KROMI

TOOLING | ONE STEP AHEAD

Annual Report 2020/2021

Key figures at a glance (IFRS)

	Fiscal year 2020/2021 (01/07/2020 – 30/06/2021)	Fiscal year 2019/2020 (01/07/2019 – 30/06/2020)
Revenue	76,402	69,447
Earnings before interest and tax (EBIT)	702	89
Earnings before tax (EBT)	323	-2,977
Consolidated net profit / loss	321	-3,158
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share in EUR	0.08	-0.76
Equity ratio	51.2 %	52.1 %
Cash flow from operating activities	4,797	7,156
Cash flow from investing activities	-383	-753
Cash flow from financing activities	-3,319	-4,297
Employees at end of period (excluding Managing Board)	191	204

In EUR thousand (unless otherwise stated)

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THE 2020/2021 FISCAL YEAR IN FIGURES

EUR 76.4 M

Revenue

We generate most of our revenue in our core European markets, with our Brazilian subsidiary making an ever greater contribution to achieving our growth targets.

12

Countries

In addition to its home market of Germany, KROMI serves customers in Brazil, Denmark, France, the Netherlands, Austria, Poland, Portugal, Slovakia, Slovenia, Spain and the Czech Republic.

191

Employees

Employee satisfaction is of great importance to us. This leads us to strive constantly to enhance KROMI's attractiveness as an employer. The long average period of service at our company confirms that we are on the right track.

162,402

Reground tools sold

In cooperation with locally based regrinding companies, KROMI enables its customers to achieve more sustainable production through multiple tool use.

3,887,908

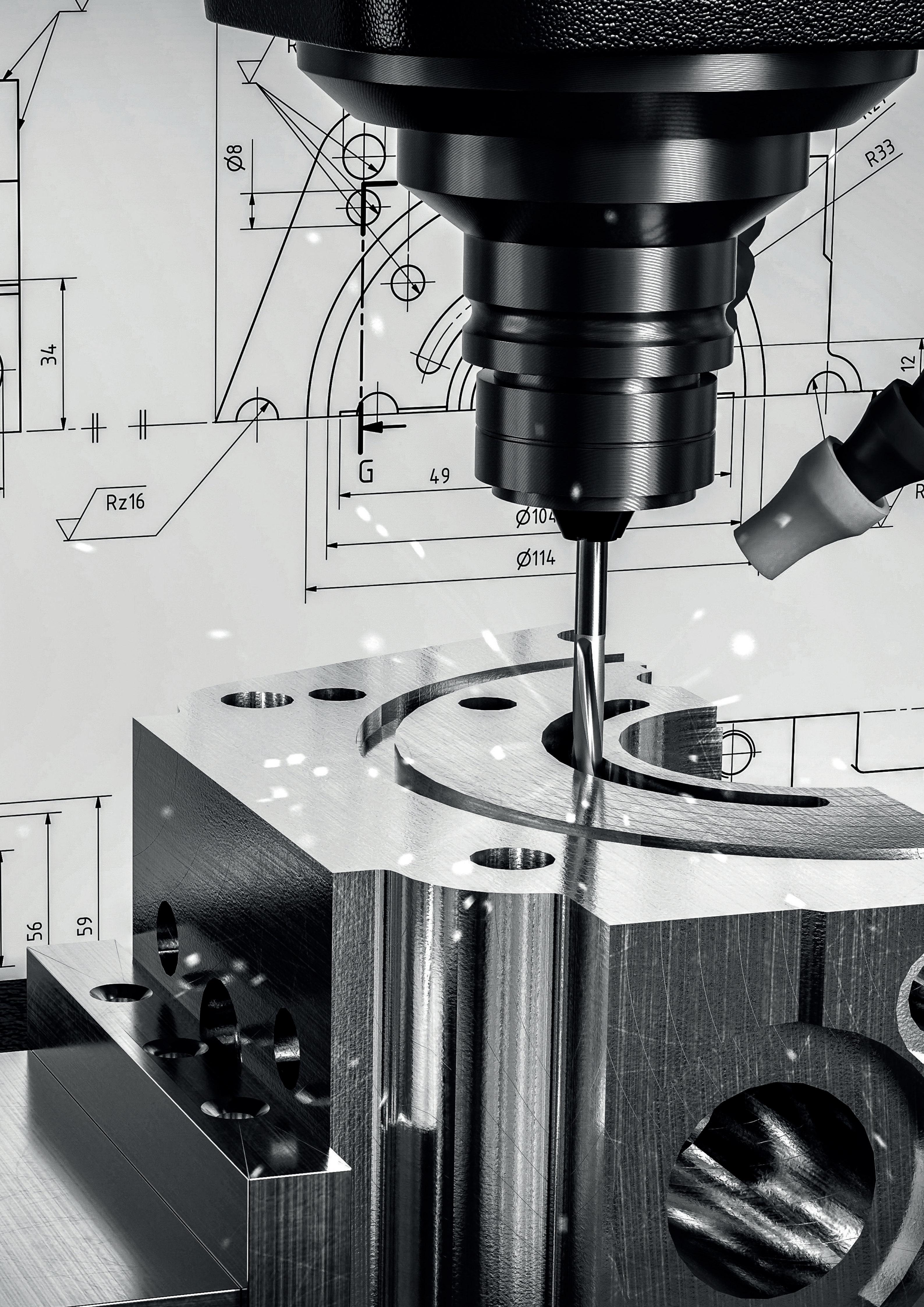
Tools sold

As a manufacturer-independent specialist, we ensure flexible and demand-based tool delivery to our customers.

EVERY 8 SEC

Tool dispensing interval

On average, a tool is removed from one of the KROMI Tool Center dispensers installed at our customers' facilities every eight seconds worldwide.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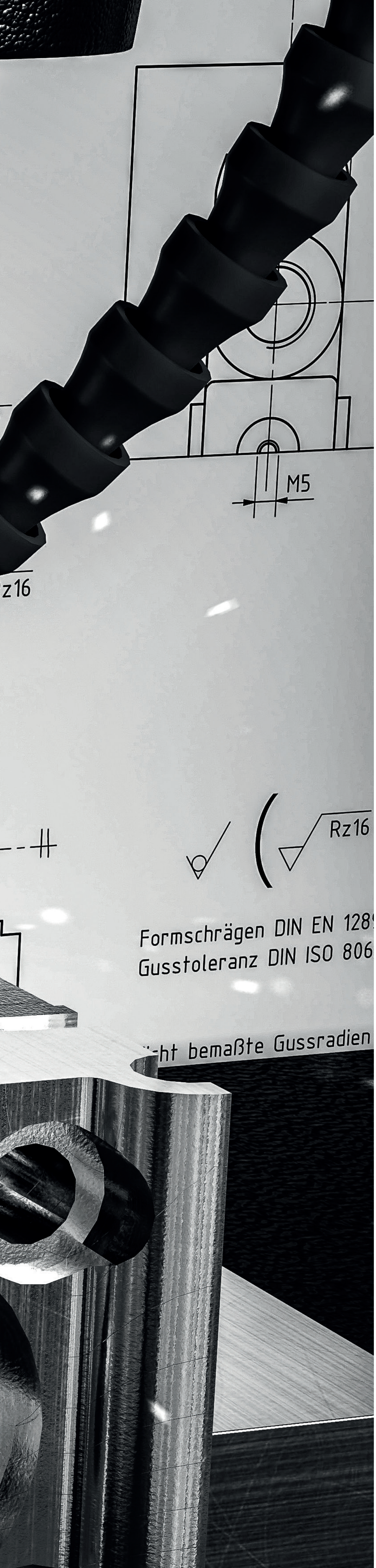


TO OUR SHAREHOLDERS

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

Dear shareholders,

In retrospect, the 2020/2021 fiscal year proved to be significantly more positive than originally expected, although the coronavirus pandemic also made for a challenging environment in the past reporting period. After some of our customers reduced their production levels in the course of the initial lockdown – and in some cases drastically – a significant recovery set in during the first half of the past fiscal year, particularly in the automotive industry and in the general engineering sector, which also had an increasingly positive effect on our business position over the further course of the fiscal year under review.

"With our professional tool management, we have continued to contribute to trouble-free production for our customers in these extraordinary times."

The optimization measures implemented in the previous fiscal year also had lasting effects, including a significantly improved cost structure and only a slight increase in the level of our working capital despite the expansion of business. Thanks to these developments, at the end of April 2021 we significantly raised our full-year guidance. Posting revenue growth of 10.0 % to EUR 76.4 million and a significantly improved and positive operating result (EBIT) of EUR 0.7 million, we have fully achieved these new targets. Cash flow from operating activities amounted to EUR 4.8 million thanks to active working capital management.

In addition to the economic recovery in key target industries, the continued high level of interest in our integrated tool management solutions among both existing and new customers contributed to this positive trend. With our professional tool management, we have continued to help our customers to manufacture without problems and interruptions in these extraordinary times.

The value placed on such reliability is reflected in the stability of our customer relationships and the expansion of collaboration with our existing customers. In December 2020, for example, we extended indefinitely the contract with one of our major customers in the general engineering sector, for which we operate in four countries. Moreover, in the fourth quarter of 2020/2021, we also took over tool management for a German customer at its Czech location. We also expanded intercontinentally alongside our customers in the past fiscal year. For example, since April 2021 we have been working with an automotive sector company not only in Brazil, but now also at its Portuguese location.

Thanks to our excellent references, we have also achieved success on the new customer front and convinced further companies in Europe and Brazil of the value of our services.

With our enhanced business model, we offer genuine added value by helping to optimize production processes, thereby enabling significant and sustainable cost savings.

We are confident about the future thanks to numerous promising talks with potential new customers which we are currently holding both in Germany and abroad, and which in some cases are already in the final negotiation stage.

Based on an extensive market study, we aim to expand our existing circle of target industries in the future. Assuming that no renewed widespread lockdown occurs with corresponding negative economic effects, or that supply chains are not disrupted by other factors, we consequently expect our profitable growth trend to continue in the 2021/2022 fiscal year. We anticipate an increase in revenue of around 10 % and an year-on-year increase in operating profit significantly outstripping our rate of revenue growth.

“We are confident about the future thanks to numerous promising talks with potential new customers which we are currently holding both in Germany and abroad, and which in some cases are already in the final negotiation stage.”

We would like to take this opportunity to expressly thank all of our colleagues once again. Without their motivation and commitment, this positive development and growth of our company would not have been possible under the current challenging conditions. We also extend our thanks to you, our shareholders, as well as to to our customers and suppliers, for the trust and confidence you have placed in us. We look forward to continuing our constructive collaboration.

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 catalog
- 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 catalog 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

FROM THE MARKETS: GERMANY AND CENTRAL EUROPE

Interview with Head of Germany Jens Kumpert and Head of Central Europe Patrycjusz Kesling about current business trends, industry trends and further development potential.

Jens Kumpert has been responsible for the Germany region since 2020. With four locations in Hamburg, Magdeburg, Stuttgart and Düsseldorf, it represents KROMI's largest region.

Since the 2020/2021 fiscal year, Patrycjusz Kesling has been responsible for KROMI's activities in Poland, the Czech Republic and Slovakia, which have been combined to form the Central Europe region, and which now represents the second strongest sales region after Germany in terms of revenue.

The coronavirus pandemic also played a major role in 2021. How is business currently performing at your sites and what impact has the pandemic had on it?

Jens Kumpert: The coronavirus pandemic caused KROMI's revenue in Germany to drop by up to 50 percent on a monthly basis in the fourth quarter of the 2019/2020 fiscal year. However, in the previous year we had already introduced important measures for the entire KROMI Group across all countries, streamlined our cost structures, and we had implemented even more active management of our inventories and receivables. Consequently, we navigated through this phase comparatively well, considering that the machining market suffered a slump of around 20 percent. During this period, new customer business reflected the fact that fundamental decisions such as the entire outsourcing of tool management tended to be postponed in such uncertain times. Once again, long-standing and stable business relationships with our existing customers were all the more important to us, and these continued to prove their worth in such difficult times. In the future, we aim to further develop our relationships with these customers by expanding our tool management to include additional locations. However, at the same time we are constantly working to acquire new customers and we are already seeing a significant upturn in industry in 2021.

Jens Kumpert

Nonetheless, our customers have been feeling increasing cost pressure – and not just since coronavirus. As an outsourcing partner, KROMI is able to help to improve cost structures in production through professional tool management. In this context, however, we also see many manufacturing companies setting up new locations in Eastern European countries, such as in the Czech Republic and Poland. There, too, we are on the ground and can act across borders. For example, we accompanied a customer from East Germany to its new Polish location, and have since transferred operations smoothly to our colleagues in Poland.

“As an outsourcing partner, KROMI is able to help to improve cost structures in production through professional tool management.”

Jens Kumpert

Patrycjusz Kesling

Patrycjusz Kesling: We have been observing for some years that the market in Poland, the Czech Republic and Slovakia is increasingly opening up to holistic tool management. As a result, we are constantly acquiring new customers. KROMI Tool Management enables companies to optimize their production processes and thereby boost their efficiency. In addition, demand in industry as a whole reboundedas the macroeconomy began to recover this year. As some tool manufacturers have laid off employees, however, it is currently difficult for some companies to obtain the tools they require. We are able to help in such cases as we operate independently of manufacturers and maintain very good contacts with all the important suppliers. This situation represents a great opportunity to acquire new customers.

How do you assess the potential for development in your region given the current situation?

Kesling: With the tailwind we described above, many companies in our region are planning new locations. Consequently, we are anticipating an expansion of business involving exciting new projects with new customers. Interest is currently enormous and we are increasingly receiving inquiries from countries where we are not yet active.

Kumpert: We have a very loyal client base in Germany and we have always grown from this strong base. At present, the economy is recovering from the 2020 crisis year and our customers as well as the entire industry are raising their production levels. With the macroeconomic recovery and growing security, company’s are now making strategic decisions again, and business with new customers will pick up again.

A special feature of the German market is the strong north-south industrial divide. Because of this, significantly more potential customers from the automotive and mechanical engineering sectors are located in the south. With our good references, it is certain that we will once again be increasingly acquiring more new customers in this region. Other locations, such as Magdeburg, are home to less high-volume industries. This has led us over the past year to consistently develop our offerings for such companies. In addition to our classic logistics services, we are increasingly offering technological consulting. Experience shows that this enables us to acquire a greater number of new customers. These customers are particularly interested in matters such as process design, production planning and tool planning, as well as numerical control programming (NC programming).

Kesling: Our customers have a wide range of requirements and face a variety of challenges. Technology consulting is also often a topic, although many would like to leverage the benefits of outsourced tool management, including the logistics behind it. The fact that our German colleagues are pushing technology consulting opens up the possibility for us to supply everything from a single source. We can harness the experience the German team is already gaining today, and together as KROMI we can provide our customers with comprehensive support.

What areas do your customers come from? And why do they choose KROMI?

