KPS

ANNUAL REPORT

22/23

OVERVIEW OF THE CONSOLIDATED RESULTS

in EUR million	2022/2023	2021/2022
Group sales	177.8	179.5
EBITDA	7.8	21.7
EBIT	0.0	14.3
Group earnings	-1.2	9.5
Earnings per share (in EUR)	-0.03	0.26
Cash and cash equivalents	6.9	6.1
Financial liabilities	30.4	21.0

TO THE SHAREHOLDERS

22/23

KPS

THE CEO OF KPS

Ladies and Gentlemen, Dear Shareholders,

The past financial year 2022/2023 has turned out to be more challenging than we had first anticipated. We were unable to achieve our goal of stabilising KPS Group's ambitious growth course in all markets and geographies of relevance to us. Therefore, we had to significantly lower our expectations for how sales and earnings would develop in the reporting period. In the end, we closed the financial year by achieving EBITDA of EUR 7.8 million. Adjusted for the non-recurring effects of restructuring (EUR 1.8 million in 2022/2023) and the insolvency of The KaDeWe Group GmbH (EUR 3.5 million in 2022/2023), adjusted EBITDA amounts to EUR 13.1 million. The previous year, we had achieved EBITDA of EUR 21.7 million.

Several factors are simultaneously responsible for the disappointing earnings performance. While our markets in Germany, the UK and Spain developed favourably, the market situation in Scandinavia in particular developed negatively, contrary to our expectations. The general economic data now confirms the recessionary environment in Europe. Contrary to expectations, some firmly planned new projects could not be realised due to the sharp drop in investment activity by our customers in the affected markets, with a corresponding negative impact on sales. Having invested heavily in building up additional consulting capacities in the previous year, particularly in the area of e-commerce, the weak demand for projects led to a significant underutilisation of the consulting team in this segment, which had a negative impact on earnings. At the same time, we were unable to fully manage the project volume in the area of enterprise resource planning systems (ERP) with our own staff and therefore had to rely increasingly on costly freelancers and service providers.

We reacted to the unexpected economic headwind and took appropriate countermeasures. Capacities were adjusted in line with project demand, restructuring measures were introduced in the affected areas and sales efforts were increased once again.

At the same time, we have stayed on course and continued to pursue our internationalisation strategy in order to open up further markets for KPS Group and further reduce our dependence on our home market of Germany in the long term. With the acquisition of KPS Transformation B.V. (formerly Graphyte B.V.) in January 2023, we successfully entered the Belgian market. In terms of technology, we have further developed our platforms for digital transformation and adhered to our investment plans in this regard.

Finally, on 29 January 2024, it was announced that The KaDeWe Group GmbH (hereinafter referred to as "KaDeWe") had filed an application for the opening of insolvency proceedings. As KaDeWe is a major customer of KPS Group with ongoing projects, publication of the Annual and Consolidated Financial Statements finalised at this time, together with the Combined Management Report of KPS AG, was postponed. The accounting effect of the insolvency of the KaDeWe Group was subsequently assessed and taken into account. KPS had and continues to have significant outstanding receivables from KaDeWe, which were impaired. KPS reacted immediately with appropriate measures and took out a shareholder loan, among other measures, to strengthen liquidity.

For the new financial year 2023/2024, we expect sales revenues of KPS Group to decline again slightly due to the ongoing economic weakness, particularly in the German market, given the importance of this market for our group of companies. In terms of earnings, we believe we have reached the bottom following the implementation of our restructuring programme. The insolvencies of The KaDeWe Group GmbH in Germany and The Body Shop in the UK will have a negative impact on our earnings in the single-digit million range in 2023/2024. On the other hand, we assume that our cost-cutting measures will take effect in the new financial year and therefore expect EBITDA to be in a corridor between EUR 11.5 million and EUR 13.0 million.

We are convinced that we can successfully master the current situation by implementing these measures and return the Group to a growth course in the medium term.

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

Unterföhring , 6 March 2024

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. In particular, the past few months were characterised by crisis management, negative developments in the German market and the resulting necessary management of the respective task forces triggered by restructuring measures. 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 but not least, 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.

Besides many informal meetings, phone calls and video conferences, the Supervisory Board held seven official meetings in financial year 2022/2023. Some of the Supervisory Board meetings were held as video conferences.

The course of the past periods and the current business situation were examined at the meetings; the measures of the respective updated development in connection with individual busines areas with negative deviations from planning were discussed in detail, as were opportunities for company acquisitions.

The main focuses of the audit and the audit progress for financial year 2021/2022 were discussed with the auditor at the meetings on 18 November 2022 and 16 December 2022. The status of planning for financial year 2022/2023 was also reviewed.

The Declaration of Compliance with the German Corporate Governance Code was dealt with at the meeting held on 13 January 2023 and the Chairman of the Supervisory Board was authorised to sign it. The auditors then presented the preliminary Annual Financial Statements together with the combined Management Report and the audit reports, each for financial year 2022/2023, and reported on the key findings and focuses of the audit. The Supervisory Board approved the Annual Financial Statements. The Finance Director then presented the bonus calculation for the Executive Board, which the Supervisory Board approved in full. Afterwards, the Finance Director provided information on the status of the acquisition of KPS TRansformation B.V. (former Graphyte B.V.). The net present value, the findings of due diligence and the main elements of the Sales Purchase Agreement (SPA) were discussed. The Executive Board and the Finance Director were unanimously authorised by the Supervisory Board to finalise the acquisition in January 2023.

Approval of the invitation to the Annual General Meeting on 10.05.2023 and the associated draft resolutions was given on 24.03.2023/27.03.2023 by circular resolution. On 27 March 2023 the Finance Director was authorised to negotiate a syndicated loan with banks and, if necessary, to sign a Letter of Intent (LOI) by means of a separate circular resolution.

The Supervisory Board meeting on 5 May 2023 dealt with the development of business in financial year 2022/2023. The dividend proposal for the Annual General Meeting on 10 May 2023 was reduced to 10 cents per share by written circular resolution of the Supervisory Board.

On 10 May 2023, the Supervisory Board meeting dealt with the course of the Annual General Meeting held on that day, restructuring measures to further strengthen the earnings position and the intrinsic value of KPS Business Transformation GmbH. The Finance Director was asked to initiate the measures discussed.

At the Supervisory Board meeting held on 13 June 2023, the Executive Board and the Finance Director informed the Supervisory Board about the effect of the restructuring measures taken on 10 May 2023. No further resolutions were passed on this matter. The Finance Director also reported on the status of external financing.

The last meeting of the Supervisory Board In the financial year 2022/2023, which was held on 22 September 2023, dealt with the sales and earnings performance in the fourth quarter of financial year 2022/2023 as well as the personnel measures, the related costs and reducing internal expenses. The Finance Director presented an overview of the short- and mid-term liquidity planning and the financing solutions that had been prepared.

The Supervisory Board agreed to have the Executive Board and the Finance Director pursue these solutions further and decide on the contractual obligations with a structural change character (debt rescheduling) that would arise in the event that they are successful. The Finance Director then provided information on goodwill and possible effects on the IFRS Consolidated Financial Statements (IFRS). The recoverability of the shares in two subsidiaries of the KPS Group and possible effects on the ability of KPS AG to pay dividends as a result of impairment tests were also discussed. The next item on the agenda was the upcoming election of the Supervisory Board at the Annual General Meeting in May 2024. The legal requirements were discussed. Further decisions on this topic will be made at a later date.

The members of the Supervisory Board are responsible for the training and further education measures required in order to perform their duties. They are receiving appropriate support from the company.

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 13 January 2023, 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 2023 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. The internal compliance issues within the Group were also the topic of the regular discussion and review at this meeting.

Composition of the Supervisory Board:

The following persons were members of the Supervisory Board for the entire financial year 2022/2023:

Mr Michael Tsifidaris, Chairman

Mr Hans-Werner Hartmann, Deputy Chairman

Mr Uwe Grünewald

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; the independent representative of the shareholders on the Supervisory Board is Mr Hans-Werner Hartmann.

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 2022/2023:

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 2023, audited the accounting, the Annual Financial Statements of KPS AG and the Consolidated Financial

Statements including the combined Management Reports for financial year 2022/2023 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 18 January 2024 and 6 March 2024 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 6 March 2024. The Annual Financial Statements of KPS AG are thus adopted. The Report by the Supervisory Board for financial year 2022/2023 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 2022/2023

Price performance in the reporting period (1 October 2022 to 30 September 2023)

The KPS AG share recorded a decline of 38.1% overall in financial year 2022/2023 (period from 1 October 2022 to 30 September 2023).

The KPS share started trading at EUR 3.16 on 1 October 2022 and reached its high of EUR 4.31 on 8 February 2023. The share reached Its low of EUR 1.41 on 15 September 2023. Finally, the share closed at EUR 1.47 at the end of the reporting period on 29 September 2023.

The average daily trading volume of the KPS share was 14,455 shares in the reporting period (previous year: 8,455 shares). On 30 September 2023, the market capitalisation of KPS AG was EUR 54.8 million on the basis of 37,412,100 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	37,412,100 registered shares (without nominal value)
Capital stock	37,412,100.00 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 (1 October 2022)	3.16
High (8 February 2023)	4.31
Low (15 September 2023)	1.41
Closing price (30 September 2023)	1.47
Trading volume (1 October 2022 to 30 September 2023, average trading volume)	14,455.00
Market capitalization (30 September 2023)	54.8

Shareholder structure

Information based on the voting rights notifications received in accordance with the Securities Trading Act, WpHG (status: 28 January 2018) 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 2023: The Chairman of the Supervisory Board, Michael Tsifidaris, held 24.3% of the shares in the company. The Supervisory Board member Uwe Grünewald held 10.8% of the share capital entitled to voting rights. Chief Executive Officer of KPS AG, Leonardo Musso, held 11.0% of the shares in the company. This means that 46.1% of the voting shares are held by the Executive Board and the Supervisory Board of KPS AG.

As of 30 September 2023, a private investor still held 9.3% of the voting rights. In addition, Allianz had a shareholding of 5.3% on the reporting date. Accordingly, free float amounted to 39.7% of the shares.

Annual General Meeting relating to financial year 2021/2022

The ordinary Annual General Meeting of KPS AG on the company's performance in financial year 2021/2022 was held as a virtual event on 18 May 2023.

The shareholders approved the management's proposal for a balanced dividend policy. From the consolidated profit of EUR 9.5 million reported in the 2021/2022 Annual Report, EUR 3,741,219.00 or EUR 0.10 per share was distributed to the shareholders.

A dividend of EUR 3.7 million corresponds to a payout ratio of 38.9% of Group earnings.

Financial calendar

07.03.2024	Publication of the figures in the annual financial statements 2022/2023
07.03.2024	Publication of the figures for the 1st quarter 2023/2024
06.05.2024	Publication of the figures for the half-year 2023/2024
10.05.2024	Ordinary Annual General Meeting in Munich
25.07.2024	Publication of the figures for the third quarter 2023/2024

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 2022/2023. 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. Direct dialog with investors and analysts was also continuously maintained by participating in several conferences in the reporting period. These participations included for example the German Equity Forum in Frankfurt.

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

22/23

KPS

1. FUNDAMENTALS OF THE GROUP

1.1 Business model and methodological expertise

Companies are exposed to innovation, technological change and changing customer behaviour at various levels and in many areas. The main driver of change is digitalization.

In order to be able to compete, it is important to react to technological change and adapt to changing customer behaviour with a tailor-made digitalisation strategy. With a proactive digitisation strategy, companies can actively shape change, use it positively for their overall strategy and achieve competitive advantages.

A digitalisation strategy means developing a strategy in order to achieve holistic digitalisation for key company and business processes and to transform the system landscape of the company appropriately in accordance with the digitalisation strategy developed. Products, consulting expertise, services and solutions for the challenges of the digital transformation of business processes form the core of the KPS business model.

KPS has specialised in providing its customers with advice on strategic, process, application and technology issues relating to the digital transformation, and supporting them in rolling out and implementing solutions. It 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.

In doing so, KPS follows an integrative, so-called end-to-end or one-stop-shop approach that includes the entire range of services along the value chain: classic merchandise and branch management, finance, B2B and B2C commerce in addition to digital customer management in marketing and sales.

Over a period of many years, KPS has developed its own dedicated project management method “KPS Rapid Transformation” for fast and efficient realisation of customer projects. The company has developed the method even further into its “Instant Platforms” product family.

The methods and platform products of KPS are based on the core belief that digital transformation projects can often best be implemented if many sub-tasks and sub-projects are started in parallel and at the same time. This method allows transformation projects to be rolled out while the company continues with its normal operations. In addition, standard software stacks from the technology partners of KPS are used. These are tailored to customers’ requirements and supplied as corresponding process chains. An important advantage for customers is that media interruptions between strategy, process, and implementation can be circumvented and avoided in the software solution. This enables complexity and risks to be reduced and project runtimes to be shortened.

1.2 Strategy

KPS’s strategy is based on the three mainstays of internationalisation, innovation, and industrialisation.

The international share of Group sales increased in the last years. Around half of Group sales are now generated abroad.

Besides internationalisation, the pillars of innovation and industrialisation are top priorities at KPS.

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 significantly 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.

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.

In the financial year 2022/2023, a small amount of development work KEUR 35) was carried out for the development of a software tool.

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) and Utrecht (Netherlands).

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.

In January 2023, KPS AG acquired all shares in Graphyte B.V., Antwerp, Belgium. Graphyte B.V., which has been renamed KPS Transformation B.V., is a leading SAP consulting company for SAP Logistics and Digital Supply Chain including Extended Warehouse Management (EWM) and Transportation Management (TM). KPS Tansformation B.V. holds 100% of the shares in Graphyte B.V., Eindhoven, Netherlands. There were no other changes to the Group structure in the business year 2022/2023.

