

A large, three-dimensional sculpture of the letters 'KPS' in a dark, metallic finish. The letters are mounted on a thin, reflective metal base. They are set on a light-colored wooden floor with a visible grain. A long, dark shadow of the letters is cast across the floor to the right, indicating a light source from the upper left.

GROUP

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HALF-YEAR REPORT 2015/2016

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**GROUP**  
CONDENSED  
MANAGEMENT  
REPORT

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for the first half of the  
financial year 2015/2016

## 1 ECONOMIC REPORT OF THE KPS GROUP

The management report outlines the development of the business of the KPS Group (hereinafter referred to as KPS). The reporting period comprises the first half of the financial year 2015/2016, beginning on 1 October 2015 and ending on 31 March 2016.

### 1.1 General economic development and conditions

The momentum of the global economy has slowed. Although the Kiel Institute for the World Economy (IfW) forecasts that it will pick up over the course of the year, economic momentum will remain low for the time being. The revised increase in global production on the basis of purchasing power parities will increase from 2.9% this year to 3.5% in 2017. The IfW experts thus reduced their forecasts from last year. The low oil prices not only reflect weak demand but are also curbing development in oil-exporting countries. General uncertainty regarding economic development is an additional brake on business activity. In the developed national economies, rising incomes and the continuation of very expansionary monetary policy will gradually provide economic momentum. In the emerging markets, however, the economic problems are not just to do with business activity but also to do with structure.

(Source: IfW, Kiel)

#### 1.1.1 Development in the eurozone

The moderate recovery in the eurozone has slowed somewhat as a result of the inhibitive influences of the global economic environment and a palpable increase in political uncertainty. Nonetheless, the stimulating forces are thought to be intact, so the forecasts say the slight downturn that has been recorded is only temporary. The economy is still being supported by low interest rates and the relatively low external value of the euro. Production growth in the eurozone will amount to 1.5% in 2016 and 1.9% in 2017. Forecasts for the eurozone were therefore revised downwards too. Inflation is being driven down further by the decline in energy prices, but the IfW believes it will increase again in the second half of the year.

(Source: IfW, Kiel)

### 1.1.2 Development in Germany

In a difficult international environment, the German economy is proving robust. The uncertainties of economic development are only a short-term impediment to expansionary forces, although Germany cannot be spared a downward revision of growth rates. According to the IfW's latest estimate for 2016 and 2017, private consumption will grow, driven by the positive income development resulting from the continuing upward trend on the employment market, and will be stimulated further by the low oil price and government transfers. But investments are also likely to fall back into step and become the second pillar of the recovery. Economic output in Germany will therefore grow by 2.0% in 2016 and 2.2% in 2017.

#### Economy primarily supported by domestic stimuli

This year, real incomes of private households and private consumption will grow more strongly than they have for over 15 years. In addition to persistently high growth rates, monetary social benefits will rise at an accelerated pace, primarily as a result of pension increases. Moreover, growth in consumer prices will be significantly curbed by oil prices. Disposable incomes of private households are expected to grow by 2.8% in 2016. A 3.9% increase in net wages will be a major contributing factor.

#### Accelerated investment growth expected

Construction spending has fallen back into line after a distinct weakness in the summer months of last year. This is mainly due to advantageous conditions in private housing construction, commercial construction and public construction. Equipment spending will continue to grow with increasing capacity utilisation and the improvements expected in global sales prospects. In a difficult international environment, German exports are proving robust, but will grow much slower than in 2015. Lower momentum in important sales markets and the uncertainty seen on the financial markets since autumn last year have also had an adverse effect on exports. When these adverse effects taper off, the growth rate will increase tangibly again, coming to 3.4% and 5.8% in 2016 and 2017 respectively.

(Source: IfW, Kiel)

### 1.1.3 Industry-specific development

According to initial estimates, the top 10 German management consultancies generated sales growth of more than 10.6% in 2015; expectations are also supported by customers' budget planning. For the years from 2016 to 2020, they forecast annual sales growth of around 10%.

(Source: Lünenonk® Study 2015)

### 1.2 Major operating segments

The core segment of our activities and the main sales-generating activity is management consulting. Meanwhile, we generate our above-average growth rates in the segment of transformation consulting and process optimisation.

We expect our service and software business with SAP and Hybris products to continue growing in the financial year 2015/2016. The tasks of this consulting segment focus on process and implementation consulting on SAP and Hybris platforms.

KPS advises its customers on strategy, process and technology issues and implements comprehensive solutions with SAP products.

KPS stands for innovative methodology and high implementing expertise. With the KPS Rapid Transformation® Method, our customers benefit from high efficiency and project transparency. Strategy development, process design and implementation run simultaneously wherever possible to considerably reduce project durations and costs. Corporate transformations are accelerated palpably, while the highest quality of implementation is ensured.

### 1.3 Service and sales

KPS Consulting is one of the most successful companies for business transformation consulting and process optimisation. With a sales volume of around EUR 123 million in the financial year 2014/2015, KPS is a market leader in Germany and certain other European countries. The expansion of KPS into a leading consultancy for the retail and consumer goods industries is a fundamental corporate objective. We will continue to build on our market leadership in retail and consumer goods in this financial year with our KPS Rapid Transformation® Method, which has been tried and tested for over a decade.

We want to work together with our customers to successfully overcome their challenges. In order to achieve this, we impose the highest standards on ensuring an optimum benefit-cost ratio and on the quality of our consulting. This creates added value that ultimately not only benefits our customers but also us, KPS. KPS has first-rate customer references in the retail and consumer goods industries, the process and manufacturing industry and in services.

#### 1.3.1 Consulting and service portfolio

The challenge in the global consulting market is to implement digital business models in the context of innovative IT. The consultants and specialists from KPS are familiar with global and technological requirements. As experienced experts with profound industry knowledge and years of implementation experience, they help our customers introduce innovative system solutions on the software platforms from SAP and Hybris.

The philosophy is everything from a single source, so goals do not just remain goals. KPS's transformation consultants and specialists focus on the practical implementation of recommendations and solutions. They are therefore significantly distinct from competitors' conventional strategy and process consultants.

In summary, KPS offers its customers a comprehensive service and consulting portfolio on the basis of SAP and Hybris software products. KPS operates internationally in connection with implementation and roll-out activities.

#### 1.3.2 Order backlog

Companies from Germany and abroad appreciate the excellent quality of KPS and put a lot of trust in our implementation expertise. KPS therefore has an excellent and solid customer base. The order backlog and order intake were continuously improved in the reporting period and are now well above the industry average with a range of approximately 18 months. Renowned companies entrust the implementation of their projects to KPS, especially in the retail and consumer goods sector.

In the financial year 2014/2015, KPS consolidated its position as market leader in the retail and consumer goods industries. The positive development in the first half of the current financial year confirms this leadership and assures further expansion.

On average, KPS consultants were working at close to 100% capacity in the first half of the financial year 2015/2016. The already excellent capacity utilisation of the previous financial year 2014/2015 was therefore continued in the reporting period. This high rate puts KPS among the leaders in the industry.

#### 1.4 Investment and financing

No corporate actions or investments of a notable volume were carried out in the first half of the current financial year 2015/2016.

In the reporting period, the KPS Group had sufficient liquidity both for ongoing operations and for financing the substantial growth.

### 1.5 Sales, earnings and financial position

#### 1.5.1 Overview of sales, earnings and financial position

Overview of the KPS Group's sales, earnings and financial position as of 31 March 2016:

In euros	2015/2016	2014/2015
	First half-year	First half-year
Consolidated sales	68.8 million	57.2 million
EBITDA	11.2 million	8.2 million
EBIT	10.6 million	7.7 million
Consolidated net income	9.3 million	6.9 million
Earnings per share	0.27	0.20
Cash and cash equivalents	13.5 million	0.3 million
Financial liabilities	1.2 million	11.6 million

#### 1.5.2 Business and general conditions

With its methodological expertise and industry knowledge on the one hand and extensive SAP and Hybris know-how on the other, KPS is successfully positioned in the market. This unique selling proposition and the unique portfolio of process and system know-how and agile project methodology make KPS a leader in the defined target markets. This gives rise to outstanding opportunities for the stable and permanent growth of the KPS Group.

#### 1.5.3 Group structure

KPS AG is the legal parent company of the KPS Group, which operates in Germany and other European countries with legally independent subsidiaries.

The Executive Board of KPS AG has direct responsibility for the management of the company. The Supervisory Board appoints, monitors and advises the Executive Board and is particularly involved in decisions of fundamental importance for the company.

#### 1.5.4 Economic environment

This year, an upward trend is expected in sales of consulting services. Demand for innovative services for IT will continue to rise. "IT services and information technology" is the largest segment of the German services sector with the highest growth in sales.

(Source: supported by Statista)

The market in our priority sectors, the retail and consumer goods industries, is increasingly turning away from existing IT solutions for bricks-and-mortar business with e-commerce applications and towards omnichannel solutions that require highly integrated IT platforms and therefore ensure a very positive market environment. As a result, retail companies need expert transformation specialists that are familiar with the management and integration of SAP and Hybris applications.

This fundamental change has also strengthened SAP AG, which acquired Hybris in 2013. The takeover considerably enhanced Hybris' access to markets compared to competitors such as Oracle, Microsoft and IBM. In the future, Hybris will be a preferred e-commerce platform predominantly for SAP customers.

Because of the increasing shift of internet consumption to mobile, web-based devices, there is growing demand for internet services, big-data solutions and digitalisation. Technological progress and the ongoing digital transformation process will continue to create positive growth stimulus and generate rising sales, even taking the trend of declining prices in the IT services sector into account.

### 1.5.5 Financial performance, financial position and net assets of the KPS Group

#### 1.5.5.1 Financial performance of the KPS Group

KPS Group income statement according to IFRS (abridged)

In millions of euros	2015/2016	2014/2015
Revenue	68.832	57.226
Other operating income	0.290	0.581
Cost of materials	-28.069	-23.504
Staff costs	-22.569	-19.552
Other operating expenses	-7.304	-6.544
Depreciation and amortisation	-0.572	-0.507
<b>Operating result (EBIT)</b>	<b>10,608</b>	<b>7,700</b>
<b>Financial result</b>	<b>-0.055</b>	<b>-0.084</b>
<b>Earnings before income taxes*</b>	<b>10.553</b>	<b>7.616</b>
Income taxes	-1.280	-0.751
<b>Earnings after income taxes*</b>	<b>9.273</b>	<b>6.865</b>

\* Earnings from ordinary activities

#### Revenue

In the first half of the financial year 2015/2016, KPS increased net sales by 20.3% to EUR 68.832 million (previous year: EUR 57.226 million). The company thus met initial expectations. This was due partly to the acquisition of transformation projects from renowned customers from the retail and consumer goods industries.

