Logwin AG

Annual Financial Report 2017

LOGWIN

Key Figures 1 January – 31 December 2017

Earnings position *In thousand EUR*	**2017**	**2016**
Revenues		
Group	1,119,116	990,155
Change on 2016	*13.0%*	
Air + Ocean	753,174	623,336
Change on 2016	*20.8%*	
Solutions	368,210	369,071
Change on 2016	*-0.2%*	
Operating result (EBITA)		
Group	38,149	35,507
Margin	*3.4%*	*3.6%*
Air + Ocean	38,574	36,168
Margin	*5.1%*	*5.8%*
Solutions	6,507	5,285
Margin	*1.8%*	*1.4%*
Net result		
Group	26,675	26,354

Financial position *In thousand EUR*	**2017**	**2016**
Operating cash flows	31,642	32,809
Net cash flow	21,813	26,569

Net asset position *In thousand EUR*	**31 Dec 2017**	**31 Dec 2016**
Equity ratio	36.6%	35.0%
Net liquidity *(in thousand EUR)*	116,549	102,591

	31 Dec 2017	**31 Dec 2016**
Number of employees	4,133	4,154

This document is a translation of the German original annual financial report of Logwin AG for the year ended 31 December 2017 as well as the report by the Réviseur d'Entreprise Agréé thereon. In case of any deviation between the German original version and the translated version the German version is prevail.

Group Management Report

General information on the Logwin Group

Business model

The Logwin Group The Logwin Group offers its customers global logistics and transport solutions in its business segments Air + Ocean and Solutions. In doing so, Logwin combines the advantages of an internationally established logistics group with those of a flexible, medium-sized company.

Air + Ocean business segment The Air + Ocean business segment provides worldwide logistics and transport solutions with a focus on intercontinental air and ocean freight, frequently in connection with upstream and downstream value added services. With its global network of group subsidiaries and long-term partners, Logwin is present at the customer's locations and ensures the highest possible standards of quality and security for logistics chains worldwide.

Solutions business segment As a specialist in contract logistics, the Solutions business segment offers individual customer and industry-oriented solutions, particularly in the retail and consumer goods sector as well as in the area of industrial contract logistics with a focus on the chemicals and automotive sectors. The solutions range from supply chain management, transportation and warehousing to value added services and complete outsourcing projects. The business segment also maintains a special network for customers in the field of fashion and consumer goods.

With customer-specific combinations of individual logistics services, the Logwin Group manages the supply chains between suppliers and consumers, either partially or as a whole. Comprehensive supply chain management, warehousing, value added services and transportation by road, rail, air or ocean freight are the key elements of the services provided by the various entities of the Logwin Group. A worldwide uniform IT infrastructure with its own data centers in Europe and Asia supports globally uniform processes and simple customer connections in addition to ensuring compliance with steadily rising quality, security and compliance requirements.

Logwin AG is listed on the Frankfurt Stock Exchange. The majority shareholder is DELTON AG, Bad Homburg v. d. Höhe, Germany.

Financial performance management

The Logwin Group controls its financial situation by means of various key performance indicators (KPI) that management believe are relevant for measuring performance of the operations, the financial position and cash flows as well as in decision making. Basically the KPIs are intended to preserve a balance between profitability, an effective use of resources and sufficient liquidity. The monthly, quarterly and annual changes in these indicators are compared with the prior year and the forecast/budget data to assist in making management decisions. Furthermore, several KPIs are also particularly relevant for calculating management remuneration.

Unless defined in the relevant accounting standards, the methods of their calculation are described below in line with the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures (APM) dated 5 October 2015:

Profitability Revenues – as defined by the applicable standards – are in general a key financial earnings figure and thus also an important measure for the Logwin Group as it reflects the ability of selling products and services on the market. This measurement is suitable especially in Logwin's transaction-based logistics businesses as well as a starting point for further volume- and quantity-analysis. In addition revenues are an indicator for corporate development (growth-focus) and with some limitations a suitable cash-flow-oriented success factor (pay-sensitivity of revenues).

The operating result before goodwill impairment – EBITA (earnings before interest, taxes and amortization) – measures the operating profitability of the Group and of the individual business segments and is the key performance indicator of profitability of the Logwin Group. EBITA is derived from revenues less cost of sales as well as selling, general and administrative costs. It also includes other operating expenses and income as well as impairment losses on non-current assets. In Management's opinion EBITA is most suitable to make Logwin Group's performance illustratable and comparable as it presents the advantage to consistently include the consumption of fixed assets as depreciation is recognized whereas volatile goodwill impairment is excluded.

The net result is another key performance indicator for the Logwin Group and provides a comprehensive measure of the Group's overall performance after interest and income taxes and a transparent basis for comparing overall performance, particularly over time. The net result is calculated based on the income statement and thus is defined by the relevant accounting standards (referred to as "profit or loss" in IAS 1.7).

In addition, gross profit and gross profit margin are further performance measures for assessing Logwin Group's performance. Gross profit is defined as revenues less cost of sales whereas gross profit margin is calculated by dividing gross profit by revenues. Both figures are used to assess the financial strength of the business model as well as the operating profitability over time.

Financial performance Net cash flow is the central key performance indicator for liquidity management in the Logwin Group and its business units. This figure is defined as the sum of the operating cash flows and investing cash flows as determined by the applicable cash flow standard IAS 7 (for the method of calculation we refer to the subtotals in the statement of cash flows). It is targeted at maintaining sufficient liquidity to cover all of the Group's financial obligations from debt repayments and dividends, in addition to operating payment commitments and investments. In particular, net cash flow is regarded as an indicator of how much cash is available at the end of a reporting period for paying dividends or repaying debt.

Operating cash flow – a financial indicator of the applicable IAS 7 (referred to as "net cash flow from operating activities" in IAS 7.20) and therefore calculated directly based on the cash flow statement - includes all items that are related directly to operating value creation. It reflects the amount of operating profit converted into cash available for investing and financing activities. Its purpose is to manage and supervise operating liquidity as well as ensuring cash oriented operational value creation.

Net asset position The net liquidity and the equity ratio are further key figures applied by the Logwin Group to assess its net asset position. Both measures aim at promoting good financial standing on behalf of good capital market conditions as well as ensuring liquidity. Net liquidity is calculated as cash and cash equivalents less liabilities from leases and other financial liabilities. Its target is to show how much of the liquid assets would be left if all current liabilities were redeemed.

The equity ratio is calculated by comparing the total equity in the company to the total assets and provides information regarding the capital structure of a company. The equity ratio shows how much of the total company assets are owned outright by the investors as well as how the company is leveraged with debt.

Non-financial performance indicators, non-financial statement and diversity concept

Besides the aforementioned financial performance indicators, the number of employees as of the reporting date (absolute headcount, employees includes all persons directly employed by the company, who are active in Germany or abroad, full or part-time, for Logwin) represents a key non-financial performance indicator. Looking at the number of staff makes it possible to further analyse costs and productivity and provides insights into the use of resources and capacity. In addition, the number of employees provides benchmarks for other quantitative and qualitative personnel metrics.

Please refer to the CSR report and diversity report for information on the non-financial statement, which is to be issued for the first time in 2018 for 2017, and the diversity concept to be applied within the Logwin Group. The documents can be downloaded from http://www.logwin-logistics.com/company/overview/corporate-social-responsibility.html.

Research and development

Development activities in the Logwin Group concentrate on service and process innovations. These innovations are generally developed in close collaboration with customers in order to achieve improvements in operational and administrative processes. The specialists in the Tender Management/Logistics Engineering, Process Management and respective IT departments of the Solutions business segment in particular are entrusted with this type of work for complex contract logistics projects.

Corporate Governance

Members of the Board of Directors and the Executive Committee

Dr. Antonius Wagner (*1961)
Chairman of the Board of Directors and the Executive Committee
Chairman of the Management Board of DELTON AG
Bad Homburg v. d. Höhe (GER)

Dr. Yves Prussen (*1947)
Deputy Chairman of the Board of Directors, non-executive member
Attorney
Luxembourg (LU)

Marcus Cebulla (*1969)
Member of the Executive Committee (until 28 February 2017)
Aschaffenburg (GER)

Thomas Eisen (*1971)
Member of the Executive Committee
Salzburg (AUT)

Sebastian Esser (*1974)
Member of the Board of Directors and the Executive Committee (Chief Financial Officer)
Großostheim (GER)

Dr. Michael Kemmer (*1957)
Non-executive member of the Board of Directors
Chief Executive of Bundesverband Deutscher Banken (until 31 December 2017)
Munich (GER)

Hauke Müller (*1964)
Member of the Executive Committee
Hamburg (GER)

Axel Steiner (*1973)
Member of the Executive Committee
Großostheim (GER)

The Board of Directors of Logwin AG has adopted a Corporate Governance Charter, which is available on the internet at www.logwin-logistics.com/de/unternehmen/investoren/governance.html.

Information in accordance with Article 11 of the Luxembourg Takeover Act dated 19 May 2006

Lit (a): Details on the equity structure of the Logwin Group are included in note 25 on page 67 of the notes to the consolidated financial statements. As of 31 December 2017, there were 2,884,395 fully paid up, no-par registered voting shares issued and admitted for trading on the Frankfurt Stock Exchange.

Lit (b): There are no restrictions on the transfer of the shares.

Lit (c): The majority shareholder of Logwin AG is DELTON Vermögensverwaltung AG, Bad Homburg v. d. Höhe, Germany. which is a wholly owned subsidiary of DELTON AG, Bad Homburg v. d. Höhe, Germany. The sole shareholder of DELTON AG is Stefan Quandt. For further details, please refer to notes 1 and 38 on pages 33 and 90 of the notes to the consolidated financial statements.

Lit (d): There are no shares that give the holders any special rights of control.

Lit (e): There are no employee stock ownership schemes in the Logwin Group.

Lit (f): There are no restrictions on voting rights in the Logwin Group.

Lit (g): As of 31 December 2017, Logwin AG is unaware of any understandings with shareholders that restrict the transfer of shares or voting rights in accordance with Directive 2004/109/EC.

Lit (h): Rules governing the appointment and replacement of members of the Board of Directors and changes to the Articles and Memorandum of Association are contained in Articles 8, 16 and 17 of the Articles and Memorandum of Association of Logwin AG and in chapter 8 of the Corporate Governance Charter. Both documents can be downloaded from www.logwin-logistics.com/de/company/investors/governance.html.
In particular, the following applies:

- The members of the Board of Directors are appointed by the General Meeting of shareholders for a period not exceeding six years. They may be dismissed by the General Meeting at any time. The repeated appointment of a member of the Board of Directors is permitted.
- If a member of the Board of Directors (including executive members of the Board) retires prematurely, the remaining members may co-opt a new member to the Board in accordance with the legal provisions on a provisional basis. Final election will take place when the shareholders next meet for their General Meeting.
- The General Meeting may change the company's Articles and Memorandum of Association at any time, taking into account the legal provisions governing minimum attendance and majority voting.

Lit (i): The powers of the Board of Directors, in particular relating to the empowerment to issue or withdraw shares, are regulated in Articles 5, 8, 9, 10, 11, 18, 19 and 23 of the Articles and Memorandum of Association of Logwin AG and in chapter 3 of the Corporate Governance Charter. Both documents are available at www.logwin-logistics.com/de/company/investors/governance.html.
In particular, the following applies:

- The Board of Directors is responsible for the management of the company.
- The Board of Directors is vested with the powers to perform all acts of administration and disposal in the interests of the company. The Board of Directors may appoint a committee of directors charged with performing the daily management of the company (hereinafter referred to as "Executive Committee").
- The Board of Directors defines the scope of activity of the Executive Committee and of the individual committees. It also authorizes the procedures that are to be used for the Executive Committee and the individual committees.

- The daily management of the company is performed by the Executive Committee under the supervision of the Board of Directors. The Board of Directors decides on the signatory powers of the members of the Executive Committee.
- The Board of Directors is authorized until 31 March 2020 to increase the company's registered capital by issuing on one or more occasions up to 1,509,105 new no par registered shares with or without an issue premium ("prime d'émission") in exchange for cash and/or non-cash capital contributions.
- The company may repurchase its own shares in accordance with the provisions of the law.

Lit (j): There are finance agreements containing clauses that grant lenders the right to terminate the agreement prematurely in the event that the number of shares held by the majority shareholder of Logwin AG falls below certain thresholds.

Lit (k): There are no agreements between Logwin AG and members of its Board of Directors or other employees that provide for compensation in the event of termination of employment without cause or in the event of a takeover bid.

Economic report

Overall conditions

Global economy Overall, the global economy developed favourably in 2017. Despite ongoing threats in terms of geopolitical tensions and the establishment of barriers to trade, the global economy did not show any signs of its protracted upturn flagging and, in part, even picked up speed towards the end of the year. Recovery is increasingly spreading to more economies and is being driven by the dynamic development of investments and the associated ongoing upswing in global trade. Especially commodity prices recovered due to a price surge on the oil market in the second half of the year.

The economic upswing in the leading economies was robust and balanced. The increasing economic momentum in the euro area was driven by an increase in consumer spending and investments as well as exports. Recovery on the labour markets helped to drive employment and income growth, which, in turn – together with loose monetary conditions – helped spur private consumption. Economics of the US and Japan showed expansive economic development, whereas growth rates for the UK economy were declining due to the Brexit referendum.

Brazil and Argentina began to show signs of recovery following a deep recession. China's economy grew strongly during the course of the year. India's economy also developed favourably, even though its rate of growth slowed somewhat. Raw material exporting countries such as Russia and Brazil also benefited from a strengthening on the commodity markets.

German (logistics) industry The German economy is currently experiencing a continuing strong economic upswing. Among other factors, this development is being carried by an unchanged expansionary economic policy, healthy domestic demand and economic recovery in the eurozone. Employment continued to grow and rising investment activity helped drive lasting momentum. As part of this economic development, the German logistics industry and the mood in the sector continued to improve.

Competition and market Despite positive global economic development, the market and competitive environment in all relevant areas of the logistics industry remained challenging during 2017. This demanded a high level of commitment to secure existing customer business.

Especially due to the boom in international e-commerce, the airfreight market experienced major growth during the year. The high demand could not be fully met by airfreight carriers expanding their capacity. The limited transport capacities – both at the airlines and shippers at key sites such as Frankfurt am Main – were characteristic in a competitive market. Very volatile freight rates and further significant consolidation steps taken by the shipping lines were characteristic for the developments in the ocean freight market. Consolidation in the shipping market had a major impact on the freight-forwarding market. The significant volume increase in ocean freight led to partially erratic price developments during the course of the year. The average price was up compared to the low level in the previous year. However, ocean freight rates for the main routes were once again down considerably in the fourth quarter of 2017.

The contract logistics market was exposed to unchanged competition and pressure on margins during the year ended, both in terms of existing business and acquiring new business. Growth was above average among both the export-oriented industrial customers and due to favourable domestic demand in the consumer goods sector. The business performance of the local retail sector was furthermore affected by the expansion of e-commerce in 2017.

Business performance

The Logwin Group managed to continue its good earnings performance in a challenging and competitive market and environment. Revenue rose significantly year-on-year. In this regard, the Air + Ocean business segment reported positive volume development and average higher freight rates that were considerably up over the prior year. In contrast, revenue in the Solutions business segment was slightly down combined with overall stable development.

The Air + Ocean business segment increased both air and ocean freight volumes in 2017 in a market that was growing overall. Encouraging growth in business with existing customers and in cooperation with long-term partners also contributed to this, as well as noticeable impulses from new customer business. The expansion of the global network was aided in 2017 by the establishment of branches in Poland, Germany and Austria as well as the acquisition of an interest in a partner company in New Zealand.

Despite successfully setting up new business, the Solutions business segment focused on securing and developing existing business in 2017. In addition, the implementation of specific efficiency-improving measures and projects at German locations was characteristic of business development in 2017. Logistics for new product groups (e.g. Bike Logistics) was further enhanced in the retail sector during the reporting period.

in million EUR	**2017**	**2016**	*Absolute change*
Revenues	1,119.1	990.2	128.9
EBITA	38.1	35.5	2.6
Net result	26.7	26.4	0.3
Net cash flow	21.8	26.6	–4.8
Net liquidity	116.5	102.6	13.9

	2017	**2016**	*Absolute change*
Employees (as of 31 December)	4,133	4,154	–21

Earnings position

Revenues The Logwin Group reported a significant increase in revenues in 2017 compared to the prior year. The revenues gain of 13.0% was due to the increase of volumes and growth of rates in the ocean- and airfreight market in the Air + Ocean business segment.

Air + Ocean
The Air + Ocean business segment generated revenues of EUR 753.2m in the financial year (prior year: EUR 623.3m), an increase of 20.8%. The business segment was able to raise air and ocean freight volume in a fast-growing market environment that was characterised by insufficient capacity particularly in the airfreight segment. Rising average annual freight rates for the main routes had an additional positive impact on the revenues for the year as a whole.

Solutions
Revenues in the Solutions business segment amounted to EUR 368.2m and were on par with prior year's figure of EUR 369.1m. In the year under review, the segment was influenced once again by high price and competitive pressure. Overall, the revenue volume in existing business was confirmed.

in million EUR	**2017**	**2016**	*Absolute change*
Logwin Group	1,119.1	990.2	128.9
thereof Air + Ocean	*753.2*	*623.3*	*129.9*
thereof Solutions	*368.2*	*369.1*	*–0.9*

In addition to the two presented operating business segments, the revenues of the Logwin-Group include the segment Others, which among others compromises holding companies.

Gross margin and gross profit The Logwin Group's gross margin decreased as a result of the altered revenue structure with higher revenue shares from transport-related activities as well as declining margins in overland transport-based network activities from 9.0% in the prior year to 8.1% in financial year 2017. Despite the increase in cost of sales, which were partially higher than expected, gross profit rose slightly due to an increase in revenues as well as favourable cost developments at key sites from EUR 89.5m in 2016 to EUR 91.2m in 2017.

Selling, general and administrative costs Selling, general and administrative expenses declined slightly from EUR 56.1m in the previous year to EUR 54.3m in 2017. This decrease was mainly caused by the Solutions business segment, as a result of ongoing measures to optimise costs. Selling expenses in the Air + Ocean business segment were slightly above those of the prior year due to the targeted expansion of sales activities as well as foreign currency effects. On the other hand, administrative expenses also decreased here during 2017.

Operating Result (EBITA) The Logwin Group increased its operating result before goodwill impairment (EBITA) slightly by EUR 2.6m in 2017 from EUR 35.5m in the prior year to EUR 38.1m. The operating margin of the Logwin-Group at 3.4% (prior year: 3.6%) was at a satisfactory level in the light of the overall increasing freight rates during the year. Both business segments were able to contribute to the improvement in earnings in 2017.

Air + Ocean
At EUR 38.6m, operating result in the Air + Ocean business segment outperformed noticeably the prior-year period once again by 6.6% (prior year: EUR 36.2m). Successful handling of the existing business as well as acquisition of new business were able to offset the loss of existing business in 2017. The focus of sales and successful processing the longstanding operational efficiency in all parts of the organization provides the basis for this earnings performance. The new foreign subsidiaries established in the prior year along with the opening of various locations made initial contributions to raising business volume.

Solutions
The Solutions business segment generated an considerably increased operating result of EUR 6.5m in 2017 (prior year: EUR 5.3m), which represents an increase of EUR 1.2m. The improvement was essentially achieved by a noticeable increase in gross profit combined with considerably lower selling and administrative expenses. The operational stabilisation of critical locations as well as favourable volume developments among existing customers had a positive impact. By contrast, increased prices for sourcing transport capacity, a drop in efficiency in processing existing business and negative structural effects in the local retail sector in Germany led to a reduction in the business segment's EBITA during the reporting period. An impairment loss on real estate created an additional burden on the result.

in million EUR	2017	2016	*Absolute change*
Logwin Group	38.1	35.5	2.6
Margin	*3.4%*	*3.6%*	*–0.2%*
Air + Ocean	38.6	36.2	2.4
Margin	*5.1%*	*5.8%*	*–0.7%*
Solutions	6.5	5.3	*1.2*
Margin	*1.8%*	*1.4%*	*0.4%*

In addition to the two presented operating business segments, the EBITA of the Logwin Group includes the segment Others, which among others compromises holding companies.

Financial result and income taxes Net financial result improved considerably year-on-year to EUR -0.7m in 2017 (prior year: EUR -1.8m). This improvement was driven by the further decrease in interest expenses for current and non-current borrowings from EUR –2.3m to EUR –1.9m as well as the increase in financing income by EUR 0.7m from EUR 0.5m to EUR 1.2m. The increase of the finance income was mainly a one-off event due to the reassessment of lease liabilities. In contrast, the income tax expense increased considerably due to the absence of tax-related one-off effects in the prior year and due to the development of earnings from EUR –7.3m in the prior year to EUR –10.7m in the reporting period.

Net result In the 2017 financial year the Logwin Group's net result was EUR 26.7m (prior year: 26.4m) and exceeded the previous year's figure slightly by EUR 0.3m.

