

A high-angle, blurred photograph of a large crowd of people walking in various directions on a light-colored floor. The motion blur creates a sense of a busy, active environment.

KPS

GROUP
HALF-YEAR REPORT 2016/2017

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KPS GROUP

1. TO SHAREHOLDERS
2016/2017

1.1 Overview of business development

KPS was able to derive significant benefit from the economic and sector-specific development, and sales and earnings increased significantly during the first half-year 2016/2017 compared with the equivalent year-earlier period. Key drivers for growth included the trust placed in us by major customers from the retail sector and the 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.

1.2 KPS in the capital market

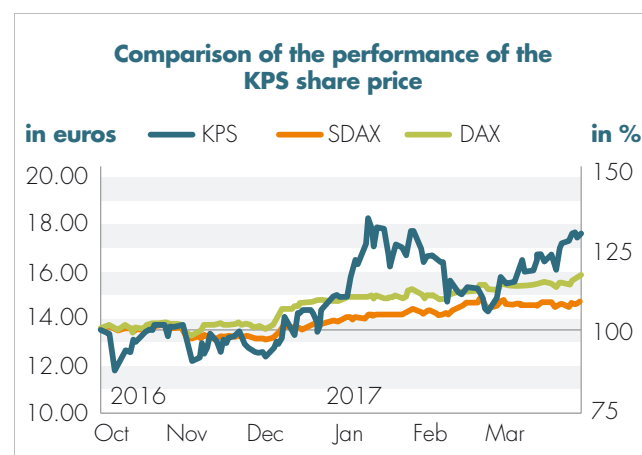
Price performance of the KPS share

After a strong fourth quarter, the stock exchange year 2016 ended in an emollient mood for international equity markets. The DAX lead index also went up and achieved an increase in value of 9.2 % over the entire year 2016 in a challenging environment. In spite of a higher valuation, the US equity market even posted a double-digit increase. In particular, the election victory of Donald Trump gave an impetus to stock exchanges with an unexpected upturn in sentiment and in conjunction with good economic data. The stock exchanges of emerging markets also turned in a bravura performance with positive development in value. The headwind generated by the buoyant global economy enabled stock markets to get off to a positive start at the beginning of 2017. Stock markets were not unsettled by the interest hike of the US Federal Reserve (central bank) in March, rising returns in bond markets, or the unpredictable presidency of the new President of the United States.

During the first half of the year 2016/2017, the share of KPS AG significantly outperformed development of the DAX and posted a price gain of 30.1 % during the reporting period. This run included particularly positive growth of 18.2% in the second quarter of 2016/2017. Over the entire period from 1 October to 31 March 2017, the DAX posted an increase of 17.1 %.

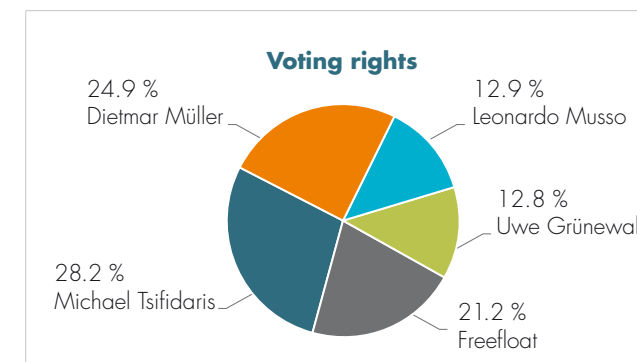
On 4 October 2016, the shares of KPS AG started trading at a price of 13.50 euros. After a low of 11.56 euros on 7 October 2016, the KPS share registered a high of 18.69 euros for the reporting period on 11 January 2017. Trading in the shares of KPS AG ended the reporting period for the half-year 2016/2017 with a closing price of 17.60 euros on 31 March 2017.

The average daily trading volume of the KPS share at all German stock exchanges amounted to 24,443 no-par shares (previous year: 14,604 shares) in the period under review. The market capitalization of KPS AG went up as a result of the positive price development on 31 March 2017 to 658.5 million euros based on 37,412,100 shares. On 31 March 2016, the stock-market value amounted to 284.0 million euros at a half-year closing price of 8.35 euros and 34,011,000 shares (all data based on Xetra prices).



Shareholder structure

The shareholder structure of KPS AG had not changed significantly at the end of the first half-year 2016/2017. It continues to be defined by the four founders of the company who hold a majority of the voting rights. The Chairman of the Supervisory Board, Michael Tsifidaris, holds 28.2 % of the shares in the company. Board Member Dietmar Müller holds 24.9 % of the voting shares, while Board Member Leonardo Musso holds 12.9 %. Member of the Supervisory Board Uwe Grünewald holds 12.8 % of the capital stock with voting rights, 21.2 % of KPS shares are in free float.



Investor relations

In the first half-year of 2016/2017, KPS AG published disclosures immediately to institutional investors, financial analysts, and private shareholders about current business development and important events for the share price development of the company beyond the reporting obligations under statutory regulations and stock-exchange rules. On 9 December 2016, KPS AG applied for a listing on the Prime Standard of the Frankfurt Stock Exchange. Effective 23 December 2016, the change from General Standard to Prime Standard was completed. Compliance with the highest transparency standards enhanced the appeal of the KPS share for institutional investors and raised the profile of the company with private investors. Furthermore, the listing on the Prime Standard means that KPS AG complies with a requirement for a potential listing of the KPS share in a prime index of Deutsche Börse AG.

During the period under review, the Executive Board of KPS AG communicated proactively with the financial and business press to present the profile of the company to the capital market. In November 2016, the Executive Management of KPS AG also presented the corporate development and corporate strategy in the context of roadshows at the European financial centers, including London, Paris and Zürich, and in Frankfurt and Munich. For the first time, KPS made use of the opportunities of a telephone conference with capital market participants when the figures for the 1st quarter of 2016/2017 were published. The objective was to further intensify communication with participants in the capital market.

Oddo Seydler Bank AG acts as the designated sponsor for the preparation of binding bid and offer prices for appropriate liquidity and ensures the corresponding tradability of the KPS share. Any investors interested in additional information can go to the Investor Relations section on the home page under www.kps.com/de.investor-relations.html.