#### Other operating income

In the reporting period, other operating income included income from ancillary operating services, such as cost allocations, and income from the reversal of provisions. The total volume of other operating income fell by 50.0% from EUR 0.581 million in the same period of the previous year to EUR 0.290 million.

#### Cost of materials

In the first half of 2015/2016, cost development conformed to business development considering the significant increase in sales. The cost of materials, which primarily comprises the costs for purchased services, increased from EUR 23.504 million to EUR 28.069 million in the reporting period at a slightly lower rate of 19.4% compared to the increase in sales.

#### Staff costs

Staff costs amounted to EUR 22.569 million (previous year: EUR 19.552 million) and therefore rose by EUR 3.017 million or 15.4% compared to the same period of the previous year. This is also due in particular to the sales increase and the accompanying recruitment of additional consultants as part of our staff expansion. As of 31 March 2016, the KPS Group had 385 (previous year: 335) employees. In the first half of 2015/2016, the number of employees therefore increased by 31 compared to 354 employees at the end of the financial year 2014/2015.

#### Other operating expenses

Other operating expenses increased by 11.6% year on year to EUR 7.304 million (previous year: EUR 6.544 million). They primarily include travel and vehicle expenses, purchased services not relating to projects, costs of premises and operating costs.

#### Depreciation and amortisation

Depreciation and amortisation increased by EUR 0.065 million from EUR 0.507 million in the first half of 2014/2015 to EUR 0.572 million.

#### Financial result

The Group's financial result was EUR -0.055 million in the first half of 2015/2016 and had therefore improved on the previous year's figure of EUR -0.084 million. The interest expense of the reporting period includes interest for disputed back taxes of a subsidiary amounting to EUR 0.040 million. The financial income of EUR 0.002 million resulted from time deposit investments.

#### Income taxes

The income taxes totalling EUR 1.280 million (previous year: EUR 0.751 million) include current expenses for corporation tax, the solidarity surcharge and trade tax.

### 1.5.5.2 Calculation of EBIT(DA) before non-recurring effects

EBITDA increased by EUR 2.973 million from EUR 8.207 million in the previous year to EUR 11.180 million in the reporting period. Accordingly, the EBITDA margin improved to 16.2% in the first half of 2015/2016 (previous year: 14.3%).

EBIT increased by EUR 2.908 million from EUR 7.700 million in the previous year to EUR 10.608 million in the first half of the financial year 2015/2016. This equates to an increase of 37.8%. As a percentage of the sales of EUR 68.832 million (previous year: EUR 57.226 million), the EBIT margin improved by nearly 2 percentage points from the previous year's figure of 13.5% to 15.4%.

Consolidated net profit for the period increased by EUR 2.408 million from EUR 6.865 million in the previous year to EUR 9.273 million. This equates to an increase of 35.1% compared to the first half of 2014/2015.

### 1.5.5.3 Adjusted earnings per share

Diluted and basic earnings per share increased by 35.0% in the first half of the financial year 2015/2016 to EUR 0.27 compared to EUR 0.20 in the previous year.

### 1.5.5.4 Value-based corporate controlling

In the KPS Group, there is a controlling system that aims to increase the value of the Group as a whole. Targets for the individual segments and equity holdings are derived from this system. Controlling starts at Group level and then extends through the segments down to the individual profit centres. Periodic controlling is carried out in compliance with the accounting rules defined by the International Financial Reporting Standards. In addition to EBIT, certain segment- and profit-centre-related figures are used as key controlling figures.

### 1.5.5.5 Financial position and investments of the KPS Group

In the current financial year, it was again very important to strengthen and safeguard liquidity. The results generated in the reporting period provided sufficient liquidity both for ongoing operations and for financing the further growth of KPS.

As of 31 March 2016, the KPS Group had cash and cash equivalents of EUR 13.547 million (previous year: EUR 6.487 million). These were offset by bank liabilities of EUR 1.157 million (previous year: EUR 0 million). Net liquidity was reported at EUR 12.390 million as of 31 March 2016 (previous year: EUR 6.487 million).

Cash flow from operating activities amounted to EUR 6.328 million in the first half of the financial year after EUR -6.424 million in the previous year. Cash flow from investing activities amounted to EUR -0.423 million (previous year: EUR -0.208 million) and related to the investments made in fixed assets. Cash flow from financing activities amounted to EUR 0.0 million in the first half of the current financial year (previous year: EUR -7.703 million). The cash flow from financing activities was neutral in the first half of 2015/2016 because the dividend payment for the previous financial year was not made until the third quarter of 2015/2016, while the comparative figure for the previous year includes the dividend payment for the financial year 2013/2014, which was made in the second quarter of 2014/2015.

### 1.5.5.6 Net assets and capital structure of the KPS Group

KPS Group statement of financial position (abridged)

In millions of euros	31/03/2016	30/09/2015
Non-current assets	44.888	45.056
Current assets	46.792	40.556
<b>Total assets</b>	<b>91.680</b>	<b>85.612</b>
<b>Equity</b>	<b>59.386</b>	<b>50.113</b>
Non-current liabilities	2.421	2.281
Current liabilities	29.873	33.218
<b>Total liabilities</b>	<b>32.294</b>	<b>35.499</b>
<b>Total equity and liabilities</b>	<b>91.680</b>	<b>85.612</b>

The increased business volume is also reflected in total assets. As of 31 March 2016, total assets amounted to EUR 91.680 million (previous year: EUR 85.612 million), increasing by EUR 6.068 million (7.1%) on the previous year.

### Changes in assets

Non-current assets amounted to EUR 44.888 million as of 31 March 2016 (previous year: EUR 45.056 million). This primarily includes goodwill from former KPS AG acquisitions of EUR 30.472 million (previous year: EUR 30.472 million), other intangible assets of EUR 0.811 million (previous year: EUR 1.176 million), property, plant and equipment of EUR 0.998 million (previous year: EUR 0.801 million) and deferred tax assets of EUR 12.607 million (previous year: EUR 12.607 million).

The trade receivables and other assets reported under current assets totalling EUR 33.245 million increased by EUR 2.764 million or 9.1% compared to EUR 30.481 million in the previous year.

In the reporting period, the investment volume was at a normal level of EUR 0.423 million (previous year: EUR 0.209 million).

Changes in equity

The equity attributed to KPS AG's shareholders increased by EUR 9.273 million year on year and was EUR 59.386 million as of 31 March 2016 (previous year: EUR 50.113 million). The equity ratio increased to 64.8% in the reporting period (previous year: 58.5%). It must be noted here that, unlike in previous years, this year's dividend payment was not made until April, and therefore after the reporting date of 31 March. See the statement of changes in equity for details.

### Changes in liabilities

Non-current liabilities relate to deferred tax liabilities and non-current provisions of EUR 2.421 million (previous year: EUR 2.281 million). This includes performance-linked purchase price instalments for the acquisition of getit – Gesellschaft für Technologie- und Informationstransfer mbH. There were no other non-current liabilities as of the reporting date.

Current liabilities decreased by EUR 3.345 million compared to the previous year's reporting date to EUR 29.873 million (previous year: EUR 33.218 million). This was mainly due to the EUR 2.067 million reduction in advance payments received from EUR 2.465 million in the previous year to EUR 0.398 million. Other liabilities also fell by EUR 0.838 million to EUR 4.717 million (previous year: EUR 5.555 million). Liabilities to banks amounted to EUR 1.157 million on the reporting date (previous year: EUR 0). Trade payables fell by EUR 0.707 million to EUR 10.745 million (previous year: EUR 11.452 million).

## 2 RISK AND OPPORTUNITY REPORT

### 2.1 General economic opportunities and risks

Economic development in Germany and in our most important European markets and the associated change in investment behaviour have a material influence on the financial position and performance of the KPS Group. As part of our research activities, we regularly analyse studies and forecasts from economic institutes to obtain the necessary overview of expected economic developments in the markets relevant to us.

### 2.2 Industry-specific development

KPS is a consultancy specialising in business transformation and process optimisation and took sixth place in a ranking of the ten leading German management consultancies published by Lünendonk GmbH in July 2015.

(Source: Lünendonk® Study 2015)

KPS has an excellent customer base. Renowned companies in Germany and abroad entrust their most important project initiatives to KPS. KPS's extensive consulting portfolio provides the basis for great upselling potential. On the basis of the very high customer satisfaction in ongoing projects and the numerous successfully concluded projects, post-go-live and support activities are making a growing contribution to sales generation.

In the digital industry, significant growth stimuli are expected in particular in the e-commerce and omnichannel fields. The outlook for the current financial year and beyond is very positive, especially because of the merger of SAP AG and Hybris AG in 2013 and the integration of getit - Gesellschaft für Technologie- und Informationstransfer mbH into KPS AG.

On the basis of the current order backlog with an above-average range, we do not expect any negative effects from the present economic situation in the near term. However, we cannot rule out that persistent negative economic development may have an adverse effect on sales and earnings in the medium and long term.

### 2.3 Service and sales

KPS deploys the agile KPS Rapid Transformation® Method as proven, top technology for project implementation. This combines the traditional world of strategy and process consulting with implementation consulting. KPS uses its process model to significantly reduce the risk of introducing new systems.

We are observing an increasing market trend of competitors trying to emulate our successful model. We cannot rule out that medium-sized or large consulting companies will try to capture a strong competitive position against KPS.

### 2.4 Opportunities and risks from economies of scale

With the company's current size, annual sales of over EUR 120 million and a stable consulting team of more than 450 employees and external consultants, KPS has become even more interesting for large corporations. KPS is thus increasing its attractiveness as a general contractor for major customers.

### 2.5 Other operating opportunities and risks

There is a risk that existing customers will not extend their current contracts and that no corresponding new customers will be found to compensate for this. Because services make up a large portion of KPS's total sales, a decline in capacity utilisation could have a material impact on the Group's financial performance. KPS provides a significant portion of its services to corporations and large SMEs. The loss of a business relationship with a major customer could have significant effects on the development of sales and earnings.

