KPS successfully continues growth in the 3rd quarter of 2017/2018 – Operating business in accordance with planning, sales and earnings forecast for the current business year

**KPS AG in the 3rd quarter of 2017/2018**

Overview of indicators in accordance with IFRS

<table>
<thead>
<tr>
<th>In million euros</th>
<th>3rd quarter 2017/2018</th>
<th>3rd quarter 2016/2017</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>41.9</td>
<td>39.7</td>
<td>5.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>5.7</td>
<td>6.2</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Operating result (EBIT)</td>
<td>4.6</td>
<td>5.9</td>
<td>-22.0%</td>
</tr>
<tr>
<td>Financial result</td>
<td>-0.1</td>
<td>0.0</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Earnings before income taxes</td>
<td>4.5</td>
<td>5.9</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Income taxes</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Earnings after income taxes</td>
<td>4.5</td>
<td>5.9</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Earnings per share (in euros)</td>
<td>0.12</td>
<td>0.16</td>
<td>-25.0%</td>
</tr>
</tbody>
</table>

**Business performance**

**KPS continues growth and internationalization**

In the second and third quarters, KPS AG succeeded most importantly in significantly increasing profitability. The operating business also developed in the third quarter in accordance with the expectations of the Executive Board and growth was continued as planned. On the one hand, this was achieved by acquisitions of new customers and new projects with portfolio customers, and on the other hand as a result of takeovers in the national and international arena.

Another positive highlight is the development of the company as a result of the reduction of sales concentration on individual customers. This has entailed a more uniform distribution of sales over a broader customer base. After sales of 88.4 million euros were achieved in the first half of the year on the back of a particularly strong second quarter, sales in the third quarter of 2017/2018 amounted to 41.9 million euros. This result has been driven in particular by the four new projects acquired in the first quarter.

In addition, KPS AG continues to pursue the consistent corporate strategy of innovation and internationalization in order to be in a position to serve its target markets even better, develop new sales fields and expand existing sales areas. The takeovers of ICE Consultants Europe SL, Infront Consulting & Management GmbH and Envoy Digital Limited exerted a negative impact on the operating result (EBIT), particularly as a result of depreciation and amortization. In the third quarter, EBIT at 4.6 million euros was 22.0 percent below the result for the equivalent year-earlier period. This yields an EBIT margin of 10.9 percent. The operating result before depreciation and amortization (EBITDA) of 5.7 million euros leads to an EBITDA margin of 13.6 percent which is not negatively impacted by depreciation and amortization in connection with the acquired companies. As depreciation and amortization costs fall away over the medium term, the EBIT margin is projected to approach the range of previous years once again. The cost base was particularly impaired by the necessary increase in the workforce and by the costs incurred by the company takeovers.
During the course of the third quarter, KPS AG once again received an array of prestigious awards. These accolades are the result of outstanding work by all employees, they reflect our extensive expertise and our innovative spirit, and provide acknowledgement of successful projects. The business magazine brand eins joined together with the statista statistics portal to bestow once again the award of Best Advisors in several categories on KPS and Infront. This confirmed the leading position of the two companies for transformation projects in retail and strategy advice for digital transformation. Likewise, a ranking among the Top 10 German management consultancies was once again achieved: position 6 for KPS in the prestigious list of market researchers by Lunendonk. Recently at the end of June, the most innovative companies from German small and mid-sized enterprises received the accolade of being classified in the Top 100 ranking. This year, KPS AG was also placed among these innovation leaders. Software solutions developed by KPS were positioned among the best apps of the SME Initiative. Additionally, KPS continues to rise up the rankings of Internet and eCommerce agencies published annually.

When drawing up the half-year report, KPS AG adjusted its forecast. While the Executive Board continues to expect sales of 160 – 170 million euros in the business year 2017/2018, the earnings forecast was adjusted. This was mainly due to purchase price allocations and high acquisition costs for gaining four newly acquired projects. According to conservative planning, the Executive Board is therefore assuming that Earnings Before Interest and Taxes (EBIT) for the business year 2017/2018 will be in the range of 16 million to 20 million euros.