Analysts' research

The performance of the KPS share is continuously analyzed and evaluated by the investment company GBC Research and the leading banks Landesbank Baden-Württemberg (LBBW) and Oddo Seydler Bank AG. The analysts unanimously emphasized their recommendations to buy the KPS share in their latest studies on business performance and the perspectives of the company. On the strength of the digitalization taking place in retail, Matthias Greiffenberger from GBC Research anticipates further double-digit growth rates, and confirmed the buy recommendation in the research report on 10 February 2017 with an increase in the target price to 18.00 euros. Mirko Maier, investment analyst at LBBW, raised his recommendation for KPS AG to buy on the basis of a price target of 16.75 euros in his assessment on 11 February 2017 following the successful start to the year. Oddo-Seydler analyst Henning Steinbrink raised the target price in his report dated 16 May 2017 to 17.30 euros.



KPS GROUP

2. INTERIM MANAGEMENT REPORT
2016/2017

2.1 Macroeconomic and sector-related framework conditions

Development of the global economy

During the second half-year of 2016, prospects for the global economy were already getting better with the long-anticipated recovery in industry and trade. According to the International Monetary Fund (IMF), growth in 2017 should continue at 3.5 % – after an increase of 3.1 % in 2016. This projection by the IMF experts therefore slightly raised their forecast of 3.4 % for the current year from January 2017. Owing to the unexpectedly strong development in the second half-year of 2016, the IMF above all expects an increasing recovery in the advanced economies. The outlook in Europe has also improved as a result of the increasing recovery of the global economy. The assessment by the IMF indicates that the economic acceleration extends beyond industrial countries to emerging economies and developing countries. The IMF forecast for 2018 continues unchanged with a rise of 3.6 % in the global economy.^{1 2 3}

Increased economic activity and the prospect of more robust demand essentially determined the positive development of the economy. The capital markets have been showing signs of this movement with significant upturns in the emerging economies, the developing countries, and also the advanced economies. The growth driver in the advanced economies was essentially the forecast upswing for the United States. In 2016, the USA was still posting weak growth as a result of inventory adjustments and investment restraint. The economy in the emerging economies and developing countries is also likely to undergo a significant increase. In particular, the tense economic situation for countries exporting raw materials is projected to improve gradually on the back of the partial recovery in prices since spring of 2016. Sustained strong growth is expected for China.^{4 5}

The economic acceleration in the USA has been particularly marked. During the second half of 2016, the US economy recovered strongly. In particular, investments in capital equipment advanced after falling back for four quarters in succession. Apart from private

consumption, private investments are also projected to increase significantly over the coming year. Growth rates in gross domestic product are anticipated for the United States of 2.3 % and 2.5 % in 2017 and 2018 respectively. A lower growth rate of 1.6 % was recorded for 2016.^{6 7}

The predominant growth risks over the medium term could put a brake on the further recovery in the global economy. These primarily include low growth in productivity for the developed economies, a high level of income inequality and an increase in protectionist tendencies. Low raw material prices and structural weaknesses in public finances continue to pose the biggest challenges in the emerging economies and developing countries. Risks also result from economic policy in the USA and China. After the US Federal Reserve reversed the downward interest trend, a further increase in the value of the US dollar remains a possibility because the European Central Bank does not anticipate making an increase in interest rates at present. A rapid rise in interest rates in the United States could cause deterioration in financing conditions and the price of the US dollar could be driven further upward. Another factor is the ongoing realignment of the economy in China. This is showing the service sector as making up an increasing proportion of the gross domestic product and a decline in the current account surplus. Growth is meanwhile resulting from a rapid expansion of domestic credit volume. This entails a medium-term risk for financial stability in China which could spill over to other countries.^{8 9}

2.1.1 Development in the eurozone

The economy in the eurozone continued its moderate upswing sustained over the past two and a half years. According to joint forecasts by the leading German-based economic research institutes, the economy should increase by 1.8 % in 2017. Growth in the second half-year of 2016 was mainly driven by domestic consumption. Private consumption once more underwent a significant boost. As a result of increasing employment and reduced energy prices, real income increased significantly but government spending also went up in 2016. On the other hand, gross capital expenditure expanded only moderately in spite of sustained

favorable financing conditions. Foreign trade underwent a significant recovery in the fourth quarter. After energy prices went up in the course of 2016, the price level in the first two months of 2017 significantly exceeded the level for the previous year. Aside from the temporary effects of the oil price development, inflation in the eurozone will continue to fall significantly short of the target set by the Central Bank. The joint economic forecast by the leading German-based economic research institutes does not anticipate interest rises for the eurozone within the projection period. However, bond purchases are forecast to be gradually brought to an end from 2018 onward. Domestic consumption in the eurozone will continue to be fueled by rising employment and increasing incomes. Consumers appear to be impervious to the fact that the purchasing power of private households is no longer supported by a declining level of prices. The increase in production in the eurozone is projected at 1.7 % in 2018.¹⁰

2.1.2 Development in Germany

The German economy is currently undergoing a moderate upturn for the fifth year in succession. Macroeconomic capacity utilization is therefore only gradually rising. According to the joint forecast by the leading German-based economic research institutes, dynamic economic performance is low compared to previous upswing phases. Consumption as a growth driver exerts a lower impact than investments and export trade. Accordingly, investments by companies have so far only been expanded to a very limited extent. Nevertheless, the joint forecast indicates that macroeconomic production capacities have slightly exceeded the normal utilization capacity. Over the past year, expansion virtually ground to a halt in the third quarter following a strong performance in the first half of the year. The political uncertainty associated with the Brexit decision only put a temporary brake on readiness to invest by German companies. During the final quarter, the pace of expansion picked up again somewhat and dynamic economic performance was consolidated. Growth of gross domestic product in the Federal Republic of Germany was 1.9 % in 2016. The economic institutes behind the joint forecast are anticipating a further rise in economic output in Germany for the first quarter of 2017. Sentiment among companies also continued to improve until the end of the reporting period. According to the Ifo economic test, the position was regarded more positively in March 2017 than at any other time during the past six years. According to this data, German economic output will increase by 1.5 % in 2017. Adjusted

by the lower number of working days, there is once again an increase in growth of 1.8 % in the current year. An increase of 1.8 % is anticipated for 2018. The institutes have therefore slightly increased their assessment for economic performance from last fall.¹¹

Exports are rising with the improved global economy

According to the joint forecast by the leading German-based economic research institutes, expenditure by private households on consumption will increase less strongly in 2017 and 2018 as a result of increased energy prices. Conversely, export business is likely to gain further dynamic momentum underpinned by growth in the global economy and the reduction in value of the euro. Investment activity is also projected to once more make a stronger contribution to growth in production. Accordingly, the German economy will continue to expand at a rate that only falls slightly short of the growth potential. A strong increase in employment is also associated with this. The rise by some 190,000 people in the final quarter even marked the biggest value for the past eight years. On the basis of the joint forecast, the employment market should also prove to be buoyant in 2017 and 2018. By the same token, the lower decline in unemployment results from a significant expansion in the supply of labor. Alongside the increasing participation in the labor market by the German population, the economic research institutes cited an ongoing labor migration to Germany and the rising participation of refugees in the employment market. The result is a fall in the unemployment rate to 6.1 % for 2016. A drop to 5.7 % is anticipated for the current year and to 5.4 % in 2018. Employees benefit from this trend as a result of ongoing rising wages due to the shortage of labor in the employment market.