In its various operating segments, KPS has very close partnerships with SAP, Hybris and IBM. Good relations with these partners are of considerable importance for the profitable development of the individual Group companies. Terminating the cooperation with one of the partners could negatively affect the sales and earnings situation.

Technical risks due to mistakes by KPS employees cannot be ruled out. These could potentially result in terminations of service, support or supply contracts without notice, which could elicit temporary negative effects.

## 3 SUPPLEMENTARY REPORT

### 3.1 Reportable events

Up to the date this Group management report was compiled, no reportable events or changes occurred that influenced the picture of the Group's situation conveyed by these consolidated financial statements.

### 3.2 Changes in the financial position and financial performance

Since 31 March 2016, no significant events have occurred from which we expect a material effect on the financial position and financial performance of the KPS Group.

### 3.3 The Executive Board's assessment of current development

The KPS Group achieved most of the targets set by the Supervisory Board and the Executive Board for the first half of the financial year 2015/2016. Sales and especially earnings were considerably higher than in the previous year.

KPS made a successful start to the financial year 2015/2016. The growth momentum of the previous financial year was continued into the current financial year.

Thanks to the company's excellent development, stable foundations were laid for the long-term growth of KPS. As things stand, the Supervisory Board and the Executive Board assume that sales and earnings will develop as planned in the current financial year. At the time of going to press, the expectations for sales and earnings were in line with the targets.

### 3.4 Development of the KPS Group

A major target for the financial year 2015/2016 and beyond is to consolidate and expand internationally the market leadership for transformation consulting and process optimisation in the priority sectors.

Moreover, we will extend the attractiveness of our transformation consulting to additional sectors and customer segments. In doing so, we will chiefly rely on our ability to implement market and business development under our own steam.

KPS assumes warranty obligations for systems supplied and services rendered. Manufacturer guarantees are passed on. Otherwise, statutory warranty regulations apply. As sales from the sale of hardware and software and from maintenance agreements still have a relatively minor share in KPS's total sales, the resulting risk potential is still classified as minor. Where KPS renders services and thus assumes warranty obligations, the company obtains appropriate insurance by way of equivalent liability policies.

### 2.6 Investment and financing

There are only limited currency risks due to the concentration on the eurozone.

The same applies to liquidity and interest rate risks thanks to the solid capital and financing structure.

### 2.7 Tax

There are tax risks amounting to the provisions recognised for a subsidiary's trade tax back payments.

### 2.8 Other significant events

There were no significant events in the past reporting period with a negative impact on business performance.

### 2.9 Risks to the company as a going concern

As of the present date, there are no identifiable risks to the KPS Group as a going concern.

We see the consulting of the future in the industrial enhancement of our process portfolio. The increasing strategic importance of e-commerce, especially in connecting with other business processes through omnichannel approaches, demands increasingly integrated consulting services from a single source. KPS anticipated this market development at an early stage and prepared itself for the long term. The successful integration of getit - Gesellschaft für Technologie- und Informationstransfer mbH presents excellent opportunities for meeting the requirements of complex omnichannel projects.

The advance of digitalisation is impacting the economy, politics and society. It will entail changes and opportunities on a revolutionary scale. We KPS consultants take on a guiding function to enable our customers in particular to take the opportunities thrown up by this major transformation. For this purpose, KPS provides pragmatic and user-oriented (software) solutions.

### 3.5 Service and sales

Sales and earnings developed as planned in the first half of 2015/2016. The company's sustained development laid stable foundations for the long-term growth of KPS. As things stand, the Executive Board assumes that sales and earnings will develop in line with forecasts for the financial year 2015/2016. At the time of going to press, the expectations for the major key financial figures were in line with the current business performance.

### 3.6 Investment and financing

Extensive investments in staff growth and development are planned in order to increase sales. We are not expecting any material changes in cost structures. Our assessment for the financial year 2015/2016 results partly from the positive development of past reporting periods and is primarily based on the excellent consulting portfolio for our priority sectors, the retail and consumer goods industries.

## 3.7 Sales, earnings and financial position

### 3.7.1 General economic development of KPS

Provided general economic developments stay within the forecast scope and the economy does not destabilise, the KPS Group expects a further increase in sales and earnings in the financial year 2015/2016. We also anticipate continued and stable growth for the years thereafter. In addition to the increase in sales, we want to focus consistently on improving earnings margins.

The Supervisory Board and Executive Board of KPS AG wish to keep to the fundamental direction of the company and consistently maintain the current strategic direction in the consulting market. The priority is to promote KPS's internationalisation throughout Europe.

### 3.7.2 Positive assessment of the development of KPS

The Executive Board and management assess KPS AG's situation as very positive overall. We are in an excellent position to tackle the challenges of the future and have a sound financial position and performance. Our committed and highly qualified employees and our established KPS Rapid Transformation® Method will continue to make a crucial contribution to the company's success in the future.

In the planning for the financial year 2015/2016, the Executive Board continues to anticipate stable growth, with a focus on the sustainable improvement of earnings margins. KPS made a successful start to the financial year 2015/2016. In the first half of the year, the development of sales and the order intake was very satisfactory. For the current financial year, the Executive Board expects an increase in sales to EUR 140 million and EBIT of EUR 22 million.

The forecast is based on facts known now and predictions about future economic developments. If there are greater, currently unforeseeable changes in economic and general conditions, there is nonetheless a latent risk that the forecast sales and earnings targets will not be achieved.

Unterföhring, 27 May 2016

The Executive Board  
Dietmar Müller  
Leonardo Musso





**GROUP**  
**BUSINESS FIGURES**

for the first half of the  
financial year 2015/2016

**KPS Group, Unterföhring****Income statement according to IFRS**

for the period from 1 October 2015 to 31 March 2016

In thousands of euros		Notes	2015/2016	2014/2015
1	Revenue	7.1	68,832	57,226
2	Other operating income	7.2	290	581
3	Cost of materials	7.3	-28,069	-23,504
4	Staff costs	7.4	-22,569	-19,552
5	Other operating expenses	7.5	-7,304	-6,544
<b>6</b>	<b>Operating result before depreciation and amortisation (EBITDA)</b>		<b>11,180</b>	<b>8,207</b>
7	Depreciation and amortisation	7.6	-572	-507
<b>8</b>	<b>Operating result (EBIT)</b>		<b>10,608</b>	<b>7,700</b>
9	Financial income	7.7	2	2
10	Financial expenses	7.7	-57	-86
<b>11</b>	<b>Financial result</b>		<b>-55</b>	<b>-84</b>
<b>12</b>	<b>Earnings before income taxes*</b>		<b>10,553</b>	<b>7,616</b>
13	Income taxes	7.8	-1,280	-751
<b>14</b>	<b>Earnings after income taxes</b>		<b>9,273</b>	<b>6,865</b>
Number of shares in thousands - basic/diluted average weighted			33,890	33,898
In euros				
<b>Earnings per share</b>				
	- basic	7.9	0.27	0.20
	- diluted	7.9	0.27	0.20

\* Earnings from ordinary activities

## KPS AG, Unterföhring

Consolidated statement of financial position as of 31 March 2016  
according to IFRS

## ASSETS

In thousands of euros	Notes	31/03/2016	30/09/2015
<b>ASSETS</b>			
<b>A. NON-CURRENT ASSETS</b>			
I. Property, plant and equipment	8.1	998	801
II. Goodwill	8.2	30,472	30,472
III. Other intangible assets	8.2	811	1,176
IV. Deferred tax assets	8.3	12,607	12,607
		<b>44,888</b>	<b>45,056</b>
<b>B. CURRENT ASSETS</b>			
I. Future receivables from contract manufacturing		0	3,588
II. Trade receivables	8.4	31,904	29,512
III. Other receivables and financial assets	8.5	1,294	494
IV. Rights to reimbursement of income taxes	8.6	47	475
V. Cash and cash equivalents	8.7	13,547	6,487
		<b>46,792</b>	<b>40,556</b>
<b>Total assets</b>		<b>91,680</b>	<b>85,612</b>

## EQUITY AND LIABILITIES

In thousands of euros	Notes	31/03/2016	30/09/2015
<b>A. EQUITY</b>			
I. Subscribed capital	8.8	33,890	33,890
II. Capital reserves		-11,595	-11,595
III. Retained earnings		4,064	4,064
IV. Unappropriated surplus		33,027	23,754
<b>Total equity</b>		<b>59,386</b>	<b>50,113</b>
<b>LIABILITIES</b>			
<b>B. NON-CURRENT LIABILITIES</b>			
I. Long-term provisions	8.9	2,199	2,059
II. Deferred tax liabilities		222	222
		<b>2,421</b>	<b>2,281</b>
<b>C. CURRENT LIABILITIES</b>			
I. Trade payables	8.10	10,745	11,452
II. Financial liabilities	8.11	1,157	0
III. Advance payments received	8.12	398	2,465
IV. Provisions for taxes	8.13	4,223	3,574
V. Other provisions	8.14	8,345	9,649
VI. Other liabilities	8.15	4,717	5,555
VII. Tax liabilities		288	523
		<b>29,873</b>	<b>33,218</b>
<b>Total liabilities</b>		<b>32,294</b>	<b>35,499</b>
<b>Total equity and liabilities</b>		<b>91,680</b>	<b>85,612</b>

## KPS AG, Unterföhring

## Consolidated statement of cash flows according to IFRS

for the period from 1 October 2015 to 31 March 2016

In thousands of euros	2015/2016	2014/2015
<b>A. Operating activities</b>		
1. Earnings before interest and taxes (EBIT)	10,608	7,700
2. Depreciation and amortisation on non-current assets	572	507
3. Change in current assets	398	-6,686
4. Change in provisions	-1,164	424
5. Change in other liabilities	-3,611	-7,702
6. Losses on the disposal of assets	19	0
7. Taxes paid	-479	-583
8. Interest paid	-17	-86
9. Interest received	2	2
<b>Net cash from operating activities</b>	<b>6,328</b>	<b>-6,424</b>
<b>B. Investing activities</b>		
1. Investments in property, plant and equipment	-423	-205
2. Investments in intangible fixed assets	0	-4
3. Proceeds from asset disposals	0	1
<b>Net cash used in investing activities</b>	<b>-423</b>	<b>-208</b>
<b>C. Financing activities</b>		
1. Transfer of treasury shares	0	2,000
2. Purchase of treasury shares	0	-214
3. Dividend payments	0	-9,489
<b>Net cash used in financing activities</b>	<b>0</b>	<b>-7,703</b>
<b>D. Change in cash funds</b>	<b>5,905</b>	<b>-14,335</b>
<b>E. Cash and cash equivalents at beginning of period</b>	<b>6,486</b>	<b>3,028</b>
<b>F. Cash and cash equivalents at end of period</b>	<b>12,391</b>	<b>-11,307</b>