Financial position

Financial management in the Logwin Group The Logwin Group is essentially financed by equity and leasing as well as, if necessary, the factoring of receivables and, to a limited extent, by bank and other loans if necessary. The operating entities of the Logwin Group finance themselves primarily from operating cash flows or intragroup loans.

The Logwin Group reduced its financial liabilities from EUR 13.4m to EUR 11.1m as of 31 December 2017. Financial liabilities relate almost exclusively to finance lease obligations. The decrease is due to the scheduled payment of finance lease liabilities as well as their remeasurement.

Operating cash flows The Logwin Group reported cash inflows from operating activities of EUR 31.6m in financial year 2017 (prior year: EUR 32.8m). The slight drop is mainly due to the increase in trade receivables, which was offset by a lower increase in trade payables and a rise in the operating result.

Investing cash flows Logwin Group's cash flows from investing activities amounted to EUR –9.8m, EUR –3.6m below the prior year's cash flows (prior year: EUR –6.2m). The deviation was largely due to higher investments in the amount of EUR 3.9m in the Solutions business segment within the scope of new customer business. This was offset by an increase in proceeds from the disposal of non-current assets from EUR 0.2m to EUR 1.0m in the reporting period.

Net cash flow Thus, the Logwin Group generated a net cash flow of EUR 21.8m (prior year: EUR 26.6m).

Financing cash flows The cash flows from financing activities amounted EUR –7.9m in 2017 (prior year: EUR –4.0m) and primarily included the EUR –5.8m dividend payment to Logwin AG's shareholders (prior year: EUR 0.0m) in accordance with the resolution taken at Logwin AG's annual general meeting on payment of a dividend for the 2016 financial year. On the other hand, cash outflows for the repayment of liabilities from finance leases liabilities decreased to EUR –1.6m (prior year: EUR –2.4m) and dividends to non-controlling interests to EUR –0.3m (prior year: EUR –0.6m).

Net asset Position

Total assets The Logwin Group's total assets increased significantly from EUR 398.1m at the end of the prior year to EUR 423.8m as of 31 December 2017. The rise in total assets compared to the prior year was due in particular to an increase in current assets and current liabilities.

Non-current assets decreased slightly to EUR 118.9m in the reporting year (prior year: EUR 122.7m). Goodwill was again the main item, unchanged at EUR 66.8m (prior year: EUR 66.8m). Non-current assets also include property, plant and equipment of EUR 34.5m (prior year: EUR 36.5m), deferred tax assets of EUR 12.9m (prior year: EUR 14.2m) and other intangible assets of EUR 2.9m (prior year: EUR 2.8m).

The Logwin Group's current assets rose considerably to EUR 304.9m compared to EUR 275.4m as of the end of the prior year. The items under current assets include trade receivables of EUR 152.4m (prior year: EUR 136.2m) and cash and cash equivalents of EUR 127.6m (prior year: EUR 116.0m).

Equity The Logwin Group's equity amounted to EUR 155.1m at the end of the 2017 reporting year against EUR 139.1m in the previous year. The increase in equity mainly reflects the net result for the 2017 financial year of EUR 26.7m (prior year: EUR 26.4m). The dividend payment to the shareholders of the Logwin AG of EUR 5.8m reduced equity for the first time in the year under review. The equity ratio increased from 35.0% as of the previous year to 36.6% as of 31 December 2017.

Liabilities Non-current liabilities declined slightly from EUR 48.0m in the previous year to EUR 44.9m as of the end of 2017 as a result of the repayment and remeasurement of non-current liabilities from leases as well as due to the interest-related adjustment of provisions for pensions and similar obligations. Current liabilities increased from EUR 210.9m to EUR 223.8m as of 31 December 2017 and primarily consisted of trade accounts payable of EUR 168.4m (prior year: EUR 155.8m).

Cash and net liquidity Cash and cash equivalents of the Logwin Group came to EUR 127.6m at the end of the 2017 reporting year compared to EUR 116.0m as of 31 December 2016. Mainly as a result of the higher level of cash and cash equivalents, the Group's net liquidity increased again significantly from EUR 102.6m as of the end of the prior year to EUR 116.5m as of 31 December 2017.

Employees

The Logwin Group had 4,133 employees worldwide as of 31 December 2017, compared with 4,154 employees at the end of the prior year. Due to the sale of peripheral activities, among other reasons, the Solutions business segment employed 81 fewer people than in the previous year. This was offset by a rise in the number of employees in the Air + Ocean business segment by 42 staff compared to the prior year. This increase was driven by an growth-related expansion of global activities.

The number of employees in the Logwin Group in Germany fell from 1,888 to 1,870.

	2017	**2016**	*Absolute change*
Logwin Group	4,133	4,154	–21
thereof Air + Ocean	*2,539*	*2,497*	*42*
thereof Solutions	*1,406*	*1,487*	*–81*

Report on the Logwin share

The Logwin Share It was agreed in 2017 to restructure the Company's subscribed share capital through a reserve stock split at a ratio of 50:1, convert bearer into registered shares and to cancel treasury shares combined with a simultaneous increase in subscribed share capital. Additional information on the resolutions taken at the Annual General Meeting and Extraordinary General Meeting on 12 April 2017 is available at www.logwin-logistics.com/company/investors/annual-general-meeting.html.

Taking into account the reverse stock split at a ratio of 50:1, on all German stock exchanges, 98,520 no par value shares of Logwin AG were traded in the year under review. This was equivalent to a turnover of EUR 13.2m. Between the beginning and end of the reporting period, the price of the Logwin share rose from EUR 108.50 to a Xetra closing price of EUR 135.85. However, the significance of this share price development is limited due to the low volumes traded.

Share buyback program The Board of Directors of Logwin AG resolved on 29 February 2016 to commence with the share buyback program. The share buyback program is based on the authorisation granted at the Annual General Meeting held on 8 April 2015. As part of restructuring the share capital adopted on 12 April 2017, the Annual General Meeting authorised the Board of Directors once again to decide on the buyback of treasury shares by 31 March 2020. Prior to the reverse split, 40 no par value shares were acquired in the 2017 financial year (prior year: 224,261).

Key figures for the Logwin share

		31 Dec 2017	31 Dec 2016[1]
Closing price (Xetra)	*in EUR*	135.85	112.95
High/low 52 weeks	*in EUR*	155.85/108.50	114.50/72.50
Number of shares	*Units*	2,884,395	2,925,152
– thereof outstanding	*Units*	2,884,395	2,884,396
Market capitalization	*in million EUR*	391.85	325.80

[1] Prior year's comparative figures were adjusted by the reverse stock split carried out in April 2017.

Shareholdings The majority shareholder of Logwin AG is DELTON Vermögensverwaltung AG, Bad Homburg v. d. Höhe The members of the Board of Directors and the Executive Committee of Logwin AG did not hold any shares or options to purchase shares in Logwin AG as of 31 December 2017.

Company rating The rating by Standard & Poor's for the Logwin Group (corporate credit rating) improved in 2017 from 'BB-' to 'BB' with a stable outlook.

Subsequent events report

There were no events subject to reporting requirements that occured between 31 December 2017 and the preparation of the consolidated financial statements by the Board of Directors of Logwin AG on 27 February 2018.

Overall presentation of risks and opportunities

Risk management system

Objectives and strategy The Logwin Group has established a Group-wide risk management system in order to ensure the proper management of the company and to implement a determined risk policy at Logwin AG. This forms a key part of the planning and internal control system and is thus an essential element in managing and controlling the company. The aim of Logwin AG's risk policy is the timely and systematic identification of risks that can lead to a significant adverse deviation from forecasts or targets or may become a risk to the further existence of the company so that such risks can be avoided or their negative effects minimized by initiating prompt countermeasures. The systematic identification and analysis of opportunities is not a component of the Group-wide control and risk management system. Continuous close monitoring of business activities at various levels of management of the Logwin Group ensures that opportunities are identified and exploited.

Structure and process The risk management system is ensured by Group-wide policies and procedures that are set out in risk management guidelines. Risk owners in the business segments and holding companies identify and assess risks that can emerge in their areas. These are then systematically summarized depending on predetermined reporting threshold values and communicated to the relevant management levels in the business segments and to the Executive Committee and the Board of Directors of Logwin AG. Besides regular reporting at specified intervals, immediate reporting procedures for new significant risks play an essential part in the risk management system. Controlling and managing the risks is the responsibility of the risk owners, the relevant management levels in the business segments or the Executive Committee, depending on the degree of authority. These clearly defined processes and responsibilities do not just guarantee that all identified risks are duly addressed, but also ensure that the Executive Committee and the Board of Directors of Logwin AG are informed about all major risks.

Control and risk management system for other processes and systems and for the financial reporting process The risk management system was deliberately established as an instrument independent of other processes and systems. However, findings from this system are incorporated into various other processes and systems:

- In particular, thanks to local risk tracking by risk owners, matters relevant to compliance can also be reported and are then monitored by the compliance management system of the Logwin Group.
- In the context of strategic planning, budgeting and forecasting, it is necessary to define how to deal with certain risks within the planning horizon.

Conversely, the findings of other processes and systems must be taken into account in risk managreement, e.g. by entering issues that are reported through planning (strategic planning, budget or forecast). The Internal Audit department also performs audits. Depending on the matter at hand, audit findings can also be tracked as risks if necessary.

Besides the risk management guidelines, Group-wide accounting guidelines regulate the financial reporting process as a further feature of the internal control and risk management system. The financial reporting process in the Logwin Group reflects its decentralized organizational structure, i.e. at the business segment level, numerous in part system-based reconciliation and plausibility checks are used to monitor the individual Group companies with regard to their reporting preparations, (e.g. scheduling and assigning tasks, obtaining balance confirmations, assessing provisions) and also with regard to the preparation of the financial statements. Another element in the internal control system are the letters of representation presented by the management of each subsidiary regarding their annual financial statements. All input and work steps in the consolidation process are documented in the consolidation software, which is used Group-wide. Furthermore, the internal audit department is also involved in monitoring compliance with the accounting guidelines in selected cases.

Risiks

Taking into consideration the measures taken or planned, the risks identified across the Group do not – either individually or in interaction with one another – affect the Logwin Group's ability to continue as a going concern. Partial changes in individual opportunities and risks do not have a material effect on Logwin Group's overall risk profile for the 2018 financial year, which – in the management's view – will not change materially compared to the prior year. The following sections first describe the risks and then the opportunities that could have a material effect on Logwin Group's earnings, financial and net asset position. Unless otherwise stated, these descriptions apply to all business segments.

Overview As a global logistics service provider, the Logwin Group faces macroeconomic or political risks along with risks arising from operating business activities. Moreover, financial, legal and regulatory as well as other risks could conceivably also affect its business performance. The Logwin Group has – in accordance with legal requirements – set up a comprehensive risk management system. The system's objective is to systematically identify and manage risks early on, which could negatively impact earnings or lead to deviations from the budget, or cast significant doubt on the Group's ability to continue as a going concern. The possibility cannot be excluded that the risk management system could prove to be inadequate or inefficient, and that unrecognised risks or negative developments could materialize in the Group's course of business activities or not be identified quickly enough in order to prevent them from materializing. As a result, the Logwin Group's net assets, financial situation and earnings position may be significantly affected.

Macroeconomic and political risks Macroeconomic and political risks The performance of the global economy and of world trade is of crucial importance for the demand for logistics services and thus for the business performance of the Logwin Group. Material risks therefore lie in global economic developments and in particular in the euro zone economy and the Asian economies. In this regard, there is the particular risk of a serious impact from the decline in economic growth in China. The introduction of trade barriers in the short- and medium-term and efforts to restrict free trade for political reasons can also have a significant negative effect. According to the assessment of the management, risks relating to Brexit are of minor significance for the Logwin Group. Even though the decision as to whether and, if so, what trade agreement the UK will join following Brexit could have a major impact on the (previously) free movement of goods, services, persons and payments between the UK and EU member states, this play only a minor role in the Logwin Group. No appreciable effects from the current diplomatic negotiations are expected in the 2018 financial year for the primary intercontinental import and export business to and from the UK.

A significant decline in economic momentum in relevant economic areas, economies and sectors, such as the textile industry or certain segments in wholesale and retail trade, would lead to a fall in in the Logwin Group's customer demand for logistics services in individual or all Logwin operating units, which could make it necessary for the Logwin Group to take corrective measures. Exchange rate changes can also have a significant impact on trade flows and thus on the market size for intercontinental air and ocean transport.

The Logwin Group monitors the relevant general economic developments with the aim of anticipating the effects of negative macroeconomic developments early on and minimizing the repercussions for its financial position and performance by managing the respective exposure and, if possible, adapting the business model.

Terrorist incidents in many parts of the world often also target key traffic and transshipment points on global trade routes. This can lead to short-term disruptions and medium-term changes in trade flows owing to security considerations of the customers of the Logwin Group. These changes in transport volumes and the growing importance of economic embargoes and sanctions in global international relations can have a significant negative impact on the net asset, financial and earnings position. The Logwin Group reduces its risks in this regard by diversifying its global activities and the day-to-day, risk-minimizing management of its customers' transport volumes.

Risks arising from operating business activities The business activities of the operating units of the Logwin Group are subject to a variety of risks worldwide. These are explained in more detail in the sections below.

Market and customer risks
Many customers who have launched cost reduction programs become even more cost-conscious and consequently demand reduced prices from their logistics service providers. This can result in existing logistics contracts being re-examined and an increasing number of contracts being put out to tender. This applies especially to the Solutions business segment, which is highly dependent on individual large customers. There is the risk for the Logwin Group that these customer measures will have an adverse effect on its earnings situation. Thanks to the high quality of services and the cost savings achieved in recent years, the Logwin Group is still able to meet rising requirements and to hold its ground against its competitors.

In various customer contracts, liability and investment risks are transferred to the Logwin Group as the service provider, or penalties for failure to render contractual services are agreed as a condition for commencing business relations. These may lead to risks significantly exceeding the basic legal warranty risk, which could have a negative impact on the net assets, financial situation and earnings position of the Logwin Group. The Logwin Group minimizes these risks by means of comprehensive controlling at contract and branch level. Furthermore, potential risks are identified early on within the risk management process and immediately counteracted.

In the Air + Ocean business segment, there is a key risk of a lasting slowdown in the long-term growth trends in the area of air and ocean freight. Due to the very low industry concentration and the global oversupply of air and ocean freight capacity, fiercer competition for stagnating air and ocean freight volumes can further increase pressure on margins. With high service quality and intensive efforts to continuously acquire new customer business, the Air + Ocean business segment is striving to counteract the erosion of its margins.

Procurement risks
Developments in industry-specific costs pose another considerable risk for the Logwin Group's earnings situation. There is a general risk in this regard that cost increases cannot always be passed on to customers immediately and in full, which could lead to a considerable reduction in earnings. As far as possible, this risk is taken into account through careful contractual arrangements and sufficient diversification with regard to the service providers and suppliers engaged.

A large part of the services provided by Logwin Group is rendered by subcontractors. The local and global availability of a diversified supplier market also in view of significant consolidation trends especially in the global shipping market, but also in terms of the intensified collaboration efforts among airfreight carriers is a prerequisite for the Logwin Group to provide customers with freight forwarding services at competitive prices. There is the risk that consolidation in the carrier market could impede the ability to sufficiently stand out from the competition, which can have a considerable impact on Logwin Group's earnings.

However, despite limited in-house transport capacity, there is the risk that the available transportation capacities and cargo space will be underutilised, particularly in the retail network of the Solutions business segment. The same is true, but not quite to the same extent, for firmly booked capacity in airfreight.

A noticeable increase in freight rates can also have considerable negative effects on the earnings position of the Logwin Group if higher rates cannot be fully passed on to customers in a timely manner. Furthermore, risks related to logistics real estate that is rented or otherwise held and remaining vacant could have a negative effect on the Logwin Group's net assets, financial and earnings position. The Logwin Group limits these risks through appropriate contract design and the continuous monitoring of ongoing business activities. Furthermore, established internal processes allow it to react quickly and flexibly to constantly changing circumstances.

There is also the risk of an increase in fuel and heating oil prices, particularly in connection with transportation services, but also for maintaining logistics real estate. Based on the currently low price level, there is the risk of significant prices rises in the medium term, which could lead to an unexpected and, in some cases, very abrupt increase in the cost of sales.

It is also important for the Logwin Group when providing seamless transportation and logistics services at different locations to have properly qualified staff at competitively appropriate conditions. In the event that sufficient appropriate staff are not or only restrictedly available at the company's locations, the Logwin Group faces the risk of not being able to provide its services as agreed due to increased labour costs, or only in a way that is economically unviable. This also applies to skilled experts in logistics in addition to the workforce in the commercial area. This could have a negative effect on the Logwin Group's business performance and profitability in the short, medium or long term. The Logwin Group mitigates this risk with intensive and systematic recruitment activities and various measures for the development and advancement of its employees. Furthermore, Logwin's reputation as an attractive employer is enhanced by, for example, taking part in recruitment fairs. In addition, regular health and safety management courses are hosted to help avoid health risks and potential accidents.

Technical risks
The availability of a functional IT infrastructure and IT applications is critically important for the economic performance of the Logwin Group. There are IT risks due to the possible outage of operational and administrative IT systems, which could significantly impede business processes and pose a threat to the Logwin Group's ability to continue as a going concern in the event of prolonged or sufficiently extensive disruptions. Existing and new threats to Logwin Group's data security and IT infrastructure are regularly assessed in order to limit IT risks. An increase in IT risks in the area of data and cyber security was observed in 2017. The rising number of new threats, such as ransomware attacks or discovery of vulnerabilities in the products of several IT infrastructure manufacturers, seems to indicate that the threats facing the Logwin Group have increased compared to the prior year. Therefore, the Logwin Group takes suitable protective measures to ensure and enhance the secure availability of IT services and functionality.

The outage of technical equipment such as automated storage technology for high-rise warehouses, ground conveyor vehicles and facilities or material flow computers can result in revenue shortfalls, liability and warranty risks for damage and quality defects. The Logwin Group is able to minimize these risks with regular maintenance and the continuous improvement of technical equipment and machinery.

Financial risks
Liquidity risks
The business operations of the operating units of the Logwin Group as a logistics provider require it to use loans, factoring and credit-related forms of finance, for example when renting or leasing infrastructure, transport equipment and other technical equipment and facilities over the short to medium term. Continuing restricted access to means of finance and guaranteed credit lines, insufficient availability of suitable receivables that can be sold in the factoring process or a sustained increase in the cost of such financing instruments could lead to considerable risks for liquidity and earnings at the Logwin Group.

The Logwin Group manages its liquidity risk by monitoring the current liquidity situation on a daily basis. Liquidity planning is used to determine future requirements and to analyze on a regular basis whether the Logwin Group is in a position to meet its financial liabilities by the agreed maturity dates. The Logwin Group also limits its liquidity risk through strict working capital management and financing from various sources. As of 31 December 2017, the Logwin Group had unused credit facilities of EUR 39.4m (prior year: EUR 39.5m). The Logwin Group can also utilize a contractually agreed maximum amount of EUR 45.0m from the factoring facility depending on the volume of receivables sold.

Note 33 to the consolidated financial statements on page 85 provides a maturity analysis of the financial liabilities.

Engaging in the transportation business on a global scale requires the possibility of guarantees and collateral being provided by generally recognized guarantors, for example to customs and tax authorities and in the process of handling air and ocean transports world-wide. The Logwin Group will be faced with liquidity and earnings risks if such established financial instruments are no longer available to the Logwin Group to a sufficient extent, or if the customary mechanisms underlying international financial business transactions fail to work. The risk is reduced by diversification and contractual agreements with leading financial service providers selected according to defined criteria.

Credit risk
There are credit risks arising from relationships with customers and banks, which could have a negative impact on earnings if they were to materialize. Credit risks arising from relationships with customers are minimized by detailed credit assessments and a restrictive allocation of credit periods. Furthermore, in nearly all countries trade credit insurance exists for the majority of customers. Credit risks resulting from relationships with banks (counterparty risk) are counteracted via diversification of banking relationships.

Allowances are made for possible default risks on trade accounts receivable and other financial assets. Please refer to note 20 on page 64 of the notes to the consolidated financial statements for more information on the extent of loss provisions and the maturity structure of trade accounts receivable. On the other hand, assets that are neither past due nor impaired retain their full value. Unless stated otherwise, the carrying amount of financial instruments is their maximum default risk.

Currency risk
The companies of the Logwin Group generate revenues in various currencies in the course of carrying out their worldwide activities and therefore also recognize their assets in non-euro currencies. As a result, the Group is subject to ongoing currency risks. Moreover, between the companies of the Logwin Group there are internal financing balances in foreign currencies.

As a result, a significant risk to earnings and liquidity from the negative effects of exchange rate movements cannot be excluded.

Wherever feasible, the Logwin Group reacts to potential foreign exchange risks affecting liquidity by using hedging instruments. Taking into account hedging activities, a change in the respective functional currency of the group companies by +/– 10% in relation to the US dollar, the main foreign currency of the Logwin Group, as of 31 December 2017 would have an effect on the Group's net result of –/+ EUR 0.1m (prior year: –/+ EUR 0.1m).

Note 33 on page 86 contains a list of forward exchange contracts as of the end of the reporting period.

