GROUP

ANNUAL REPORT 2014/2015

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Foreword by the Executive Board

Dietmar Müller
CEO

Dear Shareholders,

The digitization of the economy is moving forward relentlessly and has already gone beyond the point of no return. The megatrends of Cloud Computing and Mobile Computing are currently playing a role in changing our behavior in daily life over the long term and irreversibly.

Industry produces and the commercial sector sells. We are able to experience first-hand how digital development is increasingly blurring this traditional separation of roles.

KPS is optimally positioned to meet the challenges posed by the digital economy with its far-reaching and radical changes for companies and consumers.

Digitization entails more than simply presenting current business processes in digital form. Rather, digitization means creating digital business models.

Traditional companies are becoming successfully established in markets with a global omnichannel digitization strategy linked to a sustainable change in corporate culture. They are then able to continue developing. A large number of companies are currently in a discovery phase as far as digitization is concerned. In many cases this causes considerable uncertainty. The companies frequently lack suitable roadmaps and useful strategies for implementation.

Our consultation approach is based on the principle "don't renovate but innovate". We place the focus of our consulting services on putting digital transformation projects into practice and providing our customers with comprehensive support in restructuring their corporate processes.

Successful business year
KPS succeeded in achieving successful development in all divisions under challenging framework conditions during the business year 2014/2015. Consolidated sales amounted to more than 120 million euros and the Group once against succeeded in posting a gratifying profit on performance.

By comparison with the previous year, consolidated sales increased by 10.7 % to 122.9 million euros. Earnings Before Interest and Taxes (EBIT) for the Group increased by 11.5 % to 18.6 million euros.

KPS has an equity ratio of 58.5 %, ranking it among the companies with a robust financial base in the consulting sector. Our ambition is to build on this financial base and support our customers, employees and shareholders as a reliable partner for the long term.

Future-proof investments
KPS invests continuously in innovative software technologies and highly integrated system solutions.

We have established a distinctive profile with respect to our competitors, and we create the digital business models of the future based on the excellent knowledge of our employees. This is achieved in our Change Laboratories by developing innovative solution pathways with a high performance spectrum on the basis of the latest technologies. This empowers us to make a quantifiable value-added contribution to our customers.

Our consulting portfolio is based on the current and future objectives of our focus sectors. As a transformation specialist for the sector retail and consumer goods, we develop omnichannel solutions that can be applied throughout the world. This means we are ideally placed to meet the challenges of the digital revolution currently taking place in retail business.

KPS methodological expertise
Complex projects are verifiably accelerated and implemented to a high standard of quality by applying the flexibly structured KPS Rapid Transformation® method.

Our prototype-based procedure model has a long-term track record in the marketplace and ensures that KPS is one of the leading consultancy companies for business transformation and process optimization.

We work out high-quality software solutions in an agile development environment and implement standardized process components at our customers based on SAP and Hybris platforms.

KPS consulting philosophy
KPS offers implementation-driven transformation and process consulting at the highest level.

Our customers are able to source the entire project spectrum, ranging from strategy development, through process design to implementation of processes on SAP and Hybris platforms from a single source.

Sector-specific process components for the retail sector and consumer goods industry are developed in conformity with industry-based reference standards in our new Smart Factory located in Dortmund.

This makes KPS a competent and reliable partner that operates close to its customers.

Sustainable corporate governance
Our team spirit and our cohesion are based on our unique corporate culture and our values. Everyone at KPS combines the passion to develop progressive technologies and to provide future-proof solutions.

We are driving this progress forward and shaping the future to create sustainable corporate solutions for our customers. This demands our concentrated powers of innovation in developing industry-based transformation solutions and in the continual renewal of our structures and processes, alongside our approach to working together.

Sustainable and conscientious corporate governance is very important to us. Although our growth has been exponential, we have retained flat hierarchies and short decision-making pathways.

The successful projects at our customers confirm our ongoing ambition to become even better. The profitable development during the last business year is also the result of our prudent decisions that we are consistently implementing in the course of our strategic development with the Supervisory Board.

The KPS share

From a global perspective, stock markets in 2015 were defined by above-average volatility and below-average generation of returns. By contrast, the KPS share yielded a gratifying increase in value and return.

The price of the KPS share rose by 11.5 % to 5.66 euros as the last business year progressed.

Dear Shareholders,

We would once again like you to have a share in the extraordinarily positive development of the KPS Group. Against this background, the Executive Board and the Supervisory Board are proposing to the upcoming Annual General Meeting to be held on 15 April 2016 the appropriation of a dividend amounting to 30 cent for each no-par share entitled to a dividend. The payout amounts to approximately 10.2 million euros and is therefore over half the consolidated net profit.

KPS growth

It is in all our interests that KPS AG is not only successful now in the present but also, most importantly, that the Group should have excellent prospects for the future.

We want to join forces with our customers, shareholders and employees to continue driving forward the profitable development of our company over the course of next year. Profitability is and remains an important enabler for us so that we have the strength to structure the future successfully on the basis of organic growth.

KPS is exceptionally well positioned to tackle the future with a highly motivated and outstandingly well qualified workforce, an innovative, high-quality consulting model, and a robust capital base.

Once again, we have laid extremely ambitious plans and set ourselves the goal of breaking through the sales threshold of 140 million euros in the business year 2015/2016.

We would like to take this opportunity to thank our employees for their exceptional commitment, and our customers and business partners for the trust that they have placed in us. Most importantly, we would like to express our sincere thanks to our shareholders for their confidence and loyalty.

Yours sincerely,

Dietmar Müller
CEO

Report by the Supervisory Board

Michael Tsifidaris
Chairman of the Supervisory Board

Dear Shareholders,

The Supervisory Board provides information on its activity during the business year 2014/2015 in the following report. The report focuses in particular on the continuous dialog with the Executive Board, the main issues for consultation at the meetings of the Supervisory Board, and the audit of the annual and consolidated financial statements.

Over the past year, the Supervisory Board carried out all the functions allocated to it under legal regulations and the company statutes. During the past business year, it engaged intensively with the situation and perspectives of the company, and with a variety of specific issues in the course of discussions at ordinary meetings of the Supervisory Board and numerous informal meetings with the Executive Board, other members of the management, and employees. The management of the Executive Board was conscientiously and regularly monitored. Furthermore, advice was provided to the Executive Management in the context of the strategic ongoing development of the company and on decisions relating to important individual measures. The basis for monitoring and advice was provided by the monthly reports submitted by the Executive Board, and regular discussions on the phone and in person.

The content of the focus issues addressed by the Supervisory Board included a continuous review of the market and business development of the company and the advisory segments, the rolling planning for company, finance and investment, the risk position, the risk controlling system of the company, and matters relating to the Executive Board.

During the course of the business year 2014/2015, the Executive Board regularly kept the Supervisory Board informed with prompt and comprehensive reports on issues relevant to the company relating to planning, business development, the risk position, strategic measures, as well as about important business transactions and projects. Written reports on the individual business segments were prepared in good time prior to the individual meetings of the Supervisory Board and they were then reviewed by the Supervisory Board. Any deviations in the business performance from the defined plans and targets were explained to the Supervisory Board with appropriate substantiation, and these issues were discussed by the Supervisory Board.
Important measures by the Executive Board were only implemented after agreement with the Supervisory Board and following subsequent approval with and by the Supervisory Board. Furthermore, the Executive Board was in regular contact with the Chairman of the Supervisory Board outside these meetings to discuss current developments of the business situation and significant business transactions.

Supervisory Board meetings: Alongside various informal meetings, the Supervisory Board convened for a total of four official meetings in the business year 2014/2015. The Members of the Supervisory Board were present in person at each of the meetings. There were also two teleconferences with all the Members of the Supervisory Board taking part. During the quarterly meetings, developments during the previous quarter and the current business situation were the subject of detailed discussion, as well as individual segments and negative deviations from planning. A key agenda item at each meeting of the Supervisory Board focused on the sales activities, company acquisitions, and the development/consolidations of new business areas. The meeting held on 28 November 2014 focused specifically on the company's planning for the business year 2014/2015. The provisional annual financial statements for the business year 2013/2014 were also audited. The Supervisory Board was able to review the plausibility of the figures submitted on the basis of the members' individual expertise and their knowledge of the company. The material presented to them placed them in the position of being able to assess the situation of the company and to analyze any weaknesses such that the annual financial statements were approved and the consolidated financial statements were adopted at a teleconference held on 30 January 2015. In view of the business situation of the company, the outstanding quality of the bookkeeping, and the very thorough audit carried out by the auditor, the Supervisory Board refrained from carrying out any further audits, particularly since there were no indications that this was necessary.

The third meeting held on 27 March 2015 dealt with the issues and results relating to the Annual General Meeting. A resolution was then passed on the share buyback program and the Executive Board was thereby empowered to carry out a buyback of the company's own shares, provided that liquidity permitted this. The Supervisory Board also passed a resolution agreeing to the merger of the two subsidiary companies KPS Software Factory GmbH and KPS Solutions GmbH to form KPS Solutions GmbH.

On 18 September 2015, the Supervisory Board addressed the issues arising from the Law on Equal Representation of Women and Men in Management Positions in Private Business and Public Service in a teleconference and passed a resolution on planning for this matter up until 30 June 2017.

At the fourth meeting held on 2 October 2015, the outlook on the business result for the year 2014/2015 and the planning for the business year 2015/2016 were analyzed. Progress in the areas of internationalization, integration of getit and industrialization were also presented as key elements for the ongoing development of KPS.

At the meetings held on 23 January 2015, 27 March 2015 and 2 October 2015, the risk report and the liquidity plan of the Executive Board were presented and discussed in detail for the relevant quarter.

Efficiency audit: The Supervisory Board regularly reviews the efficiency of its activity. The focuses of the efficiency audit are in particular the procedural processes in the Supervisory Board and the information flow between the Supervisory Board and the Executive Board, and the prompt delivery of information with appropriate content to the Supervisory Board. In view of the size of the company and the smooth information flows between the Supervisory Board and the Executive Board, the efficiency audit was carried out without any external advisers. The review arrived at a positive result as was also the case in the previous year.

Corporate Governance: The requirements of the German Corporate Governance Code constituted another important matter. The Executive Board and the Supervisory Board decided to adopt the recommendations of the German Corporate Governance Code with a few exceptions, which are related to the size of the company. The Executive Board and the Supervisory Board regard this as an important step toward transparency, corporate governance and control. At the meeting held on 23 January 2015, the Supervisory Board devoted time to discussing the topic of corporate governance and passed a resolution on the new joint Declaration of Compliance of the Supervisory Board and the Executive Board pursuant to Article 161 Stock Corporation Law (AktG). This will be published permanently on the Internet pages of the company together with the old Declaration of Compliance. The exceptions to the Corporate Governance Code include the fact that the company does not form committees because this is not necessary in the case of a Supervisory Board with three members. The internal compliance within the Group was discussed at the meeting referred to (as in the previous year).

Composition of the Supervisory Board: During the past business year, the Supervisory Board had the following members.

During the period from 1 October 2014 to 30 September 2015:

Mr. Michael Tsifidaris, Chairman
Mr. Uwe Grünewald
Mr. Hans-Werner Hartmann.

No conflicts of interest were registered. Mr. Hans-Werner Hartmann is an independent member of the Supervisory Board who has expertise in relation to the areas of accounting and auditing of financial statements pursuant to Article 100 Section 5 Stock Corporation Law (AktG).

Annual financial statements: The auditing firm Rupp & Epple Wirtschaftsprüfungsgesellschaft mbH, Augsburg, appointed by the Annual General Meeting of last year, audited the bookkeeping, the annual financial statements of KPS AG and the consolidated financial statements including the management reports for the business year 2014/2015 and granted each of the documents an unqualified audit opinion. There are no doubts about the independence of the auditor, who submitted the required declaration of independence. The requirements of the German Corporate Governance Code regulating the terms of engagement between the company and the auditing firm have been complied with. The auditor has submitted a comprehensive report on the result of the audit, which was carried out on the complete annual financial statements of the Group and all its subsidiary companies. The annual financial statements of the Group and all the subsidiary companies were provided, as were the report on the audit of the consolidated financial statements and the audit of the individual financial statements of the joint-stock company (Aktiengesellschaft, AG). The auditor was also available to answer any additional questions.

The documents and audit reports drawn up by the auditor were submitted promptly to the members of the Supervisory Board for review. The auditor was present at the balance sheet meeting of the Supervisory Board and reported on the key results of the audit. The Supervisory Board took note of the reports provided by the auditor and concurred with the result. The outcome of our own audit (carried out on a random test basis) is in accordance with the result of the audit of the financial statements. The Supervisory Board had no reason to raise any objections in relation to the management and the financial statements submitted.

We concur with the results of the audit of the financial statements. We have no objections on the basis of the final result of our audit. The Supervisory Board approved the annual financial statements of KPS AG drawn up by the Executive Board and the consolidated financial statements including the management report at the meeting of the Supervisory Board held on 29 January 2016. The annual financial statements of KPS AG are thereby adopted. The proposal for the appropriation of the profit submitted to, and explained by the Executive Board was agreed by the Supervisory Board after it had carried out its own audit and taking into account the earnings performance and financial situation of the company. The Supervisory Board considers the proposed dividend to be appropriate.

The Supervisory Board would like to thank the Executive Board and all the employees of the Group for their enormous commitment and untiring dedication over the past business year.

The Supervisory Board

Michael Tsifidaris
Chairman of the Supervisory Board

Corporate Governance

On the basis of the recommendations of the German Corporate Governance Code, the Executive Board and the Supervisory Board of KPS AG resolved to implement and comply with the rules of the code taking into account the size of the company and the structure of the administrative bodies at KPS AG. This highlights the commitment of KPS AG to provide effective corporate governance as part of its culture. On 29 January 2016, the Executive Board and the Supervisory Board submitted the annual Declaration of Compliance on the recommendations of the Government Committee on the German Corporate Governance Code in the version dated 5 May 2015 pursuant to Article 161 of the Stock Corporation Law (AktG) and provided the shareholders with permanent access to the declaration on the company's website. The German Corporate Governance Code regulates the following areas of corporate governance and monitoring:

→ Shareholders and Annual General Meeting
→ Communication and transparency
→ Interaction between Executive Board and Supervisory Board
→ Composition and compensation of the Executive Board and the Supervisory Board
→ Accounting principles and audit of the financial statements.

1. SHAREHOLDERS' RIGHTS AND TRANSPARENCY

The shareholders of KPS AG provide the capital for the enterprise and they bear the main burden for the entrepreneurial risk. The Executive Board therefore takes the interests of the shareholders particularly seriously by making transparency and prompt information for the shareholders a top priority. Great emphasis is placed on observance of shareholders' rights, systematic risk management, compliance with stock-exchange rules and participation of shareholders in fundamental decisions being taken by the company, as well as any changes to the company statutes, issue of new shares and significant structural changes.
Equal treatment for all shareholders is guaranteed by publication of all company information on the Internet. In particular, this includes ad-hoc releases and press releases. Directors' dealings and all financial reports published by the company are also posted on the company's Internet site www.kps-consulting.com. A financial calendar is provided for the shareholders giving them information about all the important dates in the company's calendar.

2. EXECUTIVE BOARD AND SUPERVISORY BOARD

The interaction between the Executive Board and the Supervisory Board, and the allocation of functions are defined in the relevant rules of procedure for the Executive Board and the Supervisory Board. These rules of procedure are continually reviewed for compliance with the regulations of the German Corporate Governance Code and they are amended as necessary. Any deviations from the code, in particular the establishment of committees, depends on the size of the company or the structure or scope of the administrative bodies. In view of the size of the company, the Executive Board only had one member during the business year under review 2014/2015, contrary to section 4.2.1 of the Code.
Against this background, a regulation for the portfolio responsibilities relating to divisions is not necessary. There is no Group Board of Management.
No member of the Executive Board is a member of a Supervisory Board outside the group of companies.
In view of the number of members of the Supervisory Board (three), no committees are formed.
The D&O insurance for the Members of the Supervisory Board of KPS AG does not include a deductible, although the German Corporate Governance Code provides for this. The motivation and the high level of responsibility with which the members of the governance bodies currently carry out their functions are not influenced or reduced as a result of the fact that a D&O insurance has been agreed without a deductible.
The Supervisory Board has established that it contains an adequate number of independent members. The period of office for members of the Supervisory Board ends with the ordinary Annual General Meeting which follows the end of the business year 2017/2018.
The Supervisory Board regularly reviews the efficiency of its activity. The object of the efficiency review is specifically the procedural processes in the Supervisory Board and the flow of information between the Supervisory Board and the Executive Board, and the factually adequate flow of information to the Supervisory Board. In view of the size of the company and the smooth-running flows of information between the Supervisory Board and the Executive Board, the efficiency review was carried out in critical and constructive discussions without the presence

of an external adviser. The assessment came to a positive result. If deficits in efficiency emerged during the course of the year, they were swiftly remedied.

a) Share ownership of the Executive Board and Members of the Supervisory Board

The Executive Board and the Supervisory Board were in possession of the following KPS shares at the end of the business year 2014/2015:

Michael Tsifidaris	9,584,894 no-par shares
Uwe Grünewald	4,349,143 no-par shares
Dietmar Müller	8,469,895 no-par shares

b) Transactions in shares and rights (directors' dealings)

Between 30 September 2014 and 30 September 2015, no directors' dealings were carried out by members of the Executive Board or the Supervisory Board of KPS AG.
Neither the members of the Executive Board nor the members of the Supervisory Board are in possession of options for KPS AG.

c) Conflicts of interest

Neither the Supervisory Board nor the Executive Board reported any conflicts of interest during the year under review. Any consultancy and service or works contracts of a member of the Supervisory Board with the company require the consent of the Supervisory Board. Alongside their activity on the Supervisory Board, Mr. Michael Tsifidaris, Mr. Uwe Grünewald and Mr. Hans-Werner Hartmann are also active for the company as consultants or business developers. In this capacity, Mr. Tsifidaris and Mr. Grünewald have concluded a contract as authorized signatories (Prokuristen) with KPS Business Transformation GmbH.

d) Compensation report

The principles for compensation have not changed by comparison with the business year 2013/2014 The compensation for the Executive Board is not broken down on an individual basis nor is the compensation reported separately detailing monetary and other components.

aa) Executive Board

The total payments made to the Executive Board for its activity at KPS AG during the business year amounted to 680 (previous year: 801) thousand euros (KEuros).

bb) The Supervisory Board

The payments made to the members of the Supervisory Board for their activities on the Supervisory Board amounted to 55 (previous year: 55) thousand euros. The payments made to the Members of the Supervisory Board for their operational activities in KPS Business Transformation GmbH amounted to 1,222 (previous year: 1,461) thousand euros.

3. ACCOUNTING PRINCIPLES AND AUDITING OF THE FINANCIAL STATEMENTS

During the course of the business year, the company published information about current business performance in interim reports. When it publishes annual financial statements and interim reports, KPS AG bases them on the statutory periods of 120 and 60 days in order to achieve effective publicity.

"DECLARATION OF THE EXECUTIVE BOARD AND OF THE SUPERVISORY BOARD OF KPS AG ON THE RECOMMENDATIONS OF THE GOVERNMENT COMMITTEE FOR THE GERMAN CORPORATE GOVERNANCE CODE" ("DECLARATION OF COMPLIANCE")

The Executive Board and the Supervisory Board of KPS AG declare pursuant to Article 161 Stock Corporation Law (AktG) that since the submission of the last Declaration of Compliance in January 2015, the recommendations of the German Corporate Governance Code ("Code") in the version dated 24 June 2014 were complied with during the period from 24 June 2014 to 11 June 2015 and the recommendations of the Code in the version dated 5 May 2015 published in the official section of the electronic Federal Gazette (Bundesanzeiger) on 12 June 2015 have been complied with since 12 June 2015 with the following deviations, and furthermore that they will be complied with in the future:

Section 3.8: The D&O insurance for the Supervisory Board does not have a deductible. In the opinion of the Executive Board and the Supervisory Board, the agreement of a voluntary deductible is neither appropriate nor necessary in order to guarantee that the members of the Supervisory Board fulfil their obligations in accordance with the defined requirements.

Section 4.1.5: The Executive Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds, and promotes diversity as appropriate. When making appointments to management positions in the company, the decisions of the Executive Board are governed solely on the basis of the qualifications held by the candidates and it does not equate gender with any primary relevance for decision-making in this connection. The Executive Board has defined target parameters and deadlines for achieving goals for the proportion of women in the two management tiers below the Executive Board. These are published in the Declaration on Corporate Governance.

Section 4.2.2 sub-section 2: The Supervisory Board does not use the ratio of compensation of the Executive Board to the compensation for the senior management and the workforce overall in relation to the issue of what level of compensation is appropriate for the Executive Board, neither is the development over time taken into account. Accordingly, the Supervisory Board does not lay down how the senior management and the relevant workforce should be defined. The corresponding recommendation of the Code appears to be not very practical and furthermore is not appropriate for guaranteeing that the compensation for the Executive Board is appropriate in every case.

Section 4.2.3 Sub-section 2: The variable compensation for the Executive Board does not take into account any negative developments such that real losses of income can actually occur. Given the structure of the compensation for the Executive Board, this does not appear to be necessary in order to ensure that the Executive Board does not enter into any inappropriate risks in the course of managing the company.

Section 4.2.3 Sub-section 4: The contracts for the Executive Board do not have a severance-pay cap to cover the case of premature termination of the contract. Such a rule does not appear necessary in addition to the conditions applicable under statutory regulations in the case of premature termination of contracts for the Executive Board in order to safeguard the interests of the company and its shareholders.

Section 4.2.3 Sub-section 6: The Chairman of the Supervisory Board has not informed the Annual General Meeting about the principles of the compensation system and their amendment, the information provided in the annual financial statements was regarded as adequate.

Section 4.2.4 and 4.2.5: On 28 March 2014, the Annual General Meeting of KPS AG resolved with the necessary majority no longer to publish the information pursuant to Article 286 Section 5 German Commercial Code (HGB), Article 285 sentence 1 no. 9 letter a) sentence 5 to 9 German Commercial Code (HGB) and pursuant to Article 314 Section 2 sentence 2 German Commercial Code (HGB), Article 314 Section 1 no. 6 letter a) sentence 5 to 9 German Commercial Code (HGB). Against this background, the compensation system will also not be explained in the compensation report. The report does not contain any information on the type of fringe benefits.

Section 5.1.2 Sub-section. 1: The Supervisory Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds and promotes diversity as appropriate. When making appointments to the Executive Board, the decisions of the Supervisory Board are governed solely by the specific individual competence and qualification, other characteristics such as gender or nationality have not been relevant to this decision and will not be applicable in the future. Target parameters and deadlines relating to the proportion of women on the Executive Board and for the achievement of the target parameters have been defined which are published in the Declaration on Corporate Governance.

Section 5.1.2 Sub-section 2: The Supervisory Board has not defined any age limit for the Members of the Executive Board. The definition of an age limit for the Members of the Executive Board is not in the interests of the company and its shareholders, since there is no compelling connection between a specific age of a member of the Executive Board and their performance.

