



Annual Report 2018

Growth through Partnerships and Acquisitions



Welcome to the 2018 annual report of Kramp Groep. This year's theme is "Growth through Partnerships and Acquisitions". Partnerships and acquisitions bring greater strength to our organization and give us the ability to further improve the way we serve our customers. In this Annual Report, we will be looking at the acquisitions we have made over the last year: Raico in Italy and Recinsa in Spain. We will also share details of the exciting developments in our partnership with John Deere. Finally, the report contains a pro-forma financial statement, which is based on the financial statement of Kramp Groep B.V.

We hope you enjoy this report.



**'WE WISH TO PROVIDE AN
EXCEPTIONAL CUSTOMER
EXPERIENCE.'**

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Working together in the interest of the customer

How can we provide our customers with even better service? This is a question that we ask ourselves constantly at Kramp. In 2018, we took important steps to further improve our services and to prepare ourselves for the exciting future that lies ahead.

Acquisitions

Kramp is looking to occupy a leading position within each European country. That is why for a number of years now, we have been actively searching for candidates for acquisition in countries in which we still have a relatively small presence. In 2018, this led to acquisitions in Italy and Spain, two of the five most important agricultural countries in Europe. Raico and Recinsa are known locally for their exceptional quality, expertise and service, and are therefore a welcome addition to our company.

Partnerships

The successful partnership with John Deere that we embarked upon two years ago in Germany will be rolled out throughout Europe over the next few years. This will be done carefully, one step at a time. Over the past year, we have held discussions with John Deere on the topic of expanding our partnership further. We are proud of this collaboration with the biggest player in our industry - a true compliment to Kramp.

In addition, during 2018 we extended our partnerships with AGCO and SDF, and these collaborations have allowed us to strengthen our position in Europe. By working together, we provide their dealers with optimal access to parts. In doing so, we have the same goal in mind as AGCO and SDF: helping dealers to become successful and allowing them to work quickly and efficiently.

Stronger together

In 2019, Kramp will continue to actively seek opportunities for acquisition in the agricultural sector, as well as partnerships with manufacturers of tractors and

agricultural machinery. We are strong believers in the idea that collaboration delivers better results. By capitalising on each other's competences, we also complement each other, and together we can achieve a stronger position. In this way, we offer a better range for our dealers and for farmers.

This stronger market position is also beneficial in another respect for all parties concerned. By working together and constantly investing, we continue to lead the way and are less susceptible to disruption in the market. As a result, Kramp remains an essential partner for parts and accessories. To support this ambition, we embarked on a digital transformation in 2017, in which we will continue to strongly invest over the coming years.

Investments and challenges

In 2018, Kramp modernised its two main distribution centres. We implemented state-of-the-art warehouse systems in Varsseveld (the Netherlands) and in Strullendorf (Germany), allowing for even faster and more efficient distribution. This proved more challenging for us and our customers than we had anticipated.



We came up against a number of problems, which meant that our products were not delivered to our customers as smoothly as usual. Unfortunately, this coincided with delivery issues at several of our suppliers where a shortage of production capacity resulted in temporarily unavailable parts. We were also forced to contend with insufficient capacity at our logistics providers, which meant that orders were delivered later than usual. Our distribution centres are now all running at full power and our customers are benefitting from the best possible service in the industry.



**'WE ARE STRONG
BELIEVERS IN THE IDEA
THAT COLLABORATION
DELIVERS BETTER
RESULTS.'**



Image (f.l.t.r.):

Mark Veldhuis (Mergers & Acquisitions Manager), Wendy Unger-Moore (Marketing Director), Eddie Perdok (CEO), Geert Dielissen (Manager Legal Affairs)

In addition, last year we closed our sales office in Hamminkeln in Germany. Employees departed more quickly than expected, resulting in a shortage of product specialists. This meant that German customers who called with technical questions were temporarily unable to receive our standard high level of service. This too has now been successfully resolved.

On top of these challenges, the weather was also against us in 2018. March was bitterly cold, while the summer was dry and warm. This meant that farmers completed less work on the land, therefore fewer parts were needed and we received fewer orders as a result. Our turnover fell short of expectations, but nevertheless increased by 4.0% compared to 2017, with our acquisitions accounting for a third of this increase. Our turnover target for 2019 is as ambitious as ever: 900 million euro.



Extra costs and investments in IT

Kramp was unable to reduce costs in 2018. In fact, we spent extra money to maintain our service at the optimum level. With a view to the future, we are making a conscious choice to continuously invest in new technology. We have faith in the market: the agricultural sector has a positive outlook and a strong future. That is why, in 2019, we will once again invest some 40 million euro in technology, e-business and the development of our people.

New talent

We will continue to seek out new talent in the coming years. In recent years we have employed more than 100 IT staff, among others. As Varsseveld is a less-than-ideal place of employment for many people due to its decentralised location, we opened the Kramp Hub in Utrecht where we are still taking on new IT specialists to help us with our digital transformation. Our existing employees are also taking an active role in their development. In 2018, we introduced a new evaluation and development programme, whereby employees regularly discuss their own progress with their manager. In this way, our organisation keeps pace with a rapidly changing world.

New technology

In the past year, we worked hard in both Utrecht and Varsseveld to develop our brand new web technology. This technology will soon form the engine of our third-generation online shop, in which we already offer 500,000 products. We are manufacturing this technology in-house so that we can respond more quickly to requests and demands from our customers and suppliers. When shopping privately, our customers and suppliers are used to the convenience and service provided by a number of the large online shops, and we must also use that same level of quality as our starting point.

Customer first

For 68 years we have had a dialogue with our customers that results in services they want. It's that easy is not an empty promise - it's in our DNA, in everything we do. We have every confidence in the agricultural sector and in the solutions that we offer our customers. And in 2018, we once again took important steps to prepare us for the future - a future that we look forward to with positivity and optimism.



**'IT'S THAT EASY IS NOT AN
EMPTY PROMISE - IT'S IN OUR
DNA, IN EVERYTHING WE DO.'**

Eddie Perdok (CEO)

Our Executive Board

In 2018, we reviewed our organisational structure once more. By doing so, we ensured that our structure will continue to meet our ambitions in the future. Based on input and advice from inside and outside Kramp, we came to the conclusion that it was necessary to make certain changes to our organisational structure and our Executive Board.

This had the following impact on the make-up of our Executive Board. Eddie Perdok (CEO), Hans Scholten (CFO), Mario Babic (CCO) en Arnoud Klerkx (CDO) retain their current positions. Carsten Thygesen (CPO) resigned from the Executive Board. As a result of the review done, Carsten's tasks have been distributed across other business units. Carsten has worked at Kramp for 28 years, and we thank him for his tremendous commitment to the company.

Tom Wolterinck (COO) will also be leaving the Executive Board. He will continue serving in the role of COO until a successor has been found and a proper handover has taken place. Tom will remain at Kramp and has indicated that he would like to fulfil another management role within the new organisation. We would also like to express our thanks to Tom for his efforts on the Executive Board.

