Annual Report 2023

KSB Profile

KSB is a leading supplier of pumps, valves and related service. Its reliable, high-efficiency products are used in applications wherever fluids need to be transported or shut off, covering everything from building services, industry, petrochemicals and chemicals as well as water transport to waste water treatment, energy generation and mining. Founded in 1871 in Frankenthal, Germany, the company has a presence on all continents with its own sales and marketing organisations and manufacturing facilities. Wherever our customers are in the world, more than 190 service centres and around 3,500 service specialists are close at hand to provide spare parts, inspection, servicing, maintenance and repair services under the KSB SupremeServ brand. Our success is based on continuous innovation that is the fruit of the company's research and development activities.

GENERAL INDUSTRY

BUILDING SERVICES

PETROCHEMICALS / CHEMICALS

WATER

ENERGY

MINING

VALVES

KSB SUPREMESERV

Digital Annual Report

Online Annual Report
with additional functions:
ksb.com/online-report

2023 in Figures

Order intake

€ 2,960 million

↗ € +97.4 m | +3.4 %

Sales revenue

€ 2,819 million

↗ € +245.6 m | +9.5 %

EBIT

€ 223.9 million

↗ € +54.8 m | +32.4 %

Employees

16,038 at 31 December 2023

↗ Compared with 2022

Five-year Financial Summary

Business Development and Earnings

		2023	2022	2021	2020	2019
Order intake	€ m	2,959.5	2,862.1	2,411.7	2,143.4	2,453.8
Sales revenue	€ m	2,819.0	2,573.4	2,343.6	2,207.9	2,383.2
Orders on hand	€ m	1,548.1	1,497.8	1,366.2	1,288.5	1,409.3
Earnings before finance income / expense, income tax, depreciation and amortisation (EBITDA)	€ m	312.0	259.5	222.1	170.1	195.5
Earnings before finance income / expense and income tax (EBIT)	€ m	223.9	169.1	141.2	70.2	113.6
Earnings before income tax (EBT)	€ m	209.0	160.7	139.9	61.6	103.4
Earnings after income tax	€ m	176.6	127.3	110.3	4.4	58.5
Free cash flow (cash flows from operating activities + cash flows from investing activities)	€ m	176.8	–86.9	87.5	111.6	70.9

Balance Sheet

		2023	2022	2021	2020	2019
Balance sheet total	€ m	2,669.8	2,478.9	2,314.4	2,140.0	2,327.0
Investments	€ m	135.6	121.6	103.6	97.6	107.0
Depreciation and amortisation	€ m	88.1	90.4	80.9	99.9	81.9
Net financial position	€ m	324.9	225.6	365.6	304.8	246.3
Equity (incl. non-controlling interests)	€ m	1,216.9	1,125.6	869.1	703.8	862.6
Equity ratio (incl. non-controlling interests)	%	45.6	45.4	37.6	32.9	37.1

Profitability

		2023	2022	2021	2020	2019
EBT margin (sales revenue in relation to EBT)	%	7.4	6.2	6.0	2.8	4.3
EBIT margin (sales revenue in relation to EBIT)	%	7.9	6.6	6.0	3.2	4.8

Employees

		2023	2022	2021	2020	2019
Number of employees at 31 Dec.		16,038	15,693	15,412	15,076	15,645

Shares

		2023	2022	2021	2020	2019
Market capitalisation at 31 Dec.	€ m	1,092.9	644.3	727.8	441.9	536.1
Earnings per ordinary share (EPS)	€	86.83	59.05	53.34	–5.63	24.47
Earnings per preference share (EPS)	€	87.09	59.31	53.60	–5.37	24.73
Dividend per ordinary no-par-value share	€	26.00	19.50	12.00	4.00	8.50
Dividend per preference no-par-value share	€	26.26	19.76	12.26	4.26	8.76

Further information is provided in the Notes to the consolidated financial statements.

Global Presence

Backed up by production and assembly sites around the world, as well as a tight-knit sales and service network, KSB staff are always close at hand.

EUROPE

- Austria
- Belarus
- Belgium
- Croatia
- Czech Republic
- Estonia
- Finland
- France
- Germany
- Hungary
- Italy
- Latvia
- Lithuania
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Ukraine
- United Kingdom

MIDDLE EAST / AFRICA

- Algeria
- Angola
- Egypt
- Ghana
- Kenya
- Morocco
- Namibia
- Nigeria
- Oman
- Qatar
- Saudi Arabia
- South Africa
- Turkey
- United Arab Emirates
- Zambia

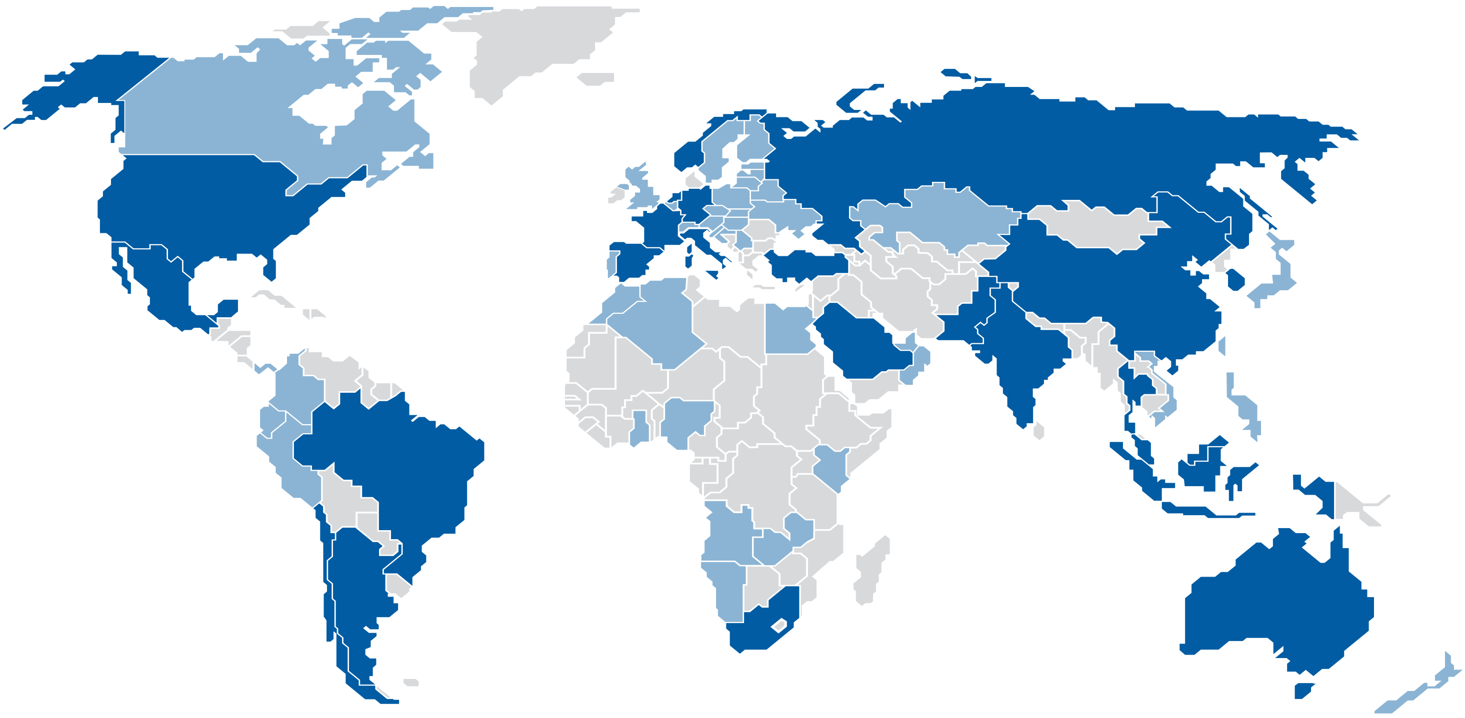
ASIA / PACIFIC

- Australia
- China
- India
- Indonesia
- Japan
- Kazakhstan
- Malaysia
- New Zealand
- Pakistan
- Philippines
- Singapore
- South Korea
- Taiwan
- Thailand
- Vietnam

AMERICAS

- Argentina
- Brazil
- Canada
- Chile
- Columbia
- Ecuador
- Mexico
- Panama
- Peru
- USA

- KSB production / assembly sites
- KSB sales / service sites



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Management and Issues 2023

Dr. Matthias Schmitz
Managing Director of
KSB Management SE (CFO)

Ralf Kannefass
Managing Director of
KSB Management SE (CSO)

Management

Dr. Stephan Timmermann
Managing Director of
KSB Management SE (CEO)

Dr. Stephan Bross
Managing Director of
KSB Management SE (CTO)

Dr. Stephan Timmermann

Dear Shareholders and Business Partners,

KSB is able to report on an exceptional financial year in which the company increased its key business figures despite difficult global political conditions.

Tense global situation

The start of the year continued to be marked by the global impact of the COVID-19 pandemic. Gas shortages combined with higher gas prices posed particular challenges for the manufacturing industry in Germany. On the procurement markets, the easing of the inflation wave and a slight improvement in the availability of important bought-in parts provided some relief.

Unfortunately, our hopes for an improvement in the global political situation remained unfulfilled. The war in Ukraine continued unabated. In the second quarter, fears about global economic relations intensified due to the simmering China-Taiwan conflict. Higher interest rates led to a decrease in investments. The Gaza region has been at war since the attack on Israel in October. These serious events led to a further shake-up of the usual global order and continuing uncertainty in the global economy.

Europe, and in particular Germany, suffered from inflation-related consumer reticence and general uncertainty. Overall, Germany experienced negative growth.

We have tackled the many challenges with confidence and have not only kept the company on a stable course, but also enabled it to advance.

Good market positioning

KSB's global positioning once again proved to be a major strength in 2023. Thanks to our regional production plants organised in a global manufacturing network, we can quickly supply our customers in all key markets with high-quality products. By systematically aligning all activities with market requirements, we achieved a good order intake despite strong competition in nearly all Market Areas.

Economic downturns, such as in the construction industry and the German mechanical engineering industry, which particularly dampened growth in Building Services and General Industry, were offset by positive developments in the Mining, Petrochemicals / Chemicals, Energy and Water Market Areas. KSB's broad product range proved to be an advantage.

Our strong earnings position is supported by tight cost control across the Group. A consistent focus on the service and spare parts business under the KSB SupremeServ brand made a substantial contribution to the profitable growth of the entire Group.

This business success is reflected in the rising valuation of KSB on the financial markets, leading to its inclusion in the SDAX in December.

Strategy 2030

An important milestone was the adoption of the Mission TEN30 strategy. In addition to the goal of ten percent profitability by 2030, the strategy sets out numerous targets and measures to drive the company forward. Previous programmes, such as reducing costs at KSB SE & Co. KGaA, were successfully completed.

Megatrends as opportunities

With our many years of expertise in fluid handling, we are not only benefiting from the megatrends and major challenges in the world, but are also actively shaping them with new technologies.

The growing demand for electric motors required for e-mobility and the generation of solar and wind energy will increase the demand for copper and consequently for pumps in the mining industry. The Energy Market Area will also tap new potential as a result of the change in the energy mix. In the Petrochemicals / Chemicals Market Area, KSB will set technological standards in hydrogen production and carbon capture. The growing global population and urbanisation are placing huge demands on water supply and waste water disposal. Adding to this are weather extremes as a result of climate change, the consequences of which we can mitigate with future-oriented water management using pumps.

Global investments

KSB increased its global investment volume to 136 million euros in 2023, investing in the expansion and technological or energy-related modernisation of its locations in all key markets. In Frankenthal, KSB commissioned a new heating station, saving 900 tonnes of CO_2 annually. At its Pegnitz location, KSB adopted a comprehensive concept for the future which saw an investment of 25 million euros in capacity expansion and sustainable production. In India, a new office complex commenced operations and in China construction work began on a cutting-edge production facility for chemical pumps.

Employee engagement

The satisfaction and engagement of our employees is a key pillar in the company's success – and a matter close to my heart. Successful corporate development is not possible without highly dedicated people who see change as an opportunity. At the same time, the meaningfulness of the company's business activities and its social competence are becoming increasingly important for attracting the best talent. We have therefore introduced a variety of measures worldwide to promote our corporate culture and strengthen loyalty to the company.

The KSB brand

Strengthened by the company's sustained positive development, strategic goals and market-leading position, KSB focused on raising brand awareness as a Global Champion in the reporting year. In order to visibly reflect this positive change in our brand image, we are currently revising our logo, the associated brand claim and our corporate values. Have a look at the exclusive initial preview on the next page.

The 2024 financial year

We anticipate a wide range of challenges in the new financial year, which will be dominated by political elections in key markets such as India, the USA, South Africa and Europe. Uncertain interest rate trends, global conflicts and the current lack of growth impetus in key countries mean that we are not expecting a significant upturn. However, our confidence in developing the company remains unwavering. KSB's positioning makes it resilient and we will once again generate substantial value for our shareholders, employees and business partners in the 2024 financial year.

Dr. Stephan Timmermann, CEO

KSB

Solutions. For Life.

The new KSB logo

Pride, strength, power and stability have been deeply embedded in the premium brand for more than 150 years. These elements are combined in the new KSB logo. The circulation symbol, which stands for comprehensive solutions, the lettering and the blue brand colour have been given a fresh new look. Our customer-first approach is emphasised by the circulation symbol placed prominently at the beginning. The KSB lettering has been significantly enlarged for greater impact, making it more prominent. A three-dimensional design underlines KSB's high quality and unique positioning.

Solutions. For Life.

Pumps, valves and services from KSB have an impact on people's lives via a wide range of solutions. Our new brand claim shines the spotlight on first-rate solutions for people's everyday needs worldwide – be it for water, electricity, raw materials or food.

Report of the Supervisory Board

Dr. Bernd Flohr (Chairman of the Supervisory Board)

KSB successfully continued its growth path of previous years in the 2023 financial year ("reporting year"), benefiting from its strong positioning in many Market Areas and Regions. Despite difficult economic conditions in some areas, order intake rose and sales revenue increased significantly; earnings reached a new high. Management once again used the year to drive important projects geared towards the future, in particular the corporate strategy, the revision of which was completed in 2023. The strategy forms an important basis for the company's continued success and maps out its development with targeted growth initiatives in selected markets. Sustainability is another key focus: As a manufacturing company, KSB strives to counteract climate change with efficient processes in its own factories. However, an even greater impact on decarbonising the industrial sector is being pursued through the energy-efficient and digital product portfolio with which KSB supplies many different industries. Management is working with great commitment to further strengthen the future viability and competitiveness of the company in a challenging economic and geopolitical environment. The Supervisory Board will continue to liaise closely with Management to this end in future.

Throughout the reporting year, the Supervisory Board performed its duties as set out by law, the Articles of Association and the Rules of Procedure with utmost diligence. It 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 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. The Supervisory Board also dealt with risk situations, risk management and compliance. 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 also between scheduled meetings. 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 and planning. 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 Supervisory Board also convened regularly in the absence of the Management.

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. As part of the onboarding process, new members of the Supervisory Board are quickly familiarised with relevant company topics through introductory discussions with committee members and managers responsible for functional areas.

Main focus of work in the Supervisory Board plenary sessions

The Supervisory Board held five regular in-person meetings in the 2023 financial year; at three of these meetings, one respectively two Supervisory Board members attended via video conference. In addition, the Supervisory Board held a constituent meeting in personal attendance following the Annual General Meeting on 4 May 2023.

Key subjects 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, major investment projects and risk management topics.

Regular consultations with the Managing Directors on 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 Managing Directors also provided regular information on the development of ongoing major investments in our production facilities at various sites. The focus in 2023 was on two Asian locations: In the second half of the year, construction work began on a pump factory in Shanghai, which will in particular supply China's significant chemical industry. At the Shirwal factory in India, the construction of the administration building and the remaining work on the new production halls were completed in 2023.

The Supervisory Board was also briefed regularly on the further development of the strategy, which was finalised in the fourth quarter of 2023 with the involvement of individual Supervisory Board members and then approved by the Administrative Board of KSB Management SE. Its implementation is to help to sustainably increase the return on sales to a level of at least ten percent by 2030 through targeted growth initiatives in the Segments and Market Areas. The operational plans are supported by overarching and centrally managed measures. In addition to the aforementioned sustainability goals, these include technological development, improving digital customer interfaces and intensifying application knowledge in Sales.

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

The meeting in March 2023 particularly addressed the audit and approval of the annual financial statements for the 2022 financial year, including the combined management report and the combined separate non-financial report for the company and the KSB Group in accordance with Sections 315b, 315c in conjunction with Sections 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 2022 financial year. It also approved the remuneration report pursuant to Section 162 AktG [*Aktiengesetz* – German Public Companies Act] for the 2022 financial year. At this meeting, the Supervisory Board also discussed the development of a US service and re-engineering company acquired in 2010, which primarily supplies customers in the energy and refinery markets. In 2022, the company and the majority of its activities were relocated to a newly built site with a modern test facility and it has since then increasingly focused on growth.

In May, the Supervisory Board held a comprehensive review of business development in the countries of Northern, Eastern and Southeastern Europe, which KSB has combined into one area of responsibility. The strength of KSB SupremeServ's business there is very positive, representing an important pillar of the Group's earnings. The valve business is also developing at an above-average rate in this region and reflects the high potential of this Segment. Another focus of the meeting was on the centralised measures for the development of Sales. The aim is to align its organisation and tools with customers' growing digital requirements while simultaneously improving efficiency at KSB.

At the meeting in July, the Supervisory Board discussed business development in two Regions. The core market of Europe continues to be of particular importance to the Group. The fact that the Europe-based parent company KSB SE & Co. KGaA achieved a significant improvement in its earnings capacity in 2023 was viewed by the Supervisory Board as very encouraging. The positive development is due, among other things, to the earnings enhancement programme that has been systematically implemented since 2020 and overseen by the Supervisory Board. The Managing

Directors see great potential in the Region Middle East / Africa, particularly in the Water Market Area; the company therefore plans to further expand its presence there.

In October, the Supervisory Board held a meeting at KSB ITUR Spain, S.A., Spain. The management reported on the development of the company acquired in 2003 and its strategic role within the KSB Group. The company – together with the companies in France and Portugal – is assigned to the Region Europe West; its development was also discussed in detail. Other topics on the agenda included the expansion of the e-sales business and the status of preparations for rolling out the ERP software SAP S/4HANA, which will replace SAP's ERP software currently used. The Managing Directors wish to combine this transformation with the implementation of even more efficient processes.

The Supervisory Board addressed the planning for the 2024 financial year and medium-term planning at the meeting in December. It received detailed reports on the corresponding goals, 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 locations. Business development in the Region Asia / Pacific was also discussed: Thanks to the economic dynamics in individual countries, KSB achieved above-average growth there, particularly in the KSB SupremeServ Segment and in the Mining and Water Market Areas.

Main focus of work in the committees

In order to enable it to fulfil its duties efficiently, the Supervisory Board worked with four committees during 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 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.

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: 5

PERSONNEL COMMITTEE
Chair:
Dr. Bernd Flohr
No. of meetings: 2

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

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

Attendance at meetings

	Supervisory Board	Nomination Committee	Corporate Development Committee	Personnel Committee	Audit Committee
Dr. Bernd Flohr	5/5	1/1		2/2	6/6
René Klotz (until May 2023)	2/5		2/5		
Claudia Augustin	5/5			2/2	
Klaus Burchards	4/5				6/6
Arturo Esquinca	5/5		5/5		
Klaus Kühborth	5/5	1/1	5/5		
Birgit Mohme	4/5				4/6
Thomas Pabst	5/5		5/5		
Prof. Dr. Corinna Salander	4/5		3/5		
Harald Schöberl	5/5				6/6
Volker Seidel	5/5		5/5	2/2	
Gabriele Sommer	4/5			2/2	
Jürgen Walther (since May 2023)	3/5		3/5		

The **Audit Committee** convened six times in the reporting year, with five meetings held in person and one as a video conference. It discussed the 2022 annual and consolidated financial statements and the relevant audit reports submitted by the auditors. The combined separate non-financial report and remuneration report pursuant to Section 162 AktG were 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 reports and the proposal on profit appropriation. In addition, the Audit Committee submitted a recommendation for the selection of auditors by the 2023 Annual General Meeting to the Supervisory Board plenary session. The Audit Committee also commissioned the auditors with auditing the annual and consolidated financial statements for the 2023 financial year and defined specific key areas for the audit together with the auditors. 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 debated the half-year financial report with the Managing Directors. It also focused regularly on the Internal Audits reports. Another focus of the committee meetings was the economic development of the Group and selected subsidiaries for which earnings enhancement programmes had been initiated. The committee discussed the development of the Group's tax rate, other tax-related topics and preparations for future requirements resulting from public Country-by-Country Reporting and the global minimum tax for multinational enterprises. Another key focus was on the planned implementation of the EU CSRD Directive, which will result in much more extensive sustainability reporting in future. Due to the legally required rotation of the auditors, the committee also dealt with the implementation of a transparent and non-discriminatory procedure for the selection of the auditors for the 2025 financial year. At its meeting on 8 November 2023, the committee decided to prepare and initiate a tender process in accordance with the legal requirements and commissioned the Managing Directors with its implementation.

The **Personnel Committee** held two in-person meetings in the reporting year. The committee focuses 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, the committee obtained information on the progress of the roll-out of a global HR system for nearly all KSB companies. It was also briefed on how KSB is adapting to changing conditions in personnel recruitment and investing in personnel development. Lastly, the committee also dealt with an issue relating to the Supervisory Board itself: Following an in-depth review of the Supervisory Board remuneration, which has remained unchanged since 2017, it came to the conclusion that it should be moderately increased, in particular due to the constantly growing demands and the associated increase in workload as well as inflation-induced loss in value. Together with the general partner, the Supervisory Board will propose this for resolution at the 2024 Annual General Meeting.

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. It convened five times in the reporting year. The committee members met in person at four meetings, with one member joining one of the meetings via video conference. One meeting was held as a video conference. Guests and speakers were also regularly involved via video conference. During these sessions, the committee engaged in multiple discussions on planned investments in production facilities, service locations and sales units. One example was the expansion of circulator production at the location in Ankara, Turkey. Demand for these products has risen significantly following the boom in the heating market and in particular in the heat pump market. The committee also discussed the successful development of a company founded several years ago in India: KSB Tech Pvt. Ltd., an engineering and IT services company whose portfolio ranges from product development and design through to IT services and collaboration in strategic IT projects. The committee was also briefed on the planned procedure for the introduction of S/4HANA. As the preparatory work has largely been completed, detailed planning for this extensive transformation project will begin in the first half of 2024. Finally, the committee reviewed planning for 2024 and the annual investment budget including discussions of the current investment focus.

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 held one in-person meeting 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 13 December 2023, 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 2023 Annual and Consolidated Financial Statements

The Supervisory Board examined the annual financial statements of KSB SE & Co. KGaA for the year ended 31 December 2023, 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 2023, 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 combined separate 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 2023, as well as the consolidated financial statements and the combined management report for the company and the Group for the year ended 31 December 2023, and issued an unqualified opinion. The key audit areas agreed with the Audit Committee for the consolidated financial statements for the reporting year included sales revenue based on the percentage of completion, provisions for expected losses, and impairment testing for deferred taxes. With regard to the annual financial statements, the audit focused on the measurement of equity investments, provisions for expected losses and the measurement of finished goods and work in progress, including their development. The combined separate non-financial report was reviewed by the auditors. 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 5 and on 12 March 2024, as well as in the Supervisory Board plenary session on 20 March 2024, 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 combined separate non-financial report. In accordance with the recommendation of the Audit Committee, the Supervisory Board approves 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 of the dividend to EUR 26.00 per ordinary no-par-value share and EUR 26.26 per preference no-par-value share, is deemed to be appropriate by the Supervisory Board in accordance with its own review; it concurs with it.

Changes to the Supervisory Board

As a result of the regular election of employee representatives to the Supervisory Board, there were changes to the composition of the Supervisory Board in the reporting period: Jürgen Walther was newly elected to the Supervisory Board with effect from 4 May 2023. He replaces René Klotz, who had been a member of the Supervisory Board since 15 May 2013 and served as its Deputy Chair since 20 January 2020. The Supervisory Board would like to thank René Klotz for his many years of close cooperation.

For the shareholder representatives, Klaus Kühborth, whose term of office expired at the close of the Annual General Meeting on 4 May 2023, was re-elected by the Annual General Meeting.

At its constituent meeting on 4 May 2023, the Supervisory Board elected Claudia Augustin as the new Deputy Chair. The composition of the committees changed with effect from 4 May 2023 as follows: Volker Seidel was elected to the Personnel Committee and Jürgen Walther to the Corporate Development Committee.

The election of employee representatives to the Supervisory Board conducted in 2023 will be repeated in 2024, because the result had been legally challenged over formal irregularities.

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, 20 March 2024

The Supervisory Board

A Look Back at 2023

Q1

Earthquake aid

KSB donates 10,000 euros to German and Turkish organisations helping earthquake victims in south-eastern Turkey and northern Syria. The two institutions provide those in need with temporary accommodation, food and medical care. KSB also donates a number of pumps for the supply of water.

Acquisition

By acquiring the Austrian company DAG – Dieselanlagen Service GmbH, KSB further consolidates its position in the European fire protection market. DAG produces sprinkler pump sets for fire protection systems and provides related services.

Reducing energy

Due to increased prices, KSB decides to organise three energy-saving weeks over the winter holiday season at its headquarters in Frankenthal. Buildings that are only minimally occupied are not heated during this period, resulting in a 24 percent reduction in gas consumption compared with the previous year. KSB also reduces its energy costs by around 75,000 euros.

New technology centre

KSB subsidiary SISTO Armaturen S.A. in Echternach, Luxembourg, inaugurates its new technology centre in the presence of Luxembourg's Minister of the Economy, Franz Fayot, and shareholder representatives. More than 3.5 million euros were invested in the 700-square-metre, climate-neutral building. It includes test stands and experimental facilities specially tailored to the needs of the pharmaceutical and biotech industries.

ISH 2023

"Crazy about building services!" is KSB's motto at ISH 2023 in Frankfurt, the world's leading trade fair for HVAC + Water and the first since the COVID-19 pandemic. The stand team presents a wide-ranging product portfolio for heating and cooling systems, drainage, water supply and fire protection. The compact and efficient EtaLine Pro for use in heating, air conditioning and water systems is also showcased to the general public for the first time.

Q2

Change in the VDMA board

Dr. Stephan Bross (on the far right) takes over from Dr. Sönke Brodersen on the Board of Directors of the VDMA Pumps + Systems trade association. Sönke Brodersen, former Head of Committees and Associations at KSB, was a member of the trade association for 18 years and had served as its chairman since 2009. Digitalisation and striving to achieve a zero-carbon economy among industrial societies in Europe will continue to be important topics.

Groundbreaking

More than 100 guests, including representatives of the Chinese government, external partners and employees, join KSB Shanghai to celebrate the groundbreaking ceremony for a new plant. Around 2,500 pumps of various type series for the petrochemical/chemical industry will be manufactured there from mid-2024. The Chinese chemical market is the largest and fastest growing market in the world. By expanding its capacity, KSB Shanghai aims to take a leading market position in this industry.

An informative visit

Jens Spahn, Deputy Chairman of the CDU / CSU parliamentary group in the German Bundestag, visits KSB's headquarters to find out more about the company. KSB requests that German politicians do more to reduce bureaucracy and speed up processes, for example for the employment of staff from abroad.

Mammouth butterfly valves for Asia

KSB now also offers Mammouth butterfly valves for the local market in China. The valves are manufactured in Changzhou. Business with these products for water supply and cooling circuits has grown rapidly in recent years. By manufacturing locally, KSB hopes to become even more competitive in the Asian market.

Investment in valve production

KSB invests two million euros in new machining centres at its Frankenthal valve production plant, resulting in shorter cycle times and improved repeat accuracy as well as fast production ramp-up.

Q3

Green oasis created

Twelve submersible motor pumps manufactured by KSB are being used in an irrigation system on a farm near the Indian city of Pune. In the dry season, the pumps transport water to 58,000-litre tanks at daytime temperatures of up to 40 °C. The farm operator uses photovoltaic panels on the farm roof to power the pumps. The previously dry and rocky ground with little vegetation is now a green and sustainably managed oasis.

Innovation from India

KSB receives its first European order for the MIL 90000 automatic recirculation valve. KSB MIL India is a driving force behind the technological development of control valves that will better meet the needs of KSB customers and ensure continued growth in the valve market. The automatic recirculation valve (ARV) is a multifunctional valve whose primary function is to ensure a pre-determined minimum flow through the centrifugal pump at all times.

Contract won in China

The SEC-KSB joint venture receives an order to supply six reactor coolant pumps for a Chinese nuclear power plant. They will be used in the primary circuit of two reactor units. Key factors in winning the order were the impressive quality of the products and professional production processes.

KSB goes hydrogen

The US subsidiary KSB, Inc. sells pumps manufactured in Châteauroux and Pegnitz for one of the newest and largest electrolysers. The customer produces ten tonnes of hydrogen per day with its electrolyser.

First Capital Market Day

KSB holds its first Capital Market Day to encourage representatives of equity funds and banks to invest in the company. KSB shares have performed extremely well. The four Managing Directors present KSB's positive business development to the prospective investors and highlight the topics of sustainability, hydrogen and the integration of intelligent software in business models.

Q4

New service brands

KSB launches five new service brands under the established KSB SupremeServ label: KSB SupremeServ ReEngineering, KSB SupremeServ Logistics, KSB SupremeServ Efficiency Consulting, KSB SupremeServ Monitoring and KSB SupremeServ Academy. The aim is to highlight the comprehensive range of services offered by KSB Service to customers.

New heating station

In the presence of numerous guests, the four Managing Directors officially inaugurate the new, highly efficient heating station at KSB's main plant in Frankenthal. Fuelled with gas and wood chips, the 15-million-euro heating station will reduce energy consumption for heat generation by 900 tonnes of CO_2 per year. It also features a photovoltaic system on the roof.

Donation of pumps

KSB supports a drinking water project at Lake Baringo in Kenya by providing ten well pumps. The lake is contaminated with bacteria and the concentration of naturally occurring fluoride is too high. The pumps are installed in water filter systems that are powered by electricity from solar cells and supply around 5,000 people with clean water.

Trade fair for the shipping industry

Together with French subsidiary KSB S.A.S. and Indian subsidiary KSB MIL, South Korean subsidiary KSB Seil participates in KORMARINE, the world's leading maritime exhibition in Busan. For the KSB Group, it is a good opportunity to consolidate its position in the shipping industry. As the market leader for valves in LNG applications, KSB offers reliable solutions for ship owners and shipyards.

KSB share moves up to SDAX

On 18 December, the KSB preference share is included in the SDAX. The decisive criterion for its promotion is the market capitalisation of KSB's free float preference shares. Around 20 percent of the preference shares are held through Johannes und Jacob Klein GmbH as well as KSB Stiftung [KSB Foundation]. The KSB shares have been traded on the stock exchange since 1895. The KSB preference share price has almost tripled in the last three years.

Combined Separate Non-financial Report

Sustainability is one of KSB's strategic pillars and has always been a key focus of its business activities. The company understands sustainability to encompass the responsible use of resources and the environment as well as its responsibility to employees and corporate social commitment. These topics are covered in this combined separate non-financial report pursuant to Sections 289b(3) and 315b(3) HGB [*Handelsgesetzbuch* – German Commercial Code] and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the Establishment of a Framework to Facilitate Sustainable Investment, and Amending Regulation (EU) 2019/2088 (hereinafter referred to as the EU Taxonomy Regulation). The report fulfils the requirements of the CSR Directive Implementation Act [*CSR-Richtlinie-Umsetzungsgesetz*] and combines the statement at company level with the Group statement outside of the management report.

In accordance with its business model, KSB supplies customers worldwide with high-quality pumps and valves as well as related support services. The company develops the vast majority of its products itself and manufactures them in factories on four continents. The products are sold via its own sales organisation, supported by dealer networks comprising selected partners. The business model is presented in the Group management report on page 62.

As a member of the UN Global Compact, KSB commits to aligning its business activities with ten universal principles. The Global Compact principles apply equally to managers and employees throughout the company as well as to all suppliers and business partners.

