Interim report for the period ended 30 September 2017

KSB Group confirms growth trend

In the first nine months of 2017, demand in KSB's strategically prioritised industry and water / waste water markets was largely fuelled by new investments and replacement needs. By contrast, virtually no orders for new projects were received in the mining sector; however mine operators again increasingly invested in technical equipment for existing plants. The energy generation market declined overall, although some stimulus for demand came from the larger Asian countries.

KSB Group		01-09/2017	01-09/2016	Change
Order intake	€ m	**1,717.0**	1,595.0	+ 7.6 %
Sales revenue	€ m	**1,624.3**	1,590.7	+ 2.1 %
Employees (30 Sept.)		**15,539**	15,883	– 2.2 %

Order intake and sales revenue

The KSB Group's order intake rose by € 122.0 million to € 1,717.0 million from January to September 2017 compared with the prior-year figure for the same period. This 7.6 % growth can primarily be attributed to orders received from the non-European Group companies, with the Regions Asia / Pacific, Americas and Middle East / Africa recording double-digit growth rates. In total, the European companies generated slightly higher order intake year on year.

The strongest growth was recorded in the water and waste water business, as well as in industry and mining. Orders for pumps took a prominent place, also in terms of growth rates, followed by valves and service.

Consolidated sales revenue in the reporting period, with an increase of € 33.6 million (+ 2.1 %) to € 1,624.3, lagged behind order intake, as expected. The reason was a

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weaker development of the project business in previous years, which led to a shorter pipeline of major orders to be completed during the reporting period.

The increase in consolidated sales revenue stemmed from orders for pumps and service. Sales revenue for valves at the end of September was, in contrast, lower year on year. Apart from the weak demand for shut-off butterfly valves for liquefied gas tankers, this can also be attributed to some extent to the sale of the valve business of a USA-based company.

Currency exchange effects amounting to about € 10 million, respectively, contributed to the positive development of order intake and sales revenue. These are mainly the result of the Brazilian real's and South African rand's change in exchange rate against the euro.

Change in number of employees

The number of KSB employees in the Group fell by 344 to 15,539 in the past twelve months (as at 30 September 2017). This decline of 2.2 % was largely the result of the ongoing Efficiency Improvement Programme that was launched in 2016 and also aims at a reduction in personnel expenses.

Results of operations and financial position

In the first three quarters of the year, KSB significantly increased consolidated earnings before income taxes (EBT) compared with the same period of the previous year, and thus confirmed the forecast provided in the annual report. Higher sales revenue and lower one-off and restructuring costs compared with the previous year contributed to the improved earnings. Another factor was positive effects from the Efficiency Improvement Programme that aims at considerably lowering material, staff and overhead costs. The difference between interest-bearing financial assets and financial liabilities (net financial position) ranged at the previous year's level of € 260 million as at 30 September.

Outlook

KSB is maintaining its forecast for 2017. A significant increase in order intake is expected for the full year, fuelled by the positive development of KSB's standard business and an upturn in its project business. Sales revenue will, according to expectations, not be able to keep pace with the order intake development, as the new project orders that are currently being processed will only be reflected in sales revenue in the course of the next few years. Sales revenue for 2017 is thus anticipated to be almost at the same level as in the previous year.

Consolidated earnings before income taxes for the full year will considerably exceed the prior-year level. There are no changes to the operational opportunities and risks as described in the half-year financial report.