KPS

ANNUAL REPORT

23/24

OVERVIEW OF THE CONSOLIDATED RESULTS

in EUR million	**2023/2024**	**2022/2023**
Group sales	145.4	177.8
EBITDA	6.0	7.8
EBIT	-17.8	0.0
Group earnings	-23.4	-1.2
Earnings per share (in EUR)	-0.57	-0.03
Cash and cash equivalents	12.1	6.9
Financial liabilities	31.1	30.4

TO THE SHAREHOLDER

23/24

THE CEO OF KPS

Ladies and Gentlemen, Dear Shareholders,

Since financial year 2022/2023, the retail industry in particular has been affected by a pronounced weakness in investment in large-volume digitalisation and transformation projects. Accounting for around 70% of sales, retail remains the most important industry for KPS Group. We were therefore unable to escape this weak market trend. Two insolvencies at important customers of our Group emphasise the challenging environment in the retail industry. The main reasons for this are the weak economic situation in KPS' most important sales markets, the geopolitical uncertainties triggered by the war in Ukraine and, in particular, the structural challenges companies in the retail industry are facing.

The past financial year 2023/2024 was once again characterised by these diverse challenges. Revenues fell again by 18%, while the consolidated result was negative at EUR 23.4 million, even though a large part of this (EUR 17.8 million) was due to extraordinary, non-cash amortisation of goodwill.

We have responded appropriately to these challenges. We have reduced the use of external service providers, adjusted our headcount to the current project volume and reduced our costs of materials. This has enabled us to reduce our costs by a total of EUR 27 million, EUR 9 million of which was in the area of personnel alone.

We have strategically realigned our sales organisation. Our goal is to increase the number of projects with small and medium batch sizes so that we can reduce our dependence on large transformation projects. At the same time, we are endeavouring to increase the share of sales revenues generated outside the retail industry so we can achieve a better mix across different industries.

We are convinced that our measures will stabilise the business situation and return KPS Group to a growth trajectory. Nevertheless, we continue to anticipate a challenging environment in financial year 2024/2025, as the willingness to invest is likely to remain weak in the current situation in KPS's core markets. We estimate that revenues will develop from EUR 145.4 million in financial year 2023/2024 to a corridor between EUR 129.5 million and EUR 151.5 million. We expect the Group's EBITDA to be between EUR 10.2 million and EUR 14.9 million.

I would like to thank all our employees for their tireless efforts, our customers for their trustful cooperation and our shareholders for their loyalty.

In January, 2025

Leonardo Musso

THE KPS SUPERVISORY BOARD

Dear Shareholders,

In this report, the Supervisory Board provides information on its activities in financial year 2022/2023, discussing in particular the ongoing dialogue with the Executive Board, the main topics for discussion at the meetings of the Supervisory Board and the audit of the Annual and Consolidated Financial Statements.

In the past year, the Supervisory Board performed the tasks incumbent upon it in accordance with the law and the Articles of Association with great commitment. In the past financial year, it dealt intensively with the situation and prospects of the company as well as various special issues at the ordinary Supervisory Board meetings and during many informal meetings with the Executive Board and other members of management and employees. The Executive Board’s management of the company was monitored conscientiously on a regular basis. In addition, the Executive Board was advised on the strategic development of the company and on decisions regarding significant individual measures. The monthly reports of the Executive Board, the regular working meetings of the Audit Committee in collaboration with the Finance Director and regular personal and telephone meetings formed the basis for monitoring developments and providing advice.

The Supervisory Board’s basic and regular focus topics included the ongoing review of the market and how the company’s business was developing and the various consulting segments, the rolling planning for the company, its finances and investment planning, the risk situation, the company’s risk control system and Executive Board matters. The past financial year was characterised by considerable challenges, particularly due to the negative developments in the German market, which continued to necessitate extensive restructuring measures. These challenges included the insolvencies of some of our major customers, which required additional measures and close monitoring of the situation. In this dynamic phase, the Supervisory Board performed its role intensively and provided close guidance in order to support the strategic direction and make the necessary decisions. Continuous analysis of business developments and forward-looking management continued to be the guiding principles for coping with the effects of these difficult conditions. As Chairman of the Supervisory Board, I would like to take this opportunity to thank all members of the Supervisory Board, the Executive Board, our managers and, last foremost, our employees for their extraordinary commitment in mastering this challenging situation!

Over the course of financial year 2022/2023, the Executive Board informed the Supervisory Board regularly, promptly and comprehensively about issues of relevance to the company relating to planning, development of the business, the risk situation, strategic measures and important business transactions and projects. The reports on the individual segments were prepared and reviewed by the Supervisory Board in advance of the respective Supervisory Board meetings. Any deviations in the course of business from the established plans and targets were explained to the Supervisory Board, stating the reasons, and discussed by the Supervisory Board. Deviations in the course of business included, in particular, the measures taken to deal with further waves of the coronavirus. The Supervisory Board always had sufficient opportunity to critically review the reports and draft resolutions submitted by the Executive Board and convince itself of the legality, expediency, and correctness of how the business was managed.

Important measures by the Executive Board were only taken after discussing them with and gaining the approval of the Supervisory Board. The Executive Board was also in regular contact with the Chairman of the Supervisory Board outside of Supervisory Board meetings and always informed him immediately of the latest developments in the business situation and significant business transactions.

In addition to many informal meetings, phone calls and video conferences, the Supervisory Board convened for 18 official meetings in financial year 2023/2024. Some of the Supervisory Board meetings were held in the form of video conferences. The performance of the past periods and the current state of business were discussed at each of the meetings; the measures taken by the respective updated development of business areas with plan deviations were discussed in detail, as were the opportunities for development in the various segments.

At the meeting held on 8 November 2023, a circular resolution was passed to commission Mr Hans-Werner Hartmann, a member of the Supervisory Board, to identify EU funding programmes with a mandate volume of 10 days.

On 13 November 2023, the auditors discussed the audit process and the key areas for the audit for financial year 2022/2023.

At the meeting that took place on 29 November 2023, the status of planning was analysed, including the respective parameters, framework conditions and measures for financial year 2023/2024. The planning was unanimously approved.

On 6 December 2023, the Supervisory Board passed a circular resolution instructing the Executive Board to adjust the transfer pricing model in Germany, Denmark, the Netherlands and Switzerland.

The status of the Annual Financial Statements was discussed in a meeting with the auditors on 18 December 2023.

At the meeting held on 18 January 2024, the auditors presented the progress of their work in connection with the Annual Financial Statements. Furthermore, the Declaration of Conformity with the German Corporate Governance Code was reviewed and approved, and a resolution was passed to determine the bonus and profit-sharing payment for the Executive Board for the past financial years since 2021/2022 in accordance with the current remuneration system.

On 25 January 2025, a meeting was held in response to the development of the economic situation of the KaDeWe Group, one of KPS's major customers. The Executive Board was instructed to initiate appropriate measures to ensure that liquidity was secured on an ongoing basis. The status of the 2022/2023 audit was discussed with the auditors again on 26 January 2024.

The announcement of the planned insolvency of KaDeWe and its effects were discussed at the meeting on 29 January 2024. In response to the insolvency, the shareholder loan was approved on 5 February 2024 as part of the measures already taken to secure liquidity.

The auditors presented the results of the audit at the meeting held on 6 March 2024. The Supervisory Board approved both the Annual and the Consolidated Financial Statements.

The resolution to increase the share capital against cash contributions to up to EUR 41,153,300.00 was passed at the meeting on 7 March 2024 and was deemed to have been carried out and submitted to the commercial register for entry on 11 March 2024.

The meeting held to prepare the Annual General Meeting took place on 21 March 2024. The invitation and the accompanying draft resolutions were approved on 25 March 2024.

Mr Michael Tsifidaris was unanimously elected Chairman of the Supervisory Board and Hans-Werner Hartmann was unanimously elected Deputy Chairman of the Supervisory Board on 10 May 2024. Moreover, a resolution was passed to authorise the Executive Board to commission Baker Tilly to conduct an SAP migration audit of the companies in Spain, Belgium and the United Kingdom, as these companies have been migrated to SAP HANA and the audit is considered a separate service. Other topics such as the Group structure in the context of business planning were then discussed.

The meeting on 3 July 2024 dealt with the monthly results for April and May 2024 and the current state of the business and economic development. Furthermore, resolutions were passed on the liquidation of KPS Strategie-, Prozess- und IT-Consulting GmbH, Vienna, Austria, and on the date for the next Annual General Meeting.

At the last Supervisory Board meeting in financial year 2023/2024, the Chief Financial Officer presented the preliminary results of the financial statements for the third quarter as of 30 June 2024 that were discussed in detail by the Supervisory Board. The discussions focused on the development of sales, earnings expectations and the financial situation of KPS Group. The Chief Financial Officer also presented an overview of short-term and medium-term liquidity planning.

The members of the Supervisory Board are responsible for taking the necessary training and professional development measures for their tasks. They receive appropriate support from the company in doing so.

Self-assessment:

The Supervisory Board regularly reviews how effectively it carries out its functions. The self-assessment focuses in particular on the procedural processes in the Supervisory Board and the information flow between the Supervisory Board and the Executive Board, and the prompt delivery of information with appropriate content to the Supervisory Board. In view of the size of the company and the smooth information flows between the Supervisory Board and the Executive Board, the self-assessment was carried out without any external advisers. The review arrived at a positive result as was also the case in the previous year.

Corporate Governance:

The requirements of the German Corporate Governance Code constituted another important matter. The Executive Board and the Supervisory Board decided to adopt the recommendations of the German Corporate Governance Code with various exceptions that are related to the size of the company. The Executive Board and the Supervisory Board regard the Code as an important step towards transparency, Corporate Governance, and control. As at the reporting date, there were no indications in any material respects that the internal controls and risk management system were inappropriate or ineffective as a whole. On 18 January 2024, the Supervisory Board devoted time to the regular discussion of the topic of Corporate Governance and passed a resolution on the new joint Declaration of Compliance of the Supervisory Board and the Executive Board for the year 2025 pursuant to Article 161 of the Stock Corporation Act (AktG). This will be published permanently on the Internet pages of the company together with the old Declaration of Compliance. One of the exceptions to the Corporate Governance Code includes the fact that the Supervisory Board does not form separate committees because of its size.

Composition of the Supervisory Board:

The following persons were members of the Supervisory Board for the entire financial year 2023/2024:

Mr Michael Tsifidaris (Chairman), Hamburg, Management Consultant, Authorised Signatory of KPS Transformation GmbH, Unterföhring

Mr Uwe Grünewald, (until May 2024), Münster, Management Consultant, Authorised Signatory of KPS Transformation GmbH, Unterföhring

Mr Josef Richter (from May 2024), Badia Blava, Spain, retired Management Consultant

Mr Hans-Werner Hartmann (Deputy Chairman), Grassau-Mietenkam, Attorney

There was a change in the composition of the Supervisory Board during the reporting period. Mr. Uwe Grünewald, a long-standing member of the Supervisory Board, left the Board and Mr. Josef Richter was newly elected. The election of Mr. Richter, a former longstanding executive at KPS, helps to maintain the comprehensive expertise of the Board and to ensure that the tasks and duties of the Supervisory Board are performed at a high level on an ongoing basis. We would like to take this opportunity to thank Mr. Grünewald for his outstanding services as a founding member, long-standing member of the Executive

Board and later Supervisory Board member of KPS AG! I wish him happiness and good health in the next stage of his life! Mr. Richter was immediately supported during his inauguration and received all the necessary information about the structure, strategy and governance of the Group

Mr Hans-Werner Hartmann is a member of the Supervisory Board who has expertise in the areas of accounting and auditing in accordance with Section 100, paragraph 5, of the German Stock Corporation Act (AktG). He was elected Chairman of the Audit Committee until the election of the next Supervisory Board. The members of the Supervisory Board as a whole are familiar with the industry the company is active in.

In the opinion of the Supervisory Board, one independent shareholder representative on the Supervisory Board is appropriate pursuant to Recommendation C.6 of the German Corporate Governance Code. Mr Hans-Werner Hartmann is the independent representative of the shareholders on the Supervisory Board.

Review of possible conflicts of interest:

The members of the Executive Board and the Supervisory Board must disclose any conflicts of interest to the Supervisory Board. However, no such conflicts of interest occurred in the year under review.

Annual and Consolidated Financial Statements for 2023/2024:

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Munich, the firm elected auditor of the Annual and the Consolidated Financial Statements by the Annual General Meeting on 10 May 2024, audited the accounting, the Annual Financial Statements of KPS AG and the Consolidated Financial Statements including the combined Management Reports for financial year 2023/2024 and in each case issued an unqualified audit opinion. There are no doubts as to the independence of the auditor; the auditor issued the required Declaration of Independence. The requirements of the German Corporate Governance Code regarding the contractual relationship between the company and the auditor have been met. The auditor reported on the results of the audit in detail; the complete Annual Financial Statements of the Group and all subsidiaries as well as the report on the audit of the Consolidated Financial Statements and the audit of the individual financial statements of KPS AG were available. The auditor was also there to answer any further questions.

The documents to be audited and the auditor’s audit reports were submitted promptly to the members of the Supervisory Board. The auditor attended the Supervisory Board’s balance sheet meeting on 27 January 2025 and reported on the key findings and focal points of the audit. The Supervisory Board took note of and concurred with the auditor’s reports. The result of our own (random sampling) audit carried out on a random basis is in accordance with to the result of the audit. The Supervisory Board had no reason to raise any objections to the management or the financial statements submitted.

We concur with the results of the audit. Following the final result of our detailed examination and discussion with the auditor, no objections are to be raised. The Supervisory Board approved the Annual Financial Statements of KPS AG and the Consolidated Financial Statements prepared by the Executive Board, including the combined Management Report, on 27 January 2025. The Annual Financial Statements of KPS AG are thus adopted. The Report by the Supervisory Board for financial year 2023/2024 was also adopted.

The Supervisory Board would like to thank the Executive Board and all employees of the Group for their outstanding commitment under challenging market conditions during the past financial year.

The Supervisory Board

Michael Tsifidaris

Chairman of the Supervisory Board

KPS ON THE CAPITAL MARKET IN 2023/2024

Price performance in the reporting period (1 October 2023 to 30 September 2024)

The KPS AG share recorded a decline of 42.9% overall in financial year 2023/2024 (period from 1 October 2023 to 30 September 2024).

The KPS share started trading at EUR 1.47 on 2 October 2023 and reached its high of EUR 1.51 on 10 January 2024. The share reached Its low of EUR 0.80 on 7 August 2024. Finally, the share closed at EUR 0.84 at the end of the reporting period on 30 September 2024.

The average daily trading volume of the KPS share was 23,275 shares in the reporting period (previous year: 14,445 shares). On 30 September 2024, the market capitalisation of KPS AG was EUR 34.6 million on the basis of 41,153,300 shares in circulation.

Key data for the share of KPS AG

Sektor	Software (IT-Services)
ISIN	DE000A1A6V48
Securities Identification Number (WKN)	A1A6V4
Ticker symbol	KSC
First listing	14 July 1999
Number and type of shares	41,153,300.00 registered shares (without nominal value)
Capital stock	41,153,300.00 Euro
Stock exchanges	Frankfurt, Stuttgart, Hamburg, Berlin-Bremen, Duesseldorf and Munich, XETRA
Market segment	Regulated market
Transparency level	Prime Standard
Designated Sponsor	Hauck und Aufhaeuser Bank AG

Overview of the share (XETRA, Intraday)

Opening price (2 October 2023)	1,47 Euro
High (10 January 2024)	1,51 Euro
Low (7 August 2024)	0,80 Euro
Closing price (30 September 2024)	0,84 Euro
Trading volume (1 October 2023 to 30 September 2024, average trading volume)	23.275
Market capitalization (30 September 2024)	34,6 Mio. Euro

Shareholder structure

Information based on the voting rights notifications received in accordance with the Securities Trading Act, WpHG (status: 9 December 2022) and company information; Free float according to the definition of the German Stock Exchange with shares in the share capital of less than 5%.

The shareholder structure of KPS AG was as follows on 30 September 2024: The Chairman of the Supervisory Board, Michael Tsifidaris, held 29.1% of the shares in the company. The Supervisory Board member Uwe Grünewald held 9.8% of the share capital entitled to voting rights. Chief Executive Officer of KPS AG, Leonardo Musso, held 10.3% of the shares in the company. This means that 49.2% of the voting shares are held by the Executive Board and the Supervisory Board of KPS AG.

As of 30 September 2024, a private investor still held 7.6% of the voting rights. In addition. Accordingly, free float amounted to 43.2% of the shares.

Annual General Meeting relating to financial year 2022/2023

The ordinary Annual General Meeting of KPS AG on the company's performance in financial year 2022/2023 was held as a virtual event on 10 May 2024.

The shareholders approved the management's proposal for to suspend the dividend in order to take into account the developments in the current business situation. The consolidated result of the company, amounting to EUR 28.1 million as reported in the annual report, will be fully carried forward to new account. From the management's perspective, the suspension of the dividend is a necessary and consistent step in the interest of the company to preserve its liquidity reserves and credit lines.

Resolutions were also passed on the appointment of the auditor for the business year 2023/2024, the approval of the remuneration report and resolutions on the new authorized capital 2024 with the option to exclude subscription rights. All resolutions on the agenda were adopted at the Annual General Meeting with the required majority; details of the resolutions can be found in the invitation on the KPS Group's Annual General Meeting page at https://kps.com/de/de/company/investor-relations/general-meetings/2024.html.

Financial calendar

31.01.2025	Publication of the figures in the annual financial statements 2023/2024
13.02.2025	Publication of the figures for the 1st quarter 2024/2025
08.05.2025	Publication of the figures for the first half-year 2024/2025
30.05.2025	Ordinary Annual General Meeting in Munich / Unterföhring
31.07.2025	Publication of the figures for the third quarter 2024/2025

Analysts' research

The development of the KPS share was constantly analysed by Warburg Research during the period under review.

Investor Relations

As a company listed in the Prime Standard of the Frankfurt Stock Exchange, KPS AG complied with the highest standards for publicity and transparency of the Regulated Market under statutory regulations and stock exchange rules during financial year 2023/2024. The company published disclosures immediately to institutional investors, financial analysts, and private shareholders on the current development of the business and important events for the development of the company's share price.

Besides publishing financial reports and press releases in German and English, the capital market communication of KPS also included teleconferences for analysts in order to publicize quarterly, half-year and annual figures.

In addition, the management of KPS was and has remained in contact with the market participants and continues to strive to carry out further IR activities beyond the legal obligations.

Hauck & Aufhäuser Bank acts as the designated sponsor for the preparation of binding bid and offer prices for appropriate liquidity, and ensures the corresponding tradability of the KPS share.

Further information is available to interested investors in the Investor Relations section of the homepage at https://www.kps.com/de/de/company/investor-relations.html.

KPS

COMBINED MANAGEMENT REPORT

23/24

1. FUNDAMENTALS OF THE GROUP

1.1 Business model and methodological expertise

Companies are faced with the challenge of keeping pace with innovations, technological changes and changing customer behaviour at various levels and in many different areas. Progressing digitalisation is a key factor in this change.

In order to remain competitive, it is important to respond appropriately to digital and technological progress. It is equally crucial to address changing customer behaviour by adopting an individually tailored digitalisation strategy.

A proactive digitalisation strategy enables companies to actively manage the transformation process, integrate the changes profitably into the overall strategy and thus secure decisive competitive advantages.

A digitalisation strategy means developing an approach that holistically digitalises all key company and business processes and transforms the existing system landscape accordingly.

KPS specialises in advising its customers on strategy, process, application and technology issues relating to digital transformation, as well as supporting them during implementation. The company delivers holistic, industry-specific and turnkey solutions with products from standard software manufacturers such as SAP, Mirakl, Spryker Adobe and Intershop. KPS has developed industry-specific solutions in the form of platforms that can be deployed instantly in many cases.

KPS thus pursues an integrative, end-to-end or one-stop shop approach that covers the entire range of services along the value chain: traditional merchandise and branch management, finance, B2B and B2C commerce as well as digital customer management in marketing and sales.

In order to realise customer projects quickly and efficiently, KPS has developed its own project management method “KPS Rapid Transformation.” This method was further developed by KPS into the innovative “Instant Platform” approach. The basic idea behind this approach is that companies within an industry often require similar, standardised digital platforms in order to effectively digitalise their processes and business workflows.

Based on SAP solutions, KPS has therefore developed industry-specific, standardised platforms that are ready for immediate use and make the digitalisation of company processes much easier.

KPS’s methods and platform products are based on the core belief that digital transformation projects are most successful when many sub-tasks and sub-projects are started in parallel and simultaneously. The approach also enables transformation projects to be rolled out during ongoing operations without disrupting business operations.

Here, KPS relies on standardised software solutions from its technology partners, which are specifically adapted to the individual needs of customers. These customised solutions are provided in the form of integrated process chains.

A key advantage for customers is that media disruptions between strategy, processes and their implementation in the software solution are avoided. This reduces the complexity and risks of projects, shortens the project duration and increases the efficiency of the digital transformation.

1.2 Strategy

KPS’s strategy is based on the three mainstays of internationalisation, innovation, and industrialisation. In recent years, KPS has significantly expanded its international presence. Around half of Group sales are generated abroad.

The technology teams at KPS are continually engaging with the latest technological developments and analyse how these can be implemented by customers as efficiently as possible. The focus on innovation ensures that KPS is able to advise its customers on the basis of the latest technological standards.

The concept of industrialisation: KPS has developed turnkey, instantly deployable platforms for various industries. These platforms empower companies to put their digitalisation on the most advanced technological footing. The concept of industrialisation is based on the idea that companies within an industry require similar digitalisation solutions. The industry platforms for digital transformation provide companies with a product that integrates all processes end-to-end. At the same time, the platforms can be tailored to individual customer requirements and be adapted to meet specific customer demands.

In the world of classical consultancy, specific project teams are formed for each customer. Generally speaking, these teams develop and roll out solutions at the customer’s site. The individual modules of strategic advice, conceptual development, implementation, and handover are often commissioned from different management consulting firms. With its platform-based "Instant Transformation" approach, KPS follows its own approach, which is contrary to the classic approach. This involves innovative, standardised technological concepts and process chains being developed at the KPS Design Centres. They are then combined on the platforms so that the technologies can be used for a number of projects. The project runtimes can be shortened if existing process chains can be used. Furthermore, parts of the project can be realised on the premises of KPS instead of at the customer’s site.

It is also the declared strategic goal of KPS to significantly increase the proportion of sales with companies outside the retail sector in order to achieve better customer diversification and open up new growth areas.

1.3 Customer structure

KPS has a robust customer reference platform in the areas of fashion, food wholesale and retail, chemicals, pharmaceuticals, the furniture trade, sportswear, consumer goods, as well as the service sector and industry.

The customer portfolio also includes energy utilities and public sector companies, as well as industrial businesses and engineering companies in B2B business. In addition, KPS has strongly internationalised its customer structure in recent years.

1.4 Consulting and service portfolio

The most innovative solution will be a crucial factor in outperforming the competition in the future. A digital transformation and omnichannel strategy across the company already constitutes the enabler for successfully overcoming highly complex challenges.

A customised approach and business management in real time require a fundamental change in operational and cultural mind set across the entire organisation. In the global market for consultancy and service packages, the implementation of digital business models with innovative IT technologies is often vital to a company’s long-term success.

KPS Group advises its customers on strategic issues relating to digital transformation such as business model strategies and innovation ecosystems. When rolling out business transformation and implementation in companies, KPS delivers end-to-end process chains integrated on industry-specific digital platforms and tailored to the customer’s needs. These chains are implemented using the respective technologies. KPS also advises its customers on the necessary change management right from the start. In production operation, KPS assists its customers with application and site management, as well as support.

KPS relies on the in-depth knowledge, experience and industry background of its employees. In their work, KPS consultants and specialists take the international and technological needs of our customers into account.

KPS pursues an "end-to-end" approach, i.e. all important stages of the value chain are covered: Digital Strategy, Digital Customer Interaction, Digital Enterprise. In the area of Digital Strategy, we advise our customers on all aspects of strategic alignment. With our Digital Customer Interaction Services, we help companies improve their relationships with their end customers, gain market share and increase sales. The focus is particularly on improving the performance of the e-commerce shops: Greater reach, better customer conversion, increased customer satisfaction, higher sales. Digital Enterprise includes the complete range of services in the area of ERP and digital transformation of business processes.

1.5 Research and development

Research at KPS involves the analysis and documentation of customer-specific processes that result in End-to-End Use Cases that are cross-system. This does not constitute the development of programs or software in the narrower sense.

In the past, KPS invested primarily in the standardization of process routes, which were further developed into Use Cases. Active further development of Use Cases is currently only taking place as part of customer projects.

No development costs were capitalized in the financial year 2023/2024 (previous year: KEUR 35).

1.6 Group structure and branch offices

KPS AG is the legal parent company of KPS Group that operates in Germany and in European countries outside Germany through legally independent subsidiary companies. The registered office of KPS AG is located in Unterföhring. Important subsidiaries are located in Barcelona (Spain), Copenhagen (Denmark), Norway (Oslo), Stockholm (Sweden), London (United Kingdom), Utrecht (Netherlands) and Antwerp (Belgium).

The Executive Board of KPS AG is responsible for the independent leadership of the company. The Supervisory Board appoints, monitors and advises the Executive Board, and is strongly integrated into decisions that are of fundamental importance to the company.

There were no changes to the Group structure in financial year 2023/2024.

1.7 Location and employees

KPS requires a high level of professional qualification and ongoing training for all employees. KPS also applies these standards when hiring new employees. The key guiding principles are an optimal customer-centric approach, exceptional performance and commitment, safeguarding and improving KPS quality standards and a positive working environment.

On 30 September 2024, KPS Group had a total of 577 employees (previous year: 682). The number of employees therefore decreased by 105 employees in financial year 2023/2024 compared to the balance sheet date, 30 September 2023. KPS employs 365 (previous year 450) people in Germany. This is equivalent to a share of 63.3 % (previous year: 66.0 %) in the Group overall.

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

Employees of KPS Group

	30.09.2024	30.09.2023	Change
Employees by region			
Germany	365	450	-85
Spain	87	95	-8
United Kingdom	86	84	2
Denmark	13	19	-6
Switzerland	2	4	-2
Austria	0	3	-3
Sweden	3	3	0
Netherlands	6	6	0
Norway	3	4	-1
Belgium	12	14	-2
Total	577	682	-105
Employees by function			
Executive Board	1	1	0
Managing Directions	10	10	0
Consultants	453	558	-105
Administration	106	103	3
Apprentices	7	10	-3
Total	577	682	-105

Besides the Managing Directors listed above, the member of the Executive Board of KPS AG, Mr. Leonardo Musso, also holds positions as Managing Director (of 12 additional companies in total). As of 30 September 2024, 11 people were employed as Managing Directors in KPS Group.

1.8 Group controlling system

A monitoring and controlling system is in place at KPS Group that is aimed at increasing the value of the entire Group. Targets are derived from the system and defined for the individual segments and the Group company. Controlling is managed at the Group level and implemented via the segments down to the individual profit centre levels. Periodic controlling is carried out on the basis of the international accounting and valuation principles.

2. ECONOMIC REPORT OF KPS GROUP

2.1 Macroeconomic development

Comments on the sections concerning macroeconomic development:

When the Annual Report was prepared for the period 1 October 2023 to 30 September 2024, reference was made exclusively to business and economic reports that were published up to and including October 2024. Accordingly, possible effects, political measures and increasing uncertainties, for example due to new developments in the economy and the geopolitical situation, are not taken into account in the following sections.

2.1.1 Development of the global economy

Inflation under control and global growth at a stable level

In its October 2024 publication, "World Economic Outlook, Policy Pivot, Rising Threats," the International Monetary Fund (IMF) concludes that inflation has been successfully combated.[1]

After peaking at 9.4% in the third quarter of 2022, the IMF expects global inflation to reach 3.5% by the end of 2024. Global inflation would thus fall below the level seen in the years 2000 to 2019.[2] Looking at the annual averages, it is assumed that global inflation will fall from an annual average of 6.7% in 2023 to an annual average of 5.8% in 2024 and 4.3% in 2025.[3]

The restrictive course taken by central banks to curb inflation did not trigger a global recession. Instead, global economic growth in 2024 is expected to remain virtually constant compared to 2023 at a rate of 3.2%.[4] The US is expected to continue its robust economic growth of 2.8%, while the IMF is forecasting growth of 7.0% for India. Growth in the eurozone is weak at 0.8%. China continues to be characterised by the property crisis and is burdened by consumer restraint.[5]

According to the IMF, the following factors in particular pose risks to global growth: a possible further escalation in regional conflicts, the risk that central bank policies will remain restrictive for too long, a possible return of volatile financial markets with negative effects on the bond markets, a deterioration in the Chinese economy and an increase in trade conflicts. [6]

2.1.2 Development in Europe

Economic recovery in Europe characterised by low growth

The IMF expects a slight economic recovery for the eurozone in 2024 and forecasts low economic growth of 0.8%. Germany and Italy in particular are burdened by weak industrial production. [7]

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1 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, Foreword, xii
2 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, Foreword, xii
3 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, S.13
4 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, Foreword, xii; S. 10
5 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, Foreword, xii; Executive Summary xiv, S. 10
6 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, Foreword, xii

7 International Monetary Fund (IMF), World Economic Outlook, October 2024, Policy Pivot, Rising Threats, p. 12i

In its autumn 2024 study, the Kiel Institute for the World Economy (IfW) forecasts GDP growth of 0.9% for the eurozone.[8] The IfW concludes that economic development in the individual countries varies and is divided. According to the IfW, there has been a clear difference in expansion rates between the economies in Central Europe and those in the southern eurozone since mid-2021. The economies in Italy, Spain, Greece and Portugal have recovered quickly from the downward momentum triggered by the pandemic. On the other hand, the German economy has stagnated. The IfW believes that the main reasons for this are the differing importance of industry and trade in goods for the gross domestic product and the volume of European subsidies.[9]

2.1.3 Development in Germany

Economic momentum remained weak in 2024

In their autumn report, the participating institutes of the Joint Economic Forecast expect the gross domestic product to fall by 0.1%.[10] This means the German economy has been treading water for over two years and will not be able to build on the trend from before the COVID-19 pandemic. The institutes blame structural change in the manufacturing industry, digitalisation, decarbonisation, demographic change and competition with companies from China, which is squeezing out German exports on the global markets, in particular.[11] Energy-intensive industries are also suffering from the rise in energy costs. [12]

Production potential has been revised downwards several times since the pandemic. According to the institutes' estimates, production potential in 2024 is likely to be nearly four per cent lower than forecast in 2019. In addition, gross value added in the manufacturing industry has stagnated since 2018, with production falling by 12% in the same period. This means the decline in production can still be compensated for by higher accompanying service volumes.[13]

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[8] IfW, Kiel, Economic Reports 21, Q3 2024, p. 22

[9] IfW, Kiel, Economic Reports 21, Q3 2024, p. 19

10 Joint Economic Forecast, German Economy in Upheaval - Weak Economy and Growth p. 10

11 Joint Economic Forecast, German Economy in Upheaval - Weak Economy and Growth p. 10

12 Joint Economic Forecast, German Economy in Upheaval - Weak Economy and Growth p. 12

13 Joint Economic Forecast, German economy in upheaval - weak economy and growth p. 32

2.2 Industry-related framework conditions

Consulting industry in a challenging market environment: BDU Business Climate Index falls for the second time in a row

In its business survey for the third quarter of 2024, the Association of German Management Consultants (BDU) observed a decline in the business climate index for the consulting sector for the second time in a row. The index fell by 3.1 points to 88.5, compared to 91.6 in the second quarter of 2024 and last year's high of 105.3 in the first quarter of 2023.[14]

Of the 370 consultancies surveyed, 71% were somewhat more cautious in their assessment of the current business situation. Based on the data collected, the BDU concludes that Germany is experiencing a structural economic crisis.[15]

The current crisis situation is causing companies to focus more on their own transformation processes and digitalisation. Based on the survey of the consultancies polled, IT consulting (+1.8% increase) and strategy consulting (+1.6%) are benefiting from this in particular. [16] However, the extent to which consulting companies can benefit from this development depends in particular on industry trends and the investment behavior of their end customers. The most important sector for KPS is still retail, which is affected by a pronounced lack of investment in large-volume digitalization and transformation projects. KPS can therefore only benefit to a limited extent from the positive market development for IT consulting and strategy consulting firms.

