KSB SE & Co. KGaA

Annual Report 2021

2021

Five-year Financial Summary

Business Development and Earnings

		2021	2020	2019	2018	2017
Order intake	€ m	801	730	797	758	780
Sales revenue	€ m	869	814	842	807	813
Net profit / loss for the year	€ m	4	–8	–17	180	–

Balance Sheet and Equity

		2021	2020	2019	2018	2017
Balance sheet total	€ m	1,038	978	983	1,019	816
Equity	€ m	289	292	315	338	171
Equity ratio	%	28	30	32	33	21

Employees

		2021	2020	2019	2018	2017
Number as at 31 December		3,820	3,826	3,834	3,906	3,885

Dividend

		2021	2020	2019	2018	2017
Per ordinary share	€	12.00 *	4.00	8.50	3.00	7.50
Per preference share	€	12.26 *	4.26	8.76	3.38	7.76

* Of which € 3.00 anniversary dividend

Content

Report of the Supervisory Board

Dr. Bernd Flohr (Chairman of the Supervisory Board)

KSB developed very well in the 2021 financial year ("reporting year"). Order intake and sales revenue increased and earnings significantly exceeded the figure originally predicted. Key future-oriented projects were brought forward and form the basis for continued profitable performance. Nevertheless, the impact of the coronavirus pandemic that has been unfolding since 2020 remained tangible. KSB continued taking measures to protect customers, business partners and employees, and to keep production up and running at the plants. In addition, supply chain bottlenecks on the international markets brought about new challenges. The Supervisory Board of KSB SE & Co. KGaA closely followed the company's development during this special time.

In the reporting year, it performed the duties incumbent on it as set out by law, the Articles of Association and the Rules of Procedure with the utmost diligence. The Supervisory Board advised the general partner, KSB Management SE, acting through its Managing Directors, on corporate management issues and monitored its work. The Managing Directors informed the Supervisory Board about current developments, including but not limited to the company's business, financial and staffing situation, planned investments, corporate planning and strategy via written and oral reports prepared regularly and on an ad hoc basis in a comprehensive and timely manner. The Supervisory Board also convened regularly without the Management.

The Supervisory Board discussed business transactions of significance to the company in depth on the basis of reports submitted by the Managing Directors. Any departures in business developments from the plans and targets were questioned and commented on in detail by the Managing Directors. Beyond the intensive work in plenary sessions and in the committees, the Chairman of the Supervisory Board in particular and other members of the Supervisory Board were in constant contact with the Managing Directors. There was an ongoing exchange of information with the Administrative Board of KSB Management SE, including but not limited to its Chairman, on current business developments and on material transactions, as well as on questions of strategy, planning, risk situations, risk management and compliance. The Chairman of the Administrative Board also participated regularly in the Supervisory Board meetings. The Chairman of the Supervisory Board and his deputy were guests of the Administrative Board on selected issues.

The company continued to support the members of the Supervisory Board in their training measures during the reporting year, providing them with regular information about the rights, obligations and practice of the Supervisory Board. The company also supports the induction of new Supervisory Board members, furnishing them with the necessary information to allow for a quick introduction to internal company workflows.

Main focus of work in the Supervisory Board plenary sessions

The Supervisory Board held five regular meetings in the 2021 financial year, three of which were held as video conferences. Key elements of nearly all Supervisory Board meetings were the performance of the company and the KSB Group, primarily with regard to their business and financial situation, measures for securing future business development and the supply chains, as well as major investment projects for implementing the strategic and organisational direction, for example.

Regular consultations with the Managing Directors on the business development included the analysis of developments in the Market Areas of the Pumps Segment, the Valves and the KSB SupremeServ Segments, as well as in the Regions. Suitable measures to improve results of operations were discussed, as were the growth initiatives presented by the Managing Directors. The Supervisory Board was briefed continuously about the development of the delivery performance, which presented a tangible challenge due to the pandemic-led temporary closure of individual foreign plants. The measures taken to secure the ability to deliver and the supply chains were also clarified. The Managing Directors also provided regular information on the development of ongoing major investments in the production facilities at various sites. The extension of the US plant in Grovetown, Georgia, which specialises in the manufacture of large pumps for mining, was almost completed at the end of 2021, which enabled the Group company GIW Industries, Inc. to expand production capacities, especially for the important spare parts business. Progress was made in further expanding the plant in Shirwal, India; the first sections of the third production hall were completed and commissioned. The SISTO Armaturen S.A. plant in Luxembourg is currently being extended too. It had reached maximum capacity due to strong demand – in particular from the sterile applications market. Work is progressing on schedule and should be completed in the current year. The Supervisory Board was also involved in decisions on establishing a company in Panama and the merger of two French service locations.

The Supervisory Board was briefed regularly on the implementation of the CLIMB 21 strategy project. This growth- and earnings-oriented, Group-wide strategy project entails measures to strengthen the Pumps, Valves and KSB SupremeServ business in the long term. It initially included a reorganisation of the Pumps Segment by markets in 2020. In order to optimally manage the company on the basis of these new structures, it was necessary to convert the business systems and adjust them to reflect the new organisation. The Supervisory Board also dealt with these measures.

The following key topics were discussed at the individual Supervisory Board meetings:

The meeting in March 2021 particularly addressed the audit and approval of the annual financial statements for the 2020 financial year, including the combined management report and the separate combined non-financial report for the company and the KSB Group in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB [*Handelsgesetzbuch* – German Commercial Code]; the auditors also explained the key audit areas and results. The Chairman of the Audit Committee gave a detailed account of the audit carried out on accounting processes for the period. The Supervisory Board agreed to the proposal on the appropriation of the net retained earnings presented by the general partner for the 2020 financial year. Other items on the agenda were a report on the foundry capacities in the Group and their strategic importance.

In May 2021, the Supervisory Board dealt extensively with the project to improve earnings at KSB SE & Co. KGaA. This project aims to enhance the profitability of the parent company by implementing a broad-based series of measures. The IT security situation in the Group was also addressed. This is becoming increasingly important due to digitalisation, which is associated with stronger networking within and outside of KSB. The Supervisory Board was briefed on the outcome of safety checks carried out and on further measures planned.

At the meeting in July, the Supervisory Board dealt in detail with the development of two Pump Market Areas. The General Industry Market Area, which is significant for the Group as a whole, is highly diversified and has customers from different fields of industry. Business activities in the Mining Market Area focus on the Regions Americas and Asia / Pacific as well as the Region Middle East / Africa / Russia. The development plans drawn up for both Market Areas were presented and discussed in detail.

In view of the tense situation on the procurement markets, a key focus of the September meeting was the purchasing strategy and measures to address price increases for materials and delivery bottlenecks. The Supervisory Board acknowledged that materials-related production downtime had been avoided up to then. This was ensured by the broad supplier base and global KSB purchasing network. KSB can only overcome such challenges with a good personnel structure. The Supervisory Board therefore extensively monitored current HR measures on succession planning and employee development. Another agenda item at this meeting was a report on business development and the current key aspects of the work of the KSB SupremeServ Segment, which pools KSB's service activities and spare parts business.

The Supervisory Board addressed the planning for the 2022 financial year and medium-term planning up to 2024 at the meeting in December. The Managing Directors reported at length on the relevant targets, notably on order intake, sales revenue and earnings. Particular emphasis was placed on discussing the investment budget; this is largely earmarked for the extension of production capacities in growth markets and the modernisation of machinery. The performance of the Valves Segment was also on the agenda, in particular the current measures taken to increase the Segment's profitability. The requirements of Section 162 of AktG [*Aktiengesetz* – German Public Companies Act] with regard to the preparation of a remuneration report for KSB SE & Co. KGaA were also discussed, including but not limited to the applicability to the remuneration of the general partner and members of its governing bodies. Preliminary discussions on a personnel decision by KSB Management SE's Administrative Board also took place at this meeting. They concerned the extension of Managing Director Dr. Stephan Bross' term of office, which was set to expire in 2022. The Supervisory Board endorsed the extension.

Main focus of work in the committees

In order to enable it to fulfil its duties efficiently, the Supervisory Board worked with four committees in the reporting year. These prepared the Supervisory Board's resolutions and the special topics to be discussed in the plenary sessions. In addition, they made their own decisions within

SUPERVISORY BOARD COMMITTEES
and their Chairs, as well as number of meetings in the reporting year

CORPORATE DEVELOPMENT COMMITTEE
Chair: Klaus Kühborth
No. of meetings: 4

PERSONNEL COMMITTEE
Chair:
Dr. Bernd Flohr
No. of meetings: 3

NOMINATION COMMITTEE
Members: Dr. Bernd Flohr
Klaus Kühborth
No. of meetings: 1

AUDIT COMMITTEE
Chair:
Klaus Burchards
No. of meetings: 6

Attendance at meeting

	Supervisory Board	Nomination Committee	Corporate Development Committee	Personnel Committee	Audit Committee
Dr. Bernd Flohr, Chair	5/5	1/1		3/3	6/6
René Klotz, Deputy Chair	5/5		4/4	3/3	
Claudia Augustin	5/5			3/3	
Klaus Burchards	5/5				6/6
Arturo Esquinca	5/5		4/4		
Klaus Kühborth	5/5	1/1	4/4		
Birgit Mohme	4/5				5/6
Thomas Pabst	5/5		4/4		
Prof. Dr. Corinna Salander	4/5		4/4		
Harald Schöberl	5/5				6/6
Volker Seidel	5/5		3/4		
Gabriele Sommer	5/5			3/3	

the scope of their authorities. This allocation has proved worthwhile in practice. The Chairs of the committees regularly and comprehensively reported in the plenary sessions on the content and results of the work carried out in the committees.

The **Audit Committee** convened six times in the reporting year. It discussed the 2020 annual and consolidated financial statements and the relevant audit reports submitted by the auditors. The separate combined non-financial report was also discussed in detail. The committee meetings were generally attended by the Managing Directors and the managers of the relevant specialist departments, as well as, on multiple occasions, the auditors. The Audit Committee, in particular its Chairman, regularly exchanged ideas with the auditors in preparatory meetings, without participation of the Managing Directors. The committee prepared the independent examination by the Supervisory Board of the financial statements, the combined management report and the proposal on the appropriation of the net retained earnings. In addition, the Audit Committee submitted a recommendation for the selection of auditors by the 2021 Annual General Meeting to the Supervisory Board plenary session. The committee commissioned the auditors with auditing the annual and consolidated financial statements for the 2021 financial year and defined specific key areas for the audit. It obtained the declaration of independence by the auditors and monitored the auditors' continued independence and performance of non-audit services. The committee also reviewed the quality of the annual financial statements on the basis of previously defined criteria.

In addition, the committee focused on reviewing accounting, monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the auditing of the annual financial statements and compliance. In this context, it also discussed the half-year financial report with the Managing Directors. It also focused regularly on the Internal Audits reports. The economic development of the Group and KSB SE & Co. KGaA were the focal point of almost all of the committee's meetings. The company's measures to improve earnings were closely monitored by the committee. Individual large subsidiaries and their economic and financial development were also regular items on the committee's agenda. Other topics that were addressed include the development of the tax rate in the Group and reports about pending legal disputes.

The **Personnel Committee** held three meetings in the reporting year. It focused on subjects and challenges relating to Human Resources activities within the Group. It also decides in particular on the conducting of transactions for which the Supervisory Board has been appointed to represent the company pursuant to Section 112 AktG, as well as on matters relating to the remuneration of the Supervisory Board members. In the reporting year, it obtained information on the development of the personnel structure and key staff figures in the Group. Personnel topics in relation to the Managing Directors were also on the agenda, for example, the remuneration system. This was revised by the responsible Administrative Board of KSB Management SE with the support of an external remuneration expert; the Personnel Committee cooperated in an advisory capacity.

The **Corporate Development Committee** deals with strategic issues in the fields of technology, production and sales, among other things. It also advises on the budget and planning. The committee held four meetings in the reporting year. Aspects of product and process digitalisation, including the interfaces to customers, were a regular agenda item. Another focal point was fundamentally addressing current organisational models; such considerations aimed at promoting agility, innovation and dynamics in the company. The potential of different markets was also discussed, including life sciences applications, which cover the food, cosmetics and pharmaceutical industries. Another market dealt with was the nuclear business in which KSB enjoys great success, among other things, with a reactor coolant pump for the latest reactor type. The committee also received reports on the progress being made in achieving the sustainability goals. It was, for example, demonstrated how KSB can help customers save energy. Finally, the committee examined the annual investment budget and discussed the current investment focus in this context.

The **Nomination Committee** recommends to the Supervisory Board suitable candidates for election as Supervisory Board members, whom the Supervisory Board then proposes to the Annual General Meeting. In looking for and evaluating suitable candidates with the requisite expertise and experience of the industry, long-term succession planning is a key factor. The committee met once in the reporting year.

Corporate Governance and Statement of Compliance

The Supervisory Board continuously monitored developments in corporate governance standards throughout the reporting year. The general partner, acting through its Managing Directors, and the Supervisory Board reported on the company's corporate governance as part of the Corporate Governance Statement pursuant to Sections 289f (2 and 3) and 315d HGB. On 15 December 2021, they issued a joint updated Statement of Compliance in accordance with Section 161 AktG and made it permanently available to shareholders on the company's web site. The company complies with the German Corporate Governance Code's recommendations subject to a few justified exceptions.

In the reporting period, no conflicts of interest arose involving members of the Supervisory Board that would have been subject to disclosure in the report of the Supervisory Board.

Audit of the 2021 Annual and Consolidated Financial Statements

The Supervisory Board examined the annual financial statements of KSB SE & Co. KGaA for the year ended 31 December 2021, which were prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB), as well as the consolidated financial statements and the combined management report for both financial statements for the year ended 31 December 2021, which were prepared in accordance with the International Financial Reporting Standards (IFRSs), and the proposal by the general partner on the appropriation of net retained earnings. This also applies to the separate combined non-financial report.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, audited the annual financial statements of KSB SE & Co. KGaA for the year ended 31 December 2021, as well as the consolidated financial statements and the combined management report for the company and the Group for the year ended 31 December 2021, and issued an unqualified opinion. The key audit areas defined for the auditors by the Audit Committee for the reporting year's consolidated financial statements included, among other things, impairment testing for goodwill as well as items of property, plant and equipment, provisions for expected losses and impairment testing for deferred taxes. In the annual financial statements, the committee requested a review of the provisions for expected losses, including any ripple effects. The separate combined non-financial report was reviewed by the auditor. The auditor reported on its findings both orally and in writing.

The accounting documentation, the proposal by the general partner on the appropriation of the net retained earnings, the non-financial report and the audit reports submitted by the auditors were provided in good time to all members of the Supervisory Board. They were discussed in detail by the Audit Committee on 3 March 2022 and on 9 March 2022, as well as in the Supervisory Board plenary session on 17 March 2022, and explained in depth by the Managing Directors of the general partner. The auditors attended the meetings of both bodies, reported on the findings of the audit and were available to provide additional information.

The Supervisory Board concurs with the auditors' findings. Following the final results of the examination by the Audit Committee and its own review, the Supervisory Board raised no objections to the annual financial statements, consolidated financial statements, combined management report as well as the separate combined non-financial report. In accordance with the recommendation of the Audit Committee, the Supervisory Board approved the financial statements prepared by the general partner. The proposal of the general partner on the appropriation of the net retained earnings of KSB SE & Co. KGaA, and in particular the increase in the dividend to EUR 12.00 per ordinary no-par-value share and EUR 12.26 per preference no-par-value share, is deemed to be appropriate by the Supervisory Board in accordance with its own review. The dividend includes a bonus dividend of EUR 3.00 per share to mark the company's 150th anniversary. The Supervisory Board concurs with the proposal.

Changes to the Supervisory Board

The composition of the Supervisory Board and its committees remained unchanged in the period under review.

The Supervisory Board would like to thank the Managing Directors and the Administrative Board of the general partner, as well as the employees and employee representatives of all Group companies for their constructive and committed work during the past financial year.

Frankenthal, 17 March 2022

The Supervisory Board

Basic Principles of the Group

Group Business Model

This management report combines the management reports for KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, and the KSB Group (Combined Management Report).

The KSB Group's (hereinafter "KSB" or "Group") mission is to supply customers around the world with top-quality pumps and valves as well as related systems. It also offers a broad service portfolio to users of these products.

KSB SE & Co. KGaA, as the parent, directly or indirectly holds the shares in the companies belonging to the Group. Besides it, 9 domestic and 77 foreign companies are fully consolidated; 5 other companies are accounted for under the equity method. KSB is currently represented in more than 40 countries with its own subsidiaries.

As well as KSB SE & Co. KGaA itself, the companies in the KSB Group with the highest sales revenue are

- KSB S.A.S., Gennevilliers (Paris), France
- KSB Shanghai Pump Co., Ltd., Shanghai, China
- KSB Limited, Pimpri (Pune), India
- GIW Industries, Inc., Grovetown / Georgia, USA
- KSB Service GmbH, Frankenthal, Germany
- KSB BRASIL LTDA., Várzea Paulista, Brazil
- D.P. Industries B.V., Alphen aan den Rijn, Netherlands

The basic business model has not changed during the year under review. 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.

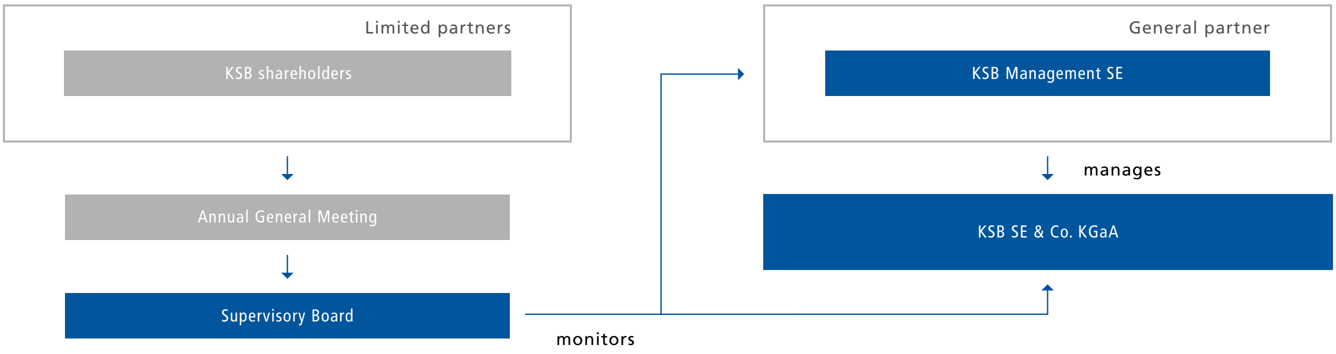
ORGANISATION, MANAGEMENT AND CONTROL

KSB SE & Co. KGaA was formed from KSB Aktiengesellschaft by entry in the *Handelsregister* [German Commercial Register] on 17 January 2018. The *Kommanditgesellschaft auf Aktien* (KGaA) [partnership limited by shares] is a common legal form in Germany for companies with a family- and foundation-dominated ownership structure. The general partner is KSB Management SE, a European public limited company. The shares in this company are wholly owned by Klein, Schanzlin & Becker GmbH, Frankenthal / Pfalz. Klein, Schanzlin & Becker GmbH is subject to the joint management of its two shareholders, the non-profit KSB Stiftung, Stuttgart, and the non-profit Kühborth-Stiftung GmbH, Stuttgart. KSB SE & Co. KGaA and with it the KSB Group are managed via KSB Management SE, which has four Managing Directors and a five-member Administrative Board.

All organisational units in the KSB Group act with the aim of ensuring sustainable, profitable growth to secure both KSB's financial independence and its medium- and long-term future. KSB is monitored by a Supervisory Board consisting of twelve members. The Annual General Meeting of shareholders appoints six members of the Supervisory Board, with the remaining six being delegated by the employees under the terms of the *Mitbestimmungsgesetz* [German Co-determination Act].

The basic structure of the Group is summarised in the following illustration.
→ Bodies / structure

Bodies / Structure



Management of KSB SE & KGaA is the responsibility of KSB Management SE, the individually liable general partner. The responsibilities of the bodies are governed by law and the Articles of Association. This is the basis for efficient corporate governance, which contributes to sustainable corporate development.

As of the 2021 financial year, KSB has adjusted the management of the Group's business activities in line with the realignment of the organisation. The basis for this was the new organisational structures defined in the CLIMB 21 strategy project and implemented in the GRIP21+ project in the business administration processes and in the Group's internal reporting system.

The changes in the organisation have resulted in the following new reporting segments (hereinafter also referred to as "Segments") for the Group from the 2021 financial year: Pumps, Valves and KSB SupremeServ.

Even under the new segmentation, KSB continues to make management decisions primarily on the basis of the key indicators order intake, external sales revenue and earnings before finance income / expense and income tax (EBIT).

Detailed information on the derivation and content of the Group's individual new Segments can be found in section VIII. Segment Reporting of the Notes in this Annual Report.

A material difference to the previous segmentation is that the spare parts business for pumps and valves is fully included in the KSB SupremeServ Segment. According to the previous segmentation, however, these transactions were generally allocated to one of the three former Segments Pumps, Valves or Service, depending on the type of underlying product or service.

The change in organisational alignment and the resulting new segmentation of the Group provide for a separation between the new pumps and valves business and the support services and spare parts business grouped under KSB SupremeServ.

Managing the Group using this new structure is aimed in particular at strategically strengthening the individual divisions and leveraging market potential. This primarily relates to the business activities of the KSB SupremeServ Segment. In addition, KSB is using its new organisational structure and segmentation to focus even more strongly on market-specific and customer-specific needs in the solutions it offers. For the Pumps Segment, this is ensured by considering individual Market Areas separately for internal control purposes.

In addition to the segment information, this management report contains supplementary quantitative explanations on the Group's performance at the geographical region level.

MARKETS AND LOCATIONS

In the KSB Group, around two-thirds of sales revenue is generated from goods and services relating to centrifugal pumps. These pumps, as well as valves, are sold to engineering contractors, OEMs and end users or, in some cases, distributed via dealers. The same applies to control and monitoring systems, and to package units with pumps and valves.

The largest and best developed sales market for these products is Europe, where KSB operates its main manufacturing facilities in Germany and France. The main plant of the present KSB SE & Co. KGaA in Frankenthal is its largest in Europe, ahead of the production sites in Pegnitz (Bavaria) and Halle (Saxony-Anhalt) in Germany, and La Roche-Chalais in France.

The second-largest market for KSB products is the Region Asia / Pacific, followed by the Region Americas and the Region Middle East / Africa / Russia. Outside Europe, KSB's biggest production sites are in Brazil, China, India and the USA.

KSB manufactures and assembles products and components in a total of 25 countries; they are sold through the Group's own companies or agencies in more than 100 countries. With their products, the Group companies serve customers in industry including the chemical and petrochemical industries, in the energy sector, in construction / building services, in water and waste water management, and in mining. In 2021 the most important markets were general industry, energy and water / waste water.

As the largest company in the KSB Group, KSB SE & Co. KGaA serves all the Group's Regions and markets.

In order to be able to offer KSB products at favourable prices, the Group's purchasing requirements are combined and affordable suppliers sourced around the world who meet the relevant quality standards. The KSB Group is able to maintain its market position as one of the leading pump and valve manufacturers through its good and long-term relationships with customers and suppliers. Highly trained and motivated employees as well as the high quality of products have also helped cement this reputation.