Kesling: Most of our customers are either automotive suppliers or belong to the general engineering sector. Meanwhile we have a lot of good references we can present. Our customers appreciate the sound foundation of trust that they enjoy with us. We maintain a cooperative and always highly professional relationship with our customers. This enables us to join forces in tackling the challenges our customers face in a very positive and constructive manner.

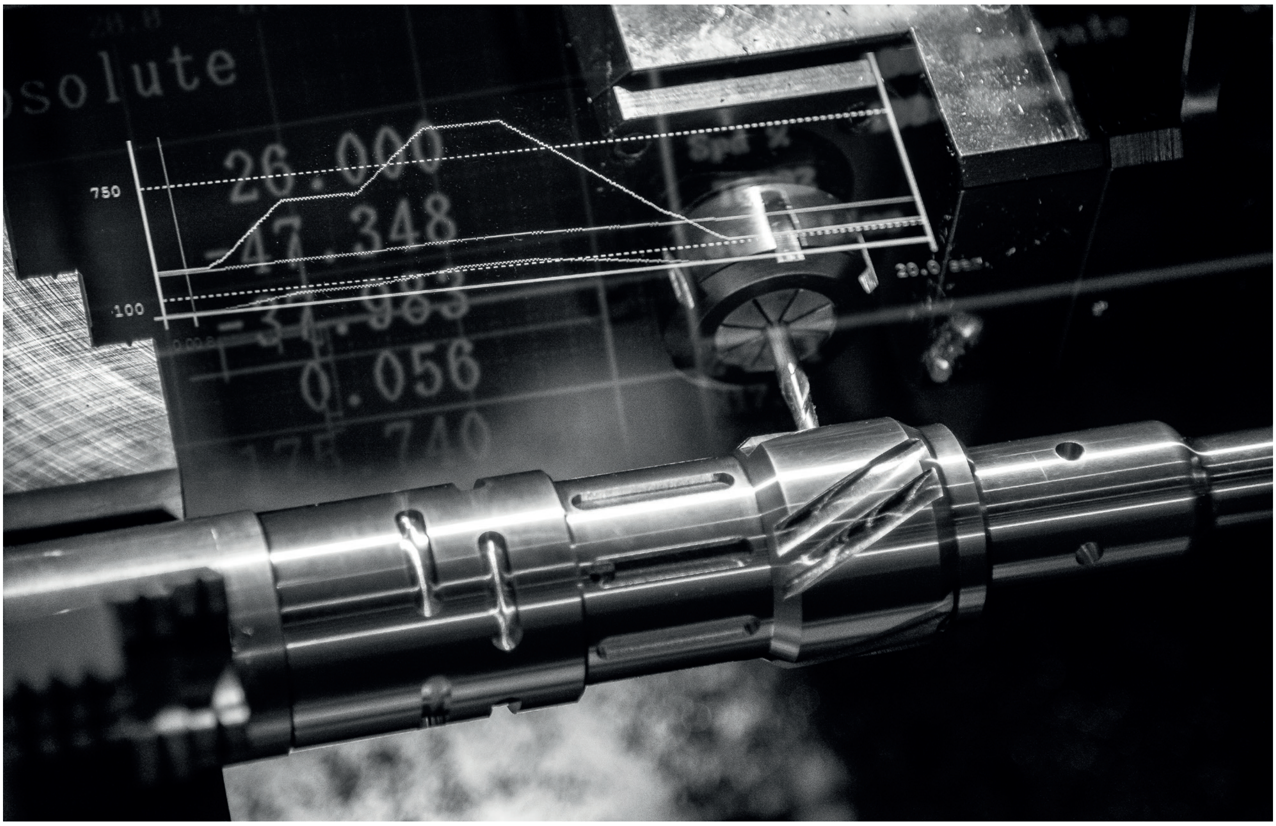
Kumpert: In addition to our established target sectors of automotive and mechanical engineering, we are also addressing new industries such as medical technology. Talks in this area are promising. The market, such as for hip joints and prostheses, is still of a comparatively modest dimension, but will grow steadily in the coming years in line with demographic change. A high level of precision is also required in production. It is particularly in such high-end areas that our many years of experience as tool management pioneers and experts come into play. This experience also enables us to advise companies to a depth that is completely different. And we also benefit from our independence from manufacturers. We believe we have the best overview of all the tools available on the market and can consequently advise and support our customers in the best possible way. And our customers appreciate this type of expert knowledge – which is particularly evident in the new process design we are offering in Germany.

"In addition to our established target sectors of automotive and mechanical engineering, we are also addressing new industries such as medical technology."

Jens Kumpert

What is this new process design all about, and what is so special about it?

Kumpert: When designing new processes, we support our customers completely on site during a project – from strategy through to planning and ongoing processes. In other words, we prepare work and tool planning as well as the NC programs, and we also accompany the entire project up to the handover to production. This enables us to build good customer relationships and generate potential



for further cooperation. For such projects, it goes without saying that we have to be in the immediate vicinity in order to be on site quickly. We aim for new process design to soon become a permanent feature at all KROMI locations, which will once again take us up to a new level.

Previously you mentioned that some customers have locations in multiple regions. How do you work together in such situations?

Kesling: The project managers are in close contact with each other on a regular basis. We have customers with locations in the Central Europe region as well as in Germany – then, of course, we are in close contact with our colleagues in Germany.

Kumpert: Within Germany, we aim to intermesh the four locations in Hamburg, Magdeburg, Düsseldorf and Stuttgart even more closely. In many cases we have seen that satisfied customers also entrust us with tool management at their locations abroad. In this way, the international business continues to grow on the basis of long-standing customer relationships.

What fundamental developments do you expect in your region in the long term?

Kumpert: E-mobility will bring about some fundamental changes for everyone involved in the sector over the next ten years. This is also reflected in the speed at which transformation in the automotive industry is currently taking place. With electric engines, the machining volume is 50 to 60 percent less than with a combustion engine. The complexity of this work, however, is much higher and consequently the demands placed on the tools are greater. Given this increasing complexity, professional and efficient tool management is all the more important. This is where our manufacturer-independent consulting can help in locating the optimal tools for the companies concerned. For this reason, we also perceive this change as a great opportunity for KROMI to persuade e-mobility suppliers of the benefits of working together with us. We will definitely leverage this potential and thereby also establish a profile for ourselves in this market as well. It is also the case that our existing customers in the automotive sector are not highly dependent on the combustion engine. The broadening of our target sectors, which we mentioned before and which also includes wind power and rail transport, also brings great opportunities for KROMI. Given these changes and the ongoing internationalization, I also see it as important that we always continue to develop geographically.

Kesling: I would also like to highlight this point. In the future, such an approach will benefit us in several countries at the same time, such as when we are talking to potential new customers in Poland. The region Central Europe currently offers locational advantages, which is why we are seeing this dynamic on the customer side: labor costs are lower, and well-trained skilled workers are also available. We can help our customers to achieve further efficiencies in tool management and offer support in both the technical and logistical areas. The environment in Eastern Europe is very positive at the moment and we aim to actively develop this market. We currently have a lot of interesting projects in the pipeline in both existing and potential markets.

“The region Central Europe currently offers locational advantages. We currently have a lot of interesting projects in the pipeline in both existing and potential markets.”

Patrycjusz Kesling

Kumpert: Thanks to our independence of manufacturers and integrated tool management approach, combined with our many years of experience, we are very confident about the future and identify excellent growth opportunities for KROMI.

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

WHAT WE STAND FOR

TRANSPARENCY

KROMI

We have defined our environmental, social and economic values for our employees in company-wide binding requirements and working standards.

TRUST

FAIRNESS

KROMI'S CONTRIBUTION TO SUSTAINABILITY

ENVIRONMENTAL

KROMI's approach is to act on an environmentally-compatible basis along its entire value chain and to make a sustainable contribution to resource-conserving production on the customer side.

KROMI's provision of tools in line with demand enables resource-conserving production. In addition, the KROMI regrinding process offers the possibility to recycle and reuse tools.

SOCIAL

The trusting and fair relationship with our stakeholders, especially with our customers, suppliers and employees, forms the basis for our successful business activities.

Safeguarding equal opportunities, reliability and high safety standards are of the utmost importance to KROMI. KROMI offers its employees a wide range of benefits, including flexible working, city bike offerings and a pension allowance.

GOVERNANCE

Through clear and well-communicated guidelines, we create a legal framework for our employees' ethical conduct.

KROMI sets binding requirements for compliance and working standards throughout the Group. A web-based whistleblower system enables employees to anonymously report compliance violations.

Report of the Supervisory Board 2020/2021

Dear shareholders,

In the 2020/2021 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

Since the 2020 Annual General Meeting, the Supervisory Board of KROMI Logistik AG has consisted of five members. At its meeting on June 24, 2021, the Supervisory Board formed an Audit Committee chaired by Mr. Stephan Kleinmann, to which all other members of the Supervisory Board belong.

In the 2020/2021 fiscal year, the Supervisory Board consisted of:

- **Ulrich Bellgardt** (Supervisory Board Chair)
- **Jens Große-Allermann** (Deputy Chair of the Supervisory Board and, since July 1, 2021, accounting expert pursuant to Section 100 (5) AktG)
- **Stephan Kleinmann** (since July 1, 2021 Chair of the Audit Committee and auditing expert pursuant to Section 100 (5) AktG)
- **Prof. Dr. Eckart Kottkamp**
- **Felix Höger** (since the Annual General Meeting on December 8, 2020)

Meetings

In the 2020/2021 fiscal year, the Supervisory Board held six ordinary meetings and one extraordinary meeting. All members of the Supervisory Board participated in all meetings. Four of these six ordinary Supervisory Board meetings and the extraordinary meeting were held as video conferences.

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. Independently of this reporting routine, the Managing and Supervisory boards were also in constant contact - mainly through the dialog between the CEO and the CFO and the Supervisory Board Chair - by means of personal and telephone communication.

Since the outbreak of the coronavirus pandemic in March 2020, regular jours fixes have been held between the Managing Board and the Supervisory Board chair on current and urgent topics – amounting to a total of 13 in the 2020/2021 fiscal year, most of them via video conference.

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, internal control system and risk management, general business policy and important business transactions. The Managing Board informed the Supervisory Board both promptly and comprehensively. The Supervisory Board took as its basis the annual budget approved for the 2020/2021 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 supervisory and 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.

The Supervisory Board kept itself informed promptly and in detail about the effects of the coronavirus pandemic, 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 20, 2020, the Supervisory Board discussed the budget for the 2020/2021 fiscal year that had been submitted to it by the Managing Board. This budget had been prepared in times of great uncertainty concerning the further development of the pandemic and the accompanying restrictions.

The Supervisory Board meeting on September 29, 2020 also included Supervisory Board consultations – in the presence of the auditor – relating to the clarification and discussion of the separate financial statements for the fiscal year ending June 30, 2020 and the consolidated financial statements for the fiscal year ending June 30, 2020.

The service contract of Chief Financial Officer Mr. Christian Auth ends on March 31, 2022. At the Supervisory Board meeting on February 18, 2021, the key points of a service contract to be renegotiated were approved. This contract should take into account, in particular, the recommendations of the German Corporate Governance Code as amended on December 16, 2019, as well as the requirements of the German Act Implementing the Second Shareholder Rights Directive (ARUG II), both of which have been incorporated into the new remuneration scheme for the Managing Board to be approved at the 2021 Annual General Meeting. On April 19, 2021, Mr. Auth's service contract was renewed for the period from April 1, 2022 until March 31, 2027.

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 September 28, 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 2020/2021

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 2020/2021 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, 2021 Supervisory Board meeting for the approval and adoption of 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, 2021, 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, 2021, and the consolidated financial statements for the fiscal year ending June 30, 2021, 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, 2021

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.

The Managing Board consists of two members: the Managing Board Chair with responsibility for Sales and Technology (Chief Executive Officer, CEO), and the Managing Board member responsible for Finance, IT and Personnel (Chief Financial Officer, CFO). 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 Managing Board 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 transactions of fundamental importance. In line with the number of the company's employees and its articles of incorporation, the Supervisory Board at present comprises five 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 utilized the related option to form committees in the 2020/2021 fiscal year. Since June 24, 2021, all members of the Supervisory Board – namely Ulrich Bellgardt, Prof. Dr. Eckart Kottkamp, Jens Grosse-Allermann, Stephan Kleinmann and Felix Höger – have been members of the newly formed Audit Committee. 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.

B. Statement of compliance pursuant to Section 161 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 December 16, 2019 ("DCGK"), as published in the Bundesanzeiger (Federal Gazette) on March 20, 2020, have been complied with since the last statement of compliance was issued on June 30, 2020, with the following exceptions:

- By way of divergence from recommendation C.2 DCGK, 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), the specification of an age limit does not appear to be sensible.
- By way of divergence from recommendations D.2 to D.5 DCGK, no committees are formed within the Supervisory Board. Given the Supervisory Board's size, the formation of committees is not expedient.
- By way of divergence from recommendation G.3 DCKG, 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 was made in this context.

In relation to the other recommendations of the DCKG on Managing Board remuneration in G.1 et seq. DCKG, the employment agreements with the current members of the Managing Board of KROMI Logistik AG will be continued. In connection with the new recommendations on Managing Board remuneration in G.1 et seq. DCKG, the German Corporate Governance Code Government Commission has clarified that changes to the 2020 Code 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 light 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.

The Supervisory Board will submit a revised Managing Board remuneration scheme to the 2021 Annual General Meeting for approval. The new remuneration scheme applies to all Managing Board service contracts to be newly concluded or extended with effect after the Annual General Meeting on December 7, 2021.

The Managing and Supervisory Boards of KROMI Logistik AG also declare that the recommendations of the DCKG in the version dated December 16, 2019, which was published in the Bundesanzeiger (Federal Gazette) on March 20, 2020, will be complied with in future with the following exceptions:

- By way of divergence from recommendation C.2 DCGK, 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), the specification of an age limit does not appear to be sensible.

- By way of divergence from recommendations D.2 and D.5 DCGK, no committees have been formed for the Supervisory Board - with the exception of the mandatory Audit Committee pursuant to Section 107 (4) AktG in the version applicable as of July 1, 2021. Given the Supervisory Board's size, the formation of committees is not expedient.

- By way of divergence from recommendation G.10 Sentence 1 DCGK, the variable remuneration of the members of the Managing Board will in future not be granted predominantly in shares of the company, or be correspondingly share-based, on the basis of the new Managing Board remuneration scheme. Given the limited free float of the shares of KROMI Logistik AG, it would appear more expedient – including in the interests of the shareholders – to purse the objective of promoting the company's strategy and its sustainable and long-term growth applying other performance criteria that are more suitable for the company as part of the variable remuneration of the Managing Board.

Hamburg, June 24, 2021

For the Supervisory Board

Ulrich Bellgardt

For the Managing Board

Bernd Paulini

Christian Auth

C. 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, labor 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 fulfills its responsibility towards staff with the due 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.

