

GROUP
HALF-YEAR-REPORT

KPS

2021

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KPS GROUP
TO THE SHAREHOLDERS

KPS

2021

Ladies and Gentlemen, Dear Shareholders,

In the first half of the current business year, the top priority continued to be overcoming the impacts of the COVID-19 pandemic for the KPS group of companies. In particular, our activities in the German market are especially affected by the situation. New customers are pushing back the award of new transformation projects. Some existing customers are still asking for project breaks and project postponements. Conversely, our foreign business activities have proved to be comparatively robust. Sales outside Germany amounting to 39.1 million euros were at the year-earlier level and amounted to 51.0 % of our consolidated revenues.

Over the course of the ongoing high levels of uncertainty and the lockdown measures lasting longer than expected in Germany, we have modified our expectations for the current year. Originally, we assumed that sales at the year-earlier level could be achieved in the business year 2020/2021 along with generating a slightly higher EBITDA. Now, we assume that the consolidated revenue for the entire financial year 2020/2021 will be in a range of 5% - 9% and the consolidated EBITDA in a range 3% to 6% below the respective level of the previous year 2019/2020.

The key reasons for adjustment are the sustained COVID-19 pandemic and in particular the impacts of the lockdown measures on the business situation of some customers lasting longer than expected. Some of these customers have had a break on their projects or postponed them.

In the first half of the year, sales came down by 18.4 % or 17.3 million euros to 76.9 million euros. We were able to partly compensate for the drop in sales through strict management of our cost base at the level of EBITDA. Consequently, the decrease in EBITDA was 1.6 million euros. KPS achieved an operating result before depreciation and amortization, and interest amounting to 11.4 million euros. The EBITDA margin at 14.8 % was above the level of the year-earlier period at 13.8 %.

We believe that the KPS Group with a sound balance sheet and financial structure, its technological expertise and robust business model continues to be well positioned to tackle the current uncertainties and get off to a flying start once the challenges of the pandemic have been mastered.

We would like to thank you for your confidence in us during these current challenging times and we will be delighted if you continue to accompany KPS on its journey into the future.

Munich, May 2021
Leonardo Musso

KPS IN THE CAPITAL MARKET IN THE FIRST HALF-YEAR 2020/2021

Price performance in the reporting period (1 October 2020 to 31 March 2021)

The share of KPS AG posted a fall overall of 4.4 % in the first half of the business year 2020/2021. The drop in the price was essentially due to the development at the beginning of the reporting period. On 1 October 2020, the KPS share started trading at a price of 5.46 euros. On 30 October 2020, the share price at 4.35 euros reached an absolute low within the reporting period. The share price then rose to 5.40 euros on 20 November 2020.

The share reached its high for the period at 6.26 euros on 20 January 2021. In the subsequent months, the price remained stable at above 5.0 euros and at the end of the reporting period the share price closed at 5.26 euros on 31 March 2021.

The average daily trading volume of the KPS share on all German stock exchanges increased during the reporting period to around 51,657 no-par shares (previous year: 18,820 shares). On 31 March 2021, the market capitalization of KPS AG was 195.5 million euros on the basis of 37,412,100 shares in circulation.

Key data for the share

Sector	Software (IT-Dienstleister)
ISIN	DE000A1A6V48
Securities Identification Number (WKN)	A1A6V4
Ticker symbol	KSC
First listing	14. July 1999
Number and type of shares	37,412,100 registered no-par value ordinary shares (no-par shares)
Capital stock	37,412,100,00 euros
Stock exchanges	Frankfurt, Stuttgart, Hamburg, Berlin-Bremen, Düsseldorf and Munich, and XETRA
Market segment	Regulated market
Transparency level	Prime Standard
Designated Sponsor	Hauck & Aufhäuser Privatbankiers

Overview of the share

Opening price (1 Oktober 2020)	5.50 euros
High (20 January 2021)	6.26 euros
Low (30 October 2020)	4.35 euros
Closing price (31 March 2021)	5.26 euros
Trading volume (1 Oktober 2020 to 31 March 2021, average trading volume)	51,657
Market capitalization (31 March 2021)	195.5 million euros

Shareholder structure

Disclosures are based on the voting rights notifications received pursuant to the securities Trading Law, WpHG (status: 28 January 2018) and company information; free float is in accordance with the definition of the German Stock Exchange (Deutsche Börse) with shares in the equity capital of less than 5 %.

On 31 March 2021, the shareholder structure of KPS AG was as follows: The Chairman of the Supervisory, Michael Tsifidaris, holds 24.3 % of the shares in the company. Member of the Supervisory Board, Uwe Grünewald, holds 10.8 % of the voting capital stock. Chief Executive Officer of KPS AG, Leonardo Musso, holds 11.0 % of the shares in the company. This means that 46.1% of the voting shares are held by the current management of KPS AG. These shareholders will continue to remain closely associated with KPS AG in future as anchor shareholders and members of the governance bodies.

The former Member of the Executive Board, Dietmar Müller, currently still holds 11.1 % of the voting shares. Allianz I.A.R.D. S.A. with a current shareholding of 6.7 % is another investor with a shareholding above 5.0 %. The free float amounts to 42.8 %. KPS AG is always in close contact with existing and potential investors and is committed to strategically expanding its circle of shareholders.

Financial calendar

18.05.2021	Publication of the figures for the half-year 2020/2021
21.05.2021	Ordinary Annual General Meeting in Munich
23.07.2021	Publication of the figures for the third quarter 2020/2021

Analysts' research

The performance of the KPS share is continuously analyzed and evaluated by the leading banks M.M.Warburg, Berenberg, Hauck & Aufhäuser, and Quirin Privatbank.

In its research published 26 January Hauck & Aufhäuser Included a price target of 11.00 Euro (rating: buy). 12 February 2021, Warburg published in its note a price target of 7.50 Euro (rating: buy). Berenberg rated the stock (12 February 2021) with Hold and a price target of 6.20 Euro.

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 the business year 2019/2020 and in the first half of 2020/2021. The company published disclosures immediately to institutional investors, financial analysts, and private shareholders about current business development and important events for the share price development of the company.

Alongside publication of financial reports and press releases in German and English, the capital market communication of KPS also included teleconferences for analysts to publicize quarterly, half-yearly and annual figures. Furthermore, the management of KPS was also in regular personal dialog with market participants and is committed to go beyond its statutory obligations by carrying out further investor relations activities.

The comprehensive restrictions on physical contact continued into the first two quarters of the business year 2020/2021 and rendered personal meetings and physical capital market conferences impossible. Direct communication with investors continues to be a top priority for the management. Direct conversations with investors and analysts are regularly carried out virtually or by phone, in addition to teleconferences with financial publications. When the restrictions on physical contact are lifted, the management intends to hold personal meetings again with renewed vigor as soon as this becomes possible.