Sustainability Management at KSB

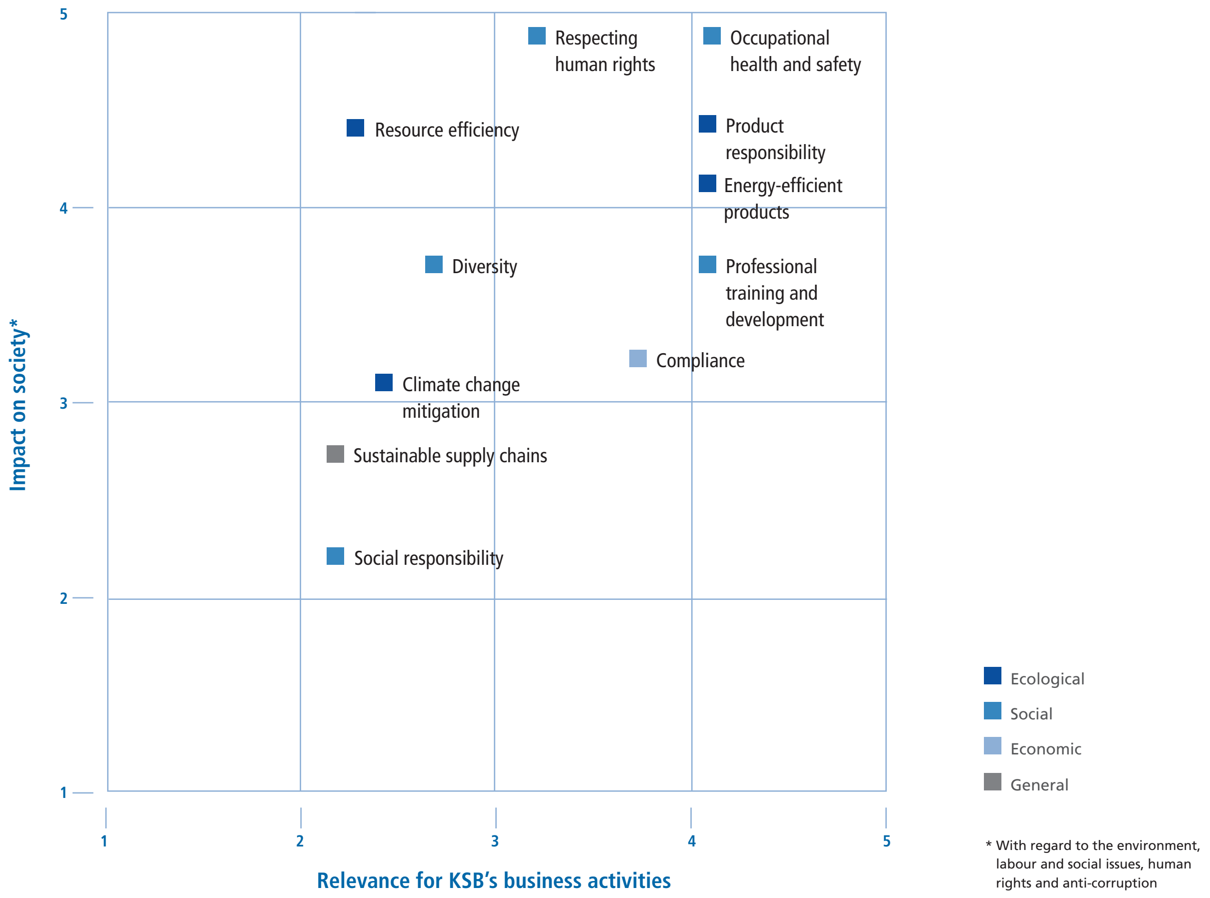
KSB has formulated its own corporate sustainability principles via a Group-wide sustainability policy. They are binding for all locations and all companies within the KSB Group. A committee chaired by the CEO regularly reviews progress on sustainability issues and the implementation of Group-wide sustainability goals. In addition, a global network with representatives from all nine KSB Regions ensures that sustainability issues are driven forward in their respective countries. They report on progress, local initiatives and measures, as well as the completion of objectives. Management also receives a compliance report twice a year as well as an annual review of management issues relating to quality, the environment and occupational health and safety.

The Sustainability Committee includes the CEO and management staff from Human Resources, Legal & Compliance, Production, Product Management, Purchasing, Communications, Strategy and Integrated Management. A Valves representative has been a member of the committee since 2023 in order to report on the development of sustainability issues in this Group segment.

KSB operates a global integrated management system in order to fulfil consistently high standards worldwide with regard to quality, risk, environment, occupational health and safety, and sustainability. It is process-oriented and complies with the requirements of the international ISO 9001, ISO 14001, ISO 26000 and ISO 45001 standards as well as the UN Global Compact. The management system governs organisational processes and workflows, responsibilities, procedures and processes at Group level and at our individual locations.

KSB supports the 17 Sustainable Development Goals set out by the United Nations. Ten of these are particularly important for the company:

Material sustainability issues for KSB



Sustainability Reporting

The management concepts relating to material issues outlined here apply to both the Group and to KSB SE & Co.KGaA; any instances where this is not the case are duly indicated. All information in the non-financial report relates to KSB SE & Co. KGaA and the Group in 2023. References to information not included in the Group management report in this section represent supplementary information and are not part of the separate non-financial report. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement on the information in this report in accordance with ISAE 3000 (Revised) and issued an independent assurance report; see page 56.

In the areas of human rights, labour standards, the environment, anti-corruption and sustainability in the supply chain, the concepts and activities set out in this report follow the principles of the UN Global Compact, as well as national and international regulations.

The non-financial report covers 29 material Group companies, unless otherwise stated. These were selected on the basis of their significant impact on aspects such as energy consumption and the number of employees. The 29 companies employ 87.9 % of the workforce and account for 97.8 % of Group-wide energy consumption. The remaining companies have no significant impact on non-financial aspects. KSB has therefore not expanded this report to include these Group companies as they have no material impact on the issues it covers in the reporting year. The 29 Group companies include all consolidated subsidiaries with production plants and two service companies with energy-intensive workshops.

As part of its corporate responsibility strategy, KSB is also committed to supporting a diverse range of social initiatives. The company chooses to report on these activities on an entirely voluntary basis, as these do not have any significant or material impact on its business success.

Non-financial objectives up to 2025 and performance indicators

Aspects	Objectives up to 2025	Performance indicators
Resource efficiency	More than half of newly developed products are subject to ecological assessment.	Number of development projects
Energy-efficient products	KSB's water pumps save an annual 850,000 tonnes of CO_2.	CO_2 savings for KSB water pumps with variable speed drives
Emissions	KSB production plants reduce their CO_2 emissions by 30 %. (Reference year: 2018)	CO_2 emissions at production sites
Education and training	Each employee invests at least 30 hours per year in training and development.	Number of training hours per employee per year
Equal opportunities	Women make up at least 20 % of management staff.	Proportion of women in management positions
Engagement	The employee satisfaction index is 80 %.	Engagement score according to employee survey
Occupational health and safety	The number of working days lost due to occupational accidents is reduced to fewer than 0.3 days per employee per year.	Number of days lost due to accidents (lost time accident rate)
Social commitment	KSB is involved in at least 25 social projects worldwide every year.	Number of CSR projects
Sustainability in the supply chain	The sustainability performance of 90 % of the key regional and global suppliers is assessed.	Proportion of suppliers assessed

* The 17 Sustainable Development Goals of the United Nations take into account the three dimensions of sustainability: social, environmental and economic aspects. KSB's material sustainability issues relate to the goals addressing poverty (1), hunger (2), health and well-being (3), quality education (4), gender equality (5), clean water and sanitation (6), decent work conditions and economic growth (8), sustainable consumption and production (12) and climate action (13).

Implementation of the Corporate Sustainability Reporting Directive

Following the introduction of the Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS), new rules for non-financial reporting by companies will apply from the 2024 reporting year. KSB made initial preparations for this in the reporting year. For example, the company commissioned a scientific study to develop a concept for the double materiality assessment required by the EU directive. In addition, experts from an auditing firm helped to identify the material issues for KSB. This involved interviews on the topics of the environment, social matters and corporate governance, validation of the range of topics and an assessment of material impacts, risks and opportunities. The implementation phase for the Corporate Sustainability Reporting Directive is being conducted in the current reporting year.

Material Issues

KSB communicates regularly with various stakeholders in order to identify their interests and expectations regarding the company. The material sustainability issues defined on this basis have been reviewed and confirmed for 2023 by specialist departments and the Sustainability Committee with oversight

Status as at 31 Dec. 2022	Status as at 31 Dec. 2023	Objective by 2025	SDGs*
52 %	68 %	> 50 %	12, 13
436,705 t CO_2** (2022 CO_2 equivalent) 722,613 t CO_2** (2018 CO_2 equivalent)	459,321 t CO_2** (2022 CO_2 equivalent) 813,813 t CO_2** (2018 CO_2 equivalent)	850,000 t CO_2	9, 12, 13
21.4 %	23.1 %	30 %	13
17 hours / year	21 hours / year	30 hours / year	8, 9
15 %	14 %	20 %	5
Result from 2022: 65 %	No survey in 2023	80 %***	8
0.32 days	0.36 days	< 0.3 days	3
36	44	25	1, 2, 3, 4, 6
57 %	> 67 %	90 %	8, 12

** The basis for this calculation is provided on page 33 of this report.
*** In 2025 no global employee engagement survey will be conducted. Due to the change in the survey period from three to two years, the next survey is planned to take place in 2024.

from Management; see materiality matrix on page 27. The aspects and factors necessary for understanding the development and performance of the business and the position of the company as well as the impact of business activities on the following issues remain the same:

- Environment (resource efficiency, manufacturing of energy-efficient products, climate change mitigation and product safety)
- Combating corruption and bribery (compliance)
- Respecting human rights (sustainable supply chains)
- Employee concerns (professional training and development, diversity, occupational health and safety)

These issues are related primarily to manufacturing, products, business partners and employees. KSB's products also make a direct contribution to protecting the environment, for example, by saving energy or via their use in waste water treatment.

Energy consumption

	Total	KSB SE & Co. KGaA	Europe**	Asia / Pacific	Americas	Middle East / Africa / Russia
Total energy consumption*	276,021 MWh	81,091 MWh	113,912 MWh	40,264 MWh	110,975 MWh	10,871 MWh
Total electricity	164,553 MWh	33,915 MWh	50,834 MWh	32,101 MWh	73,247 MWh	8,370 MWh
Electricity from renewables	89,280 MWh	27,645 MWh	42,559 MWh	10,215 MWh	33,313 MWh	3,194 MWh
CO_2 emissions***	77,973 t	12,077 t	16,888 t	22,674 t	33,328 t	5,084 t

* Electricity, gas, fuel oil, district heating, wood, etc.; excluding vehicle fleet
** Including KSB SE & Co. KGaA
*** Exluding vehicle fleet

Source of emission factors: local energy suppliers, VDA data or AIB European Residual Mix

Risks Related to Non-financial Aspects

KSB does not see any material risks, as assessed based on the net risk method, associated with its own business and the business relations of the company or its products and services which, in all probability, have or could have a serious negative impact on non-financial aspects such as the environment, anti-corruption, human rights, employee concerns and social issues. All other risks affecting business activities are described in the Group management report from page 83.

Goals for 2025

KSB supports the United Nations' 17 Sustainable Development Goals. In 2019, the company developed nine specific sustainability objectives which are aligned with these Sustainable Development Goals and the material issues defined. The company aims to achieve them by 2025 at the latest.

The nine objectives adopted by Management cover environmental, employee, social and supply chain sustainability topics. They focus on climate change mitigation, the promotion of decent working conditions and sustainable economic growth, and health and well-being. In addition, KSB is committed to doing even more to promote equal opportunities. The company also intends to gather more comprehensive information on how suppliers deal with sustainability issues. KSB is dedicated to combating poverty and hunger as well as ensuring the availability of clean water and education through social projects. Developing the knowledge of employees is another binding goal. More information on the individual objectives and progress towards their completion at the end of the reporting year is provided in the overview on pages 28/29, and in the respective sections of this non-financial report.

Management staff with specialist responsibility for Production, Product Management, Human Resources, Purchasing, Communications and Integrated Management have developed suitable plans and devised specific measures for achieving the objectives by 2025. The respective departments report their implemented and planned measures to the Sustainability Committee. With oversight from Management, the committee is updated at least twice a year on the status of measures taken and reviews progress towards the completion of each objective.

Environment

CLIMATE CHANGE MITIGATION AND RESOURCE EFFICIENCY

Objectives:

Mitigating the impact of climate change and protecting the environment are tasks that can only be achieved together. As a manufacturing company, KSB takes care to use natural resources responsibly. This includes reducing the company's consumption of energy and raw materials as far as possible. In addition to mitigating negative environmental impacts, this also increases the company's profitability. Moreover, it minimises economic and legal risks which could potentially result from environmental damage and failure to comply with laws and regulations.

By 2025, KSB intends to assess the environmental impact of more than 50 % of its development projects in accordance with the international ISO 14040 standard. This concerns new product developments and significant design modifications to existing type series.Detailed information on the life cycle assessments of new products can thus be determined.

A further goal is to reduce the CO_2 emissions, excluding those of the vehicle fleet, produced by the main locations – which are chiefly the manufacturing plants – by 30 %, also by 2025 (based on the 2018 figure).

Organisation, processes and measures:

KSB follows the internationally recognised ISO 14001 environmental management system to continuously improve its environmental performance. To date, the company has implemented the environmental management system at 39 production and assembly locations (KSB SE & Co. KGaA: 3 locations); this represents 93 % coverage.

The EU Energy Efficiency Directive requires all large companies to carry out regular energy audits in order to contribute to the European energy and climate protection targets. KSB carries out these energy audits at its major European locations to reduce energy consumption and CO_2 emissions. In the reporting year, audits took place at all five production locations in Germany. The resulting measures are designed to reduce the company's energy consumption. They include construction projects such as new buildings and renovations as well as energy-related measures such as insulation, the replacement of lighting systems with LEDs and the replacement of machinery and systems with low energy efficiency.

In 2023, KSB's German employees travelled almost 600,000 kilometres by train for their business trips.

A new heating station was commissioned at the Group's largest location in Frankenthal in 2023. The 15-million-euro investment increases the share of renewable heat from biomass. In combination with the latest technology, this will yield energy savings of 3,700,000 kilowatt hours per year, equivalent to 900 tonnes of CO_2.

KSB wants to increase the proportion of renewable energy in its energy consumption. Aiming to reduce climate-damaging greenhouse gas emissions, the company obtains its electricity in many places from renewable sources. At the end of the reporting year, 13 Group companies were already using solar modules to generate electricity. Six Group companies in Argentina, Australia, China, Indonesia, Spain and the USA took this initiative in 2023.

Today, many companies primarily use communication channels such as video conferencing and internet-based services for internal meetings and business contacts. KSB also makes the most of these facilities. When personal contact and business trips are necessary, employees opt for environmentally friendly transport wherever possible, such as the rail network of Deutsche Bahn, which uses 100 % green electricity in Germany. Based on Deutsche Bahn's environmental balance sheet, KSB was able to save more than 128 tonnes of CO_2 in 2023 compared to journeys with conventional vehicles (previous year: more than 90 tonnes of CO_2). In 2023, KSB's German employees travelled almost 600,000 kilometres by train for their business trips.

In terms of Group-wide electricity consumption, the share of renewable energies grew by 3.9 % to 54.3 % (KSB SE & Co. KGaA: +2.2 % to 82.1 %).

KSB regularly records and evaluates data on energy consumption and CO_2 emissions. In 2023, energy consumption increased by 8,756 megawatt hours year on year to 276,021 megawatt hours. Compared with 2022, KSB SE & Co. KGaA reduced its energy consumption by 7,859 kilowatt hours to 81,091 kilowatt hours.

In terms of Group-wide electricity consumption, the share of renewable energies grew by 3.9 % to 54.3 % (KSB SE & Co. KGaA: +2.2 % to 82.1 %). KSB calculates CO_2 emissions for Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol (market-based). For the first time, KSB also took into account emissions from the company's own vehicle fleet amounting to 5,573 tonnes of CO_2 for the Group. The Group's emissions in the reporting year thus totalled 83,546 tonnes of CO_2 (KSB SE & Co. KGaA: 13,289 tonnes of CO_2). KSB does not take the vehicle fleet emissions into account for its sustainability target for reducing emissions in the production plants. The respective values are 77,973 tonnes of CO_2 (previous year: 79,673 tonnes of CO_2) for the Group and 12,077 tonnes of CO_2 (previous year: 14,574 tonnes of CO_2) for KSB SE & Co. KGaA. "Out of scope" is the share of biomass that only relates to KSB SE & Co. KGaA; it amounted to 2,175 tonnes of CO_2 in the reporting year.

In order to further reduce energy consumption, KSB appoints Energy Officers at its German locations. They can be contacted by all employees and advise their colleagues on potential energy savings during regular walks around the premises.

The vital task of protecting the environment can only be accomplished together. In the reporting year, the KSB Green Community was established, an employee initiative to promote sustainable behaviour within the company and implement ideas from the workforce. Around 202 people are engaged in this project.

KSB is progressively modernising its production facilities to reduce the amount of hazardous substances used in the manufacturing processes. If environmental pollution is identified at a location, the company sets aside provisions to meet obligations for necessary remediation. Provisions totalling € 966,000 were recognised for KSB SE & Co. KGaA in its annual financial statements.

Today, companies are paying more attention to the eco-balance of the products they buy. This also applies to pumps and valves that are used in many applications. In order to assess the environmental impact of products within the scope of new developments or significant design changes to existing type series in accordance with the ISO 14040 international standard, KSB has been using a suitable process to conduct life cycle assessments since 2020. By the end of 2023, this had been applied to 15 out of 22 newly developed products. The company thus assessed the environmental impact of more than two thirds of its development projects in accordance with the ISO 14040 international standard.

In the reporting year, the KSB Green Community was established, an employee initiative to promote sustainable behaviour within the company and implement ideas from the workforce.

In 2023, KSB increased the share of recycled aluminium and brass in a circulator pump to more than 90 % by selecting suitable suppliers.

The circular economy makes an important contribution to achieving economic growth despite increasingly scarce resources, ensuring that the materials and substances used in products are preserved for as long as possible. This approach to sustainable management protects the climate and reduces dependence on raw material imports. KSB therefore focuses on products with maximum durability that can be easily dismantled and broken down into separate material groups after use for comprehensive recycling. The company has adapted the product creation process for new developments accordingly. Each development is now analysed to determine the extent to which it is suitable for the circular economy. This process uses the material circularity indicator (MCI) to map the material flow's capacity for circularity. In 2022, KSB calculated this key indicator for five selected type series. The goal is to increase the current index value of the five series by a factor of 20 % by 2024. In the reporting year, the company increased the share of recycled aluminium and brass in a circulator pump to more than 90 % by selecting suitable suppliers. In the next step, KSB will determine the effects on the product's material circularity indicator.

Results:

- KSB has conducted life cycle assessments for 68 % of newly developed products.
- KSB once again increased the share of renewable energy in its electricity consumption. This increased from 50.4 % to 54.3 % in the Group compared with the previous year.
- KSB reduced carbon dioxide emissions, excluding those of the vehicle fleet, by 23 % compared with 2018.

PRODUCTS

Objectives:

Through its products, KSB wants to contribute to overcoming global challenges such as climate change. The company's solutions enable its customers to operate their systems efficiently and responsibly. KSB strives to maximise its range of products offering many years of operation characterised by reliability and low energy consumption.

By 2025, KSB aims to reduce the CO_2 emissions generated through the operation of its water pumps by 850,000 tonnes per year in Europe alone by using variable speed drives.

Organisation, processes and measures:

To assess how much carbon dioxide KSB water pumps save during operation, Product Management determines the number of these pump sets in use based on the production volume since 2009, and calculates their average annual energy consumption. This estimate assumes 7,000 operating hours and a typical load profile for these applications as well as the average CO_2 equivalent for Europe of 333 g/kWh according to the German Association of the Automotive Industry (VDA) for 2020 for the European Union electricity mix. As shown in the Energy Efficiency with Electric Drives study published in 2017 by the German Electrical and Electronic Manufacturers' Association (ZVEI), demand-oriented operation via the use of variable speed drives and high-efficiency motors allows energy savings averaging 30 % compared with conventional fixed-speed pump systems. The savings achieved with KSB standardised water pumps are often even higher than 30 %. The calculation will be continued.

With many countries seeing increased expansion of renewable energies and a renaissance in nuclear power, the electricity mix has changed considerably. The Sustainability Committee therefore agreed in 2022 to consider not only the current average CO_2 equivalent (see above), but also the corresponding value from 2018 when determining CO_2 emissions. The figure for 2018 was 590 g/kWh. This means that KSB water pumps are estimated to have saved over 459,000 tonnes of CO_2 in 2023 (compared with the 2020 CO_2 equivalent) or more than 810,000 tonnes (compared with the 2018 CO_2 equivalent) thanks to their variable speed drives.

Based on a high-pressure pump that has been tried and tested for decades, KSB developed a new variant specifically for use in biomass power plants that was launched on the market in 2023.

When developing new products, KSB focuses holistically on sustainability – from production to recycling the raw materials required. This was systematically implemented for the first time in a fully integrated in-line water pump for use in building services that was launched on the market in 2022. Thanks to reductions in size and weight compared with the previous type series, the product requires fewer raw materials such as aluminium, copper and steel; the manufacturing process of the pump thus generates 43 % less carbon dioxide (using the example of a pump for Q 100 % = 19.4 m^3/h and H 100 %). KSB offsets the unavoidable greenhouse gas emissions generated in production of the first type series by purchasing certificates in accordance with the Verified Carbon Standard. In operation, control modes make for high levels of energy efficiency. A modular design allows for the straightforward, mono-material dismantling and recycling of individual parts at the end of the pump's service life. In the reporting year, the company increased the number of countries where this innovation has been released for sale by 15 to a total of 24 (previous year: 9).

Renewable energies make an important contribution to climate change mitigation. KSB offers its customers worldwide high-quality solutions for this field of application in order to enable the economic and efficient use of renewable sources of energy for power generation. For example, based on a high-pressure pump that has been tried and tested for decades, KSB developed a new variant specifically for use in biomass power plants that was launched on the market in 2023.

KSB attaches great importance to the role of product quality and safety in preventing accidents and environmental pollution. In production, the company complies with recognised standards such as CE and a well-established quality management system in accordance with the ISO 9001 international standard. This allows processes to be designed such that systematic errors during product manufacturing can be avoided. In addition, the company's own Made by KSB[1] certification available at eleven locations designates a level of quality which exceeds the requirements of the international standard for quality management. The certification stands for quality, short delivery times, professional service and efficient manufacturing processes. In 2023, two locations in India and South Africa completed the first audit as part of their initial certification process. Following a successful second audit in the current reporting year, these two locations will receive the Made by KSB certification.

Results:

- KSB water pumps are estimated to have saved over 459,000 tonnes of CO_2 in 2023 (compared with the 2020 CO_2 equivalent) or more than 810,000 tonnes (compared with the 2018 CO_2 equivalent) thanks to their variable speed drives.
- 122 KSB locations are certified to the ISO 9001:2015 quality management standard to ensure the reliability and safety of the products.

Compliance

Objectives:

For KSB, lawful conduct is an important and indispensable part of corporate social responsibility. Integrity and honest conduct is also something customers and business partners expect of the company. That is why compliance with legal regulations and Group-wide directives is part of KSB's core values.

The aim is to train all relevant employees on anti-trust/cartel law and anti-corruption policies. Using a global matrix of requirements, KSB for example ensures that personnel with customer or supplier contact are regularly familiarised with these topics. The most recent Group-wide training programme started in 2022 and continued into the reporting year. Compliance training was continued throughout 2023 for new employees and employees who were transferred internally to relevant positions.

[1] The use and implementation of the company's internal certifications are outside the scope of the limited assurance engagement performed by PricewaterhouseCoopers GmbH.

The compliance system is designed to ensure that KSB and its employees always act in line with applicable laws and directives.

Organisation, processes and measures:

Lawful conduct is an integral element of KSB's corporate social responsibility. A binding compliance management system supports the compliant conduct of employees. It ensures compliance with legal provisions and internal regulations, thereby safeguarding the economic success of the company in the long term. The compliance system is designed to ensure that KSB and its employees always act in line with applicable laws and directives.

Group Management is responsible for organising compliance and is monitored by the Supervisory Board's Audit Committee. A Group Compliance Officer is responsible for compliance management and reports to Group Management on relevant topics every six months. Support is provided by a Group Compliance Committee, consisting of top-level managers from the company.

KSB's Compliance Manual describes structures and processes designed to ensure compliant conduct, and specifies responsibilities and instruments.

A core element of the compliance system is the KSB Code of Conduct, which applies across the entire Group. It was revised to meet the requirements of the *Lieferkettensorgfaltspflichtengesetz* [German Supply Chain Due Diligence Act] and published in the 2023 financial year. The Code of Conduct defines the key legal and business policy principles, providing employees with guidance for their actions. The Code also sets forth the corporate values which govern conduct in day-to-day work: honesty, responsibility, professionalism, trust and appreciation. On this basis, KSB has formulated and communicated specific principles and rules of conduct.

In order to avoid risks resulting from a loss of reputation and legal repercussions, KSB issued two binding corporate directives, one covering compliance with cartel / anti-trust law and one dealing with the prevention of corruption. Both of these directives help to prevent potential violations. Employees receive corresponding training in recognising potential risks and practical guidance to ensure proper conduct.

In the event that employees become aware of violations or are unsure whether their actions are compliant, they refer the matter to the compliance organisation, and specifically to the designated Compliance Officer. If necessary, reports will be treated anonymously. In addition, any circumstances that give rise to legal or anti-trust concerns can be reported by any stakeholder directly to an independent ombudsperson, who can process potential cases without naming informants. Plausible evidence indicating infringements is investigated.

KSB does not tolerate any violations of compliance by its employees. If investigations reveal sufficient evidence of a violation, this will have consequences for the individual concerned. Depending on the severity, sanctions range from a disciplinary warning to immediate termination of employment and law enforcement agencies may also be involved.

Results:

- 2023 saw 2,500 employees across the Group successfully complete the compliance training e-learning modules launched in 2022.
- Reports of suspected compliance violations submitted via the ombudsperson and the compliance organisation triggered a clearly defined three-stage procedure in each case to clarify the facts and initiate the necessary measures.

Human Rights / Sustainability in the Supply Chain

KSB uses active supplier management to identify and avoid risks in the supply chain.

Objectives:

KSB respects and protects human rights. The company recognises the obligations this entails – internally and along the entire value creation chain. It is KSB's declared goal to prevent all forms of discrimination on the basis of individual characteristics such as age, origin, religion, appearance, gender, sexual orientation, disability or marital status. KSB does not tolerate discrimination, harassment or reprisals of any kind in the work environment.

The company also refuses to accept human rights violations by its suppliers. KSB therefore aims to assess 90 % of its global and regional key suppliers in terms of their sustainability performance by 2025. This will focus on, but not be limited to, their safeguarding of human rights.

Organisation, processes and measures:

By signing the UN Global Compact, KSB has undertaken to protect and respect international human rights. The company also complies with the conventions of the International Labour Organisation (ILO). All KSB companies respect the freedom of association and the right to collective bargaining. The company also observes government sanctions such as embargoes, and communicates internal directives on export control.

KSB published a Human Rights Policy Statement. It documents the company's commitment with respect to employees, business partners and the public. The policy statement defines human rights criteria which must be observed in everyday business.

As required by the German Supply Chain Due Diligence Act, KSB has appointed a Human Rights Officer as an internal contact person. In 2022, the Group created an internal, globally valid documented procedure. It describes roles and responsibilities as well as the following processes: Due Diligence Process Supply Chain, Due Diligence Process Own Business Operations and General Risk Management Process. The document also defines the cooperation between Global Procurement and the Human Rights Officer. The first internal audit of Global Procurement regarding implementation of the German Supply Chain Due Diligence Act was undertaken in 2022 by Integrated Management Systems. This internal review shall be carried out again in the current reporting year.

Basic conduct requirements among the workforce and with business partners are governed by the KSB Code of Conduct.

In 2023, Management again signed the UK Modern Slavery Act statement. This includes a commitment to ensure that all business conducted – including the supply chain – is free from all forms of forced labour, slavery or human trafficking.

KSB uses active supplier management to identify and avoid risks in the supply chain. Compliance with the company's own Code of Conduct, which corresponds to the human rights standards defined in the UN Global Compact, is an integral part of our business conditions and contracts, forming a fundamental basis for our business relations with external suppliers. Through these high standards, the company strives to minimise the risk of human rights violations in the supply chain. As a matter of principle, KSB does not work with companies that are known to violate human rights.

An online training course for buyers and employees from other relevant departments raises participants' awareness of human rights issues in the supply chain. The e-learning is compulsory for all employees in these departments. Since 2021, more than 80 % of employees involved in purchasing and supply chain activities have already successfully participated and received a certificate.

Purchasing uses questionnaires to assess human rights risks at suppliers. This allows potentially critical business partners to be identified throughout the Group, especially with regard to child labour and the use of conflict materials. By the end of

Number of training hours

	Total	KSB SE & Co. KGaA	Europe	Asia / Pacific	Americas	Middle East / Africa / Russia
Hours per employee	21	21	19	21	27	25

2023, KSB had assessed around 95 % of its main suppliers for production materials, which represent 80 % of the supplier base and are predominantly classified as direct suppliers, and 43 % of its main suppliers for indirect purchasing. In this context, it must be taken into account that compared with the previous year the company adjusted the calculation method in the reporting year in order to assess only the most important main suppliers. The changes resulted in positive effects on the progress towards goal achievement.

KSB derives suitable measures from the self-disclosures requested from its suppliers via questionnaires. These include careful examination of how the issues are handled and monitoring of improvement measures taken.

KSB's employees can contact the compliance organisation or an ombudsperson regarding human rights issues, following the same procedure as for suspected compliance violations (see page 35). The Human Rights Officer is available as an additional contact person.

Results:

- An online training course raises participants' awareness of human rights issues in the supply chain. In the reporting year, 56 employees participated. Since 2021, a total of 372 participants across the Group have completed this training.
- By the end of the reporting year, KSB had assessed the sustainability performance of 67 % of its key global suppliers. This also includes the actions of business partners regarding human rights.

Employees

GLOBAL COMMITMENT

Objectives:

High-performing and motivated staff are the basis for a company's economic success. At KSB, more than 16,000 people work in a variety of ways around the globe to meet customers' needs in the best way possible. This is most effectively achieved with satisfied and committed employees. KSB is therefore striving to sustainably increase its engagement score, which measures employee satisfaction.

Diversity and open-mindedness are key components of a productive corporate culture. KSB celebrates the diversity of its workforce, because diverse teams contribute the greatest range of different perspectives to the company's success. As a mechanical engineering company with a traditionally low quota of women, KSB is seeking to develop the potential of its female employees in particular. The goal is to increase the proportion of women in management positions to at least 20 % by 2025 (2023: 14 %).

As KSB's success is largely dependent on qualified personnel, the company attaches great importance to targeted training and development. Increasing digitalisation requires continuous learning in order to remain economically successful in the future. By 2025, the company aims to increase the number of training hours per employee per year to 30 hours; in the reporting year this figure was 21 hours. The industry average determined by VDMA [German Mechanical Engineering Industry Association] is 16.8 hours (source: Business Advisory 2021).

Organisation, processes and measures:

Overall responsibility for human resources issues at KSB lies with the head of Human Resources, who reports on topics including non-financial issues directly to the CEO and coordinates Group-wide HR issues. Individual locations' human resources departments look after their local managers and employees.

When recruiting future employees, the company uses several channels. In addition to traditional job advertisements, contact with potential applicants is also established via online social networks and platforms as well as recruitment fairs. KSB also maintains cooperations with universities and schools to establish contact with potential candidates. Furthermore, KSB uses an employee recommendation programme to recruit suitable personnel.

KSB increased the number of vocational training positions in Germany by more than 20 % at the annual start of training in 2023.

In order to ensure demand for skilled staff is met in the long term, KSB continuously trains young people. The company increased the number of vocational training positions in Germany by more than 20 % at the annual start of training in the reporting year. Junior employees at KSB have the opportunity to complete part of their training at subsidiaries abroad. This improves their capacity for international cooperation and offers valuable experience gained in a different environment. At the end of 2023, 268 trainees and students in dual work/degree programmes were preparing for professional life at KSB's German locations. In 2023, KSB spent € 9,256,000 on vocational training programmes (2022: € 8,207,000).

KSB continuously develops the skills and knowledge of its employees to prepare them for specialist and management positions. The company has developed a three-stage approach for this purpose. It distinguishes between Group-wide, departmental and individual professional training measures. Individual training requirements are mutually agreed between managers and employees at annual performance evaluation interviews. Qualification measures cover engineering, business administration, information technology, social competence, communication and leadership.