2.2.1 Positioning of KPS Group

Historically, KPS Group's focus and core expertise has been in the retail industry, i.e. food retailers, fashion companies, electronics chains, supermarket chains and companies in the consumer goods industry. In recent years, KPS has succeeded in steadily increasing the share of projects outside of retail.

A key driver of KPS Group's business activities is the increasing pressure on companies to innovate. In order to meet this pressure successfully, a high level of resources such as personnel, expertise and monetary means are required. Not every company can keep pace with this high level of dynamism. This is where KPS comes in as an IT consulting company to assist customers with the transformation process of business models into the digital world. Big data, omnichannel solutions, the cloud, e-commerce services and supply chain management are just some of the areas in which rapid and sustainable success can be achieved by seeking expert advice and implementing customised solutions.

2.3 Business performance

In this section, changes in percent are used in the textual descriptions to present and explain the developments of financial figures. The percentage change is based on the unit thousand euros (KEUR) in order to ensure a uniform presentation of percentage changes in financial figures at different points.

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14 Business Climate Index Consulting - October 2024, BDU press release, https://www.bdu.de/news/bdu-geschaeftsklimabefragung-september-2024-geschaeftsklima-im-consulting-entwickelt-sich parallel-zur-gesamtwirtschaft/

15 Business Climate Index Consulting - October 2024, BDU press release, https://www.bdu.de/news/bdu-geschaeftsklimabefragung-september-2024-geschaeftsklima-im-consulting-entwickelt-sich parallel-zur-gesamtwirtschaft/

16 Business Climate Index Consulting - October 2024, BDU press release, https://www.bdu.de/news/bdu-geschaeftsklimabefragung-september-2024-geschaeftsklima-im-consulting-entwickelt-sich parallel-zur-gesamtwirtschaft/

Challenging market environment: revision of expectations during financial year 2023/2024

KPS published its expectations for financial year 2023/2024 on 7 March 2024. At that time, the Executive Board forecast sales in the range of EUR 164 million to EUR 167 million for financial year 2023/2024 (2022/2023: EUR 177.8 million) and EBITDA of EUR 11.5 million to EUR 13.0 million (2022/2023: EUR 7.8 million). The forecast took negative effects from the insolvencies of The Body Shop and the KaDeWe Group totalling EUR 4.2 million into account.

On 23 July 2024, the Executive Board adjusted the forecast in light of the continuing weak demand in the retail industry. The forecast was therefore reduced and sales of EUR 143 million to EUR 149 million and EBITDA of EUR 5.4 million to EUR 5.7 million are now expected for financial year 2023/2024.

Development of equity at the Group level

On the day of publication of the Annual Report on 7 March 2024, the Executive Board resolved, with the approval of the Supervisory Board, to increase the share capital by offering 3,7412,100 new shares at an issue price of EUR 1.15, making partial use of authorised capital. The gross issue proceeds totalled EUR 4.3 million. The purpose of the capital increase was to strengthen equity. In contrast, equity was negatively impacted by impairment losses on goodwill in the amount of EUR 17.0 million. The main reason for this is the generally weak demand for IT projects in the retail industry.

As a result of these two effects, the Group’s equity fell from EUR 67.2 million as of 30 September 2023 to EUR 48.4 million as of 30 September 2024.

Sales development – financial year characterised by weak demand

In financial year 2023/2024, KPS Group recorded weaker overall demand for digitalisation and transformation projects in the retail industry than originally anticipated. This was due in particular to the weak economy in the core markets of KPS, consumer restraint and geopolitical tensions, which led to additional uncertainty and a reluctance to invest. Although incoming orders picked up in the second half of the year, this was not enough to compensate for the weak first half of the year. In addition, a large share of the newly acquired project volume will not be realised until financial year 2024/2025.

Based on the influencing factors described above, KPS generated sales of EUR 145 million in the reporting period, which corresponds to a year-on-year decline of 18.2% (2022/2023: EUR 178 million). The revised sales forecast (EUR 143 million to EUR 149 million) was thus achieved.

50% of sales generated in Germany

The most important Management Consulting and Transformation Consulting segment in strategic terms generated 92.1% (previous year: 94.4%) of sales. The System Integration segment generated 0.9% (previous year: 0.7%) of sales, while 7.0% (previous year: 4.9%) of sales came from business with products and licences.

Due to a challenging environment in the area of transformation and digitalisation projects, sales in Germany were down 17.4% from EUR 88.1 million to EUR 72.8 million. Sales abroad totalled EUR 72.6 million in the reporting period compared to EUR 89.7 million in financial year 2022/2023. Germany therefore accounted for 50.1% of sales (2022/2023: 49.6%).

Cost-cutting measures reduce negative effects on EBITDA

KPS has succeeded in reducing the main cost components (cost of materials, personnel expenses and other operating expenses) significantly by EUR 27.2 million to EUR 143.4 million (2022/2023: EUR 170.6 million) by implementing various measures. Capacity adjustments in the area of personnel and in the number of external service providers contributed significantly to the cost reductions. Material and travel expenses were also reduced. Without the insolvencies of The Body Shop and KaDeWe, which led to impairments totalling EUR 4.2 million, as well as non-recurring expenses for restructuring measures (EUR

2.6 million), the main expenses would have fallen even more sharply. In contrast, the reversal of provisions for purchase price payments totalling EUR 2.6 million had a positive effect on earnings.

Taking the significant effects described above into account, EBITDA in financial year 2023/2024 totalled EUR 6.0 million after EUR 7.8 million in the previous year. EBITDA for financial year 2022/2023 included impairments of EUR 4.2 million for the two insolvencies and restructuring expenses of EUR 2.6 million.

Adjusted EBITDA was EUR 10.2 million in the reporting period compared to EUR 13.1 million in financial year 2022/2023. Adjusted EBITDA is defined as EBITDA plus value adjustments for the insolvencies and restructuring expenses and less the reversal of provisions for purchase price payments.

EBIT

EBIT was EUR -17.8 million in the reporting period 2023/2024 after EUR 0.0 million in financial year 2022/2023. The decline is mainly due to impairment losses on goodwill in the amount of EUR 17.0 million.

2.4 Earnings position, capital structure and asset position of KPS Group

Overview of the earnings position, capital structure and asset position

in EUR million	2024/2023	2023/2022
Group sales	145.4	177.8
EBITDA	6.0	7.8
EBIT	-17.8	0.0
Group earnings	-23.4	-1.2
Earnings per share (in EUR)	-0.57	-0.03
Liquid funds	12.1	6.9
Financial liabilities	-31.1	-30.4

2.4.1 Earnings position

In the following sections, financial figures for the reporting period and other data are compared with the year-earlier period and the change is shown in percent. Calculation of the percentage change is always carried out in the unit thousand euros (KEUR), even when the financial figure is shown in EUR million, in order to ensure comparability in this document.

A weak economy in the European core markets of the KPS Group, geopolitical risks due to the war in Ukraine and structural challenges that companies are facing led to a marked reluctance to invest in digitalization and transformation projects. The uncertainties in connection with the political and economic course in Germany, which is by far the most important market for the Group with a 50 % share of sales, had an additional negative impact. As a result, Group revenue and Group EBITDA were weak. Group revenue fell by 18.2% to EUR 145.4 million and EBITDA fell by 22.7% to EUR 6.0 million.

Adjusted for the Impacting factors such as restructuring (EUR 2.6 million in 2023/2024), the insolvencies of the KaDeWe Group and The Body Shop Group (EUR 4.2 million in 2023/2024) and the reversal of liabilities for purchase price obligations (EUR 2.6 million in 2023/2024), adjusted EBITDA amounts to EUR 10.2 million (previous year: EUR 13.1 million)

EBIT fell from EUR 0.0 million in 2022/2023 to EUR -17.8 million in the reporting period 2023/2024. Adjusted EBITDA amounts to EUR 0.0 million. Adjusted EBIT represents the operating result (EBIT) before "M&A-related amortization".

Overview of the income statement

in KEUR	2023/2024	2022/2023
Revenues	145,415	177,774
Own work capitalized	0	35
Other operating income	4,002	611
Cost of materials	-50,843	-66,187
Personnel expenses	-72,762	-82,215
Other operating expenses	-19,772	-22,210
Operating result before depreciation and amortization (EBITDA)	6,041	7,808
Depreciation and amortization (M&A adjusted)*	-6,049	-6,575
Operating result (EBIT) adjusted	-8	1,233
Amortization and depreciation (M&A related)	-17,788	-1,199
Operating result (EBIT)	-17,796	34
Financial result	-2,667	-1,610
Earnings before income taxes**	-20,464	-1,576
Income tax	-2,907	330
Earnings after income taxes	-23,371	-1,246

* adjusted for amortization of assets disclosed as part of business combinations and customer relationships acquired (M&A-related)

** corresponds to the result from ordinary business activities

Revenue
Sales totalled EUR 145.4 million (previous year: EUR 177.8 million) in financial year 2023/2024. The decline in sales by 18.2% or EUR 32.4 million is mainly due to weak demand for transformation and digitalisation projects.

Own work capitalised
No own work was capitalised in financial year 2023/2024. Expenses of KEUR 35 were capitalised in the previous year. This mainly related to internally developed software.

Other operating income
Other operating income includes, in particular, income from the reversal of provisions and liabilities, income from subletting, cash discount ncoma and income from exchange rate differences.

Other operating income increased by EUR 3.4 million in the reporting period compared to the previous year and totalled EUR 4.0 million (previous year: EUR 0.6 million).

Cost of materials
Cost of materials decreased by 23.2% or EUR 15.4 million in the reporting period to EUR 50.8 million (previous year: EUR 66.2 million). The decline is due to the significant reduction in the use of external consultants. The cost of materials ratio (cost of materials as a ratio of revenue) was 35.0% (previous year: 37.2%).

Cost of materials mainly comprises purchased external services (service providers, freelancers) and purchased software/hardware.

Personnel expenses
In the 2023/2024reporting period, personnel expenses amounted to EUR 72.8 million and were therefore 11.5% lower by comparison with the year-earlier period (EUR 82.2 million). The sharp decline in personnel expenses is due to the adjustment of personnel capacities.

The personnel expense ratio (personnel expenses in relation to sales) increased from 46.2% in the previous year to 50.0% in the reporting period, as the decline in sales of -18.2% was significantly greater than the decline in personnel expenses of -11.5%.

Other operating expenses

Other operating expenses fell from 22.2 Mio. € in the same period of the previous year to EUR 19.8 million. They mainly include impairment losses on contract assets, non-project-related external services, travel and advertising expenses, legal and consulting costs and operating costs.

Depreciation and amortisation
Depreciation (depreciation on tangible and intangible assets as well as M&A-related depreciation) rose from EUR 7.8 million in the same period of the previous year to EUR 23.8 million in the reporting period.

This includes the effects from the application of IFRS 16 (“Leasing”) in the amount of EUR 4.7 million (previous year: EUR 4.9 million). M&A-related depreciation amounted to EUR -17.8 million (previous year: EUR 1.2 million) and is primarily attributable to impairment losses of EUR 17.0 million on goodwill in the Management Consulting/Transformation Consulting segment.

EBIT

EBIT fell from EUR 0.0 million in the previous year to EUR -17.8 million in financial year 2023/2024.

Adjusted EBIT (adjusted operating result), which represents the operating result (EBIT) before "depreciation and amortisation due to M&A," amounted to EUR 0.0 million in the reporting period (previous year: EUR 1.2 million).

Financial result
The Group's financial result was EUR -2.7 million (previous year: EUR -1.6 million). The negative financial result essentially resulted from the interest expenses for bank loans.

Income taxes
Income taxes of EUR -2.9 million (previous year: EUR 0.3 million) mainly include deferred tax expenses and income and current expenses for corporation tax, the solidarity surcharge and trade tax.

At -14.2%, the tax rate in financial year 2023/2024 is below the previous year's level (20.9%). The decrease in income taxes is mainly due to lower deferred tax income.

Earnings after income taxes
The consolidated net loss for the period was EUR -23.4 million (previous year: EUR -1.2 million).

2.4.2 Capital structure

The fundamental aim of financial management at KPS is to ensure the liquidity of the company at all times. It encompasses capital structure, cash and liquidity management.

As in the previous chapters, the financial figures for the capital structure are mainly presented in million euros. The percentage change in a financial figure and the ratio of two financial figures is calculated on the basis of thousands of euros to ensure comparability and rounding differences do not lead to different results.

As at the balance sheet date, there were current account, guarantee and money market liabilities of total credit lines amounting to EUR 30.8 million (joint and several liability to secure current account and money market credit lines). The joint and several liability is not expected to be utilized due to a positive earnings forecast and the associated ability to repay the loan liabilities. The parent company has undertaken for KPS Transformation GmbH, Unterföhring, KPS Consulting GmbH, Unterföhring, and Infront Consulting & Management GmbH, Hamburg, as part of the exemption in accordance with Section 264 (3) of the German Commercial Code (HGB) to assume responsibility for the entire obligations of these companies towards their creditors up to September 30, 2024. This obligation to assume liability is valid up to and including September 30, 2025.

Development of equity
Equity attributable to the shareholders of KPS amounted to EUR 48.4 million as of 30 September 2024 (previous year: EUR 67.2 million). The capital increase carried out in the 2023/2024 financial year led to an increase in subscribed capital of EUR 3.7 million. The premium of EUR 0.6 million was transferred to the capital reserve.

The development of equity is mainly due to an extraordinary write-down on intangible assets (goodwill of the Management Consulting/Transformation Consulting segment) in the amount of EUR 17.0 million. The main reason for the adjustment is the weak demand for large-volume transformation and strategy projects.

The equity ratio declined from 41.3% to 37.9% compared to the balance sheet date of the previous year. As of the reporting date 30 September 2024, total assets amounted to EUR 127.6 million (30 September 2023: EUR 162.7 million).

Development of liabilities

Non-current liabilities fell from EUR 25.2 million (reporting date: 30 September 2023) to EUR 18.4 million in the reporting period (reporting date: 30 September 2024). The decrease in non-current liabilities is due to lower lease liabilities as well as the cancellation of earn-out liabilities.

As of the reporting date 30 September 2024, non-current liabilities mainly consisted of long-term leasing liabilities (EUR 14.0 million), non-current deferred tax liabilities (EUR 1,7 million) and long-term financial liabilities (EUR 1.2 million). Non-current liabilities amounted to 14.3% of total assets (previous year: 15.5%) on the balance sheet date.

Trade payables decreased from EUR 9.6 million to EUR 6.9 million as of the reporting date.

Current liabilities declined by 13.5% year-on-year to EUR 60.8 million (previous year: 70.3 million). They corresponded to 47.6% of total assets (previous year: 43.2%) as of the reporting date 30 September 2024. The decrease is mainly due to lower other provisions, trade payables and other liabilities.

As of 30 September 2024, current financial liabilities remained unchanged at EUR 29.6 million (previous year: EUR 29.5 million).

Other provisions decreased by EUR 3.7 million, mainly due to lower personnel provisions as a result of the capacity reduction.

Other current liabilities declined from EUR 9.2 million to EUR 7.2 million. This development is mainly due to lower VAT liabilities and the payment of earn-out liabilities from the previous year.

Development of liquidity

Liquidity planning is adjusted and monitored constantly. Liquidity monitoring is being continuously strengthened and expanded. Luidity is managed centrally by the parent company KPS AG. In the financial year 2023/2024, the Group's liquidity was supported by additional debt and equity financing.

KPS Group had liquid funds (= cash and cash equivalents) of EUR 12.1 million (previous year: EUR 6.9 million) as of 30 September 2024.

To improve liquidity, a factoring agreement was signed for some companies in the KPS Group in the business year 2023/2024. This is genuine factoring in which the factor becomes the economic owner of the purchased receivable. The factoring with a total volume of EUR 13.0 million is subject to the trade receivables of the participating KPS companies. The factoring agreement can be terminated for the first time on March 31, 2026.

The financial liabilities amounted at 30 September 2024 EUR -31.1 million against EUR -30.4 million at 30 September 2023. The increase is mainly due to a loan of EUR 1.5 million taken out by a shareholder in the 2023/2024 financial year.

Cash flow from operating activities for the past financial year 2023/2024 was EUR 8.9 million compared to EUR 9.2 million the previous year and is significantly influenced by the operating result.

Cash flow from investing activities amounted to EUR -1.3 million (previous year: EUR -7.5 million). Significant cash outflows in the reporting period related to the acquisition of KPS Transformation B.V. (EUR 1.2 million) and investments in fixed assets (EUR 0.1 million). Purchase price payments of EUR 1.2 million were due in the 2023/2024 financial year (previous year: EUR 7.1 million).

Cash flow from financing activities was EUR -2.4 million in the past financial year (previous year: EUR -0.9 million) and resulted in particular from financial loans, including the associated interest payments, as well as the repayment of lease liabilities and proceeds from the capital increase.

2.4.3 Asset position

Asset position and capital structure of KPS Group (abbreviated version)

in KEUR	30.09.2024	30.09.2023
Non-current assets	87,748	112,021
Current assets	39,856	50,715
Total assets	127,604	162,736
Shareholders' equity	48,397	67,184
Non-current liabilities	18,398	25,220
Current liabilities	60,808	70,331
Total liabilities	79,207	95,551
Total shareholders' equity and liabilities	127,604	162,736

Development of assets

The figures reported in non-current assets amounted to EUR 87.7 million (previous year: EUR 112.0 million) as of the reporting date and corresponded to 68.8% of total assets (previous year: 68.8%).

This includes the goodwill from earlier acquisitions of KPS AG in the amount of EUR 52.3 million (previous year: EUR 69.3 million). The decrease by EUR 17.0 million compared to the reporting date 30 September 2023 is the result of an extraordinary impairment of goodwill in the Management Consulting/Transformation Consulting segment.

Property, plant and equipment and other intangible assets decreased mainly due to scheduled depreciation and amortization.

Right-of-use assets from leases decreased by EUR 4.2 million, in particular due to scheduled depreciation.

The capitalised deferred tax assets amounted to EUR 6.8 million (previous year: EUR 7.6 million) and essentially reflect the amount of the tax loss carryforwards of KPS AG, KPS Consulting GmbH, KPS Consulting A/S and KPS Transformation GmbH that are likely to be utilized. The decrease in capitalized deferred taxes is mainly based on worsened the earnings forecast of KPS B.V. and KPS Consulting A/S.

Current assets decreased by EUR 10.9 million to EUR 39.9 million as of 30 September 2024, driven by the reduction in trade receivables and contract assets from EUR 36.6 million to EUR 21.8 million. Part of this reduction is due to the impairment of contract assets against KaDeWe as a result of the insolvency proceeding announced in January 2024. The factoring newly introduced in the 2023/2024 financial year and the reduced business volume also have an impact here.

Cash and cash equivalents increased by EUR 5.2 million. Compared to the previous year, this was due in particular to lower cash outflows from investing activities. This was offset by lower cash inflows from operating activities and higher cash outflows from financing activities.

Development of liabilities

Non-current liabilities decreased from EUR 25.2 million by EUR 6.8 million to EUR 18.4 as at 30 September 2024. The development of non-current lease liabilities contributed significantly to this decline. These liabilities were mainly reduced by reclassification to current lease liabilities. As at the reporting date of 30 September 2024, contingent purchase price obligations of EUR 2.6 million in connection with the acquisition of all shares in KPS Transformation B.V. were cancelled and amounted to EUR 0.0 million (previous year: EUR 2.6 million).

Current liabilities amount to EUR 60.8 and are EUR 9.5 million lower than in the previous year and corresponded to 47.7 % of the balance sheet total. The main reason for this development is the reduction in trade payables, other provisions and other liabilities.

2.4.4 Appropriation of earnings

Earnings after taxes for the reporting period amounted to EUR -23.4 million (previous year: EUR -1.2 million). The Executive Board and Supervisory Board propose that the net retained profits for financial year 2023/2024 be carried forward to new account.

2.5 Earnings, financial and asset position of KPS AG

2.5.1 Earnings position

In financial year2023/2024, the business activity of KPS AG comprised the functions of a holding company, as was the case in the previous year. Within this framework, management, monitoring and administrative activities, as well as controlling and finance were carried out for the operating units of the KPS Group. The costs incurred by KPS AG are passed on with different mark-ups: The salary expenses of the Executive Board are calculated with a 10% profit mark-up, while other personnel expenses are calculated with a 5% profit mark-up. In accordance with paragraph 7.34 of the OECD Guidelines, no surcharge is levied on transactions where the parent company does not add value but merely passes on the related costs. Sales revenue decreased by KEUR 2,132 compared to the same period last year. Declining intra-Group sales are offset by higher sales from the subletting of office space.

Other operating income rose significantly compared to the previous year (previous year: KEUR 23) and amounted to KEUR 1,357 thousand in the 2023/2024 financial year. In the reporting year, adjustments on receivables from KPS Strategie-, Prozess- und IT-Consulting GmbH, Vienna, Austria, amounting to KEUR 900 (previous year: KEUR 0) were reversed. In addition, income from the reversal of provisions in the amount of KEUR 258 (previous year: KEUR 1) and income from the brokerage of a sales transaction in the amount of EUR 134 (previous year: KEUR 0) was recognized.

Personnel expenses in the year under review amounted to KEUR 6,512 (previous year: KEUR 6,714). An average of 75 (previous year: 80) employees were employed in financial year 2023/2024.

Scheduled depreciation of intangible assets and property, plant and equipment amounted to KEUR 218 (previous year: KEUR 319).

Other operating expenses remained unchanged KEUR 702 compared to the previous year (KEUR 706). This mainly includes non-recoverable rental and ancillary costs.

Investment income in the amount of KEUR 5,167 (previous year: KEUR 10,738) is based on profit distributions made by subsidiaries. This was due to a deterioration in the earnings situation of the subsidiaries, particularly in Germany, Norway and Switzerland. This was offset by higher dividends from the subsidiaries in the UK and Spain

Expenses from profit and loss transfers in the amount of KEUR 509 relates to Infront Consulting & Management GmbH, Hamburg (previous year: KEUR 27 income).

Interest income is mainly attributable to cash pool receivables and intercompany loans.

In the 2023/2024 financial year, impairment losses were recognized on the shares in Infront Consulting & Management GmbH, Hamburg, in the amount of KEUR 9,480 and on the shares in KPS Strategie-, Prozess- und IT-Consulting GmbH, Vienna, Austria, in the amount of KEUR 1,800. The Austrian company is to be liquidated in the near future. The write-down of the shares in Infront Consulting & Management GmbH results from the impairment test carried out as at 30 September 2024.

Interest expenses amounting to KEUR 2,495 (previous year: KEUR 1,559) increased compared to the previous year, in particular due to deteriorated interest conditions and the taking out of the shareholder loan.

Taking into account the minimum taxation, the corporate and trade tax expense has decreased from KEUR 219 to KEUR -70 (income).

For financial year 2023/2024, KPS AG posted annual net loss of KEUR -8,028 compared to financial year 2022/2023 net ptofit of KEUR 8,953 .

2.5.2 Financial position

As of 30 September 2024, KPS AG had cash in the amount of KEUR 3,438 (previous year: KEUR 2,575). By comparison with 30 September 2023, net liquidity increased by KEUR 863.

At the end of the reporting year, there were liabilities to banks in the amount of KEUR 28,500 (previous year: KEUR 28,500). There are also short-term money-market loans for the purposes of safeguarding liquidity in the amount of KEUR 28,500 (previous year: KEUR 27,000).

Cash funds were composed as follows on the balance sheet date:

	2023/2024	2022/2023
	in KEUR	in KEUR
Cash funds at the beginning of the period	2,576	1,767
Current business operations	-1,048	651
Investment activities	-856	-2,268
Financial activities	2,766	2,426
Cash funds at the end of the period	3,438	2,576

Cash flow from operating activities amounted to KEUR -1,048 in the financial year compared to KEUR 651 in the previous year.

Cash flow from investing activities amounted to KEUR -856 compared to KEUR -2,268 in the previous year and is mainly influenced by payments for financial assets (lower cash outflows in the reporting year) and dividends received (lower cash inflows than in the previous year).

Cash flow from financing activities is mainly the result of proceeds from the capital increase (cash inflow of KEUR 4,302, previous year: KEUR 0), from the raising and repayment of financial loans (cash inflow of KEUR 577, previous year: KEUR 7,500) and interest paid (cash outflow of KEUR 2,111, previous year: KEUR 1,333). In the previous year, cash flow was also influenced by dividend distributions amounting to KEUR 3,741 (reporting period KEUR 0).

2.5.3 Asset position

The asset side of the balance sheet of KPS AG is essentially defined by the valuation of the company's shareholdings in subsidiary companies in the amount of KEUR 94,405 (previous year: KEUR 103,480) and receivables from affiliated companies in the amount of KEUR 23,275 (previous year: KEUR 23,187).

The decrease in shares in affiliated companies is mainly due to the impairment of shares in Infront Consulting & Management GmbH, Hamburg, amounting to KEUR 9,480 and in KPS Strategie-, Prozess- und IT-Consulting GmbH, Vienna, Austria, amounting to KEUR 1,800.

The composition of the associated companies in accordance with Section 285 No. 11 HGB are shown in the Notes.

The receivables from affiliated companies are based on Group allocations and internal Group settlements.

Other assets decreased from KEUR 1,670 in the previous year to KEUR 1,462 . This mainly icnludes receivables from the Tax Office relating to tax rebate claims and security deposits.

The company's cash and cash equivalents are KEUR 863 higher than in the previous year.

Shareholders equity in the company decreased from KEUR 78,078 in the previous year to KEUR 74,353 .

The company's share capital changed in the financial year as a result of the capital increase and amounted to EUR 41,153,300 as at 30 September 2024 (previous year: EUR 37,412,100). Due to a premium from this capital increase, the capital reserve increased by KEUR 562 in the 2023/2024 financial year.

Retained earnings decreased from KEUR 28,126 on the previous year's reporting date to KEUR 20,098 in particular due to the impairment losses recognized on financial assets in the 2023/2024 financial year.

The equity ratio is 59.3% and has Increased by 1.1 percentage points compared to the previous year.

Tax provisions amounted to KEUR 0 (previous year: KEUR 141) and essentially included the current tax expense in 2022/2023 for corporate income tax and trade tax.

Other provisions amounted to KEUR 2,266 (previous year: KEUR 2,633) and are essentially based on obligations arising from the area of personnel, rovisions for interest expenses for money market loans and provisions for outstanding invoices.

Liabilities to banks amounted to KEUR 28,500 (previous year: KEUR 28,500) and contained mainly short-term money-market loans for purposes of safeguarding liquidity in the amount of KEUR 28,500 (previous year: KEUR 27,000).

Liabilities to affiliated companies decreased by KEUR 4,645 from KEUR 21,970 to KEUR 17,325 . They are essentially the balance of the cash pooling established in KPS Group and cost allocations in the Group. Furthermore, the item also includes Group loans in the amount of KEUR 4,066 (previous year: KEUR 7,317) with a term of less than one year.

Other liabilities increased by KEUR 329 to KEUR 2,534 (previous year: KEUR 2,205). The increase is due in particular to the raising of a shareholder loan in the 2023/2024 financial year (KEUR 1,500). This was offset by lower liabilities due to the payment of contingent purchase price liabilities from previous company transactions (KEUR 1,134).

2.5.4 Appropriation of earnings

Earnings after income taxes amounted to a net loss of KEUR -8,028 (previous year: KEUR 8,953 net profit) in the reporting period. The Executive Board and Supervisory Board propose that the net retained profits of KPS AG for financial year 2023/2024 amounting to KEUR 20,098 be carried forward to new account.

2.6 Financial and non-financial performance indicators

KPS uses various financial and non-financial performance indicators for internal controlling and for communication with investors and other stakeholders. These indicators include revenue, EBITDA, and Headcount. These performance indicators are described in the following section.