D. Policy pursuant to Sections 76 (4), 111 (5) AktG and the diversity concept

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. Moreover, the Supervisory Board pays attention to diversity in the composition of the Managing Board and takes particular account of the characteristics of age as well as educational and professional background. These criteria are met by the existing members.

The Supervisory Board has set a target for the proportion of women on the Supervisory Board, whereby at least one female member 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 20 %, given a Supervisory Board consisting of five members. Furthermore, 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 as well as educational and professional background, inasmuch as the proposed candidates should reflect a plurality of opinions and experience. These criteria are met by the existing members.

E. Supervisory Board composition and independence

With regard to the composition of the Supervisory Board, the Supervisory Board of KROMI Logistik AG has determined the following competency profile for the entire Supervisory Board, and has set the following targets for the composition of the Supervisory Board:

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 systems, 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) 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, as to how to deal with potential or emerging conflicts of interest.

The current composition of the Supervisory Board corresponds to the objectives and competency profile that the Supervisory Board has set itself for its composition. 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 Chair Mr. Bellgardt and Supervisory Board members Prof. Dr. Kottkamp, Mr. Kleinmann and Mr. Höger are independent of the controlling shareholder in the meaning of the DCGK, and Deputy Chair of the Supervisory Board Mr. Grosse-Allermann is also a member of the Managing Board of Investmentgesellschaft für langfristige Investoren TGV, which holds around 82 % of the voting rights in KROMI Logistik AG.

E. Remuneration report

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.

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 Chair (CEO) 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 55 thousand (Paulini) and EUR 15 thousand (A. Schubert) were formed in the July 1, 2020 to June 30, 2021 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 1,104 thousand as of June 30, 2021.

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 Bernd Paulini directly held a further 4,766 voting rights, and Managing Board member Christian Auth held a direct interest in a further 3,191 voting rights in KROMI Logistik AG.

G. Reference to Internet page pursuant to Section 289F (2) No. 1A HGB

The remuneration report, including the auditor's report pursuant to Section 162 of the German Stock Corporation Act (AktG), as well as the applicable remuneration system pursuant to Section 87a (1) and (2) Clause 1 AktG and the last remuneration resolution pursuant to Section 113 (3) AktG will in future be available on the company's website under the heading "Investor Relations" at http://ir.kromi.de.

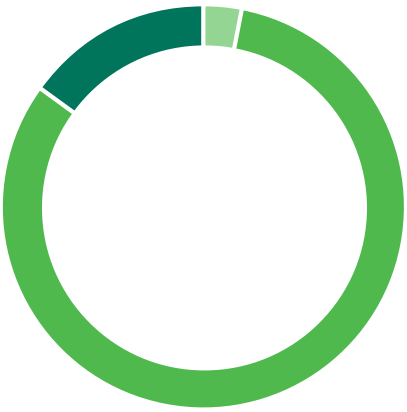
Capital market information

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 1, 2020*	EUR 4.82
Share price as of June 30, 2021*	EUR 9.15
Change in percent	+89.83 %
52-week high**	EUR 10.70
52-week low**	EUR 4.44

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

Shareholder structure



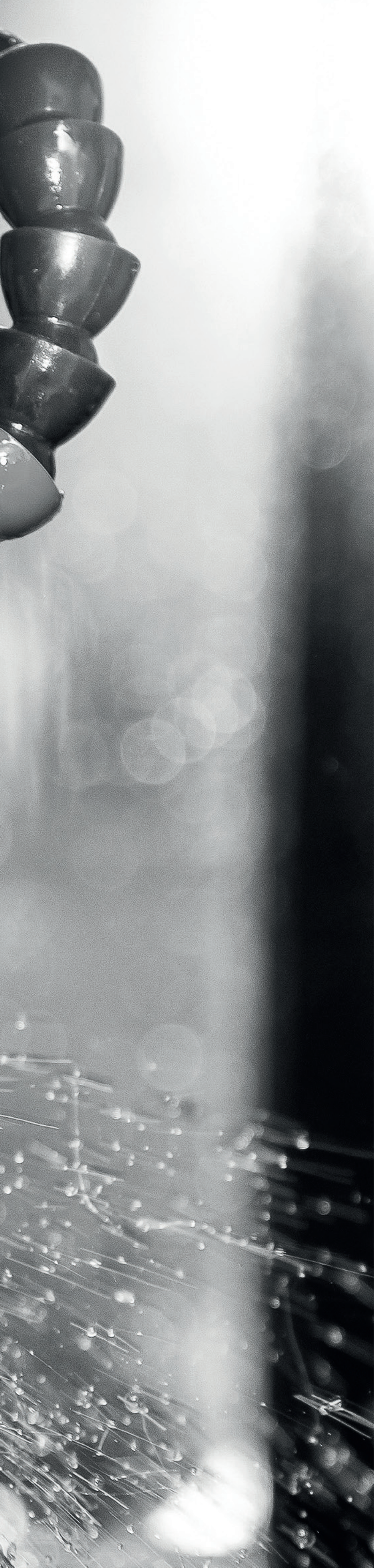
3.27 % KROMI Beteiligungsgesellschaft mbH

81.73 % Investmentaktiengesellschaft für langfristige Investoren TGV

15.00 % Free float

Financial calendar

December 7, 2021	**Annual General Meeting**



GROUP MANAGEMENT REPORT

Group management report

A. Basis of the KROMI Group

I. Business model

KROMI Logistik AG (hereinafter also referred to as "KROMI") 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.

Drawing on IT-networked tool management and controlling systems, KROMI enables the digitalization of tool management for efficient processes. The advantage for customers is to always have the optimal operating resources available at the right time and in the right place.

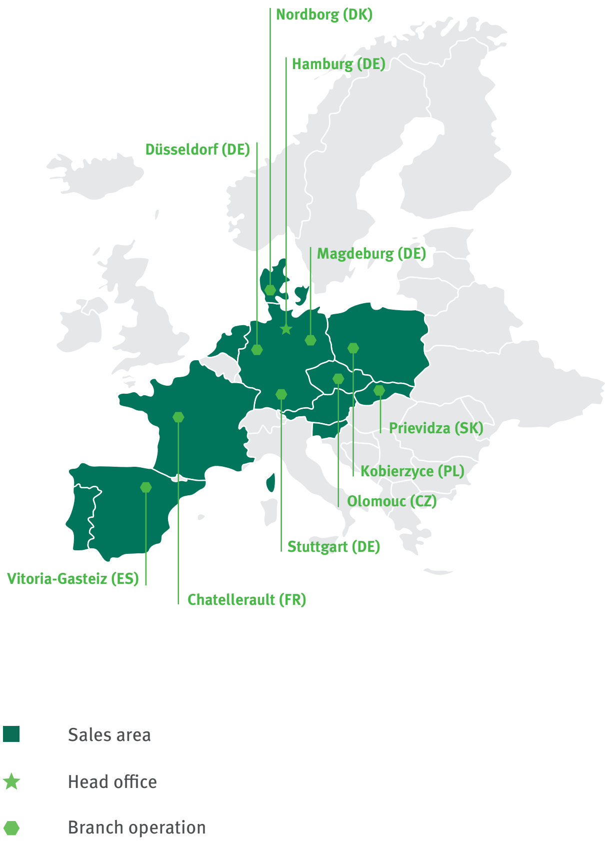
II. Corporate strategy and objectives

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. On the customer side, KROMI pursues the approach of making a sustainable contribution to resource conservation, which is achieved especially through the provision of tools in line with demand and a regrinding process that enables tool reuse through recycling.

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 manufacturing processes and data in detail, and identifies improvement potential. 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 above-average growth in the target markets over the coming years.

III. Company structure

Our locations in Europe



Our locations in Brazil

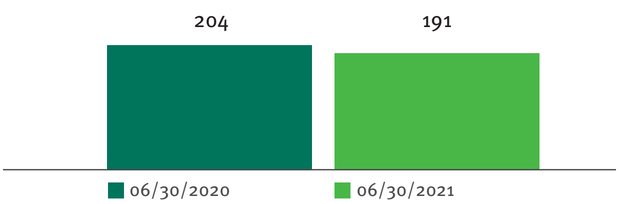
Sales area

Branch operation

IV. Segment

The Managing Board believes that is not expedient to apply segmentation based on products, product groups and services, 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 Germany other European countries and Brazil. In this context, the activities in the rest of Europe are reflected directly via the parent company, while the results of the activities in Brazil are only reflected in the consolidated financial statements.

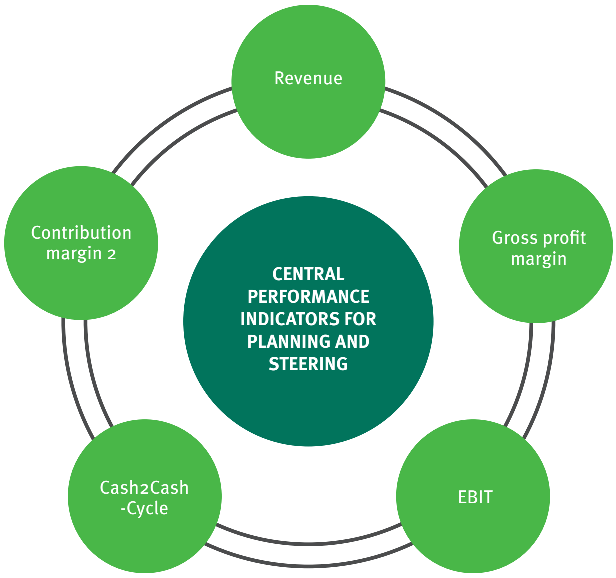
V. Employees



VI. Steering system

KROMI utilizes various key figures in order to manage performance with regard 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. 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:



Central performance indicator and definition	Indication
Revenue	Growth of customers and industries / Market coverage
Gross profit margin (Revenues less cost of mate-rials in relation to revenue, in %)	Profitability / Changes relating to tool deployment and prices
Contribution margin 2 (Revenue from customers less directly allocated costs excluding overhead costs)	Profitability of the operating business
Profit from operations (EBIT)	Profitability
Cash2Cash-Cycle (Derived from DPO, DIO and DSO)	Capital employed

The Cash2Cash cycle derives from the performance indicators DPO (days of payables outstanding – average trade payables in the last twelve months divided by the cost of materials in the last twelve months multiplied by 365), DIO (days of inventory outstanding – average inventories in the last twelve months divided by the cost of materials in the last twelve months multiplied by 365) and DSO (days of sales outstanding – average trade receivables in the last twelve months divided by the revenue in the last twelve months multiplied by 365). Beginning with the 2021/2022 fiscal year, ROCE (return on capital employed) will be used as an additional key performance indicator for management purposes in addition to the above key performance indicators. ROCE is the ratio of operating profit to capital employed.

B. Business report

I. Macroeconomic conditions

NAccording to the Kiel Institute for the World Economy (IfW), global gross domestic product (GDP) decreased by 3.2 % in 2020 as a consequence of the coronavirus pandemic, reflecting the sharpest reduction since the end of the Second World War.[1] Following a significant recovery in the global economy in the summer of 2020, this trend continued in the second half of 2020, despite the rising number of new infections and the tightening of containment measures in many countries.[2] With a look to 2021, the Kiel economists expect global gross domestic product (GDP) to expand by 6.7 %. A strong increase in global production of 4.8 % is also forecast for 2022. Although the global economy as a whole slowed at the beginning of 2021 due to high coronavirus infection figures and the measures taken in many places to contain the pandemic, an overall upward trend was nevertheless achieved. This development is mainly due to the fact that, despite much higher infection figures, it has generally proved easier to maintain economic activities than at the start of the pandemic. The negative effects of the pandemic primarily affected the service sector. Global industrial production, by contrast, continued to report a strong rate of expansion, even though its upswing has recently been slowed by supply bottlenecks and logistics problems, as reflected, for example, in a sharp rise in the prices of raw materials, intermediate goods and transport services.[3]

In the Eurozone, the recession in the 2020 pandemic year led to a 6.6 % contraction in GDP, according to the IfW.[4] By contrast, as the global economy recovers, GDP is already expected to rise by 5.3 % in 2021, followed by a slightly slower growth rate of 4.4 % in 2022. Although the second wave of the coronavirus pandemic also had a significant impact on economic activity in Eurozone countries in autumn 2020, the effect, particularly in the manufacturing sector, was relatively limited compared with the spring, partly because the containment measures were less stringent, or more targeted, and partly because the economy was better prepared for the situation.[5] In the first half of 2021, infection rates slowed noticeably, mainly due to advancing vaccination campaigns and infection control measures.

[1] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf
[2] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf
[3] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_79_2021-Q2_Welt_DE.pdf
[4] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf
[5] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf

The extremely expansive fiscal policy that governments are pursuing is continuing to exert a positive effect. By 2022, the major share of the normalization of the economy will have been completed.e der Infektionsschutzmaßnahmen spürbar an Dynamik. Die äußerst expansive Finanzpolitik der Regierungen wirkt sich weiterhin positiv aus. Im Jahr 2022 wird ein Großteil der wirtschaftlichen Normalisierung abgeschlossen sein.[6]

Also in Brazil and other emerging economies the economic recovery for the most part merely slowed down in the winter half of 2020, while macroeconomic production expanded at a very strong rate in the final quarter of the year in Latin American countries, among others. Industrial production had almost reached its pre-crisis level by the end of the year, and price-adjusted exports were already above this level in July 2020 thanks to higher demand for food and industrial raw materials.[7] As a consequence, Brazil's GDP contracted by 4.4 % in 2020, according to the IfW.[8] With regard to 2021, the Kiel economists expect production levels to post a significant recovery of 5.2 %. The high number of coronavirus cases and the slow progress of the vaccination campaign will continue to have a negative impact. In the subsequent 2022 year, Brazil's GDP is forecast to decrease by 3.2 %.[9]

The second wave of the coronavirus pandemic with the renewed lockdown also interrupted the economic recovery in Germany in the second half of 2020, although, unlike in the spring, the economic burden was much more concentrated on consumer-related service providers, and economic losses were correspondingly lower overall. The industrial economy remained on an upward trend, particularly given rising exports.[10] According to the IfW, German economic output will consequently decrease by 4.8 % in 2020 as a whole.[11] In 2021, macroeconomic production will expand strongly and exceed its pre-crisis level again. The main drivers of this growth are the ongoing immunization of the population due to the vaccination campaign and the associated reduction in pandemic-related restrictions. However, industry's recovery will be delayed for the time being by global supply bottlenecks. The recent rise in prices for raw materials, intermediate goods and transport services is also having a negative impact. Production in the manufacturing sector, for example, is not expected to pick up again until late in the second half of 2021, despite the very good order situation. For 2021 as a whole, the IfW forecasts 3.9 % growth in economic output for Germany. A further increase of 4.8 % is expected for 2022.[12]

II. Sector-related conditions

As a manufacturer-neutral specialist in professional tool management, KROMI's range of products and services 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 aviation industry. The economic situation in these sectors consequently offers a good indicator of KROMI's future development.