## COMPOSITION OF CASH AND CASH EQUIVALENTS

In thousands of euros	As of 31/03/2016	As of 31/03/2015
Cash in hand, bank balances	13,547	266
Bank liabilities with a maturity of three months or less	-1,157	-11,573
<b>Cash and cash equivalents</b>	<b>12,391</b>	<b>-11,307</b>

## KPS AG, Unterföhring

## Consolidated statement of changes in equity

31 March 2016

In thousands of euros	Subscribed capital	Treasury shares	Total subscribed capital	Capital reserves	Retained earnings OCI	Unappropriated surplus	Equity
<b>30/09/2014</b>	<b>34,011</b>	<b>-85</b>	<b>33,926</b>	<b>-11,595</b>	<b>64</b>	<b>19,462</b>	<b>41,857</b>
Purchase of treasury shares	0	-36	-36	0	0	-178	-214
Disposal of treasury shares	0	0	0	0	0	0	0
Equity transactions with shareholders							
Dividend payment	0	0	0	0	0	-9,489	-9,489
Other changes	0	0	0	0	0	0	0
Changes recognised outside profit or loss	0	0	0	0	0	0	0
Consolidated net profit first half of 2015	0	0	0	0	0	6,865	6,865
Appropriation to retained earnings	0	0	0	0	3,000	-3,000	0
<b>31/03/2015</b>	<b>34,011</b>	<b>-121</b>	<b>33,890</b>	<b>-11,595</b>	<b>3,064</b>	<b>13,660</b>	<b>39,019</b>
Purchase of treasury shares	0	0	0	0	0	34	34
Disposal of treasury shares	0	0	0	0	0	0	0
Equity transactions with shareholders							
Dividend payment	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Changes recognised outside profit or loss	0	0	0	0	0	0	0
Consolidated net profit second half of 2015	0	0	0	0	0	11,060	11,060
Appropriation to retained earnings	0	0	0	0	1,000	-1,000	0
<b>30/09/2015</b>	<b>34,011</b>	<b>-121</b>	<b>33,890</b>	<b>-11,595</b>	<b>4,064</b>	<b>23,754</b>	<b>50,113</b>
Purchase of treasury shares	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0
Equity transactions with shareholders							
Dividend payment	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Changes recognised outside profit or loss	0	0	0	0	0	0	0
Consolidated net profit first half of 2016	0	0	0	0	0	9,273	9,273
Appropriation to retained earnings	0	0	0	0	0	0	0
<b>31/03/2016</b>	<b>34,011</b>	<b>-121</b>	<b>33,890</b>	<b>-11,595</b>	<b>4,064</b>	<b>33,027</b>	<b>59,386</b>



# NOTES

for the first half of the  
financial year 2015/2016

## 1 GENERAL DISCLOSURES

The consolidated financial statements compiled by KPS AG as of 31 March 2016 were prepared according to the requirements of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, that were applicable and endorsed by the European Union on the reporting date, the interpretations of the IFRS Interpretations Committee, the additional requirements under German commercial law according to section 315a of the German Commercial Code (HGB) and the articles of association of KPS AG.

KPS Aktiengesellschaft (KPS AG) is an international company based in Germany with its registered office at Beta-Strasse 10 H, 85774 Unterföhring. The company is registered with Munich District Court under the register number HRB 123013.

KPS AG was founded in 1998. The shares of KPS AG were permitted for regulated trading on the Frankfurt Stock Exchange's Neuer Markt (New Market) on 15 July 1999. In 2002, the company changed to the "Geregelter Markt" (General Standard).

The declaration on the German Corporate Governance Code required by section 161 of the German Stock Corporation Act has been submitted and made available to shareholders.

The Executive Board of KPS AG compiled the consolidated financial statements on 27 May 2016 and presented them to the Supervisory Board for approval at its meeting on 30 May 2016.

In the KPS Group's income statement, statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, individual items are aggregated to improve clarity. They are explained in the notes to the consolidated financial statements.

The income statement was prepared according to the nature of expense method.

The statement of financial position is structured according to the maturities of the assets and liabilities. Assets and liabilities are deemed current if they are due or intended to be sold within a year or within the normal operating cycle of the company or group – beginning with the procurement of the resources required for the production process and ending with the receipt of cash or cash equivalents as compensation for the sale of the products or services generated in this process. Trade receivables, trade payables and inventories are always recognised as current items. Deferred tax assets or liabilities are always presented as non-current.

The consolidated financial statements were prepared in euros. Unless stated otherwise, all amounts are given in thousands of euros (EUR thousand). In individual cases, rounding may mean that amounts in this report do not add up exactly to the reported total and percentages do not result exactly from the presented values. In addition to the values for the first half of the financial year 2015/2016, the corresponding values for the previous year are provided to enable a comparison. In the case of statement of financial position items, these are the values as of the 30 September 2015 reporting date. For income statement items, these are the values for the first half of the financial year 2014/2015. These are given in parentheses.

The separate financial statements of the consolidated companies are prepared as of the same reporting date as the consolidated financial statements.

## 2 ACCOUNTING, MEASUREMENT AND CONSOLIDATION POLICIES THAT DEVIATE FROM GERMAN LAW

These consolidated financial statements according to IFRS observe the following accounting, measurement and consolidation policies that deviate from German law:

- Consolidation is carried out in the context of a "reverse acquisition" according to IFRS 3. The economic parent company is KPS Business Transformation GmbH, which was acquired by KPS AG in a non-cash takeover in the financial year 2007/2008.
- Revenue is recognised pro rata according to the progress of customer contracts using the percentage-of-completion method (IAS 11).
- Other provisions are not recognised if the probability of utilisation is less than 50%.
- Goodwill from capital consolidation is capitalised. Annual impairment tests are performed (IFRS 3 and IAS 36).

Please note that the citation of these deviations does not constitute an exhaustive list of all the ways in which accounting, measurement and consolidation policies according to IFRS deviate from regulations according to German law.

## 3 EFFECTS OF NEW ACCOUNTING STANDARDS

### 3.1 Mandatory International Financial Reporting Standards and interpretations from the financial year 2015/2016

The following amended International Financial Reporting Standard must be applied for annual periods beginning on or after 1 October 2015:

Standard	Topic	Application date	Effects on KPS Group
IAS 19	Amendments - Employee Benefits: Defined Benefit Plans: Employee Contributions	Annual periods beginning on or after 1 February 2015	None

The amended standard has no effect on the consistency of the consolidated financial statements of KPS AG.

### 3.2 Published but not yet mandatory International Financial Reporting Standards and Interpretations

The following standards and interpretations have already been issued by the IASB and in some cases endorsed by the EU, but they are not mandatory for the financial year 2015/2016. KPS AG will apply them when this becomes mandatory.

Standard	Topic	Application date	Effects on KPS Group
<b>IFRS 9 *</b>	Financial Instruments	Annual periods beginning on or after 1 January 2018	None
<b>IFRS 11</b>	Amendments - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	Annual periods beginning on or after 1 January 2016	None
<b>IFRS 10, IFRS 12 and IAS 1 *</b>	Amendments - Investment Entities: Applying the Consolidation Exception	Annual periods beginning on or after 1 July 2016	None
<b>IFRS 10 and IAS 28 *</b>	Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet known	None
<b>IFRS 14 *</b>	Regulatory Deferral Accounts	Annual periods beginning on or after 1 January 2016	None
<b>IFRS 15 *</b>	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018	Under examination
<b>IFRS 16 *</b>	Leases	Annual periods beginning after 1 January 2019	Under examination
<b>IAS 1</b>	Amendments - Presentation of Financial Statements: Disclosure Initiative	Annual periods beginning on or after 1 January 2016	None
<b>IAS 16 and IAS 38</b>	Amendments - Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods beginning on or after 1 January 2016	None
<b>IAS 16 and IAS 41</b>	Amendments - Agriculture: Bearer Plants	Annual periods beginning on or after 1 January 2016	None
<b>IAS 27</b>	Amendments - Separate Financial Statements: Equity Method in Separate Financial Statements	Annual periods beginning on or after 1 January 2016	None
<b>Improvements to IFRSs</b>	Individual regulations	Annual periods beginning on or after 1 January 2016	Case-by-case examination

\* Not yet endorsed by the EU

### 4 PRINCIPLES, METHODS AND ESTIMATION UNCERTAINTY

The financial statements of the companies included in the consolidated financial statements are based on uniform accounting and measurement principles. The consolidated financial statements are based on the principle of historical cost, with the exception of items carried at fair value such as available-for-sale financial assets and derivatives.

The management must make a certain amount of assumptions and estimates in the consolidated financial statements, which could have a considerable influence on the presentation of the financial position and financial performance of the Group.

Assumptions, estimates, and discretion are mainly used when determining the useful lives of non-current assets, calculating discounted cash flows in the context of impairment tests and purchase price allocations, and recognising provisions, e.g. for legal proceedings, retirement and related benefits for employees, taxes, environmental protection, price reductions, product warranties and guarantees. The remaining passages of this section discuss accounting policies that are sensitive to estimates and assumptions and their effects on individual areas. Estimates are based on historical data and other assumptions considered appropriate given the circumstances. They are reviewed on an ongoing basis but may differ from actual values.

Changes to the accounting policies due to revised and new standards are made retroactively, unless a standard stipulates otherwise. The income statement of the previous year and the opening statement of financial position for this comparative period are adjusted such that it was as if the new accounting policies had always been applied.

#### 4.1 Consolidation

The consolidated financial statements are based on the Group companies' half-year financial statements prepared according to uniform accounting policies as of 31 March 2016.

The consolidated financial statements include subsidiaries. There were no joint ventures or associates in the current financial year or in the previous year.



Subsidiaries are the companies over which KPS AG can exercise control. This is usually because KPS AG directly or indirectly holds a majority of the voting rights. This is usually manifested in a shareholding of over 50%. Consolidation begins on the date on which control is obtained. It ends when it is no longer possible to exercise control.