2.6.1 Calculation of EBITDA

EBIT (earnings before interest and taxes) is calculated by adding depreciation and amortization of property, plant and equipment and intangible assets as well as M&A-related depreciation and amortization to EBIT. In the 2023/2024 financial year, depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 6.0 million and M&A-related depreciation and amortization amounted to EUR 17.8 million. Accordingly, EBITDA for the reporting period amounted to EUR 6.0 million (previous year: EUR 7.8 million).

2.6.2 Calculation of revenue

The net sales revenue achieved by KPS as a whole and in particular the net revenue generated in the segment Management Consulting and Transformation Consulting serve as a standard parameter for a sector comparison with competitors and for measuring the development of KPS.

In the reporting period 2023/2024, KPS Group generated sales revenue in the amount of EUR 145.4 million. Compared to the year-earlier period 2022/2023, revenue declined by 18.2%.

With a volume of EUR 133.9 million (previous year: EUR 167.9 million), KPS Group generates 92.1% of the Group’s revenue with management and transformation consulting with well-known customers in the retail, consumer goods industry, pharmaceuticals, energy producers and others sectors.

The share of foreign sales was 50.0% (previous year: 50.4%) in the period under review.

2.6.3 Personnel

The majority of KPS specialists work in consulting. Together with our freelancers, these employees serve our customer projects. The requirements depend heavily on sales and are continuously monitored in the respective business area or in the national companies.

As at 30 September 2024, the KPS Group employed a total of 577 employees (previous year: 682). This means that the number of employees in the reporting period decreased by 105 compared to 30 September 2023.
We employed 365 employees in Germany (previous year: 450). This corresponds to a share of 63.3% (previous year: 66.0%) in the Group as a whole. The average number of employees in the reporting period was 618 (previous year: 710), excluding Management Board members and chies executive officers.

2.7 Overall assessment of the Executive Board and comparison with the previous year

Contrary to original expectations, the reporting period was influenced by a pronounced weakness in demand for digitalisation and transformation projects in all of KPS Group’s main markets in Europe.

Accordingly, KPS was unable to achieve its original targets for the reporting period of sales of EUR 164 million to EUR 167 million (2022/2023: EUR 177.8 million) and EBITDA in the range of EUR 11.5 million to EUR 13.0 million (2022/2023: EUR 7.8 million). The forecast for financial year 2023/2024 was adjusted in July 2024 and a new forecast corridor of EUR 143 million to EUR 149 million for sales and EUR 5.4 million to EUR 5.7 million for EBITDA was assumed.

Compared to the previous year, KPS Group’s sales were down 18.2% to EUR145.4 Mio. €(previous year: EUR177.8 Mio. €). EBITDA fell from7.8 Mio. € to6.0 Mio. €. The results were thus within the adjusted forecast corridor.

In the previous year, KPS assumed that the number of employees would remain stable or only decrease slightly. A reduction was expected in the area of purchased consulting and services. In the reporting period, KPS intensified the cost-cutting measures already introduced in financial year 2022/2023, personnel costs were adjusted once again to the lower sales level. The number of service providers and external consultants was significantly reduced and the number of employees at KPS Group was adjusted from 688 at the end of financial year 2022/2023 to 577 at the end of financial year 2023/2024.

As in financial year 2022/2023, the business and order situation was once again weak in the reporting period. The Executive Board sees the reasons for the continued weak sales and earnings performance in particular in the markedly weak willingness to invest on the part of retail companies in KPS’s core European markets. Overall, the Executive Board considers the business performance in the 2023/2024 financial year to be unsatisfactory.

The Executive Board adjusted the structures and costs in financial year 2023/2024 to the current low level of sales. This has created the prerequisites for achieving an improvement in earnings if the order situation and willingness to invest improve.

3. RISK AND OPPORTUNITY REPORT

The opportunities and risks described below apply to all reported segments of KPS Group.

3.1 Risk management targets and methods of KPS Group

KPS only enters into risks if they are regarded as controllable, and the associated opportunities justify the expectation of an appropriate increase in value.

KPS interprets risk to mean negative results or unfavourable impacts on a project at a point in time in the future with knock-on negative consequences for sales, income and liquidity of KPS Group. Furthermore, negative, exogenous events, which do not exert a direct impact on projects, constitute risks for KPS Group and can have negative effects on revenue, income, assets and the liquidity of KPS Group. The goals of risk management are to identify risks timely and to classify them so that appropriate measures can be taken.

Risk management methods

In the year under review, KPS Group made significant progress in the further development and optimisation of the risk management system. The goal of these initiatives was to respond appropriately to the growing demands of a complex market environment and to create an effective and modernised basis for risk management.

The establishment of an Enterprise Risk Management Committee (ERMC), which acts as a central steering body, was one key step. This committee is made up of members of management, relevant specialist departments and the Executive Board and serves as a platform for the strategic direction and prioritisation of risk management measures. The ERMC meets each quarter to assess the current risk situations, discuss options for taking action and adopt appropriate measures. This structured approach promotes the integration of risk management into strategic decision-making and ensures coherent coordination throughout the company.

In addition, regular meetings have been introduced throughout the Group to discuss operational and strategic risks. These meetings are designed to ensure continuous risk monitoring and improve the flow of information between the various divisions. Particular attention is paid to the proactive identification of potential risks and the prompt initiation of countermeasures.

The introduction of a Group-wide tool for recording, documenting and tracking risks was yet another key measure. This digital system provides a standardised platform that is accessible to relevant stakeholders. It enables a transparent and consistent presentation of the risk landscape and creates the basis for well-founded decisions.

This expansion was accompanied by increased involvement of management. The active role of management in the risk management process ensures that risks are not viewed in isolation, but rather incorporated into all relevant decision-making processes as an integral part of managing the company. This commitment also promotes a company-wide risk culture based on transparency, a sense of responsibility and continuous improvement.

Besides these innovations, the control procedures and processes already established remain a key component of our risk management system. These include specific measures in the areas of finance and controlling as well as cross-divisional mechanisms that ensure a holistic view of risks. The close integration of traditional control instruments with the new digital tools creates an efficient and effective risk management system that is designed for stability and sustainability.

3.2 Individual opportunities and risks

3.2.1 Macroeconomic opportunities and risks

The investment behaviour and changes in the investment behaviour of companies, particularly in the areas of IT, digitalisation and software, have a significant influence on the asset, financial and earnings position of KPS Group.

The investment behaviour relevant for KPS Group and the change in investment behaviour are significantly influenced by the economic development in Germany and in the European markets of KPS Group. KPS Group continues to focus on wholesale and retail. The business situation for KPS therefore depends in particular on the investment behaviour of companies in the retail industry.

The macroeconomic risks remain high due to the challenging economic environment in the markets of importance to KPS in Germany and Europe. This is exacerbated by the geopolitical risks associated with Russia’s war in Ukraine. Macroeconomic risks are also increasing due to the announcement of new elections to the German Bundestag in February 2024. The resulting uncertainty is likely to have a negative impact on investment behaviour in Germany.

As a result of the economic challenges in key European sales markets, geopolitical risks, structural challenges in the retail industry and uncertainties in connection with the German parliamentary elections, KPS categorises the risks arising from the overall economic situation as high.

Opportunities could arise for KPS as soon as the economic situation improves and significant geopolitical and political uncertainties are reduced. This could lead to a macroeconomic improvement in the situation and significantly improve the mood among companies to invest in digitalisation and transformation projects. Opportunities also arise from the fact that companies need to shape their digital transformation in order to be successful on the market in the long term.

Risks from the war in Ukraine

With Russia’s war on Ukraine significantly increased the geopolitical risks and the associated macroeconomic risks for the project business of KPS Group.

KPS has no customer relationships in Russia or Ukraine and historically has not carried out any projects in either country. KPS had also not built up nearshore capacities in either Ukraine or Russia.

KPS Group’s project business and in particular the acquisition of new customers and new projects is also highly dependent on the overall economic climate. The war in Ukraine increases the uncertainties for the future business success of KPS Group. Customers and potential new customers could suspend, postpone or cancel digital transformation projects due to the increased risks and the significant rise in energy, commodity and material prices.

KPS categorises the risks to its business success from the war in Ukraine as high.

Risks and opportunities from the early elections to the Bundestag in February 2025

KPS Group generated 50% of its sales in its home market of Germany in the reporting period. This means that Germany remains by far the most important single market for KPS. An investment-friendly environment requires political stability. Following the break-up of the "traffic light" coalition, there will be early elections to the 21st German Bundestag in February 2025. This means that there is currently uncertainty about the economic policy course in Germany. Overall, this has increased the macroeconomic risks in Germany, as the additional uncertainty could further dampen investment behavior.

KPS classifies the risk as low.

There is a chance that the economic policy course after the new elections in February 2025 will have a positive impact on KPS and its customers and their investment behavior.

Risks from delivery bottlenecks and general price increases

The situation in global supply chains has increasingly calmed down.

Price increases continued to weaken significantly in financial year 2023/2024. KPS Group is not directly affected by material supply bottlenecks and material price increases.

However, it cannot be ruled out that KPS customers will be affected by price increases and supply bottlenecks and that their demand for transformation projects could therefore be impacted negatively. KPS categorises the risks from general price increases and supply bottlenecks as medium.

3.2.2 Industry-specific opportunities and risks

KPS serves leading large and medium-sized companies from German-speaking and international countries among its clients, particularly from the retail industry.

In order to remain competitive, companies in the retail and industrial sectors are faced with the challenge of digitalising and adapting their processes. As an expert on digital transformation consulting, significant opportunities arise for KPS to acquire digital transformation projects.

Another core competence of KPS Group is to optimise companies' sales channels and online shops in such a way that key performance indicators can be improved quickly in order to realise additional sales potential for its customers. This results in considerable sales opportunities, as companies have to adapt their sales channels to changing consumer and purchasing behaviour.

In the past, KPS specialised in carrying out large, multi-year transformation projects. Customers are increasingly switching to awarding projects with smaller volumes and shorter project durations in order to achieve faster progress. If KPS does not succeed at adapting to this new situation and adjusting its sales organisation accordingly, this could have a negative impact on its future sales success and thus on how its sales and profit develop.

Retail remains the most important industry for KPS Group. Structural change towards an online presence, rising energy and personnel costs and a general reluctance to spend could lead to a worsening of the situation for many retailers and thus a drop in demand for transformation projects.

KPS is exposed to a wide range of competition. The Group competes with the major consulting firms for strategy and transformation projects. KPS also competes with many regional consulting companies in various countries. The intense competitive situation can mean that orders cannot be won or that prices cannot be enforced to the extent necessary to achieve adequate profitability.

KPS categorises industry-specific risks as medium.

3.2.3 Opportunities and risks arising from order processing

KPS deploys a proven technology with its Instant Platforms products in rolling out projects. KPS consultants combine the traditional world of strategy and process consulting with implementation consulting by drawing on instantly deployable platforms to achieve optimal transformation processes by realising synergy potential in the consulting segments. This reduces the risk of introducing new digital processes and structures. KPS sees considerable opportunities to stand out from competitors in terms of how orders are processed.

Planning and realising projects is often quite challenging and complex. In many cases, additional customer requirements lead to changes in the project structure or process. This poses a risk, particularly for contracts for work and services with fixed-price agreements. KPS does not believe that projects invoiced by working hours and resources represent a risk to the continuing existence of the company as a going concern since requirements for change lead to appropriate adjustments in the project budget.

Risks arising from fixed-price agreements represent a medium risk for KPS. Possible cost overruns can quickly have considerable financial consequences for KPS.

In the past, it has been observed that customers or potential new customers have paused, cancelled or postponed projects in the event of increasing economic risks or exogenous shocks such as the coronavirus pandemic or the outbreak of war in Ukraine. In the event of new shocks in the future, it cannot be ruled out that KPS will again be exposed to project pauses or delays.

KPS categorises the risks from order processing as high overall.

As KPS is constantly confronted with new challenges in customer projects, situations are conceivable in which the highly complex challenges and problems that arise cannot be solved or can only be solved by expending a great deal of time with a high level of financial commitment.

Risks from temporary burdens arising from contract cancellations are classified as medium.

Cancellations or non-renewals of a customer contract after the initial prototype phase due to employee errors can occur, but have been quite rare in the past. If this risk is realised, however, temporary negative impacts on earnings can be expected, particularly in the case of major projects, since the employees assigned to the project will often not be deployable on other projects at least in the short term.

Due to the complexity of the projects and special features in the industries KPS customers operate in, technical and/or qualitative issues, challenges and problems may arise that cannot be solved by the assigned project employees. Risks arising from technical and/or qualitative issues, challenges and problems are categorised as low, however.

3.2.4 Opportunities and risks from major projects

Due to the current size of the company, KPS is well positioned to handle projects for large, internationally active companies.

The complexity of consulting initiatives and the size of its clients mean that KPS can only handle a limited number of major projects at any one time.

Deteriorating consumption and an economic slowdown in KPS’s core markets could affect demand for major transformation projects or ongoing projects.

KPS is exposed to the trend that customers and potential new customers tend to award several smaller projects rather than one large, multi-year transformation project.

KPS categorises the risk from major projects as a medium risk.

3.2.5 Personnel risk

The company's knowledge resides in the human capital of KPS and is therefore firmly anchored in its employees.

The migration of qualified managers and consultants to competitor companies could therefore lead to a loss of expertise and therefore represents a risk for KPS.

There is also the risk of not being able to fill new positions quickly enough or at all due to the shortage of IT, consultant and software specialists.

The shortage of specialists can also increase the cost of using service providers and freelancers. In addition, KPS is currently exposed to the usual market salary increases in order to retain specialists and find new employees.

These risks could result in a negative development for key financial indicators.

The personnel risk typical in the consulting industry is assessed by KPS to be a medium risk.

3.2.6 Risks from bad debts and currency risk

The default of a customer can have a very negative impact on the liquidity situation of KPS. A credit risk/default risk exists for KPS to the extent that customers or other debtors fail to meet their financial obligations. The creditworthiness of individual customers or business partners with large sales volumes is subject to regular review. Outstanding debts are monitored constantly. Both the project managers and top management receive a weekly overview of the overdue items for each customer. This enables KPS to react quickly to changes in payment behaviour. If default and credit risks are identified for financial assets, appropriate value adjustments are made. The company has an adequate debtor management system in place to minimise default risks. Over a period of five years up to 30 September 2023, the internal statistics showed only minor payment defaults due to insolvency, which means that the default risk (insolvency) had been assessed as low up to this point. With the announcement of the application to open insolvency proceedings for the major customers KaDeWe and The Body Shop in calendar year 2024, the risk was already adjusted in the 2022/2023 Management Report and the risk of bad debt losses was changed from a low to a medium risk. Additional risk management measures were also implemented.

The risk of bad debt losses is still classified as medium in the reporting period.

In recent years, KPS Group has expanded in countries outside the eurozone, both through acquisitions and organic growth. Relevant sales are generated in particular in Denmark, the UK, Switzerland and Norway. This gives rise to currency risks to a limited extent. On the one hand, KPS maintains its own resources in some countries so that the costs incurred are in the respective national currencies. On the other hand, KPS endeavours to draw on resources for projects from different national companies. These measures enable KPS to manage and limit currency and exchange rate risks.

KPS therefore categorises the currency risk as low.

3.2.7 Liquidity risk

Liquidity risk is defined as the risk of not being able to meet payment obligations on the date that they fall due. These include the refinancing risk and the market liquidity risk.

A refinancing risk is the risk of not being able to procure liquidity when necessary or not at the expected conditions. Most of the credit lines in place as of the reporting date have a term until the end of February 2026. This credit line is renegotiated annually. The constant need to obtain regular refinancing requires economically good Group results. A deterioration in the Group's results could therefore have a negative impact on refinancing options and refinancing costs.

Short-term financing generally has higher interest rates than long-term financing options. Short-term maturities can make repayment more difficult if no sufficient credit lines are available.

In addition to the cash flow from the ongoing business, the supplementary and newly established factoring and the agreed credit lines, KPS has sufficient liquidity available to cover any unforeseeable financing requirements in the new financial year 2024/2025.

KPS categorises the liquidity risk as medium.

3.2.8 Tax and legal risks

Tax risks
Due to KPS's international activities, the tax obligations are quite complex. The company monitors the tax obligations arising from its international activities in order to be able to identify potential risks very quickly.

Tax risks are classified as medium overall.

Risks of violating legal and regulatory compliance
KPS Group operates from a number of source markets. The Group is therefore confronted with a wealth of national and international laws and regulations that it must comply with and observe. Otherwise, KPS would be exposed to the risk of fines or other sanctions from regulators.

KPS carries out the following measures in order to limit these risks:

- The management communicates and clearly lives the company culture (tone from the top) with regard to compliance with laws and regulations

- Regular reporting in various bodies (management meetings, audit committee, supervisory board) to ensure appropriate control, monitoring and implementation of action plans and to strengthen the integrity and compliance culture across the Group.

- Provision of external legal and tax expertise in all important areas of the business.

Overall, KPS classifies the risk of violating compliance with legal and supervisory regulations as a medium risk.

Legal risks
KPS carries out large and complex transformation projects for customers that are crucial to the customers' business success. It cannot be ruled out that within the scope of such projects, KPS and customers will have different views on the provision of services, which could result in legal disputes.

KPS classifies the legal risk as medium.

3.2.9 Technological opportunities and risks

Risks from cyber-attacks and IT failures
As an expert on the digital transformation of companies and business processes, KPS relies on complex IT and software structures. Cyberattacks can lead to system failures and interruptions to smooth operations. This could jeopardise current or future projects and thus lead to financial losses for KPS. KPS has

introduced extensive protective mechanisms, is constantly improving them and continuously monitors its systems. The risks from possible cyberattacks or IT failures are classified as high.

KPS sees considerable technological opportunities in the need for companies, particularly in the retail and wholesale industries, to modernise and further develop their digital processes and IT structures.

Technological progress in digitalisation requires constant adaptation of processes and structures. KPS platforms are designed in such a way that adjustments can be made quickly. Thanks to its innovativeness, KPS sees considerable opportunities to win new digitalisation projects.

Technological risks due to errors by KPS employees can lead to the termination of service and project contracts. Increasing complexity and the ever faster pace of change further increase such technological risks. Possible resulting short-term cancellations of service, support or supply contracts can have a temporary negative impact on sales and profit development. KPS categorises the risk as medium.

Risk due to data breaches

The loss or unauthorised disclosure of sensitive data, either internally or externally, represents a fundamental risk in the corporate context. The outsourcing of software development to third parties, the use of artificial intelligence and cloud solutions can further increase this risk.

A further risk exists in the inadequate protection of KPS Group’s intellectual property. This can lead to third parties making unauthorised use of important information about software solutions that have been developed, concepts or internal innovations.

Overall, a lack of security measures and control mechanisms can lead to adverse effects due to data loss, regulatory sanctions and a loss of trust among stakeholders. Therefore, the continuous review and adaptation of the data protection strategy and the use of robust IT security solutions are of crucial importance. KPS categorises the risk as high.

General technological opportunities and risks

An inventory risk for uninterrupted business operations is posed by technical faults or system failures, which can have various causes. A power supply failure is a potential threat, as it can paralyse both operations and access to critical systems. Similarly, a failure or malfunction of devices and IT systems can have negative consequences for operational processes and lead to the loss of data or process interruptions. The use of outdated software versions also has the same consequences and represents an addition to this risk.

Another risk is the unauthorised use or administration of devices and IT systems, which could lead to security-critical gaps and the misuse or manipulation of confidential information.

At the same time, technological change, while entailing certain risks, also offers corresponding opportunities. One opportunity lies in the ongoing development and increasing acceptance of artificial intelligence (AI) and cloud solutions. Companies around the world are increasingly moving their IT infrastructures to the cloud in order to optimise costs, operate more flexibly and implement innovations more quickly. This trend opens up extensive business opportunities, as the demand for professional advice on planning and implementing cloud migration strategies and integrating modern cloud architectures continues to grow. KPS can use its expertise to help customers implement hybrid or fully cloud-based SAP solutions to create efficient, scalable and secure IT environments.

Furthermore, artificial intelligence offers significant opportunities not only to expand the existing service offering, but also to create added value for customers. AI-supported analysis and automation tools can be used to accelerate decision-making processes, analyse data in real time and generate proactive recommendations for action. When used in compliance, AI helps companies to organise their business processes more intelligently and efficiently. This opens up new areas of application for SAP consulting, for example in the development of predictive maintenance systems, intelligent supply chain solutions or the automation of administrative tasks.

The continuous expansion of corresponding competences and partnerships is crucial in order to be able to react to market trends at an early stage and offer innovative solutions, which represents an appropriate opportunity for KPS Group.

Environmental risks

Another relevant risk is the risk of natural disasters or environmental incidents. Events such as floods, earthquakes, storms or fires can have a significant impact on both the physical infrastructure and operational processes. Data centres, office locations and IT systems in particular are exposed to a risk of failure in such cases. Such an incident could lead to important business processes being interrupted, access to critical data being lost and communication with customers and project participants being disrupted.

KPS categorises the risk of natural disasters and environmental incidents as low.

3.2.10 Opportunities and risks arising from the holding function of KPS AG

Due to the company's holding function, the asset, financial and earnings position of KPS AG depend on the economic performance of the subsidiary companies. On the basis of the strong financial and earnings position of KPS Group, the risks for KPS AG arising from its holding function are perceived as medium.

3.3 Overall assessment of opportunities and risks

Overall, KPS Group considers itself to be well positioned with its technological expertise, its self-developed platforms, its consulting expertise and, in particular, its team of consultants, to be able to benefit significantly from many companies' needs to drive their digitalisation forward.

The persistently weak economy, particularly in Germany, the challenges in the retail industry, the geopolitical situation in many regions of the world and the customer trend towards awarding smaller projects with shorter terms could have a negative impact on how the business develops for KPS Group. If KPS does not succeed in positioning itself appropriately and reacting to these developments, this could have a negative impact on sales and how earnings develop.

Overall, the risk situation for KPS Group is categorised as medium.

3.4 Important features of the internal control and risk management system (report pursuant to Articles 289, Section 4, 315 Section 4, German Commercial Code (HGB), 91 Section 2 German Stock Corporation Law (AktG))

The internal control system (ICS) and risk management system (RMS) are based on the principles, guidelines and measures introduced by the Executive Board, which are aimed at the organisational implementation of the Executive Board's decisions. The ICS and RMS comprise the management of risks and opportunities with regard to the achievement of business objectives, the correctness and reliability of internal and external accounting and compliance with the legal provisions and regulations applicable to KPS.

All units at KPS are part of the ICS and the RMS. The scope of the activities to be carried out by each unit varies and depends, among other factors, on the materiality of the unit for the Consolidated Financial Statements and the specific risks associated with the unit.

Overall responsibility for the ICS and RMS lies with the Executive Board. Various KPS divisions support the Executive Board in designing and maintaining appropriate and effective processes for the implementation, monitoring and reporting of internal control and RMS activities.

The company's risk management system is based on the international standard ISO/IEC 27001:2022, which serves as the leading framework for managing information security and has been further expanded. This standard sets out specific requirements for a systematic and comprehensive information security management system (ISMS) and includes mandatory elements for assessing and managing risks.

A key milestone in the new risk management approach was the establishment of the Enterprise Risk Management Committee (ERMC) as a central monitoring body. This committee is made up of representatives of the Executive Board, members of management and managers from relevant departments and serves as a strategic platform for managing and prioritising all risk management measures. The ERMC meets every quarter to comprehensively analyse current risks, discuss options for action and decide on suitable measures. These regular meetings ensure that all risk aspects are incorporated into strategic planning in a targeted manner and that a coordinated approach is guaranteed at all levels of the company.

In addition to this, regular coordination meetings have been introduced throughout the Group, in which both operational and strategic risks are assessed and appropriate measures are derived. These meetings promote continuous dialogue between the specialist departments and ensure a smooth flow of information across all areas of the company. A special focus is placed on the early identification of potential risks and the prompt implementation of preventative countermeasures in order to mitigate negative effects at an early stage.

Another decisive step was the introduction of a company-wide digital tool for the systematic recording, monitoring and tracking of any risks that have been identified. This tool offers all relevant stakeholders access to a centralised, standardised platform and creates transparency with regard to the company’s risk landscape. It supports the standardised documentation and evaluation of the risk situation and forms the basis for well-founded decisions as part of corporate management.

This expansion of risk management was accompanied by the greater involvement of the management level in all processes. The active involvement of management ensures that risks are not viewed in isolation, but rather integrated as an essential part of all business-relevant decision-making processes. In addition, this approach promotes a company-wide risk culture based on open exchange, a sense of responsibility and continuous optimisation. Risk management is thus not only perceived as a control function, but is established as an integral part of a forward-looking corporate strategy.

The appropriateness and effectiveness of the ICS and RMS are assessed at the end of each financial year.

The company-wide risk and opportunity situation is evaluated at the regular Supervisory Board meetings. Based on this, the Executive Board has no indication that the ICS or RMS were inadequate or ineffective in their respective entirety as of 30 September 2024.

Nevertheless, there are inherent limitations to the effectiveness of the risk management and control system. For example, no system – even if it has been assessed as appropriate and effective – can guarantee that all risks that actually materialise will be detected in advance or that any process violations will be excluded under all circumstances..

3.5 Key features of the internal control system and risk management system

The goal of the ICS and RMS is to identify and minimise safety-relevant risks. In the past financial year, KPS Group fundamentally modernised and further developed its current risk management system in order to meet the increased requirements in a dynamic market environment. At the heart of these improvements is the expansion of the Enterprise Risk Management (ERM) system, which optimises both the identification and the assessment, monitoring and control of risks at the company level.

The KPS Code of Conduct defines the fundamental principles and standards of behaviour that must be observed by all employees in the company units and in dealing with customers, external partners and the public.

In particular, the project status of key projects is continuously monitored at meetings that are held at least once a month. Controlling prepares corresponding analyses and liaises closely with the project managers. As part of this process, employees in management positions are also informed regularly about outstanding receivables and payment defaults. Customer contracts must be checked and signed by a Managing Director or two authorised signatories. This ensures compliance with the dual control principle. In addition, there are extensive review processes as part of supplier management. Comprehensive analyses are available to employees in management positions in the area of personnel.

3.6 Key features of the accounting-related internal control system and risk management system

The overriding objective of the accounting-related ICS and RMS – as part of the overarching ICS and RMS – is to ensure the correctness of financial reporting in terms of compliance of the Consolidated Financial Statements and the summarised Management Report of KPS Group and the Annual Financial Statements of KPS AG, as the parent company, with all relevant regulations.

The Consolidated Financial Statements in accordance with IFRS are prepared on the basis of a centrally defined conceptual framework. This essentially comprises standardised requirements in the form of accounting guidelines and a chart of accounts. The question of whether an adjustment to the conceptual framework is necessary due to changes in the regulatory environment is continuously analysed.

The financial statement information reported by KPS AG and its subsidiaries forms the data basis for the preparation of the financial statements. The preparation of the financial statement information of most KPS companies is supported by Group financial accounting. In certain cases, such as the valuation of pension obligations, KPS relies on external service providers for assistance.

The qualifications of the employees involved in the accounting process are ensured through appropriate selection processes. The principle of dual control is applied, taking materiality considerations into account. Other control mechanisms include target/actual comparisons and analyses of the composition of and changes to individual items, both in the financial statement information reported by Group units and in the Consolidated Financial Statements. To protect against unauthorised access, access authorisations are defined in the accounting-related IT systems in accordance with the provisions on information security.

A key objective of the risk management system optimised in the reporting year is, among other aspects, the comprehensive monitoring of accounting and its associated processes in order to identify and address potential gaps and risks at an early stage. This ensures that all areas that have an impact on financial reporting and compliance with regulatory requirements are continuously monitored. The risk management system records both operational and financial risks and analyses them systematically in order to identify deviations or weaknesses that could affect the quality and integrity of reporting.

One key element of this monitoring function is the regular inclusion of the results in the internal meetings of the relevant departments to ensure that the risks identified are discussed immediately and appropriate countermeasures are taken. In addition, the findings are presented and evaluated in detail at the Risk Committee meetings on a quarterly basis.

The Audit Committee is systematically integrated into the ICS and RMS. In particular, it monitors accounting and the accounting process.

3.7 Adequacy and effectiveness of the internal control system and risk management system

The risk early warning system in accordance with Section 91 (2) AktG was subjected to a mandatory audit as part of the audit of the financial statements. As at the reporting date, there were no indications in all material respects that the internal control and risk management system as a whole was inappropriate or ineffective.

