# Preliminary report on financial year 2015

# Sales revenue growth despite weaker order levels

# Economic environment

The business situation in mechanical and plant engineering improved only minimally in 2015. Globally, the sector’s sales revenue grew by a mere 1 %. In contrast, the sales revenues recorded by German pump manufacturers lagged noticeably behind the previous year’s figures. As far as industrial valves are concerned, the preliminary figures point to stagnating sales revenue by German manufacturers.

In terms of the main sales markets for pumps and valves, demand developed positively in the manufacturing sector, the chemical industry, and the water and waste water management industries, while the oil and gas industry, as well as petrochemicals, suffered major slumps. Investments by companies in the mining and energy sectors also remained modest.

## Key Group figures as per 31 December 2015 (preliminary figures)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| KSB Group |  | 01-12/2015 | 01-12/2014 | Change |
| Order intake | € million | 2,260.9 | 2,321.2 | - 2.6 % |
| Sales revenue | € million | 2,336.3 | 2,181.7 | + 7.1 % |
| Employees (31 Dec.) |  | 16,172 | 16,309 |  - 0.8 % |

**Order intake slightly down on previous year**

KSB posted orders with a total value of € 2,260.9 million during the reporting year, down 2.6 percent compared with the previous year. Economic weaknesses in the energy sector, in petrochemicals and in the mining industry were key factors in this negative development. In power plant business in particular, several large-scale projects were postponed. This meant a reduction in purchase orders for pumps and valves, which was only partially offset by strong growth in the Service business.

Clear regional differences in order intake emerged in 2015. Companies in Asia and the Middle East/Africa recorded strong order growth. Incoming orders in Europe were down on the previous year, mainly due to lower levels of demand from energy suppliers. The effects of this development were also felt by KSB AG, the largest Group company. Its order intake fell by 7.7 % to € 783.4 million. Orders received also decreased at the American KSB companies, where the mining sector’s reluctance to invest had a key impact.

**Sales revenue growth across all Regions**

Consolidated sales revenue grew by € 154.6 million to € 2,336.3 million. This 7.1 % increase is attributable to major orders placed in previous years. These generated higher sales revenue for pumps and valves, while the orders received in the Service segment in the reporting year also contributed to growth.

Sales revenue growth was strongest in Asia and the Middle East/Africa, but the companies in the Americas and Europe were also able to improve. Performance in Europe was affected by the 0.8 % fall in sales revenue recorded by KSB AG, which achieved € 808.1 million.

Currency translation effects when converting the order intake and sales revenue figures of various non-European countries into the euro, the Group currency, had a positive impact.

**Higher consolidated earnings**

Against the background of the improved sales revenue development and more favourable exchange rates we expect the consolidated earnings before taxes to significantly exceed those of the previous year (€ 72.6 million). 2015 earnings for KSB AG, however, will fall short of the prior-year figure, in particular on account of higher provisions for pensions.

# Employee numbers slightly down

As per 31 December 2015 there were 16,172 people employed in the Group, 137 fewer than at the 2014 year end. The reduction is attributable to staffing adjustments at KSB AG (- 144) and the Brazilian company KSB Bombas Hidráulicas S.A. (- 83) in response to changed market conditions. In contrast, the French companies increased the size of their workforce, with the addition of 109 employees as at the reporting date, mainly due to the integration of a service unit.

**Outlook**

For the 2016 financial year, the KSB Group expects order intake to grow, driven by sales of standard products and service orders. Large-scale orders from the Asian energy sector are also in the pipeline. In light of the weaker level of orders received in 2015, consolidated sales revenue is unlikely to match the previous year’s levels.

Consolidated earnings before taxes will continue to be affected by non-recurring costs, as KSB will intensify its cost-cutting programmes. These include, for example, plans to restructure global production, lower the number of companies and reduce the complexity of its product range.

From a strategic perspective, the Group is looking to key global and regional markets which will be the focus of its sales activities over the coming years.