Sales, income, expenses and gains and losses from transactions within the scope of consolidation and receivables and liabilities between consolidated companies are eliminated. There were no intragroup profits recognised in fixed assets or inventories from goods and services provided within the Group to be consolidated.

In the context of capital consolidation, the carrying amounts of investments in subsidiaries are offset against the pro rata equity of these subsidiaries. Business combinations are accounted for using the acquisition method, whereby the pro rata equity of the acquiree at the acquisition date is determined with regard to the fair values of the identifiable assets, liabilities and contingent liabilities, deferred taxes and any goodwill at this date. The cost of acquiring foreign companies is translated to euros at the respective rate as of the acquisition date.

For acquisitions after 1 October 2003, capital consolidation was performed according to the acquisition method as per IFRS 3. The acquisition cost equates to the fair value of the assets given up, the equity instruments issued and the liabilities incurred or assumed as of the date of exchange plus any costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities in a business combination are recognised on first-time consolidation at their fair values at the acquisition date. The excess of the cost over the Group's interest in the net assets measured at fair value is carried as goodwill. Goodwill is tested for impairment once a year and when there are indications that it is impaired, and impairment is recognised as required.

If shares are acquired from other shareholders, this is presented as an equity transaction. This means the difference between the pro rata equity acquired from other shareholders and the purchase price is deducted directly from equity.

The consolidation policies applied did not change year on year.

#### 4.2 Currency translation

The financial statements of the consolidated companies included in the consolidated financial statements are prepared in their functional currency. The functional currency is the currency in which the majority of cash is generated and used. For the foreign companies in the scope of consolidation, the functional currency is the currency of the Group parent, as these companies are non-independent foreign entities that are integrated into the operations of the Group.

Any currency translation differences are recognised through profit or loss in the income statement.

Foreign currency transactions are translated into the functional currency at the exchange rates as of the date of exchange. Gains and losses resulting from the settlement of such transactions and the translation of the monetary assets and liabilities denominated in foreign currencies at the closing rate are recognised in profit or loss.

Equity components are translated at historic rates as of the dates they were acquired from the Group's perspective.

There were no subsidiaries in the reporting year or the previous year whose functional currency exceeded an inflation rate of 100% in total in the past three years and that, therefore, would have to apply the requirements of IAS 29 (Financial Reporting in Hyperinflationary Economies) on accounting for inflation.

#### 4.3 Revenue and other operating income

All income in connection with the sale of products, the rendering of services and royalties are recognised as revenue if a price is agreed or determinable and its payment is probable. Other income from operations is recognised as other operating income. Revenue is recognised in profit or loss when the significant risks and rewards of ownership of the goods are transferred to the customer, the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of income and costs incurred or to be incurred can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the company.

Revenue is reported less sales taxes and other taxes and less reductions at the fair value of the consideration received or

receivable. On the date of sales recognition, estimated amounts for rebates, trade discounts and product returns are deducted from sales and set aside.

In the case of customer-related fixed price orders, sales are recognised according to the percentage-of-completion (PoC) method.

Estimates relating to revenue reductions are based primarily on past experience, specific contract conditions and expectations for future sales development. It is not probable that factors other than the above will have a material effect on revenues reductions in the KPS Group. Adjustments to provisions for rebates, trade discounts and product returns set aside in previous periods were of subordinate importance to earnings before taxes in the reported financial years.

Provisions for rebates amounted to EUR 446 thousand in the first half of the financial year 2015/2016 (first half of the previous financial year: EUR 126 thousand).

A portion of the revenue in the KPS Group is generated on the basis of licence agreements that transfer rights to proprietary products and technologies to third parties. Payments received or expected from the sale or out-licensing of technology or technological knowledge are recognised in profit or loss as soon as the corresponding agreements take effect if all the rights and obligations relating to the technology in question are surrendered on the basis of the contractual arrangements. However, if rights to the technology remain or obligations from the contract are still to be fulfilled, any payments received are deferred appropriately.

Contractually agreed prepayments and other similar non-repayable payments are recognised under liabilities as advances received and reversed to profit or loss over the estimated period for the provision of the contractually agreed consideration.

#### 4.4 Research and development costs

For accounting purposes, research expenses are defined as costs in connection with current or planned research expected to deliver new scientific or technical knowledge or insights. Development costs are defined as costs in connection with the application of research findings or technical knowledge to production, the production process, the services or the goods before commercial production or use begins.

The KPS Group did not incur any research costs in the financial year.

Development costs meeting the criteria of IAS 38.57 were not capitalised for reasons of materiality.

#### 4.5 Goodwill

In a business combination, goodwill is recognised as an asset on the acquisition date. It is measured at cost, which is derived from the amount by which the purchase price for the acquired entity exceeds the acquired interest in the net assets. The net assets equal the net total of the fair values of the identifiable assets acquired, the liabilities assumed and contingent liabilities.

Goodwill is not amortised but tested annually for impairment. Details of the annual impairment tests are provided in the section on the procedure and effects of impairment tests. Once goodwill is written down, it is not written up again in subsequent periods.

#### 4.6 Other intangible assets

Other intangible assets are identifiable non-monetary assets without physical substance (e.g. patents, brands, marketing rights), not including goodwill. They are capitalised according to IAS 38 when it is probable that the expected future economic benefits from the assets will flow to the company and the cost can be measured reliably.

Other intangible assets are carried at cost. If they have determinable useful lives, they are accordingly amortised on a straight-line basis over a period of up to 30 years, unless the actual decline in value requires a different pattern of amortisation. Expected useful lives and patterns of amortisation are determined on the basis of estimates regarding the period of cash inflows from the intangible assets and the timing of their distribution within this period. If there are indications of possible impairment, an impairment test is carried out.

Details of the annual impairment tests are provided in the section on the procedure and effects of impairment tests.

If impairment is ascertained, it is recognised according to IAS 36 by way of an unscheduled write-down. If the reasons for the write-down cease to exist, a corresponding reversal is recognised, but to no higher than amortised cost.

#### 4.7 Property, plant and equipment

Property, plant and equipment is recognised at cost less scheduled, use-based depreciation and any impairment.

Cost comprises the purchase price, the incidental costs of acquisition and subsequent cost of acquisition less purchase price reductions received.

Costs for ongoing upkeep and maintenance are recognised in profit or loss.

Property, plant and equipment is depreciated over the expected useful life using the straight-line method, unless the actual decline in value requires a use-based pattern of depreciation.

Depreciation is based on the following Group-wide useful lives:

	Years
Computer hardware	3 – 5
Equipment	3 – 10

Significant components of an item of property, plant and equipment that have different useful lives are recognised and depreciated separately.

If there are indications of impairment for a single item of property, plant and equipment, it is examined whether its recoverable amount is higher than the carrying amount. If this is not the case, an unscheduled write-down amounting to the difference between the carrying amount and the recoverable amount is recognised according to IAS 36. If the reasons for a write-down cease to exist, a corresponding reversal is recognised, whereby amortised cost is not exceeded.

If property, plant and equipment is sold, retired or scrapped, the gain or loss is recognised under other operating income or expenses as the difference between the net disposal proceeds and the residual carrying amount.

#### 4.8 Leases

A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period of time to the lessee in return for a payment or series of payments. A distinction is made between finance leases and operating leases.

Leases whereby the lessee bears substantially all the risks and rewards associated with ownership of the asset are treated as finance leases. All other leases are classified as operating leases.

If the KPS Group is the lessee under a finance lease, the fair value or the present value of the minimum lease payments at the inception of the lease, whichever is lower, is recognised as an asset in the statement of financial position and simultaneously as a liability under financial liabilities. The minimum lease payments primarily comprise the finance charge and the reduction of the outstanding liability, which are determined according to the effective interest method. The leased asset is depreciated on a straight-line basis over the estimated useful life or the term of the lease, whichever is shorter.

For leases classified as operating leases under IAS 17, the KPS Group recognises lease instalments to be paid as a lessee as other operating expenses and lease instalments received as a lessor as other operating income. The leased asset continues to be recognised in the lessor's statement of financial position as property, plant and equipment.

#### 4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques received and balances with banks and businesses. Cash equivalents are short-term, highly liquid investments that are subject only to immaterial fluctuations in value and are readily convertible to fixed amounts of cash. On the acquisition or investment date, they have a maximum maturity of three months.

#### 4.10 Financial instruments

Financial instruments comprise both primary (such as trade receivables and payables) and derivative financial instruments (such as transactions to hedge interest rate risks).

According to IAS 39, the KPS Group has the following categories of financial instruments:

- Financial assets and liabilities at fair value through profit or loss
- Loans and receivables
- Financial liabilities at amortised cost

Allocation to these categories depends on the purpose for which the financial assets were acquired or financial liabilities assumed.

Financial instruments are recognised and measured for the first time at fair value on the settlement date, taking account of any transaction costs where appropriate. They are subsequently measured at amortised cost or fair value. Financial instruments are no longer recognised when the rights to payments from the investment expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### 4.11 Inventories

According to IAS 2 (Inventories), inventories comprise assets used in the provision of services and advance payments on inventories. Inventories are measured at the lower of weighted average cost (full service costs) and their net realisable value i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

#### 4.12 Future receivables from contract manufacturing

Future receivables from contract manufacturing, which comprise work in progress and finished, not yet purchased services, are measured at cost plus a profit mark-up according to the percentage of completion less any incurred losses, provided the result of the manufacturing contract can be reliably determined. The percentage of completion is calculated as the ratio of incurred costs to total costs (cost-to-cost method).

#### 4.13 Trade receivables

Trade receivables are measured at amortised cost using the effective interest method. All identifiable risks are accounted for with appropriate valuation allowances.

#### 4.14 Income taxes

Taxes levied on taxable profit in each country and changes in deferred taxes through profit or loss are recorded as income taxes. The reported income taxes are recognised in the amount expected to be payable on the basis of laws valid or enacted on the reporting date.

According to IAS 12 (Income Taxes), deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the IFRS statement of financial position and their tax bases, for consolidation adjustments and for loss carryforwards and tax credits that can probably be used.

Deferred tax assets are recognised for deductible temporary differences, tax credits and tax loss carryforwards to the extent that it is probable that taxable profit will be available in the future against which they can be utilised.

Deferred tax liabilities are recognised for future taxable temporary differences.

The calculation is based on the tax rates expected in the individual countries on the date of realisation. These are based on the laws valid or enacted on the reporting date. Deferred tax assets and liabilities can be offset if the conditions of IAS 12.71 et seq. are met. Material effects of changes in tax rates or tax laws on deferred tax assets and liabilities are recognised in the period in which the legislative process is concluded, usually through profit or loss.

