Interim report for the period ended 31 March 2018

KSB Group: Quarterly results influenced by strong currency exchange effects

The International Monetary Fund (IMF) continues to expect a positive trend in global economic growth. In general, this will provide a sound economic environment for KSB to expand its business. This is to mainly involve extending the sale of standard products, support services and spare parts. In addition, a rising willingness of customers to invest can result in new large-scale projects which also cover pumps and valves. At the same time, however, the emerging difficulties in the international trade of goods suggest first barriers to economic growth in Europe and overseas.

KSB Group		01-03/2018	01-03/2017	Change
Order intake	€ m	**595.2**	603.4	- 1.4 %
Sales revenue	€ m	**509.3**	522.5	- 2.5 %
Employees (31 March)		**15,461**	15,488	- 0.1 %

Order intake and sales revenue

In the first three months, the large KSB companies outside Europe reported a significantly higher order intake year on year. After conversion to the Group currency, the euro, however, it was weighed down by negative currency exchange effects of € 34.5 million. Based on a total value of € 595.2 million this resulted in a drop of € 8.2 million, equivalent to a change of - 1.4 %. In the Region Asia / Pacific the order intake showed a substantial gain of 13.6 % despite adverse currency exchange effects in India, China and Pakistan.

Order intake rose slightly in the Pumps segment, especially in the energy, building services and water / waste water markets. In the Valves and Service segments orders received were down on the same quarter of the previous year, primarily due to the changes in exchange rates.

Orders on hand in the Group continued to increase in the first three months of 2018. They totalled around € 1.4 billion at the end of March and were thus more than € 150 million above the previous year-end figure.

Consolidated sales revenue declined by € 13.2 million, that is by 2.5 %, to € 509.3 million in the same period. This was chiefly attributable to negative currency exchange effects of € 28.2 million. While sales revenue rose slightly in the Region Middle East / Africa and, in Europe, matched the prior-year level, the Regions Americas and Asia / Pacific reported declines in sales revenue. An analysis of consolidated figures revealed these declines across all three segments: Pumps, Valves and Service.

Change in staff numbers

The number of employees has not changed substantially in the past twelve months (-27). At the closing date (31 March 2018), 15,461 people were employed in the Group. The staff cutbacks made as part of the Efficiency Improvement Programme essentially already took place in 2016 and 2017.

In North America, the number of KSB employees went up again by 59 during the period under review. In particular, our US subsidiary GIW Industries, Inc. responded to the surge in demand from the mining sector, which required pumps and spare parts for hydrotransport applications.

Results of operations and financial position

In the first three months our consolidated earnings were below the figure for the comparative prior-year period. This was primarily due to the decline in sales revenue resulting from currency-related effects.

The net financial position, which has risen sharply over the past three years, continued to improve in the first three months. The balance from interest-bearing financial assets and financial liabilities amounted to € 303.3 million at 31 March 2018 and thus exceeded the 2017 year-end figure by € 15.3 million.

Outlook

Order intake and sales revenue in the first quarter were lower than expected. The changes in currency exchange ratios which were the cause of this may change again over the course of the year to then support the original forecast. For this reason, the Company currently sees no cause to amend its full-year targets for 2018.

Growth in consolidated earnings will depend upon the further sales revenue trend, the variations in exchange rates and the effects from cost-cutting projects.

The operational opportunities and risks presented in the 2017 Annual Report have not changed significantly in the first quarter.