Section 5.3: No committees are formed in view of the number of Members of the Supervisory Board (three).

Section 5.4.1 Subs-section 1 and Sub-section 2: The composition of the Supervisory Board is presently such that the principles of diversity and potential conflicts of interest are taken into account. In view of the statutory regulations defined in the Stock Corporation Law, which describes in Article 100 Stock Corporation Law (AktG) the personal requirements for the activity as a Member of the Supervisory Board and in Article 111 Stock Corporation Law the functions of the Supervisory Board and therefore also simultaneously defines in the same way as the Code the targets for the re-election of the Supervisory Board, the Supervisory Board has refrained from designating concrete targets for the composition when the Supervisory Board is re-elected. The Supervisory Board regards as problematic the definition of an age limit for membership of the Supervisory Board based on the General Equality Law and will not provide such a definition. The Supervisory Board has defined target parameters and deadlines for the achievement of the target parameters which are published in the Declaration on Corporate Governance.

Section 5.4.1 Sub-section 4: The Supervisory Board does not disclose the personal and social relationships of each candidate for the company, the governance bodies of the company and a shareholder with a major interest in the company when it submits proposals for election to the Annual General Meeting. In the opinion of the Supervisory Board, the recommendation of the Code entails not insubstantial risks and the Supervisory Board believes that complying with them would therefore not be in the interests of the company.

Section 7.1.2: The consolidated financial statements as at 30 September of each business year are not published within 90 days but within 120 days of the end of the relevant reporting period. The interim reports are not published within 45 days but within 60 days of the end of the reporting period. After the legislation on implementation of the change directive relating to the transparency directive came into force on 26 November 2015, interim reports are no longer drawn up in the form previously defined under the statutory regulations.

Unterföhring, in January 2016

KPS AG

The Executive Board	The Supervisory Board
Dietmar Müller	**Michael Tsifidaris**
Leonardo Musso	**Uwe Grünewald**
	Hans-Werner Hartmann

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1 BUSINESS REPORT OF THE KPS GROUP

1.1 Macroeconomic development and framework conditions

Global economy only gradually gaining dynamic momentum

The expansion of the global economy slowed down in the year 2015. Although the economy will gradually recover over the coming two years, it will initially only develop limited momentum. The increase in global production is calculated on the basis of parities for purchasing power and this will increase from 3.1 % in the year 2015 to 3.4 % and 3.8 % respectively in the years 2016 and 2017. The upswing in the advanced economies will continue at a slightly increased pace. A monetary policy that continues to expand overall, gradually rising wages and (initially still) stimuli derived from the price of oil will increasingly fall on fertile ground in view of the ongoing processes of deleveraging taking place in the private sector. The expansion in emerging economies will initially continue to be further dampened by low prices for raw materials and structural problems, although the economy in this group of countries is likely to gradually experience an upswing in the period of the forecast.

The expansion of the global economy eased in the year 2015 but a collapse in the global economy did not occur. After global production gained some traction in the second half of 2014, it slowed in the first three quarters of the year under review with rates of 0.7 percent in all three quarters. This stabilized the growth rates for global production at a low level during the summer months. The IfW indicator for global economic activity from the Kiel Institute for the World Economy, which is calculated on the basis of sentiment indicators from 42 countries, signaled a similar growth in production for the fourth quarter of 2015. Equally, global wealth creation in 2015 will show less growth compared with 2014 with a rate of just 3.1 % as against 3.4 % in 2014.

(Source: Kiel Economic Report, IfW, Kiel)

1.2 Development in the eurozone

The economy in the eurozone is gradually gaining momentum

Over the course of 2015, the economy in the eurozone gradually recovered. The sentiment indicators reveal that the recovery continued in the second half of 2015 – albeit still only at a moderate pace. The upswing is likely to gain strength and be increasingly driven by the domestic economy. The economy will be supported by low interest rates and oil prices but also by the comparatively low value of the euro outside Europe.

All in all, experts in the EU anticipate an increase in gross domestic product by 1.5 % in the year 2015. During the years 2016 and 2017, expansion is likely to increase somewhat with rates of 1.7 % and 2.0 %. The position in the employment market will continue to improve, the unemployment rate will gradually fall to 9.9 % in the year 2017. Although consumer price inflation is likely to again fall to the region of zero for a short period on account of the further recent fall in energy prices, experts are anticipating rates of price increase of 0.9 % and 1.8 % for the years 2016 and 2017.

(Source: Kiel Economic Report, IfW, Kiel)

1.3 Development in Germany

The upswing in Germany is continuing

The German economy is continuing to gain traction. After growth in macroeconomic production recently experienced slight weakening, there are signs of a significant increase in the pace of expansion for the coming quarters. However, the fact is that industrial production has tended in the direction of weakness over recent months, also because exports virtually stagnated in the third quarter.

Nevertheless, confidence among companies was recently back on a decidedly upward trajectory and is signaling a highly dynamic economic situation. This applies in particular to companies in the service sector, which assess their position to be as good as during the boom following reunification. The upswing is continuing to be powered by private consumption where strong growth is being fed by the significant increase in real incomes of private households. Another factor is that exports supported by the decrease in value of the euro will probably soon reach the high growth levels attained in the first half of 2015 and that the framework conditions, which are generally very favorable for investment, will increasingly be translated into a higher rate of expansion for investments in capital equipment.

Overall, experts are anticipating growth in gross domestic product of 2.2 % and 2.3 % respectively in the years 2016 and 2017 following on from an increase of 1.8 % in the year 2015.

(Source: Kiel Economic Report, IfW, Kiel)

1.4 Sector-specific development

Optimistic economic development in the consulting sector

Re-emergence of optimism about economic development in the consulting sector was revealed in the business climate survey carried out by the Confederation of German Industry (BDU) for the last quarter of 2014, and this is also underpinned by the participants taking part in the most recent BDU market study. Management consultants are anticipating better business development for 2015 than in their assessment carried out in the previous year.

While the forecast of market players revealed in the study survey carried out at the beginning of 2014 highlighted an increase of 5.5 %, market growth of 7.4 % has now resulted for 2015. Three quarters of the interviewees are assuming an increase in sales. The significantly enhanced expectations of German management consultants within one year is likely to be due primarily to the fact that the dynamically developing digitization and the associated restructuring of industry and business are increasingly becoming a driver for growth in the management consulting sector.

The positive future assessment will undoubtedly also be supported by the full order books with which German industry started the year. For example, statistics by the Federal Statistics Office indicated that purchase orders were 4.2 % higher in December 2014 than in the previous month. The reasons for this were mainly the significantly increased orders originating from the eurozone, which went up by 5.9 %. Overall, sentiment among companies in the eurozone improved slightly on the back of the lower exchange rate for the euro and the recent significant falls in oil prices during January, and especially the latter part of the month. Purchase orders from abroad rose in general by 4.8 %. The positive economic prospects for business development in the management consulting sector are shared by virtually the entire range of market players.

Management consultant firms are particularly optimistic about companies in the sales category generating between 2.5 and 5 million annual sales. The survey results of the market study are even pointing toward a forecast of average sales growth amounting to nearly 10 % here. The major market players with sales in excess of 45 million euros express rather more caution but they were also optimistic about the business year 2015 with a projection of an increase amounting to 6.5 % (the forecast for the business year 2014 was 4.4 %). When looking at the market overall, it is further evident that virtually only every tenth market player went into the business year 2015 with a negative market forecast.

The optimistic expectation for the future held by consultants was correspondingly also reflected in recruiting plans. The large management consulting firms in particular were planning additional recruitment of personnel for the year 2015. Around two thirds are planning an increase in personnel among consultants, and nearly three quarters also want to achieve this with junior consultants. But the mid-sized management consultants are also intending to bolster their consultant teams. 55 % were planning additional capacities among seasoned consultants with career experience and 61 % were projecting increases among early-career consultants.

As far as the different fields of consulting are concerned, the survey respondents were expecting significant momentum for growth in IT consulting with an increase of 7.9 % and a rise of 7.0 % in strategic consulting. Management consultants expected the main demand for consultants among the latter clients to be for marketing and sales issues (forecast 2015: + 8.0 %), in procurement and in supply-chain management (forecast 2015: + 8.7 %), and in change management (forecast 2015: + 8.5 %). The specific sales expectation for these consulting segments is highlighted by the role of digitization for the management consulting business because all these issues are critically important for the transformation of companies toward Industry 4.0.

However, many companies are also continuing to strengthen their competitiveness in parallel and are adjusting their processes and structures to the demands of the future. This is becoming evident from the growth forecast of the surveyed consultants for the consulting field of organization and process consulting (growth forecast 2015: + 7.4 %).

A large number of consulting projects are directed toward reducing costs, unifying and standardizing processes, and optimizing product ranges. However, new business models also need to be identified in order to stem the decline in the existing regular business with income streams in new segments.

(Source: Study by the Confederation of German Industry (BDU), Facts & Figures on the Consulting Market 2014/2015)

KPS

1.5 Market position of the KPS Group within the sector

Although the subsidiary companies of the large multinational consulting groups have also occupied leading positions in the marketplace in Germany, some German management consulting firms are gaining increasingly important roles in the consulting market. The KPS Group is ranked in sixth place in a ranking of the ten leading German consulting companies published by Lünendonk GmbH in July 2015 (source: Lünendonk® Study 2015 "Top 10 of German management consulting firms").
Overall, the Top 10 of German management consulting firms achieved 1.1 billion euros within Germany and abroad. This result was generated with a workforce of around 7,100 employees. The number of employees rose by a statistical average of 4.0 % compared with the previous year. "The management consulting firms would have been able to post even stronger growth but a shortage in the pool of qualified people has not left the consulting firms unscathed." More than 90 % of the consulting firms surveyed for the Lünendonk® Study regard recruitment of suitably qualified staff as the biggest challenge for driving forward even stronger growth both now and in the upcoming years.
(Source: Lünendonk Market Study 2015)

1.6 Key lines of business / Methodological expertise

KPS provides its customers with advice on strategic, process and technology issues and implements holistic solutions with products from software manufacturers SAP, Hybris and Adobe.
KPS is a hallmark for innovative methodology and a high level of expertise for implementation. On the basis of the KPS Rapid Transformation® method, our customers benefit from a high level of efficiency and project transparency. As far as possible, strategy development, design and implementation are operated simultaneously, and this significantly reduces project run times and project costs. Company transformations undergo tangible acceleration with verified safeguarding of implementation quality.

1.7 Service and sales areas

KPS is one of the most successful companies for business transformation consulting and process optimization. KPS has a leading market position in Germany and a number of European countries with a sales volume of around 123 million euros. The expansion of KPS into a leading-edge management consulting company for retail and the consumer goods industry continued in the year under review.
Successfully structuring changes while simultaneously ensuring optimum value for money defines the high quality of consultancy which generates significant benefits for our customers. KPS has first-class customer references in the area of retail and the consumer goods industry, in the process and manufacturing industry, and with service companies.

1.8 Consultation and service portfolio

The implementation of digital business models in the context of innovative IT technologies is the challenge in the global consulting market. The consultants and specialists at KPS are very familiar with the global and technological requirements. As experienced experts with in-depth sector knowledge and a long track record of experience in implementation, they provide support for our customers in introducing innovative system solutions on the software platforms of SAP and Hybris.
Our guiding principle is to deliver everything from a single source so that targets do not simply remain in the realm of objectives. The transformation consultants and specialists at KPS focus on actual implementation of recommendations for action and solutions. This provides them with a profile that is markedly distinct from the traditional competitors among strategy and process consultants.

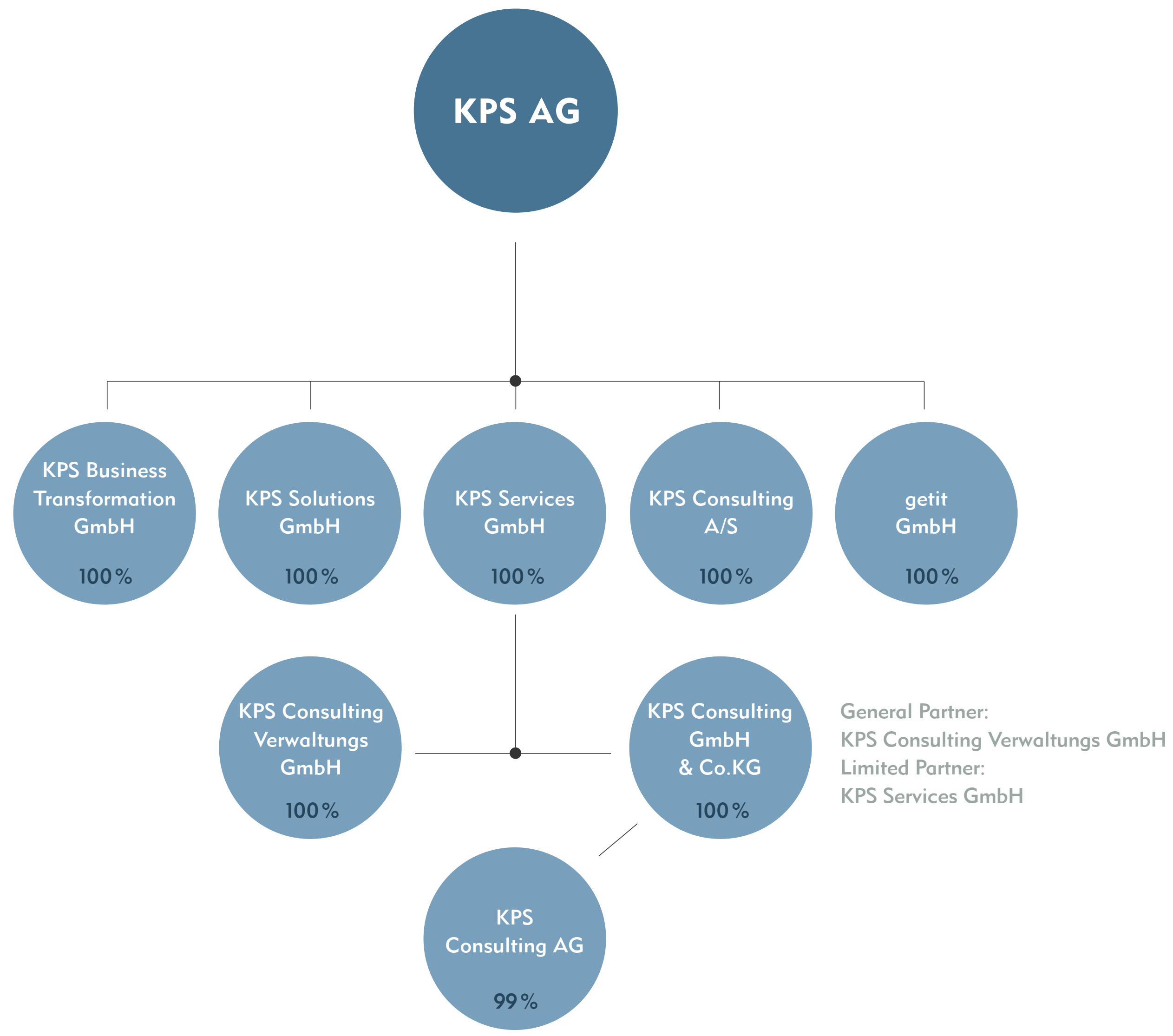
1.9 Order backlog

Companies from Germany and abroad value the excellent quality of KPS and place their trust in our competence for implementation. This means that KPS has an outstanding and sound customer base. The order backlog and incoming orders were continuously consolidated during the period under review. The current order volume with a span of approximately 18 months is ranked well above the average for the sector. Major leading companies entrust KPS with the implementation of their projects, particularly in the sector segments retail and consumer goods.
The average rates of capacity utilization for KPS consultants have stabilized over the entire business year 2014/2015 at the very high level of virtually 100 %. This once again exceeded the already excellent capacity utilization in the reporting period 2013/2014. In a sector comparison, KPS is operating among the absolute leading field of consultants with this capacity utilization rate.

1.10 Investment and financing sector

In the business year under review, no notable investments were initiated which exceeded the planned business scope. No company acquisitions were actioned.

STRUCTURE OF THE KPS GROUP



1.11 Sales, results of operations and financial position

1.11.1 Overview of sales, results of operations and financial position

Overview of the sales, results of operations and financial position of the KPS Group:

in euros	2014/2015	2013/2014
Group sales	122.9 million	111.1 million
EBITDA	19.6 million	17.5 million
EBIT	18.6 million	16.7 million
Group earnings	17.9 million	16.3 million
Earnings per share	0.53	0.50
Cash and cash equivalents	6.5 million	8.7 million
Financial liabilities	0.0 million	4.0 million

1.11.2 Business and framework conditions

KPS occupies a successful position in the marketplace with methodological competence and sector knowledge on the one hand and comprehensive SAP and Hybris know-how on the other. KPS leads in the defined target markets with this unique selling proposition and a unique portfolio comprising process and system know-how combined with agile project methodology. There are also exceptional opportunities for stable and permanent growth in the KPS Group.

1.11.3 Group structure

KPS AG is the legal parent company of the KPS Group which operates in Germany and in European countries outside Germany through legally independent subsidiary companies.
The Executive Board of KPS AG is responsible for the independent leadership of the company. The Supervisory Board appoints, monitors and advises the Executive Board, and is strongly integrated in decisions which are of fundamental importance for the company.

1.11.4 Economic environment

During the course of the current year, we expect sales for consulting services to be trending on an upward trajectory. The demand for innovative service packages for IT technologies will continue to increase. The area "IT services and information technology" is the biggest line of business for the services sector in Germany and is posting the highest sales growth.
The dynamic development in retail and in the consumer goods industry generated by their digital transformation is clearly setting the pace and exerting significant pressure on manufacturers to drive forward digitization in manufacturing processes. This yields enormous opportunities for trade and industry to develop new fields of business while at the same time, the digital transformation is generating a positive market environment as a result.
As a result of this development, retail companies and the consumer goods industry need expert transformation specialists who have a strong track record in the management and integration of SAP and Hybris applications.
The ongoing shift in Internet consumption to mobile, web-based end devices will ensure that there continues to be an increasing demand for Internet services, big data solutions and digitization. The technological progress and the sustained digital transformation process continue to ensure ongoing growth stimuli and rising sales, even in light of the downward trend in prices in the IT services sector.

1.11.5 Business development by segments and regions

1.11.5.1 Business development by segments

The structure of sales on the basis of reportable segments has only changed slightly compared with the previous year, with the exception of products and licenses. In the segment Management Consulting / Transformation Consulting, 87.6 % (previous year: 94.3 %) of the sales were generated. In the segment System Integration, 3.3 % (previous year: 3.6 %) of the sales were generated, 9.1 % (previous year: 2.1 %) of the sales originate from business with products and licenses.

1.11.5.2 Business development by regions

The breakdown of revenues by regions yields the following picture for the business year 2014/2015: Germany was the sales mainstay with 107.8 million euros or 87.7 %, followed by the Scandinavian region with a volume of 8.6 million euros or 7.0 %. This is followed by Switzerland with 5.5 million euros or 4.5 %. The remaining revenues amounted to 1.0 million euros or 0.8 % and were largely generated in the other EU countries.

1.11.6 Results of operations, financial position and net assets of the KPS Group

1.11.6.1 Results of operations of the KPS Group

KPS was able to derive significant benefit from the economic and sector-specific development, and sales and earnings increased significantly during the business year under review compared with the previous year. Key drivers for growth above all included the trust placed in us by major customers from the sector of retail and consumer goods industry, with increasing demand for highly integrated transformation solutions. Furthermore, optimum capacity management of our consultants, and efficient cost management contributed to the good earnings situation of KPS.

Income statement of the KPS Group in accordance with IFRS (abbreviated version)

in KEuros	2014/2015	2013/2014
Revenues	122,915	111,076
Other operating income	956	827
Cost of materials	-51,979	-52,814
Personnel expenses	-39,509	-29,424
Other operating expenses	-12,734	-12,184
Depreciation and amortization	-1,036	-793
Operating result (EBIT)	**18,613**	**16,688**
Financial result	**-430**	**187**
Earnings before income taxes*	**18,183**	**16,875**
Income taxes	-258	-550
Earnings after income taxes	**17,925**	**16,325**

* corresponds to the result from ordinary business activities

Revenues

Revenues rose by 10.7 % to 122.9 (previous year: 111.1) million euros in comparison with the previous year. The result significantly exceeded the original expectations. This is primarily due to the acquisition of transformation projects with prestigious customers from retail and the consumer goods industry.

Other operating income

As was the case in the previous year, other operating income includes income from operational additional services, such as rebilling of costs, gains from currency differences and income from releases of provisions. Overall, other operating income increased by 15.6 % to 1.0 (previous year: 0.8) million euros during the year under review.

Cost of materials

During the period under review, the cost trend adjusted appropriately to business performance taking into account the very respectable increase in sales. The project-related cost of materials, which primarily included the costs for subcontracted services, fell by 0.8 million euros (- 1.6 %) from 52.8 million euros to 52.0 million euros. The reduction is due to the fact that in-house personnel could increasingly be deployed instead of commissioning subcontracted services. The expenses for purchased hardware and software at 3.2 (previous year: 0.6) million euros increased significantly compared with the reporting period 2013/2014.

Personnel expenses

Personnel expenses amounted to 39.5 (previous year: 29.4) million euros and these expenses increased by 10.1 million euros (+ 34.3 %) compared with the equivalent year-earlier reporting period. At the end of the business year 2014/2015, 354 employees were employed in the KPS Group (previous year: 317). The growth in the workforce is due to the increase in the number of employees as a result of the takeover of getit in August of the business year 2013/2014 and to the increased number of new appointments made in the course of an ambitious expansion of the workforce during the reporting period.

Other operating expenses

Other operating expenses increased by 4.5 % to 12.7 (previous year: 12.2) million euros compared with the equivalent year-earlier reporting period. They mainly included travel expenses and vehicle operating costs amounting to 5.7 (previous year: 5.0) million euros, legal, auditing and capital-market costs at 0.9 (previous year: 2.4) million euros, non-project-related subcontracted services at 1.5 (previous year: 1.3) million euros, and premises and operating costs at 1.9 (previous year: 1.1) million euros.

Depreciation and amortization

Depreciation and amortization increased by 30.6 % to 1.0 (previous year: 0.8) million euros compared with the equivalent year-earlier period and this is mainly due to additions in business and office equipment from getit.

Financial result

The financial result of the Group was reduced to -0.4 (previous year: 0.2) million euros. Apart from interest for disputed tax arrears payments of a subsidiary company amounting to 0.1 million euros for the business year 2014/2015, interest expense also included compounded interest on non-current provisions amounting 0.2 million euros. In the previous year, interest income included discounted interest on liabilities in conjunction with the acquisition of getit.

Income taxes

The total amount of taxes on income and earnings amounting to -0.3 (previous year: -0.6) million euros included current expenses for corporate income tax, solidarity surcharge and trade tax amounting to -1.9 (previous year: -1.4) million euros and income from deferred taxes amounting to 1.6 (previous year: 0.8) million euros.

Earnings after income taxes

The consolidated income for the period under review rose from 16.3 million euros by 9.8 % to 17.9 million euros.

