

## Half-year Financial Report 2022



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# Interim Management Report for the Six Months Ended 30 June 2022

## Basic Principles of the Group

The basic business model of the KSB Group (hereinafter also referred to as “KSB” or the “Group”) has not changed compared with the presentation in the 2021 consolidated financial statements. External economic and political changes, however, have had a partial effect on business. These are – where relevant and material to KSB – described in the following sections.

KSB takes management decisions primarily on the basis of the key performance indicators – order intake, external sales revenue and earnings before financial income / expense and taxes (EBIT) – determined for the Pumps, Valves and KSB Supreme-Serv reporting segments (hereinafter also referred to as “Segments”).

## Macroeconomic Environment and Sector View

Since the outbreak of the war in Ukraine, global economic development and the outlook for the current year have deteriorated considerably. The bottlenecks and delays in supply chains that have already prevailed since the previous year were exacerbated even more in the last half of this year by the war in Ukraine and pandemic-related lockdowns in China, resulting in soaring energy and commodity costs. KSB’s business was also impacted by the delays in supply chains and the inflationary tendencies on the commodity and energy markets. After the first half of 2022, the global economy is looking at weaker growth, in response to global inflation, the restrictive monetary policy initiated in many countries and rising interest rates. This is also coupled with even greater uncertainty than at the beginning of the year. The risks to global economic development have increased considerably in the past six months, so that the post-pandemic recovery that emerged in the previous year might be reversed, leading to another downturn. As well as the risk that the war in Ukraine will continue with tighter sanctions and that Europe’s energy supplies will be severely impaired, there is a series of other risks too. These include renewed pandemic outbreaks with extensive restrictions (in China in conjunction with the zero-COVID policy and in other

countries due to new variants or low immunity in the population), persistently high inflation with the associated risks for the financial markets and the risk that the monetary policy measures used to control inflation are too severe and could prompt a recession, especially in the industrialised countries. The risk of stagflation, fostered by energy and commodity shortages and higher inflation expectations, is now classified as substantial.

In the latest estimate of the International Monetary Fund (IMF) of July 2022, the global average growth forecast for the current year was lowered significantly. Global economic output is anticipated to grow by 3.2 % and global inflation expectations have increased compared with the start of the year. The IMF has lowered its forecast for the economically advanced countries to 2.5 % and raised inflation projections to 6.6 %.

In the USA, high inflation rates and rising interest rates led to falling consumer spending and lowered the forecast to 2.3 %. Government economic and infrastructure programmes make substantial financial resources available for investments and support the economy.

The negative impact of the war is felt most in Europe. Expected growth in the euro zone is estimated at 2.6 %.

In China, one of KSB’s most important markets, growth will slow down to 3.3 % according to the IMF forecast. This is mainly attributable to the pandemic-related lockdowns and decline in private consumer spending. Countermeasures include fiscal policy measures and government investment in infrastructure and the energy transition. The inflation trend is low by international standards, thus offering more leeway for monetary policy to stimulate the economy.

Economic development in India, another important market for KSB, is also losing momentum in response to high energy and commodity prices. A marked increase in government spending to promote infrastructure investments is mitigating the slowdown. The forecast was most recently lowered to 7.4 %.

The economy of the ASEAN countries is expected to grow by 5.3 %, which is slightly below expectations at the beginning of the year. Growth is supported by the recovery in domestic demand after the pandemic, but the negative effects of inflation and slower global growth, coinciding with these countries' high foreign trade ratio, already make themselves felt.

In Brazil, where KSB holds a strong market position, inflationary development on the global markets and the deterioration of financing conditions with rising interest rates have led to a slowdown in domestic demand and investments. Despite these developments, the current forecast for the year was raised to 1.7 %.

The current high energy prices are benefiting the countries in the Middle East and Russia. However, because of the war in Ukraine and the sanctions, Russia's economic development is predicted to decline (– 6.0 %). The forecast for the countries in the Middle East is 4.8 %.

The Sub-Saharan countries are expected to grow by 3.8 %.

#### **SLOWER GROWTH IN MECHANICAL ENGINEERING**

The demand for capital goods and machinery and equipment is rising at a slow pace only due to supply chain bottlenecks, inflation, tighter central bank monetary policy and high uncertainty in the markets. Looking back at the first half of the year, the pandemic-related restrictions in China also led to a slowdown in growth in global mechanical engineering.

The German Mechanical Engineering Industry Association (VDMA) has adopted the Oxford Economics baseline scenario for the forecast of global real sales revenue in mechanical engineering, which was most recently lowered to 4 %. Growth of 2 % is predicted in a scenario of severe disruptions due to the war.

Sales revenue of mechanical engineering companies producing in Germany increased by 6 %, unadjusted for inflation, compared with the prior-year period. Order intake rose by 12 %.

Order volumes of liquid pumps produced in Germany increased compared with the prior-year period. The order intake for industrial and buildings services valves was particularly strong.

#### **PERFORMANCE OF KEY MARKETS**

The global deceleration of economic growth was also reflected in the individual sales markets for pumps and valves, albeit with varying intensity and time lags.

Key sales markets for KSB continued to be general industry, the water and waste water sector and the energy industry.

In general industry, growth in machinery and equipment production as well as in vehicle construction, adjusted for inflation, was subdued. This is attributable to supply bottlenecks and to the now noticeably weaker demand for capital goods. The expectations for the course of 2022 were lowered significantly compared with the beginning of the year. These are also associated with considerable risks, in particular in case of renewed pandemic-related restrictions in China. Stable growth is expected in the course of the year for the pharmaceutical industry, which was boosted by the coronavirus pandemic. This is confirmed by the statistics for the first few months. Growth is somewhat more moderate in the consumer goods industry, however, curbed by the high commodity prices and lower demand.

Investments in water and waste water management are less sensitive to cyclical fluctuations compared with other sectors. State-subsidised infrastructure programmes in numerous countries, including the USA, EU member states and India, as well as tighter environmental regulation and market requirements for energy efficiency and digitalisation ensure the continued robust growth of these investments.

The war in Ukraine led to prolonged disruption on the markets in the energy industry, in addition to the decarbonisation strategies of many countries. This is shifting the focus of investment projects. The greater importance of energy security leads to service life extensions of existing facilities and to investment in decarbonisation technologies, such as hydrogen, wind power and nuclear power, which are supported with new capacities as transitional technologies in many countries.

The predicted decline in the production of crude oil and natural gas in Russia, one of the world's largest producers, is broadly compensated for by other regions, in particular North America and the Middle East. The sharp price increases in spring led to easing demand.



This, in turn, helped to significantly lower prices from the record levels seen a few months ago. The sanctions on Russia's production entail considerable changes in global trade flows and are setting incentives to extend the liquefied natural gas (LNG) infrastructure (recommissioning idle facilities and new investments). Overall, investment dynamics are weak on the back of higher energy and commodity prices, and the great uncertainty on the markets. However, interest is growing in the industry to invest in decarbonisation, including wind power and carbon capture, hydrogen generation, the production of bio-based fuels and chemicals, and extension of recycling in the chemicals and petrochemicals industry.

The construction industry worldwide is also progressing at a more moderate pace, in line with the slowdown in global economic growth. Development is strongest in civil engineering, boosted by the infrastructure subsidy programmes in many countries. High material costs, lower real income and higher interest rates are slowing down growth in residential building construction. Momentum is the lowest in non-residential building construction, owing to the slow recovery of investments in the services sector.

In mining, the production of coal and oil sands are benefiting from the high energy prices. This broadens the scope for investments in expansion and decarbonisation. The mining of metals is stifled by the overall economic development, except for the production of minerals that are required for the energy transition and feature strong momentum.