4. FORECAST REPORT

4.1 Macroeconomic forecast

Global economic growth expected to remain unchanged at 3.2% in 2025

In its October 2024 publication, the International Monetary Fund (IMF) expects global gross domestic product (GDP) to grow by 3.2% in 2025, which is in line with the forecast for 2024, when the global economy is also expected to grow at a rate of 3.2%.[17] The IMF estimates average economic growth of 1.8% for the countries in the group of developed countries ("advanced economies"). At 2.2%, the United States has the second-highest growth rate within this group after Canada (expected growth: 2.4%). With a rate of 0.8 %, growth in Germany will be the lowest within the comparison group.[18] The IMF is forecasting growth of 4.2% for the group of emerging markets and developing economies. Growth of 4.5% is expected for China and 6.5% for India.[19]

According to the IMF's estimates, global inflation should fall from an average annual rate of 5.8% in 2024 to an annual average of 4.3% in 2025.[20] A rate of 3.5% is expected by the end of 2025. This would mean that global inflation at the end of 2025 would be below the average level of 3.6% in the period from 2000 to 2019.[21]

Only muted expansion expected in the eurozone

In its report from autumn 2024, the Kiel Institute for the World Economy (IfW) concludes that expansion in Europe will remain subdued for the time being.[22] The second quarter of 2024 saw a further recovery in the service sector. By contrast, production in the manufacturing industry fell again.[23] The IfW expects the gross domestic product (GDP) in the European Union to grow by 1.4% in 2025, while a rate of 1.0% is forecast for 2024. GDP growth of 1.2% is forecast for the eurozone in 2025, after 0.9% in 2024.[24]

According to the IfW, consumer prices should continue to fall in 2025 and reach an annual rate of 2.3%. The IfW still expects a rate of 2.6% for 2024.[25] According to the IfW, the job market has held up well and proved robust.[26] For the European Union, the institute estimates that the unemployment rate will fall from 6.0% in 2024 to 5.7% in 2025.[27]

17 World Economic Outlook, Policy Pivot, Rising Threats, International Monetary Fund, Foreword, p. xii

18 World Economic Outlook, Policy Pivot, Rising Threats, International Monetary Fund, p. 10, table 1.1 overview of the World Economic Outlook Projections

19 World Economic Outlook, Policy Pivot, Rising Threats, International Monetary Fund, p. 10, table 1.1 overview of the World Economic Outlook Projections

20 World Economic Outlook, Policy Pivot, Rising Threats, International Monetary Fund, Executive Summary, p. xiv

21 World Economic Outlook, Policy Pivot, Rising Threats, International Monetary Fund, Foreword, p. xii

22 Global economy in autumn 2024 - Still little momentum, Kiel Institute for the World Economy, p.17

23 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.17

24 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.11, Table 2

25 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.11, Table 2

26 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.17

27 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.11, Table 2

The IfW sees a split economy in the eurozone. Since mid-2021, there have been considerable differences in the growth rates of the economies.[28]

The economies in southern Europe, such as Italy, Spain, Greece and Portugal, recovered significantly from the slump triggered by the pandemic. The French economy recovered only moderately and the German economy stagnated. This is mainly due to the higher share of manufacturing in Germany compared to the southern European countries.[29]

Germany: economy in upheaval and weak

According to the institutes participating in the Joint Economic Forecast, the German economy has been treading water for two years. Decarbonisation, digitalisation, demographic change and increased competition from China are likely to dampen the economic outlook. [30]

In their diagnosis, the participating institutes expect the gross domestic product (GDP) to fall by 0.1% in 2024. In 2025, the institutes forecast GDP growth of 0.8%.[31]

Production potential has been revised downwards several times since the pandemic. It was nearly 4% lower in autumn 2024 compared to the forecast in autumn 2019.[32] Production in the manufacturing sector has fallen by over 12% since 2018.[33]

An unemployment rate of 6.0% is expected in 2025, which corresponds to the expected unemployment rate for 2024. The institutes are forecasting a further fall in consumer prices and expect a price increase rate of 2.0% in 2025. A price increase rate of 2.2% is assumed for 2024.

4.2 Industry-specific forecast

Growth potential in specific areas of the IT industry
The digital association Bitkom calculates a market volume of EUR 49.9 billion for the IT service market in Germany in 2023.[34]

According to KPS, one of the most important studies on German IT companies is the study published by Lünedonk & Hassenfelder GmbH in the summer of 2024 entitled "The market for IT services in Germany" (Lünedonk study). This study analyses 98 IT service providers that generated domestic sales of EUR 34.0 billion in 2023.[35]

The companies surveyed expect average revenue growth of 10.7%. In 2025, the IT service providers are forecasting average growth of 12.6%.[36] The companies surveyed see growth potential in the area of cloud transformation in particular, as there is still a need to catch up in the modernisation of IT, the digitalisation of business processes and the use of digital services as part of business models.[37]

28 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.19

29 Global economy in autumn 2024 – Still little momentum, Kiel Institute for the World Economy, p.19

30 German economy in upheaval – weak economy and growth, Joint Economic Forecast, Autumn 2014, p. 9

31 German economy in upheaval – weak economy and growth, Joint Economic Forecast, Autumn 2014, p. 9

32 German economy in upheaval – weak economy and growth, Joint Economic Forecast, Autumn 2014, p. 9

33 German economy in upheaval – weak economy and growth, Joint Economic Forecast, Autumn 2014, p. 9

34 Lünendonk Study 2024, The Market for IT Services in Germany, p. 8
35 Lünendonk Study 2024, The Market for IT Services in Germany, p. 8
36 Lünendonk Study 2024, The Market for IT Services in Germany, p. 41
37 Lünendonk Study 2024, The Market for IT Services in Germany, p. 41

However, the Executive Board believes that KPS will only be able to benefit from the growth expectations for IT services to a limited extent. In recent years, KPS has succeeded in acquiring customers and projects outside the retail industry. KPS expects to be able to further expand the share of sales with companies outside the retail industry. However, the company still generates around 70 % of its sales with customers in the retail industry. The retail industry is facing far-reaching structural challenges. In the last two years, many retail companies have filed for insolvency. This assessment is emphasised by the Lünedonk study from the perspective of the Executive Board. According to the study, the share of retail in the total sales revenue of the companies surveyed was just 6.5% in 2023.[38]

4.3 Expected business development of KPS Group and KPS AG

The assessment for financial year 2024/2025 is based on the development of past reporting periods, the results of recent months, the consulting portfolio consisting of current and newly acquired projects as well as the influences of the overall economy, the geopolitical situation and monetary policy measures.

Since financial year 2022/2023, KPS Group has been exposed to a pronounced weakness in investment in digitalisation and transformation projects. The Executive Board sees the main causes as being the weak economic situation in KPS Group’s most important sales markets, the geopolitical risks triggered by the war in Ukraine, the structural challenges for companies in the retail industry and the political uncertainties in Germany regarding the course of economic policy.

In financial year 2024/2025, the Executive Board of KPS expects to see the business situation stabilise, but no sustained trend reversal in investments for large-volume transformation projects. In addition, the extensive cost-cutting measures implemented in the last two financial years with regard to personnel and external service providers should have a positive effect on the development of earnings.

The Executive Board of KPS AG estimates that Group sales in financial year 2023/2024 will develop from EUR 145.5 million to a corridor between EUR 129.5 million and EUR 151.5 million compared to financial year 2023/2024. The Group’s EBITDA is expected to increase by EUR 6.1 million compared to financial year 2023/2024 to a range between EUR 10.2 million and EUR 14.9 million.

The forecast is based on the facts and predictions about future economic and cyclical developments known at the time of preparation. Unforeseeable changes to the anticipated economic conditions in the current order backlog and other external or internal factors could have a negative impact on sales and earnings expectations, which would mean that the estimates made in this report cannot be achieved.

As part of its personnel planning, the Group aims to maintain a stable overall headcount in order to ensure the continuity and efficiency of its business processes. Nevertheless, the Group remains flexible in order to be able to react appropriately to changing conditions. If necessary, adjustments can be made to the number of employees, for example in the course of strategic realignments or changing market requirements.

Reference is then made to the disclosures on events after the reporting date in the notes to the consolidated financial statements. Significant events have occurred since the reporting date that have a material impact on the presentation of a true and fair view of the Group's business performance, position and expected development. The “Events after the balance sheet date” section of the notes to the consolidated financial statements contains detailed explanations of the respective circumstances.

[38] Lünendonk Study 2024, The Market for IT Services in Germany, p. 40

5. REMUNERATION REPORT

5.1 Remuneration of the Executive Board

For information on remuneration, we refer to the remuneration report published at https://kps.com/de/de/company/investor-relations/corporate-governance.html.

6. DISCLOSURES RELEVANT TO ACQUISITIONS PURSUANT TO SECTIONS 289A, 315A GERMAN COMMERCIAL CODE (HGB) AND THE EXPLANATORY REPORT FOR FINANCIAL YEAR 2023/2024

6.1 Composition of subscribed capital

The share capital of the company amounted to EUR 41,153,300 on 30 September 2024 (previous year: EUR 37,412,100). It is divided up into 41,153,300 no-par value ordinary shares each representing a nominal value of 1 euro in the share capital. All shares entail the same rights and obligations.

During the course of the financial year, none of the company's own shares (treasury shares) were purchased or sold. The company did not hold any treasury shares (previous year: 0) on 30 September 2024.

6.2 Restrictions on voting rights and transfers

The Executive Board is not aware of any agreements between shareholders that could give rise to restrictions on voting rights or restrictions on the transfer of shares. There are no such restrictions arising from statutory legislation or from the statutes of the company, insofar as the regulation defined in Article 44, Section 1, Securities Trading Act (WpHG) is not applicable.

Any breaches of the notification obligations pursuant to Articles 33, para. 1, 38, para. 1 and 39, para. 1 Securities Trading Act (WpHG) can lead to rights arising from shares and also the voting right pursuant to Article 44 Securities Trading Act (WpHG) being suspended at least temporarily. We are not aware of any contractual restrictions of the voting rights.

6.3 Capital shareholdings greater than 10 percent

Direct or indirect shareholdings in the capital of the company that exceed 10% of the voting rights were held as follows according to the knowledge of the Executive Board as at 30 September 2024:

	shares	in %
Michael Tsifidaris	11,980,049	29.1%
Leonardo Musso	4,239,937	10.3%

In financial year 2023/2024, KPS AG did not receive any further notifications relating to direct or indirect shareholdings that exceed 10% of the voting rights. Furthermore, the company has not received any notification apart from the above list providing information about a shareholding above 10% of the voting rights.

6.4 Special rights which confer rights of control

There are no shares in the company with special rights that confer rights of control.

6.5 Control of voting rights through employee shareholders

Employees who hold shares in the capital of KPS AG exercise their control rights like other shareholders indirectly pursuant to the statutory regulations and the statutes of the company.

6.6 Appointment and dismissal of members of the Executive Board and changes to the statutes of the company

The members of the Executive Board are appointed and dismissed pursuant to Article 84, Stock Corporation Act (AktG) in conjunction with Article 7 of the statutes of the company. The Supervisory Board is responsible for this. Appointments are made in each case for a period of office lasting a maximum of five years. A reappointment or extension of the period of office, in each case for a maximum of five years, is permissible, although the resolution may be passed at the earliest one year prior to the expiry of the period of office.

Amendments to the company's statutes require a resolution of the Annual General Meeting pursuant to Article 179, para. 1, Stock Corporation Act (AktG) which, unless the statutes make provision for some other majority, require a majority of three-quarters of the share capital represented when the vote is taken pursuant to Article 179, para. 2, Stock Corporation Act (AktG).

6.7 Powers of the Executive Board regarding the issue or buyback of shares

The Executive Board has powers granted under statutory regulations and the statutes of the company which essentially govern the powers for the management of the company under its own responsibility and its external representation outside the company.

By resolution of the Annual General Meeting on 10 May 2024, the authorization to create authorized capital 2021/I resolved by the Annual General Meeting on 21 May 2021 was revoked. Instead, authorized capital 2024/I in the amount of EUR 20,576,650.00 was created.

This authorizes the Management Board, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until 9 May 2029 (inclusive) by up to a nominal amount of EUR 20,576,650.00 against cash and/or non-cash contributions by issuing new no-par value registered shares (no-par value shares), whereby shareholders' subscription rights may be excluded

There was no change in the Authorised Capital 2021/I in financial year 2023/2024.

The resolution adopted by the Annual General Meeting on 21 May 2021 and the substitution of the resolution by the Annual General Meeting on 25 September 2020 provided the authorisation to acquire and dispose of its own shares with the right of excluding subscription or other option rights to offer shares. According to this, the Executive Board is authorised with the approval of the Supervisory Board to acquire and dispose of its own shares up to a total amount of 10% of the share capital in existence on the date the resolution is adopted on. This resolution is effective from the date of the Annual General Meeting and ends at midnight on 20 May 2026. The conditions for acquisition, appropriation and exclusion of subscription rights were explicitly regulated.

No portfolio of treasury shares was held on the balance sheet date. No shares were purchased or sold in financial year2023/2024.

6.8 Important agreements subject to a change of control following a takeover offer

If there is a change in control resulting from a takeover offer, the current sole Member of the Executive Board will receive a severance payment within 12 months of the change of control amounting to 75% of the current annual gross income to which he is entitled on the date of the contract. A change of control is deemed to exist if one or more than one shareholders acting together, who alone or together do not currently hold a majority of the shares in the company, alone or together acquire more than 50% of the voting rights in the company, or the company becomes a dependent company by concluding a company agreement pursuant to Article 291, para. 1, Stock Corporation Act (AktG). The same shall apply if the company merges with another enterprise. For such an eventuality, the Vice Presidents have been granted an extended deadline for serving notice of termination. In the case of voluntary notice of termination issued by a Vice President, he is entitled to request the waiver to prohibition on competition.

7. LEGAL DISCLOSURES

7.1 Group Declaration on Corporate Governance pursuant to Articles 315d, 289f German Commercial Code (HGB)

The Group Declaration on Corporate Governance pursuant to Articles 315d, 289f German Commercial Code (HGB) including the Compliance Declaration pursuant to Article 161 Stock Corporation Act (AktG) is publicly accessible under: https://kps.com/de/de/company/investor-relations/corporate-governance.html.

7.2 Disclosures on the Non-financial Group Declaration pursuant to Articles 315b, 315c in conjunction with 289b to 289e German Commercial Code (HGB)

KPS AG has published the activities of KPS Group in the area of sustainability in a separate Non-financial Group Report (Sustainability Report). The separate Non-financial Group Report is available here https://kps.com/de/de/company/investor-relations/financial-publications.html

Unterföhring, 27 January 2025

KPS

CONSOLIDATED FINANCIAL STATEMENTS

23/24

KPS

KPS AG Consolidated Financial Statements in accordance with IFRS

INCOME STATEMENT
for the period from 1 October 2023 to 30 September 2024

in KEUR		Note	2023/2024	2022/2023
1	Revenues	5.1.	145,415	177,774
2	Own work capitalized	5.2.	0	35
3	Other operating income	5.3.	4,002	611
4	Cost of materials	5.4.	-50,843	-66,187
5	Personnel expenses	5.5.	-72,762	-82,215
6	Other operating expenses	5.6.	-19,772	-22,210
7	Operating result before depreciation and amortization (EBITDA)		6,041	7,808
8	Depreciation and amortization (M&A adjusted) *	5.7.	-6,049	-6,575
9	Operating result (EBIT) adjusted *		-8	1,233
10	Depreciation and amortization (M&A related)	5.7.	-17,788	-1,199
11	Operating result (EBIT)		-17,796	34
12	Financial income	5.8.	20	26
13	Financial expenses	5.8.	-2,687	-1,636
14	Financial result		-2,667	-1,610
15	Earnings before income taxes **		-20,464	-1,576
16	Income tax	5.9.	-2,907	330
17	Earnings after income taxes		-23,371	-1,246
	Number of shares in thousands - basic/diluted		41,153	37,412
in euros				
	Earnings per share			
	– basic	5.10.	-0.57	-0.03
	– diluted	5.10.	-0.57	-0.03

* adjusted by depreciation and amortisation on the assets disclosed as part of company mergers and on the acquired customer relationships (contingent on M&A)
**) corresponds to earnings from ordinary activities

KPS AG Consolidated Financial Statements in accordance with IFRS

COMPREHENSIVE INCOME
for the period from 1 October 2023 to 30 September 2024

in KEUR	2023/2024	2022/2023
Earnings after income taxes	-23,371	-1,246
Actuarial gains and losses arising from defined benefit pension commitments and similar obligations	162	-357
Foreign currency translation adjustment for foreign subsidiary companies	-200	290
Comprehensive income	-23,409	-1,313

KPS AG Consolidated Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2024

A S S E T S

in KEUR		Note	30.09.2024	30.09.2023
ASSETS				
A. NON-CURRENT ASSETS				
I.	Property, plant and equipment	6.1.	1,518	2,048
II.	Goodwill	6.2.	52,303	69,266
III.	Other intangible assets	6.2.	7,850	9,689
IV.	Rights of use from leasing contracts	6.2.1.	19,259	23,430
V.	Deferred tax assets	6.3.	6,818	7,588
			87,748	112,021
B. CURRENT ASSETS				
I.	Contractual assets	6.4.	342	7,545
II.	Trade receivables	6.5.	21,409	29,084
III.	Other receivables and financial assets	6.6.	3,367	3,713
IV.	Entitlements to income tax rebates	6.7.	2,657	3,471
V.	Cash and cash equivalents	6.8.	12,080	6,900
			39,856	50,715
Total assets			127,604	162,736

KPS AG Consolidated Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2024

LIABILITIES AND SHAREHOLDERS' EQUITY

in Keuros		Note	30.09.2024	30.09.2023
A. SHAREHOLDERS' EQUITY				
Share in equity attributable to shareholders of KPS A				
I.	Subscribed capital	6.9.1	41,153	37,412
II.	Capital reserve	6.9.4	-8,884	-9,689
III.	Retained earnings	6.9.5	663	663
IV.	Other comprehensive income	6.9.6	478	440
V.	Group net profit	6.9.7	14,987	38,358
Total equity			48,397	67,184
LIABILITIES				
B. NON-CURRENT LIABILITIES				
I.	Non-current provisions	6.10.	1,229	1,178
II.	Other non-current liabilities	6.11.	0	2,615
III.	Non-current financial liabilities	6.12.	1,502	895
IV.	Non-current leasing liabilities	6.21.	13,993	18,223
V.	Deferred tax liabilities	6.13.	1,674	2,309
			18,398	25,220
C. CURRENT LIABILITIES				
I.	Trade liabilities	6.14.	6,935	9,647
II.	Financial liabilities	6.15.	29,643	29,539
III.	Contractual liabilities	6.16.	608	581
IV.	Other provisions	6.17.	11,259	14,939
V.	Other liabilities	6.18.	7,249	9,173
VI.	Current leasing liabilities	6.21.	4,203	4,634
VII.	Income tax liabilities	6.19.	911	1,818
			60,808	70,331
Total liabilities			79,207	95,551
Total shareholders' equity and liabilities			127,604	162,736
Equity ratio			37.9%	41.3%

KPS AG Consolidated Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period 1 October 2023 to 30 September 2024

in KEUR		2023/2024	2022/2023
A.	**Current business operations**		
	Earnings before interest and income taxes (EBIT)	-17,796	34
	Depreciation of fixed assets	23,837	7,774
	Change in current assets	15,225	10,444
	Change in provisions	-3,629	-69
	Other non-cash expenses and income	-2,511	561
	Changes in other liabilities	-3,582	-4,181
	Losses from asset disposals	307	1
	Taxes paid	-2,955	-5,320
	Cash inflow/outflow from business operations	8,895	9,245
B.	**Investment activities**		
	Investments in property, plant and equipment	-106	-325
	Investments in intangible assets	-3	-71
	Investments in acquisition of Infront Consulting & Management GmbH, Hamburg	0	-1,058
	Investments in acquisition of KPS Digital Ltd., United Kingdom	0	-1,641
	Investments in acquisition of KPS Transformation B.V., Belgium	-1,197	-4,426
	Interest received	20	26
	Cash inflow/outflow from investment activities	-1,286	-7,495
C.	**Financial activities**		
	Interest paid	-1,938	-1,164
	Interest paid for leasing liabilities	-306	-237
	Cash receipts from taking out loans	30,300	30,341
	Payments for the settlement of loans	-29,589	-21,065
	Payments for the settlement of leasing liabilities	-5,198	-5,042
	Cash receipts from capital increase	4,302	0
	Dividend pay-outs	0	-3,741
	Cash inflow/outflow from financial activities	-2,429	-908
D.	**Net change in cash fund**	**5,180**	**842**

in KEUR	2023/2024	2022/2023
E. Cash funds at the beginning of the period	**6,900**	**6,058**
G. Cash funds at the end of the period	**12,080**	**6,900**
COMPOSITION OF CASH FUND	**Balance 30.09.2024**	**Stand 30.09.2023**
in KEUR		
Cash in hand and cash equivalents	12,080	6,900
Cash funds	12,080	6,900

KPS AG CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

						Accumulated other comprehensive income			
in KEUR	**Subscribed capital**	**Treasury shares**	**Total of subscribed capital**	**Capital reserve**	**Retained earnings OCI**	**Currency translation differences**	**Pension commitments**	**Group net profit**	**Equity**
30.09.2022	**37,412**	**0**	**37,412**	**-10,001**	**663**	**-54**	**428**	**43,345**	**71,793**
Disposal of treasury shares	0	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	0	0	0	-3,741	-3,741
Changes recognized without affecting income	0	0	0	0	0	-290	356	0	66
Share-based payment management	0	0	0	312	0	0	0	0	312
Group earnings	0	0	0	0	0	0	0	-1,246	-1,246
30.09.2023	**37,412**	**0**	**37,412**	**-9,689**	**663**	**-344**	**784**	**38,358**	**67,184**
Disposal of treasury shares	0	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	0	0	0	0	0
Capital increase	3,741	0	3,741	561	0	0	0	0	4,302
Changes recognized without affecting income	0	0	0	0	0	200	-162	0	38
Share-based payment management	0	0	0	244	0	0	0	0	244
Group earnings	0	0	0	0	0	0	0	-23,371	-23,371
30.09.2024	**41,153**	**0**	**41,153**	**-8,884**	**663**	**-144**	**622**	**14,987**	**48,397**

KPS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23/24

KPS

1. INFORMATION ON THE COMPANY AND THE GROUP

KPS AG is a joint-stock company (Aktiengesellschaft) based in Germany with its registered office on Beta-Straße 10h in 85774 Unterföhring, Germany. The company with the register number HRB 123013 is registered with the Local Court of Munich (Amtsgericht München).

KPS AG was founded in 1998. The shares in KPS AG were authorised for regulated trading on the New Market on 15 July 1999. In 2002, the company switched to the stock exchange segment “Regulated Market” (General Standard). The company has been listed in the Prime Standard since December 2016.

The Declaration on the German Corporate Governance Code required pursuant to Article 161 of the Stock Corporation Act (AktG) has been submitted and made accessible to shareholders.

KPS AG is a successful company for business transformation consulting and process optimisation in retail and in the consumer goods sector. KPS Group provides its customers with advice on strategic, process, and technological issues, and implement holistic solutions that maintain their performance capability over the long term.

1.1 Accounting principles

The Consolidated Financial Statements of KPS AG drawn up for the period up to 30 September 2024 were prepared in accordance with the regulations of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), London, and the interpretations of the IFRS Interpretations Committee (IFRIC). The version of the IASB relating to the Consolidated Financial Statements is in accordance with the view of the European Union, since all applicable standards and interpretations that have effects on the Consolidated Financial Statements were adopted by 30 September 2024.

The financial year of the Group deviates from the calendar year and extends from 1 October 2023 to 30 September 2024.

The Consolidated Financial Statements are prepared in euros (EUR). Unless noted otherwise, all amounts are stated in thousand euros (KEUR). Rounding can lead to figures in this report not adding up exactly to the specified sum, and percentages may not conform precisely to the figures shown. Besides the figures for financial year 2023/2024, the equivalent year-earlier figures are shown for comparison purposes. These are presented in brackets.

The income statement has been prepared in accordance with the total cost method. The presentation is unchanged compared to the previous year.

The Executive Board of KPS AG prepared the Consolidated Financial Statements on 27 January 2025 and presented them to the Supervisory Board. The Supervisory Board has the function of reviewing the Consolidated Financial Statements and declaring whether it approves them. The Supervisory Board approved the financial statements at its ordinary meeting on 27 January 2025.

1.2 Amendments to IFRS Standards

The standards whose application was mandatory for the first time in financial year 2023/2024 had no material impact on the presentation of the asset, financial and earnings position of KPS.

The following standards published by the IASB with a potential impact on the IFRS Consolidated Financial Statements of KPS are not yet mandatory due to the fact that they have not yet been endorsed by the EU or the date of first-time application has not yet been reached.

Standard	Description	Date of application
IFRS 10/IAS 28	Sale or contribution of assets between an assets between an investor and an associate associated company or joint venture	unknown
IAS 1	Classification of debt as current or non-current long-term and Long-term debt with ancillary conditions	1 January 2024
IFRS 16	Lease liability in a sale and leaseback transaction Transaction	1 January 2024
IAS 7 / IFRS 7	Supplier Finance Arrangements –	
IAS 21	Lack of exchangeability of a currency	1 January 2025

No significant impact is expected from the standards that are not yet mandatory.

2. PRINCIPLES AND METHODS, AND UNCERTAINTIES DUE TO ESTIMATES

2.1 The use of discretionary decisions and estimates

The management has to make certain assumptions and assessments in the Consolidated Financial Statements that can have significant influence on the presentation of the asset, financial and earnings position. Estimates are based on experiential figures and other assumptions that are regarded as appropriate under the specific circumstances. They are constantly reviewed but can deviate from the actual figures.

The main areas of application in which estimates are put to use are shown below:

Area of application	Balance sheet item	Balance sheet amount as of 30.09.2024	Uncertainties
Definition of useful life for non-current assets	Other intangible assets	7.8 Mio. €	Technical progress can exert an influence on the useful life
Calculation of completion status of fixed-price projects	Contractual assets / Contractual liabilities	0.3 Mio. €	Estimated total expense can deviate, as a result of this the completion status of projects can change, this would lead to a changed sales realization
Calculation of discounted cash flows in the context of impairment tests and contingent purchase price obligations and purchase price allocations (fair value)	Goodwill	52.3 Mio. €	Assumptions in the underlying planning calculations are not made or only partly come into play
Formation and valuation of non-current provisions	Non-current provisions	1.2 Mio. €	Assumptions in the underlying planning calculations are not made or only partly come into play
Valuation of receivables	Receivables	21.4 Mio. €	Assumptions about probabilities of default, customer creditworthiness and the change in the payment behaviour of customers

Acquired businesses are accounted for based on the acquisition method which requires that a valuation be carried out of the assets acquired and the liabilities assumed at their respective fair values on the date of the acquisition.

The application of the acquisition method requires certain estimates and assessments, primarily with regard to determination of the fair value of the acquired intangible assets and property, plant and equipment, the liabilities assumed at the date of acquisition, and the useful lives of the acquired intangible assets and property, plant and equipment. If intangible assets are identified, the fair value is either determined by independent expert reports, depending on the type of intangible asset and the complexity, or the fair value is determined internally using an appropriate valuation method generally based on the forecast of the future cash flows anticipated overall. The valuations are based on the assumptions made by the management with respect to the future development in value of the individual assets and the assumed changes in the discount rate applied.

Any estimates undertaken in the context of the purchase price allocation can significantly influence the Group’s future earnings.

The provision for bonus payments to the Vice Presidents of KPS was determined based on the premises that the persons entitled remain with the company until the bonuses are paid. If one or more of the Vice Presidents leave the company prematurely, parts of the provision would have to be released.

Impairments are formed for doubtful receivables in order to take account of expected losses that result from the insolvency of customers. The basis for the assessment of the appropriateness of the impairments on receivables are the maturity structures of outstanding balances, experiences relating to the probability of default with regard to external customer ratings, the assessment of customer creditworthiness, and changes in payment behaviour.

Amendments to the accounting and valuation methods on the basis of revised and new standards are carried out retrospectively, insofar as no deviating regulation is provided for a standard. The income statement of the previous year and the opening balance of this comparative period are adjusted as though the new accounting and valuation methods had always been applied.

Planning for the following financial year is done at the project level. Projects that have already been contracted or are highly probable and potential client projects are planned. This approach aims to provide a well-founded assessment of future sales and earnings development. As these forecasts form the basis for determining future financial performance, they have a significant influence on the earnings performance of the respective companies.

In particular, this planning influences the valuation of existing goodwill values, as the estimate of future income plays a central role in assessing the recoverability of goodwill. Comprehensive project planning should ensure that the valuation model corresponds to and reflects the actual economic conditions.

The relevant estimates and assumptions made when the Consolidated Financial Statements for 30 September 2024 were prepared on the basis of the knowledge and information available at the time.

These factors can have an impact on the fair values and carrying amounts of assets and liabilities, the level and timing of earnings realisation and payment flows. It is possible that adjustments to assumptions and carrying amounts will be necessary in the next financial year. KPS presumes that the underlying assumptions appropriately reflect the situation at the time that the Consolidated Financial Statements were drawn up.

3. SCOPE OF CONSOLIDATION

The Consolidated Financial Statements include the legal and business parent company of the Group and all the domestic and foreign subsidiaries over which KPS AG exercises control of the financial and business policy in order to derive the corresponding benefit.

Subsidiaries are those companies over which KPS AG is able to exercise control or power of disposition, is exposed to a burden of risk as a result of fluctuating returns and can utilise this power of disposition to influence the level of the returns of the investment companies. This is generally based on indirect or direct majority voting rights held by KPS AG. The majority voting rights are generally manifested in the form of share ownership of more than 50%. Inclusion in the scope of consolidation commences on the date from which the possibility of control begins. Consolidation ends when control is no longer possible.

Besides KPS AG as the legal parent company, the scope of consolidation includes the following companies in which KPS AG holds a direct or indirect interest and are included in the Consolidated Financial Statements on the basis of full consolidation:

Shareholding	Registered office	Share in %	Currency	Subscribed capital 30.09.2024 (previous year)	Equity capital 30.09.2024 (previous year)	Result for the year 2023/2024 (previous year)
KPS Consulting GmbH	Unterföhring	100	KEUR	6,300	7,802	1,238
				(6,300)	(6,564)	(2,240)
KPS Consulting AG	Zürich/ Swiss	100	TCHF	100	292	150
				(100)	(812)	(662)
KPS Transformation GmbH	Unterföhring	100	KEUR	80	-5,437	-5,478
				(80)	(41)	(4,608)
KPS Consulting A/S	Virum/ Denmark	100	TDKK	500	-35,505	-21,294
				(500)	(-14,211)	(-45,231)
KPS B.V.	Amsterdam/ Netherlands	100	KEUR	100	-4,954	-2,948
				(100)	(-2,005)	(-3,537)
KPS Strategie-, Prozess- und IT-Consulting GmbH	Wien/ Austria	100	KEUR	1,800	0	-123
				(100)	(-1,576)	(-378)
KPS Business and Digital Transformation, S.L.U.	Barcelona/ Spain	100	KEUR	59	4,732	1,812
				(59)	(4,509)	(1,936)
Infront Consulting & Management GmbH	Hamburg	100	KEUR	50	4,796	0
				(50)	(4,796)	(0)
KPS Digital Ltd.	London/ Great Britain	100	TGBP	0	6,215	2,937
				(0)	(5,779)	(3,238)
KPS Consulting AS	Oslo/ Norway	100	TNOK	500	1,074	-861
				(500)	(1,935)	(-2,650)
KPS Transformation B.V.	Antwerpen/ Belgium	100	KEUR	19	2,186	789
				(19)	(1,397)	(713)
Grapyhte B.V.	Eindhoven/ Netherlands	100	KEUR	20	610	-15
				(20)	(625)	(58)
KPS Sweden AB	Stockholm, Sweden	100	TSEK	500	1,441	-4,458
				(500)	(899)	(-6,013)

The consolidated financial statements are based on the annual financial statements of the consolidated companies prepared in accordance with uniform Group accounting and valuation principles as at 30September 2024. The annual financial statements have been audited and certified by auditors or reviewed as part of the audit of the consolidated financial statements.