The function of CHRO (Chief Human Resources Officer) has been introduced to the Executive Board, and this emphasises the importance of all our employees. The engagement and development of our people are critical to the success of Kramp. Therefore leadership, culture, organisational development and talent and succession planning will also receive attention from the highest level within our company. With these changes in our organisational structure, Kramp is ideally equipped for the bright future that lies ahead of us.



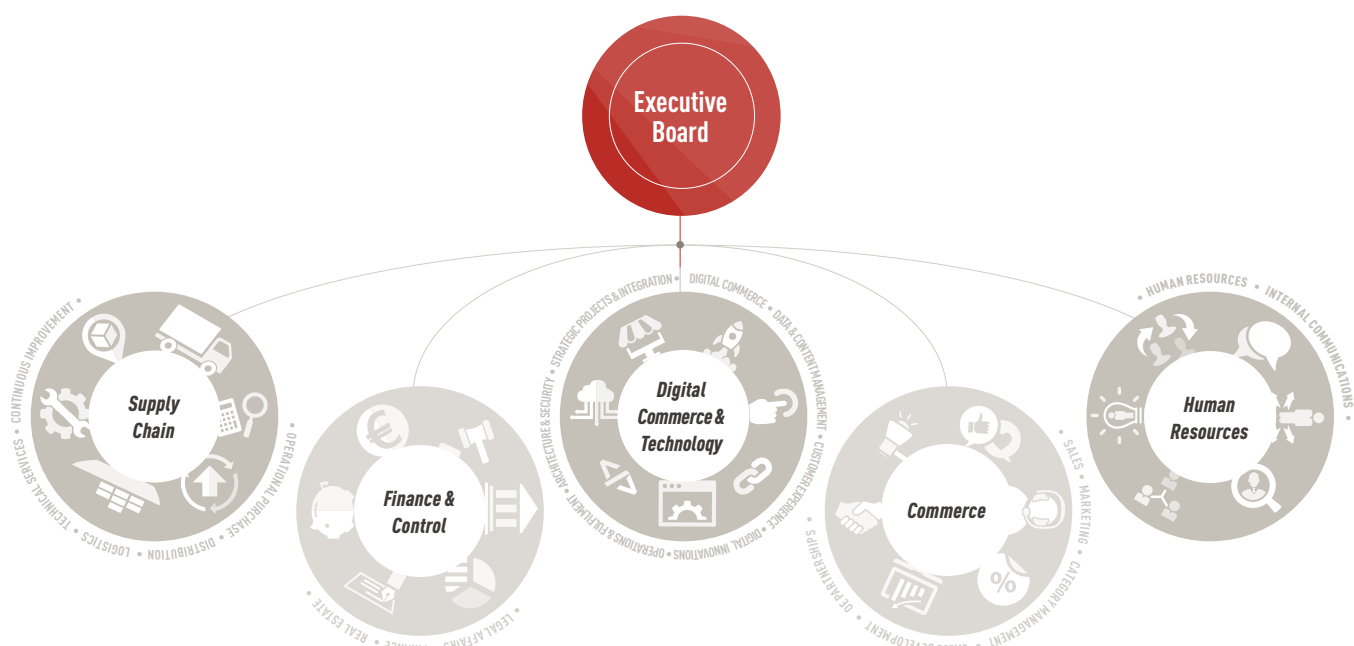


Image (f.l.t.r.):

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|----------------|--------------------------------|
| Tom Wolterinck | COO (Chief Operations Officer) |
| Mario Babic | CCO (Chief Commercial Officer) |
| Eddie Perdok | CEO (Chief Executive Officer) |
| Hans Scholten | CFO (Chief Financial Officer) |
| Arnoud Klerkx | CDO (Chief Digital Officer) |

Company profile



Customers

40⁺_K



254⁺_K

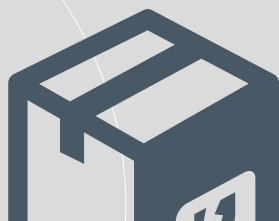
Web shop visitors per week



8.4

Customer satisfaction

850⁺_K Parts



500⁺_K

In the web shop



300⁺_K

On stock



Distribution centres



65⁺_K

Metres roller conveyor



750⁺_K

Shelf locations



150⁺_K

Order lines per day



11

822⁺_M

Turnover



106_M

Turnover from partnerships
AGCO • SDF • John Deere



51_M

Investments
acquisitions • IT • shuttle
staff • etc.



22

Sales offices



2,857

Employees (FTE)



16

Languages



7.4

Employee satisfaction

Ready for the digital future

"The developments of technology are moving at an incredibly fast pace. The world is becoming increasingly digital and that offers all kinds of new possibilities. For example, it allows us to improve the services for our customers even further and manage our business more efficiently", says CDO Arnoud Klerkx. He explains what measures Kramp took in 2018 relating to the field of digitalisation.

Trendsetter

Kramp has always been an innovative company. We don't follow the crowd, but take our own initiatives to innovate. That includes digitalisation and the transformation that goes hand in hand with this. In 2018, for instance, we completed the start-up of the Kramp Hub in Utrecht, where a large group of IT specialists is now working on our new online shop. We deliberately decided not to choose an existing software package, but decided on a

greenfield approach. This means starting from scratch, conducting lots of experiments and thereby working towards a brand new and advanced system, which will really help us to stand out in the market. Our customers and partners will see the benefits of that".

Digital transformation

"In 2018, we also invested in the further digitalisation of our logistics. We integrated new shuttle systems into our Dutch and German Distribution Centres and made further progress with our DOM or "Distributed Order Management" project. This allows us to distribute orders from our customers across the different warehouses, resulting in a higher availability of parts. In addition, the DOM system will be able to work alongside a variety of warehouse systems in the long term, which will simplify the integration of any acquisitions.



The challenge posed by digital transformation is two-fold: finding the right people in the tight labour market and devising a new way of working - a way that is more agile and cross-functional. Furthermore, the "shop" has to remain open for the duration of each and every one of these developments. That means we can not simply turn on and off the switch from one day to the next, but we still get there, step by step".

Data and customer experience

"We are paying more and more attention to data collection and the customer experience. In other words, what does the customer want and how can we arrange it in the most effective way? For instance, our range contains many different products, often with all kinds of technical specifications. Customers should be able to find these products quickly and easily. This was not yet possible

for all products, which is why we implemented a new product data system in 2018. We are taking a close look at all of our product data and we are supplementing it where necessary. This new system also makes it easier to manage our product data. In addition, 2018 saw the birth of our Customer Experience team, the sole focus of which is on the customer experience. I am thrilled about this, because in the end, everything revolves around the customer".

● **'WHAT DOES THE
CUSTOMER WANT AND
HOW CAN WE ARRANGE
IT IN THE MOST
EFFECTIVE WAY?'**

Arnoud Klerkx (CDO)

Good product data is indispensable



Dennis van Bregt
(Director Data & Content Management)

"The customer should be able to find what they are looking for easily and trust that it is the right product. This is the most important reason behind our decision to opt for an advanced product data system, with clear and complete product information", explains Dennis van Bregt, Director of Data & Content Management.