Hauck und Aufhäuser Privatbankiers AG 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.

Any investors interested in additional information can go to the Investor Relations section on the home page under <https://www.kps.com/de/investor-relations.html>.

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2021

1. ECONOMIC REPORT

1.1 Macroeconomic development

Development of the global economy

The global economy continued to be significantly impacted by the COVID-19 pandemic during the final quarter of 2020.

One year after the beginning of the global spread of the COVID-19 pandemic, the projected figures of the International Monetary Fund are once again moving upward. The estimated contraction of the global economy of -3.3 % in the year 2020 is being displaced by growth of 6 % in 2021. Growth is likely to ease to 4.4 % in 2022.

The fall in growth triggered by COVID-19 was surprisingly 1.1 percentage points less than the drop still forecast by the IMF in October 2020.¹ This development reflects the higher than expected growth results in most regions during the second half of the year following the loosening of the lockdowns. According to the economic reports of the Kiel Institute for the World Economy (IfW), industrial production and global trade have almost completely recovered from the setbacks during the pandemic year 2020. GDP in the eurozone was 5 % lower during the fourth quarter than one year previously. In the United Kingdom, the slowdown was as much as 7.8 %².

Development in Europe

During the last quarter, economic output in the eurozone fell back relatively modestly by only a further 0.7 % during the final quarter by comparison with the previous quarters. In the first half year of 2020, economic output went down by 15 %. By comparison with pre-crisis times, a severe north-south divide was evident in relation to economic activity. This means there are major differences in production backlogs. Spain at 9.1 % is furthest removed from its production level in the fourth quarter of 2019, while the Scandinavian countries only posted a minor downturn with deviations between -1 % and -2 %.³

Development in Germany

The economic reports from IfW Kiel in 2021 highlighted extreme fluctuations during the year and a historic weakening of the domestic economy during the COVID-19 pandemic in 2020. Private consumption collapsed by a historic 6.3 % and exacerbated the macroeconomic weakness. This resulted from the measures to contain the infection that were introduced in the context of the lockdowns imposed throughout Germany and blocked numerous business models relying heavily on physical contact especially in consumer-related service sectors. The economic output in Germany dropped by 3.4 %⁴.

The complete lockdowns in the second wave of the pandemic and the closures throughout the entire quarter led to a reduction in economic output by 2.7 %. After the collapse to -9.7 % in the second quarter of 2020, growth of gross domestic product in Germany recovered to +8.5 % in the third quarter and the fourth quarter of 2020 concluded with growth of 0.3 %.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

² https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf

³ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_76_2021-Q1_Euroraum_DE.pdf

⁴ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_77_2021-Q1_Deutschland_DE.pdf

Thanks to the instrument of an allowance for short-time working, the unemployment figures in Germany were relatively low at 5.9 percent (2020). By comparison to 2019, the unemployment rate only increased by 0.9 %.⁵

1.2 Sector-related framework conditions

According to the Federal Association of German Management Consultants (BDU), total sales in the consulting sector in 2020 came down by -3.2 % to 34.6 billion euros. As a comparison, sales in 2019 amounted to 36.0 billion euros.

Developments in the market varied considerably because the COVID-19 pandemic exerted differing effects on individual sectors. While the health and pharmaceutical sectors benefited from the pandemic, other sectors were negatively impacted. According to the BDU, the aviation and tourism sectors were particularly hard hit by the massive downturn in demand reflected in a huge drop in sales.

As a result of the changed framework conditions, remote working for consultants increased by an average of 62 %.⁶

1.3 Course of business

The first half-year of 2020/2021 continued to be impacted by the ongoing COVID-19 pandemic and the associated lockdown and social-distancing measures. As a consequence, the uncertainties prevailing in the markets served by KPS remained at a high level.

The German market is important for KPS and this was particularly hard hit by the political measures to contain the advance of the pandemic. Consequently, KPS was beset by weak demand in the German market. Conversely, the demand in European markets served by KPS proved to be generally robust.

In a comparison of sales performance during the reporting period with the equivalent year-earlier period, it is important to note that the first half of 2019/2020 (1 October 2019 - 31 March 2020) was only minimally impacted by the effects of the pandemic.

In the first six months of the business year 2020/2021, Group sales amounted to 76.9 million euros compared with 94.2 million euros in the equivalent year-earlier period. The drop in sales of 18.4 % is entirely due to the Germany region. Potential new customers were particularly reticent about commissioning major new projects. Individual portfolio customers continued to request project breaks and project deferments.

EBITDA in the first half-year of 2020/2021 fell back by 12.3 % to 11.4 million euros (2019/2020: 13.1 million euros). The development of EBITDA is a reflection of the declining sales. However, KPS was in a position to partly compensate the drop in sales amounting to 17.3 million euros with cost savings.

Particularly the cost of materials, which reflects the sourcing of subcontracted services (freelancers, service providers), and travel costs could be significantly reduced. Therefore, the EBITDA margin with 14.8 % was slightly above the level of the corresponding year before (13.9 %).

During the reporting period, KPS generated earnings after tax (net profit) of 5.4 million euros and lagged 8.5 % behind the year-earlier period at 5.9 million euros. The drop was therefore lower than the fall of 18.4 % at sales level. The net profit

⁵ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_77_2021-Q1_Deutschland_DE.pdf

⁶ <https://www.bdu.de/news/consultingmarkt-2020-mit-bremsspuren-2021-rueckkehr-zum-wachstum/>

margin increased slightly during the reporting period from 6.3 % in the year-earlier period to 7.0 %.

Apart from the cost savings outlined above, an improved financial result and a reduced tax rate were important drivers for the comparatively robust earnings at the level of net profit.

1.4 Impacts of the COVID-19 pandemic

In the first half of 2020/2021, KPS retained the measures introduced at the outbreak of the pandemic in order to continue giving the best possible protection to employees, external service providers, and their customers.

Consultants and virtually all employees are provided with laptops, mobile communication options and appropriate VPN solutions so that they can work from their home office and remotely.

Furthermore, an integral element of the KPS strategy is to increasingly deliver transformation projects by means of remote solutions or through a combined delivery model comprising advisory services on the ground and tLab, i.e. services independent of location. The delivery model enables KPS to continue allowing its employees to work remotely and from their home office whenever possible.

Some existing and potential new customers have been negatively impacted by the COVID-19 pandemic. KPS experiences these uncertainties through the demand behavior of these customers and is affected by it in terms of project breaks and project deferments.