a. Mechanical engineering / precision tools

Viewed globally, machinery and equipment worth an estimated EUR 2,585 billion was produced in 2020. This represents around 5 % less than before the outbreak of the coronavirus pandemic. As in previous years, China featured as the international leader with a sales volume of EUR 924 billion. Moreover, China was the only country among the top ten producing countries that even managed to surpass its pre-crisis level. The USA again ranked second with sales of EUR 345 billion. Despite a drop in sales of almost 13 %, Germany ranked third among the largest machinery producers with an estimated sales volume of EUR 271 billion. The 27 countries of the European Union together account for around 70 % of China's level, or a quarter of world machinery sales, with EUR 649 billion in machinery sales.[13]

The European mechanical engineering sector descended into a deep recession in 2020, a year burdened by the coronavirus pandemic. According to the German Engineering Federation (VDMA), production in the 27 EU countries contracted by around 13 % in real terms, according to provisional figures from the European statistics office Eurostat. This corresponds to the most significant decrease since the financial crisis in 2009.[14] The capacity utilization rate in the mechanical engineering sector dropped to 73.0 % on average in the EU in the summer of 2020. At the start of the first quarter of 2021, this figure had recovered

[6] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_79_2021-Q2_Welt_DE.pdf
[7] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf
[8] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf
[9] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_79_2021-Q2_Welt_DE.pdf
[10] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_77_2021-Q1_Deutschland_DE.pdf
[11] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_80_2021-Q2_Deutschland_DE.pdf
[12] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_80_2021-Q2_Deutschland_DE.pdf
[13] https://www.vdma.org/documents/34570/4890926/Maschinenbau%20%20in%20%20Zahl%20%20und%20%20Bild%20%202021.pdf/0924681c-aebo-70b7-dc13-949c75a0ba255
[14] https://www.vdma.org/documents/34570/4890926/Maschinenbau%20in%20Zahl %20und %20Bild %202021.pdf/0924681c-aebo-70b7-dc13-949c75a-oba25

somewhat to 77.7 %, but was still well below the average figure for 2008 to 2020, when the utilization rate stood at 81.1 %.[15]

Orders for German machinery and equipment in 2020 were recorded at 11 % below the previous year's level. Orders from Germany were down 6 %, while orders from abroad were down by as much as 13 %. The effects of the pandemic varied greatly from one engineering sector to another. For example, automotive-dependent sectors were already affected by diminishing new order intake in 2019, and were further impacted in an already challenging situation. Machine tool manufacturers throughout Europe are continuing to experience weak demand.[16]

The worldwide coronavirus pandemic also caused high export losses for European machinery and plant manufacturers. In 2020, machinery and equipment worth almost EUR 460 billion was exported from EU countries, and EUR 307 billion imported in the same period. Exports were thereby 9.7 % down year-on-year, and imports 9.4 % down year-on-year.[17]

b. Aircraft construction and aviation

The year 2020 was particularly challenging for aviation, and was virtually paralyzed for large parts of the year due to the coronavirus pandemic. Global airlines suffered from travel restrictions and weak consumer confidence. The International Air Transport Association (IATA) projects total air travel spending to have decreased by 61.2 % to USD 340 billion in 2020 (2019: USD 876 billion). The economic situation is expected to recover in 2021 as national vaccination campaigns progress, although airlines worldwide will continue to suffer losses. The increasing momentum of infection since the fall of 2020 has again complicated the situation for the industry, making the recovery expected in 2021 sluggish for the time being. The IATA is consequently forecasting a 40.2 % increase in air traffic expenditure to USD 476 billion for the year as a whole. Expenditure thereby stands far below the pre-crisis level. In Europe, the recovery of the aviation sector will be relatively slower due to the weaker economic recovery and the importance of international services. For 2020, the airlines' net loss stands at an estimated USD 26.9 billion, followed by USD 11.9 billion in the following year in 2021.[18]

Passenger traffic slumped by 60.5 % in 2020, from around 4.5 billion to just under 1.8 billion. Given this, deliveries of new aircraft also plummeted. As a consequence, only around 800 new aircraft are being delivered to commercial airlines, which amounts to around half of the deliveries originally planned. Although deliveries of the same magnitude as 2019 are again planned for 2021, the IATA expects to see further cancellations and postponements from airlines throughout the rest of the year due to ongoing challenges within the sector.[19]

Driven by strong demand for goods during the coronavirus pandemic, the cargo sector experienced a sharp increase in demand in 2020, which at least partially mitigated the slump in the tourism sector. As the global economy recovers, the IATA expects demand for cargo services to remain strong in 2021 and forecasts full-year sales of USD 152 billion.[20] Air transport is essential for international goods trade. According to the IATA's forecast, the value of goods transported cross-border by air in 2020 amounted to USD 58.47 billion, down 10 % from USD 64.96 billion in 2019. However, with a projected volume of around USD 65.30 billion, the value of goods will again exceed that of 2019 by as early as 2021. After tourists spent USD 855 billion on air travel in 2019, that figure fell by 59 % to USD 347 billion in 2020. In 2021, tourism will still suffer greatly from the effects of the coronavirus pandemic, bringing tourist spending to just USD 559 billion.[21]

c. Automotive supply industry

In 2020, the global automotive industry contracted for the third consecutive year. The coronavirus pandemic weighed heavily on the sector, and the global passenger car market was down by 15 %. The first half of the year proved particularly challenging. In April, almost no new passenger cars were registered in some places in Europe due to the closure of car dealerships and registration offices. In the wake of the global slump in demand, in the second quarter production stoppages occurred at automotive plants lasting several weeks. In the second half of the year, markets gradually recovered, although not evenly in all parts of the world. The second wave of the pandemic in autumn 2020 did not curb this upward trend.[22]

[15] https://www.vdma.org/documents/34570/4890926/Maschinenbau%20in%20Zahl%20und%20Bild%202021.pdf/0924681c-aeb0-70b7-dc13-949c75a0ba25

[16] https://www.vdma.org/documents/34570/4890926/Maschinenbau%20in%20Zahl%20und%20Bild%202021.pdf/0924681c-aeb0-70b7-dc13-949c75a0ba25

[17] https://www.vdma.org/documents/34570/4890926/Maschinenbau%20in%20Zahl%20und%20Bild%202021.pdf/0924681c-aeb0-70b7-dc13-949c75a0ba25

[18] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---november-2020---report/

[19] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---november-2020---report/

[20] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---april-2021---report/

[21] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---november-2020---report/

[22] https://www.vda.de/de/services/Publikationen/analysen-zur-automobilkonjunktur-2020.html/

In China, the world's largest automotive market, new car sales dropped by 45 % year-on-year in the first quarter of 2020, according to the German Automotive Industry Association (VDA). Despite a strong recovery in the second half of the year, which was also due to government measures, this decrease could not be offset in full, with the consequence that the Chinese market contracted by 6 % to 19.8 million new vehicles over the year as a whole. The European market was particularly hard hit, plummeting 24 % to a shipments volume of 12.0 million new vehicles in 2020 due to the coronavirus pandemic. In the USA, the market for light vehicles, which includes passenger cars and light trucks, reduced by 2.5 million units year-on-year to 14.5 million new vehicles. This corresponds to a decrease of 15 %, which was significantly less pronounced than in Europe, for example. This development is due to the fact that the measures to contain the pandemic in the USA differed greatly by region, and varied from state to state. In addition, online trading was strengthened, and demand was supported by favorable loans and discount campaigns. In Germany, 2.9 million new vehicles were registered in 2020, 19 % fewer than in 2019. Sales in the German automotive industry also diminished accordingly, decreasing by 13 % to EUR 379.3 billion. Sales to domestic customers reduced by 11 % to EUR 136.4 billion, somewhat less sharply than export sales, which were down by 14 % to EUR 242.9 billion.[23] According to the VDA, it can be assumed that the market situation will improve in 2021, but that the decrease in 2020 will not be fully offset. In the first six months of 2021, the number of new passenger car registrations in Germany already stood 15 % higher than the previous year's figure, with a total of 14.5 million vehicles, although 25 % fewer new passenger cars were registered compared to the same period in 2019.[24] In China, passenger car sales are expected to rise by 8 % to 21.4 million vehicles, while in the USA light vehicle sales are expected to increase by 9 % to 15.8 million vehicles. For Europe, the VDA is forecasting growth of 12 % to 13.4 million vehicles. The global market is to grow by 9 % to a total of 73.8 million vehicles.[25]

In the heavy commercial vehicles area, the Chinese market developed very dynamically in 2020, contrary to the general trend in the global automotive industry. Shipments were up by 35 % to 1.8 million vehicles, thereby setting a new record. A government fleet renewal program was the main driver. Developments in the USA and Europe were much less encouraging. In the USA, truck sales decreased by 22 % in 2020 to 410,000 vehicles. In Western Europe, new registrations of heavy commercial vehicles were down by 26 % year-on-year to 228,200 vehicles. In Germany, the market contracted by 25 % to 23,300 units in the same period. The decrease in light commercial vehicles was somewhat milder: in 2020, 1.7 million vans were sold in Western Europe – 18 % less than in 2019. The German market actually decreased by just 12 % to 274,400 vehicles. As a consequence, sales of light commercial vehicles reported a comparatively lower reduction than the market for heavy trucks, which was largely due to the increase in online and direct mail sales during the coronavirus pandemic.[26]

Global passenger car production dropped 16 % to 66.1 million vehicles in 2020 due to the coronavirus pandemic. This reflected, firstly, reduced demand and plant closures and, secondly, difficulties with supply chains brought about by the temporary border closures. This makes 2020 the third year in a row to report a decreasing trend. The decisive factors here are above all the transformation of the automotive industry – in other words, the shift away from the internal combustion engine to electric drive concepts. China, the world's largest production location, came through the crisis year comparatively well in 2020, with production down 7 % to 19.6 million vehicles. North American production decreased by 20 % to 12.9 million light vehicles, slightly below 2011 levels. Car production in Europe dropped by a full 23 % to 14.2 million vehicles, one million units below the figure for the year of financial crisis in 2009. Germany, the largest producer, accounted for 3.5 million of these vehicles, reflecting a drop of 25 % compared to 2019. A total of 2.6 million vehicles were exported abroad. As a consequence, foreign business remains of great importance to the German automotive industry in a year of crisis.[27] In the first half of 2021, passenger car production fell well short of expectations, growing by 16 % and reaching 1.7 million cars. As a consequence, in June 2021 the VDA cut its production forecast for the full year to 3.6 million vehicles, an increase of 3 % compared to 2020. At the beginning of the year, growth of 13 % and 4 million vehicles were still expected.[28]

[23] https://www.vda.de/de/services/Publikationen/analysen-zur-automobil-konjunktur-2020.html
[24] https://www.vda.de/de/presse/Pressemeldungen/210705_Halbjahresbi-lanz--Millionenmarke-bei-E--Fahrzeugen-geknackt.html
[25] https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html
[26] https://www.vda.de/de/services/Publikationen/analysen-zur-automobil-konjunktur-2020.html
[27] https://www.vda.de/de/services/Publikationen/analysen-zur-automobil-konjunktur-2020.html
[28] https://www.vda.de/de/presse/Pressemeldungen/210705_Halbjahresbi-lanz--Millionenmarke-bei-E--Fahrzeugen-geknackt.html

III. Course of business – KROMI in the 2020/2021 fiscal year

a. Germany: Revenue growth despite a challenging year in our core market

Revenue in Germany was up from EUR 34,422 thousand in the previous year to EUR 38,589 thousand. This is mainly due to the overall economic recovery of industry after the initial coronavirus-induced lockdown and the significant economic slump from March 2020, as well as the resultant weak sales months of April to June 2020.

b. European countries outside Germany: Acquisition of new customers and expansion of business with existing customers

KROMI acquired additional new customers in other European countries. Given this development, as well as the recovery of industry after the first lockdown, revenue increased from EUR 27,157 thousand in the previous year to EUR 29,551 thousand in the 2020/2021 fiscal year.

c. Brazil: Positive business trend despite coronavirus pandemic

Revenue in Brazil reported a very pleasing trend in the fiscal year under review, growing to EUR 8,262 thousand, or BRL 53,160 thousand (previous year: EUR 7,867 thousand or BRL 37,758 thousand). In local currency, Brazilian sales were consequently up by 40.8 %.

d. Trends in financial steering indicators

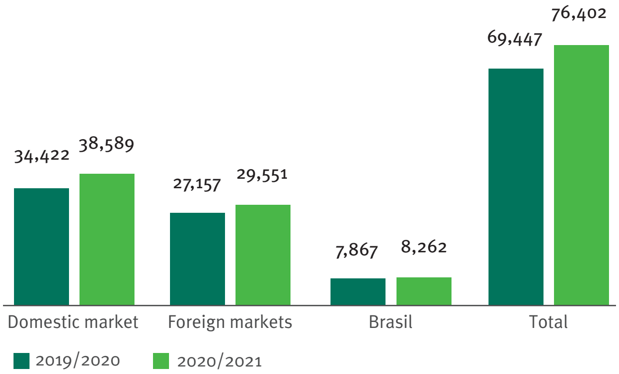
The forecast for the 2020/2021 fiscal year was exceeded in terms of both revenue and operating profit. In addition to 10.0 % revenue growth, a clearly positive operating result of EUR 702 thousand was achieved. The forecasts for the ratios included in the Cash2Cash cycle (DPO, DIO and DSO) were also exceeded. The Contribution Margin 2, a performance indicator introduced in the 2020/2021 fiscal year, is determined and reported for the first time. The following presents an overview of trends and developments:

Key steering indicator	Original forecast for 2020/2021	Adjusted forecast 2020/2021	Actual 2020/2021	Previous Year 2019/2020
Revenue	Revenue at previous year's level	Revenue growth of 8-10 %	76,402 TEUR (+10.0 %)	69,447 TEUR (7.1 %)
Gross profit margin	Slight improvement	Slightly below the previous year's level	21.4 %	n/a
Contribution margin 2	n/a	n/a	7,040 TEUR	n/a
Operating result	Operating breakeven	Operating profit in the mid six-digit range in euros	702 TEUR	89 TEUR
DPO (days of payables outstanding)	Slight improvement	n/a	-33 days	-32 days
DIO (days of inventory outstanding)	Slight improvement	n/a	108 days	136 days
DSO (days of sales outstanding)	Slight improvement	n/a	60 days	63 days

IV. Financial position and performance

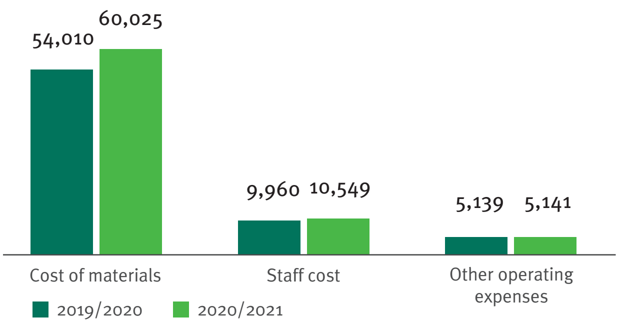
a. Results of operations

Revenue (in TEUR)



Revenue was up by 10.0 % to EUR 76,402 thousand in the period under review (previous year: EUR 69,447 thousand). This is due to a general recovery in business, particularly in the second half of the year, and to the continued high level of interest in KROMI's end-to-end tool management solutions.