## Business Development and Results of Operations

With the redefined Segments and Market Areas in place since the 2021 financial year, KSB is pursuing a corporate strategy that is focused on customer orientation, future markets and growth potential. The business performance of the Group in the first six months of the 2022 financial year was characterised in particular by positive effects from the consistent implementation of this organisational structure, coupled with the ongoing, albeit significantly slower recovery of the global economy.

Viewed overall, order intake increased considerably compared with the first half of the previous year. Sales revenue marginally exceeded the figure for the comparative prior-year period. EBIT reached the level of the first half of 2021.

Despite the positive order intake development, in particular the overall economic impact of the Russia–Ukraine war, the restrictions imposed due to the ongoing COVID-19 pandemic and the cyber attack, which was successfully averted, had a dampening effect on sales revenue and on the Group's EBIT in the first half of the year.

Due to the Russia–Ukraine war and the coronavirus-related lockdowns in China, the bottlenecks in the procurement markets and supply chains which were already felt in the previous year were aggravated. This resulted in increasing delays in procuring supplier products and higher cost prices. KSB passed on price increases to the customers if possible. This was not entirely feasible in all cases due to the general competitive situation in individual markets and regions.

In addition, the Group had individual production stoppages during the reporting period, arising from increased illness levels due to COVID-19. Similarly, the cyber attack on major parts of the Group's IT infrastructure, which was averted by KSB, as well as the subsequent security measures, entailed temporary restrictions in order processing and production throughout the Group. This resulted in isolated cases of orders lost and postponement of individual orders into the second half of 2022.

### CONSIDERABLE GROWTH IN ORDER INTAKE

Order intake in the first six months of the 2022 financial year amounted to € 1,487.2 million (previous year: € 1,249.0 million). The increase of € 238.2 million or 19.1 % resulted mainly from a higher business volume in conjunction with the implementation of the new organisational structure that has been established in the Group since 2021, and which includes a strong focus on KSB's customers and markets. This development was also supported by the ongoing, albeit significantly slower recovery of the global economy, which benefited all Segments and Regions. The price increases implemented also contributed to this development.

The order intake of € 843.2 million (previous year: € 681.7 million) in the Pumps Segment showed a strong increase of € 161.5 million or 23.7 % compared with the first half of 2021. The Standard Markets operating segment contributed € 728.2 million (previous year: € 561.7 million) here, which represent an increase of 29.6 %. This main drivers of this growth were the Petrochemicals / Chemicals, Water and General Industry Standard Market Areas. Order intake totalling € 115.0 million (previous year: € 120.0 million) in the Energy and Mining operating segments, which include the project business in particular and are also allocated to the Pumps Segment, was 4.2 % lower than in the comparative prior-year period. In the Energy Market Area, in particular, the order intake recognised for large-scale projects was lower. The Region Europe contributed the largest share of order intake of the Pumps Segment with € 437.5 million (previous year: € 350.4 million), followed by the Region Asia / Pacific with € 225.6 million (previous year: € 200.5 million) and the Regions Americas and Middle East / Africa / Russia with lower contributions in absolute terms. The highest growth rates were reported in the Regions Americas and Europe.

The Valves Segment achieved a € 20.0 million increase in order intake to € 195.9 million (previous year: € 175.9 million) and therefore growth of 11.4 %. At € 121.4 million (previous year: € 113.4 million), the Region Europe accounted for the largest share of order intake of the Valves Segment. The next-largest contributions amounted to € 57.8 million (previous year: € 47.0 million) from the Region Asia / Pacific, followed by the Region Americas and the Region Middle East / Africa / Russia. The strongest growth rate was achieved in the Region Asia / Pacific.



## Segment reporting

€ thousands	Order intake		Sales revenue		EBIT	
	Six months ended					
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Pumps Segment	843,244	681,742	608,023	606,600	10,495	9,753
Valves Segment	195,893	175,911	160,067	138,910	-3,960	-6,512
KSB SupremeServ Segment	448,102	391,371	377,588	366,427	46,961	50,385
<b>Total</b>	<b>1,487,239</b>	<b>1,249,024</b>	<b>1,145,678</b>	<b>1,111,937</b>	<b>53,496</b>	<b>53,626</b>

Order intake in the KSB SupremeServ Segment, which covers all service and spare parts activities, rose significantly by € 56.7 million or 14.5 % to € 448.1 million (previous year: € 391.4 million). In particular, this is attributable to increased spare parts sales, for example in the Petrochemicals / Chemicals Market Area among others. In the KSB SupremeServ Segment, too, the Region Europe made the greatest contribution to order intake with € 210.1 million (previous year: € 196.5 million), followed by Americas with € 133.3 million (previous year: € 111.4 million) and Asia / Pacific and Middle East / Africa / Russia. The highest growth rate was reported in Asia / Pacific.

Overall, Europe again accounted for the largest business volume by far of all the Group's Regions. This is reflected in this Region's total order intake of € 769.1 million (previous year: € 660.3 million). However, at 16.5 %, the Region Europe's growth was less than that of the Group. Order intake in the Region Asia / Pacific was increased by € 57.2 million over the previous year to € 357.9 million (previous year: € 300.8 million). This corresponds to an increase of 19.0 %. At € 270.4 million (previous year: € 203.5 million) or 32.9 %, the Region Americas featured the largest percentage growth in the first half of the year. The Region Middle East / Africa / Russia also recorded a positive development in order intake with € 89.8 million (previous year: € 84.3 million).

### SALES REVENUE

Consolidated sales revenue, which follows the order intake with a time lag, rose by € 33.7 million or 3.0 % to € 1,145.7 million (previous year: € 1,111.9 million).

At € 608.0 million (previous year: € 606.6 million), sales revenue in the Pumps Segment was largely unchanged compared with the prior-year level. Sales revenue in the Standard Markets operating segment was increased significantly by 4.7 % to € 498.8 million (previous year: € 476.4 million). The General Industry Market Area made a marked contribution to this increase. The Energy and Mining operating segments recorded a decline of € 21.1 million to € 109.1 million (previous year:

€ 130.2 million). While the Mining Market Area achieved strong growth in the amount of € 13.8 million, sales revenue in the Energy Market Area declined by € 34.9 million due to fewer billable large-scale projects.

The Valves Segment increased its sales revenue to € 160.1 million (previous year: € 138.9 million) and thus achieved growth of € 21.2 million or 15.2 %. At € 96.7 million (previous year: € 86.2 million), the Region Europe accounted for the largest share of sales revenue in the Valves Segment. The next-largest contributions amounted to € 48.3 million (previous year: € 42.9 million) from the Region Asia / Pacific, followed by the Region Americas and the Region Middle East / Africa / Russia.

Sales revenue in the KSB SupremeServ Segment rose by € 11.2 million or 3.0 % to € 377.6 million (previous year: € 366.4 million). With € 176.9 million (previous year: € 191.1 million), the Region Europe also contributed the greatest share of sales revenue in the KSB SupremeServ Segment, followed by the Region Americas with € 116.8 million (previous year: € 98.8 million), the Region Asia / Pacific and the Region Middle East / Africa / Russia. While sales revenue fell sharply in Europe, growth could be achieved in the Region Americas, the Region Asia / Pacific and the Region Middle East / Africa / Russia.

As is the case with order intake, Europe also continues to account for by far the largest share of sales revenue of all the Group's Regions. Sales revenue in the Region Europe totalled € 571.0 million (previous year: € 610.2 million), which is equivalent to a decline of 6.4 % compared with the previous year. The Region Asia / Pacific increased sales revenue by € 23.0 million or 8.9 % over the previous year to € 281.3 million (previous year: € 258.3 million). Sales revenue also developed positively in the Region Americas with € 221.2 million (previous year: € 172.4 million) as well as in the Region Middle East / Africa / Russia with € 72.2 million (previous year: € 71.0 million).