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 2023, KPS Group had a total of 682 employees (previous year: 725) including the employees taken over as part of the acquisition of KPS Transformation B.V. (former Graphyte B.V.). The number of employees therefore decreased by 43 employees in financial year 2022/2023 compared to the balance sheet date, 30 September 2022. KPS employs 450 (previous year 508) people in Germany. This is equivalent to a share of 66.0% (previous year: 70.1%) 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

	30.09.2023	30.09.2022	Change
Employees by region			
Germany	450	508	-58
Spain	95	94	1
United Kingdom	84	78	6
Denmark	19	17	2
Switzerland	4	6	-2
Austria	3	8	-5
Sweden	3	6	-3
Netherlands	6	5	1
Norway	4	3	1
Belgium	14	0	14
Total	682	725	-43
Employees by function			
Executive Board	1	1	0
Managing Directions	10	9	1
Consultants	558	603	-45
Administration	103	108	-5
Apprentices	10	4	6
Total	682	725	-43

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 2023, 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 2022 to 30 September 2023, reference was made exclusively to business and economic reports that were published up to and including October 2023. 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

Global divergences and geopolitical tensions slow down global economic growth

The International Monetary Fund (IMF) published the "World Economic Outlook" in October 2023. Accordingly, the IMF continues to expect moderate global economic growth of 3.0% in 2023. The IMF has reduced its expectations for 2024 from July 2023 from 3.0% to 2.9%. This means that expectations for global economic growth remain well below the long-term average growth rate.[1]

According to the IMF, global inflation is likely to fall from 9.2% in 2022 to 5.9% in 2023. It is then expected to fall even further to 4.8% in 2024.[2]

The IMF believes that the global economy will continue to face major challenges. In addition to the after-effects of the COVID-19 pandemic and the Russia-Ukraine war, the slow decline in inflationary pressure is having a lasting negative impact on the global economy. These factors are having a dampening effect on global economic growth, fuelled by global divergences. A full recovery towards the trends seen before the outbreak of the pandemic appears increasingly out of reach, particularly in the emerging markets and developing economies.[3]

In its economic report from September 2023, the Kiel Institute for the World Economy (IfW) also expects the global gross domestic product (GDP) to grow by 3.0% in 2023, after global growth of 2.8% had previously been expected.[4] For example, the IfW states that the recession that many feared for the advanced economies against the backdrop of the central banks' extremely tight monetary policy did not materialise and that the US economy in particular proved to be strong. The IfW anticipates GDP growth of 2.8% for the year 2024.[5]

2.1.2 Development in Europe

Dampening of the economy in 2023

In its analysis from autumn of 2023, the Kiel Institute for the World Economy (IfW) concludes that the energy crisis in 2022 and the tightening of monetary policy in particular have slowed down the economic

1 International Monetary Fund, World Economic Outlook, October 2023, World Economic Outlook, October 2023: Navigating Global Divergences, p. XIII

2 International Monetary Fund, World Economic Outlook, October 2023, World Economic Outlook, October 2023: Navigating Global Divergences, p. XIII

3 International Monetary Fund, World Economic Outlook, October 2023, World Economic Outlook, October 2023: Navigating Global Divergences, p. XIII

4 IfW Kiel, Moderate expansion despite significant headwinds, Kiel Economic Reports The Global Economy in Autumn 2023, No. 105, KKB_105_2023-Q3_WELT_EN(iwf-kiel.de), p. 3

5 IfW Kiel, Moderate expansion despite significant headwinds, Kiel Economic Reports The Global Economy in Autumn 2023, No. 105, KKB_105_2023-Q3_WELT_EN(iwf-kiel.de), p. 3

recovery following the pandemic in the eurozone. Consequently, after only moderate expansion in economic output in the first half of 2023, many leading indicators paint an increasingly gloomy economic picture for the eurozone. Industrial companies in particular have recently been less confident. With energy prices largely returning to normal, real incomes rising and increasing support from the global economic environment, the IfW expects the economy to regain momentum in 2024. However, economic momentum will remain subdued because monetary policy will probably only be eased cautiously.[6]

The IfW assumes that the inflation rate will continue to fall from its recent high level. Consumer prices are expected to rise by an average of 5.6% in the current year, but the inflation rate is likely to be significantly lower again in the following years at 2.6% (2024) and 2.2% (2025).[7] For the second half of 2023, the Kiel Institute is assuming weak economic performance in view of many early indicators, while the economy should pick up again in 2024.[8]

Economic momentum in the eurozone has recently been weak, with some countries recording a decline in production. In the second quarter of 2023, economic output fell in Italy, the Netherlands, Austria and some smaller countries, while it stagnated in Germany. In contrast, other countries such as France, Ireland and Finland recorded significant growth. Overall, gross domestic product in the eurozone is expected to grow by 0.6 percent in 2023.[9]

2.1.3 Development in Germany

Weak economic momentum expected to continue

According to the IfW, the outlook for the German economy is gloomy, despite the easing of temporary negative factors such as high sickness rates and supply bottlenecks. Accordingly, gross domestic product has not yet returned to an expansionary course. Accordingly, company surveys indicate that economic momentum will remain weak in the second half of 2023. Economists at the IfW expect gross domestic product to fall by 0.5% in 2023. A recovery is again forecast for 2024 with GDP growth of 1.3 percent, although the expectation here has been revised downwards by 0.5% compared to the summer forecast.[10]

6 IfW Kiel, Moderate expansion despite considerable headwinds, Kiel Economic Reports Eurozone Autumn 2023, No. 106, KKB_106_2023-Q3_Euroraum_EN (iwf-kiel.de), p. 18

7 IfW Kiel, Moderate expansion despite significant headwinds, Kiel Economic Reports Eurozone Autumn 2023, No. 106, KKB_106_2023-Q3_Euroraum_EN (iwf-kiel.de), p. 18

8 IfW Kiel, Moderate expansion despite significant headwinds, Kiel Economic Reports Eurozone Autumn 2023, No. 106, KKB_106_2023-Q3_Euroraum_EN (iwf-kiel.de), p. 18

9 IfW Kiel, Moderate expansion despite significant headwinds, Kiel Economic Reports Eurozone Autumn 2023, No. 106, KKB_106_2023-Q3_Euroraum_EN (iwf-kiel.de), p. 18

10 IfW Kiel, Economy emerges from stagnation, Kiel Economic Reports German Economy in Autumn 2023, No. 107, KKB_107_2023-Q3_Deutschland_EN (ifw-kiel.de), p. 3

2.2 Industry-related framework conditions

Diverging developments in the consulting industry

Industry cautiously optimistic and gloomy outlook for the awarding of major projects

In its business survey for the third quarter of 2023, the Association of German Management Consultants (BDU) observed a sideways economic trend in the sector. While the effects of the overall economic development did not leave the consulting sector unscathed, the consulting SME sector performed the best: Over 46% are satisfied with their current business situation and around half of the management consultancies are forecasting a constant development. The assessment of large and small management consultants is much more cautious. The reason for this is the increased reluctance on the part of clients to commission new major projects, while small consultancies are more susceptible to savings or cutbacks on the part of clients.[11]

The industry-specific business climate index formed by the BDU showed a value of 96.0 in the third quarter of 2023 (Q2/2023: 96.7), the second downward movement in a quarter in a row. Compared to the ifo business climate index for the economy as a whole, however, the sector indicator recorded a significantly more positive trend. The outlook for the coming year remains unclear in view of the different business trends depending on company turnover. However, the experts at the BDU see moderately positive signs and therefore anticipate a positive development overall.[12]

2.2.1 Positioning of KPS Group

Historically, the focus and core competence of KPS Group was in the retail industry, i.e. food retailers, fashion companies, electronics chains, supermarket chains and other retailers. In recent years, KPS has succeeded in steadily increasing the share of projects outside of retail. Retail remains the KPS Group’s most important industry, however, accounting for around 70% of sales.

Besides acquiring customers outside the retail industry, KPS has successfully internationalised its business activities. The company generates around half of its sales outside Germany.

The increasing pressure to innovate that companies are exposed is a major driver of growth. High inputs for resources such as personnel, know-how, and funds will be needed in order to successfully meet the burgeoning pressure for innovation. Not every company will be able to keep pace with this highly dynamic momentum. This is where IT consulting companies can help by providing assistance for customers with the transformation process of business models into the digital world. Big data, omnichannel solutions, e-commerce solutions and supply chain management are just some of the fields where expert consulting and customised solutions enable successes to be achieved quickly and sustainably.

KPS feels it has competitive advantages with its Instant Transformation methodology, which enables it to provide its customers with turnkey, ready-to-deploy solutions.

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11 Business Climate Index Consulting - October 2023, BDU press release, https://www.bdu.de/news/bdu-geschaeftsklimabefragung-september-2023-geschaeftsklima-stabil-stimmung-besser-als-in-der-gesamtwirtschaft/

12 Business Climate Index Consulting - October 2023, BDU press release, https://www.bdu.de/news/bdu-geschaeftsklimabefragung-september-2023-geschaeftsklima-stabil-stimmung-besser-als-in-der-gesamtwirtschaft/

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.

Revision of expectations during financial year 2022/2023

In January 2023, KPS published its forecast for financial year 2022/2023 and expected sales growth in the mid single-digit percentage range and EBITDA growth in the high single-digit to low double-digit percentage range. KPS finally had to adjust its original expectations at the end of April 2023. Sales are expected to be slightly below the previous year's level (sales in 2021/2022: EUR 179.5 million) and EBITDA is expected to be in the range of EUR 11 million to EUR 14 million.

The following developments were mainly responsible for the adjustment of the forecast: KPS had several new projects planned, particularly in the area of Digital Customer Interaction. Contrary to original expectations, a few new projects could not be realised. At the same time, in anticipation of the volume growth, KPS has increased its staff in recent months, particularly in the area of e-commerce, which could not be fully utilised due to the lack of projects. Finally, KPS had to continue to rely on external service providers and freelancers for ERP projects, as the high project volume in this area could not be fully covered by the company's own consulting specialists.

Market entry in Belgium completed

The acquisition of KPS Transformation B.V. (formerly Graphyte B.V.) has given KPS AG a further foothold in an important European market. The initial consolidation in the KPS Group took place in financial year 2022/2023, which results in limited comparability of the figures for the reporting year with the Group figures for the previous year.

Sales development – revised sales targets achieved

In financial year 2022/2023, KPS Group generated sales of EUR 177.8 million (previous year: EUR 179.5 million). Sales were therefore in line with the revised expectations of generating sales slightly below the previous year. The main driver of the development of sales was the fact that expected projects in the areas of e-commerce and digital customer interaction could not be realised and demand for strategy projects (Digital Strategy) fell sharply. In contrast, the ERP projects and Digital Enterprise segment developed in line with expectations.

Sustained high growth in Germany and significant declines in foreign markets

94.4% (previous year: 95.0%) of sales were generated in the strategically most important segment of Management Consulting and Transformation Consulting. 0.7% (previous year: 0.7%) of sales were generated in the segment System Integration, while 4.9% (previous year: 4.2%) of sales originated from business with products and licences.

Sales generated in Germany rose by 17.6% from EUR 74.9 million in financial year 2021/2022 to EUR 88.1 million in the reporting period. In Germany, demand for transformation projects was once again at a high level. In contrast, foreign activities recorded a significant decline. Sales abroad fell by 14.2% to EUR 89.7 million, in particular due to the expiry of two major projects in Scandinavia for lifecycle reasons. In addition, it was not possible to launch new projects originally expected.

Due to the strong increase in sales in Germany and the decline in foreign business activities, the sales mix shifted significantly compared to the previous year. Germany's share of Group sales increased from 41.7% in the previous year to 49.6% in financial year 2022/2023. In contrast, the contribution of international activities to sales declined from 58.3% to 50.4%.

EBITDA and EBIT negatively impacted by various factors

EBITDA development in the 2022/2023 reporting period was negatively impacted by a variety of factors. In anticipation of good project demand for KPS's e-commerce services, corresponding staff capacities were built up. Contrary to original expectations, however, a few new projects could not be realised. As a result, KPS was unable to utilise the newly created capacities, with corresponding negative effects on the development of earnings.

A similar picture emerged in the area of strategy consulting (Digital Strategy). Personnel capacities were also built up here. However, demand for strategy projects fell sharply in financial year 2022/2023, resulting in significant underutilisation in this area as well.

In KPS's traditional core business – ERP transformation projects – demand remained at a pleasantly high level. However, KPS had insufficient personnel resources in this area. As a result, external service providers and freelancers had to be increasingly utilised.

Furthermore, the inflation-related increases in personnel expenses had a negative impact on the earnings trend.

On 29 January 2024, it was announced that The KaDeWe Group GmbH ("KaDeWe") has filed an application for the opening of insolvency proceedings. KaDeWe is a major customer of KPS Group. KPS had and has outstanding receivables and contract assets against KaDeWe. Of the items outstanding as at 30 September 2023, an impairment of EUR 3.5 million was recognised, resulting in a negative effect on EBITDA and EBIT in the same amount.

Due to the negative factors, EBITDA fell from EUR 21.6 million in the previous year to EUR 7.8 million. KPS was thus unable to achieve its revised EBITDA guidance of EUR 11 million to EUR 14 million.

EBIT totalled EUR 0.0 million in the reporting period after EUR 14.3 million in financial year 2021/2022.

Control measures to reduce costs implemented

KPS reacted quickly to the challenging situation. A comprehensive cost-cutting programme was initiated and, as a first step, the number of employees, service providers and freelancers was adjusted to the reduced project volumes. This led to severance expenses totalling EUR 1.8 million. Furthermore, following the announcement of KaDeWe's insolvency filing, a shareholder loan of EUR 1.5 million with a term of two years was taken out to strengthen liquidity. The credit line for this shareholder loan is EUR 5.0 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	2023/2022	2022/2021
Group sales	177.8	179.5
EBITDA	7.8	21.7
EBIT	0.0	14.3
Group earnings	-1.2	9.5
Earnings per share (in EUR)	-0.03	0.26
Liquid funds	6.9	6.1
Financial liabilities	-30.4	-21.0

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.

Demand for ERP and transformation projects developed positively on the domestic market in the reporting period and remained at a high level. Accordingly, sales growth of 17.6% was achieved in Germany. At the same time, contrary to original expectations, demand in the European markets addressed by KPS was weak, particularly in Scandinavia. As a result, sales from international business activities declined by 14.2%. Due to the offsetting effects, Group revenue fell slightly by 1.0% to EUR 177.8 million (previous year: EUR 179.5 million).

As explained in the previous chapter, EBITDA development was negatively impacted by several factors, such as under-utilisation of own personnel capacities, the simultaneous high use of freelancers and service providers as well as the individual value adjustment of the assets against the insolvent major customer KaDeWe. Therefore, EBITDA in the reporting period 2022/2023 of EUR 7.8 million was considerably below the level of the previous year (EUR 21.7 million). Adjusted for the special effects from restructuring (EUR 1.8 million in 2022/2023) and the insolvency of The KaDeWe Group GmbH (EUR 3.5 million in 2022/2023), this results in an adjusted EBITDA of EUR 13.1 million. EBIT fell from EUR 14.3 million to EUR 0.0 million.

Overview of the income statement

in KEUR	2022/2023	2021/2022
Revenues	177,774	179,526
Own work capitalized	35	0
Other operating income	611	828
Cost of materials	-66,187	-63,809
Personnel expenses	-82,215	-75,090
Other operating expenses	-22,210	-19,802
Operating result before depreciation and amortization (EBITDA)	7,808	21,652
Depreciation and amortization (M&A adjusted)*	-6,575	-6,611
Operating result (EBIT) adjusted	1,233	15,041
Amortization and depreciation (M&A related)	-1,199	-733
Operating result (EBIT)	34	14,308
Financial result	-1,610	-1,001
Earnings before income taxes**	-1,576	13,307
Income tax	330	-3,757
Earnings after income taxes	-1,246	9,550

* 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 177.8 million (previous year: EUR 179.5 million) in financial year 2022/2023. The slight decline in sales is mainly due to weak demand on the Scandinavian market.

Own work capitalised
Own work amounting to KEUR 35 was capitalised in financial year 2022/2023. This is essentially software developed in-house. No own work was capitalised in the last year.

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

Other operating income decreased in the reporting period compared to the previous year and amounted to EUR 0.6 million (previous year: EUR 0.8 million).

Cost of materials
Cost of materials increased by 3.7% or EUR 2.4 million in the reporting period to EUR 66.2 million (previous year: EUR 63.8 million). The cost of materials ratio (cost of materials as a ratio of revenue) amounted to 37.2% (previous year: 35.5%). The high utilisation of service providers and freelancers continued to be responsible for the increase. This was necessary in order to be able to successfully handle the higher project volume.

Cost of materials essentially comprises the cost of insourced subcontractor services (service providers, freelancers) and software/hardware purchased.

Personnel expenses
Personnel expenses amounted to EUR 82.2 million in reporting period 2022/2023 and were therefore 9.5% higher by comparison with the year-earlier period (EUR 75.1 million). The development of personnel expenses was characterised by a higher average number of employees compared to the previous year despite a lower number of employees at the end of the financial year, salary increases and severance payments as part of the staff reduction measures.