Cost of materials, staff costs and other operating expenses year-on-year (EUR thousand)



The cost of materials ratio amounted to 78.6 % as of the reporting date, thereby above the previous year's level (previous year: 77.8 %). At 21.4 %, the gross profit margin was correspondingly below the previous year's level (previous year: 22.2 %). The increase in the cost of materials ratio and the decrease in the gross profit margin mainly reflect shifts in the customer and product mix. The cost of materials in the 2020/2021 fiscal year amounting to EUR 60,025 thousand is divided between the segments of Germany, amounting to EUR 30,527 thousand (previous year: EUR 26,655 thousand), Europe outside Germany amounting to EUR 23,102 thousand (previous year: EUR 21,429 thousand) and Brazil amounting to EUR 6,396 thousand (previous year: EUR 5,926 thousand). Above and beyond this, no breakdown of income and expense items by segment is presented.

Staff costs rose by 5.9 % compared to the previous year. This increase is mainly due to one-off special charges from the performance program implemented in the 2020/2021 fiscal year. Offsetting this, staff costs were affected by short-time working and government grants received in connection with support measures for the coronavirus pandemic. Due to the higher revenue, the staff costs ratio including special charges thereby stood slightly below the previous year's figure at 13.8 % (previous year: 14.3 %). Income from supportive government measures in connection with the coronavirus pandemic in the amount of EUR 253 thousand (previous year: EUR 174 thousand) was recognized in staff costs.

At EUR 5,141 thousand, other operating expenses were recorded at the previous year's level (EUR 5,139 thousand).

At EUR 1,022 thousand, depreciation and amortization were also at the previous year's level (EUR 1,082 thousand). The contribution margin 2 calculated for the first time amounts to EUR 7,040 thousand. As a consequence, the operating result (EBIT) improved considerably year-on-year and was clearly positive at EUR 702 thousand (previous year: EUR 89 thousand).

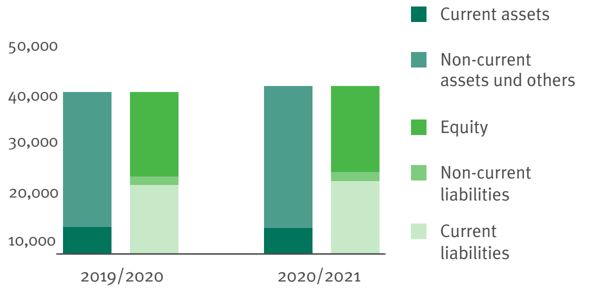
Financial expenses of EUR of EUR 422 thousand were down significantly on the previous year's level (EUR 3,111 thousand). In the previous year, as a consequence of the continuous decrease in the rate of exchange of the Brazilian real, these included negative currency effects in connection with the business in Brazil in the amount of EUR 2,718 thousand. These non-operating currency effects arose primarily from euro-based loans between the parent company and the Brazilian subsidiary. The loans no longer existed as of July 1, 2020, so that the corresponding currency effects no longer apply from the 2020/2021 fiscal year. Moreover, financial expenses include interest on lease liabilities of EUR 23 thousand (previous year: EUR 28 thousand), which was recognized in accordance with IFRS 16. Financial income amounted to EUR 43 thousand in the reporting period (previous year: EUR 45 thousand).

Taxes on income reduced to EUR 2 thousand in the 2020/2021 fiscal year (previous year: EUR -181 thousand).

As a consequence of the circumstances discussed above, KROMI recorded a significantly improved, positive consolidated result of EUR 321 thousand compared to the previous year (previous year: EUR -3,158 thousand). Given the ongoing coronavirus pandemic and its impact on the macroeconomy, KROMI assesses its earnings growth in Germany, other European countries and especially in Brazil as positive.

b. Net assets

Bilanz
(in TEUR)



As of the June 30, 2021 balance sheet date, KROMI's total assets stood at EUR 41,851 thousand, thereby slightly above their level in the previous year (EUR 40,395 thousand), despite the 10 % revenue growth.

Non-current assets decreased slightly year-on-year from EUR 6,597 thousand to EUR 6,366 thousand as of June 30, 2021. Intangible assets amounted to EUR 393 thousand (previous year: EUR 458 thousand). At EUR 3,864 thousand, property, plant and equipment were recorded at the previous year's level (EUR 3,875 thousand). Rights of use decreased to EUR 828 thousand (previous year: EUR 931 thousand) due to the depreciation of capitalized rights of use in accordance with IFRS 16.

As far as current assets are concerned, the extensive use of factoring for domestic and European trade receivables and improved inventory management had a particularly positive effect. With year-on-year revenue growth of 10 %, inventories increased by a significantly disproportionately low 2.8 % in the 2020/2021 fiscal year and amounted to EUR 18,445 thousand as of June 30, 2021 (previous year: EUR 17,939 thousand). The relatively low level of trade receivables as of June 30, 2020 of EUR 11,120 thousand, which is due to the weaker revenue months in the fourth quarters of 2019/2020 in the wake of the coronavirus pandemic, reduced to EUR 10,302 thousand despite the revenue growth, as a consequence of the implementation of factoring in the fourth quarter of the 2020/2021 fiscal year. The implementation of factoring led to trade receivables in the amount of EUR 7,522 thousand being sold as of the balance sheet date. The cash-to-cash cycle has been reduced from 167 days as of June 30, 2020 to 135 days as of the balance sheet date.

Other assets of EUR of EUR 1,844 thousand were up significantly on the previous year's level (EUR 951 thousand). This increase is mainly due to the receivables from the purchase price retention related to the trade receivables sold in the course of factoring in the amount of EUR 752 thousand. The rise in cash and cash equivalents from EUR 3,779 thousand to EUR 4,887 thousand is mainly due to the introduction of factoring in the past 2020/2021 fiscal year.

The equity and liabilities side of the balance sheet showed equity at the previous year's level of EUR 21,437 thousand as of the balance sheet date (previous year EUR 21,052 thousand). As a consequence of the slight year-on-year increase in total assets, the equity ratio reduced slightly from 52.1 % on June 30, 2020 to 51.2 % as of the reporting date. Liabilities increased slightly from EUR 19,342 thousand as of June 30, 2020 to EUR 20,414 thousand as of the 2020/2021 reporting date. Current liabilities accounted for EUR 17,080 thousand of this amount as of the balance sheet date (previous year: EUR 15,705 thousand). These include reduced liabilities to banks of EUR 6,095 thousand (previous year: EUR 8,372 thousand), as fewer loans were utilized to finance working capital as a result of factoring. The higher level of trade payables of EUR 7,944 thousand (previous year: EUR 4,603 thousand) reflects the expansion of operating activities. The aforementioned trend in the asset position in the 2020/2021 fiscal year is assessed positively given the effects of the coronavirus pandemic and the effective optimization measures as well as the implementation of factoring.

c. Financial position

Working capital (current assets less current liabilities) of EUR 18,405 thousand stood at the previous year's level, despite the expansion of business in the 2020/2021 fiscal year (previous year: EUR 18,093 thousand).

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

Cash flow from operating activities amounted to EUR 4,797 thousand in the period under review (previous year: EUR 7,156 thousand). The prior-year figure was affected by a disproportionate reduction in inventories and trade receivables as a consequence of improved working capital management and significantly lower volumes in the first lockdown from April to June 2020. Active management of inventories and receivables prevented a significant increase in these balance sheet items despite the expansion of business.

Cash flow from investing activities amounted to EUR -383 thousand (previous year: EUR -753 thousand), while cash flow from financing activities amounted to EUR -3,319 thousand (previous year: EUR -4,297 thousand). Factoring, which was introduced in the 2020/2021 fiscal year, led to fewer loans being used to finance working capital.

Cash amounted to EUR 4,887 thousand as of the end of the 2020/2021 fiscal year (previous year: EUR 3,779 thousand).

KROMI currently has at its disposal EUR 10,481 thousand of working capital credit lines, of which EUR 6,023 thousand were drawn upon as of June 30, 2021.

The explained trend in the financial position in the 2020/2021 fiscal year, as previously outlined, is to be assessed positively given the coronavirus pandemic, the implementation of factoring as well as the trend in credit lines for working capital.

V. Overall statement on the company's financial position

In retrospect, the 2020/2021 fiscal year proved more successful than originally expected.

The business situation increasingly improved again in the first six months of 2020/2021, after production levels in KROMI's target industries were massively reduced as part of the first lockdown. The optimization measures already introduced at the end of the previous year had a lasting effect, which was reflected in both an improved cost structure and in the area of working capital during the phase of ramping up operating activities. This economic recovery continued in the third and fourth quarters of the past fiscal year.

Accordingly, the company raised its full-year guidance at the end of April 2021. While KROMI had previously forecast revenue at the previous year's level and breakeven at the level of the operating result for 2020/2021, the Managing Board is now forecasting an increase in revenue of 8 % to 10 % compared to the previous fiscal year (previous year: EUR 69.4 million) and an improved operating result in the mid six-digit range in euros. KROMI achieved these targets in the 2020/2021 fiscal year.

Given the positive effects from the performance program as well as increased cash and cash equivalents of EUR 4.9 million and an equity ratio of 51.2 % as of June 30, 2021, KROMI believes that it is well positioned to continue to grow profitably in future.

C. Report on outlook, risks, and opportunities

I. Outlook

a. Managing Board's overall statement on the company's development in the 2021/2022 fiscal year

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. Due to the positive trend in the financial position and performance as well as the diversified customer structure and the efficiency measures taken, the Managing Board is confident that the company can continue to grow profitably.

b. Expected trend in the market environment

Over the long term and beyond economic cycles, KROMI's customers are active in growth markets, although KROMI's target industries were in part heavily impacted as a consequence of the coronavirus pandemic. From today's perspective, however, the general mechanical engineering, aviation and automotive supply sectors are under pressure to transform. According to the German Engineering Federation (VDMA), the production level in the mechanical engineering sector in Germany increased by 6 % year-on-year in the first four months of the year, adjusted for prices.[29]

[29] https://www.vdma.org/viewer/-/v2article/render/16545112

The VDMA forecasts 10 % production growth for 2021 as a whole.[30] The International Air Transport Association (IATA) expects the economic situation to recover in 2021 as national vaccination campaigns progress, although airlines worldwide will continue to suffer losses.[31] The market situation in the automotive sector is expected to improve in 2021, but will not fully compensate for the reductions in 2020, according to the VDA.[32]

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.

c. KROMI's expected trend

After the coronavirus pandemic had an impact on business, particularly in the first half of the 2020/2021 fiscal year, KROMI anticipates an increasing macroeconomic recovery in the 2021/2022 fiscal year and positive momentum in its respective target industries. Assuming no further far-reaching, nationwide lockdown measures or other disruptions to supply chains occur, with a corresponding negative impact on KROMI's target industries, the Managing Board is forecasting significant revenue growth in the 2021/2022 fiscal year, both from existing customers and from the acquisition of new customers.

A performance program was launched in mid-2020. The efficiency improvements in business processes and the redimensioning of the required capacities targeted within the performance program have largely been completed and have already had a positive effect in the 2020/2021 fiscal year. In addition to sales growth, the Management Board therefore expects a significant improvement in contribution margin 2 and the cash-to-cash cycle in the current financial year compared to the previous year, as well as an ROCE in the mid-single-digit percentage range.

In summary, an increase in revenue of around 10 % and a slightly improved gross profit margin are expected for the 2021/2022 fiscal year, as well as a significantly disproportionate increase in the operating result compared to the previous year.

II. Report on opportunities and risk

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

b. Accounting-based internal control system

KROMI's Managing Board has set up an internal control 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, this system 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 (for example, sales), booking (for example, financial accounting) and administrative (for example, IT administration) activities do not stem from a single source. The dual control principle ensures that no major process goes uncontrolled.

c. Risk management and methods

KROMI has developed systems, methods and bodies to implement and secure its business. These aim to enable the Managing Board to recognize at an early juncture any

[30] https://www.vdma.org/viewer/-/v2article/render/16545112
[31] https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---november-2020---report/
[32] https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html

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” 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. With regard to the relevance aspect, risks are differentiated into “immaterial”, “material” and “going concern” risks.

d. Risiken

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 2021/2022 fiscal year:

i. Market risks and the coronavirus pandemic

KROMI’s customers are primarily active in the general engineering, automotive supplies and aviation sectors in Germany as well as in other European countries and in Brazil. Demand for their products is subject at present to strong influences due to cyclical, pandemic-related and technological reasons, at times entailing sharp fluctuations in demand for the services and products KROMI offers. This in turn could have a negative impact on KROMI’s financial position and performance.

An exceptional business risk arose in the 2020/2021 fiscal year from the global spread of coronavirus and associated containment restrictions. The resultant plant closures and production downtimes occasionally impacted several of KROMI’s customers, and led to a massive plunge in revenue at these customers. Furthermore, driven by the overall economic situation in the course of the spread of the coronavirus, risks may arise from supply chain bottlenecks (e.g. semiconductor market). Given the difficulty of forecasting trends from here on, and the possibility, which cannot be excluded entirely, of a renewed lockdown in Germany and at KROMI’s other locations and sales areas, which could lead to a substantial downturn in revenue and earnings, this risk must be classified as material for the time being. Moreover, the automotive industry, large parts of the mechanical engineering sector and aircraft construction are facing significant restructuring in the coming years as a consequence of new legal requirements for climate protection and sustainability. The management will continue to carefully monitor the consequences for the manufacturing divisions that are important for KROMI.

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 consequence of successful liquidity management, no material quantifiable risks within the meaning of the risk definition are expected in the 2021/2022 fiscal year.

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 16 thousand as of the balance sheet date.

The interest rate level was almost unchanged in the 2020/2021 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 2021/2022 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 good credit ratings. A risk relating to payment behavior 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 corporate group with a receivables position of more than 10 % of the overall receivable. Only one corporate group 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 match customers' changing requirements. Only the customer can supply this information. For this reason, KROMI agrees a suitable communication concept with its customers in order 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, at present 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 valuation of this equity investment was included in the risk profile for this reason. 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.

Due to the past business years' positive trend, with further revenue growth planned in the new fiscal year as well as promising talks with new customers, the Managing Board is convinced that the Brazilian subsidiary's positive earnings trend will continue in this fiscal year.