KPS AG did not have any non-consolidated subsidiaries, joint ventures or associated companies in the financial year or the comparative period.

4. ACCOUNTING AND VALUATION PRINCIPLES

The Annual Financial Statements of the companies included in the Consolidated Financial Statements are prepared on the basis of uniform accounting and valuation principles that are unchanged since the previous financial year. The Consolidated Financial Statements are based on the principle of historic acquisition and production costs with the exception of items that are posted at fair value, such as derivatives and contingent purchase price obligations.

4.1 Currency translation

The functional currency and the reporting currency of KPS AG is the euro (EUR). Foreign currency transactions are recorded in euros on the transaction date at the exchange rate applicable on this date.

The Annual Financial Statements of fully consolidated subsidiaries, whose functional currency is not the euro, are converted on the basis of their local functional currency, which generally corresponds to the national currency, into the euro as the Group reporting currency. The conversion is carried out in accordance with the modified balance sheet date method. This means that the conversion of the items of assets and liabilities is carried out at the rate on the balance sheet date, the conversion in the income statement is transacted at the annual average rate. The annual average rate is calculated from the monthly average rates. Equity components are converted at historic rates on the dates of their relevant additions from the perspective of the Group. The currency translation difference resulting from the conversion is recognised in the accumulated other earnings of equity not affecting profit or loss. The currency translation differences recognised in equity are released when a Group company leaves the scope of consolidation.

4.2 Revenue recognition

Revenue includes the provision of services, revenue from maintenance contracts and from the sale of software.

The realisation of revenues is recognised on the basis of the five-step model:

Step 1: Identification of the contract with a customer
A contract is deemed to exist when an agreement between two or more parties forms the basis for enforceable rights and obligations.

Step 2: Identification of the independent performance obligation in the contract
As soon as the Group has determined the contract with a customer, the contractual conditions and the standard business practices are checked in order to identify all the promised goods or services in the contract, and to determine which of the promised goods or services are to be treated as standalone performance obligations. Goods or services are defined as standalone if the customer can derive a use from the goods or services promised directly or in conjunction with third parties, out of the resources available to the customer and the promised goods and services are separable from other goods or services pertaining to the same contract.

Step 3: Determination of the transaction price
The total transaction price for a contract is initially established and then allocated to the individual performance obligations. The transaction price is the amount that KPS Group is entitled to expect as consideration in exchange for the transfer of goods or services. The amount of the consideration must take the effects of variable remunerations, significant financing components, non-cash effective considerations and considerations payable to the customer into account. However, the Group has not identified any significant variable remunerations. KPS Group refrains from reducing its promised

considerations by a financial component if the term of payment is maximally one year. If the term of payment exceeds one year, the revenues are adjusted by discount to fair value.

Step 4: Allocation of the transaction price to the performance obligations
The transaction price is allocated to each performance obligation in the amount that represents the amount of the consideration to which KPS Group is likely to be entitled. The rules for allocating the transaction price are not be applied if the contract only comprises a single performance obligation. The transaction price is allocated to each performance obligation on the basis of a relative individual sale (standalone selling price).

Step 5: Recording revenues for fulfilment of the performance obligations
Revenue is recorded once the performance obligation has been fulfilled as a result of transfer of the goods or services promised to a customer. An asset is deemed to have been transferred when the customer has received the power of disposal over this asset.

The power of disposal over goods or services is transferred over a specified period of time, thereby fulfils a performance obligation and records the revenue over a specified period of time if one of the following criteria is fulfilled:

a. the customer receives the benefit from the service provided by the company and the customer at the same time uses the service while this is being provided;

b. an asset is created or improved through the service provided by the company and the customer acquires the power of disposition over the asset while this is being created or improved; or

c. an asset is created as a result of the service provided by the company that does not have any alternative options for use by the company, and KPS has a legal entitlement to payment for the services that have already been provided.

If the performance obligation is fulfilled at a specific time, the power of disposition over this asset is transferred to the customer at this point in time.

The following types of revenue and contracts exist at KPS Group:

Sale of goods and products
The revenue from the sale of software and hardware is recognised at the fair value of the consideration received or to be received without deduction of sales tax, and after deduction of rebate reductions and discounts granted. Furthermore, the amount of the revenue and the costs incurred or still to be incurred in connection with the sale must be reliably determined. Sales of goods are recorded when the significant risks and opportunities arising from the ownership of the goods are transferred to the customer. This is generally when the software and hardware are transferred to the customer. When software and hardware are sold there are generally performance obligations that have to be fulfilled at a specific time. A fixed consideration is generally agreed and does not include any variable components. Significant financing components are not usually included in contracts. The customer is invoiced when the revenue is recorded. As a rule, invoices are payable within up to 30 days.

Service contracts
Revenue from service contracts is recorded for the relevant period because the units provided cannot be used by the company in any other way and the company has a payment entitlement for the goods or services provided so far. The revenue is recorded on the basis of input-based methods for measurement of the progress of performance, if the earnings from a service contract can be reliably assessed. If the earnings from a service contract can be reliably assessed, the order revenues and the order costs are recorded in connection with this service contract and in accordance with the progress of the performance on the balance sheet date in each case as a portion of the order costs incurred for the work carried out in proportion to the expected order costs. Any changes to the contractual work, the claims and the performance bonuses are included to the extent that they were agreed with the customer. If the earnings

from a service contract cannot be reliably determined, the order revenue is only to be recorded in the amount of the incurred order costs that are likely to be recoverable. Order costs are recorded as an expense during the period in which they arise. If it is likely that the overall order costs will exceed the total order revenue, the expected loss is immediately recorded as expense. An expected loss from a service contract must be recorded as expense as soon as this loss appears probable. The customer is usually charged when the revenue is recorded. As a rule, invoices are payable within up to 30 days.

Licence agreements
Income is recorded appropriate to the period in accordance with the conditions pertaining in the underlying contract. Licence revenue from the granting of time-limited and time-unlimited licences is recorded when the software was provided in accordance with the contract. Licence revenue derived from the granting of time-limited and time-unlimited licences is charged after the transfer of the power of authority.

Licence revenue for software updating and support is realised pro rata over the period of the provision of the service. Fees for rights of use based on time are recorded linearly over the period of the agreement. Licence revenue for software updating and support is charged annually or quarterly in advance.

Framework contracts are concluded with customers without the obligation of a fixed minimum sales volume.

There were no contract initiation costs in accordance with IFRS 15.91 such as commissions on sales that the company would not have incurred without the conclusion of a contract with a customer in financial year 2023/2024.

4.3 Intangible assets

Research and development expenses

Research expenses are defined for accounting purposes as costs in connection with current or planned investigations that are intended to provide new scientific or technical knowledge and insights. Development expenses are defined as costs in connection with the application of research results or specialist knowledge in product development, production procedures, services or goods prior to the commencement of commercial production or application.

Scheduled amortisation on development expenses is carried out over the expected useful life in accordance with the straight line method. A review of the useful life and the amortisation method is carried out at the end of the financial year. In the financial year, the remaining useful life of the capitalised development costs is assumed to be seven years with a total useful life of ten years .

Goodwill

Goodwill is recognised in the course of a company merger as an asset on the date of acquisition. It is valued at acquisition costs which are derived as the surplus on the purchase price for the acquired company over the share of the net assets acquired. The net assets are equivalent to the balance from the fair value of the acquired identifiable assets, the acquired liabilities and contingent liabilities.

Goodwill does not undergo scheduled amortisation, but is tested for impairment every year. Details of the annual impairment tests are explained in the section on the method and effects of impairment tests.

Reversals of impairment losses are strictly prohibited on written-down goodwill.

Other intangible assets

An other intangible asset is an identifiable, non-monetary asset without physical substance (e.g. a patent, a brand, a marketing right) that is not goodwill. It is capitalised as an asset in accordance with IAS 38 if the criteria for the definition of an intangible asset are applicable and the economic benefit to be expected in the future from the asset is likely to accrue and the acquisition and production costs can be reliably calculated.

Other intangible assets are recognised at acquisition or manufacturing costs. If they have a determinable useful life, they are amortised on a straight line basis over a period of up to 10 years, except where their actual depletion demands a different method of amortisation. Definition of the likely useful lives and the amortisation methods is based on estimates of the period of cash inflows from the intangible assets and their temporal distribution within this period. A review of the useful life and the amortisation method is carried out at the end of the financial year.

If there is an indication of a possible reduction in value, an impairment test is carried out. Details of the impairment tests are explained in the section on the method and effects of impairment tests.

If the reasons for unscheduled amortisation no longer exist, an appropriate write-up is carried out which does not exceed the amortised costs.

4.4 Property, plant and equipment

Property, plant and equipment is recognised at acquisition or production costs, reduced by scheduled depreciation over the useful life and as necessary unscheduled impairments.

Acquisition costs comprise the acquisition price, the incidental acquisition costs, and the subsequent acquisition costs less any reductions received on the acquisition price.

Scheduled depreciation on property, plant and equipment is carried out by using the straight line method over the expected useful life, except where their actual depletion demands a method of amortisation based on depletion.

Depreciation is based on the following useful lives used uniformly across the Group:

	Years
IT hardware	3 - 5
Business equipment	3 - 10

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

A review of the useful life and the amortisation method is carried out at the end of the financial year.

If an impairment is necessary, the details for this are described in the section on the procedure for and the effects of impairment audits.

If items of property, plant and equipment are sold, shut down or scrapped, the profit or loss is recorded as the difference between the net sales gain and the residual carrying amount under other operating income or expenses.

Costs for current maintenance and service expenses are always recognised in the income statement.

4.5 Leasing agreements

4.5.1 Leasing activities of the Group and their accounting treatment

The Group leases various office buildings, business equipment and vehicles. Lease agreements are generally concluded for fixed periods of up to 13 years, but they can include extension options. Agreements can include leasing and non-leasing components. In the case of the lease agreements for office equipment and vehicles, the Group makes use of the option not to carry out any differentiation between leasing and non-leasing components, but to report the entire agreement as a lease agreement. The simplification is used for low-value short-term leases such as leased office furniture.

When an agreement is concluded, an assessment is carried out in order to determine whether the agreement is or contains a lease. An agreement is or contains a lease if the agreement transfers a right of use in relation to the asset (or assets) in exchange for consideration. In order to assess whether an agreement transfers the right to control the use of an identified asset, the following checks are carried out to ascertain whether:

a) The agreement includes the use of an identified asset. This can be explicitly or implicitly determined and should be physically definable or should essentially represent the entire capacity of a physically definable asset. If the supplier has a material right to substitution, the asset is not identified as a lease;
b) KPS has the right to benefit from the entire economic use arising from the use of the asset during the entire duration of use, and
c) KPS has the right to determine how the asset is to be used. This right exists if there can be power of disposal over the decision-making rights which are most relevant for changing the type and manner as well as the purpose of the use of the asset. In rare cases, in which the decision is predetermined over how and for what purpose the asset is used, there is a right to determine the application of the asset, if:

    - KPS has the right to operate the asset; or
    - KPS has conceived the asset such that a determination has been made in advance as to how and for what purpose the asset is to be used.

When an agreement that includes a leasing component is concluded or reassessed, the consideration included in the agreement is allocated to each leasing component on the basis of its relative individual prices. In the case of leases for business equipment and vehicles for which KPS is the lessee, a decision was made not to differentiate between non-leasing and leasing components and instead to report each leasing component and all the associated non-leasing components as a single leasing component.

KPS records a right of use and a leasing liability on the delivery date defined in the lease. The right of use is initially assessed on the basis of acquisition costs. These result from the initial amount of the leasing liability, adjusted by any lease payments before or on the delivery date defined in the lease, plus any direct costs incurred initially and an assessment of the costs for dismantling, removal, or reinstatement of the underlying asset or the location in which the asset is located, and less any leasing incentives included.

Rights of use are assessed at acquisition cost, which is comprised as follows:

- the amount of first-time valuation of the leasing liability
- all lease payments made at or before delivery less all/any leasing incentives received
- all the initial direct costs incurred by the lessee and

- any estimated costs incurred by the lessee for disassembly or removal of the underlying asset when the location on which the assets are situated is reinstated or when the underlying asset is restored to the condition required under the lease agreement.

The depreciation of the right of use is carried out on a straight line basis from the date of delivery either until the end of its duration of use – or, if this falls earlier – until the end of the term of the lease. The estimated durations of use for assets with a right of use are determined on the same basis as rights of use for property, plant and equipment. Furthermore, the right of use is regularly reduced by any impairments and is appropriately adjusted in the case of any revaluations of the leasing liability.

On the delivery date, the leasing liability is assessed at the cash value of the lease payments not yet made on this date, discounted with the underlying interest rate defined in the lease or, if this rate cannot be easily determined, with the incremental borrowing rate of the Group. Generally, the incremental borrowing rate is applied as the discount rate. In order to determine the incremental borrowing rate, the Group uses conditions of finance borrowed from third parties.

The lease payments to be taken into account for the valuation of the leasing liability are comprised as follows:

- Fixed payments;
- Variable leasing instalments which are linked to an index or (interest) rate and whose first-time valuation is carried out on the basis of the index or (interest) rate applicable on the delivery date;
- Amounts that are likely to have to be paid to the lessee in the context of residual guarantees;
- The exercise price of a purchase option, if it is sufficiently certain that this will actually take place, lease payments of an optional extension period, if it is sufficiently certain that the extension option will be exercised;
- Penalty payments for any premature termination of the lease, unless it is sufficiently certain that notice of termination will not be served prematurely.

The leasing liability is assessed at amortised cost using the effective interest method. A revaluation is carried out if future lease payments change on account of a change in the index or interest rate, or if the judgement changes in relation to the amount that is likely to have to be paid in the context of a residual value guarantee, or if the judgement changes as to whether a purchase, extension or termination option will be exercised. If a revaluation of the leasing liability is carried out, a corresponding adjustment of the carrying amount for the value in use is carried out or is recorded in the income statement if the carrying amount of the value in use has been reduced to zero.

Rights of use and leasing liabilities are recognised in the balance sheet as separate balance sheet items.

Depreciation is carried out on a straight line basis over the estimated period of use of the assets or the shorter leasing term as follows:

	Years
Buildings	4 - 13
Vehicles	2 - 4
Office equipment	2 - 6

The Group is exposed to potential future increases in variable lease payments that may arise from a change in an index. These possible changes in leasing instalments are not included in the leasing liability until they become effective. As soon as changes occurring in an index or interest (rate) have an impact on the leasing instalments, the leasing liability is adjusted with respect to the right of use. Leasing instalments are classified into repayments and interest payments. The interest portion is recognised through profit or loss over the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

4.6 Procedure for and effects of impairment audits

Besides the impairment tests for individual assets of property, plant and equipment, and intangible assets, impairment tests are also carried out at the level of cash-generating units (CGU). A cash-generating unit is the smallest identifiable group of assets that generate cash inflows largely independently of other assets or groups of assets. The allocation to the individual CGUs is based on internal management guidance.

The Group carries out an annual audit in order to ascertain whether goodwill has undergone impairment. The audit determined the recoverable amount of the cash-generating units on the basis of value-in-use calculations that require the use of assumptions. The cash generating units were valued in their current use. The calculations use cash flow forecasts that are based on the financial plans approved by the Executive Board and generally cover a period of four years. This planning is based on assumptions with regard to macroeconomic developments and the development of selling and procurement prices for the individual projects in particular. Besides these current forecasts, past developments and experience are also taken into account. In addition to the perpetual annuity and the capitalisation interest rate, the main assumptions are the realisation of the planned projects and the expected developments in the regions in which KPS operates. In the detailed planning period (financial years 2024/2025 - 2025/2026), KPS anticipates an average sales growth rate of 5.0% and 7.5% for each of the following years. It is expected that increased purchasing costs for consulting services and higher personnel costs can be passed on to customers as far as possible. The Group's EBITDA for the 2024/2025 financial year is expected to be between EUR 10.6 million and EUR 14.8 million in line with internal planning. The macroeconomic conditions and the war in Ukraine in particular may lead to uncertainties regarding the willingness of existing and potential new KPS customers to invest, with the result that individual projects may be paused or the start of new projects may be affected.

Net inflows beyond the planning period are determined for both methods on the basis of long-term business expectations using individual growth rates derived from the relevant market information.

The net cash inflows are discounted at cost-of-capital rates. The cost-of-capital rates correspond to the return expectations of shareholders and represent the long-term financing conditions of comparable companies.

The weighted average cost of capital (WACC) used for recoverability tests of goodwill and for discounting of projected cash flows for the three cash-generating units was 9.17% (previous year: 8.78%) on the balance sheet date. The rise in the general interest rate level has a particular impact here. When calculating the perpetual annuity, a growth factor of 1.0% (previous year: 1.0%) was used on the determined capital cost rate.

4.7 Financial instruments

A financial instrument is a contract which simultaneously leads to the creation of a financial asset in one company and to a financial liability or equity instrument in another company. Financial assets comprise in particular cash and cash equivalents, trade receivables and other loans and receivables granted, financial investments held to maturity, and original and derivative financial assets held for trading purposes. Financial liabilities regularly reflect a repayment entitlement in liquid funds or another financial asset. Financial instruments are recognised as soon as KPS becomes a contractual partner in accordance with the rules of the financial instrument.

Financial investments and other financial assets

Financial assets are classified in other earnings, as financial assets that are valued at fair value affecting net income, at amortised cost, or as not affecting income at fair value. When financial assets are recognised for the first time, they are measured at their fair value. In the case of financial assets for which no valuation at fair value affecting net income is carried out, transaction costs are also included which are attributable directly to the acquisition of the financial assets. KPS defines the classification of its financial assets with the first-time application and reviews this allocation at the end of each financial year insofar as this is permissible and appropriate.

Purchases and sales of financial assets are reported on the trading day as customary in the market, i.e. as at the day when the company receives the obligation to purchase the asset ("trade date accounting").

Financial assets valued at amortised cost (debt instruments)

This category has the most importance for the Consolidated Financial Statements. The financial assets are valued at amortised cost if the two following conditions are fulfilled:

- The financial asset is held as part of a business model whereby the objective is to hold financial assets for collection of the contractual cash flows, and
- The contractual conditions of the financial asset lead to cash flows on defined dates that are exclusively repayment and interest payments on the existing capital amount.

Financial assets measured at amortised cost are assessed using the effective interest method and must be reviewed for impairments. Gains and losses are recorded in the earnings for the period when the asset is derecognised, modified or impaired. The valuation of the expected credit loss is carried out in line with the simplification method in accordance with IFRS 9 B5.5.35 using a valuation allowance table. This impairment matrix is essentially based on historic experiences with credit losses and current data on long-overdue receivables. In addition, outstanding receivables are continuously monitored at the local and central level in order to establish the extent to which there are objective indications that the creditworthiness of the corresponding receivables is impaired. The simplified model for determining risk provision ("Expected Credit Loss Model") is applied for the expected credit default arising from trade receivables, according to which the credit loss is calculated on the basis of the total term of the financial asset. If there are objective indications of a credit default, an individual impairment is carried out for the corresponding receivables. The risk provision for the expected credit losses is calculated on non-impaired receivables on the basis of the maturity profile for trade receivables specific to the particular customer group. These are grouped in tiers classified according to level of risk and arrears. The historic default rates applied for this are adjusted by forward-looking information such as economic market conditions and general future risks. In individual cases, trade receivables continue to be subject to individual impairment, to the extent that substantial financial difficulties are encountered by customers or there is a breach of trust, for example in the case of default of payments.

The financial assets of the Group assessed at amortised cost essentially include trade receivables and other financial assets.

Financial assets measured at fair value in other earnings with no effect on income (debt instruments)

Debt instruments are measured at fair value in other earnings with no effect on income if the two following conditions are fulfilled:

- The financial asset is held as part of a business model whereby the objective is collection of contractual cash flows and the sale of financial assets, and
- The contractual conditions of the financial asset lead to cash flows on defined dates that are exclusively repayment and interest payments on the outstanding capital amount.

If debt instruments are measured at fair value in other earnings with no effect on income, interest income, new valuations of currency translation gains and losses, and impairment expenses or reversals are recorded in the income statement and calculated in the same way as with financial assets measured at amortised cost. The remaining changes in the fair value are recorded in other earnings. On derecognition, the accumulated gains or losses from changes in the fair value recorded in other earnings are reclassified to the income statement.

Financial assets measured at fair value in other earnings with no effect on income (equity instruments)

Upon first-time recognition, KPS can make an irrevocable choice of classifying its equity instruments at fair value in other earnings with no effect on income if they meet the definition of shareholders' equity in accordance with IAS 32 Financial Instruments: Presentation, and are not held for trading purposes. The classification is carried out individually for each instrument.

Gains and losses arising from these financial assets are never reclassified in the income statement. Dividends are recorded as other income in the income statement if there is a legal entitlement to payment, unless a portion of the acquisition costs of the financial asset is recovered through the dividends. In this case, the gains are recorded in other earnings.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, checks, and credit balances at banks and companies. Cash equivalents are current, exceptionally liquid financial investments which are only subject to negligible fluctuations in value and can easily be converted to fixed defined amounts of cash. They have a maximum term of three months when acquired or on the date of investment.

Derecognition of financial assets and financial liabilities

The financial assets are derecognised if the contractual rights and cash flows from a financial asset expire, or the financial asset and essentially all the risks and opportunities associated with ownership of the asset are transferred to a third party. If KPS essentially neither transfers nor retains all the risks and opportunities associated with ownership of the asset and continues to have power of disposal over the transferred asset, KPS records the remaining share as an asset and a corresponding liability relating to the amounts probably payable is recognised. If KPS essentially retains all the risks and opportunities associated with the ownership of a transferred financial asset, the company continues to recognise the financial asset and a collateralised loan in respect of the retained consideration.

The financial liabilities are derecognised when the contractually defined obligations have been settled, discharged, or have expired. If an existing financial liability is replaced by another financial liability from the same lender with substantially different contractual conditions or if the conditions of an existing liability are substantially changed, such a replacement or change is dealt with by a derecognition of the original liability and recognition of a new liability. The difference between the relevant carrying amounts is recorded in profit or loss.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes. KPS uses financial instruments in order to counteract risks arising from changes in interest rate which can arise in the course of investment and financial transactions. Derivative financial instruments are used to hedge existing underlying transactions. These derivative financial instruments are initially recognised on the date when the corresponding contract was concluded at their fair values and subsequently reassessed at the present fair values. Derivative financial instruments are recognised as assets when their fair value is positive and as debts when their fair value is negative.

If derivative financial instruments do not meet the criteria for reporting of hedging transactions, profits or losses arising from changes to the fair value are immediately recorded in profit or loss. Gains or losses from fluctuations in fair value are recognized immediately in profit or loss. No derivatives were held as at the balance sheet date.

Financial liabilities

At first-time recognition, financial liabilities are classified as financial liabilities that are measured at fair value with an effect on income, as a loan, as liabilities or derivatives which were designated as a hedging instrument and are effective as such.

Upon first-time recognition, all financial liabilities are measured at fair value, in the case of loans and liabilities less the directly attributable transaction costs.

The financial liabilities comprise trade liabilities and other liabilities, loans including current account loans and derivative financial instruments.

Financial liabilities measured at fair value with an effect on income comprise financial liabilities held for trading purposes and other financial liabilities (in particular earn-out obligations in accordance with IFRS 3.58b ii) which at their first-time recognition are classified as measured at fair value with an effect on income. Transaction costs are recognised directly in the income statement. The contingent considerations (earn-out obligations) were measured on the basis of the company's individual plans based on the discounted cash flow method.

Follow-up evaluation

The subsequent valuation of financial liabilities depends on their classification as follows:

Financial liabilities measured at fair value with an effect on income comprise the financial liabilities held for trading purposes and other financial liabilities that are classified at fair value as affecting income. Transaction costs are recognised directly in the income statement.

Loans are recognised for the first time at fair value less transaction costs. In the scope of subsequent valuation, loans are measured at amortised cost in accordance with the effective interest method, if the liabilities are derecognised. Gains and losses are recognised with an effect on income if the liabilities are derecognised, also within the framework of amortisations using the effective interest method.

Amortised costs are calculated taking a premium or discount in an acquisition and charges or costs which are an integral element of the effective interest rate into account. Amortisation by the effective interest method is included in the income statement as part of financial expenses.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is fulfilled, discharged, or has expired. If an existing financial liability is replaced by another financial liability from the same lender with substantially different contractual conditions or if the conditions of an existing liability are substantially changed, such a replacement or such a change is dealt with by a derecognition of the original liability and recognition of a new liability. The difference between the relevant carrying amounts is recorded in profit or loss.

4.8 Income taxes

Income taxes are recognised as the taxes levied on taxable profit in the individual countries and the change in deferred tax assets and liabilities in the income statement. The recognised income taxes are recorded at the amounts likely to be payable on the basis of the statutory regulations in force or already adopted on the balance sheet date.

In compliance with IAS 12 (Income Taxes), deferred taxes are calculated for temporary (or effectively permanent) differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the balance sheet drawn up for tax purposes, on account of consolidation measures and on account of tax loss carryforwards and tax credits likely to be realisable. Deferred tax assets relating to deductible temporary differences, tax credits and tax loss carryforwards are recognised to the extent that it is sufficiently probable that a taxable benefit will arise in the future.

Deferred tax liabilities are recognised on temporary differences that will be taxable in the future.

Deferred taxes are calculated at the tax rates that are expected to apply in the individual countries at the point of realisation. The rates are based on the statutory regulations in force or already adopted on the balance sheet date. Deferred tax assets and liabilities can be offset subject to the requirements of IAS 12.71 ff, if there is an overhang of deferred tax assets. Material effects of changes on deferred tax assets and liabilities due to changes in the tax rate or tax legislation are taken account of in the period in which the legislative procedure governing the tax rate has been concluded. These changes are generally recognised under income.

Deferred and current taxes are generally recorded in the income statement unless they relate directly to items recorded in equity with no effect on income. They are then also recognised with no effect on income.

The assessment of the recoverability of deferred tax assets resulting from temporary differences and loss carryforwards is subject to company-specific forecasts, including the future earnings situation in the Group company concerned.

On each balance sheet date, an assessment is made to ascertain whether the realisation of future tax benefits is sufficiently probable for the recognition of deferred tax assets. This requires the management to make judgements including the assessment of tax benefits that arise from the tax strategies available and the future taxable income, and taking additional positive and negative factors into account. The recognised deferred tax assets can be reduced if the estimates of the planned tax income and the tax benefits achievable by means of the available tax strategies are reduced or if changes to the current tax legislation restrict the time frame or the scope of realisable future tax benefits.

4.9 Treasury shares

When the company’s own shares are purchased/disposed of, the nominal value of the shares is offset with the subscribed capital and the share premium with the profit carried forward/capital reserve.

4.10 Share-based payment

The Group has established a share-based participation programme (“Long Term Incentive Plan 2022,” “LTIP 2022” for short) for certain executives of the parent company and/or its subsidiaries. The LTIP 2022 has a term from 1 October 2021 to 30 September 2026. The LTIP 2022 serves to provide targeted incentives and at the same time is intended to achieve a binding effect on the participants to the KPS Group. The Group reserves the right to elect to settle the payment claims resulting from the LTIP 2022 either in cash and/or in shares of KPS AG.

For each financial year relevant in the LTIP 2022, a separate profit sharing fund (“PSF”) is formed, in which a certain number of virtual KPS shares are arithmetically held. This is the number of shares (notionally) allocated to the PSF for each financial year to be included. The starting point for the calculation of the total number of shares is the “allocation amount.” The allocation amount corresponds to the company- or Group-related share of the employee’s annual target incentive (in EUR). The respective number of shares of each individual employee is calculated by dividing the allocation amount by the “share base price.” The share base price is the amount of the volume-weighted average closing price of the KPS share in Xetra trading on the Frankfurt Stock Exchange or a comparable successor segment (together “Xetra trading”) in the respective calendar month in which the Annual Financial Statements of KPS AG are adopted. Currently, this is generally the month of January. An employee’s claim to payment of a monetary amount equal to the value of the base number of shares multiplied by the final share price results in the grant maturity. KPS AG may, at its discretion, settle the claim to the LTI bonus in whole or in part by delivering physical KPS shares instead of cash. Allocation maturity generally occurs if the employee has not already left KPS Group before the end of the third financial year after the financial year for which the number of shares was determined (vesting period). The LTI bonus is paid in the fourth financial year after the financial year of the allocation to the respective PSF in the calendar month after the Annual General Meeting of KPS AG for the financial year of KPS AG immediately preceding the respective fourth year.

The allocation amounts are estimated at the time of granting, taking the conditions under which the participation programme was granted into account. In estimating the amount, the Group makes certain assumptions, including the expected amount of the subscription rights. The final payout amount for these awards depends on the achievement of KPS Group's financial ratios. The estimate is mainly influenced by the expected amount of future Group EBIT. The allocation is made ratably over the term of the LTIP 2022. During the term, only a changed estimate with regard to the quantity structure is taken into account. The Group accounts for the LTIP 2022 as an equity-settled plan, as cash settlement is not currently planned.

4.11 Provisions

Provisions are formed for current, legal or factual obligations that result from events in the past that are likely to lead to a future outflow of economic resources (with a probability greater than 50%) and the amount of which cannot be reliably estimated.

Provisions are assessed in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) or as necessary in accordance with IAS 19 (Employee Benefits). Where cash outflows to settle obligations with a term of more than one year are anticipated, the provisions are recognised at the cash value of the expected cash outflows.

Reimbursement claims receivable from third parties are capitalised separately from the provisions as other receivables if their realisation is virtually certain.