The personnel expense ratio (personnel expenses in relation to sales) Increased from 41.8% the previous year to 46.2% in the reporting period.

Other operating expenses

Other operating expenses rose from EUR 19.8 million to EUR 22.2 million compared to the same period of last year. They mainly include non-project-related subcontracted services, travel and advertising expenses, legal and consulting fees and operating costs. The increase in other operating expenses is due in particular to higher expenses for impairment losses (increase from EUR 0.9 million in the previous year to EUR 3.8 million in the reporting period). The main driver is the impairment of contract assets from the KaDeWe project.

Depreciation and amortisation
Depreciation (depreciation on tangible and intangible assets as well as M&A-related depreciation) fell from EUR 7.3 million in the same period of the previous year to EUR 7.8 million in the reporting period.

This includes the effects from application of IFRS 16 (“Leasing”) in the amount of EUR 4.9 million (previous year: EUR 4.7 million). EUR). M&A-related depreciation was EUR 1.2 million (previous year: EUR 0.7 million).

EBIT

EBIT fell from EUR 14.3 million in the previous year to EUR 0.0 million in financial year 2022/2023.

Adjusted EBIT (adjusted operating result), which represents the operating result (EBIT) before “depreciation and amortisation due to M&A,” amounted to EUR 1.2 million in the reporting period (previous year: EUR 15.0 million).

In relation to sales of EUR 177.8 million (previous year: EUR 179.5 million), the EBIT margin was 0.0% in the reporting period (previous year: 8.0%).

Financial result
The Group’s financial result was EUR -1.6 million (previous year: EUR -1.0 million). The negative financial result essentially resulted from the interest expenses for bank loans.

Income taxes
Income taxes of EUR 0.3 million (previous year: EUR -3.8 million) mainly include deferred tax expenses and income and current expenses for corporation tax, the solidarity surcharge and trade tax.

At 20.9%, the tax rate in financial year 2022/2023 is below the previous year’s level (28.2%).

Earnings after income taxes
The consolidated net loss for the period was EUR -1.28 million (previous year: consolidated net profit for the period of EUR 9.5 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.

Development of equity
Equity attributable to the shareholders of KPS amounted to EUR 67.2 million as of 30 September 2023 (previous year: EUR 71.8 million).

The equity ratio declined from 44.9% to 41.3% compared to the balance sheet date of the previous year. This is mainly due to the decrease in equity and an increase in total assets. As of the reporting date 30 September 2023, total assets amounted to EUR 162.7 million (30 September 2022: EUR 160.1 million).

Development of liabilities
Non-current liabilities rose from EUR 23.1 million (reporting date: 30 September 2022) to EUR 25.2 million in the reporting period (reporting date: 30 September 2023). The increase in non-current liabilities is due to the earn-out obligation from the acquisition of all shares in KPS Transformation (former Graphyte B.V.), in the reporting period.

As of the reporting date 30 September 2023, non-current liabilities mainly consisted of long-term leasing liabilities (EUR 18.2 million), non-current deferred tax liabilities (EUR 2,3 million) and long-term financial liabilities (EUR 2.6 million). Non-current liabilities amounted to 15.5% of total assets (previous year: 14.4%) on the balance sheet date.

Current liabilities increased by 7.9% year-on-year to EUR 70.3 million (previous year: 65.2 million). They corresponded to 43.2% of total assets (previous year: 41.0%) as of the reporting date 30 September 2023.

As of 30 September 2023, current financial liabilities increased by EUR 10.0 million to EUR 29.5 million.

Other current liabilities declined slightly from EUR 12.7 million to EUR 9.2 million.

Trade payables decreased from EUR 11.2 million to EUR 9.6 million as of the reporting date.

Development of liquidity
Liquidity planning is adjusted and monitored constantly. Liquidity monitoring is being continuously strengthened and expanded.

KPS Group had liquid funds (= cash and cash equivalents) of EUR 6.9 million (previous year: EUR 6.1 million) as of 30 September 2023.

At EUR -30.4 million as at 30 September 2023, financial liabilities were EUR 9.4 million higher than the figure as at 30 September 2022 (EUR -21.0 million).

Cash flow from operating activities for the past financial year 2022/2023 was EUR 9.2 million compared to EUR 15.4 million the previous year. This change is mainly due to the lower result for the period (EBIT), changes in working capital and EUR 789 thousand higher tax payments.

Cash flow from investing activities amounted to EUR -7.5 million (previous year: EUR -4.6 million) and relates to investments made in fixed assets (EUR 0.4 million) and other purchase price payments for company acquisitions. Purchase price payments of EUR 7.1 million were due in financial year 2022/2023 (previous year: EUR 4.5 million). Of this amount, EUR 2.7 million is attributable to the earn-out obligations for Infront Consulting & Management GmbH and KPS Digital Ltd, which have now been settled.

Cash flow from financing activities was EUR -0.9 million in the past financial year (previous year: EUR -12.8 million) and resulted in particular from financial loans, including the associated interest payments, as well as the repayment of lease liabilities and the dividend payment.

There were undrawn credit lines of EUR 7.0 million on the balance sheet date.

2.4.3 Asset position

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

in KEUR	30.09.2023	30.09.2022
Non-current assets	112,021	102,673
Current assets	50,715	57,391
Total assets	162,736	160,065
Shareholders' equity	67,184	71,792
Non-current liabilities	25,220	23,082
Current liabilities	70,331	65,190
Total liabilities	95,551	88,272
Total shareholders' equity and liabilities	162,736	160,065

Development of assets
The figures reported in non-current assets amounted to EUR 112.0 million (previous year: EUR 102.7 million) as of the reporting date and corresponded to 68.8% of total assets (previous year: 64.1%).

This includes the goodwill from earlier acquisitions of KPS AG in the amount of EUR 69.3 million (previous year: EUR 62.5 million). The increase compared to the reporting date 30 September 2022 results from the first-time consolidation of KPS Transformation B.V. (former Graphyte B.V.),

Property, plant and equipment amounted to EUR 2.0 million as of the reporting date 30 September 2022 (previous year: EUR 2.1 million).

The capitalised deferred tax assets amounted to EUR 7.6 million (previous year: EUR 4.2 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 increase in capitalized deferred taxes is mainly based on the significantly improved earnings forecast of KPS Transformation GmbH.

Current assets decreased by EUR 6.7 million to EUR 50.7 million as of 30 September 2023, driven by the reduction in trade receivables and contract assets from € 45.8 million to € 36.6 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.

Development of liabilities
Non-current liabilities increased by EUR 2.1 million compared to the previous year. As at the reporting date of 30 September 2023, contingent purchase price obligations of EUR 2.6 million (previous year: EUR 0.0 million) were reported in connection with the acquisition of all shares in KPS Transformation B.V.

Current liabilities are EUR 5.1 million higher than in the previous year. The main reason for this development is the Increase of current financial liabilities. This was offset by lower other current liabilities, which decreased, among other things, due to the payment of contingent purchase price obligations for company transactions in previous financial years.

2.4.4 Appropriation of earnings

Earnings after taxes for the reporting period amounted to EUR -1.2 million (previous year: EUR 9.5 million). The Executive Board and Supervisory Board propose that the net retained profits for financial year 2022/2023 be carried forward to new account.

2.5 Earnings, financial and asset position of KPS AG

2.5.1 Earnings position

In financial year 2022/2023, 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 is almost unchanged compared to the same period last year.

Personnel expenses in the year under review amounted to KEUR 6,714 (previous year: KEUR 5,605). An average of 80 (previous year: 77) employees were employed in financial year 2022/2023.

Scheduled depreciation of intangible assets and property, plant and equipment amounted to KEUR 319 (previous year: KEUR 396). No unscheduled write-downs were recognized in the reporting year.

Other operating expenses decreased compared to the previous year to KEUR 706 (previous year: KEUR 1,221). This mainly includes administrative expenses and expenses for legal and consulting fees. In addition, KEUR 300 in loan receivables from affiliated companies were written off in full, as no repayment is currently expected.

Investment income in the amount of KEUR 10,738 (previous year: KEUR 8,622) is based on profit distributions made by subsidiaries.

Income from profit transfers in the amount of KEUR 27 relates to Infront Consulting & Management GmbH (previous year: KEUR 1,915).

Interest income is mainly attributable to cash pool receivables and intercompany loans. Interest expenses amounting to KEUR 1,559 increased in comparison to the previous year, in particular due to taking out bank loans.

Taking into account the minimum taxation, the corporate and trade tax expense has decreased from KEUR 444 to KEUR 219 .

For financial year 2022/2023, KPS AG posted annual net profit of KEUR 8,953 compared to financial year 2021/2022 (annual net ptofit of KEUR 9,798).

2.5.2 Financial position

As of 30 September 2023, KPS AG had cash in the amount of KEUR 2,575 (previous year: KEUR 1,767). By comparison with 30 September 2022, net liquidity increased by KEUR 808.

At the end of the reporting year, there were liabilities to banks in the amount of KEUR 28,500 (previous year: KEUR 21,000). These result from a long-term loan with a total term of three years to finance company acquisitions totalling KEUR 1,500 (previous year: KEUR 3,000). There are also short-term money-market loans for the purposes of safeguarding liquidity in the amount of KEUR 27,000 (previous year: KEUR 17,000).

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

	2022/2023	2021/2022
	in KEUR	in KEUR
Cash funds at the beginning of the period	1,767	2,518
Current business operations	652	4,582
Investment activities	-2,268	2,463
Financial activities	2,426	-7,796
Cash funds at the end of the period	2,577	1,767

Cash flow from operating activities amounted to KEUR 652 in the financial year compared to KEUR 4,582 in the previous year.

Cash flow from investing activities amounted to KEUR -2,268 compared to KEUR 2,463 in the previous year and is mainly influenced by payments for financial assets and dividends received.

Cash flow from financing activities mainly results from the taking out and repayment of financial loans, interest paid and dividend payments made.

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 103,480 (previous year: KEUR 95,323) and receivables from affiliated companies in the amount of KEUR 23,187 (previous year: KEUR 17,346). The increase in shares in affiliated companies is mainly due to the acquisition of KPS Transformation B.V. (formerly Graphyte B.V.) and subsequent acquisition costs due to the payment of contingent purchase price receivables.

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. The increase is mainly due to the intercompany sale of intangible assets.

Other assets increased from KEUR 1,378 in the previous year to KEUR 1,670 . This is primarily due to payments on account, receivables from the Tax Office relating to tax rebate claims and debit balances in accounts payable as well as security deposits.

Shareholders equity in the company increased from KEUR 72,867 in the previous year to KEUR 78,078 .

The share capital of the company did not change during the financial year and continues to be at EUR 37,412,100.

Retained earnings increased from KEUR 22,914 on the previous year's reporting date to KEUR 28,126 .

The equity ratio is 58.2% and has fallen by 2.5 percentage points compared to the previous year.

Tax provisions amounted to KEUR 141 (previous year: KEUR 58) and essentially include the current tax expense in 2022/2023 for corporate income tax and trade tax.

Other provisions amounted to KEUR 2,633 (previous year: KEUR 2,974) and are essentially based on obligations arising from the area of personnel.

Liabilities to banks amounted to KEUR 28,500 (previous year: KEUR 21,000) from a long-term loan with a total term of three years to finance the company acquisitions in the amount of KEUR 1,500 (previous year:

KEUR 3,000). There are also short-term money-market loans for purposes of safeguarding liquidity in the amount of KEUR 27,000 (previous year: KEUR 17,000).

Liabilities to affiliated companies increased by KEUR 3,165 from KEUR 18,805 to KEUR 21,970 . 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 7,317 (previous year: KEUR 7,286) with a term of less than one year.

Other liabilities decreased by KEUR 1,556 to KEUR 2,205 (previous year: KEUR 3,761). The decrease is due in particular to the repayment of contingent purchase price liabilities from previous company transactions. As at the balance sheet date, the item mainly includes VAT liabilities.

2.5.4 Appropriation of earnings

Earnings after income taxes amounted to KEUR 8,953 (previous year: KEUR 9,798) in the reporting period and therefore decreased by KEUR 845 compared to the previous year. The Executive Board and Supervisory Board propose that the net retained profits of KPS AG for financial year 2022/2023 amounting to KEUR 8,953 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 2022/2023 financial year, depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 6.6 million and M&A-related depreciation and amortization amounted to EUR 1.2 million. Accordingly, EBITDA for the reporting period amounted to EUR 7.8 million (previous year: EUR 21.7 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 2022/2023, KPS Group generated sales revenue in the amount of EUR 177.8 million. Compared to the year-earlier period 2021/2022, revenue declined by 1.0%.

With a volume of EUR 167.9 million (previous year: EUR 170.6 million), KPS Group generates 94.4% 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 50.4% (previous year: 58.3%) 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 2023, the KPS Group employed a total of 682 employees (previous year: 725). This means that the number of employees in the reporting period decreased by 43 compared to 30 September 2022.
We employed 450 employees in Germany (previous year: 508). This corresponds to a share of 66.0% (previous year: 70.1%) in the Group as a whole. The average number of employees in the reporting period was 710 (previous year: 672), 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 characterised by a pronounced weakness in demand for e-commerce projects and strategy consulting. Accordingly, KPS was unable to achieve its original targets of sales growth in the mid single-digit percentage range and EBITDA growth in the high single-digit to low double-digit percentage range. The forecast for financial year 2022/2023 was therefore adjusted in April 2023, with a slight decline in sales compared to the previous year and EBITDA in the range of EUR 11 million to EUR 14 million now assumed.

Compared to the previous year, KPS Group achieved slightly lower sales totalling EUR 177.8 million (previous year: EUR 179.5 million). Sales were therefore within the forecast revised in April 2023. EBITDA fell significantly from EUR 21.7 million in financial year 2021/2022 to EUR 7.8 million in the reporting period. In particular, declining sales, overcapacity in the area of personnel, redundancy payments, inflation-related cost increases and the continued high use of external consultants and freelancers had a negative impact on the earnings trend.

Finally, the impairment of contract assets against KaDeWe also has a negative impact on the Group's earnings performance. Adjusted for the special effects of severance payments (EUR 1.8 million in 2022/2023) and the insolvency of The KaDeWe Group GmbH (EUR 3.5 million in 2022/2023), adjusted EBITDA amounts to EUR 13.1 million.

The situation of the business and orders was weak overall in the reporting period, whereby the trend was characterised by opposing effects. In the European markets addressed by KPS, demand for e-commerce projects in particular was weak, contrary to the estimates of the Executive Board. By contrast, demand for transformation services on the German market remained at a high level and KPS was able to achieve significant sales growth in Germany.

During the financial year, the Executive Board initiated measures to gradually adjust excess capacity to project demand. Sales activities were also stepped up once again to acquire new projects.

Overall, financial year 2022/2023 was challenging. The Executive Board considers KPS Group as a whole to be well positioned to stabilise sales and significantly improve the earnings situation.

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

Established controlling procedures and defined processes anchored in the KPS Instant Transformation® method can respond promptly to unexpected results, and countermeasures can be taken in good time.

A management information system was established on the basis of innovative reporting instruments. This is being continuously adjusted to meet the current challenges for the company and is further developed on an ongoing basis. The management has a comprehensive finance and controlling system at its disposal to identify, monitor and control the risks that KPS is exposed to. Risks are identified by experienced project managers in regular reviews with the Vice Presidents and the Executive Board.

3.2 Individual opportunities and risks

3.2.1 Macroeconomic opportunities and risks

The investment behaviour and the change in investment conduct by companies, particularly in the spheres of IT, digitalisation, and software, have a major influence on the asset, financial and earnings position of KPS Group.

