	**-1,105**
+/– Expense / income from income taxes	181	-212
+/– Interest paid / received	392	375
+/– Amortization, depreciation and impairment losses, as well as reversals of amortization, depreciation and impairment losses, applied to non-current assets	1,082	575
+/– Receipt of income tax refunds / income tax payments	-40	232
+/– Increase / decrease in provisions	-965	-533
+/– Loss / gain on non-current asset disposals	0	-10
+/– Decrease / increase in inventories	4,093	-2,055
+/– Decrease / increase in trade receivables	4,448	1,232
+/– Decrease / increase in other assets	708	-956
+/– Increase / decrease in trade payables	-2,183	544
+/– Increase / decrease in other liabilities	2,597	87
Cash flow from operating activities	**7,156**	**-1,826**
Investing activities		
– Payments for the acquisition of non-current assets	-798	-623
+ Cash inflow from the disposal of non-current assets	0	10
+ Cash inflow from interest payments	45	12
Cash flow employed in investing activities	**-753**	**-601**
Financing activities		
+/– Cash inflow from loans / cash outflow from the repayment of loans	-3,302	2,959
– Cash outflows from the repayment of loan liabilities	-100	-100
– Cash outflows from the repayment of loan liabilities	-500	0
– Cash outflows for interest payments	-394	-322
Cash flow from financing activities	**-4,297**	**2,537**
Net increase / decrease in cash and cash equivalents	2,106	110
+/– Exchange-rate-related change in cash and cash equivalents	-21	2
+ Cash and cash equivalents at the start of the period	1,693	1,581
Cash and cash equivalents at the end of the period	**3,779**	**1,693**

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

*The Group applied IFRS 16 for the first time as of July 1, 2019 using the modified retrospective method. The comparative information for the 2018 / 19 fiscal year is not adjusted when this method is applied.

E. Consolidated statement of changes in equity for the period from July 1, 2019 to June 30, 2020 and from July 1, 2018 to June 30, 2019

	Subscribed capital	Share premium	Retained earnings	Unappropriated net loss	Other reserves	Subtotal	Non-controlling interests	Equity
Notes								
1.7.2018	**4,125**	**15,999**	**1,007**	**1,088**	**1,563**	**23,782**	**-61**	**23,721**
Group net loss				-1,106		-1,106	1	-1,105
Other comprehensive income					-244	-244		-244
Consolidated total comprehensive income				-1,106	-244	-1,350	1	-1,349
30.6.2019	**4,125**	**15,999**	**1,007**	**-19**	**1,319**	**22,431**	**-60**	**22,371**
1.7.2019	**4,125**	**15,999**	**1,007**	**-19**	**1,319**	**22,431**	**-60**	**22,371**
Change in profit carried forward due to adjustment of non-controlling interests				-147	162	15	-15	0
Currency translation					-71	-71	0	-71
Group net loss				-3,144		-3,144	-14	-3,158
Other comprehensive income					1,819	1,819	91	1,910
Consolidated total comprehensive income				-3,144	1,819	-1,325	77	-1,248
30.6.2020	**4,125**	**15,999**	**1,007**	**-3,310**	**3,229**	**21,050**	**2**	**21,052**

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

E. Notes to the consolidated financial statements for the 2019 / 2020 fiscal year

I. Introduction

The KROMI Group (also referred to below as "KROMI") operates in the trade and sale of machining tools and associated services. KROMI 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 aviation 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.

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

a. Basics

KROMI has prepared consolidated financial statements according to the internationally recognized principles of International Financial Reporting Standards (IFRS) as of June 30, 2020, and has applied all of the International Accounting Standards (IAS) and IFRS approved by the International Accounting Standards Board (IASB) prior to June 30, 2020, 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 financial accounting and valuation, and the explanations and notes, in the IFRS consolidated financial statements for the fiscal year to June 30, 2020 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, 2019, 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 summarized and discussed in the notes to the consolidated financial statements.

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

b. New accounting standards

i. Standards applied for the first time

The Group applied the new and revised IFRS standards and interpretations listed below in the 2019 / 2020 fiscal year:

Standard/ interpretation	Title	Mandatory application	Adoption by EU	Significant effects on KROMI Logistik AG
IFRS 16	Leases	1.1.2019	9.11.2017	For a description of the effects of IFRS 16, please refer to the notes following the table
IFRS 9	Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1.1.2019	26.3.2018	none
IFRIC 23	Uncertainty over Income Tax Treatments	1.1.2019	24.10.2018	none
IAS 28	Amendments to IAS 28 – Non-current Investments in Associates and Joint Ventures	1.1.2019	11.2.2019	none
IAS 19	"Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement"	1.1.2019	14.3.2019	none
IFRS	Annual Improvements to IFRS (Cycle 2015-2017)	1.1.2019	15.3.2019	none

Of the new standards, interpretations and amendments, KROMI, as a matter of principle, applies those for the first time that would be mandatory, in other words, which are applicable to fiscal years beginning on or after January 1, 2019.

IFRS 16 – Leases

The effects of the first-time application of IFRS 16 "Leases" are explained below,and the accounting policies newly applied from July 1, 2019 are disclosed.

IFRS 16 was applied for the first time in accordance with the simplified transitional provisions of IFRS 16, modified retrospectively as of July 1, 2019 with no effect on profit or loss. The comparative figures for the fiscal year 2018 / 2019 were not adjusted.

On first-time application of IFRS 16, KROMI recorded lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted at the Group's marginal borrowing rate (2.72 %) as of July 1, 2019.

On July 1, 2019, KROMI recorded non-current lease liabilities totaling EUR 763 thousand, and current lease liabilities totaling EUR 365 thousand. The leasing liabilities recognized are mainly influenced by differing estimates of extension options within the Group's existing rental agreements. No leases exist that were previously classified as finance leases.

EUR thousand	
Operating lease obligations stated as of June 30, 2019	813
Less short-term leases and low-value leases, expensed straight-line	-374
	439
Discounted applying the lessee's incremental interest rate on debt at the time of first-time application of IFRS 16	408
Plus liabilities from finance leases recognized as of June 30, 2019	0
Plus adjustments due to differing estimates of extension options	720
Plus adjustments due to changes in indexes	0
Leasing liabilities recognized on the balance sheet as of July 1, 2019	**1,128**
of which short-term	365
of which long-term	763
	1,128

As of July 1, 2019, the associated rights of use were recognized in the amount of the associated lease liabilities. The rights of use recognized in the amount of EUR 1,128 thousand relate to the following types of assets, and have terms of between one and four years:

EUR thousand	30.6.2020	1.7.2019
Land and buildings	478	746
Motor vehicles	453	382
	931	**1,128**

The change in accounting policy affected the following balance sheet items as of July 1, 2019 as follows:

- Rights of use – increase of EUR 1,128 thousand,
- long-term leasing liabilities – increase by EUR 763 thousand,
- current leasing liabilities – increase by EUR 365 thousand.

In applying IFRS 16, the Group makes use of the following simplifications:

- the application of a single discount rate to a portfolio of similarly structured leases,
- the recognition of leases with a remaining term of less than twelve months as of July 1, 2019, as current leases,
- the non-inclusion of initial direct costs in the valuation of rights of use on the date of first application.