1.11.6.2 Calculation of EBIT

EBIT increased from 16.7 million euros in the previous year by 1.9 million euros to a gratifying 18.6 million euros during the business year 2014/2015. Compared with the equivalent year-earlier period, the increase amounted to 11.6 %.

Based on sales of 122.9 (previous year: 111.1) million euros, the EBIT margin at 15.1 % was at virtually the same level as in the previous year at 15.0 %.

1.11.6.3 Calculation of EBITDA

EBITDA also improved significantly by 2.1 million euros from 17.5 million euros in the previous year to 19.6 million euros in the business year 2014/2015. Compared with the equivalent year-earlier period, the increase therefore amounted to 12.4 %.

Based on sales of 122.9 (previous year: 111.1) million euros, the EBITDA margin at 16.0 % underwent a slight increase from 15.7 % compared to the year-earlier value.

1.11.6.4 Adjusted earnings per share

The diluted and basic earnings per share amounts to 0.53 (previous year: 0.50) euros. The calculation of earnings per share in accordance with IFRS is presented in the consolidated financial statements, notes to the financial statements 7.9.

1.12 Net assets and capital structure of the KPS Group

Balance sheet of the KPS Group (abbreviated version)

	As at 30 September	
in KEuros	2015	2014
Non-current assets	45,056	43,930
Current assets	40,556	35,229
Total assets	**85,612**	**79,159**
Shareholders' equity	**50,113**	**41,857**
Non-current liabilities	2,281	3,664
Current liabilities	33,218	33,638
Total liabilities	**35,499**	**37,302**
Total shareholders' equity and liabilities	**85,612**	**79,159**

1.12.1 Value-based Group controlling

A monitoring and controlling system is in place in the KPS Group which is directed toward increasing the value of the entire Group. Targets are derived from the system and defined for the individual segments and Group companies. Controlling is managed at the Group level and is implemented through the segments down to the individual profit center levels. Periodic controlling is carried out on the basis of the international accounting and valuation principles. Alongside EBIT, specific profit-center indicators are used as indicators for controlling.

1.12.2 Financial position and investments

The earnings generated in the business year under review provided adequate liquid funds for the continuing operations and for financing sufficient additional growth of KPS.

On 30 September 2015, the KPS Group had cash amounting to 6.5 (previous year: 8.7) million euros. On the balance sheet date, bank liabilities amounted to 0 (previous year: 4.0) million euros. Net liquidity rose by 1.8 million euros compared with the equivalent year-earlier balance sheet date.

Cash flow from current activities amounted to 12.9 million euros in the year under review compared with 13.9 million euros in the previous year. Cash flow from investment activities amounted to -1.4 (previous year: -9.3) million euros and relates to the investments initiated in fixed assets. Cash flow from financial activities amount to -9.7 (previous year: -7.5) million euros in the business year under review.

1.12.3 Net assets

The KPS Group has a term-congruent balance sheet structure. The increased business scope is reflected in the balance sheet total. On 30 September 2015, this amounted to 85.6 (previous year: 79.2) million euros and therefore increased by 6.4 million euros or 8.2 % compared with the previous year.

1.12.3.1 Development of assets

The values tied up in medium to long-term assets amount to 45.1 (previous year: 43.9) million euros on the balance sheet date.

These primarily relate to the goodwill from earlier acquisitions of KPS AG amounting to 30.5 (previous year: 30.5) million euros. Other intangible assets amounted to 1.2 (previous year: 1.9) million euros in the period under review. On the balance sheet date, property, plant and equipment amounted to 0.8 (previous year: 0.7) million euros. The capitalized deferred tax assets amounted to 12.6 (previous year: 10.9) million euros.

During the year under review, 0.4 (previous year: 21.8) million euros were invested in property, plant and equipment and intangible assets. The investments in the business year 2013/2014 primarily related to the takeover of getit.

The receivables from future production orders, trade receivables and other assets recognized under current assets amounting to a total of 33.6 million euros increased by 7.1 million euros or 27.0 % compared with the equivalent year-earlier value.

1.12.3.2 Development of equity

The share in equity attributable to shareholders of KPS AG increased by 8.3 million euros compared with the previous year and amounts to 50.1 (previous year: 41.9) million euros on 30 September 2015. The equity ratio improved from 52.9 % to 58.5 %, compared with the balance sheet date in the previous year. A detailed explanation is provided in the statement on changes in shareholders' equity.

1.12.3.3 Development of liabilities

Apart from deferred tax liabilities amounting to 0.2 (previous year: 0.1) million euros, non-current liabilities amounting to 2.3 (previous year: 3.7) million euros primarily relate to earnings-related purchase price instalments arising from the takeover of getit GmbH amounting to 1.7 (previous year: 3.3) million euros and the obligations arising from a management loyalty program amounting to 0.4 (previous year: 0.3) million euros.

There were no other non-current liabilities on the balance sheet date.

A reduction in current liabilities of 0.4 million euros to 33.2 (previous year: 33.6) million euros was posted compared with the balance sheet date for the previous year. The reduction is mainly due to the complete repayment of liabilities to banks (previous year: 4.0 million euros). Other liabilities were reduced by 2.7 million euros.

Trade liabilities increased by 1.8 million euros, the payments received on account by 1.2 million euros and the other provisions by 2.3 million euros.

1.12.4 Appropriation of profits

Earnings after income taxes amounted to 17.9 million euros in the year under review and therefore increased by 1.6 million euros compared with the previous year (16.3 million euros). For the proposed dividend of 10.2 (previous year: 9.5) million euros, the payout rate would amount to 56.7 % of the Group earnings generated. This dividend proposal takes account of the profitability and the dependable payout continuity of KPS AG.

1.13 Other important events

1.13.1 Changes in the Executive Board

No changes were carried out in the Executive Board during the period under review. Mr. Dieter Müller managed the company as the sole Member of the Executive Board.

On 21 December 2015, Mr. Leonardo Musso, General Representative of KPS AG, was appointed to the Executive Board.

1.13.2 Other contractual transfers

No major contractual transfers took place during the period under review.

2 OPPORTUNITIES AND RISK REPORT

2.1 Macroeconomic opportunities and risks

The economic development in Germany and in our most important European markets and the associated change in investment behavior exerted a significant impact on the financial position and results of operations, and asset situation of the KPS Group. In the course of our research activities, we regularly analyze studies and forecasts of economic institutes, in order to gain the necessary overview of the likely development of the economy in markets relevant to us.

On the basis of the current order backlog currently in place and extending over a long period, we do not expect any negative impacts over the short term taking the present economic situation into account. However, we do not exclude the possibility that a sustained economic development could exert a negative impact on sales and income over the medium and long term.

2.2 Sector-specific development

KPS has a robust customer base. Major companies in Germany and abroad entrust KPS with carrying out important project initiatives. The comprehensive consulting portfolio of KPS provides the platform for an attractive offering potential. On account of the very high level of customer satisfaction for current transformation projects and a large number of similar projects successfully completed, Application Managed Services and Support Activities contribute to compounding the generation of sales.

In particular, the areas of E-Commerce and Omnichannel are expected to be major growth drivers for digital business.

As far as consulting services are concerned, this significantly increases the costs of identifying the correct decision-makers. It is therefore all the more important for consulting firms to identify the procurement structures of customers and their criteria for selection so as to be requested to take part in relevant tender offers.

Only rudimentary tender documents used to be issued for projects before being allocated to a well-known management consultant. Today, in the majority of cases the requirements are clearly defined and the selection process takes place in a very structured approach in the case of the large client companies. Alongside established management consultants, "challengers" are continually being invited to take part in the tender process in order to give small companies an opportunity as well.

Overall, it is possible to say that customers have become highly professionalized and management consultancies are also experiencing this. Alongside professionalization, IT expertise and the capacity to support transformation projects so that they are accepted by employees are becoming increasingly important.

The cycles in which changes are manifested in relation to the business model, the technology used and the mode of operation have become shorter as a result of digitization. Empowering employees to deal with these changes will be an important function for consulting firms during the coming years.

2.3 Service and sales area

KPS deploys leading-edge technology with a proven track record for the implementation of projects. The traditional world of strategy and process consulting is optimally combined in this approach with implementation consulting, and the risk of introduction is significantly reduced.

We are observing an increasing trend in the marketplace where competitors attempt to emulate our successful model. It is not possible to exclude the possibility that mid-sized and large consulting companies may attempt to take up a strong competitive position against KPS.

2.4 Opportunities and risks arising from scale effects

The interest in KPS for large companies has improved even further through the current size of the company, annual sales of more than 120 million euros, and a stable consulting team in a workforce of more than 370 employees. This enables KPS to increase its appeal to be engaged as a general contractor with major customers.

2.5 Other operating opportunities and risks

There is the risk that existing customers do not extend current contracts and that no equivalent new customers can be found to compensate for this. The decline in the rate of utilization of capacity could therefore exert significant impacts on the results of operations of the Group on account of the high proportion of service sales within overall sales of KPS. KPS provides a significant proportion of its services to Groups and large medium-sized customers. Losing the business relationship with a major customer could exert significant effects on the development of sales and earnings.

KPS has very close partnerships with the companies SAP, Hybris and IBS in different areas of business. Good relationships with these partners are extremely important for profitable development of the individual Group companies. Ending the cooperation with one of the partners could impact negatively on the sales and earnings situation.

The possibility of technical risks as a result of errors by employees of KPS cannot be excluded. The possibility of service, support or supply contracts being terminated at short notice as a result could entail temporary burdens.

KPS takes on warranty obligations for supplied systems and services provided. Manufacturer's guarantees are passed on. Otherwise, the statutory warranty regulations are applicable. Since the proportion of sales arising from the sale of hardware and software, and from maintenance contracts is still relatively low as a proportion of total sales, the resulting potential risks are still categorized as low. Where KPS supplies services and bears warranty obligations as a result, the company protects itself by taking out corresponding liability policies to the extent necessary.

2.6 Investment and financing area

Currency risks only arise to a limited extent on account of concentration in the eurozone. This also applies for liquidity and interest-rate risk on account of the robust capital and financing structure.

2.7 Effects of exchange rate developments

Effects of exchange-rate developments are not identifiable for the KPS Group on account of the customer structure and the fact that most invoicing is carried out in euros.

2.8 Tax area

There are tax risks amounting to the provisions made for arrears of trade tax payments of a subsidiary company.

2.9 Other major events

No major events took place in the period under review which exert a negative effect on business development.

2.10 Risks to the continuing existence of the Group as a going concern

Risks which could put the continuing existence of the KPS Group at risk are not identifiable at the current time.

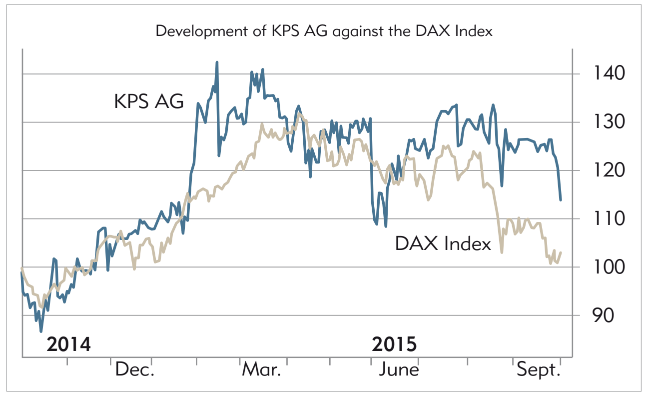
3 PERFORMANCE OF THE SHARE PRICE

KPS share has excellent performance

Regarded in the light of the global perspective, stock markets experienced a high level of volatility and below-average returns in the year 2015. In contrast to this, investors in the KPS share achieved a gratifyingly positive gain during the period under review.

The KPS share once again posted a pleasing performance gain with a price increase of 11.48 % during the period under review and a share-price performance significantly above the DAX.

Price of the KPS share 2014/2015



(Source: Dero-Bank AG, Munich)

The price of the KPS share rose by 11.48 % during the course of the business year 2014/2015. Particularly during the second and fourth quarters, the price performance was exceptionally positive. On 13 February 2015, the share achieved a high for the year at 7.09 euros.

If the dividend of 28 cents per share paid at the end of March 2015 is taken into account, a dividend return of 5.51 % based on the opening price on 1 October 2014 is calculated for the business year under review. The total return of the KPS share amounted to 16.99 %.

The Executive Board and the Supervisory Board propose an increase in the dividend to 30 (previous year: 28) cents per share for the year under review.

4 FOLLOW-UP REPORT

4.1 Reportable events

Overall up until the date of publication of this Group Management Report, there were no reportable events or changes which influence the ability of the consolidated financial statements to give a fair view of the situation of the Group.

4.2 Changes in net assets, financial position and results of operations

Since 30 September 2015, no events of major importance have occurred from which we expect a significant impact on the net assets, financial position and results of operations of the KPS Group.

4.3 Assessment by the Executive Board of the current development

The KPS Group has been able to implement in full or indeed exceed the corporate targets defined by the Supervisory Board and the Executive Board for the business year 2014/2015. Sales and most importantly earnings were significantly above the previous year and they were also in excess of the expectations at the beginning of the business year 2014/2015.
KPS has made a successful start to the business year 2015/2016. The dynamic growth of the business year under review was taken forward into the current business year. On the basis of their current knowledge, the Executive Board and the Management are assuming that the forecast growth targets for sales and earnings will be realized in the current business year.
It was possible to establish stable factors for the sustainable growth of KPS on the back of the excellent development of the company. When this report went to press, the expectations for sales and income were commensurate with the defined values.

5 RISK MANAGEMENT TARGETS AND METHODS OF THE KPS GROUP

KPS only enters into risks if they are regarded as controllable and the associated opportunities lead to the expectation of an appropriate increase in value. KPS interprets risk to mean negative results or unfavorable impacts on a project at a point in time in the future. Established controlling procedures and defined processes anchored in our Rapid Transformation® Method can respond promptly to unexpected results and countermeasures can be actioned against such trends in good time. Risks are identified by experienced project managers in regular reviews with the Vice Presidents and the Executive Board.
An efficient management information system was established on the basis of innovative reporting instruments. This has been adjusted to match the current challenges of the company and further developed.
The management has a comprehensive finance and controlling system in order to identify, monitor and control the risks that KPS is exposed to. The system provides the management with all the necessary information to a high standard of quality on a daily basis.

6 PRICE CHANGE, DEFAULT AND LIQUIDITY RISKS, AND RISKS ARISING FROM CASH FLOW FLUCTUATIONS

There is a credit risk / default risk for KPS insofar as customers of other debtors are unable to meet their financial obligations. The credit worthiness of our customers or business partners involving large sales volumes is subject to regular review.

7 RESEARCH AND DEVELOPMENT

KPS invests in the area of research and development, and this is mainly directed toward improvements in technical integration of different software platforms like SAP and Hybris. We regard ourselves as the market leader among management consultants for these areas, as well as in the development of new operating concepts for software applications.
Additional research services are provided for digitization and for the development of digital business models. A team of three to four employees is continually deployed for research and development functions. As necessary, other employees are also given research and development assignments on a temporary basis.

8 COMPENSATION REPORT

8.1 Compensation payments to the Members of the Executive Board

The compensation payments for the Executive Board are made up of fixed and variable components. Defined annual salary payments are agreed for each Member of the Executive Board as fixed elements and these are payable in twelve equal monthly instalments at the end of each month. The variable component is linked with attainment of determined success indicators in the KPS Group and is paid out in the following business year. The remuneration for the Executive Board amounted to a total of 680 (previous year: 801) KEuros and the variable proportion amounted to 53 % of the total compensation payments. The individualized compensation payments made to the Members of the Executive Board are not published, an appropriate resolution on this matter will be submitted to the Annual General Meeting. A vehicle is provided to the Executive Board for official and private use. The Executive Board also receives an allowance toward private health insurance. Furthermore, a Group accident insurance has been concluded.

8.2 Compensation payments to the Members of the Supervisory Board

A resolution defining the current compensation structure of the Supervisory Board at the Annual General Meeting held on 30 November 2007. According to this structure, each member of the Supervisory Board receives fixed compensation in addition to reimbursement of their expenses after the business year has come to an end. The Chairman of the Supervisory Board receives 1.6 times this amount. The compensation is payable after the Annual General Meeting. In the business year 2014/2015, the compensation for the Supervisory Board amounted to a total of 55 (previous year: 55) KEuros. In the business year 2014/2015, the compensation payments for the Chairman of the Supervisory Board, Mr. Michael Tsifidaris, amounted to 25 (previous year: 25) KEuros, for Mr. Uwe Grünewald 15 (previous year: 15) KEuros and for Mr. Hans-Werner Hartmann 15 (previous year: 15) KEuros.

9 IMPORTANT FEATURES OF THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM WITH REFERENCE TO THE GROUP ACCOUNTING PROCEDURES (report pursuant to Articles 289 Section 5, 315 Section 2 no. 5 German Commercial Code (HGB))

The accounting and controlling of the KPS Group operates on the basis of an accounting-based internal controlling and risk management system which guarantees the complete, correct, and prompt communication of information, and includes all Group companies. Our objective is to identify, minimize or completely avoid potential risks and negative developments at the earliest possible stage. These measures are intended to avert any losses and a potential risk to the existence of the KPS Group as a going concern.

Risks which result from processing orders are identified by controlling at an early stage. Any derivable impending risks are immediately notified to the responsible Vice Presidents and Managing Partners, discussed in internal management meetings, and appropriate countermeasures are taken.

The responsibilities are clearly differentiated. The double-checking principle and the use of strict IT authorization concepts are key components of our internal accounting and controlling system.

The financial statements of the Group companies are prepared centrally by our registered office in Ünterföhring on the basis of local accounting principles. A uniform account plan is used for this purpose throughout the Group and it is applicable to all companies. After the reconciliation of the separate financial statements to the international accounting standards (HB II), our SAP Finance & Controlling System is used to carry out a system-based consolidation to the consolidated financial statements. This involves the application of uniform accounting and valuation principles across the Group.

The separate financial statements of the Group companies are – if material or required by law – subject to an external annual audit and the results of the audit are discussed with the auditors of the financial statements.

10 OUTLOOK REPORT

10.1 Macroeconomic development

10.1.1 Pace of global economic growth remains subdued for the time being

The increase in global production calculated on the basis of purchasing power parities will rise from 3.1 % in 2015 to 3.4 % and 3.8 % respectively in the years 2016 and 2017. At this rate of expansion, the capacity utilization of global production capacities is unlikely to rise on average over the coming years. Global trade is only likely to have undergone a weak increase at a rate of around 2 % in 2015. This is mainly due to a drop in trade intensity of production in the emerging markets. Experts are expecting a moderate acceleration to 3 or 4.5 % in 2016 and 2017 respectively, subject to the unusually low elasticity of global trade gradually approaching the values observed in the past for global production.

Economic expansion in the advanced global economies will gradually strengthen in this year and next year. A monetary policy that continues to be expansive overall and stimuli coming from the price of oil will continue to favor economic development in 2016 and will increasingly fall on fruitful ground in view of the continuing processes of deleveraging in the private sector. Braking influences of financial policy in many advanced economies will also gradually lose importance. Growth in gross national product of 2.5 % in each case is anticipated for this group of countries overall during this year and next year after 2.1 % in 2015.

Experts are predicting a rise in production by 2.8 % for the United States in 2016 and 3 % in 2017, after an increase of 2.5 % in 2015. Most importantly, investments by companies will once more gather pace in Germany and abroad driven by better sales prospects, particularly since the dampening effect brought about by the decline in investments in the oil industry is likely to gradually tail off. Outgoings on private consumption are likely to remain on a significantly upward trajectory. Although the rise in consumer prices will no longer be dampened by falling oil prices, real incomes will again experience a significant increase with the continuous improvement in the employment market which will gradually also be reflected in a more dynamic upswing in wages.
(Source: Kiel Economic Report, IfW, Kiel)

10.1.2 Framework conditions in Germany develop positively

Positive climate expected for investments

The development of domestic sales of the 100 leading IT consulting and IT service companies in Germany analyzed by Lünendonk each year demonstrate an increase in sales of 3.9 % for Germany. While gross national product in 2015 rose by 1.7 % in 2015, companies significantly increased their investments in digital transformation as a result. It is also evident that the share of information technology (IT) in the value generation of companies is continually growing. This is reflected in a higher share of information technology in the products and services, and in a significantly increased automation of business processes.

The growth in sales of leading IT service companies amounting to 3.9 % is consequently covered by the investments of major client companies in their digital transformation. IT investments here fall into two major areas. On the one hand, CIOs are currently modernizing their IT processes and applications, and taking care of important issues like IT security and adjustment of sourcing strategies in order to facilitate more innovations, flexibility, and agility for the specialist departments.

On the other hand, CIOs are currently heavily involved in implementing digital solutions such as web shops, omnichannel strategies or big-data concepts in IT systems. This increase in integration projects is leading to massive adjustments of IT processes and the data level. The requirement for resources relating to software and system integration will also increase enormously over the coming years.
(Source: Lünendonk Market Strategy)

Ambition for higher rate of digitization

A higher digitization level arises from the increasing importance of digitization for the success of companies. However, the level of digitization in most companies is generally moderate at the present time. Over the next two years, the plans of the companies analyzed indicate that the digital transformation should be so far advanced that a significantly higher digitization level is achieved. This planned increase is likely to lead to change and adaptation projects in business and IT processes.

However, digital transformation does not only entail investing in modern technologies, the main challenge is to adapt business processes to the application of modern digital technologies. In spite of major progress made on efficiency, CIOs are still having to battle with legacy issues relating to outmoded IT, whether this relates to historically established IT software and with differing release statuses of applications, computer centers which are lagging behind the speed of IT developments, and the requirements of specialist areas for IT support. CIOs are having to master the challenge of simultaneously providing flexible and agile implementation of the requirements for specialist departments, as well as modernizing IT processes in order to provide a technological platform for digital strategies.

In parallel, the specialist areas need to respond to the pressure with innovations to changes in competitive conditions. The results of the. Lünendonk® Study "The market for IT consulting and IT service in Germany" ("Der Markt für IT-Beratung und IT-Service in Deutschland") highlight this field of tension. Over the next two years, the biggest share of expenditure will continue to be factored into the modernization of obsolete software, followed by expenditure on standardization and consolidation of the IT landscape. IT security takes up the third biggest share of the budget. This is a classic cross-sectional topic which impacts on all digitization projects. Three other issues are business analytics, cloud, and big data which specialist departments use to introduce innovations in processes, products, and services.
(Source: Lünendonk Market Study)

Sector-specific development very confident

IT service companies benefit from these changes and adaptation projects being implemented at client companies and they therefore have a correspondingly optimistic outlook on the future. They anticipated average growth in their sales by 7.7 % for 2015. In 2016, these companies are even projecting sales growth amounting to 9.3 %. This optimism is therefore due to the fact that the lack of qualified specialist IT staff in the client companies means that they allocated more projects to external IT service providers although they are currently operating at full capacity. This situation is leading to an increased demand and improved fees in some areas.

However, an impeding factor for these optimistic sales forecasts is that IT service providers have already had to reject some projects because they do not have adequate resources available.