Moderate expansion of investments in capital equipment

In 2016, private investments in machinery, equipment and vehicles fell back significantly after expansion at the beginning of the year. According to the joint forecast of the leading German-based economic research institutes, uncertainty about the economic policy of important trading partners for German export business was the main factor exerting downward pressure. At the beginning of the current year, investment activity increased significantly. This upward trend is projected to be sustained as the year proceeds. The economic research institutes are continuing to anticipate that

1 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/exesum.ashx>
 2 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/c1.ashx>
 3 <http://www.imf.org/en/Publications/WEO/Issues/2016/12/27/A-Shifting-Global-Economic-Landscape>
 4 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/exesum.ashx>
 5 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/c1.ashx>
 6 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/exesum.ashx>
 7 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/c1.ashx>
 8 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/exesum.ashx>
 9 <http://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/c1.ashx>

10 <https://www.ifw-kiel.de/wirtschaftspolitik/prognosezentrum/konjunkt/2017/gdfruhjahr-2017-langfassung>
 11 <https://www.ifw-kiel.de/wirtschaftspolitik/prognosezentrum/konjunkt/2017/gdfruhjahr-2017-langfassung>

the gathering pace of foreign demand will further stimulate the inclination of companies to make investments. This projected trend is already reflected in the significantly improved ifo business expectations for producers of capital goods. The macroeconomic utilization of capacity is likely to remain high at a level above average during the forecast period. It should be emphasized that as digitalization continues to gather pace, companies will increasingly divert resources to research and development and other intangible assets such as software. Overall investment in capital goods is likely to undergo a slight increase of 0.5 % during the current year. After calendar adjustment, this yields an increase of 1.3 %. The institutes generating the joint forecast anticipate 3.8 % for the year 2018.¹²

2.1.3 Sector-specific development

The consulting sector in Germany is booming. Digital change is an important factor in driving business, as reported by the Federal Association of German Management Consultants (BDU).¹³ According to the market research company Lünendonk, sectors in Germany such as industrial production, retail, chemicals/pharmaceuticals and logistics still lack the necessary structures and the appropriate speed for development and marketing of digital business models and innovations. There is therefore a catch-up requirement compared with successful protagonists in the area of digitalization like Amazon and Zalando. However, companies are increasingly adopting a twin-track approach and establishing modern innovation methods alongside traditional approaches. In line with this strategy, 92 % of companies are developing innovations internally but 98 % of German business is also committed to cooperation with partners for developing innovations and bringing them to market readiness. Companies primarily perceive opportunities for digitalization in process improvements and improving customer loyalty.¹⁴

According to the Federal Association of German Management Consultants (BDU), sales for the consulting sector in Germany rose by 7.4 % to 29.0 billion euros in 2016. At the same time, the jobs engine is operating at full throttle. In 2016, some 6,000 additional jobs were created in consulting companies, of which 5,000 were consultants. Management consultants continue to remain optimistic for the current year 2017. An increase in sales of 8.3 % is expected. The positive business situation and prospects are also

exerting an impact on recruitment for consulting companies. On this basis, 75 % of large management consulting firms are planning to appoint additional senior and junior consultants during the course of 2017. Around two thirds of mid-sized consulting firms also want to increase their company's consulting capacities.¹⁵

2.2 Results of operations

The KPS Group succeeded in fully attaining or even exceeding the corporate targets defined by the Supervisory Board and the Executive Board for the first half of the business year 2016/2017.

Sales and most importantly earnings were significantly above the level for the previous year as well as exceeding expectations at the beginning of the business year 2016/2017.

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

in KEuros	2016/2017 1st half-year	2015/2016 1st half-year Restated
Revenues	82,833	68,832
Own work capitalized	1,301	0
Other operating income	391	290
Cost of materials	-35,861	-28,069
Personnel expenses	-25,767	-22,574
Other operating expenses	-9,788	-7,304
Depreciation and amortization	-615	-572
Operating result (EBIT)	12,494	10,603
Financial result	-46	-55
Earnings before income taxes*	12,448	10,548
Income taxes	-2,148	-1,208
Earnings after income tax	10,300	9,340

* corresponds to the result from ordinary business activities

Restricted comparability with the previous year

Saphira Consulting A/S, Denmark, KPS B.V, Netherlands, and KPS Consulting Inc., USA contributed to earnings for the business half-year for the first time. The business figures can therefore only be compared with those of the previous year to a certain extent. The following table shows the individual contribution of the companies to revenues and EBIT:

Company	Revenues	EBIT
Saphira Consulting A/S, Denmark	1,910	179
KPS B.V., Netherlands	3,307	1,172
KPS Consulting Inc., USA	0	-12

Revenues

In the first half-year of the business year 2016/2017, revenues rose by 20.3 % to 82.8 (previous year: 68.8) million euros in comparison with the previous year. The result therefore enabled the company to significantly exceed the original expectations. This is primarily due to the acquisition of transformation projects with prestigious customers from retail and the consumer goods industry.

Own work capitalized

Own work capitalized amounted to 1.3 (previous year: 0.0) million euros over the business half-year under review. This relates to intangible assets developed in-house (development costs).

Other operating income

As was the case in the equivalent year-earlier period, other operating income in the reporting period includes income from operational, additional services, such as charges passed on, and income from releases of provisions. Overall, other operating income increased by comparison with the equivalent year-earlier period by 33.3 % from 0.3 million euros to 0.4 million euros.