Improved findability

"Our product range consists of more than 500,000 products. This includes many different variants of the same item, such as different versions of a certain battery. Proper product information is therefore essential to help the customer to find the right product. That is why we implemented a new Product Information Management (PIM) system called STEP in 2018. We now have one system for all of our product data - a system that is also easier to keep up-to-date. In the event of an acquisition, we first look to see how much of that company's range corresponds to our own. We then look within Kramp to assess whether the products they offer, that we do not, may also be suitable for us. If this is the case, we include the products in our data system".

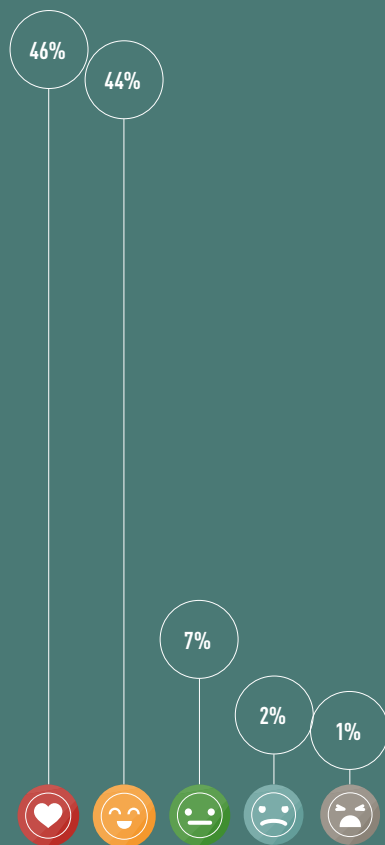
Image and video


"My Data & Content Management (DCM) team consists of eight sub-teams, each concentrating on a different aspect of the entire DCM process. It begins with the basic data of customers, suppliers and products, such as name, address and registration. Where necessary, we adapt

the data so that it is compatible with our own product data system. We also edit the product photos and videos from suppliers and adapt them to the correct format. We create photo material of our own products in-house, in fact last year, we shot 360-degree photographs of Kramp workwear. We are noticing that images are becoming more and more important. People prefer to watch a video on YouTube rather than read a user manual. For this same reason, we are going to produce a greater number of instruction videos on topics such as product use".

From Moscow to Madrid

"Furthermore, we are working on an effective brand/model navigation structure. In this structure, the customer will be able to navigate to the make and model of their tractor or other type of machine, allowing them to see exactly which parts they need. This makes searching much easier. Another important aspect within our team is translation, as we work with sixteen different languages here at Kramp. Good translations are essential in ensuring that the product data is correct in each country. For example, the English word "cap" can mean both "hat" as well as "plug" in Dutch. It is therefore easy to arrive at the wrong translation, and that can have major consequences. For this reason, we work together with local people who help us to translate product information and to connect with our local business".



4.28  **CES**
IT'S THAT EASY.

Customer is key

"Our main goal? To consider more things more and more from the customer's point of view. Questions such as "how does this benefit the customer?" and "what does the customer think of this?" should be asked far more frequently. As of last year, we have a team that is responsible for Customer Experience - in other words, the sum of the experiences that a customer has in their business with us. It revolves around moments of direct contact, such as on the phone, and moments of indirect contact, such as placing an order in our online shop", says Friederike Niehoff, Customer Experience Manager.

Core values

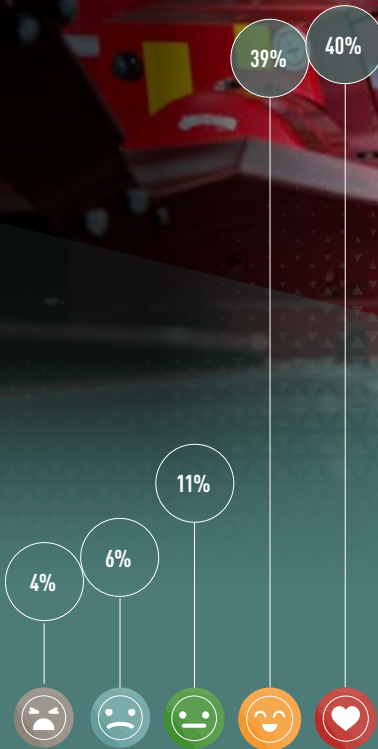
"One of our four core values is: customer first, and it has always been that way. However, as Kramp constantly grows, so has our distance from the customer. For example, many employees no longer have any direct contact with our customers. In addition, we have noticed that customers have higher expectations. Quick product delivery has now become standard and is no longer something that we can use to distinguish ourselves from other companies. We can, however, set ourselves apart by offering our customers an exceptional customer experience. That is why we have set up the Customer Experience team".

Co-creation

"Five of us collect customer data and carry out research into customer satisfaction and potential improvements. For example, we organise co-creation workshops to which we invite both customers and colleagues. Together, they tackle questions such as "what should a good delivery include?" Customers enjoy taking part and feel that they are being listened to. At the same time, their opinion is extremely important to Kramp. On the basis of feedback from our customers, for instance, we have added additional options to the reasons why items can be returned to us. We have also developed a welcome pack for new customers. This pack includes a brochure and a number of emails in which we welcome the customer and provide them with information about Kramp, as the feedback revealed that new customers sometimes have difficulty finding their way around our company".



Friederike Niehoff (Manager Customer Experience)
Arie-Jan de Bruin (LMB de Bruin)

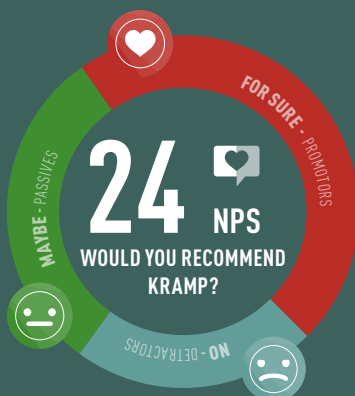


3.91  **CSAT**

CUSTOMER SATISFACTION

Excellent scores

"The basis for our work is the customer journey that we formulated in 2017. This document illustrates the customer experience at various stages along our process. When formulating the customer journey, we interviewed 36 customers in six countries. We will repeat this in 2019 to allow us to see in which areas we have improved and which are the areas for attention. In addition to qualitative research, we also perform quantitative measurements. To do this, we use three KPIs: customer satisfaction (CSAT), the NPS (see box) and the Customer Effort Score (CES). The CES focuses on how much effort it takes the customer to return a product, for example, and whether they are satisfied with this experience. In 2018, our NPS was 24. A good score - but there is always room for improvement. That is why our goal for 2019 is a NPS of 38".



The higher the NPS, the more loyal customers are.

The Net Promoter Score (NPS) is based on the following question: How likely is it that you would recommend Kramp to a colleague or business associate? Customers can award a score of 0 to 10 and are divided into three groups:

- Detractors (customers who awarded a score of 0 to 6)
- Passives (customers who awarded a score of 7 or 8)
- Promoters (customers who awarded a score of 9 or 10)

The NPS = percentage of promoters - percentage of detractors. The result is a number between -100 and 100.

A stronger market position thanks to partnerships and acquisitions

Kramp is looking to occupy a leading position in each European country. We want to be the obvious choice everywhere in our industry for dealers and farmers when it comes to parts, accessories and services for agriculture and forest & grasscare. For this reason, we are constantly looking for suitable partners and acquisition candidates to further strengthen our market position in various countries.