### TOTAL OUTPUT OF OPERATIONS

At € 1,255.1 million, total output of operations was € 131.8 million or 11.7 % higher than the prior-year figure of € 1,123.3 million. This increase was largely supported by the changes in inventories, which increased by € 98.3 million from € 10.3 million to € 108.6 million and by sales revenue, which rose by € 33.7 million to € 1,145.7 million.

### INCOME AND EXPENSES

In line with the increase in total output of operations, the cost of materials rose by € 99.6 million to a total of € 560.8 million compared with the first six months of the previous year; as a percentage of total output of operations, it was up from 41.1 % in the prior-year period to 44.7 % in the reporting period.

Staff costs increased from € 420.7 million to € 448.4 million, while staff costs as a percentage of total output of operations decreased by 1.8 percentage points to 35.7 % compared with the prior-year period. The number of employees increased from 15,412 to 15,588 compared with the 2021 year-end figure. The average headcount rose from 15,155 to 15,524 compared with the same period of the previous year.

At € 169.9 million, other expenses were € 10.6 million higher than in the comparative prior-year period and thus fell slightly as a percentage of total output of operations. This rise is attributable in particular to higher administrative costs, higher expenses for repairs, maintenance and third-party services, as well as higher distribution costs.

### HALF-YEAR EARNINGS

At € 53.5 million, EBIT was at prior-year levels (€ 53.6 million). This reflects the aforementioned challenges, the severe damage caused by hail at the valves production facility in La Roche-Chalais in France and one-off costs resulting from the cyber attack. At € 47.0 million (€ 50.4 million), the KSB SupremeServ Segment made the strongest contribution to EBIT. The Pumps Segment contributed EBIT of € 10.5 million (previous year: € 9.8 million), and the Valves Segment € – 4.0 million (previous year: € – 6.5 million).

Earnings before income taxes (EBT) declined noticeably from € 51.7 million to € 49.9 million compared with the prior-year figure. EBT was reduced mainly by the higher interest rates for pension provisions and creditor losses in countries with high levels of inflation. Taxes on income fell from € 17.1 million to € 2.3 million. The income tax rate in the first half of 2022 is 4.6 %, after 33.0 % in the comparative prior-year period. The low income tax rate in the reporting period is largely the result of income from deferred tax assets. This income is recognised

in the same amount as a charge from deferred tax assets in other comprehensive income in equity.

Earnings after income taxes amounted to € 47.6 million (previous year: € 34.6 million) and thus increased by € 13.0 million. Earnings attributable to non-controlling interests amounted to € 9.1 million in absolute terms (previous year: € 7.6 million). Earnings attributable to shareholders of KSB SE & Co. KGaA (€ 38.5 million) were € 11.4 million higher than in the previous year (€ 27.1 million).

Earnings per ordinary share were € 21.84, compared with € 15.33 in the previous year, and € 22.10 per preference share, compared with € 15.59 in the first half of 2021.

## Financial Position and Net Assets

### LIQUIDITY

Cash flows from operating activities amounted to € – 88.9 million (previous year: € 51.9 million). The increase in inventories, in particular, contributed € 159.9 million to this outflow of funds. In addition, trade receivables increased and impacted cash flows from operating activities by € 36.9 million. An inflow of funds of € 44.2 million resulting from higher contract liabilities and the positive earnings of € 47.6 million had an opposite effect.

Cash flows from investing activities came to € – 31.5 million (comparative prior-year period: € 13.8 million) and mainly included payments for investments of € – 38.0 million (previous year: € – 23.7 million).

Cash flows from financing activities amounted to € – 30.5 million in the reporting period and thus changed little (previous year: € – 31.1 million). A € 14.0 million higher dividend payment to the shareholders of KSB SE & Co. KGaA was largely offset by a € 7.7 million lower dividend payment to non-controlling interests and by an increase of € 9.5 million in bank loans.

Cash and cash equivalents from all cash flows decreased from € 386.7 million as at 31 December 2021 to € 245.6 million. Exchange rate effects amounting to € 9.9 million (previous year: € 8.4 million) contributed to this.



## INVESTMENTS

Investments in the first half of 2022 came to € 36.7 million and were thus at the same level as in the comparative prior-year period. Investments were made above all in Europe – in particular in Germany, France and the Netherlands. Outside Europe, the focus of investments was on the USA, India and China. These investments comprise primarily investments in the expansion of production capacities and productivity enhancement.

## NET FINANCIAL POSITION

The KSB Group's net financial position, i.e. the difference between interest-bearing financial assets on the one hand and financial liabilities on the other, declined from € 365.6 million as at 31 December 2021 to € 218.3 million. Cash flows from operating activities of € – 88.9 million contributed to the reduction, as did payments for investments of € 38.0 million and dividend payments of € 25.3 million.

## NET ASSETS

Non-current assets amounted to € 741.1 million and have increased by € 20.8 million compared with 31 December 2021. Property, plant and equipment increased by € 14.9 million. This mainly covers technical equipment and machinery (€ 10.0 million). Furthermore, land and buildings increased by € 5.8 million, while intangible assets declined by € 2.3 million. Deferred tax assets rose by € 6.1 million to € 40.8 million.

Inventories, at € 706.4 million, were up € 176.9 million on the 2021 year-end level. The increase was mainly a result of delays in production and delivery because of the cyber attack. This was reflected in an increase of € 68.2 million in work in progress and an increase of € 42.4 million in finished goods and goods purchased and held for resale. Raw materials, consumables and supplies also increased by € 51.1 million.

The increase in contract assets by € 10.2 million to € 89.5 million is primarily attributable to the fact that the level of completion of customer orders increased by € 8.2 million, while the advance payments received from customers for contract assets declined by € 2.0 million. Trade receivables increased by € 45.5 million to € 524.7 million compared with the comparatively low level as at 31 December 2021.

Other current non-financial assets rose from € 39.3 million in the prior-year period to € 58.0 million, above all due to pre-paid expenses that were up € 13.4 million.

Cash and cash equivalents accounted for around 10 % of assets, totalling € 245.6 million (previous year: € 386.7 million).

Totals assets amounted to € 2,448.4 million as at 30 June 2022, representing an increase of € 134.0 million or 5.8 % compared with the 2021 year-end figure. This change resulted primarily from higher inventories (€ 176.9 million) and higher trade receivables (€ 45.5 million), while cash and cash equivalents declined by € 141.1 million).

## EQUITY

KSB Group equity increased from € 869.1 million (31 December 2021) to € 1,074.1 million. € 189.8 million of the increase were attributable to the shareholders of KSB SE & Co. KGaA, while the share attributable to non-controlling interests increased by only € 15.2 million. The main factor was other comprehensive income at € 182.7 million, which included actuarial gains of € 145.3 million arising from the increase in the discount rate for the remeasurement of defined benefit plans and positive currency translation differences of € 37.6 million. This was offset by dividend distributions in the amount of € 25.3 million, which reduced equity. Earnings after income taxes contributed € 47.6 million to the increase. As a result of the increase in equity, the equity ratio rose from 37.6 % as at 31 December 2021 to 43.2 %.

## LIABILITIES

Liabilities fell from € 1,445.3 million at the end of the previous year to € 1,374.4 million. This change (€ – 71.0 million or – 4.9 %) is mainly a result of the marked increase in the discount rate for pensions and similar obligations, which declined by € 160.8 million. This was offset by higher contract liabilities (€ 50.9 million) and higher trade payables (€ 32.2 million).