As the euro is the reporting currency of the Logwin Group, the financial statements of the companies are translated into euro, which is the functional currency of the Group, for the purposes of the consolidated financial statements. These translation-related foreign currency risks are typically not hedged in the Logwin Group. This can create a considerable impact on the presentation of the earnings position and net assets of the Logwin Group. The Logwin Group closely monitors the extent of the possible impact on an ongoing basis.

Interest rate risk
Interest rates can change after a prolonged phase of low interest rates as a result of various influential factors. Increased rates of interest can pose a risk to the earnings of the Logwin Group. As of 31 December 2017, the Group had financial liabilities subject to variable interest rates resulting from finance lease contracts. Based on the variable-interest, unhedged financial liabilities, a change in the rate of interest of +/– 100 basis points as of 31 December 2017 would have an effect on the financial result of –/+ EUR 0.1m (prior year: –/+ EUR 0.1m). These interest rate risks are closely monitored on an ongoing basis and tolerated at the current level.

Legal and regulatory risks The Logwin Group performs various customs and VAT-related processes on behalf of its customers as part of its cross-border, international transportation activities. Risks are involved in performing these processes and making the required customs or tax declarations. This applies especially when the Logwin Group is liable for the completeness and accuracy of such declarations, for example, when bearing joint and several liability. Considerable risks to the financial situation and earnings position of the Logwin Group arise in particular in cases where a customer is unable to settle its payment obligations. To limit these risks, these proceedings are handled by appropriately qualified personnel. Furthermore, the internal control and risk management system in place helps to counter possible threats early on.

Logwin Road + Rail Austria GmbH was served with a claim from the Austrian customs authorities in April 2010 demanding back payment of import VAT of around EUR 17m plus interest in connection with customs clearances that the company had performed with joint and several liability on behalf of customers in the period between December 2005 and March 2006. The exemption from import VAT granted at that time was now revoked since the consignee of the goods was allegedly a participant in a missing trader (VAT carousel) fraud. The relevant Logwin company lodged an appeal against the decision but it was unsuccessful. The customs office did not initiate its enforcement based on a confirmation of cover by the insurer in charge of the loss adjustment. In the remission procedure initiated, Logwin, also with reference to court rulings under European law, filed for the full remission of these payments plus interest as the company believes it is not at fault. As of the end of the reporting period, a remission of these payments is still considered to be more likely than not against the backdrop of favorable prospects. Therefore, as in the previous year, no liabilities have been reported in these financial statements to cover this matter. A confirmation of cover by the insurer in charge of the loss adjustment still exists if the liability of Logwin Road + Rail Austria GmbH has been recognized by declaratory judgment and the request for remission has been legally rejected. There could be considerable negative consequences on the Logwin Group's net asset and financial position if the remission procedure proves unsuccessful and the insurer fails to provide (sufficient) cover despite its confirmation of cover. The proceedings are expected to continue in the first half of 2018.

In an increasingly security-conscious environment, the possibility of the introduction of stricter security measures such as tighter import controls and controls in connection with air freight security cannot be excluded. It is difficult to assess what the effects of this might be for the logistics industry, but having to meet international security regulations would presumably result in increased costs and significantly higher investment requirements for additional security measures, which could then affect the financial and earnings position of the Logwin Group.

Country-specific risks can result, for example, from inconsistent interpretation, application and abrupt changes to legal, tax and customs regulations. This is not only the case for various emerging countries where the legal system does not yet conform to international standards (or only to a limited extent). It also applies to locally adopted implementing regulations of EU law, whose transposition sometimes differs greatly from country to country. Through the close monitoring of the development of global safety regulations and other legal frameworks, the Logwin Group strives to respond to additional requirements early on and to mitigate or avert the impact of additional expenses by adjusting customer agreements.

Moreover, in providing its services and running its own facilities, the Logwin Group is subject to the laws, rules and regulations prevailing in the countries where it operates, such as transportation licenses and occupational health and safety. Conditions and licensing requirements may restrict transportation and logistics activities. For a number of customer projects, the companies of the Logwin Group are dependent upon retaining their current licenses and permits at all times. Losing such authorization could significantly threaten the profitability of the customer projects concerned. The risks arising from this are constantly monitored by the risk owners in order to directly counter potential threats.

The contractually agreed acceptance of risks, principally warranties, indemnification and tax risks, remain in connection with winding up the business operations sold by the Logwin Group. If Logwin Group is held liable, this can have an considerably negative impact on the financial situation and earnings position of the Logwin Group. These risks are contractually limited as far as possible.

The Logwin Group is particularly affected by environmental laws and regulations in those areas where the provision of logistics services involves having to deal with potentially hazardous materials such as operating filling stations. In addition, various logistics facilities require the handling of hazardous goods. The logistics and transportation sector, at least in Germany and the rest of the EU, can be expected over the next few years to become the focal point of policies and laws on the environment and climate change. In this context, there are risks that will only be possible in part to offset the resultant cost increases through increased efficiency or to pass them on to customers in the form of higher prices. This could have a considerable impact on the Logwin Group's earnings and financial position. Ongoing monitoring and systematic reviews by the monitoring bodies and, in particular, by the quality management officers of the Logwin Group ensure the early identification and elimination of these risks.

Other risks The Logwin Group is exposed to the risk of claims for damages arising from breaches of duty by management. In addition, malicious acts such as theft, fraud, breach of trust, misappropriation of payments and corruption hold a high level of potential risk and can result in substantial damage both in material terms and to Logwin's reputation. In this context, the internal control system of the Logwin Group helps to reduce possible risks. Furthermore, the Logwin Group has defined a code of conduct with the aim of promoting the integrity of employee conduct and to prevent situations that are incompatible with these principles. The code of conduct is publicly available on Logwin Group's homepage and also firmly incorporated into the employment contracts of staff. There are regular information and training sessions on the code of conduct. Special online training was designed for senior managers and sales staff. Approximately 600 employees have successfully completed this course so far.

The Logwin Group accepts business risks in order to make use of market opportunities. Should these risks materialize, they could have material negative effects on the net assets, financial situation and earnings position of the Logwin Group. At EUR 66.8m, recognized goodwill as of 31 December 2017 is still the largest single item in the Logwin Group's non-current assets, and is for approximately 2/3 attributable to the Air + Ocean business segment. In compliance with the requirements of IAS 36, goodwill is subject to an impairment test. Prolonged performance that is weaker than anticipated in individual areas within the Logwin Group involves the risk that an impairment will have to be recorded for the goodwill recognized in the consolidated balance sheet ("impairment risk"). Another influential factor is the current and anticipated trend in interest rates. Sustained weak or weaker than anticipated performance of individual Logwin companies could require an additional adjustment of recognized deferred taxes. A lack of recoverability of non-current assets could have a negative influence on the net assets, financial situation and earnings position of the Logwin Group.

Compliance The Logwin Group attaches great importance to Group-wide compliance with national and international legislation, contractual agreements and the Group's internal policies. To firmly anchor this principle, the Logwin Group has formulated a code of conduct, which is binding for all employees in the Group. This code of conduct specifically defines general behavioral principles, requires employees to understand and comply with the relevant legislation, governs how to deal with business partners and public-sector institutions and sets out guidance on avoiding conflicts of interest. The Board of Directors of Logwin AG has also adopted a Corporate Governance Charter, which is based on the Corporate Governance regulations of the Luxembourg Stock Exchange and sets out requirements for the governance of the Logwin Group and for ensuring compliance with related legislation. The Corporate Governance Charter of Logwin AG has been published on the Logwin Group's homepage. Please refer to the "Corporate governance" section of this management report.

To monitor compliance with compliance requirements, a compliance officer was appointed. Under the overall responsibility of the Executive Committee, a compliance management system was created in the 2016 financial year that forms the framework for the structured monitoring, assessment, management and tracking of compliance risks on the basis of defined risk fields. Comprehensive and recurring employee training in the form of classroom and online sessions complement the range of measures that is continuously being expanded.

Compliance activities are also supplemented by the work of the internal audit department. The focus here is on monitoring compliance with legislation and internal rules in addition to contractual agreements. Together with business segment representatives, the internal audit function carries out audits of selected locations and companies worldwide. External specialists and lawyers are involved in monitoring compliance with national legislation, with a particular emphasis on anti-corruption, compliance with tax and customs legislation, data protection and labor law. Overall, these measures have systematically expanded the Logwin Group's compliance organization in recent years. Nevertheless, the possibility of infringements against national or international regulations occurring, resulting in risks that could threaten the very existence of the Logwin Group, can never be excluded completely.

Opportunities

Macroeconomic and industry-related opportunities Besides the aforementioned risks, ongoing globalisation also provides the Logwin Group with certain opportunities. Further global economic growth will drive the growth of the logistics industry in the future as well. This is especially true for Asia, where trade flows with other regions and especially within the continent will increase further. In addition, market opportunities can arise in the shape of growth momentum provided by other countries experiencing strong growth in regions such as South America or the Middle East. Should the economic environment in key industrial regions, such as the US and Europe, develop even better than our forecast, this may also lead to unexpected growth momentum, as the business development of our customers determines the demand for storage and transport services. Accordingly, rising transport volumes in imports and exports as well as the positive development of freight rates can have a positive effect on the performance of the Logwin Group. In addition, a positive macroeconomic development can provide additional business opportunities with existing and new customers.

Besides regional characteristics, growth impulses can also result from individual industries. Especially favourable developments in the automotive, consumer goods, chemicals or plant and mechanical and engineering sector can have a positive effect on the Logwin Group's business performance. Booming online trade represents a further opportunity for the Logwin Group. This is pushing the demand for the transport of goods and, thus, offers major growth potential for national and international transportation business.

Opportunities from operating activities Opportunities can be seized by taking advantage from the options provided by technological advances. Digital transformation provides new opportunities for the integration with customers and suppliers of the Logwin Group. This means market opportunities in a challenging and dynamic environment can be quickly and selectively seized and competitiveness can be improved. Furthermore, rising technological intensity in operational processes can help realise optimization potential so that, besides efficiency improvements, the increased use of modern, networked IT systems can lead to improved operational quality, an increased cost efficiency and a reduction of response times.

Opportunities can also be found in the continuous rise in productivity and cost transparency, as well as from leveraging synergy effects, which therefore are the focus of Logwin management's efforts.

The trend towards outsourcing logistics services continues unabated. Supply chains are becoming more complex and international, but also more prone to disruptions. Therefore, customers are looking for stable and integrated logistics solutions and seeking the support of specialized service providers. Should this trend continue, the Logwin Group could potentially seize further opportunities for growth.

There are opportunities in procurement, especially due to positive price development, such as for purchased transportation services, but also for fuel and heating oil prices.

Other opportunities Other opportunities may arise from acquisitions or by reassessment of the business operations. By constantly checking existing business as well as observing potential takeover targets, the Logwin Group seeks to identify any promising prospects early on and – after carefully weighing up the risks – seize such opportunities. Opportunities for improving the earnings position of the Logwin Group can also be found in potentially positive effects from movements in exchange rates or changes in interest rates.

Outlook

Economic forecast In line with leading economic forecasts, the Logwin Group anticipates that global growth in 2018 will be stable or increase slightly. Subdued positive economic development is expected overall in the euro zone. Overall, the German economy will continue to expand and is likely to see similar growth to 2017. For the Logwin Group, the development of individual subsectors in the German consumer market, particularly the textile and clothing sector, and the development of sectors highly dependent on imports and exports, will be of significant importance.

The possibility that key risk factors will affect the business performance of Logwin Group negatively is considered realistic and is therefore reflected in the assessment of further business performance. These risk factors include subdued growth expectations for the Chinese economy and continued the rise in political uncertainty in the US, East Asia as well as some European countries.

in million EUR	2017	Outlook for 2018
Revenues	1,119.1	Slight rise
EBITA	38.1	Moderate increase
Net result	26.7	Slight increase
Net cash flow	21.6	Significant increase
Net liquidity	116.4	Significant rise

	2017	Outlook for 2018
Headcount Employees (as of 31 December)	4,133	Moderate rise

Revenue expectations The Logwin Group anticipates slight revenue growth for 2018. Overall economic development in 2018 will play a key role in this context.

Air + Ocean
The economic development in the main markets of the Air + Ocean business segment in 2018 should also drive the continuation of the performance experienced in the prior years, as the freight rates for air and ocean freight are above the average rates of prior years. The sales efforts to gain new customers and expand business with existing customers continue to be actively pursued, along with pushing the expansion of our current network. However, as in previous years – in addition to the effect of volume developments for new and existing customers – revenues will heavily depend on freight rates and exchange rates in 2018. Based on the development in the last quarter of 2017, the Logwin Group assumes slightly rising performance in both air and ocean freight.

Solutions
Revenues in the Solutions business segment will decrease slightly due to the finalization of special projects in the 2018 financial year. New customer business and the growth in business with existing customers should help to largely compensate for this decline.

Earnings expectations Subject to the above conditions, once again the Logwin Group is aiming to achieve a moderate increase in EBITA in 2018 compared to the 2017 financial year. Net result will presumably increase slightly despite the absence of non-recurring finance income compared to the 2017 financial year.

Air + Ocean
Following the increase in earnings of the Air + Ocean business segment in the year under review, this earnings level should be maintained in 2018. The forecast is based on the prerequisite that it is possible to preserve business with existing customers as well as acquire new customers and, thus, further increase transport volumes accordingly. A scheduled IT rollout will reduce earnings due to the related non-recurring expenses. Market-based margin losses and declining volumes could also have a negative impact on earnings.

Solutions
Implemented measures for cost reduction and the enforcement of price increases should lead to a slight improvement in earnings for the Solutions business segment in 2018. Uncertainty with regard to the macroeconomic development and the performance of certain market segments, such as the textile, clothing and the automotive sectors, may pose a threat to achieving targeted earnings. This also applies in the event of termination of business relationships as a result of an even more competitive environment.

Liquidity development Logwin Group expects a significant increase in net cash flow in 2018, which will lead to a strong rise in net liquidity. Besides the expected increase in net result, this will be facilitated by ongoing working capital management in particular. This will be offset by rising investments especially in the Solutions business segment as well as in new IT systems.

Due to expected business expansion in the Air and Ocean business segment, the Logwin Group expects a slight increase in the number of staff in financial year 2018. The number of employees in the Solutions business segment is expected to remain largely unchanged.

Consolidated Financial Statements

Income Statement

In thousand EUR	2017	2016	Note/page
Revenues	1,119,116	990,155	8/52
Cost of sales	–1,027,958	–900,673	9/55
Gross profit	**91,158**	**89,482**	
Selling costs	–27,445	–28,189	9/55
General and administrative costs	–26,815	–27,906	9/55
Other operating income	7,103	7,198	10/55
Other operating expenses	–4,780	–5,078	10/55
Operating result before impairments	**39,221**	**35,507**	
Impairment of property, plant and equipment	–1,072	–	11/56
Operating result before goodwill impairment (EBITA)	**38,149**	**35,507**	
Goodwill impairment	–	–	
Net result before interest and income taxes (EBIT)	**38,149**	**35,507**	
Finance income	1,235	521	12/56
Finance expenses	–1,979	–2,334	12/56
Net result before income taxes	**37,405**	**33,694**	
Income taxes	–10,730	–7,340	13/57
Net result	**26,675**	**26,354**	
Attributable to:			
Shareholders of Logwin AG	26,264	25,930	
Non-controlling interests	411	424	
Earnings per share – basic and diluted (in EUR):			
Net result attributable to the shareholders of Logwin AG	**9.10**	**8.98**	
Weighted average number of shares outstanding	2,884,395	2,885,994	

*due to reverse stock split at a ratio of 50:1 the calculations were adjusted in accordance with IAS 33.64 for all periods presented

Statement of Comprehensive Income

In thousand EUR	2017	2016	*Note/page*
Net result	**26,675**	**26,354**	
Unrealized gains of securities, available-for-sale	4	7	
Gains/losses on currency translation of foreign operations	–4,592	944	
Reclassification of currency translation differences into profit or loss	–382	–	
Other comprehensive income that may be reclassified into profit or loss in future periods	**–4,970**	**951**	
Remeasurement of the net defined benefit liability	457	–2,162	*28/70*
Deferred tax from remeasurement of the net defined benefit liability	–130	538	*24/66*
Other comprehensive income that will not be reclassified into profit or loss in future periods	**327**	**–1,624**	
Other comprehensive income	**–4,643**	**–673**	
Total comprehensive income	**22,032**	**25,681**	
Attributable to:			
Shareholders of Logwin AG	21,866	25,327	
Non-controlling interests	166	354	

Statement of Cash Flows

In thousand EUR	2017	2016	*Note/page*
Net result before income taxes	37,405	33,694	
Financial result	744	1,813	*12/56*
Net result before interest and income taxes	38,149	35,507	
Reconciliation adjustments to operating cash flows:			
Depreciation and amortization	7,751	8,043	*9/55*
Result from disposal of non-current assets	252	–11	*10/55*
Impairment of property, plant and equipment	1,072	–	*11/56*
Other	–5,821	–3,219	
Income taxes paid	–7,210	–7,422	
Interest paid	–1,338	–1,451	
Interest received	436	521	
Changes in working capital, cash effective:			
Change in receivables	–22,527	–10,346	
Change in payables	20,914	11,334	
Change in inventories	–36	–147	
Operating cash flows	**31,642**	**32,809**	
Capital expenditures in property, plant and equipment and intangible assets	–10,408	–6,536	
Proceeds from disposals of consolidated subsidiaries and other business operations, net of cash and cash equivalents	–403	207	*14/58*
Proceeds from disposal of non-current assets	1,028	194	
Payments for acquisitions of subsidiaries	–46	–	
Other cash flows from investing activities	–	–105	
Investing cash flows	**–9,829**	**–6,240**	
Net cash flow	**21,813**	**26,569**	
Repayment of current loans and borrowings	–161	–454	*15/59*
Payment of liabilities from leases	–1,584	–2,396	*15/59*
Distribution to non-controlling interests	–341	–620	
Distribution to shareholders of Logwin AG	–5,769	–	
Payments for acquisitions of own shares	–	–449	
Other cash flows from financing activities	–68	–56	
Financing cash flows	**–7,923**	**–3,975**	
Effects of exchange rate changes on cash and cash equivalents	–2,287	751	
Changes in cash and cash equivalents	**11,603**	**23,345**	
Cash and cash equivalents at the beginning of the year	116,006	92,661	
Change	11,603	23,345	
Cash and cash equivalents at the end of the period	**127,609**	**116,006**	*23/66*

Balance Sheet

Assets *In thousand EUR*	31 Dec 2017	31 Dec 2016	*Note/page*
Goodwill	66,821	66,821	*16/60*
Other intangible assets	2,946	2,797	*17/62*
Property, plant and equipment	34,450	36,525	*18/63*
Investments	855	821	
Deferred tax assets	12,895	14,232	*24/66*
Other non-current assets	934	1,475	
Total non-current assets	**118,901**	**122,671**	
Inventories	2,518	2,786	*19/64*
Trade accounts receivable	152,399	136,228	*20/64*
Income tax receivables	1,794	1,319	*21/65*
Other receivables and current assets	20,592	19,098	*22/65*
Cash and cash equivalents	127,609	116,006	*23/66*
Total current assets	**304,912**	**275,437**	
Total assets	**423,813**	**398,108**	

Liabilities *In thousand EUR*	31 Dec 2017	31 Dec 2016	*Note/page*
Share capital	131,300	131,202	
Group reserves	23,104	10,580	
Treasury shares	–	–3,475	
Equity attributable to the shareholders of Logwin AG	**154,404**	**138,307**	
Non-controlling interests	663	838	
Shareholders' equity	**155,067**	**139,145**	*25/67*
Non-current liabilities from leases	9,356	11,574	*26/69*
Pensions provisions and similar obligations	31,080	32,729	*28/70*
Other non-current provisions	3,024	3,070	*29/75*
Deferred tax liabilities	802	315	*24/66*
Other non-current liabilities	641	336	*32/76*
Total non-current liabilities	**44,903**	**48,024**	
Trade accounts payable	168,367	155,786	
Current liabilities from leases	1,598	1,565	*26/69*
Current loans and borrowings	106	276	*27/70*
Current provisions	8,014	7,608	*30/75*
Income tax liabilities	4,513	2,441	*31/76*
Other current liabilities	41,245	43,263	*32/76*
Total current liabilities	**223,843**	**210,939**	
Total liabilities and shareholders' equity	**423,813**	**398,108**	

Statement of Changes in Equity

In thousand EUR	Equity attributable to		
	Share capital	Additional paid-in capital	Retained earnings
1 January 2016	**131,202**	**48,172**	**–64,223**
Net result			25,930
Other comprehensive income			–1,624
Total comprehensive income			**24,306**
Distributions			
Acquisition of own shares			
31 December 2016	**131,202**	**48,172**	**–39,917**
1 January 2017	**131,202**	**48,172**	**–39,917**
Net result			26,264
Other comprehensive income			327
Total comprehensive income			**26,591**
Distributions			–5,769
Offsetting of additional paid-in capital against share capital	98	–98	
Cancellation of own shares		–3,475	
31 December 2017	**131,300**	**44,599**	**–19,095**

The accompanying notes are an integral part of these consolidated financial statements.

the shareholders of Logwin AG						
Accumulated other comprehensive income						
Available-for-sale reserve	Currency translation reserve	Treasury shares	**Total**	Non-controlling interests	**Total share-holders' equity**	*Note/page*
–36	**1,340**	**–3,026**	**113,429**	**1,104**	**114,533**	
			25,930	424	26,354	
7	1,014		–603	–70	–673	
7	**1,014**		**25,327**	**354**	**25,681**	
			–	–620	–620	
		–449	–449		–449	*25/67*
–29	**2,354**	**–3,475**	**138,307**	**838**	**139,145**	
–29	**2,354**	**–3,475**	**138,307**	**838**	**139,145**	
			26,264	411	26,675	
4	–4,729		–4,398	–245	–4,643	
4	**–4,729**		**21,866**	**166**	**22,032**	
			–5,769	–341	–6,110	
			–		–	
		3,475	–		–	*25/67*
–25	**–2,375**	**–**	**154,404**	**663**	**155,067**	

Notes to the Consolidated Financial Statements as of 31 December 2017

General Information

Notes to the Income Statement

Notes to the Statement of Cash Flows

Notes to the Balance Sheet

Other Notes

General Information

1 Corporate information

The consolidated financial statements of Logwin AG, Grevenmacher, Luxembourg, ("Logwin AG" or "Logwin") for the financial year as of 31 December 2017, were authorized for issue by resolution of the Board of Directors on 27 February 2018, and under Luxembourg law are still subject to approval by the Annual General Meeting. Logwin AG, 5 an de Längten, L-6776 Grevenmacher, is a limited company incorporated and domiciled in Grevenmacher, Luxembourg, whose shares are publicly traded on the Frankfurt Stock Exchange. The majority shareholder is DELTON AG, Bad Homburg vor der Höhe, Germany, through its wholly owned subsidiary DELTON Vermögensverwaltung AG, Bad Homburg vor der Höhe, Germany.