Control System

Based upon a matrix organisation, the key financial performance indicators are determined as follows:

Management decisions for the Group as a whole and for the Pumps, Valves and KSB SupremeServ Segments are mainly made on the basis of the following key indicators: order intake, sales revenue and EBIT. EBIT is defined as earnings before finance income / expense and income tax. When specifying key indicators, Management is guided on the one hand by developments in the market and on the other by its main competitors. In addition, the net financial position is still used as a key indicator, although it does not constitute an important material performance indicator.

Management decisions for KSB SE & Co. KGaA are made on the basis of the same control metrics as for the Group.

No non-financial performance indicators are consulted for controlling the Group and for making decisions regarding management issues.

Research and Development

Innovations are a fundamental pillar of KSB's activities and are part of the core elements of its strategy. They are defined as solutions that create added value for customers and translate into new products, services or business models.

Finding creative solutions is the most successful where developers have a high degree of freedom in choosing the approaches or methods. With this objective in mind, KSB has set up the off-site Business Innovation Lab to explore beyond the traditional paths of research and development. In this think tank, young people work together with experienced specialists on developing ideas for the digital transformation of the company and on new paths in the marketing of pumps, valves and hydraulic systems. This also ensures that customer needs are analysed and transformed into a product offering significant customer benefit, such as operating reliability and ease of use.

Beyond these innovation approaches, the integration of hydraulic and electronic systems is a focus of activities. Agile, interdisciplinary and international teams develop products that exceed the legislative requirements for energy efficiency in specific details. The aim is to increase the speed of innovation by scaling the agile approach as it is applied to cross-cutting issues such as uniform user interfaces, sustainability requirements and synergies between platforms. The holistic approach also provides access to new business models. As many product components come into contact with fluids that are corrosive or abrasive, materials research is another key area of the developers' work. Additive manufacturing technology makes it possible to produce components that cannot be manufactured using conventional technology. The integration of several functions within a single component creates entirely new opportunities. The aspect of material efficiency is strongly promoted by this technology.

Increasingly we find that the reduction of complexity is no longer achieved by standardisation and modularisation alone, but also by substituting mechanical / hydraulic complexity with the help of parameterisable device software. This also opens up the way to an increased ease of use and reduced costs at the human-machine interface, realised through a yet greater use of mobile devices.

In these activities, the KSB Group draws on its strong research and development expertise in Europe and beyond. Group-wide product management and the R&D network are being developed systematically to ensure market focus, shorter product development times and robust supply chains. In addition, KSB cooperates with external institutes and research facilities. Overall, the Group spent around € 52.5 million on research and development in the reporting year. This equates to about 2.2 % of sales revenue. KSB SE & Co. KGaA invested € 38.4 million in research and development in the reporting year, which equates to around 4.8 % of sales revenue. A large portion of the activities centred on customer projects. Across the Group, 439 staff were employed in research and development on average over the year. At KSB SE & Co. KGaA, 279 staff worked in research and development in the reporting year.

52.5

Research and development expenses in € millions

Economic Review

Macroeconomic Environment and Sector View

The global economy recovered significantly in the course of 2021 compared with the previous year, despite further waves of infection in the COVID-19 pandemic. The latest estimate of the International Monetary Fund (IMF), whose figures are used for planning, was higher than had been expected at the beginning of the year despite the slowdown in the second half of the year. For 2021, the IMF now reports growth of 5.9 %, up from 5.5 % at the beginning of the year. The vaccination campaign, which has been progressing since the end of the previous year and has now reached almost half the world population with at least two vaccinations, made a significant contribution to this. Growth was hampered by delays in supply chains, a rise in the cost of raw materials and energy, and the renewed more virulent spread of the Omicron coronavirus variant towards the end of the year along with the related economic and social restrictions.

Despite the global recovery, the various groups of countries continued to diverge in their rates of development during the time of the pandemic. For the group of economically advanced countries, the IMF has raised its estimate and assumes growth of 5.0 % in 2021. At the beginning of the year the forecast was still at 4.3 %. Emerging markets and developing countries achieved economic growth of 6.5 %, only slightly above the forecast at the beginning of the year (+ 6.3 %).

Europe continued to be of major importance for the KSB business in 2021. In the largest market, economic output rose more strongly than had been expected at the beginning of the year, despite supply bottlenecks in the manufacturing sector and recently renewed restrictions as well as subdued consumer spending. Economic growth in the euro zone was 5.2 %. In France and Italy it was 6.7 % and 6.2 % respectively – following the sharp decline in the previous year. Spain also achieved a high growth rate of 4.9 %, when one considers the steep decline in the previous year. In Germany, the economy grew by 2.7 %, shaped by supply bottlenecks in industry. The UK recorded growth of 7.2 % despite the trading costs associated with Brexit and continued uncertainty for investments.

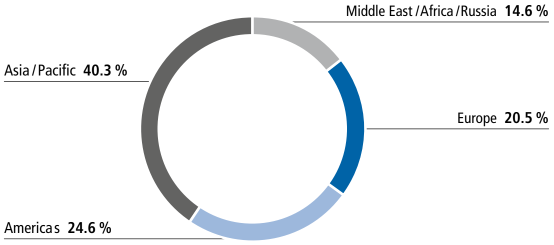
In the USA, government spending to shore up the economy, especially on infrastructure, as well as the recovery in consumer spending, brought significant economic growth of 5.6 %. This performance was above the forecast made at the beginning of the year despite the continuing difficult health situation and impairments in the supply chains.

China's economy achieved robust growth of 8.1 %, which nevertheless did not quite reach expectations held at the beginning of the year. Performance was slowed down by higher energy prices for industry, the uncertainty on the financial markets due to the high debt level in the private real estate sector, as well as the renewed rise in the rate of infections and the associated restrictions in the service sector. In India, growth was 9.0 % despite continuing high case numbers from the pandemic and local restrictions. Growth was supported by state subsidies. The economies of the five economically most important countries in South East Asia – Indonesia, Malaysia, the Philippines, Thailand and Vietnam – grew by 3.1 % overall, less markedly than at first expected, following the further waves of infection.

South America was one of the regions whose economy was most negatively affected by the pandemic. However, performance was better compared with the forecasts at the beginning of the year. In Brazil, economic growth was 4.7 % on the back of rising investment spending and higher exports, as well as the upturn in the service sector in the second half of the year following a decline in new infections. In Argentina, the economy also recovered significantly with 10.0 %.

The economic development of countries in the Region Middle East / Africa / Russia benefited from rising energy and commodity prices and likewise exceeded expectations held at the beginning of the year. In Turkey, the economy grew by 11.0 %, bolstered by strong exports. In South Africa, higher exports and an increase in private and public investments similarly contributed to growth of 4.6 %. For Saudi Arabia, likewise a large sales market for KSB, the IMF reported a plus of 2.9 % as a result of the rising price and exports of crude oil. In Russia, rising commodity prices also had a beneficial effect on economic growth. However, this only reached 4.5 % in an environment of rising infection rates, low vaccination coverage and ongoing economic sanctions.

World market of centrifugal pumps and valves



Source: KSB estimate (February 2022), European Industrial Forecasting

RECOVERY IN ALL SALES MARKETS

All Segments, Market Areas and Regions benefited from the economic upswing, albeit to varying degrees.

In general industry, which covers a series of cyclical sectors in the manufacturing industry, production and investment rose strongly in the previous year. Overall, the production of capital goods exceeded the pre-pandemic level. The pharmaceutical industry, which had already grown in the previous year due to strong demand, continued on its course with accelerated growth. The automotive industry, on the other hand, was unable to keep up despite the recovery.

The water and waste water industry, in which economic fluctuations are milder than in other economic sectors, had already seen only a slight decline in terms of production value in the previous year. The reporting period saw a significant increase on account of the rise in demand from industry. Investments in municipal water and waste water management also increased, supported by investments from the public sector.

The energy sector as a whole can look back on a stronger momentum than initially expected, given the recovery of the global economy and the promotion of renewable energy. Worldwide electricity consumption rose more strongly than global economic output. More extreme weather conditions have also contributed to the increase. Despite the strong rise in consumption from renewable energy sources, electricity consumption from natural gas and coal also reached record levels. Global spending on new and replacement investments increased for all energy sources except for electricity produced from coal. The most pronounced increase was in investments in electricity generation from natural gas, which can be attributed in part to the decline in the previous year. Global investment in nuclear power increased again. Capacities in gas and renewable energies continued to be expanded worldwide in the previous year. Capacities in nuclear energy declined slightly following numerous closures.

Despite the slight increase in oil and gas production, it is coming under strong pressure and was hardly above the 2019 level. Global investments have increased after the drastic downturn in the previous year, but are still well below pre-pandemic levels. Refineries are undergoing structural changes. These are attributable on the one hand to the declining demand for oil and gas for the transport sector, and on the other hand to higher demand for petrochemicals, resulting in increased concentration and regional shifts in production capacities. Refinery utilisation rose overall last year, but remained below the average of the past five years. The chemical industry, however, which had already posted a slight growth in the previous year, achieved significantly stronger growth despite problems in the supply chains and rising energy prices.

The construction industry was on the upswing given the economic recovery and stimulus spending in many countries. In particular, construction of infrastructure and residential buildings experienced a high growth momentum and significantly exceeded the pre-pandemic level of 2019. Non-residential construction was behind with somewhat weaker growth. This can be explained by the recurring restrictions in the service sector and the associated reluctance to invest.

In mining, strong demand from industry and the construction sector provided a significant boost to the mining of metals, in particular iron and copper. This growth took place despite production-related shortfalls in copper mining in Chile and the curtailment of steel production in China in the second half of the year. Copper production as well as mining of rare earths were especially supported by the increasing shift to green technologies. Coal mining also increased after the decline in the previous year. Production from oil sands showed a marked increase, which can be attributed to the very weak level of the previous year.

MECHANICAL ENGINEERING ON THE UPSWING

The recovery of the global economy also contributed to an increase in demand for mechanical engineering products. According to the German Mechanical Engineering Industry Association (VDMA), global sales revenue in the mechanical engineering sector rose by 13.0 % in real terms in 2021. Growth was dampened by rising prices and supply bottlenecks for energy, raw materials and precursor products.

According to VDMA, sales revenue in the German mechanical engineering sector rose by 6.6 % in real terms. Based on the provisional calculations of the German Federal Statistical Office, real-term production was also up 7.2 % year on year. Capacity utilisation increased significantly compared with previous years.

In the liquid pumps sector, VDMA recorded real sales growth of 10.3 % among German pump manufacturers. Sales revenue with industrial valves fell by 3.0 %, while building services valves saw sales revenue growth of 4.1 %.

Business Development and Results of Operations

The 2021 financial year was characterised by a significant recovery of the global economy and a renewed willingness to invest on the part of customers. All markets in which the Group conducts its main business activities benefited from this. There were local impairments due to temporary government-imposed lockdowns in some Asian countries – especially in India and Indonesia – which meant that Service orders in particular could not be carried out.

Particularly in the second half of the year, the bottlenecks in the procurement markets and supply chains resulting from the COVID-19 pandemic became increasingly noticeable. This had an impact on the availability of supplier products on the one hand, and on prices on the other, which in some cases rose significantly as a result of the increased demand and reduced capacity. These effects were partially compensated for by emergency stocks and the existing supplier network.

Viewed overall, order intake and sales revenue in the reporting year almost reached the 2019 levels and were thus significantly above the previous year's values. EBIT for the 2021 financial year increased significantly compared with 2020 and was thus also significantly higher than in the 2019 financial year.

KSB served the respective markets through the regional sales organisation, which was supported by the Market Areas with their specialist expertise when required. Furthermore, the expansion of electronic sales of pumps, valves and spare parts which had been initiated in the previous years was systematically continued. A total of 25 countries now have e-sales platforms. The online platforms have developed well and are increasingly established as a further sales channel. The expansion will continue over the next few years as more countries obtain e-sales platforms. In addition, the international KSB SupremeServ network was continuously expanded by opening additional service locations.

As explained in the previous section on Basic Principles of the Group, KSB changed its organisational structure and segmentation as of the 2021 financial year. In order to reflect the Group's new segmentation, the internal reporting systems were adapted in a comprehensive manner and fully aligned with the new structure. The financial information for the 2020 financial year was not restated retrospectively in line with the new segmentation, as the effort of such a technical system implementation including the associated data collection would have been disproportionately high from the Group's perspective. In order to determine the adjusted comparative data for the previous year, the data for the reporting year 2021 would have had to be manually transferred to the previous structure. This would also have entailed excessive costs for data collection. Against this background, there are no reconciliations between the old and new segmentation for the key financial performance indicators (order intake, external sales, EBIT).

As a result, segmented disclosures are made exclusively on the basis of the Group's new segmentation, while the previous year's disclosures relate exclusively to KSB's former structure. In view of the differences in content between the two segment structures, the disclosures for the key financial performance indicators for the reporting year and the previous year are only comparable for the Group as a whole, but not at segment level.

Segment reporting *

€ thousands	Order intake		Sales revenue		EBIT	
	2021	2020	2021	2020	2021	2020
Pumps Segment	1,307,305	–	1,271,104	–	24,120	–
Valves Segment	338,398	–	305,570	–	–6,560	–
KSB SupremeServ Segment	766,042	–	766,903	–	123,601	–
Total	**2,411,745**	**2,143,403**	**2,343,577**	**2,207,881**	**141,161**	**70,172**
of which former Pumps Segment	–	1,419,712	–	1,467,957	–	80,937
of which former Valves Segment	–	320,248	–	335,454	–	–23,271
of which former Service Segment	–	403,443	–	404,470	–	12,506

* For the 2021 financial year, segmented disclosures are made exclusively on the basis of the Group's new segmentation, while the previous year's disclosures relate exclusively to KSB's former segmentation. In view of the differences in content between the two segment structures, the disclosures at segment level for the reporting year and the previous year are not comparable.

ORDER INTAKE

The volume of incoming orders rose significantly by € 268.3 million (+ 12.5 %) to € 2,411.7 million in the financial year. Excluding exchange rate effects, order intake would have been € 21.4 million higher.

All the Regions contributed to this growth. The largest percentage growth was reported in the Regions Middle East / Africa / Russia with a plus of € 36.5 million (+ 27.1 %) and Asia / Pacific with a plus of € 86.1 million (+ 17.4 %). The Region Americas also developed well with a plus of € 56.4 million (+ 16.5 %). The companies in Europe, which had proved relatively stable in the previous year, posted an increase of € 89.3 million (+ 7.6 %).

The main reason for the significant increase was the said recovery of the global economy as well as a number of major orders in various markets. In the energy market, KSB obtained major orders to equip nuclear power plants in India and China. Major orders were also won in the building services, general industry, chemicals and water markets.

Pumps

In the Pumps Segment, order intake was € 1,307.3 million. Of this amount, € 1,059.0 million was attributable to the Standard Markets operating segment. In the Energy and Mining operating segments, which include project business in particular, order intake amounted to € 248.3 million. The largest Region by far is Europe. Order intake here amounted to € 663.1 million. This is followed by the Region Asia / Pacific with € 378.1 million and the Regions Americas and Middle East / Africa / Russia.

Valves

In the Valves Segment, order intake was € 338.4 million. Both the standard business and the project business performed positively over the course of the financial year. The largest Region by far is Europe, followed by the Regions Asia / Pacific and Americas.

KSB SupremeServ

Order intake in the KSB SupremeServ Segment – which covers all service and spare parts activities – reached € 766.0 million. The largest Region is Europe with an order intake of € 387.8 million, followed by Americas with € 217.1 million, then Asia / Pacific and Middle East / Africa / Russia.

SALES REVENUE

Consolidated sales revenue increased significantly in the wake of the general economic upturn by € 135.7 million (+ 6.1 %) to € 2,343.6 million. All the Regions contributed to this sales revenue growth.

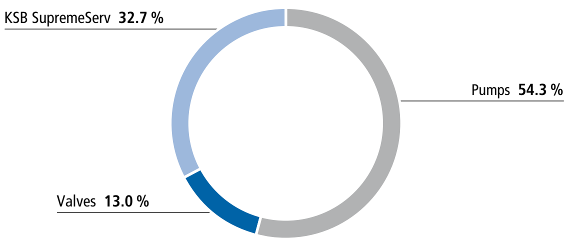
Europe remained by far the largest Region with sales revenue of € 1,261.4 million, followed by Asia / Pacific with € 557.4 million, Americas with € 376.7 million and the Region Middle East / Africa / Russia with € 148.0 million. The largest percentage increase was reported in the Region Asia / Pacific with € 70.5 million (+ 14.5 %), followed by the Region Middle East / Africa / Russia with € 14.7 million (+ 11.1 %).

The Region Americas also developed well with € 18.1 million (+ 5.0 %). The companies in Europe, which had proved relatively stable in the previous year, posted an increase of € 32.4 million (+ 2.6 %).

2.3

Consolidated sales revenue in € billions

Sales revenue by segment



Pumps
Sales revenue in the Pumps Segment amounted to € 1,271.1 million. The Standard Markets accounted for € 985.7 million and the Energy and Mining operating segments for € 285.4 million. Europe remains by far the largest Region with sales revenue of € 661.2 million, followed by Asia / Pacific with € 357.1 million, then the Region Americas and the Region Middle East / Africa / Russia.

Valves
The Valves Segment also benefited from the recovery of the global economy. Sales revenue amounted to € 305.6 million. The largest Region by far is Europe, followed by the Regions Asia / Pacific and Americas.

KSB SupremeServ
Sales revenue in the KSB SupremeServ Segment amounted to € 766.9 million. The largest Region by far is Europe with sales revenue of € 403.0 million, followed by Americas with € 203.0 million, then Asia / Pacific and Middle East / Africa / Russia.

EARNINGS BEFORE FINANCE INCOME / EXPENSE AND INCOME TAX (EBIT)

The KSB Group achieved earnings before finance income / expense and income tax (EBIT) of € 141.2 million (previous year: € 70.2 million). The above-average improvement in earnings is attributable to higher sales revenue, higher margins and the positive effects of the earnings enhancement programme of KSB SE & Co. KGaA. Stringent cost management also had a positive impact on earnings. In addition, the previous year's EBIT of € 23.6 million was heavily weighed down by one-off effects. These included in particular the write-downs on goodwill as a result of the COVID-19 pandemic, the net losses from the sale of French subsidiaries and the additions to provisions for expected losses from the project business in the former Valves Segment.

Pumps
EBIT in the Pumps Segment amounted to € 24.1 million. Standard business in particular contributed to very good earnings, as the recovery of the global economy had an earlier impact here than in the project business. The stringent cost management referred to above also had a positive impact on EBIT. The EBIT margin achieved was 1.9 %.

Valves
EBIT in the Valves Segment was € – 6.6 million. In particular, a purchasing initiative and a high share of standard business helped to avoid a lower EBIT. The EBIT margin achieved was – 2.1 %.

KSB SupremeServ
Good capacity utilisation in the service business and the focus on the high-margin spare parts business in combination with the systematic cost management mentioned above helped achieve EBIT of € 123.6 million. This equates to an EBIT margin of 16.1 %.

TOTAL OUTPUT OF OPERATIONS

Total output of operations amounted to € 2,360.1 million compared with € 2,195.9 million in the previous year. In addition to the € 135.7 million increase in sales revenue, the € 14.5 million increase in inventories (previous year: € 15.2 million decrease in inventories) also had a positive effect on the overall performance.

INCOME AND EXPENSES

Other income fell slightly by € 3.9 million year on year to € 27.7 million (previous year: € 31.6 million). The previous year was characterised by income from the sale of two French service companies amounting to € 3.1 million as well as an increase of € 4.4 million in insurance income. Income in the financial year under review includes exchange rate gains from currency translation of € 3.8 million (previous year: € 0 million).

The cost of materials rose slightly in relation to the total output of operations, up from 41.0 % in the previous year to 41.3 % in the reporting year. Thus, overall the cost of materials increased in step with the total output of operations to € 975.4 million compared with € 899.6 million in the previous year.

141.2

Consolidated earnings (EBIT) in € millions

Despite the slight reduction in the average number of employees over the year, staff costs increased significantly by € 32.4 million from € 804.8 million to € 837.2 million in the reporting year. The increase is mainly due to higher deferred items for profit bonus schemes. The reduction of overtime and annual leave entitlements in the previous year reduced the burden on staff costs. On average, the KSB Group had 61 fewer employees (– 0.4 %) in the reporting year than in the previous year. In Europe, the number of employees fell by 235 on average, while there was an increase in staff numbers by 79 in Asia West and by 76 in the Middle East / Africa / Russia. With a 7.5 % increase in the total output of operations alongside a fall in staff numbers, the total output per employee increased from € 143 thousand to € 154 thousand. An average of 15,287 people were employed in the reporting year (previous year: 15,348 employees).

Depreciation and amortisation fell by € 19 million to € 80.9 million compared with the prior-year period. This is mainly due to impairment losses of € 15.5 million on goodwill and property, plant and equipment in the previous year.

At € 353.2 million, other expenses ranged at prior-year levels (€ 353.0 million). While the previous year showed losses of € 5.7 million from the sale of French service companies, the financial year under review is burdened by € 5.1 million higher expenses from additions to impairment losses on trade receivables. Despite the increase in total output of operations, expenditure was maintained at a constant level. As a result, expenses were reduced to 15.0 % of total output of operations (previous year: 16.1 %).

The finance income / expense amounted to € – 1.2 million (previous year: € – 8.6 million). This reflects in particular € 5.0 million in interest income on back payment claims.

EARNINGS

The KSB Group generated earnings before income tax (EBT) of € 139.9 million compared with € 61.6 million in the previous year. Correspondingly, the return on sales before income tax rose from 2.8 % in the previous year to 5.9 %. Taxes on income fell from € 57.2 million to € 29.6 million. Because of higher EBT and lower taxes on income, the income tax rate fell from 92.9 % in the previous year to 21.2 % in the year under review. The decrease was mainly attributable to impairments on deferred tax assets recorded in the previous year. Overall, earnings after income tax rose from € 4.4 million in the previous year to € 110.3 million in the reporting year.

At € 16.7 million, earnings attributable to non-controlling interests rose by € 2.7 million compared with the previous year. Relative to earnings after income tax, there was therefore a decrease from over 100 % to 15.1 %.

Earnings attributable to shareholders of KSB SE & Co. KGaA (€ 93.6 million) were € 103.2 million higher than in the previous year (€ – 9.6 million).

Earnings per ordinary share were € 53.34, compared with € – 5.63 in the previous year, and € 53.60 per preference share, compared with € – 5.37 in 2020.

Financial Position and Net Assets

FINANCIAL POSITION

The financial position of the KSB Group improved considerably. This was reflected in a higher equity ratio of 37.6 % (previous year: 32.9 %).

Liquidity

KSB recorded cash flows from operating activities of € 163.9 million compared with € 183.9 million in the previous year. Despite the € 105.9 million increase in earnings after income tax, cash flows from operating activities declined by € 20.0 million. While in the previous year a significant inflow of € 50.3 million was achieved from the reduction of inventories and trade receivables, the expanded business volume in the 2021 financial year required a higher commitment of funds in inventories and trade receivables of € 41.1 million. In addition, higher payments for income taxes also contributed to lower cash flows from operating activities.

The outflows from investing activities were largely stable compared with the previous year; they rose by € 4.2 million from € – 72.2 million in the previous year to € – 76.4 million in the reporting year. Compared with the previous year, there were no net proceeds in the financial year under review from the reclassification of cash and cash equivalents to deposits with an original maturity of more than 3 months. However, this was largely offset by lower payments for investments in intangible assets and property, plant and equipment.

