Interim report for the period ended 31 March 2017

KSB Group is back on track for growth

KSB is strengthening its global activities this year to benefit from new opportunities in the strategically important market segments Industry and Water / Waste Water, and Service. These three areas begin to show signs of stable to growing demand, although the recovery in the oil and gas market is still held back. By contrast, in the oil processing industry in Iran there are again good opportunities for new orders now that the embargo measures have ended. In mining and the energy sector, too, a number of companies made investments in the first quarter, including some that had long been postponed, which resulted in orders being placed for pumps and valves.

KSB Group		01-03/2017	01-03/2016	Change
Order intake	€ million	**603.4**	522.7	+ 15.4 %
Sales revenue	€ million	**522.5**	506.4	+ 3.2 %
Employees (31 March)		**15,488**	16,069	- 3.6 %

Order intake and sales revenue

The Group's order intake in the months of January to March 2017 rose by € 80.7 million compared with the first quarter of the previous year, to € 603.4 million. This growth of 15.4 % was mainly the result of orders from industry, including chemicals and petrochemicals, energy supply and mining. Orders received from the water and waste water sector also increased markedly.

The greatest rise we recorded was for orders for pumps, helped by the positive effect of several major orders from mining, chemicals and petrochemicals, and the energy sector. In Valves and in Service, too, we posted significant growth figures.

Group sales revenue rose by € 16.1 million, or 3.2 %, to € 522.5 million in the same period. In the Regions Asia / Pacific and Middle East / Africa the invoicing of a number of project orders from previous years even led to double-digit growth rates. The companies in the Region Americas slightly exceeded prior-year levels. Only in Europe, where fewer major orders were pending for dispatch, sales revenue declined slightly. Overall we were able to increase our sales revenue in all three segments – Pumps, Valves and Service, with the percentage improvement in Service being in the double-digit range.

Change in staff numbers

The number of employees working in the Group fell by 581 to 15,488 within twelve months (reporting date 31 March 2017). This is mainly attributable to the efficiency improvement programme underway since the beginning of 2016, which also involves a reduction of staff costs. The decline in staff numbers primarily affected companies in Europe and the Americas, where we adjusted our personnel capacity in line with changes in market conditions.

Results of operations and financial position

In the first three months we significantly increased our Group earnings compared with the comparative prior-year period. As well as the growth in sales revenue, the measures of the efficiency improvement programme, which aims at a 10 % reduction in material, staff and overhead costs by the end of 2018, also contributed to this. In contrast, the one-off expenses entailed by these measures had the opposite effect.

The balance of interest-bearing financial assets and financial liabilities on 31 March exceeded the closing figure for the previous year. As of 31 December 2016 the net financial position was nearly € 260 million.

Outlook

From today's point of view, we can confirm our forecast for 2017. This means we expect a marked increase in our order intake compared with the previous year. This rise will, however, be less pronounced than in the first quarter, which was dominated by major project orders. In terms of sales revenue we aim to achieve figures at approximately the same level as in 2016.

The earnings before income taxes will improve considerably, mainly because of the positive effects achieved by our efficiency improvement programme. The savings expected by the end of the year will be significantly higher than the one-off costs incurred for this programme.

The operative opportunities and risks presented in the 2016 annual report have not changed materially in the first quarter. When producing the annual report we had assumed contingent liabilities from taxes amounting to € 7.4 million (plus interest). Based on our current information, they could amount to € 9.3 million (plus interest of € 2.5 million).

With regard to our net financial position, we are expecting a figure of between € 240 million and € 260 million at the end of the year.