KROMI rents various office and warehouse logistics buildings, as well as vehicles and IT equipment. Rental agreements are generally arranged for fixed periods of one to five years, but may include renewal options. The rental conditions are negotiated individually, and include a variety of different terms.

Until June 30, 2019, leases were classified as either finance or operating leases. Payments rendered under operating leases (net of any incentives received from the lessor) were recognized straight-line in profit or loss over the lease term.

As of July 1, 2019, leases are recognized as rights of use, and corresponding lease liabilities on the date when the leased asset is available for use by the Group. All lease payments are divided into repayment and financing expenses. Financial expenses are recognized in profit or loss over the lease term. The right of use is amortized straight-line over the period of the useful life.

Assets and liabilities from leases are initially recognized at present value. The leasing liabilities include the present value of the following lease payments:

- fixed payments (including de facto fixed payments, less any lease incentives to be received),
- variable lease payments linked to an index or (interest) rate,
- expected residual value payments from the lessee's residual value guarantees,
- the exercise price of a purchase option, if it is sufficiently certain that the lessee will exercise it,
- penalties for termination of the lease, if the term reflects the fact that the lessee will exercise a termination option.

Lease payments are carried at the Group's incremental borrowing rate, i.e. the interest rate that KROMI would have to pay if it had to borrow funds to acquire an asset with a comparable value and under comparable conditions in a comparable economic environment.

Rights of use are measured at cost, which is comprised as follows:

- the amount of the initial measurement of the lease liability,
- all lease payments rendered prior to the provision, less any lease incentives received,
- all initial direct costs incurred by the lessee, and
- the estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the lease agreement.

Payments for current leases and leases based on low-value assets are expensed on a straight-line basis. Leases with a term of up to twelve months are regarded as current leases. Examples of low-value assets include computer equipment such as printers and telephones, as well as electric bicycles.

In determining the leases' terms, the Group takes into consideration all facts and circumstances that provide an economic incentive to exercise renewal and termination options. Changes to the term arising from the extension or termination option are only included in the contract term if an extension or non-exercise of a termination option is sufficiently certain.

Other amendments to standards, which are to be applied for the first time in the Group's 2019 / 2020 fiscal year, have no effect on the accounting policies.

Starting with the 2019 / 2020 fiscal year, expenses from currency effects in connection with the business in Brazil are reported under financial expenses, and income from these currency effects under other financial income. The previous year's figures have been adjusted accordingly for better comparability.

ii. Standards to be applied in the future

Furthermore, the IASB and the IFRS Interpretations Committee have adopted further standards, interpretations and amendments listed below that are not yet mandatory for the 2019 / 2020 fiscal year, or have not yet been endorsed by the European Union.

Standard/ interpretation	Title	Mandatory application	Adoption by EU (prospective)	Significant effects on KROMI Logistik AG
IFRS	Amendments to References to the Conceptual Framework in IFRS Standards	1.1.2020	6.12.2019	none
IAS 1 & IAS 8	Amendments to IAS 1 and IAS 8 – Definition of Material	1.1.2020	10.12.2019	none
IFRS 9, IAS 39 & IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform	1.1.2020	16.1.2020	none
IFRS 3	Amendments to IFRS 3 – Definition of a Business	1.1.2020	21.4.2020	none
IAS 1	Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1.1.2022	outstanding	none
IFRS 17	Insurance Contracts	1.1.2023	outstanding	none

c. 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 99.9 % 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.

d. 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 recognized in profit or loss.

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 monthly 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	30.6.2020	30.6.2019
Exchange rate on balance sheet date	6.11	4.35
Annual average exchange rate	4.95	4.41

Currency translation differences in the individual financial statements and from the consolidation of receivables, liabilities, expenses and income resulted in expenses recognized in profit or loss totalling EUR 2,756 thousand (previous year: income of EUR 220 thousand). As of June 30, 2020, existing loans from the parent company were transferred to the equity of the Brazilian subsidiary. Moreover, trade receivables and trade payables were also transferred to equity from the perspective of the Brazilian subsidiary. In this connection, the parent company has issued a waiver of the interest accrued up to June 30, 2020. In addition, the interest in the Brazilian subsidiary was increased to 99.99 % (previous year: 99.00 %). Differences arising from currency translation were recognized directly in equity.

III. Summary of key accounting policies

a. 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 amortized straight-line over their respective useful lives. Straight-line amortization is carried through profit or loss. These relate exclusively to assets of limited useful life. The amortization of capitalized software licenses is based on a useful life of one to three years. The amortization rate is consequently 33 % or 100 % p.a.

Acquired **goodwill** relates to the transfer of intangible assets from Tarpenring 11 Vermogensverwaltungsgesellschaft mbH. In accordance with IAS 38, goodwill is not amortized.

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

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

Depreciation is measured based on the following estimated useful lives:

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

A financial asset is initially recognized 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 available to meet 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 recognized in profit and loss (within the net financial result) in full in the year in which they arise. In addition, this item includes a bank account pledged to the former Chief Financial Officer, which arises from the agreement to pay out the settlement amount in installments over a period of five years.

Merchandise stocks are carried under **inventories**. Inventories are carried at cost, if necessary taking into consideration a lower net realizable value on the balance sheet date. The first-in-first-out (FIFO) inventory measurement method is applied. If the selling price exceeds the acquisition cost, value adjustments are applied where required. In addition to customary retention of title, the inventories at the main warehouses in Hamburg, Magdeburg, Düsseldorf and Stuttgart have been assigned as collateral to the financing partners by way of a storage assignment under the collateral pool agreement.

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

Risks are estimated by the Managing Board, assuming the future cash flow from the respective balance sheet item that is anticipated on the date the financial statements are prepared, taking IFRS 9 into consideration. If payments are regarded as being unlikely, this risk is reflected through percentage reductions (valuation allowances). The Managing Board believes that the valuation allowances provide sufficient cover for the existing risks. Moreover, the trade receivables are assigned to the financing partners as collateral by way of a global assignment under the collateral pool agreement.

Other current assets and income tax claims are carried at amortized 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 recognized as soon as economic ownership has transferred to the company. Assets are derecognized 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 derive from differences in the carrying amounts for assets and liabilities between the IFRS financial statements and the respective tax base. Deferred taxes are calculated based on future national tax rates for the respective temporary differences. The temporary differences are due almost exclusively to KROMI Logistik AG. The corporation tax rate for domestic companies in Germany totalled 15 % in the period under review (previous year: 15.0 %). The Solidarity Surcharge amounts to 5.5 % of the amount of corporation tax charged (previous year: 5.5 %). The company's average trade tax rate totals approximately 16.5 % (previous year: 16.5 %). After tax rates have been compounded, a lump-sum tax rate of 32 % is applied to calculate deferred tax assets (previous year: 32.0 %). A 34 % tax rate is applied for the Brazilian subsidiary (previous year: 34.0 %).

A distinction is drawn between tax claims (deferred assets) and tax liabilities (deferred liabilities). These are generally non-current pursuant to IAS 1.70. Deferred tax assets resulting from tax loss carryforwards are capitalized 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 amortized cost, which generally corresponds to the repayment amount, and applying the effective interest method.