## Report on Expected Developments

The following projections for the Group's key financial performance indicators for the 2022 financial year were made in the 2021 Annual Report:

- Order intake: € 2,350 million to € 2,650 million
- Sales revenue: € 2,300 million to € 2,600 million
- EBIT: € 130 million to € 170 million

The Group confirms the projections for all three indicators. This also applies to the Pumps, Valves and KSB SupremeServ Segments. The projections do not take into account the impact the sanctions adopted after 30 June 2022 in relation to the war in Ukraine may have on the company and on business activities in Russia. These sanctions could potentially result in a reorganisation of business in Russia.

The EBIT of the Valves Segment may fall short of the forecast as a result of the damage caused by hail at the valves production facility in La Roche-Chalais in France. As well as causing one-off costs incurred for cleaning up and repairing the damage, this incident is expected to entail temporary adverse effects on production.

KSB continues to see the global business environment as being subject to considerable uncertainties, especially due to the sharp increase in commodity and energy costs, and delays in supply chains. In addition, the Russia-Ukraine war and China's zero-COVID strategy could lead to further negative consequences for global economic growth.

## Forward-looking Statements

This report contains forward-looking statements and information that are based upon the assumptions of the Managing Directors. They express current forecasts and expectations with regard to future events. As a result, these forward-looking statements and information are exposed to risks and uncertainties that lie outside the Management's sphere of influence. KSB wishes to point out that actual events or earnings may differ materially from the forward-looking statements and information presented, if one or more of the following opportunities or risks, or other opportunities, risks and uncertainties should materialise, or if the assumptions underlying the statements prove to be inaccurate.

## Opportunities and Risks Report

Opportunities and risks KSB sees facing its business were presented in detail in the 2021 Annual Report. The overall risk for KSB has substantially increased compared with this presentation. The key drivers were the ongoing burden on the commodity markets and supply chains, as well as the war in Ukraine with tightened sanctions and the impairment of energy supplies in Europe. Despite this increase, the legal representative continues to state that at the present time, according to the analysis of the KSB Group's overall risk position and risk-bearing capacity, no threat has been identified to the business continuity of the KSB Group that could have a lasting and material adverse effect on the KSB Group's net assets, financial position and results of operations. KSB also draws attention to the above comments on forward-looking statements.

## Audit Review

This interim management report – as well as the underlying condensed interim consolidated financial statements – have neither been audited nor reviewed in accordance with section 317 of the German Commercial Code [HGB].

## Information and Publication

Due to rounding, there may be minor differences in the totals, the percentages and information on changes presented in the management report compared with the previous year.

The half-year financial report is published on the web site [www.ksb.com](http://www.ksb.com).



# Interim Consolidated Financial Statements

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# Balance Sheet

## Assets

€ thousands	Notes	30 June 2022	31 Dec. 2021
<b>Non-current assets</b>			
Intangible assets	1	73,581	75,927
Right-of-use assets	1	41,100	42,709
Property, plant and equipment	1	552,667	537,786
Non-current financial assets	1	1,293	1,508
Other non-financial assets	1	8,639	7,592
Investments accounted for using the equity method	1	23,086	20,184
Deferred tax assets	14	40,756	34,619
		<b>741,121</b>	<b>720,325</b>
<b>Current assets</b>			
Inventories	2	706,359	529,451
Contract assets	3	89,507	79,300
Trade receivables	3	524,700	479,244
Other financial assets	3	83,142	80,140
Other non-financial assets	3	57,982	39,298
Cash and cash equivalents	4	245,623	386,683
		<b>1,707,313</b>	<b>1,594,115</b>
		<b>2,448,434</b>	<b>2,314,440</b>

## Equity and Liabilities

€ thousands	Notes	30 June 2022	31 Dec. 2021
<b>Equity</b>	<b>5</b>		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		753,075	563,316
Equity attributable to shareholders of KSB SE & Co. KGaA		864,511	674,751
Non-controlling interests		209,572	194,372
		<b>1,074,083</b>	<b>869,123</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		10,333	9,177
Provisions for employee benefits	6	471,095	629,245
Other provisions	6	1,517	1,569
Financial liabilities	7	25,348	27,067
		<b>508,292</b>	<b>667,058</b>
<b>Current liabilities</b>			
Provisions for employee benefits	6	7,582	7,677
Other provisions	6	92,734	93,451
Financial liabilities	7	55,795	51,898
Contract liabilities	7	208,276	157,389
Trade payables	7	304,990	272,813
Other financial liabilities	7	32,316	26,635
Other non-financial liabilities	7	153,347	157,466
Income tax liabilities	7	11,020	10,931
		<b>866,060</b>	<b>778,258</b>
		<b>2,448,434</b>	<b>2,314,440</b>

Further information is provided in the Notes to the consolidated financial statements.



# Statement of Comprehensive Income

## Income statement

€ thousands	Notes	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>Sales revenue</b>	<b>8</b>	<b>1,145,678</b>	<b>1,111,937</b>
Changes in inventories		108,633	10,291
Work performed and capitalised		784	1,101
<b>Total output of operations</b>		<b>1,255,095</b>	<b>1,123,329</b>
Other income	9	18,824	12,113
Cost of materials	10	-560,808	-461,204
Staff costs	11	-448,402	-420,702
Depreciation and amortisation	1	-41,295	-40,628
Other expenses	12	-169,918	-159,282
<b>Earnings before finance income / expense and income tax (EBIT)</b>		<b>53,496</b>	<b>53,626</b>
Finance income	13	3,469	2,555
Finance expense	13	-9,233	-5,170
Income from / expense to investments accounted for using the equity method	13	2,187	700
<b>Finance income / expense</b>		<b>-3,577</b>	<b>-1,915</b>
<b>Earnings before income tax (EBT)</b>		<b>49,919</b>	<b>51,711</b>
Taxes on income	14	-2,302	-17,072
<b>Earnings after income tax</b>		<b>47,617</b>	<b>34,639</b>
Attributable to:			
Non-controlling interests	15	9,138	7,571
<b>Shareholders of KSB SE &amp; Co. KGaA</b>		<b>38,479</b>	<b>27,068</b>
Diluted and basic earnings per ordinary share (€)	16	21.84	15.33
Diluted and basic earnings per preference share (€)	16	22.10	15.59

**Statement of income and expense recognised in equity**

€ thousands	Notes	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>Earnings after income tax</b>		<b>47,617</b>	<b>34,639</b>
Remeasurement of defined benefit plans		158,636	23,669
Taxes on income		-13,282	26
Remeasurement of defined benefit plans attributable to investments accounted for using the equity method		-34	197
<b>Items not reclassified to profit or loss in subsequent periods</b>		<b>145,320</b>	<b>23,892</b>
Currency translation differences		37,649	15,525
Changes in the fair value of financial instruments: Hedging reserve		-4,388	-2,065
Taxes on income: Hedging reserve		1,296	19
Changes in the fair value of financial instruments: Hedging cost reserve		2,467	-30
Taxes on income: Hedging cost reserve		-757	-
Expense and income recognised directly in equity attributable to investments accounted for using the equity method		1,067	678
<b>Items reclassified to profit or loss in subsequent periods if required</b>		<b>37,334</b>	<b>14,127</b>
<b>Other comprehensive income</b>		<b>182,654</b>	<b>38,019</b>
<b>Total comprehensive income</b>		<b>230,271</b>	<b>72,658</b>
Attributable to:			
Non-controlling interests		19,271	11,687
<b>Shareholders of KSB SE &amp; Co. KGaA</b>		<b>211,000</b>	<b>60,971</b>

Further information is provided in the Notes to the consolidated financial statements.