Deferred and current taxes are recognised as expenses unless they relate to items recognised directly in equity. They are then likewise recognised outside profit or loss.

Impairment of deferred tax assets resulting from temporary differences and loss carryforwards is assessed on the basis of company-specific forecasts, e.g. regarding the future earnings situation in the respective Group company.

#### 4.15 Treasury shares

On the purchase/sale of treasury shares, the par value of the shares is offset against subscribed capital and the share premium is offset against retained profit/capital reserves.

#### 4.16 Provisions for taxes

Provisions for taxes include current income tax obligations that are expected to result in outflows of resources on the basis of national tax laws.

#### 4.17 Other provisions

Other provisions are set aside for present legal or constructive obligations resulting from past events that are likely to result in a future outflow of economic resources and whose amount can be reliably estimated.

Other provisions are measured according to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and possibly also IAS 19 (Employee Benefits). If obligations are not expected to

result in an outflow of resources for over a year, the provisions are recognised at the present value of the expected outflow of resources.

Rights to reimbursement from third parties are capitalised separately from provisions as other receivables if their realisation is practically certain.

If a changed estimate reduces the amount of the obligation, the provision is reversed pro rata and the income recognised in the functional areas that were originally encumbered by the recognition of the provision.

Trade-related provisions include, in particular, obligations for rebates and trade discounts, product returns and goods and services received but not yet invoiced.

As an enterprise, the KPS Group is exposed to legal risks. Accounting provision is made for pending or future legal proceedings, subject to an appropriate case-by-case review, through the recognition of provisions for litigation. The probable outcomes of such litigation are evaluated on the basis of the information available and in consultation with lawyers working for the KPS Group. If an obligation from litigation can be reasonably expected to result in future outflows of resources, the present value of the expected outflows of resources (if these are deemed to be reliably measurable) is recognised as a liability. These provisions cover the estimated payments to plaintiffs, court costs, lawyers' fees and any settlement costs. On each reporting date, the current status of the litigation is used to assess whether the criteria for recognising a provision have been met and the size of the provision to be recognised. Litigation and other legal proceedings raise complex questions and are associated with numerous imponderables and problems, e.g. based on the facts and circumstances of each case, the court at which the complaint is pending, and differences in applicable law. Therefore, the outcomes of currently pending or future proceedings cannot be predicted. As a result of the verdict in a court case or of a settlement, the KPS Group could incur costs that exceed the provision and insurance cover provided.

Personnel provisions primarily cover annual bonuses and variable and individual lump-sum payments.

#### 4.18 Financial liabilities

Financial liabilities include originated liabilities and the negative fair values of derivatives. Originated liabilities are recognised in the consolidated statement of financial position when the KPS Group has a contractual obligation to transfer cash or other financial assets to a third party. Originated liabilities are recognised for the first time at the fair value of the consideration received or at the value of the cash received less any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised once the contractual obligations are settled, cancelled or expired.

#### 4.19 Other receivables and assets

Deferred income, prepaid expenses and other non-financial assets and liabilities are carried at amortised cost. They are reversed on a straight-line basis or as the services are provided.

#### 4.20 Assets held for sale

Assets held for sale comprise non-current assets and disposal groups (potentially together with provisions and liabilities) whose carrying amounts will be recovered principally through a highly probable sale transaction within the next 12 months or through a sale transaction that has already been executed.

#### 4.21 Acquisitions

Acquisitions are accounted for using the acquisition method, which requires the assets and liabilities assumed to be measured at fair value as of the date control is obtained for the first time. The application of the acquisition method requires certain estimates and assessments, especially with regard to determining the fair value of the acquired intangible assets and property, plant and equipment and the assumed liabilities as of the acquisition date (IFRS 13) and the useful lives of the acquired intangible assets and property, plant and equipment.

The measurement is largely based on anticipated cash inflows and outflows. Differences between actual cash inflows and outflows and those assumed in the determination of fair value may have a material impact on future consolidated net profit.

According to IFRS 3 (Business Combinations), in the case of step acquisitions in which a business is acquired in several tranches, the previously held interest must be remeasured at fair value through profit or loss as of the date control is obtained over the business. Subsequently, the carrying amounts of the assets and liabilities already recognised are adjusted to fair value.

#### 4.22 Procedure and effects of impairment tests

In addition to the impairment tests for individual items of property, plant and equipment and intangible assets, impairment tests are also performed on the level of cash-generating units (CGUs). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows largely independently of other assets or groups of assets. In the KPS Group, the strategic business units and individual companies are treated as cash-generating units and subject to impairment tests.

The strategic business units constitute the second reporting level below the reporting segments. An impairment test for a cash-generating unit is performed either when there is an indication of impairment or at least once a year if a strategic business unit is assigned goodwill or intangible assets not subject to amortisation.

In an impairment test, the residual carrying amounts of the individual cash-generating units or the property, plant and equipment or intangible assets being tested are compared with their recoverable amounts, i.e. the fair value less costs to sell or, if higher, the value in use. In cases where the carrying amount is higher than the recoverable amount, impairment is required in the amount of the difference. In this case, the first step is to write down the goodwill of a strategic business unit. Any remainder is distributed to the other assets of the strategic business unit in proportion with their carrying amounts. The impairment loss is recognised in the income statement, in most cases under other operating expenses.

For both fair value less costs to sell and value in use, the recoverable amount is determined on the basis of the present value of cash flows.

The forecast of future net cash inflows for determining the recoverable amount is based on the KPS Group's current planning, which usually has a planning horizon of three to five years. This primarily involves assumptions regarding future sales prices, quantities and costs. In the case of recognition at fair value less costs to sell, the cash-generating unit is measured from the perspective of an independent market participant. In the case of recognition at value in use, the cash-generating unit or individual asset is measured as currently used. For both methods, net cash inflows beyond the planning period are determined on the basis of long-term business forecasts using individual growth rates derived from market information.

Net cash inflows are discounted at cost-of-capital rates. The cost-of-capital rates correspond to the shareholders' return expectations and constitute the long-term financing conditions of the peer group.

## 5 SEGMENT REPORTING DISCLOSURES

KPS is a consultancy specialising in business transformation and process optimisation and ranks among the leading consulting companies in Germany. The KPS consulting portfolio can be divided into the following three reportable segments, which are regularly evaluated by the Executive Board. The business is segmented exclusively by operating area in line with the internal organisation.

### 5.1 Management consulting/transformation consulting

This consulting segment centres on “transformation consulting”, in which KPS is a leader on the consulting market. In transformation consulting, customers are supported in the implementation of complex corporate initiatives and concepts and solutions are developed within the framework provided by process technology, organisation, logistics, finance technology and system technology. The consulting provided closes the gap between traditional strategy and process consultants on one hand and implementation partners and system integrators on the other. In addition, this consulting segment includes implementation consulting and KPS’s portfolio of services as an SAP consulting partner.

### 5.2 System integration

This consulting segment centres on process and implementation consulting with regard to technology. KPS covers both non-SAP technologies and SAP technologies. With regard to SAP technology, the main priorities are eSOA and Netweaver; with regard to non-SAP, they are high-availability, security and storage solutions. As a secure and highly available system landscape is the basis for a successful business, KPS uses dedicated solutions to ensure the seamless integration of all processes in the heterogeneous system environment. KPS helps its customers to analyse the current situation and establish an IT infrastructure in which all operating functions are transparent.

### 5.3 Products/licences

To round off its range of services, KPS sells software licences, maintenance agreements and hardware components in certain areas as a certified systems vendor or certified distribution partner. These are products from renowned manufacturers, especially SAP, IBM and SAPERION, with which KPS has cooperated for many years and has various consulting and distribution partnerships.

The table below shows the segmentation of assets and earnings according to IFRS 8:

### Segment reporting for the first half of the reporting year 2015/2016

In thousands of euros

Presented by operating segment	Management consulting/transformation consulting		System integration		Products/licences		Miscellaneous		Total	
	31/03/16	Previous year	31/03/16	Previous year	31/03/16	Previous year	31/03/16	Previous year	31/03/16	Previous year
Item of profit or loss										
Sales	60,264	52,247	1,930	2,004	6,637	2,975	0	0	68,832	57,226
Operating profit	13,014	10,492	545	217	2,176	345	-4,555	-2,847	11,180	8,207
Depreciation and amortisation	-438	-398	0	0	-55	-45	-78	-64	-572	-507
Interest	-53	-57	0	0	0	0	-2	-27	-55	-84
Taxes	0	0	0	0	0	0	-1,280	-751	-1,280	-751

Sales are generated with external customers.

The Group management bases its decisions on sales and EBIT. Other parameters are not relevant.

## 6 DISINVESTMENTS AND ASSETS HELD FOR SALE

The miscellaneous information primarily includes the assets and earnings of KPS AG as a holding company. In line with internal reporting, these were not allocated to the individual operating segments in order to avoid diluting their meaningfulness. Miscellaneous segment assets mainly include the carrying amounts of investments and Group receivables of KPS AG. Correspondingly, the liabilities of the legal Group parent are shown under other segment liabilities.

The miscellaneous other operating income primarily reflects income from the reversal of provisions with no clear connection to a specific segment.

The measurement policies applied to segment reporting equate to the measurement policies of the company as a whole.

### 5.4 Geographical information

Breaking down the revenue of EUR 68,832 thousand (previous year: EUR 57,226 thousand) by region conveys the following picture for the first half of the financial year 2015/2016: Germany was the main sales driver with EUR 58,086 thousand (previous year: EUR 51,835 thousand) or 84.4%. Outside Germany, sales amounted to EUR 10,746 thousand (previous year: EUR 5,391 thousand). The allocation was based on the location of the customer. The breakdown reveals the following regions: Scandinavia with a volume of EUR 4,330 thousand (previous year: EUR 2,098 thousand) or 6.29% and Switzerland with EUR 6,011 thousand (previous year: EUR 2,726 thousand) or 8.73%. The remaining revenue amounted to EUR 405 thousand (0.59%) and was largely generated elsewhere in the EU region. It is attributable to the management consulting/transformation consulting segment.

### 5.5 Dependence on major customers

The management consulting/transformation consulting segment includes one major customer (previous year: three) as defined by IFRS 8.34.

There were no disinvestments or assets held for sale in the first half of the current financial year or in the first half of the previous financial year.