Precisely in the same way as their customers, they are having to deal with the problem of excessive workload and recruitment of IT specialists for certain skills. Although there is not a general problem of skilled staff, IT service providers and client companies are reporting a shortage of IT specialists for areas such as data management, mobile applications, web development or cloud.
The necessary qualification and project staffing mix has also changed. There is an increasing demand for project managers with knowledge of specialist topics and the ability to demonstrate IT expertise for transformation of projects. At the same time, there is an increasing need for specialist staff to carry out development of software and applications, as well as their integration in business and IT processes. This already high level of demand for specialist staff is continuing to increase in parallel with the importance of IT for wealth generation within a company.
(Source: Lünendonk Market Study)

10.2 Development of the KPS Group

Based on development in the digital economy, customers require massive support on a wide range of different topics.
KPS consultants take on a mentoring function here in order to give customers opportunities but also to highlight the risks of digitization. As has already emerged, business models and entire companies can be eliminated by new competitors as a result of digitization within a very short period of time. The biggest drivers of change are mobile phones, big data, social media and cloud services. These drivers are just in the process of turning entire sectors upside down – and furthermore these developments are always associated with high levels of investment. There is also some lack of clarity about how a business model can develop in order to realize specific business ideas profitably and sustainably. Consulting companies can also provide valuable support here by providing creative ideas and contributing their solution-oriented approach.
The market is not only changing for consulting customers themselves. The consulting companies are also having to adapt to changes in their sector. Although the Executive Board or the senior management still play a major role in influencing the decision on which consulting company to award a contract to, the number of contacts and the number of contacts and decision-makers has increased significantly.
The importance of the specialist departments and in some companies also the purchasing department has increased, although the role of these departments varies considerably in different companies. The market for management consulting again developed positively in 2015 and the consulting companies are once again able to look back on a successful year (estimated market volume of these companies in Germany: 6.6 billion euros). Above-average sales growth of more than 9 % is anticipated for 2015. Once again, the mid-size and large companies have a particularly optimistic view of the future.
The universal and comprehensive transformation cannot be side-stepped and brings with it changes that will define the market, people and society itself. Digitization – the innovation driver of the 21st century – comprises a wide range of different developments which all have the same consequence. This is the technological and organizational transformation of companies. The resulting consequences of this are changes in business models, corporate concepts and strategies, and modification in the behaviors of customers. Companies need to adjust to this change, and prepare their strategies and processes for digitization.
KPS anticipated this market development at an early stage and made preparations to address it for the long term.
The exemplary corporate culture also succeeds in attracting highly qualified employees to KPS and enhancing their loyalty over the long term.
An important objective for the business year 2015/2016 and beyond is to consolidate market leadership for transformation consulting and process optimization in our focus sectors of retail and consumer goods. We also want to continue expansion internationally.

10.3 Key areas of business

Management consulting forms the core segment for our activities and the main sales driver. We achieve our above-average growth rates in the segment of transformation consulting and process optimization.
We are assuming that our service and software business will continue to grow in the business year 2015/2016. Process and implementation consulting on SAP and Hybris platforms are the focus of activity in the consulting segment.

10.4 Service and sales area

In the business year 2014/2015, KPS succeeded in fully implementing the guidelines and corporate targets defined by the Supervisory Board and the Executive Board. Sales and earnings performance developed gratifyingly beyond the planned budget values. This positive corporate development enabled the creation of reliable factors for stable and long-term growth at KPS. On the basis of the status quo, the Executive Board is assuming that sales and earnings will develop according to the forecasts for the business year 2015/2016. When this report was printed, the current business development was in line with expectations in the key financial indicators.

10.5 Investment and financing

Comprehensive investments are envisaged in the area of human-resource expansion and development with the aim of increasing sales. Significant investments have also been planned to power our expansion across Europe.
We are not anticipating any key changes for cost structures. Our assessment for the business year 2015/2016 results from a number of factors including the positive development of past reporting periods and is mainly based on the excellent consulting portfolio for our focus sectors of retail and the consumer goods industry.

10.6 Sales, results of operations and financial position

10.6.1 Business development of KPS

Provided that the macroeconomic developments move within the forecast framework and no events occur to destabilize the economy, the KPS Group is assuming that there will be a further increase in sales and earnings in the business year 2015/2016. We are also anticipating continuous and stable growth for the following years. Alongside the increase in sales, we want to consistently concentrate on optimizing income.
The Supervisory Board and the Executive Board of KPS AG want to maintain the successful trajectory of the company and consistently maintain the strategic course that has been charted. Our primary function within this process is to drive forward the internationalization of KPS across Europe.

10.6.2 Positive assessment of the situation for development at KPS AG

The Executive Board and the management of KPS AG have an extremely positive assessment of the situation. We are ideally positioned to address the challenges of the future. Furthermore, KPS has a robust financial structure and income position. Our committed and highly qualified employees will also make a major contribution to the success of the company in future.
When making plans for the business year 2015/2016, the Executive Board is continuing to assume stable growth where the focus will on long-term improvement of margins for earnings. We made a successful start to the new business year 2015/2016. During the first quarter, our sales and orders booked have undergone very satisfactory development in line with our expectations. The Executive Board is anticipating an increase in sales to a projected figure of 140 million euros and an EBIT of 22 million euros.
Our forecast is based on factors and projections about future business and economic developments known to us today. If major changes occur in business developments and framework conditions which cannot be predicted from today's perspective, there is an underlying risk that the forecast sales and earnings targets may not be achieved.

10.7 Other important events

No important events occurred between the balance sheet date on 30 September 2015 and the publication of the Management Report of the KPS Group which influence or change the position of the Group.

11 REPORT PURSUANT TO ARTICLE 315 SECTION 4 GERMAN COMMERCIAL CODE (HGB)

11.1 Composition of the subscribed capital

On 30 September 2015, the capital stock of the company amounted to 34,011,007 euros. It is divided up into 34,011,007 no-par shares each representing a nominal value of 1 euro in the capital stock. During the year under review, no changes took place in the capital stock. Each share carries one vote.

During the year under review, the company acquired a total of 36,217 of its own shares, none of the company's own shares were sold. The total portfolio of its own shares held by the company (treasury shares) amounted to 121,248 (previous year: 85,031) shares on the balance sheet date of 30 September 2015. The same rights and obligations are associated with all shares.

11.2 Restrictions on voting rights and transfer of shares

A voting trust agreement in respect of votes at annual general meetings was in place for the 25,824,536 no-par shares with a nominal value of 1 euro acquired by way of contribution in kind between the shareholders Michael Tsifidaris, Dietmar Müller, Leonardo Musso and Uwe Grünewald up until 31 December 2015.

The Executive Board is not aware of any other agreements between shareholders which could give rise to restrictions on voting rights or restrictions on the transfer of shares. There are also no such restrictions arising from statutory legislation or the statutes of the company, insofar as the regulation defined in Article 28 sentence 1 Securities Trading Law (WpHG) is not applicable in an individual case. Pursuant to this regulation, the voting right carried in shares which make up a major shareholding in the company pursuant to Articles 21 and 22 Securities Trading Law (WpHG), cannot be used during the time in which the notification obligations in respect of the company and the Federal Financial Supervisory Authority (BaFin) have not been complied with pursuant to Articles 21 Section 1 or 1a Securities Trading Law (WpHG).

11.3 Capital shares greater than 10 percent

Direct or indirect shareholdings in the capital of the company which exceed 10 % of the voting rights were as following in accordance with the knowledge of the Executive Board as at 30 September 2015:

	No-par shares	In %
Michael Tsifidaris	9,584,894	28.18 %
Dietmar Müller	8,469,895	24.90 %
Leonardo Musso	4,395,299	12.92 %
Uwe Grünewald	4,349,143	12.79 %

KPS AG did not receive any further notifications during the business year 2014/2015 relating to direct or indirect shareholdings which exceed 10 % of the voting rights. The company has not therefore received any notification beyond the listing outlined above which includes a shareholding in excess of 10 % of the voting rights.

11.4 Special rights which confer rights of control

There are no shares in the company with special rights which confer rights of control.

11.5 Control of voting rights through employee shareholdings

Employees who hold shares in the capital of KPS AG exercise their control rights like other shareholders indirectly pursuant to the statutory regulations and the statutes of the company.

11.6 Appointment and dismissal of members of the Executive Board and amendments to the statutes of the company

The Members of the Executive Board are appointed and dismissed pursuant to Article 84 Stock Corporation Law (AkG) in conjunction with Article 7 of the statutes of the company. The Supervisory Board is responsible for this. Appointments are made in each case for a period of office lasting a maximum of five years. A re-appointment or extension of the period of office, in each case for five years, is permissible, although the resolution may be passed at the earliest one year prior to expiry of the period of office.

Amendments to the statutes of the company require a resolution by the Annual General Meeting pursuant to Article 179 Section 1 Stock Corporation Law (AktG), which, unless the statutes of the company make provision for some other majority, require a majority of three quarters of the capital stock represented when the vote is taken pursuant to Article 179 Section 2 Stock Corporation Law (AktG).

11.7 Powers of the Executive Board regarding the issue or buyback of shares

The Executive Board has powers granted under statutory regulations and the statutes of the company which essentially govern the powers for the management of the company under its own responsibility and its representation outside.

Authorized capital 2014/1 was created in the amount of 16,371,265.00 euros on 28 March 2014 by a resolution passed by the ordinary Annual General Meeting held on that date.

As a result of this resolution, the Executive Board is empowered with the consent of the Supervisory Board to increase the capital stock up until 27 March 2019 once or more than once up to a total of 16,371,265.00 euros against cash and/or non-cash contributions by the issue of new registered ordinary shares with no par value (no-par shares), subject to the possible exclusion of shareholders' pre-emptive rights.

The Executive Board made use of this authorization on 2 July 2014 with the approval of the Supervisory Board and resolved to increase the capital stock by 1,268,476.00 euros from the authorized capital 2014/1 against a non-cash contribution.

The authorized capital 2014/I still amounts to 15,102,789.00 euros after partial utilization.

The authorized capital 2014/I was entered in the Commercial Register on 9 April 2014, the increase in capital stock and the change in authorized capital 2014/I was entered on 28 July 2014. A change in the authorized capital 2014/I did not take place in the business year 2014/2015.

11.8 Important changes subject to a change of control following a takeover offer

If there is a change in control resulting from a takeover offer, individual members of the Executive Board and employees will have a severance entitlement amounting to the annual target income on the date of the contract termination for the remaining contractual term but at least for the period of three years.

11.9 Compensation agreements for the case of a takeover offer

KPS AG reached compensation agreements with the Members of the Executive Board and with individual employees for the case of a takeover offer in accordance with the explanations provided under section 11.8. Special compensation agreements were also reached with the seller of getit - Gesellschaft für Technologie- und Informationstransfer mbH for the case of a takeover offer in accordance with the explanations provided under section 11.8.

12 SUPPLEMENTARY REPORT

12.1 Supplementary report for human resources

Our employees convince our customers through their expert knowledge and the exceptional commitment. This is based on a high level of specialist qualification and continuous advanced training for our employees. We also apply these standards when appointing new employees. Our key guiding principles are an optimum customer-centric approach, exceptional performance and commitment, safeguarding and improvement of our quality standards, and a positive working environment.

On 30 September 2015, the KPS Group employed at total of 354 employees (previous year: 317). This means that the workforce increased by 37 employees or 11.7 % during the business year 2014/2015. This is essentially due to the expansion of business activity. In Germany, we employ a workforce of 343 employees (previous year: 307), this is equivalent to a share of 96.9 % (previous year: 96.8 %) in the Group overall. The average number of employees in the year under review amounted to 338 (previous year: 205). The rise of 133 employees or 64.9 % is primarily based on the takeover of getit, which was consolidated for the first time on 1 August 2014.

Personnel expenses increased by 10.1 million euros or by 34.3 % to 39.5 (previous year: 29.4) million euros in the business year 2014/2015.

12.2 Employee indicators

The following table provides an overview of the development of the number of employees broken down by regions and functions.

Employees of the KPS Group

	30.09.2015	30.09.2014	Change
Employees by region			
Germany	343	307	36
Switzerland	8	10	-2
Denmark	3	0	3
Employees by function			
Executive Board	1	1	0
Managing Directors	3	3	0
Consultants	324	287	37
Administration	25	24	1
Apprentices	1	2	-1
Total	354	317	37

Alongside the Managing Directors listed above, the Chief Executive Officer of KPS AG, Mr. Dietmar Müller, has also been appointed as Managing Director in a total of seven companies. On 30 September 2015, four persons were therefore employed as Managing Director in the KPS Group.

12.3 Expenses for public relations work

KPS incurs expenses for engaging in public relations work in the scope required and within the statutory framework.

12.4 Declaration on Corporate Governance

Definition of targets for the proportion of women in the Executive Board and in management positions.

On 1 May 2015, the "Law on Equal Representation of Women and Men in Management Positions in Private Business and public Services" came into force. This legislation imposed new obligations on the Supervisory Board and the Executive Board of KPS AG in relation to expanding the proportion of women represented in management tiers.

In accordance with the law, the Supervisory Board and the Executive Board passed resolutions defining the following objectives:

Target for the Executive Board

When making appointments to the Executive Board, the decisions of the Supervisory Board are governed solely by the specific competence and qualification of the individual applicant. Other characteristics such as gender were and are not relevant to this decision. However, it is important to bear in mind here that the proportion of women in management tiers is typically low in this sector. Against this background, the Supervisory Board of KPS AG passed a resolution to the effect that there are no plans to have a woman as a Member of the Executive Board before the reference date of 30 June 2017. The Supervisory Board linked this objective with the projection that over the long term, i.e. by 30 June 2022, at least one appropriately qualified woman should if possible be appointed to the Executive Board or the Supervisory Board. In light of the current composition of the Executive Board made up of two persons this would correspond to a proportion of 50 %.

Target for the Supervisory Board

When making proposals for election of candidates to the Supervisory Board, the decisions of the Supervisory Board of KPS AG are also governed solely by the expertise, skills and specialist experience of the candidates required in order to carry out the duties associated with this function. Other characteristics such as gender were and are not relevant to this decision. However, it is important to bear in mind here that the search for appropriate applicants is indeed typically very difficult in this sector so that the overall proportion of women is very low. Another factor is that the existing Supervisory Board of KPS AG presently has no women members appointed to it and the current members have been appointed for periods of office extending beyond the reference date of 30 June 2017. Against this background, the Supervisory Board of KPS AG passed a resolution to the effect that there are no plans to have a woman as a Member of the Supervisory Board before the reference date of 30 June 2017. However, the Supervisory Board linked this objective with the projection that over the long term, i.e. by 30 June 2022, at least one appropriately qualified woman should if possible be appointed to the Executive Board or the Supervisory Board. In light of the current composition of the Supervisory Board made up of three persons this would correspond to a proportion of around 33 %.

Target for the first and second management tiers below the Executive Board

When making appointments to the first and second management tiers below the Executive Board, the Executive Board of KPS AG is also governed solely by the specific competence and qualification of the individual applicant. Other characteristics such as gender were and are not relevant to this decision. However, it should be noted here that the proportion of women in management tiers is typically low in the sector. Against this background, the Executive Board of KPS AG passed a resolution to the effect that there are no plans to have a woman as a member of the first management tier below the Executive Board before the reference date of 30 July 2017. At the present point in time, the proportion of women in this management tier is 0 %. The Executive Board has passed a resolution defining a target of 9.5 % for the second management tier below the Executive Board, which corresponds to the proportion of women currently in the second management tier below the Executive Board on the date when the resolution was passed. The Executive Board linked this objective with the projection that over the long term, i.e. by 30 June 2022, the proportion of women in the second management tier below the Executive Board should if possible be increased to 20 %.

12.5 Date for the Annual General Meeting

The Annual General Meeting in 2016 for the business year 2014/2015 will be held in Munich on 15 April 2016.

13 DECLARATION BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF KPS AG ON THE RECOMMENDATIONS OF THE "GOVERNMENT COMMITTEE OF THE GERMAN CORPORATE GOVERNANCE CODE" ("COMPLIANCE DECLARATION")

The Executive Board and the Supervisory Board of KPS AG declare pursuant to Article 161 Stock Corporation Law (AktG) that since the submission of the last Declaration of Compliance in January 2015, the recommendations of the German Corporate Governance Code ("Code") in the version dated 24 June 2014 were complied with during the period from 24 June 2014 to 11 June 2015 and the recommendations of the Code in the version dated 5 May 2015 published in the official section of the electronic Federal Gazette (Bundesanzeiger) on 12 June 2015 have been complied with since 12 June 2015 with the following deviations, and furthermore that they will be complied with in the future:

Section 3.8: The D&O insurance for the Supervisory Board does not have a deductible. In the opinion of the Executive Board and the Supervisory Board, the agreement of a voluntary deductible is neither appropriate nor necessary in order to guarantee that the members of the Supervisory Board fulfil their obligations in accordance with the defined requirements.

Section 4.1.5: The Executive Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds, and promotes diversity as appropriate. When making appointments to management positions in the company, the decisions of the Executive Board are governed solely on the basis of the qualifications held by the candidates and it does not equate gender with any primary relevance for decision-making in this connection. The Executive Board has defined target parameters and deadlines for achieving goals for the proportion of women in the two management tiers below the Executive Board. These are published in the Declaration on Corporate Governance.

Section 4.2.2 Sub-section 2: The Supervisory Board does not use the ratio of compensation of the Executive Board to the compensation for the senior management and the workforce overall in relation to the issue of what level of compensation is appropriate for the Executive Board, neither is the development over time taken into account. Accordingly, the Supervisory Board does not lay down how the senior management and the relevant workforce should be defined. The corresponding recommendation of the Code appears to be not very practical and furthermore is not appropriate for guaranteeing that the compensation for the Executive Board is appropriate in every case.

Section 4.2.3 Sub-section 2: The variable compensation for the Executive Board does not take into account any negative developments such that real losses of income can actually occur. Given the structure of the compensation for the Executive Board, this does not appear to be necessary in order to ensure that the Executive Board does not enter into any inappropriate risks in the course of managing the company.

Section 4.2.3 Sub-section 4: The contracts for the Executive Board do not have a severance-pay cap to cover the case of premature termination of the contract. Such a rule does not appear necessary in addition to the conditions applicable under statutory regulations in the case of premature termination of contracts for the Executive Board in order to safeguard the interests of the company and its shareholders.

Section 4.2.3 Sub-section 6: The Chairman of the Supervisory Board has not informed the Annual General Meeting about the principles of the compensation system and their amendment, the information provided in the annual financial statements was regarded as adequate.

Section 4.2.4 and 4.2.5: On 28 March 2014, the Annual General Meeting of KPS AG resolved with the necessary majority no longer to publish the information pursuant to Article 286 Section 5 German Commercial Code (HGB), Article 285 sentence 1 no. 9 letter a) sentence 5 to 9 German Commercial Code (HGB) and pursuant to Article 314 Section 2 sentence 2 German Commercial Code (HGB), Article 314 Section 1 no. 6 letter a) sentence 5 to 9 German Commercial Code (HGB). Against this background, the compensation system will also not be explained in the compensation report. This report does not contain any information on the type of fringe benefits.

Section 5.1.2 Sub-section 1: The Supervisory Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds and promotes diversity as appropriate. When making appointments to the Executive Board, the decisions of the Supervisory Board are governed solely by the specific individual competence and qualification, other characteristics such as gender or nationality have not been relevant to this decision and will not be applicable in the future. Target parameters and deadlines relating to the proportion of women on the Executive Board and for the achievement of the target parameters have been defined which are published in the Declaration of Corporate Governance.

Section 5.1.2 Sub-section 2: The Supervisory Board has not defined any age limit for the Members of the Executive Board. The definition of an age limit for the Members of the Executive Board is not in the interests of the company and its shareholders, since there is no compelling connection between a specific age of a Member of the Executive Board and their performance.

Section 5.3: No committees are formed in view of the number of Members of the Supervisory Board (three).

Section 5.4.1 Sub-section 1 and Sub-section 2: The composition of the Supervisory Board is presently such that the principles of diversity and potential conflicts of interest are taken into account. In view of the statutory regulations defined in the Stock Corporation Law, which describes in Article 100 Stock Corporation Law (AktG) the personal requirements for the activity as a Member of the Supervisory Board and in Article 111 Stock Corporation Law the functions of the Supervisory Board and therefore also simultaneously defines in the same way as the Code the targets for the re-election of the Supervisory Board, the Supervisory Board has refrained from designating concrete targets for the composition when the Supervisory Board is re-elected. The Supervisory Board regards as problematic the definition of an age limit for membership of the Supervisory Board based on the General Equality Law and will not provide such a definition. The Supervisory Board has defined target parameters and deadlines for the attainment of the target parameters which are published in the Declaration on Corporate Governance.

Section 5.4.1 Sub-section 4: The Supervisory Board does not disclose the personal and social relationships of each candidate for the company, the governance bodies of the company and a shareholder with a major interest in the company when it submits proposals for election to the Annual General Meeting. In the opinion of the Supervisory Board, the recommendation of the Code entails not insubstantial risks and the Supervisory Board believes that complying with them would therefore not be in the interests of the company.