As an integrated logistics service provider, the Logwin Group has a long-standing experience, specialized infrastructure and expertise in various sectors of industry and trade and assumes responsibility for its customers' supply chain management, warehousing, value added services and both local and global freight transportation by road, rail, air and ocean. The principal activities of the Group are described in note 8 "Segment reporting".

2 Statement of compliance with IFRS

The consolidated financial statements of Logwin AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. All standards of the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRS IC), formerly known as the International Financial Reporting Interpretation Committee (IFRIC) or Standing Interpretation Committee (SIC), whose application is mandatory for financial year 2017, have been applied.

3 Basis of preparation of the financial statements

The financial statements of the subsidiaries are prepared using uniform accounting policies and the same reporting date as the financial statements of the parent company.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale securities, which have been measured at fair value. The financial year of the Group corresponds to the calendar year. The consolidated financial statements are presented in euros (EUR). Unless stated otherwise, all figures are shown in thousands of euros (thousand EUR or EUR k). Due to rounding differences, information included in these financial statements may differ slightly from the actual figures by +/– one unit (EUR, % etc.).

LOGWIN

4 Consolidation principles

The consolidated companies include two domestic and 54 foreign companies as of 31 December 2017 (prior year: two domestic and 55 foreign companies) and have developed as follows:

	31 Dec 2016	Additions	Disposals	31 Dec 2017
Luxembourg	2	–	–	2
Germany	14	–	–	14
Other countries	41	–	1	40
Total	**57**	**–**	**1**	**56**

The disposal relates to the deconsolidation of Logwin Air + Ocean Switzerland AG effective 30 June 2017.

Please refer to page 92 for a list of shareholdings.

All intragroup balances, transactions, income, expenses, gains and losses are eliminated in full. Subsidiaries are fully consolidated from the time of acquisition, i.e., from the time at which the Group obtains control. They are no longer included in the consolidated financial statements when the parent company loses control over the subsidiary. Non-controlling interests represent the portion of net results and net assets of consolidated companies not held by the Group and are presented separately in the consolidated income statement, in the statement of comprehensive income, in the consolidated statement of changes in equity and within equity in the consolidated balance sheet – separately from the shares attributable to the shareholders of Logwin AG.

5 New accounting provisions

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have published new accounting provisions in recent years. The table below contains the new standards and interpretations that had to be applied for the first time for financial year 2017:

Standard/interpretation			Mandatory adoption (in the EU) for the annual period beginning on or after	Endorsement
Amendment	IAS 7	Initiative on disclosure	1 January 2017	Yes
Amendment	IAS 12	Recognition of deferred tax assets for unrealized losses	1 January 2017	Yes
Amendment	IFRS 12	Annual improvements on IFRSs – cycle 2014 – 2016	1 January 2017	Yes

The amendments to IAS 7 are intended to improve the information on changes in the level of debt of an entity. An entity must disclose changes in those financial liabilities for which cash receipts and payments are shown in the statement of cash flows under cash flows from financing activities. Related financial assets must also be included in the disclosures (e.g. assets from hedges). Disclosures include changes in cash and cash equivalents, changes due to acquisition or disposal of entities, exchange rate-related changes, changes in fair value and other changes. The IASB proposes that the disclosures are provided in the form of a reconciliation between the opening and closing balances in the balance sheet, but also permits other forms of presentation.

The amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses” result from the draft Annual Improvements 2010-2012. Unrealised losses on debt instruments measured at fair value, whose tax basis is cost, will now result in deductible temporary differences.

As part of the Annual Improvements 2014-2016 cycle, a change was made to IFRS 12 that clarified the scope of application of this standard.

Where the new or amended provisions were generally applicable to the Logwin Group, first-time adoption of the aforementioned provisions, besides expanded disclosure requirements pursuant to IAS 7, has not had any significant impact on the consolidated financial statements of Logwin AG.

Furthermore, the new or revised financial reporting standards described below have been adopted by the IASB and the IFRS IC; these standards were not yet mandatorily applicable in the 2017 financial year. The Logwin Group did not exercise the option of voluntary early application in the case at issue in the 2017 financial year.

Standard/Interpretation			Mandatory adoption (in the EU) for the annual period beginning on or after	Endorsement
New Standard	IFRS 9	Financial Instruments	1 January 2018	Yes
New Standard	IFRS 15	Revenue from Contracts with Customers	1 January 2018	Yes
Amendment	IFRS 15	Clarifications to IFRS 15	1 January 2018	Yes
New Standard	IFRS 16	Leases	1 January 2019	Yes
Amendment	IFRS 4	Applying IFRS 9 Financial Instruments	1 January 2018	Yes
Amendment	Various	Annual improvements on IFRSs – cycle 2014 – 2016	1 January 2018	Yes
Amendment	IAS 40	Transfers of Investment Property	1 January 2018	No
Amendment	IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	No
New Interpretation	IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	No
Amendment	IFRS 9	Prepayment Features with Negative Compensation	1 January 2019	No
Amendment	IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019	No
Amendment	Various	Annual improvements on IFRSs – cycle 2015 – 2017	1 January 2019	No
New Interpretation	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	No
New Standard	IFRS 17	Insurance Contracts	1 January 2021	No
Amendment	IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred indefinitely	No

The new or revised accounting regulations are expected to have the following effects on future consolidated financial statements of the Logwin Group. The actual impacts of adopting the standards may change because the Group has not finalized the testing and assessment of newly introduced processes and controls and the new accounting policies are subject to change until the Logwin Group presents its first financial statements that include the date of initial application.

IFRS 9 “Financial Instruments” sets out the requirements for recognizing, measuring and derecognizing financial instruments and for accounting for hedges, and replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The Group did not opt for early application of IFRS 9 in the consolidated financial statements as of 31 December 2017.

The requirements of IFRS 9 as compared to IAS 39 stipulate a new classification model for financial assets. Subsequent measurement of financial assets is in future based on three categories with different models of measurement and different recognition of changes in value. This involves financial assets being classified both based on the contractual cash flow characteristics of the instrument and also the business model in which the instrument is held. Depending on these conditions, financial assets are measured at amortized cost using the effective interest method (AC), at fair value through other comprehensive income (FVtOCI) or at fair value through profit or loss (FVtPL). These categories thus represent mandatory categories. Beyond this, entities can exercise certain options.

However, the previous requirements governing financial liabilities largely remain unchanged in IFRS 9. The only significant amendment relates to financial liabilities in the fair value option. For these liabilities, fair value fluctuations due to changes in the entity's own credit risk are to be recognized in other comprehensive income.

The new impairment model in IFRS 9 sets out three stages that will in future determine the losses to be recognized and the interest revenue. Accordingly, losses already expected at the time of acquisition are to be recognized in the amount of the present value of the 12-month expected credit loss (stage 1). If the credit risk increases significantly, the loss allowance has to be increased to an amount equal to the lifetime expected credit losses (stage 2). If objective evidence of impairment exists, interest revenue is to be recognized based on the net carrying amount (carrying amount less the loss allowance) (stage 3). However, lifetime expected credit loss measurement always applies for trade receivables and contract assets without a significant financing component.

In addition to extensive transition provisions, IFRS 9 also entails extensive disclosure requirements, both for transition and for continuing application. Changes compared to IFRS 7 "Financial Instruments: Disclosures" particularly concern the additional rules for impairment losses.

Based on an analysis of the Group's financial assets and liabilities as of 31 December 2017 and the facts and circumstances existing at this time, management has made an assessment of the effects of IFRS 9 on the consolidated financial statements, which is presented below.

Based on the analyses conducted, the new classification requirements have no material effects on the financial reporting of cash and cash equivalents, trade receivables, other financial assets, forward contracts held for trading and financial liabilities. In future, these financial assets and liabilities are reported as they are currently under IAS 39. Through application of the new classification model, there is a change in reporting of instruments of the category "available for sale" (AfS) recognized under financial assets. Securities classified as available for sale pursuant to IAS 39 with a fair value of EUR 680k (prior year: EUR 692k) and equity instruments measured at amortized cost of EUR 175k (prior year: EUR 129k) as of 31 December 2017 are held on long-term, strategic grounds. The option for FVtOCI has not been used. Because of this, all changes to fair value will be recognized through profit or loss in future. Cumulative profit previously recognized in other comprehensive income is reclassified to the opening balance of retained earnings at the time of transition. Application of the new classification model does not have any significant effects on Group equity as of 1 January 2018.

The new impairment provisions of IFRS 9 include financial assets measured at amortized cost and financial guarantees not recognized in the balance sheet.

Based on the analyses conducted, impairment losses will probably not change significantly in future compared to the impairment losses recognized according to IAS 39. According to information currently available, application of the new impairment provisions will lead to an calculated decline of EUR 0.1m in impairment losses on the transition date.

For trade receivables (including contract assets), the new impairment model will be applied whereby for all instruments, irrespective of their credit quality, a loss allowance is to be recognized at an amount equal to the expected credit losses over the remaining life. Credit risks within each group are segmented according to common credit risk attributes. As a rule, this is based on an external credit risk rating. Receivables which have been sold to a factoring company are measured using the rating of the factoring company provided that the purchase limit for the individual customer or the total amount of receivables has not been exceeded. In this case, the individual rating with the customer concerned is used as reference. Estimated expected credit losses are calculated based on historical knowledge of actual credit losses. These figures are adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data is collected, the current conditions and the Group's view of economic conditions over the expected term of the receivables. Additionally loss given default (LGD) rates are taken into account which are derived from historical values of recovery rates.

The estimated impairment of cash and cash equivalents and other financial instruments recognized at amortized costs has been calculated based on expected losses within twelve months and reflects the short maturities. This estimate is based on external ratings and assumes that the cash and cash equivalents and other financial instruments recognized at amortized costs have a low credit risk and that application of the impairment requirements of IFRS 9 as of 1 January 2018 will lead to an insignificant rise in impairment losses compared to current impairment losses recognized according to IAS 39. Changes in credit risk are monitored through observations of published external credit ratings.

As there were no hedge accounting activities practiced at the reporting date, the application of the new provisions for hedge accounting in IFRS 9 has no effect on the consolidated financial statements.

The aim of IFRS 15 “Revenue from Contracts with Customers” is to bundle the existing provisions for revenue recognition uniformly and comprehensively into a single standard. The standard will in future thus replace all previous provisions on revenue recognition. Furthermore, additional qualitative and quantitative information is required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

With the transition to IFRS 15, the Logwin Group intends to apply the modified retrospective method in its consolidated financial statements, whereby the cumulative adjustments are recognized as of 1 January 2018. This method involves the adjustment effects from the contracts not yet fulfilled as of 31 December 2017 being recognized directly into equity as retained earnings. A review of the significant customer contracts in the Logwin Group revealed that the implementation of IFRS 15 will not have any material effects on the consolidated financial statements of Logwin. Retained earnings as of 1 January 2018 will increase by 0.1 million as a result of the transition.

This increase is mainly due to a transition in the method of revenue recognition in the international freight forwarding business from recognition at a point in time to recognition over time. Revenue in this context has hitherto been recognized, pursuant to IAS 18.25, at the point in time at which service acts of considerable significance within the scope of a transport contract are rendered. By contrast, pursuant to IFRS 15.31, an entity shall recognize revenue from a service contract when it satisfies a performance obligation by transferring a promised service to a customer. A performance obligation is considered satisfied over a specific period of time if the customer continually receives the benefit from the entity’s service and simultaneously receives and uses the benefits while the service is performed. For transport services, this results in recognition of revenue over time. As well as this transition to recognition of revenue over time, there will be changes to the balance sheet, e.g. due to the recognition of contract assets and, in individual cases, contract liabilities, as well as additional quantitative and qualitative disclosures in the notes.

In IFRS 16 “Leases”, the IASB, together with the FASB, intends to develop recognition criteria that are compatible with the definitions of assets and liabilities in the framework. Contrary to the current requirements for lessees in accordance with IAS 17, IFRS 16 no longer differentiates between operating leases and finance leases, and instead requires all leases to be recognized in the form of rights of use and corresponding lease liabilities. Based on its analyses to date, the Logwin Group expects the first-time adoption of the new regulations to have a substantial impact on the presentation of its assets, liabilities, financial position and financial performance. This comprises an expanded balance sheet to reflect higher non-current assets and higher lease liabilities as well as a partial shift of lease expenses from cost of sales, selling costs and general and administrative expenses to finance costs. In addition, extended quantitative and qualitative information on the amount, timing and uncertainty of cash flows will be required. In the 2017 financial year, an IT-based analysis of the leases in the Logwin Group was initiated. Based on the data recorded, which are still being validated, an analysis is expected in the second quarter of 2018 of how the application of IFRS 16 will affect the consolidated financial statements. The Logwin Group will presumably apply the standard for the 2019 financial year according to the modified retrospective method, i.e. there will be no adjustment to the prior year's figures.

Based on current information, the new regulations listed below are not applicable to the Logwin Group and will therefore not have an effect on the asset, liabilities, financial position and financial performance of the Group:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- IFRS 4 – Application of IFRS 9
- IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The other new and revised requirements are currently not expected to have a material impact on the future financial statements of the Logwin Group.

6 Significant accounting judgements and estimates

The preparation of financial statements requires management to make certain estimates and assumptions and hence accounting judgments that affect the amounts of assets and liabilities recognized at the end of the reporting period and the income and expense items for the reporting period. Actual amounts may differ from these estimates, leading to a risk that an adjustment to the carrying amounts of assets or liabilities might be required in subsequent financial years.

Uncertainties exist in connection with the goodwill impairment test that has to be performed at least once a year, since expected future cash flows, sustainable growth rates and an appropriate weighted cost of capital (WACC) must be considered for the discounted cash flow method used for this purpose. The components of the WACC are the risk-free interest rate, the market risk premium, the so-called beta factors, country risk premiums, the spread for the credit risk and the debt ratio. The carrying amount of recognized goodwill as of 31 December 2017 amounted to EUR 66.8m (prior year: EUR 66.8m). Please refer to the explanations in note 16 “Goodwill.”

Additional estimates are required in actuarial calculations of the value of provisions for pensions and similar obligations with regard to the assumptions used. Their carrying amount as of 31 December 2017 is EUR 31.1m (prior year: EUR 32.7m). Please refer to note 28 “Provisions for pensions and similar obligations.”

Estimates also have to be made with regard to the recognition of deferred tax assets and expectations regarding future taxable profits and about how these will be offset against tax loss carryforwards or, where applicable, existing deferred tax liabilities. Their carrying amount at the end of the reporting period is EUR 12.9m (prior year: EUR 14.2m). Please refer to note 24 “Deferred taxes.”

Assumptions also have to be made with regard to the useful life of property, plant and equipment and other intangible assets and their recoverability has to be assessed for accounting purposes. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Management accounting judgments also include the decision as to whether development costs meet the conditions for capitalization as internally generated intangible assets, in particular software.

A test for the impairment of trade accounts receivable is also necessary. Management must assess to what extent the significant risks and rewards are transferred to the factoring company in order to report receivables sold in the course of factoring appropriately in the balance sheet. Please refer to note 7, "Summary of significant key figures and accounting policies" – under "Factoring" – for information on the reporting of factoring in the consolidated financial statements.

To distinguish between finance leases and operating leases, it must be assessed to what extend risks and rewards associated with the leased asset are transferred to the lessee.

In addition, with respect to the recognition of provisions, the Group has to make assumptions regarding the probability and amount of expected outflows of assets. In this context, there are also references to management's assessment of the litigation risks arising from a customs law case involving Logwin Road + Rail Austria GmbH and relevant explanations in note 35 "Contingent liabilities and lawsuits."

7 Summary of key performance indicators and significant accounting policies

Foreign currency translation

The consolidated financial statements are presented in euros, which is Logwin AG's functional currency and the Group's presentation currency.

The assets and liabilities of group companies with a functional currency other than the euro are translated into euros using the mean exchange rate in effect at the reporting date and revenues and expenses are translated at the average rate during the financial year. Exchange rate gains or losses on foreign currency translation are reported as a separate item under shareholders' equity. On disposal of a foreign operation previously included in the scope of consolidation, the cumulative amount reported in equity relating to that particular foreign operation is recognized in profit or loss for the period.

The following table shows the development of the exchange rates of the major currencies used in the consolidated financial statements:

		Average rate		Closing Rate	
Currency		2017	2016	31 Dec 2017	31 Dec 2016
1 EUR =					
Australian dollar	AUD	1.4729	1.4886	1.5346	1.4596
Brazilian real	BRL	3.6039	3.8616	3.9729	3.4305
Chinese renminbi	CNY	7.6267	7.3496	7.8044	7.3202
British pound	GBP	0.8762	0.8189	0.8872	0.8562
Hong Kong dollar	HKD	8.8016	8.5900	9.3720	8.1751
Polish zloty	PLN	4.2564	4.3636	4.1770	4.4103
Singapor dollar	SGD	1.5583	1.5278	1.6024	1.5234
Thailand baht	THB	38.2802	39.0423	39.1210	37.7260
US dollar	USD	1.1293	1.1066	1.1993	1.0541
South African rand	ZAR	15.0421	16.2772	14.8054	14.4570

Business combinations

If the Logwin Group has obtained control, the Group recognizes business combinations using the acquisition method. In accordance with IFRS 10 "Consolidated Financial Statements," control exists if a group is subject to changing yields from its involvement in an investee or has a right to these yields and has the ability to influence these yields using its control over the investee. The statements of subsidiaries are included in the consolidated financial statements from the date at which the Group gains control until the date at which it ceases to have control. When it gains control of a subsidiary, the Logwin Group measures all identifiable assets, liabilities and contingent liabilities acquired at their fair values as of the acquisition date in accordance with IFRS 3.

The carrying amount of any non-controlling interests in the acquired company is calculated from the proportionate share held by the minority stakeholders in the fair value of the identifiable assets, liabilities and contingent liabilities. Acquiring additional interests in companies over which control was already achieved as a result of previous transactions (non-controlling interests) is deemed in terms of consolidation theory to be a transfer of equity between groups of shareholders. In this case, the acquisition costs for the additional shares are offset against the non-controlling interests to be derecognized. Any difference is offset against retained earnings without affecting profit or loss.

Goodwill acquired in a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities. Any gains resulting from a purchase at a price below fair value are directly recognized in profit or loss. Transaction costs are immediately recognized in profit or loss.

Revenue recognition

The Logwin Group generates revenues from its business segments by providing logistics and service solutions for industry and commerce. Revenues are recognized net of sales deductions at the time they have materialized according to IFRS. This is generally the case when there is clear evidence of an agreement, ownership has been transferred or the service has been rendered, the price has been agreed or can be determined, and there is adequate certainty of receipt of payment.

Revenues in the Air + Ocean business segment and in connection with providing transportation services in the Solutions business segment are primarily generated through the sale of combined logistics services to customers for which, in addition to the provision of own logistics services, significant transportation services from external carriers are purchased. Revenues are realized from transportation services in accordance with the terms of the contract of transportation. In addition, the Solutions business segment generates revenues from distribution and storage based on customer contracts. Revenues are realized when the customer uses the service.

