KPS AG in the 1st quarter of 2017/2018
Overview of indicators

<table>
<thead>
<tr>
<th></th>
<th>1st quarter 2017/2018</th>
<th>1st quarter 2016/2017</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>38.1</td>
<td>40.3</td>
<td>-5.5 %</td>
</tr>
<tr>
<td>Operating result (EBIT)</td>
<td>3.1</td>
<td>6.4</td>
<td>-51.6 %</td>
</tr>
<tr>
<td>Financial result</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0 %</td>
</tr>
<tr>
<td>Earnings before income taxes (*)</td>
<td>3.1</td>
<td>6.4</td>
<td>-51.6 %</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-0.9</td>
<td>-1.1</td>
<td>-18.2 %</td>
</tr>
<tr>
<td>Earnings after income taxes</td>
<td>2.2</td>
<td>5.3</td>
<td>-58.5 %</td>
</tr>
<tr>
<td>Earnings per share (in euros)</td>
<td>0.06</td>
<td>0.14</td>
<td>-57.1 %</td>
</tr>
</tbody>
</table>

Financial calendar
Diary dates 2017/2018
» 23 March 2018 Ordinary Annual General Meeting in Munich
» 30 May 2018 Publication of the figures for the 1st half year of 2017/2018
» 10 August 2018 Publication of the figures for the 3rd quarter of 2017/2018
» 31 January 2019 Publication of the figures for the annual financial statements of 2017/2018

Business performance
Sales and results of operations are defined by massive investments in future growth – continuation of the internationalization strategy
KPS AG (WKN: A1A6V4 / ISIN: DE000A1A6V48), Germany’s leading management consulting firm for business transformation and process optimization, posted a slight fall in sales to 38.1 million euros in the first quarter of 2017/2018 by comparison with the equivalent year-earlier period (40.3 million euros). One of the main reasons responsible for this was the disproportionate resource reduction at an important major customer, which could not be entirely compensated over the short term with new project initiatives. In spite of this development, sales were approximately at the level of the equivalent year-earlier period.

The consistent expansion of the company and the resulting increase in personnel expenses and large sales investments in future growth exerted a significant impact on earnings. At the same time these investments gratifyingly already started to pay off at the turn of the year with the acquisition of four new national and international transformation initiatives against strong competition. KPS AG also continued its consistent strategy of internationalization and steadfast expansion of the service portfolio by carrying out strategic acquisitions which similarly reduced earnings over the short term. These influences are reflected in an EBIT for the first quarter amounting to 3.1 million euros compared with 6.4 million euros in the equivalent year-earlier period.

KPS AG expanded its group of consolidated companies by taking over 100 % of the shares in ICE Consultants Europe SL, Barcelona, Spain effective 2 October 2017. As a leading IT&SAP consulting partner, ICE has a broadly-based and loyal customer base in Spain, Germany, France, Switzerland, the Netherlands, and in North and South America. The takeover consolidated the position of KPS as one of the leading consulting companies for digital transformation in Europe.
On 14 December 2017, KPS AG signed a purchase contract for the acquisition of all shares in Infront Consulting & Management GmbH, Hamburg (Infront). Infront is a leading strategy consultant for digitalization in the German-based area. The company was most recently awarded the Innovation Prize by business magazine Wirtschaftswoche in 2017 and the Hidden Champion Award for digitalization in 2018 by business magazine Capital. As an independent brand, Infront will form the spearhead for strategic consulting in relation to digital transformation within the KPS Group.

Implementation of the corporate strategy was continued as planned during the reporting period. As a result of the successful acquisitions, KPS will have a broader geographical base and is at the same time expanding its sector access. In spite of the high level of investments and future growth, KPS outperforms the competition in terms of profitability. The Executive Board believes that this combination of high profitability and a future-oriented investment approach holds out the prospect of a positive business perspective.

Results of operations, financial position, and asset situation

Sales and earnings in the first quarter of 2017/2018
Sales and earnings developed in line with expectations during the first quarter of 2017/2018. As at 31 December 2017, unaudited IFRS consolidated figures indicated that the KPS Group generated sales of 38.1 million euros (Q1 2016/2017: 40.3 million euros). One of the main reasons responsible for the slight reduction in sales was the disproportionate resource reduction at an important major customer, which could not be entirely compensated over the short term with new project initiatives. The operating result (EBIT) came down as a result of the strategic acquisitions, increased personnel expenses as the company expanded, and massive investments in acquiring projects amounting to 3.1 million euros (Q1 2016/2017: 6.4 million euros). In the first quarter of 2017/2018, the EBIT margin amounted to 8.6 percent (Q1 2016/2017: 16.5 percent) and was therefore in line with expectations. Earnings after taxes amounted to 2.2 million euros compared with 5.3 million euros in the first quarter of 2016/2017, resulting in earnings per share of 0.06 euros (previous year: 0.14 euros).