1.4.1 Results of operations for the KPS Group

Income statement of the KPS Group in accordance with IFRS (abbreviated version)

in KEuros	2020/2021	2019/2020
Revenues	76,941	94,218
Own work capitalized	403	929
Other operating income	499	567
Cost of materials	-24,476	-34,836
Personnel expenses	-34,934	-33,873
Other operating expenses	-7,036	-13,952
Operating result before depreciation and amortization (EBITDA)	11,397	13,053
Depreciation and amortization (M&A adjusted)	-3,465	-3,244
Operating result (EBIT) adjusted	7,931	9,809
Amortization and depreciation (M&A related)	-449	-616
Operating result (EBIT)	7,483	9,192
Financial result	-276	-854
Earnings before income taxes*	7,207	8,339
Income tax	-1,825	-2,447
Earnings after income taxes	5,382	5,892

* corresponds to the result from ordinary activities

Revenues

In the first half-year of the business year 2020/2021, revenues fell by 18.4 % to 76.9 (previous year: 94.2) million euros by comparison with the year-earlier period. It is important to take into account here that the year-earlier period 1 October 2019 - 31 March 2020 was only negligibly impacted by the COVID-19 pandemic.

The uncertainties and negative effects arising from the COVID-19 pandemic, especially the longer than expected lockdown measures, impacted the business situation of selected existing and potential new customers. The situation resulted in isolated cases in paused or postponed projects.

During the reporting period, sales in Germany fell back by 32.1 % to 37.6 million euros (year-earlier period: 55.4 million euros). Conversely, demand outside Germany proved to be robust. Sales in European markets (not including Germany) amounted to 39.1 million euros and were therefore virtually unchanged by comparison with the first half-year of 2019 (38.8 million euros). The share of the sales generated abroad rose from 41.2 % to 51.0 %.

Own work capitalized

Own work capitalized amounted to 0.4 (previous year: 0.9) million euros over the business half-year under review. This relates to the intangible assets developed in-house (development costs).

Other operating income

As was also the case in the equivalent year-earlier period, other operating income in the reporting period includes income from operational, additional services. These include, for example, charges passed on, and income from release of provisions. Overall, other operating income remained virtually unchanged at 0.5 million euros (0.6 million euros) by comparison with the equivalent year-earlier period.

Cost of materials

During the period under review, the cost of materials decreased by 29.6 % or by 10.3 million euros to 24.5 million euros (previous year: 34.8 million euros). Accordingly, the cost of materials ratio went down from 36.9 % to 31.9 % during the reporting period by comparison with the previous year.

The decrease is primarily due to the reduced use of subcontracted consultants. During the reporting period, the costs for subcontracted services decreased by 24.3 % to 23.5 million euros (year-earlier period: 30.9 million euros).

Personnel expenses

Personnel expenses increased during the reporting period by 2.9 % to 34.9 million euros (year-earlier period: 33.9 million euros). The personnel expense ratio increased from 36.0 % to 45.5 % during the reporting period. The increase in the personnel expense ratio resulted from the increase in personnel expenses in conjunction with the fall in sales during the period under review.

Other operating expenses

Other operating expenses fell by 50.0 % to 7.0 million euros (previous year: 14.0 million euros). They mainly include travel expenses and vehicle operating costs, non-project-related subcontracted services and operating costs. In particular, travel costs were significantly reduced compared with the year-earlier period.

Depreciation and amortization

Depreciation and amortization on property, plant and equipment, and intangible assets amounted to 3.9 million euros and were therefore at the level of the year-earlier period (3.8 million euros).

Depreciation and amortization include depreciation and amortization relating to IFRS 16 ("Leasing") in the amount of 2.6 million euros (previous year: 2.3 million euros) and M&A-related depreciation and amortization in the amount of 0.4 (previous year: 0.6) million euros.

Financial result

In the first half-year of 2019/2020, the financial result of the Group was -0.3 million euros (previous year: -0.9 million euros).

Earnings after income taxes

KPS achieved consolidated income for the period under review amounting to 5.4 million euros compared with 5.9 million euros in the year-earlier period. The lower drop of -8.5 % compared to sales is based on the falls in the cost of materials and the other operating expenses described above. As a consequence, the financial result and the tax rate improved. In the reporting period, the tax rate amounted to 25.0 % and was therefore below the tax rate of 28.9 % in the year-earlier period.

EBIT

During the reporting period, KPS generated EBIT of 7.6 million euros and this represented a reduction by 18.5 % compared with the year-earlier period (previous year: 9.2 million euros). The reduction in sales was partly compensated by the cost savings outlined above. The depreciation and amortization remained unchanged

at 3.9 million euros during the reporting period by comparison with the equivalent year-earlier period in the previous year.

Earnings per share

The diluted and basic earnings per share amounted to 0.14 euros in the first half of the business year 2020/2021 compared with 0.16 euros in the previous year. The average number of shares has not changed by comparison with the previous year and continues to be 37,412,100.

1.5 Total assets and capital structure of the KPS Group (abbreviated version)

in Keuros	31.03.2021	30.09.2020
Non-current assets	110,544	112,565
Current assets	51,570	61,444
Total assets	162,114	174,009
Shareholders equity	71,718	66,277
Non-current liabilities	40,838	43,850
Current liabilities	49,559	63,882
Total liabilities	90,396	107,732
Total shareholders equity and liabilities	162,114	174,009

Value-based Group controlling

A monitoring and controlling system is in place at the KPS Group which is directed toward increasing the value of the entire Group. Targets are derived from this for the individual segments and Group companies. Controlling is managed at Group level and is implemented through the segments down to the individual profit center levels. Periodic controlling is carried out on the basis of the accounting and valuation principles defined by international accounting standards. Alongside sales and EBITDA, specific segment and profit-center related parameters are used as indicators for controlling.

Financial position and investments

Financial management at KPS has always been directed toward safeguarding the liquidity of the company at all times. It encompasses capital-structure, cash and liquidity management.

The earnings generated in the reporting half-year and the robust balance sheet structure at 30 September 2020 provided the necessary liquid funds for continuing operations of KPS.

On 31 March 2021, the KPS Group had cash amounting to 9.0 (30.09.2020: 20.1) million euros. There were liabilities to banks amounting to 25.9 (30.09.2020: 32.6) million euros. This yields a direct net debt calculated on the basis of cash less liabilities to banks in the amount of 16.9 million euros on the balance sheet date 31 March 2021 (30.09.2020: 12.5 million euros).

Cash flow from operating activities was 3.8 million euros in the first half-year of the business year 2020/2021 compared with 3.0 million euros in the previous year.

Cash flow from investment activities in the reporting period 2020/21 amounted to -5.3 (previous year: -7.3) million euros. The reduced payouts from investment activities are primarily due to the reduced level of capital expenditures for tangible and intangible assets.