When a contract with a customer has already been performed but not yet invoiced, accruals are made for the agreed revenue and for the future costs where necessary. These accruals are based on analyses of existing contractual obligations and the experience of the Group. For business transactions which do not themselves generate revenue but which are conducted in connection with the principal sales activities, all income is set off against the associated expenses that arise from the same business transaction in accordance with IAS 1.34, if this is a fair reflection of the character of the business transaction or event, for example customs clearance activities.

Interest income is reported for all financial instruments measured at amortized cost using the effective interest rate. Interest income is reported in the income statement as part of finance income.

EBITA

A core measure of earnings for the Logwin Group is EBITA (earnings before interest, taxes and amortisation). It is derived from revenues less cost of sales as well as selling, general and administrative costs. It also includes other operating expenses and income and impairment losses on property, plant and equipment.

Earnings per share

Earnings per share are calculated as a ratio of the net result for the period attributable to shareholders of Logwin AG to the weighted average number of shares outstanding. Dilution would arise if the result were reduced by potential shares from options and conversion rights. No such rights exist with regard to the shares of Logwin AG.

Net Cash flow

Another major control parameter for the Logwin Group is the net cash flow. The net cash flow in the Logwin Group is defined as the sum of the operating cash flows and investing cash flows.

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. Internally generated intangible assets are capitalized provided they meet the criteria for capitalization and the costs incurred exceed the materiality threshold. Otherwise costs are recognized in income in the period in which they are incurred. Subsequent measurement is performed at cost less any accumulated amortization and any accumulated impairment losses.

The amortization period and method and the residual value for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate, and treated as changes in accounting estimates. Amortization of intangible assets with finite useful lives is recognized in the income statement in the expense category consistent with the function of the intangible asset. Capitalized intangible assets are amortized over an economic useful life of between 3 and 10 years. Intangible assets with an indeterminable useful life are reviewed for recoverability annually.

Gains and losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement under other operating income or other operating expenses when the asset is disposed of.

Property, plant and equipment

Property, plant, and equipment are stated at the cost of acquisition, construction or production less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis, based on an economic useful life of between 10 and 50 years for buildings and 3 to 20 years for machinery, operating and office equipment.

The depreciation period, the depreciation method and the residual value for an item of property, plant and equipment are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate, and treated as changes in accounting estimates. Depreciation of property, plant and equipment is recognized in the income statement in the expense category consistent with the function of the asset.

An item of property, plant, and equipment is derecognized upon its disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and recognized in the period the item is derecognized under other operating income or other operating expenses.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired (please see also note 6 “Significant accounting judgments and estimates”). An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use. The recoverable amount is calculated for each individual asset unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount may be calculated for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. To determine the value in use, the estimated future cash flows from the continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market expectations of the time value of money and the risks specific to the asset. Where impairment losses on property, plant and equipment or intangible assets have a material impact on the earnings position of the Logwin Group, these are reported in a separate item in the income statement. Impairment losses on trade accounts receivable are reported in selling costs.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is determined. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized immediately in profit or loss for the period. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Special aspects relating to the impairment of goodwill
Goodwill is tested on the level of the business segments Air and Ocean and Solutions for impairment at least once a year or as necessary. The Logwin Group selected December 31 as the date of its annual goodwill impairment test. An impairment test is performed at any time there is an indication of goodwill impairment.

For the purpose of impairment testing, any goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Logwin Group's cash-generating units, or to the groups of cash-generating units, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Each unit to which goodwill is allocated
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a business segment determined in accordance with IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. In the Logwin Group, the cash-generating units are the business segments. An impairment loss is recognized in cases where the recoverable amount of the cash-generating unit is less than the carrying amount. Impairment losses on goodwill may not be reversed if the reasons for the impairments cease to exist.

Where part of a cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this way is measured based on the relative values of the fair value associated with the operation disposed of and the recoverable amount of the cash-generating unit retained.

Inventories

Inventories are stated at the lower of cost or net realizable value using the moving average method. Risks resulting from slow-moving items and from the obsolescence of inventories, as well as potential losses from pending supply agreements are reflected by writing down inventory items to their net realizable values.

Income taxes

Income tax receivables and income tax liabilities are calculated in accordance with IAS 12. In addition, deferred tax assets and deferred tax liabilities are reported in the balance sheet. Deferred income taxes result from temporary differences between the carrying amounts stated in the consolidated balance sheet and the taxation base of assets and unused tax loss carryforwards. Any future tax savings or tax charges that are likely to result from these differences are reported as assets or liabilities. Deferred tax assets are only stated to the extent that taxable earnings are likely against which the temporary difference or the loss carryforward can be offset. Where the savings or charges underlying the tax deferrals are recognized in equity, the creation or reversal of deferred taxes is also recognized in equity.

The relevant basis for assessment is valued at the rate of tax likely to be applicable at the time of realization. Country-specific tax rates are always applied for companies included in the consolidation. Thus a corporate tax rate of 15% plus the solidarity surcharge ("Solidaritätszuschlag") of 5.5% on corporate income tax is used to calculate deferred taxes for Germany as well as a local trade tax based on the local multiplier. When deferred tax assets exceed the amount of deferred tax liabilities, their recoverability is evaluated taking the probable development in earnings of the relevant group company into account.

Deferred tax assets and deferred tax liabilities are netted when they refer to income taxes that are assessed by the same tax authority for the same taxable entity.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, checks and short-term deposits. Cash equivalents are short-term, highly liquid financial investments with an original maturity of up to three months.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or an equity instrument of another entity. Financial instruments are initially recognized on the settlement date at fair value, plus transaction costs where applicable. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, bonds are subsequently measured at amortized cost using the effective interest method, interest-bearing loans are carried at the repayment amount. Gains and losses are recognized in the income statement when the liabilities are derecognized and through the amortization process.

Subsequent measurement is performed according to the categories to which the financial assets and financial liabilities are assigned in accordance with IAS 39. The Group determines the classification of its financial assets and financial liabilities when they are initially recognized and reviews this categorization at the end of each financial year.

Financial assets	Subsequent measurement	Changes in value
Held for trading or designated as at fair value through profit or loss	Fair Value	Realized and unrealized gains and losses are recognized in profit or loss.
Held-to-maturity	Amortized cost	Changes in value are not recognized in the income statement until the date of maturity. Recognized in profit or loss where the fair value falls below the carrying amount for a sustained period of time or to a significant extent (impairment) for reasons of credit quality.
Loans and receivables	Amortized cost	When bad debt risks are identified, value adjustments are performed on separate impairment accounts both on a case-by-case basis and in groups defined according to due dates (incurred loss model). Typically, a full value adjustment is assumed after 180 days. Derecognition is performed when uncollectible.
Available-for-sale	Fair value (if this can be reliably determined) or amortized cost	Changes in value are always recognized in equity and transferred from equity to profit or loss in the event of impairment or disposal.

Financial liabilities	Subsequent measurement	Changes in value
Held for trading or designated as at fair value through profit or loss	Fair Value	Realized and unrealized gains and losses are recognized in profit or loss.
At amortized cost	Amortized cost	Changes in value are recognized in profit or loss immediately.

The Group did not designate any financial assets or liabilities at fair value through profit or loss upon initial recognition. No reclassifications were effected between the categories during financial year 2017 and the prior year.

Financial assets are classified as held for trading when they are purchased for the purpose of sale or repurchase in the near future. Derivatives embedded in host contracts are accounted for separately and reported at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts were not designated as held for trading or at fair value. The Logwin Group examines key contracts when they are concluded with respect to embedded derivatives.

Foreign exchange forward transactions are used within the Logwin Group to offset the risk of changes in the value of the corresponding underlying business transactions resulting from market price fluctuations. These derivative financial instruments are classified as held for trading. The amortized cost of non-current financial assets and liabilities is calculated using the effective interest method.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The Group must have access to the principal or most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Logwin Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Assets and liabilities recorded at fair value must be classified according to the valuation technique applied. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the assets or liability that are not based on observable market data

In the Logwin Group, recognition at fair value applies to financial instruments classified as "held for trading" or "available for sale" and to non-financial assets if they were written down to their fair value less costs to sell after being tested for impairment or due to their classification as "held for sale".

Factoring

The Logwin Group is using a factoring program for major German group companies. It is a flexible form of financing in which the factoring company provides a facility which Logwin can use up to the agreed limit in return for the sale of trade accounts receivable. If the facility is not used or only partially used, receivables sold are stated in the balance sheet as trade accounts receivable. The utilization of the factoring facility is accounted for in the Logwin Group by reducing the receivables as substantially all risks and rewards from the receivables are transferred to the factoring company. Accordingly, cash flows resulting from using the facility are reported as operating cash flow in the line item "Net cash in-/outflow from utilizing or repaying the factoring facility" provided that a utilization or repayment of a previous utilization was performed in the reporting period. There are no material payment obligations to be expected from continuing involvement. There are no obligations to repurchase receivables.

Leases

The determination whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Logwin Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the start of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and the repayment of the lease liability so as to achieve a constant rate of interest on the residual carrying amount of the lease liability. Finance costs are expensed immediately.

If it is not sufficiently certain that ownership will pass to the Group at the end of the term of the lease, capitalized leased assets are depreciated over the shorter of the term of the lease or its useful life. Operating lease payments are recognized in the income statement as an expense over the lease term within the respective functional area.

Provisions

Provisions are recognized in accordance with IAS 37 when an obligation is present as a result of a past event and can be reliably assessed and it is likely that an outflow of resources will be required to settle the obligation. They are recognized in the amount of the probable utilization. Provisions with an expected residual term of more than one year are recognized at their present value.

Provisions for pensions and similar obligations

The Logwin Group has both defined benefit and defined contribution plans to meet pension obligations.

Defined benefit plans are reported as a liability according to IAS 19 under "Provisions for pensions and similar obligations". Pension obligations relate primarily to employees of group companies in Germany and are mainly vested benefits in connection with benefit plans closed in the past. Furthermore, all Austrian employees are entitled under Austrian law prior to 31 December 2002 ("Abfertigung alt"), in the event of retirement or involuntary termination of employment to severance pay ranging from 2 to 12 months of the last monthly salary depending on the period of service.

Defined benefit obligations are measured by independent actuaries in accordance with the projected unit credit method prescribed in IAS 19. Consequently, the present value of the pension obligations expected in connection with possible future benefits becoming payable is recognized as the pension provision for benefit entitlements, if the respective obligation has vested fully or pro rata temporis as of the measurement date on the basis of the pensionable service rendered. Actuarial assumptions in connection with discount rates, mortality rates, future salary and pension trends as well as turnover rates are taken into account when measuring the obligations.

Where there are plan assets, the pension provisions are calculated by netting these assets and the present value of the defined benefit obligation ("funding status"). If the obligation exceeds the plan assets (the plan assets exceed the obligation), the netted amount is referred to as the net defined benefit liability (asset). Remeasurements of the net defined benefit liability (asset) include actuarial gains or losses from the obligation as well as returns on plan assets not included in interest income. They result from differences between the actual development compared to the prior-year assumptions as well as changes in assumptions, and are recognized in equity. The service costs are reported under operating expenses and the amounts resulting from unwinding of the discount on the obligation netted with the interest income from plan assets are included in the financial result. Actuarial reports are prepared each year.

In addition to the defined benefit plans there are also defined contribution plans. These generally include the statutory pension insurance applicable in Germany and some other countries. Contributions paid into these defined contribution plans are recognized as expenses in the financial year.

8 Segment reporting

The classification of segments is made according to the business segments of the Logwin Group. The segment structure reflects the current organizational and management structure of the Logwin Group. This means that reporting is in line with the requirements of IFRS 8.

The Air + Ocean business segment provides worldwide transportation and logistics solutions with a focus on intercontinental air and sea freight, frequently in connection with upstream and downstream value added services. The Air + Ocean business segment draws on an international network that is divided into the three regions Europe Middle East Africa, Americas and Asia. As a specialist in contract logistics, the Solutions business segment offers individual customer- and industry-oriented solutions in the retail sector as well in the area of industrial contract logistics with a focus on the chemical and automotive sectors. The solutions range from supply chain management, transportation and warehousing through to logistical value added services and complete outsourcing projects. The business also maintains special networks for the fashion and consumer goods industries ("Retail Network").

Transactions between the segments are made at "arm's length", identical with transactions with third parties. The information on the business segments is reported after consolidation of intrasegment transactions. Transactions between the segments are eliminated in the column "Consolidation". The result of each segment is measured by management based on operating result before goodwill impairment (EBITA). General expenses and income which cannot be directly allocated to the segments are shown in the "Other" column.

The tables below set forth segment information of the business segments for the periods from 1 January to 31 December 2017 and 2016.

2017 *In thousand EUR*	**Air + Ocean**	**Solutions**	**Other**	**Conso-lidation**	**Group**
External revenues	750,474	366,916	1,726	–	1,119,116
Intersegment revenues	2,700	1,294	3,121	–7,115	–
Revenues	**753,174**	**368,210**	**4,847**	**–7,115**	**1,119,116**
Depreciation	–2,239	–3,255	–2,257	–	–7,751
Operating result before impairments	**38,574**	**7,579**	**–6,932**	**–**	**39,221**
Impairment of property, plant and equipment	–	–1,072	–	–	–1,072
Operating result before goodwill impairment (EBITA)	**38,574**	**6,507**	**–6,932**	**–**	**38,149**
Goodwill impairment	–	–	–	–	–
Net result before interest and income taxes (EBIT)	**38,574**	**6,507**	**–6,932**	**–**	**38,149**
Financial result					–744
Income taxes					–10,730
Net result					**26,675**
Segment assets	166,951	96,153	16,813	–	279,917
Unallocated assets					143,896
Total consolidated assets					**423,813**
Segment liabilities	160,087	78,647	13,604	–	252,338
Unallocated liabilities					16,408
Total consolidated liabilities					**268,746**

2016 *In thousand EUR*	**Air + Ocean**	**Solutions**	**Other**	**Conso-lidation**	**Group**
External revenues	621,289	367,148	1,718	–	990,155
Intersegment revenues	2,047	1,923	3,125	–7,095	–
Revenues	**623,336**	**369,071**	**4,843**	**–7,095**	**990,155**
Depreciation	–2,524	–3,389	–2,130	–	–8,043
Operating result before impairments	**36,168**	**5,285**	**–5,946**	–	**35,507**
Impairment of property, plant and equipment	–	–	–	–	–
Operating result before goodwill impairment (EBITA)	**36,168**	**5,285**	**–5,946**	**–**	**35,507**
Goodwill impairment	–	–	–	–	–
Net result before interest and income taxes (EBIT)	**36,168**	**5,285**	**–5,946**	**–**	**35,507**
Financial result					–1,813
Income taxes					–7,340
Net result					**26,354**
Segment assets	161,121	86,516	17,470	–	265,107
Unallocated assets					133,001
Total consolidated assets					**398,108**
Segment liabilities	142,192	85,049	15,596	–	242,837
Unallocated liabilities					16,126
Total consolidated liabilities					**258,963**

Information according to geographical areas
The tables below present geographical information on revenues and specific items of non-current assets for financial years 2017 and 2016.

In thousand EUR	2017		2016	
Germany	503,721	45%	440,425	45%
Austria	193,558	17%	179,329	18%
Other EU	91,430	8%	69,635	7%
Asia/Pacific	271,684	24%	241,829	24%
Other	58,723	6%	58,937	6%
Total Revenues	**1,119,116**	**100%**	**990,155**	**100%**

Revenues from external customers are allocated according to the geographical location of the billing entity. In 2017 9.3%, or EUR 104.5m (prior year: EUR 108.1m) of the Logwin Group's total revenues accounts to a customer in the business segment Solutions.

In thousand EUR	31 Dec 2017		31 Dec 2016	
Germany	24,242	65%	24,103	61%
Austria	7,162	19%	7,544	19%
Luxembourg	2,489	7%	2,606	7%
Other EU	1,598	4%	1,868	5%
Asia/ Pacific	1,600	4%	2,239	6%
Other	305	1%	962	2%
Total non-current assets	**37,396**	**100%**	**39,322**	**100%**

Non-current assets are reported by location of the respective assets. They comprise property, plant and equipment and other intangible assets including finance lease contracts.

Notes to the Income Statement

9 Expenses by nature

In thousand EUR	2017	2016
Purchased services	–795,238	–673,118
Materials and supplies	–7,756	–7,808
Personnel expenses	–192,508	–190,365
Operating lease expenses	–39,011	–37,705
Depreciation and amortization	–7,751	–8,043
Sundry expenses	–39,954	–39,729
Total cost of sales, selling, general and administrative costs	**–1,082,218**	**–956,768**

Purchased services mostly comprise transportation services provided by third parties.

10 Other operating income and expenses

In thousand EUR	2017	2016
Foreign exchange gains	3,946	4,440
Gains from disposal of non-current assets	229	79
Sundry income	2,928	2,679
Other operating income	**7,103**	**7,198**

The position “Gains from disposal of non-current assets” include gains from the disposal of the swiss company of the Air + Ocean business segment.

In thousand EUR	2017	2016
Foreign exchange losses	–4,596	–4,149
Losses from disposal of non-current assets	–99	–68
Sundry expenses	–85	–861
Other operating expenses	**–4,780**	**–5,078**

Gains and losses from foreign exchange reflect the volume of business activities invoiced in foreign currencies. The net income / expense from foreign exchange gains and losses is as follows:

In thousand EUR	2017	2016
Foreign exchange gains	3,946	4,440
Foreign exchange losses	–4,596	–4,149
Foreign exchange effects, net	**–650**	**291**

11 Impairment of property, plant and equipment

In 2017 the Logwin Group recorded an impairment of property, plant and equipment of EUR 1,072k due to amended earnings expectations for a German logistics facility. For this purpose, the sites' value in use was calculated based on the expected cashflows and by discounting with an after-tax rate of 5.3%. The recoverable amount as of 31 December 2017 totaled to EUR 0k.

12 Financial result

The following table shows the composition of the financial result in financial years 2017 and 2016:

In thousand EUR	2017	2016
Finance income	**1,235**	**521**
Interest expenses from bank accounts	–571	–497
Interest expenses from finance leases	–318	–372
Net interest expense from the unwinding of the discount on defined benefit obligations and from the return on plan assets	–491	–687
Other interest expenses	–564	–653
Other finance expenses	–35	–125
Finance expenses	**–1,979**	**–2,334**
Financial result	**–744**	**–1,813**

Finance income in 2017 includes income from the revaluation of finance lease liabilities totaling EUR 799k.

Other interest expenses include guarantee commissions and interest expenses from the unwinding of the discount on other non-current provisions.

Other finance expenses include foreign exchange effects from group financing.

13 Income taxes

Tax expenses for the Logwin Group are as follows:

In thousand EUR	2017	2016
Current income taxes	–9,222	–6,629
Deferred income taxes	–1,508	–711
Total income taxes	**–10,730**	**–7,340**

Reconciliation of expected income tax expenses to the tax expenses in the income statement:

In thousand EUR	2017	2016
Net result before income taxes	**37,405**	**33,694**
Expected income taxes (tax rate 29.33%; prior year 31.47%)	**–10,971**	**–10,603**
Foreign tax rate differential	2,013	2,738
Expenses not deductible for tax purposes	–2,054	–2,048
Tax effects relating to prior periods	58	1,102
Change in valuation allowances and effects from not recognizing deferred tax assets	836	1,504
Other taxation effects	–612	–33
Total income tax expenses	**–10,730**	**–7,340**

The tax rate used of 29.33% (prior year: 31.47%) reflects the tax rate of Logwin AG.

Notes to the Statement of Cash Flows

14 Proceeds from disposals of consolidated subsidiaries and other business operations

Proceeds from disposals of consolidated subsidiaries and other business operations in 2017 include cash inflows from the sale of the swiss company of the Air + Ocean business segment as well as in 2017 and 2016 agreed subsequent purchase price adjustments for disposals from prior years.

In thousand EUR	**2017**	**2016**
Consideration received	301	207
Less cash and cash equivalents disposed of	–304	–
Payments	–400	–
Proceeds from disposals of consolidated subsidiaries and other business operations, net of cash and cash equivalents	**–403**	**207**

The following assets and liabilities were disposed of:

In thousand EUR	**2017**
Other non-current assets	125
Trade accounts receivable	610
Cash and cash equivalents	304
Other current assets	161
Assets disposed of	**1,200**
Trade accounts payable	794
Other current liabilities	116
Liabilities disposed of	**910**

15 Liabilities from financing activities

The following tables show the development of liabilities from financing activities of the Logwin Group which are included in financing cash flows:

In thousand EUR	Loans and borrowings	Liabilities from leases
1 Jan 2017	**276**	**13,139**
Cash effective	–161	–1,584
Non-cash effective:		
New finance lease agreements	–	159
Revaluation	–	–799
Foreign exchange effects	–9	39
31 Dec 2017	**106**	**10,954**

In thousand EUR	Loans and borrowings	Liabilities from leases
1 Jan 2016	**732**	**14,641**
Cash effective	–454	–2,396
Non-cash effective:		
New finance lease agreements	–	900
Revaluation	–	–
Foreign exchange effects	–2	–6
31 Dec 2016	**276**	**13,139**

Notes to the Balance Sheet

16 Goodwill

Allocation of goodwill to cash-generating units
The business segments are taken to be cash-generating units of the Logwin Group. The goodwill acquired in the course of business combinations has been allocated to the business segments as follows:

In thousand EUR	31 Dec 2017	31 Dec 2016
Air + Ocean	45,701	45,701
Solutions	21,120	21,120
Goodwill	**66,821**	**66,821**

In thousand EUR	Goodwill
Carrying amount as of 1 Jan 2016	**66,821**
Carrying amount as of 31 Dec 2016	**66,821**
Acquisition cost	220,578
Accumulated impairment	–153,757
Carrying amount as of 1 Jan 2017	**66,821**
Carrying amount as of 31 Dec 2017	**66,821**
Acquisition cost	220,578
Accumulated impairment	–153,757

Goodwill impairment testing

The Logwin Group performed its annual goodwill impairment test as of 31 December 2017. For the purpose of the goodwill impairment test, the recoverable amount of the cash-generating unit was determined on the basis of the calculation of the value in use using cash flow forecasts that are based on a financial plan covering a period of a maximum of five years. The financial plan is based on the business plans of the business segments.