Our search for acquisition candidates resulted in two acquisitions in 2018: Recinsa in Spain and Raico in Italy. Both companies are known locally for their quality and service and make good additions to our company.

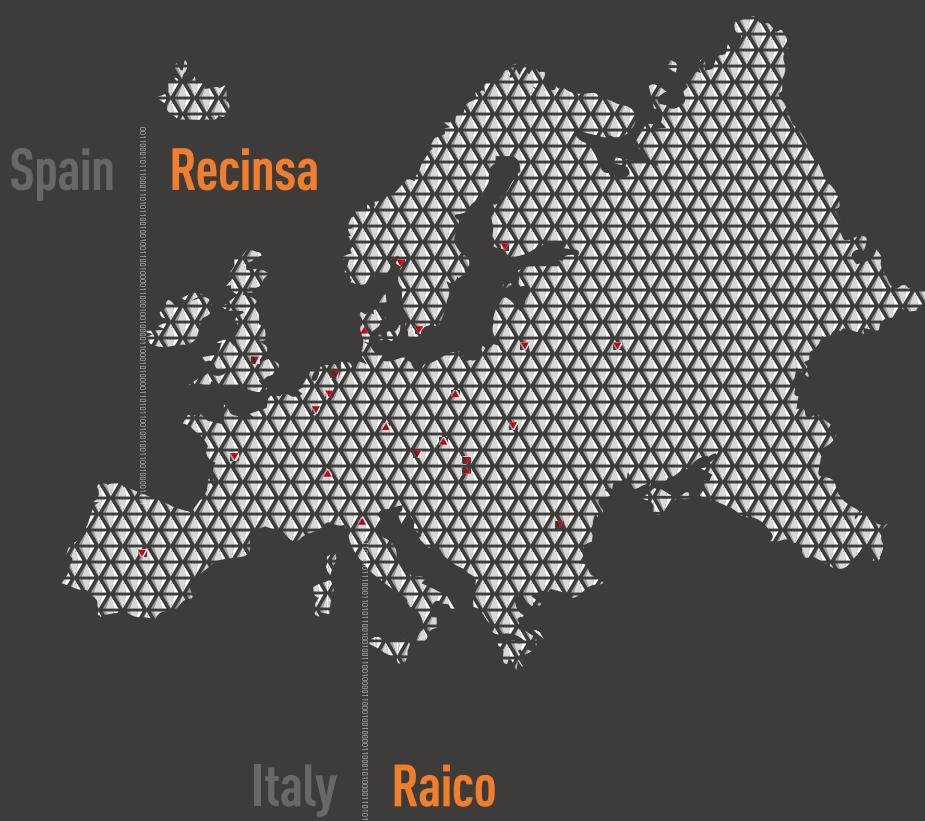
Raico

The acquisition of Raico was finalised on 1 April. This renowned Italian company specialises in tractor parts and is situated in Reggio Emilia, which was also the location of the Kramp Italy office. In the summer of 2018,

the employees from the Kramp Italy office moved to the Raico office. Since March 2019, both companies have been fully integrated and we are now operating in Italy under the name Kramp. We predict substantial potential for growth in the Italian market and are therefore making preparations for a new distribution centre, which we are hoping to begin using mid 2020. This new distribution centre will provide a solid foundation for growth and will help us to become the market leader in Italy.



team RAICO & Kramp January 2019



Raico

FOUNDED: 1989

TURNOVER 2017: € 12.8 MILLION

HEAD OFFICE: REGGIO EMILIA (3,000 M²)

BRANCHES: 5

EMPLOYEES: 47

RANGE: TRACTOR PARTS

SKUs: 32,500

CUSTOMERS: 4,100

Recinsa

FOUNDED: 1979

TURNOVER 2017: € 17 MILLION

HEAD OFFICE: MADRID (2,400 M²)

BRANCHES: 9

EMPLOYEES: 65

RANGE: TRACTOR PARTS

SKUs: 50,000

CUSTOMERS: 5,000

Recinsa

In its 40 years, Recinsa has grown to become Spain's market leader for tractor parts. The Spanish company became part of Kramp on 1 December 2018, after we reached an agreement in the summer. Kramp Spain, which is also located in Madrid, will shortly be moving to Recinsa's premises. From there, Kramp Spain and Recinsa will gradually merge to form a single company. By combining forces, we will continue growing in the coming years until we occupy a leading position within the Spanish market.

Partnerships

Kramp actively seeks out partnerships. We are strong believers in the idea that collaboration delivers better results. To provide our customers with the best service, we have teamed up with various partners. These partnerships strengthen each of the parties involved, as capitalising on each other's competences gives us the ability to offer our customers more added value. In 2018, we extended the partnerships with SDF and AGCO that we entered into eight years ago. We also decided

to expand our successful partnership with John Deere - a collaboration that had previously been confined to Germany - to the rest of Europe, one stage at a time.

Occupying a leading position throughout Europe will require smart partnerships that bring out the best in all parties, both now and in the future. This will allow us to offer maximum added value to our dealers and farmers. The stronger our partnerships, the less chance there is that a disruptive newcomer will be successful, giving another advantage of our collaboration.

John Deere

Since 2017, Kramp has been involved in a partnership with John Deere, the world's leading manufacturer of tractors and agricultural machinery. John Deere sells its machines through a network of dealers. These dealers also perform repairs and buy the original components from John Deere. In addition, they repair other brands of machines and use a range of universal parts, of which Kramp is the preferred supplier.

- EIMA 2018



- 29 November 2018



Kramp also supports the John Deere dealers by providing a retail concept. In doing so, we help the dealers to sell a greater number of items to their customers - farmers. The partnership has been trialled in Germany for 18 months and is now being rolled out to the rest of Europe, firstly in Spain and Portugal, with France following after. After summer 2019, we will continue the expansion into Poland and Italy. From 2020, the remaining countries will be brought on board.

John Deere also owns Vapormatic, a company that specialises in parts for older tractors. Within the framework of our partnership with John Deere, we have agreed that Kramp will become the distributor for Vapormatic. The Vapormatic parts will be incorporated into our range and we expect to receive more and more orders for these parts. The roll-out of the partnership to other European countries will also include these Vapormatic products.

SDF and AGCO

Since 2011, Kramp has been working in close collaboration with two other important manufacturers of tractors and agricultural machinery: SDF and AGCO and in 2018, we carried out an evaluation of these partnerships. The collaboration has proven so successful for both parties that we extended the contracts. As you would expect, there was also room for improvement, something that we addressed immediately. One example of this is direct billing. Companies that order parts from Kramp will receive the invoice directly from us in future. The range of parts available has also been extended even further, and we offer the exclusive SDF merchandise range. We are also working with AGCO to develop a range of accessories under the AGCO label.



Torsten Dehner (Vice President, Global Parts and EME Parts & Services AGCO)
Eddie Perdok (CEO)

John Deere and Kramp: a partnership that feels like a friendship

Collaboration is in the DNA of Kramp. A perfect example of this is our partnership with John Deere for the German market. Since 2017, we have been working together to contribute to the success of John Deere dealers in Germany. It is now easier for the dealers to order stock and sell parts and accessories.