The negative cash flows from financing activities are also essentially stable. The cash outflow declined slightly compared with the previous year by € 5.1 million to € – 43.4 million. The dividend payments of € 19.2 million, which were almost unchanged compared with the previous year, were contrasted by an increase of € 8.5 million in payments from financial liabilities.

All in all, cash and cash equivalents rose significantly from € 331.5 million in the previous year to € 386.7 million, due to an inflow of € 44.1 million as well as exchange rate gains of € 8.4 million.

365.6

Net financial position in € millions

The KSB Group assumes that, in future, it will continue to be able to meet its outgoing payments from operating cash flows. From the current perspective its financial management is meeting the goal of ensuring its liquidity at all times essentially without any additional external financing measures. In addition, there has been a syndicated loan agreement of KSB SE & Co. KGaA and KSB FINANZ S.A., Luxembourg, since December 2018 to hedge potential liquidity risk and cover the need for bank guarantees of the KSB Group. The credit line can be used at any time and has a fixed term of five years with the option to renew twice by one year each time. In the 2020 financial year, KSB availed itself of this option for the second time and extended the fixed term of the line early, until the end of 2025. For more information on liquidity management (such as credit lines) see the section on Risk Reporting on the Utilisation of Financial Instruments elsewhere in this group management report.

Investments

The additions to intangible assets amounting to € 4.0 million are at the previous year’s level (€ 4.2 million).

Investments in property, plant and equipment in the reporting year, at € 82.0 million, were likewise broadly at the same level as the prior-year figure of € 80.4 million. At € 41.3 million (previous year: € 29.9 million), the highest additions related to advance payments and assets under construction, as in the previous year. Another € 15.9 million related to other equipment, operating and office equipment (previous year: € 19.4 million), while € 14.1 million related to plant and machinery (previous year: € 17.0 million). As in 2020, the focus of capital investment activity was the Region Europe, mainly Germany and France. Outside Europe, the highest additions were made at the plants in the USA, India and China.

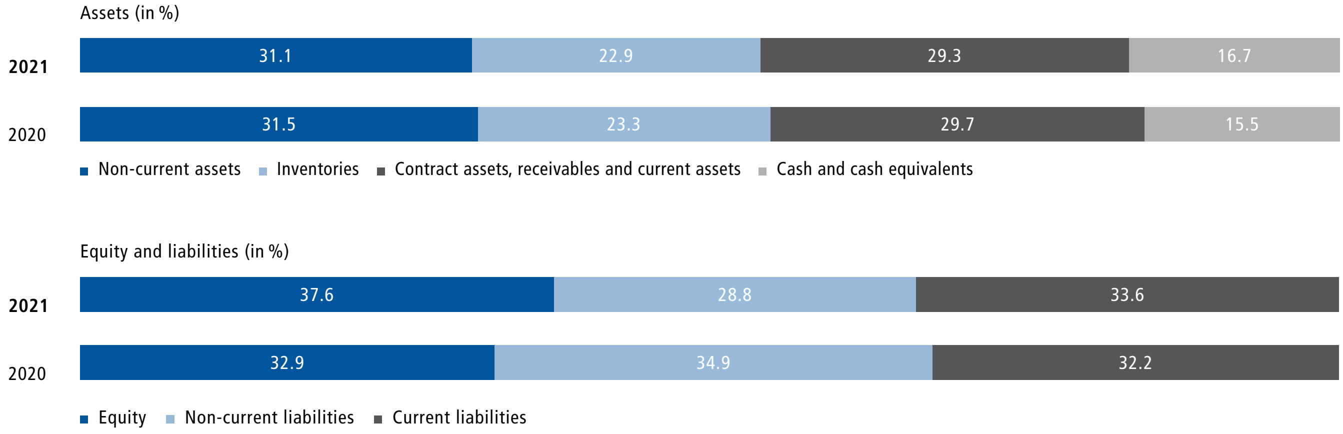
Net financial position

The net financial position, at € 365.6 million, rose by € 60.8 million from € 304.8 million in the previous year. This increase is essentially due to the high cash flows from operating activities.

Contingent liabilities and other financial obligations

The contingent liabilities as at the reporting date totalled € 33.0 million (previous year: € 17.4 million). The increase of € 15.6 million is mainly attributable to higher contingent liabilities from other tax items which rose by € 7.4 million and € 2.9 million from legal disputes.

Balance sheet structure



There are no other obligations and commitments beyond the reporting date. Further financial obligations arise only within the normal scope from purchase commitments amounting to € 19.1 million (previous year: € 23.0 million).

NET ASSETS

Around 31.1 % of funds is attributable to non-current assets (previous year: 31.5 %). Intangible assets and property, plant and equipment with a historical cost of € 1,555.4 million (previous year: € 1,471.0 million) have carrying amounts of € 613.7 million (previous year: € 580.6 million). Total intangible assets fell from € 79.9 million in the previous year to € 75.9 million. This was primarily due to depreciation and amortisation.

Right-of-use assets for leases (€ 42.7 million) are almost at the previous year's level (€ 41.6 million).

Property, plant and equipment increased from € 500.7 million to € 537,8 million as a result of capital expenditure (€ 82.0 million) in excess of depreciation of € 56.1 million. The positive currency translation effects of € 12.7 million also contributed to the increase in property, plant and equipment.

The carrying amount of financial assets, investments accounted for using the equity method and non-current other non-financial assets rose overall by € 2.4 million to € 29.3 million. At € 20.2 million, the investments accounted for using the equity method are largely at the previous year's level (€ 19.8 million).

Deferred tax assets rose by € 7.2 million to € 34.6 million (previous year: € 27.4 million).

Inventories amounting to € 529.5 million (previous year: € 497.5 million) were recognised. This increase was due to the higher business volume.

Contract assets fell slightly from € 82.4 million in the previous year to € 79.3 million.

Trade receivables increased from € 444.2 million at the end of the previous year to € 479.2 million. This increase resulted mainly from the higher business volume at the end of the financial year.

At € 80.1 million, other financial assets ranged at the prior-year level (previous year: € 80.7 million). Other non-financial assets showed an increase (€ 12.1 million). The main factor was the increase in recoverable taxes, particularly in Brazil, Luxembourg, Germany, India and France, which were up by € 9.8 million at € 28.2 million.

Cash and cash equivalents accounted for around 17 % of assets, totalling € 386.7 million (previous year: € 331.5 million).

Total assets increased by 8.2 % to € 2,314.4 million, mainly due to the increase in current assets. As well as the increase in cash and cash equivalents by € 55.2 million, the increase in trade receivables by € 35.1 million and inventories by € 32.0 million also contributed to this.

EQUITY

KSB Group equity amounts to € 869.1 million (previous year: € 703.8 million). This includes KSB SE & Co. KGaA's subscribed capital of € 44.8 million as in the previous year. The capital reserve remains unchanged at € 66.7 million. Revenue reserves increased by a total of € 146.9 million. The marked improvement in the net retained earnings for the year had a particular impact here. The remeasurement of defined benefit plans in the amount of € 54.6 million also led to an increase. In addition, currency translation gains of € 30.3 million contributed to the increase in equity. The revenue reserves include the proportion of earnings after income tax attributable to KSB SE & Co. KGaA shareholders, at € 93.6 million (previous year: € – 9.6 million). Out of total equity, € 194.4 million (previous year: € 175.9 million) is attributable to non-controlling interests. The equity ratio increased to 37.6 % (previous year: 32.9 %) despite higher total equity and liabilities.

The non-controlling interests mainly relate to the following companies: KSB Limited, India, and KSB Shanghai Pump Co., Ltd., China, as well as the PAB subgroup. The latter consists of Pumpen- und Armaturen-Beteiligungsgesellschaft mbH, Frankenthal, and its US subsidiaries.

Inflation and exchange rate effects

Of the Group's consolidated companies, only the annual financial statements of the Argentinian company had to be adjusted for the effects of inflation. As in the previous year, this did not result in any material impact on the net assets, financial position or results of operations.

Currency translation of financial statements of consolidated companies that are not prepared in euro gave rise to a difference of € + 30.3 million (previous year: € – 62.4 million). The total of currency translation differences was taken directly to equity.

37.6

Equity ratio in percent

Liabilities

The largest item under liabilities continues to be provisions for employee benefits, including, also as the largest item, pension provisions, which decreased by € 56.8 million from € 670.2 million to € 613.4 million. The reduction of € 54.6 million (previous year: increase by € 43.5 million) is attributable to the increase in discount rates. Obligations for current pensioners and vested benefits of employees who have left the company account for about 46 % of the amount recognised in the balance sheet. The rest is attributable to defined benefit obligations for current employees.

Non-current financial liabilities fell by € 23.5 million to € 27.1 million. The reason for this is the reclassification of the loan against borrower's note in the amount of € 22.0 million, which will be repaid in the 2022 financial year, to current financial liabilities.

The other non-current and current provisions for employee benefits changed only slightly at € 23.5 million (previous year: € 24.8 million).

Other non-current and current provisions increased from € 82.7 million in 2020 to € 95.0 million in 2021. This is mainly due to € 6.9 million higher provisions for warranty obligations.

Current liabilities rose overall by € 89.1 million to € 778.3 million compared with € 689.2 million at the 2020 year end. The share of current liabilities relative to total equity and liabilities rose slightly to 33.6 % (previous year: 32.2 %).

Current financial liabilities increased by € 19.9 million to € 51.9 million due to the reclassification of the loan against borrower's note mentioned above.

Contract liabilities increased slightly from € 153.7 million in the previous year to € 157.4 million. This is due to the advance payments exceeding the services performed.

Trade payables rose to € 272.8 million (previous year: € 237.6 million) as a result of the higher business volume.

Other non-financial liabilities increased by € 21.4 million, above all due to higher personnel liabilities.

Summary of the Performance in the Financial Year

The order intake forecast in the previous year, expected to be in a range between € 2,150 million and € 2,450 million, was achieved. Both the recovery of the global economy and a renewed willingness to invest on the part of customers contributed to the growth of order intake from € 2,143 million to € 2,412 million. The Group's order intake is thus only slightly below the figure for the 2019 financial year. KSB is very satisfied with the order intake achieved in the reporting year. An assessment of the forecasts made for the former segments in the previous year cannot be made for the 2021 financial year. The reasons for this were explained in detail in the Group Business Model section and in the segment reporting. The values forecast for the 2021 financial year were € 1,420 million to € 1,620 million for the former Pumps segment, € 320 million to € 360 million for the former Valves segment and € 410 million to € 470 million for the former Service segment.

As with order intake, the forecast for sales revenue, expected to be in a range between € 2,150 million and € 2,400 million, was achieved. The reasons for the increase are identical to those given for the order intake. The Group is very satisfied with the sales revenue achieved of € 2,344 million (previous year: € 2,208 million). The values forecast for the 2021 financial year were € 1,450 million to € 1,600 million for the former Pumps Segment, € 320 million to € 360 million for the former Valves Segment and € 380 million to € 440 million for the former Service Segment.

The range between € 80 million and € 120 million predicted for EBIT was very significantly exceeded in the 2021 financial year. Detailed information on the reasons for the EBIT performance is provided in the "Earnings before finance income / expense and income tax (EBIT)" section. The values forecast for EBIT for the 2021 financial year were € 65 million to € 85 million for the former Pumps Segment, € – 10 million to € 0 million for the former Valves Segment and € 25 million to € 35 million for the former Service Segment.

The assumptions mentioned in the prior-period consolidated financial statements, of an expected market recovery for standard products, spare parts and service support, as well as the expected receipt of several major orders, have essentially been realised. In addition, the negative effects of the coronavirus pandemic have subsided much earlier than Management expected. These effects, as well as the realisation of the expected positive contributions from the Climb 21 strategy programme, contributed to the EBIT achieved. The Management of the KSB Group is therefore very satisfied with business performance in the year under review.

KSB continues to have a healthy financial basis for the future.

Report on Expected Developments

The International Monetary Fund (IMF) recently significantly lowered its forecast for global economic growth in 2022 to + 4.4 % in real terms. The adjustment was mainly due to the weaker trends in the two largest economies, the USA and China. Expectations regarding inflation for the current year were raised in view of bottlenecks in logistics and supply chains as well as higher energy and commodity prices. The IMF's baseline forecast is based on expectations of a further spread of the pandemic with the Omicron virus variant in the first quarter and its abatement by the end of the year. The downside risks prevail in this forecast. These include a potential intensification of the pandemic resulting from the emergence of new virus variants, and further disruptions to supply chains, higher price volatility and inflation, and greater political risks.

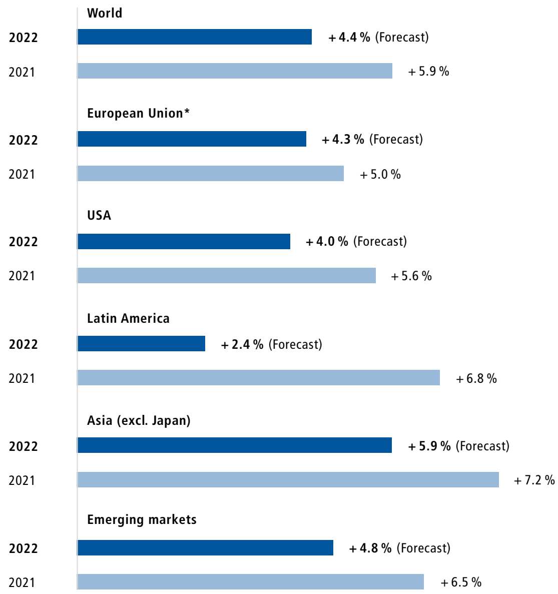
The IMF is projecting an overall growth rate of + 4.8 % for the emerging markets and developing countries.

The expected growth in the industrialised nations, at + 3.9 % in 2022, is significantly lower than in the 2021 financial year. In the USA in particular, growth expectations have weakened to + 4.0 %. This correction is based on lower stimulus spending, a faster transition to a restrictive monetary policy with the raising of interest rates by the US Federal Reserve, and continuing supply chain restrictions. In line with this, the forecast for the Canadian economy was also lowered to + 4.1 %.

Growth of + 3.9 % is forecast for the euro zone in the face of pandemic-related setbacks, with continuing restrictions in mobility and supply chains. For Germany, the forecast was recently lowered to + 3.8 %, although this is still above growth in the previous year. In France, economic growth is anticipated to slow down to + 3.5 %. For Spain, the forecast is up on the previous year at + 5.8 % despite the reduction. In the UK, growth is expected to weaken to + 4.7 % in the current year.

For Turkey, the IMF expects a significant slowdown to + 3.3 % following the strong growth in the previous year. Continuing uncertainties related to high inflation and exchange rates are also anticipated for the current year. In Russia, too, the expected growth momentum is slower at + 2.8 %. Although energy prices are at a very high level, the growth momentum is being slowed down by high inflation, restrictive monetary policy, sanctions and geopolitical risks. Saudi Arabia's economy is projected to grow by 4.8 %.

Gross domestic product growth



Source: International Monetary Fund (January 2022)
*Source: EU Commission (November 2021)

According to the World Bank Group, this assumption is based on high oil prices, high vaccination rates among the population and a good investment climate.

In Asia, the expected growth rate is below the previous year's figure. For China, the forecast was lowered to + 4.8 % in view of the real estate crisis and tighter regulation in the real estate and financial sectors as well as a slower recovery in private spending. For India, the IMF sees a growth rate of + 9 % in the current year, which is as high as in the previous year.

For the ASEAN countries, which also include important KSB markets, growth is expected to increase to + 5.6 % taking into account the delayed recovery from the pandemic.

Overall growth in the Latin American countries is expected to be below average at + 2.4 %. Inflation-related risks in the region are particularly high. In Brazil, the outlook has been tempered to + 0.3 % because the high inflation and restrictive monetary policy are already affecting private consumer spending and investment.

Given the disruptions in supply chains, the growth in demand for capital goods is expected to be lower. In its forecast for global sales of plant and machinery, VDMA refers to the scenarios from Oxford Economics. In the base case scenario, in which there is no new global wave of infections, sales revenue in real terms will rise by 5 %. For Germany, the VDMA forecast is + 7 %. In China, sales revenue is expected to grow by only 5 %. In the USA, growth is anticipated to slow to + 3 %.

For manufacturers of liquid pumps in Germany, VDMA foresees a below-average growth of + 5 % in nominal terms in the current year. It predicts an increase of + 6 % for industrial valves. Sales revenue for building services valves is expected to rise by 5 % in nominal terms.

SUMMARY OF EXPECTED DEVELOPMENT

For the 2022 financial year, KSB expects to achieve the key financial performance indicators shown in the table below:

Expected development

€ millions	Actual 2021	Forecast 2022
Order intake	2,411.7	2,350 – 2,650
Sales revenue	2,343.6	2,300 – 2,600
EBIT	141.2	130 – 170

The main driver of this trend will be the anticipated market recovery, which should be reflected in a higher order intake and sales revenue. The largest share of the expected increase in order intake will be from the Pumps Segment. This includes in particular the project business in the Energy Market Area. Sales revenue growth, on the other hand, is mainly driven by the Standard Markets. Further, the Group continues to expect positive effects from the new market-oriented organisational structure. In addition to sales revenue growth, which will be the main driver for the increase in EBIT, additional positive effects are expected from the implementation of measures defined as part of the earnings enhancement programme of KSB SE & Co. KGaA. KSB expects the strongest growth in order intake, sales revenue and EBIT from the Regions Europe and Asia / Pacific.

In the 2022 financial year, for the Pumps segment the Group expects to be able to at least match or even markedly exceed the order intake of € 1,307.3 million that was achieved in the reporting year. KSB expects a stable to moderate increase in order intake in the Valves Segment, which amounted to € 338.4 million in the reporting year. By contrast, KSB anticipates a stable to significant increase in the KSB SupremeServ Segment. Order intake in this Segment was € 766.0 million in the year under review.

The Pumps Segment contributed € 1,271.1 million to Group sales revenue in the reporting year. KSB expects a stable to strong increase in this Segment in the 2022 financial year. The Valves Segment generated sales revenue of € 305.6 million in the year under review, while the KSB SupremeServ Segment contributed € 766.9 million to consolidated sales revenue. In the 2022 financial year, KSB anticipates stable to noticeably increasing sales revenue in these two Segments.

The Pumps Segment generated earnings before finance income / expense and income tax (EBIT) of € 24.1 million in the 2021 reporting year. KSB is planning stable to strong growth in this Segment for the 2022 financial year. In the Valves Segment, KSB expects a stable to strong increase. In the reporting year, the Valves Segment achieved EBIT of € – 6.5 million. In the KSB SupremeServ Segment, which contributed € 123.6 million to EBIT in the reporting year, KSB expects a stable to noticeably increasing EBIT.

The continuing uncertainties relating to the COVID-19 pandemic and increasing geopolitical tension may have a negative impact on the forecasts made. Moreover, bottlenecks in the supply chains and price increases on the procurement markets can also have a negative impact on the forecast. In addition, the acts of war that started in Ukraine in February 2022 are resulting in considerable further uncertainties for the 2022 financial year, the impact of which KSB cannot currently estimate.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements and information that are based upon the assumptions of Management. 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 results 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

As an organisation that operates throughout the world, the KSB Group is exposed to macroeconomic, sector-typical, financial and company-specific risks. The risk policy is designed to enable KSB to grow sustainably and profitably. The KSB Group aims to reduce the risks associated with its business and where possible avoid them completely. At the same time its global alignment and extensive product range offer a wealth of opportunities. This includes but is not limited to any opportunities that arise on the basis of research and development activities, as well as any that are linked to the quality and cost effectiveness of products. KSB's competitive position is also being strengthened by optimising the global sales and production network. In this context, opportunities are constantly being examined to further increase KSB's global presence, on the one hand by establishing or expanding KSB SurpemeServ sites and on the other hand by acquisitions. Customer focus is the key principle and is also reflected in the systematic alignment of the organisation with the markets, which was initiated in 2020 and which is intended to help KSB achieve sustainable, profitable growth.

The Group sees opportunities and risks as possible future developments or events that may lead to departures from forecast or targets. The departure can be both positive and negative. In order to manage the varied opportunities and risks professionally and efficiently, the Group aligns its actions accordingly and focuses upon the respective situation when selecting the persons responsible. In doing so, Controlling, Finance and Accounting as well as Internal Audits perform important monitoring tasks.

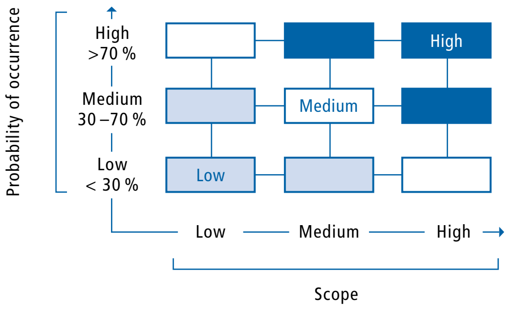
RISK MANAGEMENT SYSTEM

KSB has implemented a Group-wide risk management system for identifying and assessing relevant risks in the different areas of responsibility and reporting these to Group headquarters. The risk management process of the KSB Group consists of the successive phases of identification, assessment, management, control, documentation and communication of risks. The six phases form a continuous and IT-based closed-loop system. This is documented in KSB's Risk Management Manual, as well as the management responsibility and the description of all relevant tasks. In addition to the Risk Management Manual, KSB also documents its risk strategy. This sets out Group-wide principles, goals and strategic measures with which KSB manages and controls the risks arising from the implementation of its corporate strategy. The KSB Group's risk strategy is regularly reviewed by the Managing Directors of KSB Management SE to ensure that it is up to date and adjusted as necessary.

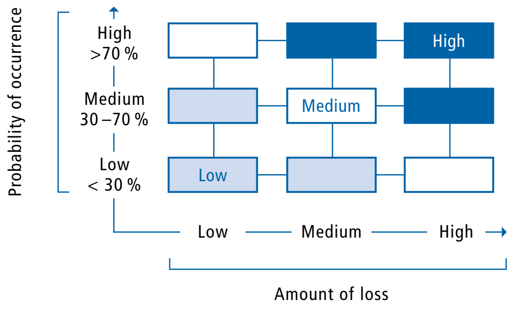
Managers are encouraged to take timely action to define and implement measures to limit or avoid damage that may result from the occurrence of risk events. All corporate and central functions and Group companies, including Group companies that are not consolidated, are included in the risk management system. The responsible managers are required to supply their relevant key business and financial indicators each month. As well as creating quarterly forecasts on business performance, they also report twice a year to the Risk Managers on all recognised risks in the categories of market and competitive risks, technological risks, project- and product-related risks, financial risks and procurement risks. Other business risks (environmental, human resources, etc.) are also reported in this cycle to the Risk Managers at the Group headquarters. The monitoring period was divided into three cycles. In the first cycle, the risks are to be reported for the following financial year or, as part of the risk assessment during the course of the year, for the remainder of the financial year. Accordingly, the second cycle covers the risks that are seen within a time period of up to 24 months. Where applicable, any long-term risks are considered in the third cycle. In addition to formal reporting within the scope of the risk management system, regular management reporting on day-to-day business-related risk developments and issues is provided by the respective corporate and central functions to the Managing Directors of the KSB Group, in order to ensure from a management perspective that such risks are addressed in an action-oriented manner and are continually tracked between the reporting dates.