## 7 INCOME STATEMENT DISCLOSURES

### 7.1 Revenue

The reported revenue results from ordinary activities. See our remarks in section 5.3 for information on allocation to individual segments. The revenue is allocated to the individual sales-generating activities as follows:

	Half-year reporting period 2015/2016		Half-year reporting period 2014/2015	
	Thousands of euros	%	Thousands of euros	%
Provision of services	68,172	99	56,947	100
Sale of goods	71	0	97	0
Royalties	589	1	182	0
	<b>68,832</b>	<b>100</b>	<b>57,226</b>	<b>100</b>

### 7.2 Other operating income

Other operating income amounted to EUR 290 thousand (previous year: EUR 581 thousand) and is presented in the table below:

In thousands of euros	Half-year reporting period 2015/2016	Half-year reporting period 2014/2015
Income from the reversal of provisions	0	77
Discounts received	162	145
Income from exchange rate differences	77	330
Passing on non-cash benefits to employees	27	13
Other income	24	16
<b>Total other operating income</b>	<b>290</b>	<b>581</b>

### 7.3 Cost of materials

The cost of materials amounted to EUR 28,069 thousand (previous year: EUR 23,504 thousand) and included the cost of purchased goods of EUR 584 thousand (previous year: EUR 314 thousand) and the cost of purchased services of EUR 27,485 thousand (previous year: EUR 23,190 thousand).

### 7.4 Staff costs and employees

Staff costs amounted to EUR 22,569 thousand in the half-year reporting period (previous year: EUR 19,552 thousand). EUR 20,369 thousand of this (previous year: EUR 17,601 thousand) is attributable to wages and salaries and EUR 2,200 thousand (previous year: EUR 1,951 thousand) to social expenses.

The expenses for defined contribution plans included in staff costs amounted to EUR 157 thousand (previous year: EUR 117 thousand).

There was an annual average of 373 (previous year: 324) employees (not including Executive Board members and managing directors), consisting of 336 (previous year: 300) consultants and 37 (previous year: 24) administrative staff.

The increase in staff costs resulted from the increase in the number of employees in the first half of the current financial year and the effect of the increase in the number of employees in the previous year.

### KPS Group employees

	31/03/2016	31/03/2015	Change
<b>Employees per region</b>			
Germany	372	326	46
Denmark	2	2	0
Switzerland	11	7	4
<b>Employees by function</b>			
Executive Board	2	1	1
Managing directors	2	3	-1
Consultants	345	304	41
Administration	34	26	8
Trainees	2	1	1
<b>Total</b>	<b>385</b>	<b>335</b>	<b>50</b>

### 7.5 Other operating expenses

Other operating expenses amounted to EUR 7,304 thousand (previous year: EUR 6,544 thousand) and were as follows:

In thousands of euros	Half-year reporting period 2015/2016	Half-year reporting period 2014/2015
Travel and entertainment expenses	2,246	1,916
Purchased services	705	862
Vehicle costs	1,068	837
Legal, consulting and audit expenses	456	416
Staff and accounting costs	496	557
Advertising and representation expenses	464	409
Telephone and other communication costs	218	203
Costs of premises	541	416
Machinery rent	287	189
Capital market costs	157	155
Insurance	33	73
Other expenses	633	511
<b>Total other operating expenses</b>	<b>7,304</b>	<b>6,544</b>

### 7.6 Depreciation and amortisation

Depreciation and amortisation in the first half of the financial year amounted to EUR 572 thousand (previous year: EUR 507 thousand). The attached statement of changes in fixed assets shows the composition of the depreciation and amortisation.

### 7.7 Other financial income and expenses

Other financial income amounted to EUR 2 thousand (previous year: EUR 2 thousand) and included interest income from short-term cash investments.

Other financial expenses amounted to EUR 57 thousand (previous year: EUR 86 thousand) and included in particular interest and guarantee fees to banks of EUR 17 thousand (previous year: EUR 46 thousand) and interest on the disputed back taxes of a subsidiary of EUR 40 thousand (previous year: EUR 40 thousand).

### 7.8 Income taxes

Taxes on income for the first halves of the financial years 2015/2016 and 2014/2015 were as shown below:

In thousands of euros	Half-year reporting period 2015/2016	Half-year reporting period 2014/2015
Current tax expense	-1,280	-751
<b>Tax of income</b>	<b>-1,280</b>	<b>-751</b>

### 7.9 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to KPS AG shareholders by the weighted average number of shares outstanding during the financial year. Earnings per share are diluted by so-called "potential shares". These include options, but these only have a dilutive effect if their intrinsic value was positive during the period. Consequently, the options have no dilutive effect.

Due to the repurchase of treasury shares, the average number of outstanding shares was 33,889,759 (previous year: 33,898,435). Compared to the previous year, earnings per share were calculated as follows:

	Half-year reporting period 2015/2016	Half-year reporting period 2014/2015
Consolidated net profit attributable to KPS AG shareholders in EUR thousand	9,273	6,865
Average number of shares	33,889,759	33,898,435
Basic earnings per share in EUR	0.27	0.20

## 8 STATEMENT OF FINANCIAL POSITION DISCLOSURES

### 8.1 Property, plant and equipment

This item primarily comprises office equipment and computer hardware used by the company.

In the first half of the financial year, there was an addition to property, plant and equipment of EUR 423 thousand.

See the consolidated statement of changes in assets for the development of the non-current assets described below.

### 8.2 Goodwill and other intangible assets

This item includes software and associated licences, some of which are internally generated and some of which are purchased. As of 31 March 2016, internally generated software of EUR 198 thousand (previous year: EUR 245 thousand) was capitalised. The internally generated software is amortised over the expected useful life of 10 years. Amortisation in the first half of the reporting year amounted to EUR 47 thousand (previous year: EUR 47 thousand).

In addition, goodwill resulting exclusively from capital consolidation is reported under intangible assets.

The recognised goodwill amounted to EUR 30,472 thousand (previous year: EUR 30,472 thousand) and was attributable to the following cash-generating units:

In thousands of euros	Half-year reporting period 2015/2016	Half-year reporting period 2014/2015
KPS Services GmbH	8,949	8,949
KPS Solutions GmbH	345	345
getit – Gesellschaft für Technologie- und Informationstransfer mbH	21,178	21,178
<b>Total</b>	<b>30,472</b>	<b>30,472</b>

### 8.3 Deferred tax assets

Deferred tax assets amounted to EUR 12,607 thousand (previous year: EUR 12,607 thousand) and reflected the tax loss carry-forwards of KPS AG, KPS Consulting GmbH & Co. KG, KPS Services GmbH and KPS Solutions GmbH that are expected to be usable.

### 8.4 Trade receivables

Receivables and other assets are reported less valuation allowances for doubtful items. As of 31 March 2016, trade receivables amounted to EUR 31,904 thousand (previous year: EUR 29,512 thousand), on which specific valuation allowances of EUR 44 thousand (previous year: EUR 44 thousand) were recognised.

The valuation allowances on trade receivables developed as per the following table in accordance with IFRS 7.16:

In thousands of euros	Half-year reporting period 2015/2016	Half-year reporting period 2014/2015
Total valuation allowances on 1 October	44	9
+ Additions	0	44
- Utilisation/reversal	0	-9
<b>Total valuation allowances on 31 March</b>	<b>44</b>	<b>44</b>

### 8.5 Other receivables

Other receivables amounted to EUR 1,294 thousand (previous year: EUR 494 thousand) and were comprised as follows:

In thousands of euros	Half-year reporting period 31/03/2016	Half-year reporting period 30/09/2015
Prepayments	409	218
Receivables from employees	304	28
Advance payments	189	1
Security deposits paid	73	49
Miscellaneous receivables	319	198
<b>Total other receivables</b>	<b>1,294</b>	<b>494</b>

The miscellaneous receivables include receivables from foreign sales taxes of EUR 85 thousand (previous year: EUR 72 thousand).

### 8.6 Rights to reimbursement of income taxes

The rights to tax reimbursement of EUR 47 thousand (previous year: EUR 475 thousand) result from corporation and trade tax for the first half of the financial year and previous years.

### 8.7 Cash and cash equivalents

Cash at banks and in hand amounted to EUR 13,547 thousand on the reporting date (previous year: EUR 6,487 thousand). The development of liquid funds is shown in the statement of cash flows.

### 8.8 Shareholders' equity

See the statement of changes in equity for the development of consolidated equity.

#### Subscribed capital

The subscribed capital of KPS AG amounted to EUR 33,889,759 on the reporting date (previous year: EUR 33,889,759). It was reduced by treasury shares acquired in the financial year. On the basis of the authorising resolution of the Annual General Meeting on 27 March 2005, the Executive Board resolved to withdraw seven acquired treasury shares, reducing the company's share capital. The share capital decreased by EUR 7.00 from EUR 34,011,007.00 to EUR 34,011,000.00 due to the withdrawal and is divided into a total of 34,011,005 no-par-value registered shares. The share capital is fully paid in.

#### Treasury shares

With the consent of the Supervisory Board, the Executive Board utilised the authorisation and acquired a total of 121,248 (previous year: 121,248) no-par shares with an accounting par value of EUR 1.00 before the end of the reporting period. The costs of acquiring the shares amounted to EUR 771 thousand (previous year: EUR 771 thousand). Seven treasury shares were withdrawn through the reduction of the share capital. 121,241 treasury shares were held at the end of the reporting period.

On the purchase of treasury shares, the par value of the acquired shares is offset against subscribed capital and the share premium is offset against retained profit.

### 8.9 Non-current liabilities

The non-current liabilities of EUR 2,421 thousand (previous year: EUR 2,281 thousand) comprise deferred tax assets and non-current provisions as well as performance-linked purchase price instalments for the acquisition of getit GmbH.

Deferred tax liabilities result from temporary differences between the tax base and the consolidated statement of financial position.

The non-current provisions relate to a bonus programme for the Vice Presidents.

### 8.10 Trade payables

Trade payables result primarily from purchased consulting services.

### 8.11 Financial liabilities

As of the reporting date, liabilities to banks amounted to EUR 1,157 thousand (previous year: EUR 0 thousand).

### 8.12 Advance payments received

Advance payments received amounted to EUR 398 thousand (previous year: EUR 2,465 thousand), EUR 398 thousand (previous year: EUR 134 thousand) of which related to service revenue collected in advance, which must be deferred over future financial years. There were no advance payments received on orders as of the reporting date (previous year: EUR 2,331 thousand).