If the scope of an obligation is reduced as a result of a change in the estimate, the provision is reversed by the proportionate amount and the resulting income is recorded in the operating areas in which the original charge was recognised when the provision was formed.

Trade-related provisions in respect of customers and suppliers include in particular obligations for rebates and discounts, warranties and services received that have not yet been invoiced.

Provisions are recognised for litigation suits in the balance sheet in respect of pending or future litigation, subject to an appropriate case-by-case examination.

Personnel-related provisions are mainly recognised in the balance sheet for annual bonus payments, and variable and individual one-off payments.

4.12 Pension provisions

The obligations arising from defined benefit pension plans are calculated using the actuarial Projected Unit Credit Method. This assesses the cash value of the defined future benefit obligation (DBO) on the basis of the pro rata benefit entitlements accrued by the employees on the balance sheet date. The cash value is calculated taking future expected salary and pension trends into account, since the benefit entitlement that can be attained up to the standard retirement age is dependent on this. The assumptions made for the calculation of the DBO on the balance sheet date of the previous year are applicable for the calculation of the current past service costs and the interest income and interest expenses of the following financial year. The net interest income or expenses for a financial year are calculated by multiplication of the discount rate for the relevant financial year by the net asset value or the net obligation on the balance sheet date of the previous financial year. The fair value of the plan assets and the DBO and hence also the interest income from the plan assets and the interest expenses from the DBO are adjusted to take account of significant events (e.g. special endowments, plan changes). The DBO includes the cash value of the taxes on contributions or benefits to be borne by the pension plan in connection with the service periods already rendered.

If the pension obligations are not covered by the plan assets, a pension provision in the amount of the DBO is recognised. If the obligations are covered by the plan assets, the company offsets the fair value of the plan assets with the DBO and capitalises the net amount under liabilities, adjusted by any effects arising from the asset cap, under the pension provisions.

The current and past service costs for pension obligations and other administrative costs that are not connected with the administration of the plan assets are recorded under personnel expenses. The past service costs and gains/losses from plan settlements are immediately recorded in the income statement. Costs for administration and taxes that are directly connected with the plan assets are recorded (not affecting income) in the item Other earnings after taxes. Actuarial gains and losses arising e.g. from adjustment of the discount rate are recorded in the item Other earnings taking account of deferred taxes (not affecting income).

Pensions and similar obligations are reported using actuarial valuations. These valuations are based on statistical and other factors so that future events can be anticipated in this way. These factors include actuarial assumptions such as discount interest rate, expected capital gain on the plan assets, expected salary increases and mortality rates. These actuarial assumptions can vary significantly from the actual developments on account of changes in market and economic conditions and may therefore lead to a significant change in the pension and similar obligations and to the associated future expense.

4.13 Company acquisitions

Company mergers have been reported on the basis of the acquisition method in accordance with IFRS 3. The acquisition costs of a company acquisition are measured on the basis of the fair values of the transferred assets and the liabilities incurred or assumed at the date of acquisition. Acquisition costs are recorded under expenses on the date they are incurred. The acquired, identifiable assets in a company merger and the assumed liabilities (including contingent liabilities) are valued at their fair value on the date of acquisition, independently of the extent of non-controlling interests. Adjustments of contingent purchase price components, which are recognised at the date of the acquisition, are recorded under expenses.

4.14 Principles of consolidation

Capital consolidation is carried out in compliance with IFRS 10 Consolidated Financial Statements. The proportionate shareholders’ equity of the subsidiary company is offset with the investment book value of the parent company at the date of first-time consolidation.

The effects of business transactions within the Group are eliminated in the form of liability and expense and income consolidation. An interim earnings elimination is also carried out.

The principles of consolidation applied did not change compared to the previous year.

5. PROFIT AND LOSS ACCOUNT – EXPLANATORY NOTES

5.1 Revenues

Sales revenues include the fees charged to customers for goods and services, less sales deductions and discounts.

Revenues derived from the provision of services and maintenance are time-limited, the sale of software and hardware is realised at a defined point in time. Customers are primarily only commercial end users and to a limited extent public-sector contracting authorities.

All revenues shown result exclusively from contracts with customers.

Please refer to the segment report in relation to allocation of revenues to individual segments.

Revenues are allocated to the individual sales generators as follows:

	Year under review 2023/2024		Year under review 2022/2023	
	KEuro	%	KEuro	%
Provision of services	141,365	97.2%	175,055	98.5%
Sales of software	2,153	1.5%	521	0.3%
Maintenance	1,897	1.3%	2,199	1.2%
Total revenues	145,415	100%	177,774	100%

No significant revenues arising from performance obligations, which were fulfilled in previous periods, were recorded in financial year 2023/2024.

Transaction prices result from maintenance contracts with a residual term of up to 4 years, which were not yet recognised as revenues. The expected sales revenue within the minimum contract terms is included in the calculation. The likely revenues to be recorded are distributed as follows:

in KEUR	Year under review 2024/2025	Year under review 2025/2026	Year under review 2026/2027	Year under review 2027/2028	Total
Revenues likely to be recognized	1,430	821	494	4	2,749

5.2 Own work capitalised

No internally generated intangible assets were capitalised in the financial year. In the previous year internally generated intangible assets relating to internally generated software were capitalized in the amount of KEUR 35.

5.3 Other operating income

The breakdown of other operating income is shown in the following table:

	Year under review 2023/2024	Year under review 2022/2023
	KEUR	KEUR
Income from release of provisions	8	2
Income from release of earn-out obligations	2,615	85
Income from discounts	121	175
Income from exchange-rate differences	73	33
Income from subleasing - rental income	649	95
Income from subleasing - ancillary income	257	63
Other income	279	157
Total other operating income	4,002	611

5.3.1 KPS as the lessor

KPS AG has sublet parts of an office building it had rented. As a result, it has entered into a sub-lease, whereby the company operates as a lessor. The leases have been classified as operating leases. Lease income from rent for financial year 2023/2024 amounted to KEUR 649 (previous year: KEUR 95).

Subletting is the letting of unused office space. This is the only circumstance in which the company operates as lessor. The company secures itself against all claims against the tenants by means of a deposit in the form of a bank guarantee. Cash deposits are collected by the company and reported under other receivables.

The rental income expected to be recognised in subsequent years is distributed as follows:

in KEUR	30/09/2024	30/09/2023
until one year	1,241	164
from 1 to 2 years	1,257	171
from 2 to 3 years	1,103	171
from 3 to 4 years	1,062	43
from 4 to 5 years	887	0
more than 5 years	2,362	0

5.4 Cost of materials

Cost of materials amounted to KEUR 50,843 (previous year: KEUR 66,187) and included expenses for hardware and software purchased amounting to KEUR 1,766 (previous year: KEUR 1,865) and expenses for services purchased amounting to KEUR 49,077 (previous year: KEUR 64,322).

5.5 Personnel expenses and employees

Personnel expenses in the year under review amounted to KEUR 72,762 (previous year: KEUR 82,215). Wages and salaries accounted for KEUR 63,354 (previous year: KEUR 72,216) and social security expenses for KEUR 9,470 (previous year: KEUR 9,999). The personnel expenses include a one-off effect of severance payments as part of staff reduction measures in the amount of KEUR 2,562 (previous year: KEUR 1,894).

The expenses for defined benefit pension plans included in personnel expenses amounted to KEUR 108 (previous year: KEUR 78).

The average number of employees during the year was 618 (previous year: 710), of which 511 (previous year: 603) were consultants and 107 (previous year: 107) administrative employees.

The number of employees who were consultants was corrected from 632 (disclosure in the 2021/2022 Notes) to 603 in financial year 2021/2022. The number of administrative employees in financial year 2021/2022 was corrected from 79 (disclosure in the 2021/2022 Notes) to 108.

	30.09.2024	30.09.2023	Change
Employees by region			
Germany	365	450	-85
Spain	87	95	-8
Great Britain	86	84	2
Denmark	13	19	-6
Switzerland	2	4	-2
Austria	0	3	-3
Netherlands	6	6	0
Norway	3	4	-1
Sweden	3	3	0
Belgium	12	14	-2
Total	577	682	-105
Employees by function			
Executive Board	1	1	0
Managing Directors	10	10	0
Consultants	453	558	-105
Administration	106	103	3
Apprentices	7	10	-3
Total	577	682	-105

5.6 Other operating expenses

The breakdown of other operating expenses is shown in the following table:

in KEUR	Year under review 2023/2024	Year under review 2022/2023
Purchased services	4,032	4,555
Legal and consulting costs	1,235	1,274
Personnel recruitment and advanced training	443	886
Travel and hospitality costs	2,035	3,136
Premises costs	1,279	1,586
Vehicle costs	1,592	1,570
Valuation allowance for receivables	4,374	3,801
Valuation allowance contract assets	0	3,540
Advertising and marketing costs	1,570	2,269
Telephone and other communication costs	494	567
Insurance policies	349	345
Expenses for revaluation of earn-out obligations	107	104
Capital market costs	275	230
Hire costs for operating and business equipment	49	82
Expenses from disposal of right of use	7	0
Other expenses	1,930	1,806
Total other operating costs	19,772	25,750

5.7 K,Depreciation and amortisation

Depreciation and amortisation for the financial year amounted to a total of KEUR 23,837 (previous year: KEUR 7,344). Of this amount, KEUR 6,049 (previous year: KEUR 6,575) is reported as “Depreciation and amortization (M&A adjusted)”. This item comprises depreciation of property, plant and equipment and amortization of intangible assets in the amount of KEUR 1,327 (previous year: KEUR 1,687) and amortization of right-of-use assets in the amount of KEUR 4,722 (previous year: KEUR 4,888). In the previous year, amortization of intangible assets included impairment losses of KEUR 115 (in 2023/2024 no impairment losses). The impairment losses in the previous year were recognized on internally generated process lines with low sales figures and process lines that are no longer used. The depreciated process lines are allocated to the Management Consulting/Transformation Consulting segment.

The item “Depreciation and amortization (M&A-related)” includes KEUR 17,788 (previous year: KEUR 1,199). It contains scheduled amortization of orders on hand and customer relationships in the amount of KEUR 825 (previous year: KEUR 1,199) and amortization of goodwill in the amount of KEUR 16,963 (previous year: KEUR 0).

With regard to goodwill, please refer to the comments on the impairment test (section 6.2). The amortization of orders on hand and customer relationships relates to assets that were recognized as part of the purchase price allocations of previous transactions. This amortization and the operating result (EBIT) before this amortization are recognised separately in the income statement in order to show the effect of the acquisitions separately.

5.8 Financial result

Other financial income amounted to KEUR 20 (previous year: KEUR 26) and resulted from discounting of non-current liabilities.

The breakdown of other financial expenses is shown in the following table:

in KEUR	Year under review 2023/2024	Year under review 2022/2023
Interest expenses leasing liabilities	306	237
Interest and guarantee fees to banks	2,258	1,379
Compounding of non-current provisions	0	20
Interest expense factoring	61	0
Revaluation of earn-out liabilities	63	0
Total other operating costs	2,687	1,636

5.9 Income taxes

Income taxes are shown in the following table:

in KEUR	2023/2024	2022/2023
Current tax expense	-2,465	-2,579
Tax expense for previous years	-396	32
Deferred tax expenses	-46	2,877
Income taxes	-2,907	330

Deferred taxes relate to tax loss carryforwards and time-related differences of recognised values between the tax balance sheets of individual companies and the values recognised in the Consolidated Statement of Financial Position in accordance with the liability method.

On 30 September 2024, tax loss carryforwards amounted to KEUR 27,387 (previous year: KEUR 17,420) for corporate income tax and KEUR 29,369 (previous year: KEUR 27,375) for trade tax. Apart from Germany, there is no differentiation between corporation tax and trade tax in the countries in which loss carryforwards exist. For this reason, the loss carryforwards of foreign companies are reported under loss carryforwards for corporate tax.

As at 30 September 2024, there were deferred tax assets on loss carryforwards from companies that generated tax losses in the previous year or in the financial year 2023/2024. Specifically, this relates to KPS Transformation GmbH, Unterföhring, with KEUR 3,868, KPS Consulting A/S, Virum, Denmark with

KEUR 1,164. KPS Sweden AB, Stockhol, Sweden, with KEUR 80 and KPS Consulting AS, Oslo, Norway with KEUR 64.

In order to calculate deferred taxes, the local tax rates of the affected national countries were applied. These are between 19.6% and 30.9%.

The amount of unusable tax losses for which no deferred tax asset was recognised amounted for corporate income tax KEUR 7,863 (previous year: KEUR 2,259) and KEUR 8,770 (previous year: KEUR 12,709) for trade tax. The loss carryforwards can be used indefinitely.

The following table shows a reconciliation of the expected tax expense based on the German combined income tax rate of the company from the current rate of 27.4% (previous year: 27.6%) to the actual tax burden. The combined rate of income tax for the reporting year is made up of corporate income tax amounting to 15.8% (previous year: 15.8%) and trade tax amounting to 11.6% (previous year: 11.8%).

in KEUR	2023/2024	2022/2023
Annual profit before income taxes	-20,464	-1,576
Income tax rate	27.4%	27.6%
Expected nominal tax expense	5,602	435
Tax consequences resulting from:		
Tax effects on account of tax carryforwards	161	226
Tax effects on account of non-deductible operating expenses, goodwill write-downs and other tax modifications	-8,369	-2,878
Deferred taxes on loss carryforwards	-385	1,901
Deferred taxes on account of HB II (commercial balance sheet II) adjustments / StB (tax balance sheet effects)	338	587
Deviations of local tax rates from the average income tax rate	167	-37
Tax effects relating to other accounting periods	-396	32
Other effects	-27	64
Actual income tax expense	-2,908	330
Effective tax rate	-14.2%	20.9%

5.10 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to shareholders of KPS AG and the weighted average number of shares in free float during the financial year. There were no dilution effects in the current year. Earnings per share were EUR -0.57 in the current financial year and EUR -0.03 in the previous year.

The average daily trading volume of the KPS share amounted to 23,275 shares in the reporting period (previous year: 14,445 shares). The market capitalization of KPS AG on 30 September 2024 was EUR 34.6 million on the basis of 41,153,300 shares in circulation.

6. BALANCE SHEET – EXPLANATORY NOTES

6.1 Property, plant and equipment

This item essentially includes office fittings and self-used IT hardware.

Please refer to the consolidated fixed asset movement schedule for the development of the non-current assets explained below.

6.2 Goodwill and other intangible assets

The item includes software and related licences, which were partly self-developed and also purchased against payment.

	Years
Software	3 - 10
Licences	5

No revenues amounting were capitalised in accordance with the criteria of IAS 38.57 in financial year 2023/2024 (previous year: KEUR 35). The development costs are written down for the projected useful life of up to 10 years as soon as the assets can be used.

Furthermore, goodwill is recognised under intangible assets, which originate exclusively from capital consolidations.

Consequently, goodwill in KPS Group is monitored at the level of the three business segments that were identified as cash-generating units.

The goodwill recognised amounted to KEUR 52,303 (previous year: KEUR 69,266). The impairment losses in the 2023/2024 financial year result from the impairment test carried out and relate to the Management Consulting / Transformation Consulting segment. There were no further changes in the 2023/2024 financial year. Goodwill is allocated to the following cash-generating units, taking into account the allocation made:

in KEUR	30/09/2024	30/09/2023
Management consulting/Transformation consulting	51,838	68,801
System Integration	120	120
Products/ Licenses	345	345
Total	52,303	69,266

The annual goodwill impairment tests are carried out as at 30 September. The impairment tests are mainly based on the business figures for the current year, a multi-year plan and the WACC. In the 2023/2024 financial year, the negative business performance, the rather cautious planning for the coming financial years and the higher WACC in the 2023/2024 financial year resulted in a recoverable amount for the Management Consulting / Transformation Consulting segment of KEUR 84,299 which led to an impairment requirement of KEUR 16,963. The impairment is recognized in the income statement under the item “Depreciation and amortization (M&A related”).

As part of a sensitivity analysis for the cash-generating units, a 0.5% reduction in the growth factor in the perpetual annuity, a 1.0% increase in the discount rates and a 1.5% reduction in the growth rate for sales were simulated.

For the cash-generating units System Integration and Products / Licenses, the simulation does not result in any need for impairment. For the cash-generating unit Management Consulting / Transformation Consulting, a reduction of 0.5% in the growth factor in perpetuity would result in a further impairment requirement of KEUR 3,475. A 1.0% increase in the discount rate would result in an impairment requirement of KEUR 8,524. A 1.5% reduction in the growth rate for sales would result in an impairment requirement of KEUR 4,778.

6.3 Deferred tax assets

Deferred tax assets amounted to KEUR 6,818 (previous year: KEUR 7,588) and essentially reflect the level of tax loss carryforwards of KPS AG, KPS Consulting GmbH, KPS Transformation GmbH, Unterföhring, Germany, as well as KPS Consulting A/S, Virum, Denmark that are likely. The tax receivable from loss carryforwards from the authorities in Denmark results from adjustments to transfer prices for previous years in the amount of KEUR 1,456. There is uncertainty regarding the recognition and measurement of the amount, as the result cannot be determined with certainty at this time. For this reason, a discount of 20% was applied and the valuation therefore amounts to KEUR 1,164.

Deferred tax assets are composed as follows:

in KEUR	30.09.2024	30.09.2023
	Assets	Assets
Loss carryforwards	6,009	5,933
Pension provision	472	423
Other provisions	127	152
Trade receivables	30	30
Rights of use/ Leasing liabilities	16	17
Contract assets	0	0
Fixed assets	163	760
Other items	2	273
Total	6,818	7,588

Of the deferred tax assets, KEUR 6,660 (previous year: KEUR 7,132) have a maturity of more than one year. Deferred tax assets of KEUR 129 (previous year: KEUR 124) relate to actuarial gains and losses from pension provisions and are recognized directly in other comprehensive income.

6.4 Contractual assets

In the case of works contracts (fixed-price projects), KPS is entitled to advance payments as soon as specified performance-related milestones have been reached and acceptance by the customer has taken place. Up to that point, the goods and services provided are capitalised as contractual assets. Amounts recognised as a contractual asset in the amount of KEUR 342 (previous year: KEUR 7,545) are transferred to trade receivables at the point when an invoice is issued to the customer. Contractual assets generally fall due within one year.

KPS determines the impairment on contractual assets in the amount of the expected losses over the remaining term taking the receivables arising from historic default experience and the future prospects in the IT services sector into account.

There were no changes in the assessment methods or the important assumptions in relation to determining the impairments during the current reporting period with the exception of the impairment ratio.

The following table shows the risk profile of the contractual assets based on the impairment matrix of the Group. Since there are no significant differences based on historic experiences with credit losses in the Group with regards to the different customer segments, no distinction is made between the different customer groups within the Group with regard to the impairment based on arrears.

in KEUR	2023/2024	2022/2023
Gross book value contract assets	5,456	11,116
Impairment	-5,043	-3,540
Estimated gross book value on default	413	7,575
Amounts not overdue	413	7,575
Losses expected over the residual term	-71	-30
Impairment rationbot overdue	17.19%	0.40%
Net book value	342	7,545

The impairment item in the amount of KEUR 5,043 relates to the impairment of contract assets (fixed-price project) in the course of the insolvency of KaDeWe Group.

6.5 Trade receivables

Receivables are recognised after deduction of allowances for doubtful items. The following table shows the trade receivables on the balance sheet date:

in KEUR	30/09/2024	30/09/2023
Trade receivables	32,363	30,447
Individual valuation allowances	-10,741	-1,292
Allowances for expected credit losses	-213	-70
Total Trade receivables	21,409	29,084

The amount of specific valuation allowances relates to receivables that were impaired as a result of the insolvencies of The Body Shop and KaDeWe Group.

6.6 Other receivables and financial assets

The following table shows the breakdown of other receivables:

in KEUR	30/09/2024	30/09/2023
Advance payments	1,055	1,215
Factoring receivables	1,221	0
Receivables from employees	733	1,865
Deposit payments	166	251
Refund claims from foreign input taxes	70	79
Creditor accounts in debit	5	96
Other receivables	117	209
Total other assets	3,367	3,713

6.7 Entitlements to income tax rebates

On the balance sheet date, entitlements arising from income tax amounted to KEUR 2,657 (previous year: KEUR 3,471).

6.8 Cash and cash equivalents

Bank balances amounted to KEUR 12,080 (previous year: KEUR 6,900) on the balance sheet date. The development of liquid funds is shown in the cash flow statement.

6.9 Shareholders' equity

Please refer to the statement of changes in equity for information on the development of Group equity.

6.9.1 Subscribed capital

The subscribed capital of KPS AG amounted to EUR 41,153,300 (previous year: EUR 37,412,100) and takes the form of a total of 41,153,300 no-par shares (previous year: 37,412,100 no-par shares) each with a nominal value of EUR 1.00. The capital stock is fully paid up.

No own shares (treasury shares) were purchased or sold in the financial year. No treasury shares were held (previous year: 0 shares) on the reference date.

On 7 March 2024, the Executive Board passed a resolution on the (partial) utilization of Authorized Capital 2021 by up to EUR 3,741,200.00 to up to EUR 41,153,300.00 by issuing up to 3,741,200 no-par value registered shares with a proportionate amount of the share capital of EUR 1.00 per share ("New Shares") excluding shareholders' subscription rights in accordance with Section 5 para. 4 of the company's Articles of Association in return for cash contributions ("Capital Increase").

The Supervisory Board of the company approved the Management Board resolution of 7 March 2024 on the same day.

The following was resolved on 11 March 2024:

The volume of the capital increase is set at EUR 3,741,200.00. The company's share capital is thus increased by EUR 3,741,200.00 from EUR 37,412,100.00 to EUR 41,153,300.00 by partially exercising the authorization pursuant to Section 5 (4) of the company's Articles of Association (Authorized Capital 2021) by issuing 3,741,200 new no-par value registered shares with a pro rata amount of the share capital of EUR 1.00 per no-par value share in return for cash contributions.

6.9.2 Authorised Capital

By resolution of the Annual General Meeting on 21 May 2021, authorized capital 2021/I was created in the amount of EUR 18,706,050.00. On 11 March 2024, a capital increase of EUR 3,741,200.00 was resolved from this authorized capital, the implementation of which was entered in the commercial register on 18 March 2024. After this partial use, the authorized capital amounted to EUR 14,964,850.00. By resolution of the Annual General Meeting on 10 May 2024, the authorized capital 2021/I was cancelled and replaced by authorized capital 2024.

As a result of this resolution, the Executive Board is empowered with the consent of the Supervisory Board to increase the share capital up until 9 May 2029 (including) once or more than once up to nominally EUR 20,576,650.00 against cash and/or non-cash contributions by issuing new ordinary registered no-par-value shares (no-par shares), subject to the possible exclusion of shareholders' pre-emptive rights.

There was no change in Authorised Capital 2021/I in financial year 2023/2024.

6.9.3 Contingent Capital

The resolution passed by the ordinary Annual General Meeting held on 25 September 2020 increased the share capital by up to EUR 2,000,000 ordinary registered no-par-value shares (Contingent Capital 2020/I). The Contingent Capital increase serves exclusively for the purpose of granting share option rights. The Executive Board was authorised to issue such rights up until 24 September 2025. No use was made of this authorization.

In order to enable the management to issue share option rights to members of the Management Board and the management of affiliated companies and to selected employees quickly and flexibly for the legally permissible maximum term of five years, the contingent capital 2020/I was replaced by contingent capital 2024/I in the amount of EUR 4,115,330.00 by resolution of the Annual General Meeting on 10 May 2024. The conditional capital increase serves exclusively to grant share option rights, which the Executive Board was authorized to issue until 9 May 2029. No use has been made of this authorization to date.

By resolution of the Annual General Meeting on 25 September 2020, the share capital was conditionally increased by up to EUR 8,116,883.00 no-par value registered shares (conditional capital 2021/II). The conditional capital increase enables the issue of bonds with warrants or convertible bonds, profit participation rights or participating bonds, which the Management Board was authorized to issue until 24 September 2025. No use was made of this authorization.

By resolution of the Annual General Meeting on 10 May 2024, the conditional capital 2021/II was canceled and replaced by conditional capital 2024/II in the amount of EUR 20,576,650.00. The conditional capital increase serves exclusively to issue bonds with warrants or convertible bonds, profit participation rights or participating bonds, which the Executive Board was authorized to issue until 9 May 2029. No use has been made of this authorization to date.

6.9.4 Capital reserve

The negative opening balance resulted mainly from the reverse acquisition carried out in financial year 2007/2008 in the course of reporting the share capital of KPS AG. Furthermore, the differences between the prices of the new shares issued on account of the increase in the share capital and the treasury shares transferred and their nominal values were transferred to the capital reserve.

in KEUR	2023/2024
Balance on 30.09.2022	-10,001
Capital gain from sale of treasury shares	0
Share premium on capital increase	0
Share based payment management	312
Balance on 30.09.2023	-9,689
Capital gain from sale of treasury shares	0
Share based payment management	244
Share premium on capital increase	561
Balance on 30.09.2024	-8,884

6.9.5 Retained earnings

The retained earnings came into being because the vesting period for the share option programme from 2004 ended in financial year 2006/2007. In accordance with IFRS 2.23, the portfolio of share options after the date of the first exercise option opportunity has not been changed. Any resulting changes, from fluctuation or expiry of the exercise right, for example, were reported in retained earnings. On account of the resolution relating to the appropriation of the net profit passed by the Annual General Meeting on 27 March 2015, a transfer of the amount of EUR 3,000,000 was made to other retained earnings. On the basis of a resolution adopted by the Executive Board and the Supervisory Board, an amount of EUR 1,000,000 was transferred from net income for the year before taxes to other retained earnings in the course of preparing the Annual Financial Statements. On account of the resolution passed by the Annual General Meeting on 15 April 2016, an amount of EUR 3,401,100 from retained earnings was converted to share capital.

6.9.6 Other earnings

Other earnings are comprised of the obligation arising from a fully insured BVG Plan of KPS Consulting AG, Zurich, Switzerland, and from translation differences arising from financial statements that were denominated in a foreign currency:

in KEUR	30.09.2024	30.09.2023
Items not classified in the income statement:		
Change in actuarial profits (losses) from pension plans	510	658
Items that will not be reclassified in the income statement in future:		
Exchange-rate differences	144	-343
of which changes in unrealized gains/losses	-144	-343
of which realized gains/losses	0	0
Other comprehensive income before taxes	367	315
Taxes on other earnings	111	126
Other earnings after taxes	478	440

6.9.7 Group net profit

The development of Group net profit recognised on 30 September 2024 is shown in the table below:

in KEUR	2023/2024	2022/2023
Balance on 01.10.	38,358	43,345
Consolidated net loss for the year	-23,371	-1,246
Share premium on treasury shares	0	0
Allocation to other retained earnings	0	0
Dividend payout	0	-3,741
Balance on 30.09.	14,987	38,358
in EUR		
Dividend paid per share	0.00	0.1
Proposed dividend per share	0.00	0.00

No dividend (€ 0.00) is to be distributed for the 2023/2024 financial year. The Executive Board and Supervisory Board propose that the net retained profits be carried forward to new account.

6.9.8 Treasury shares

The resolution adopted by the Annual General Meeting on 21 May 2021 and the substitution of the resolution by the Annual General Meeting on 25 September 2020 provided the authorisation to acquire and dispose of the company's own shares with the option of excluding subscription or other option rights to offer shares. According to this, the Executive Board is authorised with the approval of the Supervisory Board to acquire and dispose of its own shares up to a total amount of 10% of the share capital in existence on the date that the resolution is adopted. This resolution is effective from the date of the Annual General Meeting and ends at midnight on 20 May 2026. The conditions for acquisition, appropriation and exclusion of subscription rights were explicitly regulated.

No portfolio of treasury shares was held on the balance sheet date. No shares were purchased or sold in financial year 2023/2024.

6.10 Non-current provisions

The development of non-current provisions is shown in the following table:

in KEUR	01.10.2023	Utilization	Release	Addition	30.09.2024
Provision for personnel	747	-648	0	548	647
Provision for partial retirement	391	0	0	123	514
Provision for pensions	41	0	0	28	69
Total	1,178	-648	0	699	1,229

Non-current provisions for personnel mainly comprise obligations for bonus payments arising from a long-term management loyalty programme. When the obligation for bonus payments was calculated, staff turnover was not taken into account because the company is assuming fulfilment of the contractual obligations.

The provision for pensions relates to KPS Consulting AG, Switzerland. It involves a so-called fully insured BVG Plan. This is to be classified as a defined-benefit plan pursuant to IAS 19. Employees have the opportunity to draw the retirement pension entirely or partly as capital. The retirement age is 65 years (for men) and 64 years (for women). No other benefits for employees are provided after termination of the employment relationship. The benefit entitlements of the employees are partly covered by plan assets. Plan assets are managed by AXA Stiftung Berufliche Vorsorge (AXA Foundation for Occupational Pension Provision) in Winterthur, Switzerland.

AXA Stiftung Berufliche Vorsorge guarantees the coverage necessary under Swiss law. All risks such as disability or death are covered. One of the main risks identified was notice of termination or non-extension of the retirement provision plan by AXA Stiftung Berufliche Vorsorge. In this case, KPS Consulting AG would have to change to another pension fund, which could result in the loss of part of the insurance coverage or entail additional premiums.