The regular identification and updating of risks in all the Group companies and in the respective corporate and central functions ensure that risk awareness within the KSB Group remains at a high level across the board. A distinction is made between qualitative risks and quantitative risks, taking into account any corrective action that has been taken.

Qualitative risks



Quantitative risks



Categorisation of the loss

		Amount of loss in € thousands		
Magnitude		Low	Medium	High
All Group companies incl. minority shareholdings, holding companies, outsourced activities		0 – 1,000	1,000 – 5,000	> 5,000

Qualitative risks are long-term developments that could have a negative impact on the KSB Group and which cannot or cannot yet be thoroughly quantified due to a lack of precise information. In order to be able to evaluate them all the same, however, estimates of the probability of occurrence and scope are made using defined evaluation categories. With respect to probability of occurrence, the extent to which the information indicating the potential risk is detailed must be determined.

Quantitative risks are risks for which a potential monetary impact on the earnings and/or liquidity of the KSB Group can be estimated. They are evaluated taking into account the specifically calculated probability of occurrence in combination with the potential amount of loss. The scope or amount of loss describes the potential influence of the individual risk on the key indicator of earnings before finance income / expense and income tax (EBIT) or liquidity of the KSB Group or the respective Group company. A distinction is made between a gross method before taking into account any corrective action that has been taken, and a net method after taking into account such measures. Risk assessment at KSB covers all relevant risk areas for internal and external risks arising from the KSB business and the Group's inherent risk profile. In this context, gross impacts of all individual and similar risks of € 500 thousand or more on EBIT are to be reported uniformly throughout the Group at the earliest possible time, regardless of how the risk is assessed in terms of probability of occurrence. Purely cash-effective risks are reported as from a gross impact of € 5,000 thousand or more.

In order to assess whether qualitative and quantitative individual risks are material for KSB, they are classed as low, medium or high risks. All individual risks categorised as medium or high via the net method that are detailed in the Individually Assessed Opportunities and Risks section are considered to be material for the KSB Group. The relevant classification can be determined from the overviews above.

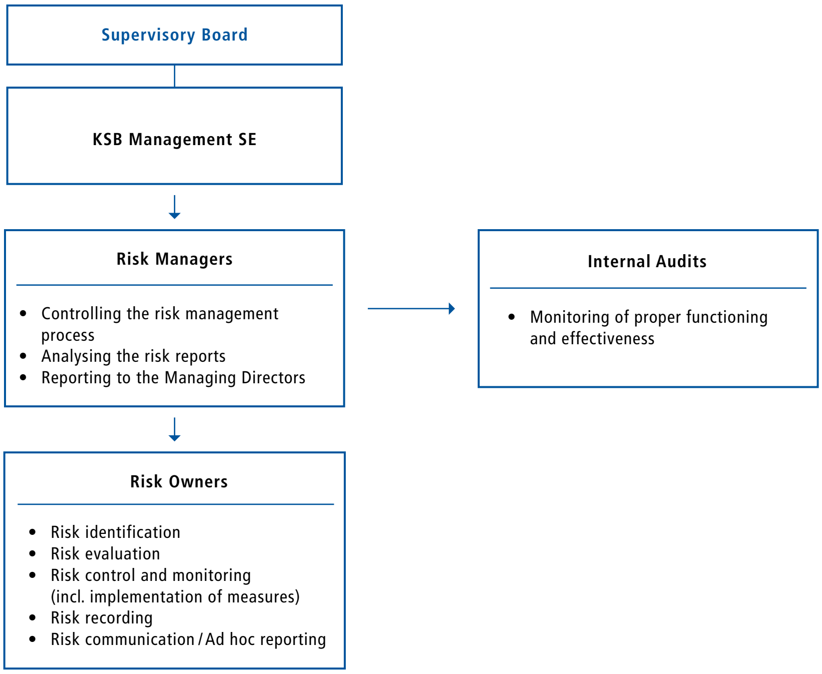
→ Qualitative risks – Quantitative risks

In evaluating the amount of loss and the probability of occurrence, KSB limits itself to three possible classifications: low, medium and high. The probability of occurrence is classed as low under 30 %, medium between 30 % and 70 % and high above 70 %. The categorisation of the net amount of loss is shown in the overview above.

→ Categorisation of the loss

This approach offers the necessary transparency to identify risks in their entirety and to manage them effectively, professionally and in an economically responsible manner.

Risk management at KSB



The bodies to which specific responsibilities and competencies were assigned in KSB's risk management system in the reporting year are presented and explained in the above diagram.

→ Risk management system of the KSB Group

As the legal representative, KSB Management SE assumes overall responsibility for risk management. KSB Management SE reports to the Supervisory Board of KSE SE & Co. KGaA via its Managing Directors during regular Audit Committee meetings and is monitored by the latter. The Managing Directors are supported by the Chief Compliance Officer and the Group Finance and Accounting department of KSB SE & Co. KGaA. The latter coordinates the risk management process at Group level and checks all risks reported for relevance to the preparation of financial statements. This ensures that there is a systematic link with the Group accounting process. The Managing Directors and the Supervisory Board's Audit Committee receive at least two risk reports per financial year. These reports include all the risks that are classed as medium or high that exceed pre-defined threshold values individually or collectively, taking into consideration any corrective action that has been taken (net risk). The net method enables the Managing Directors to focus specifically on the reported risks. Additionally, the risk-bearing capacity of the KSB Group is regularly monitored on the basis of the overall risk position, which is developed by aggregating all the risks recorded. This makes it possible to identify early on any developments that could threaten business continuity in the period under review. Particularly time-critical risks and materially new or materially changed risks are to be reported by the responsible managers to the Managing Directors of KSB Management SE on an ad hoc basis. In contrast, opportunities are not taken into account in KSB's current risk management system. They are reported separately by the Risk Managers of the Group headquarters and regional managers purely in qualitative terms, without further quantification, outside the risk management system.

With regard to financial risks KSB makes use of additional risk identification, assessment, management and communication. The central Finance department is responsible for this task, which is described in further detail later in this section.

Compliance risks are dealt with by the Chief Compliance Officer, who is assigned to the Legal and Compliance, Patents and Trademarks staff function. The Chief Compliance Officer is supported by the members of the Compliance Committee and the Compliance Managers of the individual companies.

Relevant risks from both corporate and central functions as well as other specialised corporate and central functions are transferred to and integrated within the KSB Group's risk management system, thus systematically ensuring a holistic overall risk inventory. The Internal Audits department is integrated into the risk management system as part of the internal control system. When planning audits, it prioritises areas according to potential risks and is provided with all the necessary information. The auditors ensure that all audited units adhere to the applicable guidelines, actively participate in the risk management system, and control or avoid their risks. Information obtained by Internal Audits on both the identified risks and the corrective action initiated in response forms an integral part of the reporting to the Managing Directors and to the Audit Committee of the Supervisory Board. The risk management system is updated promptly if need be, for example in the event of relevant legal or organisational changes. In addition, the auditors examine the early risk detection system within the scope of the audit of the annual financial statements, establishing that it is in place and checking that it is fit for purpose.

REVISION AND OPTIMISATION OF THE RISK MANAGEMENT SYSTEM IN THE 2021 FINANCIAL YEAR

KSB's risk management system was further developed in the 2021 financial year, taking into account the revised regulatory requirements of the new version of Auditing Standard 340 issued by the Institute of Public Auditors in Germany (IDW PS 340 n. F.). In particular, the following core aspects were revised and implemented during the financial year:

- Revision and optimisation of the Group-wide framework directives for KSB's risk management system, including the Risk Management Manual and the Group-wide risk strategy
- Upgrading the software solution for the risk management system to reflect the new regulatory requirements (in particular to determine a stochastically resilient overall risk position)
- Revision of the risk assessment methodology with regard to an extended assessment period beyond the basic two years
- Assessment of potential liquidity risks in addition to the previously considered impacts on earnings
- Adjustment of the evaluation categories for the amount of loss
- Process for determining the overall risk position as well as assessing and monitoring the risk-bearing capacity on the basis of the equity and liquidity key indicators of KSB at Group level, and their comparison

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELATING TO THE GROUP ACCOUNTING PROCESS

The accounting-related internal control system (ICS) contributes towards ensuring proper financial reporting. The aim is to ensure that the consolidated financial statements and group management report comply with all relevant regulations. Key elements of the ICS are – as well as the risk management system described above – guidelines and regulations, which include standard accounting and measurement policies. They must be applied to the full extent by all Group companies. There is a segregation of duties and a double-check system is in place. This is ensured by the audits carried out by the Internal Audits department.

In addition, Accounting and Controlling carry out regular analytical plausibility checks of time series analyses and actual / budget variance analyses. This enables KSB to identify significant changes early on, which are examined for accounting and measurement discrepancies. The resulting findings are then discussed at management level.

The responsibility for Group accounting lies with the employees in the central Accounting KSB Group department. KSB employs the services of qualified external reviewers for certain calculations as part of financial reporting (such as the calculation of complex pension obligations using actuarial assumptions).

Binding schedules and guidelines apply to accounting within the KSB Group and to accounting at each individual subsidiary. The accounting and measurement methods that must be applied to compile the consolidated financial statements are defined in writing in a manual that is updated and revised on a continual basis. This also includes the guidelines for posting intra-Group transactions. New accounting principles and other official announcements are continually analysed with regard to their relevance and impact on the consolidated financial statements. Guidelines and manual are adapted where necessary and any changes communicated immediately to the companies. Group Accounting likewise monitors compliance with requirements. This reduces the risk of compiling inappropriate financial statements or failing to publish them by the defined deadlines.

The financial statement information for all Group companies is automatically processed using certified and tested standard consolidation software. Systematic checks are implemented to help validate the data. Employees in Accounting KSB Group verify any warning signals that arise before using the data. The sequence of the processing steps is strictly specified through the use of the consolidation monitor within the IT system. This ensures the correct processing of data.

To enable a seamless and accurate accounting process, only employees who have the appropriate specialist know-how are assigned to this task. These employees are trained on a regular basis to make sure that their expert knowledge remains up to date.

Access authorisations have been defined for the accounting-related IT system. This protects the data against unauthorised access as well as improper usage and modification. In addition, the checks at many stages ensure the quality of processing and help to limit operational risks.

INDIVIDUALLY ASSESSED OPPORTUNITIES AND RISKS

The categories presented below include the qualitative and quantitative net risks classed as medium or high and the material opportunities for business development as at 31 December 2021 for the period under review. Where risks are not flagged as high, they are classed as medium risks. Unless otherwise stated, the following risks relate to all Segments.

Markets / Competition

Risks

The forecast for the 2022 financial year is based on the expectations and assumptions regarding general economic performance and global GDP as described in the Report on Expected Developments. There are high risks for the Group's business if inflation rates remain persistently high and longer-term bottlenecks in the procurement markets have a negative impact on the growth rates of the countries. In addition, government interventions can lead to a decline in demand in individual businesses. The Group manages the risk of fluctuations in the economy and in demand by remaining active in several markets and industries with different economic cycles. Furthermore KSB monitors the development of the economic environment for its markets. If necessary, capacities are adjusted, production facilities relocated and cost-cutting measures implemented.

Other risks arise in particular through geopolitical uncertainty resulting from trade conflicts and a number of global flash-points. KSB classifies the acts of war that started in Ukraine in February 2022 as a high risk, in particular, as the effects on the global economy and thus on the Group's business activities currently cannot be estimated. In this context, the impact on prices and availability on KSB's procurement markets is not foreseeable at present and is therefore not quantifiable. Furthermore, the Group's sales activities in Russia are subject to risk.

Highly indebted countries may suffer from rising financing costs and take drastic austerity measures as a result of increasing pressure on their governments. A protectionist currency policy of individual central banks in combination with import restrictions can burden business development.

A worsening of the COVID-19 situation could again burden our business in the course of the 2022 financial year. New virus variants, as well as different vaccination rates and age distributions in the population, lead to significant variations in the respective impacts of the pandemic among regions and customer markets. Measures to suppress the virus, which are introduced at short notice and for an indefinite period of time, can lead to significant damage to business. Influenced by epidemiological developments and political decisions, it is difficult to predict the extent and duration of individual effects on business.

Opportunities

Based on the change in organisational alignment and the resulting new segmentation, KSB expects better market access and thus profitable growth. This is supported by a strong global presence in all established and emerging markets, which is to be further expanded in 2022.

In the Pumps Segment, further opportunities are offered by the global megatrends of urbanisation and population growth as well as the trends towards digitalisation, CO_2 reduction and the increasing expansion of wind power. Urbanisation and continued population growth give rise to opportunities in various areas of work such as water supply, waste water and the re-use of treated water, which is used for example in agriculture.

By broadening its portfolio of pumps to API specifications, KSB has steadily improved its position in the oil processing industry. Chemical companies are also investing in new large-scale projects in China, the largest market for chemicals and plastic products. Opportunities arise from the fact that KSB is increasingly able to impress the Chinese market with locally manufactured products.

The demand for environmentally friendly biofuels and chemicals, as well as the growing demand for base materials for new trends in development such as e-mobility and chip manufacturing, offer new opportunities for KSB. In mining, opportunities arise from the ongoing trend towards global decarbonisation and electrification.

Opportunities also include major infrastructure projects in important Asian countries. KSB sees interesting prospects in the renewable energies business through the expansion of biomass power plants and waste incineration plants with power generation (so-called "waste-to-energy plants"). Further opportunities are offered by the expansion of combined cycle power plants with a focus on microgrids to supply energy to industrial complexes, and the transition from coal to gas-fired power plants in order to significantly reduce CO_2 emissions. Additional potential lies in the development of hydrogen technology, for which KSB offers efficient solutions, and in the revival of nuclear energy.

In the Valves Segment, there is a great opportunity to go beyond the electronic sales channels in place and make use of the new digital selection systems that are currently being set up and thus participate more effectively in the growing demand for standard valves.

In the KSB SupremeServ Segment, KSB is continuously expanding its global presence. An expanded global presence, as well as continued expansion of Reverse Engineering and the servicing of third-party products, offer the opportunity to gain further market share in the after-sales business.

Projects / Products

Risks

The markets' requirements for the products are constantly changing. KSB will only succeed if it meets its delivery deadlines and offers technically advanced products in good quality at competitive prices. To minimise the risk of delays in delivery, which may lead to a diminished reputation with the customer as well as to penalty payments, KSB keeps a constant eye on its sale and production processes. If it discovers that machinery needs to be renewed or capacities expanded, these investment projects are examined as part of a step-by-step approval process. In this way, KSB counters the risk of schedule and cost overruns.

Regular market analysis and monitoring, together with continuous quality management, minimise the risk that products will become technically obsolete or are offered at prices not acceptable in the market.

In KSB's business, there are special requirements when it comes to the processing of large-scale projects with long contract terms. These typically involve potential risks. There may be cost overruns, tighter import regulations, staff shortages, technical difficulties or quality problems – including possible contractual penalties – that reduce margins. KSB therefore continuously trains its employees in project management and equips them with specialist knowledge. This enables them to identify the risks associated with longer-term orders at an early stage. In addition, project managers are provided with appropriate management tools. Decisions are made in conjunction with clearly structured authorisation processes. Furthermore, there is central monitoring of projects exposed to risk across all KSB companies.

There are also technical and financial risks to orders with newly designed products. The high technical risks are limited to the extent that intermediate steps for development work are defined and partial solutions are subjected to assessments. Commercial risks are minimised by using appropriate contractual clauses. The goal is to ensure that advance payments and collateral provided by customers at least cover the costs incurred. KSB reported contingent liabilities of € 5.6 million (previous year: € 4.0 million) for the warranty obligations and contractual penalty risks that were not covered by corresponding provisions. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. Beyond this KSB sees no material residual risk (net risk).

Opportunities

KSB will continue to develop new business models as well as the portfolio of digital products and services. In addition to IIoT (Industrial Internet of Things) – solutions for remote control and monitoring of components and systems via apps – digitally supported services to increase resource efficiency and availability by KSB service personnel are coming to play an increasingly prominent role.

Two aspects are of particular importance to implement this in a cost-efficient and customer-focused way. One is the integration of sensors and fluid handling expertise within the machines. The second is digital networking and interoperability through corresponding interfaces with the customer's system. These so-called ecosystems will in future require close cooperation with suppliers and customers, for example to ensure that documentation can be exchanged efficiently with a continuous integration of data and without system discontinuities. Therefore KSB is already working with suppliers and customers on a digital document management solution.

One essential task is to solve customers' problems in a simple manner and thus develop new business models. To this end, digital technologies and cross-functional developments ranging from hydraulics and mechatronics to cybernetics and artificial intelligence are methodically deployed.

New products and type series additions are planned for the 2022 financial year, particularly in building services and in the water, waste water and chemical markets. This can open up new fields of application and also expand the existing market share.

Finance / Liquidity

Risks

The Group's international focus is associated with exchange rate risks. Besides the euro, the most important currencies for KSB are the US dollar, the Indian rupee, the Brazilian real and the Chinese yuan. The liquidity risk arising from foreign currency transactions is hedged by using derivative financial instruments. These hedges are based on fixed contracts and on forecasts about future payment streams the occurrence of which is uncertain. Thus, exchange rate fluctuations may have a negative effect on earnings despite hedging.

Persistent recessions or newly emerging crisis may adversely affect the financial situation of customers. Delayed payments and credit losses as a result of this can place a burden upon the results of operations. The same effect might occur if the foreign exchange regulations become stricter for individual countries. KSB counters this by means of a strict receivables management system and intensive customer contacts.

Changing market conditions mean that business models need to be fundamentally reviewed and the product range adjusted accordingly time and again. This may lead to inventories losing value.

As regards tax matters, the global orientation of the activities of the KSB Group must be taken into consideration. Based on its operative activities in numerous countries with varying tax laws and administrative interpretation, differentiated assessment is required for measuring tax obligations. Uncertainty may arise due to different interpretations by taxable entities on the one hand and local finance authorities on the other. These may come to light during audits. By cooperating closely with external local tax specialists, KSB counteracts the risk of having to pay back taxes. As KSB continually monitors unclear issues, it can generally classify the probability of occurrence. Should a need for subsequent payment arise, the corresponding tax liabilities are recognised in good time. In the Notes to the consolidated financial statements, KSB also reports contingent liabilities of € 0.7 million (previous year: € 0.4 million) from risks associated with income taxes. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. € 13.0 million (previous year: € 5.6 million) are reported as contingent liabilities for risks from other tax matters. Of this amount, KSB SE & Co. KGaA accounted for € 0 million, as in the previous year.

Procurement

Risks

Commodity prices and procurement times are subject to strong market-related fluctuations. An increase in costs for raw materials and components, which was assessed as a high risk in the financial year, can have a negative impact on the earnings situation if the cost increases cannot be compensated for or passed on to customers. Ineffective supply chains, as evidenced by supply bottlenecks and capacity restrictions, can lead to production bottlenecks and delays in delivery and adversely affect KSB's business activities. In its procurement strategy KSB seeks to prevent dependencies on suppliers and thereby counter any bottlenecks and delays. If local conditions mean that it is impossible to ensure sufficient diversification in this regard, KSB will make use of additional foreign business partners. Market bottlenecks in the semiconductor industry, which were assessed as a high risk in the financial year, can lead to unexpected price increases for precursor products due to purchasing in secondary procurement markets, and adversely affect the Pumps Segment.

Opportunities

The digitalisation of processes helps to make them transparent. KSB uses a process mining tool for this purpose. This innovative approach specifically demonstrates the company processes and identifies any weaknesses and where there is room for improvement. This formed the basis for the continuous development of the internal workflows from start to end of a process.

Technology / Research and Development

Risks

It is essential to future success to have a product and service range that is suited to the market in terms of technology, price and delivery time. The changing needs of customers together with new standards and regulations – especially in promising markets such as China – require the continuous development and improvement of products and services. The research and development required for adjustments consumes significant financial and human resources, with no guarantee of success in either the medium or the long term.

To avoid any negative impact on earnings, it is important to recognise the market-related or technical risks early on. To this end, the KSB Group is constantly updating the development process, which incorporates various control levels. As sales employees are regularly included in this process, risks arising from changes in markets or applications can be taken into account in good time in the evaluation.

Opportunities

KSB develops its products through an agile product development process so it can act quickly and flexibly within a continuously changing market environment. A key aspect of this is to continuously improve the environmental impact and thus increase the sustainability and reusability of the products.

Global networking of internal and external players on the in-house ideas and innovation platform also helps to better adapt to future trends. The global roll-out of this platform enables KSB to exploit yet further potential of the worldwide network of experts. KSB thus remains able to respond quickly even in a global environment defined by complexity and uncertainties. Establishing digital processes offers the opportunity to structure more sustainable and resilient production processes, with consistent product quality. KSB's production network can thus respond to sudden events according to the specific demands of the particular situation.

In additive manufacturing, KSB has developed new materials and components through many years of research and a great deal of practical experience. By collaborating with external partners and with its stringent orientation on customer needs, this manufacturing technology will broaden its reach and thereby increase competitiveness in global and regional markets. This includes, for example, considerably shorter delivery times. Using this technology can also significantly reduce the volume of material required, which further supports the drive for sustainable solutions.

As well as technical innovation, service, application and process innovations are growing in importance. Thanks to the consistent use of innovative technologies, such as machine learning, multiphysics simulation or process mining, KSB is directly applying the opportunities digitalisation offers. By systematically analysing internal workflows and processes, we can constantly optimise to adapt to the ever-changing environment. At the same time, digitalising customer processes, from customer acquisition to purchasing products and services online, offers additional opportunities. KSB has made considerable advances with its end-to-end e-sales project. After the first countries set up online shops, these will now be optimised before being launched in additional countries.

Other business-specific risks – Environment

Risks

KSB's business activities, primarily in the area of production, are subject to numerous environmental protection laws and regulations. Environmental damage of any kind (for example, groundwater contamination, renovation needed due to outdated construction materials or unpleasant odours arising from the use of chemicals) may result in costs not covered by an insurance policy. Therefore, at all company sites officers monitor compliance with laws and regulations as well as with internal KSB rules. If KSB discovers any contamination, it sets aside provisions to meet the liabilities for the necessary clean-up work.

In markets with tightening environmental regulations, there is a risk that KSB products and its in-house or purchased services might infringe against the regulations and that the necessary authorisation for the relevant business might be lost and KSB's reputation might be damaged as a result. A change in rules on liability in environmental protection can also increase the risks for business success. As a member of national and international professional associations the KSB Group becomes aware of imminent changes in environmental law early on. The legal frameworks that are in place in its Operational Units are continually updated, enabling KSB to ensure that its employees always abide by the applicable law. This is monitored by external auditors as part of the management certifications.

In addition, KSB is exposed to risks from climate and natural hazards. As a first step, KSB therefore evaluated its sites with regard to these risks in the year under review. Based on this initial evaluation, two sites were identified as being at risk in terms of climate and natural hazards. Basically KSB counters risks from climate and natural hazards by means of a differentiated production network. This makes it possible to respond flexibly to breakdowns at production sites.

Opportunities

KSB combines environmental management with an active and forward-looking approach as well as internal processes that enable permanent cost reductions. This applies, for instance, to all measures that reduce energy consumption in production, service and administration. In addition, the KSB Group offers users innovative products that reduce customers' energy costs.

The successful introduction, maintenance and ongoing development of global environmental and occupational health and safety management systems (ISO 14001 and ISO 45001) open up opportunities for identifying any risks or deviations at an early stage and initiating protective measures. In this way, not only is damage to the environment, the company's image and to employees' health prevented, but financial risks are avoided, too.