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 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 reputation. 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), the tying up of capital, 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 strong need for external advice.

ii. Growth with existing multinational customers

KROMI's multinational customer structure offers great opportunities for continuously 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 which 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 put in further growth. Moreover, 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 continue to be a key 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. As in the past, KROMI plans to continue provide work experience 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 2020/2021 fiscal year. However, KROMI identifies a stronger trend towards greater transparency in relation to performance and costs among its customers and in the market. KROMI has responded to this development. 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 sound 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 which jeopardized KROMI as a going concern, or which would give rise to expectations of significant effects on its financial position and performance.

D. Corporate governance declaration pursuant to Section 315 d. HGB[33]

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 is published on KROMI's Investor Relations website at http://ir.kromi.de/websites/kromi/English/7050/declaration-on-corporate-governance-2014.html.

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. Here, 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.

[33] Disclosure typical of management reports, albeit not audited.

The company approved a 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 current 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 compensation 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 agrees relevant targets with the Managing Board member for the respective fiscal year by way of a target agreement. The target agreement to measure variable remuneration comprises quantitative targets based on the company's key performance indicators, as well as qualitative goals. The target agreement sets out the mutual relationship of the respective targets (weighting) and the key indicators and target attainment parameters that are relevant for measuring performance in relation to the specific objectives.

Total target attainment is calculated through a weighted addition of the target values achieved for the specific targets. The maximum possible target attainment for the respective individual target amounts to 200 % of the agreed target value. If a target attainment of 0 % is registered for all of the individual targets, no entitlement exists to variable 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. Total remuneration paid to Managing Board members for the 2020/2021 fiscal year amounted to EUR 880 thousand (previous year: EUR 715 thousand). In the prior-year period, Mr. Axel Schubert served as the Managing Board member responsible for the IT and Administration area until September 30, 2019.

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. However, as of the end of the fiscal year, the Supervisory Board had no entitlements from this variable compensation described above. In the fiscal year under review, the remuneration for the Supervisory Board members totaled EUR 187 thousand (previous year: EUR 136 thousand). This increase is due to the appointment of an additional Supervisory Board member as of December 8, 2020, as well as a voluntary waiver in light of the coronavirus pandemic in the amount of 20 % in the prior-year period.

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, 2021, 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 repurchase 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 rights or conversion rights or affirmative covenants 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, licenses, 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

DOn June 30, 2021, 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 requirements. 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, 2020 to June 30, 2021, 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 21, 2021

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, 2021 and June 30, 2020

	30/06/2021	30/06/2020
Non-current assets	**6,366**	**6,597**
Intangible assets	393	458
Property, plant and equipment	3,864	3,875
Rights of use	828	931
Non-current financial assets	473	577
Deferred tax assets	808	756
Current assets	**35,485**	**33,798**
Inventories	18,445	17,939
Trade receivables	10,302	11,120
Other current assets	1,844	951
Income tax receivables	7	10
Cash and cash equivalents	4,887	3,779
Assets	**41,851**	**40,395**

In EUR thousand (unless otherwise stated)

	30/06/2021	30/06/2020
Equity	**21,437**	**21,052**
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Other reserves	3,293	3,229
Consolidated unappropriated net loss	-2,990	-3,310
Equity due to shareholders	**21,434**	**21,050**
Non-controlling interests	3	2
Non-current liabilities	**3,334**	**3,637**
Provisions for pensions	2,173	2,184
Non-current interest-bearing loans	500	600
Non-current leasing liabilities	407	476
Other non-current liabilities	194	330
Deferred tax liabilities	60	47
Current liabilities	**17,080**	**15,705**
Income tax liabilities	0	25
Current interest-bearing loans	6,095	8,372
Trade payables	7,944	4,603
Current leasing liabilities	443	467
Other current liabilities	2,598	2,239
Equity and liabilities	**41,851**	**40,395**

In EUR thousand (unless otherwise stated)

B. Consolidated income statement in accordance with IFRS from July 1, 2020 to June 30, 2021 and from July 1, 2019 to June 30, 2020

	01/07/2020 to 30/06/2021	01/07/2019 to 30/06/2020
Revenue	76,402	69,447
Other operating income	996	722
Other own work capitalized	41	111
Cost of materials	-60,025	-54,010
Staff costs	-10,549	-9,960
Depreciation / amortization	-1,022	-1,082
Other operating expenses	-5,141	-5,139
Operating result (EBIT)	**702**	**89**
Financial income	43	45
Financial expenses	-422	-3,111
Earnings before tax (EBT)	**323**	**-2,977**
Income taxes	-2	-181
Group earnings after tax (EAT)	**321**	**-3,158**
Consolidated net profit / loss due to shareholders of KROMI Logistik AG	321	-3,144
Group net profit / loss due to non-controlling interests	0	-14
Consolidated unappropriated net loss attributable to shareholders of KROMI Logistik AG	-3,310	-19
Consolidated unappropriated net profit (previous year: unappropriated net loss) attributable to non-controlling interests	2	-60
Consolidated unappropriated net loss attributable to shareholders of KROMI Logistik AG	-2,990	-3,310
Consolidated unappropriated net profit attributable to non-controlling interests	2	2
Earnings per share		
Shareholders' consolidated earnings	321	-3,144
Number of shares (weighted average for the fiscal year)	4,124,900	4,124,900
Earnings per share in EUR (undiluted and diluted)	**0.08**	**-0.76**

In EUR thousand (unless otherwise stated)

C. Consolidated statement of comprehensive income in accordance with IFRS for the period from July 1, 2020 to June 30, 2021 and from July 1, 2019 to June 30, 2020

	01/07/2020 bis 30/06/2021	01/07/2019 bis 30/06/2020
Group net profit/loss	**321**	**-3,158**
Changes in components not reclassified to the income statement in the future:		
Revaluation of pensions provisions	-76	148
deferred taxes attributable thereto	17	90
Changes in components that are potentially reclassified to the income statement in the future:		
Currency translation	111	1,662
Changes in cash flow hedge reserve	18	12
deffered taxes attributable thereto	-6	-2
Other comprehensive income after taxes	**64**	**1,910**
Consolidated total comprehensive income	**385**	**-1,248**
of which attributable to		
shareholders of KROMI Logistic AG	385	-1,325
non-controlling interests	0	77

In EUR thousand (unless otherwise stated)

D. Consolidated cash flow statement in accordance with IFRS for the period from July 1, 2020 to June 30, 2021 and from July 1, 2019 to June 30, 2020

	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Cash flow from operating activities		
Group net profit / loss	**321**	**-3,158**
+/– Expense / income from income taxes	2	181
+/– Interest paid / received	425	392
+/– Amortization, depreciation and impairment losses, as well as reversals of amortization, depreciation and impairment losses, applied to non-current assets	1,022	1,082
+/– Receipt of income tax refunds / income tax payments	-23	-40
+/– Increase / decrease in provisions	308	-965
+/– Loss / gain on non-current asset disposals	-14	0
+/– Decrease / increase in inventories	-506	4,093
+/– Decrease / increase in trade receivables	818	4,448
+/– Decrease / increase in other assets	-739	708
+/– Increase / decrease in trade payables	3,342	-2,183
+/– Increase / decrease in other liabilities	-158	2,597
Cash flow from operating activities	**4,797**	**7,156**
Investing activities		
– Payments for the acquisition of non-current assets	-440	-798
+ Cash inflow from the disposal of non-current assets	14	0
+ Cash inflow from interest payments	43	45
Cash flow employed in investing activities	**-383**	**-753**
Financing activities		
+/– Cash inflow from loans / cash outflow from the repayment of loans	-2,277	-3,302
– Cash outflows from the repayment of loan liabilities	-100	-100
– Cash outflows from the repayment of leasing liabilities	-521	-500
– Cash outflows for interest payments	-422	-394
Cash flow from financing activities	**-3,319**	**-4,297**
Net increase / decrease in cash and cash equivalents	1,095	2,106
+/– Exchange-rate-related change in cash and cash equivalents	13	-21
+ Cash and cash equivalents at the start of the period	3,779	1,693
Cash and cash equivalents at the fiscal year-end	**4,887**	**3,779**

In EUR thousand (unless otherwise stated)

E. Consolidated statement of changes in equity from July 1, 2020 to June 30, 2021 and from July 1, 2019 to June 30, 2020

	Subscribed capital	Share premium	Retained earnings	Unappropri-ated Net loss	Other reserves	Subtotal	Non-controlling interests	Equity
Notes								
01/07/2019	**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 comprehen-sive income					1,819	1,819	91	1,910
Consolidated total comprehensive income				-3,144	1,819	-1,325	77	-1,248
30/06/2020	**4,125**	**15,999**	**1,007**	**-3,310**	**3,229**	**21,050**	**2**	**21,052**
01/07/2020	**4,125**	**15,999**	**1,007**	**-3,310**	**3,229**	**21,050**	**2**	**21,052**
Group net profit				321		321	0	321
Other comprehensive income					64	64	0	64
Consolidated total comprehensive income				321	64	385	0	385
30/06/2021	**4,125**	**15,999**	**1,007**	**-2,990**	**3,293**	**21,434**	**3**	**21,437**

In EUR thousand (unless otherwise stated)

F. Notes to the consolidated financial statements for the 2020/2021 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 focuses predominantly 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 the 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. Bases

KROMI has prepared consolidated financial statements according to the internationally recognized principles of International Financial Reporting Standards (IFRS) as of June 30, 2021, and has applied all of the International Accounting Standards (IAS) and IFRS approved by the International Accounting Standards Board (IASB) prior to June 30, 2021, 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, 2021 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, 2020, 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.

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 2020/2021 fiscal year:

Standard / Interpretation	Title	Application obligation	Takeover by EU	Significant effects on the Group
IFRS	Changes to the references to the framework in IFRS standards	01/01/2020	06/12/2019	none
IAS1 & IAS8	Changes to IAS1 and IAS8 - Definition of Materialty	01/01/2020	10/12/2019	none
IAS9, IAS39 & IFRS7	Changes to IFRS, IAS39 & IFRS7 - Reform of the Reference Interest Rates	01/01/2020	16/01/2020	none
IFRS3	Changes to IFRS3 - Definition of a Business Operation	01/01/2020	22/04/2020	none
IFRS16	Changes to IFRS16 - Rental concessions in connections with covid-1	01/01/2020	12/10/2020	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, 2020.

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 2020/2021 fiscal year, or have not yet been endorsed by the European Union.

Standard / Interpretation	Title	Application obligation	Takeover by EU	Significant effects on the Group
IFRS9, IAS39, IFRS7, IFRS4 & IFRS16	Changes to IFRS9, IAS39, IFRS7, IFRS4 und IFRS16 - Reform of Reference Interest Rates (Phase 2)	01/01/2021	14/01/2021	none
IFRS4	Changes to IFRS4 - Postponement of IFRS9	01/01/2021	16/12/2020	none
IFRS	Annual Improvements to IFRS (2018-2020 cycle)	01/01/2022	expected in H2 2021	none
IFRS3	Changes to IFRS3 - Reference to the Framework	01/01/2022	expected in H2 2021	none
IAS16	Changes to IAS16 - Revenue before the intended use	01/01/2022	expected in H2 2021	none
IAS37	Changes to IAS37 - Onerous contracts: Costs for the fulfillment of a contract	01/01/2022	expected in H2 2021	none
IFRS17	Insurance contracts incl. Amendments to IFRS17	01/01/2023	To be determined	none
IAS1	Changes to IAS1 - Classification of liabilities as current or non-current	01/01/2023	To be determined	none
IAS1	Changes to IAS1 - Disclosure on Accounting Policies	01/01/2023	To be determined	none
IAS8	Changes to IAS8 - Definition of accounting estimate	01/01/2023	To be determined	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	30/06/2021	30/06/2020
Exchange rate on balance sheet date	5.90	6.11
Annual average exchange rate	6.43	4.95

Expenses totaling EUR 77 thousand were recognized in profit or loss from current currency translation differences (previous year: expenses of EUR 2,756 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 from 99.00% to 99.99% in the previous year. 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 any 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. Insofar as trade receivables have been sold to the factoring partner on the basis of the factoring concluded in the 2020/2021 fiscal year, the trade receivables assigned are not recognized on the balance sheet. The business model of the trade receivables assigned to the factoring partner as of the balance sheet date changes from hold to collect to other in accordance with IFRS 9. Accordingly, these trade receivables are measured FVTPL. In addition, trade receivables are tested for impairment under the general approach.

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 unassigned trade receivables are ceded 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 any lower value on the balance sheet date.

The acquisition of an asset is recognized as soon as control has been 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 totaled 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 the settlement amount, 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 is 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, 2021.

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 materiality aspects into consideration.

Government grants are recognized at fair value when reasonable assurance exists that the grant will be received and the Group will comply with all attached conditions.

Government grants are to be recognized in the income statement on a systematic basis over the period in which the entity recognizes the related costs which the government grants are intended to compensate.

Government grants received as part of support measures are netted against the corresponding expenses if they are recognized in profit or loss.

b. Leases

A lease is a contract that grants the right to control the use of an asset (the leased asset) for a specified period of time in return for payment.

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.

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.

As part of the subsequent measurement of lease liabilities, the carrying amount is increased by the interest expense for the lease liability and the carrying amount is reduced by the lease payments made.

Subsequent measurement of the rights of use is at amortized cost. The rights of use are amortized straight-line over either the useful life or the lease term, whichever is shorter.

Payments for current leases and leases based on low-value assets are expensed straight-line. 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.

c. 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, upon delivery of the goods to the customer and thus when the control associated with ownership has passed to the buyer, it is probable that the consideration will be received, costs can be reliably estimated and there is no other control over the goods. Costs can be reliably estimated and there is no other control over the goods. 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.

d. Employee benefits from pension plans

Any defined benefit plans that exist for employees 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 which in turn are based on biometric information according to the Heubeck 2018 G mortality tables. Actuarial gains and losses are carried directly to equity in the year in which they arise. The current service cost is carried as 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.

e. 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.

f. 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.

g. 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 135 thousand (previous year: EUR 197 thousand). Furthermore, on the balance sheet date, valuation allowances of EUR 1,552 thousand had been applied to trade receivables pursuant to IFRS 9 (previous year: EUR 1,530 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 fixed assets

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	Other	Land and buildings	Other fixed assets
Cost on 01/07/2020	300	1,096	3,157	7,709
Currency differences	0	0	0	27
Additions – individual acquisitions	0	22	0	577
Disposals	0	0	0	-137
Reclassifications	0	0	0	-159
Cost on 30/06/2021	**300**	**1,118**	**3,157**	**8,017**
Amortisation/depreciation on 01/07/2020	0	938	731	6,261
Currency differences	0	0	0	1
Additions	0	87	70	368
Disposals	0	0	0	-121
Reclassifications	0	0	0	0
Depreciation/amortization on 30/06/2021	**0**	**1,025**	**801**	**6,509**
Carrying amount on 01/07/2020	300	158	2,426	1,449
Carrying amount on 30/06/2021	**300**	**93**	**2,356**	**1,508**

EUR thousand	Intangible assets Goodwill	Other	Land and buildings	Other fixed assets
Cost on 01/07/2019	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 30/06/2020	**300**	**1,096**	**3,157**	**7,709**
Amortisation/depreciation on 01/07/2019	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 30/06/2020	**0**	**938**	**731**	**6,260**
Carrying amount on 01/07/2019	150	251	2,497	1,235
Carrying amount on 30/6/2020	**300**	**158**	**2,426**	**1,449**

Intangible assets include software in the amount of EUR 93 thousand (previous year: EUR 158 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 of EUR 150 thousand (previous year: EUR 150 thousand) from the acquisition of intangible assets from Tarpenring 11 Vermögensverwaltungsgesellschaft mbH as well as a customer base acquired for consideration of EUR 150 thousand (previous year: EUR 150 thousand) are reported. In accordance with IAS 38, goodwill is not amortized.