Cash flow from financial activities amounted to -9.6 (previous year: 1.3) million euros in the first half-year.

Asset situation

The KPS Group has a term-congruent balance sheet structure.

At the end of the reporting period 31 March 2021, the balance sheet total was 162.1 million euros, which corresponds to a decrease of 11.9 million euros or 6.8 % compared with the balance sheet date 30 September 2020 (174.0 million euros).

The reduction is primarily due to the decrease in cash and cash equivalents from 20.1 million euros to 9.0 million euros. Firstly, the non-current and current financial liabilities were reduced by a total of 6.7 million euros. Secondly, the Other current liabilities came down.

Development of assets

On the reporting date 31 March 2021, the assets recognized as fixed assets amounted to 110.5 million euros (balance sheet date 30.09.2020: 112.6 million euros). The rights of use from capitalization of lease agreements amounted to 27.8 (30.09.2020: 29.0) million euros. Furthermore, fixed assets include goodwill from company acquisitions of KPS amounting to 62.5 (30.09.2020: 62.5) million euros. At the end of the reporting period, non-current assets accounted for 68.2 % of total assets (30.09.2020: 64.7 %)

On the reporting date 31 March 2021, current assets amounting to 51.6 million euros primarily relate to trade receivables in the amount of 25.8 million euros (30.09.2020: 30.1 million euros) and cash and cash equivalents in the amount of 9.0 (30.09.2020: 20.1) million euros.

Development of equity

The share in equity attributable to shareholders of KPS AG increased by 5.4 million euros by comparison with the balance sheet date 30 September 2020 and posted a value of 71.7 (30.09.2020: 66.3) million euros on 31 March 2021. The equity ratio was 44.2 % at the end of the reporting period on 31 March 2021 compared with 38.1 % on the balance sheet date 30 September 2020.

Development of liabilities

Non-current liabilities were 40.8 million euros on the reporting date 31 March 2021 and this meant they were slightly below the value on the balance sheet date 30 September 2020 (43.9 million euros). Non-current leasing liabilities amounting to 23.0 (30.09.2020: 24.1) million euros were the biggest item in non-current liabilities. Alongside the non-current leasing liabilities, non-current liabilities include bank loans amounting to 8.6 (30.09.2020: 9.3) million euros and liabilities for earn-out payments.

Current liabilities decreased by 22.4 % to 49.6 (30.09.2020: 63.9) million euros, primarily owing to a fall in financial liabilities by 6.0 million euros to 17.3 million euros and the reduction of Other liabilities by 7.8 million euros to 7.6 million euros.

Trade liabilities remained virtually unchanged at 7.1 million euros compared with the balance sheet date 30 September 2020 (7.0 million euros).

1.6 Alternative performance measures

KPS AG uses alternative performance measures (APM), which are not defined according to the IFRS, for its standard and mandatory publications. The definitions of the Alternative Performance Measures (APM) were disclosed on the website at www.kps.com/de/investor-relations.html.

1.7 Employees

Supplementary report for personnel

Employees of KPS convince our customers through their expert knowledge and their exceptional commitment. These attributes are based on a high level of specialist qualification and continuous advanced training for KPS employees. KPS also apply these benchmarks when recruiting new personnel. The group's key guiding principles are an optimum customer-centric approach, exceptional performance and commitment, safeguarding and improvement of our quality standards, and a positive working environment.

On 31 March 2021, the KPS Group employed a total of 613 employees. The number of employees was therefore slightly below the number of employees on the balance sheet date 30 September 2020.

In Germany, KPS employed a workforce of 440 employees (30.09.2020: 447). This is equivalent to a share of 71.8 % (previous year: 72.2 %) in the Group overall. The number of consultants employed on the reporting date 31 March 2021 amounted to 503 (30.09.2020: 516).

Personnel expenses amounted to 34.9 million euros and this figure was therefore 2.9% higher by comparison with the year-earlier period (33.9 million euros).

Employees at the KPS Group

	31.03.2021	30.09.2020	Change
Employees by region			
Germany	440	447	-7
Spain	72	81	-9
Great Britain	65	54	11
Denmark	16	18	-2
Switzerland	5	4	1
Austria	6	5	1
Sweden	3	3	0
Norway	3	4	-1
Netherlands	3	3	0
Total	613	619	-6
Employees by function			
Executive Board	1	1	0
Managing Directions	13	14	-1
Consultants	503	516	-13
Administration	93	85	8
Apprentices	3	3	0
Total	613	619	-6

Alongside the Managing Directors listed above, the Chairman of the Executive Board of KPS AG, Mr. Leonardo Musso, has been appointed as a Managing Director (in a total of sixteen companies). From 31 March 2021, fourteen persons were therefore employed as Managing Directors in the KPS Group.

1.8 Follow-up report**Significant reportable events**

Up to the date when this Group Management Report was prepared, no reportable events or changes occurred overall which affect the view of the position of the Group provided in these consolidated financial statements for the reporting period 1 October 2020 to 31 March 2021 of the Group. However, KPS refers to the ad-hoc release dated 04 May 2021 in which KPS AG announced that the Executive Board assumes that the consolidated revenue for the entire financial year 2020/2021 will be in a range of 5 - 9 % and the consolidated EBITDA in a range of 3 - 6 % below the respective level of the previous year 2019/2020. Accordingly, the forecast for the current business year 2020/2021 was retracted.

Changes in the asset situation, financial position and results of operations

Since 31 March 2021, no events of particular importance have occurred which impact the view of the position provided in the consolidated financial statements for the reporting period 1 October 2020 to 31 March 2021.

As already outlined in the section relating to significant reportable events, the KPS Executive Board has withdrawn the forecast for sales and EBITDA relating to the current business year 2020/2021. The continuation of the Covid-19 situation

and particularly the longer than expected Covid-19 related lockdown measures had negative impacts on the business situation of several customers. As a consequence, several customers requested for project shifts and project breaks.

Assessment of current development by the Executive Board

The KPS Group has not succeed in achieving the corporate targets for the level of sales as defined by the Supervisory Board and the Executive Board for the first half of the business year 2020/2021 because of the Covid-19 pandemic related effects.

As a result of the longer than expected continuation of the COVID-19 related lockdown measures, uncertainties for several existing and potential customers remained high. In total, these uncertainties impact the business situation of KPS negatively. However, the Executive Board is unable to assess at the present time how the continuing COVID-19 pandemic will exert an impact on the economic situation of existing and potential customers, on demand behavior and when shifted projects might start.