The first type series can be made available in a climate-neutral manner in 2022. This also helps customers achieve their climate goals more easily. It also allows KSB to further increase its market share.

In line with another CSR goal, using variable speed drives will reduce the CO_2 emissions produced by operating KSB water pumps by 850,000 tonnes annually by the year 2025. This is likely to attract further customers.

Investments in plant and machinery are made on the basis of resource efficiency and environmental and health protection in order to optimise energy costs throughout the entire use phase as well as to prevent any follow-on costs incurred through damage to the environment and/or to health.

With its certified environmental management system, KSB also meets a requirement stipulated by many public sector customers, large companies and entire sectors such as the automotive industry. For them, evidence of an environmental management system is an increasingly important criterion in the selection of suppliers. By having its production and service sites checked by auditors and certified to international standards, the KSB Group and the customers are both assured that KSB respects the environment. KSB's commitment to the UN Global Compact also meets the expectations of its customers and improves order opportunities with companies that are increasingly picking their suppliers according to how they honour their responsibility for the environment and society.

Other business-specific risks – Human resources, legal aspects and IT

Risks

The worldwide increase in threats to IT security and in computer-related crime lead to a high risk in terms of the security of systems and networks as well as the confidentiality and availability of data. As a multinational group, KSB is exposed to considerable cyber attacks, which are countered with a series of measures. These include adequate security systems and access procedures, high security standards, employee training, comprehensive monitoring of our networks and systems to minimise damage to the Group and its customers.

To achieve its growth and profitability business objectives, KSB needs qualified employees at all locations, including technical specialists. Due to the demographic change in some countries, the competition for these and other highly skilled professionals is increasing, KSB counters this risk with demand-oriented measures, systematic human resources planning and international recruitment processes.

Other potential risks associated with the activities of KSB's employees include dishonest conduct or violations of laws, which could damage the image of KSB. The KSB Group counters these risks and safeguards its reputation among customers by organising regular compliance training and through individual initiatives in critical regions.

Legal disputes cannot always be avoided within the framework of business activities. These are usually disputes arising from operations, generally involving unclear warranty issues. If as a result of these issues KSB expects negative effects on the success of its business with a probability of occurrence of more than 50 %, corresponding provisions are set aside, which cover not only the anticipated amount of loss, but also the costs of proceedings. In addition, KSB reports contingent liabilities in the amount of € 3.6 million (previous year: € 0.8 million) in the Notes to the consolidated financial statements, € 2.3 million of this are attributable to KSB SE & Co. KGaA(previous year: € 0 million).

KSB continues to attach great importance to the health and safety of its employees and business partners. In addition to the constant focus on occupational health and safety, a task force was already set up in the previous year to monitor and tackle the different effects of the coronavirus pandemic.

KSB seeks to counter increased external fraud activities by raising awareness of fraud attempts. At the same time, KSB is stepping up compliance. Maintaining its competitive advantage and protecting trade and business secrets is of considerable economic significance to KSB, which it responds to by consistently protecting confidential information.

Opportunities

The Workday global HR management system was implemented in all countries at the end of 2021, thus expanding the basis for global, strategic human resources planning. This enables KSB to deploy its employees in an optimum way, taking into account their individual knowledge and skills, and to open new career opportunities for them, including in other countries. Efficiency improvements arising through the standardisation and digitalisation of staff operational procedures lead to a significantly higher added value in this area.

The experiences gained from the COVID-19 pandemic regarding remote working have driven a cultural shift towards more flexible working models in the administrative areas tailored to the KSB business model. At the same time these models will meet the changing needs of employees and increase employer attractiveness among employees and applicants.

The modernisation initiative launched in 2020 in the area of IT infrastructure will be largely completed in the 2022 financial year. In addition to a state-of-the-art network, a hybrid data centre infrastructure including Cloud solutions and stationary systems at KSB or external service providers (on-premise systems) is to be provided, to support ongoing digitalisation as flexibly as possible. With the switch to Microsoft Office 365, which will begin in the 2022 financial year, collaboration functionalities will be further expanded and improved. This will make mobile working more efficient and comfortable. The change in technology also opens up new possibilities in terms of information protection functionalities.

RISK REPORT ON THE UTILISATION OF FINANCIAL INSTRUMENTS

Central financial management in the KSB Group performs its duties within the framework of the guidelines laid down by KSB Management SE as the legal representative. The KSB Group bases the nature and scope of all financial transactions exclusively on the requirements of its business. It does not lend itself to business of a speculative nature. The aim is to ensure liquidity at all times and to finance activities under optimal conditions. With respect to the export business, foreign exchange and credit risks are hedged to the greatest extent possible. KSB continuously improves its receivables management methods with the goal of settling outstanding amounts by their due dates.

KSB is exposed to the following financial risks as a consequence of its business activities.

KSB is firstly exposed to credit risk, which is defined as 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. 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.

Foreign exchange hedges are used to reduce the risks from transactions involving different currencies. These are generally currency forwards, which KSB uses both for transactions that have already been recognised and for future cash flows from orders still to be processed. At year end, the notional volume of currency forwards used to hedge exchange rate risks was € 221.9 million, with KSB SE & Co. KGaA accounting for € 139.6 million thereof (previous year: € 244.2 million, of which € 165.0 million attributable to KSB SE & Co. KGaA). Foreign currency items denominated in US dollars account for the major volume hedged by forwards. A global network of production sites in the local sales markets reduces potential currency risks.

All these risks are limited through an appropriate risk management system, defining how these risks are addressed through guidelines and work instructions. In addition, the current risk characteristics are continuously monitored and the information obtained in this way is provided to the Managing Directors and the Supervisory Board in the form of standardised reports and individual analyses.

For more information on the three risk areas and the impact on the balance sheet, see the Notes, Section VI. Additional Disclosures on Financial Instruments.

OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

The assessment of the KSB Group's overall opportunity and risk situation is the result of the consolidated appraisal of all material opportunities and individual risks. The individual risks have been strongly affected by the ongoing changes in the external environment, the realignment of the organisation with a focus on markets, the effect of our own countermeasures, and the adjustment of our assessment methodology. There has been no material change to the overall risk situation for KSB except for the decline in expected challenges from the COVID-19 pandemic. The KSB Group sees IT security and rising prices of commodities and raw materials as its greatest risks. Significant technical interruptions and breakdowns of relevant systems can lead to considerable disruptions in business and production processes.

The potential of opportunities has not changed materially since the previous year.

The risk management system in place as well as the related organisational measures allow KSB Management SE as the legal representative to identify risks in a timely manner and to take adequate measures. The focus of activities in 2022 will be on the principal risks. These are, in particular, IT security and potential changes in the price of commodities and raw materials. On the basis of the risk management system established by the KSB Group, and taking into account the revised regulatory requirements (IDW PS 340 n. F.), the legal representative states 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.

Disclosures Relating to KSB SE & Co. KGaA (HGB)

Balance Sheet

Assets

€ thousands		31 Dec. 2021	31 Dec. 2020
Fixed assets			
Intangible assets		41,351	45,739
Property, plant and equipment		134,694	127,204
Financial assets		296,511	291,886
		472,556	**464,829**
Current assets			
Inventories		250,936	246,917
Advances received from customers		–95,924	–100,440
		155,012	**146,477**
Receivables and other assets		301,927	310,202
Cash and balances with credit institutions		104,523	53,851
		406,450	**510,530**
Prepaid expenses		**3,523**	**2,393**
		1,037,541	**977,752**

Equity and liabilities

€ thousands		31 Dec. 2021	31 Dec. 2020
Equity			
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		136,180	136,180
Net retained profits		40,933	44,531
		288,548	**292,146**
Provisions			
Pensions and similar obligations		474,225	445,473
Miscellaneous other provisions		111,247	99,498
		585,472	**544,971**
Liabilities		**161,001**	**136,855**
Deferred income		2,520	3,780
		1,037,541	**977,752**

Income Statement

Income statement

€ thousands		2021	2020
Sales revenue		**869,343**	**813,799**
Changes in inventories		3,197	755
Work performed and capitalised		1,745	2,728
Total output of operations		**874,285**	**817,282**
Other operating income		18,467	23,605
Cost of materials		–383,444	–382,376
Staff costs		–338,780	–322,737
Depreciation and amortisation		–20,778	–22,424
Other operating expenses		–150,834	–163,292
		–1,084	**–49,942**
Income from equity investments		47,609	84,413
Other financial income / expense		–38,836	–38,604
		8,773	**45,809**
Taxes on income		–2,465	–2,402
Earnings after taxes		**5,224**	**–6,535**
Other taxes		–1,592	–1,187
Net profit / loss for the year		**3,632**	**–7,722**
Profit / loss carried forward		37,301	52,253
Appropriation to other revenue reserves		–	–
Net retained earnings		**40,933**	**44,531**

Business Model

KSB SE & Co. KGaA, as the parent, directly or indirectly holds the shares in the companies belonging to the KSB Group. The KSB Group is managed via KSB SE & Co. KGaA, which is at the same time the Group's largest operative company. The central administrative offices are located at the company's seat (registered office) in Frankenthal; branch operations are located in Bremen, Halle and Pegnitz.

KSB SE & Co. KGaA is associated via control and profit transfer agreements with the following German service companies: KSB Service GmbH, Schwedt, Uder Elektromechanik GmbH, Friedrichsthal, Dynamik-Pumpen GmbH, Stuhr, PMS BERCHEM GmbH, Neuss, Pumpen Service Bentz GmbH, Reinbek and KAGEMA Industrieausrüstungen GmbH, Pattensen. Thus, these companies are under single management by KSB SE & Co. KGaA. Their annual earnings are transferred to KSB SE & Co. KGaA.

The annual financial statements of KSB SE & Co. KGaA have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB) [German Commercial Code] and the *Aktiengesetz* (AktG) [German Public Companies Act] including the German principles of proper accounting.

Differences between the accounting methods under HGB and the International Financial Reporting Standards (IFRS), which are the basis of preparation for the consolidated financial statements of KSB, arise primarily from the recognition over time of revenue from production contracts under IFRS 15, in the calculation of pension provisions, from the recognition of leases under IFRS 16 and in the capitalisation of deferred taxes. Furthermore, differences arise in the recognition of assets and liabilities and of income statement items; under HGB there is expanded scope for the recognition of sales revenue.

Business Development and Results of Operations

The 2021 financial year was characterised by a significant recovery in economic performance and an increased willingness to invest on the part of customers. All markets in which KSB SE & Co. KGaA conducts its main business activities have benefited from this. There were local disruptions due to temporary government-imposed lockdowns in some Asian countries.

Particularly in the second half of the year, the bottlenecks in the supply chains resulting from the COVID-19 pandemic became increasingly noticeable. This had an impact both on the availability of supplier products and on prices, which in some cases rose significantly as a result of the increased demand and reduced capacities. These effects were partially compensated for by emergency stocks and the existing supplier network as well as the activation of secondary suppliers.

Overall, order intake and EBIT increased significantly compared with 2020. A slight improvement in sales revenue under IFRS was also achieved in the 2021 financial year. If one compares the figures to those for 2019, the last year that was still unaffected by the coronavirus pandemic, all key indicators show an increase, some of them a considerable one.

KSB served the respective markets through the regional sales organisation, which was supported by the Market Areas with their specialist expertise when required. Furthermore, the expansion of electronic sales of pumps, valves and spare parts which had been initiated in the previous years was systematically continued. A total of 25 countries now have e-sales platforms. The online platforms have developed well and are increasingly established as a further sales channel. The expansion will continue over the next few years as more countries obtain e-sales platforms. In addition, the international KSB SupremeServ network was continuously expanded by opening additional service locations.

As explained in the previous section on Basic Principles of the Group, KSB changed its organisational structure and segmentation as of the 2021 financial year. In order to reflect KSB SE & Co. KGaA's new segmentation, the internal reporting systems were adapted in a comprehensive manner and fully aligned with the new structure. The financial information for the 2020 reporting period was not restated retrospectively in line with the new segmentation, as the effort of such a technical system implementation including the associated data collection would have been disproportionately high from the point of view of KSB SE & Co. KGaA. In order to determine comparative data for the same period of the previous year, the data for the year under review would have had to be manually transferred to the previous structure. This would also have entailed excessive costs for data collection. Against this background, there are no reconciliations between the old and new segmentation for the key financial performance indicators (order intake, external sales, EBIT).

Further information can be found in the Notes to the consolidated financial statements of the KSB Group.

As a result, segmented disclosures for the reporting year are made exclusively on the basis of the new segmentation implemented by KSB SE & Co. KGaA, while the previous year's disclosures relate exclusively to KSB's former segmentation.

ORDER INTAKE

The volume of orders received by KSB SE & Co. KGaA rose by € 70.5 million to € 800.5 million in the reporting year, an increase of 9.7 %.

SALES REVENUE

At € 869.3 million, total sales revenue under HGB was up by € 55.5 million on the prior-year figure of € 813.8 million.

The disclosures below refer only to sales revenue from the sale of pumps, valves and spare parts as well as services. Sales revenue of € 802.6 million generated in the 2021 financial year represents a year-on-year increase of € 43.7 million (5.8 %). The breakdown of sales revenue is now based on the new organisational structure and segmentation introduced in the reporting year.

A material difference to the previous segmentation is that the spare parts business for pumps and valves is fully included in the KSB SupremeServ Segment. According to the previous segmentation, however, these transactions were generally allocated to one of the three former Pumps, Valves or Service Segments, depending on the type of underlying product or service.

The change in organisational alignment and the resulting new segmentation provide for a separation between the new pumps and valves business and the support services and spare parts business grouped under KSB SupremeServ.

Managing KSB SE & Co. KGaA using this new structure is aimed in particular at strategically strengthening the individual divisions and leveraging market potential. This primarily relates to the business activities of the KSB SupremeServ Segment. In addition, KSB is using its new organisational structure and segmentation to focus even more strongly on market-specific and customer-specific needs in the solutions it offers.

67 % of sales revenue thus relates to the new business with Pumps, 10 % to the new business with Valves, and 23 % to KSB SupremeServ which comprises all the service and spare parts business.

Under IFRS, sales revenue rose from € 789.6 million in the previous year to € 802.6 million. The main driver of the increase in sales revenue was the strong business in the Standard Markets.

INCOME AND EXPENSES

Other operating income declined from € 23.6 million to € 18.5 million. High compensation payments in the previous year were the main reason for the decline.

The cost of materials, at € 383.4 million, was slightly up on the prior-year level of € 382.4 million. The cost of materials in relation to the total output of operations fell from 46.8 % in the previous year to 43.9 % in the reporting year. Positive effects from the earnings enhancement programme at KSB SE & Co. KGaA became noticeable.

Staff costs increased in absolute terms by € 16.0 million to € 338.8 million. Significantly higher additions to provisions compared with 2020, especially those relating to profit bonus schemes, had an impact here. Due to the increase in total output of operations, staff costs at 38.9 % are below the prior-year figure of 39.5 %.

At € 150.8 million, other operating expenses showed a marked decline after € 163.30 million in the previous year. Savings of € 7.7 million were made in maintenance, purchased services and consultancy expenses, as well as in travel and entertainment costs. Taking into account the effect of the previous year, the changes in provisions for expected losses had a positive effect of € 8.7 million; expenses from exchange rate losses were € 3.6 million lower. Losses and impairments on trade receivables, selling costs and cost transfers from Group companies showed a contrary trend.

Overall, the income from equity investments, at € 47.6 million, was well below the prior-year level (€ 84.4 million). This includes profit transfers from the German service companies of € 9.1 million (previous year: € 13.6 million) and dividend income from affiliates and equity investments of € 38.5 million. € 25.0 million of this amount (previous year: € 60.0 million) relate to dividend income from KSB FINANZ S.A., Luxembourg.

NET PROFIT / LOSS FOR THE YEAR UNDER HGB

Due to the changes in the income statement items described above, KSB SE & Co. KGaA generated a net profit for the year of € 3.6 million in the 2021 financial year. This compares with a net loss of € 7.7 million in the previous year. Thus, overall a net profit for the year could be achieved again, in particular due to the significantly improved operating earnings.

EARNINGS BEFORE FINANCE INCOME / EXPENSE AND INCOME TAX (EBIT) UNDER IFRS

The EBIT determined in accordance with IFRS improved significantly and amounted to € – 12.0 million in the 2021 financial year (previous year: € – 32.7 million). A higher total output of operations coupled with a lower cost of materials in the 2021 financial year had a positive impact. The earnings enhancement programme at KSB SE & Co. KGaA also became noticeable. Negative effects resulted from increases in staff costs.

Financial Position and Net Assets

FINANCIAL POSITION

KSB SE & Co. KGaA is embedded within central financial management at the KSB Group. The latter works within the framework of the guidelines laid down by KSB Management SE as the legal representative and bases the nature and scope of all financial transactions exclusively on the requirements of the business. The objective of financial management is to guarantee liquidity at all times and to ensure the financing of activities on optimum terms. In financing export transactions, KSB SE & Co. KGaA hedges foreign exchange and credit risks to the greatest extent possible. KSB continuously improves its receivables management methods with the goal of settling outstanding amounts by their due dates.

LIABILITIES AND PROVISIONS

The largest liabilities item, as in the previous year, was pension provisions, which had grown by € 28.8 million to € 474.2 million on the reporting date. This increase is explained in particular by the addition of interest to pension obligations at € 38.2 million. Other provisions amounted to € 111.2 million (previous year: € 99.5 million). The increase is mainly attributable to higher provisions for staff costs.

Of liabilities totalling € 161.0 million (previous year: € 136.9 million), € 22.0 million were accounted for by liabilities from a loan against borrower's note that was placed on the market in 2012 to secure medium-term liquidity. Trade payables at year end were € 1.7 million below the previous year's level. Liabilities towards affiliates and equity investments increased significantly from € 55.8 million in the previous year to € 78.2 million. They include € 50.9 million (previous year: € 28.2 million) for intercompany loans and cash investments.

NET ASSETS

Total assets, at € 1,037.5 million, are up by 6.1 % on the prior-year level of € 977.8 million. Declines in receivables are offset in particular by higher cash and balances with credit institutions, as well as higher inventories.

In the reporting year, fixed assets made up 46 % (previous year: 48 %) of total assets. The share accounted for by current assets was 54 % after 52 % in 2020. Inventories including advance payments received totalled € 155.0 million after € 146.5 million in the previous year.

EQUITY

The share capital of KSB SE & Co. KGaA remained at € 44.8 million. The capital reserve was unchanged at € 66.7 million. At year end, € 136.2 million (previous year: € 136.2 million) was assigned to other revenue reserves. Out of the 2020 net retained earnings of € 44.5 million, dividends totalling € 7.2 million (dividend of € 4.00 per ordinary share and € 4.26 per preference share) were distributed by resolution of the Annual General Meeting of 6 May 2021. The remaining amount of € 37.3 million was carried forward to new account.

Summary of the Performance in the Financial Year

The 2021 financial year was characterised by a significant recovery in economic performance and a catching-up on orders deferred in the previous year. All markets in which KSB SE & Co. KGaA conducts its main business activities have benefited from this.

Particularly in the second half of the year, the bottlenecks in the supply chains resulting from the COVID-19 pandemic became increasingly noticeable. This had an impact both on the availability of supplier products and on prices, which in some cases rose significantly as a result of the increased demand and reduced capacities. These effects were partially compensated for by emergency stocks and the existing supplier network.

The forecasts made at the beginning of the year were partly exceeded due to the global economic recovery. The order intake is considerably higher than the comparative figure in the previous year; the forecast had been for tangible growth. The expected marginal increases in sales revenue under IFRS were also exceeded. Business in the Standard Markets contributed significantly to this. A strong increase in EBIT, the reasons for which were explained in more detail in the "Earnings before finance income / expense and income tax (EBIT) under IFRS" sub-section of this part of the report, was also achieved in the 2021 financial year, as predicted.

Opportunities and Risks

The business performance of KSB SE & Co. KGaA depends significantly on the risks and opportunities faced by the KSB Group, which are set out in detail in the Report on Expected Developments and the Opportunities and Risks Report in the Combined Management Report. KSB SE & Co. KGaA generally shares in the risks of its equity investments and subsidiaries in line with its equity interest.

Report on Expected Developments

The International Monetary Fund (IMF) recently lowered its forecast for global economic growth in 2022 significantly to + 4.4 % in real terms. The adjustment was mainly due to the weaker trends in the two largest economies, the USA and China. Expectations regarding inflation for the current year were raised in view of bottlenecks in logistics and supply chains as well as higher energy and commodity prices. The IMF's baseline forecast is based on expectations of a further spread of the pandemic with the Omicron virus variant in the first quarter and its abatement by the end of the year. The downside risks prevail in this forecast. They include a potential intensification of the pandemic resulting from the emergence of new virus variants, further disruptions to supply chains, higher price volatility and inflation, and greater political risks.

Given the disruptions in supply chains, the growth in demand for capital goods is expected to be lower. In its forecast for global sales of plant and machinery, VDMA refers to the scenarios from Oxford Economics. In the base case scenario, in which there is no new global wave of infections, sales revenue in real terms will rise by 5 %. For Germany, the VDMA forecast is + 7 %.

Overall, KSB SE & Co. KGaA foresees significant growth in sales revenue under IFRS in the 2022 financial year, largely owing to the Standard Markets. For order intake, KSB SE & Co. KGaA expects slight growth, mainly from project business. EBIT under IFRS is expected to remain stable at the level of the previous year.

The forecast horizon for the above-mentioned information and statements is the 2022 financial year.

The continuing uncertainties relating to the COVID-19 pandemic and increasing geopolitical tension may have a negative impact on the forecasts made. Bottlenecks in the supply chains can also have a negative impact on the forecast. In addition, the acts of war that started in Ukraine in February 2022 are resulting in considerable further uncertainties for the 2022 financial year, the impact of which KSB cannot currently estimate.

Acquisition-related Disclosures

A summary of the acquisition-related disclosures required by Section 315a HGB is given below and explanatory information is provided pursuant to Sections 175(2) and 176(1) AktG.

The share capital of KSB SE & Co. KGaA (the company) amounts to € 44.8 million, of which € 22.7 million is represented by 886,615 no-par-value ordinary shares and € 22.1 million by 864,712 no-par-value preference shares. Each no-par-value share represents an equal notional amount of the share capital. All shares are bearer shares. They are listed for trading on the regulated market and are traded in the General Standard segment of the Frankfurt Stock Exchange.

Each ordinary share entitles the holder to one vote at KSB SE & Co. KGaA's Annual General Meeting. Johannes und Jacob Klein GmbH, Frankenthal, holds approximately 84 % of the ordinary shares; the KSB Stiftung [KSB Foundation], Stuttgart, holds the majority of the shares of Johannes und Jacob Klein GmbH. The preference shares carry separate cumulative preferred dividend rights and progressive additional dividend rights. Detailed information on the share capital and shareholders holding an interest of more than 10 % is provided in the Notes to the consolidated financial statements. Holders of preference shares are entitled to voting rights only in the cases prescribed by law. The issue of additional ordinary shares does not require the consent of the preference shareholders. Similarly, the issue of additional preference shares does not require the consent of the preference shareholders provided that the subscription rights do not exclude newly issued senior or pari passu preference shares.

