

GROUP

Quarterly Release

KPS

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KPS – Quarterly Release as at 30 June 2019

KPS publishes figures on the 3rd quarter 2018/2019 – Robust sales growth and confirmation of the forecast for the business year 2018/2019

KPS AG in the 3rd quarter of 2018/2019

Overview of indicators in accordance with IFRS

In million euros	3rd quarter 2018/2019	3rd quarter 2017/2018	+/-
Revenues	44.8	41.9	+6.9 %
EBITDA	5.4	5.7	-5.3 %
Operating result (EBIT)	4.5	4.6	-2.2 %
Financial result	-0.1	-0.1	0.0
Earnings before income taxes	4.4	4.5	-2.2 %
Income taxes *	-1.5	-1.6	+6.3 %
Earnings after income taxes	2.9	2.9	0.0 %
Earnings per share (in euros)	0.08	0.08	0.00
	9M 2018/2019	9M 2017/2018	+/-
Revenues	136.0	130.3	+4.4 %
EBITDA	18.7	15.1	+23.8 %
Operating result (EBIT)	16.0	12.1	+32.2 %
Financial result	-0.2	-0.1	-0.1
Earnings before income taxes	15.8	12.0	+31.7 %
Income taxes *	-5.5	-4.3	-27.9 %
Earnings after income taxes	10.3	7.7	+33.8 %
Earnings per share (in euros)	0.28	0.21	+0.07

- * For purposes of comparison, the tax charge for the year-earlier comparative period was recalculated on the basis of the tax rate for the annual financial statements 2017/2018. The tax rate for the half-year report as at 31.03.2018 was used to calculate the tax charge for the 3rd quarter of 2018/2019.

Business performance

KPS with robust growth rate in the 3rd quarter of 2018/2019

In the third quarter of 2018/2019, KPS AG succeeded in increasing sales by 6.9 % to 44.8 million euros and developed in accordance with the expectations of the Executive Board. The company achieved this on the back of a good mix of projects and customers. Firstly, a number of projects acquired by KPS last year are in mature phases with strong sales. Secondly, three high-volume projects were acquired in the previous quarter. In addition, KPS was able to further reduce its dependence on individual major customers.

In the third quarter, EBITDA at 5.4 million euros was 5.3 % below the result for the equivalent year-earlier period owing to one-off effects. Consequently, the EBITDA margin came down to 12.1 % (equivalent year-earlier quarter: 13.6 %). The key one-off effects resulted from the positive development of the acquired companies ICE Consultants Europe S.L. and Infront Consulting & Management GmbH. Both companies developed even better than expected. KPS therefore had to increase the earn-out obligations for the two companies. In the previous quarter, this led to a one-off, non-cash effective additional expense amounting to 1.2 million euros. Without this obligation, the adjusted EBITDA would have been 6.6 million euros and this would have been equivalent to growth of 15.8 %.

By comparison with the year-earlier quarter, EBIT was virtually unchanged (4.5 million euros compared with 4.6 million euros) on account of reduced expense for depreciation and amortization. Earnings after income taxes (2.9 million euros) and earnings per share (0.08 euros) were at the year-earlier level.

Strong EBITDA growth of 23.8 % in the first nine months of 2018/2019

On the back of organic growth and the positive development of the subsidiary companies Infront Consulting & Management GmbH and Envoy Digital Limited acquired in the first half-year of 2017/2018, EBITDA increased by 23.8 % to 18.7 million euros (margin: 13.8 %) in the first nine months of the business year 2018/19. This means that KPS AG continues to be on course to generate a Group EBITDA within the forecast corridor of 22 million euros to 27 million euros in the business year 2018/2019.

Prestigious awards relevant for the sector conferred once again

During the course of the third quarter, KPS AG once again received an array of prestigious awards relevant for the sector. These accolades are the result of outstanding work by all employees. The business magazine brand eins joined together with the statista statistics portal and bestowed several leading positions on KPS in their rankings of consulting companies for the sixth time in succession. KPS was ranked as the best consultant for consumer goods and retail, and for IT strategy and IT implementation. In addition, KPS took the top spot as the best consultant in the category Internet & E-

Commerce for the first time. Infront Consulting & Management GmbH, which was acquired last year, gained recognition as the best company for strategic development and digitalization.