### 8.13 Provisions for taxes

The provisions for taxes developed as follows:

In thousands of euros	01/10/2015	Utilisation	Reversal	Addition	31/03/2016
Corporation tax	643	-236	0	258	665
Trade tax	2,931	-116	0	743	3,558
<b>Total</b>	<b>3,574</b>	<b>-352</b>	<b>0</b>	<b>1,001</b>	<b>4,223</b>

The trade tax provision includes an amount of EUR 2,322 thousand (previous year: EUR 2,281 thousand) for potential risks in connection with the trade tax recognition of restructuring profits of the former autinform GmbH & Co. KG. The provision includes EUR 976 thousand (previous year: EUR 935 thousand) for potential interest on claims for back taxes.

The probability and time of utilisation depend on decisions by the former local authorities responsible for the place of business as to whether and to what extent the taxes are payable or can be remitted for reasons of equity.

### 8.14 Other provisions

Other current provisions developed as follows:

In thousands of euros	01/10/2015	Utilisation	Reversal	Addition	31/03/2016
Staff	7,360	-6,616	0	4,803	5,547
Outstanding invoices	115	-30	0	134	219
Closing and audit costs	102	-13	0	53	142
Miscellaneous	2,072	-3	0	368	2,437
<b>Total</b>	<b>9,649</b>	<b>-6,662</b>	<b>0</b>	<b>5,358</b>	<b>8,345</b>

The other provisions include all identifiable obligations to third parties if the amount or due date is still uncertain. The expected due dates are within the current time frame.

The provision for staff obligations relates to bonuses, outstanding holiday entitlements and contributions to the employers' liability insurance association yet to be paid.

The provision for outstanding invoices is based on payment obligations for services received, the amount of which was not finalised at the end of the reporting period.

The provision for closing costs relates to expenses in connection with the preparation and auditing of the annual financial statements and the consolidated financial statements.

The 2015/2016 earn-out rate was recognised as a liability of EUR 1,750,000.00.

### 8.15 Other liabilities

Other liabilities amounted to EUR 4,717 thousand (previous year: EUR 5,555 thousand) and developed as follows:

In thousands of euros	31/03/2016		30/09/2015	
	Less than 3 months	3 – 12 months	Less than 3 months	3 – 12 months
Liabilities to employees	1	0	904	0
Wage and church tax payable	945	0	863	0
Liabilities from sales taxes and other taxes	1,835	0	1,907	0
Social security payable	0	0	55	0
Earn-out 2015	1,750	0	1,750	0
Miscellaneous liabilities	186	0	76	0
<b>Total other liabilities</b>	<b>4,717</b>	<b>0</b>	<b>5,555</b>	<b>0</b>

### 8.16 Financial risk management

As a consultancy, the KPS Group is exposed to financial risks.

The main categories are:

- Liquidity risks
- Credit risks/default risks
- Market price risk

The management, monitoring and hedging of financial risks are the responsibility of the Executive Board, which is supported by those responsible in Accounting. The objective is to identify risks in due time and to limit them with appropriate countermeasures.

Capital management is measured according to net liquidity.

### 8.16.1 Liquidity risk

Liquidity risks can arise from deterioration in operating business and as a result of credit and market price risks. The KPS Group manages liquidity risk with the involvement of short- and long-term liquidity planning, taking account of existing credit facilities. Liquidity planning is monitored continuously. There are cash-pool agreements with the domestic subsidiaries of KPS AG via the key relationship banks. In addition, the KPS Group has undrawn borrowing facilities that are available for an unlimited period.

Liquidity planning is prepared individually for each month. The maturities of receivables and other liabilities are planned according to the agreed payment periods. For liabilities, the outgoing payments are planned according to payment periods and the agreed maturities.

For the current month and the subsequent month, day-by-day liquidity assessments are performed and planning is adjusted to actual payment flows.

### 8.16.2 Market risks

#### Currency risks/exchange rate risks

The companies of the KPS Group make nearly all their transactions exclusively in euros. There are therefore no material currency risks.

#### Interest rate risks

The Group is largely financed with short-term bank overdrafts that are available for an unlimited period. The interest rates are adjusted by the lender semi-annually.

Interest rate risk in terms of the risk of changes in market value is not deemed relevant. The KPS Group's financial liabilities are carried at cost, so a possible change in market value does not affect the statement of financial position.

#### Price risks

A change in risk parameters would not have had a material impact on fair value.

### 8.17 Contingencies and other financial obligations

#### 8.17.1 Contingencies

KPS Business Transformation GmbH, KPS Consulting GmbH & Co. KG and KPS Services GmbH have each issued a fixed liability surety bond of EUR 2,000 thousand to secure overdraft facilities. In addition, KPS Services GmbH has an additional fixed liability surety bond of EUR 8,000 thousand to secure current account facilities.

KPS AG agreed a subordination of CHF 738 thousand for Consulting AG, Zurich.



### 8.17.2 Financial obligations

Other financial obligations developed as follows:

In thousands of euros	31/03/2016				30/09/2015			
	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	841	737	0	1,578	1,017	963	0	1,980
Operating and office equipment leasing	515	367	0	882	615	527	0	1,142
Rent	912	1,238	0	2,150	892	1,393	0	2,285
<b>Total</b>	<b>2,268</b>	<b>2,342</b>	<b>0</b>	<b>4,610</b>	<b>2,524</b>	<b>2,883</b>	<b>0</b>	<b>5,407</b>

The lease payments shown above relate to future minimum lease payments from operating leases.

Payments from leases recognised as expenses in the reporting period amounted to EUR 1,183 thousand (previous year: EUR 889 thousand).

### 8.18 Risks to the company as a going concern

The financial statements of KPS for the first half of the financial year 2015/2016 were prepared according to the going concern principle. In this context, the management expects a positive going concern forecast, meaning that the company is highly likely to be able to continue its business activities while fulfilling its payment obligations in the current and subsequent financial years. As of the present date, there are no identifiable risks to the KPS Group as a going concern.

## 9 STATEMENT OF CASH FLOWS DISCLOSURES

The statement of cash flows according to IAS 7 shows the cash flows of a financial year in order to present information about changes in the company's cash and cash equivalents. Cash flows are classified into operating activities, investing activities or financing activities, whereby the company uses the indirect method.

The cash and cash equivalents shown in the statement of cash flows include all current cash and cash equivalents reported in the statement of financial position less current bank liabilities. At the end of the period, these cash and cash equivalents amounted to EUR 12,391 thousand (previous year: EUR -11,307 thousand).

Net liquidity increased year on year primarily because the dividend distribution for the financial year 2014/2015 had not yet been made and the second purchase price instalment for the acquisition of getit GmbH had not yet been paid. Outflows of resources for investments in non-current assets amounted to EUR -423 thousand (previous year: EUR -208 thousand).

### 9.1 Inflow and outflow from operating activities

Cash flow from operating activities increased by a considerable EUR 12,752 thousand year on year to EUR 6,328 thousand. This is particularly attributable to the improvement in earnings before interest and taxes, which rose from EUR 7,700 thousand to EUR 10,608 thousand in the first half of the financial year. The sharp rise in trade receivables, which has since been significantly reduced, had a negative effect on cash flow in the comparative period.

### 9.2 Inflow and outflow from investing activities

Cash flow from investing activities increased by EUR -215 thousand from EUR -208 thousand to EUR -423 thousand in the first half of the financial year. This resulted from the normal level of investment.

### 9.3 Inflow and outflow from financing activities

There have been no cash inflows or outflows from financing activities in the current financial year. Because the dividend payment was not made until April, the resulting change will only affect the second half of the year. There were also no other financing activities in the reporting period.

## 10 THE COMPANY'S BOARDS

### 10.1 Executive Board

The following members were appointed to the Executive Board in the reporting year:

- Dietmar Müller, Management Consultant, Grünwald,
- Leonardo Musso, Management Consultant, Berg.

### 10.2 Supervisory Board

As in the previous year, the Supervisory Board comprised:

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

Unterföhring, 27 May 2016

The Executive Board  
Dietmar Müller  
Leonardo Musso

## KPS AG, Unterföhring

## Changes in fixed assets of the KPS Group (presented gross)

ITEM	COST				ACCUMULATED DEPRECIATION/AMORTISATION				CARRYING AMOUNT	
	01/10/2015	Additions	Disposals	31/03/2016	01/10/2015	Additions	Disposals	31/03/2016	31/03/2016	30/09/2015
In thousands of euros										
<b>I.) Intangible assets</b>										
1. Concessions, industrial and similar rights and assets and licences in such rights and assets										
a.) Of which acquired	3,592	0	160	3,432	2,661	318	160	2,819	613	931
b.) Of which internally generated	883	0	0	883	638	47	0	685	198	245
2. Advance payments	0	0	0	0	0	0	0	0	0	0
3. Goodwill	45,488	0	0	45,488	15,016	0	0	15,016	30,472	30,472
<b>Intangible assets</b>	<b>49,963</b>	<b>0</b>	<b>160</b>	<b>49,803</b>	<b>18,315</b>	<b>365</b>	<b>160</b>	<b>18,520</b>	<b>31,283</b>	<b>31,648</b>
<b>II.) Property, plant and equipment</b>										
1. Operating and office equipment	2,170	333	159	2,344	1,369	117	140	1,346	998	801
2. Low-value assets	249	90	20	319	249	90	20	319	0	0
3. Advance payments	0	0	0	0	0	0	0	0	0	0
<b>Property, plant and equipment</b>	<b>2,419</b>	<b>423</b>	<b>179</b>	<b>2,663</b>	<b>1,618</b>	<b>207</b>	<b>160</b>	<b>1,665</b>	<b>998</b>	<b>801</b>
<b>III.) Financial assets</b>										
1. Shares in affiliated companies	0	0	0	0	0	0	0	0	0	0
<b>Financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fixed assets total</b>	<b>52,382</b>	<b>423</b>	<b>339</b>	<b>52,466</b>	<b>19,933</b>	<b>572</b>	<b>320</b>	<b>20,185</b>	<b>32,281</b>	<b>32,449</b>

KPS Consulting  
Beta-Straße 10 H  
D-85774 Unterföhring/Munich  
+49 89 356 31-0  
[info@kps-consulting.com](mailto:info@kps-consulting.com)  
[www.kps-consulting.com](http://www.kps-consulting.com)

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