Asset situation
The balance sheet total increased from 102.9 million euros to 126.5 million euros in particular as a result of the expansion of the group of consolidated companies by comparison with 30 September 2017. As a result of this, non-current assets amounted to 68.3 million euros after 51.9 million euros. Meanwhile, current assets rose from 50.9 million euros to 58.2 million euros.

Financial position
The equity increased from 66.2 million euros to 68.3 million euros by comparison with the balance sheet date on 30 September 2017. The equity ratio came down from 64.3 percent as at 30 September 2017 to 54.0 percent as at 31 December 2017. Non-current liabilities went up from 4.6 million euros to 11.5 million euros. Current liabilities increased from 32.1 million euros to 46.7 million euros. In the first quarter of 2017/2018, financial liabilities to banks amounted to 16.2 million euros. Cash and cash equivalents rose by 5.0 million euros to 11.7 million euros.

Events after the end of the reporting period
Effective 10 February 2018, KPS AG acquired all the shares in Envoy Digital Limited, a private company limited by shares in accordance with the law of England and Wales. Envoy Digital Limited is one of the leading agencies in the area of omnichannel e-commerce in the United Kingdom.

The takeover continues the international expansion strategy of KPS AG and achieves market entry into the United Kingdom. The leading market position as a consultant and service provider for digital transformation in Europe will be steadily expanded and the performance scope further complemented.
No other events occurred after the end of the reporting period which exerted a significant influence on the assets, financial position and results of operations.

**Opportunities and risk report**

The opportunities and risk situation has not changed significantly since the presentation in the Annual Report 2016/2017. Detailed information on the risk management system and the risk situation of the KPS Group is included in the Annual Report 2016/2017 from page 30.

**Outlook for 2017/2018**

**Sales and earnings forecast confirmed**

The Executive Board and the management of KPS AG confirm the forecast for the current business year 2017/2018 with projected sales of 160 – 170 million euros and EBIT of 23 – 26 million euros. The projected figures include sales and earnings contributions from ICE Consultants Europe SL, Barcelona, Spain, consolidated since 2 October 2017, Infront Consulting & Management GmbH, Hamburg, Germany, acquired effective the beginning of the year 2018, and Envoy Digital Limited, London, United Kingdom, taken over as at 10 February 2018. The Supervisory Board and the Executive Board of KPS AG are maintaining their strategy of driving forward internationalization.

The forecast contains forward-looking statements which are based on certain assumptions and estimates made by the company management of KPS AG. Even if the company management is of the opinion that these assumptions and estimates are appropriate, the actual future development and the actual future results may deviate substantially from these assumptions and estimates on account of a variety of different factors. These factors may include, for example, changes in the macroeconomic situation, exchange rates, interest rates, and changes in market development and changes in the competitive situation. KPS AG does not guarantee that the actual results achieved in future will be in accordance with the assumptions and estimates made in this quarterly release and does not assume any liability in this respect.

Unterföhring, 16 February 2018
KPS AG
The Executive Board

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**About KPS**

KPS is Europe’s leading transformation partner for companies wanting to radically realign their business to make it customer centric and implement innovative digital processes within a very short time. We work with companies from many different industries and support them from strategy consulting and sector-specific process chains right through to implementing cutting-edge technologies – all from a single source. KPS consultants are highly skilled in viewing a company holistically: They combine ERP processes with B2B and B2C e-commerce and customer-oriented marketing & sales processes. With integrated data management and targeted analyses, KPS creates emotional brand loyalty through unique customer experiences across all channels and regional borders. Particularly in a digital world focused on the customer, the ability to manage a company in an agile fashion is a key competitive advantage. The KPS rapid transformation method accelerates projects by up to 50 percent, and the extensive project experience of KPS consultants, along with their in-depth knowledge of the individual sectors, guarantees the success of each and every project initiative. KPS is part of a successful partner network and an SAP Gold Partner, SAP Hybris Platinum, Adobe Business, Intershop Premium, SAP ARIBA as well as an SAP Concur Customer and Implementation Partner. With around 1,000 consultants in 12 countries, KPS is expanding its global market position through ground-breaking projects in digital and technological change. Visit us at www.kps.com.