The investment behaviour relevant for KPS Group and the change in investment conduct is significantly influenced by the economic development in Germany and in European markets.

The investment behaviour relevant for KPS Group and the change in investment conduct is significantly influenced by the economic development in Germany and in the European markets. KPS Group continues to focus on wholesale and retail. KPS's business situation is therefore particularly dependent on the investment behaviour of companies in the retail industry.

The macroeconomic risks have increased for KPS due to the economic slowdown in Europe. This is exacerbated by the geopolitical risks associated with the war against Ukraine.

The economic slowdown, geopolitical risks and challenges in retail have again significantly increased the risks to demand for transformation projects. KPS categorises the risks arising from the overall economic situation as high. A more positive environment for investment, particularly in the relevant areas of IT, digitalization and software, could lead to sales growth for KPS. These opportunities result in particular from the digital transformation, in which KPS could participate.

Risks from the war in Ukraine

With Russia's war on Ukraine, the geopolitical risks and the related macroeconomic risks for the project business of KPS Group have increased significantly.

KPS does not maintain 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 dependent to a large extent 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 significantly higher energy, raw material and material prices.

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

Risks from delivery bottlenecks and general price increases

The situation in global supply chains has increasingly calmed down.

Although price increases have slowed significantly in 2023, inflation remains at a high level.

KPS Group is not directly affected by material supply bottlenecks and material price increases.

Finally, it cannot be ruled out that KPS customers will be affected by price increases and delivery bottlenecks and that demand for transformation projects could therefore be affected. Therefore, KPS classifies the risks from general price increases and delivery bottlenecks as medium.

3.2.2 Sector-specific opportunities and risks

KPS serves leading large and mid-sized companies from German-speaking regions and the international arena as its clients and has outstanding references.

KPS expects significant growth momentum in omnichannel, B2B and for B2C in retail, and in the service sector and industry, especially as a result of the challenges of digital transformation. KPS has found that procurement structures in companies are undergoing change, and decision-makers are no longer only to be found in the traditional IT or financial sectors. Moreover, budgets are increasingly migrating to the marketing and e-commerce departments in companies. Sales and marketing activities, and beyond these the consulting approach in general, must be modified to suit these additional new partners in the individual sectors.

The project cycles of KPS's customers are becoming increasingly shorter as a result of the ongoing march of digitalisation. When selecting a consulting partner, KPS is therefore finding that companies are also placing increasing emphasis on the partner's expertise and ability to support transformation projects in such a way that employees in the individual specialist departments are also involved and supported in the change process through appropriate change management impulses and measures. This means companies are able to successfully implement a fast ROI (Return on Invest) project and remain agile in fiercely competitive markets.

KPS is therefore continuing to develop its methods and services for industrialisation of the consulting approach and is in a position to supply turnkey platforms to companies for the digitalisation of business processes. At the same time, the platforms have a high degree of individualisation and can therefore be modified quickly to meet the needs and requirements of customers. KPS sees great opportunities in the platform approach for acquiring new customer projects and creating a distinctive profile compared to its competitors.

Opportunities are created for KPS through the need to roll out omnichannel strategies in retail, to develop e-commerce shops further and to digitalise entire IT landscapes.

In the past, KPS specialised in carrying out large, multi-year transformation projects. Customers are increasingly turning to smaller projects in order to achieve faster progress. If KPS does not succeed in adapting to this new situation and adjusting its sales organisation accordingly, this could have a negative impact on the acquisition of new projects.

Retail remains the most important industry for KPS Group. Structural change towards an online presence, rising costs for energy and personnel 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 large consulting firms for strategy and transformation projects. In addition, KPS competes with many regional consulting companies in individual 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.

Overall, KPS classifies the industry-specific risks as medium.

Industry-specific risks resulting from the war in Ukraine

The war in Ukraine was a particular driver of rising energy and food prices, with corresponding effects on consumer spending and investment spending in retail.

The potential industry risks from the Ukraine war are classified as medium to high.

3.2.3 Opportunities and risks arising from order processing

KPS deploys a technology based on a proven track record with its Instant Platforms products in rolling out projects. Here, the consultants from KPS combine the traditional world of strategy and process consulting with implementation consulting. They draw on instantly deployable platforms in order to achieve optimal transformation processes by exploiting potential synergies in the consulting segments. The risk of introducing new digital processes and structures is thereby reduced. KPS sees major 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 requirements from customers result in changes for the structure or workflow of the project. These entail a risk especially in contracts for 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 present a medium risk for KPS. Potential cost overshoots can rapidly have significant 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.

Since KPS is increasingly being confronted with new challenges in customer projects, situations are conceivable in which any highly complex challenges and problems arising are not resolvable or can only be resolved by expending a great deal of time with a high level of financial support.

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

The serving of notices of termination on a customer contract or the contract not being extended after the initial prototype phase due to mistakes made by employees can indeed occur, nevertheless these tended to be 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.

The complexity of the projects and specifics in the industries the clients of KPS operate in can result in technical and/or qualitative issues, challenges, and problems that cannot be resolved by the team of project employees assigned to the project. Risks arising from technical and/or qualitative issues, challenges and problems are classified as low, however.

3.2.4 Opportunities and risks as a general contractor for large companies

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 means that KPS can only operate with a limited number of major projects at any one time. KPS therefore classifies the risk of operating as a general contractor for large companies as a medium risk. KPS is also 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 classifies this risk 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 highly qualified managers and consultants to competitor companies could therefore lead to a loss of know-how and this is hence 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, consulting and software specialists.The shortage of specialists may 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 figures.KPS assesses the personnel risk, which is typical in the consulting industry in connection with the current shortage of skilled workers, as a medium risk.

3.2.6 Risks from bad debts and currency risk

The loss of a client can have a very negative impact on the liquidity situation of KPS. There is a credit risk/default risk for KPS insofar as customers, or other debtors, are unable to meet their financial obligations. The creditworthiness of our customers or business partners involving large sales volumes is subject to regular review. Accounts receivable are constantly monitored. Project managers and the top management receive a monthly overview of overdue items for each customer. This enables KPS to respond promptly to any change in a customer's payment pattern. If default and creditworthiness risks are identified with regard to financial assets, write-down adjustments are made as necessary. In order to minimise default risks, the company has an adequate system of receivables management. The internal statistics showed only minor payment defaults due to insolvency over a period of five years up to 30 September 2023, as a result of which the default risk (insolvency) was assessed as low. With the announcement of the application to open insolvency proceedings for major customers KaDeWe and The Body Shop in financial year 2023/2024, the risk was adjusted and appropriate risk management measures were implemented.

The risk of bad debt losses is classified as medium.

In recent years, the KPS Group has expanded in countries outside the European Union, 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 endeavors to draw on resources for projects from different national companies. These measures enable KPS to manage and limit the currency and exchange rate risks.

KPS therefore classifies 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.

There is a low market liquidity risk at KPS (risk of not being able to resolve or settle transactions due to inadequate market depth or market malfunctions, or only by incurring losses).

The refinancing risk is understood to be the risk of not being able to create liquidity as required or not at the expected conditions. The majority of the credit lines in place as at the reporting date have a term of 13 months and are renegotiated annually. The constant need to obtain regular refinancing requires economically good Group results. There were no breaches of financial covenants in the 2022/2023 reporting year.

Short-term financing generally has higher interest rates than long-term financing options. Short-term maturities can make repayment more difficult if sufficient credit lines are not available.

Besides the inflow of liquidity from ongoing business, KPS has sufficiently high credit lines available to cover any unforeseeable financing needs of the financial year 2023/2024.

KPS classifies 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 a specialist in the digital transformation of companies and business processes, KPS relies on complex IT and software structures. Cyber-attacks can lead to system failures and interruptions to smooth operations. This can jeopardise current or future projects and thus cause financial damage to KPS. The company has introduced extensive protection mechanisms, is constantly improving them and permanently monitors its systems. The risks from possible cyber-attacks or IT failures are classified as high risk.

KPS sees significant technological opportunities in the need for companies, particularly from the retail and wholesale sectors, to renew and develop their digital processes and IT structures.

The technological progress in digitalisation demands continual adaptation of processes and structures. KPS's platforms have been designed so that adjustments can be carried out quickly. KPS sees significant opportunities for acquiring new digitalisation projects thanks to its innovative strength.

Technological risks as a result of errors by employees of KPS can lead to the serving of notices of termination on service and project contracts. Increasing complexity and the accelerating pace of change additionally increase technological risks of this nature. The likelihood of service, support or supply contracts being terminated at short notice as a result can cause temporary burdens on the development of sales and profit. KPS classifies this risk as medium.

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 believes that its technological expertise, the dedicated platforms developed in-house, its consulting expertise and in particular its qualified team of consultants put the Group in a good position to derive substantial benefit from the requirement of many companies to drive forward their digitalisation.

The risk situation for KPS Group remains at a high level due to the slowdown in the economy, the challenges in retail, the geopolitical situation and the customer trend towards awarding smaller projects with shorter terms.

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 Management Board, which are aimed at the organizational implementation of the Management Board's decisions. The ICS and RMS comprise the management of risks and opportunities in relation to the achievement of business objectives, the correctness and reliability of internal and external accounting and compliance with the legal provisions and regulations relevant to KPS.

All KPS units 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 things, 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 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. The Executive Board has no indication that the ICS or RMS were inadequate or ineffective in their respective entirety as at 30 September 2023.

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 occur will be detected in advance or that any process violations will be ruled out under all circumstances.

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

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

The aim of the ICS and RMS is to identify and minimize safety-relevant risks.

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

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

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 Combined Management Report of the 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 prescribed conceptual framework. This essentially comprises uniform specifications in the form of accounting guidelines and a chart of accounts. It is continuously analyzed whether an adjustment of the conceptual framework is necessary due to changes in the regulatory environment.

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 makes use of the support of external service providers.

The qualification of the employees involved in the accounting process is ensured by suitable selection processes. The "dual control principle" applies as a matter of principle, taking into account materiality considerations. 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 unauthorized access, access authorizations are defined in the accounting-related IT systems in accordance with the provisions on information security.

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

Strong economy in the US stabilises global growth in 2023

After getting off to a strong start to the year, the global economy lost some momentum in the summer of 2023. Weak industrial production is dampening the economy, particularly in Europe.[13] In view of the continuing weakness of the industrial economy and persistently high interest rates, the global economy is likely to grow only modestly in the winter months.[14] Accordingly, the leading German economic research institutes revised their forecasts for growth in global production for 2023 from 2.0% in the spring to currently 2.5%. The reason for the increase was the US economy, which grew much more strongly than had been expected in the spring forecast.

Growth of only 2.3% is now forecast for the coming year 2024. The forecast for 2024 is therefore 0.3 percentage points lower than estimated in mid-2023. The main reasons for this are that the economies in Europe and China are now expected to be weaker.[15] On the other hand, an increase in world production of 2.7% is expected for 2025.[16]

Overall, economists estimate that inflation in the advanced economies will still be high at 4.7% on average in 2023. A noticeable decrease in inflation is then expected in 2024.[17]

Weak economic recovery expected in 2024

In 2023, the European economies were severely affected by a lack of recovery in private consumption, falling goods exports and subdued investment as a result of high interest rates.[18]

Accordingly, the institutes expect economic output in the eurozone to decline at a rate of 0.5% in 2023.[19]

In 2024, the gross domestic product in the eurozone is then expected to increase moderately by 1.1%. The institutes are anticipating a growth rate of 1.6% for 2025 as a whole[20].

Despite the weak economy, the labour market in Europe remains strong. Employment continues to trend upwards and the unemployment rate fell to a new historic low of 6.4% in July 2023.[21] The unemployment rate for 2023 as a whole is expected to be 6.5%. A barely noticeable change to 6.4% is forecast for 2024 and 6.3% for 2025.[22]

Germany: Decline in the gross domestic product expected in 2023 and recovery from 2024

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13 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, September 2023, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 12

14 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, September 2023, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 15

15 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, September 2023, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 17

16 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 17

17 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 31

18 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 20

19 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 20

20 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) pp. 24-25

21 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 20

22 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, September 2023, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 36

German economy is experiencing a downturn. According to the leading economic institutes, the expansion rates of the gross domestic product have lagged behind potential growth since the middle of 2022.

Although economic output is now back at roughly the same level as before the COVID-19 pandemic, labour productivity has fallen significantly despite an increase of half a million in the workforce. The impact of the Russia-Ukraine war as a result of the sharp rise in energy prices is having a lasting inhibiting effect on economic growth. This dampens the economic recovery from the coronavirus pandemic and pushes the German economy into recession.[23] The leading economic institutes see the reason for this in the slow recovery of industry and consumption.[24]

For the current year 2023, the institutes expect a decline in the gross domestic product of 0.6%. In the spring, this forecast was still 0.3%.[25] The institutes reduced their forecast for the growth rate of the gross domestic product for Germany in 2024 from 1.5% in the spring to only 1.3%. An increase of 1.5% is expected for 2025.[26]

The number of people registered as unemployed rose to 2.6 million in August 2023. While the higher unemployment in the second half of last year was almost exclusively driven by the inclusion of Ukrainian refugees in the basic income support system, economic factors also had an impact in 2023, according to the joint forecast. More than half of the increase between January and August took place in the cyclically sensitive legal area of SGB III (unemployment insurance)[27]. As in 2023, the institutes expect the unemployment rate to be 5.6% in 2024 and to fall to 5.3% in 2025 as part of the anticipated economic recovery.[28]

4.2 Industry-specific forecast

Continuous sales growth expected in the IT industry - volatile market environment harbours risks
According to the results of the 2022 Lünendonk study on market development for IT consulting and IT services in Germany, the IT service market grew by an average of 13.2% in 2022. Despite the current political and economic challenges, the authors of the study expect average sales growth of 12.2% and 13.5% in 2024. [29] The study shows that 89% of the companies surveyed expect strong demand in the area of cloud transformation over the next two years. Cyber security and services relating to the transformation to a data-driven organisation are other major areas of demand.[30]

In response to constantly changing customer requirements, experts say that the future development of the industry will be characterised by companies adapting their own corporate organisation and setting up separate organisational structures.[31]

23 Purchasing power returns – political uncertainty high. Joint Economic Forecast 2-2023, Joint Economic Forecast Project Group, September 2023, IWH_GD_2-2023_(gemeinschaftsdiagnose.de) p. 9
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31 Lünendonk Studie 2023, Der Markt für IT-Dienstleistungen in Deutschland, https://www.luenendonk.de/produkte/studien-publikationen/luenendonk-studie-2023-der-markt-fuer-it-dienstleistungen-in-deutschland/, p. 8

4.3 Expected business development of KPS Group and KPS AG

The basis for the assessment for financial year 2022/2023 is the development of previous reporting periods, the results of the past few months, the consulting portfolio consisting of current projects and newly acquired projects as well as the influence of the overall economy, the geopolitical situation and monetary policy on the business situation.

KPS assumes that demand for major transformation projects will remain weak in financial year 2023/2024 due to geopolitical uncertainties and the economic downturn. For this reason, KPS Group began preparing for this scenario in financial year 2022/2023 and significantly reduced its own personnel capacities and the use of service providers. The Group believes it is still well positioned to overcome the challenging situation and return to a growth path in the medium term.

The Executive Board of KPS AG estimates that sales in financial year 2023/2024 will drop from EUR 177.8 million to a corridor between EUR 164 million and EUR 167.0 million compared to financial year 2022/2023. The insolvencies of The KaDeWe Group GmbH in Germany and The Body Shop in the UK are expected to have a negative impact on earnings in the single-digit million range in 2023/2024. On the other hand, the Executive Board assumes that the cost-cutting measures will take effect in the new financial year and therefore expects EBITDA to be in a corridor between EUR 11.5 million and EUR 13.0 million.