Financial liabilities are recognized as soon as the event that originates the liability has occurred. Financial liabilities are derecognized as soon as the liability has been fully redeemed, or if it is certain that it is no longer likely to be utilized.

With the exception of the derivative financial instrument that is measured at fair value, financial instruments in the KROMI Group are allocated exclusively to the amortized cost measurement model underlying IFRS 9.

KROMI deploys derivative financial instruments in the form of an interest-rate swap in order to hedge against interest-rate risks (cash flow hedge). This derivative financial instrument was recognized 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 recognized 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, 2020.

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

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

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

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

Recognition of revenues and expenses

Revenue recognition is based on IFRS 15. Income from the sale of merchandise and the provision of services is carried under revenues. In the case of merchandise, revenue is recognized, as a matter of principle, when the merchandise is delivered to the customer, and consequently when the significant risks and opportunities connected with ownership transfer to the purchaser, the receipt of the consideration is probable, the costs can be estimated reliably, and no further power of disposal over the goods exists. Revenues are recognized 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 recognized when the customers remove the merchandise. Income from services is recognized when the respective service is performed. Revenues are measured in the amount of the income received.

The cost of materials is recognized 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 recognized as soon as the impairment has occurred. Amortization/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 recognized 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 that 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.

c. Employee benefits from pension plans

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

d. 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.

e. Contingent liabilities

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

f. Estimates and assumptions

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

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

As of the balance sheet date, deferred tax assets on loss carryforwards amounted to EUR 197 thousand (previous year: EUR 318 thousand). Furthermore, on the balance sheet date, valuation allowances of EUR 1,530 thousand had been applied to trade receivables pursuant to IFRS 9 (previous year: EUR 1,512 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.

IV. Notes on individual consolidated balance sheet items

a. Non-current assets

i. Intangible assets and property, plant and equipment

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

EUR thousand	Intangible assets Goodwill	Intangible assets Other	Land and buildings	Other property, plant and equipment
Cost on 1.7.2019	150	992	3,157	7,195
Currency differences	0	0	0	-129
Additions – individual acquisitions	150	104	0	1,032
Disposals	0	0	0	0
Reclassifications	0	0	0	-389
Cost on 30.6.2020	**300**	**1,096**	**3,157**	**7,709**
Depreciation / amortization on 1.7.2019	0	741	660	5,960
Currency differences	0	0	0	-21
Additions	0	197	71	321
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Depreciation / amortization on 30.6.2020	**0**	**938**	**731**	**6,260**
Carrying amount on 1.7.2019	150	251	2,497	1,235
Carrying amount on 30.6.2020	**300**	**158**	**2,426**	**1,449**

EUR thousand	Intangible assets Goodwill	Other	Land and buildings	Other property, plant and equipment
Cost on 1.7.2018	**150**	**943**	**3,157**	**6,710**
Currency differences	0	0	0	8
Additions – individual acquisitions	0	49	0	585
Disposals	0	0	0	-108
Reclassifications	0	0	0	0
Cost on 30.6.2019	**150**	**992**	**3,157**	**7,195**
Depreciation / amortization on 1.7.2018	0	531	586	5,759
Currency differences	0	0	0	1
Additions	0	210	74	291
Disposals	0	0	0	-91
Reclassifications	0	0	0	0
Depreciation / amortization on 30.6.2018	**0**	**741**	**660**	**5,960**
Carrying amount on 1.7.2018	150	412	2,571	951
Carrying amount on 30.6.2019	**150**	**251**	**2,497**	**1,235**

Intangible assets include software in the amount of EUR 158 thousand (previous year: EUR 251 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. In accordance with IAS 38, goodwill is not amortized. Furthermore, a customer base purchased in the 2019 / 2020 fiscal year in the amount of EUR 150 thousand (previous year: EUR 0 thousand) is reported.

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

Bank borrowings of EUR 3,578 thousand (previous year: EUR 1,578 thousand) are secured through land charges on property.

ii. 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 281 thousand (EUR 267 thousand). In addition, this item includes bank deposits of EUR 296 thousand (previous year: EUR 414 thousand) pledged to the former Chief Financial Officer, which arises from the agreement to pay out the EUR 631 thousand settlement amount in installments over a period of five years.

The changes in plan assets are presented in section IV.

b. Current assets

i. Inventories

As of June 30, 2020, no inventories existed that are recognized at net realizable value, as in the previous year. No impairments to inventories were reported in the 2019 / 2020 fiscal year, and consequently as was the case in the previous year.

ii. Trade receivables

Composition:

EUR thousand	30.6.2020	30.6.2019
Gross receivables	12,650	17,080
Less valuation allowances	-1,530	-1,512
	11,120	**15,568**

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 in the meaning of IFRS 9 totalled EUR 66 thousand in the fiscal year under review (previous year: EUR 537 thousand). No further need arose for valuation allowances. Valuation allowances changed as follows:

EUR thousand	Valuation allowances
As of 30.6.2018	**1,123**
Expensed additions	537
Utilization / reversal	-148
As of 30.6.2019	**1,512**
Expensed additions	66
Utilization / reversal	-48
As of 30.6.2020	**1,530**

The KROMI Group has applied the simplified impairment model for trade receivables in the meaning of IFRS 9. For the retrospective analysis, industry-specific default rates were determined on the basis of past bad debt losses, while for the prospective analysis the existing trade credit insurance, overall economic trends and the age structure of the receivables were included in the calculations. A provision for possible loan losses was consequently recognized for all receivables in the amount of the expected losses over the remaining term.

The term structure of the trade receivables on June 30, 2020 was as follows:

EUR thousand	as of 30.6.2020	as of 30.6.2019
Carrying amount of receivables	**12,650**	**17,080**
of which impaired	1,530	1,512
of which not overdue	9,045	12,321
of which overdue and unimpaired		
Up to 3 months	1,783	3,014
Between 3 months and 6 months	133	101
Between 6 months and 12 months	13	65
More than 12 months	146	67
Total overdue	**2,075**	**3,247**

On the balance sheet date, receivables of EUR 2,075 thousand (previous year: EUR 3,247 thousand) were overdue and had not been written down. Of the overdue unimpaired receivables, receivables in an amount of EUR 1,944 thousand (previous year: EUR 2,976 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 valuation allowances) are denominated in the following currencies:

EUR thousand	30.6.2020	30.6.2019
Receivables in EUR	11,901	15,313
Receivables in BRL	749	1,767
	12,650	17,080

iii. Other current assets

Composition:

EUR thousand	30.6.2020	30.6.2019
Value added tax	0	194
Deposits	81	91
Prepaid expenses	186	275
Deferred bonus payments	63	98
Creditor accounts in debit	178	0
Industrial product tax (Brazil)	169	313
Other	274	461
	951	1,432

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

iv. Cash and cash equivalents

The cash and cash equivalents comprise current account balances and cash in hand of EUR 3,779 thousand (previous year: EUR 1,693 thousand). From the management's perspective, all of these funds are designated for fulfilling payment obligations and consequently form a liquidity reserve.