The company is authorised by a resolution passed at the Annual General Meeting on 13 May 2020 to acquire during the period up to (and including) 12 May 2025, for any permitted purpose, ordinary and/or preference shares of the company up to a total of 10 % of the share capital of KSB SE & Co. KGaA existing at the time the resolution is adopted or – if this value is lower – at the time the authorisation is exercised. The general partner shall be entitled to use treasury shares acquired in such a way for any permitted purpose, including but not limited to the following: (1) The acquired treasury shares may be redeemed without the redemption or its execution requiring any further resolution by the Annual General Meeting. The general partner may also determine that the share capital remains unchanged by the redemption and that, instead, the portion of share capital that the remaining shares represent is increased pursuant to Section 8(3) AktG. (2) The acquired treasury shares may also be sold in ways other than over the stock exchange or by way of an offer to all shareholders if the shares are sold for cash at a price that is not materially lower than the stock exchange price of the company's shares of the same type and with the same features at the time of the sale. However, this authorisation shall only apply subject to the proviso that the shares sold to the exclusion of the pre-emptive right pursuant to Section 186(3), sentence 4 AktG shall not exceed a total pro-rata amount of 10 % of the share capital, either at the time this authorisation enters into effect or at the time it is exercised. Any shares issued from authorised capital during the term of this authorisation to the exclusion of the pre-emptive right pursuant to Sections 203(2), sentence 2, and 186(3), sentence 4 AktG shall be counted towards this limit. In addition, shares to be issued to service bonds and/or participation rights with conversion or option rights or a conversion or option obligation shall also count towards this limit if the bonds and/or participation rights are issued during the term of this authorisation to the exclusion of the pre-emptive right in corresponding application of Section 186(3), sentence 4 AktG. (3) The acquired treasury shares may be sold for a contribution in kind, in particular for the acquisition of companies, parts of companies or interests in companies. (4), Finally, the acquired treasury shares may be used to fulfil conversion or option rights that were granted by the company or a domestic or foreign enterprise in which the company directly or indirectly holds a majority of the votes and capital when issuing bonds and/or participation rights, or to fulfil conversion or option obligations from bonds and/or participation rights issued by the company or a domestic or foreign enterprise in which the company directly or indirectly holds a majority of the votes and capital.

The above-mentioned authorisations (1) to (4) on the use of shares of the Company acquired on the basis of previous authorisation resolutions in accordance with Section 71(1) No. 8 AktG or another legal basis, and of such shares acquired by controlled enterprises or enterprises in which the Company holds a majority ownership interest, or pursuant to Section 71d, sentence 5 AktG. The authorisations may be exercised once or several times, in whole or in part, individually or jointly, and also by controlled enterprises or enterprises in which KSB SE & Co. KGaA holds a majority ownership interest, or by third parties acting for their account or for the account of the company.

Where treasury shares are used in accordance with the aforementioned authorisations (2) to (4), the pre-emptive right of the shareholders to these treasury shares is excluded. In addition, the general partner shall, in the event of an offer for treasury shares to the shareholders, be authorised to grant to the creditors of bonds and/or participation rights with conversion or option rights or a conversion or option obligation issued by the company or a domestic or foreign enterprise in which the company directly or indirectly holds a majority of the votes and capital, a pre-emptive right to shares to the extent to which they would be entitled after exercising the conversion or option right or after fulfilling a conversion or option obligation. To this extent, the shareholders' pre-emptive right to such treasury shares shall also be excluded.

The company has not yet made use of this authorisation to purchase treasury shares.

There are no resolutions by the Annual General Meeting authorising the company's individually liable general partner to increase the share capital (authorised capital).

The company's business is managed by KSB Management SE, which acts through the four Managing Directors.

Amendments to the company's Articles of Association are resolved by the Annual General Meeting. If the amendments only affect the wording of the Articles of Association, they can be made by the Supervisory Board, which operates and is formed in accordance with the regulations of the German Co-determination Act.

Corporate Governance Statement (Section 315d HGB in Conjunction with Section 289f HGB)

The Corporate Governance Statement pursuant to Section 315d HGB in conjunction with Section 289f HGB [*Handelsgesetzbuch* – German Commercial Code] dated 8 March 2022 is accessible to the public at www.ksb.com > Investor Relations > Corporate Governance / Corporate Governance Statement. The Corporate Governance Statement contains the content specified in Section 298f HGB, including the Statement of Compliance in accordance with Section 161 AktG, as well as the relevant information on corporate governance practices applied at KSB SE & Co. KGaA that go above and beyond statutory requirements. Also described are in particular the working methods of KSB Management SE as the general partner and of the Supervisory Board, and the composition and working methods of the committees of the Supervisory Board.

Statement on the Non-financial Report (Section 315c in Conjunction with Sections 289c to 289e HGB)

The separate combined non-financial report is prepared in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and disclosed together with the combined management report in accordance with Section 325 HGB. The report can be viewed at: www.non-financial-report2021.ksb.com. Under the same address the assurance report for the separate combined non-financial report is also disclosed.

Balance Sheet

Assets

€ thousands	Notes	31 Dec. 2021	31 Dec. 2020
Fixed assets			
Intangible assets	1	41,351	45,739
Property, plant and equipment	1	134,694	127,204
Financial assets	2	296,511	291,886
		472,556	**464,829**
Current assets			
Inventories	3	250,936	246,917
Advances received from customers	3	–95,924	–100,440
		155,012	**146,477**
Receivables and other assets	4	301,927	310,202
Cash and bank balances		104,523	53,851
		406,450	**510,530**
Prepaid expenses		**3,523**	**2,393**
		1,037,541	**977,752**

Equity and liabilities

€ thousands	Notes	31 Dec. 2021	31 Dec. 2020
Equity	6		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		136,180	136,180
Net retained profits		40,933	44,531
		288,548	**292,146**
Provisions	7		
Pensions and similar obligations		474,225	445,473
Miscellaneous other provisions		111,247	99,498
		585,472	**544,971**
Liabilities	8	**161,001**	**136,855**
Deferred income	9	2,520	3,780
		1,037,541	**977,752**

Income Statement

Income statement

€ thousands	Notes	2021	2020
Sales revenue	**13**	**869,343**	**813,799**
Changes in inventories		3,197	755
Work performed and capitalised		1,745	2,728
Total output of operations	**14**	**874,285**	**817,282**
Other operating income	15	18,467	23,605
Cost of materials	16	–383,444	–382,376
Staff costs	17	–338,780	–322,737
Depreciation and amortisation		–20,778	–22,424
Other operating expenses	18	–150,834	–163,292
		–1,084	**–49,942**
Income from equity investments	19	47,609	84,413
Other financial income / expense		–38,836	–38,604
		8,773	**45,809**
Taxes on income	21	–2,465	–2,402
Earnings after taxes		**5,224**	**–6,535**
Other taxes		–1,592	–1,187
Net profit / loss for the year		**3,632**	**–7,722**
Profit / loss carried forward		37,301	52,253
Transfer to other revenue reserves		–	–
Net retained profits		**40,933**	**44,531**

Notes

GENERAL

KSB SE & Co. KGaA, with its registered office in Frankenthal / Pfalz and branches in Bremen, Halle and Pegnitz, is a large corporation as defined in Section 267(3) HGB [German Commercial Code] as at the reporting date 31 December 2021. The company is registered with the *Handelsregister* [German Commercial Register] of the *Amtsgericht* [Local Court] Ludwigshafen am Rhein, registration No. HRB 65657. The general partner is KSB Management SE, a European public limited company. The shares in this company are wholly owned by Klein, Schanzlin & Becker GmbH, Frankenthal / Pfalz. Klein, Schanzlin & Becker GmbH is jointly managed by its two shareholders, the non-profit KSB Stiftung [KSB Foundation], Stuttgart, and the non-profit Kühborth-Stiftung GmbH [Kühborth Foundation], Stuttgart.

The annual financial statements of KSB SE & Co. KGaA have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB) [German Commercial Code] and the *Aktiengesetz* (AktG) [German Public Companies Act] including the German principles of proper accounting.

For the sake of clarity, KSB has summarised individual items of the balance sheet and the income statement. The items are shown separately in these Notes to the financial statements. The Notes also contain the additional information required to be disclosed on individual items of the balance sheet and the income statement.

The financial statements have been prepared in euro (€). All amounts are stated in thousands of euros unless otherwise noted. The previous year's figures are as a rule shown in brackets in the Notes.

Details on the changes in fixed assets and the list of shareholdings pursuant to Section 285 No. 11 HGB follow the explanations on fixed assets.

Impact of the coronavirus pandemic

KSB's financial year 2021 was characterised by a significant recovery in economic performance and a renewed willingness to invest on the part of customers. Nevertheless, the business and economic environment for KSB SE & Co. KGaA continued to be impaired by the coronavirus pandemic in the reporting year.

Particularly in the second half of the year, the bottlenecks in the procurement markets and supply chains resulting from the COVID-19 pandemic became increasingly noticeable. This had an impact both on the availability of supplier products and on prices, which in some cases rose significantly as a result of the increased demand and reduced capacities. These effects were partially compensated for by emergency stocks and the existing supplier network.

As a result of the coronavirus pandemic, individual expense items in the other expenses section were below pre-pandemic levels in the reporting year, as in the previous year.

Overall, the impact of the COVID-19 pandemic on the annual financial statements of KSB SE & Co. KGaA depends in particular on the further emergence and spread of virus variants, the global progress of vaccination campaigns and the continued effectiveness of the vaccines. All these future developments and circumstances, as well as government and regulatory measures to contain the coronavirus pandemic in individual countries, may have a negative impact on the business performance of KSB SE & Co. KGaA. In this context, the effects on the procurement markets and logistics chains are of particular significance for KSB SE & Co. KGaA.

The above-mentioned aspects can generally affect the recognition and measurement of assets and liabilities as well as the amount and timing of the recognition of earnings and cash flows. Assessments in this regard are currently characterised by great uncertainty about the further global course of the coronavirus pandemic and its duration and impact. These annual financial statements were prepared by KSB SE & Co. KGaA using the best available knowledge. The COVID-19 pandemic had no material negative impact on the net assets, financial position and results of operations of KSB SE & Co. KGaA.

ACCOUNTING POLICIES

The income statement has been prepared using the nature of expense method.

For internally generated intangible assets, the option pursuant to Section 248(2) HGB is exercised. They are capitalised at production cost (development cost) if there is at least a high probability of the actual creation of an asset as at the reporting date. Production costs include the individually attributable costs from the consumption of goods and the utilisation of services as well as reasonable proportions of material and production overheads and write-downs of fixed asset items in the course of the development process. Internally generated industrial property rights and similar rights and assets are amortised on a straight-line basis pro rata temporis over their respective expected useful lives.

Intangible fixed assets acquired from third parties against payment and tangible fixed assets (property, plant and equipment) are capitalised at acquisition cost and own work capitalised at production cost (both directly attributable costs and reasonable proportions of overheads as well as depreciation / amortisation) and depreciated or amortised in accordance with their expected useful life on a straight-line basis, pro rata temporis in the year of acquisition. If the fair values of individual fixed assets fall below their carrying value, write-downs are recognised in the event of expected permanent impairment. Borrowing costs are not recognised as part of the acquisition or production costs.

The following useful lives are applied:

Useful life

Intangible assets	3 to 15 years
Buildings	15 to 50 years
Plant and machinery	6 to 25 years
Other equipment, operating and office equipment	4 to 25 years

As far as the accounting of low-value assets is concerned, the tax law regulation of Section 6(2) and (2a) EStG [*Einkommensteuergesetz* – German Income Tax Act] is also applied in commercial law for reasons of materiality. Acquisition or production costs of depreciable movable assets capable of independent use are recognised in full as operating expenses in the financial year of acquisition, production or contribution if the acquisition or production costs, less any input tax included therein, do not exceed € 800 for the individual asset. In the financial years prior to 2018, collective items as defined in Section 6(2a) EStG were recognised for low-value assets.

Research and development costs (excluding internally generated intangible assets as described above) are expensed in the year incurred.

Financial assets include the shares in affiliates and equity investments measured at acquisition cost or, in the event of expected permanent impairment, at the lower fair value. Write-ups due to the requirement to reverse impairment losses are recognised up to the original acquisition cost if the reasons for permanent impairment no longer exist.

The fair value of the investments is determined using the discounted cash flow method. The detailed planning period of the underlying company data generally extends over a planning horizon of several years from the reporting date. For the subsequent period, a constant is calculated using an expected growth rate per investment. The cost of capital rates used for discounting take into account the country risk as well as the individual debt level of the individual investments. If the calculated enterprise value adjusted for net debt exceeds the carrying amount of the investment as at the reporting date, there is generally no need for impairment. In individual cases, the carrying amount of the investment is written down.

Inventories are measured at acquisition or production cost, taking into account the lower of cost or market principle. All identifiable risks in inventories resulting from above-average storage periods, reduced usability and/or lower replacement costs are recognised through appropriate write-downs. In all cases, measurement at the lower of cost or market value was applied, i.e. if the anticipated selling prices less the costs incurred until the sale resulted in a lower fair value, corresponding write-downs were recognised.

Apart from customary retention of title, the inventories are free from third-party rights.

The acquisition costs of raw materials, consumables and supplies as well as goods are determined using the average value method.

Finished goods and work in progress are measured at production cost. The production costs include the components that must be capitalised in accordance with Section 255(2) HGB. Interest charges for debt capital have not been capitalised.

Advances received from customers are recognised at nominal value and openly deducted from inventories in full.

Receivables and other assets are recognised at the lower of nominal value or fair value as at the reporting date; non-interest-bearing or low-interest-bearing receivables are discounted. Identifiable risks are taken into account through appropriate individual impairment allowances. In addition, the general credit risk is covered by a general impairment allowance, which is deducted directly from the net receivables that are not individually impaired.

Cash and cash equivalents are recognised at nominal value on the reporting date.

Expenses prior to the reporting date are recognised as prepaid expenses if they represent expenses for a certain period after this date.

Subscribed capital is recognised at nominal value.

Provisions were recognised at the settlement amount required according to reasonable commercial assessment, taking into account future price and cost increases.

Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term.

Provisions for pensions and similar obligations are calculated in accordance with actuarial principles using the projected unit credit method, taking into account the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. The actuarial assumptions are as follows: The market interest rate for the assumed remaining term of 15 years, as published by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions as at 31 December 2021, fell from 2.3 % to 1.87 %. The rate of future salary and pension increases is assumed to be 2.7 % (previous year: 2.7 %) and 1.9 % (previous year: 1.9 %) respectively. In addition to the payment of a monthly pension for life, the pension plans provide for the full payment of the capital amount or a payment in monthly instalments. Every employee is entitled to apply at any time during the ongoing employment contract for payment in annual instalments, as a single lump-sum payment or as a pension for life. KSB has estimated how the specific workforce is likely to decide on exercising the lump-sum option and has taken this into account for the measurement of pension provisions. The estimates regarding the decision on exercising the lump-sum option were applied unchanged. All other measurement parameters are unchanged year on year. Average fluctuation is assumed.

Provisions for obligations from partial retirement schemes are set aside in accordance with the phased block model. Provisions for partial retirement are measured in accordance with actuarial principles using an interest rate of 0.30 % p.a. (previous year: 0.44 %), based on the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. As in the previous year, annual wage and salary increases of 2.7 % were used to determine the provisions for partial retirement obligations. The provisions for partial retirement were recognised for partial retirement agreements already concluded as at the reporting date and for future potential agreements. They include top-up amounts and settlement obligations of the company accrued up to the reporting date.

Appropriate provisions were recognised at the respective settlement amount for future expenses from the fulfilment of guarantees and warranties, i.e. taking into account the cost ratios expected to apply at the time of fulfilment. Provisions are recognised for specific individual risks as well as in the form of a lump-sum provision based on the sales revenue of the last eighteen months.

Provisions for future expenses relating to penalty risks are calculated on the basis of individual contractual arrangements in accordance with the delay in the completion of the project. In addition, a lump-sum provision is recognised.

Liabilities are measured at their settlement amount.

Deferred income is income received before the reporting date that represents income for a certain period after this date.

Currency translation

Transactions denominated in foreign currencies are generally recorded at the historical exchange rate at the time of initial recognition.

Balance sheet items are measured as follows as at the reporting date:

Non-current foreign currency receivables are recognised at the selling rate when the receivable arises or at the lower fair value based on the average spot exchange rate on the reporting date (imparity principle). Current foreign currency receivables (remaining term of one year or less) as well as cash and cash equivalents or other current assets denominated in foreign currencies are translated at the average spot exchange rate on the reporting date. Non-current foreign currency liabilities are recognised at the buying rate at the time the liability is incurred or at the higher closing rate at the reporting date based on the spot exchange rate on the reporting date (imparity principle). Current foreign currency liabilities (remaining term of one year or less) are translated at the average spot exchange rate on the reporting date.

Deferred taxes

Deferred taxes are recognised on the differences between the carrying amounts in the financial accounts and the tax accounts, if and to the extent that these are expected to decrease in later financial years. In addition, deferred tax assets are recognised on corporate and trade tax loss carry-forwards to the extent that losses are expected to be offset within, as a rule, the next five years. According to the formal approach, the sole tax debtor is the company as the controlling company, i.e. actual and deferred taxes of the controlled companies must also be shown in full in the annual financial statements of the controlling company, as it alone is subject to the taxation consequences. Accordingly, the temporary differences of the controlled companies are recognised in the financial statements of KSB SE & Co. KGaA. The calculation of deferred taxes is based on an effective tax rate of around 31 %, which is expected to apply when the differences are reduced. Deferred tax assets and liabilities are reported net. In the case of an asset surplus of deferred taxes as at the reporting date, no use is made of the capitalisation option provided for in Section 274(1) Sentence 2 HGB.

Derivative financial instruments and hedge accounting

The company is exposed to currency and interest rate risks in the course of its business activities. These are hedged mainly through the use of derivative financial instruments. These are instruments traded outside the stock exchange (OTC). Currently, only forward exchange transactions are used. They are applied to hedge the company's operating business as well as the related cash investments and financing transactions. The aim here is to reduce the volatility resulting from changes in exchange rates and interest rates in relation to earnings and cash flows.

KSB uses micro and portfolio hedges to hedge transactions already recognised and future highly probable cash flows from its operating business.

The hedging instruments used share the essential terms and conditions with the underlying transactions, i.e. with regard to amount, term and quality. They are deployed in accordance with uniform guidelines and are subject to strict internal controls. In addition, these transaction are subject to prospective and retrospective effectiveness testing and risk monitoring. The hedging instruments used are exclusively simple currency forwards entered into with prime-rated banks.

Assets and liabilities, pending transactions and transactions that are expected in the future with a high degree of probability (underlyings) are, within the scope of hedge accounting, grouped in micro and portfolio hedges to offset opposing changes in fair value and cash flows with derivative financial instruments (hedge transactions), provided the requirements of Section 254 HGB are met.

If hedge accounting in accordance with Section 254 HGB is applied to hedges and highly probable forecast transactions, the forward exchange transactions are not recognised in the balance sheet until the underlying transaction occurs (net hedge presentation method). After the underlying transaction has occurred, the underlying transaction and the hedge transaction are recognised in accordance with the gross hedge presentation method. The fair value of these hedges is reported in the other assets balance sheet item as well as in the other liabilities balance sheet item.

For derivatives, previously recognised exchange rate gains or losses from extended hedge transactions are accrued within the scope of micro-hedges, if and to the extent that they result in future offsetting effects.

The critical terms match method is used prospectively for hedge accounting with forward exchange transactions; retrospectively, the assessment is based on the dollar offset method. KSB assumes a high probability of occurrence of the hedged transactions, as they are generally routine transactions and the hedge is below the planned total volume.

BALANCE SHEET DISCLOSURES

1. Intangible assets, property, plant and equipment

In the financial year under review, investment activity was lower than in the previous year. The focus continued to be on replacement investments in manufacturing facilities. Investments amounted to € 24,017 thousand (previous year: € 27,889 thousand) and depreciation / amortisation to € 20,778 thousand (previous year: € 22,424 thousand). As in the previous year, there were no write-downs.

Disposals of assets with a carrying amount of € 136 thousand (previous year: € 529 thousand) resulted in book gains of € 65 thousand (previous year: € 21 thousand) and book losses of € 120 thousand (previous year: € 505 thousand).

KSB SE & Co. KGaA exercised the option of capitalising internally generated intangible fixed assets in accordance with Section 248(2) HGB and recognised internally generated intangible assets totalling € 32,260 thousand (previous year: € 35,802 thousand). These are mainly attributable to the KSBase software, which was already completed in 2020, and the E2E e-sales programme.

KSBase is a new selection software for the standard pump range. The main reason for the development of KSBase was to create an integrated software which allows to create quotations on the sales side and also map processing and production processes.

The aim of the E2E e-sales software is to introduce an end-to-end e-sales process to increase digital order intake.

2. Financial assets

In 2021, the companies KSB Egypt SOC (Holding) with a share of 100 % of the share capital amounting to € 190 thousand and KSB Service Egypt LLC with a share of 48 % of the share capital amounting to € 696 thousand were founded in Egypt.

The equity of KSB Schweiz AG, Switzerland, was increased by € 2,360 thousand and that of KSB Cerpadlá a Armatúry, s.r.o., Bratislava, Slovakia, by € 300 thousand by capital contribution.

In addition, there was a need for an impairment reversal in the amount of € 1,403 thousand at REEL s.r.l., Ponte di Nanto, Italy, in accordance with Section 253(5) HGB. Conversely, the carrying amount of the investment in KSB Seil, Seoul, South Korea, required a write-down for impairment of € 324 thousand in accordance with Section 253(3) Sentence 5 HGB in the 2021 financial year.

Statement of changes in fixed assets

Statement of changes in fixed assets in the 2021 financial year

	Historical cost					Accumulated depreciation and amortisation					Net value	
€ thousands	Balance at 1 Jan. 2021	Additions	Disposals	Reclassifications	Balance at 31 Dec. 2021	Balance at 1 Jan. 2021	Additions	Disposals	Reclassification/ Write-ups	Balance at 31 Dec. 2021	Balance at 31 Dec. 2021	Prior-year balance
Intangible assets												
Internally generated industrial property rights and similar rights and assets	40,220	151	0	0	40,371	4,418	3,693	0	0	8,111	32,260	35,802
Concessions, industrial property and similar rights and assets acquired against payment, as well as licences in such rights and assets	48,815	578	170	629	49,852	42,750	2,822	170	0	45,402	4,450	6,065
Advance payments	3,872	1,233	0	– 464	4,641	0	0	0	0	0	4,641	3,872
	92,906	**1,963**	**170**	**165**	**94,864**	**47,168**	**6,515**	**170**	**0**	**53,513**	**41,351**	**45,739**
Property, plant and equipment												
Land or land rights and buildings including buildings on third-party land	132,424	2,408	1,111	1,281	135,002	91,019	2,010	1,111	0	91,918	43,084	41,405
Plant and machinery	269,222	4,677	5,535	3,795	272,159	217,026	6,752	5,467	– 4	218,307	53,852	52,196
Other equipment, operating and office equipment	62,559	5,046	6,424	882	62,063	38,897	5,501	6,356	4	38,046	24,017	23,662
Advance payments and assets under construction	9,941	9,923	0	– 6,123	13,741	0	0	0	0	0	13,741	9,941
	474,146	**22,054**	**13,070**	**–165**	**482,965**	**346,942**	**14,263**	**12,934**	**0**	**348,271**	**134,694**	**127,204**
Financial assets												
Investments in affiliates	303,020	3,546	0	0	306,566	30,555	324	0	–1,403	29,476	277,090	272,465
Equity investments	19,421	0	0	0	19,421	0	0	0	0	0	19,421	19,421
	322,441	**3,546**	**0**	**0**	**325,987**	**30,555**	**324**	**0**	**–1,403**	**29,476**	**296,511**	**291,886**
	889,493	**27,563**	**13,240**	**0**	**903,816**	**424,665**	**21,102**	**13,104**	**–1,403**	**431,260**	**472,556**	**464,829**

List of Shareholdings

LIST OF SHAREHOLDINGS IN 2021

The shares in affiliates and equity investments (interests held) reported under financial assets – i.e. the companies in which the company holds, directly or indirectly, at least 20 % of the share capital – are listed below. The disclosures on equity and the net profit or loss for the year of affiliates are provided in accordance with IFRS.