Saving time and money

One of the companies that benefits from our partnership with John Deere is Zürn. With 10 offices and a taskforce of 150, Zürn serves farmers and individuals in the south of Germany. General Manager Hubertus von Crailsheim: "The closer collaboration with Kramp saves us a great deal of time and money. Where we previously worked with some 85 suppliers, we now deal with only 40. All the different ordering systems and administrative actions used to take up a considerable amount of time. Thankfully, this is now a thing of the past. Thanks to Kramp, much of what we need can be bought in one place. Another great advantage is that we no longer have to deal with minimum order quantities. We can order every item in the exact quantity we need from Kramp".

Increased turnover

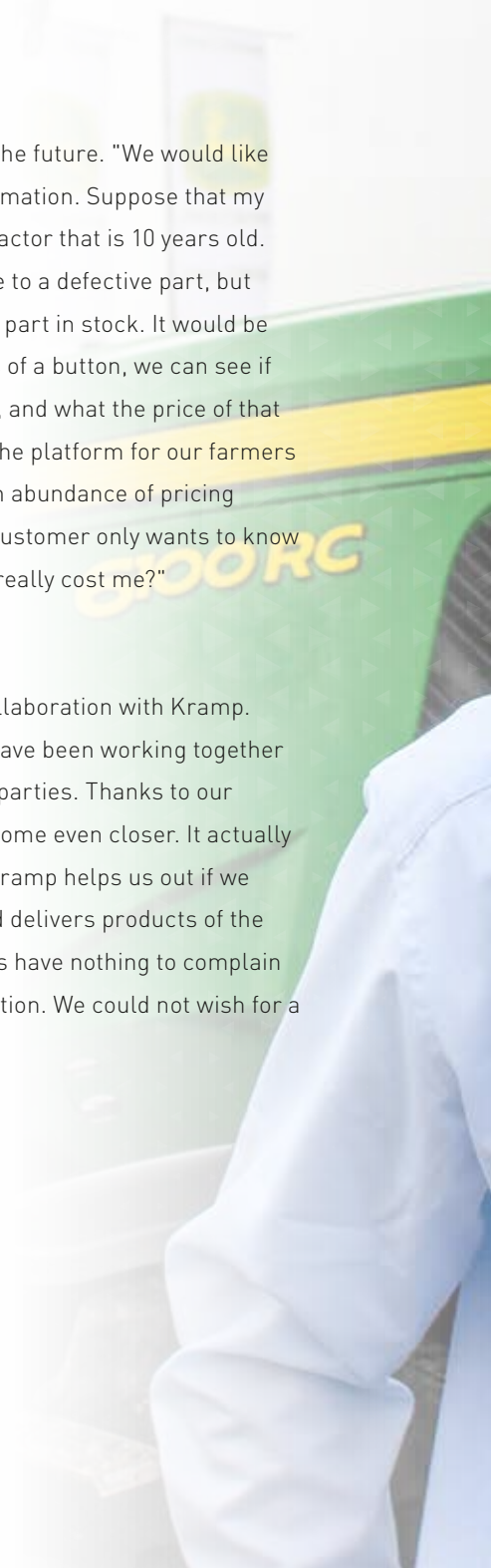
"Thanks in part to this collaboration, our total turnover last year increased to 40 million euro. Sales from parts also increased in 2018, totalling around 7 million euro. After John Deere, Kramp is now our largest supplier. We can obtain 90 percent of the parts we need from these two suppliers. Now, the only orders we place elsewhere are for very specific items, such as parts for vintage tractors".

Aspirations

Zürn also has aspirations for the future. "We would like to receive more ordering information. Suppose that my customer has a John Deere tractor that is 10 years old. The tractor is out of action due to a defective part, but John Deere no longer has this part in stock. It would be useful for us if, with one press of a button, we can see if Kramp has an equivalent part, and what the price of that part would be. Furthermore, the platform for our farmers is now quite complex due to an abundance of pricing information, after all, such a customer only wants to know one thing: What will that part really cost me?"

Very satisfied

Zürn is very happy with the collaboration with Kramp. "For more than 20 years, we have been working together to the full satisfaction of both parties. Thanks to our partnership, our bond has become even closer. It actually feels more like a friendship. Kramp helps us out if we are faced with a challenge and delivers products of the highest quality. Our customers have nothing to complain about, and that is no exaggeration. We could not wish for a better partner."



● **‘FOR MORE THAN 20 YEARS, WE HAVE BEEN WORKING TOGETHER TO THE FULL SATISFACTION OF BOTH PARTIES.’**



Hubertus von Crailsheim
(General Manager Zürn)

● **‘NEXT YEAR WE WILL
REAP THE BENEFITS OF THE
INVESTMENTS IN E-BUSINESS,
ACQUISITIONS AND PARTNERSHIPS
THAT WE HAVE MADE OVER THE
LAST FEW YEARS.’**

Hans Scholten (CFO)





A challenging year for Kramp

"2018 was a turbulent year. Although our turnover increased compared to the previous year, it did not meet expectations", explains CFO Hans Scholten. Here, Hans provides a glimpse into the financial results and investments at Kramp. He also explains what is happening in the field of sustainability and what the expectations are for 2019.

Increase in turnover

"In 2018, our gross revenue increased by nearly 32 million - in other words, 4.0% - to 822.3 million euro. Our acquisitions in Italy and Spain resulted in a combined annual turnover of 29.8 million euro. If we included this turnover for the whole of 2018, our total revenue for 2018 would be 842 million euros. Countries with relatively large revenue growth include France, with an increase of 5 million, and Russia, with an increase of 3.1 million, despite a devaluation of the Russian rouble. We only have a limited market share in Russia and France, although the markets are huge, which means that there is high growth potential in both countries. Other countries where turnover increased include Poland, with an increase of 3.8 million euro, Belgium, where the increase was 3.6 million euro, and the Netherlands, with an increase of 3.7 million euro. In Scandinavia, the turnover decreased by 3.8 million euro, mainly due to bad weather conditions.

The turnover from our partnerships with AGCO, SDF and John Deere remained virtually unchanged at 106 million euro. Our gross profit decreased to 169.7 million euro. In proportion to the net turnover, this represents a decrease of 22.7% to 21.0% of the net turnover.

A healthy financial position

"As a result of the challenges faced by our logistics and supply chain, our costs were higher. For example, more people were required to work manually due to start-up problems in our new shuttle systems. For this reason, our operational costs increased to 14.1% of the net turnover. In particular the distribution costs increased as a result of higher transport rates, which gave a negative impact on the operational costs of almost 0.7%.

Due to the extreme weather as well as the previously mentioned challenges, our operational result amounts to 55.4 million euro. This represents a decrease of 18.6% compared to 2017. Although the finance charges dropped by 0.6 million euro, adverse exchange rate results, in particular for the Russian rouble and Polish zloty, cost us 2.7 million euro - 2.2 million more than in 2017. This means that the profit before taxation amounts to 45.2 million euro, which is 24.0% lower than last year. In terms of EBITDA, the result reduced from 88.6 million to 75.5 million euro.