Cost of materials

During the first half-year of 2016/2017, the cost trend adjusted appropriately to business performance, taking into account the significant increase in sales. The project-related cost of materials, which primarily includes the costs for subcontracted services, went up disproportionately compared with the sales increase during the

reporting period by 27.8 % from 28.1 million euros to 35.9 million euros.

Personnel expenses

Personnel expenses amounted to 25.8 (previous year: 22.6) million euros and the increase in these expenses of 3.2 million euros or 14.2 % was disproportionately lower compared with the equivalent year-earlier period. The reason for this increase was due in particular to the rise in sales and the associated increase in the number of new consultants appointed during the expansion of the workforce.

Other operating expenses

Other operating expenses increased by 34.2 % to 9.8 (previous year: 7.3) million euros compared with the equivalent year-earlier reporting period. They mainly include travel expenses and vehicle operating costs, non-project-related subcontracted services, and premises and operating costs.

Depreciation and amortization

Depreciation and amortization at 0.6 million euros were at the level of the first half-year 2015/2016 also amounting to 0.6 million euros.

Financial result

In the first half-year 2016/2017, the financial result of the Group was 0.0 million euros and therefore improved from the equivalent year-earlier value of -0.1 million euros.

Income taxes

The total amount of taxes on income and earnings amounted to 2.1 (previous year: 1.2) million euros includes current expenses for corporate income tax, solidarity surcharge, and trade tax.

Earnings after income taxes

The consolidated income for the period under review rose by 10.8 % from 9.3 million euros in the equivalent year-earlier period to 10.3 million euros in the business year 2016/2017.

Calculation of EBITDA

EBITDA increased by 1.9 million euros from 11.2 million euros in the previous year to 13.1 million euros in the reporting period. The EBITDA margin remained virtually the same at 15.8 % (previous year: 16.2 %) during the first half-year 2016/2017.

¹² <https://www.ifw-kiel.de/wirtschaftspolitik/prognosezentrum/konjunkt/2017/gdfruhjahr-2017-langfassung>

¹³ <http://www.bdu.de/media/296131/gptw-wettbewerb-2017.pdf>

¹⁴ <http://lunenendonk.de/pressefeed/wie-digitalisieren-sie-ihr-business-lunenendonk-trendstudie-zeigt-warum-sich-deutsche-unternehmen-bei-der-digitalisierung-schwer-tun>

¹⁵ <http://www.bdu.de/media/278809/ergebnisse-marktstudie-unternehmensberatung-2017.pdf>

Calculation of EBIT

EBIT increased from 10.6 million euros in the previous year by 1.9 million euros to 12.5 million euros in the first half of the business year 2016/2017. This corresponds to an increase by 17.9 %. Based on sales of 82.8 (previous year: 68.8) million euros, the EBIT margin of 15.1 % was at virtually the same level as in the previous year at 15.5 %.

Adjusted earnings per share

The diluted and basic earnings per share amounted to 0.28 euros in the first half of the business year 2016/2017 compared with 0.28 euros in the previous year. It is important to take into account here that the number of shares is 10% higher than in the equivalent year-earlier period as a result of the capital increase of around 3.4 million no-par shares carried out in 2016.

2.3 Asset situation of the KPS Group

Asset situation and capital structure of the KPS Group (abbreviated version)

	31.03.2017	30.09.2016 Restated
in KEuros		
Non-current assets	47,834	41,653
Current assets	59,290	53,449
Total assets	107,124	95,102
Shareholders' equity	68,813	58,394
Non-current liabilities	3,918	2,115
Current liabilities	34,393	34,593
Total liabilities	38,311	36,708
Total shareholders' equity and liabilities	107,124	95,102

2.3.1 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 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 accounting and valuation principles defined by international accounting standards. Alongside sales and EBIT, specific segment and profit-center indicators are used as indicators for controlling.

2.3.2 Asset situation

The increased scope of business is reflected in the balance sheet total. This amounted to 107.1 (previous year: 95.1) million euros on 31 March 2017 and therefore increased by 12.6 % compared with the previous year.

2.3.3 Development of assets

On 31 March 2017, the assets tied up in medium to long-term assets amounted to 47.8 (previous year: 41.7) million euros. These primarily related to the goodwill from earlier acquisitions of KPS AG amounting to 35.8 (previous year: 30.5) million euros, other intangible assets amounting to 2.9 (previous year: 2.0) million euros, property, plant and equipment amounting to 1.1 (previous year: 1.1) million euros, and capitalized deferred taxes amounting to 8.0 (previous year: 8.0) million euros.

Receivables from future production orders, trade receivables, and other assets recognized under current assets amounted to a total of 45.3 million euros increased by 24.8 % compared with the year-earlier value of 36.3 million euros.

2.3.4 Development of equity

The share in equity attributable to shareholders of KPS AG increased by 10.4 million euros compared with the previous year and amounted to 68.8 (previous year: 58.4) million euros on 31 March 2017. The equity ratio improved from 61.4 % to 64.2 % during the period under review. A detailed explanation is provided in the statement of changes in shareholders' equity.

2.3.5 Development of liabilities

Non-current liabilities relate to deferred tax liabilities and non-current provisions amounting to 3.9 (previous year: 2.1) million euros. These include earnings-related purchase price instalments from the takeover of Saphira Consulting A/S, Denmark, provisions for a bonus program for the Vice Presidents, and pension provisions. There were no other non-current liabilities on the balance sheet date. Current liabilities came down slightly by 0.2 million euros compared with the year-earlier reporting date and amount to 34.4 (previous year: 34.6) million euros. There were no liabilities

to banks on the reporting date 31 March 2017 (previous year: 0). Trade liabilities increased by 1.4 million euros to 12.1 (previous year: 10.7) million euros.

2.4 Financial position of the KPS Group

Financial position and investments

Financial management at KPS has always been directed toward safeguarding the liquidity of the company at all times. It encompasses capital-structure, cash and liquidity management. The earnings generated in the previous business year 2016/2017 provided adequate liquid funds for continuing operations and for financing reasonable additional growth of KPS.

On 31 March 2017, the KPS Group had cash amounting to 9.4 (previous year: 12.4) million euros. There were no bank liabilities on the reporting date 31 March 2017 or on the reporting date 30 September 2016. On 31 March 2017, net liquidity amounted to 9.4 (previous year: 12.4) million euros.