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

EUR thousand	30.6.2020	30.6.2019
Cash and cash equivalents in EUR	3,130	1,586
Cash and cash equivalents in BRL	609	72
Cash and cash equivalents in CZK	40	35
	3,779	1,693

c. Equity

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

Composition:

EUR thousand	30.6.2020	30.6.2019
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Unappropriated net profit	-3,310	-19
Other reserves	3,229	1,319
Equity due to shareholders	**21,050**	**22,431**
Non-controlling interests	2	-60
	21,052	**22,371**

Composition of the other reserves:

	Adjustment item for currency translation and other reserves	
EUR thousand	**30.6.2020**	**30.6.2019**
Currency translation differences	3,291	1,605
Cash flow hedges	-52	-38
Remeasurement of pensions	-10	-248
	3,229	**1,319**

i. Subscribed share capital and authorized share capital

The subscribed share capital of KROMI amounted to a total of EUR 4,124,900 on June 30, 2020 (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, 2019, the Managing Board was authorized, subject to Supervisory Board consent, for the period through to January 3, 2025, 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 (Authorized Capital).

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

ii. Share premium

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

iii. 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.

iv. Other reserves

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

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

v. Non-controlling interests

Non-controlling (minority) interests are carried at the proportionate amount of the identifiable net assets of the respective subsidiary. As of June 30, 2020, the minority interest in the Brazilian company decreased from 0.1 % to 0.01 % as a consequence of the contribution of existing loans to the equity of the Brazilian company. The currency translation item in the statement of changes in equity arises from the adjustment of non-controlling interests.

vi. 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 share premium account, retained earnings and other earnings. The equity ratio stood at 52.1 % as of June 30, 2020 (previous year: 47.0 %).

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

d. Non-current liabilities

i. Provisions for pensions

Existing pension commitments relate to several individual commitments the comprise defined benefit plans in the meaning of IAS 19. Such commitments are realized 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 XIII.i 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 (see section IV.a.ii).

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

	Target value of obligation	
EUR thousand	**30.6.2020**	**30.6.2019**
Balance at start of period	**2,991**	**3,050**
Current service cost	84	92
Interest cost	44	65
Expense for pension benefit	**128**	**157**
Balance at end of period (expected)	**3,119**	**3,207**
Resultant actuarial gains (-) / losses (+) Gains (-) / losses (+)	-190	-216
Balance at end of period (actual)	**2,929**	**2,991**
Less plan assets	-745	-673
Balance at end of period (netted)	**2,184**	**2,318**

The following actuarial assumptions were applied when calculating the provision:

in % p.a.	**30.6.2020**	**30.6.2019**
Actuarial interest rate	1.59	1.48
Future pension increases	1.00 - 2.00	1.00 - 2.00
Anticipated employee turnover rate	0.00	0.00

Biometric basis (mortality): Heubeck 2018 mortality tables

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

Sensitivity calculation relating to the interest rate:

	Actuarial interest rate	**Defined benefit obligation**	**Current service cost (for the following fiscal year)**
Basis calculation	1.59 %	€ 2,929,436	€ 64,643
Sensitivity -0.5 percentage points	1.09 %	€ 3,219,999	€ 71,926
Sensitivity +0.5 percentage points	2.09 %	€ 2,675,001	€ 58,245

Sensitivity calculations relating to mortality:

		Defined benefit obligation	**Current service cost (for the following fiscal year)**
Basis calculation	Life expectancy based on Heubeck 2018 mortality tables	€ 2,929,436	€ 64,643
Sensitivity	1 year higher life expectancy	€ 3,081,320	€ 67,925
Sensitivity	1 year lower life expectancy	€ 2,777,396	€ 61,358

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

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

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

Plan assets:

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

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

	Present value of asset	
EUR thousand	**30.6.2020**	**30.6.2019**
Balance at start of period	673	703
Interest income	1	-99
Employer contributions	71	69
Payments rendered	0	0
Balance at end of period (expected)	745	673
Remeasurement	0	0
Balance at end of period (actual)	**745**	**673**

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.

Reporting date in EUR	**30.6.2020**	**30.6.2019**
Net obligation at start	2,318,545	2,041,987
Expense for pension benefit	117,678	140,812
Remeasurement	-145,315	-101,283
Pension payments	-36,000	0
Employer contributions	-71,309	-68,569
Adjustments due to the departure of an employee in FY 2017 / 2018	0	305,598
Net obligations at the end	**2,183,599**	**2,318,545**

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 48 thousand was expensed for these benefit commitments (previous year: EUR 82 thousand). The benefit commitments do not result in any assets and liabilities that should be allocated to the Group.

A total of EUR 889 thousand was paid to statutory or state pension plans for defined contribution plans in the 2019 / 2020 fiscal year (previous year: EUR 857 thousand).

ii. 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.

iii. Other non-current liabilities

Other non-current liabilities include liabilities in the amount of EUR 296 thousand (previous year: EUR 414 thousand) in connection with the aforementioned departure of the CFO as of December 31, 2018.

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

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

The derivative financial instrument was recognized 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 35 thousand (previous year: EUR 56 thousand) is calculated applying the mark-to-market method, and was reported as a financial liability as of June 30, 2020. The interest-rate swap was fully classified as non-current in line with the total term of the hedged loan, and taking into consideration materiality aspects. In accordance with IFRS 9, the existing interest rate swap is the only existing hedging instrument allocated to the fair value category, with changes in value in other comprehensive income, and is consequently measured at fair value.

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

iv. Non-current leasing liabilities

Non-current leasing liabilities of EUR 476 thousand were reported as of June 30, 2020. The recorded leasing liabilities relate to liabilities from leasing agreements with a term of more than one year. For details, please refer to the comments under II.b.i "Standards applied for the first time".

v. 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 utilized. They are attributable to balance sheet items and loss carryforwards as follows:

			Changes	
EUR thousand	**30.6.2020**	**30.6.2019**	**Income statement**	**Other comprehensive income**
Deferred tax assets				
Pension provisions	543	468	-15	90
Interest-rate swap (cash flow hedge)	17	18	0	-1
Loss carryforwards	196	331	-135	0
	756	817	-150	89
Deferred tax liabilities				
Goodwill	47	40	7	0
	47	40	7	0

a. Current liabilities

i. Liabilities from income taxes

Tax liabilities mostly relate to the income taxes to be demanded by the German tax authorities.

Composition:

EUR thousand	30.6.2020	30.6.2019
Corporation income tax	0	0
Trade tax	6	104
Tax provision after tax audit	18	16
	24	**120**

ii. Current interest-bearing loans

Composition:

EUR thousand	30.6.2020	30.6.2019
HCOB - money market loan -	0	0
Commerzbank - money market loan -	4,000	4,000
HypoVereinsbank - fixed interest lending tranche -	4,000	4,000
Commerzbank - current account -	0	639
Deutsche Bank - current account -	0	1,165
Hamburger Sparkasse - money market loan -	0	0
Deutsche Bank - Brazil -	78	104
Santander - Brazil	164	0
HypoVereinsbank - real estate financing -	100	100
HCOB - current account -	0	1,640
Deferred interest	30	26
	8,372	**11,674**

The current accounts are due on demand. The interest rates amounted to between 2.5 % and 5.08 % as of June 30, 2020. The money market loan and the fixed interest lending tranche for a total of EUR 8,000 thousand are due on September 30, 2020, and the interest rates lie between 1.58 and 2.95 %.

iii. 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:

	30.6.2020	30.6.2019
Liabilities in EUR thousand	3,974	5,967
Liabilities in BRL thousand	629	818
	4,603	**6,785**

iv. Current leasing liabilities

Current leasing liabilities of EUR 467 thousand were reported as of June 30, 2020. The recorded leasing liabilities relate to liabilities from leasing agreements with a term of up to one year. For details, please refer to the comments under II.b.i "Standards applied for the first time".

v. Other current liabilities

Composition:

EUR thousand	30.6.2020	30.6.2019
Personnel-related deferrals	1,455	1,984
Tax liabilities	326	282
Liabilities for social security	128	212
Other	330	636
	2,239	**3,114**

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

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

V. Notes to the consolidated income statement

a. Revenue

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

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Deliveries and services in Germany	34,721	36,617
Deliveries and services in other European countries	27,536	31,015
Deliveries and services in Brazil	7,867	8,109
Sales reductions	-677	-956
	69,447	**74,785**

Revenue of BRL 37,758 thousand (EUR 7,867 thousand) was generated in Brazil in the 2019 / 2020 fiscal year (previous year: BRL 35,743 thousand / EUR 8,109 thousand).

In accordance with IFRS 15, revenues were reduced to reflect any sales deductions beyond the balance sheet date, such as expected cash discount drawings by customers.

b. Other operating income

Composition:

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Income from the release of provisions	230	248
Benefits in kind – vehicles	369	423
Income from currency translation	0	0*
Other	124	91
	723	**762**

* amended reporting of expenses and income from currency translation in connection with the business in Brazil. In the previous year, income of EUR 224 thousand was reported under other operating income. Starting with the 2019 / 2020 fiscal year, these will in future be reported under financial expenses or financial income. The previous year's figures have been adjusted accordingly.

c. Cost of materials

Composition:

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Merchandise utilization / procured services	52,961	57,343
Taxes in Brazil	2,082	2,016
Inventory valuation	-55	70
Less discounts	-674	-860
Less bonus payments	-304	-368
	54,010	**58,201**

d. Staff costs

Composition:

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Wages and salaries	7,799	9,490
Social security expenses and pensions	2,161	2,007
	9,960	**11,497**

During the fiscal year from July 1, 2019 to June 30, 2020 the Group employed an average of 202 staff (previous year: 196), in addition to the members of the Managing Board. As of June 30, 2020, the Group employed a total of 204 staff including the members of the Managing Board (previous year: 200). The employees comprise 20 persons in management, 179 salaried employees, five wage earners and one trainee in wholesale and foreign trade.

e. Other operating expenses

Composition:

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Distribution costs	2,140	3,219
Operating costs	1,126	1,018
Administration costs	1,124	1,034
Expenses arising from currency differences	38	4
Additions to valuation allowances for receivables	0	537
Miscellaneous	711	664
	5,139	**6,476**

f. Financial expenses

Composition:

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Miscellaneous interest expenses	321	322
Currency differences	2,718	0
Interest expenses on leasing liabilities as per IFRS 16	28	0
Interest on pension commitments	44	65
	3,111	**387**

The currency effects arose primarily from euro-based loans between the parent company and the Brazilian subsidiary. The loans no longer exist as of July 1, 2020, so that the corresponding currency effects will no longer apply from the 2020 / 2021 fiscal year.

g. Other financial income

In the 2019 / 2020 fiscal year, other financial income exclusively comprised EUR 45 thousand of interest income from current accounts (previous year: EUR 12 thousand). In addition, the previous year's figure includes income from currency translation of EUR 224 thousand, which is now reported under other financial income for better comparability.

h. Income taxes

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

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Trade tax current year	0	0
Corporation tax current year	0	0
Solidarity surcharge current year	0	0
Foreign income taxes	38	80
Current year tax expense	**38**	**80**
Corporation tax for previous years	0	0
Solidarity surcharge for previous years	0	0
Trade tax for previous years	0	0
Previous years' tax expense	0	0
Deferred tax income – temporary differences	**0**	-292
Deferred tax expenses – temporary differences	143	0
Deferred tax income	**143**	**-292**
	181	**-212**

The average Group tax rate for the 2019 / 2020 fiscal year stood at 32.0 % (previous year: 32.0 %).

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

EUR thousand	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Loss / profit before tax	**-2,977**	-1,317
Expected tax expense (tax rate: 32%)	**-953**	**-421**
Taxes for prior years	0	2
Losses that cannot be utilized for tax purposes	869	109
Other tax assessment in Brazil	0	53
Losses not yet utilized for tax purposes	0	0
Foreign subsidiaries' taxes	38	0
Other	226	46
Actual tax expense for current year	**181**	**-211**

The tax loss carryforwards amount to EUR 720 thousand (previous year: EUR 833 thousand) and correspond to EUR 197 thousand of deferred tax assets (previous year: EUR 317 thousand).

The tax losses can be offset for an indefinite period with the future taxable earnings of the company in which the loss arises. Deferred tax assets of EUR 197 thousand were recognized for tax loss carryforwards. The possibility of utilization was estimated based on planning.

I. EBIT, EBIT margin, gross profit

The Group reported EUR 89 thousand of EBIT during the fiscal year under review (previous year: EUR -1,167 thousand[21]). This also corresponds to the result before interest and taxes (EBIT). The EBIT margin (as a percentage of revenue) consequently amounted to 0.1 % (previous year: -1.3 %). Gross profit decreased from EUR 16,590 thousand to EUR 15,437 thousand.

VI. Leases

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 utilization of a certain asset or certain assets, and whether the agreement grants the right to the utilization of the assets, even if such a right is not expressly determined within an agreement.

IFRS 16 was applied for the first time in accordance with the simplified transitional provisions of IFRS 16, modified retrospectively with no effect on profit or loss as of July 1, 2019. The comparative figures for the fiscal year 2018 / 2019 were not adjusted.

For information about the rights of use of assets and the associated lease liabilities recognized on the balance sheet in connection with leases, please refer to note II.b.i. Writedowns of rights of use totaling EUR 485 thousand (previous year: EUR 0 thousand) were applied in the 2019 / 2020 fiscal year. In addition, interest from leasing liabilities amounting to EUR 28 thousand was recorded (previous year: EUR 0 thousand).

VII. Contingent liabilities and financial commitments

a. 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.

b. Financial commitments

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

VIII. Financial risks and financial instruments

a. 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.

[21] Adjusted prior-year figures for the sake of comparability, and in accordance with the amended presentation of currency effects in connection with the business in Brazil starting in the 2019/2020 fiscal year

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

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

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

b. 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 as well as through credit insurance.

c. Liquidity and interest-rate risk

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

The Group has a EUR 15.3 million credit line. Utilization amounts to EUR 4.6 million on June 30, 2020.

d. 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 961 thousand on the balance sheet date (previous year: EUR 2,074 thousand), and the financial liabilities totalled around EUR 629 thousand (previous year: EUR 818 thousand).

e. Sensitivity to changes in foreign currency exchange rates

The parent company financed its Brazilian subsidiary with euro-denominated loans. As of June 30, 2020, the parent company waived the accrued interest receivables of EUR 1,398 thousand. In addition to the existing loans of EUR 6,624 thousand, trade receivables of EUR 451 thousand were also contributed to the equity of the Brazilian subsidiary. As a consequence, no further effects from exchange rate changes arose from the 2020 / 2021 fiscal year onward.

f. 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 optimizing returns.