Although the figures are lower than expected, I would like to stress that we still achieved a good result. For this reason, we are not concerned about our finances - and neither are the banks. Kramp is still perfectly healthy from a financial perspective”.

Increase in working capital and solvency

“Our working capital grew by 22.8 million, mainly due to an increase in our stocks of 215 million to 238 million. This is primarily the result of our acquisitions of Raico in Italy and Recinsa in Spain, which also led to a slight increase in our interest-bearing debt. Our debtor and creditor positions have developed steadily, and our equity has increased due to profit addition, without any dividend being paid. Despite our balance sheet being expanded through our acquisitions and investments, our solvency rate grew from 23.0% to 27.8%. This is a fantastic result”.

Major investments


“Over the last five years, we have invested an average of nearly 32 million euro per year. In 2018, our total investment amounted to 25.9 million euro. As in previous years, we invested heavily in IT and e-business - namely 11.5 million euro. A significant proportion of that amount has been used for the further upscaling of our Kramp Hub in Utrecht. This upscaling involves the development of new web technology as the basis for a new online shop. We also have replaced a number of the components that make up our IT infrastructure. In addition, we invested 5.5 million euro in the completion and start-up of new shuttle systems in our Dutch and German warehouses. Finally, we invested in the purchase of land in Italy for the construction of a new distribution centre in 2019. This distribution centre, which will come into operation in 2020, will allow us to further develop our market position in Italy.

In addition, 2018 realised the acquisition of Raico in Italy and Recinsa in Spain, involving an investment amount of 26 million euro”.

Sustainability is in our genes

“At Kramp, working on sustainability is par for the course. We are accustomed to assessing our impact on the environment and evaluating what we can do better or differently. From our perspective, sustainability is a combination of people, planet and profit. A project must not only have a positive effect on the environment, but it should also be financially viable. In 2018, we launched “Energised by Kramp”. As part of this project, we will fit solar panels on our new building in Varsseveld. We use a considerable proportion of the power ourselves, and our employees are given the opportunity to invest in these panels. With these measures, we hope to raise awareness of sustainable energy among our employees. In total, more than 1,600 solar panels will be installed in 2019”.



A man in a blue suit and white shirt is gesturing with his right hand while speaking. He is standing in a large warehouse with a high, arched ceiling made of metal beams. The lighting is dramatic, with strong highlights and shadows. The background shows the structural elements of the warehouse, including the ceiling and some hanging lights.

International sustainability projects

"Another fantastic project in the field of sustainability is the packaging machine in the French operation, which we began as a pilot project in 2018. This machine fits the packaging around our products with precision. When the customer places an order, the system calculates the volume of that order and the smallest possible box is selected. The products are then placed in the box. At the end of the line, the machine cuts the box to the exact size and fits a pre-glued lid onto it. This method means that we save a substantial amount of filling material and we also transport a lot less air. As a result, we can load more boxes onto the truck. The next step is to see if we can use this machine in other locations.

We also launched the project "Carbon footprint measurement" in 2018. As part of this project, we are mapping the CO₂ footprint of all our work processes in every country in which we are active. We will then assess how we can make those footprints smaller. We will continue with this in 2019".

Promising prospects

"The outlook for 2019 is positive. Our internal processes are in order, and next year we will reap the benefits of the investments in e-business, acquisitions and partnerships that we have made over the last few years. For 2019, we therefore expect a sales growth of around 6.9%. This will take our turnover to around 900 million euro in 2019. Our investment ambition for 2019 amounts to almost 43 million euro. We intend to use that amount to invest even further in "Digital Commerce & Technology" and to build our new distribution centres in Italy and the United Kingdom. Our growth in recent years has meant that our current warehouse in the United Kingdom is now too small.

One of our priorities for 2019 is placing a stronger focus on cost control. All in all, we expect a result before tax of approximately 58 million euro in 2019, which represents an increase of over 28%. For the EBITDA, this means an expected increase of more than 17 million, to nearly 93 million euro".

Kramp: multinational and family company

At Kramp, people make the difference. Skilled, expert employees ensure that our company is performing to the best of its ability and that our customers get what they need. To emphasise the importance of having excellent staff, we have created a position on our Executive Board for a CHRO: a Chief Human Resources Officer. This will allow us to pay attention to all of our employees all of the time - even at the highest level within Kramp.

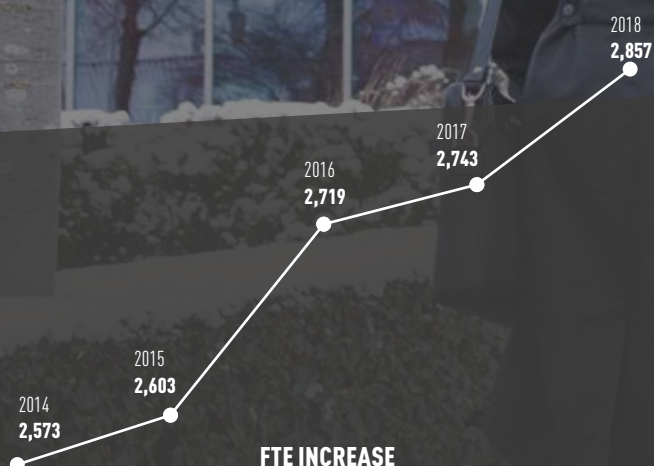
Because our employees form the main pillar of our company, we dedicate a lot of time to our values and culture. After all, we are not only a multinational business - we are a family business too. From day one, we introduce new employees to our values and the Kramp way of working: Customer First, Engaged, Together and Entrepreneurship.

The advantage of a strong culture

Companies with a strong culture perform better. A strong culture is crucial in the event of setbacks, for example, such as those Kramp experienced last summer. We all joined forces to help our customers as much as possible, everyone was willing to jump in, regardless of their role or department. By doing so, we resolved every issue as a team.

Partnerships and acquisitions

Culture is also a major focus for partnerships and acquisitions. The decision of John Deere to work with Kramp was based partly on the fact that we have similar corporate cultures. We also take a close look at corporate culture when making acquisitions. Acquisitions do not always work out as a result of cultural differences between the organisations. It is not purely a coincidence that Raico and Recinsa, which we acquired in 2018, were originally family companies.



Development

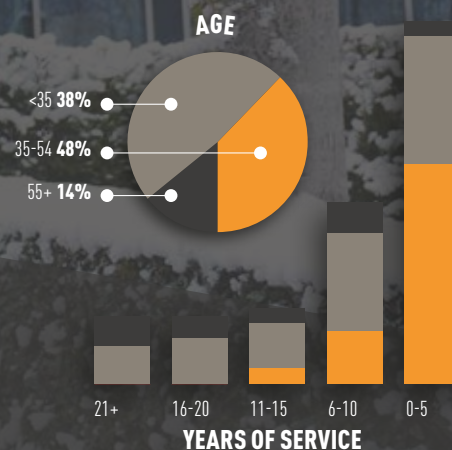
The digital transformation that we began in 2017 also has a large impact on our people. It is crucial that we involve them in these developments and adequately prepare them. To help this, the new evaluation and development programme structures discussions twice a year with all employees. We help them to develop through their own choice using initiatives such as our Kramp Academy. In addition, we are constantly on-boarding new employees who possess skills that complement our company.