Moreover, a ranking among the Top 10 German management consultancies was once again achieved: KPS took 8th place in the prestigious list of Lünendonk market researchers. At the end of June 2019, the most innovative companies among German small and mid-sized enterprises were selected for the TOP 100 ranking. Once again, KPS AG was placed among these innovation leaders. Furthermore, FOCUS MONEY bestowed the award of “The Most Customer-friendly App” on the “My Innogy” service app developed by KPS together with Innogy for the third time in succession in the energy utility sector.

Results of operations, financial position, and asset situation

Results of operations

KPS AG was able to achieve increases in sales during the 3rd quarter of 2018/2019. Earnings for the period were at the level of the previous year and correspond to the planning for the current business year. On the basis of the unaudited IFRS Group figures, KPS increased sales by 6.9 % to € 44.8 million euros (Q3 2017/2018: 41.9 million euros) compared with the 3rd quarter of 2017/2018. As a result of the very good performance of ICE Consultants Europe S.L. and Infront Consulting & Management GmbH, the earn-out obligation once again had to be adjusted upwards in the current quarter by 1.2 million euros. Another expense amounting to 0.2 million euros resulted on the basis of the changed measurement method in accordance with IFRS 9 for the trade receivables in the reporting quarter. Consequently, the operating result (EBITDA) fell by 5.3 % to 5.4 million euros (Q3 2017/2018: 5.7 million euros) in the reporting quarter. The EBITDA margin was 12.1 % (Q3 2017/2018: 13.6 %) and was therefore in line with expectations. The bottom line showed earnings after income taxes in the 3rd quarter of 2018/2019 amounting to 2.9 million euros at the year-earlier level (Q3 2017/2018: 2.9 million euros). Earnings per share of 0.08 euros (Q3 2017/2018: 0.08 euros) were generated.

Asset situation

The balance sheet total decreased slightly from 139.9 million euros to 138.0 million euros as at 30 June 2019 by comparison with the balance sheet date 30 September 2018. Non-current assets fell back by 1.1 million euros from 85.2 million euros to 84.1 million euros particularly as a result of amortization of intangible assets which were capitalized following the acquisitions of ICE Consultants Europe, SL, Spain, Infront Consulting & Management GmbH and Envoy Digital Ltd., United Kingdom. As at 30 June, current assets were 0.7 million euros lower than on the balance sheet date 30 September. This is mainly due to the decline in liquid assets as a result of the dividend payment for the past business year.

Financial position

Equity decreased from 65.1 million euros as at 30 September 2018 to 62.3 million euros as at 30 June 2019. The equity ratio came down from 46.5 % to 45.1 %. Long-term borrowings increased from 28.0

million euros to 30.1 million euros. Short-term borrowings came down from 46.8 million euros to 45.6 million euros. Of these, current financial liabilities to banks amounted to 10.3 million euros. Current liabilities amounting to 8.8 million euros were reported on the balance sheet date 30 June 2019. Cash and cash equivalents decreased from 9.1 million euros to 5.4 million euros due to a number of factors including the dividend payment in March 2019.

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 2017/2018. Detailed information on the risk management system and the risk situation of the KPS Group is included in the Annual Report 2017/2018 from page 72.

Outlook 2018/2019

Sales and EBITDA forecast confirmed

The Executive Board and the management of KPS AG continue to assume stable growth and confirm their forecast given in January 2019 for the business year 2018/2019. A modest increase in sales to between 170 and 180 million euros is expected alongside a significant increase in EBITDA to an amount within the corridor between 22 million and 27 million euros. The Supervisory Board and the Executive Board of KPS AG are maintaining their strategy of driving forward innovation, industrialization and 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, 29 July 2019

KPS AG

The Executive Board

Investor Relations Contact

KPS AG

Beta-Strasse 10H, 85774 Unterföhring

Tel.: +49 (0) 89 356 31-0, Fax: +49 (0) 89 356 31-3300, Email: ir@kps.com

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 %. With 1,100 consultants at 14 locations in 9 countries, KPS keeps successfully expanding its market position by delivering successful digital and technological transformation projects.