The cash flow forecasts are based on the following underlying assumptions:

- Budgeted revenue growth rates: the anticipated growth rates of the industry, which is relevant for the respective business segment, are used to determine the budgeted revenue growth rates. Overall stable revenue growth was assumed over the coming years.
- Budgeted operating profit margins: the profit margins generated in the preceding years, increased for expected efficiency improvements, are used to determine the budgeted operating profit margins. Allowance was made here for the fact that developments in earnings will also depend on the economic situation. Deviations from planning were analyzed and taken into account where necessary in the form of discounts on the business plans presented. The amount of necessary discounts is reestablished in each case when the impairment test is performed.

The business plan of the Solutions business segment forecasts an EBITA margin of 2.1% for the last planning year (31 December 2016: 1.8%). The average EBITA margin of 2017 (actual) through to 2021 (plan) of 2.1% (31 December 2016: 1.9%) was taken as the sustainable EBITA margin to calculate the perpetual annuity. Beyond the five-year period the growth rate used was unchanged from the prior year at 0.75%. The expected cash flows of the business segment were discounted using a discount rate of 5.9% after tax (31 December 2016: 5.7%). This corresponds to an interest rate of 8.0% before tax (31 December 2016: 7.8%). A sustainable EBITA margin of 3.7% (31 December 2016: 3.1%) and an unchanged growth rate of 1.5% were used for the Air + Ocean business segment. The expected cash flows of the business segment were discounted using a discount rate of 6.5% after tax (31 December 2016: 5.7%). This corresponds to an interest rate of 8.4% before tax (31 December 2016: 7.6%).

The impairment test as of 31 December 2017 did not result in an impairment loss.

Assuming a decrease in the sustainable EBITA margin, which is assumed for the financial planning of the Solutions business segment, from 2.1% by 0.5% to 1.6% no goodwill impairment would be assigned to the Solutions business segment. A reasonably possible increase in the weighted average cost of capital of 1%, would not have led to any impairment loss. Both effects occurring together would also result in no goodwill impairment.

17 Other intangible assets

Amortization of intangible assets of EUR 319k is included in cost of sales (prior year: EUR 829k). A further EUR 52k (prior year: EUR 51k) relates to selling costs and EUR 636k (prior year: EUR 601k) to general and administrative costs. The other intangible assets of the Logwin Group do not include any internally generated assets as of 31 December 2017.

In thousand EUR	**Software, concessions and other licenses**
Acquisition cost	35,213
Accumulated impairment	–31,361
Carrying amount as of 1 Jan 2016	**3,852**
Currency differences	–3
Change in scope of consolidation	–
Additions	756
Disposals	–13
Amortization	–1,481
Impairments	–314
Carrying amount as of 31 Dec 2016	**2,797**
Acquisition cost	33,726
Accumulated depreciation	–30,929
Carrying amount as of 1 Jan 2017	**2,797**
Currency differences	–3
Change in scope of consolidation	–2
Additions	1,161
Disposals	–
Amortization	–1,007
Impairment	–
Carrying amount as of 31 Dec 2017	**2,946**
Acquisition cost	34,394
Accumulated depreciation	–31,448

18 Property, plant and equipment

Cost of sales includes depreciation of property, plant and equipment of EUR 5,218k (prior year: EUR 5,011k), while selling costs include depreciation of property, plant and equipment of EUR 177k (prior year: EUR 214k) and general and administrative costs include depreciation of property, plant and equipment of EUR 1,349k (prior year: EUR 1,337k).

In thousand EUR	Land and buildings	Machinery and equipment	Tools, fixtures, furniture and office equipment	Vehicle fleet	Construction in progress	Total
Acquisition cost	68,706	35,529	37,674	9,371	1,402	152,682
Accumulated depreciation and impairment losses	–47,398	–30,681	–31,453	–7,965	–	–117,497
Carrying amount as of 1 Jan 2016	**21,308**	**4,848**	**6,221**	**1,406**	**1,402**	**35,185**
Currency differences	2	6	19	8	1	36
Change in consolidation scope	–	–	–	–	–	–
Additions	191	597	4,353	2,696	157	7,994
Transfers	98	1,052	–1	177	–1,326	–
Disposals	–1	–19	–87	–21	–	–128
Depreciation	–1,727	–1,056	–3,246	–533	–	–6,562
Impairment	–	–	–	–	–	–
Carrying amount as of 31 Dec 2016	**19,871**	**5,428**	**7,259**	**3,733**	**234**	**36,525**
Thereof attributable to finance leases	*6,576*	*350*	*801*	*629*	–	*8,356*
Acquisition cost	68,654	36,961	37,883	11,351	234	155,083
Accumulated depreciation and impairment losses	–48,783	–31,533	–30,624	–7,618	–	–118,558
Carrying amount as of 1 Jan 2017	**19,871**	**5,428**	**7,259**	**3,733**	**234**	**36,525**
Currency differences	–5	–35	–82	–7	–	–129
Change in consolidation scope	–	–	–10	–	–	–10
Additions	599	711	2,307	3,095	147	6,859
Transfers	19	–	–	181	–200	–
Disposals	–98	–566	–218	–63	–34	–979
Depreciation	–1,595	–1,046	–3,085	–1,018	–	–6,744
Impairment	–940	–132	–	–	–	–1,072
Carrying amount as of 31 Dec 2017	**17,851**	**4,360**	**6,171**	**5,921**	**147**	**34,450**
Thereof attributable to finance leases	*5,355*	*14*	*647*	*471*	–	*6,487*
Acquisition cost	68,525	34,105	36,826	13,608	147	153,211
Accumulated depreciation and impairment losses	–50,674	–29,745	–30,655	–7,687	–	–118,761

As of 31 December 2017 and 2016, no property, plant and equipment was mortgaged to secure loans.

19 Inventories

Inventories primarily include packaging material and loading equipment with a value of EUR 2,518k (prior year: EUR 2,786k). No inventories were pledged.

In the reporting period, inventories of EUR 7,756k were recognized as an expense (prior year: EUR 7,808k).

In addition, an impairment charge of EUR 267k (prior year: EUR 298k) on packaging material was determined in the review of the recoverability of inventories. The impairments are included in full in the cost of sales.

20 Trade accounts receivable

In thousand EUR	31 Dec 2017	31 Dec 2016
Trade accounts receivable	**117,955**	**108,590**
Less allowance for doubtful accounts	–1,604	–1,643
Trade accounts receivable, net	**116,351**	**106,947**
Trade accounts receivable from factoring	36,048	29,281
Total trade accounts receivable	**152,399**	**136,228**

The allowances changed as follows:

In thousand EUR	2017	2016
1 January	**–1,643**	**–1,387**
Currency differences	74	–43
Additions	–645	–1,414
Utilization	201	562
Reversals	408	639
Change in scope of consolidation	1	–
31 December	**–1,604**	**–1,643**

These expenses are reported in the item “Selling costs” of the income statement. The impairment losses recognized are not based on a concentration on significant individual receivables.

The table below shows the aging of unimpaired trade accounts receivable:

In thousand EUR	31 Dec 2017	31 Dec 2016
Aging structure		
not overdue	88,492	84,651
< 10 days	18,627	14,881
11 – 30 days	4,565	3,786
31 – 90 days	3,848	3,012
91 – 180 days	819	535
181 – 360 days	–	82
> 360 days	–	–

As of 31 December 2017, trade accounts receivable not sold to the factoring company in the amount of EUR 80.2m (prior year: EUR 90.6m) were secured by credit insurance. Secured receivables are generally subject to a deductible of 10% (prior year: 10%).

21 Income tax receivables

As of 31 December 2017, income tax receivables of EUR 1,794k (prior year: EUR 1,319k) include no tax refunds from corporate income tax credits (prior year: EUR 68k).

22 Other receivables and current assets

In thousand EUR	31 Dec 2017	31 Dec 2016
Receivables from the sale of non-current assets	739	100
Input tax refund	2,693	3,917
Advance payments	15,853	13,437
Derivative financial instruments	261	505
Miscellaneous receivables and assets	1,046	1,139
Total other receivables and current assets	**20,592**	**19,098**

The miscellaneous receivables and assets as of 31 December 2017 include receivables from billing transport containers totaling EUR 735k (prior year: EUR 489k).

Other receivables and current assets are due within one year. As in the prior year, there were no material impairments of other receivables and current assets. With the exception of individual deposits required by operational business other receivables and current assets were not subject to pledging.

23 Cash and cash equivalents

In thousand EUR	31 Dec 2017	31 Dec 2016
Cash	96,672	90,406
Cash equivalents	30,937	25,600
Total cash and cash equivalents	**127,609**	**116,006**

Cash and cash equivalents comprise checks, cash in hand and bank balances as well as cash equivalents with a total maturity of up to three months from the date of acquisition.

As of 31 December 2017 cash and cash equivalents amounted to EUR 2.0m (prior year: EUR 2.1m), which the Logwin Group had at its disposal only after approximately two working days as a result of a settlement agreement.

Cash and cash equivalents mainly include short-term deposits by Logwin AG with DELTON AG of EUR 30.0m (prior year: EUR 25.0m).

24 Deferred taxes

Deferred tax assets and liabilities consist of the following:

	31 Dec 2017		31 Dec 2016	
In thousand EUR	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	860	29	1,008	32
Property, plant and equipment	1,043	1,858	1,107	2,201
Investments	73	8	67	4
Current assets	184	1,271	49	672
Provisions	6,178	25	5,837	1
Liabilities	3,317	27	2,008	21
Tax loss carry forwards	13,001	–	13,877	–
Valuation allowances	–8,802	–	–7,104	–
Retained earnings of domestic and foreign subsidiaries	–	543	–	–
Net amounts	–2,959	–2,959	–2,617	–2,617
Total deferred taxes	**12,895**	**802**	**14,232**	**315**

In the financial year 2017 the recognized deferred taxes changed as follows:

In thousand EUR	2017	2016
Deferred taxes, net as of 1 January	**13,917**	**14,117**
Change recognized in profit or loss	–1,508	–711
Change recognized in equity	–130	538
Currency and other differences	–77	–27
Change in scope of consolidation	–109	–
Deferred taxes, net as of 31 December	**12,093**	**13,917**

The change recognized in equity concerns both in 2017 and in the previous year exclusively deferred tax effects on revaluation of net liability for defined benefit plans.

As of 31 December 2017 the Logwin Group did recognize deferred tax liabilities of EUR 0.5m on temporary differences from retained earnings of domestic and foreign subsidiaries of EUR 14.8m. The Logwin Group did not recognize any deferred tax liabilities on temporary differences from retained earnings of domestic and foreign subsidiaries of EUR 9.3m (prior year: EUR 25.9m) because it is not probable that the differences will reverse in the foreseeable future. The potential impact on income taxes amounts to EUR 2.4m (prior year: EUR 3.1m).

Net deferred tax assets amounting to EUR 60k (prior year: EUR 8,320k) have been recognized despite tax losses in the reporting year or in the prior year due to the Logwin Group's expectation of sustained positive results based on the forecast figures on the taxable income of the relevant entities within a future period of five years. For the following temporary differences and unused tax losses no deferred tax assets have been recognized since it is not probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilized:

In thousand EUR	**31 Dec 2017**	**31 Dec 2016**
Tax losses	506,260	502,430
Deductible temporary differences	8,849	7,552
Total	**515,109**	**509,982**

Insofar as a tax assessment has been made, loss carry forwards are reported in accordance with this assessment. If no assessment has yet been made, the calculated value, or the value reported to the tax authorities, is used.

25 Shareholders' equity

Issued capital and authorized capital

By resolution of the Extraordinary General Meeting on 12 April 2017, the restructuring of subscribed share capital with redefinition of approved Capital of the Company by converting all existing shares of the Company into fractions of shares, with 50 fractions of a share representing one share. In addition the conversion of bearer shares into registered shares has been decided. As of 31 December 2017, after consolidation of the fractions of shares a total of 2,884,395 (prior year: 2,925,152*) fully paid-in no-par value registered shares issued with voting rights. 2,884,395 of these shares were outstanding (prior year: 2,884,396*). No shares were held as treasury shares as of 31 December 2017 (prior year: 40,756*). By resolution of the Extraordinary General Meeting on 12 April 2017 the treasury shares were canceled. Each share represents EUR 45.52 of issued capital. In addition, the authorized capital of Logwin AG amounted to EUR 68,700k as of 31 December 2017 (prior year: EUR 68,798k). The authorized capital consisted of 1,509,105 no-par non-issued shares (prior year: 1,533,848*).

* In accordance with IAS 33.64, the calculation was corrected based on the 50:1 share pooling for all periods presented

Profit/loss appropriation and capital reserves

The Annual General Meeting of Logwin AG on 12 April 2017 resolved the appropriation of the net income for the year as of 31 December 2017 in the form of a dividend payment of EUR 0.04 per share (before share consolidation, equals EUR 2.00 after share consolidation) for a total amount of EUR 5,769k as well as a transfer of EUR 613k to the legal reserve (prior year: EUR 1,251k). The remaining amount of EUR 5,882k appropriated into the retained earnings (prior year: EUR 23,768k).

Dividends

For the past fiscal year, the Bord of Directors proposes paying a dividend of EUR 2.50 per share to the shareholders in 2018. The dividend has yet to be decided by the shareholders at the Annual General Meeting on 11 April 2018 and has therefore not yet been recognized as a liability in this financial statements.

Retained earnings

Distributable retained earnings

According to Luxembourg law, a company must allocate at least 5% of the net result for the period as stated in the local financial statements to a legal reserve until the reserve equals 10% of issued capital of the company. As of 31 December 2017, this reserve in the amount of EUR 9,934k (prior year: EUR 9,320k) is presented in the statement of changes in equity of the Logwin Group as part of the retained earnings. The legal reserve cannot be distributed as a dividend.

Defined benefit plans

Remeasurements of the net defined benefit liability in the form of actuarial gains and losses as well as return on plan assets not included in interest income are recognized in equity and may not be reclassified to profit or loss in future periods. These amounts are recorded in retained earnings and amounted to EUR -10,858k as of 31 December 2017 (prior year: EUR -11,185k). The change of EUR 327k compared to the prior year relates completely to the remeasurement of the net defined benefit liability (prior year: EUR -1,624k) after deduction of the associated deferred taxes.

Accumulated other comprehensive income

Differences from the translation of the financial statements of subsidiaries with a functional currency other than the euro and the effects of the fair value measurement of available for sale securities are reported under shareholders' equity as accumulated other comprehensive income. The accumulated other comprehensive income of EUR -4,970k (prior year: EUR 951k) primarily resulted from the translation of the financial statements of subsidiaries. The amounts recognized in equity may need to be reclassified under certain circumstances to profit or loss in future periods.

Treasury shares

Based on the authorization granted by the Annual General Meeting held on 8 April 2015, the Board of Directors resolved a share buyback program on 22 December 2016 until 30 September 2017. As of 31 December 2016 Logwin AG held shares in total at a cost of EUR 3,475k. By resolution of the Extraordinary General Meeting from 12 April 2017 the cancellation of these shares took place. In the past fiscal year, 40 no-par-value shares were acquired prior to the share consolidation (prior year: 224,261). In connection with the restructuring of the share capital the Annual General Meeting on 12 April 2017 has anew empowered the Board of Directors to resolve a share buyback program until 31 March 2020.

26 Liabilities from leases

Within the Logwin Group certain items of property, plant and equipment are financed through finance leases. This mainly relates to buildings and vehicles to the extent that this is the favorable financing method. Interest rates and other interest conditions are fixed at the contract date. Some finance leases contain renewal options, purchase options and price adjustment clauses. Finance leases do not provide for contingent rent nor do they contain restrictions on the Group's activities concerning the distribution of dividends, additional debt or further leasing. The average term of leases is approximately 11 years.

The liabilities from leases represent the present value of the future minimum lease payments and are shown in the following table, classified by maturity:

	31 Dec 2017			
In thousand EUR	Current	1 to 5 years	Over 5 years	Total
Minimum lease payments	1,762	4,180	5,541	**11,483**
Finance costs	–164	–306	–59	**–529**
Present value of minimum lease payments	**1,598**	**3,874**	**5,482**	**10,954**

	31 Dec 2016			
In thousand EUR	Current	1 to 5 years	Over 5 years	Total
Minimum lease payments	1,869	6,501	5,915	**14,285**
Finance costs	–304	–729	–113	**–1,146**
Present value of minimum lease payments	**1,565**	**5,772**	**5,802**	**13,139**

27 Loans and borrowings

As of 31 December 2017, the Logwin Group had credit facilities (without guarantee facilities) amounting to EUR 39.4m (prior year: EUR 39.5m), which had not been drawn at the reporting date as well as at the end of the prior year. Furthermore, depending on the amount of sold receivables, a contractual limit of EUR 45.0m (prior year: EUR 45.0m) was available to the Logwin Group from factoring at the reporting date. As of 31 December 2017 as well as in the prior year the factoring facility was not utilized.

Loans and borrowings reported as of 31 December 2017 totaling EUR 106k (prior year: EUR 276k).

The interest rate on the utilized factoring facility and current loans and borrowings were variable and therefore at market level.

28 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are recognized due to plans for commitments for retirement, invalidity and survivors' pensions. The Logwin Group has both defined benefit and defined contribution plans.

Defined contribution plans

Under the defined contribution plans of the Group, payments in a total amount of EUR 298k to private pension insurance schemes were recorded in financial year 2017 (prior year: EUR 694k). In addition, contribution payments of EUR 7,898k (prior year: EUR 8,059k) were made to public pension insurance schemes.

Defined benefit plans

Defined benefit obligations mainly result from (funded and unfunded) pension commitments to employees, mostly of German group companies. The Logwin Group's obligations relate primarily to obligations from vested benefits in connection with benefit plans closed in the past. The benefits payable are mostly lifetime pension payments. In addition, there are legal claims of Austrian employees to severance payments.

A characteristic of the defined benefit obligations is that the Logwin Group grants the promised benefit level and thus bears the financing and longevity risk. If the obligations are partially or fully funded, the financing risk is replaced by the general market risk. As the Logwin Group's plan assets are primarily employer's pension liability insurance policies, direct insurance policies and pension trusts, the volatility of which is comparatively low, the risk is also low.

The net defined benefit liability recognized in the balance sheet is as follows:

In thousand EUR	31 Dec 2017	31 Dec 2016
Present value of the obligation	32,618	34,334
Plan assets	–1,538	–1,605
Net defined benefit liability (funding status)	**31,080**	**32,729**

The development of the net defined benefit liability in the current financial year and in the prior year is described in the following table:

In thousand EUR	2017	2016
Net defined benefit liability as of 1 January	**32,729**	**31,907**
Expense recognized in the income statement	968	1,170
Plan contributions and payments, net	–1,830	–2,487
Remeasurements recognized in equity	–457	2,162
Settlements	–243	–53
Other changes	-87	30
Net defined benefit liability as of 31 December	**31,080**	**32,729**

Other changes include primarily effects from the currency translation of the net defined benefit liability.

The change in the net defined benefit liability breaks down to the development of the present value of the obligation and the plan assets as follows:

In thousand EUR	2017	2016
Present value of the obligation as of 1 January	**34,334**	**33,460**
Current service cost	477	483
Interest expenses	515	722
Actuarial gains (-)/losses (+)		
due to changes in demographic assumptions	–	–
due to changes in financial assumptions	–248	2,414
due to experience adjustments	–261	–195
Payments from company assets	–1,788	–2,388
Payments from plan assets	–73	–146
Settlements	–243	–53
Other changes	-95	37
Present value of the obligation as of 31 December	**32,618**	**34,334**

In thousand EUR	2017	2016
Plan assets as of 1 January	**1,605**	**1,553**
Interest income on plan assets	24	35
Return on plan assets not included in interest income	–52	57
Contributions by the employer	42	99
Payments from plan assets	–73	–146
Other changes	–8	7
Plan assets as of 31 December	**1,538**	**1,605**

As of 31 December 2017, the plan assets consisted of employer's pension liability insurance policies of EUR 691k (prior year: EUR 731k), pension trusts of EUR 362k (prior year: EUR 383k), direct insurance policies of EUR 270k (prior year: EUR 312k), and other forms of insurance of EUR 215k (prior year: EUR 179k). The expected contributions to plan assets amount to EUR 44k in the following year.