Affiliates (national and international)

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year** € thousands
1	Canadian Kay Pump Limited, Mississauga / Ontario	Canada	H	100.00	100.00		3,763	1,136
2	KSB Limited, Pimpri (Pune)	India	P	40.54	40.54	1	119,036	17,152
3	KSB MIL Controls Limited, Annamanada	India	P	49.00	19.86	2	15,594	814
				51.00	51.00			
4	Pofran Sales & Agency Limited, Pimpri (Pune)	India	S	100.00	40.54	2	21	–1
5	Dynamik-Pumpen GmbH, Stuhr	Germany	SVC	100.00	100.00		718	381
6	Hydroskepi GmbH, Amaroussion (Athens)	Greece	H	100.00	100.00		282	–
7	KAGEMA Industrieausrüstungen GmbH, Pattensen	Germany	P	100.00	100.00		2,866	1,718
8	KSB Armaturen Verwaltungs- und Beteiligungs-GmbH, Frankenthal	Germany	H	100.00	100.00		1,407	819
9	OOO "KSB", Moscow	Russia	P	100.00	100.00	8	6,075	2,297
10	IOOO "KSB BEL", Minsk	Belarus	S	98.10	98.10	9	286	234
				1.90	1.90	8		
11	TOV "KSB Ukraine", Kyiv	Ukraine	S	100.00	100.00	9	630	328
12	KSB, Bombas e Válvulas, SA, Albarraque	Portugal	S	92.00	92.00		1,053	139
				1.00	1.00	32		
				1.00	1.00	69		
				1.00	1.00	15		
13	KSB Chile S.A., Santiago	Chile	P	100.00	100.00		21,112	3,639
14	KSB de Mexico, S.A. de C.V., Querétaro	Mexico	P	100.00	100.00		2,594	330
15	KSB FINANZ S.A., Echternach	Luxembourg	H	100.00	100.00		244,593	35,530
16	Aplicaciones Mecánicas Válvulas Industriales, S.A. (AMVI), Burgos	Spain	P	100.00	100.00	15	6,332	–207
17	Dalian KSB AMRI Valves Co., Ltd., Dalian	China	P	100.00	100.00	15	6,133	863
18	KSB Algérie Eurl, Bordj el Kifane (Alger)	Algeria	S	100.00	100.00	15	1,495	299
19	KSB Australia Pty Ltd, Bundamba QLD	Australia	P	100.00	100.00	15	12,148	601
20	KSB New Zealand Limited, Albany / Auckland	New Zealand	S	100.00	100.00	19	1,171	558
21	KSB Belgium S.A., Bierges-lez-Wavre	Belgium	S	100.00	100.00	15	3,561	–290
22	KSB Service Belgium S.A./N.V., Bierges-lez-Wavre	Belgium	SVC	100.00	100.00	21	655	–2
23	KSB BRASIL LTDA., Várzea Paulista	Brazil	P	100.00	100.00	15	40,630	13,312
24	KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires)	Argentina	P	95.00	95.00	15	11,840	2,080
				5.00	5.00			
25	KSB Finance Nederland B.V., Zwanenburg	Netherlands	H	100.00	100.00	15	27,509	7,297

* P = Production / assembly, S = Sales, SVC = Service, H = Holding

** Data according to latest annual financial statements under IFRS

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year** € thousands
26	D.P. Industries B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	25	34,497	–25,784
27	KSB B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	26	23	14,726
28	Duijvelaar Installatiebouw B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	26	23	–
29	DP Pompen B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	26	23	16,057
30	DP Pumps B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	26	18	7,815
31	DP Service B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	26	23	–
32	KSB Nederland B.V., Zwanenburg	Netherlands	S	100.00	100.00	25	5,840	1,898
33	KSB Italia S.p.A., Milano	Italy	P	99.00	99.00	15	24,315	2,893
				1.00	1.00			
34	KSB ITUR Spain S.A., Zarautz	Spain	P	100.00	100.00	15	22,108	357
35	KSB Limited, Loughborough	United Kingdom	S	100.00	100.00	15	5,734	361
36	KSB Middle East FZE, Dubai	U.A.E.	S	100.00	100.00	15	6,572	120
37	KSB Österreich Gesellschaft mbH, Vienna	Austria	S	100.00	100.00	15	691	–177
38	KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara	Turkey	P	100.00	100.00	15	8,094	3,254
39	KSB Pumps and valves L.t.d., Domžale	Slovenia	S	100.00	100.00	15	3,531	1,215
40	KSB Pumps Inc., Mississauga / Ontario	Canada	S	100.00	100.00	15	3,419	1,073
41	KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg)	South Africa	H	100.00	100.00	15	12,235	1,181
42	KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg)	South Africa	P	70.00	70.00	41	22,784	2,252
43	KSB PUMPS AND VALVES LIMITED, Nairobi	Kenya	S	100.00	100.00	41	82	27
44	KSB S.A.S., Gennevilliers (Paris)	France	P	100.00	100.00	15	77,616	9,986
45	KSB POMPES ET ROBINETTERIES S.à.r.l. d'Associé unique, Casablanca	Morocco	S	100.00	100.00	44	2,463	166
46	KSB Shanghai Pump Co., Ltd., Shanghai	China	P	80.00	80.00	15	60,104	8,092
47	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal	Germany	H	51.00	51.00	15	16,963	15,292
48	KSB America Corporation, Richmond / Virginia	USA	H	100.00	51.00	47	57,902	1,021
49	GIW Industries, Inc., Grovetown / Georgia	USA	P	100.00	51.00	48	126,559	8,025
50	KSB Dubric, Inc., Comstock Park / Michigan	USA	SVC	100.00	51.00	48	–914	182
51	KSB, Inc., Richmond / Virginia	USA	P	100.00	51.00	48	10,538	612
52	KSB, Inc. – Western Division, Bakersfield / California	USA	SVC	100.00	51.00	48	2,629	62
53	Standard Alloys Incorporated, Port Arthur / Texas	USA	SVC	100.00	51.00	48	8,275	–770
54	PT. KSB Indonesia, Cibitung	Indonesia	P	94.06	94.06	15	14,871	930
				5.94	5.94			
55	PT. KSB Sales Indonesia, Cibitung	Indonesia	S	99.00	99.00	54	2,192	264
				1.00	1.00			
56	SISTO Armaturen S.A., Echternach	Luxembourg	P	52.85	52.85	15	21,040	4,234
57	KSB Finland Oy, Kerava	Finland	S	100.00	100.00		10,337	3,296
58	KSB Hungary Kft., Budapest	Hungary	S	100.00	100.00		1,130	311

* P = Production / assembly, S = Sales, SVC = Service, H = Holding ** Data according to latest annual financial statements under IFRS

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year** € thousands
59	KSB Korea Ltd., Seoul	South Korea	P	100.00	100.00		4,734	733
60	KSB Limited, Hong Kong	China	S	100.00	100.00		1,757	592
61	KSB Pump & Valve Technology Service (Tianjin) Co., Ltd, Tianjin	China	SVC	100.00	100.00	60	4,676	953
62	KSB Ltd., Tokyo	Japan	S	100.00	100.00		–621	551
63	KSB Norge AS, Ski	Norway	P	100.00	100.00		1,526	128
64	KSB Perú S.A., Lurin	Peru	S	100.00	100.00		1,359	151
65	KSB Polska Sp. z o.o., Ozarow-Mazowiecki	Poland	S	100.00	100.00		7,417	726
66	KSB Pumps Co. Ltd., Bangkok	Thailand	P	40.00	40.00		7,873	199
67	KSB Pumps Company Limited, Lahore	Pakistan	P	58.89	58.89		9,945	143
68	KSB-Pumpy+Armatury s.r.o., koncern, Prague	Czech Republic	S	100.00	100.00		4,200	340
69	KSB (Schweiz) AG, Oftringen	Switzerland	S	100.00	100.00		–178	251
70	KSB Seil Co., Ltd., Busan	South Korea	P	100.00	100.00		6,904	534
71	KSB Service GmbH, Frankenthal	Germany	SVC	100.00	100.00		–258	7,309
72	KSB Service GmbH, Schwedt	Germany	SVC	100.00	100.00		1,361	2,559
73	KSB Singapore (Asia Pacific) Pte Ltd, Singapore	Singapore	P	100.00	100.00		9,190	1,678
74	KSB Malaysia Pumps & Valves Sdn. Bhd., Shah Alam	Malaysia	P	100.00	100.00	73	1,192	616
75	KSB PHILIPPINES, INC., Makati City	Philippines	S	100.00	100.00	73	649	176
76	KSB Vietnam Co., Ltd, Long Thanh District	Vietnam	S	100.00	100.00	73	200	36
77	KSB Sverige Aktiebolag, Gothenburg	Sweden	S	100.00	100.00		7,939	–35
78	KSB Sverige Fastighets AB, Gothenburg	Sweden	S	100.00	100.00	77	1,266	19
79	PUMPHUSET Sverige AB, Sollentuna	Sweden	SVC	100.00	100.00	77	2,235	222
80	KSB Taiwan Co., Ltd., New Taipei City	Taiwan	S	100.00	100.00		4,153	1,471
81	KSB Tech Pvt. Ltd., Pimpri (Pune)	India		100.00	100.00		3,581	772
82	KSB Valves (Changzhou) Co., Ltd., Jiangsu	China	P	100.00	100.00		14,623	893
83	PMS-BERCHEM GmbH, Neuss	Germany	SVC	100.00	100.00		695	523
84	Pumpen-Service Bentz GmbH, Reinbek	Germany	SVC	100.00	100.00		722	1,023
85	REEL s.r.l., Ponte di Nanto	Italy	P	100.00	100.00		1,667	474
86	Uder Elektromechanik GmbH, Friedrichsthal	Germany	SVC	100.00	100.00		28	298

Joint ventures

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year** € thousands
87	KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ, Ankara	Turkey	P	55.00	55.00	38	140	100
88	KSB Pumps Arabia Ltd., Riyadh	Saudi Arabia	P	50.00	50.00	15	8,713	–4,399
89	KSB Service LLC, Abu Dhabi	U.A.E.	SVC	49.00	49.00		7,917	5
90	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai	China	P	45.00	45.00		37,319	2,012

* P = Production / assembly, S = Sales, SVC = Service, H = Holding

** Data according to latest annual financial statements under IFRS

Associates

Cons. No.	Name and seat	Country	Activity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year** € thousands	
91	Motori Sommersi Riavvolgibili S.r.l., Cedegolo	Italy		25.00	25.00		5,467	2,937	

Companies not consolidated because of immateriality – Affiliates (national and international)

Cons. No.	Name and seat	Country	Activity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year** € thousands	
92	Geheimrat Dr. Jacob Klein-Unterstützungs-einrichtung e.V.	Germany		100.00	100.00		102	–7	
93	KSB BOMBAS E VÁLVULAS (Angola), LDA, Belas	Angola	S	65.00	65.00	15	625	–	
94	KSB Čerpadlá a Armatúry, s.r.o., Bratislava	Slovakia	S	100.00	100.00		66	–50	
95	KSB Colombia SAS, Funza (Cundinamarca)	Colombia	S	100.00	100.00	15	405	25	
96	KSB Ecuador S.A., Samborondón	Ecuador	S	99.00	99.00	23	622	119	
				1.00	1.00	15			
97	KSB Egypt SOC, Cairo	Egypt	H	100.00	100.00		190	–	
98	KSB Panama S.A., Panamá	Panama	S	100.00	100.00	23	53	–	
99	KSB Pumpe i Armature d.o.o. Belgrade	Serbia	S	100.00	100.00	39	215	19	
100	KSB pumpe i armature d.o.o., Rakov Potok	Croatia	S	100.00	100.00	39	210	–5	
101	KSB PUMPS AND VALVES (NAMIBIA) (PROPRIETARY) LIMITED, KLEIN WINDHOEK	Namibia	S	100.00	100.00	41	–158	–213	
102	KSB Pumps and Valves Nigeria Ltd, Lagos	Nigeria	S	60.00	60.00	15	294	–51	■
103	KSB Service Egypt LLC, Cairo	Egypt	SVC	48.00	48.00		1,512	–	
				11.00	11.00	97			
				1.00	1.00	15			
104	KSB ZAMBIA LIMITED, Kitwe	Zambia	S	100.00	100.00	41	396	185	
105	Techni Pompe Service Maroc (TPSM), Casablanca	Morocco	SVC	100.00	100.00	45	–595	–8	
106	TOO "KSB Kazakhstan", Almaty	Kazakhstan	S	100.00	100.00	9	382	91	

* P = Production / assembly, S = Sales, SVC = Service, H = Holding

** Data according to latest annual financial statements under IFRS

■ Prior-period figures

3. Inventories and advances received

Inventories and advances received

€ thousands	31 Dec. 2021	31 Dec. 2020
Raw materials, consumables and supplies	83,673	83,131
Work in progress	143,961	115,469
Finished goods and goods purchased and held for resale	18,395	42,270
Advance payments	4,907	6,047
Advances received from customers	–95,924	–100,440
	155,011	**146,477**

€ 1,652 thousand (previous year: € 1,488 thousand) of the advance payments made are attributable to affiliates and equity investments. Advances received from customers have a remaining term of up to one year and relate to affiliates in the amount of € 36,756 thousand (previous year: € 35,296 thousand).

The carrying amount of inventories includes impairment losses of € 48,187 thousand (previous year: € 57,641 thousand), measured at the lower of cost or market value. The main impairment loss is attributable to a legacy project in the UK.

4. Receivables and other assets

Receivables and other assets

€ thousands	31 Dec. 2021	31 Dec. 2020
Trade receivables	50,330	59,090
of which with a remaining term of more than 1 year	1,388	3,677
Receivables from affiliates	197,168	221,295
of which with a remaining term of more than 1 year	169	393
Receivables from non-controlling interests	21,247	8,589
of which with a remaining term of more than 1 year	2,093	2,398
Other assets	33,182	21,228
Total	301,927	310,202
of which with a remaining term of more than 1 year	3,650	6,468

Unless otherwise stated, the receivables are due within one year. € 129,632 thousand (previous year: € 115,333 thousand) of the receivables from affiliates are intercompany trade receivables. € 64,715 thousand (previous year: € 103,602 thousand) relates to loans and cash investments in the Group, of which € 60,000 thousand (previous year: € 100,000 thousand) relates to a loan to KSB FINANZ S.A. in Luxembourg. This item also includes receivables from profit and loss transfer agreements in the amount of € 2,821 thousand (previous year: € 2,360 thousand). € 20,308 thousand (previous year: € 8,589 thousand) of the receivables from non-controlling interests relate to intercompany deliveries and services. Loans and cash investments in the Group accounted for € 939 thousand (previous year: € 0 thousand).

Other assets amounted to € 33,182 thousand (previous year: € 21,228 thousand). They include receivables from credit balances for partial retirement agreements and long-term working time accounts amounting to € 11,425 thousand (previous year: € 13,825 thousand), which are secured against insolvency in accordance with the statutory provisions. Another € 15.003 thousand was invested in short-term first-class bonds (previous year: € 0 thousand). Other assets also include receivables from tax authorities amounting to € 3,918 thousand (previous year: € 2,615 thousand). These relate to receivables from income and excise tax credits in the amount of € 2,913 thousand and from electricity tax in the amount of € 1,005 thousand. The other assets all have a remaining term of up to one year.

5. Cash and bank balances

A portion of the cash and cash equivalents amounting to € 25,004 thousand (previous year: € 10,035 thousand) is accounted for by short-term overnight and fixed-term deposits. The remaining € 79,519 thousand (previous year: € 43,816 thousand) result from current account balances at banks and from cash assets.

6. Equity

There was no change in the share capital of KSB SE & Co. KGaA as against the previous year; it totals € 44,771,963.82 in accordance with the Articles of Association. It is divided into 886,615 no-par-value ordinary shares (€ 22,665,952.56) and 864,712 no-par-value preference shares (€ 22,106,011.26).

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.

The capital reserve results from the appropriation of premiums from capital increases in previous years.

Out of the 2020 net retained earnings of € 44,531 thousand, dividends totalling € 7,230 thousand (dividend of € 4.00 per ordinary share and € 4.26 per preference share) were distributed by resolution of the Annual General Meeting of 6 May 2021. The remaining amount of € 37,301 thousand was carried forward to new account. The revenue reserves exclusively comprise other revenue reserves.

As at the reporting date of 31 December 2021, the distributable capital, consisting of the net profit / loss for the year plus the retained earnings carried forward and the freely available reserves in the total amount of € 172,636 thousand exceeded the total amount of the excluded amounts of € 71,310 thousand by € 101,326 thousand. Therefore, no dividend payout restriction was adopted with regard to the net retained earnings of the financial year in the amount of € 40,933 thousand.

7. Provisions

Provisions

€ thousands	31 Dec. 2021	31 Dec. 2020
Provisions for pensions and similar obligations	474,225	445,473
Provisions for taxes	1,876	2,253
Other provisions	109,372	97,245
	585,472	**544,971**

The increase in pension provisions continued in 2021. The change in the interest rate of the obligation resulted in an effect of € 38,248 thousand (previous year: € 35,901 thousand), which is included as interest expense in the other financial income / expense.

The tax provisions of € 1,876 thousand (previous year: € 2,253 thousand) are divided into provisions for corporate income tax of € 167 thousand, trade tax of € 928 thousand and foreign tax risks in the amount of € 781 thousand from previous years that have not yet been assessed or finally audited and determined. Income tax provisions relate to the reporting year and previous years not yet finally assessed; prepayments and tax credit balances are offset. If these exceed the provision amounts, they are reported under other assets.

Of the other provisions, the largest portion of € 53,862 thousand (previous year: € 41,753 thousand) relates to personnel obligations. The main increase was in obligations from bonus payments (+ € 10,618 thousand) and from termination agreements (+ € 1,234 thousand). Obligations from long-term time accounts and compensated absence remained almost unchanged.

Currently, € 15,828 thousand (previous year: € 15,776 thousand) has been set aside for obligations from partial retirement schemes.

In addition, other provisions include risks arising from warranty claims of € 19,853 thousand (previous year: € 19,021 thousand), penalties of € 4,185 thousand (previous year: € 5,528 thousand), expected losses from uncompleted transactions of € 8,820 thousand (previous year: € 12,987 thousand) and for other uncertain obligations.

8. Liabilities

Liabilities

€ thousands	31 Dec. 2021	31 Dec. 2020
Liabilities from loans against borrower's note	22,000	22,000
Remaining term of up to 1 year	22,000	–
Remaining term of more than 1 year	–	22,000
Trade payables	50,686	52,371
Remaining term of up to 1 year	50,686	52,371
Liabilities to affiliates	78,177	55,633
Remaining term of up to 1 year	78,177	55,633
Liabilities to non-controlling interests	46	155
Remaining term of up to 1 year	46	155
Other liabilities	10,092	6,696
Remaining term of up to 1 year	9,987	6,591
Remaining term of more than 1 year	36	105
of which remaining term of more than 5 years	69	69
of which tax liabilities	4,027	4,466
of which social security liabilities	191	119
Total liabilities	**161,001**	**136,855**
Remaining term of up to 1 year	160,896	114,750
Remaining term of more than 1 year	36	22,105
of which remaining term of more than 5 years	69	69

In 2012, a loan against borrower's note with a total volume of € 175,000 thousand was successfully placed on the market to secure liquidity in the medium term. Tranches of € 153 thousand in total were repaid between 2015 and 2019, some early.

Liabilities to affiliates of € 27,232 thousand (previous year: € 27,399 thousand) and to equity investments of € 46 thousand (previous year: € 155 thousand) are trade payables. Intercompany loans and cash investments resulted in liabilities to affiliates amounting to € 57,205 thousand (previous year: € 39,453 thousand). Liabilities from intercompany loans and cash investments were offset with receivables from profit and loss transfer agreements in the amount of € 6,260 thousand (previous year: € 11,219 thousand).

9. Deferred income

Deferred income amounting to € 2,520 thousand (previous year: € 3,780 thousand) relates to royalty payments.

10. Derivative financial instruments and hedge accounting

The major share of exchange rate risks from receivables and liabilities was hedged by forward exchange transactions with external contractual partners with a notional volume of € 55,641 thousand; their fair value amounts to € – 1,787 thousand in total.

Forward exchange transactions with a notional value of € 84,005 thousand and a fair value of € – 1,693 thousand were used to hedge highly probable transactions in foreign currencies.

Foreign currency items denominated in USD, GBP and CNY account for the major volume hedged by forwards. The terms to maturity of the derivatives used are mostly one to two years.

Any exchange rate losses or gains that are later offset by corresponding hedge transactions are accrued in other assets in the amount of € 503 thousand and in other provisions in the amount of € 181 thousand.

11. Contingent liabilities

KSB SE & Co. KGaA has issued bonds and guarantees to banks on behalf of affiliates and equity investments amounting to € 25,628 thousand (previous year: € 32,404 thousand). There are also bonds and guarantee commitments to third parties in the amount of € 26,989 thousand (previous year: € 15,956 thousand). In addition, KSB SE & Co. KGaA issued an intercompany letter of comfort with an unquantified maximum amount to KSB de Mexico, S.A. de C.V., Querétaro, Mexico, in the 2021 financial year.

Based on the information available at the time of preparation, KSB SE & Co. KGaA currently assumes that the obligations underlying the above-mentioned contingent liabilities can be met in all cases by the respective principal debtors on the basis of their economic capacity. The company therefore estimates the probability of a claim to be very low.

12. Other financial obligations and off-balance sheet transactions

Other financial obligations and off-balance sheet transactions

€ thousands	
The following obligations from rental agreements and leases will fall due in later years:	
2022	3,969
2023 – 2026	3,936
	7,905

The rental agreements and leases relate to the vehicle fleet and certain office and business equipment (copiers, printers). In all cases, these are operating leases, which means the leased assets are not recognised in the company's balance sheet. The advantage of these agreements lies in the reduced amount of capital tied up compared with acquisition and the elimination of the utilisation risk. Risks could arise from the term of the agreement if and to the extent that the assets could no longer be fully used, for which there are currently no indications.

The obligations from IT services agreements amounted to € 94,123 thousand. Of this amount, € 24,104 thousand is attributable to 2022 and € 70,019 thousand to subsequent years up to 2026.

The aggregate purchase commitments for fixed assets amounted to € 12,056 thousand.

The total amount of other financial obligations as at the reporting date was € 114,084 thousand.

Unsecured credit lines were agreed with affiliates for borrowing within the framework of cash pooling. The utilisation of these credit lines by Group companies is significantly more favourable for them than comparable borrowing from banks. In principle, there is a default risk involved, which KSB considers to be very low due to the financial position of the companies. As at the reporting date, an amount of € 9,623 thousand (previous year: € 849 thousand) of the total volume of credit lines granted of € 13,400 thousand (previous year: € 4,450 thousand) had not been utilised.