Developing employees and preparing them for future challenges are core elements of People Development at KSB. The concept is aimed at encouraging the exchange of thoughts and ideas with employees and continuously discussing prospects within the company. Through this initiative, KSB strives to create motivating development opportunities for its employees and staff positions in the best way possible.

In order to inform employees about available training, KSB intensified its communication about training opportunities. These include training modules, courses, workshops and time for free self-study and knowledge exchange between staff. An additional e-learning course for managers raises awareness of the training opportunities. In 2023, employees invested an average of 21 hours (KSB SE & Co. KGaA: 21 hours) into professional development activities (previous year: 17 hours; KSB SE & Co. KGaA: 13 hours).

A one-year fellowship programme focusing on the digital transformation provides employees with current information, background knowledge and explanations about the most important topics of digitalisation.

KSB's internal distance learning programme for interested engineers and technicians, which has been in place for more than ten years, offers participants with relevant experience an opportunity to become experts in the field of pump applications. KSB has been offering the internal professional development opportunity since 2021 as an external distance learning course in cooperation with the technical universities in Berlin and Graz.

In 2023, employees invested an average of 21 hours (KSB SE & Co. KGaA: 21 hours) into professional development activities (previous year: 17 hours; KSB SE & Co. KGaA: 13 hours).

In the reporting year, KSB's Global Learning Center offered 1,888 different training courses.

A Group-wide HR tool automates and standardises the personnel processes of all KSB Group companies. In the reporting year, KSB added additional functions to this system. Employees now log their absences such as holiday and flexitime via this platform, eliminating the need for paper-based forms. Further functions for recruitment and People Development were added in 2023 with the aim of filling vacancies even faster. Managers also use the web-based application to promote training for their team members. In addition, all users can update information on their knowledge and skills in their personal profile. This increases the visibility of knowledge available in the company.

Besides conventional classroom training, KSB employees mainly acquire new knowledge through e-learning and online training. In the reporting year, KSB's Global Learning Center offered 1,888 different training courses. More than 15,300 users from 71 countries had access to the company's own internet-based learning platform, marking a further increase in the reach of this online training facility. In addition, the company's Market Areas have introduced their own academies to impart specific expertise via virtual training courses.

Equal opportunities and diversity are viewed as key factors for innovation and sustainable economic growth. KSB's binding human resources principles align with the Conventions of the International Labour Organisation (ILO) and apply to all Group companies. The company selects candidates for positions exclusively on the basis of necessary professional requirements and the individual performance and potential of the applicant. Clear responsibilities were defined to support this process. Management works to ensure that the principles of equal opportunities and diversity are realised in company practice. Human Resources communicates these principles within the Group and adapts them where required. HR also fosters an awareness of this important topic and offers corresponding training and advice.

KSB focuses on equal opportunities when filling management positions. In 2023, the proportion of female managers in the Group was 14 % (KSB SE & Co. KGaA: 11 %), a decrease of 1 percentage point year on year. Women make up 16 % of the total workforce (KSB SE & Co. KGaA: 20 %). At KSB, this key indicator refers to management positions with at least one direct report.

Committed female employees from different departments and locations maintain a global women's network to promote gender diversity at KSB. Its aims include establishing a framework for strengthening internal networking among women within the company and creating a space for their professional interaction and further development. The establishment of two regional communities in North America and the Middle East / Africa began in the reporting year. As at 31 December 2023, the network had 228 employees from 24 countries worldwide.

Special training and development programmes provide female employees with greater clarity about their career opportunities

As at 31 December 2023, 228 employees from 24 countries worldwide had joined KSB's women's network.

and prepare them for their future career path. In addition, KSB is increasingly seeking to appoint women to management positions if applicants are equally qualified. Human Resources and Management make concerted efforts to approach potential female candidates, make them aware of their prospects and encourage them to take advantage of opportunities.

In order to achieve a more balanced mix of men and women in management, KSB implemented several measures in the reporting year. Once again, these included local and global events for promising candidates attended by members of Management. This supports KSB's efforts to ensure that talented women and men are seen and heard within the company.

KSB provides its employees with mobile working options, including working from home. This can help facilitate a balance between family and work commitments. Under the Group works agreement on mobile working, up to 40 % of individual working hours can be spent away from company premises. In addition, many employees have access to flexible working time models, allowing them to care for their family members for example.

Employees who enjoy their work achieve more. KSB therefore attaches great importance to ensuring committed and satisfied employees who are passionate about making a contribution to the company's success. As an attractive employer, KSB strives to create a motivating working environment in which employees can perform to the best of their ability. KSB regularly analyses employee satisfaction. The company had previously conducted a Group-wide employee survey every three years. In the reporting year, Management decided to reduce the time until the next survey to two years. The engagement index, which measures an employee's emotional attachment to work and the workplace, will therefore be analysed again in 2024. In 2022, the figure was 65 % (2019: 57 %).

The global employee engagement survey in 2022 provided valuable information on potential for improvement to further improve satisfaction. Following the results, the CEO and the Chief Engagement Officer discussed the local insights with more than 70 Managing Directors of Group companies and Regional Executive Officers around the world in the reporting year. Based on the findings, numerous measures were agreed at country and departmental level to increase engagement. In 2023, a total of 50 short surveys, known as KSB Pulse surveys, were also conducted in individual countries and Regions to obtain feedback from employees on current and strategic topics. This active feedback culture reflects how employees and their opinions are valued and appreciated.

Measures to promote employee engagement were once again undertaken in all companies in 2023, for example joint team events. Local Managing Directors reported regularly to KSB Group Management on their implementation and further planned measures, including during personal meetings, joint appointments and in conversation via e-mail and video calls. Furthermore, a global network of Engagement Ambassadors ensures that defined measures are followed through and their successful implementation is publicised in all KSB Regions.

Results:

- The number of completed training courses recorded via the company's own online learning platform increased to 42,469 in 2023 as a result of intensified communication measures (2022: 29,830). This corresponds to an increase of over 42 %. A total of 11,675 (2022: 7,533) employees participated in the training courses, which is over 54 % more than in the previous year.

OCCUPATIONAL HEALTH AND SAFETY

Objectives:

Employee health and safety are top priorities for KSB. The company's goal is to protect staff from risks at work and to keep the number of occupational accidents as low as possible. By 2025, KSB aims to permanently reduce the number of working days lost due to occupational accidents to fewer than 0.3 days per employee. In addition, the company offers employees a range of health-focused services.

Organisation, processes and measures:

At the beginning of the reporting year, the COVID-19 pandemic continued to have a limited local impact on KSB in certain individual locations and Regions. In March 2023, the company's interdisciplinary COVID-19 task force was disbanded due to the improved situation. The task force members jointly analysed the company's crisis management during the pandemic and discussed potential improvements. These insights will help KSB to be even better prepared for similar crisis situations in

In 2023, more than 70 production managers at KSB focused intensively on occupational health and safety at the global manufacturing conference in Brazil.

the future. All measures and rules adopted during the pandemic were discontinued.

The focus of accident prevention in everyday work at KSB is in the production areas due to their increased risk. Appropriate training, instruction and other preventive measures are implemented regularly. In the reporting year, 39 production and assembly sites (including all factories of KSB SE & Co. KGaA) were certified to the ISO 45001 international occupational health and safety standard. This represents 93 % of the company's locations.

To reduce the number of occupational accidents, KSB introduced the global Vision Zero concept from the International Social Security Association (ISSA) in its production departments. This aims to increase involvement of management staff so as to raise awareness of improved occupational health and safety. Managers learn about suitable measures that they can apply individually to their production facilities.

In 2023, more than 70 production managers at KSB focused intensively on occupational health and safety at the global manufacturing conference in Brazil. At the event, the participants defined their most important topics in this area according to the rules set out in the Vision Zero concept. The focus was on aspects with the highest potential for improvement at the respective locations. After the conference, the production managers were tasked with deriving measures and implementing them in their area of responsibility. Integrated Management will support the global locations in this process and verify the results in the current reporting year. The aim is to establish a sustainable safety culture within the company.

KSB maintains an active occupational health management system with a holistic approach. As well as fulfilling the company's legal occupational health and safety obligations, this framework enables KSB to provide voluntary health-focused services. These include ongoing health initiatives such as vaccinations, support for giving up smoking, preventive health care courses and confidential psychosocial counselling from the company's Health Management department. The implementation of the company's return-to-work programme makes a significant contribution to promoting health in the workplace and restoring employees' ability to work. Addiction prevention services are provided by KSB's Health Management and local addiction support teams.

The mental health of employees is becoming a key focus of many companies. A positive state of well-being is essential for actively participating in private and professional life and for dealing appropriately with challenging situations. In 2023, KSB expanded an initiative to strengthen the mental health of its workforce. The campaign supported employees and managers in maintaining their health and well-being. The measures aimed to raise awareness and acceptance of mental stresses and jointly develop solutions. Multiple workshops, information events and participative activities were held at various locations.

Employees who spend most of their working time sitting benefit from an Internet-based health programme that includes exercises to prevent back problems. In the reporting year, KSB added mindfulness exercises to the programme that provide tips on how to confidently deal with stressful phases in daily working life in a relaxed manner.

In 2023, the focus of KSB's prevention services was on skin health. Employees were invited to participate in preventive examinations, informative presentations and activities.

The focus of prevention services for employees was on skin health.

Cycling keeps you fit, saves energy and reduces your personal carbon footprint. Since the middle of the reporting year, KSB has been offering its German employees a cycle-to-work bike leasing scheme to promote healthy mobility. Interest among staff was huge: by the end of 2023, 577 employees had taken up the offer. KSB also supported participation in the annual city cycling event. Over 240 employees from various locations took part in the Germany-wide competition.

Joint sports activities not only strengthen team spirit among employees, but also their health. KSB therefore encourages company sports, participation in sports events and organises sports events at its locations.

Results:

- The company medical service in Germany organised a total of 897 vaccinations in the reporting year. The majority of these were vaccinations against influenza (555) and shingles (126). 53 employees were also vaccinated against COVID-19.
- The company's Health Management department in Germany provided counselling sessions in 2023, primarily in connection with mental stress and dealing with crises.
- The number of accident-related days lost per employee and year in 2023 was slightly higher than in the previous year at 0.36 (lost time accident rate).
- As part of the reporting year's initiative focusing on skin health in Germany, 433 employees took up the offer of skin cancer screening.

Society

Objectives:

KSB seeks to make an active contribution to society through its commitment to social initiatives. This includes financial contributions to organisations engaged in social projects. With its charitable commitments, KSB seeks to contribute to the development of the common good. By 2025, the company intends to support at least 25 social projects every year. KSB defines a project as an undertaking fulfilling at least three of the following five criteria:

- Humanitarian aid benefiting third parties
- Support for education (child, youth and adult education)
- Project-related support of more than € 5,000
- Personal engagement of KSB employees
- Long-term or permanent aid (e.g. in the field of ecology)

Social activities that meet fewer than three of the above criteria are classified by the company as social initiatives.

Organisation, processes and measures:

KSB's binding Donation Directive sets out for which purposes and under which conditions the company may make financial or material commitments. In this context, the focus is on supporting organisations, projects and measures dedicated to the education, social support and protection of children and young people. The company is also committed to helping the disadvantaged. In the event of disasters it provides assistance to both people and organisations. In the reporting year, KSB expanded the potential group of recipients to include organisations and projects that promote local sports and are committed to sustainability and environmental protection.

The education of young people is one of the most important issues for the future. KSB therefore once again supported relevant projects worldwide in 2023. This not only took the form of direct financial aid, but also imparting knowledge to teachers or representatives of state institutions. Furthermore, the company is committed to helping people in need in order to improve their living conditions. For example, KSB donated

In the reporting year, KSB expanded the potential group of donation recipients to include organisations and projects that promote local sports and are committed to sustainability and environmental protection.

The company's social engagement sees KSB making a contribution towards achieving the United Nations' 17 Sustainable Development Goals.

€ 10,000 to Christmas fund-raising campaigns at its Pegnitz location. The company was once again able to support development projects with contributions in kind, for example by donating pumps for a drinking water project in Africa.

Natural disasters have a direct and devastating impact on the lives of those affected. KSB provides fast and targeted help. In the reporting year, for example, the company donated € 10,000 and multiple pumps to supply people with water following an earthquake in Turkey.

KSB's Indian companies have traditionally been strongly committed to charitable organisations and institutions in the vicinity of their locations. The projects primarily focus on improving the lives of children and women in schools and social institutions, for example through grants for infrastructure and the purchase of study materials. KSB offers particular support for people with disabilities, those in need and the elderly.

The company's social engagement sees KSB making a contribution towards achieving the United Nations' 17 Sustainable Development Goals. The focuses of the supported projects and measures were, in descending order, the goals of quality education (goal 4), industry, innovation and infrastructure (goal 9) and good health and well-being (goal 3).

Founded in 1942, the Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V. benevolent fund originally functioned to finance the KSB pension scheme. Since 1999, the charitable organisation has continued to support current and former employees of KSB SE & Co KGaA (including employees of the German Group companies) and their immediate families in cases of urgent financial need, for example, by providing grants for health care treatment and medical aids.

Results:

- In 2023, KSB participated in 44 social projects and 37 charitable initiatives worldwide.

More information on social commitment is available at www.ksb.com/csr-en.

EU Taxonomy Regulation

The European Union has set itself the goal of becoming climate-neutral by 2050. As part of the Green Deal, the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the Establishment of a Framework to Facilitate Sustainable Investment, and Amending Regulation (EU) 2019/2088, hereinafter referred to as the EU Taxonomy Regulation, entered into force in 2020.

The taxonomy sets out a classification system for environmentally sustainable economic activities and defines six environmental objectives:

1) Climate change mitigation (CCM)
2) Climate change adaptation (CCA)
3) Sustainable use and protection of water and marine resources (WTR)
4) Transition to a circular economy (CE)
5) Pollution prevention and control (PPC)
6) Protection and restoration of biodiversity and ecosystems (BIO)

Since 2023, the new Environmental Delegated Act has complemented the EU Taxonomy Regulation. It defines the economic activities and the associated technical screening criteria for environmental objectives (3) to (6). The Climate Delegated Act and the Disclosures Delegated Act were also amended pursuant to Article 8.

Economic activities qualify as taxonomy-eligible if they correspond to at least one of the activity descriptions set out in the aforementioned Delegated Acts.

If the taxonomy-eligible economic activities also:

1. Make a substantial contribution to the fulfilment of one or more of the six environmental objectives
2. Do not significantly affect the fulfilment of the five other EU environmental objectives (Do No Significant Harm, or DNSH)
3. Comply with the minimum safeguards

they are classified as taxonomy-aligned.

The assessment of whether an economic activity makes a substantial contribution to one of the environmental objectives and does no significant harm to the five other environmental objectives shall be made on the basis of technical screening criteria.

Information on taxonomy eligibility for the six environmental objectives must be provided for the 2023 financial year. In addition, information on taxonomy alignment must be provided for the first two environmental objectives. Information on the alignment of activities added or changed in 2023 has not been provided in the reporting year.

Delegated Regulation (EU) 2021/2178 requires companies to report information on the key indicators of sales revenue, capital expenditure (CapEx) and operating expenditure (OpEx) relating to taxonomy-eligible and taxonomy-aligned economic activities as well as to publish additional quantitative and qualitative information.

The capital expenditure and operating expenditure indicators are classified into the following categories:

- **Category A:** Capital or operating expenditure related to assets or processes associated with taxonomy-aligned economic activities
- **Category B:** Capital or operating expenditure that is part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned economic activities
- **Category C:** Capital or operating expenditure related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling certain target activities to become low-carbon or to lead to greenhouse gas reductions

Procedure in the Reporting Year

The impact analysis is updated annually and the newly published economic activities were added in the financial year. In order to identify taxonomy-eligible economic activities, all activities listed in the annexes to the Climate Delegated Act and the Environmental Delegated Act were assessed for relevance to KSB. Experts from specialist departments including Product Development, Sales, Facility Management and IT were consulted for this assessment. Responsibility for the data collection and reporting process lies with the Finance department.

The following findings regarding KSB's economic activities were made as part of the impact analysis in connection with the performance indicators relevant to the EU taxonomy:

KSB's core sales activities almost exclusively comprise the manufacture of pumps and valves, and provision of related spare parts and support services. The EU taxonomy currently in force in particular covers economic activities that have a material impact on the environment. As this is largely not the case with mechanical engineering, KSB cannot allocate its sales activities to such economic activities. In particular, it was assessed whether the new economic activities of environmental objective (4) Transition to a circular economy from Section 5. Services could be relevant for KSB. However, the NACE codes listed in the activity descriptions to narrow down the products considered for this activity do not fall within the scope of the Group's activities. The economic activities added to the other environmental objectives were also assessed and do not correspond to the Group-wide sales revenue-generating economic activities.

Furthermore, KSB does not engage in any of the economic activities described in the European Commission Delegated Regulation 2022/1214 in connection with the production of energy from fossil gas or nuclear energy. KSB therefore has not used the specific reporting forms for these activities in accordance with Annex XII of the European Commission Delegated Regulation 2021/2178.

Accordingly, as in previous years, KSB will not report any taxonomy-eligible or taxonomy-aligned sales revenue in the 2023 financial year.

Capital expenditure and operating expenditure relating to assets or processes associated with taxonomy-aligned economic activities (Category A) therefore also cannot be reported. Furthermore, there is no CapEx plan to expand a taxonomy-aligned activity or upgrade a taxonomy-eligible activity to become a taxonomy-aligned activity. Thus, no category B capital expenditure or operating expenses are reported.

With regard to capital expenditure and operating expenditure in category C, from the purchase of taxonomy-aligned products and individual measures, the following taxonomy-eligible economic activities were identified in the impact analysis for the KSB Group:

Taxonomy-eligible economic activities:

Economic activities according to the EU taxonomy	Examples of activities at KSB
Manufacturing / Production of goods	
CCM 3.9 Manufacturing of iron and steel	▪ Operation of foundries
Transport	
CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles	▪ Purchasing and leasing of passenger cars
Construction and real estate	
CCM 7.2 / CE 3.2 Renovation of existing buildings	▪ Renovation of administrative buildings
CCM 7.3 Installation, maintenance and repair of energy efficiency equipment	▪ Replacement of existing windows with new energy-efficient windows
CCM 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	▪ Purchasing and installation of charging stations for electric vehicles
CCM 7.6 Installation, maintenance and repair of renewable energy technologies	▪ Purchasing and installation of solar power systems
CCM 7.7 Acquisition and ownership of buildings	▪ Purchasing and leasing of non-residential buildings

The identified taxonomy-eligible economic activities were primarily allocated to environmental objective (1) Climate change mitigation, as KSB has a greater influence on the contribution to this environmental objective.

Despite the corresponding activity description, the activities of environmental objective (2) Climate change adaptation were not reported as taxonomy-eligible because they are not enabling activities or there is no separable, specific capital expenditure or operating expenditure for climate change adaptation.

Assessment of Taxonomy Eligibility and Alignment

The basis for determining taxonomy-eligible and taxonomy-aligned economic activities are the actually identified capital expenditure and operating expenditure calculated for the fully consolidated companies in the Group, which were assessed and audited in terms of a cost-benefit ratio. The relevant performance indicators were determined using a questionnaire prepared by KSB in which the potential taxonomy-eligible economic activities identified in the impact analysis were assessed. When validating the questionnaires, particular care was taken to ensure that the figures reported by the companies were not counted twice.

The analysis of capital expenditure showed that economic activities amounting to € 62.8 million (46.3 % of total investments) (previous year: € 38.5 million, 31.7 % of total investments) correspond to the activity descriptions of the Delegated Acts and therefore constitute taxonomy-eligible capital expenditure.

Breakdown of capital expenditure by environmental objectives

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-aligned per objective
Climate change mitigation (CCM)	–	46.3 %
Climate change adaptation (CCA)	–	–
Water (WTR)	–	–
Circular economy (CE)	–	13.8 %
Pollution prevention and control (PPC)	–	–
Biodiversity (BIO)	–	–

Breakdown of operating expenditure by environmental objectives

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate change mitigation (CCM)	–	5.3 %
Climate change adaptation (CCA)	–	–
Water (WTR)	–	–
Circular economy (CE)	–	–
Pollution prevention and control (PPC)	–	–
Biodiversity (BIO)	–	–

Taxonomy-eligible operating expenditure amounted to € 6.3 million (5.3 % of total operating expenditure) in the reporting year (previous year: € 4.0 million, 6.2 % of total operating expenditure).

In addition, the identified taxonomy-eligible economic activities were analysed with regard to their **substantial contribution** as part of the taxonomy alignment assessment. As the identified taxonomy-eligible economic activities relate to the acquisition of products from taxonomy-aligned economic activities (Category C), the assessment of alignment (except for economic activities CCM 7.4 and CCM 7.6) is dependent on the provision of relevant proof by external third parties and cannot be carried out independently by KSB. Suppliers were therefore contacted to verify compliance with the technical screening criteria. It was also checked whether the other environmental objectives were caused any significant harm by the specified economic activity. The documents required by the Delegated Acts could not be provided by the external third parties to a sufficient extent.

For the economic activities CCM 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings and CCM 7.6 Installation, maintenance and repair of renewable energy technologies, KSB meets the substantial contribution criteria. However, the suppliers were unable to provide proof of compliance with EU taxonomy alignment.

As a result, KSB cannot report any taxonomy-aligned capital expenditure and operating expenditure in the 2023 financial year.

The EU Taxonomy Regulation defines **minimum safeguard requirements** for companies, in particular with regard to the issues of human rights, corruption, bribery, taxation and antitrust law. KSB's actions are in line with the requirements. Among other things, this is reflected by KSB's compliance with the following internationally recognised standards:

- The Ten Principles of the United Nations Global Compact (UNGC) and its 17 Sustainable Development Goals (SDGs)
- The UN Guiding Principles on Business and Human Rights (UNGP)
- The United Nations Universal Declaration of Human Rights
- The eight fundamental Conventions of the International Labour Organisation (ILO)
- The OECD Guidelines for Multinational Enterprises

KSB stands up for human rights, equal treatment and decent working conditions worldwide and documents this in policy statements, guidelines and commitments. For further details, please refer to the Human Rights / Sustainability in the Supply Chain section in this part of the report.

In addition, all information on perceived compliance violations is taken seriously and followed up in accordance with the stipulations of KSB's Code of Conduct. Compliance with applicable cartel / anti-trust law is also part of the core KSB values set out in the KSB Code of Conduct. Further information is provided in the Compliance section of this part of the report.

As an globally operating Group, KSB also observes all relevant tax law provisions. KSB sets transfer prices using globally recognised principles and compares them with the terms and conditions of external third parties. Employees on international assignments are obliged to comply with the tax laws that apply to them personally in line with the company's Expatriate Assignment Directive.

In the reporting year, KSB experienced no proven violations or convictions relating to human rights, compliance (corruption and bribery), cartel / anti-trust law or tax law.

The results demonstrate the appropriateness and effectiveness of the processes and systems established throughout the Group for identifying and mitigating potential risks or breaches of the minimum safeguards.

Calculation of Performance Indicators

The **sales revenue** performance indicator was calculated as the proportion of sales revenue derived from products and services generated by taxonomy-eligible and -aligned economic activities (numerator) divided by the sales revenue generated in the reporting year (denominator). The denominator of the sales revenue performance indicator is provided in the Statement of Comprehensive Income in the Consolidated Financial Statements section. As described above, no taxonomy-eligible and -aligned economic activities can be reported in relation to sales revenue.

The **capital expenditure (CapEx)** performance indicator is defined as capital expenditure in taxonomy-aligned and -eligible economic activities (numerator) divided by total capital expenditure made in the financial year (denominator). Total capital expenditure includes additions to property, plant and equipment (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). A breakdown of the composition of capital expenditure by asset class is presented in the Consolidated Financial Statements, Section IV. Balance Sheet Disclosures, Subsections "1. Intangible assets", "2. Right-of-use assets" and "3. Property, plant and equipment".

The **operating expenses (OpEx)** performance indicator is defined as operating expenses in taxonomy-aligned and -eligible economic activities (numerator) divided by total operating expenses (denominator). The denominator of operating expenses comprises direct, non-capitalised costs related to research and development, maintenance and short-term lease expenses. Maintenance expenses include both services provided by third parties and maintenance work performed by KSB employees.

Given the dynamic situation relating to the relevant legislation, KSB points out that the impact analysis and interpretation of the financial indicators to be determined may be subject to adjustments in the future.

Proportion of sales revenue from products or services associated with taxonomy-aligned economic activities – Disclosures for the 2023 financial year

Economic activities (1)	Code(s) (2)	Sales revenue (3)	Proportion of sales revenue 2023 (4)	Climate change mitigation (5)	Climate change adap-tation (6)	Water (7)	Circular economy (8)	Pollution (9)	Bio-diversity and eco-systems (10)
	2023			Substantial contribution criteria					
		€ millions	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
Sales revenue from environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–
Of which enabling activities		–	–	–	–	–	–	–	–
Of which transitional activities		–	–	–					
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL
Sales revenue from taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		–	–	–	–	–	–	–	–
A. Sales revenue from taxonomy-eligible activities (A.1 + A.2)		–	–	–	–	–	–	–	–
B. Taxonomy-non-eligible activities									
Sales revenue from taxonomy-non-eligible activities		**2,819.0**	**100.0**						
Total		**2,819.0**	**100.0**						

Y Yes, taxonomy-eligible and, in relation to the relevant environmental objective, taxonomy-aligned activity
N No, taxonomy-eligible but, in relation to the relevant environmental objective, not taxonomy-aligned activity
N/EL Non-eligible, taxonomy-non-eligible activity in relation to the relevant environmental objective
EL Eligible, taxonomy-eligible activity in relation to the relevant environmental objective

DNSH criteria ("Do No Significant Harm")									
Climate change mitigation (11)	Climate change adap-tation (12)	Water (13)	Circular economy (14)	Pollution (15)	Bio-diversity and eco-systems (16)	Minimum safe-guards (17)	Taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) proportion of sales revenue, 2022 (18)	Category Enabling activities (19)	Category Transi-tional activities (20)
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	E	T
							–		
							–	E	
							–		T

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – Disclosures for the 2023 financial year

	2023			Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	CapEx (3)	Proportion of CapEx, 2023 (4)	Climate change mitigation (5)	Climate change adap-tation (6)	Water (7)	Circular economy (8)	Pollution (9)	Bio-diversity and eco-systems (10)
		€ millions	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–
Of which enabling activities		–	–	–	–	–	–	–	–
Of which transitional activities		–	–	–					
A.2. Taxonomy-eligible but not environ-mentally sustainable activities (not taxonomy-aligned activities)									
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL
Manufacturing of iron and steel	CCM 3.9	0.2	0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	14.7	10.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Renovation of existing buildings	**CCM 7.2 /** CE 3.2	18.7	13.8	EL	N/EL	N/EL	N/EL	EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	5.8	4.3	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.0*	0.0*	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1.0	0.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	22.3	16.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		62.7	46.2	46.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
A. CapEx of taxonomy-eligible activities (A.1 + A.2)		62.7	46.2	46.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
B. Taxonomy-non-eligible activities									
CapEx of taxonomy-non-eligible activities		**72.9**	**53.8**						
Total		**135.6**	**100.0**						

* Rounded 0.0
Y Yes, taxonomy-eligible and, in relation to the relevant environmental objective, taxonomy-aligned activity
N No, taxonomy-eligible but, in relation to the relevant environmental objective, not taxonomy-aligned activity
N/EL Non-eligible, taxonomy-non-eligible activity in relation to the relevant environmental objective
EL Eligible, taxonomy-eligible activity in relation to the relevant environmental objective

	DNSH criteria ("Do No Significant Harm")									
	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) proportion of CapEx, 2022 (18)	Category Enabling activities (19)	Category Transitional activities (20)
	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	E	T
								–		
								–	E	
								–		T
								–		
								4.1		
								9.0		
								0.8		
								0.0		
								0.6		
								17.0		

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – Disclosures for the 2023 financial year

	2023			Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	OpEx (3)	Proportion of OpEx, 2023 (4)	Climate change mitigation (5)	Climate change adap-tation (6)	Water (7)	Circular economy (8)	Pollution (9)	Bio-diversity and eco-systems (10)
		€ millions	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–
Of which enabling activities		–	–	–	–	–	–	–	–
Of which transitional activities		–	–	–					
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL
Manufacturing of iron and steel	CCM 3.9	0.2	0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	0.4	0.3	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Renovation of existing buildings	CCM 7.2	3.1	2.6	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	1.4	1.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	1.2	1.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		6.3	5.3	5.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
A. OpEx of taxonomy-eligible activities (A.1 + A.2)		6.3	5.3	5.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
B. Taxonomy-non-eligible activities									
OpEx of taxonomy-non-eligible activities		**112.1**	**94.7**						
Total		**118.4**	**100.0**						

Y Yes, taxonomy-eligible and, in relation to the relevant environmental objective, taxonomy-aligned activity
N No, taxonomy-eligible but, in relation to the relevant environmental objective, not taxonomy-aligned activity
N/EL Non-eligible, taxonomy-non-eligible activity in relation to the relevant environmental objective
EL Eligible, taxonomy-eligible activity in relation to the relevant environmental objective

	DNSH criteria ("Do No Significant Harm")									
	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) proportion of OpEx, 2022 (18)	Category Enabling activities (19)	Category Transitional activities (20)
	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	E	T
								–		
								–	E	
								–		T
								–		
								0.7		
								3.0		
								1.4		
								1.1		

Limited Assurance Report on the Combined Non-financial Report

To KSB SE & Co. KGaA, Frankenthal

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

We have performed a limited assurance engagement on the combined separate non-financial report of KSB SE & Co. KGaA, Frankenthal, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, which are marked as unassured.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section EU-Taxonomy of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section EU-Taxonomy of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

AUDIT FIRM'S INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2023)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB] and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU-Taxonomy of the Combined Separate Non-financial Report. In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report
- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Separate Non-financial Report
- Inquiries on the relevance of climate-risks
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU-Taxonomy of the Combined Separate Non-financial Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt am Main, 12 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüferin
[German public auditor]

ppa. Meike Beenken

2

Combined Management Report

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 and spare parts 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, 10 domestic and 78 foreign companies are fully consolidated; another 5 companies are accounted for under the equity method. KSB is currently represented in 53 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 Limited, Pimpri (Pune), India
- GIW Industries, Inc., Grovetown / Georgia, USA
- KSB Shanghai Pump Co., Ltd., Shanghai, China
- 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 reporting year. 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

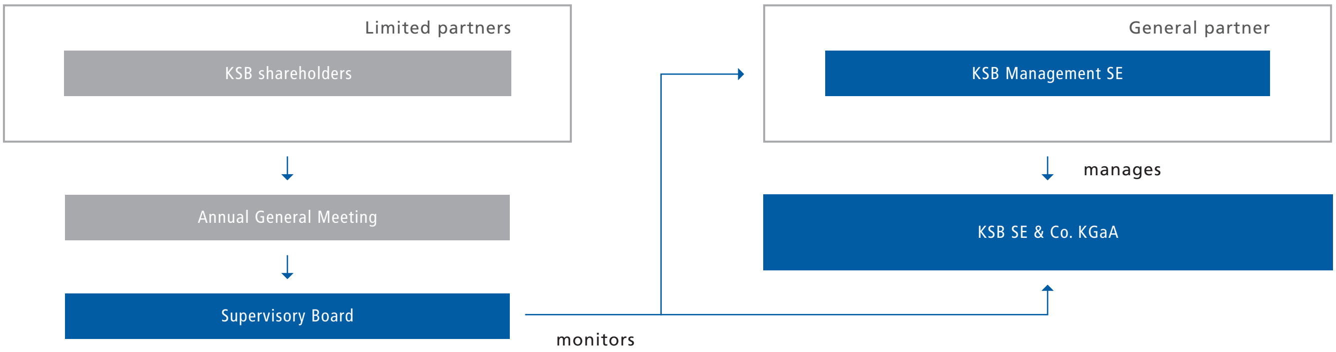
KSB SE & Co. KGaA was formed from KSB Aktiengesellschaft by entry in the *Handelsregister* [German Commercial Register] on 17 January 2018. The *Kommanditgesellschaft auf Aktien* (KGaA) [partnership limited by shares] is a common legal form in Germany for companies with a family- and foundation-dominated 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. The company's bodies are the Managing Directors, the Administrative Board and the Annual General Meeting.

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.

The KSB Group organises its business activities in the following Segments: Pumps, Valves and KSB SupremeServ.

The Pumps Segment comprises new business with single-stage and multistage pumps, submersible pumps and the associated control and drive systems. The applications are assigned to the Market Areas of Energy and Mining and to the Market Areas of Water, Building Services, Petrochemicals / Chemicals and General Industry, which are grouped together in the organisational and reporting structure of the Group as Standard Markets.