The expenses for defined benefit plans recognized in profit or loss are as follows:

In thousand EUR	2017	2016
Service costs	–477	–483
Net interest expense	–491	–687
Total pension expenses	**–968**	**–1,170**

In 2017, of the total amount of expenses for defined benefit plans, EUR 329k (prior year: EUR 343k) was included in cost of sales, EUR 84k (prior year: EUR 87k) in selling costs and EUR 64k (prior year: EUR 53k) in general and administrative costs. The net interest expense from unwinding of the discount on the obligation as well as from the return on plan assets of EUR 491k (prior year: EUR 687k) is included in finance expenses

Actuarial assumptions

The following actuarial assumptions were used to calculate pension provisions and similar obligations:

	31 Dec 2017	31 Dec 2016
Discount rate	1.7%	1.6%
Wage and salary trend	2.5%	2.0%
Pension trend	1.6%	1.6%

Life expectancy was based on the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck for the German entities.

The discount rates were determined based on yields on high-quality corporate bonds which match the underlying obligations in terms of currency and maturity.

The wage and salary trends take into account inflation adjustments and career-related salary increases, and are based (similar to the turnover rates) on past experience and expectations for the future.

The pension trends either correspond to the contractually guaranteed pension adjustments or are based on the provisions in place for pension adjustments.

Changes in the principal actuarial assumptions would have had the following effects on defined benefit obligations:

	In thousand EUR	31 Dec 2017	31 Dec 2016
Discount rate	0.5 percentage points higher	–1,961	–2,184
	0.5 percentage points lower	2,197	2,451
Wage and salary trend	0.5 percentage points higher	116	210
	0.5 percentage points lower	–108	–195
Pension trend	0.5 percentage points higher	1,633	1,750
	0.5 percentage points lower	–1,488	–1,592
Life expectancy	Decrease in mortality rate by 10%	1,124	1,183

The sensitivity analyses presented take into account the change of one assumption, with the other assumptions remaining unchanged compared with the original calculation. This means possible correlations between the individual assumptions were not taken into account. The method used to calculate the sensitivities is the same method that is used to determine the present value of the defined benefit obligation.

In order to examine the sensitivity of the present value of the defined benefit obligation to changes in the assumed life expectancy, the mortality rates were lowered by 10% in a comparative calculation, which resulted in an increase in life expectancy of around one year (prior year: one year).

The weighted average duration of the defined benefit obligation based on the present values of the obligation is 13.62 years (prior year: 13.95 years).

The maturity profile of undiscounted payments of the defined benefit obligation is as follows:

In thousand EUR	31 Dec 2017	31 Dec 2016
Payments due within the next financial year	1,448	1,521
Payments due in 2 to 5 years	6,090	5,924
Payments due in 6 to 10 years	7,799	7,711
Payments due in 11 to 15 years	7,410	7,560
Payments due in 16 to 20 years	6,517	7,072
Payments due in more than 20 years	15,175	16,071

29 Other non-current provisions

In thousand EUR	Long-service bonus provisions	Other	Total non-current provisions
1 January 2017	**2,910**	**160**	**3,070**
Additions	284	–	284
Utilization	–259	–49	–308
Release	–22	–	–22
31 December 2017	**2,913**	**111**	**3,024**

In 2017, the interest portion from unwinding of the discount on the long-service bonus provisions amounted to EUR 25k (prior year: EUR 37k).

The other provisions mainly relate to provisions for vacancy costs.

30 Current provisions

In thousand EUR	Lawsuits and litigations	Onerous contracts	Warranties	Other	Total current provisions
1 January 2017	**566**	**92**	**1,787**	**5,163**	**7,608**
Additions	238	981	1,649	2,022	4,890
Utilization	–260	–12	–546	–1,795	–2,613
Release	–28	–	–624	–1,152	–1,804
Currency differences	–39	–	–3	–25	–67
31 December 2017	**477**	**1,061**	**2,263**	**4,213**	**8,014**

The reported provisions for lawsuits and litigations relate to various litigation risks.

Provisions for onerous contracts were recognized due to operating lease agreements in place, whose contractual obligations are not sufficiently covered by the expected economic benefit of the relevant locations.

The provisions for warranties primarily include provisions for freight and liability damage from operating activities.

The other current provisions include, among other things, various provisions for various contractual and recourse risks as well as provisions for outstanding invoices and customer bonuses.

31 Income tax liabilities

The recognized liabilities are calculated from accrued income tax expenses for financial year 2017 and prior financial years amounting to EUR 7,191k (prior year: EUR 5,188k), less prepayments made totaling EUR 2,678k (prior year: EUR 2,747k).

32 Other liabilities

In thousand EUR	31 Dec 2017	31 Dec 2016
Liabilities relating to personnel:		
Wages and salaries	16,705	17,559
Social security	1,318	1,465
Accrued vacation	2,695	2,681
Other taxes and levies	5,437	5,706
Advances received from customers	1,969	4,557
Derivative financial instruments	545	792
Other liabilities, accruals and deferred income	12,576	10,503
Total other current liabilities	**41,245**	**43,263**
Sundry other non-current liabilities	641	336
Total other non-current liabilities	**641**	**336**
Total other liabilities	**41,886**	**43,599**

Other liabilities and deferred income as of 31 December 2017 include liabilities from billing transport containers totaling EUR 566k (prior year: EUR 438k).

The remaining maturities of the financial liabilities included in other liabilities are shown below

In thousand EUR	31 Dec 2017	31 Dec 2016
Due within 1 year	21,479	22,918
Due 1 to 5 years	641	336
Other financial liabilities	**22,120**	**23,254**

Other Notes

33 Additional information on financial instruments

The following tables provide additional information on the financial instruments held by the Logwin Group. They show the financial assets and liabilities by IAS 39 measurement category as well as the balance sheet items containing financial instruments with the corresponding carrying amounts and the fair value.

Financial instruments by measurement category according to IAS 39

In thousand EUR	**Carrying amount 31 Dec 2017**	Amortized cost	Fair value through profit or loss	Fair value through OCI
Loans and receivables (LaR)	287,803	287,803	–	–
Available-for-sale (AfS)	855	175	–	680
Held for trading (HfT)	261	–	261	–
Financial assets	**288,919**	**287,978**	**261**	**680**
At amortized cost (FLAC)	190,050	190,050	–	–
Held for trading (FLHfT)	545	–	545	–
Financial liabilities	**190,595**	**190,050**	**545**	**–**

In thousand EUR	**Carrying amount 31 Dec 2016**	Amortized cost	Fair value through profit or loss	Fair value through OCI
Loans and receivables (LaR)	258,456	258,456	–	–
Available-for-sale (AfS)	821	129	–	692
Held for trading (HfT)	505	–	505	–
Financial assets	**259,781**	**258,585**	**505**	**692**
At amortized cost (FLAC)	178,523	178,523	–	–
Held for trading (FLHfT)	792	–	792	–
Financial liabilities	**179,316**	**178,523**	**792**	**–**

Carrying amount and fair values of financial instruments by item of the balance sheet
The following table reconciles the existing financial instruments to the corresponding items of the balance sheet and shows the respective measurement basis, carrying amount and the fair value as of the reporting date:

In thousand EUR	Measurement category in accordance with IAS 39	**Carrying amount 31 Dec 2017**	Carrying amount in accordance with IAS 39		Carrying amount in accordance with IAS 17	**Fair Value as of 31 Dec 2017**
			Amortized cost	Fair Value		
Assets						
Investments	AfS	**855**	**175**	**680**	**–**	**680**
Other non-current assets	LaR	**934**	**934**	**–**	**–**	**934**
Trade accounts receivable	LaR	**152,399**	**152,399**	**–**	**–**	**152,399**
	LaR	6,859	6,859	–	–	6,859
	HfT*	261	–	261	–	261
	n.a.	13,472	–	–	–	–
Other receivables and current assets	**Total**	**20,592**	**6,859**	**261**	**–**	**–**
Cash and cash equivalents	LaR	**127,609**	**127,609**	**–**	**–**	**127,609**
Liabilities						
Non-current liabilities from leases	n.a.	**9,356**	–	–	**9,356**	**9,297**
Other non-current liabilities	FLAC	**641**	**641**	**–**	**–**	**641**
Trade accounts payable	FLAC	**168,367**	**168,367**	**–**	**–**	**168,367**
Current liabilities from leases	n.a.	**1,598**	**–**	**–**	**1,598**	**1,580**
Current loans and borrowings	FLAC	**106**	**106**	**–**	**–**	**106**
	FLAC	20,935	20,935	–	–	20,935
	FLHfT*	545	–	545	–	545
	n.a.	19,765	–	–	–	–
Other current liabilities	**Total**	**41,245**	**20,935**	**545**	**–**	**–**

* The financial assets and liabilities held for trading comprise derivative financial instruments from currency hedges with positive or negative fair values. Changes in fair value are recognized in profit or loss.

In thousand EUR	Measurement category in accordance with IAS 39	**Carrying amount 31 Dec 2016**	Carrying amount in accordance with IAS 39		Carrying amount in accordance with IAS 17	**Fair Value as of 31 Dec 2016**
			Amortized cost	Fair Value		
Assets						
Investments	AfS	**821**	**129**	**692**	**–**	**692**
Other non-current assets	LaR	**1,475**	**1,475**	**–**	**–**	**1,475**
Trade accounts receivable	LaR	**136,228**	**136,228**	**–**	**–**	**136,228**
	LaR	4,747	4,747	–	–	4,747
	HfT*	505	–	505	–	505
	n.a.	13,846	–	–	–	–
Other receivables and current assets	**Summe**	**19,098**	**4,747**	**505**	**–**	**–**
Cash and cash equivalents	LaR	**116,006**	**116,006**	**–**	**–**	**116,006**
Liabilities						
Non-current liabilities from leases	n.a.	**11,574**	**–**	**–**	**11,574**	**11,703**
Other non-current liabilities	FLAC	**336**	**336**	**–**	**–**	**336**
Trade accounts payable	FLAC	**155,786**	**155,786**	**–**	**–**	**155,786**
Current liabilities from leases	n.a.	**1,565**	**–**	**–**	**1,565**	**1,702**
Current loans and borrowings	FLAC	**276**	**276**	**–**	**–**	**276**
	FLAC	22,125	22,125	–	–	22,125
	FLHfT*	792	–	792	–	792
	n.a.	20,345	–	–	–	–
Other current liabilities	**Summe**	**43,263**	**22,125**	**792**	**–**	**–**

* The financial assets and liabilities held for trading comprise derivative financial instruments from currency hedges with positive or negative fair values. Changes in fair value are recognized in profit or loss.

The fair values of financial instruments were determined based on the following methods and assumptions:

Available-for-sale financial assets were recognized at their fair value where their fair value could be reliably determined. In this case, the fair values of the available-for-sale assets were determined by the market inputs available at the reporting date in accordance with Level 1. The price of a publicly traded available-for-sale asset on the reporting date represents the fair value of the instrument.

The fair values of derivative financial instruments were determined in accordance with Level 2 of the fair value hierarchy using the quoted prices of the contracting parties and valuation techniques such as the present value method based on currently observable market data. The fair values of the currency derivatives were calculated using the respective spot rate and the yield curves of the respective currency. The fair values of interest rate swaps were calculated based on discounted future expected cash flows. Market interest rates for equivalent terms were used for discounting purposes.

The fair values for liabilities from lease agreements and other loans and borrowings with variable rates of interest were determined on the assumption that agreed rates of interest are equivalent to market interest rates. Consequently, their carrying amounts are deemed to match their fair values. Valuation models are used to calculate the fair values for liabilities from lease agreements and loans and borrowings with fixed interest rates. The inputs (interest rates) are based on observable market data.

The fair values of trade accounts receivable and payable, other current assets and liabilities that were allocated to the “Loans and receivables” category as well as cash and cash equivalents are deemed to match their carrying amounts owing to their short terms.

The following table provides an overview of the classification of the financial assets and financial liabilities of the Logwin Group that were recognized at fair value, in accordance with the fair value hierarchy:

31 Dec 2017 *In thousand EUR*	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	680	–	–	**680**
Forward exchange contracts held for trading	–	261	–	**261**
Liabilities				
Forward exchange contracts held for trading	–	545	–	**545**

31 Dec 2016 *In thousand EUR*	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	691	–	–	**691**
Forward exchange contracts held for trading	–	505	–	**505**
Liabilities				
Forward exchange contracts held for trading	–	792	–	**792**

There were no transfers between Level 1 and Level 2 in the financial and in the prior year.

Net results from financial instruments by measurement category

In thousand EUR	From interest	From subsequent measurement		Net result
		At Fair Value	Impairment	2017
Loans and receivables	421	–	–334	87
Available-for-sale financial assets	–	4	–	4
Financial assets held for trading	464	9	–	473
Financial liabilities measured at amortized cost	–220	–	–	–220
Financial liabilities held for trading	1,193	–49	–	1,144
Total	**1,858**	**–36**	**–334**	**1,488**

In thousand EUR	From interest	From subsequent measurement		Net result
		At Fair Value	Impairment	2016
Loans and receivables	506	–	–763	–257
Available-for-sale financial assets	–	7	–	7
Financial assets held for trading	526	7	–	533
Financial liabilities measured at amortized cost	–1,078	–	–	–1,078
Financial liabilities held for trading	391	3	–	394
Total	**345**	**17**	**–763**	**–401**

Please refer to note 12 “Financial result” for information on interest income and expenses. Gains and losses from subsequent valuation at fair value relate primarily to the valuation of derivative financial instruments held to hedge currency risks. Impairment losses include both write-offs for default and impairment of receivables.

Financial risks

Liquidity risks

The business operations of the operating units of the Logwin Group as a logistics provider require it to use loans, factoring and credit-related forms of finance, for example when renting or leasing infrastructure, transport equipment and other technical equipment and facilities over the short to medium term. Continuing restricted access to means of finance and guaranteed credit lines, insufficient availability of suitable receivables that can be sold in the factoring process or a sustained increase in the cost of such financing instruments could lead to considerable risks for liquidity and earnings at the Logwin Group.

The Logwin Group manages its liquidity risk by monitoring the current liquidity situation on a daily basis. Liquidity planning is used to determine future requirements and to analyze on a regular basis whether the Logwin Group is in a position to meet its financial liabilities by the agreed maturity dates. The Logwin Group also limits its liquidity risk through strict working capital management and financing from various sources. As of 31 December 2017, the Logwin Group had unused credit facilities of EUR 39.4m (prior year: EUR 39.5m). The Logwin Group can also utilize a contractually agreed maximum amount of EUR 45.0m from the factoring facility depending on the volume of receivables sold.

Note 33 to the consolidated financial statements on page 85 provides a maturity analysis of the financial liabilities.

Engaging in the transportation business on a global scale requires the possibility of guarantees and collateral being provided by generally recognized guarantors, for example to customs and tax authorities and in the process of handling air and ocean transports worldwide. The Logwin Group will be faced with liquidity and earnings risks if such established financial instruments are no longer available to the Logwin Group to a sufficient extent, or if the customary mechanisms underlying international financial business transactions fail to work. The risk is r educed by diversification and contractual agreements with leading financial service providers selected according to defined criteria.

Credit risks

There are credit risks arising from relationships with customers and banks. Credit risks arising from relationships with customers are minimized by detailed credit assessments and a restrictive allocation of credit periods. Furthermore, in nearly all countries trade credit insurance exists for the majority of customers. Credit risks resulting from relationships with banks (counterparty risk) are counteracted via diversification of banking relationships. Allowances are made for possible default risks on trade accounts receivable and other financial assets. Please refer to note 19 on page 64 of the notes to the consolidated financial statements for more information on the extent of loss provisions and the maturity structure of trade accounts receivable. On the other hand, assets that are neither past due nor impaired retain their full value.

Unless stated otherwise, the carrying amount of financial instruments is their maximum default risk.

Currency risks
The companies of the Logwin Group generate revenues in various currencies in the course of carrying out their worldwide activities and therefore also recognize their assets in non-euro currencies. As a result, the Group is subject to ongoing currency risks. Moreover, between the companies of the Logwin Group there are internal financing balances in foreign currencies. As a result, a significant risk to earnings and liquidity from the negative effects of exchange rate movements cannot be excluded.

Wherever feasible, the Logwin Group reacts to potential foreign exchange risks affecting liquidity by using hedging instruments. Taking into account hedging activities, a change in the respective functional currency of the group companies by +/– 10% in relation to the US dollar, the main foreign currency of the Logwin Group, as of 31 December 2017 would have an effect on the Group's net result of –/+ EUR 0.1m (prior year: –/+ EUR 0.1m).

As the euro is the reporting currency of the Logwin Group, the financial statements of the companies are translated into euro, which is the functional currency of the Group, for the purposes of the consolidated financial statements. These translation-related foreign currency risks are not typically hedged in the Logwin Group. This can create a considerable impact on the presentation of the earnings position and net assets of the Logwin Group.

Interest rate risks
Interest rates can change after a prolonged phase of low interest rates as a result of various influential factors. Increased rates of interest can pose a risk to the earnings of the Logwin Group. As of 31 December 2017, the Group had financial liabilities subject to variable interest rates resulting from finance lease contracts. Based on the variable-interest, unhedged financial liabilities, a change in the rate of interest as of 31 December 2017, by +/– 100 basis points would have an effect on the financial result of –/+ EUR 0.1m (prior year: /+ EUR 0.1m).

Maturity analysis of financial liabilities

The following cash outflows can be expected in the coming years to service financial liabilities:

In thousand EUR	31 Dec 2017		31 Dec 2016	
	Loans and Borrowings	Liabilities from leases	Loans and Borrowings	Liabilities from leases
Cash flow 1st year				
Interest	–	164	–	304
Redemption	106	1,598	276	1,565
Total	**106**	**1,762**	**276**	**1,869**
Cash flow 2nd year				
Interest	–	135	–	269
Redemption	–	1,506	–	1,548
Total	**–**	**1,641**	**–**	**1,817**
Cash flow 3rd year				
Interest	–	80	–	208
Redemption	–	1,355	–	1,432
Total	**–**	**1,435**	**–**	**1,640**
Cash flow 4th year				
Interest	–	50	–	160
Redemption	–	695	–	1,262
Total	**–**	**745**	**–**	**1,422**
Cash flow 5th year				
Interest	–	41	–	92
Redemption	–	318	–	1,530
Total	**–**	**359**	**–**	**1,622**
Cash flow after 5 years				
Interest	–	59	–	113
Redemption	–	5,482	–	5,802
Total	**–**	**5,541**	**–**	**5,915**

Trade accounts payable and derivative financial liabilities in existence at the reporting date that are not included in hedge accounting are always due within one year.

Forward exchange contracts

As of 31 December 2017, the Logwin Group had various forward exchange contracts to hedge the foreign exchange risk of the operating business and to secure Logwin AG's receivables or liabilities arising from group financing. The following table shows the major transactions:

In thousand EUR	31 Dec 2017 Nominal value in foreign currency	31 Dec 2017 Nominal value in euros	31 Dec 2016 Nominal value in foreign currency	31 Dec 2016 Nominal value in euros
Forward exchange contracts to hedge receivables of Logwin AG arising from group financing and the operating activities of group companies				
Sell				
AED	6,530	1,499	5,230	1,276
AUD	3,150	2,051	2,360	1,602
CHF	–	–	370	343
CNH	5,400	676	23,600	3,155
COP	903,000	249	–	–
CZK	4,000	156	18,650	686
GBP	3,315	3,695	2,300	2,651
HKD	28,900	3,144	30,500	3,539
HUF	313,800	1,011	189,000	606
MYR	–	–	500	108
PLN	550	130	250	56
SGD	–	–	1,000	653
THB	19,500	500	–	–
TRY	500	115	920	266
USD	5,940	5,006	3,380	3,163
Total		**18,232**		**18,104**
Forward exchange contracts to hedge liabilities of Logwin AG arising from group financing and the operating activities of group companies				
Buy				
AED	9,005	2,077	10,075	2,528
AUD	4,050	2,650	3,600	2,480
CHF	949	812	1,945	1,821
CNH	69,100	8,779	112,330	15,155
CZK	27,220	1,063	36,310	1,353
GBP	2,930	3,280	3,210	3,781
HKD	112,670	12,181	88,960	10,710
HUF	788,300	2,544	598,300	1,939
MYR	–	–	600	130
SGD	2,008	1,258	3,325	2,202
THB	2,000	52	–	–
TRY	2,980	674	920	265
TWD	17,000	486	17,000	514
USD	11,210	9,448	7,075	6,710
Total		**45,304**		**49,588**

The following table compares the fair values and the nominal amounts of the derivative financial instruments:

	31 Dec 2017		31 Dec 2016	
In thousand EUR	Nominal amount	Fair Value	Nominal amount	Fair Value
Assets				
Forward exchange contracts	24,469	261	21,070	505
Total	**24,469**	**261**	**21,070**	**505**
Liabilities				
Forward exchange contracts	39,067	545	46,622	792
Total	**39,067**	**545**	**46,622**	**792**

The assets are matched by liabilities from the valuation of the underlying financial transactions. Liabilities from forward exchange transactions are matched by assets from the valuation of the underlying internal financial transactions.