## Statement of Changes in Equity

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
<b>1 Jan. 2021</b>	44,772	66,663
Other comprehensive income	-	-
Earnings after income tax	-	-
<b>Total comprehensive income</b>	-	-
Dividends paid	-	-
Capital increase / decrease	-	-
Step acquisitions	-	-
Other	-	-
<b>30 June 2021</b>	<b>44,772</b>	<b>66,663</b>

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
<b>1 Jan. 2022</b>	44,772	66,663
Other comprehensive income	-	-
Earnings after income tax	-	-
<b>Total comprehensive income</b>	-	-
Dividends paid	-	-
Capital increase / decrease	-	-
Step acquisitions	-	-
Other	-	-
<b>30 June 2022</b>	<b>44,772</b>	<b>66,663</b>

Revenue reserves		Other comprehensive income						
Other revenue reserves	Currency translation differences	Changes in the fair value of financial instruments: Hedging reserve	Changes in the fair value of financial instruments: Hedging cost reserve	Remeasurement of defined benefit plans	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total equity	
866,210	-142,129	1,313	-282	-308,673	527,874	175,928	703,803	
-	12,041	-2,046	-30	23,938	33,903	4,116	38,019	
27,068	-	-	-	-	27,068	7,571	34,639	
<b>27,068</b>	<b>12,041</b>	<b>-2,046</b>	<b>-30</b>	<b>23,938</b>	<b>60,971</b>	<b>11,687</b>	<b>72,658</b>	
-7,230	-	-	-	-	-7,230	-11,795	-19,025	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
46	-	-	-	-	46	-	46	
<b>886,094</b>	<b>-130,088</b>	<b>-733</b>	<b>-312</b>	<b>-284,735</b>	<b>581,662</b>	<b>175,820</b>	<b>757,482</b>	

Revenue reserves		Other comprehensive income						
Other revenue reserves	Currency translation differences	Changes in the fair value of financial instruments: Hedging reserve	Changes in the fair value of financial instruments: Hedging cost reserve	Remeasurement of defined benefit plans	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total equity	
953,330	-124,168	-4,539	2,227	-263,534	674,751	194,372	869,123	
-	28,625	-3,092	1,710	145,278	172,521	10,133	182,654	
38,479	-	-	-	-	38,479	9,138	47,617	
<b>38,479</b>	<b>28,625</b>	<b>-3,092</b>	<b>1,710</b>	<b>145,278</b>	<b>211,000</b>	<b>19,271</b>	<b>230,271</b>	
-21,240	-	-	-	-	-21,240	-4,071	-25,311	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<b>970,569</b>	<b>-95,543</b>	<b>-7,631</b>	<b>3,937</b>	<b>-118,256</b>	<b>864,511</b>	<b>209,572</b>	<b>1,074,083</b>	



## Statement of Cash Flows

€ thousands	Six months ended 30 June 2022	Six months ended 30 June 2021
Cash flows from operating activities	-88,890	51,933
Cash flows from investing activities	-31,535	13,828
Cash flows from financing activities	-30,541	-31,125
Changes in cash and cash equivalents	-150,966	34,636
Effects of exchange rate changes on cash and cash equivalents	9,907	4,187
Effects of changes in consolidated Group	-	951
Cash and cash equivalents at beginning of period	386,683	331,512
Cash and cash equivalents at end of period	245,623	371,286

# Notes

## I. GENERAL INFORMATION ON THE GROUP

### Basis of preparation of the interim consolidated financial statements

These unaudited condensed interim consolidated financial statements of KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as adopted by the European Union (EU), taking into consideration the interpretations of the IFRS Interpretations Committee (IFRIC). The standards and interpretations applicable as at 1 January 2022 were used. The interim consolidated financial statements have been prepared in euros (€) on a going concern basis.

Amounts in this report are generally presented in thousands of euros (€ thousands) using standard commercial rounding rules and in condensed form pursuant to IAS 34. Due to rounding, there may be minor differences in the totals and percentages presented in this report.

### New accounting principles

Compared with the consolidated financial statements for the 2021 financial year, no accounting standards and interpretations were adopted for the first time that had a material impact on the KSB Group's (hereinafter also referred to as "KSB" or the "Group") assets, liabilities, financial position and results of operations.

## II. CONSOLIDATION PRINCIPLES

### Consolidated Group

In the first half of the 2022 financial year, there were no changes in the consolidated Group compared with 31 December 2021. Therefore, as at 30 June 2022, in addition to KSB SE & Co. KGaA, 9 German and 77 foreign companies were fully consolidated in the interim consolidated financial statements. The equity method was used to consolidate four joint ventures and one associate company as at 30 June 2022.

### Consolidation and currency translation methods

There were no material changes to consolidation methods or currency translation methods compared with the consolidated financial statements for the 2021 financial year.

### Hyperinflation

Turkey is classified as a hyperinflationary economy for the interim consolidated financial statements as at 30 June 2022. In this respect, KSB is following the information of the International Practices Task Force (IPTF) of the Center of Audit Quality (CAQ). The activities of KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara, are now recognised under IAS 29 Financial Reporting in Hyperinflationary Economies. No further information was provided as the impact on the Group's net assets, financial position and result of operations was not material.

## III. ACCOUNTING POLICIES

The accounting policies were essentially unchanged from the consolidated financial statements for the 2021 financial year. They apply to all companies included in the interim consolidated financial statements.

## IV. BALANCE SHEET DISCLOSURES

### 1. Non-current assets

In the first six months of the 2022 financial year, additions of € 36,740 thousand (comparative prior-year period: € 36,065 thousand) were recognised for property, plant and equipment, rights of use to leased assets and intangible assets. At € 41,295 thousand (previous year: € 40,628 thousand), depreciation and amortisation on these items were slightly above the level of the comparative prior-year period.

When assessing the indicators of a possible impairment of assets as at 30 June 2022, it was found on the one hand that the carrying amount of the Group's net assets exceeds market capitalisation. On the other hand, the Group's weighted average cost of capital increased significantly, due to the increase in general market interest rates. For these reasons, impairment analyses were carried out for the Group's assets within the scope of IAS 36. In this framework, no material impairment requirement was identified.

Overall, no impairment was recognised on intangible assets, property, plant and equipment, and rights of use to leased assets in the reporting period – as was the case too in the first half of 2021.

### 2. Inventories

€ thousands	30 June 2022	31 Dec. 2021
Raw materials, consumables and supplies	229,407	178,319
Work in progress	226,993	158,779
Finished goods and goods purchased and held for resale	215,930	173,482
Advance payments	34,028	18,871
	<b>706,359</b>	<b>529,451</b>

### 3. Contract assets, trade receivables and other financial and non-financial assets

Impairment losses on contract assets amounted to € 399 thousand (year-end figure in 2021: € 1,630 thousand).

Impairment losses of € 29,717 thousand (year-end figure in 2021: € 35,181 thousand) were recognised on trade receivables from third parties as at the reporting date.

Impairment losses on receivables from loans to other investments amounted to € 320 thousand (year-end figure in 2021: € 320 thousand). No impairment losses on other receivables from other equity investments, associates and joint ventures were recognised, as was the case on 31 December of the previous year.