Overall, the Executive Board of KPS sees itself in a very good position to manage the current COVID-19 related challenges. The business model has a high degree of flexibility and can be quickly adjusted to new circumstances. The platform and product solutions of KPS are seen outstanding by the management to support enterprises successfully in their digital transformation.

2. OPPORTUNITIES AND RISK REPORT

The economic development in Germany and our most important European markets and the associated change in investment behavior exerted a significant impact on the financial position and results of operations, and the asset situation of the KPS Group. In the course of our research activities, we regularly analyze studies and forecasts of the key economic institutes to retain the necessary overview of the likely development of the economy in markets relevant to us.

The COVID-19 pandemic continues to lead to uncertainties in the sectors served by KPS, in particular in the German market. The possibility cannot be excluded that this will exert negative impacts on the approach to demand among existing and potential customers for services provided by the KPS Group. In the short term, the COVID-19 pandemic therefore continues to present a high risk for the development of sales and profit at the KPS Group.

We refer to the comprehensive report in the Annual Report 2020/2021 for a presentation and assessment of other individual risks. There have not been any significant changes since then.

3. OUTLOOK REPORT

3.1 Macroeconomic forecast

Macroeconomic global economy

According to the joint diagnosis of the leading economic research institutes, global production looks set to increase by 6.3 % on an annual average in 2021, after it fell back by 3.6 % in 2020.⁷ Additional growth of 4.1 % is expected in 2022. An increase in global trade of 8.2 % is forecast for the current year 2021, while an increase by 3.4 % is projected for 2022. The rapid recovery of the advanced economies will continue to make progress in the current business year 2021 and spread out to the regions and economic sectors that have been particularly hard hit by the pandemic. However, the ongoing development of the global economy is dependent on the progress of the pandemic.

Forecast for the European economy

As a result of the suspended requirements of the Stability and Growth Pact of the Monetary Union, the member countries are able to pursue an expansive financial policy in order to mitigate the consequences of the pandemic on their economies. As a result of the scope thus obtained, the eurozone countries have the power to support the employment market by an allowance for short-time work. According to the assessment of the economic research institutes, loosening of measures over the course of 2021 will also stimulate a recovery in the European economy, and it is expected that this will be reflected in an increase in economic output of 4.3 % in the eurozone. A further increase of 4.2 % is anticipated for 2022 so that economic output will have reached the pre-crisis level by the beginning of 2022.

Based on the pending loosening of measures to protect against infection, the short-time work programs will be scaled back. According to the forecasts, in some countries this may lead to an increase in the unemployment rate because of a partial recovery in the participation rate and depressed activity in some service sectors over an extended period in the coming months. However, expectations indicate that this effect should recede again in the wake of the economic recovery. Experts project an annual average of 8.5 % for the unemployment rate in 2021, with a reduction to just 7.9 % in the subsequent year 2022.⁸

Forecast for the German economy

The leading economic research institutes predict an increase of 3.7 % in gross domestic product for the current year 2021, and even forecast growth of 3.9 % for 2022. They attribute this positive development to the progress in providing vaccinations for the population, which is likely in turn to drive forward the economic recovery. According to the experts, the economy will once again be operating at normal capacity at the beginning of 2020. Similar to 2020, the Kiel Institute for the World Economy (IfW) expects an unemployment rate of 5.9 % for the year 2021, which will then come down to 5.3 % in 2022 owing to loosening of the measures to protect against infection.⁹ According to the joint diagnosis of the leading economic research institutes for 2021, government budgetary deficits will amount to 159 billion euros, reportedly due to expenditure on vaccinations and testing. Overall, the COVID-19 pandemic is the key factor governing the forecast for the coming quarters. As a result of country-wide availability of vaccines, the development is likely to be positive and able to drive forward the economic recovery.¹⁰

⁷ <https://gemeinschaftsdiagnose.de/2021/04/15/pandemie-verzoegert-aufschwung-demografie-bremst-wachstum/>

⁸ https://gemeinschaftsdiagnose.de/wp-content/uploads/2021/04/GD_F21_Langfassung_online.pdf

⁹ <https://www.bdu.de/news/consultingmarkt-2020-mit-bremsspuren-2021-rueckkehr-zum-wachstum/>

¹⁰ https://gemeinschaftsdiagnose.de/wp-content/uploads/2021/04/iwv-press-release_2021-11_Gemeinschaftsdiagnose_1-21_de.pdf

3.2 Sector-specific forecast

After market growth fell by 3.2 % in 2020 triggered by coronavirus impacts, the consulting sector is now in a better position in 2021. The Federal Association of German Management Consultants (BDU) is predicting an increase in market growth of 9.0 % for the current year 2021. In particular, business stimuli are anticipated with an increase of 12.5 % from the health sector, 10.5 % in retail and similarly 10.5 % in chemicals / pharmaceuticals. The changes over the past year have also affected the way the consulting sector operates. 92 % of management consultants are assuming that remote working will continue to remain at a high level even after the pandemic has passed.¹¹

3.3 Forecast for the business year 2020/2021

Revision of the outlook for the business year 2020/2021 related to the continued uncertainties driven by the COVID-19 pandemic

KPS revised its outlook (given 22 January 2021) for the business year 2020/2021, to reach group revenue at a comparable level with that of the business year 2019/2020 and to increase EBITDA moderately with the ad-hoc release published 04 May 2021. The Executive Board of KPS assumes that the consolidated revenue for the entire financial year 2020/2021 will be in a range of 5% - 9% and the consolidated EBITDA in a range of 3% to 6% below the respective level of the previous year 2019/2020. The continued COVID-19 pandemic and the longer than expected lockdown measures resulted in higher uncertainties on the business situation of selected customers who have paused or postponed their projects.

The Executive Board and Supervisory Board of KPS AG assess the overall situation as challenging. However, the Executive Board and Supervisory Board sees the KPS-Group with its solid balance sheet and liquidity position, its technological innovations, its high competence in digital transformation and its excellent qualified employees in a good position to manage the current challenges triggered by the COVID-19 pandemic. Furthermore, if paused or postponed projects return, KPS will be prepared to ramp-up such projects.

This assessment is based on factors and projections about future business and economic developments known to us today. If major changes occur in business developments and framework conditions which cannot be predicted from today's perspective, there is nevertheless an underlying risk that the projected sales and earnings targets may not be achieved.

Unterföhring, May 2021
The Executive Board

¹¹ <https://www.bdu.de/news/consultingmarkt-2020-mit-bremsspuren-2021-rueckkehr-zum-wachstum/>

A blurred photograph of business professionals walking past a glass wall. The wall features large, dark blue numbers '2021'. The people are out of focus, conveying a sense of movement and activity in a corporate environment.