Due to the decline in sales, KPS assumes that the number of employees will remain stable or fall slightly. In the area of freelancers, there will probably be a reduction in purchased services.

The forecast is based on facts and projections regarding future business and economic developments known to us today. Changes in the anticipated economic framework conditions, in the current order backlog and in other external and internal factors that are unforeseeable from today’s perspective could have negative effects on our sales and earnings expectations so that the estimates published in this report might not be achieved.

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 2022/2023

6.1 Composition of subscribed capital

The share capital of the company amounted to EUR 37,412,100 on 30 September 2023. It is divided up into 37,412,100 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 2023.

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 2023:

	shares	in %
Michael Tsifidaris	9,080,049	24.3%
Leonardo Musso	4,103,084	11.0%
Uwe Grünewald	4,052,390	10.8%

In financial year 2022/2023, 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.

The authorisation for creation of Authorised Capital 2020/I approved by the Annual General Meeting on 25 September 2020 was cancelled by resolution of the ordinary Annual General Meeting held on 21 May 2021. Instead, Authorised Capital 2021/I was created in the amount of EUR 18,706,050.00.

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 24 September 2025 (including) once or more than once up to nominally EUR 18,706,050.00 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 the Authorised Capital 2021/I in financial year 2022/2023.

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 year 2022/2023.

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, 7 March 2024

KPS

CONSOLIDATED FINANCIAL STATEMENTS

22/23

KPS AG Consolidated Financial Statements in accordance with IFRS

INCOME STATEMENT

for the period from 1 October 2022 to 30 September 2023

in KEUR		Note	2022/2023	2021/2022
1	Revenues	5.1.	177,774	179,526
2	Own work capitalized	5.2.	35	0
3	Other operating income	5.3.	611	828
4	Cost of materials	5.4.	-66,187	-63,809
5	Personnel expenses	5.5.	-82,215	-75,090
6	Other operating expenses	5.6.	-22,210	-19,802
7	Operating result before depreciation and amortization (EBITDA)		7,808	21,652
8	Depreciation and amortization (M&A adjusted) *	5.7.	-6,575	-6,611
9	Operating result (EBIT) adjusted *		1,233	15,041
10	Depreciation and amortization (M&A related)	5.7.	-1,199	-733
11	Operating result (EBIT)		34	14,308
12	Financial income	5.8.	26	16
13	Financial expenses	5.8.	-1,636	-1,017
14	Financial result		-1,610	-1,001
15	Earnings before income taxes **		-1,576	13,307
16	Income tax	5.9.	330	-3,757
17	Earnings after income taxes		-1,246	9,550
	Number of shares in thousands - basic/diluted		37,412	37,412
in euros				
	Earnings per share			
	– basic	5.10.	-0.03	0.26
	– diluted	5.10.	-0.03	0.26

* 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 2022 to 30 September 2023

in KEUR	2022/2023	2021/2022
Earnings after income taxes	-1,246	9,550
Actuarial gains and losses arising from defined benefit pension commitments and similar obligations	-357	-234
Foreign currency translation adjustment for foreign subsidiary companies	290	125
Comprehensive income	-1,313	9,441

KEY FIGURES FOR THE INCOME STATEMENT

in EUR million	2022/2023	2021/2022
Revenues	177.8	179.5
EBITDA	7.8	21.7
EBITDA margin	4.4%	12.1%
EBIT	0.0	14.3
EBIT margin	0.0%	8.0%

KPS AG Consolidated Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2023

A S S E T S

in KEUR		Note	30.09.2023	30.09.2022
ASSETS				
A. NON-CURRENT ASSETS				
I.	Property, plant and equipment	6.1.	2,048	2,126
II.	Goodwill	6.2.	69,266	62,546
III.	Other intangible assets	6.2.	9,689	10,401
IV.	Rights of use from leasing contracts	6.2.1.	23,430	23,424
V.	Deferred tax assets	6.3.	7,588	4,177
			112,021	102,673
B. CURRENT ASSETS				
I.	Contractual assets	6.4.	7,545	3,180
II.	Trade receivables	6.5.	29,084	42,592
III.	Other receivables and financial assets	6.6.	3,713	3,864
IV.	Entitlements to income tax rebates	6.7.	3,471	1,697
V.	Cash and cash equivalents	6.8.	6,900	6,058
			50,715	57,391
Total assets			162,736	160,065

KPS AG Consolidated Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2023

LIABILITIES AND SHAREHOLDERS' EQUITY

in Keuros		Note	30.09.2023	30.09.2022
A. SHAREHOLDERS' EQUITY				
	Share in equity attributable to shareholders of KPS A			
I.	Subscribed capital	6.9.1	37,412	37,412
II.	Capital reserve	6.9.4	-9,689	-10,001
III.	Retained earnings	6.9.5	663	663
IV.	Other comprehensive income	6.9.6	440	374
V.	Group net profit	6.9.7	38,358	43,345
Total equity			67,184	71,792
LIABILITIES				
B. NON-CURRENT LIABILITIES				
I.	Non-current provisions	6.10.	1,178	1,685
II.	Other non-current liabilities	6.11.	2,615	0
III.	Non-current financial liabilities	6.12.	895	1,500
IV.	Non-current leasing liabilities	6.21.	18,223	18,505
V.	Deferred tax liabilities	6.13.	2,309	1,392
			25,220	23,082
C. CURRENT LIABILITIES				
I.	Trade liabilities	6.14.	9,647	11,232
II.	Financial liabilities	6.15.	29,539	19,500
III.	Contractual liabilities	6.16.	581	273
IV.	Other provisions	6.17.	14,939	14,203
V.	Other liabilities	6.18.	9,173	12,719
VI.	Current leasing liabilities	6.21.	4,634	4,477
VII.	Income tax liabilities	6.19.	1,818	2,786
			70,331	65,190
Total liabilities			95,551	88,272
Total shareholders' equity and liabilities			162,736	160,065
Equity ratio			41.3%	44.9%

KPS AG Consolidated Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period 1 October 2022 to 30 September 2023

in KEUR		2022/2023	2021/2022
A.	**Current business operations**		
	Earnings before interest and income taxes (EBIT)	34	14,308
	Depreciation of fixed assets	7,774	7,344
	Change in current assets	10,444	-7,260
	Change in provisions	-69	-551
	Other non-cash expenses and income	561	1,191
	Changes in other liabilities	-4,181	4,945
	Losses from asset disposals	1	1
	Taxes paid	-5,320	-4,531
	Cash inflow/outflow from business operations	9,245	15,447
B.	**Investment activities**		
	Investments in property, plant and equipment	-325	-95
	Investments in intangible assets	-71	-3
	Investments in acquisition of KPS Business Transformation and Digital, S.L.U., Spain	0	-2,329
	Investments in acquisition of Infront Consulting & Management GmbH, Hamburg	-1,058	-1,018
	Investments in acquisition of KPS Digital Ltd., United Kingdom	-1,641	-1,191
	Investments in acquisition of KPS Transformation B.V., Belgium	-4,426	0
	Interest received	26	16
	Cash inflow/outflow from investment activities	-7,495	-4,620
C.	**Financial activities**		
	Interest paid	-1,164	-409
	Interest paid for leasing liabilities	-237	-151
	Cash receipts from taking out loans	30,341	17,000
	Payments for the settlement of loans	-21,065	-17,300
	Payments for the settlement of leasing liabilities	-5,042	-4,862
	Dividend pay-outs	-3,741	-7,107
	Cash inflow/outflow from financial activities	-908	-12,829
D.	**Net change in cash fund**	**842**	**-2,002**

in KEUR		2022/2023	2021/2022
E.	**Cash funds at the beginning of the period**	**6,058**	**8,060**
G.	**Cash funds at the end of the period**	**6,900**	**6,058**
	COMPOSITION OF CASH FUND	**Balance 30.09.2023**	**Stand 30.09.2022**
in KEUR			
	Cash in hand and bank balances	6,900	6,058
Cash funds		6,900	6,058

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
30.09.2021	**37,412**	**0**	**37,412**	**-10,222**	**663**	**72**	**192**	**40,902**	**69,019**
Disposal of treasury shares	0	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	0	0	0	-7,107	-7,107
Changes recognized without affecting income	0	0	0	0	0	-126	236	0	110
Share-based payment management	0	0	0	221	0	0	0	0	221
Group earnings	0	0	0	0	0	0	0	9,550	9,550
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**

KPS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22/23

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. We provide our 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 2023 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 2023.

The financial year of the Group deviates from the calendar year and extends from 1 October 2022 to 30 September 2023.

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 2022/2023, the equivalent year-earlier figures are shown for comparison purposes. These are presented in brackets. The balance sheet and income statement of KPS Transformation B.V. (former Graphyte B.V.), Antwerp, Belgium, which was acquired on 17 January 2023, were consolidated with KPS Group for the first time in financial year 2022/2023. This results in only limited comparability with the previous year’s consolidated figures.

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 29 January 2023 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.

1.2 Amendments to IFRS Standards

The standards whose application was mandatory for the first time in financial year 2022/2023 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
IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025
IAS 7	Statement of Cash Flows	1 January 2024
IFRS 7	Financial Instruments: Supplier Finance Arrangements	1 January 2024
IAS 12	Income Taxes: International Tax Reform – Pillar Two Model Rules	1 January 2023
IAS 1	Presentation of Financial Statements:	
	Classification of Liabilities as Current or Non-current Date	1 January 2024
	Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2024
	Non-current Liabilities with Covenants	1 January 2024

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	Uncertainties
Definition of useful life for non-current assets	Other intangible assets	Technical progress can exert an influence on the useful life
Calculation of completion status of fixed-price projects	Contractual assets / Contractual liabilities	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	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	Assumptions in the underlying planning calculations are not made or only partly come into play
Valuation of receivables	Receivables	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.

The relevant estimates and assumptions made when the Consolidated Financial Statements for 30 September 2023 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 30.09.2023 (previous year)	Equity capital 30.09.2023 (previous year)	Result for the year 2022/2023 (previous year)
KPS Consulting GmbH	Unterföhring	100	Tsd. €	6,300	6,564	2,240
				(6,300)	(7,324)	(-2,913)
KPS Consulting AG	Zürich/ Swiss	100	TCHF	100	812	662
				(100)	(2,111)	(1,961)
KPS Transformation GmbH	Unterföhring	100	Tsd. €	80	41	4,608
				(80)	(-4,567)	(-2,489)
KPS Consulting A/S	Virum/ Denmark	100	TDKK	500	-14,211	-45,231
				(500)	(34,290)	(3,271)
KPS B.V.	Amsterdam/ Netherlands	100	Tsd. €	100	-2,005	-3,537
				(100)	(1,532)	(1,432)
KPS Strategie-, Prozess- und IT-Consulting GmbH	Wien/ Austria	100	Tsd. €	100	-1,576	-378
				(100)	(-1,198)	(-666)
KPS Business and Digital Transformation, S.L.U.	Barcelona/ Spain	100	Tsd. €	59	4,509	1,936
				(59)	(3,873)	(1,583)
Infront Consulting & Management GmbH (1)	Hamburg	100	Tsd. €	50	4,796	0
				(50)	(4,796)	(1,915)
KPS Digital Ltd.	London/ Great Britain	100	TGBP	0	5,779	3,238
				(0.2)	(3,940)	(2,346)
KPS Consulting AS	Oslo/ Norway	100	TNOK	500	1,935	-2,650
				(500)	(30,691)	(26,861)
KPS Grapyhte B.V. (former Graphyte B.V.) (2)	Antwerpen/ Belgium	100	KEUR	19	1,397	713
				(0)	(0)	(0)
Grapyhte B.V. (2)	Eindhoven/ Netherlands	100	KEUR	20	625	58
				(0)	(0)	(0)
KPS Sweden AB	Stockholm, Sweden	100	TSEK	500	899	-6,013
				(500)	(-1,088)	(-1,944)

[1.] The profit for the year 2022/2023 was transferred to KPS AG in accordance with the profit transfer agreement concluded.

[2] On 17 January 2023, KPS AG acquired all shares in Graphyte B.V., Antwerp, Belgium (including its shares in Graphyte B.V., Eindhoven, Netherlands). Graphyte B.V., is a leading SAP consultancy for SAP Logistics and Digital Supply Chain, including Extended Warehouse Management (EWM) and Transportation Management (TM). Graphyte B.V., Antwerp, Belgium, was renamed KPS Transformation B.V. in the reporting period.

The following explanations refer to KPS Transformation B.V., Antwerpen, Belgium, and its subsidiary Graphyte B.V., Eindhoven, Netherlands. No separate presentation has been prepared at the company level; the report does not include the legal form.

In the reporting year, Graphyte-Group (consisting of KPS Transformation B.V. and Graphyte B.V.) contributed KEUR 4,570 to the sales of KPS Group, while Graphyte is included in the operating result (EBIT) of the reporting year in the amount of KEUR 1,034. The operating result (EBIT) was burdened by the amortisation of intangible assets in the amount of KEUR 615. The earnings of the acquired business after taxes generated since the date of initial consolidation totalled KEUR 764.

If Graphyte had already been acquired on 1 October 2022, KPS Group would have reported sales of KEUR 179,332 in the reporting year and earnings after taxes would have amounted to KEUR 1,794. This includes earnings effects from the revaluation of acquired assets and financing costs for the full year. The acquisition of Graphyte-Group at the beginning of financial year 2022/2023 would not have led to any change in earnings per share from continuing and discontinued operations.

The fair value of the consideration (purchase price) is comprised of the cash paid in totalling KEUR 5,949 and a contingent purchase price of KEUR 3,296. The contingent purchase price is to be paid in the financial years 2023/2024 – 2026/2027, provided that Graphyte's performance develops steadily as expected. The contingent purchase price depends on the achievement of contractually defined EBIT targets and is capped.

The purchase price for the 100% share in KPS Transformation B.V. can be allocated to the acquired assets and liabilities at the time of acquisition as follows and led to the following net outflow, taking the cash and cash equivalents acquired into account:

Graphyte-Group **Amounts in KEUR**	**Carrying amount before the acquisition**	**Adjustment to fair value**	**Fair value**
Acquired assets and liabilities			
Goodwill	0	6,720	6,720
Other intangible assets	2	1,725	1,727
Property, plant and equipment	7	0	7
Rights of use	157	0	157
Other current assets	1,182	0	1,182
Cash and cash equivalents	1,178	0	1,178
Other provisions	347	0	347
Other liabilities	948	0	948
Deferred taxes	0	431	431
Net assets	**1,231**	**8,014**	**9,245**

Fair value of the consideration	9,245
Contingent consideration included therein	3,296
Acquired cash and cash equivalents	1,178
Expected net cash outflow from the acquisition	**8,067**
Net cash outflow in financial year 2022/2023:	
Consideration paid in the form of cash	5,604
less acquired cash and cash equivalents	-1.178
Net outflow in financial year 2022/2023	**4,426**

The adjustment amount (fair value adjustment) is used to recognise the differences between the residual carrying amounts and the fair values at the time of acquisition by the buyer.

The purchase price allocation takes all the realisations of value relating to the time of acquisition into account.