#### Contract assets, trade receivables and other financial and non-financial assets

€ thousands	30 June 2022	31 Dec. 2021
<b>Contract assets</b>	<b>89,507</b>	<b>79,300</b>
<b>Trade receivables</b>	<b>524,700</b>	<b>479,244</b>
Trade receivables from third parties	473,577	444,601
Trade receivables from other investments, associates and joint ventures	51,123	34,643
thereof from other investments	4,804	3,071
thereof from associates	–	–
thereof from joint ventures	46,319	31,572
<b>Other financial assets</b>	<b>83,142</b>	<b>80,140</b>
Receivables from loans to other investments, associates and joint ventures	2,156	1,918
Currency forwards	2,395	643
Other receivables and other current assets	78,591	77,579
<b>Other non-financial assets</b>	<b>57,982</b>	<b>39,298</b>
Other tax assets	33,474	28,205
Deferred income	24,508	11,093

#### 4. Cash and cash equivalents

Cash and cash equivalents are term deposits with short maturities and call deposits, and also current account balances. Cash equivalents include short-term deposits with an original maturity of less than three months.

#### 5. Equity

There was no change in the share capital of KSB SE & Co. KGaA as against the previous year. In accordance with the Articles of Association, it totals € 44,771,963.82 and, as in the previous year, is composed of 886,615 ordinary shares and 864,712 preference shares. Each no-par-value share represents an equal notional amount of the share capital. The preference shares carry separate cumulative preferred dividend rights and progressive additional dividend rights. All shares are no-par-value bearer shares. The individual shares have no par value.

The development of the currency translation differences recognised in equity is shown in the table below.

Non-controlling interest relates primarily to PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal / Pfalz, Germany, and the interests it holds, as well as to companies in India and China. KSB FINANZ S.A., Echternach, Luxembourg, holds a 51 % interest in PAB Pumpen- und Armaturen-Beteiligungsges. mbH, while Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, Germany, holds a 49 % interest.

The development of the equity items, including non-controlling interests, is presented in the Statement of Changes in Equity.

#### Development of currency translation differences in equity

€ thousands	Currency translation differences in equity attributable to shareholders of KSB SE & Co. KGaA	Currency translation differences in non-controlling interests	Total amount of currency translation differences in equity
1 Jan. 2021	-142,129	-34,233	-176,362
Change in 2021	12,041	4,162	16,203
<b>30 June 2021</b>	<b>-130,088</b>	<b>-30,071</b>	<b>-160,159</b>
1 Jan. 2022	-124,168	-21,868	-146,036
Change in 2022	28,625	10,091	38,716
<b>30 June 2022</b>	<b>-95,543</b>	<b>-11,777</b>	<b>-107,320</b>



## 6. Provisions

The pension obligations in the KSB Group include defined contribution and defined benefit plans and contain both obligations from current pensions and future pension benefit entitlements. The decline of € 160,839 thousand in provisions for pensions and similar obligations to € 452,541 thousand (year-end figure in 2021: € 613,380 thousand) is attributable to the sharp increase in the interest rates used for the measurement of these items.

Most of the provisions for pensions and similar obligations result from defined benefit plans in place for the German Group companies. Available plan assets are offset against the Group's pension obligations.

Provisions for other employee benefits relate primarily to anniversary and partial retirement obligations.

The provisions for warranty obligations and contractual penalties reported under other provisions cover the statutory and contractual obligations to customers and are based on estimates prepared using historical data for similar products and services.

KSB uses provisions for onerous contracts to account for expected losses resulting in particular from project orders with customers.

Miscellaneous other provisions include, inter alia, provisions for process risks.

### Provisions

€ thousands	30 June 2022	31 Dec. 2021
<b>Employee benefits</b>	<b>478,677</b>	<b>636,922</b>
Pensions and similar obligations	452,541	613,380
Other employee benefits	26,136	23,542
<b>Other provisions</b>	<b>94,251</b>	<b>95,020</b>
Warranty obligations and contractual penalties	55,695	55,600
Onerous contracts	15,711	17,162
Miscellaneous other provisions	22,844	22,258
	<b>572,928</b>	<b>731,941</b>

## 7. Liabilities

### Non-current liabilities

€ thousands	30 June 2022	31 Dec. 2021
<b>Financial liabilities</b>	<b>25,348</b>	<b>27,067</b>
Bank loans and overdrafts	1,577	2,284
Finance lease liabilities	23,500	24,494
Other	271	289

### Current liabilities

€ thousands	30 June 2022	31.12.2021
<b>Financial liabilities</b>	<b>55,795</b>	<b>51,898</b>
Loan against borrower's note	21,996	21,996
Bank loans and overdrafts	20,005	15,382
Finance lease liabilities	13,794	14,512
Other	–	8
<b>Contract liabilities</b>	<b>208,276</b>	<b>157,389</b>
<b>Trade payables</b>	<b>304,990</b>	<b>272,813</b>
Trade payables to third parties	303,448	272,193
Liabilities to other investments, associates and joint ventures	1,541	619
<b>Other financial liabilities</b>	<b>32,316</b>	<b>26,635</b>
Currency forwards	10,888	6,332
Miscellaneous other financial liabilities	21,428	20,303
<b>Other non-financial liabilities</b>	<b>153,347</b>	<b>157,466</b>
Social security and liabilities to employees	119,138	128,761
Tax liabilities (excluding income tax)	26,836	20,023
Prepaid expenses	2,614	3,845
Investment grants and subsidies	4,758	4,837
<b>Income tax liabilities</b>	<b>11,020</b>	<b>10,931</b>



## V. INCOME STATEMENT DISCLOSURES

### 8. Sales revenue

The Group's consolidated sales revenue during the reporting period was € 1,145,678 thousand (previous year: € 1,111,937 thousand).

KSB generates income from the transfer of goods and services over time or at a point in time in the segments presented.

→ [Sales revenue by segment and timing of revenue recognition](#)

Detailed information on KSB's Segments are included in Section VII. Segment Reporting of the Notes to the consolidated financial statements.

### 9. Other income

€ thousands	Six months	Six months
	ended	ended
	30 June 2022	30 June 2021
Income from the reversal of impairment losses	8,557	3,913
Government grants *	1,956	1,432
Currency translation gains	961	1,551
Insurance compensation *	858	296
Income from the disposal of assets	535	365
Miscellaneous other income *	5,958	4,557
	<b>18,824</b>	<b>12,113</b>

\* Restated compared with the presentation in the 2021 half-year financial report

Compared with the 2021 half-year financial report, the presentation for the reporting periods of the 2022 financial year and the previous year was changed to provide a better overview in that the income from government grants previously included in miscellaneous other income and the income from insurance compensation are now shown as separate items in other income.

Other income relates to a large number of individual items and includes, among other things, remuneration for various other services provided by the Group outside its primary business activities.

#### Sales revenue by segment and timing of revenue recognition in the first six months of 2022

€ thousands	Pumps Segment	Valves Segment	KSB Supreme-Serv	Total
			Segment	
<b>Sales revenue</b>	<b>608,023</b>	<b>160,067</b>	<b>377,588</b>	<b>1,145,678</b>
Of which goods and services transferred at a point in time	508,709	146,998	202,694	858,401
Of which goods and services transferred over time	99,314	13,069	174,894	287,277

#### Sales revenue by segment and timing of revenue recognition in the first six months of 2021

€ thousands	Pumps Segment	Valves Segment	KSB Supreme-Serv	Total
			Segment	
<b>Sales revenue</b>	<b>606,600</b>	<b>138,910</b>	<b>366,427</b>	<b>1,111,937</b>
Of which goods and services transferred at a point in time	529,726	130,860	181,699	842,285
Of which goods and services transferred over time	76,874	8,050	184,728	269,652

## 10. Cost of materials

The cost of materials amounted to € 560,808 thousand (previous year: € 461,204 thousand) in the reporting period. This item includes expenses for raw materials, consumables and supplies and for goods and services purchased.

## 11. Staff costs

€ thousands	Six months ended 30 June 2022	Six months ended 30 June 2021
Wages and salaries	364,553	342,078
Social security contributions and employee assistance costs	67,519	61,823
Pension costs	16,331	16,801
	<b>448,402</b>	<b>420,702</b>

Pension costs are reduced by the interest component included in the allocation of provisions that is reported in financial income / expense.