2021

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KPS AG Group Interim Financial Statements in accordance with IFRS

INCOME STATEMENT
for the period from 1 October 2020 to 31 March 2021

in Keuros		2020/2021	2019/2020
1	Revenues	76,941	94,218
2	Own work capitalized	403	929
3	Other operating income	499	567
4	Cost of materials	-24,476	-34,836
5	Personnel expenses	-34,934	-33,873
6	Other operating expenses	-7,036	-13,952
7	Operating result before depreciation and amortization (EBITDA)	11,397	13,053
8	Depreciation and amortization (M&A adjusted) *	-3,465	-3,244
9	Operating result (EBIT) adjusted *	7,931	9,809
10	Depreciation and amortization (M&A related)	-449	-616
11	Operating result (EBIT)	7,483	9,192
12	Financial income	0	43
13	Financial expenses	-276	-897
14	Financial result	-276	-854
15	Earnings before income taxes **	7,207	8,339
16	Income tax	-1,825	-2,447
17	Earnings after income taxes	5,382	5,892
	Number of shares in thousands - basic/diluted weighted average	37,412	37,412
in euros			
Earnings per share			
	- basic	0.14	0.16
	- diluted	0.14	0.16

* adjusted by depreciation and amortization on the assets disclosed as part of company mergers and on the the acquired customer relationships (M&A related)

** corresponds to earnings from ordinary activities

KPS AG Group Interim Financial Statements in accordance with IFRS

COMPREHENSIVE INCOME STATEMENT
 for the period from 1 October 2020 to 31 March 2021

in KEuros	31.03.2021	31.03.2020
Earnings after income taxes	5,382	5,892
Actuarial gains and losses arising from defined benefit pension commitments and similar obligations	0	0
Foreign currency translation adjustment for foreign subsidiary companies	60	27
Comprehensive income	5,442	5,919

INDICATORS FOR THE INCOME STATEMENT

in million euros	31.03.2021	31.03.2020
Revenues	76.9	94.2
EBITDA	11.4	13.0
EBITDA margin	14.8%	13.8%
EBIT	7.5	9.2
EBIT margin	9.7%	9.8%

KPS AG Consolidated Financial Statements in accordance with IFRS
GROUP BALANCE SHEET
As at 31 March 2021

ASSETS

in Keuros	31.03.2021	30.09.2020
ASSETS		
A. NON-CURRENT ASSETS		
I. Property, plant and equipment	2,559	2,698
II. Goodwill	62,546	62,546
III. Other intangible assets	13,471	14,095
IV. Rights of use from leasing contracts	27,765	28,979
V. Deferred tax assets	4,203	4,247
	110,544	112,565
B. CURRENT ASSETS		
I. Contractual assets	13,882	8,172
II. Trade receivables	25,752	30,130
III. Other receivables and financial assets	1,846	1,586
IV. Entitlements to income tax rebates	1,041	1,440
V. Cash and cash equivalents	9,049	20,115
	51,570	61,444
Total assets	162,114	174,009

LIABILITIES AND SHAREHOLDERS' EQUITY

in Keuros	31.03.2021	30.09.2020
A. SHAREHOLDERS EQUITY		
Share in equity attributable to shareholders of KPS AG		
I. Subscribed capital	37,412	37,412
II. Capital reserve	-10,222	-10,222
III. Retained earnings	663	663
IV. Other comprehensive income	-52	-111
V. Group net profit	43,916	38,535
Total equity	71,718	66,277
LIABILITIES		
B. NON-CURRENT LIABILITIES		
I. Non-current provisions	2,631	3,923
II. Other non-current liabilities	4,227	4,244
III. Non-current financial liabilities	8,550	9,300
IV. Non-current leasing liabilities	22,995	24,135
V. Deferred tax liabilities	2,434	2,248
	40,838	43,850
C. CURRENT LIABILITIES		
I. Trade liabilities	7,138	7,009
II. Financial liabilities	17,300	23,300
III. Contract liabilities	254	200
IV. Other provisions	11,355	11,337
V. Other liabilities	7,614	15,433
VI. Current leasing liabilities	4,522	4,590
VII. Income tax liabilities	1,375	2,013
	49,559	63,882
Total liabilities	90,396	107,732
Total shareholders equity and liabilities	162,114	174,009
Equity ratio	44.2%	38.1%

KPS AG Group Interim Financial Statements in accordance with IFRS
CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 October 2020 to 31 March 2021

in KEuros	31.03.2021	31.03.2020
A. Current business operations		
Earnings before interest and income tax (EBIT)	7,483	9,192
Depreciation of fixed assets	3,914	3,861
Change in current assets	-1,592	-6,088
Change in provisions	-1,492	-1,744
Other non-cash expenses and income	310	2,326
Change in other liabilities	-2,938	-943
Losses from asset disposals	0	26
Taxes paid	-1,832	-3,640
Interest received	0	43
Cash inflow/outflow from current business operations	3,853	3,033
B. Investment activities		
Investments in property, plant and equipment	-82	-950
Investments in intangible assets	-485	-1,013
Investments in the acquisition of KPS Business and Digital Transformation S.L.U.	-2,000	-1,984
Investments in the acquisition of Infront Consulting & Management GmbH	-1,484	-2,380
Investments in the acquisition of KPS digital Ltd.	-1,231	-945
Cash receipts from asset sales	0	0
Cash inflow/outflow from investment activities	-5,282	-7,272
C. Financial activities		
Interest paid	-224	-177
Interest paid leasing liabilities	-78	-74
Cash receipts from taking out loans	0	3,995
Payments for the settlement of loans	-6,750	0
Payments for the settlement of leasing liabilities	-2,586	-2,457
Dividend payout	0	0
Cash inflow/outflow from financial activities	-9,638	1,287
D. Net change in cash funds	-11,067	-2,952
E. Cash funds at the beginning of the period	20,116	9,855
F. Consolidation-related change in cash funds	0	0
G. Cash funds at the end of the period	9,049	6,903

Composition of Cash and Cash Equivalents in the Consolidated Cash Flow Statement

in Keuros	31.03.2021	31.03.2020
Cash in hand and bank balances	9,049	6,903
Cash funds	9,049	6,903