Netting agreements are set out in the master agreements in place with the banks through which derivative financial instruments are concluded. However, these netting agreements only take effect in the event of insolvency. The presentation of the net amount for accounting purposes is therefore not permitted, as there is only a theoretical right of set-off at the end of the reporting period. If it were permitted, offsetting would allow a total of EUR 261k (prior year: EUR 505k) of the recognized assets of EUR 261k (prior year: EUR 505k) to be offset against the recognized liabilities of EUR 545k (prior year: EUR 792k).

Capital management

The goal of the Logwin Group’s capital management is to preserve its financial stability and maintain an adequate equity level for Logwin AG. It can react to negative changes in the capital structure by adjusting its equity or debt resources in particular through the utilization of existing credit facilities and the factoring facility.

Medium and long-term financial decisions are checked for their impact on the capital structure of the Logwin Group. In addition, short and medium-term changes in the capital structure are systematically monitored by analyzing working capital. In addition to changes in absolute values, a key aspect here is relative changes and changes relative to relevant figures such as revenues.

The following items are covered by capital management:

In thousand EUR	31 Dec 2017	31 Dec 2016
Liabilities from leases	–10,954	–13,139
Loans and borrowings	–106	–276
Gross financial debt	**–11,060**	**–13,415**
Cash and cash equivalents	127,609	116,006
Net liquidity	**116,549**	**102,591**
Trade accounts payable	–168,367	–155,786
Other liabilities and current provisions	–52,925	–54,276
Trade accounts receivable	152,399	136,228
Income tax receivables/liabilities	–2,719	–1,122
Other non-current and current receivables and assets	21,526	20,574
Inventories	2,518	2,786
Working Capital	**–47,568**	**–51,596**
Shareholders' equity	**155,067**	**139,145**

34 Financial commitments

The following table shows all unrecognized financial commitments as of 31 December 2017 and 2016:

In thousand EUR	31 Dec 2017	31 Dec 2016
Due within 1 year	37,647	33,736
Due within 2 to 5 years	37,957	47,333
Due after 5 years	11,001	10,656
Total	**86,605**	**91,725**

Financial commitments comprise almost exclusively operating lease agreements. The Group has operating lease agreements predominantly for warehouses, other buildings and vehicles. Some of these leases contain renewal options, purchase options, escalation clauses or contingent rent payments. The average term of lease-contracts is between three and five years There are no resulting restrictions on the Group's activities concerning dividends, additional debt or the conclusion of further leasing contracts.

In financial year 2017, operating lease expenses amounted to EUR 39,011k (prior year: EUR 37,705k). In financial year 2017, the Group received EUR 1,816k (prior year: EUR 2,423k) from sub-leasing agreements. Furthermore rental income from Logwin's real estate portfolio amounted to EUR 906k (prior year: EUR 532k). None of the leases itself are of particular importance for the Logwin Group. For the next few years the Logwin Group plans with an amount of annual rental income as high as this year. The average contract period is about four years.

35 Contingent liabilities and lawsuits

It can be assumed that the contingent liabilities in respect of bank and other guarantees, letters of comfort and other liabilities arising in the ordinary course of business as of 31 December 2017 will not result in material obligations.

To the extent necessary, provisions are recognized for individual matters that could possibly lead to a claim. Beyond this, no claims are expected.

Logwin Road + Rail Austria GmbH was served with a claim from the Austrian customs authorities in April 2010 demanding back payment of import VAT of around EUR 17m plus interest in connection with customs clearances that the company had performed with joint and several liability on behalf of customers in the period between December 2005 and March 2006. The exemption from import VAT granted at that time was now revoked since the consignee of the goods was allegedly a participant in a missing trader (VAT carousel) fraud. The relevant Logwin company lodged an appeal against the decision but it was unsuccessful. The customs office did not initiate its enforcement based on a confirmation of cover by the insurer in charge of the loss adjustment. In the remission procedure initiated, Logwin, also with reference to court rulings under European law, filed for the full remission of these payments plus interest as the company believes it is not at fault. As of the end of the reporting period, a remission of these payments is still considered to be more likely than not against the backdrop of favorable prospects. Therefore, as in the previous year, no liabilities have been reported in these financial statements to cover this matter. A confirmation of cover by the insurer in charge of the loss adjustment still exists if the liability of Logwin Road + Rail Austria GmbH has been recognized by declaratory judgment and the request for remission has been legally rejected. There could be considerable negative consequences on the Logwin Group's net asset and financial position if the remission procedure proves unsuccessful and the insurer fails to provide (sufficient) cover despite its confirmation of cover. The proceedings are expected to continue in the first half of 2018.

36 Auditor's fees

The auditor's fees for the financial year covered the following services (amounts excluding out-of-pocket expenses):

	Auditors of Luxembourg companies		Auditor's network abroad	
In thousand EUR	**2017**	**2016**	**2017**	**2016**
Audit services	109	100	490	491
Tax services	-	-	2	29
Audit-related services	34	-	-	-
Other services	1	1	3	3
Total	**144**	**101**	**495**	**523**

37 Key management personnel compensation

The compensation of non-executive members of the Board of Directors and of members of the Executive Committee includes all amounts received from group companies. The fixed portion of the regular compensation also includes other compensation components. In 2017, payments in the amount of EUR 88k (prior year: EUR 103k) were made to a defined contribution pension plan for members of management.

In thousand EUR	2017	2016
Members of the Executive Committee	2,417	2,813
thereof fixed portion of regular compensation	*1,645*	*1,844*
thereof variable portion of regular compensation	*772*	*969*
Non-executive members of the Board of Directors (fixed compensation)	120	120

38 Related party transactions

Entities and persons are regarded as related parties if one party has the ability to control the other party or has an interest in the entity that gives it significant influence over the entity, if the party is an associate or if the party is a member of the key personnel of the entity or its parent.

In financial years 2017 and 2016, the Logwin Group rendered or received services to or from certain associated and affiliated non-consolidated companies as part of its ordinary operations. Furthermore, there were supply and service relationships with the parent company DELTON AG and its subsidiaries.

	Associated and affiliated, not consolidated companies		DELTON AG and its Subsidiaries	
In thousand EUR	2017	2016	2017	2016
Services provided	76	25	193	338
Services received	233	220	547	536
Receivables as of 31 December	27	14	4	2
Payables as of 31 December	190	–	100	62

Logwin AG also concluded a framework agreement for money market transactions with DELTON AG in the year 2016. Logwin AG had short-term deposits of EUR 30.0m (prior year: EUR 25.0m) with DELTON AG as of 31 December 2017; finance income amounted to EUR 28k (prior year: EUR 8k) in the reporting year.

The sole shareholder of DELTON AG, Mr. Stefan Quandt, is a shareholder in and Deputy Chairman of the Supervisory Board of BMW AG, Munich. He is a related party of BMW AG as defined by IAS 24 “Related Party Disclosures.”

In 2017, the Logwin Group's revenues from companies of the BMW Group amounted to EUR 29,816k (prior year: EUR 22,554k). Receivables from BMW Group amounted to EUR 4,464k as of 31 December 2017 (prior year: EUR 1,331k).

In addition, Logwin Group companies procured vehicles from the BMW Group, predominantly by leasing. This gave rise to expenses for the Logwin Group of EUR 1,370k in 2017 (prior year: EUR 1,469k). The liabilities to the BMW Group amount to EUR 70k as of 31 December 2017 (31 December 2016: EUR 19k).

Furthermore, there were transactions between the Logwin Group and members of its Board of Directors. In financial year 2017, these resulted in expenses for the Logwin Group in an amount of EUR 63k (prior year: EUR 42k).

All transactions with related parties were conducted under standard market conditions at arm's length.

39 Events after the reporting period

No material events occurred between 31 December 2017 and the preparation of the consolidated financial statements by the Board of Directors of Logwin AG on 27 February 2018 which would require reporting.

40 List of shareholdings

The table below lists all companies of the Logwin Group as of 31 December 2017:

	Share of capital
Solutions	
Logwin Solutions Management GmbH, DE-Großostheim	100.00%
Logwin Solutions Holding International GmbH, AT-Salzburg	100.00%
Logwin Solutions Austria GmbH, AT-Salzburg	100.00%
Logwin Solutions Network GmbH, DE-Großostheim	100.00%
Logwin Solutions Spain S.A., ES-Madrid	100.00%
Logwin Solutions Deutschland GmbH, DE-Großostheim	100.00%
Logwin Solutions Liechtenstein AG, LI-Eschen	100.00%
Logwin Solutions Neckartenzlingen GmbH, DE-Neckartenzlingen	100.00%
Air + Ocean	
Logwin Air + Ocean International GmbH, DE-Großostheim	100.00%
Logwin Air + Ocean Beteiligungs GmbH, DE-Großostheim	100.00%
Logwin Air + Ocean Deutschland GmbH, DE-Großostheim	100.00%
Logwin Air + Ocean UK Limited, GB-Uxbridge	100.00%
Logwin Air + Ocean Belgium N.V., BE-Antwerpen	100.00%
Logwin Air + Ocean Czech S.r.o., CZ-Mladá Boleslav	100.00%
Logwin Air + Ocean Hungary Kft., HU-Budapest	100.00%
Logwin Air + Ocean The Netherlands B.V., NL-Oude Meer	100.00%
Logwin Air + Ocean Poland Sp.z.o.o., PL-Piaseczno	100.00%
Logwin Air + Ocean Italy S.r.l., IT-Milano	51.00%
Logwin Air & Ocean Spain S.L., ES-Barcelona	100.00%
Logwin Air + Ocean Austria GmbH, AT-Salzburg	100.00%
Logwin Air and Ocean Lojistik Hizmetleri ve Ticaret Limited Sirketi, TR-Istanbul	100.00%
Logwin Air + Ocean Slovakia s.r.o. SK-Bratislava	100.00%
Logwin Air and Ocean South Africa (Pty.) Ltd., ZA-Johannesburg	100.00%
Logwin Air and Ocean Kenya Ltd., KE-Nairobi	60.00%
Leadway Container Depot (Pty) Ltd, ZA-Lynnwood	100.00%
Logwin Air & Ocean Hong Kong Ltd., HK-Hongkong	100.00%
Logwin Air + Ocean Taiwan Ltd, TW-Taipeh	100.00%
Logwin Air + Ocean Philippines Inc., PH-Paranaque City	100.00%
Logwin Air & Ocean Korea Ltd., KR-Seoul	100.00%
Logwin Air + Ocean China Ltd., CN-Shanghai	100.00%
Logwin Air + Ocean Shanghai Ltd., CN-Shanghai	100.00%
Logwin Air & Ocean Far East Ltd., HK-Hongkong	100.00%
Logwin Air + Ocean Singapore Pte. Ltd., SG-Singapore	100.00%
Logwin Air & Ocean Vietnam Company Limited, VN-Hochiminh City	100.00%
Logwin Air + Ocean Malaysia Sdn. Bhd., MY-Kuala Lumpur	100.00%
Logwin Air + Ocean (Thailand) Ltd., TH-Bangkok	100.00%
P.T. Logwin Air & Ocean Indonesia, ID-Jakarta	90.00%
Logwin Air & Ocean India Pvt. Ltd., IN-Mumbai	100.00%

Logwin Air & Ocean Australia Pty. Ltd., AU-Alexandria	100.00%
Logwin Air + Ocean Mexico S.A. de C.V., MX-Mexico-City	100.00%
Logwin Air + Ocean Colombia SAS, CO-Bogota	100.00%
Logwin Air + Ocean Brazil Logística e Despacho Ltda., BR-Sao Paulo	100.00%
Logwin Air + Ocean Chile SPA, CL-Santiago	100.00%
Logwin Air + Ocean Perú S.R.L. PE-Lima	100.00%
Logwin Air & Ocean Middle East LLC, AE-Dubai	60.00%
Other	
Logwin AG, LU-Grevenmacher	100.00%
Logwin Holding Immo Aschaffenburg GmbH, DE-Großostheim	100.00%
Logwin Air + Ocean Holding Austria GmbH, AT-Salzburg	100.00%
Logwin Road + Rail Austria GmbH, AT-Salzburg	100.00%
Thiel AS Logistics AG, LU-Grevenmacher	100.00%
Logwin Road + Rail Deutschland GmbH, DE-Großostheim	100.00%
Logwin Holding Aschaffenburg GmbH, DE-Großostheim	100.00%
Logwin Finance GmbH, DE-Großostheim	100.00%
Logwin Solutions Holding Deutschland GmbH, DE-Großostheim	100.00%
Logwin Service GmbH, DE-Großostheim	100.00%
Aschaffenburger Versicherungsmakler GmbH, DE-Großostheim	100.00%
Not consolidated	
Logwin Air and Ocean Simesonke (Pty.) Ltd., ZA-Spartan-Kempton Park	100.00%
Leadway Freight Ltd. HK-Hongkong n.o.	100.00%
Logwin Forwarding Malaysia Sdn. Bhd., MY-Kuala Lumpur	49.00%
A + O Distribution Corporation, PH-Paranaque City	100.00%
Supply Chain International Ltd., NZ-Auckland	33.00%
East West Freight Limited, HK-Hongkong	100.00%
Leadway Container Line Ltd., SG-Singapore	100.00%
Lippe Logistik Verwaltungs GmbH i.L., DE-Lemgo	100.00%
Logwin Solutions Lojistik Hizmetleri ve Ticaret Ltd. Sti. i.L., TR-Istanbul	100.00%
Hellmann Beverage Logistics Inc i.L., US-FL-Miami	50.00%
FLW Mietbau- und Speditions GmbH i.L., AT-Salzburg	50.00%
Transcontainer-Universal GmbH & Co. KG, DE-Bremen	0.80%

Investments of the Logwin AG are not consolidated, if the company does not carry out any business operations or if the Group does not exercise any significant influence on the company. Furthermore for investments of minor importance for the consolidated financial statements no consolidation using the at equity method has been carried out.

In the year under review, the Logwin Group employed 4,152 people on average (prior year: 4,158).

Declaration by the Board of Directors

The Board of Directors is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the group management report, as well as for all other information provided in the Annual Financial Report.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. Pursuant to the provisions of the Luxembourg Commercial Code, the group management report contains an analysis of the net assets, financial position and results of operations of the Group, as well as further information.

The consolidated financial statements, the group management report and the independent auditor's report were subject to a preliminary audit by the Audit Committee and discussed extensively in a meeting of the Board of Directors together with representatives of the audit firm.

The audit of the consolidated financial statements and the group management report for financial year 2017 did not give rise to any objections. By way of resolution by the Board of Directors, the consolidated financial statements and the group management report were therefore approved for publication.

In line with Luxembourg law, the consolidated financial statements and the group management report must still be approved by the Annual General Meeting.

The Board of Directors of Logwin AG

Grevenmacher (Luxembourg), 27 February 2018

Responsibility statement

"To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and result of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Dr. Antonius Wagner
(Chairman of the Board of Directors)

Sebastian Esser
(Member of the Board of Directors)

To the Shareholders of
Logwin AG, Société Anonyme
5, an de Längten
L-6776 Grevenmacher

Report of the Réviseur d'entreprises agréé

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Logwin AG and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion
We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Please refer to note 7 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Information on the value of goodwill can be found under note 16.

a) Why the matter was considered to be one of most significant in the audit?
Goodwill amounted to EUR 66.8 million as at 31 December 2017 and thus represented 15.8% of total assets.

Impairment of goodwill is tested annually or as necessary on the level of the Air & Ocean and Solutions business segments. For this purpose, the carrying amount of the assets is compared with their recoverable amount for the respective business segment. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognised. In this regard, the recoverable amount corresponds to the value in use, which is determined using a valuation model based on the discounted cash flow method. The key date for annual impairment testing is 31 December 2017. Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These assumptions include the expected business and earnings development of the business segments for the next five years, the assumed long-term growth rates, the discount rate used and the allocation of carrying amounts to the two business segments.

As a result of the impairment tests conducted, the Company established that there was no impairment requirement.

There is a risk for the consolidated financial statements that a negative deviation in the assumptions and estimates underlying the measurement that are described in the notes could result in valuation falling short of the carrying amounts.

b) How the matter was addressed in the audit?
With the involvement of our valuation specialists, we assessed the appropriateness of the significant assumptions and the calculation model of Logwin AG. For this purpose we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts, e.g. for tax purposes, and with the approved strategic corporate planning. Furthermore, we evaluated the consistency of assumptions with external market assessments and the market capitalisation of Logwin AG. We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. Since even small changes to the discount rate can have a significant impact on the results of impairment testing, we compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of forecast uncertainty for impairment testing, we investigated the impact of potential changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the values stated by the Company. Finally, we assessed whether the disclosures in the notes on impairment of goodwill were appropriate. This also includes an assessment of the appropriateness of disclosures in the notes in accordance with IAS 36.134(f) on sensitivity in the event of a reasonably possible change in key assumptions used for measurement..

Measurement of deferred tax assets arising from temporary differences and loss carryforwards

For the accounting policies applied, please refer to section (7) in the notes to the consolidated financial statements. Further disclosures on deferred tax assets can be found in section (24) of the consolidated financial statements.

a) Why the matter was considered to be one of most significant in the audit?
In the consolidated financial statements, deferred tax assets of EUR 12.9 million are recognised in the consolidated balance sheet. The recognition and measurement of deferred tax assets are based on the Company's corporate planning and thus depend heavily on the assessment of the Board of Directors, which means they are subject to uncertainty. This requires estimates of future taxable income, the timing of reversal of temporary differences and the usability of loss carryforwards.

There is a risk for the consolidated financial statements that the estimates of the Company are not appropriate and that the deferred tax assets recognised are not recoverable.

b) How the matter was addressed in the audit?
Our tax specialists were involved in the audit of tax matters together with the audit team. With their support, we assessed the internal processes established for the recognition and calculation of deferred tax assets arising from temporary differences as well as loss carryforwards. We also analysed the corporate planning and assessed the Company's calculation of values for computational accuracy. Based on internal corporate forecasts of the future tax income of Logwin AG and its significant affiliated companies, which partly form reporting entities for income tax purposes, we assessed the value of deferred tax assets recognised for loss carryforwards and deductible temporary differences against the approved strategic corporate planning and evaluated the suitability of the underlying planning data. In addition, we verified the reconciliation of the financial statements to tax income/expense and also audited the other disclosures in the notes.

Allowances for trade receivables and completeness of recognition and adherence to the accrual basis regarding trade receivables and payables

Please refer to note 7 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Information on trade receivables can be found in note 20.

a) Why the matter was considered to be one of most significant in the audit?
Trade payables and receivables amounted to EUR 152.3 million and EUR 168.4 million respectively as at 31 December 2017 and account for a considerable share of assets and liabilities.

The starting point for determining whether a valuation allowance for trade receivables is necessary is the age structure. To estimate a specific allowance, the matters considered are the creditworthiness of the respective customer, the existence of cover as regards factoring companies or credit insurers assuming the default risk, country-specific risks and past default rates on receivables. This assessment of allowances requires the exercise of judgement and depends on the Company's estimates and assumptions. Accordingly, there is the risk that allowances for trade receivables have not been made in a sufficient amount.

Recognition of trade receivables on an accrual basis, i.e. revenue from transport services, requires estimates concerning the performance status of the individual shipment. These estimates are based on historical values and projected values, as well as on contractual arrangements and agreements. Determining that trade receivables are recognised on an accrual basis depends on Company estimates and assumptions which require judgement. There is the risk that trade receivables have not been recognised on an accrual basis.
The complete recognition of trade payables relating to transportation services and the accrual basis recognition of trade payables, consequently the cost of sales from transportation services, also requires estimates concerning the status of service performance of individual shipments and the related costs, which may not yet be invoiced. These estimates are based on historical values and projected values, as well as on contractual arrangements and agreements. Determining that trade payables are recognised in full and according to the accrual basis depends on Company estimates and assumptions which require judgement. There is the risk that trade payables have not been recognised in a sufficient amount and/or that the they have not been recognised on an accrual basis.

b) How the matter was addressed in the audit?
We assessed the appropriateness of the significant assumptions and judgements for the valuation in assessing the recoverability of trade receivables. The Group's assessment of creditworthiness of each customer was assessed at operating company level. To do this, we also analysed the age structure of trade receivables and the historical default rates. We recalculated the allowances on a sample basis and performed reconciliations.

We assessed the estimates concerning the completeness of recognition of payables and the appropriate accrual basis recognition of trade receivables and payables. To do this, we verified selected IT systems and the internal controls intended to ensure completeness and adherence to the accrual basis that we identified as relevant in the processes. As part of the sample-based review of customer transactions, we evaluated the contractual basis and verified the estimates that were made. Customer transactions were reviewed at operating company level. Balance enquiries were made in selected companies to request confirmation from customers and suppliers. Furthermore, we evaluated the extent to which deferred income for outstanding invoices was realised in the following year.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report, the Corporate Governance Statement and the Corporate Social Responsibility report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on April 12, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website (http://www.logwin-logistics.com/de/unternehmen/investoren/governance.html), is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 27 February 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Frauke Oddone