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

IX. 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 indirect method was applied in order 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, amortization, impairment losses and foreign currency exchange rate losses, cash flow from operating activities in the 2019 / 2020 fiscal year included no further significant non-cash expenses and income, as in the previous year.

The cash and cash equivalents position amounts to EUR 3,777 thousand (previous year: EUR 1,693 thousand) as of June 30, 2020, and consists of cash and cash equivalents from Germany (EUR 3,006 thousand, previous year: EUR 1,425 thousand), Slovakia (EUR 41 thousand, previous year: EUR 61 thousand), the Czech Republic (EUR 40 thousand, previous year: EUR 36 thousand), Spain (EUR 81 thousand, previous year: EUR 99 thousand) and Brazil (EUR 608 thousand, previous year: EUR 72 thousand).

X. 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 in 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 and areas of expertise is not pertinent, as these are homogeneous. As a consequence, the Managing Board forms segments based on its sales markets. The figures are based on customers' locations in Germany (domestically), European countries besides Germany, and Brazil as the markets that the Group currently supplies. The European countries especially include Denmark, France, Austria, Poland, Slovakia, Spain and the Czech Republic, which account for the predominant share of the sales revenues generated with European customers. The other countries to which deliveries are made (e.g. Romania) played a subordinate role in the fiscal year elapsed. Almost all sales revenues are invoiced in euros, so that, to this extent, no currency risks are to be reported.

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

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

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

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

EUR thousand	Germany		EU countries outside Germany		Brazil		Total	
	07 / 19 - 06 / 20	07 / 18 - 06 / 19	07 / 19 - 06 / 20	07 / 18 - 06 / 19	07 / 19 - 06 / 20	07 / 18 - 06 / 19	07 / 19 - 06 / 20	07 / 18 - 06 / 19
Revenue (from external customers)	**34,422**	**36,099**	**27,157**	**30,576**	**7,867**	**8,109**	**69,446**	**74,784**
Less cost of materials	-26,655	-28,214	-21,429	-23,878	-5,926	-6,109	-54,010	-58,201
Segment result	**7,767**	**7,885**	**5,728**	**6,698**	**1,941**	**2,000**	**15,436**	**16,583**
Plus other operating income							722	763
Plus other own work capitalized							111	35
Less staff costs							-9,960	-11,497
Less amortization / depreciation							-1,082	-575
Less other operating expenses							-5,139	-6,252
Less financial result							-3,065	-374
Less income taxes							-181	212
Group net profit / loss							**-3,158**	**-1,105**

EUR thousand	Germany		EU countries outside Germany		Brazil		Total	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Segment assets	**16,112**	**19,029**	**14,460**	**18,456**	**2,820**	**4,248**	**33,392**	**41,733**
Of which non-current segment assets	3,592	3,471	443	277	298	384	4,333	4,132
Of which current segment assets	12,520	15,558	14,017	18,179	2,522	3,864	29,059	37,601
Plus cash and cash equivalents							3,779	1,693
Plus assets not allocated to segments							3,224	4,167
Total assets							**40,395**	**47,593**

KROMI achieves approximately 13.2 % or EUR 8,198 thousand (previous year: 11.6 % or EUR 8,693 thousand) of its revenues with one group of companies. Of this total, EUR 4,241 thousand are attributable to Germany (previous year: EUR 5,026 thousand) and EUR 3,957 thousand are accounted for European countries besides Germany (previous year: EUR 3,667 thousand).

The Group generates approximately 12.5 % or EUR 7,751 thousand (previous year: 18.0 % or EUR 13,474 thousand) of its revenues with another group of companies. Of this total, EUR 2,574 thousand are attributable to Germany (previous year: EUR 3,756 thousand) and EUR 5,176 thousand are accounted for European countries besides Germany (previous year: EUR 9,718 thousand).

XI. Earnings per share

The subscribed share capital of KROMI amounted to a total of EUR 4,124,900.00 on June 30, 2020 (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	30.6.2020	30.6.2019
Number of shares – start of period	4,124,900	4,124,900
Number of shares – end of period	4,124,900	4,124,900

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

EUR	1.7.2019 - 30.6.2020	1.7.2018 - 30.6.2019
Group net profit / loss	-3,144,348	-1,106,564
Number of shares in fiscal year	**4,124,900**	**4,124,900**
Earnings per share (basic)	**-0.76**	**-0.27**

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

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

No dividends were paid in the period from July 1, 2019 to June 30, 2020.

XII. Related party disclosures

KROMI Logistik AG is the ultimate parent company.

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

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

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

II. Parties related to shareholders in the meaning of I.:

- Schubert Vermögensverwaltung KG, Hamburg
- Schubert family members

III. Other individuals in key positions:

- Ulrich Bellgardt (Chairman of the Supervisory Board)
- Jens Grosse-Allermann (Deputy Supervisory Board Chairman)
- Prof. Eckart Kottkamp (Supervisory Board member)
- Stephan Kleinmann (Supervisory Board member)
- Bernd Paulini (Managing Board member)
  Member of the Group Executive Committee
- Christian Auth (Managing Board member)
  Member of the Group Executive Committee
- Axel Schubert (member of the Managing Board until September 30, 2019) Member of the Group Executive Committee – until September 30, 2019
- Jens Kumpert (authorized company officer)
  Member of the Group Executive Committee
- Marcel Ziebell (authorized company officer)
- Jenis Acosta Managing Director of KROMI Logistica do Brasil Ltda) Member of the Group Executive Committee
- (Andre Bartels (authorized company officer until September 16, 2020) Member of the Group Executive Committee until September 30, 2020

The Managing and Supervisory boards' remuneration is detailed under section XIII.

Compensation of key management members

EUR thousand	2019 / 2020	2018 / 2019
Short-term employee benefits	1,320	1,261
Other long-term benefits	77	0
Post-employment benefits	205	157
	1,602	**1,418**

XIII. Information on the executive bodies of KROMI Logistik AG

i. Managing Board

The following individuals were appointed as members of the Managing Board of KROMI Logistik AG for the fiscal year ending on June 30, 2020:

- Bernd Paulini (Chairman), Lüblow
  Further supervisory board mandates/memberships in executive bodies: none
- Christian Auth (CFO), Hamburg
  Further supervisory board mandates/memberships in executive bodies: none
- Axel Schubert (CIO until September 30, 2019), Quickborn
  Further supervisory board mandates/memberships in executive bodies: none

Total remuneration paid to the Managing Board amounted to EUR 715 thousand in the 2019 / 2020 fiscal year (previous year: EUR 646 thousand), and is derived as follows:

	2019 / 2020				2018 / 2019			
EUR	Performance-independent remuneration	Performance-dependent remuneration	Performance-based remuneration with long-term incentive effect	Total payments	Performance-independent remuneration	Performance-dependent remuneration	Performance-based remuneration with long-term incentive effect	Total payments
Bernd Paulini	315,803	15,300	10,200	341,303	256,740	0	0	256,740
Christian Auth	245,421	45,540	30,360	321,321	54,280	0	0	54,280
Axel Schubert	52,074	0	0	52,074	203,367	0	0	203,367
Uwe Pfeiffer	0	0	0	0	131,598	0	0	131,598
				714,698				**645,985**

Non-share-based remuneration of EUR 41 thousand dependent on the occurrence or discontinuation of future conditions was granted to the Managing Board members in the 2019 / 2020 fiscal year (previous year: EUR 0 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 47 thousand was granted in the year under review (previous year: EUR 0 thousand), which was dependent on the occurrence or non-occurrence of future conditions and whose original commitments were made in the 2016 / 2017 and 2017 / 2018 fiscal years.