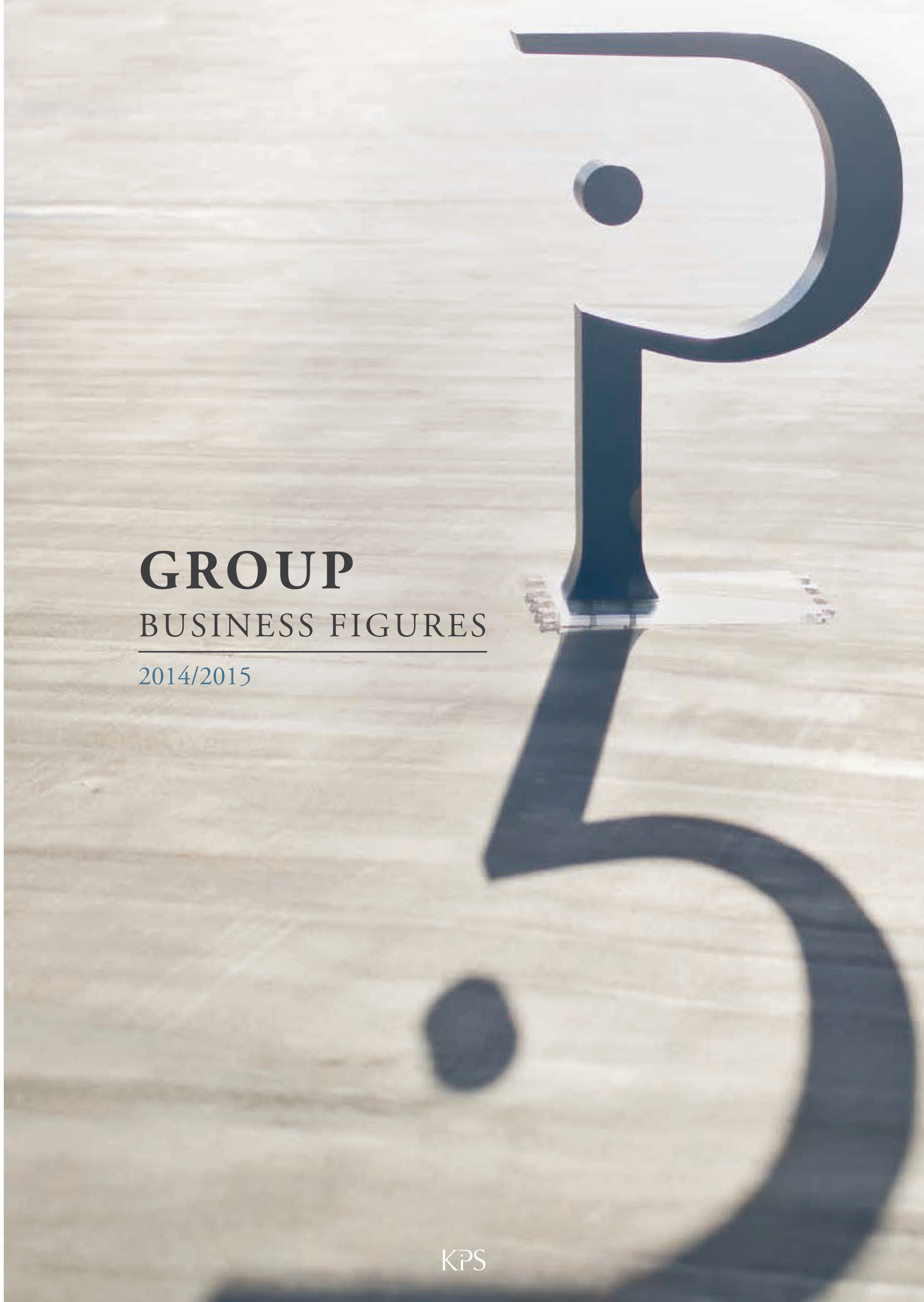
Section 7.1.2: The consolidated financial statements as at 30 September of each business year are not published within 90 days but within 120 days of the end of the relevant reporting period. The interim reports are not published within 45 days but within 60 days of the end of the reporting period. After the legislation on implementation of the change directive relating to the transparency directive came into force on 26 November 2015, interim reports are no longer drawn up in the form previously defined under the statutory regulations.

14 RESPONSIBILITY STATEMENT BY THE STATUTORY REPRESENTATIVES

We hereby declare to the best of our knowledge that the Consolidated Management Report presents a true and fair view of the performance of the business including the business result and the position of the company such that an appropriate view of the significant circumstances is conveyed and the significant opportunities and risks of the likely development of the Group are described.

Unterföhring, 27 January 2016

The Executive Board



GROUP

BUSINESS FIGURES

2014/2015

KPS AG Consolidated Financial Statements in accordance with IFRS

Income Statement

for the period from 1 October to 30 September 2015

	in KEuros	Note	2014/2015	2013/2014
1	Revenues	7.1	122,915	111,076
2	Other operating income	7.2	956	827
3	Cost of materials	7.3	-51,979	-52,814
4	Personnel expenses	7.4	-39,509	-29,424
5	Other operating expenses	7.5	-12,734	-12,184
6	**Operating result before depreciation and amortization (EBITDA)**		**19,649**	**17,481**
7	Depreciation and amortization	7.6	-1,036	-793
8	**Operating result (EBIT)**		**18,613**	**16,688**
9	Financial income	7.7	18	281
10	Financial expenses	7.7	-448	-94
11	**Financial result**		**-430**	**187**
12	**Earnings before income taxes** *		**18,183**	**16,875**
13	Income tax	7.8	-258	-550
14	**Earnings after income taxes**		**17,925**	**16,325**
	Number of shares in thousands – basic/diluted weighted average		33,894	32,892

	in euros	Note	2014/2015	2013/2014
	Earnings per share			
	– basic	7.9	0.53	0.50
	– diluted	7.9	0.53	0.50

* corresponds to earnings from ordinary activities

KPS AG Consolidated Financial Statements in accordance with IFRS

Comprehensive Income

for the period from 1 October 2014 to 30 September 2015

STATEMENT OF COMPREHENSIVE INCOME

in KEuros	2014/2015	2013/2014
Earnings after income taxes	17,925	16,325
Expenses and income recognized in equity with no effect on the income statement	0	8
Comprehensive income	17,925	16,333

Indicators for the Income Statement

(in million euros)	2014/2015	2013/2014
Revenues	122.9	111.1
EBITDA	19.6	17.5
EBITDA margin	16.0 %	15.7 %
EBIT	18.6	16.7
EBIT margin	15.1 %	15.0 %

KPS AG Consolidated Financial Statements in accordance with IFRS

Group Balance Sheet as at 30 September 2015

ASSETS

in KEuros	Note	As at 30 September 2015	As at 30 September 2014
ASSETS			
A. NON-CURRENT ASSETS			
I. Property, plant and equipment	8.1	801	675
II. Goodwill	8.2	30,472	30,472
III. Other intangible assets	8.2	1,176	1,915
IV. Deferred tax assets	8.3	12,607	10,868
		45,056	43,930
B. CURRENT ASSETS			
I. Future receivables from production orders	8.5	3,588	1,453
II. Trade receivables	8.4	29,512	24,507
III. Other receivables and financial assets	8.6	494	491
IV. Entitlements to income tax rebates	8.7	475	95
V. Cash and cash equivalents	8.8	6,487	8,683
		40,556	35,229
Total assets		85,612	79,159

LIABILITIES AND SHAREHOLDERS' EQUITY

in KEuros	Note	As at 30 September 2015	As at 30 September 2014
A. SHAREHOLDERS' EQUITY			
Share in equity attributable to shareholders of KPS AG			
I. Subscribed capital	8.9.1	33,890	33,926
II. Capital reserve	8.9.3	-11,595	-11,595
III. Retained earnings	8.9.4	4,064	64
IV. Net profit	8.9.5	23,754	19,462
Total equity	8.9	50,113	41,857
LIABILITIES AND SHAREHOLDERS' EQUITY			
B. NON-CURRENT LIABILITIES			
I. Non-current provisions	8.10	2,059	3,537
II. Deferred tax liabilities	8.11	222	127
		2,281	3,664
C. CURRENT LIABILITIES			
I. Trade liabilities	8.12	11,452	9,619
II. Financial liabilities	8.13	0	4,000
III. Advance payments received	8.14	2,465	1,272
IV. Tax provisions	8.15	3,574	2,924
V. Other provisions	8.16	9,649	7,350
VI. Other liabilities	8.17	5,555	8,283
VII. Income tax liabilities	8.18	523	190
		33,218	33,638
Total liabilities		35,499	37,302
Total of shareholders' equity and liabilities		85,612	79,159

KPS AG Consolidated Financial Statements in accordance with IFRS

Consolidated Cash Flow Statement in accordance with IFRS

for the period from 1 October 2014 to 30 September 2015

in KEuros	2014/2015	restated 2013/2014
A. Current business operations		
1. Earnings before interest and taxes (EBIT)	18,613	16,688
2. Depreciation of fixed assets	1,036	793
3. Change in current assets	-7,143	-846
4. Change in provisions	606	-3,107
5. Change in other liabilities	1,268	1,559
6. Losses from asset disposals	18	0
7. Taxes paid	-1,381	-1,220
8. Interest paid	-134	-8
9. Interest received	4	23
Cash outflow from current business operations	**12,887**	**13,882**
B. Investment activities		
1. Investments in property, plant and equipment	-422	-45
2. Investments in intangible assets	-19	-12
3. Investments in finance investments	-971	-7,471
4. Investments in the acquisition of getit	0	-1,748
5. Cash receipts from sales of assets	1	0
Cash outflow from investment activities	**-1,411**	**-9,276**
C. Financial activity		
1. Acquisition of treasury shares	-184	-323
2. Dividend payout	-9,489	-7,166
Cash outflow from financial activities	**-9,673**	**-7,489**
D. Net change in cash funds	**1,803**	**-2,883**
E. Cash funds at the beginning of the period	**4,683**	**7,566**
F. Cash funds at the end of the period	**6,486**	**4,683**

COMPOSITION OF CASH FUNDS

in KEuros	Status 30.09.2015	Status 30.09.2014
Cash in hand and bank balances	6,487	8,683
Bank liabilities with a remaining term of up to three months	0	-4,000
Cash funds	**6,487**	**4,683**

KPS AG Consolidated Financial Statements in accordance with IFRS

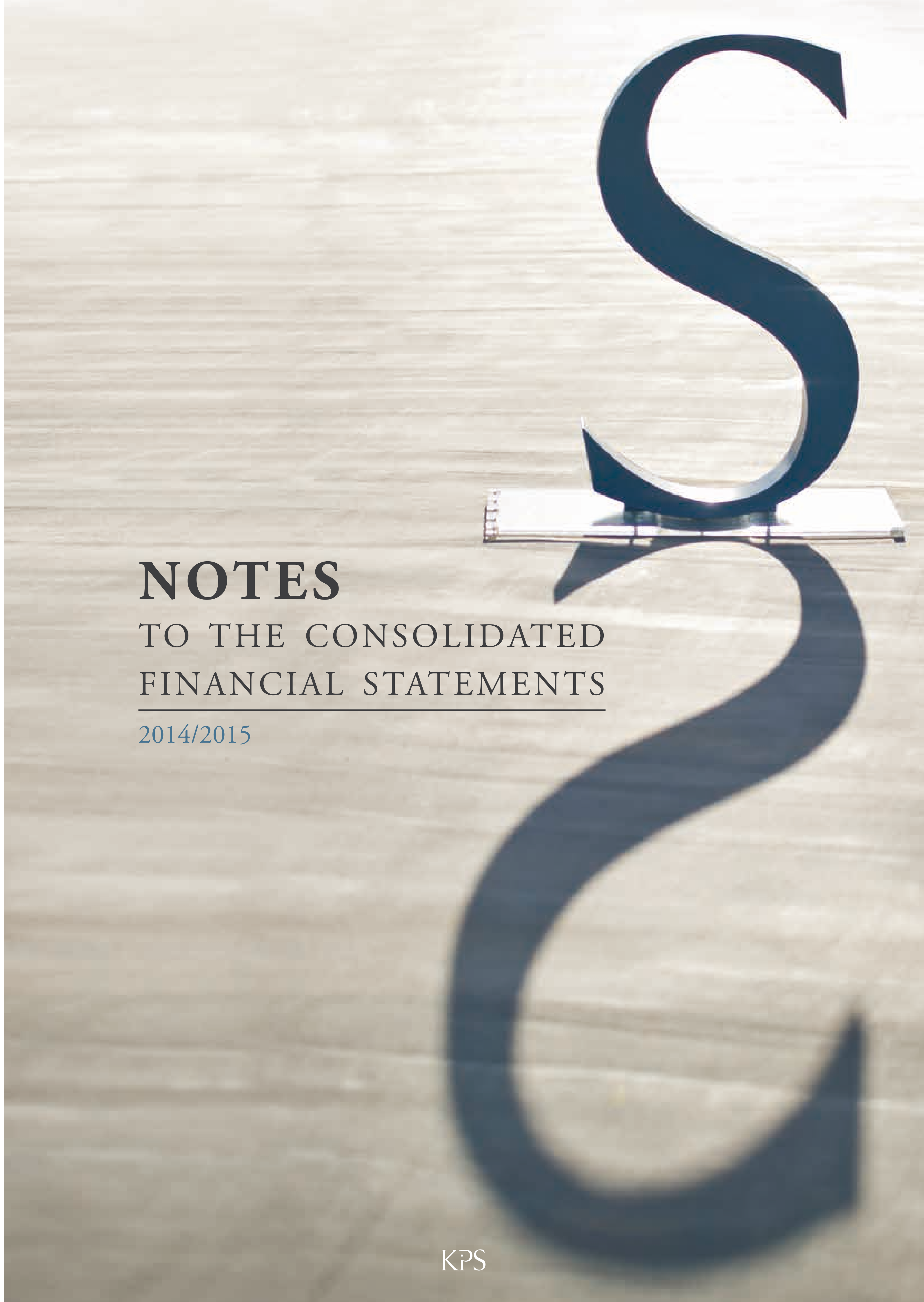
Group Statement of Changes in Shareholders' Equity

in KEuros	Subscribed capital	Treasury shares	Total of subscribed capital	Capital reserve	Retained earnings OCI	Net profit	Equity
30.09.2013	**32,743**	**-139**	**32,604**	**-18,524**	**55**	**10,330**	**24,465**
Acquisition of treasury shares	0	-65	-65	0	0	-258	-323
Disposal of treasury shares	0	119	119	382	0	231	732
Equity transactions with shareholders							
Dividend payout	0	0	0	0	0	-7,166	-7,166
Other changes	1,268	0	1,268	6,547	0	0	7,815
Group earnings 2014	0	0	0	0	0	16,325	16,325
First-time consolidation of deferred tax assets – OCI	0	0	0	0	9	0	9
30.09.2014	**34,011**	**-85**	**33,926**	**-11,595**	**64**	**19,462**	**41,857**
Acquisition of treasury shares	0	-36	-36	0	0	-144	-180
Disposal of treasury shares	0	0	0	0	0	0	0
Equity transactions with shareholders							
Dividend payout	0	0	0	0	0	-9,489	-9,489
Other changes	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	4,000	-4,000	0
Group earnings 2015	0	0	0	0	0	17,925	17,925
First-time consolidation of deferred tax assets – OCI	0	0	0	0	0	0	0
30.09.2015	**34,011**	**-121**	**33,890**	**-11,595**	**4,064**	**23,754**	**50,113**

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

2014/2015



1 GENERAL INFORMATION

The consolidated financial statements of KPS AG for the period to 30 September 2015 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) valid on the balance sheet date and endorsed by the European Union as issued by the international Accounting Standards Board (IASB), London, the interpretations of the IFRS Interpretations Committee (IFRIC) and observing the additional applicable commercial regulations established in sections Article 315a German Commercial code (HGB) and the company statutes of KPS AG.
KPS AG is a joint-stock company (Aktiengesellschaft) based in Germany with registered office in Betastraße 10h, 85774 Unterföhring, Germany. The company with register number HRB 123013 is registered with the Munich Local Court (Amtsgericht München). KPS AG was established in 1998. The shares in KPS AG were authorized for regulated trading in the New Market on 15 July 1999. In 2002, the company switched to the stock-exchange segment "Regulated Market" (General Standard).
KPS AG is a successful company for business transformation consulting and process optimization in retail and in the consumer goods sector. We provide our customers with advice on strategic, process and technological issues, and successfully implement holistic solutions which safeguard their performance capability over the long term.
The Declaration on the German Corporate Governance Code prescribed pursuant to Article 161 of the Stock Corporation Law (AktG) has been submitted and made accessible to shareholders.
The Executive Board of KPS AG prepared the consolidated financial statements on 27 January 2016 and submitted them to the Supervisory Board, which passed a resolution on them on 29 January.
Individual items are summarized to improve clarity in the income statement and the statement of comprehensive income, the balance sheet and in the cash flow statement, and in the statement of changes in equity of the KPS Group. Explanations are provided in the notes to the financial statements.
The income statement has been prepared in accordance with the total cost method.
The balance sheet is broken down, in accordance with IAS 1, into current and non-current assets and liabilities. Current assets are classified as liquid funds, assets and liabilities if they are expected to be realized or are to be settled within one year or also within the normal operating cycle of the company or group – starting with the procurement of the resources necessary for the provision of performance process until receipt of cash or cash equivalents by way of consideration for the sale of the products or services generated in this process. Trade receivables and trade payables, and inventories are generally posted as current items. Deferred tax assets and liabilities are generally shown as non-current.
The consolidated financial statements are prepared in euros. Unless otherwise noted, all amounts are given in thousand euros (KEuros). Roundings may lead to values in this report not adding up exactly to the specified sum and percentages given may not conform precisely to the values presented. Alongside the values for the business year 2014/2015, the equivalent year-earlier figures are given for purposes of comparison. These are presented in brackets.
In the business year 2013/2014, getit - Gesellschaft für Technologie- und Informationstransfer mbH was included in the consolidated financial statements for the first time from the date of first-time consolidation with a short business year from 1 August to 30 September 2014. Furthermore, a presentation of the equivalent year-earlier figures for purposes of comparison is not possible because getit had a short business year from 1 January to 30 September 2014. The extent to which the figures from the business year 2014/2015 can be compared with the previous year's figures is therefore limited.
The presentation is unchanged compared with the previous year with the exception of the cash flow statement, which was adjusted in accordance with IAS 8.42. These amendments are explained under the item cash flow statement in accordance with IAS 8.49.
The separate financial statements of the consolidated companies were prepared on the balance sheet date of the consolidated financial statements.

2 REPORTING, VALUATION AND CONSOLIDATION METHODS NOT IN ACCORDANCE WITH GERMAN LAW

The following consolidated financial statements prepared in accordance with IFRS are based on the following reporting, valuation and consolidation methods which deviate from German law:
The consolidation is carried out within the framework of a "reverse acquisition" in accordance with IFRS 3. The economic parent company is KPS Business Transformation GmbH, which was acquired by KPS AG in a capital in kind takeover during the business year 2007/2008.
The pro-rata profit realization is carried out in accordance with the project progress of customer orders based on the Percentage of Completion Method (IAS 11).
Other provisions are not formed insofar as the probability of utilization is less than 50 %.
Goodwill from capital consolidation is capitalized under assets. Impairment tests are carried out annually in accordance with IFRS 3 and IAS 36).
Attention is drawn to the fact that the deviations given do not encompass all the deviations from reporting, valuation and consolidation methods of rules in accordance with IFRS from rules pursuant to German law.

3 EFFECTS OF NEW ACCOUNTING STANDARDS

3.1 International Financial Reporting Standards and interpretations to be applied mandatorily from the business year 2014/2015

The following table shows the International Financial Reporting Standards and interpretations to be applied mandatorily in the EU from the business year 2014/2015:

Standard	Topic	Obligation to apply from	Effects on the KPS Group
IFRS 10	Consolidated financial statements	Business years which begin on or after 1 January 2014	none
IFRS 11	Joint arrangements	Business years which begin on or after 1 January 2014	none
IFRS 12	Disclosure of interest in other entities	Business years which begin on or after 1 January 2014	Disclosure of information in the notes
IFRS 10, IFRS 11 and IFRS 12	Amendments – transitional arrangements	Business years which begin on or after 1 January 2014	none
IFRS 10, IFRS 12 and IAS 27	Amendments – investment entities	Business years which begin on or after 1 January 2014	none
IAS 27	Separate financial statements	Business years which begin on or after 1 January 2014	none
IAS 28	Investments in associates and joint ventures	Business years which begin on or after 1 January 2014	none
IAS 32	Financial instruments: Presentation – offsetting of financial assets and financial obligations	Business years which begin on or after 1 January 2014	none
IAS 36	Amendments – Impairment of assets: Disclosure requirements for information on determining the recoverable amount for non-financial assets	Business years which begin on or after 1 January 2014	none
IAS 39	Amendments – Financial instruments: Recognition and measurement – Novations of derivatives and continuation of hedging reporting	Business years which begin on or after 1 January 2014	none
IFRIC 21	Levies	Business years which begin on or after 17 June 2014	none

The new standards and interpretations for application exert no effect on the consistency of the consolidated financial statements of KPS AG.

3.2 International Financial Reporting Standards and interpretations that have been published and have to be applied in the future

The following standards and interpretations have already been adopted by the IASB, individual standards and interpretations have been endorsed by the EU but application is not mandatory for the business year 2014/2015. KPS AG will apply these standards and interpretations when their application becomes mandatory.

Standard	Topic	Obligation to apply from	Effects on the KPS Group
IFRS 9 *	Financial instruments	Business years which begin on or after 1 January 2018	none
IFRS 11	Amendments: Joint arrangements – acquisition of shares in a joint venture	Business years which begin on or after 1 January 2016	none
IFRS 10, IFRS 12 and IAS 28 *	Amendments – Investment entities: Application of an exception in relation to consolidation	Business years which begin on or after 1 January 2016	none
IFRS 10 and IAS 28 *	Amendments – Sales or contributions of assets between an investor and its associate or joint venture	Not yet known	none
IFRS 14 *	Regulatory deferral accounts	Business years which begin on or after 1 January 2016	none
IFRS 15 *	Revenue from contracts with customers	Business years which begin on or after 1 January 2018	subject to review
IFRS 16 *	Leasing	Business years which begin on or after 1 January 2019	subject to review
IAS 1	Amendments – presentation of financial statements: Initiative for improvement of disclosure requirements	Business years which begin on or after 1 January 2016	none
IAS 16 and IAS 38	Amendments – Clarification of acceptable methods of depreciation and amortization	Business years which begin on or after 1 January 2016	none
IAS 16 and IAS 41	Amendments – Agriculture: Bearer plants	Business years which begin on or after 1 January 2016	none
IAS 19	Amendments – Employee benefits: Defined benefit plans: employee contributions	Business years which begin on or after 1 February 2015	none
IAS 27	Amendments – Separate financial statements: Equity method in separate financial statements	Business years which begin on or after 1 January 2016	none
Improvements in IFRS	Case-by-case regulations	Business years which begin on or after 1 January 2015 to 1 January 2016	individual assessment

* not yet endorsed by the EU

4 PRINCIPLES AND METHODS, AND UNCERTAINTIES ON ACCOUNT OF ESTIMATES

The annual financial statements of the companies including in the consolidated financial statements are prepared on the basis of uniform accounting and valuation principles. The consolidated financial statements are based on the principle of historic acquisition and production costs with the exception of items which are posted at fair value, such as financial assets and derivatives available for sale.

The management has to make certain assumptions and assessments in the consolidated financial statements which may exert a significant influence on the presentation of the net assets, financial position and results of operations of the Group.

The main areas of application for assumptions, estimates and discretionary decisions relate to definition of the useful life of long-term assets, the determination of discounted cash flows in impairment tests (value in use) and purchase price allocation (fair value), the formation of provisions for example for litigation, retirement benefits for employees and corresponding benefits, taxes, environmental protection, price reductions, product liabilities, and warranties. Accounting principles that require significant assessments and assumptions are addressed on a case-by-case basis in the other parts of this section together with their effects on the individual areas. Estimates are based on experiential values and other assumptions, which are regarded as appropriate under the specific circumstances. They are continually reviewed but may deviate from the actual values.

Amendments to the accounting and valuation methods on the basis of revised and new standards are carried out retrospectively, insofar as no deviating regulation is provided for a standard. The income statement of the previous year and the opening balance of this comparative period are adjusted as though the new accounting and valuation methods had always been applied.

4.1 Consolidation

The consolidated financial statements are based on the annual financial statements of the consolidated companies prepared on 30 September 2015 in accordance with the accounting and valuation principles applied uniformly across the Group. The annual financial statements have been audited and approved or they were subject to an audit review in the course of the audit of the consolidated financial statements.

The consolidated financial statements include subsidiary companies. There were no joint ventures and associated companies in the business year or in the previous year.

Subsidiary companies are those companies over which KPS AG is able to exercise control. This is generally based on indirect or direct majority voting rights held by KPS AG. The majority voting rights are generally manifested in the form of share ownership of more than 50 %. Inclusion in the consolidated group commences on the date from which the possibility of control commenced. Consolidation ends when control is no long possible.