KPS AG Consolidated Financial Statements in accordance with IFRS
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT KPS – IFRS

in KEuros	Subscribed capital	Treasury shares	Total of subscribe
30.09.2019	37,412	0	37,412
Acquisition of treasury shares	0	0	0
Disposal of treasury shares	0	0	0
Equity transactions with shareholders	0	0	0
Dividend payout	0	0	0
Other changes	0	0	0
Changes recognized without affecting income	0	0	0
Group earnings	0	0	0
Allocation to retained earnings	0	0	0
31.03.2020	37,412	0	37,412
Acquisition of treasury shares	0	0	0
Disposal of treasury shares	0	0	0
Equity transactions with shareholders	0	0	0
Dividend payout	0	0	0
Other changes	0	0	0
Changes recognized without affecting income	0	0	0
Group earnings	0	0	0
Allocation to retained earnings	0	0	0
30.09.2020	37,412	0	37,412
Disposal of treasury shares	0	0	0
Equity transactions with shareholders	0	0	0
Equity transactions with shareholders	0	0	0
Dividend payout	0	0	0
Other changes	0	0	0
Changes recognized without affecting income	0	0	0
Group earnings	0	0	0
Allocation to retained earnings	0	0	0
31.03.2021	37,412	0	37,412

Capital reserve	Retained earnings	Accumulated other comprehensive income		Group net profit	Equity
		Currency translation differences	Pension commitments		
-10,222	663	69	-433	36,752	64,241
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	27	0	5,892	5,919
0	0	0	0	0	0
-10,222	663	96	-433	42,644	70,160
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	-6,360	-6,360
0	0	0	0	0	0
0	0	-134	360	0	226
0	0	0	0	2,251	2,251
0	0	0	0	0	0
-10,222	663	-38	-73	38,535	66,277
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	60	0	0	60
0	0	0	0	5,382	5,382
0	0	0	0	0	0
-10,222	663	22	-73	43,917	71,718

KPS GROUP

SELECTED EXPLANATORY NOTES



2021



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1. INFORMATION ON THE COMPANY AND THE GROUP

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

KPS AG is a successful company for business transformation consulting, and process optimization in retail and in the consumer goods sector. We provide our customers with advice on strategic, process, and technological issues, and successfully implement holistic solutions which safeguard their performance capability over the long term.

2. PRINCIPLES AND METHODS FOR DRAWING UP THE FINANCIAL STATEMENTS

The consolidated abbreviated half-year financial statements drawn up by KPS AG for the period from 1 October 2020 to 31 March 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) in particular with IAS 34 "Interim Financial Reporting". Consequently, these financial statements do not include all the information and disclosures that are required in accordance with IFRS for a set of consolidated financial statements produced at the end of the business year. These consolidated interim financial statements should therefore be read in conjunction with the consolidated financial statements drawn up as at 30 September 2020.

The abbreviated consolidated half-year financial statements and interim management report were not audited by the auditor and were not subject to an audit review. In the view of the Executive Board, these financial statements take into account all the adjustments that are necessary to give a true and fair view of the assets and results of operations corresponding to the actual circumstances for purposes of the interim financial statements. The results obtained in the first half of the business year 2020/2021 do not permit any conclusions to be drawn about the development of the ongoing business performance.

3. GROUP OF CONSOLIDATED COMPANIES AND AFFILIATES

The consolidated financial statements include the legal and business parent company of the Group and all the domestic and foreign subsidiary companies over which KPS AG exercises control of the financial and business policy in order to derive the corresponding benefit.

Alongside KPS AG, as the legal parent company, the scope of consolidation covers the following companies in which KPS AG has a direct or indirect shareholding and which are included in the consolidated financial statements on the basis of full consolidation.

Beteiligung	Registered office	Voting share	
		31.03.2021 in %	30.09.2020 in %
KPS Business Transformation GmbH	Unterföhring	100	100
KPS Services GmbH	Unterföhring	100	100
KPS Consulting Verwaltungs GmbH	Unterföhring	100	100
KPS Consulting GmbH & Co. KG	Unterföhring	100	100
KPS Consulting AG	Zürich/Switzerland	100	100
KPS Solutions GmbH	Unterföhring	100	100
KPS digital GmbH	Dortmund	100	100
KPS Consulting A/S	Virum/Denmark	100	100
KPS B.V.	Amsterdam/Netherlands	100	100
KPS Consulting Inc. (+)	Wilmington/USA	100	100
KPS Strategie-, Prozess- und IT-Consulting GmbH	Vienna/Austria	100	100
KPS Business and Digital Transformation S.L.U.	Barcelona/Spain	100	100
Infront Consulting & Management GmbH	Hamburg	100	100
KPS Digital Ltd.	London/England	100	100
KPS Consulting AS	Lysaker/Norwegen	100	100
KPS Sweden AB	Stockholm/Schweden	100	100

(+) Company shall enter into liquidation

4. CHANGES TO THE ACCOUNTING AND VALUATION METHODS AND UNCERTAINTIES OWING TO ESTIMATES

At the beginning of the business year on 1 October 2020, various amendments relating to accounting and valuation methods to existing standards came into force, which themselves in conjunction with other standards did not have any significant effects on the reporting for the consolidated interim financial statements. As a consequence, this abbreviated consolidated interim half-year report is essentially based on the consistent accounting and valuation methods of the consolidated financial statements for the business year 2019/2020.

The management has to make certain assumptions and carry out assessments in the consolidated interim financial statements which may exert significant influence on the presentation of the net assets, financial position and results of operations. Estimates are based on experiential values and other assumptions, which are regarded as appropriate under the specific circumstances. They are continually reviewed but may deviate from the actual values.

The estimates applied in the consolidated financial statements as at 30 September 2020 for the main application areas:

- Definition of useful life for non-current assets
- Calculation of completion status of fixed-price projects
- Calculation of discounted cash flows in the context of impairment tests and contingent purchase price obligations and purchase price allocations (fair value)
- Formation and valuation of non-current provisions
- Valuation of receivables

were also applied for these consolidated interim financial statements.

You can find additional information in the consolidated financial statements as at 30 September 2020. These can also be accessed on the Internet at www.kps.com and they form the basis for these interim financial statements.

5. EXPLANATIONS FOR THE BALANCE SHEET AND THE INCOME STATEMENT

5.1 Revenue

Charges for deliveries, and services and products - reduced by sales reductions and discounts - billed to customers are recognized in revenues.

Revenues derived from the provision of services and maintenance are time-limited, the sale of software and hardware is realized 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 our comments in the segment report in relation to the allocation of revenues to individual segments.

5.2 Subscribed capital

The subscribed capital for KPS AG amounted to EUR 37,412,100 (previous year: EUR 37,412,100) on the balance sheet date and it was distributed over a total of 37,412,100 no-par shares (previous year: 37,412,100 no-par shares) each with a nominal value of EUR 1. The capital stock is fully paid up.

During the course of the business year, no own shares were purchased or sold. On the balance sheet date, no treasury shares were held (previous year: 0 shares).

5.3 Treasury shares

The resolution adopted by the Annual General Meeting on 25 September 2020 and the substitution of the resolution by the Annual General Meeting on 27 March 2015 provided the authorization 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 authorized with the approval of the Supervisory Board to acquire and dispose of its own shares up to a total amount of 10 % of the capital stock 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 12 midnight on 24 September 2025. 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. In the period under review, no shares were purchased or sold.