Trainees

In order to have access to sufficient talent now and in the future, a management trainee programme is in place at Kramp. For several years now, we have been recruiting young talent from universities and colleges to prepare them for various positions within our company, both in the Netherlands and abroad. In 2018, we took on another five management trainees, from Spain, China, Brazil and the Netherlands.

Evaluation

Because our company culture holds such an important place within our organisation, we regularly evaluate the extent to which our employees feel proud and engaged. This evaluation-known as KWEE for short ("Kramp Way Employee Experience")-takes place every two years. 2018 was no exception, with the evaluation being held during the period in which Kramp was struggling from an operational standpoint. We expected our score to be slightly lower as a result. However, our score of 7.4 proves that we are still performing far better than the European benchmark for similar organisations (6.4). We have learnt from the operational challenges we faced and are striving to achieve a score of 8.0 in our next evaluation.



A word from the Supervisory Board

Our role as the Supervisory Board is to support the Executive Board in defining the strategy and management of the business. Our main focus is to ensure the long-term business continuity of Kramp. In 2018, the key considerations here were investing in partnerships and acquisitions and optimising the organisation with a view to ensuring that Kramp is fit for the future.

The Supervisory Board met a total of five times in 2018: three times in Varsseveld, once in Denmark and once in Italy. During our meetings, we discussed the usual topics: strategy, interim results, balance sheet trends and cash flow. We also discussed the development of our IT infrastructure, human resources, cost control, risk profiles, acquisitions, partnerships, investments, budgeting and market developments.

In our discussions with the Executive Board, the main topics covered were the future composition of the Executive Board and the need for a change in our corporate culture when it comes to focusing on results and driving cost awareness. We also defined the competencies that we want to see at the top level of the organisation.

It's true that 2018 was a challenging year, but we are thrilled with the promising acquisitions that Kramp has made. We would like to thank all employees for their hard work and commitment.

On behalf of the Supervisory Board,

Johan Lokhorst
Chair



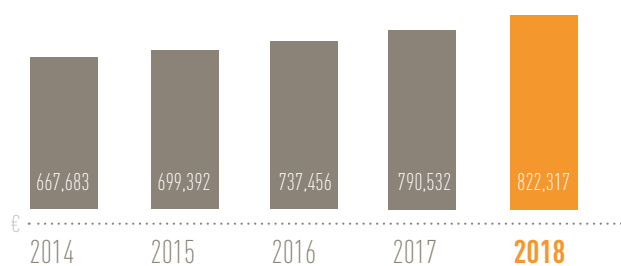
Image (f.l.t.r.):
Koen Slippens, Frederik Nieuwenhuys, Johan Lokhorst, Johan Terpstra.



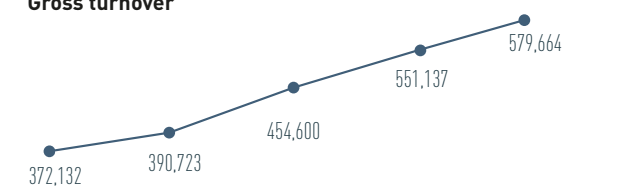
Pro forma accounts 2018

Consolidated financial statements

Key figures(x 1,000)