In accordance with IFRS 13.87, the contingent consideration from the company acquisition totalling KEUR 3,296 is to be classified in measurement hierarchy Level 3. The discounted cash flow method was used to determine the amount; the discount rate is 10.8%. Viewed in isolation, an increase in the discount rate by 3 percentage points would lead to a reduction in the fair value to KEUR 9,053, while a reduction in the discount rate by 3 percentage points would lead to an increase in the fair value to KEUR 9,458.

An increase in the probability of a maximum earn-out payment of 5 percentage points would lead to an increase in the fair value to KEUR 9,451.

The goodwill remaining after the purchase price allocation is attributable to various factors. Besides general synergies in administrative processes and infrastructures, these include significant cost savings in the development, marketing, sales, purchasing and production functions. In addition, the acquisition strengthens KPS Group’s market position in the Northern Europe region. Goodwill is not deductible for tax purposes.

The value of customer relationships is amortised on a straight-line basis over a term of six years and the value of open orders is also amortised on a straight-line basis over a term of one year. The amortisation periods shown have analogous effects on deferred taxes.

Other current and non-current assets include acquired receivables totalling KEUR 1,152. The gross amount of contractual receivables totals KEUR 1,152, of which KEUR 0 is expected to be irrecoverable.

The pre-acquisition carrying amounts are based on the annual financial statements of Graphyte as at 31 December 2022. The amounts recognised in the Consolidated Financial Statements of KPS AG at the time of initial consolidation represent the estimated fair values of the acquired assets and liabilities. The purchase price was allocated based on management’s current best estimate.

Management assumes that the carrying amount of the recognised goodwill corresponds to the recoverable amount.

The goodwill impairment test was conducted on the balance sheet date and did not result in any need for impairment.

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 2022/2023.

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 useful life of the capitalised development costs is assumed to be 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.

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, KPS anticipates an average sales growth rate of 5.0%. 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 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 8.78% (previous year: 7.74%) on the balance sheet date. When calculating the perpetual annuity, a growth factor of 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. The derivative financial instrument (interest rate swap) that expired in the 2022/2023 financial year did not meet the requirements for hedge accounting and was therefore allocated to financial assets or liabilities held for trading and measured at fair value through profit or loss both on initial recognition and in subsequent periods. 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 2022/2023		Year under review 2021/2022	
	KEuro	%	KEuro	%
Provision of services	175,055	98.5%	177,432	98.8%
Sales of software	521	0.3%	11	0.0%
Maintenance	2,199	1.2%	2,083	1.2%
Total revenues	177,774	100%	179,526	100%

No significant revenues arising from performance obligations, which were fulfilled in previous periods, were recorded in financial year 2022/2023.

Transaction prices result from maintenance contracts with a residual term of up to 4 years, which were not yet recognised as revenues. The likely revenues to be recorded are distributed as follows:

in KEUR	Year under review 2023/2024	Year under review 2024/2025	Year under review 2025/2026	Year under review 2026/2027	Total
Revenues likely to be recognized	1,946	1,859	1,848	1,886	7,538

5.2 Own work capitalised

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

5.3 Other operating income

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

	Year under review 2022/2023	Year under review 2021/2022
	KEUR	KEUR
Income from release of provisions	2	4
Income from release of earn-out obligations	85	0
Income from discounts	175	177
Income from exchange-rate differences	33	121
Income from subleasing - rental income	95	259
Income from subleasing - ancillary income	63	61
Other income	157	206
Total other operating income	610	828

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 2022/2023 amounted to KEUR 95 (previous year: KEUR 259).

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. A special right of termination exists for the lease agreement commenced on 1 January 2022 for the first time at the end of three full years by observing a notice period of 12 months.

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

in KEUR	30/09/2023	30/09/2022
until one year	164	77
from 1 to 2 years	171	81
from 2 to 3 years	171	81
from 3 to 4 years	43	81
from 4 to 5 years	0	20

5.4 Cost of materials

Cost of materials amounted to KEUR 66,187 (previous year: KEUR 63,809) and included expenses for hardware and software purchased amounting to KEUR 1,865 (previous year: KEUR 1,313) and expenses for services purchased amounting to KEUR 64,322 (previous year: KEUR 62,496).

5.5 Personnel expenses and employees

Personnel expenses in the year under review amounted to KEUR 82,215 (previous year: KEUR 75,090). Wages and salaries accounted for KEUR 72,216 (previous year: KEUR 67,212) and social security expenses for KEUR 9,999 (previous year: KEUR 7,877). The increase in personnel expenses includes a one-off effect of severance payments as part of staff reduction measures.

The expenses for defined benefit pension plans included in personnel expenses amounted to KEUR 78 (previous year: KEUR 111).

The average number of employees during the year was 710 (previous year: 672), including the employees taken over as part of the acquisition of Graphyte B.V. (excluding Board members and Managing Directors), of which 603 (previous year: 590) were consultants and 107 (previous year: 82) 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.

	30.09.2023	30.09.2022	Change
Employees by region			
Germany	450	508	-58
Spain	95	94	1
Great Britain	84	78	6
Denmark	19	17	2
Switzerland	4	6	-2
Austria	3	8	-5
Netherlands	6	5	1
Norway	4	3	1
Sweden	3	6	-3
Belgium	14	0	14
Total	682	725	-43
Employees by function			
Executive Board	1	1	0
Managing Directors	10	9	1
Consultants	558	603	-45
Administration	103	108	-5
Apprentices	10	4	6
Total	682	725	-43

5.6 Other operating expenses

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

in KEUR	Year under review 2022/2023	Year under review 2021/2022
Purchased services	4,555	4,875
Legal and consulting costs	1,274	973
Personnel recruitment and advanced training	886	1,723
Travel and hospitality costs	3,136	3,158
Premises costs	1,586	1,323
Vehicle costs	1,570	1,391
Valuation allowance for receivables	260	887
Valuation allowance contract assets	3,540	0
Advertising and marketing costs	2,269	1,551
Telephone and other communication costs	567	583
Insurance policies	345	382
Expenses for revaluation of earn-out obligations	104	525
Capital market costs	230	238
Hire costs for operating and business equipment	82	14
Other expenses	1,806	2,179
Total other operating costs	22,210	19,802

5.7 K,Depreciation and amortisation

Depreciation and amortisation for the financial year amounted to a total of KEUR 7,344 (previous year: KEUR 8,239). KEUR 1,687 of this amount (previous year: KEUR 1,871) are attributable to amortisation and depreciation for property, plant and equipment, and intangible assets, KEUR 1,199 (previous year: KEUR 733) to amortisation and depreciation on order backlog and customer relationships, and KEUR 4,888 (previous year: KEUR 4,740) to amortisation on rights of use.

Amortisation of intangible assets includes unscheduled amortisation of internally generated assets amounting to KEUR 115 (previous year: KEUR 142). The unscheduled depreciation was carried out on self-produced process lines with low sales figures as well as process lines that are no longer used. The depreciated process lines are allocated to the Management Consulting/Transformation Consulting segment.

In the case of depreciation and amortisation on order backlog and customer relationships , these are assets that were recognised as part of purchase price allocations and earlier transactions. This amortisation and the operating result (EBIT) before this depreciation and amortisation 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 26 (previous year: KEUR 16) 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 2022/2023	Year under review 2021/2022
Interest expenses leasing liabilities	237	151
Interest and guarantee fees to banks	1,379	721
Compounding of non-current provisions	20	7
Compounding of financial liabilities designated at fair value and recognized in the income statement	0	138
Total other operating costs	1,636	1,017

5.9 Income taxes

Income taxes are shown in the following table:

in KEUR	2022/2023	2021/2022
Current tax expense	-2,579	-3,752
Tax expense for previous years	32	5
Deferred tax expenses	2,877	-10
Income taxes	330	-3,757

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 2023, tax loss carryforwards amounted to KEUR 17,420 (previous year: KEUR 20,536) for corporate income tax and KEUR 27,376 (previous year: KEUR 32,272) for trade tax.

In order to calculate deferred taxes, the local tax rates of the affected national countries were applied. These are between 19.7% and 30.9%.

The amount of unusable tax losses for which no deferred tax asset was recognised amounted to KEUR 2,259 (previous year: KEUR 8,775) and KEUR 12,709 (previous year: KEUR 16,285) for trade tax.

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 27.6% (previous year: 29.9%) 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 11.8% (previous year: 14.0%).

in KEUR	2022/2023	2021/2022
Annual profit before income taxes	-1,576	13,307
Income tax rate	27.6%	29.9%
Expected nominal tax expense	435	-3,973
Tax consequences resulting from:		
Tax effects on account of tax carryforwards	226	701
Tax effects on account of non-deductible operating expenses, goodwill write-downs and other tax modifications	-2,878	-1,548
Deferred taxes on loss carryforwards	1,901	579
Deferred taxes on account of HB II (commercial balance sheet II) adjustments / StB (tax balance sheet effects)	587	589
Deviations of local tax rates from the average income tax rate	-37	71
Tax effects relating to other accounting periods	32	0
Other effects	64	-175
Actual income tax expense	330	-3,757
Effective tax rate	20.9%	28.2%

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 -0.03 in the current financial year and EUR 0.26 in the previous year.

Over the entire financial year, KPS AG did not have any treasury shares in its portfolio. Consequently, the average number of shares in free float amounted to 37,412,100.

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

Revenues amounting to KEUR 35 were capitalised in accordance with the criteria of IAS 38.57 in financial year 2022/2023 (previous year: KEUR 0). 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 69,266 (previous year: KEUR 62,546). The additions in the 2022/2023 financial year result from the KPS Transformation (former Graphyte B.V.) acquisition. There were no further changes in the 2022/2023 financial year. Goodwill is allocated to the following cash-generating units, taking into account the allocation made:

in KEUR	30/09/2023	30/09/2022
Management consulting/Transformation consulting	68,801	62,081
System Integration	120	120
Products/ Licenses	345	345
Total	69,266	62,546

The annual goodwill impairment tests are carried out as at 30 September. In the 2022/2023 financial year, this did not result in any need for impairment.

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 not result in any need for impairment. A 1.0% increase in the discount rate would result in an impairment requirement of KEUR 3,462 thousand. A 1.5% reduction in the growth rate for sales would result in an impairment requirement of KEUR 7,610 thousand.

6.3 Deferred tax assets

Deferred tax assets amounted to KEUR 7,588 (previous year: KEUR 4,177) and essentially reflect the level of tax loss carryforwards of KPS AG, Unterföhring, Germany, KPS Consulting GmbH, Unterföhring, Germany, and KPS Transformation GmbH, Unterföhring, Germany, as well as KPS Consulting A/S, Virum, Denmark that are likely.

Deferred tax assets are composed as follows:

in KEUR	30.09.2023	30.09.2022
	Assets	Assets
Loss carryforwards	5,933	3,309
Pension provision	423	128
Other provisions	152	88
Trade receivables	30	299
Rights of use/ Leasing liabilities	17	9
Contract assets	0	301
Fixed assets	760	467
Other items	273	0
Total	7,588	4,601

Of the deferred tax assets, KEUR 7,132 (previous year: KEUR 4,055) have a maturity of more than one year. Deferred tax assets of KEUR 124 (previous year: KEUR 67) 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 7,545 (previous year: KEUR 3,180) 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	2022/2023	2021/2022
Gross book value contract assets	11,116	3,199
Impairment	-3,540	0
Estimated gross book value on default	7,575	3,199
Amounts not overdue	7,575	3,199
Losses expected over the residual term	-30	-19
Impairment rationbot overdue	0.40%	0.60%
Net book value	7,545	3,180

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	30/09/2023	30/09/2022
Trade receivables	30,447	43,751
Individual valuation allowances	-1,292	-941
Allowances for expected credit losses	-70	-218
Total Trade receivables	29,084	42,592

6.6 Other receivables and financial assets

The following table shows the breakdown of other receivables:

in KEUR	30/09/2023	30/09/2022
Advance payments	1,215	2,041
Deposit payments	251	161
Creditor accounts in debit	96	412
Refund claims from foreign input taxes	79	55
Receivables from employees	1,865	940
Other receivables	208	254
Total other assets	3,713	3,864

6.7 Entitlements to income tax rebates

On the balance sheet date, entitlements arising from income tax amounted to KEUR 3,471 (previous year: KEUR 1,697).

6.8 Cash and cash equivalents

Bank balances and cash in hand amounted to KEUR 6,900 (previous year: KEUR 6,058) 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 37,412,100 (previous year: EUR 37,412,100) and takes the form of a total of 37,412,100 no-par shares (previous year: 37,412,100 no-par shares) each with a nominal value of EUR 1.00. 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.

6.9.2 Authorised Capital

The authorisation for the creation of Authorised Capital 2020/I approved by the Annual General Meeting on 25 September 2020 was cancelled by resolution of the ordinary Annual General Meeting held on 21 May 2021. Instead, authorised capital 2021/I was created in the amount of EUR 18,706,050.00.

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 24 September 2025 (including) once or more than once up to nominally EUR 18,706,050.00 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 2022/2023.

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.

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	2022/2023
Balance on 30.09.2021	-10,222
Capital gain from sale of treasury shares	0
Share premium on capital increase	0
Share based payment management	221
Balance on 30.09.2022	-10,001
Capital gain from sale of treasury shares	0
Share based payment management	312
Share premium on capital increase	0
Balance on 30.09.2023	-9,689

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	30.09.2023	30.09.2022
Items not classified in the income statement:		
Change in actuarial profits (losses) from pension plans	658	360
Items that will not be reclassified in the income statement in future:		
Exchange-rate differences	-343	-53
of which changes in unrealized gains/losses	-343	-35
of which realized gains/losses	0	-18
Other comprehensive income before taxes	315	307
Taxes on other earnings	126	67
Other earnings after taxes	440	374

6.9.7 Group net profit

The development of Group net profit recognised on 30 September 2023 is shown in the table below:

in KEUR	2022/2023	2021/2022
Balance on 01.10.	43,345	40,902
Earnings after income taxes	-1,246	9,550
Share premium on treasury shares	0	0
Allocation to other retained earnings	0	0
Dividend payout	-3,741	-7,108
Balance on 30.09.	38,358	43,345
in EUR		
Dividend paid per share	0.10	0.19
Proposed dividend per share	0.00	0.00

A dividend of € 0.10 per share was paid out in the 2022/2023 financial year (previous year: € 0.19 per share). No dividend (€ 0.00) is to be distributed for the 2022/2023 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 2022/2023.