The Valves Segment combines the Group's business activities with regard to new business in butterfly valves, globe valves, gate valves, control valves, diaphragm valves and ball valves. as well as associated actuators and control systems. The basic applications for these products are identical to those for pumps.

The KSB SupremeServ Segment on the one hand comprises the spare parts business for pumps and valves. On the other hand, KSB's service activities are allocated to this Segment. These include the installation, commissioning, inspection, servicing, maintenance, reverse engineering and repair of pumps, related systems and valves, as well as modular service concepts and system analyses for complete plants.

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 organisational and segment structure to focus on market-specific and customer-specific applications 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 reporting regions level.

MARKETS AND LOCATIONS

In the KSB Group, sales revenue is generated mainly 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 2023, the most important markets were general industry, energy and 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. Well 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 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 markets and on the other by its main competitors.

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.

Research and Development

Research and development are vital for KSB. The research and the development of innovative products and solutions are critical to maintaining and expanding the Group's competitiveness. They are key to KSB's long-term success, as the customers' needs and market requirements develop continuously and the sales portfolio needs to be adjusted as required to meet them. Based on KSB's business areas, the research and development work focuses predominantly on the areas of digitalisation, materials, drives, actuators and hydraulics as well as manufacturing technology.

MANUFACTURING TECHNOLOGY AND MATERIALS

Additive manufacturing has come to be an indispensable manufacturing method for KSB. Initially, additive manufacturing technology was used to produce commonly available components using the laser fusion process. Today, design engineers are employing this method to create completely new technical solutions. Containment shrouds produced using additive manufacturing are a particularly impressive example. By using this production method, disadvantages such as heating and eddy current losses in these complex components can be avoided, while significantly increasing the level of safety. The lower temperature rise and eddy current losses allow the pumps to be operated while consuming considerably less energy.

In addition to further tests with pump components, tests with additively manufactured valve bodies for pharmaceutical and hydrogen applications were also carried out in 2023.

To make additive manufacturing more interesting and cost-effective for other components, KSB conducted fundamental research in the reporting year into the qualification of additional materials. In one project, the materials experts undertook extensive testing using various stainless steel powders with the aim of reducing production costs. They succeeded in using water-atomised stainless steel powder, which is considerably more cost-effective than conventional gas-atomised powder. Following successful testing and determination of the material properties, the material is now available for production.

60.6

Research and development expenses in € millions

DRIVES AND HYDRAULIC SYSTEMS

Waste water treatment is an important process to protect ecosystems and guarantee clean water for human consumption and the environment. It is also much more energy-efficient to treat waste water than to desalinate seawater. Climate-related heavy rainfall events and population growth are placing ever growing demands on waste water systems.

Taking these developments into account, KSB further expanded its portfolio of waste water pumps. It developed even more efficient hydraulic systems and improved the output per size for two type series. An additional, radial multi-vane impeller has been added to the programme range of other type series. This is used primarily for handling fluids containing solid substances and long fibres. In addition, the electric drives for various waste water pumps were improved.

In 2023, the development teams also worked on components for intelligent drainage systems. The aim is, as well as providing numerous additional functions, to enable the pumps to identify and eliminate clogging in the hydraulic system automatically in the future. This can save service costs for KSB's customers.

DIGITALISATION

Despite highly developed computer simulation, test facilities for pumps and valves are still the predominant instrument used to verify the quality, reliability and safety of the actual units produced. Computer simulation helps predict the behaviour of pumps and valves under different conditions. Despite its effectiveness, pumps and valves still need to be tested in real test facilities, in order to definitively ensure their performance, reliability and durability.

As part of the Standardising Test Facilities Worldwide project, KSB worked on improving the testing processes for pumps, valves and individual components in the reporting year. Together with the Testing Engineering department in Frankenthal, the specialist departments that look after the global test facilities on site were involved in the planning, design, engineering, implementation, commissioning and documentation of new test facilities. This also included preparing design and engineering requirements, as well as harmonising the data acquisition process and associated test stand software. This will make it easier for KSB and its customers to compare the measurement results of the different test facilities.

Launched a few years ago, KSB Guard is a smart monitoring service for pumps and other rotating machinery. It comprises a sensor component that is attached to a pump or other rotating machinery, a transmission unit and an app that allows users to remotely review a pump's condition and operating data. KSB Guard records and analyses important data. It prevents potential damage from happening before it can lead to costly disruptions.

Previously, only measurements with a manually selectable time interval were carried out by KSB Guard. In the reporting year, the KSB specialists worked on advanced functions, such as repeat measurement. If an unusual value is detected in the pump's performance during a measurement, the system triggers further measurements. This generates a better database for diagnosing the related machine behaviour.

Even though KSB Guard is primarily aimed at monitoring pumps, steps must also be taken to ensure that the sensor unit itself works reliably. Advanced functions are therefore used to monitor transmission reliability and battery battery charge condition.

Overall, the Group spent € 60.6 million on research and development in the reporting year. This equates to 2.1 % of sales revenue. KSB SE & Co. KGaA invested € 42.6 million in research and development in the reporting year, which equates to around 4.8 % of sales revenue. Across the Group, 445 staff were employed in research and development on average over the year. At KSB SE & Co. KGaA, 285 staff worked in research and development in the reporting year.

Economic Review

Macroeconomic Environment and Sector View

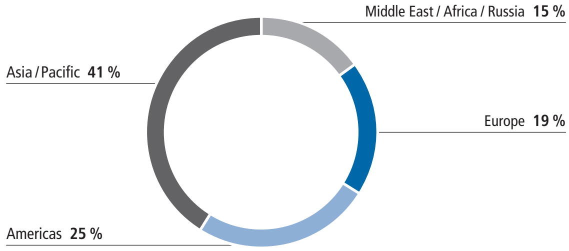
The forecast for global economic growth in 2023 was below the growth rate of the previous year from the outset and therefore also below the growth path before the COVID-19 pandemic. In the course of the year, the International Monetary Fund (IMF), whose figures are used for planning, increased its estimate only slightly to 3.1 %. This compares with the forecast of 2.9 % for global economic growth at the start of the year. Factors for lower growth included the long-term consequences of the pandemic, the effects of the war in Ukraine and the growing geopolitical fragmentation. In addition and especially in the past year, the restrictive monetary policy that is aimed at reducing inflation was a drag on growth. Inflation worldwide eased to 6.8 % but was still above the expectation of 6.6 % at the start of the year.

The IMF raised its growth estimate slightly for the group of economically advanced countries to 1.6 % in 2023. At the beginning of the year the forecast was still at 1.2 %. Economic growth in the emerging markets and developing countries was 4.1 %, which slightly exceeded the forecast at the start of the year (+ 4.0 %).

Europe continued to be of major importance for the KSB business in 2023. In what is KSB's largest market, the global energy crisis triggered by the war in Ukraine and the associated price increases had the greatest impact and curbed economic growth, which was 0.5 % in the euro zone. Economic output in France and Italy grew by 0.8 % and 0.7 % respectively. Spain achieved a higher growth rate of 2.4 % compared with other European countries, reflecting its lower dependence on imports of natural gas from Russia. In contrast, the economy in Germany contracted by – 0.3 %. The high share of exports coupled with weaker growth in demand globally, falling production in energy-intensive industries and the weakening of capital-intensive and interest rate-sensitive sectors contributed to this development. The UK reported lower growth of 0.5 % in view of higher key interest rates and high energy costs.

Economic growth of 2.5 % in the USA was significantly higher than the expectations of 1.4 % at the start of the year. This was supported by higher capital expenditure and robust growth in consumer spending.

World market of centrifugal pumps and valves



Source: KSB estimate (February 2024)

China's economy recovered only moderately after the pandemic and grew by 5.2 %. Nevertheless, growth, which was slowed by the property market crisis, a high level of youth unemployment and weaker exports in some sectors, met expectations at the beginning of the year.

Supported by higher consumer spending, growth in India of 6.7 % was higher than expected at the start of the year. The economies of the five economically most important countries in South East Asia – Indonesia, Malaysia, the Philippines, Thailand and Vietnam – grew by 4.2 % overall, which was only marginally lower than start-of-the-year expectations.

Growth expectations at the beginning of the year for South America could not be met on average. Chile's economy declined by – 0.5 %, with a significant decrease reported in private consumer spending and investment. Thanks to the good harvest and recovery in the services sector, economic output of 3.1 % in Brazil exceeded expectations at the start of the year.

Economic developments in the countries in the Region Middle East / Africa / Russia remained below expectations at the beginning of the year. In Turkey, the economy grew more than expected by 4.0 %, bolstered by robust private consumer spending. Power cuts and weaker exports led to a decline in growth to 0.6 % in South Africa. For Saudi Arabia, likewise a large sales market for KSB, the IMF reported a decline of – 1.1 % as a result of falling crude oil prices and production. This was significantly lower than expected at the start of the year.

MODEST GROWTH IN ALL SALES MARKETS

All markets and regions in which KSB operates reported modest year-on-year growth.

In general industry, which covers a series of cyclical sectors in the manufacturing industry, production and investment rose in the past year. The production of capital goods was curbed by inflation and higher interest rates, but increased nonetheless. The pharmaceutical industry, which was one of the winners of the pandemic, were unable to reach the high growth rates of previous years. Given the weaker previous year and existing orders on hand, the automotive industry performed above expectations at the beginning of the year.

The water and waste water industry, in which economic fluctuations are more moderate than in other economic sectors, posted modest growth in terms of production value. This was dampened by the weaker development in industry as well as the rise in costs in this sector. Investment in municipal water and waste water management was driven by digitalisation and the use of artificial intelligence, as well as by requirements to expand the use of waste water.

The war in Ukraine and its impact on energy prices affected the energy industry again last year. Global production increased only slightly, given lower economic growth and lower demand especially from Europe and the USA. Electrification in the transport sector and for building heat experienced a strong boost. Investments in expanding storage technologies also increased. The increase in new capacities for generating renewable energies accelerated strongly. Coal-fired electricity generation increased, including as a substitute to hydropower and led by Asia, in particular China and India. Electricity generation from natural gas increased only slightly. In contrast, electricity generation from nuclear energy rose again following the decline in the previous year. Investment in nuclear energy continued to rise worldwide. New nuclear power plants were commissioned in China and the USA, among other countries, and construction work started on others in the past year.

Global oil production rose somewhat more strongly than expected at the beginning of the year, supported by stronger demand from China. Gas production worldwide was down slightly from the previous year's level, as the structural changes since the outbreak of the war in Ukraine continued. Production in Russia continued to fall. This was offset by the USA, the Middle East and Asia. Liquefied gas exports from the USA increased once again. Worldwide refinery capacity utilisation increased marginally, albeit with major regional differences. While production rose in Asia and in particular China and in the Middle East, it stagnated in North America and declined in Europe. The chemical industry also recorded weak growth worldwide in response to weaker demand from key sectors. China proved to be a material regional driver, while the chemical industry in Europe declined once again due to high energy and raw material costs.

Despite lower expectations at the start of the year, the construction industry was able to grow at a higher rate year on year. This development was supported by stimulus spending on expanding infrastructure in many countries. Despite lower real income and higher interest rates, residential building construction increased. However, momentum was lower than in other sectors. Growth was also reported in non-residential construction. Clear regional differences were evident in the development of the two sectors.

Mining continued to be supported by strong demand for metals that are required for producing green technologies. There was a significant increase in the demand for metals required for electromobility, renewable energy generation and grid expansion, and for the production of storage technologies. These include copper, aluminium, nickel and lithium. The strong growth in demand was partially reflected in a sharp increase in the extraction of these metals. The demand and global trade in iron continued to grow, too, supported by high demand from China. Coal mining also expanded, driven by Asia, particularly with a strong increase in production in India. The extraction of oil sands was marginally higher than in the previous year. The growth momentum of investment in mining slackened on the back of higher interest rates and inflation.

MECHANICAL ENGINEERING STAGNATED

The slowdown in investment led to below-average demand for mechanical engineering products. According to the German Mechanical Engineering Industry Association (VDMA), global sales revenue in the mechanical engineering sector stagnated in real terms in 2023, albeit with significant regional differences. While Asian countries achieved considerable growth, sales revenue in Europe and North America declined.

According to VDMA, sales revenue in the German mechanical engineering sector fell by – 0.1 % in real terms. Based on the provisional calculations of the German Federal Statistical Office, production up to November rose very slightly by 0.1 % in real terms. Capacity utilisation was down on the previous year.

In the liquid pumps sector, VDMA recorded real sales revenue growth of 0.3 % among German pump manufacturers. Sales revenue with industrial valves was down – 5.8 % on the previous year, while building services valves saw sales revenue fall by – 13.9 %.

Business Development and Results of Operations

The 2023 financial year was defined by global political tensions due to the ongoing war in Ukraine, the China-Taiwan conflict and the outbreak of war in the Gaza region as a result of the attack on Israel. High interest rates led to uncertainty and a decrease in investment. In Germany, the manufacturing industry continued to be challenged by higher gas prices. At the same time, the situation on the procurement markets eased somewhat with regard to price and availability of bought-in parts.

Thanks to the company's broad global positioning across several market areas, economic downturns were offset by positive developments. The KSB SupremeServ Segment made a significant contribution to order intake growth.

Overall, there was a substantial increase in sales revenue and EBIT compared with the previous year. Despite signs of a slowdown in demand in the Standard Markets in the second half of the year, mainly in Europe, total order intake was considerably higher than in the previous year. The reasons for the changes are explained in the sections on order intake, sales revenue and EBIT.

ORDER INTAKE

The volume of incoming orders rose significantly by € 97.4 million (+ 3.4 %) to € 2,959.5 million in the financial year. The order intake would have been € 83.4 million higher excluding exchange rate effects (excluding the hyperinflationary economies of Argentina and Turkey). This increase is mainly attributable to the positive development of order intake in the KSB SupremeServ Segment.

The largest percentage growth was reported in the Region Americas with a plus of € 62.0 million (+ 12.0 %) and the Region Asia / Pacific with a plus of € 38.2 million (+ 5.1 %). Order intake in the Region Europe remained at the previous year's level with plus € 8.0 million (+ 0.6 %). On the other hand, the companies in the Region Middle East / Africa / Russia reported a decline of € 10.9 million (– 6.5 %). The marked reduction was largely due to unfavourable exchange rate effects.

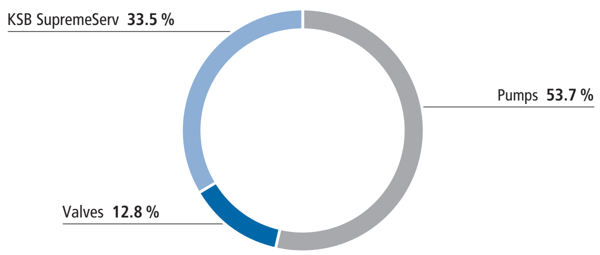
Pumps

Order intake in the Pumps Segment amounted to € 1,576.5 million compared with € 1,585.7 million in the previous year. The order intake in this Segment is therefore marginally lower than in the prior-year period, which had been impacted positively by several major orders. The Standard Markets accounted for € 1,263.9 million (previous year: € 1,256.3 million) of the total order intake in the Pumps Segment. Order intake in the Water Market Area declined due to a major order in the previous year that was not matched by comparable order intake in the reporting year. Despite the economic slowdown, which led to a weaker second half of the year, increases were achieved in all other Standard Markets. Significant growth was recorded in General Industry in particular, due to the positive development in the Region Asia / Pacific as a result of the relocation of production by many companies from China to India, among other things. In the Energy and Mining operating segments, which include project business in particular, order intake amounted to € 312.6 million (previous year: € 329.5 million). The Mining operating segment recorded substantial growth, thanks to several major orders and positive development of order intake in Brazil. In contrast, order intake in the Energy operating segment declined sharply, because the prior-year figure included two important major orders.

Segment reporting

	Order intake		Sales revenue		EBIT	
€ thousands	2023	2022	2023	2022	2023	2022
Pumps Segment	1,576,483	1,585,727	1,513,653	1,390,192	52,301	27,718
Valves Segment	392,573	359,676	361,435	333,072	–7,522	–4,635
KSB SupremeServ Segment	990,418	916,684	943,900	850,123	179,123	146,020
Total	**2,959,474**	**2,862,087**	**2,818,988**	**2,573,387**	**223,902**	**169,103**

Sales revenue by segment



The Region Europe contributed the largest share of order intake of the Pumps Segment with € 732.7 million (previous year: € 775.6 million), followed by the Region Asia / Pacific with € 489.7 million (previous year: € 490.4 million) and the Regions Americas and Middle East / Africa / Russia each with lower contributions in absolute terms. The highest growth rate was reported in the Region Americas, while the Region Europe posted a marked decline. This is partly due to the aforementioned major order in the Water Market Area in the previous year.

Valves

Order intake in the Valves Segment amounted to € 392.6 million compared with € 359.7 million in the previous year. The growth is driven by the very positive development of the project business, while the Standard Markets remained stable. The largest positive contribution was recorded in the energy industry, where major investments were made in the power plant market. Investment activity was also stepped up in the marine market. The largest Region by far is Europe with € 229.5 million (previous year: € 222.7 million), followed by Asia / Pacific with € 123.3 million (previous year: € 105.2 million) and the Regions Americas and Middle East / Africa / Russia each with lower contributions in absolute terms.

KSB SupremeServ

Order intake in the KSB SupremeServ Segment – which covers all service and spare parts activities – reached € 990.4 million and is thus considerably higher than in the previous year (€ 916.7 million). This increase is due to the positive development of the spare parts business. Higher order levels in the nuclear sector, in particular, as well as extensive service assignments as part of maintenance inspections of larger plants in the chemicals / petrochemicals industry contributed to the increase.

In the KSB SupremeServ Segment, too, the Region Europe made the greatest contribution to order intake with € 470.4 million (previous year: € 426.4 million), followed by Americas with € 292.3 million (previous year: € 276.4 million) and Asia / Pacific and Middle East / Africa / Russia. The highest growth rate was reported in the Region Asia / Pacific.

SALES REVENUE

The Group's consolidated sales revenue, which lags behind order intake, grew strongly by € 245.6 million (+ 9.5 %) to € 2,819.0 million). Sales revenue would have been € 77.3 million higher excluding exchange rate effects (excluding the hyperinflationary economies of Argentina and Turkey).

All the Regions contributed to this sales revenue growth. Europe remained by far the largest Region with sales revenue of € 1,427.8 million (previous year: € 1,271.7 million, followed by Asia / Pacific with € 708.1 million (previous year: € 646.4 million), Americas with € 523.7 million (previous year: € 498.1 million) and the Region Middle East / Africa / Russia with € 159.3 million (previous year: € 157.2 million). The largest percentage increase was reported in the Region Europe with € 156.1 million (+ 12.3 %), followed by the Region Asia / Pacific with € 61.7 million (+ 9.5 %). The Region Americas also developed well with a plus of € 25.6 million (+ 5.1 %). The companies in the Region Middle East / Africa / Russia remained stable with an increase of € 2.1 million (+ 1.4 %).

Pumps

Sales revenue in the Pumps Segment amounted to € 1,513.7 million (previous year: € 1,390.2 million). The Standard Markets accounted for € 1,232.0 million and the Energy and Mining operating segments together for € 281.6 million. The sharp increase in sales revenue in the Pumps Segment is attributable in particular to the positive development in the Water and General Industry Market Areas. In the Water Market Area, the major order received in the previous year was completed. Order intake increased in the General Industry Market Area, especially in the Region Europe, due to sales revenue recognition of orders from the previous year. Europe remains by far the largest Region with sales revenue of € 755.9 million (previous year: € 670.1 million), followed by Asia / Pacific with € 434.4 million (previous year: € 407.4 million), then the Region Americas and the Region Middle East / Africa / Russia.

2.8

Consolidated sales revenue in € billions

Valves

In the Valves Segment, sales revenue was € 361.4 million after € 333.1 million in the previous year. This increase is due to the very positive development of the project business, while development in the Standard Markets remained stable. The damage caused by the hail storm at the La Roche-Chalais site in France in 2022 led to delays in production during the reporting year. These delays were reduced significantly by the end of the year by introducing a more effective production layout. Europe remains by far the largest Region with sales revenue of € 213.8 million (previous year: € 199.7 million), followed by Asia / Pacific with € 116.3 million (previous year: € 102.2 million), then the Region Americas and the Region Middle East / Africa / Russia. Strong double-digit growth rates were achieved in the Regions Asia / Pacific and Middle East / Africa / Russia.

KSB SupremeServ

Sales revenue in the KSB SupremeServ Segment amounted to € 943.9 million (previous year: € 850.1 million). This strong increase was a result of the positive development of the spare parts business in the Energy and Mining operating segments. Spare parts orders from previous years were invoiced in the Energy operating segment and the Mining operating segment benefited from the strong capacity utilisation of the mines as well as new long-term service contracts. The largest Region by far is Europe with sales revenue of € 458.1 million (previous year: € 401.9 million), followed by Americas with € 280.8 million (previous year: € 257.9 million), then Asia / Pacific and Middle East / Africa / Russia. The Region Asia / Pacific achieved the strongest growth rate.

223.9

Consolidated earnings (EBIT) in € millions

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

The KSB Group achieved earnings before finance income / expense and income tax (EBIT) of € 223.9 million (previous year: € 169.1 million). The earnings improvement is primarily attributable to growth and margin strength in the KSB SupremeServ Segment.

Pumps

EBIT in the Pumps Segment amounted to € 52.3 million (previous year: € 27.7 million), with the Standard Markets in particular contributing to the very good performance. The main drivers were higher sales revenue and a better profit quality. The EBIT margin achieved was 3.5 % (previous year: 2.0 %).

Valves

EBIT in the Valves Segment was € – 7.5 million (previous year: € – 4.6 million) and it therefore € 2.9 million lower than in the previous year. The development is largely attributable to project provisions and the after-effects of the damage caused by hail at the French site in La Roche-Chalais in the 2022 financial year. These negative effects could only be partially offset by the higher volume of sales revenue and insurance compensation paid out in 2023 for the hail damage in La Roche-Chalais. The EBIT margin achieved was – 2.1 % (previous year: – 1.4 %).

KSB SupremeServ

Thanks to the profitable growth in the spare parts business, especially in the energy and chemicals industry, EBIT was increased by € 33.1 million to € 179.1 million (previous year: € 146.0 million). This equates to an EBIT margin of 19.0 % (previous year: 17.2 %).

INCOME STATEMENT

€ thousands	2023	2022	Percentage change
Sales revenue	**2,818,988**	**2,573,387**	**9.5**
Changes in inventories	24,271	99,412	–75.6
Work performed and capitalised	1,959	1,716	14.2
Total output of operations	**2,845,217**	**2,674,515**	**6.4**
Other income	44,384	34,462	28.8
Cost of materials	–1,153,651	–1,156,292	–0.2
Staff costs	–960,699	–901,551	6.6
Depreciation and amortisation	–88,094	–90,419	–2.6
Other expenses	–463,257	–391,612	18.3
Earnings before finance income / expense and income tax (EBIT)	**223,902**	**169,103**	**32.4**
Finance income	9,382	7,461	25.7
Finance expense	–29,656	–17,712	67.4
Income from / expense to investments accounted for using the equity method	5,361	1,816	195.2
Finance income / expense	**–14,913**	**–8,435**	**76.8**
Earnings before income tax (EBT)	**208,989**	**160,668**	**30.1**
Taxes on income	–32,376	–33,330	–2.9
Earnings after income tax	**176,613**	**127,338**	**38.7**
Attributable to:			
Non-controlling interests	24,318	23,689	2.7
Shareholders of KSB SE & Co. KGaA	**152,295**	**103,649**	**46.9**
Diluted and basic earnings per ordinary share (€)	86.83	59.05	47.0
Diluted and basic earnings per preference share (€)	87.09	59.31	46.8

Further information is provided in the Notes to the consolidated financial statements.

TOTAL OUTPUT OF OPERATIONS

Total output of operations amounted to € 2,845.2 million compared with € 2,674.5 million in the previous year. While sales revenue increased by € 245.6 million, the change in inventories of € 24.3 million (previous year: € 99.4 million) reduced the total output of operations by € 75.1 million.

INCOME AND EXPENSES

Other income rose by € 9.9 million year on year to € 44.4 million (previous year: € 34.5 million). This was mainly due to the insurance compensation received in connection with hail damage at the French plant in La Roche-Chalais in 2022.

The cost of materials as a percentage of total output of operations fell from 43.2 % in the previous year to 40.5 % in the reporting year. The cost of materials remained at the previous year's level, while sales revenue increased year on year. This was due to sales revenue growth in the KSB SupremeServ Segment, among other things. In addition, procurement costs, some of which were slightly lower, had an effect.

Staff costs rose from € 901.6 million to € 960.7 million in the financial year (a rise of € 59.1 million). The increase is largely attributable to the higher headcount, increased profit bonuses for employees and general wage and salary increases. The number of employees rose from 15,643 to 15,938 on average over the year. On average in the reporting year, the KSB Group had 295 employees (1.9 %) more than in the previous year. Asia / Pacific reported the greatest increase in the number of employees with a plus of 209. The number of employees in the Region Europe rose by 123. On the other hand, employee numbers in the Region Middle East / Africa / Russia fell by 115. Despite the higher number of employees, the total output of operations per employee rose from € 171 thousand to € 179 thousand, due to the 6.4 % increase in the total output of operations.

Depreciation and amortisation fell by € 2.3 million to € 88.1 million compared with the prior-year period. This is due to a € 5.3 million reduction in impairment losses. At € 87.8 million, scheduled depreciation and amortisation, by contrast, was € 3.0 million higher than in the previous year (€ 84.8 million).

At € 463.3 million, other expenses exceeded the prior-year level (€ 391.6 million) by € 71.7 million. This is largely attributable to € 30.0 million higher administrative and selling expenses. Higher consulting costs and an increase in travel activity contributed to the increase. € 20.0 million higher maintenance costs and third-party services were also incurred. Expenses for warranties rose by € 17.5 million as a result of provisions for several projects. As a percentage of total output of operations, expenses increased only moderately from 14.6 % in the previous year to 16.3 % in the financial year.

The finance income / expense amounted to € – 14.9 million (previous year: € – 8.4 million), largely because of the € 9.1 million increase in interest expenses on pension claims.

EARNINGS

The KSB Group generated earnings before income tax (EBT) of € 209.0 million compared with € 160.7 million in the previous year. The return on sales before income tax rose from 6.2 % in the previous year to 7.4 %. Taxes on income of € 32.4 million were at the previous year's level (€ 33.3 million). While effective taxes rose by € 16.4 million to € 65.0 million, deferred taxes accounted for an income of € 32.6 million. Income from deferred taxes is largely defined by the full reversal of impairment losses on deferred tax assets in the previous year for loss carryforwards and temporary differences in the KSB SE & Co. KGaA tax group. The income tax rate fell again to 15.5 % after 20.7 % in the previous year, which was due, in particular, to the reversal of impairment losses. Overall, earnings after income tax rose from € 127.3 million in the previous year to € 176.6 million in the reporting year.

At € 24.3 million, earnings attributable to non-controlling interests rose by € 0.6 million compared with the previous year. The ratio of non-controlling interests to earnings after income tax declined noticeably from 18.6 % to 13.8 %.

Earnings attributable to shareholders of KSB SE & Co. KGaA (€ 152.3 million) were € 48.7 million higher than in the previous year (€ 103.6 million).

Earnings per ordinary share were € 86.83, compared with € 59.05 in the previous year, and € 87.09 per preference share, compared with € 59.31 in 2022.

Financial Position and Net Assets

STATEMENT OF CASH FLOWS

€ thousands	2023	2022	Percentage change
Earnings after income tax	176,613	127,338	38.7
Taxes on income	32,376	33,330	–2.9
Finance income / expense	20,274	10,251	97.8
Depreciation and amortisation	88,094	90,419	–2.6
Gain / loss on disposal of intangible assets and property, plant and equipment	153	–305	–150.2
Change in working capital	–1,676	–206,525	–99.2
Change in other assets and liabilities as well as provisions	22,230	–12,970	–271.4
Income tax paid	–65,058	–45,789	42.1
Interest received	7,298	6,360	14.7
Cash flows from operating activities	**280,304**	2,109	13.190.8
Payments to acquire intangible assets and property, plant and equipment	–106,461	–102,393	4.0
Change in deposits	1,251	10,638	–88.2
Change in the other items from investing activities	1,674	2,718	–38.4
Cash flows from investing activities	**–103,536**	–89,037	16.3
Dividends paid	–40,687	–30,032	35.5
Change in financial liabilities (including lease liabilities)	–19,454	–41,942	–53.6
Interest paid	–3,347	–3,866	–13.4
Cash flows from financing activities	**–63,488**	**–75,840**	**–16.3**
Changes in cash and cash equivalents	113,280	–162,768	169.6
Effects of exchange rate changes on cash and cash equivalents	–3,001	4,252	–170.6
Effects of changes in consolidated Group	1,571	403	289.8
Cash and cash equivalents at beginning of period	228,570	386,683	–40.9
Cash and cash equivalents at end of period	**340,420**	**228,570**	48.9

Further information is provided in Section VII. Statement of Cash Flows in the Notes to the consolidated financial statements.

FINANCIAL POSITION

The KSB Group's financial position remains very good. Equity increased in the reporting year and amounted to € 1,216.9 million (previous year: €1,125.6 million). The equity ratio of 45.6 % was at the previous year's level (45.4 %).

Liquidity

KSB recorded cash flows from operating activities of € 280.3 million compared with € 2.1 million in the previous year. This very positive development is mainly due to the good financial position and working capital management. While an outflow of € 206.5 million was recorded in the 2022 financial year, KSB kept working capital almost stable despite the significant increase in business volume in the financial year. In addition, the € 49.3 million increase in earnings after income tax contributed to the inflow of funds.

The outflows from investing activities rose by € – 14.5 million from € – 89.0 million in the previous year to € – 103.5 million in the reporting year. This is attributable to a € 4.1 million increase in payments to acquire intangible assets and property, plant and equipment on the one hand, and a € 9.4 million decrease in net proceeds from deposits with an original maturity of more than three months on the other hand.

Despite the € 10.7 million increase in dividend payments, cash outflows in the cash flows from financing activities were € 12.4 million lower than in the previous year. The final tranche of the loan against borrower's note was repaid in the previous year, leading to a cash outflow of € 22.0 million in the 2022 financial year.

Overall, cash and cash equivalents increased sharply from € 228.6 million in the previous year to € 340.4 million in the reporting year.

From the current perspective, the KSB Group's finance management continues to assume that it meets its goal of ensuring liquidity at all times essentially without any additional external financing measures. In addition, a syndicated loan has been in place since December 2018 to protect against 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 € 9.8 million are above the prior-year level (€ 5.2 million).

Investments in property, plant and equipment of € 99.9 million in the reporting year are € 1.1 million lower than in the previous year (€ 101.0 million). At € 34.8 million, the highest additions related to advance payments and assets under construction, as in the previous year (€ 38.1 million). Another € 23.0 million related to other equipment, operating and office equipment (previous year: € 20.5 million), while € 22.4 million related to technical equipment and machinery (previous year: € 22.7 million). As in 2022, the focus of capital investment activity was the Region Europe, mainly Germany, the Netherlands and France. Outside Europe, the highest additions were made at the plants in India, the USA and China.

Net financial position

At € 324.9 million, the net financial position rose substantially by € 99.3 million from € 225.6 million in the previous year. It is derived from the balance of interest-bearing financial liabilities and financial assets (mainly cash and cash equivalents and receivables from deposits). The increase in the net financial position is attributable to the significant rise in cash flows from operating activities, in particular.

Contingent liabilities and other financial obligations

Contingent liabilities as at the reporting date totalled € 27.2 million and were therefore € 6.7 million lower (previous year: € 33.9 million).

There are no other obligations and commitments beyond the reporting date. Further financial obligations arose only within the normal scope from purchase commitments amounting to € 27.9 million (previous year: € 27.3 million).

NET ASSETS

Around 31.9 % of funds is attributable to non-current assets (previous year: 30.6 %). Intangible assets and property, plant and equipment with a historical cost of € 1,711.0 million (previous year: € 1,657.0 million) had carrying amounts of € 677.9 million (previous year: € 651.2 million). Total intangible assets rose from € 72.7 million in the previous year to € 75.7 million. In the reporting year, impairment of goodwill in the Pumps Segment of € 0.4 million (previous year: € 0.8 million) and of € 0.2 million (previous year: € 0.9 million) in the KSB SupremeServ Segment was reported.

Right-of-use assets for leases (€ 46.9 million) were up on the prior-year level (€ 40.2 million).