Cash flow from current activities amounted to 1.2 million euros in the first half of the current business year compared with 6.3 million euros in the previous year. Cash flow from investment activities amounted to -4.3 (previous year: -0.4) million euros and essentially related to the acquisition of Saphira Consulting A/S, Denmark. Cash flow from financial activities in the first half-year of 2016/2017 amounted to 0.0 (previous year: 0.0) million euros. The reason for the neutral cash flow from financial activities in the first half-year of 2016/2017 is the dividend payout made for the previous business year only paid out in the third quarter of 2016/2017.

2.5 Employees

Our employees convince our customers through their expert knowledge and their 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 31 March 2017, the KPS Group employed a total of 459 employees (previous year: 417). This means that the workforce increased by 42 employees or 10.0 % in the first half-year 2016/2017. This is essentially due to the expansion of business activity. In Germany, we employed a workforce of 430 employees (previous year: 401), which is equivalent to a share of 93.7 % (previous year: 96.2 %) in the Group overall.

The average number of employees in the period under review amounted to 444 (previous year: 391). The rise by 53 employees or 13.6 % is primarily based on the increase in business volume.

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

	31.03.2017	30.09.2016	Change
Employees by region			
Germany	430	401	29
Switzerland	12	14	-2
Denmark	17	2	15
Total	459	417	42
Employees by function			
Executive Board	2	2	0
Managing Directors	6	2	4
Consultants	408	378	30
Administration	41	32	9
Apprentices	2	3	-1
Total	459	417	42

Alongside the Managing Directors listed above, Members of the Executive Board of KPS AG, Mr. Dietmar Müller (in a total of seven companies) and Mr. Leonardo Musso (in a total of ten companies) have also been appointed as Managing Directors. From 31 March, eight persons were therefore employed as Managing Directors in the KPS Group.

2.6 Follow-up report

After the end of the period under review, no significant events or changes occurred which affect the view of the position of the Group provided in this Group half-year report.

2.7 Opportunities and risk report

The economic development in Germany and 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 the asset situation of the KPS Group. In the course of our research activities, we regularly analyze studies and forecasts of the key economic institutes to gain the necessary overview of the likely development of the economy in markets relevant to us. On the basis of the order backlog currently in place and extending over an above-average period, we do not expect any negative impacts on the KPS Group over the short term taking the present economic situation into account. However, we do not exclude the possibility that a sustained negative economic development could exert a negative impact on sales and income over the medium and long term.

We refer to the comprehensive report in the Annual Report 2015/2016 for a presentation and assessment of the individual risks. There have not been any significant changes since then.

2.8 Outlook report

Positive assessment of the situation for development at KPS AG

The Executive Board and the management at KPS AG have an extremely positive overall assessment of the situation. We are in an excellent position to address the challenges of the future. Furthermore, KPS has a robust financial structure and income position. Our committed and highly qualified employees will continue to make a major contribution to the success of the company in future. When making plans for the business year 2016/2017, the Executive Board is continuing to assume stable growth, and the focus will be on long-term improvement of margins for earnings. We made a successful start to the new business year 2016/2017. During the first half-year, our sales and orders booked have undergone very positive development in line with our expectations. The sales and EBIT targets forecast for the year overall (sales: 160 million euros, EBIT: 25 million euros) are likely to be achieved. 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 nevertheless an underlying risk that the projected sales and earnings targets may not be achieved.

Unterföhring, May 2017

The Executive Board



KPS GROUP

3. INTERIM FINANCIAL STATEMENTS

2016/2017

KPS AG Group Interim Financial Statements in accordance with IFRS**3.1 Group Income Statement**

for the period from 1 October to 31 March

in KEuros		Note	2016/2017	Restated 2015/2016
1	Revenues	7.1	82,833	68,832
2	Own work capitalized	7.2	1,301	0
3	Other operating income	7.3	391	290
4	Cost of materials	7.4	-35,861	-28,069
5	Personnel expenses	7.5	-25,767	-22,574
6	Other operating expenses	7.6	-9,788	-7,304
7	Operating result before depreciation and amortization (EBITDA)		13,109	11,175
8	Depreciation and amortization	7.7	-615	-572
9	Operating result (EBIT)		12,494	10,603
10	Financial income	7.8	4	2
11	Financial expenses	7.8	-50	-57
12	Financial result		-46	-55
13	Earnings before income taxes*		12,448	10,548
14	Income tax	7.9	-2,148	-1,208
15	Earnings after income taxes		10,300	9,340
	Number of shares in thousands basic/diluted weighted average		37,279	33,890
in euros				
Earnings per share				
	- basic	7.10	0.28	0.28
	- diluted	7.10	0.28	0.28

* corresponds to earnings from ordinary activities

KPS AG Group Interim Financial Statements in accordance with IFRS**Comprehensive Income**

for the period from 1 October to 31 March

STATEMENT OF COMPREHENSIVE INCOME

in KEuros		Note	2016/2017	Restated 2015/2016
	Earnings after income taxes	7.11	10,300	9,340
	Expenses and income recognized in equity with no effect on the income statement	7.11	119	-238
	Comprehensive income		10,419	9,102

KPS AG Group Interim Financial Statements in accordance with IFRS

3.2 Group Balance Sheet

as at 31 March 2017

ASSETS

in KEuros	31.03.2017	30.09.2016
ASSETS		
A. NON-CURRENT ASSETS		
I. Property, plant and equipment	1,097	1,134
II. Goodwill	35,814	30,472
III. Other intangible assets	2,908	2,032
IV. Deferred tax assets	8,015	8,015
	47,834	41,653
B. CURRENT ASSETS		
I. Future receivables from production orders	0	174
II. Trade receivables	43,931	34,485
III. Other receivables and financial assets	1,363	1,630
IV. Entitlements to income tax rebates	14	0
V. Cash and cash equivalents	9,428	12,606
VI. Deferred tax assets	4,554	4,554
	59,290	53,449
Total assets	107,124	95,102