6.10 Non-current provisions

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

in KEUR	01.10.2022	Utilization	Release	Addition	30.09.2023
Provision for personnel	1,151	-482	0	78	747
Provision for partial retirement	264	0	0	127	391
Provision for pensions	271	-230	0	0	41
Total	1,686	-712	0	205	1,179

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	2022/2023	2021/2022
1. Actuarial assumptions IAS 19.144		
Discount rate (DR) as at 01.10.	2.2 %	0.2 %
Discount rate (DR) as at 30.09.	2.0 %	2.2 %
Interest rate on retirement assets as at 30.09.	2.0 %	2.2 %
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	BVG2020 GT
Date of the last actuarial valuation	30.09.2023	30/09/2019
2. Reconciliation of the amount recognised in the statement of financial position at the end of period (§140)		
Defined benefit obligation at 30.9.	2,603	2,821
Fair value of plan assets at 30.9.	2,560	2,476
Deficit/(surplus) as at 30.09	43	345
Net defined benefit liability (asset) at 30.9.	43	345
thereof recognised as separate liability	43	345
3. Components of defined benefit cost in profit or loss (§140)		
Current Service Cost (employer)	70	108
Interest expense on defined benefit obligation	61	6
Interest (income) on plan assets	-53	-5
Administration cost excl. cost for managing plan assets	2	2
Defined benefit cost recognised in profit or loss	78	111
thereof service cost and administration cost	71	110
thereof net interest on the net defined benefit liability (asset)	7	1
4. Components of defined benefit costs in OCI IAS 19.140		
Actuarial (gain) / loss on defined benefit obligation	-181	-519
Return on plan assets excl. interest income	-117	352
Defined benefit cost recognised in OCI	-298	-167
5. Reconciliation in net defined benefit liability (asset) (§140)		
Net defined benefit liability (asset) at 1.10.	345	486
	-4	0
Defined benefit cost recognised in profit or loss	78	111
Defined benefit cost recognised in OCI	-298	-167
Contributions by the employer	-78	-85
Net defined benefit liability (asset) at 30.9.	43	345

in KEUR	2022/2023	2021/2022
6. Reconciliation of defined benefit obligation (§140 lit. a, §141)		
Defined benefit obligation at 1.10.	2,821	3,141
	-32	0
Interest expense on defined benefit obligation	61	6
Current service cost (employer)	70	108
Contributions by plan participants	78	85
Benefits (paid) / deposited	-214	-2
Administration cost (excl. cost for managing plan assets)	1	2
Actuarial (gain) / loss on defined benefit obligation	-181	-519
Defined benefit obligation at 30.9.	2,603	2,821
7. Components of actuarial gain/losses on obligations (§141 lit. c)	0	0
Actuarial (gain) / loss arising from changes in financial assumptions	39	-631
Actuarial (gain) / loss arising from changes in demographic assumptions	-0	0
Actuarial (gain) / loss arising from experience adjustments	-221	112
Actuarial (gain) / loss on defined benefit obligation	-181	-519
8. Reconciliation of fair value of plan assets (§140 lit. a, §141)		
Fair value of plan assets at 1.10.	2,476	2,654
	206	0
Interest income on plan assets	53	5
Contributions by the employer	78	85
Contributions by plan participants	78	85
Benefits (paid) / deposited	-214	-2
Return on plan assets excl. interest income	-117	-352
Fair value of plan assets at 30.9.	2,560	2,476
8a. Actual return on plan assets		
Interest from income from plan assets	53	5
Return on plan assets excl. interest income	117	-352
Actual income from plan assets	170	-346
9. Components of economic benefit available (§141 lit. c)		
Economic benefits available in form of reduction in future contribution	0	0
Total economic benefit available	0	0
9a. Recognisable amount under §64		
(a) Deficit/(surplus) in the defined benefit plan		

in KEUR	2022/2023	2021/2022
- Defined Benefit Obligation	-2,603	-2,821
+ Fair value of the plan assets	2,560	2,476
Deficit/surplus (+ = asset value; - = liability)	-43	-345
(b) Asset ceiling, economic benefits available	0	0
Recognizable amount (lower than (a) and (b) if asset)	-43	-345
10. Best estimate of contributions of next year (§147 lit. b)		
Contributions by employees	71	85
Contributions by plan participants	71	85
11. Plan assets classes (§142)		
Cash and cash equivalents	33	24
Equity instruments	859	810
Debt securities	895	839
Real estate	666	714
Other	107	89
Total interest income on the capital value (non-listed price)	2,560	2,476
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 %	2,696	2,926
DBO as at 30.09. with DR +0.25 %	2,517	2,724
DBO as at 30.09. with IR -0.25 %	2,565	2,776
DBO as at 30.09. with IR +0.25 %	2,631	2,868
DBO as at 30.09. with SI -0.25 %	2,597	2,812
DBO as at 30.09. with SI +0.25 %	2,610	2,831
DBO at as 30.09. with life expectancy + 1 year	2,641	2,858
DBO as at 30.09. with life expectancy - 1 year	2,566	2,785
SC of next year with DR +0.25 %	59	64
SC of next year with IR +0.25 %	66	73
13. Maturity profile of defined benefit obligation (§147 lit. c)		
Weighted average duration of defined benefit obligation in years	14.1	14.6
Weighted average duration of defined benefit obligation in years for active members	14.1	14.6
Weighted average duration of defined benefit obligation in years for pensioners	n.a.	n.a.
14. Components of defined benefit obligation, split (§137)		
Defined benefit obligation at 30.9. for active members	2,603	2,821

6.11 Other non-current liabilities

Other non-current liabilities relate to the following items:

in KEUR	30/09/2023	30/09/2022
Liability for future earn-out payments	-2,615	0
Total	-2,615	0

This figure 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 895 (previous year: KEUR 1,500) and relate to a loan with a remaining term of 1 year. The loan serves to finance company acquisitions.

6.13 Deferred tax liabilities

Deferred tax liabilities amounted to KEUR 2,309 (previous year: KEUR 1,392).

in KEUR	30.09.2023	30.09.2022
	Liabilities	Liabilities
Loss carryforwards	0	0
Pension provision	395	0
Other provisions	27	340
Trade receivables	43	7
Rights of use/ Leasing liabilities	198	147
Contract assets	777	492
Fixed assets	804	340
Other items	65	65
Total	2,309	1,392

Of the deferred tax liabilities, KEUR 1,397 (previous year: KEUR 800) are non-current and KEUR 1,964 (previous year: KEUR 591) current.

6.14 Trade liabilities

Trade liabilities amounted to KEUR 9,647 (previous year: KEUR 11,232) and resulted mainly from consulting services purchased.

6.15 Financial liabilities

On the balance sheet date, liabilities to banks amounted to KEUR 29,539 (previous year: KEUR 19,500) with a remaining term of up to one year.

6.16 Contractual liabilities

Contractual liabilities in the amount of KEUR 581 (previous year: KEUR 273) 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	01.10.2022	Utilization	Release	Addition from acquuisition	Addition	30.09.2023
Provision for personnel	11,874	-11,855	-2	79	10,847	10,944
Provision for outstanding accounts	490	-490	0	0	509	509
Provision for finan-cial statements/audit expenses	322	-322	0	0	300	300
Provisions for guarantees	207	-137	0	0	538	608
Other provisions	1,308	-376	0	0	1,646	2,578
Total	14,203	-13,181	-2	79	13,840	14,939

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:

	30.09.2023		30.09.2022	
in KEUR	up to 3 months	3 – 12 months	up to 3 months	3 – 12 months
Liabilities to employees	3,138	0	4,074	0
Wage and church taxes due	1,702	0	1,432	0
Liabilities for sales taxes and other taxes	2,982	0	4,164	0
Social security payments due	271	0	265	0
Purchase obligation KPS Transformation B.V.	346	0	0	0
Earn-Out obligation KPS Transformation B.V.	0	681	0	0
Earn-Out Infront Consulting & Management GmbH	0	0	966	153
Earn-Out KPS Digital Ltd.	0	0	1,161	383
Other liabilities	54	0	119	0
Total other liabilities	8,492	681	12,182	537

6.19 Liabilities from income taxes

Tax liabilities amounting to KEUR 1,818 (previous year: KEUR 2,786) comprise liabilities for corporate income taxes amounting to KEUR 1,746 (previous year: KEUR 2,450) and liabilities from trade taxes amounting to KEUR 72 (previous year: KEUR 336).

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	7,545	7,545	0	7,545
	(previous year)	(0)	(3,180)	(3,180)	(0)	(3,180)
Trade receivables		0	29,084	29,084	0	29,084
	(previous year)	(0)	(42,592)	(42,592)	(0)	(42,592)
Other receivables and financial assets		0	3,635	3,635	79	3,713
	(previous year)	(0)	(3,808)	(3,808)	(55)	(3,864)
Cash and cash equivalents		0	6,900	6,900		6,900
	(previous year)	(0)	(6,058)	(6,058)		(6,058)
Non-current liabilities						
Financial liabilities		0	895	895	0	895
	(previous year)	(0)	(1,500)	(1,500)	(0)	(1,500)
Other liabilities		2,615	0	0	0	2,615
	(previous year)	(0)	(0)	(0)	(0)	(0)
Leasing liabilities		0	18,223	18,223	0	18,223
	(previous year)	(0)	(18,505)	(18,505)	(0)	(18,505)
Current liabilities						
Financial liabilities		0	29,539	29,539	0	29,539
	(previous year)	(0)	(19,500)	(19,500)	(0)	(19,500)
Trade liabilities		0	9,647	9,647	0	9,647
	(previous year)	(0)	(11,232)	(11,232)	(0)	(11,232)
Other liabilities		681,000	3,539	3,539	4,953	9,173
	(previous year)	(2,664)	(4,194)	(4,194)	(5,861)	(12,719)
Leasing liabilities		0	4,634	4,634	0	4,634
	(previous year)	(0)	(4,477)	(4,477)	(0)	(4,477)

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 30.09.2023	Fair Value 30.09.2023	Book Value 30.09.2022	Fair Value 30.09.2022
Current assets					
Contractual assets	AC	7,545	7,545	3,180	3,180
Trade receivables	AC	29,084	29,084	42,592	42,592
Other receivables and financial assets	AC	3,635	3,635	3,808	3,808
Cash and cash equivalents	AC	6,900	6,900	6,058	6,058
Non-current liabilities					
Financial liabilities	AC	895	895	1,500	1,500
Other liabilities	FVTPL	2,615	2,615	0	0
Leasing liabilities	AC	18,223	18,223	18,505	18,505
Current liabilities					
Financial liabilities	AC	29,539	29,539	19,500	19,500
Trade liabilities	AC	9,647	9,647	11,232	11,232
Other liabilities	AC	3,538	3,538	4,194	4,194
Other liabilities	FVTPL	681	681	2,664	2,664
Leasing liabilities	AC	4,634	4,634	4,477	4,477
Of which aggregated by valuation categories					
Financial Loans and Liabilities measured at Amortized Cost (AC)	AC	47,165	47,165	55,638	55,638
Financial Liabilities at Fair Value through profit or loss	FVTPL	3,296	3,296	2,664	2,664
Financial Liabilities measured at Amortized Cost	AC	66,476	66,476	59,409	59,409

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		2022/2023
Financial assets at Amortized Cost (AC)		0	0	48	-3,801	0	-3,752
	(previous year)	(0)	(0)	(28)	(-887)	(0)	(-860)
Financial liabilities measured at Amortized Cost (AC)		1,632	0	-12	0	0	1,620
	(previous year)	(-904)	(0)	(13)	(0)	(0)	(-891)
Financial liabilities at Fair Value through Profit/Loss (FVTPF)		0	23	0	0	0	23
	(previous year)	(-138)	(-500)	(-44,000)	(0)	(0)	(-682)

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	2022/2023	2021/2022
Opening balance	2,664	4,192
Total gains/losses	36	681
- Of which recorded in the income statement	36	681
- Of which recorded in other comprehensive income	0	0
Reclassifications	0	0
Additional acquisitions	3,296	0
Issues	0	0
Terminations	-2,701	-2,209
Transfer from stage 3	0	0
Final balance	3,295	2,664

The final tranche of the earn-out payments totaling KEUR 2,701 was paid out to the sellers of Infront Consulting & Management GmbH, Hamburg, and to the sellers of KPS Digital Ltd, London, UK.

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. The earn-out obligations resulting from the purchase agreement amount to KEUR 3,296. The earn-out obligations as at 30 September 2023 are due within three financial years and were measured at fair value. The earn-out obligations for Infront Consulting & Management GmbH, Hamburg, and KPS Digital Ltd, London, UK, were fulfilled in the reporting year.

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 104 (previous year: KEUR 525) and income from the reversal of earn-out liabilities in the amount of KEUR 85 (previous year: KEUR 0), nterest expenses (FVTPL category) in the amount of KEUR 0 (previous year: KEUR 138), gains from the valuation of an interest rate swap (FVTPL category) in the amount of KEUR 0 (previous year: KEUR 25), expenses from the foreign currency valuation of earn-out liabilities in the amount of KEUR 17 (previous year: KEUR 44).

6.20.2 Derivative financial instruments and hedging arrangements

KPS Group used a derivative financial instrument in the form of an interest swap. Derivative financial instruments are only used to hedge existing underlying transactions and serve to reduce interest rate risks.

In the context of company acquisitions, KPS AG took out a long-term loan originally amounting to EUR 20 million. In 2018/2019, an interest rate swap in the amount of EUR 10 million was concluded to hedge the interest rate risk. The loan and the interest rate swap had a remaining term until 31 March 2023. As at the balance sheet date, the fair value amounted to KEUR 0 (previous year: KEUR 4).

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 41.0 % as at 30 September 2023 (previous year: 44.9%).

A maximum level of indebtedness of 2.5 was agreed in KPS AG's long-term loan contract. The formula for calculating the level of indebtedness is as follows: Net financial debt / EBITDA. Compliance with the covenants is monitored regularly as part of capital risk management. The maximum level of indebtedness was complied with in financial year 2022/2023.

As a consequence of non-compliance with the covenants, the lender could refuse to make further payments and has the discretion to call in the bank securities.

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	30.09.2023	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

Previous year	Book value	Payment obligations		
in KEUR	30.09.2022	2022/2023	2023/2024 to 2025/2026	2026/2027ff.
Financial liabilities	21,000	19,500	1,500	0
Leasing liabilities	22,983	4,601	6,938	12,016
Trade liabilities	11,232	11,232	0	0
Other liabilities	12,719	12,719	0	0
Liabilities from income tax	2,786	2,786	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. The creditworthiness of individual customers or business partners with high order volumes is reviewed in order to minimise credit risks. 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: one 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. This analysis revealed that there were no significant impairments in reporting year 2022/2023. 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 2023, 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	30.09.2023
Contractual 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	7,031	45,276

Previous year

in KEUR	Neither overdue nor impaired	Overdue and not impaired	Impaired	30.09.2022
Contract assets	3,199	0	0	3,199
Trade receivables	37,632	4,486	1,633	43,751
Other assets	3,864	0	0	3,864
Total	44,695	4,486	1,633	50,814

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 5,492 was impaired by KEUR 3,540, which corresponds to a payment default of 100% less the customer payments received up to the date of insolvency in the amount of KEUR 1,952.

The impaired receivables include nominal receivables amounting to KEUR 1,538 (previous year: KEUR 1,633) that were written down by KEUR 1,292 (previous year: KEUR 941).

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	30.09.2023
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

Previous year

in KEUR	less than 30 days	31 to 90 days	more than 90 days	30.09.2022
Other loans	0	0	0	0
Trade receivables	3,653	582	251	4,486
Other assets	0	0	0	0
Total	3,653	582	251	4,486

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.

Trade receivables at 30.09.23 – 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

Trade receivables at 30.09.2022 – in days overdue

in KEUR	not overdue	1 - 30	31 – 60	> 60	Total
Impairment rate	0.37%	1.56%	3.04%	3.40%	
Estimated gross book value in case of default	37,632	3,653	316	582	42,183
Expected losses over the residual term	134	57	10	18	219

The following table shows the development of losses expected over the residual term that were recognised for the individual trade receivables and other receivables in conformity with the regulations of the simplified model in accordance with IFRS 9:

KEUR	2022/2023	2021/2022
Impairments as at 01. 10.	1,177	1,565
+ Additions	3,552	44
- Utilization/Release	-148	-7
Valuation adjustments on account of change in the default risk	396	301
Derecognitions	-44	-726
Impairments as at 30.09.	4,933	1,177

The valuation adjustments amounting to KEUR 396 (previous year: KEUR 301) 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 2023 in the amount of KEUR 1,538 (previous year: KEUR 1,633), KEUR 14 are from financial year 2022/2023 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 44 (previous year: KEUR 726) were derecognised in the reporting year 2022/2023. 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 2022 to 30 September 2023 for the pound sterling was approximately 0.87. A hypothetical change in the exchange rate for the pound sterling of +/- 0.05 would result in an increase or decrease of +/- 6% in the revenue generated in pound sterling in 2022/2023 amounting to GBP 21,303 thousand.