Sales, income and expenses, and profits and losses which are based on transactions within the group of consolidated companies, and any receivables and liabilities are eliminated. There were no interim profits in fixed assets or in inventories from intragroup deliveries and services requiring consolidation.

Investment book values in subsidiary companies are offset with the proportionate share of the equity capital in these subsidiary companies in the course of capital consolidation. If a company is acquired, the proportionate equity capital of the acquired subsidiary company is calculated in accordance with the acquisition method on the date of acquisition taking into account the fair value of identifiable assets, liabilities and contingent liabilities, deferred taxes and any goodwill on that date. The acquisition costs of acquired foreign companies are converted to euros at the relevant rate on the date of acquisition.

Capital consolidation was carried out for acquisitions after

1 October 2003 on the basis of the acquisition method in accordance with IFRS 3. The acquisition costs are equivalent to the fair value of the acquired assets, the equity instruments issued and the liabilities arising or transferred on the date of exchange. If a company merger takes place, identifiable assets, liabilities and contingent liabilities are valued at their fair value on the date of acquisition when they are first consolidated. The surplus on the acquisition costs over the share of the Group in the net fair value of the assets is recognized as goodwill. Goodwill is reviewed each year for any indicators of impairment on value and unscheduled depreciation is carried out as necessary.

If shares in other companies are acquired this is presented as an equity transaction. This means that the difference between the acquired proportionate equity capital of other shareholders and the purchase price is offset directly with the equity capital.

The consolidated methods applied were not changed by comparison with the previous year.

4.2 Currency translation

The financial statements of the consolidated companies included in the consolidated financial statements are prepared using their functional currency. The functional currency is the currency in which the entity generates or uses most of its liquid funds. In the case of foreign companies included in the group of consolidated companies, the functional currency is the currency of the Group parent company because the companies are foreign units that are not autonomous which are integrated within the business operations of the Group.

The currency translation differences arising are recognized cash-effectively in the income statement.

Foreign currency transactions are converted into the functional currency at the exchange rates on the transaction date. Profits and losses which arise out of fulfilment of such transactions and from the conversion at the rate on the reference date of monetary assets and liabilities denominated in foreign currency are recognized as profit or loss in the income statement.

Shares in equity capital are converted at historic exchange rates on the dates of their additions in each case from the perspective of the Group.

The exchange rates of important currencies with the euro changed as follows:

		Average rate on balance sheet date		Annual average rate	
		30.09.2015	30.09.2014	2014/2015	2013/2014
Argentina	ARS	10.5692	10.6808	10.1547	10.1241
Denmark	DKK	7.4599	7.4431	7.4541	7.4299
United Kingdom	GBP	0.7380	0.7783	0.7427	0.8159
Norway	NOK	9.4964	8.1225	8.7642	8.2391
Sweden	SEK	9.4048	9.1475	9.3448	8.9594
Switzerland	CHF	1.0916	1.2064	1.0979	1.2161
USA	US$	1.1216	1.2594	1.1485	1.3513

There were no subsidiaries whose functional currency has exceeded an aggregate inflation rate of 100 % over the past three years and therefore had to apply regulations on hyperinflationary accounting in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies during the year under review.

4.3 Revenues or other operating income

All income connected with product sales, services provided and license earnings are recorded as revenues. Other operating income is recognized as operating income. Revenues are recognized as income, if the significant risks and opportunities arising out of ownership in the goods has been transferred to the customer, the company neither has any other right of disposal as is usually associated with ownership nor is there an effective power of disposal over the sold goods and manufactured products, the amount of the income and the incurred costs or costs still to be incurred can be reliably determined, and there is a sufficient probability that the company will derive economic benefit out of the business.

Revenues are recognized at the fair value of the consideration received or to be received after deduction of sales tax and other taxes, and after deduction of revenue reductions. Furthermore, estimated amounts for rebate, discount and product returns are also recognized and set aside at the point when sales are realized.

In the case of customer-based fixed-price orders, the sales are recognized on the basis of the Percentage of Completion Method (POC Method) in accordance with the progress of performance.

Estimates relating to revenue reductions are mainly based on experiences from the past, specific contractual conditions and expectations relating to future sales development. It is unlikely that any factors other than those listed will exert a major effect on revenue reductions of the KPS Group. Adjustments of the provisions formed in previous periods for rebates, discounts and product returns were of subordinate importance for the earnings before tax of the business years under review.

Provisions for rebates amounted to 126 (previous year: 250) KEuros in the business year 2014/2015.

Part of the revenues in the KPS Group is generated from license agreements in which third-party rights in some products and technologies were transferred. Any payments received or expected which are related to the sale or sublicensing of technology or technology knowledge affect earnings, as soon as the corresponding agreements come into force, if all rights and obligations in relation to the technologies concerned are given up under contractual terms and conditions. On the other hand, if rights continue to be vested in the technology or if obligations arising from the contractual relationship still have to be fulfilled any payments received are recorded accordingly.

Contractually agreed advance payments and other similar non-refundable payments are recognized as received advance payments under liabilities and are released over the estimated period of provision of the agreed consideration and recognized under income as affecting earnings.

4.4 Research and development expenses

Research expenses are defined for accounting purposes as costs in connection with current or planned investigations which are intended to provide new scientific or technical knowledge and insights. Development expenses are defined as costs in connection with the application of research results or specialist knowledge in product development, production procedures, services or goods prior to the commencement of commercial production or application.

No research costs were incurred at the KPS Group during the course of the business year. Development costs which meet the criteria defined in IAS 38.57 were not reported as assets for reasons of materiality.

4.5 Goodwill

Goodwill is recognized in the course of a company merger as an asset on the date of acquisition. It is valued at acquisition costs which are derived as the surplus on the purchase price for the acquired company over the share of the net assets acquired. The net assets are equivalent to the balance from the fair value of the acquired identifiable assets, the acquired liabilities and contingent liabilities.

Goodwill does not undergo scheduled amortization, but is tested for impairment every year. Details of the annual impairment tests are explained in the section on the method and effects of impairment tests. Once goodwill has been written down, it cannot be written up in subsequent periods.

4.6 Other intangible assets

An other intangible asset is an identifiable, non-monetary asset without physical substance (e.g. a patent, a brand, a marketing right) which is not goodwill. It is capitalized as an asset if the economic benefit to be expected in the future from the asset is likely to accrue and the acquisition and production costs can be reliably calculated.

Other intangible assets are recognized at the acquisition or manufacturing costs. If they have a determinable useful life, they are amortized on a straightline basis over a period of up to 30 years, except where their actual depletion demands a different method of amortization. Definition of the likely useful lives and the amortization methods is based on estimates of the period of cash inflows from the intangible assets and their temporal distribution within this period. If there is an indication of a possible reduction in value, an impairment test is carried out.

Details of the annual impair tests are explained in the section on the method and effects of impairment tests.

If an impairment has been established, this is taken account of by unscheduled amortization. If the reasons for unscheduled amortization no longer exist, an appropriate write-up is carried out which does not exceed the amortized costs.

4.7 Property, plant and equipment

Property, plant and equipment is recognized at acquisition or production costs, reduced by scheduled depreciation over the useful life and as necessary unscheduled impairments.

The acquisition costs are made up of the acquisition price, the incidental acquisition costs and the subsequent acquisition costs less any reductions received on the acquisition price.

Costs for current maintenance and service expenses are always recognized in the income statement.

Scheduled depreciation on property, plant and equipment is carried out by the straightline method over the expected useful life, except where their actual depletion demands a method of amortization based on depletion.

Depreciation is based on the following useful lives used uniformly across the Group:

	Years
IT hardware	3 – 5
Business equipment	3 – 10

Important components for an item of property, plant and equipment, which have different useful lives, are recognized and depreciated separately.

If there are indications of an impairment of an individual item categorized as property, plant and equipment, a review is carried out to establish whether the recoverable amount is above the book value. If this is not the case, unscheduled depreciation is recorded in the amount of the difference between the book value and the recoverable amount. If the reasons for unscheduled amortization no longer exist, an appropriate write-up is carried out which does not exceed the amortized costs.

If items of property, plant and equipment are sold, shut down or scrapped, the profit or loss is recorded as the difference between the net sales gain and the residual book value under other operating income or expenses.

4.8 Leasing

An agreement is deemed to be a leasing relationship if the lessor grants the lessee the right to use an asset for an agreed period of time in return for a payment or a series of payments. A distinction is drawn between finance leasing and operating leasing.

Finance leasing relates to leasing transactions where the lessee essentially bears all the risks and opportunities associated with the ownership of an asset.

All other leasing relationships are designated as operating leasing. If the KPS Group enters into a finance leasing relationship, the lower value of the fair value and the present value of the minimum leasing payments is capitalized as an asset in the balance sheet at the beginning of the leasing relationship and recognized in the same amount under financial liabilities in liabilities and shareholders' equity. The minimum leasing payments are essentially made up of financing costs and the repayment component of the residual debt which are calculated in accordance with the effective interest method. The leasing object is depreciated by the straightline method over the estimated useful life or the shorter contract term.

In the case of operating leasing, the KPS Group records the leasing instalment payable as the lessee under expenses or the leasing instalment receivable as the lessor under income. The leased asset continues to be recorded in the balance sheet of the lessor under property, plant and equipment.

4.9 Cash and cash equivalents

The cash and cash equivalents comprise the cash in hand, checks, and credit balances at banks and companies. Cash equivalents are current, exceptionally liquid financial investments which are only subject to negligible fluctuations in value and can easily be converted to fixed defined amounts of cash. They have a maximum term of three months when acquired or on the date of investment.

4.10 Financial instruments

Financial instruments comprise primary (for example trade receivables and payables) and derivative financial instruments (for example transactions for hedging against risks associated with interest rate changes.

In accordance with IAS 39, the following categories of financial instrument are present at the KPS Group:

a) Financial assets and liabilities measured at fair value through profit or loss
b) Credit balances and receivables
c) Financial liabilities measured at amortized costs.

Classification depends on the relevant purpose for which financial assets were acquired or for which the financial liabilities were taken out.

First-time recognition and valuation of the financial instruments is carried out at fair value on the settlement date, as necessary taking transaction costs into account. The subsequent valuation is based on amortized acquisitions costs or at fair value. Financial instruments are no longer recognized if the rights and payments from the investment have ceased or been transferred, and the Group has essentially transferred all the risks and opportunities associated with the ownership.

4.11 Inventories

In accordance with IAS 2 (inventories), inventories are recognized as those assets which are consumed in the ordinary course of deliveries or the provision of services, advance payments on inventories. Inventories are valued at the lower value out of the manufacturing costs calculated on the basis of the average method (service-related full costs) and their net realizable value, i.e. the sales proceeds recoverable in the ordinary course of business less the estimated production and distribution costs.

4.12 Future receivables from production orders

Future receivables from production orders, which are made up of unfinished services and finished but not yet accepted services, are valued at manufacturing costs and with a profit surcharge appropriate for the percentage of completion, reduced by any losses being incurred, if the earnings of the production order can be reliably determined. The percentage of completion is calculated as a percentage of the costs incurred to the total costs (cost-to-cost method).

4.13 Trade receivables

Trade receivables are valued at amortized costs using the effective interest method. All identifiable risks are taken into account by an appropriate allowance.

4.14 Income taxes

Income taxes are recognized as the taxes levied on taxable profit in the individual countries and the change in deferred tax assets and liabilities in the income statement. The recognized income taxes are recorded at the amounts likely to be payable on the basis of the statutory regulations in force or already adopted on the balance sheet date.

In compliance with IAS 12 (Income Taxes), deferred taxes are calculated for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the balance sheet drawn up for tax purposes, on account of consolidation measures and on account of tax loss carryforwards and tax credits likely to be realizable.

Deferred tax assets relating to deductible temporary differences, tax credits and tax loss carryforwards are recognized to the extent that it is sufficiently probable that taxable earnings will be available in the future to enable the tax loss carryforwards to be utilized.

Deferred tax liabilities are recognized on temporary differences that will be taxable in the future.

Deferred taxes are calculated at the tax rates which are expected to apply in the individual countries at the point of realization. The rates are based on statutory regulations in force or already adopted on the balance sheet date. Deferred tax assets and liabilities can be offset subject to the requirements of IAS 12.71 ff. Material effects of changes on deferred tax assets and liabilities due to changes in the tax rate or tax legislation are taken account of in the period in which the legislative procedure governing the tax rate has been concluded. These changes are generally recognized under income.

Deferred and current taxes are generally recorded on the income statement unless they relate directly to items recorded in equity with no effect on income. They are then also recognized with no effect on income.

The assessment of the realizability of deferred taxes, which result from time differences and loss carryforwards, are subject to individual forecasts, including projections relating to the results of operations in the relevant Group company.

4.15 Treasury shares

When the company's own shares are purchased/disposed of, the nominal value of the shares is offset with the subscribed capital and the share premium with the profit carried forward / capital reserve.

4.16 Tax provision

The tax provision includes obligations on account of current income taxes which are likely to lead to cash outflows on account of national tax regulations.

4.17 Other provisions

Other provisions are formed for current, legal or factual obligations which result from events in the past which are likely to lead to a future outflow of economic resources and the amount of which cannot be reliably estimated.

Other provisions are valued in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) or as necessary in accordance with IAS 19 (Employee Benefits). Where the cash outflows to settle an obligation are not anticipated to occur until after one year, the provisions are recognized at the present value of the expected cash outflows.

Reimbursement claims receivable from third parties are capitalized separately from the provisions as other receivables if their realization is virtually certain.

If the scope of an obligation is reduced as a result of a change in the estimate, the provision is reversed by the proportionate amount and the resulting income is recorded in the operating items in which the original charge was recognized when the provision was formed.

Trade-related provisions related to customers and suppliers include in particular obligations for rebates and discounts, product returns and services and goods received which have not yet been invoiced.

As a company, the KPS Group is exposed to legal risks. Provisions are recognized for litigation suits in the balance sheet in respect of pending or future litigation, subject to an appropriate case-by-case examination. The likely outcomes of such legal proceedings are evaluated on the basis of the available information and in consultation with the lawyers engaged to act for the KPS Group. If it is reasonably likely that a future obligation arising from legal proceedings will result in an outflow of resources in the future, the present value of the expected cash outflows is

recorded as a provision under liabilities to the extent that these are considered to be reliably measurable. These provisions cover the estimated payments to plaintiffs, court costs, attorneys' fees, and the costs of potential settlements. The assessment is based on the current status of litigation as at the balance sheet date. This includes a review of whether the criteria for recognizing a provision have been met and if this is the case the amount of the provision to be formed. Litigation disputes and other legal proceedings generally raise complex issues and are subject to many uncertainties and complexities, including the facts and circumstances of each particular case, issues relating to the jurisdiction in which the lawsuit is filed, and differences in the applicable law. The results of any pending or future proceedings cannot therefore be predicted. The judgment rendered in a court proceeding or an arbitration settlement may incur costs for the KPS Group which are in excess of the presently established provision and related insurance coverage.

Personnel-related provisions are mainly recognized for in the balance sheet for annual bonus payments, and variable and individual one-off payments.

4.18 Financial liabilities

Financial liabilities comprise primary financial liabilities and negative fair values of derivative financial instruments. Primary financial liabilities are recognized in the consolidated balance sheet if the KPS Group has a contractual obligation to transfer liquid funds or other financial assets to another party. The first-time recognition of a primary liability is recorded at the fair value of the liquid funds received or the value of payments received less any transaction costs. The subsequent valuation of primary financial liabilities is measured at amortized cost of acquisition using the effective interest method.

Financial liabilities are derecognized when the contractual obligation is discharged, cancelled, or has expired.

4.19 Other receivables and liabilities

Accrued items, prepaid expenses and other non-financial assets and liabilities are recognized at amortized costs. They are amortized by the straightline method or in accordance with the performance of the underlying transaction.

4.20 Assets held for sale

Assets held for sale comprise non-current assets and disposal groups (as necessary together with provisions and liabilities) for which the book value is primarily realized by a highly probable disposal transaction within the next 12 months or by a disposal transaction that has already been processed.

4.21 Company acquisitions

Acquired businesses are accounted for based on the acquisition method, which requires that a valuation is carried out of the assets acquired and the liabilities assumed at their respective fair values on the date that the company first gains control. The application of the acquisition method requires certain estimates and assessments, primarily in relation to the fair value of the acquired intangible assets and property, plant and equipment, the liabilities assumed at the date of the acquisition (IFRS 13), and the useful lives of the acquired intangible assets and property, plant and equipment.

The valuation is based to a large extent on the anticipated cash inflows and outflows. Any deviations between the actual cash flows and the underlying cash inflows and outflows used in calculating fair values may exert a significant effect on the Group's future earnings.

In accordance with IFRS 3 (Business Combinations), acquisitions of companies in stages whereby a company is acquired in several tranches, a revaluation of the stake in the company is necessary at fair value through profit or loss on the date when control is gained of the affected company. An adjustment to their fair value is then carried out for the book value of the assets and liabilities which have already been recognized in the balance sheet.

4.22 Procedure used in impairment tests and its impact

Apart from the impairment tests for individual items categorized as property, plant and equipment, impairment tests are also carried out at the level of cash-generating units (cgu). A cash-generating unit is the smallest identifiable group of assets which generate cash inflows largely independently of other assets or groups of assets. In the KPS Group, the Strategic Business Units and individual companies are regarded as cash-generating units and are subject to impairment tests.

The Strategic Business Units are the second reporting level below the reporting segments. An impairment test for a cash-

generating unit is either carried out if there is an indication for an impairment or at least annually if a Strategic Business Unit is allocated goodwill or intangible assets with an indefinite useful life.
When an impairment test is carried out, the residual book values of the individual cash-generating units or the items of property, plant and equipment or intangible assets to be tested are compared with the relevant recoverable amount, i.e. the higher value out of the fair value less the costs of disposal and the value in use. In cases where the book value exceeds the recoverable amount, a valuation adjustment is recognized in the amount of the difference. In this case, the first step involves the goodwill for a Strategic Business Unit being written down. Any remaining residual amount is distributed among the other assets of the relevant Strategic Business Unit in proportion to the book value. The value adjustment expense is generally recognized in the income statement under other operating expenses.
When the recoverable amount is determined, it is calculated from the present value of cash flows for the fair value less the disposal costs and for the value in use. The forecast for the future net cash inflows relating to the determination of the recoverable amount is derived from the current plans of the KPS Group, which are generally based on a planning horizon of three to five years. This primarily involves making assumptions about future selling prices, sales volumes and costs. Where the recoverable amount is recognized as the fair value less the costs of disposal, the cash-generating unit is valued from the viewpoint of an independent arm's length market participant. Where the recoverable amount is the value in use, the cash-generating unit or the individual asset is valued as currently used. Net cash inflows beyond the planning period are determined for both methods on the basis of long-term business expectations using individual growth rates derived from the relevant market information.
The net cash inflows are discounted at cost-of-capital rates. The cost-of-capital rates correspond to the return expectations of shareholders and represent the long-term financing conditions of comparable companies.
The cost-of-capital rates used for impairment tests in 2015 and 2014 and for discounting of projected cash flows were 7.64 % (previous year: 8.75 %). When perpetual annuities are calculated, an additional growth factor of 2 % is used. Any change to the cost-of-capital rate by +/- 3 percentage points has no impact on the valuation of goodwill.

5 EXPLANATIONS FOR SEGMENT REPORTING

KPS is a consulting company specialized in the areas of business transformation and process optimization. It ranks among the leading consulting companies in Germany.
The KPS consulting portfolio can be classified into the following three reportable segments which are subject to regular assessment by the Executive Board. The segmentation is carried out exclusively on the basis of business areas in accordance with the internal alignment.

5.1 Management consulting / Transformation consulting

The focus of this consulting segment is on "transformational consulting" where KPS occupies a leading position in the consulting market. Transformation consulting involves providing support for customers and developing concepts and solutions taking into account process, organizational, logistic, financial and systems framework conditions. The consulting package closes the gap between traditional strategy and process consultants on the one hand and implementation partners and system integrators on the other hand. This consulting segment also comprises implementation consulting and the service portfolio of KPS as an SAP consulting partner.

5.2 System integration

The focus of this consulting segment is on process and implementation consulting in the technology sector. KPS covers the field of non-SAP technologies as well as the field of SAP technologies. The focuses in the SAP technology areas are mainly on the subject areas of eSOA and Netweaver, in the non-SAP area on the topics of solutions for high availability, security and storage. Since a secure and highly available system landscape forms the platform for successful companies, KPS uses dedicated solutions to ensure seamless integration of all processes in the heterogeneous system environment. KPS supports customers in analyzing the actual situation and the setup of an IT infrastructure where all operational function areas are transparent.

5.3 Products / Licenses

KPS completes its spectrum of services by selling software licenses, maintenance contracts and hardware components in certain areas as a certified systems house or certified sales partner. These are products from major manufacturers, in particular SAP, IBM and SAPERION. KPS has been working together with them for many years and is linked with them in various consultancy and sales partnerships.

The breakdown of the net assets and income in accordance with IFRS 8 is shown in the following table and corresponds with the internal reporting structure:

Segment reporting for the business year 2014/2015

in KEuros

Presentation by business areas	Management consulting / Transformation consulting		System integration		Products / Licenses		Other		Consolidation		Overall	
Earnings position	30.09.2015	Previous year	30.09.2015	Previous year	30.09.2015	Previous year	30.09.2015	Previous year	30.09.2015	Previous year	30.09.2015	Previous year
Sales	107,631	104,720	4,035	4,073	11,249	2,283	0	0	0	0	122,915	111,076
Operating result	23,694	21,251	531	748	2,393	69	-6,969	-4,587	0	0	19,649	17,481
Depreciation and amortization	-797	-642	0	-4	-96	-19	-143	-128	0	0	-1,036	-793
Interest	-128	-84	1	1	0	0	-303	270	0	0	-430	187
Taxes	1	-337	-11	-167	3	0	-1,895	-884	1,644	838	-258	-550

The revenues shown only include sales with external customers. Information about income and expenses of KPS AG as a holding company is essentially presented under other information in segment reporting.
Sales and EBIT essentially form the basis for company decisions at KPS AG. Other information (assets, liabilities) is mostly not relevant for assessments.
The valuation principles applied in the course of segment reporting are the same as the valuation principles for the company overall.

5.4 Information on geographical areas

The breakdown of revenues amounting to 122.9 (previous year: 111.1) million euros by regions provides the following picture for the business year 2014/2015: the main sales contributor was Germany with 107.8 (previous year: 90.6) million euros or 87.7 %. Sales of 15.1 (previous year: 20.5) million euros were generated abroad. The geographical allocation is made on the basis of the registered office of the client. The breakdown can be divided into the following regions: Scandinavia with a volume of 8.6 (previous year: 16.2) million euros or 7.0 %, Switzerland with 5.5 (previous year: 3.3) million euros or 4.5 %. The remaining sales revenues amounted to 1.0 million euros (0.8 %) and were mainly generated in other countries within the EU. These belong to the segment of managing consulting / transformation consulting.