The average number of employees in the reporting period was 15,524, compared with 15,155 in the first half of the previous year.

## 12. Other expenses

€ thousands	Six months ended 30 June 2022	Six months ended 30 June 2021
Repairs, maintenance, third-party services	61,076	57,051
Administrative expenses	40,723	32,673
Selling expenses	30,989	27,800
Other taxes	6,119	6,134
Rents and leases	5,361	4,749
Other staff costs	12,059	10,667
Impairment losses on trade receivables and contract assets	1,542	4,740
Currency translation losses	788	2,558
Losses from current assets	49	40
Losses from asset disposals	541	343
Miscellaneous other expenses	10,671	12,527
	<b>169,918</b>	<b>159,282</b>

Other expenses are primarily made up of expenses from the additions to provisions for warranties and expected losses associated with customer contracts. Income from the reversal of such provisions is also included in this item.

## 13. Finance income / expense

Interest and similar expenses include the net interest cost on pension provisions amounting to € 3,426 thousand (previous year: € 2,343 thousand). In addition, the item also includes interest expense from the subsequent measurement of lease liabilities.

## Finance income / expense

€ thousands	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>Finance income</b>	<b>3,469</b>	<b>2,555</b>
Income from equity investments	228	105
thereof from other investments	228	105
Interest and similar income	3,223	2,438
thereof from other investments	2	5
thereof from investments accounted for using the equity method	187	151
Other finance income	18	11
<b>Finance expense</b>	<b>-9,232</b>	<b>-5,170</b>
Interest and similar expenses	-6,103	-4,485
thereof from other investments	-	-
Other finance expense	-3,130	-685
<b>Income from / expense to investments accounted for using the equity method</b>	<b>2,187</b>	<b>700</b>
<b>Finance income / expense</b>	<b>-3,577</b>	<b>-1,915</b>



#### 14. Taxes on income

This item shows the effective and deferred taxes on income of the companies included in the consolidated financial statements. The tax rate for the first half of 2022 was 4.6 % compared with 33.0 % in the first half of 2021. This decline is primarily attributable to the sharp increase in the interest rate used for the measurement of pension provisions in the German Group companies. The rise in interest rates led to income from deferred taxes in the income statement, which was offset by a charge in an equal amount in other comprehensive income in equity.

##### Taxes on income

	Six months ended	Six months ended
€ thousands	30 June 2022	30 June 2021
Effective taxes	19,462	20,760
Deferred taxes	-17,160	-3,688
	2,302	17,072

#### 15. Earnings after income tax – Non-controlling interests

The net profit attributable to non-controlling interests amounts to € 9,957 thousand (previous year: € 8,335 thousand) and the net loss attributable to non-controlling interests amounts to € 819 thousand (previous year: € 764 thousand). Further information on non-controlling interests is provided under Notes No. 5 Equity.

#### 16. Earnings per share

Earnings per share are calculated using the weighted average number of shares as the denominator.

An additional dividend attributable to preference shareholders of € 0.26 (previous year: € 0.26) per share is assumed for the calculation.

##### Earnings per share

	Six months ended	Six months ended
€	30 June 2022	30 June 2021
Diluted and basic earnings per ordinary share	21.84	15.33
Diluted and basic earnings per preference share	22.10	15.59

## VI. FINANCIAL RISKS

KSB is exposed to certain financial risks as a consequence of its business activities. These risks can be classified into three areas:

KSB is firstly exposed to credit risk. Credit risk is defined as the potential default or delays in the receipt of contractually agreed payments. KSB is also exposed to liquidity risk, which is the risk that an entity will be unable to meet its financial obligations, or will be unable to meet them in full. In addition, KSB is exposed to market price risk. The risk of exchange rate or interest rate changes may adversely affect the economic position of the Group. Risks from fluctuations in the prices of financial instruments are not material for KSB.

KSB limits all these risks through an appropriate risk management system, defining how these risks are addressed through guidelines and work instructions. In addition, KSB continuously monitors the current risk characteristics and regularly provides the information obtained in this way to the Managing Directors and the Supervisory Board in the form of standardised reports and individual analyses.

## VII. SEGMENT REPORTING

Segment reporting is prepared in accordance with IFRS 8 based on the management approach and corresponds to the internal organisational and management structure as well as the reporting lines to the Managing Directors as the chief operating decision-makers.

KSB takes management decisions primarily on the basis of the key performance indicators – order intake, external sales revenue and earnings before financial income / expense and taxes (EBIT) – determined for the Pumps, Valves and KSB SupremeServ reporting segments (hereinafter also referred to as “Segments”). Reporting the relevant assets, number of employees and inter-segment sales revenue of the Segments is not part of internal reporting.

Based on comprehensive consideration, the reporting segments were aligned with the Group’s products and services. For the presentation of the Pumps Segment, the underlying differentiation of individual Market Areas must also be taken into account, as described below.

The Pumps Segment comprises new business with single-stage and multistage pumps, submersible pumps and the associated control and drive systems. The applications are assigned to the Market Areas of Energy and Mining and to the Market Areas of Water, Building Services, Petrochemicals / Chemicals and General Industry, which are grouped together in the organisational and reporting structure of the Group as Standard Market Areas. Each customer is assigned by the Group to a specific Market Area according to their main business activity. The allocation of transactions with customers to the Market Areas follows this clear assignment of customers by KSB, irrespective of the specific product underlying the transaction.

For the new business with pumps, the Energy, Mining and Standard Market Areas are derived from the organisational and reporting structure of the Group as operating segments as defined by IFRS 8. These segments share the characteristic that they are based on a common product group, i.e. pumps. Furthermore, it follows from the customer-related delineation of the Market Areas described above that these operating segments are not based on a classification according to specific products and services, taking into account technological and economic characteristics, such as production processes or sales methods. According to KSB’s estimates and expectations, the three Pumps operating segments have similar long-term earnings trends and may also involve fundamentally comparable risks. As a result, the operating segments considered here are aggregated into the Pumps reporting segment pursuant to IFRS 8 in view of the close technological and economic inter-relationships from the Group’s point of view.

The Valves Segment combines the Group’s business activities with regard to new business in butterfly valves, globe valves, gate valves, control valves, diaphragm valves and ball valves, as well as associated actuators and control systems. The basic applications for these products are identical to those for pumps. However, in contrast to the Pumps Segment, the Valves Segment is not divided into individual Market Areas for the central management of the Group.

The KSB SupremeServ Segment on the one hand comprises the spare parts business for pumps and valves. On the other hand, KSB’s service activities are allocated to this Segment. These include the installation, commissioning, start-up, inspection, servicing, maintenance and repair of pumps, related systems and valves, as well as modular service concepts and system analyses for complete plants.

The amounts disclosed for the individual segments have been established in compliance with the accounting policies of the present interim consolidated financial statements.

The order intake by segment presents order intake generated with third parties.

The sales revenue by segment presents sales revenue generated with third parties.

The “Segment reporting” table shows earnings before finance income / expense and income tax (EBIT) including non-controlling interests.

### → Segment reporting

EBIT includes depreciation and amortisation of € 18,789 thousand (previous year: € 19,042 thousand) for the Pumps Segment, € 5,377 thousand (previous year: € 5,534 thousand) for the Valves Segment and € 17,129 thousand (previous year: € 16,052 thousand) for the KSB SupremeServ Segment).