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. Bernd Paulini has received a pension commitment amounting to EUR 4000.00 monthly to be received on retiring and after reaching the age of 65. In 2013, this was increased to the new standard retirement age: after reaching the age of 67. The commitment includes an invalidity pension of approximately EUR 4,000.00 and a widow's pension of approximately EUR 2,400.00. Current pensions are increased by 2 % p.a. The present value of the commitment amounts to EUR 775,620 as of June 30, 2019 (previous year: EUR 753,979). A provisioning amount of EUR 38,563 was formed during the 2019 / 2020 fiscal year (previous year: EUR 39,494).

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

Mr. Axel Schubert has received a pension commitment amounting to EUR 4,000.00 monthly to be received on retirement 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 411,360 as of June 30, 2020 (previous year: EUR 452,346). A provisioning amount of EUR 0 was formed during the 2019 / 2020 fiscal year (previous year: EUR 18,162).

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 Bernd Paulini and Christian Auth is measured on the basis of the remuneration which they would have received until the end of the current calendar year, discounted by 10 % per year.

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 remuneration claims. In such instances, termination is extraordinary, without notice, and with immediate effect.

Mr. Jörg Schubert, who retired in January 2020, 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 a widow's pension of EUR 3,600.00. Current pensions are increased by 1 % p.a. The fulfilment amount of the commitment stands at EUR 1,146,426 as of June 30, 2020 (previous year: EUR 1,204,584).

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

The Managing Board's shareholdings as at June 30, 2020 were as follows:

	Shareholding in number of shares	
Name	**30.6.2020**	**30.6.2019**
Bernd Paulini	92,200	92,200
Christian Auth	0	0
Axel Schubert	3,000	93,000

ii. Supervisory Board

The Supervisory Board is composed of the following members:

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

  Further supervisory board mandates/memberships in executive bodies

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

  Further supervisory board mandates/memberships in executive bodies

  - WashTec AG, Augsburg
  - GESCO AG, Wuppertal
- Prof. Dr. Eckart Kottkamp, consultant, Grosshansdorf

  Further supervisory board mandates/memberships in executive bodies:

  - Basler AG, Ahrensburg (Deputy Supervisory Board Chairman)
  - Chairman of the Advisory Board of PEP NewCo IV GmbH (LKE Group, Marl)
- Stephan Kleinmann, Certified Public Auditor / Tax Adviser, Managing Shareholder of Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg

  Further supervisory board mandates/memberships in executive bodies

  - none

Total remuneration paid to the Managing Board amounted to EUR 136 thousand in the 2019 / 2020 fiscal year, and is derived as follows:

	Fixed remuneration	
EUR	2019 / 2020	2018 / 2019
Ulrich Bellgardt	64,000	80,000
Jens Grosse-Allermann	24,000	30,000
Stephan Kleinmann	24,000	30,000
Prof. Dr. Eckart Kottkamp	24,000	30,000

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

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

	Shareholding in number of shares	
Name	**30.6.2020**	**30.6.2019**
Ulrich Bellgardt	7,000	7,000
Jens Grosse-Allermann	0	0
Stephan Kleinmann	3,500	3,500
Prof. Dr. Eckart Kottkamp	3,500	3,500

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

XIV. Auditor's fee

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

XV. 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
Legal Entity Identifier (LEI): 529900L3GACMYY4MMX62

2. Reason for the notification

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

3. Details of the party subject to the disclosure requirement

Natural person (first name, surname): Norman Rentrop
Date of birth: 26.10.1957

4. Names of shareholders

with 3 % or more voting rights, if different from 3.
Investmentaktiengesellschaft für langfristige Investoren TGV

5. Date on which the threshold is met:

9.12.2019

6. Total share of voting rights

	Share of voting rights (sum of 7.a.)	Interest in instruments (Sum of 7.b.1. + 7.b.2.)	Total shares (Sum of 7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
new	75.55 %	4.36 %	79.91 %	4,124,900
Last notification	70.46 %	9.45 %	79.91 %	/

7. Details of voting rights holdings

a. Voting rights (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	attributed (Section 34 WpHG)	direct (Section 33 WpHG)	attributed (Section 34 WpHG)
DE000A0KFUJ5		3,116,383	%	75.55 %
Total	3,116,383		75.55 %	

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

Type of instrument	Maturity / expiry	Exercise period / term	Cash payment or physical delivery	Voting rights: absolute	Voting rights in %
Sellers' put option		1.9.2021 - 30.11.2021	Cash	180,000	4.36 %
			Total	180,000	4.36 %

8. Information about parties subject to disclosure requirement

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

Company	Voting rights in %, if 3 % or higher	Instruments in %, if 5 % or higher	Total in %, if 5 % or higher
Norman Rentrop	%	%	%
Investmentaktiengesellschaft für langfristige Investoren TGV	75.55 %	4.36 %	79.91 %

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

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

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

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

10. Other information:

none

Notification of voting rights

1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany
Legal Entity Identifier (LEI): 529900L3GACMYY4MMX62

2. Reason for the notification

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

3. Details of the party subject to the disclosure requirement

Legal entity: Kromi Beteiligungsgesellschaft mbH
Registered office, country: Hamburg, Germany

4. Names of shareholders

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

5. Date on which the threshold is met:

9.12.2019

6. Total share of voting rights

	Share of voting rights (sum of 7.a.)	Interest in instruments (Sum of 7.b.1. + 7.b.2.)	Total shares (Sum of 7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
new	4.36 %	0 %	4.36 %	4,124,900
Last notification	6.55 %	%	6.55 %	/

7. Details of voting rights holdings

a. Voting rights (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	attributed (Section 34 WpHG)	direct (Section 33 WpHG)	attributed (Section 34 WpHG)
DE000A0KFUJ5	180,000	0	4.36	0 %
			%	%
Total	180,000		4.36 %	

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

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

8. Information about parties subject to disclosure requirement

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

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

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

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

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

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

10. Other information:

none

Notification of voting rights

1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany
Legal Entity Identifier (LEI): 529900L3GACMYY4MMX62

2. Reason for the notification

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

3. Details of the party subject to the disclosure requirement

Legal entity: Kromi Beteiligungsgesellschaft mbH
Registered office, country: Hamburg, Germany

4. Names of shareholders

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

5. Date on which the threshold is met:

18.12.2019

6. Total share of voting rights

	Share of voting rights (sum of 7.a.)	Interest in instruments (Sum of 7.b.1. + 7.b.2.)	Total shares (Sum of 7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
new	3.27 %	0 %	3.27 %	4,124,900
Last notification	4.36 %	%	4.36 %	/