Property, plant and equipment increased from € 578.5 million to € 602.2 million as a result of capital expenditure (€ 99.9 million) in excess of depreciation of € 62.0 million. Currency translation effects had a negative impact of € – 12.9 million.

324.9

Net financial position in € millions

ASSETS

€ thousands	2023	2022	Percentage change
Non-current assets			
Intangible assets	75,716	72,673	4.2
Right-of-use assets	46,939	40,220	16.7
Property, plant and equipment	602,166	578,512	4.1
Non-current financial assets	1,227	1,191	3.0
Other non-financial assets	7,728	7,319	5.6
Investments accounted for using the equity method	24,480	20,833	17.5
Deferred tax assets	94,040	37,074	60.6
	852,295	**757,822**	**12.5**
Current assets			
Inventories	748,393	719,221	4.1
Contract assets	58,969	80,018	–26.3
Trade receivables	554,583	579,539	–4.3
Other financial assets	70,888	71,517	–0.9
Other non-financial assets	44,272	42,203	4.9
Cash and cash equivalents	340,420	228,570	48.9
	1,817,524	**1,721,069**	**5.6**
	2,669,819	**2,478,890**	**7.7**

Further information is provided in the Notes to the consolidated financial statements.

The carrying amount of financial assets, investments accounted for using the equity method and non-current other non-financial assets was € 33.4 million. At € 24.5 million, the investments accounted for using the equity method were up € 3.7 million on the previous year's level (€ 20.8 million).

Deferred tax assets rose by € 56.9 million to € 94.0 million (previous year: € 37.1 million), in particular as a result of the reversal of impairment losses on deferred tax assets in the KSB SE & Co. KGaA tax group.

Inventories amounted to € 748.4 million (previous year: € 719.2 million) so that the figure recognised was € 29.2 million higher. The change is due to the higher volume of business, with the 4.1 % increase in inventories being lower overall than that of total output of operations (6.4 %).

Contract assets declined from € 80.0 million in the previous year to € 59.0 million, owing to the sharper decline in KSB's contract progress relative to the associated advance payments received compared with the reporting date.

Trade receivables were down despite the growth in sales revenue from € 579.5 million at the end of the previous year to € 554.6 million, as the high sales revenue dominated the end of the previous year.

At € 70.9 million, other financial assets were largely at the prior-year level (previous year: € 71.5 million). Other non-financial assets amounted to € 44.3 million, up € 2.1 million on the prior-year level (previous year: € 42.2 million). This increase is attributable to slightly higher recoverable taxes.

Cash and cash equivalents accounted for around 13.0 % of assets, totalling € 340.4 million (previous year: € 228.6 million). The reasons for the increase are explained in the Liquidity section of the management report.

Total assets rose by 7.7 % to € 2,669.8 million, mainly due to the € 96.4 million increase in current assets and € 94.5 million increase in non-current assets. In addition to the € 111.8 million increase in cash and cash equivalents, the € 29.2 million increase in inventories also contributed to the increase in current assets, while trade receivables declined by € 25.0 million.

Non-current assets were mainly impacted by the increase of € 56.9 million in deferred tax assets and of € 23.7 million in property, plant and equipment.

EQUITY

KSB Group equity amounts to € 1,216.9 million (previous year: € 1,125.6 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 € 84.5 million. The net profit for the year of € 176.6 million had a particular impact in this context. On the other hand, the remeasurement of defined benefit plans in the amount of € 39.4 million led to a reduction in equity.

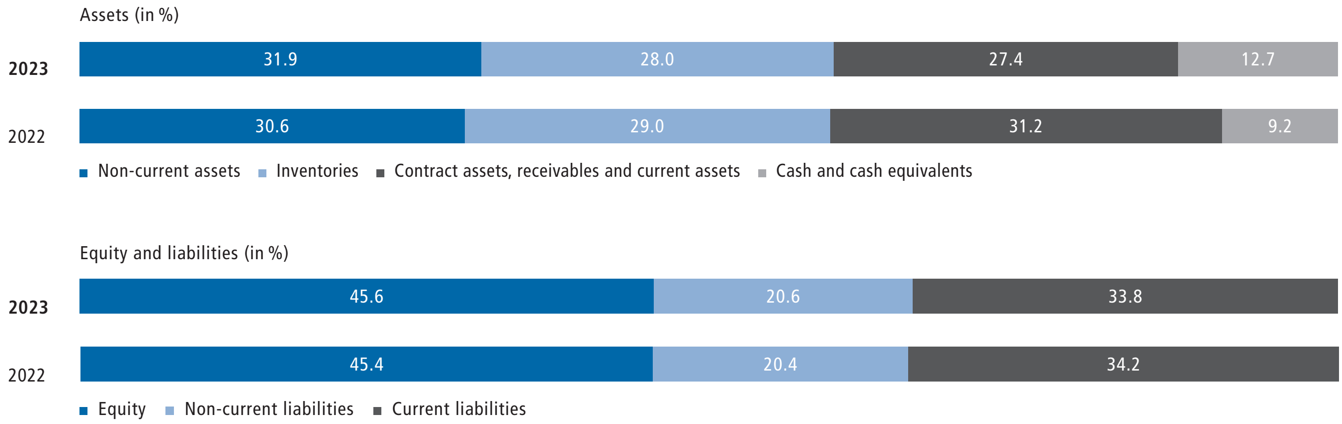
This was contrasted by the taxes on income of € 27.6 million attributable to the remeasurement of defined benefit plans. This includes the reversal of impairment losses that were recognised in the previous year on deferred tax assets in the KSB SE & Co. KGaA tax group; the reversal of € 15.3 million was recognised under other comprehensive income. Dividend payments to shareholders of KSB SE & Co. KGaA of € 34.4 million were € 13.2 million higher than in the previous year (previous year: € 21.2 million).

EQUITY AND LIABILITIES

€ thousands	31 Dec. 2023	31 Dec. 2022	Percentage change
Equity			
Subscribed capital	44,772	44,772	–
Capital reserve	66,663	66,663	–
Revenue reserves	888,998	804,484	10.5
Equity attributable to shareholders of KSB SE & Co. KGaA	1,000,434	915,919	9.2
Non-controlling interests	216,465	209,653	3.2
	1,216,899	**1,125,572**	**8.1**
Non-current liabilities			
Deferred tax liabilities	9,857	12,010	–17.9
Provisions for employee benefits	496,114	451,568	9.9
Other provisions	15,703	16,715	–6.1
Financial liabilities	28,960	24,116	20.1
	550,634	**504,409**	**9.2**
Current liabilities			
Other provisions	120,781	98,999	22.0
Financial liabilities	26,053	26,630	–2.2
Contract liabilities	202,619	186,477	8.7
Trade payables	324,723	333,361	–2.6
Other financial liabilities	27,659	23,921	15.6
Other non-financial liabilities	181,804	164,604	10.4
Income tax liabilities	18,649	14,918	25.0
	902,286	848,910	**6.3**
	2,669,819	2,478,890	**7.7**

Further information is provided in the Notes to the consolidated financial statements.

Balance sheet structure



Currency translation effects led to a loss of € 33.4 million in the reporting year (previous year: gains of € 12.5 million). The revenue reserves include the proportion of earnings after income tax attributable to KSB SE & Co. KGaA shareholders, at € 152.3 million (previous year: € 103.6 million). Out of total equity, € 216.5 million (previous year: € 209.7 million) is attributable to non-controlling interests. The equity ratio is stable at 45.6 % (previous year: 45.4 %).

The non-controlling interests mainly relate to the following companies: KSB Limited, India, KSB Shanghai Pump Co., Ltd., China and 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, the annual financial statements of the Argentinian and the Turkish company had to be adjusted for the effects of inflation. The net loss from the monetary depreciation of the affected monetary assets and liabilities to be taken into account under IAS 29, amounting to € 6.9 million (previous year: € 4.6 million), is included in the income statement under other finance expense within finance income / expense.

45.6

Equity ratio in percent

Currency translation of financial statements of consolidated companies that are not prepared in euro gave rise to a difference of € – 33.4 million (previous year: € + 12.5 million). The total of currency translation differences was taken directly to equity.

Liabilities

The largest item under liabilities continues to be pension provisions, which increased by € 44.5 million from € 451.6 million to € 496.1 million. Higher interest rates account for this increase. This effect was reported in actuarial losses at € 39.4 million (previous year: € – 158.4 million). Obligations for current pensioners and vested benefits of employees who have left the company account for about 49.9 % of the amount recognised in the balance sheet. The rest is attributable to defined benefit obligations for current employees.

Non-current financial liabilities fell slightly by € 4.9 million year on year to € 29.0 million (previous year: € 24.1 million).

Other non-current and current provisions increased from € 115.7 million in 2022 to € 136.5 million in 2023. This is mainly attributable to the € 18.8 million increase in provisions for warranties and contractual penalties.

Current liabilities rose overall by € 53.4 million to € 902.3 million compared with € 848.9 million at the end of 2022. The share of current liabilities relative to total equity and liabilities fell marginally to 33.8 % (previous year: 34.2 %).

Current financial liabilities of € 26.1 million are largely unchanged from the previous year's level (€ 26.6 million).

Contract liabilities increased from € 186.5 million in the previous year to € 202.6 million. This is attributable to a € 9.9 million reduction in the level of completion of customer contracts and to a € 6.2 million increase in advance payments.

Trade payables fell by € 8.7 million to € 324.7 million (previous year: € 333.4 million).

Other non-financial liabilities increased by € 17.2 million, above all due to higher personnel liabilities.

Summary of the Performance in the Financial Year

The marked increase in order intake from € 2,862.1 million to € 2,959.5 million placed it within the forecast range between € 2,750 million and € 3,000 million. KSB is very satisfied with the order intake achieved in the reporting year. The order intake figures of the individual Segments have developed better than originally expected. The Pumps Segment reported a stable development contrary to the anticipated noticeable decline. Order intake figures for the Valves and KSB SupremeServ Segments also showed strong growth. A slight to tangible increase was forecast for the Valves Segment, while KSB anticipated slight growth in the KSB SupremeServ Segment.

The forecast for sales revenue provided in the 2022 Annual Report, which was expected to be in a range between € 2,500 million and € 2,850 million, was confirmed. The Group is very satisfied with the sales revenue achieved of € 2,819.0 million (previous year: € 2,573.4 million). The forecast of a strong increase for the Pumps Segment was achieved with growth of 8.9 %. Instead of the slight to noticeable growth forecast for the Valves Segment and the stable to slight increase for the KSB SupremeServ Segment, both Segments recorded strong growth.

In an ad hoc statement, the forecast for EBIT in the 2022 Annual Report, which was expected to be in a range of € 165.0 million to € 200.0 million, was adjusted to a range of € 210.0 million to € 230.0 million. At € 223.9 million, EBIT in the 2023 financial year was therefore in the upper half of the adjusted forecast range. The basis for the adjustment of the forecast was the positive development in the KSB SupremeServ Segment, which was more pronounced than originally assumed. The strong growth forecast for the Pumps Segment was achieved in the financial year. EBIT in the Valves Segment was expected to increase strongly but declined significantly instead. However, this was more than offset by the very positive development in the KSB SupremeServ Segment, for which KSB predicted a stable to slight increase, with strong growth in the reporting 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 assumption made in the previous year’s financial statements that global economic growth would be decisive for the development of the key indicators has largely materialised. The growth in sales revenue also exceeded the growth in order intake, as predicted. KSB expected EBIT growth to be driven primarily by the Standard Markets. However, EBIT growth was mainly attributable to the positive development in the KSB SupremeServ Segment already described above. The company can confirm the expected contribution to earnings from the Region Europe. The Management of the KSB Group is therefore very satisfied with business performance in the reporting year.

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

Report on Expected Developments

In its current forecast for global economic growth, the International Monetary Fund (IMF) most recently anticipated an increase of + 3.1 % in real terms for 2024, which equates to the prior-year growth rate. Despite the restrictive monetary policy measures, which resulted in higher interest rates in order to curb inflation, the economies in the USA and China in particular are resilient. The medium-term outlook for economic growth remains the lowest seen in decades. Inflation is expected to fall further, which should lead to a reduction in interest rates in the current year.

While the downside risks to this forecast still prevail, they have diminished in view of the resilience of the global economy recently observed. Looking ahead to 2024, inflation risks and the risks of a financial crisis and associated recession risks in particular eased over the course of the past year. Geopolitical risks have increased at the same time. Besides current regional conflicts and intensification of the mutual decoupling between the USA and China, the war in Gaza heightened the risk of escalation in the Middle East. Further risks to global economic growth include economic developments in China and its government's approach to addressing the property crisis, as well as possible turbulence on the commodities markets. The latter could be triggered either by geopolitical escalation, including further attacks in the Red Sea, or extreme climatic conditions.

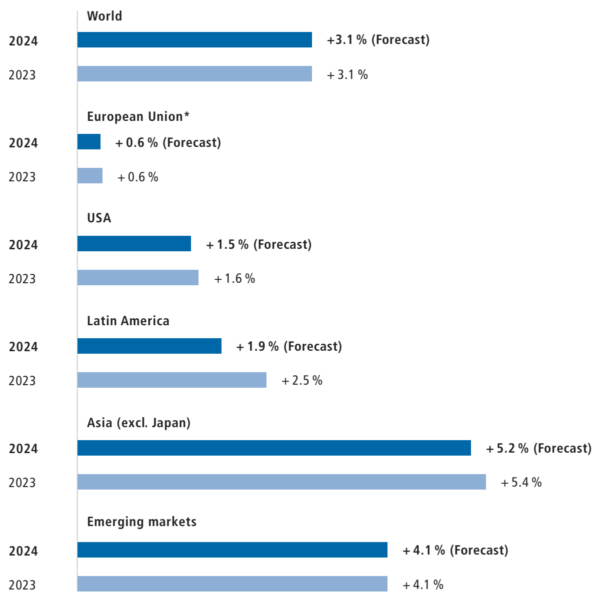
The IMF is projecting an overall growth rate of + 4.1 % for the emerging markets and developing countries.

At + 1.5 % in 2024, expected growth in the industrialised nations is lower than in 2023. Growth expectations in the USA are at + 2.1 %. These were raised again recently to take account of robust consumer spending and investments. At the beginning of the year the forecast was at 1.0 %. The forecast for the Canadian economy was lowered slightly to + 1.4 %.

Growth in the euro zone will pick up only slightly to + 0.9 %. For Germany, the most recent forecast was for growth of + 0.5 %. In France, economic growth is anticipated at + 1.0 %. For Spain, the forecast is + 1.5 %. Modest growth of 0.6 % is forecast for the UK.

The IMF expects growth in Turkey to slow down to + 3.1 %. At 2.7 %, Saudi Arabia's economic growth is projected to significantly exceed the prior-year year level.

Gross domestic product growth



Source: International Monetary Fund (January 2024)
*Source: EU Commission (November 2023)

In Asia, the growth rate is expected to be down slightly overall from the previous year, which is attributable to lower year-on-year growth in China. The most recent forecast of + 4.6 % for China is well below the pre-pandemic level. The IMF anticipates a growth rate of + 6.5 % for India in the current year.

Growth of + 4.7 % is expected for the ASEAN countries, which also include important sales markets for KSB.

The Latin American countries are also expected to grow overall by + 1.9 %, as in the previous year. Growth of only + 1.7 % is projected in Brazil. The economy in Chile is anticipated grow by + 1.6 %.

Given the weakening of global economic growth, the growth in demand for capital goods is expected to be lower. VDMA expects global machinery sales revenue to stagnate at 0 % in real terms. An increase is anticipated at the largest production facilities in Asia, which should offset the decline in the other regions. In China, sales revenue is expected to grow by + 2 %. A decline of – 2 % is expected for the USA. For Germany, the VDMA forecast is – 2 %.

For manufacturers of liquid pumps in Germany, VDMA foresees a below-average growth of + 0 % in nominal terms in the current year. It predicts a decline of – 1 % for industrial valves. Sales revenue from building services valves is expected to fall by – 2 % in nominal terms.

SUMMARY OF EXPECTED DEVELOPMENT

For the 2024 financial year, KSB expects to achieve the key financial performance indicators presented in the table below:

Expected development

€ millions	Actual 2023	Forecast 2024
Order intake	2,959.5	2,800 – 3,150
Sales revenue	2,819.0	2,700 – 3,050
EBIT	223.9	210 – 245

KSB expects to grow in terms of order intake and sales revenue in the 2024 financial year. The growth in order intake will be driven by the Regions Asia / Pacific and Middle East / Africa / Russia. By contrast, KSB expects slight growth in order intake in Europe, its largest market. The highest growth in sales revenue is expected in the Region Europe and – in line with order intake – in the Region Asia / Pacific. The Group expects higher EBIT, largely from the Regions Europe and Asia / Pacific.

For the 2024 financial year, the Group anticipates a substantial increase in orders received by the Pumps Segment, which achieved an order intake of € 1,576.5 million in the reporting year. This growth will be supported mainly by the Standard Markets operating segment. By contrast, KSB anticipates a slight increase in order intake in the Valves Segment, which amounted to € 392.6 million in the reporting year. KSB expects a slight increase in the order intake of € 990.4 million in the reporting year for the KSB SupremeServ Segment in 2024.

The Pumps Segment contributed € 1,513.7 million to the Group's consolidated sales revenue in the reporting year. KSB anticipates a marked increase in this Segment for the 2024 financial year. It expects a marked to strong increase in 2024 for the Valves Segment, which achieved sales revenue of € 361.4 million in the reporting year. The KSB SupremeServ Segment contributed € 943.9 million to consolidated sales revenue. KSB forecasts moderately higher sales revenue for this Segment.

The Pumps Segment generated earnings before finance income / expense and income tax (EBIT) of € 52.3 million in the 2023 reporting year. KSB is planning a tangible increase in EBIT in this Segment for the 2024 financial year. It also expects a strong increase in the Vales Segment. In the reporting year, the Valves Segment achieved EBIT of € – 7.5 million. In the KSB SupremeServ Segment, which contributed € 179.1 million to EBIT in the reporting year, KSB expects a slight to tangible increase in EBIT.

The forecast may be influenced in particular by the ongoing geopolitical tensions, which are explained in more detail in the Opportunities and Risks Report.

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 business-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 also offer opportunities. This includes those 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 examined to further increase KSB's global presence, by establishing new companies or expanding KSB SupremeServ sites and by acquisitions. Customer focus is the key principle in this context.

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, Legal, Finance and Accounting as well as Internal Audits perform important monitoring tasks. The following section describes the processes related to the Group-wide opportunities and risk management system, which is based on the Auditing Standards 340 (IDW PS 340 n. F.) and 981 (IDW PS 981) issued by the Institute of Public Auditors in Germany.

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 this manual, KSB also formalises the risk strategy that was specified in detail in 2023.

The Managing Directors of KSB Management SE are responsible for determining, implementing and releasing the risk management system that is effective throughout the Group. The risk strategy is reviewed regularly to ensure it is oriented on the Group strategy and meets the regulatory requirements. Changes to the risk strategy require the approval of the Managing Directors of KSB Management SE.

KSB's risk strategy serves as a basis for evaluating business decisions and is based on normative guiding principles. These guiding principles include, among other things, a clear commitment to promoting an interdisciplinary and Group-wide risk culture, efficient and time-critical risk communication processes and a stakeholder-centred focus on value creation and preservation. These qualitative criteria are supplemented by a quantitative approach to analysing the risk-bearing capacity.

KSB defines the risk-bearing capacity as an aggregated risk potential that can be absorbed in the medium term without posing a threat to the business continuity of KSB. A corresponding concept for risk-bearing capacity, taking into account the overall risk strategy, was established within the Group. It specifically examines whether and to what extent developments could jeopardise the continued existence of the KSB Group with regard to its equity and / or liquidity position.

The regular derivation of the risk-bearing capacity and its communication to management is an integral process of the risk management system and is the responsibility of the Risk Manager. Changes require the approval of the Managing Directors of KSB Management SE. If the analysis of the risk-bearing capacity reveals a need for additional requirements for risk provisioning, equity or liquidity, further measures are defined to ensure that adequate account is taken of the KSB Group's risk-bearing capacity in accordance with its risk strategy. In addition to risk-bearing capacity, KSB defines risk appetite as part of the risk strategy as a level of risk that it is prepared to bear over a certain period of time.

KSB uses risk management software to support these analytical processes and to enhance the efficiency and effectiveness of risk management. This supports the systematic identification, assessment, management and monitoring of Group-wide risks and enables the precise and immediate recording of risk information.

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 forecasts during the year on business performance, they also report twice a year to the central Risk Manager on all recognised risks in the categories of market and competitive risks, technological risks, project- and product-related risks, financial risks, procurement risks, ESG (Environmental, Social and Governance) risks, other business-specific risks and long-term strategic risks in a bottom-up process. 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, such as strategic risks that have been a greater focal point of KSB's risk management since 2023. In addition, 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.

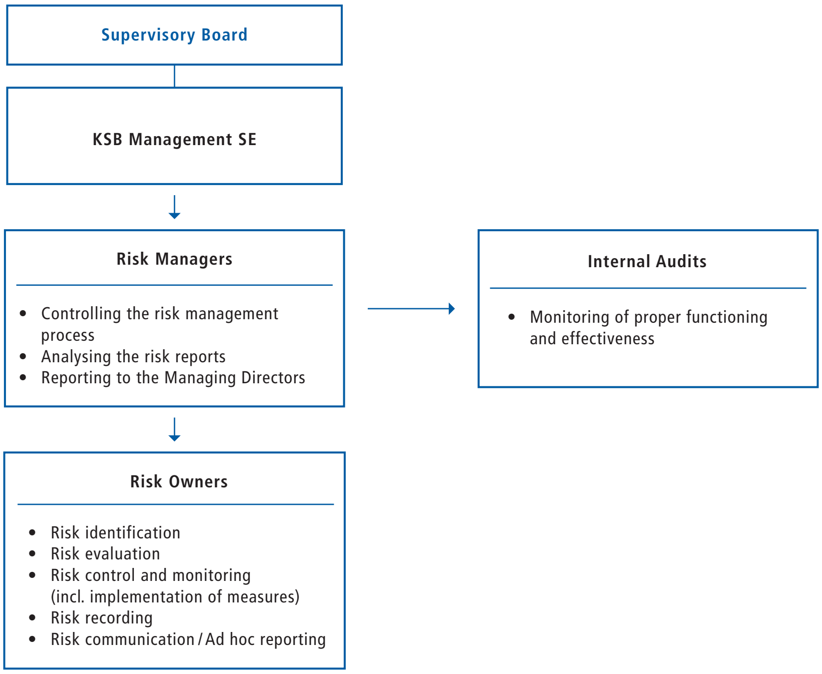
The regular identification and updating of risks in all the Group companies and in the respective corporate and central functions ensure that risk awareness within the KSB Group remains at a high level across the board. A distinction is made between qualitative and quantitative risks.

Qualitative risks are developments that cannot or cannot yet be thoroughly quantified due to a lack of precise information. However, to be able to evaluate them for further analysis steps, the scope is assessed using defined evaluation intervals. The mean value of these evaluation intervals is used to determine the significance of these risks for the Group.

Quantitative risks are risks for which the 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. In 2023, KSB further developed the risk assessment methodology, by evaluating the amount of loss using three scenarios rather than one scenario (one-point evaluation): worst case, most likely case and best case. A distinction is also 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 on EBIT of all individual and similar risks of € 500 thousand or more before countermeasures in the most likely case scenario 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 € 5.0 million or more (in the most likely case).

KSB defines as material all risks or aggregate risks, for which the product of the probability of occurrence and the most probable amount of loss, after deducting the amount of countermeasures, is greater than € 5.0 million. This applies to qualitative and quantitative risks. The materiality threshold of € 5.0 million presented replaces the previous materiality thresholds for individual risks, which were categorised as "medium" or "high" based on the defined classification from the previous year. As a result of the new evaluation scheme, risks that were still categorised as high in the previous year according to the risk matrix are no longer material. New reported risks, that would have been classified as high in the former evaluation scheme, fall below the newly defined materiality threshold in the reporting year.

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, the Administrative Board and the Supervisory Board's Audit Committee receive two risk reports per financial year. These reports include all the risks classed as material that exceed pre-defined threshold values individually or collectively, taking into consideration any corrective action that has been taken (net risk), as well as further significant developments. 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 new or changed risks that are classified as significant are to be reported by the responsible managers to the Risk Managers on an ad hoc basis. The latter review the information and pass it on to the Managing Directors of KSB Management SE. Opportunities are also taken into account in KSB's current risk management system and are reported in line with the specifications for risk assessment.

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. Relevant basic documents on risk management are archived in accordance with the statutory applicable deadline and in the statutory required formats.

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 the financial information requested from the companies as well as 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. The services of qualified external reviewers are employed to evaluate complex issues (such as the calculation of pension obligations) as part of the preparation of the financial statements.

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 includes 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 net risks classified as material and other net risks that are relevant to the Group as well as the material opportunities for the 2024 financial year. If risks are not flagged as material, they are considered to be of secondary importance. Unless otherwise stated, the following risks relate to all Segments.

Markets / Competition

The forecast for the 2024 financial year is based on the expectations and assumptions regarding general economic performance and the development of global GDP as described in the Report on Expected Developments. Risks for the Group's business arising from high inflation rates have eased considerable but they continue to exist. 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 current geopolitical uncertainty resulting from trade conflicts and numerous global flashpoints. KSB classifies in particular the further development of the conflicts in Ukraine and in the Middle East as a risk with regard to duration and potential escalation, as it is currently not possible to estimate the effects on the global economy and thus on the Group's business activities and further escalation cannot be ruled out. To make use of potential opportunities arising from strategic mergers or acquisitions, KSB continuously monitors the current market situation as well as forecast developments. This allows it to expand market shares or tap into new areas of application.

Projects / Products

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

In KSB's business, there are special requirements when it comes to the processing of technically complex large-scale projects with long contract terms. These typically involve potential risks. There may be cost overruns, tighter import and export regulations or sanctions, staff shortages, technical difficulties or quality problems – including potential contractual penalties – that reduce the margins. KSB therefore continuously trains its employees in project management and equips them with specialist knowledge. This is designed to enable 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. 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. KSB's goal is to ensure that advance payments and collateral provided by customers are structured in such a way that they at least cover the costs incurred. KSB reports contingent liabilities of € 1.8 million (previous year: € 5.1 million) for risks that result from warranty obligations and contractual penalties risks and 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).

Finance / Liquidity

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. The hedges are based on fixed contracts and on forecasts about future payment streams, the occurrence of which is uncertain.

Economic downturns or newly emerging crisis may adversely affect the financial situation of customers. Delayed payments and defaults on receivables as a result of this can burden the earnings. 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.

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 of every jurisdiction. Uncertainty could arise due to different factual interpretations by taxable entities on the one hand and local finance authorities on the other, as well as due to unclear legislative texts. 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 € 1.1 million (previous year: € 0.2 million) from risks associated with income taxes. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. € 13.4 million (previous year: € 13.2 million) are reported as contingent liabilities for risks from other tax matters. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year.

Procurement

Commodity prices and procurement times are subject to strong market-related fluctuations. An increase in costs for raw materials and components 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, defined 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.

Technology / Research and Development

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 – 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.

Environmental, Social and Governance (ESG)

ESG – short for Environmental, Social and Governance – refers to a comprehensive set of standards covering environmental, social and governance aspects for assessing the Group's sustainable and ethical activities. 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 insurance policies. 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 be able to meet obligations for necessary remediation.

In markets with tightening environmental regulations, there is a risk that KSB products and its in-house or purchased services might give rise to infringements and that the necessary authorisation for the relevant business might be lost and KSB's reputation might be damaged as a result. Legal requirements or restrictions related to products, such as RoHS (Restriction of Certain Hazardous Substances according to EU Directive 2011/65/EU), may lead to a restriction or – in a worst-case scenario – to a ban on selling individual products containing hazardous substances. KSB categorises this risk, which was identified for the first time in the reporting year, as material and is monitoring the current legal situations closely. Identified risks are addressed by continually adjusting the product design in order to be able to offer products that comply with market requirements. 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. In a first step, KSB evaluates its sites with regard to these risks, which include earthquakes, flooding, lightning strikes and wildfires. The occurrence of these risks would lead to disruptions in ongoing business operations at the respective sites. Sites identified to be exposed to risks based on this evaluation are examined in greater detail in relation to risks from climate and natural hazards, in order to develop and implement individual solutions. Basically KSB counters risks from climate and natural hazards by means of a differentiated production network. This facilitates a flexible response to breakdowns at production sites.

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.

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 programmes.

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 risks are usually disputes arising from operative business, generally involving unclear warranty issues or labour law disputes. In some cases, the continuous further and new development of products can lead to similarities with competitors' products. KSB limits the risk of resulting legal dispute by submitting patent applications at an early stage of the product development. 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 € 2.3 million (previous year: € 3.1 million) in the Notes to the consolidated financial statements, € 1.0 million of this is attributable to KSB SE & Co. KGaA (previous year: € 2.0 million).

KSB seeks to counter external fraud activities by raising awareness of its employees and through internal controls. At the same time, KSB continues to develop its compliance organisation. Maintaining its competitive advantage and protecting trade and business secrets is of considerable economic significance to the company. The company responds with specific requirements on conduct to take into account the different protection needs.

Other business-specific opportunities and risks – Information technology

The worldwide increase in threats to IT security and cyber crime entail a risk in terms of the security of systems and networks, as well as the confidentiality and availability of data. KSB plans to further expand IT security in the years ahead as part of a multi-year programme to continuously extend the protection of the IT systems.

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 forms the basis for the continuous development of the internal workflows from start to end of a process.

Strategic opportunities and risks

Strategic risks are uncertainties and threats arising from strategic decisions and the business environment, which can adversely affect a company's long-term performance and competitiveness. They are closely linked with a company's long-term objectives, orientation and success. Strategic risks typically arise from the complexity and dynamics of the business environment. The occurrence of such risks can be far-reaching and impact a company's long-term growth, profitability and image, among other things. It is therefore crucial to recognise and evaluate strategic risks in order to take appropriate measures. The strategic risks presented here are long-term in nature and therefore mainly affect time horizons that extend beyond the following financial year.

As was already described in the Environmental, Social and Governance (ESG) section, tighter environmental regulations, which will only come into force in a few years' time, can have negative implications for KSB's business. To counter such risks in good time, relevant measures are defined to identify and subsequently eliminate any violations.

If the continuous monitoring of the current market situation and forecast developments lead to acquisition plans, there is always a risk that these will fail before a contract is concluded. This can result in a loss of planned income within the scope of strategic planning.

Long-term opportunities stem from the fact that hydrogen is playing an increasingly important role in reducing CO_2 as a climate-neutral energy source. KSB participates in this technological trend by providing products for use in hydrogen production and storage. This offers opportunities for the Energy Market Area.

RISK REPORT ON THE UTILISATION OF FINANCIAL INSTRUMENTS

Central Finance 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. In export business transactions, foreign exchange and credit risks are hedged. 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 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 totalled € 249.9 million (previous year: € 224.0 million). € 179.9 million of this is attributable to KSB SE & Co. KGaA (previous year: € 160.2 million). The hedged currency risk is mainly in US dollars. 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 summarised in a consolidated appraisal. Compared with the previous year, there was no material change in the overall risk situation for KSB, which is essentially measured in terms of value at risk.

More stringent legal requirements to be met by the materials used in products in order to lower the environmental impact represent the primary risk for the KSB Group. Risks also arise from the future development of current flashpoints, such as Russia's war of aggression against Ukraine and the conflict in the Middle East. The risk of rising prices of commodities and materials, which was still considered one of the biggest risks at the end of the previous year, has become much less significant due to price adjustments and better availability.

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 2024 will be on the material risks described above. On the basis of the risk management system established by the KSB Group, and taking into account the 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 business continuity.