LIABILITIES AND SHAREHOLDERS' EQUITY

in KEuros	31.03.2017	30.09.2016
A. SHAREHOLDERS' EQUITY		
Shares in equity attributable to shareholders of KPS AG		
I. Subscribed capital	37,291	37,291
II. Capital reserve	-11,595	-11,595
III. Retained earnings	663	663
IV. Other comprehensive income	-825	-944
V. Net profit	43,279	32,979
Total equity	68,813	58,394
LIABILITIES		
B. NON-CURRENT LIABILITIES		
I. Non-current provisions	3,557	1,754
II. Deferred tax liabilities	361	361
	3,918	2,115
C. CURRENT LIABILITIES		
I. Trade liabilities	12,091	10,711
II. Financial liabilities	0	0
III. Advance payments received	1,094	145
IV. Tax provisions	4,919	4,033
V. Other provisions	11,742	10,533
VI. Other liabilities	4,512	8,285
VII. Income tax liabilities	35	886
	34,393	34,593
Total liabilities	38,311	36,708
Total of shareholders' equity and liabilities	107,124	95,102

KPS AG Group Interim Financial Statements in accordance with IFRS

3.3 Group Cash Flow Statement in accordance with IFRS

for the period from 1 October to 31 March

in KEuros	2016/2017	2015/2016
A. Current business operations		
1. Earnings before interest and income taxes (EBIT)	12,494	10,603
2. Depreciation of fixed assets	615	572
3. Change in current assets	-9,007	398
4. Change in provisions	232	-1,164
5. Other non-cash expenses and income	362	5
6. Change in other liabilities	-1,443	-3,611
7. Losses from asset disposals	0	19
8. Taxes paid	-2,088	-479
9. Interest paid	-10	-17
10. Interest received	3	2
Cash inflow from current business operations	1,158	6,328
B. Investment activities		
1. Investments in property, plant and equipment	-149	-423
2. Investments in intangible assets	-1,301	0
3. Investments in finance investments	0	0
4. Investments in the acquisition of Saphira	-2,886	0
5. Cash receipts from sale of assets	0	0
Cash outflow from investment activities	-4,336	-423
C. Financial activities		
1. Acquisition of treasury shares	0	0
2. Dividend payouts	0	0
Cash outflow from financial activities	0	0
D. Net change in cash funds	-3,178	5,905
E. Cash funds at the beginning of the period	12,606	6,486
F. Cash funds at the end of the period	9,428	12,391

COMPOSITION OF CASH FUNDS

in KEuros	31.03.2017	31.03.2016
Cash in hand and bank balances	9,428	13,547
Bank liabilities with terms of up to three months	0	-1,157
Cash funds	9,428	12,391

KPS AG Group Interim Financial Statements as at 31 March 2017**3.4 Group Statement of Changes in Shareholders' Equity at KPS – IFRS**

as at 31 March 2017

in KEuros	Subscribed capital	Treasury shares	Total of subscribed capital	Capital reserve	Retained earnings OCI	Accumulated other comprehensive income	Net profit	Equity
30.09.2015	34,011	-121	33,890	-11,595	4,064	-469	23,871	49,761
Acquisition of treasury shares	0	-36	-36	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	-238	0	-238
Group earnings for the 1st half-year of 2017	0	0	0	0	0	0	9,273	9,273
Allocation to retained earnings	0	0	0	0	0	0	0	0
31.03.2016	34,011	-121	33,890	-11,595	4,064	-707	33,144	58,796
Acquisition of treasury shares	0	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	-10,168	-10,168
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	-237	0	-237
Capital increase from company funds	3,401	0	3,401	0	-3,401	0	0	0
Group earnings for the 2nd half-year of 2016	0	0	0	0	0	0	10,003	10,003
Allocation to retained earnings	0	0	0	0	0	0	0	0
30.09.2016	37,412	-121	37,291	-11,595	663	-944	32,979	58,394
Acquisition of treasury shares	0	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	119	0	119
Group earnings for the first half-year of 2017	0	0	0	0	0	0	10,300	10,300
Allocation to retained earnings	0	0	0	0	0	0	0	0
31.03.2017	37,412	-121	37,291	-11,595	663	-825	43,279	68,813

KPS AG, Unterföhring**3.5 Segment reporting**

in KEuros

Presentation by business areas	Management consulting / Transformation consulting		System integration		Products / Licenses		Other		Total	
	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year Restated	31.03.2017	Previous year Restated
Earnings position										
Sales	74,958	60,264	1,276	1,930	6,598	6,637	0	0	82,833	68,831
Operating result	17,590	13,014	174	545	1,730	2,176	-6,385	-4,560	13,109	11,175
Depreciation and amortization	-530	-438	0	0	-13	-55	-72	-78	-615	-571
Interest	0	0	0	0	0	0	-46	-55	-46	-55
Taxes	0	0	0	0	0	0	-2,148	-1,208	-2,148	-1,208

3.6 Selected explanatory notes for the first half-year of the business year 2016/2017

Information on the company and the group

KPS Aktiengesellschaft (KPS AG) is a company operating internationally based in Germany with registered office at Beta-Str. 10H, 85774 Unterföhring. The company with register number HRB 123013 is registered with the Munich Local Court (Amtsgericht München).

KPS AG is a successful company for business transformation consulting and process optimization in retail and the consumer goods sector. We advise our customers on strategic, process and technology issues and successfully implement universal solutions which safeguard their performance over the long term.

Principles for drawing up the financial statements

The consolidated interim financial statements drawn up by KPS AG for the period from 1 October 2016 to 31 March 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated interim financial statements should be read in conjunction with the consolidated financial statements drawn up as at 30 September 2016.

Accounting and valuation principles and methods

This interim financial report is prepared on the basis of the half-year financial statements drawn up for the companies in accordance with the uniform accounting and valuation rules for the Group as at 31 March 2017. The same accounting and valuation principles are used for the consolidated interim financial statements as for the consolidated financial statements drawn up as at 30 September 2016. The values included in this interim financial report were calculated using the International Financial Reporting Standards (IFRS). The interim income tax expense during the year was calculated on the basis of the estimated effective income tax rate for the entire year. The interim report was not audited by the auditor and was not subject to an audit review.