Since December 2018, a syndicated loan agreement has been in place for KSB SE & Co. KGaA, under which a credit line of € 300 million and a guarantee line of € 350 million are available. The credit line can be used at any time and has a fixed term of five years with the option to renew twice by one year each time. In 2019, the option granted was exercised for the first time. In 2020, the credit line was extended for the second time and will thus run until the end of 2025.

INCOME STATEMENT DISCLOSURES

13. Sales revenue

Sales revenue *

€ thousands	2021	2020
Sales revenue from the sale of pumps	534,916	–
Sales revenue from the sale of valves	83,061	–
Sales revenue from KSB SupremeServ	184,592	–
Subtotal	**802,569**	**758,879**
of which previously from the sale of pumps	–	659,711
of which previously from the sale of valves	–	90,192
of which previously from the sale of support services	–	8,976
Other sales revenue	66,774	54,920
Sales revenue recognised in income statement	**869,343**	**813,799**

* Segmented disclosures for the 2021 financial year are made exclusively on the basis of the new segmentation, while the previous year's disclosures relate exclusively to KSB's former segmentation. In view of the differences in content between the two segment structures, the disclosures at segment level for the reporting year and the previous year are not comparable.

Sales revenue from the new business with Pumps and Valves and from KSB SupremeServ, which comprises all the service and spare parts business, include charges for deliveries and services billed to customers plus licence income and income from foundry products, less sales reductions. The sales revenue of € 802,569 thousand generated in 2021 increased by € 43,690 thousand (+ 5.8 %) year on year. The breakdown of sales revenue by Region changed only slightly compared with the previous year. The domestic market accounted for 39 % (previous year: 37 %). The other European countries achieved 33 % (previous year: 33 %) overall. The Region Asia accounted for 15 % (previous year: 14 %), the Region Middle East / Africa for 7 % (previous year: 8 %) and the Region Americas / Oceania for 6 % (previous year: 8 %) of sales revenue.

Other sales revenue of € 66,774 thousand (previous year: € 54,920 thousand) mainly comprised services for Group companies of € 62,582 thousand (previous year: € 50,703 thousand), subsidies and grants of € 2,512 thousand (previous year: € 2,382 thousand) and income from rentals and leases of € 1,166 thousand (previous year: € 1,085 thousand).

14. Total output of operations

In addition to the increase in sales revenue, the increase in inventories of finished goods and work in progress as well as the low level of own work capitalised also had an impact on the total output of operations. The total output of operations was € 57,003 thousand above the prior-year figure; this equates to an increase of 7 %.

15. Other operating income

The main component of other operating income in the amount of € 18,467 thousand (previous year: € 23,605 thousand) is income from currency translation gains. At € 12,849 thousand, these are € 142 thousand higher than the previous year's figure of € 12,707 thousand.

Other operating income includes prior-period income, mainly from the reversal of provisions in the amount of € 2,729 thousand (previous year: € 4,989 thousand).

16. Cost of materials

Cost of materials

€ thousands	2021	2020
Cost of raw materials, production supplies and of goods purchased and held for resale	321,621	328,987
Cost of purchased services	61,823	53,389
	383,444	**382,376**

The cost of materials increased as a result of the increase in sales, and was € 1,068 thousand higher than the prior-year figure. The cost of materials in relation to the total output of operations was 43.9 % following 46.8 % in the previous year.

17. Staff costs

Staff costs

€ thousands	2021	2020
Wages and salaries	280,096	262,904
Social security contributions and employee assistance costs	50,817	51,340
Pension costs	7,867	8,493
	338,780	**322,737**

Staff costs as a percentage of total output of operations decreased slightly year on year to 38.9 % (previous year: 39.5 %).

The average number of employees over the year, excluding trainees, was 3,827. Of these, 2,149 were allocated to production, 1,192 to sales and products and 486 to corporate functions.

18. Other operating expenses

Other operating expenses mainly include purchased services, maintenance and other selling, assembly and contract costs and, at € 150,834 thousand, were lower than in the previous year (€ 163,292 thousand).

The significant decrease in other operating expenses is attributable to purchased services in the amount of € – 7,500 thousand net (€ 28,156 thousand; previous year: € 35,657 thousand).

Further changes occurred in expenses for maintenance (€ 15,633 thousand; previous year: € 18,400 thousand), expenses for other selling, assembly and contract costs (€ 16,808 thousand; previous year: € 15,324 thousand), expenses for other staff costs (€ 5,318 thousand; previous year: € 7,887 thousand), expenses for travel, entertainment and presentation (€ 5,344 thousand; previous year: € 7,069 thousand) as well as expenses for audits and consultancy (€ 10,239 thousand; previous year: € 5,974 thousand).

Exchange rate losses decreased from € 16,736 thousand to € 13,099 thousand.

In relation to total output of operations, other operating expenses fell by more than two percentage points to 17.4 % (previous year: 20.0 %).

19. Income from equity investments

Income from equity investments

€ thousands	2021	2020
Income from affiliates and equity investments	38,528	70,834
of which from affiliates	37,903	70,084
Income from profit transfers	9,081	13,579
Expenses incurred for taking over losses	–	–
	47,609	**84,413**

Income from affiliates and equity investments mainly includes the dividends of KSB FINANZ S.A., Luxembourg, amounting to € 25,000 thousand (previous year: € 60,000 thousand).

Fiscal unity agreements (control and profit and loss transfer agreements) are in place with the following companies: KSB Service GmbH, Frankenthal, KSB Service GmbH, Schwedt, Uder Elektromechanik GmbH, Friedrichsthal, Dynamik-Pumpen GmbH, Stuhr, PMS Berchem GmbH, Neuss, Pumpen Service Bentz GmbH, Reinbek, and Kagema Industrie-ausrüstungen GmbH, Pattensen. The agreements are registered in the *Handelsregister* [German Commercial Register]. In accordance with the agreements, the annual earnings of the individual companies are transferred to KSB SE & Co. KGaA.

20. Other financial income / expense

Other financial income / expense

€ thousands	2021	2020
Other interest and similar income	140	225
of which from affiliates	25	21
Write-ups of financial assets	1,403	622
Write-downs of financial assets	–324	–1,600
Interest and similar expenses	–40,055	–37,851
of which to affiliates	–	–
of which from the addition of accrued interest to provisions	–38,396	–36,117
	–38,836	**–38,604**

Write-ups / write-downs of financial assets include write-downs due to expected permanent impairment of shares in affiliates of KSB Seil Co., Ltd., Busan, South Korea, amounting to € 324 thousand, as well as a reversal of impairment of shares in REEL s.r.l., Ponte di Nanto, Italy, amounting to € 1,403 thousand.

The change in interest and similar expenses is primarily attributable to the increase in expenses for the addition of accrued interest to long-term provisions as a result of the continued low capital market interest rates.

21. Taxes on income

In the 2021 financial year, trade tax items totalling € 250 thousand were recognised for previous years. In addition, the tax expense includes € 2,215 thousand (previous year: € 1,952 thousand) for foreign taxes deducted at source relating to income from equity investments, licences and technical services.

22. Amounts barred from distribution (Sections 253(6), 268(8) HGB)

As at the reporting date, the following amounts are subject to dividend payout restriction:

Amounts barred from distribution (Sections 253(6), 268(8) HGB)

€ thousands	
Provisions for pensions (7-year average interest rate)	513,275
Less provisions for pensions (10-year average interest rate)	474,225
Difference according to Section 253(6) Sentence 3 HGB	39,050
Internally generated industrial property rights and similar rights and assets	32,260
Plus deferred tax assets	(-)
Total of amounts barred from distribution	**71,310**

Deferred taxes are not taken into account when calculating the dividend payout restriction, as KSB does not make use of the option regarding the capitalisation of surplus assets (Section 274(1) Sentence 2 HGB).

OTHER DISCLOSURES

The disclosures on deferred taxes are made taking into account the controlled companies, which are to be qualified as large companies in accordance with Section 267(3) HGB. As at the reporting date, there were lower carrying amounts in the tax balance sheet, especially for pension provisions of € 240,498 thousand (previous year: € 211,291 thousand), other provisions of € 27,144 thousand (previous year: € 28,549 thousand), fixed assets of € 21,757 thousand (previous year: € 54,846 thousand) and other assets of € 18 thousand (previous year: € – 800 thousand). Higher carrying amounts result from financial assets of € 29,866 thousand (previous year: € 30,845 thousand). Based on a tax rate of 30.68 %, this results in a total future tax reduction of € 75,361 thousand (previous year: € 56,073 thousand), which was not capitalised. There are corporate tax loss carryforwards of € 104,998 thousand (previous year: € 144,216 thousand) and trade tax loss carryforwards of € 87,002 thousand (previous year: € 124,766 thousand).

Pursuant to Section 21(1) of the 28 December 2007 version of the WpHG [*Wertpapierhandelsgesetz* – German Securities Trade Act], KSB Stiftung [KSB Foundation], Stuttgart, communicated 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 December 2007 version of the WpHG. The voting rights attributed to KSB Stiftung, Stuttgart, were held by Johannes und Jacob Klein GmbH, Frankenthal. In 2018 the voting interest of Johannes und Jacob Klein GmbH increased to 83.94 %.

KSB SE & Co. KGaA, as a capital market-oriented parent company, is required to prepare consolidated financial statements and a Group management report in accordance with Section 290 HGB in conjunction with Section 291(3) No. 1. KSB SE & Co. KGaA is therefore the ultimate and immediate parent company whose consolidated financial statements include the single-entity financial statements of KSB SE & Co. KGaA. The consolidated financial statements of KSB SE & Co. KGaA prepared in accordance with International Financial Reporting Standards as adopted by the EU are published in the *Bundesanzeiger* [German Federal Gazette].

Expenses for services of the auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, were appointed as auditors and group auditors for the 2021 financial year at the Annual General Meeting of KSB SE & Co. KGaA on 6 May 2021. Overall, fees (including expenses) amounting to € 780 thousand were recognised as expenses. Of this, € 687 thousand relate to audit services, € 69 thousand to other certification services and € 24 thousand to other services.

The audit fees include expenses for the audit of the consolidated financial statements and of the statutory annual financial statements of KSB SE & Co. KGaA. The fees for other certification services primarily include attestation services outside of the audit of the annual financial statements. The fees for other services mainly include fees for project-specific consultancy services in IT, risk management and compliance.

Statement of Compliance pursuant to Section 161 AktG

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 > Investor Relations > Corporate Governance > Corporate Governance Statement / Statement of Compliance with the German Corporate Governance Code.

Related party disclosures

As part of normal business activities, the company maintains business relationships with numerous companies, including affiliates that are deemed to be related parties.

The company maintains relationships with affiliates in the following areas:

- Buying / selling assets
- Sourcing / providing services
- Usage / transferring usage of assets

Transactions with related parties are, as a rule, performed at arm's length.

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, Palatina Versicherungsservice GmbH, Frankenthal, the companies of Abacus alpha GmbH, Frankenthal, Klein, Schanzlin & Becker GmbH, as well as those companies of the KSB Group which are listed in the list of shareholdings elsewhere in these Notes. Furthermore, related parties also include entities controlled or jointly controlled by the Managing Directors of Johannes und Jacob Klein GmbH (JJK), 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.

The Managing Directors of Johannes und Jacob Klein GmbH, Frankenthal, and the Managing Directors of Klein, Schanzlin & Becker GmbH, Frankenthal, are also deemed to be related parties.

Management remuneration

€ thousands	2021	2020
Short-term benefits	4,397	3,539
Post-employment benefits	1,961	1,662
Other long-term benefits	581	–
Termination benefits	–	–
Share-based payments	–	–
Total	**6,939**	**5,200**

The total remuneration of the members of the Supervisory Board amounts to € 786 thousand for the 2021 financial year (previous year: € 806 thousand).

Provisions of € 708 thousand (previous year: € 655 thousand) have been set aside for pension obligations to active Managing Directors. Provisions of € 36,582 thousand (previous year: € 37,793 thousand) have been set aside for pension obligations to former members of the Board of Management (excluding Managing Directors) and their surviving dependants. Pension payments to former members of the Board of Management and their surviving dependants amounted to € 2,727 thousand in the financial year under review (previous year: € 3,038 thousand).

In accordance with Section 7(3) of the Articles of Association, KSB Management SE receives an annual remuneration not based on profit and loss in the amount of 4 % of the share capital for the management of the company and assumption of statutory liability. The remuneration is recognised as an expense at KSB in the amount of € 20 thousand.

In the financial year, KSB Management SE received from KSB SE & Co. KGaA reimbursed expenses of € 73 thousand (previous year: € 605 thousand) for managing KSB's business, in addition to the aforementioned reimbursement of expenses for the remuneration of the members of the governing bodies of KSB Management SE.

An updated remuneration system for the Managing Directors of KSB Management SE was introduced in the 2021 financial year. The basic features of this remuneration system consist of components that are not performance-related, in the form of fixed sum plus benefits and pension commitments, as well as short-term and long-term variable remuneration components. In this context, 60 % of the regular annual salary, i.e. the sum of fixed and variable remuneration, is accounted for by the fixed component. The variable remuneration accounts for 40 % of the regular annual salary, with about two thirds of this being allocated to the long-term variable remuneration. The majority of the variable remuneration is thus linked to the long-term performance of the company.

The short-term variable remuneration with an assessment period of one year is designed as a target bonus model and is awarded annually. The target amount, i.e. the amount paid out if 100 % of the target is achieved, corresponds to 15 % of the respective regular annual salary. The Administrative Board of KSB Management SE has set the performance targets of EBIT margin, sales revenue and the overall assessment of the personal performance of the Managing Directors in equal parts as the basis for assessment.

The long-term variable remuneration is structured as an annually granted plan with a three-year, forward-looking assessment period. The target amount corresponds to 25 % of the respective regular annual salary. The Administrative Board has defined the performance target as the equally weighted average of the earnings per share (EPS) over three years with a weighting of 80 % and the achievement of sustainability goals in the areas of environment, social issues and governance (ESG) with a weighting of 20 %. By considering earnings per share (EPS), a focus is placed on the long-term successful performance of the company as well as linking the interests of the Managing Directors with the interests of the shareholders.

The final payment of the long-term variable remuneration is made after the end of the assessment period. For the 2021 and 2022 financial years, a one-time payment on account amounting to 40 % of the target value in the event of 100 % target achievement has been agreed. At the end of the assessment period, it will be offset against any amount paid out in addition to this; no repayment has been agreed in the event that the sum falls short of this amount.

The members of the Supervisory Board receive a fixed remuneration and attendance fees. In addition, they receive remuneration for activities that require them to devote special time to the tasks of the Supervisory Board that go beyond preparing and holding meetings of the Supervisory Board and its committees.

Events after the Reporting Period

The acts of war that started in Ukraine in February 2022 could lead to material adverse effects on KSB SE & Co. KGaA's net assets, financial position and results of operations. These cannot be foreseen at the time of preparing these financial statements and are therefore not quantifiable. The supply and service relationships with the KSB companies in Russia, Ukraine and Belarus are of minor significance for the company's net assets, financial position and result of operations.

In addition, there were no events after the close of the financial year that are of particular significance for the company's net assets, financial position and result of operations.

Supervisory Board

Dr. Bernd Flohr, Dipl.-Kfm., Dipl.-Soz., Geislingen
Former Executive Board Member of WMF AG (Chair)

René Klotz, NC Programmer, Heßheim
Chair of the General Works Council of KSB SE & Co. KGaA and KSB Service GmbH (Deputy Chair)

Claudia Augustin, Office Management Assistant, Pegnitz
Deputy Chair of the Pegnitz Works Council of KSB SE & Co. KGaA

Klaus Burchards, Dipl.-Kfm., Stuttgart
Independent Auditor

Arturo Esquinca, Dipl.-Chemieing., MBA, Forch, Switzerland
M&A and Strategy Consultant

Klaus Kühborth, Dipl.-Wirtsch.-Ing., Frankenthal
Managing Director of Johannes und Jacob Klein GmbH

Birgit Mohme, Industrial Business Management Assistant, Frankenthal
First Delegate and Managing Director of IG Metall Ludwigshafen / Frankenthal

Thomas Pabst, Dipl.-Ing., Freinsheim 1)
Head of the Energy Market Area of KSB SE & Co. KGaA

Prof. Dr.-Ing. Corinna Salander, Dipl.-Physikerin, Dresden
Director of the German Centre for Railway Traffic Research at Eisenbahn-Bundesamt [Federal Railway Authority]

Harald Schöberl, Industrial Business Management Assistant, Plech
Full-time Member of the Pegnitz Works Council of KSB SE & Co. KGaA

Volker Seidel, Electrical and Electronics Installer, Münchberg
First Delegate and Treasurer of IG Metall Ostoberfranken

Gabriele Sommer, Dipl.-Geol., Wörthsee 2)
Spokesperson for the Management of TÜV Süd Management Service GmbH

Mandates of KSB Supervisory Board members on the Supervisory Board / Board of Directors of other companies

1) Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China

2) TÜV SÜD Industrie Service GmbH, Munich
TÜV SÜD Auto Service GmbH, Stuttgart

Legal Representatives

Managing Directors of KSB Management SE

Dr. Stephan Jörg Timmermann,
CEO, Augsburg [1)]
Strategy, Human Resources, Communications, Internal Audits, Legal & Compliance, Patents & Trademarks

Dr. Stephan Bross, Weinheim [2)]
Global Operations, Research and Development, Innovation and Complexity Management, Digital Transformation, Committees and Associations

Ralf Kannefass, Regensburg [3)]
Sales, Service and Marketing

Dr. Matthias Schmitz, Frankenthal [4)]
Taxes, Controlling KSB Group, Finance, Accounting, Information Technology and Procurement

Mandates of the Managing Directors on the Board of Directors of KSB companies

1) KSB America Corporation, Richmond / Virginia, USA
GIW Industries, Inc., Grovetown / Georgia, USA

2) KSB Limited, Pimpri (Pune), India
KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİKETİ, Ankara, Turkey
KSB MIL Controls Limited, Annamanada, India, (since 29 December 2021)

3) KSB Shanghai Pump Co., Ltd., Shanghai, China
Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China
KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg), South Africa
KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg), South Africa

4) KSB FINANZ S.A., Echternach, Luxembourg
KSB Finance Nederland B.V., Zwanenburg, Netherlands
Canadian Kay Pump Limited, Mississauga / Ontario, Canada
KSB Limited, Pimpri (Pune), India
KSB Shanghai Pump Co., Ltd., Shanghai, China
KSB BRASIL LTDA., Várzea Paulista, Brazil
KSB Pumps Arabia Ltd., Riyadh, Saudi Arabia
KSB Österreich Gesellschaft mbH, Vienna, Austria

Members of the Administrative Board of KSB Management SE

Oswald Bubel, Chair, Saarbrücken

Monika Kühborth, Deputy Chair, Homburg
Managing Director of Klein, Schanzlin & Becker GmbH

Günther Koch, Ludwigshafen

Dr. Harald Schwager, Speyer [1]
Deputy Chairman of the Executive Board of
Evonik Industries AG

Andrea Teutenberg, Berlin [2]

Mandates on statutory Supervisory Boards

1) Evonik Operations GmbH, Essen (Chair of the Supervisory Board)
Member of the Presidential Board of DEKRA e.V., Stuttgart (since 14 April 2021)

2) Bauer AG, Schrobenhausen

Proposal on the Appropriation of the Net Retained Earnings of KSB SE & Co. KGaA

The following proposal on the appropriation of the net retained earnings of € 40,933,115.04 of KSB SE & Co. KGaA will be submitted to the Annual General Meeting on 5 May 2022:

Proposal for the 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
Total	**21,240,749,12**
Carried forward to new account	**19,692,365,92**
	40,933,115,04

Frankenthal, 9 March 2022

KSB Management SE

The Managing Directors

The annual financial statements of KSB SE & Co. KGaA were prepared in accordance with German accounting principles. They are published in the *Bundesanzeiger* [German Federal Gazette]. These annual financial statements are also available online: annualreport2021.ksb.com/SE

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the combined management report for KSB SE & Co. KGaA and the Group includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Frankenthal, 9 March 2022

KSB Management SE

The Managing Directors

Independent Auditor's Report

To KSB SE & Co. KGaA, Frankenthal

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

AUDIT OPINIONS

We have audited the annual financial statements of KSB SE & Co. KGaA, Frankenthal, which comprise the balance sheet as at 31 December 2021, and the statement of profit and loss for the financial year from 1 January to 31 December 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of KSB SE & Co. KGaA, which is combined with the group management report, for the financial year from 1 January to December 2021

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

❶ Measurement of shares in affiliated companies and other equity investments

Our presentation of this key audit matter has been structured as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matter:

❶ Measurement of shares in affiliated companies and other equity investments

① In the annual financial statements of the Company shares in affiliated companies and other equity investments amounting to € 296.5 million are reported under the “Financial assets” balance sheet item.

Shares in affiliated companies and other equity investments are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects of the ongoing Corona crisis on the business activities of the affiliated companies and the companies which are other equity investments are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and supplementary documentation, a write-down amounting to € 0.3 million for the KSB Seil Co. Ltd., Busan, South Korea, and write-up amounting to € 1.4 million for the REEL s.r.l., Ponte di Nanto, Italy, were required for the financial year.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore, also against the background of the effects of the Corona crisis, subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company’s assets and financial performance, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of the valuation, among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. We also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the affiliated companies and the companies which are other equity investments and examined how they were taken into account in determining the future cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model.

In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies and other equity investments.

③ The Company's disclosures relating to the financial investment are contained section "Balance sheet disclosures" note 2 "Financial Assets" of the notes to the financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information.
The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file "ksbsecokgaa_JA_LB_ESEF-2021-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the “Report on the Audit of the Annual Financial Statements and on the Management Report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the “Auditor’s Responsibilities for the Assurance Work on the ESEF Documents” section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor’s Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on 6 May 2021. We were engaged by the supervisory board on 5 August 2021. We have been the auditor of the KSB SE & Co. KGaA, Frankenthal, without interruption since the financial year 2015.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Christina Pöpperl.

Mannheim, 9 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk
Wirtschaftsprüfer
[German Public Auditor]

Christina Pöpperl
Wirtschaftsprüferin
[German Public Auditor]

Contacts

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GROUP INFORMATION

You will find the latest news on the KSB Group at:
www.ksb.com

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CONCEPT AND DESIGN

KSB Communications, Frankenthal, Germany
3st kommunikation, Mainz, Germany

PHOTOGRAPHY

Robert Kwiatek, Frankenthal, Germany (p. 4)

WE SUPPORT

As a signatory to the United Nations Global Compact, KSB is committed to endorsing the ten principles of the international community in the areas of human rights, labour standards, environmental protection and anti-corruption.

KSB's Annual Report is also available in German.

Download the Annual Report
PDF for download:
annualreport2021.ksb.com/SE

Financial Calendar

24 March 2022
Financial press conference
10:00, Frankenthal

28 April 2022
Interim report
January – March 2022

5 May 2022
Annual General Meeting
10:00, Frankenthal

4 August 2022
Half-year financial report
January – June 2022

10 November 2022
Interim report
January – September 2022

31 January 2023
Preliminary report
on financial year 2022

You will find the latest information
on the 2022 Annual General Meeting at:
www.ksb.com/agm

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