7. Details of voting rights holdings

a. Voting rights (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	attributed (Section 34 WpHG)	direct (Section 33 WpHG)	attributed (Section 34 WpHG)
DE000A0KFUJ5	135,000	0	3.27 %	0 %
			%	%
Total	135,000		3.27 %	

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

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

8. Information about parties subject to disclosure requirement

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

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

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

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

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

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

10. Other information:

none

Notification of voting rights

1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany
Legal Entity Identifier (LEI): 529900L3GACMYY4MMX62

2. Reason for the notification

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

3. Details of the party subject to the disclosure requirement

Natural person (first name, surname): Norman Rentrop
Date of birth: 26.10.1957

4. Names of shareholders
with 3 % or more voting rights, if different from 3.
Investmentaktiengesellschaft für langfristige Investoren TGV

5. Date on which the threshold is met:
18.12.2019

6. Total share of voting rights

	Share of voting rights (sum of 7.a.)	Interest in instruments (Sum of 7.b.1. + 7.b.2.)	Total shares (Sum of 7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
new	81.73 %	3.27 %	85 %	4,124,900
Last notification	75.55 %	4.36 %	79.91 %	/

7. Details of voting rights holdings

a. Voting rights (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	attributed (Section 34 WpHG)	direct (Section 33 WpHG)	attributed (Section 34 WpHG)
DE000A0KFUJ5		3,371,359	%	81.73 %
			%	%
Total	3,371,359		81.73 %	

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

Type of instrument	Maturity / expiry	Exercise period / term	Cash payment or physical delivery	Voting rights: absolute	Voting rights in %
Sellers' put option		1.9.2021 - 30.11.2021	Cash	135,000	3.27 %
					%
					%
		Total		135,000	3.27 %

8. Information about parties subject to disclosure requirement

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

Company	Voting rights in %, if 3 % or higher	Instruments in %, if 5 % or higher	Total in %, if 5 % or higher
Norman Rentrop	%	%	%
Investmentaktiengesellschaft für langfristige Investoren TGV	81.73 %	%	85 %

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

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

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

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

10. Other information:

none

Notification of voting rights

1. Details of the issuer

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Germany
Legal Entity Identifier (LEI): 529900L3GACMYY4MMX62

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

Natural person (first name, surname): Peter Zaldivar
Date of birth: 26.05.1967

4. Names of shareholders

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

5. Date on which the threshold is met:

18.12.2019

6. Total share of voting rights

	Share of voting rights (sum of 7.a.)	Interest in instruments (Sum of 7.b.1. + 7.b.2.)	Total shares (Sum of 7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
new	0.00 %	0.00 %	0.00 %	4,124,900
Last notification	5.03 %	n / a %	n / a %	/

7. Details of voting rights holdings

a. Voting rights (Sections 33, 34 WpHG)

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

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

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

8. Information about parties subject to disclosure requirement

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

Company	Voting rights in %, if 3 % or higher	Instruments in %, if 5 % or higher	Total in %, if 5 % or higher
Peter Zaldivar	%	%	%
Kabouter Management, LLC	%	%	%

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

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

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

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

10. Other information:

none

XVI. Events after the balance sheet date

After June 30, 2020, an extension of the working capital credit lines until September 30, 2021 was concluded with three of the total of five financing banks.

Furthermore, the ongoing coronavirus pandemic and associated restrictions on public life will affect KROMI's financial position and performance. As far as foreseeable, these effects are already reflected in the forecast issued for the 2020 / 2021 fiscal year. However, as a consequence of the unpredictability of further developments in relation to the coronavirus pandemic, this could also exert additional effects on KROMI's financial position and performance, although these are not quantifiable at present.

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

KROMI Logistik AG, Hamburg, reports an unappropriated net loss of EUR 3,143 thousand according to its annual financial statements prepared as of June 30, 2020 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.

XVIII. Statement pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German 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, 2020, at http://ir.kromi.de/websites/kromi/German/7100/entsprechenserklaerung.html.

XIX. Date of authorization for issue

The Managing Board authorized the consolidated financial statements of KROMI Logistik AG for issue on September 28, 2020 (date of authorization by the Managing Board for presentation to the Supervisory Board).

Hamburg, September 28, 2020

Managing Board of KROMI Logistik AG

Bernd Paulini

Christian Auth

Independent auditor's report

Reproduction of the independent auditor's report

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

Independent auditor's report

To KROMI Logistik AG, Hamburg

Report on the audit of the consolidated financial statements and of the Group management report

Audit opinions

We have audited the consolidated financial statements of KROMI Logistik AG, Hamburg, and of its subsidiaries (the Group), comprising the consolidated balance sheet as of June 30, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from July 1, 2019 to June 30, 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Furthermore, we have audited the Group management report of KROMI Logistik AG for the fiscal year from July 1, 2019 to June 30, 2020. In accordance with German legal requirements, we have not audited the content of the components of the Group management report mentioned in the "Other information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and in accordance with these requirements give a true and fair view of the Group's net assets and financial position as of June 30, 2020 and of its results of its operations for the fiscal year from July 1, 2019 to June 30, 2020, 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 pertaining to future development. Our audit opinion on the Group management report does not include the contents of the components of the Group management report mentioned in the section "Other information".

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

Basis for the audit opinions

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

Key audit issues in the audit of the consolidated financial statements
We have determined that no key audit matters exist that need to be reported in our independent auditor's report.

Other information
The legal representatives and the Supervisory Board are responsible for the other information. The other information comprises the following components of the Group management report that have not been audited:

- the Group corporate governance declaration referred to in the Group management report.

The other information also includes the other parts of the annual report.

The other information does not include the consolidated financial statements, the audited Group management report and our associated auditor's report.

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

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

- exhibit material discrepancies in relation to the consolidated financial statements, to the disclosures in the Group management report that were audited in relation to their content, or to the knowledge acquired during the audit, or

- appear to be presented incorrectly in some other way.

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

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

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

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

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

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

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

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

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

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

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

Other statutory and other legal requirements

Miscellaneous disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as auditors of the consolidated financial statements by the Annual General Meeting on December 10, 2019. We were appointed by the Supervisory Board on December 11, 2020. We have been the Group auditor of KROMI Logistik AG without interruption since the 2014 fiscal year.

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

Auditor responsible

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

Hamburg, September 28, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Dr. Hausser
Wirtschaftsprüfer

signed Müllensiefen
Wirtschaftsprüfer

Responsibility statement (declaration pursuant to 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 give a true and fair view of the Group's financial position and performance, the Group management report presents the Group's business including the results and the Group's position such as to give a true and fair view, and the major opportunities and risks pertaining to the Group's anticipated growth for the remaining fiscal year are described.

Hamburg, September 28, 2020

Managing Board of KROMI Logistik AG

Bernd Paulini Christian Auth

Publication details

Published by

KROMI Logistik AG
Tarpenring 11
22419 Hamburg
Telephone: +49 (0) 40 / 53 71 51 - 0
Fax: +49 (0) 40 / 53 71 51 - 0
Email: info@kromi.de
Internet: www.kromi.de

Concept, text and design

cometis AG
Unter den Eichen 7
65195 Wiesbaden
Telephone: +49 (0) 611 / 20 58 55 - 0
Fax: +49 (0) 611 / 20 58 55 - 66
Email: info@cometis.de