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

Balance Sheet

Assets

€ thousands	31 Dec. 2023	31 Dec. 2022
Fixed assets		
Intangible assets	38,437	38,276
Property, plant and equipment	175,660	157,067
Financial assets	346,053	337.838
	560,150	**533,181**
Current assets		
Inventories	283,330	300,754
Advances received from customers	–68,142	–88,664
	215,188	**212,090**
Receivables and other assets	339,293	362,283
Cash and balances with credit institutions	102,868	34,704
	442,161	**396,987**
Prepaid expenses	**4,258**	**3,970**
	1,221,757	**1,146,228**

Equity and liabilities

€ thousands	31 Dec. 2023	31 Dec. 2022
Equity		
Subscribed capital	44,772	44,772
Capital reserve	66,663	66,663
Revenue reserves	136,180	136,180
Net retained profits	88,641	73,637
	336,257	**321,253**
Provisions		
Pensions and similar obligations	517,464	504,498
Miscellaneous other provisions	128,524	111,046
	645,987	**615,544**
Liabilities	**239,513**	**208,171**
Deferred income	–	1,260
	1,221,757	**1,146,228**

Income Statement

Income statement

€ thousands	2023	2022
Sales revenue	**996,306**	**899,583**
Changes in inventories	–16,118	18,012
Work performed and capitalised	1,683	1,244
Total output of operations	**981,871**	**918,839**
Other operating income	22,558	33,322
Cost of materials	–418,203	–414,807
Staff costs	–379,718	–368,642
Depreciation and amortisation expense	–21,163	–20,056
Other operating expenses	–191,097	–163,544
	–5,752	**–14,887**
Income from equity investments	61,613	93,320
Other finance income / expense	1,791	–16,863
	63,404	**76,457**
Taxes on income	–6,889	–5,910
Earnings after taxes	**50,763**	**55,660**
Other taxes	–1,383	–1,715
Net profit / loss for the year	**49,380**	**53,945**
Profit / loss carried forward	39,262	19,692
Appropriation to other revenue reserves	–	–
Net retained earnings	**88,641**	**73,637**

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, Frankenthal, 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. These companies are therefore 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 (IFRSs), which are the basis of preparation for the consolidated financial statements of KSB, arise primarily from the recognition over time of revenue from customer 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 2023 financial year was defined by global political tensions due to the ongoing war in Ukraine, the China-Taiwan conflict and the outbreak of war in the Gaza region as a result of the attack on Israel. High interest rates led to uncertainty and a decrease in investment. In Germany, the manufacturing industry continued to be challenged by higher gas prices. At the same time, the situation on the procurement markets eased somewhat with regard to price and availability of bought-in parts.

In Europe, inflation and general uncertainty led to a noticeable slowdown in demand, particularly in the standard business.

Thanks to the company's global and broad positioning across several market areas, economic downturns were offset by positive developments.

Sales revenue and EBIT under IFRS were significantly higher than in the previous year. Order intake remained largely unchanged. The key performance indicators – order intake, EBIT and sales revenue under IFRS – are, as described in the Control System section, the material financial performance indicators, which are also used for controlling KSB SE & Co. KGaA.

ORDER INTAKE

The volume of orders received by KSB SE & Co. KGaA rose by € 5.7 million to € 863.8 million in the reporting year, an increase of 0.7 %. Despite the economic slowdown, which led to a weaker second half of the year, KSB SE Co. KGaA's diversification across numerous regions and markets helped keep the order intake at a high level.

SALES REVENUE

At € 996.3 million, total sales revenue under HGB was up € 96.7 million on the prior-year figure of € 899.6 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 € 916.3 million generated in the 2023 financial year represents a year-on-year increase of € 87.5 million (10.6 %).

70.0 % of sales revenue relates to new business with Pumps, 9.4 % to new business with Valves, and 20.6 % to KSB SupremeServ which comprises all the service and spare parts business. The breakdown of sales revenue is broadly similar to that of the previous year.

Under IFRS, sales revenue rose from € 796.0 million in the previous year to € 884.4 million. This is attributable to improved business in the Standard Markets and higher sales revenue from large-scale projects.

INCOME AND EXPENSES

Other operating income declined from € 33.3 million to € 22.6 million. This decline was mainly due to lower currency translation gains.

At € 418.2 million, the cost of materials was almost unchanged from the prior-year level of € 414.8 million. The cost of materials as a percentage of total output of operations fell from 45.1 % in the previous year to 42.6 % in the reporting year. This is due in particular to procurement costs, some of which were slightly lower.

Staff costs increased in absolute terms by € 11.1 million to € 379.7 million. Higher wages and salaries due to the collectively agreed pay adjustment as from June 2023 as well as provisions for profit bonuses and the collectively agreed, one-off payment of the inflation compensation bonus had an impact here. At 38.7 %, staff costs as a percentage of total output of operations were down on the previous year's figure of 40.1 %.

Other operating expenses of € 191.1 million showed a marked increase after € 163.5 million in the previous year. In addition to a general increase in costs, additions to provisions for warranties and penalties (€ 16.5 million) and expenses for maintenance of buildings and machinery (€ 4.9 million) contributed significantly to this increase. Expenses from exchange rate losses showed a contrary trend.

Overall, the income from equity investments, at € 61.6 million, was well below the prior-year level (€ 93.3 million). In the 2022 financial year, income of € 37.6 million from the spin-off of the operational business activities at KSB Finanz S.A., Luxembourg, and subsequent integration into KSB SE & Co. KGaA, had been reported under this item. The item includes profit transfers from the German service companies of € 19.0 million (previous year: € 14.6 million) and dividend income from affiliates and equity investments of € 42.7 million.

NET PROFIT / LOSS FOR THE YEAR UNDER HGB

Operating earnings improved from – € 14.9 million to – € 5.8 million, especially due to the significantly improved total output of operations. Lower finance income / expense had an opposite effect; in the previous year, it included income from the spin-off of the operational business activities at KSB Finanz S.A., Luxembourg, and subsequent integration into KSB SE & Co. KGaA. As a result, KSB SE & Co. KGaA generated a net profit for the year of € 49.4 million in the 2023 financial year; this compares with a net profit of € 53.9 million in the previous year.

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

The EBIT determined in accordance with IFRS improved significantly to € 4.1 million in the 2023 financial year (previous year: € – 6.0 million). The increase in total output of operations at almost constant cost of materials was higher than the offsetting increases in staff costs and other operating expenses.

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. 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 € 13.0 million to € 517.5 million on the reporting date. Other expenses, at € 128.5 million, were significantly higher than in the previous year (€ 111.0 million). This was due to additions to provisions for warranties.

Of liabilities totalling € 239.5 million (previous year: € 208.2 million), € 68.5 million was accounted for by trade payables at year end (previous year: € 71.5 million). Liabilities towards affiliates and equity investments increased significantly from € 128.4 million in the previous year to € 162.4 million. They include € 132.7 million (previous year: € 100.2 million) for intercompany loans and cash investments.

NET ASSETS

Total assets, at € 1,221.8 million, are up 6.6 % on the prior-year level of € 1,146.2 million. The cash and balances with credit institutions item posted an increase. An increase in fixed assets was also recorded. This was offset by almost constant inventories and lower receivables.

In the reporting year, fixed assets made up 45.8 % (previous year: 46.5 %) of total assets. The share accounted for by current assets was 54.2 % after 53.5 % in 2022. Inventories including advance payments received totalled € 215.2 million after € 212.1 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 2022 net retained earnings of € 73.6 million, dividends totalling € 34.4 million (dividend of € 19.50 per ordinary share and € 19.76 per preference share) were distributed by resolution of the Annual General Meeting on 4 May 2023. The remaining amount of € 39.3 million was carried forward to new account.

Summary of the Performance in the Financial Year

The forecasts made at the beginning of the year were partly exceeded due to the global economic development. Order intake was comparable to the previous year. The forecast tangible decrease due to fewer large-scale orders has not materialised. The expectations for considerable growth in sales revenue under IFRS were met, with higher revenue achieved in the Standard Markets. EBIT under IFRS was expected to remain stable at the level of the previous year. However, a strong increase in EBIT was recorded, the reasons for which were explained in more detail in the “Earnings before finance income / expense and income tax (EBIT) under IFRS” sub-section.

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

In its current forecast for global economic growth, the International Monetary Fund (IMF) most recently anticipated an increase of 3.1 % in real terms for 2024, which equates to the prior-year growth rate. The slowdown was due to the restrictive monetary policy measures, which resulted in higher interest rates to curb inflation. The medium-term outlook for economic growth remains the lowest seen in decades. Inflation is expected to fall further, which should lead to a reduction in interest rates in the current year.

While the downside risks to this forecast still prevail, they have diminished in view of the resilience of the global economy recently observed. Looking ahead to 2024, inflation risks and the risks of a financial crisis and associated recession risks, in particular, eased over the course of the past year. Geopolitical risks have increased at the same time. Besides current regional conflicts and intensification of the mutual decoupling between the USA and China, the war in Gaza heightened the risk of escalation in the Middle East. Further risks to global economic growth include economic developments in China and its government's approach to addressing the property crisis, as well as possible turbulence on the commodities markets. The latter could be triggered by geopolitical escalation or extreme climatic conditions.

The IMF is projecting an overall growth rate of + 4.1 % for the emerging markets and developing countries.

The expected growth in the industrialised nations, at + 1.5 % in 2024, is lower than in 2023.

Growth in the euro zone will pick up only slightly to + 0.9 %. For Germany, the most recent forecast was for growth of + 0.5 %.

Given the weakening of global economic growth, the growth in demand for capital goods is expected to be lower. The VDMA expects global machinery sales revenue to stagnate at 0 % in real terms. An increase is anticipated at the largest production facilities in Asia, which should offset the decline in the other regions. In China, sales revenue is expected to grow by + 2 %. A decline of – 2 % is expected for the USA. The VDMA forecast for Germany is also for – 2 %.

For manufacturers of liquid pumps in Germany, VDMA foresees a below-average growth of + 0 % in nominal terms in the current year. It predicts a decline of – 1 % for industrial valves. Sales revenue from building services valves is expected to fall by – 2 % in nominal terms.

Overall, KSB SE & Co. KGaA foresees moderate to tangible growth in sales revenue in the 2024 financial year. Sales revenue growth will be supported especially by growth in the Standard Markets and in large-scale projects. Rising orders in the standard business will result in a moderate increase in the order intake of KSB SE Co. KGaA. EBIT under IFRS will rise significantly to sharply compared with the 2023 financial year.

The forecast horizon for the above-mentioned information and statements is the 2024 financial year.

The forecast may be influenced in particular by the continuing geopolitical tensions.

Acquisition-related Disclosures

A summary of the acquisition-related disclosures required by Sections 289a and 315a HGB [*Handelsgesetzbuch* – German Commercial Code] is given below and explanatory information is provided pursuant to Section 176(1) AktG [*Aktiengesetz* – German Public Companies Act].

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 Prime 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 is supervised by the Administrative Board and acts through the 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 *Mitbestimmungsgesetz* [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 11 March 2024 is accessible to the public at www.ksb.com > Investor Relations > Corporate Governance / Statement and Report. 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 combined separate non-financial report is prepared in accordance with Section 315c in conjunction with Sections 289b to 289e HGB [*Handelsgesetzbuch* – German Commercial Code] and disclosed together with the combined management report in accordance with Section 325 HGB. The report can be viewed at: www.ksb.com/non-financial-report. Under the same address the assurance report for the combined separate non-financial report is also disclosed.

Description of Key Features of the Internal Control System, the Risk Management System and the Compliance Management System in Accordance with the A.5 DCGK 2022* Recommendation

KSB has an internal control system, a risk management system and a compliance management system, which are important elements of corporate governance.

The accounting-related internal control system comprises principles, processes and measures aimed at ensuring the correctness and reliability of the accounting system. This system ensures, for example, that reliable accounting-related information is complete and provided in a timely manner.

Further information on characteristics of the accounting-related internal control system is provided in the Opportunities and Risks Report under Internal Control System and Risk Management System with Regard to the Group Accounting Process.

Controls are also in place in the operative business processes of the Corporate Functions and KSB's decentralised units for handling the risks involved in the business activities. A comprehensive internal control system is set up at KSB by conceptually integrating the accounting-related internal control system with the current elements of an internal control system in the operative business processes beyond accounting.

Risk management is the most important instrument the Managing Directors of KSB have to ensure that all negative and positive developments are reported to them systematically and in a timely manner, and that appropriate measures can be implemented. In addition, risk management is critical for reporting about the risks and developments that could threaten the continued existence of KSB. Group risk management therefore comprises all the organisational rules and methods for recognising and managing risks / opportunities that arise in relation to Corporate Functions and decentralised units, and from markets and business activities. KSB's risk management is oriented on the basic elements of IDW PS 981 published by the German Institute of Public Auditors.

Further information on characteristics of the risk management system is provided in the Opportunities and Risks Report under Risk Management System.

Compliance in terms of implementing measures to ensure observance of applicable law and internal guidelines by Group units is one of the key management tasks of the general partner, which in this regard also acts through its Managing Directors. The requirement for professional and honest conduct is expressed within the Group-wide Code of Conduct.

Some fundamental statements contained in the Code of Conduct are addressed in more detail in other, separate directives and guidelines. This particularly applies to the areas of anti-trust or cartel law and anti-corruption measures. The applicable laws and regulations are explained in greater detail and useful information on proper conduct in concrete situations is provided. The latter equally applies to the Insider Directive, which deals with the ban on insider trading and handling of inside information. Further compliance sub-areas that are material to the company (such as data privacy and protection, export control, money laundering prevention) are assigned to the specific specialist departments for processing.

All material structures and processes of the compliance management system, including handling of violations, are compiled in the Compliance Manual which is available to the employees. In the case of proven violations, consistent sanctions are imposed based on a "zero tolerance" policy.

Responsibility for the compliance organisation lies with the general partner, acting through its Managing Directors, who are monitored by the Supervisory Board (Audit Committee) in this regard.

The compliance organisation is structured as follows:

- Group Compliance Office
- Local Compliance Offices
- Compliance Committee
- Ombudsperson

* Disclosures unrelated to the management report that are excluded from the factual review of the management report by the auditors

The Group Compliance Officer (hereinafter also “GCO”) heads the Group Compliance Office. In the Group Compliance Office, the GCO is supported by the Regional Compliance Officers. In addition, there are Local Compliance Offices in place throughout the Group in countries in which KSB Group companies have their registered office; they usually consist of the Local Compliance Officer. Where several Local Compliance Officers are appointed in a country, they may be headed by a Country Compliance Officer.

An interdisciplinary Compliance Committee at Group headquarters provides advice on fundamental compliance issues as well as support to the Group Compliance Office in fulfilling its responsibilities.

If employees or third parties become aware of infringements of the KSB Code of Conduct, i.e. in particular violations of laws or company guidelines, they can get in touch with internal contacts or an external ombudsperson with the relevant information, also anonymously if they wish. The ombudsperson will immediately contact the Group Compliance Office with regard to processing such information.

A key focus of compliance activities in 2023 was the renewed analysis of the compliance management system for the areas of anti-corruption and anti-trust / cartel law at central level; such an analysis was last carried out in 2020. The analysis aims to reveal further development potential for existing processes. Support for this was provided by an auditing firm, whose specialists subjected the relevant internal processes to a critical review. Similarly, the specific handling of the aforementioned compliance regulations was analysed at a selected national company, GIW Industries, Inc., USA. The identified potential for improvement and modernisation will be implemented in the current financial year. Another focus was on the implementation of a country-specific risk analysis for specific compliance sub-areas. This served as a preparatory pilot project for a corresponding Group-wide audit, which is planned for the current financial year. In addition, further relevant compliance sub-areas were subject to an annual status control, in some cases also with the help of external support. Compliance training was continued throughout the year for new employees and employees who were transferred internally to relevant functions. The targeted preventive effect of compliance measures is rounded off by the specific review of operative projects for compliance with the regulations.

STATEMENT ON THE APPROPRIATENESS AND EFFECTIVENESS OF THE SYSTEMS IN ACCORDANCE WITH THE A.5 DCGK 2022* RECOMMENDATION

The internal control system, the risk management system and the compliance management system are subject to process-integrated and process-independent monitoring. Responsibility for process-integrated monitoring lies with the relevant Corporate Functions and decentralised units. The Internal Audits department is responsible for process-independent monitoring of the systems.

Process-independent monitoring of the internal control system comprises an audit of material controls along selected business processes at the level of Corporate Functions and decentralised units. The basis for this is a risk-oriented audit plan of the Internal Audits department, which is updated annually or as needed in a given situation.

Internal Audits also regularly reviews the risk management system for appropriateness and effectiveness on the basis of relevant standards, such as the DIIR Audit Standard No. 2 – Audit of the Risk Management System by Internal Audits.

Finally, the appropriateness and effectiveness of the compliance management system is also continuously monitored by Internal Audits, mainly in the course of general or special audit measures. For example, the application of compliance regulations in the company is monitored in the form of employee surveys or in-depth analysis of relevant operative projects. In addition, selected parts of the compliance management system occasionally undergo external analyses by auditors, which are based on the requirements of IDW PS 980. The Audit Committee of the Supervisory Board is always involved in these processes and their findings, in particular to facilitate independent monitoring of the compliance management system by the Committee.

The Managing Directors are involved in monitoring the appropriateness and effectiveness of the systems by coordinating the specific key areas for the audit by Internal Audits, commissioning external auditors, managing a Group Compliance Office and maintaining regular dialogue with those responsible for the governance systems, among other things.

Based on the continuous findings from the aforementioned monitoring measures, the Managing Directors have no evidence that would call into question the appropriateness and effectiveness of the compliance management system, the risk management system and the internal control system.

3

Consolidated Financial Statements

Balance Sheet

Assets

€ thousands	Notes	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Intangible assets	1	75,716	72,673
Right-of-use assets	2	46,939	40,220
Property, plant and equipment	3	602,166	578,512
Non-current financial assets	4	1,227	1,191
Other non-financial assets	5	7,728	7,319
Investments accounted for using the equity method	6	24,480	20,833
Deferred tax assets	20	94,040	37,074
		852,295	**757,822**
Current assets			
Inventories	7	748,393	719,221
Contract assets	8	58,969	80,018
Trade receivables	8	554,583	579,539
Other financial assets	8	70,888	71,517
Other non-financial assets	8	44,272	42,203
Cash and cash equivalents	9	340,420	228,570
		1,817,524	**1,721,069**
		2,669,819	**2,478,890**

Further information is provided in the Notes to the consolidated financial statements.

Download Excel files of the 2023 tables for the KSB Group

Equity and liabilities

€ thousands	Notes	31 Dec. 2023	31 Dec. 2022
Equity	**10**		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		888,998	804,484
Equity attributable to shareholders of KSB SE & Co. KGaA		1,000,434	915,919
Non-controlling interests		216,465	209,653
		1,216,899	**1,125,572**
Non-current liabilities			
Deferred tax liabilities	20	9,857	12,010
Provisions for employee benefits *	11	496,114	451,568
Other provisions *	12	15,703	16,715
Financial liabilities	13	28,960	24,116
		550,634	**504,409**
Current liabilities			
Other provisions *	12	120,781	98,999
Financial liabilities	13	26,053	26,630
Contract liabilities	13	202,619	186,477
Trade payables	13	324,723	333,361
Other financial liabilities	13	27,659	23,921
Other non-financial liabilities	13	181,804	164,604
Income tax liabilities	13	18,649	14,918
		902,286	**848,910**
		2,669,819	**2,478,890**

* Compared with the presentation in the 2022 Annual Report the provisions for pensions and similar obligations are now shown as a separate item to increase transparency. Provisions for other employee benefits under IAS 19 are presented in the other provisions item together with provisions under IAS 37. The prior-year values concerned have been restated accordingly.

Further information is provided in the Notes to the consolidated financial statements.

Statement of Comprehensive Income

Income statement

€ thousands	Notes	2023	2022
Sales revenue	**14**	**2,818,988**	**2,573,387**
Changes in inventories		24,271	99,412
Work performed and capitalised		1,959	1,716
Total output of operations		**2,845,217**	**2,674,515**
Other income	15	44,384	34,462
Cost of materials	16	–1,153,651	–1,156,292
Staff costs	17	–960,699	–901,551
Depreciation and amortisation	1 – 3	–88,094	–90,419
Other expenses	18	–463,257	–391,612
Earnings before finance income / expense and income tax (EBIT)		**223,902**	**169,103**
Finance income	19	9,382	7,461
Finance expense	19	–29,656	–17,712
Income from / expense to investments accounted for using the equity method	19	5,361	1,816
Finance income / expense		**–14,913**	**–8,435**
Earnings before income tax (EBT)		**208,989**	**160,668**
Taxes on income	20	–32,376	–33,330
Earnings after income tax		**176,613**	**127,338**
Attributable to:			
Non-controlling interests	21	24,318	23,689
Shareholders of KSB SE & Co. KGaA		**152,295**	**103,649**
Diluted and basic earnings per ordinary share (€)	22	86,83	59,05
Diluted and basic earnings per preference share (€)	22	87,09	59,31

Further information is provided in the Notes to the consolidated financial statements

Download Excel files of the 2023 tables for the KSB Group

Statement of income and expense recognised in equity

€ thousands	Notes	2023	2022
Earnings after income tax		**176,613**	**127,338**
Remeasurement of defined benefit plans	11	–39,433	158,429
Taxes on income		27,618	–13,868
Remeasurement of defined benefit plans attributable to investments accounted for using the equity method		237	–35
Items not reclassified to profit or loss in subsequent periods		**–11,579**	**144,526**
Currency translation differences		–32,872	12,386
Changes in the fair value of financial instruments: Hedging reserve		–1,260	7,510
Taxes on income: Hedging reserve		415	–1,925
Changes in the fair value of financial instruments: Hedging cost reserve		802	–4,225
Taxes on income: Hedging cost reserve		–119	1,168
Expense and income recognised directly in equity relating to investments accounted for using the equity method		–498	129
Items reclassified to profit or loss in subsequent periods if required		**–33,532**	**15,043**
Other comprehensive income		**–45,110**	**159,569**
Comprehensive income		**131,503**	**286,907**
Attributable to:			
Non-controlling interests		16,146	24,072
Shareholders of KSB SE & Co. KGaA		**115,357**	**262,835**

Further information is provided in the Notes to the consolidated financial statements.

Statement of Changes in Equity

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
1 Jan. 2022	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income tax	–	–
Total comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increase / decrease	–	–
Step acquisitions	–	–
Other	–	–
31 Dec. 2022	**44,772**	**66,663**

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
1 Jan. 2023	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income tax	–	–
Total comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increase / decrease	–	–
Step acquisitions	–	–
Other	–	–
31 Dec. 2023	**44,772**	**66,663**

Download Excel files of the 2023 tables for the KSB Group

Revenue reserves							
	Other comprehensive income						
Other revenue reserves	Currency translation differences	Changes in the fair value of financial instruments: Hedging reserve	Changes in the fair value of financial instruments: Hedging cost reserve	Remeasurement of defined benefit plans	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total Equity
953,330	**–124,168**	**–4,539**	**2,227**	**–263,534**	**674,751**	**194,372**	**869,123**
–	11,843	5,585	–3,057	144,815	159,186	383	159,569
103,649	–	–	–	–	103,649	23,689	127,338
103,649	**11,843**	**5,585**	**–3,057**	**144,815**	**262,835**	**24,072**	**286,907**
–21,241	–	–	–	–	–21,241	–8,791	–30,032
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–426	–	38	–	–38	–426	–	–426
1,035,312	**–112,325**	**1,084**	**–830**	**–118,757**	**915,919**	**209,653**	**1,125,572**

	Other comprehensive income						
Other revenue reserves	Currency translation differences	Changes in the fair value of financial instruments: Hedging reserve	Changes in the fair value of financial instruments: Hedging cost reserve	Remeasurement of defined benefit plans	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total Equity
1,035,312	**–112,325**	**1,084**	**–830**	**–118,757**	**915,919**	**209,653**	**1,125,572**
–	–24,938	–845	684	–11,839	–36,938	–8,172	–45,110
152,295	–	–	–	–	152,295	24,318	176,613
152,295	**–24,938**	**–845**	**684**	**–11,839**	**115,357**	**16,146**	**131,503**
–34,376	–	–	–	–	–34,376	–6,311	–40,687
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
3,534	–	–	–	–	3,534	–3,022	512
1,156,764	**–137,263**	**239**	**–146**	**–130,596**	**1,000,434**	**216,465**	**1,216,899**

Statement of Cash Flows

€ thousands	2023	2022
Earnings after income tax	176,613	127,338
Taxes on income	32,376	33,330
Finance income	–9,382	–7,461
Financial expense	29,656	17,712
Depreciation and amortisation	88,094	90,419
Gain / loss on disposal of intangible assets and property, plant and equipment	153	–305
Change in inventories	–59,122	–192,562
Change in contract assets	20,694	–1,071
Change in trade receivables	12,617	–103,366
Change in provisions	9,394	–13,957
Change in contract liabilities	26,510	31,688
Change in trade liabilities	–2,375	58,786
Change in other assets and liabilities	12,836	987
Income tax paid	–65,058	–45,789
Interest received	7,298	6,360
Cash flows from operating activities	**280,304**	**2,109**
Proceeds from disposal of intangible assets and property, plant and equipment	2,098	2,457
Payments to acquire intangible assets and property, plant and equipment	–106,461	–102,393
Sale of subsidiaries and other operations less cash and cash equivalents sold	–908	–
Proceeds from deposits with an original maturity of more than 3 months	9,674	13,763
Payments for deposits with an original maturity of more than 3 months	–5,720	–2,608
Proceeds from investments in Group companies that are not fully consolidated	294	475
Payments for investments in Group companies that are not fully consolidated	–2,997	–992
Proceeds from dividends from Group companies that are not fully consolidated	823	882
Payments for capitalisation measures with Group companies that are not fully consolidated	–339	–621
Cash flows from investing activities	**–103,536**	**–89,037**
Dividends paid to shareholders of KSB SE & Co. KGaA	–34,376	–21,241
Dividends paid to non-controlling interests	–6,311	–8,791
Proceeds from financial liabilities	9,991	13,318
Payments for financial liabilities (not including lease liabilities)	–11,674	–38,169
Repayment of lease liabilities	–17,771	–17,091
Interest paid	–3,347	–3,866
Cash flows from financing activities	**–63,488**	**–75,840**
Changes in cash and cash equivalents	113,280	–162,768
Effects of exchange rate changes on cash and cash equivalents	–3,001	4,252
Effects of changes in consolidated Group	1,571	403
Cash and cash equivalents at beginning of period	228,570	386,683
Cash and cash equivalents at end of period	**340,420**	**228,570**

Further information is provided in Section VII. Statement of Cash Flows in the Notes to the consolidated financial statements.

Download Excel files of the 2023 tables for the KSB Group

Notes

I. GENERAL INFORMATION AND BASIC PRINCIPLES

General Information on the Group

KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, is a capital market-oriented *Kommanditgesellschaft auf Aktien* [partnership limited by shares] under the law of the Federal Republic of Germany. The company is registered with the *Handelsregister* [German Commercial Register] of the *Amtsgericht* [Local Court] Ludwigshafen am Rhein, registration No. HRB 65657, and has its registered office at Johann-Klein-Straße 9, 67227 Frankenthal / Pfalz, Germany. KSB SE & Co. KGaA was formed from KSB Aktiengesellschaft by entry in the German Commercial Register on 17 January 2018. 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. KSB SE & Co. KGaA and thus the KSB Group are managed via KSB Management SE, which has four Managing Directors and a five-member Administrative Board.

KSB SE & Co. KGaA is 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].

The KSB Group (hereinafter also called “KSB” or the “Group”) is a global supplier of high-quality pumps, valves and related systems and also provides a wide range of support services to users of these products. The breakdown of the Group’s business activities is based on three Segments: Pumps, Valves and KSB SupremeServ.

Basis of preparation of the consolidated financial statements

The accompanying consolidated financial statements of KSB SE & Co. KGaA were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of German commercial law under Section 315e(1) HGB [*Handelsgesetzbuch* – German Commercial Code]. To do so, the Conceptual Framework and all Standards applicable at the reporting date and adopted by the European Commission for use in the EU that are of relevance to the KSB Group as well as the interpretations of the IFRS Interpretations Committee were applied. For the purposes of this document, the term IFRSs includes applicable International Accounting Standards (IASs). The consolidated financial statements of KSB SE & Co. KGaA therefore meet the requirements of the IFRSs as adopted by the EU. The consolidated financial statements were prepared on a going concern basis in accordance with IAS 1.25. On principle, the historical cost is the measurement basis used for the consolidated financial statements, unless Section III. Accounting Policies provides otherwise.

Amounts in this report are generally presented in thousands of euros (€ thousands) using standard commercial rounding rules. Due to rounding, there may be minor differences in the totals and percentages presented in this report.

The financial year of the companies consolidated is the calendar year.

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

All material items of the balance sheet and the income statement are presented separately and explained in these Notes.

The main accounting policies used to prepare the consolidated financial statements are presented below. The policies described were applied consistently for the reporting periods presented unless stated otherwise.

The consolidated financial statements, the annual financial statements of the parent company and the combined management report are submitted to and published in the *Bundesanzeiger*.

These consolidated financial statements are released by the Managing Directors of KSB Management SE on 12 March 2024 for approval at the meeting of the Supervisory Board on 20 March 2024.

New accounting principles

a) Accounting principles applied for the first time in the 2023 financial year

The new or revised accounting Standards and Interpretations listed below which were adopted for the first time in the reporting year had no or no material impact on the Group's net assets, financial position and results of operations.

b) Accounting principles that have been published but that are not yet mandatory

The new or revised Accounting Standards and Interpretations listed below were not yet mandatory and were not applied in the 2023 financial year.

As a matter of principle, the new or revised Standards or Interpretations shown in the table have not been adopted early. No or no material effects on our net assets, financial position or results of operations are expected to arise from these amendments.

Accounting principles applied for the first time in the 2023 financial year

	First-time adoption in the EU
Amendments to IAS 1 Presentation of Financial Statements including amendments to IFRS Practice Statement 2 Making Materiality Judgements	1 Jan. 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 Jan. 2023
Amendments to IAS 12 Income Taxes	1 Jan. 2023

Accounting principles that have been published but that are not yet mandatory

	First-time adoption in the EU
Amendments to IFRS 16 Leases	1 Jan. 2024
Amendments to IAS 1 Presentation of Financial Statements	1 Jan. 2024

II. CONSOLIDATION PRINCIPLES

Consolidated Group

As at 31 December 2023, in addition to KSB SE & Co. KGaA, 10 German and 78 foreign companies (previous year: 9 German and 79 foreign companies) were fully consolidated in the consolidated financial statements. A majority interest is held, either directly or indirectly, in the voting power of these subsidiaries which the KSB Group has the option to control under IFRS 10.

Subsidiaries are companies controlled by the Group. The Group controls a company if it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power of disposition over the company. The financial statements of subsidiaries are included in the Group's financial statements from the date on which control begins until the date on which control ends. Changes in the investment ratio that do not result in a loss of control are treated as a transaction between shareholders and recognised directly in equity. Such transactions do not result in the recognition of goodwill or the realisation of disposal profits.

The consolidation principles apply accordingly to the five joint ventures and associated companies accounted for using the equity method as at 31 December 2023. Upon the loss of joint control or significant influence any retained interest in the investee is remeasured at fair value through profit or loss.

Associates are companies in which the Group has significant influence but does not have control or joint control over financial and business policy. A joint venture is an agreement through which the Group exercises joint control, in that it has rights to the net assets of the agreement rather than rights to its assets and obligations for its liabilities.

The shares in companies included at-equity are measured at cost of acquisition plus or minus cumulative changes in net assets, with recognised goodwill reported in the carrying amount of the investment.

The Thai company KSB Pumps Co. Ltd., Bangkok, and the Indian company KSB Limited, Pimpri (Pune), are included in the group of fully consolidated affiliates despite the fact that KSB holds a group share of capital of less than 50 %. KSB does, however, have the power to determine their business and financial policies and thus the level of variable returns.

KSB gained control over KSB Limited, Pimpri (Pune), in which KSB owns 40.54 % of the shares, through contractual agreements with other shareholders. These agreements ensure that KSB has the majority of voting rights in management committees and also exercises control over the budget.

Likewise, KSB exercises control over KSB Pumps Co. Ltd., Bangkok, in which it owns 40 % of the shares, through additional agreements which give KSB the majority of voting rights in management committees and control over the budget.

Companies that were not consolidated due to there being no material impact are reported as other investments under non-current other financial assets.

Changes in the consolidated Group

In the 2023 financial year, there were the following changes in the consolidated Group, none of which had a material impact on the Group's assets, financial position and results of operations. Against this background, no further information is provided in this context.

With regard to the subsidiaries of D.P. Industries B.V. based in Alphen aan den Rijn, the Netherlands, there have been changes under company law. On the one hand, former DP Pompen B.V. now trades under the name KSB Manufacturing Netherlands B.V. On the other hand, DP Pumps B.V. initially was renamed Duijvelaar Pompen B.V. and subsequently the previously separate entities KSB B.V., Duijvelaar Installatiebouw B.V. and DP Service B.V. were merged with it.

The acquisition by KSB of all shares in DAG - Dieselanlagen Service GmbH, Oberwaltersdorf, Austria, in the 2023 financial year expands the group of fully consolidated companies.