Other fixed assets relate to KTC dispensers and general office equipment, including office furniture, computers and vehicles.

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

ii. Rights of use

The leasing liabilities shown on the balance sheet relate to leased buildings and vehicles, which are shown on the balance sheet under rights of use. The following table shows the composition of the rights of use that have been recognized on the balance sheet as part of leases:

in TEUR	**30/06/2021**	**30/06/2020**
Grundstücke und Gebäude	441	478
Kraftfahrzeuge	387	453
	828	**931**

Depreciation of rights of use in the fiscal year under review comprises the following:

in TEUR	**30/06/2021**	**30/06/2020**
Grundstücke und Gebäude	191	204
Kraftfahrzeuge	315	281
	506	**485**

For information on lease liabilities, please refer to Note IV.d.iv. Non-current lease liabilities and IV.e.iv Current lease liabilities.

iii. Other non-current financial assets

This item exclusively comprises the reinsurance concluded to finance the pension commitments made, which do not comprise plan assets, in an amount of EUR 296 thousand (EUR 281 thousand). In addition, this item includes bank deposits of EUR 177 thousand (previous year: EUR 296 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.d.i.

b. Current assets

i. Inventories

As in the previous year, no inventories existed as of June 30, 2021 that are recognized at net realizable value. No impairments to inventories were reported in the 2020/2021 fiscal year, and consequently as was the case in the previous year.

ii. Trade receivables

Composition:

EUR thousand	30/06/2021	30/06/2020
Gross receivables	11,854	12,650
Less valuation allowances	-1,552	-1,530
	10,302	**11,120**

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.

A factoring agreement was concluded in the 2020/2021 fiscal year, as a consequence of which some of the trade receivables were assigned to the factoring partner in order to improve liquidity. Overall, trade receivables totaling EUR 7,522 thousand were sold to the factoring partner as of June 30, 2021, which generated an inflow of funds totaling EUR 6,754 thousand at KROMI as of the balance sheet date. The liquidity benefit is offset by the financing costs of the factoring agreement.

The additions to the valuation allowances for trade receivables in the meaning of IFRS 9 totaled EUR 22 thousand in the fiscal year under review (previous year: EUR 66 thousand). No further need arose for valuation allowances. Valuation allowances changed as follows:

EUR thousand	Valuation allowances
As of 30/06/2018	**1,123**
Expensed additions	537
Utilization/reversal	-148
As of 30/06/2019	**1,512**
Expensed additions	66
Utilization/reversal	-48
As of 30/06/2020	**1,530**
Expensed additions	**22**
Utilization/reversal	**0**
As of 30/06/2021	**1,552**

The KROMI Group applied the simplified impairment model in the meaning of IFRS 9 for trade receivables that were not assigned to the factoring partner as part of the factoring agreement on the balance sheet date. 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.

The business model of the trade receivables assigned to the factoring partner as of the balance sheet date changes from *hold to collect* to *other* in accordance with IFRS 9. Accordingly, these trade receivables are measured at *FVTPL (fair value through profit and loss)*. In addition, trade receivables are tested for impairment under the *general approach*.

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, 2021 was as follows:

EUR thousand	As of 30/06/2021	As of 30/06/2020
Carrying amount of receivables	**11,854**	**12,650**
Of which impaired	1,552	1,530
Of which not overdue	8,656	9,045
of which overdue and unimpaired		
Up to 3 months	1,612	1,783
Between 3 months and 6 months	9	133
Between 6 months and 12 months	4	13
More than 12 months	21	146
Total overdue	**1,646**	**2,075**

On the balance sheet date, receivables of EUR 1,646 thousand (previous year: EUR 2,075 thousand) were overdue and had not been written down. Of the overdue unimpaired receivables, receivables in an amount of EUR 1,471 thousand (previous year: EUR 1,944 thousand) had been received at the time when this annual report was prepared. In the management's assessment, the non-overdue receivables are recoverable.

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

in TEUR	30/06/2021	30/06/2020
Receivables in EUR	10,447	**11,901**
Receivables in BRL	1,407	**749**
	11,854	**12,650**

iii. Other current assets

Composition:

in TEUR	30/06/2021	30/06/2020
Value added tax	275	0
Deposits	81	81
Prepaid expenses	136	186
Deferred bonus payments	62	63
Creditor accounts in debit	31	178
Industrial product tax (Brazil)	291	169
Purchase price retention (factoring)	752	0
Other	216	274
	1,844	**951**

All other current receivables are due within one year. No overdue or impaired items are included. A factoring agreement was concluded in the 2020/2021 fiscal year, as a consequence of which some of the trade receivables were assigned to the factoring partner in order to improve liquidity. As of the balance sheet date, this resulted in other current assets in the form of receivables from purchase price retentions from the factoring partner in the amount of EUR 752 thousand.

iv. Cash and cash equivalents

The cash and cash equivalents comprise current account balances and cash in hand of EUR 4,887 thousand (previous year: EUR 3,779 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	30/06/2021	30/06/2020
Cash and cash equivalents in EUR	4,475	3,130
Cash and cash equivalents in BRL	374	609
Cash and cash equivalents in CZK	38	40
	4,887	**3,779**

c. Equity

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

Composition:

EUR thousand	30/06/2021	30/06/2020
Subscribed capital	4,125	4,125
Share premium	15,999	15,999
Retained earnings	1,007	1,007
Net loss	-2,990	-3,310
Other reserves	3,293	3,229
Equity due to shareholders	**21,434**	**21,050**
Non-controlling interests	3	2
	21,437	**21,052**

Composition of the other reserves:

	Adjustment item for currency translation and other reserves	
in TEUR	**30/06/2021**	**30/06/2020**
Currency translation differences	3,402	3,291
Cash flow hedges	-40	-52
Remeasurement of pensions	-69	-10
	3,293	**3,229**

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, 2021 (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, totaling 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.

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 51.2 % as of June 30, 2021 (previous year: 52.1 %).

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, contribution margin 2 and EBIT, 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 which 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 XII.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.

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

	Commitment target value	
EUR thousand	**30/06/2021**	**30/06/2020**
Balance at start of period	**2,929**	**2,991**
Current service cost	65	84
Interest cost	46	44
Expense for pension benefit	**111**	**128**
Balance at end of period (expected)	**3,040**	**3,119**
Actuarial gains (-) / losses ( ) arising and amortized during the period	-45	-190
Balance at end of period (actual)	**2,995**	**2,929**
Less plan assets	-822	-745
Balance at end of period (netted)	**2,173**	**2,184**

The following actuarial assumptions were applied when calculating the provision:

in % p.a.	30/06/2021	30/06/2020
Actuarial interest rate	1.52	1.59
Future pension increases	1.00 - 2.00	1.00 - 2.00
Anticipated employee turnover rate	0.00	0.00

Biometric basis (mortality): Heubeck 2018 G 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	1.52%	2,994,904 €	65,933 €
Sensitivity -0.5 percentage points	1.02%	3,286,406 €	73,066 €
Sensitivity +0.5 percentage points:	2.02%	2,739,008 €	59,645 €

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:	2,994,904 €	65,933 €
Sensitivity	1 year higher life expectancy	3,152,517 €	69,286 €
Sensitivity	1 year lower life expectancy	2,737,424 €	62,581 €

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 18.00 years (previous year: 19.00 years).

Plan assets:

This item exclusively comprises the reinsurance 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	**30/06/2021**	**30/06/2020**
Balance at start of period	745	673
Interest income	2	1
Contributions paid by employer	75	71
Payments rendered	0	0
Balance at end of period (expected)	822	745
Remeasurement	0	0
Balance at end of period (actual)	**822**	**745**

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

Changes in pension provision:

Reporting date in EUR thousand	30/06/2021	30/06/2020
Net obligation at start	2,184	2,318
Expense for pension benefit	99	118
Remeasurement	37	-145
Pension payments	-72	-36
Employer contributions	-75	-71
Net obligations at the end	**2,173**	**2,184**

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 48 thousand). The benefit commitments do not result in any assets and liabilities that should be allocated to the Group.

A total of EUR 902 thousand was paid to statutory or state pension plans for defined contribution plans in the 2020/2021 fiscal year (previous year: EUR 889 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, 2027 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 177 thousand (previous year: EUR 296 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.

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 16 thousand (previous year: EUR 35 thousand) is calculated applying the mark-to-market method, and was reported as a financial liability as of June 30, 2021. 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 407 thousand were reported as of June 30, 2021 (previous year: EUR 476 thousand). The recorded leasing liabilities relate to liabilities from leasing agreements with a term of more than one year.

For information about the rights of use of assets capitalized as part of leases and the associated depreciation charges, please refer to note IV.a.ii Rights of use.

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:

EUR thousand	30/06/2021	30/06/2020	Changes: Income statement	Changes: Other comprehensive income
Deferred tax assets				
Pension provisions	668	549	-8	127
Interest rate swap (cash flow hedge)	5	11	0	-6
Loss carryforwards	135	196	-61	0
	808	756	-69	121
Deferred tax liabilities				
Goodwill and customer base	60	47	13	0
	60	47	13	0

e. Current liabilities

i. Income tax liabilities

As of the June 30, 2021 reporting date, no tax liabilities exist for income taxes to be assessed (previous year: EUR 24 thousand).

ii. Current interest-bearing loans

Composition:

in TEUR	30/06/2021	30/06/2020
Bank loans	582	8,342
Current accounts	5,513	0
Accrued interest	0	30
	6,095	**8,372**

The current accounts are due on demand. The interest rates amounted to between 2.5 % and 12.0 % as of June 30, 2021.

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:

EUR thousand	30/06/2021	30/06/2020
Liabilities in EUR thousand	6,747	3,974
Liabilities in BRL thousand	1,197	629
	7,944	**4,603**

iv. Current leasing liabilities

Current leasing liabilities of EUR 443 thousand were reported as of June 30, 2021 (previous year: EUR 467 thousand). The recorded leasing liabilities relate to liabilities from leasing agreements with a term of up to one year.

For information about the rights of use of assets capitalized as part of leases and the associated depreciation charges, please refer to note IV.a.ii Rights of use.

v. Other current liabilities

Composition:

EUR thousand	30/06/2021	30/06/2020
Personnel-related deferrals	1,656	1,455
Tax liabilities	279	326
Liabilities for social security	88	128
Other	574	330
	2,597	**2,239**

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. The revenue is composed as follows:

EUR thousand	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Deliveries and services in Germany	38,614	34,721
Deliveries and services in other European countries	30,075	27,536
Deliveries and services in Brazil	8,262	7,867
Sales reductions	-549	-677
	76,402	**69,447**

Revenue of BRL 53,160 thousand (EUR 8,262 thousand) was generated in Brazil in the 2020/2021 fiscal year (previous year: BRL 37,758 thousand/EUR 7,867 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	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Income from the release of provisions	275	230
Benefits in kind – vehicles	326	369
Other	395	124
	996	**723**

c. Cost of materials

Composition:

EUR thousand	01/07/2020- 30/06/2021	01/07/2019 - 30/06/2020
Merchandise utilization / procured services	58,998	52,961
Taxes in Brazil	2,155	2,082
Inventory valuation	82	-55
Less discounts	-830	-674
Less bonus payments	-380	-304
	60,025	**54,010**

d. Staff costs

Composition:

EUR thousand	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Wages and salaries	8,546	7,799
Social security expenses and pensions	2,003	2,161
	10,549	**9,960**

During the fiscal year from July 1, 2020 to June 30, 2021 the Group employed an average of 201 staff (previous year: 202), in addition to the members of the Managing Board. As of June 30, 2021, the Group employed a total of 191 staff including the members of the Managing Board (previous year: 204). The staff includes 15 individuals in management, 163 salaried employees and 13 workers.

In the fiscal year under review, government subsidies granted as part of support measures were netted with the corresponding expenses if they were recognized in profit or loss. Income from supportive government measures in connection with the coronavirus pandemic in the amount of EUR 253 thousand (previous year: EUR 174 thousand) was recognized in staff costs.

e. Other operating expenses

Composition:

in TEUR	01/07/2020- 30/06/2021	01/07/2019 - 30/06/2020
Distribution costs	1,748	2,140
Operating costs	1,187	1,126

Administration costs	1,254	1,124
Expenses arising from currency differences	79	38
Miscellaneous	873	711
	5,141	**5,139**

f. Financial income

In the 2020/2021 fiscal year, financial income exclusively comprised EUR 43 thousand of interest income from current accounts (previous year: EUR 45 thousand).

g. Financial expenses

Composition:

EUR thousand	01/07/2020-30/06/2021	01/07/2019 - 30/06/2020
Miscellaneous interest expenses	353	321
Currency differences	0	2,718
Interest expenses on leasing liabilities as per IFRS 16	23	28
Interest on pension commitments	46	44
	422	**3,111**

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

h. Income taxes

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

EUR thousand	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Trade tax current year	1	0
Corporation tax current year	0	0
Solidarity surcharge current year	0	0
Foreign income taxes	43	38
Current year tax expense	**44**	**38**
Corporation tax for previous years	0	0
Solidarity surcharge for previous years	0	0
Trade tax for previous years	-12	0
Previous years' tax expense	**-12**	**0**
Deferred tax income – temporary differences	-30	0
Deferred tax expenses – temporary differences	0	143
Deferred tax income	**-30**	**143**
	2	**181**

The average Group tax rate for the 2020/2021 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	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Profit before tax	323	-2,977
Expected tax expense (tax rate: 32%)	**103**	**-953**
Taxes for prior years	-12	0
Losses that cannot be utilised for tax purposes	0	869
Effects from the reversal of deferred taxes on tax loss carryforwards	-61	0
Foreign subsidiaries' taxes	43	38
Other	-71	226
Actual tax expense for current year	**2**	**181**

The tax loss carryforwards amount to EUR 841 thousand (previous year: EUR 1.152 thousand) and correspond to EUR 135 thousand of deferred tax assets (previous year: EUR 197 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 135 thousand were recognized for tax loss carryforwards. The possibility of utilization was estimated based on planning. In addition, the Brazilian subsidiary has tax loss carryforwards amounting to TBRL 15,690 on which no deferred taxes have been recognized.

i. EBIT, EBIT margin, gross profit

The Group reported EUR 702 thousand of EBIT during the fiscal year under review (previous year: EUR 89 thousand). This also corresponds to the result before interest and taxes (EBIT). The EBIT margin (as a percentage of revenue) consequently amounted to 0.92 % (previous year: 0.1 %). Gross profit increased from EUR 15,437 thousand to EUR 16,377 thousand.