5.5 Dependence on important customers

Three (previous year: seven) major customers in accordance with IFRS 8.34 are included in the segment "Management Consulting / Transformation Consulting".

6 SCOPE OF CONSOLIDATION AND SUBSIDIARIES AND AFFILIATES

6.1 Development of the scope of consolidation

The consolidated financial statements include the legal and business parent company of the Group and all the domestic and foreign subsidiary companies over which KPS AG exercises control of the financial and business policy in order to derive the corresponding benefit.
Alongside KPS AG as the legal parent company, the scope of consolidation covers the following companies in which KPS AG has a direct or indirect shareholding and which are included in the consolidated financial statements on the basis of full consolidation.

Shareholding	Registered office	Share in %	Currency	Subscribed capital 30.09.2015 (previous year)	Equity capital 30.09.2015 (previous year)	Result for the year 2014/2015 (previous year)
KPS Business Transformation GmbH[1]	Unterföhring	100	KEuros	500 (500)	500 (500)	10,922 (8,439)
KPS Services GmbH	Unterföhring	100	KEuros	6,300 (6,300)	9,633 (6,611)	8,022 (2,245)
KPS Consulting Verwaltungs GmbH	Unterföhring	100	KEuros	26 (26)	37 (36)	1 (1)
KPS Consulting GmbH & Co. KG	Unterföhring	100	KEuros	5,113 (5,113)	5,113 (11,468)	1,283 (6,355)
KPS Consulting AG	Zürich / Switzerland	99	KCHF	100 (100)	215 (-1,483)	97 (83)
KPS Solutions GmbH (alt)[3]	Unterföhring	100	KEuros	0 (100)	0 (576)	0 (337)
KPS Solutions GmbH (previously: Software Factory GmbH)[3]	Unterföhring	100	KEuros	80 (75)	-1,780 (-2,139)	-217 (-743)
getit - Gesellschaft für Technologie- und Informationstransfer mbH[1, 2]	Dortmund	100	KEuros	25 (25)	2,554 (3,240)	4,733 686*
KPS Consulting A/S	Copenhagen / Denmark	100	KDKK	500 (500)	348 (439)	-91 (-61)**

* Short business year 1 January 2014 – 30 September 2014
** Short business year 1 April 2014 – 30 September 2014

1 The profit for the year 2014/2015 was transferred to KPS AG on account of the profit-transfer agreement concluded.

2 Acquisition of getit - Gesellschaft für Technologie- und Informationstransfer mbH

KPS AG and Tasaheli Beteiligungsgesellschaft mbH, Dortmund, created the framework conditions under the purchase and transfer agreement dated 2 July 2014 and agreed them for the acquisition of all shares in getit - Gesellschaft für Technologie- und Informationstransfer mbH, Dortmund, by KPS AG. The shares in the company were taken over on 1 August 2014.

getit - Gesellschaft für Technologie- und Informationstransfer mbH – hereinafter referred to as getit GmbH or getit – with registered office in Dortmund was established with the company agreement dated 15 May 2014. getit GmbH is the legal successor of the entities merged to form it: getit - Gesellschaft für Technologie- und Informationstransfer mbH (getit GmbH old), getit Internet GmbH and Getit ISA GmbH.

The object of the company is consultancy in the area of information technology, telecommunications and electronic trading, the development and sale of IT hardware and software products, and the promotion of goods and services in data networks and their distribution, sale and operation of Internet connections, the operation of Internet solutions, the mediation and operation of domain names, and the implementation of all the associated transactions.

The book values and the fair values of the acquired assets and liabilities of getit GmbH were as following on the date of acquisition:

Balance sheet item	Book value before acquisition	Adjustment to fair value	Fair value
Intangible assets	125		125
Business and office equipment	435		435
Inventories	5		5
Receivables	3,307	81	3,388
Deferred tax assets	12		12
Liquid funds	965		965
Provisions	-2,708		-2,708
Liabilities	-906		-906
Deferred tax liabilities		-22	-22
Net assets	**1,235**	**59**	**1,294**

The goodwill recognizable in accordance with IFRS results as follows:

	KEuros
Provision of liquid funds	7,703
1,268,476 no-par shares in KPS AG by increasing the capital stock from the approved capital 2014/I at the price of 6.161 euros	7,815
Transfer of 118,910 own shares at a price of 6.161 euros	733
Instalment earn-out agreement on account of EBIT from 1 January – 30 September 2014	971
Earn-out instalments from EBITs 2014/2015 – 2016/2017 – maximum amount	5,250
Total	**22,472**
Less fair value of the assets taken over	-1,294
Goodwill	21,178

The book values before acquisition are based on the IFRS interim report of getit GmbH in accordance with the IFRS applicable directly prior to the closure of the acquisition. The amounts which are recognized in the consolidated financial statements of KPS AG on the date of first-time consolidation represent the estimated fair values of the assets and liabilities taken over. Identification of intangible assets in the framework of purchase price allocation was carried out in accordance with IFRS 3.IE 16 ff. and B31 ff.

The gross amount of the contractual receivables is equivalent to their fair value. There are no uncollectible receivables.

The goodwill arising from the acquisition primarily relates to the capabilities of the acquired employees of getit GmbH and the expected synergies from integration in the existing business operation of KPS AG.

The allocation of the purchase price has been carried out on the basis of the current best estimate by the management and has been finally completed. No retrospective changes were made to the values shown above.

The second earn-out rate in the capital contribution and transfer agreement was agreed at 1,750 KEuros and was applied in full because the contractually agreed EBIT targets for 2014/2015 were achieved in full. On account of this fact and the planned budget calculations for the following business years, the estimate of the management is that the two other earn-out rates will be applied in full.

The management assumes that the book value of the recognized goodwill corresponds to the recoverable amount.

The goodwill impairment test was carried out on the balance sheet date and did not result in an amortization requirement.

3 KPS Solutions GmbH was merged to KPS Software Factory GmbH with effect from 2 October 2014. In the course of this process, the capital stock of KPS Software Factory was increased by 5 KEuros to 80 KEuros. At the same time, the company name of KPS Software Factory GmbH was changed to KPS Solutions GmbH.

6.2 Divestments and assets held for sale

There were no divestments and assets held for sales in this business year or in the previous year.

7 EXPLANATIONS FOR THE INCOME STATEMENT

7.1 Revenues

The recognized revenues result from ordinary business activities. Please refer to our comments under section 5.3 in relation to allocation to individual segments. The revenues are allocated to the individual sales generators as follows:

	Year under review 2014/2015		Year under review 2013/2014	
	KEuros	%	KEuros	%
Provision of services	119,328	97	110,639	100
Sale of goods	6	0	218	0
User charges	3,581	3	219	0
	122,915	100	111,076	100

7.2 Other operating income

Other operating income amounts to 956 (previous year: 827) KEuros and is presented in the following table:

in KEuros	2014/15	2013/14
Income from the release of provisions	197	183
Income from discounts	297	254
Income from exchange-rate differences	405	41
Charging of payments in kind to employees	26	37
Income from receivables written down	0	73
Other income	31	239
Total of other operating income	956	827

7.3 Cost of materials

The cost of materials amounts to 51,979 (previous year: 52,814) KEuros and includes expenses for goods purchased amounting to 3,231 (previous year: 574) KEuros and expenses for services purchased amounting to 48,748 (previous year: 52,240) KEuros.

7.4 Personnel expenses and employees

Personnel expenses in the year under review amount to 39,509 (previous year: 29,424) KEuros. Wages and salaries account for 35,595 (previous year: 26,976) KEuros and social security expenses account for 3,914 (previous year: 2,448) KEuros.

The expenses for defined contribution pension plans included in personnel expenses amount to 210 (previous year: 110) KEuros.

On average 333 (previous year: 205) employees (not including Members of the Executive Board and managing directors) were employed over the year, of which 307 (previous year: 186) were consultants and 26 (previous year: 19) were administrative employees.

Employees of the KPS Group

	30.09.2015	30.09.2014	Change
Employees by region			
Germany	343	307	36
Switzerland	8	10	-2
Denmark	3	0	3
Employees by function			
Executive Board	1	1	0
Managing directors	3	3	0
Consultants	324	287	37
Administration	25	24	1
Apprentices	1	2	-1
Total	354	317	37

7.5 Other operating expenses

Other operating expenses amount to 12,734 (previous year: 12,184) KEuros and the breakdown is shown in the following table:

in KEuros	30.09.2015	30.09.2014
Travel and hospitality costs	3,890	3,494
Purchased services	1,498	1,317
Vehicle costs	1,850	1,523
Legal and consulting expenses	700	2,103
Personnel and bookkeeping expenses	574	184
Advertising and marketing expenses	1,034	1,079
Telephone and other communication costs	420	306
Premises costs	879	340
Machinery hire costs	457	355
Capital market costs	214	225
Insurance policies	169	98
Other expenses	1,049	1,160
Total other operating expenses	12,734	12,184

7.6 Depreciation and amortization

Depreciation and amortization for the business year amount to 1,036 (previous year: 793) KEuros. The breakdown of the depreciation and amortization is shown in the table included showing development of fixed assets.

7.7 Other financial income and expenses

Other financial income amounts to 18 (previous year: 281) KEuros and results from current investments and in the previous year primarily from discounting of non-current provisions.

Other financial expenses amount to 448 (previous year: 94) KEuros and include in particular compounding of non-current provisions amounting to 234 (previous year: 0) KEuros, interest and guarantee fees to banks amounting to 133 (previous year: 7) KEuros, and interest on disputed tax arrears payments of a subsidiary company amounting to 81 (previous year: 86) KEuros.

7.8 Income taxes

Income taxes for the business years 2014/2015 and 2013/2014 are shown in the following table:

in KEuros	2014/2015	2013/2014
Current tax expense	-1,902	-1,388
Tax expense related to other periods	0	0
Deferred tax income	1,644	838
Income taxes	**-258**	**-550**

Deferred taxes relate to tax loss carryforwards and time-related differences of recognized values between the tax balance sheets of individual companies and the values recognized in the consolidated balance sheet in accordance with the liability method.

On 30 September 2015, tax loss carryforwards amount to 63,056 (previous year: 74,442) KEuros for trade tax and 56,574 (previous year: 68,526) KEuros for corporate income tax.

When calculating deferred taxes for domestic companies an average tax rate of 29.2 % (previous year: 27.4 %) was applied, made up of corporate income tax of 15.9 % and trade tax of 13.3 %. The average Group tax rate is 29.1 % (previous year: 27.5 %) during the year under review.

The amount of unusable tax losses for which no deferred tax asset was recognized amounts to 9,529 (previous year: 27,569) KEuros for corporate income tax and 25,310 (previous year: 37,168) KEuros for trade tax.

The following table shows the reconciliation of expected tax expense with the actual tax expense:

in KEuros	2014/2015	2013/2014
Net income for the year before tax	18,183	16,875
Income tax rate	29.06 %	27.52 %
Expected (nominal) tax expense	**-5,284**	**-4,644**
Tax consequences resulting from:		
Tax effects from use of loss carryforwards	3,401	3,255
Tax effects on account of good will write-downs	-13	-13
Tax effects on account of non-deductible operating expenses and other tax modifications	-25	40
Deferred taxes on loss carryforwards	1,630	774
Deferred taxes on account of HB II (commercial balance sheet II) adjustments / StB (tax balance sheet)	14	64
Tax effects related to other periods	0	0
Other effects	19	-26
Actual income tax expense	**-258**	**-550**
Effective tax rate	**1.4 %**	**3.3 %**

Deferred tax assets and liabilities

in KEuros	30.09.2015		30.09.2014	
	Assets	Liabilities	Assets	Liabilities
Loss carryforwards	12,420	0	10,790	0
Purchase price obligation	0	0	0	61
Personnel provision	0	145	0	0
Trade receivables	0	69	0	58
Other provisions	105	0	67	0
Other items	82	8	11	8
	12,607	**222**	**10,868**	**127**

This item relates to IFRS differences in respect of the commercial balance sheet (II) / tax balance sheet. Deferred tax assets amounting to 8,666 (previous year: 7,727) KEuros have a term of more than one year. Out of the deferred tax liabilities, 153 (previous year: 69) KEuros are non-current and 69 (previous year: 58) KEuros are current.

7.9 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to shareholders of KPS AG and the weighted average number of shares in free float during the business year. A dilution of the earnings per share results from the so-called "potential shares". These relate to option rights, although they only act to dilute earnings if their intrinsic value was positive during the period. Consequently, no diluting effect arises from the option rights.

On account of the buyback of the company's own shares, the average number of shares in free float amounts to 33,893,616 (previous year: 32,891,837) shares. By comparison with the previous year, in which a capital increase was carried out, the earnings per share are calculated as follows:

	2014/2015	2013/2014
Group earnings attributable to shareholders of KPS AG in KEuros	17,925	16,325
Average number of shares	33,893,616	32,891,837
Basic/diluted earnings per share in euros	0.53	0.50

8 EXPLANATIONS FOR THE BALANCE SHEET

8.1 Property, plant and equipment

This item essentially includes office fittings and owner-used IT hardware.
Please refer to the consolidated fixed asset movement schedule for the development of the non-current assets explained below.

8.2 Goodwill and other intangible assets

The item includes software and associated licenses, which were partly self-developed and also purchased against payment. On 30 September 2015, self-developed software amounting to 245 (previous year: 338) KEuros was capitalized as an asset. The self-developed software is amortized over the likely useful life of 10 years. Amortization during the year under review amounts to 93 (previous year: 93) KEuros.
Furthermore, goodwill is recognized under intangible assets, which originates exclusively from capital consolidations.
The recognized goodwill amounts to 30,472 (previous year: 30,472) KEuros and is allocated to the following cash-generating units:

in KEuros	2014/2015	2013/2014
KPS Services GmbH	8,949	8,949
KPS Solutions GmbH	345	345
getit - Gesellschaft für Technologie- und Informationstransfer mbH	21,178	21,178
Total	30,472	30,472

8.3 Deferred tax assets

Deferred tax assets amount to 12,607 (previous year: 10,868) KEuros and reflect the level of likely tax loss carryforwards of KPS AG, KPS Consulting GmbH & Co. KG, KPS Services GmbH and KPS Solutions GmbH.

8.4 Trade receivables

Receivables and other assets are recognized after deduction of allowances for doubtful items. On 30 September 2015, trade receivables amount to 29,512 (previous year: 24,507) KEuros, on which specific valuation allowances amounting to 44 (previous year: 9) KEuros are formed.
The following table shows the development of allowances on trade receivables in accordance with IFRS 7.16:

in KEuros	2014/2015	2013/2014
Balance of allowances on 01.10.	9	88
+ Additions	44	9
- Utilization/release	9	88
Balance of allowances on 30.09.	44	9

8.5 Future receivables from production orders

On the balance sheet date, receivables from production orders amounted to 3,588 (previous year: 1,453) KEuros, which result from a customer order with a fixed price.

8.6 Other receivables

Other receivables amount to 494 (previous year: 491) KEuros and are comprised as follows:

in KEuros	30.09.2015	30.09.2014
Advance payments	218	116
Receivables from employees	28	30
Payments on account	1	28
Deposit payments	49	44
Other receivables	198	273
Total other assets	494	491

Other receivables essentially relate to receivables from advance tax payments abroad amounting to 72 KEuros and debit balances in accounts payable amounting to 62 KEuros.

8.7 Entitlements to income tax rebates

The tax rebate claims amounting to 475 (previous year: 95) KEuros comprise corporate income tax and trade tax for previous years.

8.8 Cash and cash equivalents

Bank balances and cash in hand amount to 6,487 (previous year: 8,683) KEuros on the balance sheet date. The development of liquid funds is shown in the cash flow statement.

8.9 Shareholders' equity

Please refer to the statement of changes in equity for information on the development of Group equity.

8.9.1 Subscribed capital

The subscribed capital for KPS AG amounts to 34,011,007.00 (previous year 34,011,007.00) euros on the balance sheet date and is allocated entirely to 34,011,007 registered no-par shares. The capital stock is fully paid up.

The treasury shares held by the company are openly deducted from the subscribed capital with the nominal value of 121,248.00 (previous year: 85,031.00) euros.

8.9.2 Authorized capital

Authorized capital 2014/I was created in the amount of 16,371,265.00 euros on 28 March 2014 by the resolution passed by the ordinary Annual General Meeting on that date.
As a result of this resolution, the Executive Board is empowered with the consent of the Supervisory Board to increase the capital stock up to 27 March 2019 once or more than once up to the total amount of 16,371,265.00 euros against a cash and/or non-cash contribution by the issue of new registered shares (no-par shares) with the possibility of the exclusion of shareholders' pre-emptive rights.
The Executive Board made use of this authorization on 2 July 2014 with the approval of the Supervisory Board and resolved to increase the capital stock by 1,268,476.00 euros from the authorized capital 2014/I against a non-cash contribution.
The authorized capital 2014/I still amounts to 15,102,789.00 euros after partial utilization.
A change in the authorized capital 2014/I did not take place in the business year 2014/2015.

8.9.3 Capital reserve

The negative opening balance results primarily from the reverse acquisition carried out in the business year 2007/2008 in the course of reporting the capital stock of KPS AG. Furthermore, the differences between the prices of the new shares issued on account of the increase in capital stock and the treasury shares transferred and their nominal values are transferred to the capital reserve.
The following table shows the development:

in KEuros	
Balance on 01.10.2013	**-18,524**
Capital gain from treasury shares	382
Share premium on own capital increase	6,547
Balance on 01.10.2014	**-11,595**
Capital gain on treasury shares	0
Share premium on own capital increase	0
Balance on 30.09.2015	**-11,595**

8.9.4 Retained earnings

The retained earnings came into being because the vesting period for the share option program from 2004 ended in the business year 2006/2007. In accordance with IFRS 2.23, the portfolio of share options after the date of the first exercise option opportunity has not been changed. Any resulting changes from fluctuation, expiry of the exercise right, etc. were reported in retained earnings. On account of the resolution relating to the appropriation of the net profit passed by the Annual General Meeting on 27 March 2015, a transfer of the amount of 3,000,000 euros was made to other retained earnings. On account of a resolution adopted by the Executive Board and the Supervisory Board, an amount of 1,000,000 euros was transferred from net income for the year before tax to other retained earnings in the course of preparing the annual financial statements.

8.9.5 Net profit

The development of the net profit recognized on 30 September 2015 amounting to 23,754 (previous year: 19,462) KEuros is shown in the following table:

in KEuros	2014/2015	2013/2014
Balance on 01.10.	19,462	10,330
Earnings after income taxes	17,925	16,325
Share premium on treasury shares	-144	-27
Allocation to other retained earnings	-4,000	0
Dividend payout	-9,489	-7,166
Balance 30.09.	23,754	19,462

The payout is based on the resolution adopted by the Annual General Meeting on 27 March 2015, according to which 0.28 (previous year: 0.22) euros were paid on each dividend-bearing share. The Annual General Meeting therefore concurred with the proposal by the Executive Board.

8.9.6 Treasury shares

The resolution adopted by the Annual General Meeting on 21 May 2010 and the substitution of the resolution by the Annual General Meeting on 27 March 2015, provided the authorization to acquire and dispose of its own shares with the right of excluding subscription or other option rights to offer shares. Pursuant to Article 71 Section 1 no. 8 Stock Corporation Law (AktG), the Executive Board is authorized with the approval of the Supervisory Board to acquire and dispose of its own shares up to a total amount of 10 % of the capital stock in existence on the date that the resolution is adopted. This resolution is effective from the date of the Annual General Meeting and ends at 12 midnight on 26 March 2020. The conditions for acquisition, appropriation and exclusion of subscription rights were explicitly regulated.
Up to the balance sheet date, a total of 640,158 (of which in the business year 2014/15: 36,217) no-par shares were purchased and 518,910 (of which in the business year 2014/15: none) no-par shares were sold. In addition to the portfolio amounting to 85,031 no-par shares on 30 September 2014, a further 36,217 shares were acquired in the business year 2014/15 so that the total portfolio amounted to 121,248 no-par shares on the balance sheet date.

8.10 Non-current provisions

The development of non-current provisions is shown in the following table:

in KEuros	01.10.2014	Utilization	Release	Addition	30.09.2015
Provision for personnel	284	0	0	57	341
Provision for purchase price payment	3,253	1,750	0	215	1,718
Total	3,537	1,750	0	272	2,059

The non-current provisions for bonus payments relate to obligations arising from a management loyalty program. When the obligation was calculated, staff turnover was not taken into account because the company is assuming fulfilment of the contractual obligations.
The contractually agreed variable purchase price instalment for the business year 2016/2017 in respect of the purchase of the business getit GmbH was transferred with the maximum amount of 1,750 KEuros because the management is assuming that the contractually agreed targets will then be attained.
Discounting is at the market interest rate of 1.85 (previous year: 1.85) %.

8.11 Deferred tax liabilities

Deferred tax liabilities result from temporary differences between the tax balance sheet and the consolidated balance sheet and amounted to 222 (previous year: 127) KEuros.

8.12 Trade liabilities

Trade liabilities primarily result from purchased consulting services.

8.13 Financial liabilities

On the balance sheet date, there were no liabilities to banks (previous year: 4,000 KEuros).

8.14 Advance payments received

Advance payments received amount to 2,465 (previous year: 1,272) KEuros and relate to 2,331 (previous year: 1,149) KEuros for advance payments received on purchase orders and 134 (previous year: 123) KEuros for service revenues received in advance which are accrued over future business years.

8.15 Tax provisions

The development of tax provisions is shown in the following table:

in KEuros	01.10.2014	Utilization	Release	Addition	30.09.2015
Provision for corporate income tax	203	166	0	606	643
Provision for trade tax	2,721	485	3	698	2,931
Total	2,924	651	3	1,304	3,574

An amount of 2,281 (previous year: 2,201) KEuros is included in the provision for trade tax to take account of possible risks in conjunction with the trade tax recognition of restructuring profits received for the former autinform GmbH & Co. KG. The provision includes an amount of 935 (previous year: 855) KEuros for potential additional interest payments.
The probability and date of the utilization depend on decisions by the former local authorities for the business premises as to whether and in what amount the tax should be repaid or remitted for reasons of equity.

8.16 Other provisions

The development of other provisions is shown in the following table:

in KEuros	01.10.2014	Utilization	Release	Addition	30.09.2015
Provision for personnel	4,950	4,766	145	7,320	7,360
Provision for outstanding invoices	171	137	32	113	115
Provision for financial statements and auditing costs	124	109	15	102	102
Other provisions	2,104	2,005	5	1,978	2,072
Total	7,350	7,017	197	9,513	9,649

The other provisions include all identifiable obligations to third parties where the amount or the due date is not yet certain. The expected due dates are short term.
The provision for personnel obligations relates to bonuses, outstanding vacation claims, and premiums due to the employers' liability insurance association.
The provision for outstanding invoices is based on payment obligations for services received for which the amount cannot be quantified on the balance sheet date for the financial statements.
The provision associated with costs for financial statements relates to expenses in conjunction with the preparation and auditing of the annual financial statements and the consolidated financial statements.
The earn-out rate for 2015/2016 was capitalized as a liability in the amount of 1,750,000.00 euros.