**Results of operations, financial position, and asset situation**

**Sales and earnings in the third quarter of 2017/2018 in line with expectations**

KPS AG was able to achieve increases in sales during the 3rd quarter of 2017/2018. Earnings for the period were lower than in the previous year but correspond to the planning for the current business year. On the basis of the unaudited IFRS Group figures, KPS increased sales by 5.5 percent to 41.9 million euros (Q3 2016/2017: 39.7 million euros) compared with the 3rd quarter of 2016/2017. Expenses increased as a result of the increase in the workforce necessary to deliver the further growth in the Group and the company takeovers that have taken place. Personnel expenses and the associated costs for hiring premises and vehicles were specific focuses for expenses rising faster than sales over the short term. As a result of the imbalance, the operating result (EBIT) fell by 22.0 percent to 4.6 million euros (Q3 2016/2017: 5.9 million euros) during the quarter under review. The EBIT margin amounted to 10.9 percent (Q3 2016/2017: 15.0 percent) and was therefore in line with expectations. The operating result before depreciation and amortization (EBITDA) came down by 8.1 percent to 5.7 million euros compared with the equivalent year-earlier period. The EBITDA margin was therefore 13.6 percent compared with 15.6 percent in the third quarter of 2016/2017. The bottom line shows earnings after income taxes falling back by 23.7 percent to 4.5 million euros (Q3 2016/2017: 5.9 million euros) in the third quarter of 2017/2018. Earnings per share went down by 25.0 percent to 0.12 euros (Q3 2016/2017: EUR 0.16).

**Asset situation**

The balance sheet total increased from 102.8 million euros to 144.1 million euros as at 30 June 2018 by comparison with the balance sheet date 30 September 2017. While non-current assets posted an increase from 51.9 million euros to 91.2 million euros particularly as a result of reporting intangible assets within the scope of preliminary purchase price allocations resulting from acquisitions of ICE Consultants Europe SL, Spain, Infront Consulting & Management GmbH, Germany, and Envoy Digital Ltd., United Kingdom, the rise in current assets from 50.9 million euros to 52.9 million euros was significantly lower.

**Financial position**

Equity decreased from 66.2 million euros as at 30 September 2017 to 65.0 million euros as at 30 June 2018. The equity ratio came down from 64.4 percent to 45.1 percent. Long-term borrowings increased from 4.6 million euros to 41.9 million euros. These included preliminary liabilities based on provisional calculations arising from the acquisitions of ICE Consultants Europe, SL, Infront Consulting & Management GmbH and Envoy Digital Ltd. Short-term borrowings rose – also primarily driven by liabilities arising from the above acquisitions – from 32.1 million euros to 37.1 million euros. Of these, current financial liabilities to banks amounted to 8.0 million euros. There were no financial liabilities on the balance sheet date 30 September 2017. Cash and cash equivalents increased from 6.7 million euros to 7.8 million euros due to a number of factors including the increase in current financial liabilities.
Events after the end of the reporting period
No 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 adjusted forecast at the half year for the current business year 2017/2018 with projected sales of 160 – 170 million euros and EBIT of 16 to 20 million euros. The projected figures include sales and earnings contributions from ICE Consultants Europe Sl, Barcelona, Spain, consolidated since 2 October 2017, from Infront Consulting & Management GmbH, Hamburg, Germany, acquired with effect from the beginning of the year 2018, and from Envoy Digital Limited, London, United Kingdom, taken over on 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 interim release and does not assume any liability in this respect.

Unterföhring, 10 August 2018

KPS AG
The Executive Board

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About KPS
KPS is Europe’s leading transformation consultancy for companies who want to radically focus on the customer and realign their business processes and technologies accordingly. KPS delivers everything from a single source: strategy consulting, industry-specific process chains as well as the implementation of the latest technologies. KPS is one of the few consulting partners who advise their clients end-to-end and integrate ERP, B2B and B2C commerce with Marketing & Sales processes. Especially in a digital world, the capability to execute projects faster is a clear and significant competitive advantage: The KPS Rapid-Transformation® methodology accelerates projects by up to 50 percent. With around 1000 consultants in 12 countries, KPS continues to expand its market position by delivering successful digital and technological transformation projects.