Group of consolidated companies and affiliates

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	Capital and voting share 31.03.17 (previous year)
KPS Business Transformation GmbH	Unterföhring	100% (100%)
KPS Services GmbH	Unterföhring	100% (100%)
KPS Consulting Verwaltungs GmbH	Unterföhring	100% (100%)
KPS Consulting GmbH & Co. KG	Unterföhring	100% (100%)
KPS Consulting AG	Zurich/Switzerland	100% (99%)
KPS Solutions GmbH	Unterföhring	100% (100%)
KPS digital GmbH	Dortmund	100% (100%)
KPS Consulting A/S	Virum/ Denmark	100% (100%)
KPS B.V.	Amsterdam/ Netherlands	100% (100%)
KPS Consulting Inc.	Wilmington/ USA	100% (100%)
Saphira Consulting A/S ¹⁾	Virum/ Denmark	100% (0%)

1) Subsidiary company of KPS Consulting A/S

Acquisition of Saphira Consulting A/S

KPS Consulting A/S, Denmark (purchaser) and both Eragon ApS, Denmark (seller 1) and Invest ApS, Denmark (seller 2), agreed the framework conditions for the acquisition of all shares in Saphira Consulting A/S, Denmark, by KPS Consulting A/S, in the purchase contract dated 2 December 2016. The shares in the business were taken over on 5 January 2017. Saphira Consulting A/S – hereinafter referred to as Saphira – with registered office in Virum, Denmark, was established with the shareholder agreement dated 1 October 2010.

The object of the company is consulting in the area of information technology, primarily SAP consulting, and the transaction of all business associated with this.

During the half-year under review, Saphira contributed 1,910 KEuros to the sales of the KPS Group, while the operating result (EBIT) for the reporting half-year includes 179 KEuros. The earnings generated by the acquired business after tax since the date of first-time consolidation amounted to 139 KEuros.

The fair value of the consideration (purchase price) is made up of the cash paid amounting to 5,025 KEuros and a conditional purchase price of 2,270 KEuros. The conditional purchase price has to be paid in the years 2017 – 2019 if the sales and the directly attributable costs of Saphira develop consistently in line with expectations. The purchase price for 100% of the shares in Saphira can be allocated to the acquired assets and liabilities as follows, and taking into account the cash and cash equivalents acquired led to the following net cash outflow:

in KEuros	Book value on the date of first-time consolidation	Adjustment to fair value	Book value after acquisition
Property, plant and equipment	1		1
Inventories	106		106
Other current assets	1,422		1,422
Cash and cash equivalents	2,006		2,006
Deferred taxes	-3		-3
Other liabilities	-1,021		-1,021
Other provisions	-562		-562
Net assets	1,950	0	1,950
Fair value of the considerations	7,295		7,295
of which conditional considerations included therein	-2,270		-2,270
Cash and cash equivalents acquired	-1,991		-1,991
Net cash outflow from the acquisition	3,034	0	3,034

No differences were identified between the residual book values and the fair values on the date of acquisition. No adjustment was therefore made to the fair value.

The purchase price allocation reflects all the information in relation to the revaluation amounts calculated on the acquisition date, but this has not currently been concluded. There may therefore still be changes in the allocation of the purchase price to the individual assets.

The goodwill amounting to 5,345 KEuros resulting from the acquisition primarily relates to the capabilities of the acquired employees of Saphira and the expected synergies from integration in the existing business operation of KPS AG.

Acquired receivables amounting to 1,376 KEuros are included in other current assets. The gross amounts of the contractual receivables amount to 1,376 KEuros. No unrecoverable receivables are known.

Changes in accordance with IAS 8

The fully insured BVG Plan of KPS Consulting AG, Switzerland, was classified as a defined-contribution obligation pursuant to IAS 19 in the interim financial statements dated 31 March 2016.

The classification was therefore modified such that this is to be classified as a defined benefit obligation. The changes arising from this were already included in the consolidated financial statements dated 30 September 2016, but they also exert effects on the comparability of the interim financial statements with the figures from the previous year. The changes are shown in the following tables:

INCOME STATEMENT

in KEuros		2016/2017	2015/2016 Restated	2015/2016 Correction	2015/2016
1	Revenues	82,833	68,832	0	68,832
2	Own work capitalized	1,301	0	0	0
3	Other operating income	391	290	0	290
4	Cost of materials	-35,861	-28,069	0	-28,069
5	Personnel expenses	-25,767	-22,574	-5	-22,569
6	Other operating expenses	-9,788	-7,304	0	-7,304
7	Operating result before depreciation and amortization (EBITDA)	13,109	11,175	-5	11,180
8	Depreciation and amortization	-615	-572	0	-572
9	Operating result (EBIT)	12,494	10,603	-5	10,608
10	Financial income	4	2	0	2
11	Financial expenses	-50	-57	0	-57
12	Financial result	-46	-55	0	-55
13	Earnings before income taxes*	12,448	10,548	-5	10,553
14	Income tax	-2,148	-1,208	72	-1,280
15	Earnings after income taxes	10,300	9,340	67	9,273
	Number of shares in thousands – basic/diluted weighted average	37,279	33,890		33,890

in euros

Earnings per share

– basic	0.28	0.28		0.27
– diluted	0.28	0.28		0.27

* corresponds to earnings from ordinary activities

COMPREHENSIVE INCOME

in KEuros		2016/2017	2015/2016 Restated	2015/2016 Correction	2015/2016
	Earnings after income taxes	10,300	9,340	67	9,273
	Expenses and income recognized in equity with no effect on the income statement	119	-238	-238	0
	Financial result	10,419	9,102	-171	9,273

CONSOLIDATED CASH FLOW STATEMENT IN ACCORDANCE WITH IFRS

in KEuros		2016/2017	2015/2016 Restated	2015/2016 Correction	2015/2016
A. Current business operations					
1.	Earnings before interest and income taxes (EBIT)	12,494	10,603	-5	10,608
2.	Depreciation of fixed assets	615	572		572
3.	Change in current assets	-9,007	398		398
4.	Change in provisions	232	-1,164		-1,164
5.	Other non-cash expenses and income	362	5	5	0
6.	Change in other liabilities	-1,443	-3,611		-3,611
7.	Losses from asset disposals	0	19		19
8.	Taxes paid	-2,088	-479		-479
9.	Interest paid	-10	-17		-17
10.	Interest received	3	2		2
	Cash outflow from current business operations	1,158	6,328	0	6,328
B. Investment activities					
1.	Investments in property, plant and equipment	-149	-423		-423
2.	Investments in intangible assets	-1,301	0		0
3.	Investments in finance investments	0	0		0
4.	Investments in the acquisition of Saphira	-2,886	0		0
5.	Cash receipts from sale of assets	0	0		0
	Cash outflow from investment activities	-4,336	-423	0	-423
C. Financial activities					
1.	Acquisition of treasury shares	0	0		0
2.	Dividend payouts	0	0		0
	Cash outflow from financial activities	0	0	0	0
D.	Net change in cash funds	-3,178	5,905		5,905
E.	Cash funds at the beginning of the period	12,606	6,486		6,486
F.	Cash funds at the end of the period	9,428	12,391	0	12,391