The average annual exchange rate of the Swiss franc from 1 October 2022 to 30 September 2023 was approximately 0.9789. A hypothetical change in the exchange rate of the Swiss franc of +/- 0.05 would lead to an increase or decrease of approximately +/- 5% in revenue of CHF 16,470 thousand generated in Swiss francs in 2022/2023.

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. Short-term loans have 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 material. A hypothetical increase in the market interest level of 100 basis points would not have a significant impact on the financial result from the variable loan.

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 2022/2023 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	30.09.2023	30.09.2022
Buildings	17,968	18,178
Vehicles	1,620	1,519
Office equipment	3,843	3,727
Total	23,430	23,424

Additions to rights of use in KEUR	30.09.2023	30.09.2022
Additions	4,910	772
Total	4,910	772

Lease in KEUR	30.09.2023	30.09.2022
Short-term	4,634	4,477
Long-term	18,223	18,505
Total	22,857	22,983

6.22 Leases

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

Depreciation in KEUR	01.10.2022-30.09.2023	01.10.2021-30.09.2022
Buildings	2,676	2,512
Vehicles	1,196	1,257
Office equipment	1,016	971
Total depreciation and amortization	4,888	4,740

Interest expense in KEUR	01.10.2022-30.09.2023	01.10.2021-30.09.2022
Interest expenses for leasing liabilities	237	151
Total interest expense	237	151

Practical remedies in KEUR	01.10.2022-30.09.2023	01.10.2021-30.09.2022
Expense for short-term leases	439	494
Total	439	494

The total cash outflows shown in the cash flow statement for leases in the financial year amounted to KEUR 5,279 (previous year KEUR 5,013).

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 2023, potential future cash outflows in the amount of KEUR 9,359 (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 6,900 (previous year: KEUR 6,058). At the end of the period under review, current bank liabilities amounted to KEUR 29,539 (previous year: KEUR 19,500) and non-current bank liabilities amounted to KEUR 895 (previous year: KEUR 1,500).

The year-on-year decrease in net liquidity is mainly due to a lower cash inflow from operating activities of KEUR 9,245 (previous year: KEUR 15,447) with a simultaneous lower cash outflow from investing activities of KEUR -7,495 (previous year: KEUR -4,620) and a lower cash outflow from financing activities. The lower cash inflow from operating activities is mainly from the lower result for the period (EBIT), changes in working capital and KEUR 789 higher tax payments. Cash outflows for investments in non-current assets amounted to KEUR -7,521 (previous year: KEUR -4,636) and were mainly related to purchase price and earn-out payments in connection with company acquisitions. Cash outflows from financing activities mainly related to dividend payments of KEUR -3,741 (previous year: KEUR -7,107), payments of lease liabilities of KEUR -5,279 (previous year: KEUR -5,013) and interest paid of KEUR -1,164 (previous year: KEUR -409). This was offset by cash inflows from taking out financial loans.

7.1 Inflow/outflow from operating activities

The cash flow from operating activities decreased by KEUR 6,0932 from KEUR 15,447 to KEUR 9,245 compared to the previous year. This change mainly resulted from the change in working capital as well as KEUR 789 higher tax payments.

7.2 Inflow/outflow from investment activities

The cash flow from investment activities changed by KEUR -2,884 from KEUR -4,620 to KEUR -7,495 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.

7.3 Inflow/outflow from financing activities

The change in cash flow from financing activities compared to the previous year by KEUR 11,921 to KEUR -908 (previous year: KEUR -12,829) is mainly from taking out and repaying financial loans. In the reporting year, a total of KEUR 9,276 in additional financial loans were taken out, while a total of KEUR -300 in financial loans were repaid in the previous year.

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

			noncash			
in KEUR	01.10.2022	Cash	Additions	Changes in valuation	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

Previous year

			noncash			
in KEUR	01.10.2021	Cash	Additions	Changes in valuation	Other	30.09.2022
Acquisition price liabilities	6,501	-4,538	525	0	176	2,664
Leasing liabilities	26,367	-5,013	1,472	25	131	22,982
Interest-bearing liabilities	21,300	-300	0	0	0	21,000
Total	54,168	-9,851	1,997	25	307	46,646

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	2022/2023	prev. year	2022/2023	prev. year	2022/2023	prev. year	2022/2023	prev. year	2022/2023	prev. year
Sales	167,884	170,588	1,217	1,339	8,672	7,599	0	0	177,774	179,526
Production costs	-122,606	-122,601	-820	-711	-6,004	-5,041	0	0	-129,429	-128,352
Development costs	-6,537	-6,057	0	0	-254	-360	0	0	-6,791	-6,416
Operating costs	-22,610	-13,123	10	-16	-186	-191	-10,960	-9,775	-33,746	-23,104
EBITDA	16,131	28,807	408	612	2,229	2,008	-10,960	-9,775	7,808	21,652
Depreciation and amortization	-6,769	-6,505	-16	-15	-65	-101	-923	-724	-7,774	-7,344
EBIT	9,362	22,302	391	598	2,164	1,907	-11,884	-10,498	34	14,308
Interest	-97	-69	0	0	0	0	-1,513	-932	-1,610	-1,001
Taxes	-3,970	-5,841	-106	-156	-340	-499	1,869	2,749	-2,547	-3,747

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 957 (previous year: KEUR 1,136) in the Management Consulting/Transformation Consulting segment, KEUR 150 (previous year: KEUR 526) in the Products/Licenses segment and KEUR 657 (previous year: KEUR 1,291) in the Other segment.

Depreciation and amortization in the Management Consulting/Transformation Consulting segment includes impairment losses on intangible assets in the amount of KEUR 115 (previous year: KEUR 142).

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

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	2022/2023	in %	2021/2022	in %
Germany	88,114	49.6%	74,936	41.7%
Scandinavia	19,002	10.7%	35,887	20.0%
United Kingdom	24,516	13.8%	22,870	12.7%
Switzerland	16,878	9.5%	19,564	10.9%
Benelux	15,726	8.8%	14,162	7.9%
Spain	11,683	6.6%	11,250	6.3%
Other	1,854	1.0%	856	0.5%
Total	177,774	100.0%	179,526	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 Consulting GmbH (formerly KPS Services GmbH) has issued a maximum amount guarantee of KEUR 30,000 (previous year: KEUR 30,000) to secure current account and money market credit lines at Landesbank Baden-Württemberg. As at the balance sheet date, current account and money market liabilities at Landesbank Baden-Württemberg amounted to KEUR 23,000 (previous year: KEUR 13,000).

The company made a commitment to KPS Transformation GmbH and KPS Consulting GmbH as part of exemption in accordance with Article 264 para. 3 of the German Commercial Code (HGB) to guarantee all of the current obligations of these companies in respect of their creditors up until 30 September 2023. This duty to assume liability is valid until 30 September 2024.

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 231 (previous year: KEUR 248) 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. The fees for services with regard to auditing the financial statements mainly comprise remuneration for auditing the Consolidated Financial Statements and for auditing the financial statements of KPS AG and its domestic subsidiaries.

Auditor fees:

in KEUR	2022/2023	2021/2022
Services for auditing the financial statements	231	248
Other confirmation services	0	0
Tax consulting services	0	0
Other services	0	0
Total	231	248

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: 9,080,049 shares

(previous year: 9,080,049 shares); voting rights of approx. 24.3% (previous year: approx. 24.3%)

Leonardo Musso: 4,103,084 shares

(previous year: 4,103,084 shares); voting rights of approx. 11.0% (previous year: approx. 11.0%)

Uwe Grünewald: 4,052,390 shares

(previous year: 4,052,390 shares); voting rights of approx. 10.8% (previous year: approx. 10.8%).

Dietmar Müller: 3,119,919 shares

(previous year: 3,813,359 shares); voting rights of approx. 8.3% (previous year: approx. 10.2%)

The total remuneration of the old shareholders on account of current contracts of employment with Group companies amounted to KEUR 1,847 (previous year: KEUR 1,422).

There were no receivables or payables in respect of old 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: 4,103,084 shares (previous year: 4,103,084 shares)

The total remuneration of the Executive Board reported as expenses amounted to KEUR 577 (previous year: KEUR 680) in financial year 2022/2023, of which variable components amounted to KEUR 216 (previous year: KEUR 318). 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 in all companies of KPS Group and a member of the Administrative Board of KPS Consulting AG, Zurich, Switzerland.

9.4.3 Extended management circle

117 (previous year: 106) 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 27,308 (previous year: KEUR 24,050) was paid to the extended management circle.

A provision amounting to KEUR 744 (previous year: KEUR 1,194) 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 312 (previous year: KEUR 221) 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 2022/2023 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 48 (previous year: KEUR 45).

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, (Deputy Chairman)

Authorised Signatory for KPS Transformation GmbH,

Mr Hans-Werner Hartmann, Grassau-Mietenkam

Lawyer.

Mr Uwe Grünewald is a member of the Board of Directors of KPS Consulting A/S, Virum, Denmark.

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

On 29 January 2024, it was announced that The KaDeWe Group GmbH (KaDeWe) had filed for the opening of insolvency proceedings. Publication of the Annual and Consolidated Financial Statements finalised at this time, together with the Combined Management Report of KPS AG, was subsequently postponed, as KPS had and continues to have significant outstanding receivables from KaDeWe. The insolvency was classified as a value-enhancing event in accordance with IAS 10. The accounting effect in the Consolidated Financial Statements as of 30 September 2023 was taken into account accordingly. KPS responded immediately with appropriate measures and, among other things, took out a shareholder loan of EUR 1.5 million with a term of two years in February 2024 to strengthen liquidity. The credit line for this shareholder loan amounts to EUR 5.0 million.

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 2023. 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 2022/2023:

- KPS Transformation GmbH, Unterföhring
- KPS Consulting GmbH, Unterföhring
- Infront Consulting & Management GmbH, Hamburg

Unterföhring, 6 March 2024

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	**01.10.2022**	**Additions**	**Additions from acquisitions**	**Disposals**	**Transfers**	**30.09.2023**	**01.10.2022**	**Additions**	**Additions from acquisitions**	**Disposals**	**Transfers**	**30.09.2023**	**30.09.2023**	**30.09.2022**
I.) INTANGIBLE ASSTES														
1. Concessions, industrial property rights and similar rights and assets, and licences in such rights and assets														
a.) if acquired	13,950	1,796	4	0	0	15,750	12,594	1,287	2	0	0	13,883	1,867	1,356
b.) if internally generated	14,948	0	0	923	0	14,026	5,903	1,223	0	923	0	6,204	7,822	9,045
2. Advance payments made	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Goodwill	77,562	6,720	0	0	0	84,282	15,016	0	0	0	0	15,016	69,266	62,546
Intangible assets	**106,460**	**8,516**	**4**	**923**	**0**	**114,058**	**33,513**	**2,510**	**2**	**923**	**0**	**35,103**	**78,954**	**72,947**
II.) PROPERTY, PLANT AND EQUIPMENT														
1. Business and office equipment	385	325	13	143	0	4,050	1,798	391	6	0	0	2,041	2,009	2,056
2. Low-value assets	151	0	0	0	0	151	82	28	0	0	0	110	41	69
3. Advance payments received	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Property, plant and equipment	**536**	**325**	**13**	**143**	**0**	**4,201**	**1,880**	**419**	**6**	**0**	**0**	**2,151**	**2,049**	**2,125**
Total fixed assets	**106,996**	**8,841**	**17**	**1,066**	**0**	**118,259**	**35,393**	**2,929**	**8**	**923**	**0**	**37,254**	**81,004**	**75,072**

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 2022, 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]
Grünewald, Uwe	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 % (3.731.210)	-	-	9.97%
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 %	12,92 % (4.395.299)	-	-	12.92%
Tsifidaris, Michael	30/06/2017	28/06/2017	Falling below the threshold of 25 %	24,27 % (9.080.050)	-	-	24.27%
Allianz SE	09/12/2022	07/12/2022	Voluntary Group notification on account of internal restructuring	-	5,26 % (1.968,163)	-	5.26%
Universal-Investment GmbH	23/01/2023	16/01/2023	Rising above the threshold of 3 %	-	3,01% (1.126.999)	-	3.01%
Universal-Investment GmbH	31/01/2023	25/01/2023	Falling below the threshold of 3 %	-	2,99% (1.120.000)	-	2.99%
Universal-Investment GmbH	06/02/2023	31/01/2023	Rising above the threshold of 3 %	-	3,08 % (1.151.500)	-	3.08%
						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, 6 March 2024

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
- 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.

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 2023, 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 2022 to 30 September 2023, 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 2022 to 30 September 2023. 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 2023 and of its financial performance for the financial year from 1 October 2022 to 30 September 2023, 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 2022 to 30 September 2023. 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
- Impairment of deferred tax assets

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 matters:

Impairment of goodwill

1. In the consolidated financial statements of KPS AG, goodwill of EUR 69.3 million is reported under the balance sheet item "Goodwill", which thus represents around 43% of the balance sheet total. 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 2023.

3. The information of the Group to the individual goodwill is referred to under section 6.2 of the notes.

Impairment of deferred taxes

1. In its consolidated financial statements, KPS AG shows deferred tax assets totalling EUR 7.6 million under the balance sheet item "Deferred tax assets", which includes deferred tax assets based on tax loss carryforwards amounting to EUR 5.9 million.

Deferred tax assets are recognised to the extent that the legal representatives believe it is probable that taxable profit will be available in the foreseeable future against which the deductible temporary differences and unused tax losses can be utilised. To this end, forecasts of future taxable results are determined based on the approved budget. For the calculation of deferred taxes, the tax rates for future years are used to the extent that they have already been established by law or the legislative process has essentially been completed. In our view, these matters were of particular importance as they are highly dependent on the estimates and assumptions of the legal representatives and are subject to uncertainty.

2. To address this risk, we critically reviewed management's assumptions and estimates and performed, among others, the following audit procedures:

- Integration of internal specialists from the field of tax accounting into the audit team as part of our audit of tax matters.

- Obtaining an understanding of the design of management's process for accounting of deferred taxes.

- Assessment of recognition and measurement of deferred taxes.

- Assessment of impairment, insofar as there were not sufficient deferred tax liabilities, on the basis of the tax planning calculation prepared by the legal representatives and assessment of appropriateness of the planning basis used.

Our audit procedures did not lead to any reservations relating to the assessment of the impairment of deferred taxes as at 30 September 2023.

3. The information of the Group to the deferred taxes is referred to under sections 4.8 and 6.3. 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 2022/2023" in the section "To the shareholders" in the Annual Report 2022/2023,

- Group Declaration on Corporate Governance in Section 7. of the Combined Management Report 2022/2023,

- Information on the non-financial Group declaration and Declaration of Compliance in section 7 of the Combined Management Report 2022/2023,

- 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 2022/2023.

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 „2024-03-01 18-28-39 – tempResultDocument.zip“ SHA256:dae99dbb6f01eeb30d582c588e35ac4c45296483dc2c02757eae5734ebb3d58 5and 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 2022 to 30 September 2023 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 (06.2022)). 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 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 2023. We were engaged by the supervisory board on 5 September 2023. 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, 6 March 2024

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Weissinger Wirtschaftsprüfer [German Public Auditor]	Hars Wirtschaftsprüferin [German Public Auditor]

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