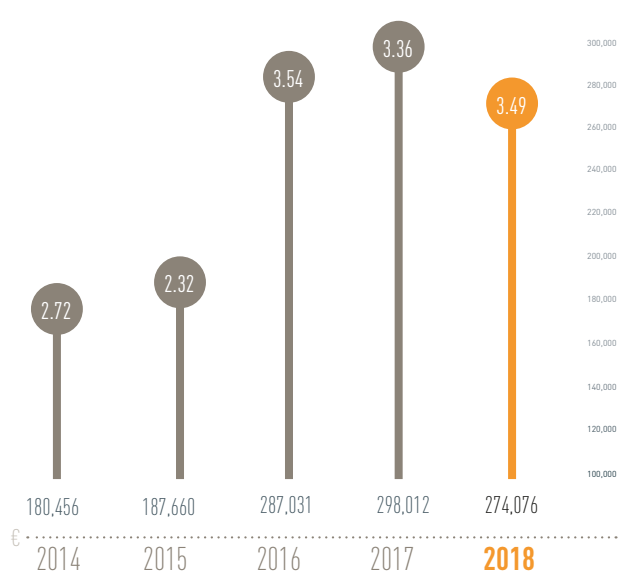


Gross turnover



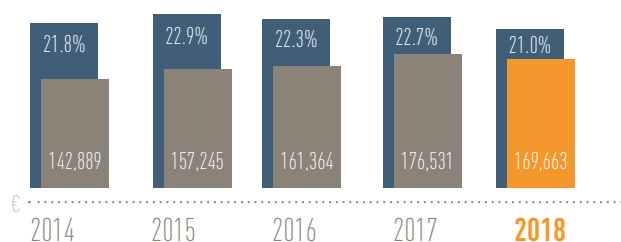
Year-end

■ Balance sheet total ■ Group equity



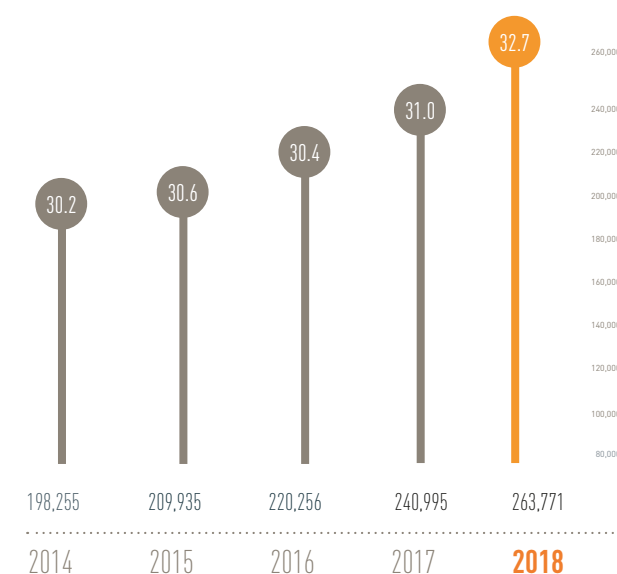
Interest-bearing debts

● NET DEBT/ADJUSTED EBITDA



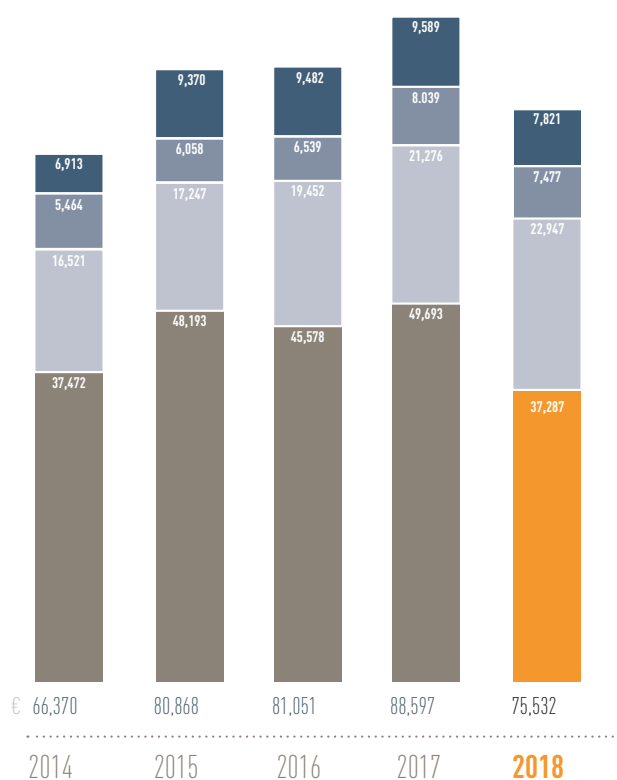
Gross margin

■ Percentage ■ Euro



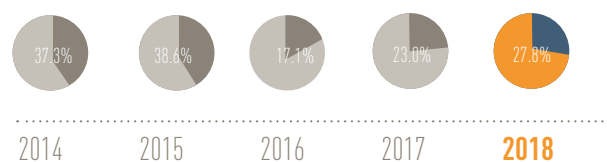
Working capital

● as % of net turnover



EBITDA

■ Tax ■ Finance charges
■ Depreciation ■ Net profit after tax



Solvency rate

Consolidated profit and loss account 2018

Pro forma accounts 2018

(x €1,000)	2018	2017
Gross turnover	822,317	790,532
Boni and discounts	-14,510	-13,585
Net turnover	↳ 807,807	↳ 776,947
Cost of sales	-638,144	-600,416
Gross profit	↳ 169,663	↳ 176,531
Sales costs	-79,728	-76,411
General administrative expenses	-34,574	-32,387
Total costs	↳ -114,302	↳ -108,798
Net turnover result	55,361	67,733
Other operating income	-	284
Operating result	55,361	68,017
Interest receivable and similar income	366	354
Interest payable and similar costs	-7,843	-8,393
Foreign exchange rate results	-2,655	-482
Financial result	↳ -10,132	↳ -8,521
Profit from ordinary business operations before tax	45,229	59,496
Taxes result from ordinary business operations	-7,821	-9,589
Profit after tax	↳ -7,821 37,408	↳ -9,589 49,907
Third party share in result	-121	-214
Net result	37,287	49,693



Consolidated balance sheet per 31 December 2018

Pro forma accounts 2018

Assets (x €1,000)

2018

2017

Intellectual property (software)	19,947	15,342
Goodwill	17,958	629
Prepayments on intangible fixed assets	5,515	5,567
Intangible fixed assets	↳ 43,420	↳ 21,538
Land and buildings	116,736	103,349
Warehouse equipment	32,665	18,544
Office- and IT equipment	8,456	9,090
Vehicles	2,070	2,169
Prepayments on tangible fixed assets and assets under construction	1,837	29,785
Tangible fixed assets	↳ 161,764	↳ 162,937
Receivables from participants	9,063	9,115
Deferred tax receivables	12,502	10,293
Other receivables	111	-
Financial fixed assets	↳ 21,676	↳ 19,408
Total fixed assets	226,860	203,883
Inventories	237,897	214,719
Trade debtors	77,410	80,959
Taxes and social premiums	6,320	8,318
Other receivables	765	893
Accruals and prepaid expenses	5,631	3,988
Receivables	↳ 90,126	↳ 94,158
Cash	24,781	38,377 *
Total current assets	352,804	347,254
Total	579,664	551,137

* Adjusted for comparison purposes

Liabilities (x €1,000)	2018	2017
Equity	160,954	126,885
Third party share in Group companies	628	530
Group equity	↳ 161,582	↳ 127,415
Deferred tax liabilities	2,267	2,208
Pension provisions	592	713
Other provisions	2,324	1,226
Provisions	↳ 5,183	↳ 4,147
Long-term debts	267,755	259,027 *
Amounts falling due within one year	24,090	62,802 *
Credit institutions	39,235	14,560 *
Trade creditors	51,536	54,683
Corporation tax (domestic)	1,466	675
Other taxes and social premiums	10,221	9,948
Value differences to be amortized	2,727	2,911
Other liabilities	15,869	14,969
Short-term debts	↳ 145,144	↳ 160,548
Total	579,664	551,137

* Adjusted for comparison purposes

Consolidated cash flow statement 2018

Pro forma accounts 2018

(x €1,000)	2018	2017
Net result	37,287	49,693
Depreciation	22,947	21,276
Net financial result	7,477	8,039
Paid corporation tax	7,821	9,589
Change in financial fixed assets	-2,050	-8,730
Foreign exchange rate results on working capital and other receivables and liabilities	-3,217	-375
Third party share in result	121	214
Other	1,356	2,021
Total adjustments	↳ 34,455	↳ 32,034
	71,742	81,727
Change in other receivables and accruals and prepaid expenses	-398	136
Change in provisions	-166	-228
Change in other liabilities and accruals and deferred income	121	-3,487
	↳ -443	↳ -3,579
Change in inventories	-15,283	-26,043
Change in trade debtors	8,453	-12,258
Change in trade creditors	-7,012	17,562
Change in working capital	↳ -13,842	↳ -20,739
Cash flow from operations	57,457	57,409
Received interest	366	354
Paid interest	-7,579	-8,557
Paid corporation tax	-7,176	-11,020
	↳ -14,389	↳ -19,223
CASH FLOW FROM OPERATING ACTIVITIES	43,068	38,186

(x €1,000)

2018

2017

Investments in intangible fixed assets	-9,878	-8,901
Investments in tangible fixed assets	-14,917	-40,555
Disinvestments in tangible fixed assets	130	653
Acquisition subsidiaries	-26,375	-
Disinvestment subsidiary	-	405
CASH FLOW FROM INVESTING ACTIVITIES	↳ -51,040	↳ -48,398
Paid dividend	-	-596
Repayment long-term debts	-31,216	-1,703
Borrowing long-term debts	1,232	20,510
Repayment short-term debts	-14,560	165
Borrowing short-term debts	38,920	14,560
	↳ -5,624	↳ 33,532
CASH FLOW FROM FINANCING ACTIVITIES	↳ -5,624	↳ 32,936
MOVEMENT IN CASH POSITION	-13,596	22,724
Beginning cash and cash equivalent	38,377	15,653
Closing cash and cash equivalent	24,781	38,377
MOVEMENT IN CASH POSITION	↳ -13,596	↳ 22,724

Kramp Groep B.V., Breukelaarweg 33, Varsseveld, The Netherlands, P.O. Box 73, NL-7050 AB Varsseveld. This report is not the annual report of Kramp Groep B.V. within the context of Art. 2:391 of the Dutch Civil Code and does not contain the financial statements as defined in Art. 2:361 of the Dutch Civil Code.



The Essential Partner for agricultural spare parts and accessories

Helping our customers to successfully manage and sell parts and accessories, is our core business. For this reason, we look at things from the customer's perspective as much as we can and ask ourselves challenging questions such as "How will the customer benefit from that?". We want to stand out from our competitors by offering an exceptional customer experience and making our customers' work as simple as possible. It's that easy.



It's that easy.