€ 252,251 thousand (previous year: € 288,971 thousand) of the sales revenue shown were generated by the companies based in Germany, € 83,702 thousand (previous year: € 102,055 thousand) by companies in China, € 84,986 thousand (previous year: € 87,327 thousand) by companies in France, € 107,102 thousand (previous year: € 85,506 thousand) by companies in the USA and € 617,637 thousand (previous year: € 548,078 thousand) by the other Group companies.



There were no relationships with individual customers that accounted for a material proportion of Group sales revenue.

At the reporting date, the total non-current assets of the KSB Group under review for the purposes of segment reporting amounted to € 690,434 thousand (year-end figure in 2021: € 676,607 thousand), with € 239,676 thousand (year-end figure in 2021: € 238,698 thousand) being attributable to the

companies based in Germany and € 450,758 thousand (year-end figure in 2021: € 437,909 thousand) being attributable to the other Group companies. The values shown include intangible assets, rights of use to leased assets, property, plant and equipment and investments accounted for using the equity method.

### Segment reporting

€ thousands	Order intake		Sales revenue		EBIT	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Pumps Segment	843,244	681,742	608,023	606,600	10,495	9,753
Valves Segment	195,893	175,911	160,067	138,910	-3,960	-6,512
KSB SupremeServ Segment	448,102	391,371	377,588	366,427	46,961	50,385
<b>Total</b>	<b>1,487,239</b>	<b>1,249,024</b>	<b>1,145,678</b>	<b>1,111,937</b>	<b>53,496</b>	<b>53,626</b>

## VIII. OTHER DISCLOSURES

### Contingent liabilities and other financial obligations

Contingent liabilities and other financial obligations fall within the scope of what is required to carry on normal business activities. Contingent liabilities and other financial obligations have not changed materially compared with 31 December 2021.

### Related party disclosures

Pursuant to Section 21(1) of the 28 Dec. 2007 version of the WpHG [*Wertpapierhandelsgesetz* – German Securities Trade Act], KSB Stiftung [KSB Foundation], Stuttgart, notified us on 21 May 2008 that its voting interest in KSB SE & Co. KGaA, Frankenthal / Pfalz exceeded the 75.00 % threshold on 5 May 2008 and amounted to 80.24 % (711,453 voting shares) on this date. 0.54 % of the voting rights (4,782 voting shares) were held directly by KSB Stiftung, Stuttgart, and 79.70 % (706,671 voting shares) were attributed to KSB Stiftung, Stuttgart, pursuant to Section 22(1), sentence 1, No. 1 of the 28 Dec. 2007 version of the WpHG. The voting rights attributed to KSB Stiftung, Stuttgart, were held by Johannes und Jacob Klein GmbH, Frankenthal / Pfalz. In 2018, the voting interest of Johannes und Jacob Klein GmbH increased to 83.94 %.

Related parties are KSB Management SE as general partner, KSB Stiftung, Stuttgart, and Kühborth Stiftung GmbH, Stuttgart, each with their direct and indirect interests, joint ventures and associates. These are primarily Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, Klein, Schanzlin & Becker GmbH, Frankenthal / Pfalz, Palatina Versicherungsservice GmbH, Frankenthal / Pfalz, and the companies of Abacus alpha GmbH, Frankenthal / Pfalz. Furthermore, related parties also include entities controlled or jointly controlled by the Managing Directors of Johannes und Jacob Klein GmbH, the Managing Directors or members of the Administrative Board of KSB Management SE or the Managing Directors or members of the Advisory Board of Klein, Schanzlin & Becker GmbH.

The members of the Supervisory Board, the Managing Directors of KSB Management SE and the members of the Administrative Board of KSB Management SE are deemed to be related parties of KSB SE & Co. KGaA.

As part of normal business activities, KSB SE & Co. KGaA maintains business relationships with numerous companies, including affiliates that are deemed to be related parties.

Revenue from the sales of products and services to joint ventures, associates and to companies not consolidated because of immateriality amounted to € 28,103 thousand in the first half of 2022 (previous year: € 22,087 thousand). Further information on the outstanding receivables from and trade payables to these companies are included in Section IV. Balance Sheet Disclosures in Notes No. 3 “Contract assets, trade receivables and other financial and non-financial assets” and in Notes No. 7 “Liabilities”.

Overall, there were no significant changes in the contractual basis and the supply of services between KSB SE & Co. KGaA and its related parties compared with 31 December 2021.

### Auditors

The Annual General Meeting of KSB SE & Co. KGaA on 5 May 2022 resolved to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, as auditors and group auditors for the 2022 financial year.

This half-year financial report has been neither reviewed nor audited in accordance with Section 317 HGB [German Commercial Code].

### Events after the reporting date

After the reporting date, the sanctions imposed by the EU on Russia in response to the war in Ukraine have been further tightened. Based on the information available at the time of preparing these interim consolidated financial statements the potential effects cannot be conclusively predicted by KSB and are therefore not quantifiable.

Beyond this, there were no events after the reporting date that are of particular significance for the Group’s net assets, financial position and results of operations.

### German Corporate Governance Code

The Managing Directors and the Supervisory Board of KSB SE & Co. KGaA issued the current Statement of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 AktG [*Aktiengesetz* – German Public Companies Act] on 15 December 2021. The Statement is accessible to the public at KSB’s web site: [www.ksb.com](http://www.ksb.com) > Investor Relations > Corporate Governance > Corporate Governance Statement / Statement of Compliance with the German Corporate Governance Code.



## Appropriation of the net retained earnings of KSB SE & Co. KGaA

The Annual General Meeting on 5 May 2022 resolved to appropriate the net retained earnings of € 40,933,115.04 of KSB SE & Co. KGaA as follows:

### Appropriation of net retained earnings

€	
Dividend of € 9.00 per ordinary no-par-value share	7,979,535.00
Dividend of € 9.26 per preference no-par-value share	8,007,233.12
Anniversary dividend of € 3.00 per ordinary no-par-value share	2,659,845.00
Anniversary dividend of € 3.00 per preference no-par-value share	2,594,136.00
<b>Total</b>	<b>21,240,749.12</b>
<b>Carried forward to new account</b>	<b>19,692,365.92</b>
	40,933,115.04

Pursuant to Section 58(4), sentence 2, of the German Public Companies Act [AktG – *Aktien-gesetz*], the claim to the dividend shall be due on the third business day following the resolution adopted by the Annual General Meeting.

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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 during the remainder of the financial year.

Frankenthal, 4 August 2022

KSB Management SE

The Managing Directors



# Contacts

## EDITOR

KSB SE & Co. KGaA  
Johann-Klein-Straße 9  
67227 Frankenthal, Germany  
Tel.: +49 6233 86-0

## GROUP INFORMATION

You will find the latest news  
on the KSB Group at: [www.ksb.com](http://www.ksb.com)

Should you need additional information,  
please contact:

## INVESTOR RELATIONS

Dieter Pott  
Tel. +49 6233 86-2615  
E-mail: [investor-relations@ksb.com](mailto:investor-relations@ksb.com)

## COMMUNICATIONS

Sonja Ayasse  
Tel. +49 6233 86-3118  
E-mail: [sonja.ayasse@ksb.com](mailto:sonja.ayasse@ksb.com)

## CONCEPT AND DESIGN

KSB Communications, Frankenthal, Germany

# Financial Calendar

**10 November 2022**

Interim report  
January – September 2022

**31 January 2023**

Preliminary report on the  
2022 financial year

**23 March 2023**

Financial press conference  
Frankenthal, Germany

**27 April 2023**

Interim report  
January – March 2023

**4 May 2023**

Annual General Meeting  
Frankenthal, Germany



**KSB SE & Co. KGaA**  
Johann-Klein-Straße 9  
67227 Frankenthal (Germany)  
[www.ksb.com](http://www.ksb.com)