VI. 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.

VII. 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.

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 endeavors 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 credit line of EUR 10.5 million. The utilization of this credit line amounted to EUR 6.0 million as of June 30, 2021.

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 totaled around EUR 2,129 thousand on the balance sheet date (previous year: EUR 1,569 thousand), and the financial liabilities totaled around EUR 2,007 thousand (previous year: EUR 1,232 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. 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.

VIII. 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 2020/2021 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 4,887 thousand (previous year: EUR 3,779 thousand) as of June 30, 2021, and consists of cash and cash equivalents from Germany (EUR 4,358 thousand, previous year: EUR 3,006 thousand), Slovakia (EUR 48 thousand, previous year: EUR 41 thousand), the Czech Republic (EUR 38 thousand, previous year: EUR 40 thousand), Spain (EUR 69 thousand, previous year: EUR 81 thousand) and Brazil (EUR 374 thousand, previous year: EUR 608 thousand).

IX. 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 revenue generated with European customers. The other countries to which deliveries are made played a subordinate role in the fiscal year elapsed. Almost all 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.

	Germany		EU countries outside Germany		Brazil		Total	
EUR thousand	07/20 - 06/21	07/19 - 06/20	07/20 - 06/21	07/18 - 06/19	07/20- 06/21	07/19- 06/20	07/20- 06/21	07/19- 06/20
Revenue (from external customers)	**38,589**	**34,422**	**29,551**	**27,157**	**8,262**	**7,867**	**76,402**	**69,446**
Less cost of materials	-30,527	-26,655	-23,102	-21,429	-6,396	-5,926	-60,025	-54,010
Segment result	8,062	7,767	6,469	5,728	1,866	1,941	16,337	15,436
Plus other operating income							996	722
Plus other own work capitalized							41	111
Less staff costs							-10,549	-9,960
Less amortisation / depreciation							-1,022	-1,082
Less other operating expenses							-5,141	-5,139
Less financial result							-379	-3,065
Less income taxes							-2	-181
Group net profit / loss							**321**	**-3,158**

	Germany		EU countries outside Germany		Brazil		Total	
in TEUR	30/06/2021	30/06/2020	30/06/21	30/06/20	30/06/21	30/06/20	30/06/21	30/06/20
Segment assets	**13,381**	**16,112**	**15,463**	**14,460**	**4,160**	**2,820**	**33,004**	**33,392**
of which non-current segment assets	3,434	3,592	444	443	379	298	4,257	4,333
of which current segment assets	9,947	12,520	15,019	14,017	3,781	2,522	28,747	29,059
plus cash and cash equivalents							4,887	3,779
plus assets not allocable to the segments							3,960	3,224
Total assets							**41,851**	**40,395**

KROMI achieves approximately 15.6 % or EUR 11,944 thousand (previous year: 12.5 % or EUR 7,751 thousand) of its revenue with one group of companies. Of this total, EUR 3,257 thousand is attributable to Germany (previous year: EUR 2,574 thousand) and EUR 8,687 thousand is attributable to European countries besides Germany (previous year: EUR 5,176 thousand).

The Group generates approximately 11.5 % or EUR 8,775 thousand (previous year: 13.2 % or EUR 8,198 thousand) of its revenue with another group of companies. Of this total, EUR 4,348 thousand is attributable to Germany (previous year: EUR 4,241 thousand) and EUR 4,427 thousand attributable to European countries besides Germany (previous year: EUR 3,957 thousand).

X. Earnings per share

The subscribed share capital of KROMI amounted to a total of EUR 4,124,900.00 on June 30, 2021 (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	30/06/2021	30/06/2020
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	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020
Group net profit / loss	320,805	-3,144,348
Number of shares in fiscal year	4,124,900	4,124,900
Earnings per share (basic)	**0.08**	**-0.76**

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 the future as soon as the Managing Board avails itself of this authorization.

No dividends were paid in the period from July 1, 2020 to June 30, 2021.

XI. 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:

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

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

b) 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)
- Felix Höger (Supervisory Board member since December 8, 2020)
- Bernd Paulini (Managing Board member)
  Member of the Group Executive Committee
- Christian Auth (Managing Board member)
  Member of the Group Executive Committee

- 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 Note 13.

Compensation of key management members:

TEUR	2020/2021	2019/2020
Short-term employee benefits	1,618	1,320
Other long-term benefits	169	77
Post-employment benefits	113	205
	1,900	**1,602**

XII. 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, 2021:

- 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

Total remuneration paid to the Managing Board amounted to EUR 880 thousand in the 2020/2021 fiscal year (previous year: EUR 715 thousand), and is derived as follows:

	2020/2021				2019/2020			
in EUR	Non-performance-based remuneration	Performance-based remuneration	Performance-based remuneration with long-term incentive effect	Total compensation	Non-performance-based remuneration	Performance-based remuneration	Performance-based remuneration with long-term incentive effect	Total compensation
Bernd Paulini	264,795	142,000	68,000	474,795	315,803	15,300	10,200	341,303
Christian Auth	220,925	126,000	57,600	404,925	245,421	45,540	30,360	321,321
Axel Schubert	0	0	0	0	52,074	0	0	52,074
				879,720				**714,698**

Non-share-based remuneration of EUR 126 thousand dependent on the occurrence or discontinuation of future conditions was granted to the Managing Board members in the 2020/2021 fiscal year (previous year: EUR 41 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 previous 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 4,000.00 monthly to be received on retiring and after reaching the age of 65. In 2013, this was increased to the new standard retirement age: after reaching the age of 67. The commitment includes an invalidity pension of 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 830,227.00 as of June 30, 2021 (previous year: EUR 775,620.00). A provisioning amount of EUR 54,607.00 was formed during the 2020/2021 fiscal year (previous year: EUR 38,563.00).

Mr. Christian Auth has received a commitment relating to the contribution of 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 425,985.00 as of June 30, 2021 (June 30, 2020: EUR 411,360.00). A provisioning amount of EUR 14,625.00 was formed during the 2020/2021 fiscal year (In the previous year, EUR 40,986.00 was listed). Due to the departure of Mr. Axel Schubert on September 30, 2019, the promised pension benefits were reduced to EUR 2,128.37 per month in the ratio of the length of service achieved to the length of possible service from the date of entry into service until the retirement age specified in the pension commitment is reached (quota system).

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 1,103,643.00 as of June 30, 2021 (previous year: EUR 1,146,303.00). An amount of EUR 42,783.00 was occupied for this purpose during the 2020/2021 fiscal year (amount listed in the previous year: EUR 58,158.00).

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

The Managing Board's shareholdings as at June 30, 2021 were as follows:

	Shareholding in number of shares	
Name	**30/06/2021**	**30/06/2020**
Bernd Paulini	94,766	92,200
Christian Auth	3,191	0
Axel Schubert	n/a	3,000

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)

- 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

- Felix Höger, Managing Director of Höger Management GmbH, Bornheim (member of the Supervisory Board of KROMI Logistik AG since December 8, 2020)

  Further supervisory board mandates/memberships in executive bodies:

  - NELEX AG, Cologne
  - Chairman of the Supervisory Board of DE-CIX Group AG, Cologne

Total remuneration paid to the Managing Board amounted to EUR 187 thousand in the 2020/2021 fiscal year, and is derived as follows:

	Feste Vergütung	
EUR	2020/2021	2019/2020
Ulrich Bellgardt	80,000	64,000
Jens Große-Allermann	30,000	24,000
Stephan Kleinmann	30,000	24,000
Prof. Dr. Eckart Kottkamp	30,000	24,000
Felix Höger	16,849	0
	186,849	**136,000**

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. Supervisory Board members can receive variable remuneration of up to EUR 100 thousand, and the Supervisory Board Chair up to EUR 200 thousand. However, as of the end of the fiscal year, the Supervisory Board had no entitlements from this variable compensation described above. In the fiscal year under review, the remuneration for the Supervisory Board members totaled EUR 187 thousand (previous year: EUR 136 thousand). This increase is due to the appointment of an additional Supervisory Board member as of December 8, 2020, as well as a voluntary waiver in light of the coronavirus pandemic in the amount of 20 % in the prior-year period.

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	
EUR	2020/2021	2019/2020
Ulrich Bellgardt	9,000	7,000
Jens Große-Allermann	0	0
Stephan Kleinmann	3,500	3,500
Prof. Dr. Eckart Kottkamp	3,500	3,500
Felix Höger	0	0

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

XIII. Auditor's fee

The total fee invoiced by the auditor for the fiscal year amounts to EUR 90 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.

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

Notification of voting rights

1. Details of issuer

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

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: Kromi Beteiligungsgesellschaft mbH
City of registered office, country: Hamburg, Germany

4. Names of shareholder(s)

Holding directly 3 % or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

18/12/2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	3.27 %	0.00 %	3.27 %	4,124,900
Previous notification	4.36 %	%	4.36 %	/

7. Details on total positions

a. Voting rights attached to shares (§§ 33, 34 WpHG)

ISIN	Absolute		in %	
	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE000A0KFUJ5	135,000	0	3.27 %	0.00 %
			%	%
Total	135,000		3.27 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
				%
				%
			Total	%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
					%
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Company	% of voting rights (if at least 3 % or more)	% of voting rights through instruments (if at least 5 % or more)	Total of both (if at least 5 % or more)

9. In case of proxy voting according to Sec. 34 para. 3 WpHG

(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

None

Notification of voting rights

1. Details of issuer

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

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
X	Other reason: Exercise of financial instruments

3. Details of person subject to the notification obligation

Natural person (first name, surname): Norman Rentrop
Birthday: 26/10/1957

4. Names of shareholder(s)

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

5. Date on which threshold was crossed or reached:

18/12/2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	81.73 %	3.27 %	85.00 %	4,124,900
Previous notification	75.55 %	4.36 %	79.91 %	/

7. Details on total positions

a. Voting rights attached to shares (§§ 33, 34 WpHG)

ISIN	absolute		in %	
	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE000A0KFUJ5		3,371,359	%	81.73 %
			%	%
Total	3,371,359		81.73 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Put option		01/09/2021-30/11/2021	Cash	135,000	3.27 %
					%
					%
			Total	135,000	3.27%

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Company	% of voting rights (if at least 3 % or more)	% of voting rights through instruments (if at least 5 % or more)	Total of both (if at least 5 % or more)
Norman Rentrop	%	%	%
Investmentaktiengesellschaft für langfristige Investoren TGV	81.73 %	%	85.00 %

9. In case of proxy voting according to Sec. 34 para. 3 WpHG

(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting (6.):

Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

None

XV. Events after the balance sheet date

After June 30, 2021, a scheduled extension of the working capital credit lines until December 31, 2022, including an increase in the total credit line from EUR 8,000 thousand to EUR 10,000 thousand, was agreed with three of the financing banks.

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

KROMI Logistik AG, Hamburg, reports an unappropriated net loss of EUR 3,361 thousand according to its annual financial statements prepared as of June 30, 2021 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 loss be carried forward to a new account.

XVII. 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, 2021, at (http://ir.kromi.de/websites/kromi/English/7100/declaration-according-to-_161-aktiengesetz.html).

XVIII. Date of authorization for issue

The Managing Board authorized the consolidated financial statements of KROMI Logistik AG for issue on September 21, 2021 (date of authorization by the Managing Board for presentation to the Supervisory Board).

Hamburg, September 21, 2021

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, 2021, 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, 2020 to June 30, 2021, 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, 2020 to June 30, 2021. 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, 2021 and of its results of its operations for the fiscal year from July 1, 2020 to June 30, 2021, 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 deem necessary in order to enable 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, albeit 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, in the consolidated financial statements and in 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, 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 the planned scope and timing of the audit and significant findings of the audit with those individuals responsible for supervision, including any deficiencies in the internal control system that we identify during our audit.

We make a declaration to those individuals responsible for supervision 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 individuals responsible for supervision, 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 the law or other regulations exclude the publication of such matters.

Other statutory and other legal requirements

Report on the audit of the electronic reproduction of the consolidated financial statements and the Group management report prepared for the purpose of disclosure in accordance with Section 317 (3b) HGB

Pursuant to Section 317 (3b) HGB, we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the Group management report (hereinafter also referred to as the "ESEF documents") contained in the attached file __________ [name of the file containing the audited ESEF documents] and prepared for disclosure purposes) comply in all material respects with the electronic reporting format ("ESEF format") requirements of Section 328 (1) HGB. In accordance with German legal requirements, this audit extends only to the transfer to the ESEF format of the information contained in the consolidated financial statements and the Group management report and consequently neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the Group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) HGB regarding the electronic reporting format. Above and beyond this opinion as well as our opinions on the accompanying consolidated financial statements and the accompanying Group management report for the fiscal year from July 1, 2020 to June 30, 2021 included in the "Report on the audit of the consolidated financial statements and of the Group management report" presented above, we do not express any opinion on the information included in these reproductions or on the other information included in the aforementioned file.

We conducted our audit of the reproductions of the consolidated financial statements and the Group management report contained in the aforementioned attached file in accordance with Section 317 (3b) HGB, taking the draft IDW Auditing Standards into consideration: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 (3b) HGB (IDW EPS 410). Our responsibility in this context is described in further detail below. Our auditing practice meets the requirements of the quality assurance system of the IDW quality assurance standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1) were applied.
The Company's legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the Group management report in accordance with Section 328 (1) Clause 4 No. 1 HGB and for the marking up of the consolidated financial statements in accordance with Section 328 (1) Clause 4 No. 2 HGB.

Furthermore, the Company's legal representatives are responsible for such internal controls as they deem necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The Company's legal representatives are also responsible for submitting the ESEF documents, together with the auditor's report and the accompanying audited consolidated financial statements and audited Group management report as well as other documents to be disclosed, to the operator of the German Federal Gazette (Bundesanzeiger).
The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.
Our objective is to obtain reasonable assurance concerning whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit, we exercise our best judgment and maintain a critical stance. Furthermore,

- we identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- we gain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, albeit not for the purpose of expressing an opinion on the effectiveness of such controls.

- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, concerning the technical specification for that file.

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited Group management report.

- we assess whether the markup of ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other information pursuant to Article 10 EU Audit Regulation

We were appointed as auditors of the consolidated financial statements by the Annual General Meeting on December 8, 2020. We were appointed by the Supervisory Board on December 8, 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 Mr. Marc Müllensiefen.

Hamburg, September 28, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Müllensiefen	signed von der Decken
Wirtschaftsprüfer	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 21, 2021

Managing Board of KROMI Logistik AG

Bernd Paulini   Christian Auth

Imprint

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