In addition, KSB Čerpadlá a Armatúry, s.r.o., Bratislava, Slovakia, and TOO "KSB Kazakhstan", Almaty, Kazakhstan, which were previously not consolidated due to immateriality, are now included in the Group financial statements as fully consolidated companies.

The company Vari.Co. GmbH, Karlsruhe, Germany, which was acquired in the reporting year, is not consolidated due to immateriality.

In addition, former KSB FINANZ S.A. based in Echternach, Luxembourg, now trades as KSB FINANZ GmbH based in Frankenthal / Pfalz, Germany, as at the balance sheet date of the reporting year.

A full list of the shareholdings held by the KSB Group is provided at the end of these Notes to the consolidated financial statements.

Consolidation methods

For the purposes of consolidation, the effects of any intercompany transactions are eliminated in full. Any receivables and liabilities between the consolidated companies are offset against each other, and any unrealised gains and losses recognised in fixed assets and inventories are eliminated. Any revenues from intercompany sales are offset against the corresponding expenses.

Capital consolidation is based on the purchase method of accounting pursuant to IFRS 3. This means that the amortised cost of the parent's shares in the subsidiary is eliminated against the remeasured equity attributable to the parent at the date of acquisition.

Any goodwill created from the application of the purchase method denominated in a currency other than the functional currency of the KSB Group is measured at the relevant current closing rate. Goodwill is reported under intangible assets and tested for impairment at least once a year. If an impairment is identified, an impairment loss is recognised. Any excess of our interest in the fair values of net assets acquired over cost is recognised in profit or loss in the year it occurred.

Those shares of subsidiaries' equity not attributable to KSB SE & Co. KGaA are reported as non-controlling interests. Further explanations on non-controlling interests of other shareholders are included under Notes No. 10. Equity.

Currency translation

The consolidated financial statements have been prepared in euro (€). Unless otherwise stated, amounts in this report are presented in thousands of euros (€ thousands) using standard commercial rounding rules.

Currency translation is effected on the basis of the functional currency of the consolidated companies. As in the previous year, the functional currency is exclusively the local currency of the company consolidated, as it operates as a financially, economically and organisationally independent entity.

Transactions denominated in foreign currencies are translated at the individual companies at the rate prevailing when the transaction is initially recognised. Monetary assets and liabilities are subsequently measured at the closing rate. Measurement effects are recognised in the income statement.

When translating financial statements of consolidated companies that are not prepared in euro, assets and liabilities are translated at the closing rate; the income statement accounts are translated at average exchange rates (modified closing rate method). An exception to this, with a translation of the income statement items at the closing rate, results from the application of IAS 29 Financial Reporting in Hyperinflationary Countries, as explained in greater detail below. Gains and losses from the translation of items of assets and liabilities compared with their translation in the previous year are taken directly to equity in other comprehensive income and reported under currency translation differences.

The exchange rates of the most important currencies for the KSB Group at the reporting date and on an annual average are presented in the table below.

Hyperinflation

Argentina and Turkey have been classified as hyper-inflationary economies for accounting purposes since 2018 and 2022 respectively. Accordingly, IAS 29 Financial Reporting in Hyperinflationary Economies has since been applied to the translation of the financial statements of KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires), Argentina, and KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara, Turkey.

As a result, the activities of the two said subsidiaries are not accounted for on the basis of historical acquisition and production costs, but are adjusted for the effects of inflation by using country-specific price indices. The inflation adjustment to the financial statements of the Argentine subsidiary is based on the consumer price index IPC (*Índice de precios al consumidor*), which was at 3,520.10 on 31 December 2023 (31 December 2022: 1,134.59; 1 January 2022: 582.02). The con-sumer price index TÜFE (*Tüketici fiyat endeksi*) is used to adjust for inflation in the financial statements of the Turkish subsidiary; the value applied at the reporting date was 1,859.38 (31 December 2022: 1,128.45; 1 January 2022: 686.95).

The net loss from monetary depreciation to be taken into account under IAS 29 on the affected monetary assets and liabilities, amounting to € 6,872 thousand (previous year: € 4,628 thousand), is included in the income statement under other financial expenses within finance income / expense.

After applying the inflation adjustment, the balance sheet and income statement items are translated into the reporting currency (euro) at the closing rate for inclusion in the con-solidated financial statements.

Exchange rates of the most important currencies

	Closing rate		Average rate	
	31 Dec. 2023	31 Dec. 2022	2023	2022
US dollar	1.1050	1.0666	1.0813	1.0531
Brazilian real	5.3618	5.6386	5.4010	5.4399
Indian rupee	91.9045	88.1710	89.3001	82.6864
Chinese yuan	7.8509	7.3582	7.6600	7.0788

III. ACCOUNTING POLICIES

1. General accounting policies

Acquisition and production costs

In addition to the purchase price, acquisition cost includes attributable incidental costs (except for costs associated with the acquisition of a company) and subsequent expenditure. Purchase price reductions are deducted.

As well as directly allocated costs, production costs also include reasonable proportions of material and production overheads based on standard capacity utilisation of the relevant production facilities, if and to the extent these were incurred as part of the production process. This also includes production-related administrative expenses. General administrative expenses, research costs and selling expenses are not capitalised.

Borrowing costs as defined in IAS 23 that can be directly allocated to the acquisition or production of qualifying assets are capitalised. As in the previous year no such borrowing costs were incurred.

Fair value

Fair value is the price that independent market participants would, under standard market conditions, receive when selling an asset or pay when transferring a liability at the measurement date. This applies irrespectively of whether the price is directly observable or has been estimated using a measurement method.

The KSB Group defined a monitoring framework concept for determining fair value. This includes the monitoring of all material measurements at fair value and the direct communication of material facts to Management and, if necessary, to the audit committee. For the purposes of calculating fair value, KSB makes use wherever possible of estimates from market participants or estimates derived from these. As an initial step, regular checks are made to ascertain if there are current prices on active markets for an identical transaction. If no quoted market prices are available, the preference is to use the market-based approach (deriving the fair value from the market or transaction prices of comparable assets, for example multipliers) or the income-based approach (calculation of fair value as a future value by discounting future cash surpluses).

Based upon the input factors used in the measurement methods, fair values are assigned to different levels of the fair value hierarchy.

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilities
- Level 2: Measurement parameters that are not the quoted prices taken into account for level 1, but that are observable for the asset or the liability either directly as a price or indirectly derived from prices
- Level 3: Measurement parameters for assets or liabilities that are not based on observable market data

If input factors categorised into different levels are included in the fair value measurement, the measurement must be categorised in its entirety in the level of the lowest level input factor that is material for the entire measurement.

Reclassifications between different levels in the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Maturities

Maturities of up to one year are classified as current.

Assets that can only be realised after more than twelve months, as well as liabilities that only become due after more than twelve months, are also classified as current if they are attributable to the operating cycle defined in IAS 1. An operating cycle of more than 12 months typically applies to made-to-order production (construction contracts).

Assets and liabilities not classified as current are non-current.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the consolidated balance sheet at the time when KSB becomes a contractual party. When the contractual right to payments from financial assets expires, these are derecognised. Financial liabilities are derecognised at the time when the contractual obligations are settled or cancelled or have expired. The acquisition and sale of financial instruments on an arm's length basis are recognised at the value at the date of settlement. This applies to primary financial instruments, such as trade receivables and financial receivables. Only derivative financial instruments are recognised at the value at the trade date.

a) Primary financial instruments
In the KSB Group, primary financial instruments are allocated to the following measurement categories as financial assets and financial liabilities based on the requirements of IFRS 9:

- Financial assets at amortised cost – Receivables, credits, cash and cash equivalents, loans and other financial assets
- Financial assets at fair value through profit or loss (FVPL) – Financial instruments
- Financial liabilities at amortised cost – Loans, trade payables and other financial liabilities

Financial assets and liabilities are reported at fair value on initial recognition. Financial assets and liabilities that are not measured at fair value are recognised after adjustment for transaction costs. Subsequent measurement is in line with the measurement category allocated to the financial asset or financial liability.

The fair value option is not being used at the moment.

b) Derivatives
Derivatives are exclusively used for hedging purposes. Future cash flows and existing recognised underlyings are hedged against foreign currency and interest rate risks. The hedging instruments used are exclusively currency forwards and interest rate derivatives entered into with prime-rated banks. Interest rate risks are minimised for long-term borrowings at floating rates of interest. Group guidelines govern the use of these instruments. These transactions are also subject to continuous risk monitoring.

Derivative financial instruments are categorised as at fair value through profit or loss unless they are part of hedge accounting. In the case of designated cash flow hedges, changes in the fair value of the effective portions of the currency derivatives are recognised under other comprehensive income and reported under "Changes in the fair value of financial instruments" in equity for as long as the underlying transaction is not recognised in the income statement. Only the spot element of the derivative hedging instrument is designated, while the forward element and currency basis spreads are excluded from the hedge and reported separately in the hedging cost reserve in other comprehensive income. Any ineffectiveness and changes in the market value of currency forwards not designated as hedges are recognised in the income statement.

Changes in the fair value of interest rate derivatives used to hedge against interest rate risks in liabilities are recognised under other comprehensive income and presented under "Changes in the fair value of financial instruments" in equity.

The carrying amounts equal fair value and are determined on the basis of input factors observable either directly (as a price) or indirectly (derived from prices). Fair values may be positive or negative. Fair value is the amount that KSB would receive or have to pay at the reporting date to settle the financial instrument. This amount is determined using the relevant exchange rates, interest rates and counterparty credit ratings at the reporting date. Information is obtained solely from recognised external sources.

Currency forwards are reported under other financial assets and under other financial liabilities. This also applies in principle to interest rate swaps, where applicable.

2. Specific accounting policies

Intangible assets
Intangible assets are recognised at (acquisition or production) cost and reduced by straight-line amortisation. Depreciation / amortisation is reported under "Depreciation / amortisation" in the income statement. The underlying useful life of intangible assets – excluding goodwill (indefinite useful life) – is between 2 and 15 years. If an intangible asset's recoverable amount is lower than its carrying amount, an impairment loss is recognised. Impairment testing is carried out at least once a year for goodwill, other intangible assets with indefinite useful lives and intangible assets under development at the reporting date. In addition, all types of intangible assets are subject to impairment testing if there are indications as defined in IAS 36 of a possible impairment. If the reasons for an impairment loss in a previous period no longer apply, it is reversed up to a maximum of amortised cost (write-up), with the exception of goodwill.

Goodwill is scheduled to be tested for impairment once a year. The test relates to cash-generating units (CGUs). The cash-generating units are generally represented by the respective share in a legal entity that is allocated to an operating segment. The Group's total of five operating segments encompass Energy, Mining and Standard Markets for new business with Pumps, new business with Valves and KSB SupremeServ. A legal entity contains several cash-generating units if the main business activities are spread over several operating segments. Further details on KSB's segmentation are provided in Section VIII. Segment Reporting in these Notes to the consolidated financial statements.

The goodwill is reduced by the difference in value or down to zero at maximum if the value in use is lower than the carrying amount of the CGU. If the difference exceeds the carrying amount of goodwill, further impairment testing is required at the level of intangible assets, rights to use leased assets and property, plant and equipment. Reversal of an impairment loss from an earlier period is not possible for goodwill.

The discounted cash flow model is used to determine the recoverable amount (value in use). The future earnings (EBIT in accordance with IFRS) applied are taken from a multi-year financial plan (five years), based on the 30 September reporting date taking into account the medium-term strategy approved by Management for the respective cash-generating unit. This planning is carried out based on certain assumptions which are drawn from both forecasts from external sources, e.g. current German Mechanical Engineering Industry Association (VDMA) publications, and own experience-based knowledge of markets and competitors. The earnings of the last plan year are consistently extrapolated as a constant, if that level is considered to be achievable in the long term. Growth rates are derived taking account of the estimates with regard to economic circumstances. The Group regularly tests goodwill for impairment in the fourth quarter of every year based on the figures as per 30 September of the year in question. In addition, a review of impairment is always carried out when events or circumstances (“trigger events”) suggest that the value could be impaired.

In order to assess the risk of impairment of material goodwill, the Group also performs sensitivity analyses as part of its impairment testing. To this end, changes deemed possible in material assumptions underlying the calculation of the value in use are taken into account.

When companies are acquired, purchase price allocations are made and the fair value of the assets and liabilities acquired is determined. In addition to the assets and liabilities already recognised by the selling party, account is also taken of marketing-related aspects (primarily brands or trademarks and competitive restrictions), customer-related aspects (primarily customer lists, customer relations and orders on hand), contract-related aspects (mainly particularly advantageous service, work, purchasing and employment contracts) as well as technology-related aspects (primarily patents, know-how and databases). The residual value method, the excess earnings method and cost-oriented procedures are primarily applied to determine values.

Development costs are capitalised as internally generated intangible assets at cost where the criteria described in IAS 38 are met and reduced by straight-line amortisation as from the time the asset becomes operational. Research costs are expensed as incurred. Where research and development costs cannot be reliably distinguished within a project, no costs are capitalised.

Leases
According to IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases where KSB is the lessee, lease liabilities and right-of-use assets (rights to use leased assets) must be recognised on the balance sheet. Leases of low value assets and short-term leases with a term of up to 12 months are exempt from this provision as KSB has elected to make use of the practical expedient of accounting for lease payments as an expense. In this context, leased assets with a fair value of up to € 5,000 are defined as low-value assets.

Lease liabilities and right-of-use assets are generally recognised at the time at which the leased asset is made available to KSB by the lessor for use. The carrying amount of the two items is essentially based on the present value of the future minimum lease payments. It is discounted using the incremental borrowing rate of KSB if no interest rate implicitly underlying the lease is available. Extension and termination options are included in the term and the carrying amounts of a lease if it is deemed reasonably certain that they will be exercised by KSB. Only lease components and in particular no separate service components are taken into account in the measurement of lease payments. The right-of-use assets are depreciated over the economic useful life of the leased asset or over the term of the lease, whichever is shorter. Lease liabilities are subsequently measured at amortised cost using the effective interest rate method in the form of a redemption and interest portion. Changes in lease payments are taken into account through remeasurements of lease liabilities. The interest expense for the lease liability and depreciation / amortisation expense for the right-of-use asset are recognised separately.

Property, plant and equipment
In accordance with IAS 16, property, plant and equipment is measured at cost and reduced by straight-line depreciation over its useful life. If an asset’s recoverable amount is lower than its carrying amount, an impairment loss is recognised. Impairment testing of property, plant and equipment is always carried out if there are indications as defined in IAS 36 of a

possible impairment. If the reasons for an impairment loss recognised in a previous period no longer apply, the impairment loss is reversed (write-up) up to a maximum of amortised cost.

Government grants relating to property, plant and equipment are transferred to an adjustment item on the liabilities side. This item is reversed pro rata over the useful life of the subsidised assets and recognised as other income.

Maintenance expenses are recognised as an expense in the period in which they are incurred, unless they lead to the expansion or material improvement of the asset concerned.

As in the previous year, the following useful lives are applied:

Useful life of property, plant and equipment

Buildings	10 to 50 years
Plant and machinery	5 to 25 years
Other equipment, operating and office equipment	3 to 25 years

Non-current financial assets
Interest-bearing loans are recognised at amortised cost, whereas non-current financial instruments are recognised in the income statement at fair value as at the reporting date. Financial assets such other cash deposits are subject to an expected default risk. The impairment loss is calculated based on the loan amount on the closing or reporting date, the loss ratio of the loan amount and the term-weighted credit default spreads as a benchmark for probability of failure. Furthermore, partial or complete impairment is recognised as soon as there are signs of an increase in default risk.

Non-current other non-financial assets
Investments in non-consolidated subsidiaries are measured at amortised cost.

Defined benefit assets are recognised at the amount by which the fair value of the plan assets exceeds the related defined benefit obligation, less the effects of the asset ceiling in accordance with IAS 19.

Investments accounted for using the equity method
Investments accounted for using the equity method are companies in which the parties exercise joint control (joint venture) or have the power to exercise significant influence over the companies' operating and financial policies (associate); this is usually the case where an entity holds between 20 % and 50 % of the voting power. These assets are recognised at cost at the time of acquisition. If the costs of acquisition exceed the share of the net assets, adjustments are made on the basis of the fair value (pro rata hidden reserves and liabilities). The remaining amount is recognised as goodwill. It forms part of the carrying amount of the joint venture or associate and is not amortised. For subsequent measurement, the carrying amounts are increased / reduced annually by the pro-rata earnings, distributed dividends or other changes in equity of the joint venture or the associate. If local accounting principles differ from the Group's standard accounting policies, adjustments are made accordingly. The share of earnings is reported in the consolidated income statement in a separate line (earnings from investments accounted for using the equity method), and changes such as currency translation effects are taken directly to Group equity. If the losses attributable to the KSB Group correspond to the carrying amount of the company or exceed this, they are not recognised unless KSB has entered into obligations or has made payments for the company. Intercompany gains and losses from transactions between Group companies and investments accounted for using the equity method are offset against the carrying amount in profit or loss. At each reporting date, a review is carried out to determine whether there are any objective indications of impairment, and the amount of such impairment is calculated if required. If the carrying amount exceeds the recoverable amount of an investment, it is written down to the recoverable amount. Any impairments or reversals of impairments are reported in the consolidated income statement under finance income / expense.

Inventories
Pursuant to IAS 2, inventories are recognised at the lower of cost and net realisable value as at the reporting date. Cost is measured using the weighted average method. KSB takes account of the inventory risks resulting from slow-moving goods or impaired marketability through write-downs to the net realisable value. This also applies if the selling price is lower than production cost plus costs still to be incurred. If the reasons for an impairment loss charged in a previous period no longer apply, the impairment loss is reversed (write-up).

Advance payments made on inventories are also presented under inventories because of the correlation and expected realisation of these advances (through conversion into inventories) within the normal business cycle.

Contract assets and contract liabilities
A contract asset shows KSB's claim to consideration in exchange for goods or services transferred to customers, with the right to payment being not only conditional on the passage of time but also on the satisfaction of an overall contractual performance obligation by KSB. By contrast, receivables

reflect KSB’s unqualified claim to consideration. A contract liability also represents KSB’s obligation to transfer goods or services to a customer. However, in these cases KSB has already received consideration from a customer that exceeds the amount of the goods or services provided. Contract assets relate to ongoing projects that have not yet been invoiced and are subject to similar credit risks as trade receivables for the same types of contract. Against this background, the expected loss ratios of trade receivables are also used for the risk provision for expected credit loss (ECL) of contract assets determined using the simplified impairment model. If it becomes apparent to KSB at the respective project stage that it is sufficiently likely that customers will default on payments, these risks are taken into account by appropriate individual impairment allowances for the contract assets concerned.

Trade receivables

Trade receivables and other current assets are subsequently recognised at amortised cost. Low-interest or non-interest-bearing receivables are discounted. In addition, identifiable risks are taken into account by charging individual impairment losses. Individual impairment allowances are regularly made if insolvency or collection proceedings have been instigated, on the default or failure to meet agreed repayment plans and on overdue payments. Receivables are derecognised if it is reasonably certain that payment cannot be expected. A risk provision for expected credit losses (ECL) is set aside under the simplified impairment model according to IFRS 9 for receivables that are not individually impaired. To measure expected credit losses, trade receivables are summarised on the basis of common credit risk features (risk classes) and number of days overdue. The expected default rates stem from the historical payment profiles of sales revenues over the last three financial years before the reporting date. The historical and forward-looking information forms the basis for the expected probability of failure, adjusted for future-oriented macro-economic factors.

Part of the default risk exposure of trade receivables is hedged. For more information, please refer to Section VI. Additional Information on Financial Instruments” – sub-section “Financial risks – Credit risk”.

For trade receivables for which collateral, such as credit insurance, has been provided or letters of credit have been opened, a risk provision is set aside, taking account of default risks of the provider of the security and the company’s macro-economic factors.

If the reasons for an impairment loss charged in a previous period no longer apply, the impairment loss is reversed (write-up).

Other non-financial assets

The prepayments made that are presented in this item relate to accrued expenditure prior to the reporting date that will only be classified as an expense after the reporting date.

Cash and cash equivalents

Cash (cash and sight deposits) and cash equivalents (short-term, highly liquid financial investments that are readily convertible to defined amounts of cash, and that are subject to only immaterial fluctuations in terms of their value) are recognised at amortised cost. Cash and cash equivalents are subject to an expected credit default risk. The impairment allowance under IFRS 9 is calculated based on the loan amount on the closing date, the loss ratio of the loan amount and the term-weighted credit default spreads as a benchmark for probability of failure. Furthermore, partial or complete impairment allowances are recognised as soon as there are signs of an increase in default risk.

Taxes on income

Current taxes on income are recognised in income tax liabilities to the extent that they have not yet been paid. If the amount already paid exceeds the amount owed, an income tax receivable is recognised and reported in other tax assets under other non-financial assets.

Deferred taxes are accounted for in accordance with IAS 12 using the balance sheet liability method on the basis of the enacted or substantively enacted local tax rates. This means that deferred tax assets and liabilities generally arise when the tax base of assets and liabilities differs from their carrying amount in the IFRS financial statements, and this leads to future tax expense or income. KSB recognises deferred tax assets from tax loss carryforwards in those cases where it is more likely than not that there will be sufficient taxable profit available in the near future against which these tax loss carryforwards can be utilised. Deferred taxes are also recognised for consolidation adjustments. Deferred taxes are not discounted. Deferred tax assets and liabilities are always offset where they relate to the same tax authority. Changes to deferred taxes in the consolidated balance sheet generally result in deferred tax expense or income. If, however, a direct entry is made in other comprehensive income in equity, the change in deferred taxes is also taken directly to equity.

Provisions

a) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations pursuant to IAS 19 are calculated on the basis of actuarial reports. They are based on defined benefit pension plans. They are measured using the projected unit credit method.

Actuarial gains and losses are taken directly to other comprehensive income and reported in equity under "Remeasurement of defined benefit plans". The actuarial demographic assumptions and the setting of the discount rate (based on senior, fixed-income corporate bonds) and other measurement parameters (for example income and pension trends) are based on best estimates.

Net interest is calculated by multiplying the discount rate with the net liability (pension obligation minus plan assets) or the net asset value that results if the plan assets exceed the pension obligation.

The defined benefit costs include the service cost, which is included in staff costs under pension costs, and the net interest income or expense on the net liability or net asset value, which is recognised in finance income / expense under interest and similar expenses or under interest and similar income.

Defined benefit assets are reported under non-current other non-financial assets.

No provisions are set aside for defined contribution pension plans. In these cases, the premium payments are recognised directly in staff costs in the income statement. Other than an obligation to pay premiums, KSB has no further obligations. Consequently, the insurance risk remains with the insured parties.

b) Other provisions

Provisions are recognised if an event that occurred by the reporting date of the respective financial year results in a present legal or constructive external obligation that the company has no realistic alternative to settling, where settlement of this obligation is expected to result in an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably. The amount of the provision corresponds to the best estimate of the settlement amount of the current obligation on the reporting date. Any more or less secure recourse or reimbursement claims are recognised as separate assets.

Obligations in the form of expected losses from onerous contracts are recognised if the unavoidable costs to KSB of fulfilling a contract exceed the expected economic benefits. In the case of customer contracts that are expected to be loss-making, first an impairment of contract-related inventories is recognised before additional provisions are recognised. In contrast, contract assets are reported gross on the one hand and provisions for expected losses from onerous customer contracts are recognised on the other hand.

Provisions for restructurings are recognised only if the criteria set out in IAS 37 are met.

Non-current provisions are discounted if the effects are material.

Contingent liabilities

Contingent liabilities, which are not recognised, are potential obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events. Contingent liabilities may also be present obligations that arise from past events where it is possible but not probable that there will be an outflow of resources embodying economic benefits.

Contingent liabilities correspond to the extent of liability at the reporting date.

Sales revenue

KSB generates sales revenue from the sale of goods and goods purchased and held for resale from the production, sale and trade of machinery, systems and other industrial products, particularly pumps and valves and related support services. The breadth of orders with pumps ranges from the supply of an individual pump to customised pump sets, including drive and control systems. These goods and services are sold to engineering contractors, OEMs and end users or, in some cases, distributed via dealers. Some customer contracts contain several service components, such as manufacture of a pump and the related installation and commissioning. These installation services cover integration services and can only be carried out by specifically trained and qualified staff. They are not accounted for as independent performance obligations and the transaction price is not split.

Sales revenue is recognised in the amount of the consideration expected by KSB based on the transfer of goods or provision of services to the customer. Depending on the type of performance and contractual structure, sales revenue is recognised either over time or at a point in time in line with satisfaction of the performance obligation by KSB.

If a performance obligation meets the criteria for recognising sales revenue over time under IFRS 15 and the progress towards completion and expected consideration can be reliably estimated, the sales revenue is recognised based on progress towards complete satisfaction of the performance obligation. KSB specifically recognises sales revenue over time for contracts covering the production of customised pumps and valves as well as contracts for the provision of services. By contrast, standard products in the pumps and valves areas are typically subject to sales revenue recognition at a point in time. KSB applies the input-oriented method to determine progress that is measured by the factors used. The percentage of completion of contracts is determined on the basis of the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs at the reporting date and thus follows the cost-to-cost method. Contract revenue consists of all contractually agreed revenues, as well as additional claims and incentive payments that are likely to result in revenue and are capable of being reliably measured. Contract revenue may vary, for instance because of renegotiations or penalties. Sales revenue is accounted for based on the amount fixed in the contract less expected consideration. Variable considerations (penalties, bonuses) are estimated at the most likely value. Restrictions on estimate options are taken into account. Estimates on costs and contract progress are corrected if circumstances change. Any resultant increases or reductions in the estimated proceeds or costs are reflected in the profit and loss account for the period in which the circumstances giving rise to the correction occurred. If the earnings from a service or production order with sales revenue recognition over time cannot be reliably estimated, revenue will only be recognised in the amount of the contract costs incurred that are likely to be covered and the contract costs recognised as an expense for the period in which they are incurred.

Sales revenue is recognised at a point in time for performance obligations that do not meet the criteria for recognising sales revenue over time under IFRS 15. At KSB, this typically applies in particular to standard products without any significant customer-specific characteristic in the Pumps and Valves segments. At the time of revenue recognition, receipt of the consideration must be probable and the amount of sales revenue must be reliably measurable. A reliable estimation of the associated costs and potential return of the goods must also be possible. The point in time at which KSB satisfies the performance obligations from contracts with customers subject to sales revenue recognition at a point in time is generally based on the agreed delivery terms and conditions (INCOTERMS). For certain deliveries and services, a declaration of acceptance by the customer is required for the recognition of sales revenue. The Group generally aims to agree on delivery terms and conditions with the earliest possible transfer of risk. For customer contracts based on sales revenue recognised at a point in time, sales reductions also reduce sales revenue.

KSB agrees payment terms and conditions for customer contracts that allow for payment in a reasonable period after the invoice has been issued. Extended payment terms are not usually granted to customers. There are usually no long-term financing components.

In individual cases and in compliance with the statutory requirements of IFRS 15, a customer may ask to obtain control of a product prior to delivery of the goods (bill-and-hold arrangements). This can result in earlier sales revenue recognition.

For regular fixed-price contracts, the customer pays a fixed amount using a payment plan. Depending on the ratio of the customer payments received to the claim to consideration acquired by KSB based on the transfer of goods and services to the customer, there is an advance or subsequent type of payment on the reporting date for the respective customer contract. Contract assets are reported reduced by advances received, if the amount of the goods and services provided by KSB exceed the payment amount. Payments received from the customer that exceed the amount of the goods and services provided by KSB for the respective customer contract result in the reporting of a contract liability.

Other income statement items

Interest income and expense are recognised in the period in which they occur. Dividend income from investments is collected when the legal entitlement to payment is created. Operating expenses are recognised when they are incurred or when the services are utilised. Income tax is calculated in accordance with the statutory tax rules in the countries in which the Group operates. Deferred taxes are accounted for on the basis of the enacted or substantively enacted income tax rates.

3. Significant judgements, estimates and assumptions

The preparation of consolidated financial statements in accordance with the IFRSs as adopted by the EU requires management to make estimates and assumptions that affect the accounting policies to be applied. When implementing such accounting policies, estimates and assumptions affect the assets, liabilities, income and expenses recognised in the consolidated financial statements, and their presentation.

These estimates and assumptions are based on past experience and a variety of other factors deemed appropriate under the circumstances. Actual amounts may differ from these estimates and assumptions. The estimates and assumptions made are constantly reviewed. If more recent information and additional knowledge are available, recognised amounts are adjusted to reflect the new circumstances. Any changes in estimates and assumptions that result in material differences are explained separately.

Recoverability of intangible assets, right-of-use assets and property, plant and equipment

Impairment tests for goodwill, which are conducted at least once per year, require an estimate of the recoverable amounts for each cash-generating unit (CGU). These correspond to the higher amount from the fair value less costs to sell and value in use. The earnings forecast on the basis of these estimates are affected by various factors, which may include exchange rate fluctuations, progress in Group integration or the expectations for the economic development of these units. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseen changes in these assumptions could lead to an impairment loss.

Estimates and assumptions must also be made when testing the impairment of other intangible assets, the rights to use leased assets and property, plant and equipment. For each asset it must be verified to what extent there are indications of an impairment. When determining the recoverable amount of property, plant and equipment, the estimation of the relevant useful life is subject to uncertainty.

Net realisable value of inventories

Determining the net realisable value of inventories requires, in particular, estimates of the further marketability of the inventory items and the future development of market prices on the sales markets of KSB in relation to the needed production costs. If the actual development in a later period differs from the original estimates, this may result in an additional impairment requirement for the inventory items or in the reversal of impairments.

Impairments on contract assets and trade receivables

Contract assets and trade receivables are subject to the impairment rules of IFRS 9. The assessments that KSB makes regarding customers' solvency are of central importance here. Depending on the actual payment behaviour of customers, actual defaults on receivables may exceed the impairment losses recognised in previous periods, or impairments may be reversed.

Actuarial assumptions for the measurement of provisions for employee benefits

Provisions for employee benefits, in particular provisions for pensions and similar obligations, are determined according to actuarial principles. These are based on statistical and other factors so as to anticipate future events. Material factors are the reported market discount rates and life expectancy. The actuarial assumptions made may differ from actual developments as a result of changing market and economic conditions, and this can have material effects on the amount of provisions and thus on the company's overall net assets, financial position and results of operations. For the material pension plans of the German companies, every employee is entitled to apply at any time during the ongoing employment contract for payment in annual instalments, as a one-time payment or as a pension for life. KSB's estimate as to how the specific workforce is likely to decide on exercising the lump-sum option is reviewed on a regular basis and is reflected accordingly in the measurement of pension provisions.

Recognition and measurement of other provisions

Provisions are recognised for uncertain liabilities with a probability of occurrence of more than 50 %. The provision corresponds to the best estimate of the expenditure to fulfil the current obligation on the reporting date. The later, actual outflow can, however, differ from the estimate as a result of changed economic, political or legal conditions. This will be reflected in additional expenses or income from reversals.

Estimates in connection with the accounting treatment of income taxes

The Group's global scope of activities must be taken into account in relation to taxes on income. Based on operative activities in numerous countries with varying tax laws and administrative interpretation, differentiated assessment is required for determining tax liabilities. Uncertainty may arise due to different interpretations by taxable entities on the one hand and local finance authorities on the other. Uncertain tax assets and liabilities are recognised if their probability of occurrence exceeds 50 %. The best estimate of the expected tax payment is used for reporting purposes; depending on the case in question this will take the form of the most probable result or of the expected value. Although KSB believes it has made a reasonable estimate regarding any tax uncertainties, it is possible that the actual tax obligation will differ from the original estimate.

With regard to future tax benefits, KSB assesses their realisability as at every reporting date. For this reason, deferred tax assets are only recognised if sufficient taxable income is available in future. In assessing this future taxable income within the planning horizon of three to five years it must be taken into account that expected future business developments are subject to uncertainties and are in some cases excluded from control by company management (for example changes to applicable tax legislation). If KSB comes to the conclusion that previously reported deferred tax assets cannot be realised because of changed assumptions, then the assets will be written down by the appropriate amount.

Sales revenue recognition over time

If performance obligations meet the relevant criteria of IFRS 15, KSB recognises revenue from customer contracts over time in line with progress towards completion. The progress towards completion is determined according to the percentage of completion. This requires estimates regarding the total contract costs and revenue including the variable considerations of contract risks as well as other relevant factors. These estimates take into account the empirical values of KSB and are reviewed regularly by those with operative responsibility and adjusted where necessary.