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY BEFORE ADJUSTMENT

in KEuros Restated	Subscribed capital	Treasury shares	Total of subscribed capital	Capital reserve	Retained earnings OCI	Accumulated other comprehensive income	Net profit	Equity
30.09.2015	34,011	-121	33,890	-11,595	4,064	0	23,754	50,113
Acquisition of treasury shares	0	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	0	0	0
Group earnings for the 1st half-year of 2017	0	0	0	0	0	0	9,273	9,273
Allocation to retained earnings	0	0	0	0	0	0	0	0
31.03.2016	34,011	-121	33,890	-11,595	4,064	0	33,027	59,386

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AFTER ADJUSTMENT

in KEuros Restated	Subscribed capital	Treasury shares	Total of subscribed capital	Capital reserve	Retained earnings OCI	Accumulated other comprehensive income	Net profit	Equity
30.09.2015	34,011	-121	33,890	-11,595	4,064	-469	23,871	49,761
Acquisition of treasury shares	0	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	-238	0	-238
Group earnings for the 1st half-year of 2017	0	0	0	0	0	0	9,273	9,273
Allocation to retained earnings	0	0	0	0	0	0	0	0
31.03.2016	34,011	-121	33,890	-11,595	4,064	-707	33,144	58,796
Acquisition of treasury shares	0	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	-10,168	-10,168
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	-237	0	-237
Capital increase from company funds	3,401	0	3,401	0	-3,401	0	0	0
Group earnings for the 2nd half-year of 2016	0	0	0	0	0	0	10,003	10,003
Allocation to retained earnings	0	0	0	0	0	0	0	0
30.09.2016	37,412	-121	37,291	-11,595	663	-944	32,979	58,394
Acquisition of treasury shares	0	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0	0
Equity transactions with shareholders								
Dividend payout	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Changes recognized without affecting income	0	0	0	0	0	119	0	119
Group earnings for the first half-year of 2017	0	0	0	0	0	0	10,300	10,300
Allocation to retained earnings	0	0	0	0	0	0	0	0
31.03.2017	37,412	-121	37,291	-11,595	663	-825	34,279	68,813

Segment reporting for the business year 2016/2017

in KEuros

Presentation by business areas	Management consulting / Transformation consulting		System integration		Products / Licenses		Other		Total	
	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year
Earnings position										
Sales	74,958	60,264	1,276	1,930	6,598	6,637	0	0	82,833	68,831
Operating result	17,590	13,014	174	545	1,730	2,176	-6,385	-4,555	13,109	11,180
Depreciation and amortization	-530	-438	0	0	-13	-55	-72	-78	-615	-571
Interest	0	0	0	0	0	0	-46	-55	-46	-55
Taxes	0	0	0	0	0	0	-2,148	-1,280	-2,148	-1,280

Segment reporting for the business year 2016/2017 after adjustment

in KEuros

Presentation by business areas	Management consulting / Transformation consulting		System integration		Products / Licenses		Other		Total	
	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year	31.03.2017	Previous year Restated	31.03.2017	Previous year Restated
Earnings position										
Sales	74,958	60,264	1,276	1,930	6,598	6,637	0	0	82,833	68,831
Operating result	17,590	13,014	174	545	1,730	2,176	-6,385	-4,560	13,109	11,175
Depreciation and amortization	-530	-438	0	0	-13	-55	-72	-78	-615	-571
Interest	0	0	0	0	0	0	-46	-55	-46	-55
Taxes	0	0	0	0	0	0	-2,148	-1,208	-2,148	-1,208

Related parties

We refer to the consolidated financial statements dated 30 September 2016 for information about related companies and persons (related parties). As at 31 March 2017, no significant changes had taken place.

Corporate governance

The Declaration of Compliance on the German Corporate Governance Code required pursuant to Article 161 of the Stock Corporation Law (AktG) was submitted for the business year 2015/2016 and is permanently available on the company's website www.kps.com.

Events after the balance sheet date

No major events took place after the balance sheet date which will have exerted a significant development on the business development of the KPS Group.

Responsibility statement by the Executive Board

We hereby declare to the best of our knowledge and in accordance with the accounting principles to be applied for interim reporting that the Consolidated Financial Statements for the first half-year present a true and fair view of the asset situation, financial position and results of operations of the Group corresponding to the actual circumstances and the Consolidated Management Report for the first half-year presents a true and fair view of the performance of the business including the business result and the position of the KPS Group such that an appropriate view of the significant circumstances is conveyed and the significant opportunities and risks of the likely development of the KPS Group are described for the remaining business year.

Unterföhring, May 2017

KPS AG
The Executive Board

KPS Group Interim 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	
	30.09.2016	Additions	Disposals	Transfer Integration	31.03.2017	30.09.2016	Additions	Disposals	Transfer Integration	31.03.2017	31.03.2017	30.09.2016
in KEuros												
I.) Intangible assets												
1. Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets												
a.) if acquired	3,446	42	0	0	3,488	3,034	313	0	0	3,347	141	412
b.) if internally generated	2,351	1,301	0	0	3,652	731	155	0	0	886	2,766	1,620
2. Advance payments received	0	0	0	0	0	0	0	0	0	0	0	0
3. Goodwill	45,488	5,342	0	0	50,830	15,016	0	0	0	15,016	35,814	30,472
Intangible assets	51,285	6,685	0	0	57,970	18,315	468	0	0	19,249	38,721	32,504
II.) Property, plant and equipment												
1. Business and office equipment	2,598	107	9	0	2,695	1,464	147	13	0	1,598	1,097	1,134
2. Low-value assets	0	0	0	0	0	0	0	0	0	0	0	0
3. Advance payments received	0	0	0	0	0	0	0	0	0	0	0	0
Property, plant and equipment	2,598	107	9	0	2,695	1,464	147	13	0	1,598	1,097	1,134
III.) Property, plant and equipment												
1. Shares in affiliated companies	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Total fixed assets	53,883	6,792	9	0	60,665	20,245	615	13	0	20,847	39,818	33,638

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FURTHER INFORMATION

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