8.17 Other liabilities

Other liabilities amount to 5,555 (previous year: 8,283) KEuros their development is shown in the following table:

	30.09.2015		30.09.2014	
in KEuros	up to 3 months	3 - 12 months	up to 3 months	3 - 12 months
Liabilities to employees	904	0	3,189	0
Liabilities for settlement obligations	0	0	830	0
Wage and church taxes due	863	0	2,067	0
Liabilities for sales tax and other taxes	1,907	0	1,105	0
Social security insurance payments due	55	0	94	0
Earn-out	1,750	0	971	0
Other liabilities	76	0	27	0
Total other liabilities	5,555	0	8,283	0

8.18 Liabilities for income tax

The tax liabilities amounting to 523 (previous year: 190) KEuros comprise commercial taxes for previous years.

8.19 Reporting on financial instruments

8.19.1 Information on financial instruments by categories

The following table shows the reconciliation of balance sheet items for the categories of financial instruments, grouped by the book values and fair values of financial instruments.

	Valued at the fair value	Valued at amortized costs		Not within the scope of IFRS 7	Balance sheet items on 30.09.2015
in KEuros	Book value	Book value	Fair value	Book value	
Current assets					
Future receivables from production orders	0 (previous year: 0)	3,588 (previous year: 1,453)	3,588 (previous year: 1,453)	0 (previous year: 0)	3,588 (previous year: 1,453)
Trade receivables	0 (previous year: 0)	29,512 (previous year: 24,507)	29,512 (previous year: 24,507)	0 (previous year: 0)	29,512 (previous year: 24,507)
Other receivables and financial assets	0 (previous year: 0)	422 (previous year: 418)	422 (previous year: 418)	72 (previous year: 73)	494 (previous year: 491)
Cash and cash equivalents	0 (previous year: 0)	6,487 (previous year: 8,683)	6,487 (previous year: 8,683)	0 (previous year: 0)	6,487 (previous year: 8,683)
Current liabilities					
Financial liabilities	0 (previous year: 0)	0 (previous year: 4,000)	0 (previous year: 4,000)	0 (previous year: 0)	0 (previous year: 4,000)
Trade liabilities	0 (previous year: 0)	11,452 (previous year: 9,619)	11,452 (previous year: 9,619)	0 (previous year: 0)	11,452 (previous year: 9,619)
Other liabilities	0 (previous year: 0)	2,785 (previous year: 5,111)	2,785 (previous year: 5,111)	2,770 (previous year: 3,172)	5,555 (previous year: 8,283)

The financial assets and financial liabilities are broken down into the different classes of financial instruments in accordance with IAS 39 and IFRS 7. The valuation categories are also shown aggregated.

in KEuros	Valuation category in accordance with IAS IAS 39 and IFRS 7	Book value 30.09.2015	Fair Value 30.09.2015	Book value 30.09.2014	Fair Value 30.09.2014
Current assets					
Liquid funds	LaR	6,487	6,487	8,683	8,683
Future receivables from production orders	LaR	3,588	3,588	1,453	1,453
Trade receivables	LaR	29,512	29,512	24,507	24,507
Other assets	LaR	422	422	418	418
Current liabilities					
Current financial liabilities	FLAC	0	0	4,000	4,000
Trade liabilities	FLAC	11,452	11,452	9,619	9,619
Current other liabilities	FLAC	2,785	2,785	5,111	5,111
Of which aggregated by valuation categories					
Loans and Receivables (LaR)		40,009	40,009	35,061	35,061
Financial Liabilities Measured at Amortized Costs (FLAC)		14,237	14,237	18,730	18,730

All financial instruments were valued at amortized costs for the business year 2014/2015.
Liquid funds, trade receivables, receivables from production orders and other receivables primarily have short remaining terms. Their book values on the balance sheet date therefore correspond approximately to the fair value.
Similarly, trade liabilities and other liabilities generally have short terms. The values recognized on the balance sheet approximately represent the fair values.
The book values of the current financial liabilities correspond approximately to the fair value.

The following table shows the net gains and losses in accordance with IFRS 7.20:

	from interest	from subsequent valuation			from disposal	Net result
in KEuros		At fair value	Currency translation	Valuation allowance		2014/2015
Loans and Receivables (LaR)	4 (previous year: 24)	0 (previous year: 0)	102 (previous year: -74)	-44 (previous year: -9)	-84 (previous year: -70)	-22 (previous year: -129)
Financial Assets Measured at Amortized Costs (FLAC)	-135 (previous year: -9)	0 (previous year: 0)	0 (previous year: 0)	0 (previous year: 0)	0 (previous year: 0)	-135 (previous year: -9)

Hedging instruments as defined in IFRS 7.22f. were not used in the business year 2014/2015.

8.19.2 Financial risk management

The KPS Group is exposed to financial risks as a consulting company. The risks are essentially differentiated as follows:

- → Liquidity risks
- → Credit risks / Default risks
- → Market price risk

Controlling, monitoring and hedging of financial risks is in the area of responsibility of the Executive Board, which is supported by the process owners in accounting. The objective is to identify risks at an early stage and to limit them by taking appropriate countermeasures.
Capital management is measured on the basis of net liquidity. The company management pursues the goal of achieving a continuous and sustainable increase in corporate value. The equity of the Group corresponds to the balance sheet equity. The ratio of the equity to the balance sheet total (equity ratio) amounted to 58.5 % as at 30 September (previous year: 52.9 %).

8.19.3 Liquidity risk

Liquidity risks can arise as a result of deterioration in operating business and as a consequence of credit and market risks. The KPS Group controls the liquidity risk based on short-term and long-term liquidity planning that takes into account existing credit lines. Liquidity management is continuously monitored. Cash pool agreements are arranged with domestic subsidiary companies of KPS AG through its principal banks. The KPS Group also has unused lines of credit which are available for an unlimited period of time.

The following table shows the contractually agreed (undiscounted) redemption payments of the primary financial liabilities:

Business year	Book value	Payment obligations		
in KEuros	30.09.2015	2015/2016	2016/2017 to 2018/2019	2019/2020ff.
Financial liabilities	0	0	0	0
Trade liabilities	11,452	11,452	0	0
Other liabilities	5,555	5,555	0	0
Liabilities from income taxes	523	523	0	0

Previous year	Book value	Payment obligations		
in KEuros	30.09.2014	2014/2015	2015/2016 to 2017/2018	2018/2019ff.
Financial liabilities	4,000	4,000	0	0
Trade liabilities	9,619	9,619	0	0
Other liabilities	8,283	8,283	0	0
Liabilities from income taxes	190	190	0	0

Liquidity planning is prepared for the individual months. The due dates of receivables and other assets are planned on the basis of agreed payment targets. Cash outflows are planned for the liabilities in accordance with the payment targets and the agreed due dates.

Date-certain liquidity analyses are carried out for the current month and the subsequent month and the planning is adjusted to the actual payment flows.

8.19.4 Credit and default risks

KPS is exposed to a credit risk to the effect that the value of the assets could be impaired if customers or other debtors are unable to meet their obligations. The creditworthiness of individual customers or business partners with high order volumes is reviewed in order to minimize credit risks.

The following table shows the theoretical maximum default risk at gross book values:

Business year in KEuros	Neither overdue nor impaired	Overdue and not impaired	Impaired	30.09.2015
Future receivables from production orders	3,588	0	0	3,588
Trade receivables	24,132	5,336	44	29,512
Other assets	494	0	0	494
	28,214	5,336	44	33,594

Previous year in KEuros	Neither overdue nor impaired	Overdue and not impaired	Impaired	30.09.2014
Future receivables from production orders	1,453	0	0	1,453
Trade receivables	21,533	2,965	9	24,507
Other assets	491	0	0	491
	23,477	2,965	9	26,451

Nominal amounts for receivables due of 44 (previous year: 9) KEuros are included in the impaired receivables which were impaired by 44 (previous year: 9) KEuros.

The following table shows the due dates for gross book values of overdue, unimpaired financial assets:

Due dates of gross book values of overdue, unimpaired financial assets

Business year

in KEuros	less than 30 days	31 to 90 days	more than 90 days	30.09.2015
Other loans	0	0	0	0
Trade receivables	2,529	2,255	552	5,336
Other assets	0	0	0	0
	2,529	2,255	552	5,336

Previous year

in KEuros	less than 30 days	31 to 90 days	more than 90 days	30.09.2014
Other loans	0	0	0	0
Trade receivables	2,433	315	217	2,965
Other assets	0	0	0	0
	2,433	315	217	2,965

8.19.5 Market risks

Currency risks / Exchange rate risks

The companies of the KPS Group conduct their business transactions almost exclusively in euros. There are therefore not major currency risks.

Interest risks

As far as necessary, the Group is financed with short-term current account credit lines which are available for an unlimited period of time. The interest rates are adjusted by the creditor every six months. Short-term loans have also been taken out with an agreed fixed interest rate for a limited period of time.

The interest risk in terms of a risk of change in market value is not regarded as relevant. The financial liabilities of the KPS Group are reported at amortized cost so that a possible change in market value is not reflected in the balance sheet.

Price risks

A change in the risk parameters would not have exerted any significant effect on the fair value.

8.20 Contingent liabilities and other financial obligations

8.20.1 Contingent liabilities

KPS Business Transformation GmbH, KPS Consulting GmbH & Co. KG and KPS Services GmbH have each given a maximum liability guarantee amounting to 2,000 KEuros for hedging current-account credit lines. KPS Services GmbH also has a further maximum liability guarantee amounting to 4,000 KEuros to hedge current-account credit lines. There were no current account liabilities on the balance sheet date (previous year: 4,000 KEuros).

A subordination exists in respect of KPS Consulting AG, Zürich, amounting to 738 KCHF (677 KEuros).

Capital measures mean that the equity of the company is positive, the company continues to generate positive results so that utilization is not anticipated.

8.20.2 Financial liabilities

The following table shows the development of other financial obligations:

	30.09.2015				30.09.2014			
in KEuros	less than 1 year	1-5 years	More than 5 years	Total	less than 1 year	1-5 years	More than 5 years	Total
Vehicle leasing	1,017	963	0	1,980	854	658	0	1,512
Operating and business equipment leasing	615	527	0	1,142	477	389	0	866
Rent	892	1,393	0	2,285	548	523	0	1,071
Total	2,524	2,883	0	5,407	1,879	1,570	0	3,449

The leasing payments shown in the above table relate to future minimum leasing payments from operating leasing agreements.

Payments from rental and leasing relationships, which were recorded in the reporting period as expenses, amount to 1,912 (previous year: 1,434) KEuros.

8.21 Risks to continuing existence as a going concern

The KPS consolidated financial statements were prepared for the business year 2014/2015 under the premise of the continuing existence of the company as a going concern. In this connection, the management is assuming a positive forecast for continuing as a going concern so that the Group can continue its business activities while complying with its payment obligations during the current and subsequent business years. Risks for the continuing existence of the KPS Group as a going concern are not identifiable at the present point in time.

9 EXPLANATIONS FOR THE CASH FLOW STATEMENT

Cash flows during a business year are recorded in the cash flow statement in accordance with IAS 7 in order to present information about the movements of cash for the Group. The cash flows are differentiated in accordance with operating activity, and in accordance with investment and financial activity. The Group applies the indirect method to present the operating cash flow.
The cash position analyzed in the cash flow statement comprises all the current liquid funds reported in the balance sheet after deduction of current bank liabilities as part of the liquid funds. At the end of the period under review, this cash position amounts to 6,487 (previous year: 4,683) KEuros. The bank liabilities recognized in the previous year comprised of current bank loans with an agreed fixed residual term of up to three months.
In accordance with IAS 8.42, the cash flows on account of the acquisition of the shareholding were reclassified from current activity to the area of investment activity in order to improve the presentation of the processes relating to the shares in getit GmbH acquired in the previous year and recorded in the course of full consolidation. Overall, the reclassification resulted in a reduction of the cash position from operating cash flow amounting to 719 KEuros.
The increased net liquidity compared with the previous year is primarily due to reduced investment activity. The cash outflow on account of financial activity primarily results from the dividend payout in accordance with the resolution adopted by the Annual General Meeting held on 27 March 2015. The cash outflows for investments into long-term tied assets amounted to -1,411 (previous year: -9,276) KEuros. The decline in investment activity primarily results from the acquisition of Group companies in the previous year.

9.1 Inflow/outflow from operating activities

The cash flow from operating activities decreased by 995 KEuros to 12,887 KEuros compared with the previous year. This is due in particular to the rise in trade receivables which increased during the year under review from 24,507 KEuros to 29,512 KEuros. This increase was only partly compensated by the increase in provisions of 3,713 KEuros.

9.2 Inflow / outflow from investment activities

The cash flow on account of investment activities was reduced significantly by 7,865 KEuros from 9.276 KEuros to 1,411 KEuros. Only minor investments were made in items of property, plant and equipment during the business year.

9.3 Inflow / outflow from financial activities

The change in cash flow on account of financial activities by 2,184 KEuros to 9,673 KEuros results mainly from the increase in dividend payment made amounting to 9,489 (previous year: 7,166) KEuros.

10 OTHER EXPLANATIONS AND SUPPLEMENTARY INFORMATION

10.1 Auditor fees

Fees amounting to 63 KEuros (previous year: 55 KEuros) for the services provided by the auditor Rupp & Epple GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, are recognized as expenses for services in connection with auditing the financial statements. The fees for services in relation to auditing the financial statements mainly comprise remuneration for auditing the consolidated financial statements and for auditing the financial statements of KPS AG and their domestic subsidiary companies. Fees for audit-related services or activities were not paid to Rupp & Epple GmbH Wirtschaftsprüfungsgesellschaft.
A provision of 11 (previous year: 21) KEuros was set aside for audit services provided by the Swiss subsidiary company KPS Consulting AG in the business year.
A provision of 13 (previous year: 0) KEuros was set aside for audit services provided by the Danish subsidiary company KPS Consulting A/S in the business year.

Auditor fees

in KEuros	2014/2015	2013/2014
Services for auditing the financial statements	63	55
Other confirmation services	0	0
Tax consulting services	0	0
Other services	0	0
Total	63	55

10.2 Related parties

Related companies and persons (related parties) as defined in IAS 24 (Related Party Disclosures) are legal or natural persons which can exert an influence on KPS AG and its subsidiary companies or are subject to control or a significant influence by KPS AG or its subsidiary companies. "Related parties" as defined in IAS 24 are mainly regarded as the Executive Board and the Supervisory Board of KPS AG, and the shareholders of the company which exert a controlling or significant influence. The so-called managing partners of the Group are also included in the extended management circle.
The payments of the members of the governance bodies of KPS AG are recorded in the information in the notes to the financial statements section 10.2.2 and 10.2.4 and in the compensation report in the Management Report.
KPS AG does not have any non-consolidated subsidiary companies, joint ventures and associated companies.
Transactions with members of the governance bodies of KPS AG are conducted at arms-length conditions that are common between independent third parties.

10.2.1 Existing shareholders of KPS Business Transformation GmbH

The existing shareholders of KPS Business Transformation GmbH have the following shareholdings and voting rights in KPS AG:

- Dietmar Müller 8,469,895 shares (previous year: 8,469,895 shares); voting rights of approx. 24.90 % (previous year: approx. 24.90 %)
- Michael Tsifidaris 9,584,894 shares (previous year: 9,584,894 shares); voting rights of approx. 28.18 % (previous year: approx. 28.18 %)
- Leonardo Musso 4,395,229 shares (previous year: 4,395,229 shares); Voting rights of approx. 12.92 % (previous year: approx. 12.92 %)
- Uwe Grünewald 4,349,143 shares (previous year: 4,349,143 shares); Voting rights of approx. 12.79 % (previous year: approx. 12.79 %).

The total remuneration of existing shareholders on account of existing contracts of employment with Group companies amounts to 2,482 (previous year: 2,962) KEuros in the year under review.

There were no receivables or payables in respect of existing shareholders in the business year or in the previous year.

10.2.2 Executive Board

Members of the Executive Board of KPS AG have the following shareholdings in KPS AG:

- Mr. Dietmar Müller: 8,469,895 shares (previous year: 8,469,895 shares)

The total compensation of the Executive Board reported as expenses amounted to 680 (previous year: 801) KEuros in the business year 2014/2015. Compensation is comprised of fixed and variable components and they are due in the short term.
Mr. Dietmar Müller is a Member of the Administrative Board of KPS Consulting AG, Zürich, Switzerland, and of the Board of Directors at KPS Consulting A/S, Copenhagen, Denmark.

10.2.3 Extended management circle

63 (previous year: 41) persons were members of the extended management circle on the balance sheet date.
All remuneration for the extended management circle relates to payments to employees due in the short term.
Total compensation amounting to 15,382 (previous year: 12,170) KEuros was paid to the extended management circle for the past business year. This comprised compensation to the extended management circle with a significant shareholding in the amount of 1,802 (previous year: 2,161) KEuros and compensation to the members of the extended management circle with no significant shareholding in the amount of 13,581 (previous year: 10,009) KEuros.
A provision amounting to 341 KEuros was set aside to cover expenses for future defined benefit claims on account of the function of Vice President introduced in the business year 2012/2013 in respect of four persons of the extended management circle.

10.2.4 Supervisory Board

The compensation for the Members of the Supervisory Board for their activities on the Supervisory Board amounts to 55 (previous year: 55) KEuros.
Mr. Tsifidaris and Mr. Grünewald have contracts of employment with KPS Business Transformation GmbH. The expenses for the business year 2014/2015 amounted to 1,222 (previous year: 1,461) KEuros.
A consulting contract was in place with Mr. Hans-Werner Hartmann in the year under review.
Expenses were incurred amounting to 21 KEuros.
The compensation for the Administrative Advisory Board of KPS Consulting AG, Zürich, amount to 7 (previous year: 7) KEuros.

10.2.6 Other related persons

A contract of employment was in place with Ms Veronika Grünewald, daughter of Mr. Uwe Grünewald (Member of the Supervisory Board), in the business year. The expenses paid amounted to 86 (previous year: 72) KEuros.
A contract of employment was in place with Mr. Markus Müller, son of Mr. Dietmar Müller (Member of the Executive Board), in the business year. The expenses paid amounted to 36 (previous year: 0) KEuros in the business year.

10.3 Governance bodies of the company

10.3.1 Executive Board

The following person was appointed as a member of the Executive Board and authorized sole representative in the year under review:

- Mr. Dietmar Müller, Management Consultant, Grünwald.

10.3.2 Supervisory Board

The Supervisory Board is unchanged from the previous year and comprises

- Mr. Michael Tsifidaris (Chairman), Management Consultant, Hamburg,
- Mr. Uwe Grünewald (Deputy Chairman), Management Consultant, Leichlingen,
- Mr. Hans-Werner Hartmann, Lawyer, Grassau-Mietenkam.

Mr. Uwe Grünewald is a Member of the Board of Directors of KPS Consulting A/S, Copenhagen, Denmark.

10.4 Total compensation of the Executive Board and the Supervisory Board and loans granted

Please refer to our comments under 10.2.2 and 10.2.4 in relation to the compensation of the Executive Board and the Supervisory Board.
There were no loans to Members of the Executive Board and the Supervisory Board during the business year or in the previous year.

11 CORPORATE GOVERNANCE

The Executive Board and the Supervisory Board of KPS AG submitted the Declaration of Compliance on the German Corporate Governance Code required pursuant to Article 161 Stock Corporation Law (AktG) and provided the shareholders with permanent access to the declaration on the company's website (www.kps-consulting.com).

12 NOTIFICATIONS PURSUANT TO ARTICLE 160 SECTION 1 NO. 8 STOCK CORPORATION LAW (AKTG)

A list of the notifications pursuant to Article 160 Section 1 No. 8 Stock Corporation Law (AktG) is published in the Annual Report.

13 RESPONSIBILITY STATEMENT BY THE STATUTORY REPRESENTATIVES

We hereby declare to the best of our knowledge and in accordance with the applicable accounting principles that the consolidated financial statements provide an appropriate view of the actual relationships such that a true and fair view is presented of the net assets, financial position and results of operations of the Group.

Unterföhring, 27 January 2016

The Executive Board
Dietmar Müller
Leonardo Musso

KPS

KPS AG Consolidated Financial Statements in accordance with IFRS

Development of the fixed assets of the KPS Group (gross presentation)

ITEM	ACQUISITION OR PRODUCTION COSTS				ACCUMULATED DEPRECIATION				BOOK VALUE	
in KEuros	01.10.2014	Additions	Disposals	30.09.2015	01.10.2014	Additions	Disposals	30.09.2015	30.09.2015	30.09.2014
I.) Intangible assets										
1. Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets										
a.) if acquired	3,727	19	154	3,592	2,150	647	136	2,661	931	1,577
b.) if internally generated	883	0	0	883	545	93	0	638	245	338
2. Goodwill	45,488	0	0	45,488	15,016	0	0	15,016	30,472	30,472
Intangible assets	**50,098**	**19**	**154**	**49,963**	**17,711**	**740**	**136**	**18,315**	**31,648**	**32,387**
II.) Property, plant and equipment										
Business and office equipment	2,258	422	261	2,419	1,583	296	261	1,618	801	675
Property, plant and equipment	**2,258**	**422**	**261**	**2,419**	**1,583**	**296**	**261**	**1,618**	**801**	**675**
Total fixed assets	**52,356**	**441**	**415**	**52,382**	**19,294**	**1,036**	**397**	**19,933**	**32,449**	**33,062**

KPS

Notifications

pursuant to Article 160 Section 1 No. 8 Stock Corporation Law (AktG)

Statutory notifier	Shortfall of threshold	Percent	Votes	Vote allocation
Grünewald Uwe		(80.50) 13.28	29,279,535	26.96 % by Müller 26.96 % by Tsifidaris 13.28 % by Musso
Müller Dietmar		(80.50) 26.96	29,279,535	26.96 % by Tsifidaris 13.28 % by Grünewald 13.28 % by Musso
Musso Leonardo		(80.50) 13.28	29,279,535	26.96 % by Müller 26.96 % by Tsifidaris 13.28 % by Grünewald
Tsifidaris Michael		(80.50) 26.96	29,279,535	26.96 % by Müller 13.28 % by Grünewald 13.28 % by Musso
Weiser Thomas, Prien		8.76		
Tasaheli Beteiligungsgesellschaft mbH, Dortmund		4.08	1,387,386	
Dr. Krämerkämper Thomas, Castrop-Rauxel		(4.08) 0	1,387,386	4.08 % by Tasaheli Beteiligungsgesellschaft mbH

Auditor's Report

We have audited the consolidated financial statements prepared by KPS AG, Unterföhring – comprising the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements – together with the Group Management Report for the business year from 1 October 2014 to 30 September 2015. The preparation of the consolidated financial statements and the Group Management Report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the Executive Board of the company. Our responsibility is to express an opinion on the consolidated financial statements and the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and the expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included within the consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Augsburg, 28 January 2016

Rupp & Epple GmbH
Wirtschaftsprüfungsgesellschaft
(Audit Firm)

Rupp-Helferich
Wirtschaftsprüfer
(German Public Auditor)

KPS

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