The following table lists the disclosures required in accordance with IAS 19.

in KEUR	2023/2024	2022/2023
1. Actuarial assumptions IAS 19.144		
Discount rate (DR) as at 01.10.	2.0 %	2.2 %
Discount rate (DR) as at 30.09.	1.1 %	2.0 %
Interest rate on retirement assets as at 30.09.	1.1 %	2.0 %
Future salary increases (SI) as at 30.09.	2.0 %	2.0 %
Future pension increases (PI) as at 30.09.	0.0 %	0.0 %
Future inflation as at 30.09.	2.0 %	2.0 %
Mortality tables		BVG2020 GT
Date of the last actuarial valuation	30.09.2024	30/09/2019
2. Reconciliation of present value of defined benefit plans IAS 19.140		
Defined benefit obligation at 30.9.	2,455	2,603
Fair value of plan assets at 30.9.	2,295	2,560
Deficit/(surplus) as at 30.09	160	43
Net defined benefit liability (asset) at 30.9.	160	43
thereof recognised as separate liability	160	43
3. Components of defined benefit cost in profit or loss (§140)		
Current Service Cost (employer)	67	70
Past Service Cost	38	0
Interest expense on defined benefit obligation	49	61
Interest (income) on plan assets	-48	-53
Administration cost excl. cost for managing plan assets	1	2
Defined benefit cost recognised in profit or loss	108	78
thereof service cost and administration cost	106	71
thereof net interest on the net defined benefit liability (asset)	2	7
4. Components of defined benefit costs in OCI IAS 19.140		
Actuarial (gain) / loss on defined benefit obligation	172	-181
Return on plan assets excl. interest income	-104	-117
Defined benefit cost recognised in OCI	68	-298
5. Reconciliation in net defined benefit liability (asset) (§140)		
Net defined benefit liability (asset) at 1.10.	42	345
Exchange rate differences	0	-4
Defined benefit cost recognised in profit or loss	102	78
Defined benefit cost recognised in OCI	68	-298
Contributions by the employer	-61	-78

in KEUR	2023/2024	2022/2023
Net defined benefit liability (asset) at 30.9.	151	43
6. Reconciliation of defined benefit obligation (§140 lit. a, §141)		
Defined benefit obligation at 1.10.	2,517	2,821
Exchange rate differences	47	-32
Interest expense on defined benefit obligation	64	61
Current service cost (employer)	61	70
Contributions by plan participants	-580	78
Benefits (paid) / deposited	36	-214
Administration cost (excl. cost for managing plan assets)	1	1
Actuarial (gain) / loss on defined benefit obligation	172	-181
Defined benefit obligation at 30.9.	2,317	2,603
7. Components of actuarial gain/losses on obligations (§141 lit. c)	0	0
Actuarial (gain) / loss arising from changes in financial assumptions	175	39
Actuarial (gain) / loss arising from changes in demographic assumptions	0	-0
Actuarial (gain) / loss arising from experience adjustments	-3	-221
Actuarial (gain) / loss on defined benefit obligation	172	-181
8. Reconciliation of fair value of plan assets (§140 lit. a, §141)		
Fair value of plan assets at 1.10.	2,475	2,476
Exchange rate differences	45	206
Interest income on plan assets	61	53
Contributions by the employer	61	78
Contributions by plan participants	-580	78
Benefits (paid) / deposited	0	-214
Return on plan assets excl. interest income	104	-117
Fair value of plan assets at 30.9.	2,166	2,560
8a. Actual return on plan assets		
Interest from income from plan assets	45	53
Return on plan assets excl. interest income	104	117
Actual income from plan assets	149	170
9. Components of economic benefit available (§141 lit. c)		
Economic benefits available in form of reduction in future contribution	256	0
Total economic benefit available	256	0
9a. Recognisable amount under §64		

in KEUR	2023/2024	2022/2023
(a) Deficit/(surplus) in the defined benefit plan		
- Defined Benefit Obligation	-2,317	-2,603
+ Fair value of the plan assets	2,166	2,560
Deficit/surplus (+ = asset value; - = liability)	-151	-43
(b) Asset ceiling, economic benefits available	0	0
Recognizable amount (lower than (a) and (b) if asset)	-151	-43
10. Best estimate of contributions of next year (§147 lit. b)		
Contributions by employees	54	71
Contributions by plan participants	54	71
11. Plan assets classes (§142)		
Cash and cash equivalents	41	33
Equity instruments	741	859
Debt securities	738	895
Real estate	527	666
Other	118	107
Total interest income on the capital value (non-listed price)	2,166	2,560
12. Sensitivity analysis IAS 19.145		
DBO = Cash value of the defined benefit obligation, SC = Service Cost (employer)		
DBO as at 30.09. with DR -0.25 %	2,410	2,696
DBO as at 30.09. with DR +0.25 %	2,231	2,517
DBO as at 30.09. with IR -0.25 %	2,283	2,565
DBO as at 30.09. with IR +0.25 %	2,352	2,631
DBO as at 30.09. with SI -0.25 %	2,313	2,597
DBO as at 30.09. with SI +0.25 %	2,324	2,610
DBO at as 30.09. with life expectancy + 1 year	2,358	2,641
DBO as at 30.09. with life expectancy - 1 year	2,276	2,566
SC of next year with DR +0.25 %	52	59
SC of next year with IR +0.25 %	58	66
13. Maturity profile of defined benefit obligation (§147 lit. c)		
Weighted average duration of defined benefit obligation in years	15.6	14.1
Weighted average duration of defined benefit obligation in years for active members	15.6	14.1
Weighted average duration of defined benefit obligation in years for pensioners		n.a.
14. Components of defined benefit obligation, split (§137)		
Defined benefit obligation at 30.9. for active members	2,317	2,603

6.11 Other non-current liabilities

Other non-current liabilities relate to the following items:

in KEUR	30/09/2024	30/09/2023
Liability for future earn-out payments	0	-2,615
Total	0	-2,615

The figure of the previous year is an earn-out for KPS Transformation B.V. (formerly Graphyte B.V.), Antwerpen, Belgium.

6.12 Non-current financial liabilities

Non-current financial liabilities amounted to KEUR 1,502 (previous year: KEUR 895) and relate to a loan with a remaining term of 1 year.

6.13 Deferred tax liabilities

Deferred tax liabilities amounted to KEUR 1,674 (previous year: KEUR 2,309).

Deferred tax liabilities are made up as follows:

in KEUR	30.09.2024	30.09.2023
	Liabilities	Liabilities
Loss carryforwards	0	0
Pension provision	363	395
Other provisions	36	27
Trade receivables	25	43
Rights of use/ Leasing liabilities	325	198
Contract assets	401	777
Fixed assets	519	804
Other items	5	65
Total	1,674	2,309

Of the deferred tax liabilities, KEUR 1,208 (previous year: KEUR 1,397) are non-current and KEUR 466 (previous year: KEUR 912) current.

6.14 Trade liabilities

Trade liabilities amounted to KEUR 6,935 (previous year: KEUR 9,647) and resulted mainly from consulting services purchased.

6.15 Financial liabilities

On the balance sheet date, liabilities to banks amounted to KEUR 29,643 (previous year: KEUR 29,539) with a remaining term of up to one year. The total amount of the credit line is EUR 30.8 million.

6.16 Contractual liabilities

Contractual liabilities in the amount of KEUR 608 (previous year: KEUR 581) include prepayments received from customers for the provision of services in the future.

6.17 Other provisions

The development of other current provisions is shown in the table:

in KEUR	01.10.2023	Utilization	Release	Addition from acquuisition	Addition	30.09.2024
Provision for personnel	10,944	-10,936	-8	0	6,986	6,986
Provision for outstanding accounts	509	-509	0	0	366	366
Provision for finan-cial statements/audit expenses	300	-300	0	0	341	341
Provisions for guarantees	608	-600	0	0	320	328
Other provisions	2,578	-1,597	0	0	2,257	3,238
Total	14,939	-13,942	-8	0	10,270	11,259

Other provisions include all identifiable obligations to third parties where the amount or the due date is not yet certain. The expected due dates are short term.

The provision for personnel obligations relates to performance-related or other bonuses, outstanding vacation claims, obligations arising from a phased-in retirement contract, and premiums due to the employers’ liability insurance association.

The provision for outstanding invoices is based on payment obligations for services received for which the amount cannot yet be quantified on the balance sheet date for the financial statements.

The provision associated with costs for financial statements relates to expenses in conjunction with the preparation and auditing of the Annual Financial Statements and Consolidated Financial Statements.

6.18 Other liabilities

The development of other liabilities is shown in the following table:

	30.09.2024		30.09.2023	
in KEUR	up to 3 months	3 – 12 months	up to 3 months	3 – 12 months
Liabilities to employees	4,140	0	3,138	0
Wage and church taxes due	1,115	0	1,702	0
Liabilities for sales taxes and other taxes	1,560	0	2,982	0
Social security payments due	267	0	271	0
Purchase obligation KPS Transformation B.V.	0	0	346	0
Earn-Out obligation KPS Transformation B.V.	0	0	0	681
Other liabilities	167	0	54	0
Total other liabilities	7,249	0	8,492	681

6.19 Liabilities from income taxes

Tax liabilities amounting to KEUR 911 (previous year: KEUR 1,818) comprise liabilities for corporate income taxes amounting to KEUR 911 (previous year: KEUR 1,746) and liabilities from trade taxes amounting to KEUR 0 (previous year: KEUR 72).

6.20 Reporting on financial instruments

6.20.1 Information on financial instruments by categories

When financial assets and liabilities are received, the management classifies them for purposes of valuation into one of the following categories irrespective of the type of asset or liability and their intended use:

- Financial Liabilities measured at Amortised Cost (AC)
- Financial Liabilities at Fair Value through Profit or Loss (FVTPL)
- Fair Value through Other Comprehensive Income (FVOCI)

The following table shows the reconciliation of balance sheet items for the categories of financial instruments, grouped by the carrying amounts and fair values of financial instruments:

		Valued at the fair value		Valued at amortized cost	Not within the scope of IFRS 7	Balance sheet items at the end of the business year
in KEUR		Book value	Book value	Fair Value	Book value	
Current assets						
Contractual assets		0	342	342	0	342
	(previous year)	(0)	(7,545)	(7,545)	(0)	(7,545)
Trade receivables		0	21,409	21,409	0	21,409
	(previous year)	(0)	(29,084)	(29,084)	(0)	(29,084)
Other receivables and financial assets		0	3,297	3,297	70	3,367
	(previous year)	(0)	(3,635)	(3,635)	(79)	(3,713)
Cash and cash equivalents		0	12,080	12,080		12,080
	(previous year)	(0)	(6,900)	(6,900)		(6,900)
Non-current liabilities						
Financial liabilities		0	1,502	1,502	0	1,502
	(previous year)	(0)	(895)	(895)	(0)	(895)
Other liabilities		0	0	0	0	0
	(previous year)	(2,615)	(0)	(0)	(0)	(2,615)
Leasing liabilities		0	13,993	13,993	0	13,993
	(previous year)	(0)	(18,223)	(18,223)	(0)	(18,223)
Current liabilities						
Financial liabilities		0	29,643	29,643	0	29,643
	(previous year)	(0)	(29,539)	(29,539)	(0)	(29,539)
Trade liabilities		0	6,935	6,935	0	6,935
	(previous year)	(0)	(9,647)	(9,647)	(0)	(9,647)
Other liabilities		0	4,306	4,306	2,944	7,249
	(previous year)	(681)	(3,539)	(3,539)	(4,953)	(9,173)
Leasing liabilities		0	4,203	4,203	0	4,203
	(previous year)	(0)	(4,634)	(4,634)	(0)	(4,634)

Financial assets and financial liabilities are broken down into the different classes of financial instruments in accordance with IFRS 9 and IFRS 7. The valuation categories are also shown aggregated.

In KEUR	Category in accordance with IFRS 7 and IFRS 9	Book Value 30.09.2024	Fair Value 30.09.2024	Book Value 30.09.2023	Fair Value 30.09.2023
Current assets					
Contractual assets	AC	342	342	7,545	7,545
Trade receivables	AC	21,409	21,409	29,084	29,084
Other receivables and financial assets	AC	2,076	2,076	3,635	3,635
Cash and cash equivalents	AC	12,080	12,080	6,900	6,900
Non-current liabilities					
Financial liabilities	AC	1,502	1,502	895	895
Other liabilities	FVTPL	0	0	2,615	2,615
Leasing liabilities	AC	13,993	13,993	18,223	18,223
Current liabilities					
Financial liabilities	AC	29,643	29,643	29,539	29,539
Trade liabilities	AC	6,935	6,935	9,647	9,647
Other liabilities	AC	4,262	4,262	3,539	3,539
Other liabilities	FVTPL	0	0	681	681
Leasing liabilities	AC	4,203	4,203	4,634	4,634
Of which aggregated by valuation categories					
Financial Loans and Liabilities measured at Amortized Cost (AC)	AC	35,907	35,907	47,165	47,165
Financial Liabilities at Fair Value through profit or loss	FVTPL	0	0	3,296	3,296
Financial Liabilities measured at Amortized Cost	AC	60,539	60,539	66,477	66,477

Liquid funds, trade receivables, contractual assets and other receivables primarily have remaining terms of less than one year. Their carrying amounts on the balance sheet date therefore correspond approximately to their fair value.

Similarly, trade liabilities and other liabilities generally have remaining terms of less than one year. The amounts recognised on the balance sheet approximately represent their fair values.

The carrying amounts of the current financial liabilities approximately correspond to their fair value.

The following table shows the net gains and losses in accordance with IFRS 7.20:

in KEUR		from interest	from subsequent valuation			from disposal	Net result
			Fair value	Currency translation	Allowances		2023/2024
Financial assets at Amortized Cost (AC)		-61	0	0	-4,374	0	-4,435
	(previous year)	(0)	(0)	(48)	(-3,801)	(0)	(-3,753)
Financial liabilities measured at Amortized Cost (AC)		-2,258	0	0	0	0	-2,258
	(previous year)	(-1,632)	(0)	(12)	(0)	(0)	(-1,621)
Financial liabilities at Fair Value through Profit/Loss (FVTPF)		-63	2,508	0	0	0	2,445
	(previous year)	(0)	(23)	(0)	(0)	(0)	(23)

With regard to financial instruments at amortised cost, the net gains or losses include exchange rate differences, impairments, reversals, realised gains or losses on disposal, and subsequent receipts from written-down receivables.

The net gains or losses on other financial liabilities arise as a result of exchange rate differences, the derecognition of liabilities or from interest expenses or income arising out of the valuation at fair value.

Valuations are at fair value:

The amounts of the financial liabilities generally valued at fair value in Level 3 changed as follows during the reporting year:

in KEUR	2023/2024	2022/2023
Opening balance	3,295	2,664
Total gains/losses	-2,444	36
- Of which recorded in the income statement	-2,444	36
- Of which recorded in other comprehensive income	0	0
Reclassifications	0	0
Additional acquisitions	0	3,296
Issues	0	0
Terminations	-851	-2,701
Transfer from stage 3	0	0
Final balance	0	3,295

A purchase agreement for 100% of the shares in Graphyte B.V., Antwerp, Belgium, was concluded with the sellers of Graphyte B.V. in January 2023. An amount of KEUR 851 was paid out in the financial year. The remaining obligation was reversed through profit or loss in the financial year, as it is not expected that the criteria agreed in the purchase agreement will be met.

The fair value of the above-mentioned financial liabilities in Level 3 was determined in accordance with generally accepted valuation methods based on discounted cash flow analyses. The main input parameters are the estimates relating to the achievement of the EBIT targets (for earn-out obligations) and the discount rate.

The total gains and losses recognized in profit or loss during the financial year include expenses from the addition of earn-out liabilities (FVTPL category) in the amount of KEUR 107 (previous year: KEUR 104), income from the reversal of earn-out liabilities in the amount of KEUR 2,615 (previous year: KEUR 85) and nterest expenses (FVTPL category) in the amount of KEUR 64 (previous year: KEUR 0).

6.20.2 Derivative financial instruments and hedging arrangements

KPS Group did not use any derivative financial instruments during the business year. Derivative financial instruments are generally used to hedge existing underlying transactions and serve to reduce interest rate risks.

6.20.3 Financial risk management

As a consulting firm, KPS Group is exposed to financial risks. The risks can essentially be broken down as follows:

- Liquidity risks
- Credit risks / Default risks
- Market risks

Controlling, monitoring and hedging of financial risks are within the remit of responsibility of the Executive Board, which is supported by the process owners in accounting. The objective is to identify risks at an early stage and to limit them by taking appropriate countermeasures.

Capital management is measured on the basis of net liquidity. The company's management pursues the goal of achieving a continuous and sustainable increase in the company's value. The ratio of equity to total assets (equity ratio) amounted to 38.0 % as at 30 September 2024 (previous year: 41.3%).

Since the 2023/2024 financial year, the company has also used factoring programmes to a limited extent to manage liquidity and optimize working capital. A program for the revolving sale of trade receivables with a total volume of up to EUR 13 million is available for this purpose.

6.20.4 Liquidity risk

Liquidity risks can arise as a result of a deterioration in the operating business and as a consequence of credit and market risks. KPS Group controls the liquidity risk based on short-term and long-term liquidity planning that takes current credit lines into account. Liquidity planning is constantly monitored. Cash pool agreements have been arranged with domestic subsidiaries as well as the Dutch subsidiary of KPS AG through its principal banks. KPS also has unused lines of credit that are available for an unlimited period of time.

The following table shows the contractually agreed (undiscounted) redemption payments of the primary financial liabilities:

Business year	Book value	Payment obligations		
in KEUR	30.09.2024	2024/2025	2025/2026 to 2027/2028	2028/2029ff.
Financial liabilities	31,145	29,643	1,502	0
Leasing liabilities	18,196	4,444	5,593	8,854
Trade liabilities	6,935	6,935	0	0
Other liabilities	7,249	7,249	0	0
Liabilities from income tax	911	911	0	0

Previous year	Book value	Payment obligations		
in KEUR	30.09.2023	2023/2024	2024/2025 to 2026/2027	2027/2028ff.
Financial liabilities	30,434	29,539	895	0
Leasing liabilities	22,857	4,894	9,510	9,303
Trade liabilities	9,647	9,647	0	0
Other liabilities	9,173	9,173	0	0
Liabilities from income tax	1,818	1,818	0	0

Liquidity planning is prepared on a quarterly basis. The due dates of receivables and other assets are planned on the basis of agreed payment targets. Cash outflows are planned for the liabilities in accordance with the payment targets and the agreed due dates.

Date-certain liquidity analyses are carried out for the current month and the subsequent month, and the planning is adjusted to the actual payment flows.

6.20.5 Credit and default risks

KPS Group is exposed to a credit risk with the effect that the value of the assets could be impaired if customers or other debtors are unable to meet their obligations. When determining the recoverability of trade receivables, all changes in the creditworthiness defining the payment target up to the balance sheet date are taken into account. The default risk of the Group essentially results from trade receivables. Appropriate risk provisions are formed to cover these financial assets.

No risk concentration was determined in the reporting year (previous year: no customer) pursuant to IFRS 8.34.

Receivables are monitored constantly in the operating business. The need for impairment is analysed on every balance sheet date on the basis of the impairment matrix in order to determine the expected credit losses. Furthermore, if notification of insolvency is received, receivables without any prospect of payment are impaired 100% or in accordance with the insolvency ratio made known. his resulted in an impairment loss in the reporting year 2023/2024 in the amount of EUR 4.4 million. The default risk analysis is carried out as part of a multifactorial and holistic analysis of the debtor and the financial instrument. As part of the assessment as to whether there is a significant increase in the default risk, KPS makes use of a number of tools including individual qualitative factors that are presented in IFRS 9 and that indicate insolvency of the counterparty. On 30 September 2024, there were no indicators of any risks extending beyond the impairments booked. If any payment obligation is in arrears by more than 30 days, the assumption of the significant increase in default risk can be refuted. This is done by making verifications in the form of appropriate and reliable information that verifies that it does not result from payment difficulties being experienced by the counterparty.

The following table shows the maximum default risk at gross carrying amounts:

Business year

in KEUR	Neither overdue nor impaired	Overdue and not impaired	Impaired	30.09.2024
Contractual assets	413	0	5,043	5,456
Trade receivables	19,152	2,470	10,741	32,363
Other assets	3,367	0	0	3,367
Total	22,932	2,470	15,784	41,186

Previous year

in KEUR	Neither overdue nor impaired	Overdue and not impaired	Impaired	30.09.2023
Contract assets	5,624	0	5,492	11,116
Trade receivables	25,486	3,422	1,538	30,447
Other assets	3,713	0	0	3,713
Total	34,823	3,422	7,030	45,276

The impairment in the contract assets item relates to a contract for work and services with the customer The KaDeWe Group GmbH, which filed for insolvency proceedings in January 2024. The nominal contract asset value of KEUR 5,043 was impaired by KEUR 5,043, which corresponds to a payment default of 100%.

The impaired receivables include nominal receivables amounting to KEUR 10,741 (previous year: KEUR 1,538) that were written down by KEUR 10,741 (previous year: KEUR 1,292).

The maturity of the gross carrying amounts of overdue financial assets that have not been written down is shown in the following overview:

Business year

in KEUR	less than 30 days	31 to 90 days	more than 90 days	30.09.2024
Other loans	0	0	0	0
Trade receivables	1,670	566	234	2,470
Other assets	0	0	0	0
Total	1,670	566	234	2,470

Previous year

in KEUR	less than 30 days	31 to 90 days	more than 90 days	30.09.2023
Other loans	0	0	0	0
Trade receivables	2,339	928	155	3,422
Other assets	0	0	0	0
Total	2,339	928	155	3,422

Over the current reporting period, there were no changes in the assessment methods or the important assumptions with regard to determining the impairments with respect to the losses expected for receivables over the residual term compared to the impairment calculated in the previous year and presented in the Notes to the Consolidated Financial Statements.

Receivables are impaired (in full), if information is available that indicates that the debtor is in significant financial difficulties and there is no realistic prospect of receiving a payment.

The following table shows the risk profile of the trade receivables (not including the trade receivables already impaired) on the basis of the impairment matrix of KPS. Since there are no significant differences based on historic experiences with credit losses with respect to different customer segments, no distinction is made any longer between the different customer groups within the Group with regard to the impairment based on arrears. GDP growth of between 0.8% and 1.4% in the period from 2025 to 2028 was assumed for the calculation of the 12-month ECL. The expected credit losses in total are reported at 75% under trade receivables and 25% under contract assets.

Trade receivables at 30.09.24 – in days overdue

in KEUR	not overdue	1 - 30	31 – 60	> 60	Total
Impairment rate	1.03%	3.04%	4.20%	5.43%	
Estimated gross book value in case of default	19,093	1,670	566	234	21,563
Expected losses over the residual term	197	51	24	13	284

Trade receivables at 30.09.2023 – in days overdue

in KEUR	not overdue	1 - 30	31 – 60	> 60	Total
Impairment rate	0.04%	0.11%	0.17%	16.28%	
Estimated gross book value in case of default	25,538	2,339	739	344	28,961
Expected losses over the residual term	47	12	6	5	70

The following table shows the development of losses expected over the residual term that were recognised for the individual trade receivables and other receivables:

KEUR	2023/2024	2022/2023
Impairments as at 01. 10.	4,933	1,177
+ Additions	10,951	3,552
- Utilization/Release	0	-148
Valuation adjustments on account of change in the default risk	184	396
Derecognitions	0	-44
Impairments as at 30.09.	16,068	4,933

The addition of KEUR 10,951 mainly relates to receivables from the customer The KaDeWe Group GmbH, for which only partial receipt of payment is expected.

The valuation adjustments amounting to KEUR 184 (previous year: KEUR 396) relate to overdue receivables for which only a partial incoming payment is expected. This does not result from impaired creditworthiness of the debtor but rather from divergences in the invoicing of certain services. Of the overdue and impaired receivables on 30 September 2024 in the amount of KEUR 10,741 (previous year: KEUR 1,538), KEUR 9,217 are from financial year 2023/2024 and KEUR 1,524 from previous years.

All allowances relate to the Management Consulting/Transformation Consulting segment and were recognised as expense in the income statement.

In addition, unrecoverable receivables amounting to KEUR 0 (previous year: KEUR 44) were derecognised in the reporting year 2023/2024. These also relate to the Management Consulting/Transformation Consulting segment and were recognised as expense in the income statement.

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6.20.6 Market risks

Currency risks / Exchange rate risks

The The companies of KPS Group primarily conduct their business transactions in euros, Danish krones, British pounds, Swiss francs, Norwegian and Swedish krones. If the scope of business were to be extended, there would be exchange rate risks in future. Since the development of the Norwegian, Swedish and Danish krone is very stable, no sensitivity analysis relating to the Norwegian, Swedish and Danish krones has been prepared.

The average exchange rate for the year from 1 October 2023 to 30 September 2024 for the pound sterling was approximately 0.8552. A hypothetical change in the exchange rate for the pound sterling of +/- 0.05 would result in an increase or decrease of +/- 5.8% in the revenue generated in pound sterling in 2023/2024 amounting to GBP 22,126 thousand.

The average annual exchange rate of the Swiss franc from 1 October 2023 to 30 September 2024 was approximately 0.9572. A hypothetical change in the exchange rate of the Swiss franc of +/- 0.05 would lead to an increase or decrease of approximately +/- 5.2% in revenue of CHF 14,227 thousand generated in Swiss francs in2023/2024.

Interest risks

If If necessary, the Group can be financed by short-term current account credit lines that are available for an unlimited period of time. The interest rates are adjusted regularly by the creditor. A short-term loan has also been taken out with an agreed fixed interest rate for a limited period of time as well as a short-term loan with variable interest rates.

The interest risk in terms of a risk of change in market value is not regarded as moderate. A hypothetical increase in the market interest level of 100 basis points as at 30 September 2024 would lead to an Increase in financial expenses of KEUR 285 p.a.

A hypothetical increase in the market interest rate level of 100 basis points for the short-term money market loans of KEUR 27,000 as at 30 September 2023 would lead to an increase in financial expenses of KEUR 270 p.a.

Price risks

A change in the risk parameters would not have any significant effect on the fair value.

Scenario analysis

A possible scenario in which the planned EBIT of Graphyte-Group is 15% higher in 2023/2024 would lead to an insignificant addition to the fair value of the earn-out obligation recognised in profit or loss.

6.21 Leases

The following items are recognised in the Consolidated Statement of Financial Position in connection with leases:

Book value rights of use in KEUR	30.09.2024	30.09.2023
Buildings	14,867	17,968
Vehicles	1,327	1,620
Office equipment	3,065	3,843
Total	19,259	23,430

Additions to rights of use in KEUR	30.09.2024	30.09.2023
Additions	828	4,910
Total	828	4,910

Lease in KEUR	30.09.2024	30.09.2023
Short-term	4,203	4,634
Long-term	13,993	18,223
Total	18,196	22,857

6.22 Leases

The income statement shows the following amounts in connection with leases in which KPS AG is the lessee:

Depreciation in KEUR	01.10.2023-30.09.2024	01.10.2022-30.09.2023
Buildings	2,426	2,676
Vehicles	1,214	1,196
Office equipment	1,082	1,016
Total depreciation and amortization	4,722	4,888

Interest expense in KEUR	01.10.2023-30.09.2024	01.10.2022-30.09.2023
Interest expenses for leasing liabilities	306	237
Total interest expense	306	237

Practical remedies in KEUR	01.10.2023-30.09.2024	01.10.2022-30.09.2023
Expense for short-term leases	611	439
Total	611	439

The total cash outflows shown in the cash flow statement for leases in the financial year amounted to KEUR 5,504 (previous year KEUR 5,729).

6.22.1 Extension and termination options

A series of real estate lease agreements of the Group include extension and termination options. The current extension and termination options can only be exercised by the Group and not by the relevant lessor.

Critical judgements in determining the term of the leases

When determining the term of leases, the management takes all the facts and circumstances that offer an economic incentive to exercise extension options or non-exercise of termination options into account. Any changes in term arising from the exercise of extension or termination options are only included in the term of the agreement if an extension or a non-exercise of a termination option is sufficiently certain. In conjunction with the leasing of real estate, the following considerations are applicable in determining the term of the leases:

- If, in the event that a termination option is exercised or a renewal option is not exercised, the Group incurs significant costs in relation to the termination of the lease, such as relocation costs, it is usually considered reasonably certain that the Group will not terminate or renew the lease.
- If installations have been carried out by the lessee that have a material residual value, it is generally deemed to be sufficiently certain that the Group will extend or not terminate the agreement respectively.

Most of the extension options in conjunction with the leasing of office buildings were not included in the determination of the leasing term and hence the leasing liability, since these assets could be substituted without significant costs or business interruptions.

As at 30 September 2024, potential future cash outflows in the amount of KEUR 8,215 (previous year: KEUR 9,359) (undiscounted) were not included in the leasing liability because it was not sufficiently certain that the lease agreements are being extended (or not terminated).

The assessment is checked if an extension option is actually exercised (or not exercised), or the Group has an obligation to do this. A reassessment of the assessment originally made is carried out if a material event or a material change occurs in the circumstances that can influence the previous judgement – if this is under the control of the lessee. There were no amendments to the terms of the agreement in the current reporting period.

7. EXPLANATIONS ON THE CASH FLOW STATEMENT

Cash flows during a financial year are recorded in the cash flow statement in accordance with IAS 7 in order to present information about the movements of cash for the Group. The cash flows are differentiated in accordance with operating activity, and in accordance with investment and financial activity. The Group applies the indirect method to show operating cash flow.

The cash position considered in the cash flow statement comprises all the current liquid funds reported in the balance sheet after deduction of current bank liabilities as part of the liquid funds. At the end of the period under review, this cash position amounted to KEUR 12,080 (previous year: KEUR 6,900). At the end of the period under review, current bank liabilities amounted to KEUR 29,643 (previous year: KEUR 29,539) and non-current bank liabilities amounted to KEUR 1,502 (previous year: KEUR 895).

The year-on-year increase in net liquidity is mainly due to a lower cash outflow from operating activities of KEUR -1,286 (previous year: KEUR -7,495). A lower cash inflow from operating activities is mainly due to the lower result for the period (EBIT), the significant increase in depreciation and amortization, changes in working capital and KEUR 2,365 lower tax payments. Cash outflows for investments in non-current assets amounted to KEUR -1,306 (previous year: KEUR -7,521) and mainly related to purchase price and earn-out payments in connection with company acquisitions.

Cash outflows from financing activities mainly related to payments of lease liabilities of KEUR -5,504 (previous year: KEUR -5,279) and interest paid of KEUR -1,938 (previous year: KEUR -1,164). This was offset by cash inflows from the capital increase in the amount of KEUR 4,302 (previous year: KEUR 0).

7.1 Inflow/outflow from operating activities

The cash flow from operating activities decreased by KEUR 349 from KEUR 9,245 to KEUR 8,895 compared to the previous year. This change is mainly due to the lower balance of the result for the period (EBIT) and depreciation on fixed assets, changes in working capital and lower tax payments by KEUR 2,365. Other non-cash expenses and income include the reversal of earn-out obligations in the amount of KEUR 2,615.