6. EXPLANATIONS FOR SEGMENT REPORTING

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

A distinction is drawn between the following segments:

6.1 Management consulting / Transformation consulting

This consulting segment is concerned with "transformational consulting" where the KPS Group occupies a leading position in the consulting market. Transformation consulting involves providing support for customers in the implementation of complex initiatives and developing concepts and solutions taking into account process, organizational, logistic, financial and systems framework conditions. 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 the service portfolio of the KPS Group as an SAP consulting partner.

6.2 System integration

The focus of this consulting segment is on process and implementation consulting in the technology sector. The 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, the KPS Group uses dedicated solutions to ensure seamless integration of all processes in the heterogeneous system environment. The Group supports customers in analyzing the actual situation and the setup of an IT infrastructure where all operational function areas are transparent.

6.3 Products / Licenses

The KPS Group completes its spectrum of services by selling software licenses, maintenance contracts, and hardware components 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 Keuros	Management- consulting/ Transformations- beratung		System Integration		Products/ Licenses		Other		Total	
	31.03.2021	Prev. year	31.03.2021	Prev. year	31.03.2021	Prev. year	31.03.2021	Prev. year	31.03.2021	Prev. year
Earnings position										
Sales	73,236	84,952	527	717	3,177	8,549	0	0	76,941	94,218
Production costs	-51,036	-59,161	-351	-429	-2,258	-6,011	0	0	-53,646	-65,601
Business development	-2,191	-2,361	0	0	-89	-47	0	0	-2,280	-2,408
Operating costs	-6,714	-9,103	-23	-28	-257	-167	-2,624	-3,858	-9,618	-13,155
EBITDA	13,295	14,327	153	260	572	2,325	-2,624	-3,858	11,397	13,053
Depreciation and amortization	-3,247	-1,297	-5	-1	-49	0	-613	-2,563	-3,914	-3,861
EBIT	10,048	13,030	148	259	523	2,325	-3,237	-6,421	7,483	9,192
Interest	-40	-26	0	0	0	0	-235	-828	-276	-854
Income tax	-2,141	-3,789	-32	-75	-111	-676	690	1,867	-1,595	-2,673

7. OTHER EXPLANATIONS AND SUPPLEMENTARY INFORMATION

7.1 Liability relationships

In order to hedge current account and money-market credit lines, KPS Services GmbH has a maximum liability guarantee amounting to KEUR 30,000. On the balance sheet date, current-account and money-market credit liabilities amounted to KEUR 12,000 (previous year: 9,000).

The subordination still existing on 30 September 2020 in respect of KPS Consulting AG, Zurich, in the amount of KCHF 738 was cancelled. A subordination existed on 31 March 2021 in respect of KPS Strategie-, Prozess- und IT-Consulting GmbH in the amount of KEUR 100.

KPS AG made a commitment for KPS Business Transformation GmbH, KPS digital GmbH, KPS Solutions GmbH, KPS Services GmbH and Infront Consulting & Management GmbH in the context of exemption in accordance with Article 264 section 3 German Commercial Code (HGB) to guarantee all the existing obligations of these companies up to 30 September 2020 in respect of their creditors. This duty to assume liability is valid until 30 September 2021.

7.2 Acquisitions and establishments after the interim reporting period

There were no acquisitions and no subsidiaries were established after the end of the interim reporting period.

7.3 Divestments and assets held for sale

There were no divestments and assets held for sale in this business year.

7.4 Significant events after the end of the interim reporting period

No significant events occurred after the end of the interim reporting period that will exert a significant impact on the business performance of the KPS Group.

7.5 Disclosures on related parties

We refer to the consolidated financial statements dated 30 September 2020 for information about related companies and persons (related parties). As at 31 March 2021, no significant changes have taken place.

7.6 Corporate Governance

The Declaration of Compliance on the German Corporate Governance Code required pursuant to Article 161 of the Stock Corporation Law (AktG) was submitted for the business year 2019/2020 and is permanently available on the company's website <https://www.kps.com/de/investor-relations.html>.

7.7 Deviations

An English translation of the consolidated half-year report is also available. If any deviations are identified, the German version of the consolidated half-year report shall take precedence over the English translation.

Rounding of amounts and percentages may lead to minor deviations owing to commercial rounding.

7.8 Responsibility statement by the statutory representatives

The Executive Board of KPS AG hereby declares to the best of its knowledge and in accordance with the principles to be applied for interim reporting that the abbreviated consolidated interim financial statements present a true and fair view of the asset situation, financial position and results of operations of the Group corresponding to the actual circumstances and that the Consolidated Interim Management Report presents a true and fair view of the performance of the business including the business result and the position of the company are presented such that an appropriate view of the actual circumstances is conveyed, and the significant opportunities and risks of the likely development of the Group in the remaining business year are described.

Unterföhring, May 2021

KPS AG

The Executive Board

KPS AG Group Interim Financial Statements in Accordance with IFRS
DEVELOPMENT OF THE FIXED ASSETS (GROSS PRESENTATION)

ITEM	ACQUISITION OR PRODUCTION COSTS				31.03.2021
	01.10.2020	Additions	Disposals	Transfer	
in KEuros					
I.) INTANGIBLE ASSETS					
1 Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets					
a.) if acquired	13,737	209	17	0	13,929
b.) if internally generated	14,556	276	0	0	14,832
2 Advance payments made	0	0	0	0	0
3 Goodwill	77,561	0	0	0	77,561
Intangible assets	105,854	485	17	0	106,322
II.) PROPERTY, PLANT AND EQUIPMENT					
1 Business and office equipment	3,810	82	12	0	3,880
2 Low-value assets	147	0	0	0	147
3 Advance payments received	0	0	0	0	0
Property, plant and equipment	3,957	82	12	0	4,027
Total fixed assets	109,811	567	29	0	110,349

ACCUMULATED DEPRECIATION					BOOK VALUE	
01.10.2020	Additions	Disposals	Transfer	31.03.2021	31.03.2021	30.09.2020
10,506	679	17	0	11,168	2,761	3,231
3,692	430	0	0	4,122	10,710	10,864
0	0	0	0	0	0	0
15,016	0	0	0	15,016	62,545	62,545
29,214	1,109	17	0	30,306	76,016	76,640
1,234	213	4	0	1,443	2,437	2,576
25	0	0	0	25	122	122
0	0	0	0	0	0	0
1,259	213	4	0	1,468	2,559	2,698
30,473	1,322	21	0	31,774	78,575	79,338



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ADDITIONAL INFORMATION

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