7.2 Inflow/outflow from investment activities

The cash flow from investment activities changed by KEUR -6,209 from KEUR -7,495 to KEUR -1,286 during the financial year. Apart from small investments made in intangible assets, purchase price and earn-out payments were also made for company acquisitions during the financial year however, to a lesser extent than in the previous year.

7.3 Inflow/outflow from financing activities

The change in cash flow from financing activities compared to the previous year by KEUR -1,521 to KEUR -2,429 (previous year: KEUR -908) mainly results from payments received from the capital increase in the amount of KEUR 4,302 (previous year: KEUR 0) as well as from the waiver of dividend payments (previous year: KEIUR 3,741). In the reporting year, a total of KEUR 29,589 (previous year: KEUR 21,065) financial loans were repaid.

The reconciliation in the following table shows the changes in liabilities from financing activities, including changes resulting from cash flows and non-cash changes:

Financial year

in KEUR	01.10.2023	Cash	noncash Additions	noncash Changes in valuation	noncash Other	30.09.2024
Acquisition price liabilities	0	-1,197	107	-2,552	0	-3,642
Leasing liabilities	22,857	-5,198	-81	619	0	18,196
Interest-bearing liabilities	30,434	712	0	0	0	31,145
Total	53,291	-5,683	25	-1,933	0	45,700

Previous year

in KEUR	01.10.2022	Cash	noncash Additions	noncash Changes in valuation	noncash Other	30.09.2023
Acquisition price liabilities	2,664	-2,701	3,642	37	0	3,642
Leasing liabilities	22,983	-5,279	3,236	1,672	245	22,857
Interest-bearing liabilities	21,000	9,434	0	0	0	30,434
Total	46,647	1,454	6,878	1,709	245	56,933

8. EXPLANATIONS FOR SEGMENT REPORTING

The KPS consulting portfolio can be broken down into the following three reportable segments that are subject to regular assessment by the Executive Board. The segmentation is carried out exclusively on the basis of business fields in accordance with the internal alignment.

A distinction is made between the following segments:

8.1 Management consulting / Transformation consulting

This consulting segment deals with "Transformation Consulting" where KPS Group enjoys a leading position in the consulting market. Transformation Consulting involves providing support for clients and developing concepts and solutions taking process, organisational, logistic, financial and systems framework conditions into account. The consulting package closes the gap between traditional strategy and process consultants on the one hand and implementation partners and system integrators on the other hand. This consulting segment also comprises implementation consulting and KPS Group's service portfolio as an SAP consulting partner.

8.2 System integration

The main focus of this consulting segment is on process and implementation consulting in the technology sector. KPS Group covers the field of non-SAP technologies as well as SAP technologies. The focuses in the SAP technology area are mainly on the subject areas of SOA and Netweaver, in the non-SAP area on the topics of solutions for high-availability, security, and storage. Since a secure and highly available system landscape forms the platform for successful companies, KPS Group uses dedicated solutions to ensure seamless integration of all processes in a heterogeneous system environment. The Group assists customers with analysing the actual situation and the setup of an IT infrastructure where all operational functional areas are transparent.

8.3 Products / Licences

KPS Group rounds off its spectrum of services by selling software licences, maintenance contracts, and hardware components in certain areas as a certified systems house or certified sales partner. These are products from major manufacturers, in particular SAP, IBM and SAPERION. The Group has been working with them for many years and is linked with them in various consultancy and sales partnerships.

The breakdown of the net assets and income in accordance with IFRS 8 is shown in the following table and it corresponds with the internal reporting structure:

Presentation by business areas in KEUR	Management consulting / Transformation consulting		System Integration		Products/ Licences		Other		Overall	
Earnings position	2023/2024	prev. year	2023/2024	prev. year	2023/2024	prev. year	2023/2024	prev. year	2023/2024	prev. year
Sales	133,877	167,884	1,330	1,217	10,208	8,672	0	0	145,415	177,774
Production costs	-90,945	-122,606	-821	-820	-5,878	-6,004	0	0	-97,644	-129,429
Development costs	-6,987	-6,537	0	0	-303	-254	0	0	-7,291	-6,791
Operating costs	-23,969	-22,610	13	10	-317	-186	-10,166	-10,960	-34,439	-33,746
EBITDA	11,975	16,131	521	408	3,710	2,229	-10,166	-10,960	6,041	7,808
Depreciation and amortization	-22,902	-6,769	-14	-16	-105	-65	-815	-923	-23,837	-7,774
EBIT	-10,927	9,362	507	391	3,605	2,164	-10,981	-11,884	-17,796	34
Interest	-223	-97	0	0	0	0	-2,444	-1,513	-2,667	-1,610
Taxes	-1,756	-3,970	82	-106	579	-340	-1,765	1,869	-2,861	-2,547

The revenues shown only include sales with external customers. Sales and prepayments between the segments are netted on the basis of market prices.

Intragroup sales were realized with other segments in the individual segments. This revenue amounted to KEUR 1,779 (previous year: KEUR 957) in the Management Consulting/Transformation Consulting segment, KEUR 146 (previous year: KEUR 150) in the Products/Licenses segment and KEUR 160 (previous year: KEUR 657) in the Other segment.

The allocation of tax expenses to the individual segments was based on the EBITs of the segments. The disclosure of income taxes relates exclusively to the income tax amount, excluding deferred taxes.

The "Other" segment mainly includes income and expense information for KPS AG as a holding company.

Sales and EBITDA essentially form the basis for company decisions at KPS AG. Most of the other information (assets, liabilities) is not relevant for assessments.

The valuation principles applied in the course of segment reporting are the same as the valuation principles for the company overall.

Information on geographical areas

The breakdown of revenues by regions is carried out on the basis of the registered office of the client and is shown in the following table:

in KEUR	2023/2024	in %	2022/2023	in %
Germany	72,986	50.2%	88,114	49.6%
Scandinavia	8,412	5.8%	19,002	10.7%
United Kingdom	25,901	17.8%	24,516	13.8%
Switzerland	14,859	10.2%	16,878	9.5%
Benelux	9,269	6.4%	15,726	8.8%
Spain	12,330	8.5%	11,683	6.6%
Other	1,659	1.1%	1,854	1.0%
Total	145,415	100.0%	177,774	100.0%

Dependence on important customers

There were no major customers in the financial year (previous year: none) within the meaning of IFRS 8.34.

9. OTHER EXPLANATIONS AND SUPPLEMENTARY INFORMATION

9.1 Liability relationships

The subordination agreed in the business year 2019/2020 and 2020/2021 with KPS Strategie- Prozess- und IT-Consulting GmbH, Vienna, Austria, in the total amount of KEUR 450 continues to exist. In addition, the subordination in favor of KPS Sweden AB, Stockholm, Sweden, amounting to KEUR 400 and the subordination agreed with KPS Transformation GmbH, Unterföhring, Germany, amounting to KEUR 6,000 in the business year 2020/2021 continue to exist.

KPS Transformation GmbH, Unterföhring, and KPS Consulting GmbH, Unterföhring, have issued a joint and several guarantee to secure overdraft and money market credit lines. The total credit line secured by this joint and several liability amounts to the following as at 30 September 2024 KEUR 26,800 (previous year: KEUR 30,000). As at the balance sheet date, this total credit line included current account, guarantee and money market liabilities amounting to KEUR 25,827 (previous year: KEUR 23,690). The joint and several liability is not expected to be utilized due to a positive earnings forecast and the associated ability to repay the loan liabilities. The company has undertaken on behalf of KPS Transformation GmbH, Unterföhring, and KPS Consulting GmbH, Unterföhring, within the scope of the exemption pursuant to Section 264 (3) HGB to guarantee the entire obligations of these companies to their creditors up to 30 September 2024. This obligation to guarantee is valid up to and including 30 September 2025. In addition, claims from sublease agreements in the current annual amount of KEUR 1,241 and all non-factored customer receivables of the German companies were assigned as collateral for the credit lines.

A control and profit transfer agreement was concluded with Infront Consulting & Management GmbH on 22 March 2022.

9.2 Acquisitions and foundings after the balance sheet date

There were no acquisitions or subsidiaries after the end of the reporting period and before the financial statements were authorised for issue.

9.3 Auditor fees

Fees amounting to KEUR 605 (previous year: KEUR 255) for the services provided by the auditor Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Munich, are recognised as expenses for services in connection with auditing the financial statements. In the 2023/2024 reporting year, additional expenses for the audit of the 2022/2023 (KEUR 332) incurred due to the insolvency of the customer KaDeWe. In the presentation below, these expenses were allocated to the 2022/2023 financial year accordingly. The fees for auditing services primarily comprise remuneration for the audit of the consolidated financial statements and for the audit of the financial statements of KPS AG and its domestic subsidiaries

Auditor fees:

in KEUR	2023/2024	2022/2023
Services for auditing the financial statements	273	588
Other confirmation services	0	0
Tax consulting services	0	0
Other services	0	0
Total	273	588

9.4 Related parties

Related companies and persons (related parties) as defined in IAS 24 (Related Party Disclosures) are legal or natural persons who can exert an influence on KPS AG and its subsidiaries or are subject to control or a significant influence by KPS AG or its subsidiaries. “Related parties” as defined in IAS 24 are mainly regarded as the Executive Board and the Supervisory Board of KPS AG, and the shareholders of the company who exert a controlling or significant influence. The so-called Managing Partners and Vice Presidents of the Group are also included in the extended management circle.

KPS AG does not have any non-consolidated subsidiaries, joint ventures or associated companies.

Transactions with members of the governance bodies of KPS AG are conducted at arm’s length conditions that are common between independent third parties.

9.4.1 Shareholders of KPS Business Transformation GmbH

The current shareholders of KPS Business Transformation GmbH have the following shareholdings and voting rights in KPS AG:

Michael Tsifidaris: 11,980,049 shares

(previous year: 9,080,049 shares); voting rights of approx. 29.1% (previous year: approx. 24.3%)

Leonardo Musso: 4,239,937 shares

(previous year: 4,103,084 shares); voting rights of approx. 10.3% (previous year: approx. 11.0%)

Uwe Grünewald: 4,052,390 shares

(previous year: 4,052,390 shares); voting rights of approx. 9.8% (previous year: approx. 10.8%).

Dietmar Müller: 2,720,999 shares

(previous year: 3,119,919 shares); voting rights of approx. 6.6% (previous year: approx. 8.3%)

The total remuneration of the old shareholders on account of current contracts of employment with Group companies amounted to KEUR 1,475 (previous year: KEUR 1,847).

In the financial year, a loan agreement was concluded between Mr. Tsifidaris (lender) and KPS AG (borrower) for a maximum amount of KEUR 1,665. KEUR 1,500 of this maximum amount have been utilized to date. The loan has a term until 31 January 2026 and bears interest at 4.5% p.a. The loan can be repaid early in full or in part at any time. There were no other receivables from or liabilities to existing shareholders in the financial year or the previous year.

9.4.2 Executive Board

Members of the Executive Board of KPS AG have the following shareholdings in KPS AG:

Mr Leonardo Musso: 4,239,937 shares (previous year: 4,103,084 shares)

The total remuneration of the Executive Board reported as expenses amounted to KEUR 541 (previous year: KEUR 577) in financial year 2023/2024, of which variable components amounted to KEUR 180 (previous year: KEUR 216). Compensation is comprised of fixed and variable components that are due in the short term.

Mr. Leonardo Musso is a member of the Executive Board of all companies in the KPS Group with the exception of KPS Consulting A/S, Denmark, and a member of the Board of Directors of KPS Consulting AG, Zurich, Switzerland.

9.4.3 Extended management circle

127 (previous year: 117) persons were members of the extended management circle on the balance sheet date.

The remuneration for the extended management circle relates to payments to employees due in the short term.

Total remuneration amounting to KEUR 26,426 (previous year: KEUR 27,308) was paid to the extended management circle.

A provision amounting to KEUR 320 (previous year: KEUR 744) was set aside to cover expenses for future defined benefit claims on account of the function of Vice President introduced in financial year 2012/2013 in respect of seven persons in the extended management circle.

For the Long Term Incentive Plan 2023 of the Vice Presidents as well as for variable bonus remuneration of the Board of Partners concerning 2021/2022, equity-settled share-based payments in the amount of KEUR 244 (previous year: KEUR 312) were recognised in financial year 2022/2023 and booked against the capital reserve.

9.4.4 Supervisory Board

The remuneration of the members of the Supervisory Board for their activities on the Supervisory Board amounted to KEUR 67 (previous year: KEUR 67).

Mr Tsifidaris and Mr Grünewald have contracts of employment with KPS Transformation GmbH. The expenses for financial year 2023/2024 amounted to KEUR 934 (previous year: KEUR 934) and include fixed and variable remuneration elements.

9.4.5 Other related persons

An employment contract was in place with Ms Veronika König, the daughter of Mr Uwe Grünewald (Member of the Supervisory Board) during the financial year. The expenses paid in the course of the financial year amounted to KEUR 35 (previous year: KEUR 48).

9.5 Governance bodies of the company

9.5.1 Executive Board

The following person was appointed a member of the Executive Board and authorised sole representative in the reporting year:

Mr Leonardo Musso, Berg, member of the Executive Board of KPS AG.

9.5.2 Supervisory Board

The Supervisory Board is unchanged from the previous year and comprises:

Mr Michael Tsifidaris, Hamburg, (Chairman),

Authorised Signatory for KPS Transformation GmbH,

Mr Uwe Grünewald, Münster, (until May 2024)

Authorised Signatory for KPS Transformation GmbH,

Mr Josef Richter, Badia Blava, Spain (from May 2024),

Mr Hans-Werner Hartmann, Grassau-Mietenkam (Deputy Chairman)

Lawyer.

9.6 Loans granted to the Executive Board and the Supervisory Board

There were no loans to members of the Executive Board and the Supervisory Board in the financial year or the previous year.

10. EVENTS AFTER THE BALANCE SHEET DATE

The majority of the existing credit lines had a term of 12 months and expired on 31 October 2024. In the reporting year 2023/2024, the KPS Group recorded a decline in sales and earnings, whereupon the bank granting the main credit line requested a review of planning security and planning reliability. The existing main credit line was therefore only provisionally extended until 31 January 2025. Following completion of the required review, a follow-up financing agreement was signed on 20 January 2025. This provides for an extension until 28 February 2026.

No other significant events occurred after the balance sheet date that would affect the view of the Group's position presented in these Consolidated Financial Statements.

11. CORPORATE GOVERNANCE

The Executive Board and Supervisory Board of KPS AG submitted the Declaration of Compliance with the German Corporate Governance Code required pursuant to Article 161 Stock Corporation Act (AktG) and provided the shareholders with permanent access to the Declaration on the company's website (www.kps.com/de/de/company/investor-relations/corporate-governance.html).

12. NOTIFICATIONS PURSUANT TO ARTICLE 160 PARA. 1 (8) GERMAN STOCK CORPORATION ACT (AKTG)

A list of the notifications pursuant to Article 160 para. 1 (8) of the German Stock Corporation Act (AktG) is published in the Annual Report.

13. GROUP RELATIONSHIPS / EXEMPTIONS PURSUANT TO ARTICLE 264 PARA. 3, ARTICLE 264B OF THE GERMAN COMMERCIAL CODE (HGB)

KPS AG, Unterföhring, draws up consolidated financial statements as the ultimate parent company as of 30 September 2024. These are published in the German Federal Gazette (Bundesanzeiger).

The following companies are included in these Consolidated Financial Statements using full consolidation and make use of the exemption regulations pursuant to Article 264, para. 3, 264b of the German Commercial Code (HGB) with regard to disclosure and parts of the presentation in respect of their Individual Annual Financial Statements and the Management Report for financial year 2023/2024:

- KPS Transformation GmbH, Unterföhring
- KPS Consulting GmbH, Unterföhring
- Infront Consulting & Management GmbH, Hamburg

Unterföhring, 27 January 2025

The Executive Board
Leonardo Musso

KPS AG Group

DEVELOPMENT OF THE FIXED ASSETS (GROSS PRESENTATION)

		ACQUISITION OR PRODUCTION COSTS						ACCUMULATED DEPRECIATION						BOOK VALUE	
	in KEuros	01.10.2023	Additions	Additions from acquisitions	Disposals	Transfers	30.09.2024	01.10.2023	Additions	Additions from acquisitions	Disposals	Transfers	30.09.2024	30.09.2024	30.09.2023
I.) INTANGIBLE ASSTES															
1.	Concessions, industrial property rights and similar rights and assets, and licences in such rights and assets														
	a.) if acquired	15,750	3	0	2	0	15,751	13,883	863	0	0	0	14,745	1,006	1,867
	b.) if internally generated	14,026	0	0	1	0	14,025	6,204	979	0	0	0	7,181	6,843	7,822
2.	Advance payments made	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3.	Goodwill	84,282	0	0	0	0	84,282	15,016	16,963	0	0	0	31,979	52,303	69,266
Intangible assets		**114,058**	**3**	**0**	**3**	**0**	**114,057**	**35,103**	**18,805**	**0**	**0**	**0**	**53,905**	**60,152**	**78,954**
II.) PROPERTY, PLANT AND EQUIPMENT															
1.	Business and office equipment	4,050	106	0	622	151	3,685	2,041	310	0	0	110	2,167	1,518	2,009
2.	Low-value assets	151	0	0	0	-151	0	110	0	0	0	-110	0	0	41
3.	Advance payments received	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Property, plant and equipment		**4,201**	**106**	**0**	**622**	**0**	**3,685**	**2,151**	**310**	**0**	**0**	**0**	**2,167**	**1,518**	**2,049**
Total fixed assets		**118,259**	**109**	**0**	**625**	**0**	**117,742**	**37,254**	**19,114**	**0**	**0**	**0**	**56,072**	**61,671**	**81,004**

NOTIFICATIONS PURSUANT TO ARTICLE § 160 SECTION 1 NO. 8 STOCK CORPORATION ACT (AKTG)

Pursuant to Article 33 para. 1 of the Securities Trading Act (WpHG), any shareholder who reaches, exceeds or falls below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75% of the voting rights of a company listed on the stock exchange must immediately inform the company and the Federal Financial Supervisory Authority (BaFin) of this, but at the latest within four trading days. As at 30 September 2024, the company was informed of the following shareholdings in accordance with Article 33 Section 1 Securities Trading Act (WpHG) and the shareholdings were published in accordance with Article 40 para. 1 Securities Trading Act (WpHG) (the corresponding percentage and voting rights figures relate to the total number of voting rights at the time of the relevant notification and may therefore have changed in the meantime):

				Voting shares in percent(in absolute voting rights)			
Statutory notifier	Date of the publication in accordance with Article 40 WpHG	Date the threshold was reached	Reason for the notification	§ 33 WpHG[1]	§ 34 WpHG[2]	§ 38 WpHG[3]	§ 39 WpHG[4]
Musso, Leonardo	04/01/2016	01/01/2016	End of the voting agreement (acting in concert) at the end of the day on 31.12.2015, falling below the thresholds of 75, 50, 30, 25, 20, 15 %	12,79% (4.349.143)			12.79%
Müller, Dietmar	03/02/2023	31/01/2023	Falling below the threshold of 10 %	9,97% (4.349.143)			9.97%
Universal-Investment GmbH	06/02/2023	31/01/2023	Rising above the threshold of 3 %	3,08% (1.151.500)			3.08%
Grünewald, Uwe	22/03/2024	18/03/2024	Change of the totasl number of voting rights, Falling below the threshold of 10 %	9,85% (4.052.390)			9.85%
Tsifidaris, Michael	22/03/2024	18/03/2024	Rising above the threshold of 25 %	29,11% (11.980.049)			29.11%
Allianz SE	26/03/2024	18/03/2024	Change of the totasl number of voting rights, Falling below the threshold of 5 %		4,78 % (1.968.163)		4.78%
Allianz SE	27/05/2024	23/05/2024	Falling below the threshold of 3 %		2,76% (1.137.740)		2.76%
Axxion S.A.	13/05/2024	06/05/2024	Rising above the threshold of 3 %	3,00% (1.265.000)			3.00%
						0	0

For further details, we refer to our announcements of the voting rights notifications received in the company register.

[2] Share of the directly held voting rights
[3] Share of the attributed voting rights
[4] Share of the directly or indirectly held instruments which permit acquisition of shares with voting rights
[5] Aggregation of voting rights and instruments

DECLARATION BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the asset, financial and earnings position of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Unterföhring, 27 January 2025

The Executive Board
Leonardo Musso

ALTERNATIVE PERFORMANCE MEASURES FOR KPS GROUP

The Management Report and financial statements of KPS Group are drawn up in accordance with the applicable IFRS accounting standards. In addition to the disclosures and indicators required by these standards, KPS also publishes Alternative Performance Measures (APM) that are not subject to these regulations and for which there is no generally accepted reporting standard. KPS calculates the APM with the objective of facilitating comparability of performance measures over time and in a sector comparison. This is carried out by making specific adjustments to the items in the balance sheet or income statement drawn up in accordance with the applicable accounting standards. The adjustments can emerge as the result of using different calculation and valuation methods, non-uniform business activities and special effects which exert an impact on the extent to which these items are informative. The Alternative Performance Measures determined in this approach apply for all accounting periods and are used both within the company for managing the business and externally for assessing the performance of the company by analysts, investors and rating agencies. KPS calculates the following APMs:

- Change in sales
- Depreciation and amortization due to M&A
- EBIT
- EBIT margin
- EBITDA
- (adjusted) EBIT
- Equity ratio
- Cash flow
- Operating cash flow
- Cash flow from investment activities
- Cash flow from financial activities

The **change in sales** is a relative indicator. It gives the percentage change in sales compared to the previous year.

EBIT (Earnings Before Interest and Taxes) represents earnings before the financial result and taxes and serves to present the operational result of a company without including the influence of effects from the international non-uniform taxation systems and different financial activities.

M&A amortization includes the amortization of intangible assets that arose as part of an M&A transaction. Examples include goodwill, customer base and order backlog.

EBIT is calculated as follows:

Reconciliation calculation EBIT

	Earnings before income taxes
+ / -	Financial result (financial income, financial expenses)
=	EBIT

The **EBIT margin** is calculated from EBIT in relation to sales.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) stands for earnings before interest, taxes, depreciation and amortisation, impairment losses and reversals of impairment losses. This performance indicator neutralises the financial result and distorting effects on operating business activities that result from differing methods used for depreciation and amortisation, and flexibilities in measuring valuations. EBITDA is calculated on the basis of EBIT plus the depreciation and amortisation, and impairment losses affecting income or less the reversals of impairment losses on intangible assets and property, plant and equipment.

Reconciliation calculation EBITDA

EBIT
+ / - Depreciation and amortisation / Impairment losses / Reversals of impairment losses on property, plant and equipment
and intangible assets
= EBITDA

(Adjusted) EBIT shows the development of the operating result without the influence of depreciation and amortisation from merger and acquisition activities. When calculating this indicator, EBIT is increased by this depreciation and amortisation.

The **equity ratio** shows how high the share of equity capital is in total capital.

$\frac{\text{Equity}}{\text{Capital}} \times 100$

Cash flow shows the net inflow of liquid funds during an accounting period.

Operating cash flow shows the inflow of liquid funds from current business activities during an accounting period.

Operating cash flow

Annual result
- Non-cash income
+ Non-cash expenses
= Operating cash flow

Cash flow from investment activities shows the payouts for the acquisition of fixed assets and the incoming payments from the disposal of fixed assets during an accounting period.

Cash flow from financial activities shows how investments were financed during a reporting period.

Cash flow from financial activities

Equity additions
- Dividend payouts
+ Additions from lenders (e.g. loans)
- Repayments on loans
= Cash flow from financial activities

INDEPENDENT AUDITOR’S REPORT

To the KPS AG, Unterföhring

Audit Opinions

We have audited the consolidated financial statements of KPS AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 October 2023 to 30 September 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of KPS AG for the financial year from 1 October 2023 to 30 September 2024. In accordance with the German legal requirements, we have not audited the content of the combined management report’s components referred to in the other information.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2024 and of its financial performance for the financial year from 1 October 2023 to 30 September 2024, and

- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the combined management report’s components referred to in the other information.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation [EU-APrVO] (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) lit. (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2023 to 30 September 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We determined the following matter to be the most important in our audit:

- Impairment of goodwill

We have structured our presentation of these key audit matters as follows:

- Facts and problem definition
- Audit procedures and findings
- Reference to further information

In the following we present the key audit matter:

Impairment of goodwill

1. In the consolidated financial statements of KPS AG, goodwill of EUR 52.3 million is reported under the balance sheet item "Goodwill", which thus represents around 41% of the balance sheet total. In fiscal year 2023/2024, KPS recorded a goodwill impairment amounting to EUR 17.0 million. The company allocates goodwill to the relevant groups of cash-generating units. Goodwill is subject to an impairment test by the company on an annual basis at the balance sheet date or on occasion. In principle, the determined value in use is compared with the book values of the corresponding group of cash-generating units. These valuations are usually based on the present value of future cash flows of the cash-generating unit, to which the respective goodwill is to be allocated. The valuations are based on the planning calculations of the individual cash-generating units, which are based on the financial plans approved by management. Discounting is based on the weighted average cost of capital of the respective cash-generating unit. The outcome of this valuation is highly dependent on the assessment of future cash inflows by the company's legal representatives as well as the discount rate used and is therefore subject to considerable uncertainty, which is why this matter is of particular importance in the context of our review.

2. In order to address this risk, we critically reviewed management's assumptions and estimates and performed, among others, the following audit procedures:

   - We examined the underlying processes related to the planning of future cash flows as well as to the calculation of value in use.

   - We followed the methodology for performing the impairment tests and assessed the determination of the weighted average cost of capital.

   - We have convinced ourselves that the future cash inflows on which the valuations are based, and the discount rates used form an appropriate basis for the impairment tests of the single cash-generating units.

- In our assessment of the planning calculations, we relied, among other things, on a comparison with general and industry-specific market expectations as well as comprehensive explanations by management on the main value drivers of the respective planning and comparison of this information with the current budgets from the planning approved by the Supervisory Board.

- With the knowledge that even relatively small changes in the discount rate can have a significant impact on the amount of the value in use determined in this way, we have analysed the parameters used to determine the applied discount rate (including the weighted average cost of capital) and understood the Company's calculation scheme.

- In addition, we conducted our own complementary sensitivity analyses for selected cash generating units to be able to estimate a possible impairment risk in the event of a possible change in a key assumption of the valuation. The selection was based on qualitative aspects and the extent to which the respective carrying amount is exceeded by the value in use.

- We determined that the respective goodwill and the carrying amounts, as a whole, of the relevant units were covered by the discounted future cash flows as at the balance sheet date.

Our audit procedures did not lead to any reservations relating to the assessment of the impairment of the individual goodwill as at 30 September 2024.

3. The information of the Group to the individual goodwill is referred to under section 6.2 of the notes.

Other information

The executive directors are responsible for the other information. Other information includes:

- "KPS Executive Board" and "KPS on the capital market 2023/2024" in the section "To the shareholders" in the Annual Report 2023/2024,

- The description and assessment of the overall (not accounting-related), internal control and risk management system in Section 3.1, 3.4, 3.5 and 3.7 of the Combined Management Report 2023/2024,

- The Group Declaration on Corporate Governance in Section 7. of the Combined Management Report 2023/2024,

- Information on the non-financial Group declaration and declaration of conformity in section 7 of the Combined Management Report 2023/2024,
- The Assurance of the legal representatives,
- Alternative key performance indicators of the KPS Group.

The Supervisory Board is responsible for the following other information:

- "The KPS Supervisory Board" in the section "To the shareholders" in the Annual Report 2023/2024.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and, consequently, we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its compliance with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the combined management report prepared for disclosure purposes pursuant to § 317 (3a) HGB

Audit opinion

In accordance with § 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the data contained in the attached file „2025-01-27 10-51-05 - SN_T_1737970340_V_37967e68-2eaf-4698-aebe-268206434cdf.zip“ SHA256: 1484e9458e35d05e841404138d40b12e4bf8f02d30e47c97351a52f687e98718” and prepared for publication purposes of the consolidated financial statements and the combined management report (hereinafter referred to as the "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") pursuant to § 328 (1) HGB. In accordance with German legal requirements, this audit covers only the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the attached file referred to above and prepared for disclosure purposes comply, in all material respects, with the requirements of
§ 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the attached consolidated financial statements and the attached combined management report for the financial year from 1 October 2023 to 30 September 2024 contained in the preceding "Report on the audit of the consolidated financial statements and combined management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned attached file in accordance with § 317 (3a) of the German Commercial Code (HGB) and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Manage-ment Reports Prepared for Disclosure Purposes in Accordance with § 317 (3a) HGB (IDW PS 410 (06.2023)). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1).

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The legal representatives of the Group are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the markup of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

Furthermore, the legal representatives are responsible for the internal controls they have considered necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of § 328 (1) HGB.

The supervisory board is responsible for overseeing the process for the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of § 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.

- Evaluate the technical validity of the ESEF documentation, i.e., whether the attached file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as applicable at the reporting date, regarding the technical specification for that file.

- We assess whether the ESEF documents allow for a content identical XHTML reproduction of the audited consolidated financial statements and the audited combined management report.

- Assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 as applicable at the reporting date enables an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditors by the annual general meeting on 10 May 2024. We were engaged by the supervisory board on 7 July 2024. We are acting as Group auditors of KPS AG, Unterföhring, without interruptions since the financial year 2015/2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER FACTS – USE OF THE AUDIT REPORT

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted into ESEF format – including the versions to be published in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andreas Weissinger.

München, 27 January 2025

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Weissinger
Wirtschaftsprüfer
[German Public Auditor]

Hars
Wirtschaftsprüferin
[German Public Auditor]

KPS

IMPRINT

PUBLISHER

KPS AG
Beta-Str. 10H
85574 Unterföhring
Germany

ADDITIONAL-INFORMATION

Investor Relations
Phone: +49-8935631-0
E-Mail: ir@kps.com

KPS AG on the Internet
Kps.com