Consideration of sustainability issues (ESG)

In connection with the ESG sustainability issues – Environmental (E), Social (S) and corporate Governance (G) – estimates are required in the preparation of the consolidated financial statements with regard to the effects on the financial statements. ESG-related aspects did not have a material impact on KSB's net assets, financial position and results of operations in the reporting year. For further information in this context, please refer to the Group's opportunities and risks report as part of the combined management report.

Geopolitical and macroeconomic developments

The business activities of the KSB Group take place in an increasingly complex and uncertain macroeconomic and geopolitical environment. In particular, the war in Ukraine, the conflicts in the Middle East and especially in the Gaza region, and the China-Taiwan conflict are global flashpoints of key importance for the global economy. The overall picture of the Group's economic environment is characterised by ongoing inflation, increased interest rates as well as volatile share prices and exchange rates. All of these uncertainties are fuelling concerns about a medium-term slowdown in global economic growth in key markets.

The geopolitical and macroeconomic uncertainties accompanying the above-mentioned aspects require a high degree of discretionary assessments and assumptions with regard to their future development and impact on the consolidated financial statements of KSB. The duration and possible escalation of conflicts are decisive with regard to future repercussions for the Group.

IV. BALANCE SHEET DISCLOSURES

1. Intangible assets

Statement of changes in intangible assets

€ thousands	Concessions, industrial property and similar rights and assets, as well as licences in such rights and assets		Goodwill		Internally generated intangible assets		Advance payments		Intangible assets Total	
Historical cost	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Balance at 1 January	79,772	74,671	32,204	31,411	43,319	40,383	1,984	5,649	157,279	152,114
Currency translation adjustments	–759	602	–121	793	–	–	–3	4	–883	1,399
Other	667	10	1,405	–	–	–	–	–	2,073	10
Additions	5,181	2,633	–	–	2,696	1,552	1,921	1,028	9,799	5,213
Disposals	–704	–781	–	–	–	–13	–83	–663	–787	–1,457
Reclassifications	263	2,637	–	–	393	1,397	–656	–4,034	–	–
Balance at 31 December	84,421	79,772	33,489	32,204	46,408	43,319	3,163	1,984	167,481	157,279
Accumulated depreciation and amortisation	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Balance at 1 January	71,398	67,363	2,403	700	10,805	8,124	–	–	84,606	76,187
Currency translation adjustments	–547	576	–31	–12	–	–	–	–	–578	564
Other	194	3	–	–	–	–	–	–	194	3
Additions	4,119	4,220	678	1,715	2,815	2,694	–	–	7,611	8,629
Disposals	–69	–764	–	–	–	–13	–	–	–69	–777
Reclassifications	–	–	–	–	–	–	–	–	–	–
Balance at 31 December	75,095	71,398	3,050	2,403	13,620	10,805	–	–	91,765	84,606
Carrying amount at 31 December	9,326	8,374	30,439	29,801	32,788	32,514	3,163	1,984	75,716	72,673

The additions to intangible assets amounting to € 9.8 million (previous year: € 5.2 million) are distributed among various software applications.

The “Concessions, industrial property and similar rights and assets, as well as licences in such rights and assets” item includes € 6.5 million (previous year: € 7.7 million) of software including software licences valid for a limited period. As in the previous year, there are no restrictions on ownership or use.

The increase of € 1,405 thousand in the acquisition costs for goodwill in the “Other” line results from the acquired goodwill as part of the acquisition of DAG - Dieselanlagen Service GmbH, Oberwaltersdorf (Austria).

KSB reported internally generated intangible assets of € 32,788 thousand (previous year: € 32,514 thousand). These are primarily attributable to the KSBase sales software.

In the reporting year, impairment losses on intangible assets amounting to € 786 thousand (previous year: € 1,715 thousand) were recognised, of which € 678 thousand related to goodwill (previous year: € 1,715 thousand). The impairment losses were recognised in the income statement under depreciation and amortisation expense. Further details on the goodwill impairments are provided in the following explanations on impairment testing under IAS 36.

As in the previous year, no product-related development costs were capitalised in the reporting year because not all of the comprehensive recognition criteria defined in IAS 38 were met.

IMPAIRMENT TESTING UNDER IAS 36

The date defined by KSB for the mandatory annual impairment testing for goodwill is 30 September of each year. The impairment testing methodology is explained in more detail in Section III. Accounting Policies in the “Intangible assets” subsection.

In the previous year, impairment testing was also carried out for goodwill as at 31 December 2022 to take account of identified indications for a possible impairment of assets as defined in IAS 36. The following information on the basic assumptions and parameters, the goodwill impairments and the sensitivity analyses therefore relates to the reporting year as at 30 September 2023 and to the previous year as at 31 December 2022.

Basic assumptions and parameters

The carrying amounts of the cash-generating units in connection with the impairment testing of goodwill do not contain any items relating to income tax or financing activities.

To determine the discount factor, the weighted average cost of capital (WACC) method is applied in conjunction with the capital asset pricing model (CAPM), taking into account a peer group. Under this method, first the cost of equity is determined using CAPM and the borrowing costs are defined, and then the individual capital components are weighted in accordance with the capital structure taking account of the peer group. The peer group information includes aspects like beta factors, capital structure data and borrowing costs. The peer group includes companies that are similar to the Group in terms of industry, size and activity. To account for changes in market parameters, the composition of the peer group is reviewed at regular intervals and adjusted if necessary (e.g. due to changes in the business model of either the cash-generating unit or the comparable company being looked at).

The interest rate for risk-free 30-year Bunds was used as a base rate. This rate was 2.7 % in the reporting year (previous year: 2.0 %). The market risk premium was set at 6.7 % (previous year: 7.2 %), with a beta factor of 1.25 (previous year: 1.22). In addition, country-specific tax rates and country risk premiums are taken into account individually for each cash-generating unit (CGU). The growth rate for the cash-generating units in the reporting year was generally set at 1.5 % (previous year: 0.5 %). The regular review of the peer group did not generate any new findings in relation to the business models of comparative companies. The peer group for examining the weighted capital cost factor therefore remained the same as in the previous year.

Basic parameters for the impairment testing of goodwill considered material (30 September 2023)

Name of CGU	Carrying amount of goodwill € thousands	Percentage of total carrying amount of goodwill	Method	Planning time horizon	Discount rate	Growth rate
KSB SupremeServ operating segment of D.P. Industries B.V., Netherlands	10,146	33 %	Value in use	5 years	14.1 % before tax / 10.9 % after tax	**1.5 %**
Standard Markets Pumps operating segment of D.P. Industries B.V., Netherlands	8,139	27 %	Value in use	5 years	14.3 % before tax / 10.9 % after tax	**1.5 %**

Basic parameters for the impairment testing of goodwill considered material (31 December 2022)

Name of CGU	Carrying amount of goodwill € thousands	Percentage of total carrying amount of goodwill	Method	Planning time horizon	Discount rate	Growth rate
KSB SupremeServ operating segment of D.P. Industries B.V., Netherlands	10,146	34 %	Value in use	5 years	14.1 % before tax / 10.6 % after tax	**0.5 %**
Standard Markets Pumps operating segment of D.P. Industries B.V., Netherlands	8,139	27 %	Value in use	5 years	14.1 % before tax / 10.6 % after tax	**0.5 %**

Impairment of goodwill in the 2023 financial year

Name of CGU	Segment	Discount rate (before taxes)	Discount rate (after taxes)	Recoverable amount (€ thousands)	Impairment loss (€ thousands)
KSB SupremeServ operating segment of Dynamik-Pumpen GmbH, Germany	KSB SupremeServ	15.0 %	10.9 %	3,226	249
Standard Markets Pumps operating segment of KAGEMA Industrieausrüstungen GmbH, Germany	Pumps	15.7 %	10.9 %	2,404	429
Total					678

The goodwill from the Standard Markets Pumps operating segment of KAGEMA Industrieausrüstungen GmbH, Germany, was fully amortised in the reporting year.

Disclosures on material goodwill items

D.P. Industries B.V., Alphen aan den Rijn, Netherlands, represents the only goodwill considered material from the Group’s perspective, both in the reporting year and in the previous year, totalling € 18,285 thousand.

In addition, the carrying amount of the other goodwill of € 12,154 thousand is spread over a large number of the Group’s cash-generating units. There are no other significant carrying amounts of individual goodwill in relation to the total carrying amount of the Group’s goodwill.

The basic parameters for the impairment testing of material goodwill are summarised in the tables above.

The Group’s material assumptions impacting cash flows from the multi-year financial plan on which the impairment test as at 30 September 2023 is based relate to the performance of order intake, sales revenue and earnings before finance income / expense and taxes (EBIT). For all three of the above-mentioned key indicators, tangible growth was projected in all five years of the detailed planning period, both for the KSB SupremeServ operating segment and for the Standard Markets operating segment for new business with pumps of D.P. Industries B.V. The assessments take into account the company’s own experience-based knowledge of competitors and markets as well as published economic data collected externally.

Impairment loss on goodwill

The impairment losses on goodwill recognised in the reporting year are shown in the “Impairment loss on goodwill in the 2023 financial year” table. Impairment testing for goodwill in the previous year resulted in an impairment requirement of € 1,715 thousand.

→ Impairment of goodwill in the 2023 financial year

Sensitivity analyses

For the cash-generating units in the form of the operating segments Standard Markets for new pump business and KSB SupremeServ of D.P. Industries B.V., with goodwill considered material from the Group's perspective, additional sensitivity analyses were performed based on the parameters as at 30 September 2023. As in the previous year, the following assumptions were made: a 15 % increase in the cost of capital (Sensitivity 1), a reduction in the growth rate to 0.0 % (Sensitivity 2) and a reduction in sales revenue of 10 % with the corresponding impact on expense items and performance indicators (Sensitivity 3).

As in the previous year, the sensitivity analyses did not reveal any impairment requirement in the reporting year.

2. Right-of-use assets

€ thousands	31 Dec. 2023	31 Dec. 2022
Right-of-use assets	**46,939**	**40,220**
of which land and buildings	30,576	28,456
of which technical equipment and machinery	783	979
of which other equipment, operating and office equipment	15,579	10,785

Additions to right-of-use assets in the reporting year amounted to € 25,891 thousand (previous year: € 15,340 thousand).

Depreciation on right-of-use assets in the reporting year was as follows:

€ thousands	2023	2022
Depreciation on right-of-use assets	**18,445**	**16,917**
of which land and buildings	11,065	9,734
of which technical equipment and machinery	379	418
of which other equipment, operating and office equipment	7,001	6,765

Write-downs for the reporting year include impairment losses on rights to use land and buildings in the KSB SupremeServ Segment amounting to € 201 thousand. There were no impairments on right-of-use assets in the previous year.

3. Property, plant and equipment

Statement of changes in property, plant and equipment

€ thousands	Land and buildings		Plant and machinery		Other equipment, operating and office equipment		Advance payments and assets under construction*		Property, plant and equipment	
Historical cost	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Balance at 1 January	509,342	461,545	680,423	629,990	259,540	244,123	50,463	67,599	1,499,768	1,403,257
Currency translation adjustments	−9,156	4,190	−12,572	7,342	−4,845	1,586	−1,072	2,403	−27,644	15,520
Other	–	–	53	49	565	88	–	–	618	136
Additions	19,753	19,597	22,404	22,737	22,952	20,525	34,761	38,138	99,871	100,997
Disposals	−3,254	−1,288	−12,621	−9,423	−13,040	−9,339	−203	−93	−29,118	−20,142
Reclassifications	14,335	25,299	17,346	29,728	6,438	2,557	−38,119	−57,584	–	–
Balance at 31 December	531,021	509,342	695,033	680,423	271,611	259,540	45,829	50,463	1,543,494	1,499,768
Accumulated depreciation and amortisation	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Balance at 1 January	236,082	218,176	497,936	471,946	187,239	175,349	–	–	921,256	865,471
Currency translation adjustments	−3,400	1,602	−8,098	6,287	−3,248	1,597	–	–	−14,746	9,486
Other	–	–	47	38	319	58	–	–	366	97
Additions	12,466	16,476	29,458	28,664	20,113	19,733	–	–	62,038	64,872
Disposals	−2,725	−744	−12,440	−9,168	−12,421	−8,758	–	–	−27,585	−18,670
Reclassifications	–	571	106	169	−106	−740	–	–	–	–
Balance at 31 December	242,423	236,082	507,010	497,936	191,896	187,239	–	–	941,328	921,256
Carrying amount at 31 December	288,598	273,261	188,023	182,488	79,715	72,302	45,829	50,463	602,166	578,512

* The carrying amount of advance payments on property, plant and equipment as at the reporting date is € 13,913 thousand (previous year: € 11,051 thousand).

Impairment losses on property, plant and equipment of € 1,490 thousand (previous year: € 3,879 thousand) were recognised in the reporting year. Of this amount, € 398 thousand (previous year: € 3,549 thousand) was attributable to land and buildings, € 900 thousand (previous year: € 222 thousand) to technical equipment and machinery, and € 192 thousand (previous year: € 108 thousand) to other equipment and operating and office equipment. The Pumps Segment was affected by the impairments in the amount of € 935 thousand (previous year: € 1,912 thousand), the KSB SupremeServ Segment in the amount of € 555 thousand (previous year: € 1,532 thousand) and the Valves Segment in the previous year in the amount of € 435 thousand. The impairment losses are reported in the income statement under depreciation and amortisation.

The reversals of impairment losses on property, plant and equipment in the reporting year amounted to € 2,194 thousand. Of this amount, € 1,676 thousand was attributable to land and buildings, € 444 thousand to technical equipment and machinery, and € 73 thousand to other equipment and operating and office equipment. The reversals of impairment losses on property, plant and equipment were recognised for the Pumps Segment in the amount of € 1,811 thousand, the Valves Segment in the amount of € 300 thousand and the KSB SupremeServ Segment in the amount of € 83 thousand.

There were no material reversals of impairment losses on property, plant and equipment in the previous year.

Disposals of intangible assets and items of property, plant and equipment resulted in book gains of € 867 thousand (previous year: € 1,057 thousand) and book losses of € 1,021 thousand (previous year: € 752 thousand). The book gains and losses are reported in the income statement under other income and other expenses.

4. Non-current financial assets

The non-current financial assets in the amount of € 1,227 thousand (previous year: € 1,191 thousand) were mainly accounted for by loans to equity investments with € 1,018 thousand (previous year: € 1,105 thousand).

In the reporting year, as in the previous year, no material impairment losses on loans were recognised, because no significant default risks were identified.

5. Other non-financial assets

€ thousands	31 Dec. 2023	31 Dec. 2022
Other investments	3,699	3,801
Defined benefit assets	4,029	3,518
	7,728	7,319

Other investments are investments in affiliates that were not consolidated due to there being no material impact. As in the previous year, there was no depreciation and amortisation applied in the reporting year.

6. Investments accounted for using the equity method

The following table lists the KSB Group's material joint ventures. "Seat" refers to the country in which the main activity is performed. All joint ventures and associates are accounted for using the equity method and can also be found in the list of shareholdings in these Notes to the Consolidated Financial Statements. The share of capital corresponds to the share of voting rights.

→ Material joint ventures

Neither of the two material joint ventures is listed on a stock market, which is why there is no active market.

Summarised financial information on these material joint ventures of the KSB Group and a combined summary for all the individually immaterial joint ventures and associated companies are provided in the following tables:

→ Summarised balance sheet

→ Summarised statement of comprehensive income

→ Reconciliation to carrying amount of Group share in joint ventures

→ Summarised information on joint ventures and associates that are immaterial individually

As in the previous year, there are no pro rata losses that have not been recognised from the consolidation at equity.

Material joint ventures

Name and seat	Capital share	Nature of the entity's relationship
KSB Pumps Arabia Ltd., Saudi Arabia	50.00 %	KSB Pumps Arabia Ltd. in Riyadh, Saudi Arabia, offers a wide range of services and activities for the energy market as well as in water, waste water and building services applications. The portfolio includes business development and marketing, supply chain management, production of pressure booster systems and pump sets, sale of pumps, valves and systems and technical service activities. KSB Pumps Arabia Ltd. is important for the growth of the Group in the Saudi Arabian market.
Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., China	45.00 %	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd. in Shanghai, China, produces suitable auxiliary pumps for the secondary coolant circuits and modern reactor coolant pumps for the primary cooling circuits of nuclear power stations. Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd. is a strategic partnership on the part of the Group, through which KSB is participating in the expansion of energy capacity in China and other Asian markets.

Summarised balance sheet

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2023**	**2022**	**2023**	**2022**
Non-current assets	9,864	10,208	76,663	75,689
Current assets	45,294	35,671	196,481	189,834
of which cash and cash equivalents	2,728	1,700	42,144	23,471
Non-current liabilities	–7,539	–1,557	–6,369	–6,795
of which non-current financial liabilities (excluding trade payables and provisions)	–6,109	–87	–6,369	–6,795
Current liabilities	–33,987	–33,067	–223,564	–218,280
of which current financial liabilities (excluding trade payables and provisions)	–10,354	–9,916	–12,737	–13,590
Net assets	**13,632**	**11,255**	**43,212**	**40,448**

Summarised statement of comprehensive income

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2023**	**2022**	**2023**	**2022**
Sales revenue	40,060	32,316	86,284	91,895
Depreciation / amortisation	1,023	1,023	4,855	4,859
Interest income	–	–	208	134
Interest expense	–934	–514	–650	–993
Earnings from continuing operations	2,674	2,633	2,015	5,112
Taxes on income	–407	–519	3,420	–998
Earnings after taxes from continuing operations	**2,268**	**2,115**	**5,435**	**4,114**
Earnings after taxes from discontinued operations	–	–	–	–
Other comprehensive income	110	427	–2,671	–985
Comprehensive income	**2,378**	**2,542**	**2,764**	**3,129**
Dividends received from joint ventures	**–**	**–**	**–**	**–**

Reconciliation to carrying amount of Group share in joint ventures

	KSB Pumps Arabia Ltd,		Shanghai Electric-KSB Nuclear Pumps and Valves Co,, Ltd,	
€ thousands	**2023**	**2022**	**2023**	**2022**
Net carrying amount at 1 January	11,255	8,713	40,448	37,319
Earnings after income tax	2,268	2,115	5,435	4,114
Distribution of dividends	–	–	–	–
Other comprehensive income	110	427	–2,671	–985
Net carrying amount at 31 December	**13,633**	**11,255**	**43,212**	**40,448**
Investment in joint venture (50 % / 45 %)	6,817	5,628	19,445	18,202
Elimination of intercompany profit and loss *	–1,123	–870	–6,880	–7,694
Goodwill	–	–	–	–
Carrying amount at 31 December	**5,693**	**4,757**	**12,565**	**10,508**

* The cumulative effects shown as elimination of intercompany profits and loss in the reconciliation to the carrying amount of KSB's investment in Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China, result from eliminations in connection with the oncharging of product licences from KSB SE & Co. KGaA, Frankenthal/Pfalz, to this joint venture.

Summarised information on joint ventures and associates that are immaterial individually

€ thousands	**Joint ventures 2023**	**Associates 2023**	**Total 2023**	**Joint ventures 2022**	**Associates 2022**	**Total 2022**
Group share of earnings from continuing operations	597	1,033	**1,630**	126	794	**920**
Group share of other comprehensive income	–192	–	**–192**	214	–	**214**
Group share of comprehensive income	405	1,033	**1,438**	340	794	**1,134**
Elimination of intercompany profit and loss	39	–	**39**	–263	–	**–263**
Dividend distributed to the Group	–49	–774	**–823**	–	–625	**–625**
Total carrying amounts of Group shares in these companies	**4,429**	**1,793**	**6,222**	**4,033**	**1,535**	**5,568**

7. Inventories

€ thousands	**31 Dec. 2023**	**31 Dec. 2022**
Raw materials and production supplies	268,175	257,070
Work in progress	261,167	222,631
Finished goods and goods purchased and held for resale	196,200	216,254
Advance payments	22,851	23,266
	748,393	**719,221**

As at the reporting date, inventories amounting to € 57,263 thousand (previous year: € 51,018 thousand) are carried at net realisable value.

The impairment losses on inventories recognised as an expense in the reporting period amount to € 21,847 thousand (previous year: € 21,792 thousand).

Reversals of impairments on inventories in the amount of € 7,946 thousand (previous year: € 3,979 thousand) resulted from increased net realisable values compared with the previous year. Impairment losses and reversals of impairment losses on inventories are recognised in the income statement under cost of materials and changes in inventories.

Inventories amounting to € 1,129,380 thousand (previous year: € 1,056,880 thousand) were recognised as an expense in the reporting period.

Of the inventories as at the reporting date, work in progress and finished goods amounting to a total of € 88,664 thousand (previous year: € 87,023 thousand) have a maturity of more than one year.

8. Contract assets, trade receivables and other financial and non-financial assets

€ thousands	31 Dec. 2023	31 Dec. 2022
Contract assets	**58,969**	**80,018**
Trade receivables	**554,583**	**579,539**
Trade receivables from third parties *	505,795	530,156
Trade receivables from related parties *	48,787	49,383
Other financial assets	**70,888**	**71,517**
Receivables from loans to related parties	4,652	2,498
Currency forwards	2,325	2,970
Other receivables and other current assets	63,912	66,050
Other non-financial assets	**44,272**	**42,203**
Other tax assets	33,577	31,470
Deferred income	10,694	10,733

* In the presentation in the 2022 Annual Report, trade receivables from third parties as at 31 December 2022 included items amounting to € 104 thousand from related parties. By introducing a separate item for all trade receivables from related parties, a clear distinction is now made from balances with third parties to increase transparency. The previous year’s figure for trade receivables from third parties has been adjusted accordingly in this and the other relevant tables in this section. The change in presentation has no impact on the total value of trade receivables from related parties itemised for the previous year in Section IX. Other Disclosures.

Contract assets at the end of the reporting year totalled € 58,969 thousand (previous year: € 80,018 thousand). This decline is due to the fact that KSB’s contract progress fell more sharply than the related advance payments received as at the reporting date. Impairment losses on contract assets amounted to € 1,599 thousand (previous year: € 1,609 thousand). Of the contract assets as at the reporting date, € 12,361 thousand (previous year: € 17,482 thousand) relate to project orders with customers whose completion is not expected until more than one year after the reporting date.

Impairment losses of € 33,781 thousand (previous year: € 32,833 thousand) were recognised on trade receivables from third parties as at the reporting date.

Impairment losses on trade receivables and contract assets include the individual impairment allowance (EWB) and risk provisions for expected credit losses (ECL).

Impairment losses on trade receivables from third parties

€ thousands	31 Dec. 2023	31 Dec. 2022
Gross carrying amount of trade receivables from third parties	539,576	562,989
of which unhedged receivables	373,723	404,621
of which hedged receivables	165,853	158,368
Individual impairment allowance (EWB)	–29,713	–29,380
Risk provisions for expected credit losses (ECL)	–4,068	–3,453
of which ECL for unhedged receivables	–3,347	–2,855
of which ECL for hedged receivables	–721	–598
Net carrying amount of trade receivables from third parties	**505,795**	**530,156**

Impairment losses on contract assets

		31 Dec. 2023	31 Dec. 2022
Gross carrying amount of contract assets	€ thousands	60,568	81,627
Individual impairment allowance (EWB)	€ thousands	–1,150	–1,258
Risk provisions for expected credit losses (ECL)	€ thousands	–449	–351
Net carrying amount of contract assets	**€ thousands**	**58,969**	**80,018**
Expected default risk in relation to ECL	in %	0.7	0.4

Impairment losses of € 151 thousand (previous year: € 87 thousand) were recognised on trade receivables from related parties as at the reporting date. The impairment losses relate entirely to receivables from other investments. There were no impairment losses on receivables from loans to related parties as at the reporting date (previous year: € 320 thousand).

For further information on relationships with related parties, please refer to the relevant details in Section IX. Other Disclosures.

The reconciliation of impairment losses on trade receivables from third parties and contract assets between the opening and closing balance sheets is shown in the following tables.

Reconciliation of impairment losses 2023

	Trade receivables from third parties			Contract assets		
€ thousands	**EWB**	**ECL**	**Total**	**EWB**	**ECL**	**Total**
Opening balance at 1 January	**–29,380**	**–3,453**	**–32,833**	**–1,258**	**–351**	**–1,609**
Additions	–12,216	–2,221	–14,437	–168	–226	**–393**
Utilised	2,239	–	2,239	–	–	**–**
Reversal	8,281	1,292	9,572	–	75	**75**
Currency translation / Other	1,363	315	1,678	276	52	**328**
Closing balance at 31 December	**–29,713**	**–4,068**	**–33,781**	**–1,150**	**–449**	**–1,599**

Reconciliation of impairment losses 2022

	Trade receivables from third parties			Contract assets		
€ thousands	**EWB**	**ECL**	**Total**	**EWB**	**ECL**	**Total**
Opening balance at 1 January	**–32,165**	**–3,016**	**–35,181**	**–1,211**	**–419**	**–1,630**
Additions	–8,210	–1,239	–9,449	–298	–96	**–394**
Utilised	944	–	944	–	–	**–**
Reversal	9,577	615	10,192	8	111	**119**
Currency translation / Other	474	187	661	243	54	**296**
Closing balance at 31 December	**–29,380**	**–3,453**	**–32,833**	**–1,258**	**–351**	**–1,609**

Risk provision for expected credit losses by maturity of trade receivables

31 Dec. 2023		Not overdue	Up to 30 days	Up to 90 days	Up to 180 days	Up to 360 days	Over 360 days	Total
Gross carrying amount of unhedged trade receivables from third parties	€ thousands	242,964	46,945	27,924	19,752	10,316	25,822	373,723
ECL	€ thousands	–1,558	–415	–459	–397	–344	–174	–3,347
Expected default risk in relation to ECL	in %	0,6	0,9	1,6	2,0	3,3	0,7	–
31 Dec. 2022								
Gross carrying amount of unhedged trade receivables from third parties	€ thousands	275,133	48,141	29,928	18,250	9,156	24,012	**404,621**
ECL	€ thousands	–1,296	–275	–386	–365	–200	–333	**–2,855**
Expected default risk in relation to ECL	in %	0.5	0.6	1.3	2.0	2.2	1.4	–

The expected default risk of unhedged trade receivables from third parties determined based on the simplified impairment model is distributed over the age structure of the receivables portfolio at gross carrying amount as shown in the table above.

In the case of unhedged trade receivables from third parties with high overdue amounts, the risk provision for expected credit losses (ECL) in the reporting year partly results in a lower expected default risk compared with time bands with lower overdue amounts. This is the result of the relatively high recognition of individual impairments for the entirety of the far overdue open receivables items.

Other receivables and other current assets include hedges of credit balances prescribed by law for partial retirement arrangements and long-term working time accounts of the German Group companies in the amount of € 15,810 thousand (previous year: € 13,103 thousand).

€ 37,567 thousand (previous year: € 48,907 thousand) of total receivables and other assets are due after more than one year.

9. Cash and cash equivalents

Cash and cash equivalents are term deposits with short maturities and call deposits, and also current account balances. Cash equivalents include short-term deposits with an original maturity of less than three months.

In the reporting year, as in the previous year, no material impairment losses were recognised on cash and cash equivalents as no significant default risks were identified.

10. Equity

There was no change in the share capital of KSB SE & Co. KGaA as against the previous year. In accordance with the Articles of Association, it totals € 44,771,963.82 and, as in the previous year, is composed of 886,615 ordinary shares and 864,712 preference shares. 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. All shares are no-par-value bearer shares. The individual shares have no par value.

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

In addition to revenue reserves from previous years, the revenue reserves include currency translation adjustments, consolidation effects, remeasurements of defined benefit plans under IAS 19 and changes in the fair value of interest rate derivatives taken directly to equity. These issues resulted in deferred tax assets in the amount of € 57,712 thousand (previous year: € 29,732 thousand) and deferred tax liabilities in the amount of € 793 thousand (previous year: € 856 thousand).

Intercompany results from the transfer of assets within the Group are now eliminated on a pro rata basis in the non-controlling interests, and no longer in full with an effect on the equity attributable to the shareholders of KSB SE & Co. KGaA. The adjustment resulted in a reclassification of € 3,022 thousand, taken directly to equity, from non-controlling interests to revenue reserves in the reporting year.

The development of the currency translation differences in equity is shown in the table of the same name below.

A total of € 34,376 thousand (dividend of € 19.50 per ordinary share and € 19.76 per preference share) was paid from equity by resolution of the Annual General Meeting of the Group's parent company KSB SE & Co. KGaA, Frankenthal, on 4 May 2023.

The proposal on the appropriation of the net retained earnings of KSB SE & Co. KGaA for the reporting year calculated in accordance with HGB [*Handelsgesetzbuch* – German Commercial Code] is shown at the end of these Notes.

The development of the equity items, including the non-controlling interests explained in more detail below, is shown in the statement of changes in equity.

Non-controlling interests

The table below shows the subsidiaries with material non-controlling interests from the Group's perspective. "Seat" refers to the country in which the main activity is performed.

→ Subsidiaries with material non-controlling interests

Non-controlling interest thus relates primarily to PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal / Pfalz, and the interests it holds, as well as to companies in India and China. KSB SE & Co. KGaA, Frankenthal / Pfalz, holds a 51 % interest in PAB Pumpen- und Armaturen-Beteiligungsges. mbH, while Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, holds a 49 % interest.

Development of currency translation differences in equity

€ thousands	Currency translation differences in equity attributable to shareholders of KSB SE & Co. KGaA	Currency translation differences in non-controlling interests	Total amount of currency translation differences in equity
1 Jan. 2022	–124,168	–21,868	**–146,036**
Change in 2022	11,843	672	**12,515**
31 Dec. 2022	**–112,325**	**–21,196**	**–133,521**
1 Jan. 2023	–112,325	–21,196	**–133,521**
Change in 2023	–24,938	–8,433	**–33,370**
31 Dec. 2023	**–137,263**	**–29,629**	**–166,891**

Subsidiaries with material non-controlling interests

Name and seat	Non-controlling interest in capital	Earnings after income tax attributable to non-controlling interests		Accumulated non-controlling interests in equity	
€ thousands	**2023 / 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
PAB, Germany / USA (subgroup)	49.00 %	7,964	5,998	103,690	101,598
KSB Limited, India	59.46 %	13,268	13,218	83,155	76,591
KSB Shanghai Pump Co., Ltd., China	20.00 %	1,755	2,056	8,639	9,359
Subsidiaries with individually immaterial non-controlling interests		1,330	2,418	20,982	22,106
Total amount of non-controlling interests		**24,318**	**23,689**	**216,465**	**209,653**

Composition of the PAB subgroup as at 31 December 2023

Cons. No.	Name and seat	Country	Capital share in %	Held by No.
1	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal	Germany	51.00	–
2	KSB America Corporation, Richmond / Virginia	USA	100.00	1
3	GIW Industries, Inc., Grovetown / Georgia	USA	100.00	2
4	KSB Dubric, Inc., Comstock Park / Michigan	USA	100.00	2
5	KSB, Inc., Richmond / Virginia	USA	100.00	2
6	KSB, Inc. – Western Division, Bakersfield / California	USA	100.00	2
7	Standard Alloys Incorporated, Port Arthur / Texas	USA	100.00	2

Information on the subgroup that comprised the subsidiaries of the KSB Group listed in the following table as at 31 December 2023 is summarised under the name “PAB”.

→ **Composition of the PAB subgroup as at 31 December 2023**

The summarised financial information regarding the KSB Group’s subsidiaries with significant non-controlling interests and the PAB subgroup considered here is provided below. Except for the details on the PAB subgroup, this information corresponds to the amounts shown in the subsidiaries’ financial statements prepared in accordance with IFRS prior to intercompany eliminations. The required intercompany eliminations were taken into consideration for the PAB subgroup.

→ **Summarised balance sheet**

→ **Summarised statement of comprehensive income**

→ **Condensed statement of cash flows**

Summarised balance sheet

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands / 31 Dec.	2023	2022	2023	2022	2023	2022
Non-current assets	103,858	110,567	58,289	54,401	29,156	29,064
Current assets	182,599	163,954	166,034	152,376	149,750	137,293
Non-current liabilities	–13,068	–14,669	–2,279	–2,171	–391	–463
Current liabilities	–56,864	–52,511	–81,157	–75,795	–134,232	–119,101
Net assets	**216,526**	**207,342**	**140,886**	**128,811**	**44,283**	**46,793**

Summarised statement of comprehensive income

	PAB		KSB Limited		KSB Shanghai Pump Co,, Ltd,	
€ thousands	2023	2022	2023	2022	2023	2022
Sales revenue	292,917	274,891	250,825	219,339	186,347	179,474
Earnings after income tax	16,050	12,240	23,327	22,621	9,129	10,278
Other comprehensive income	–6,867	11,437	–5,404	–7,075	–2,947	–863
Comprehensive income	9,184	23,678	17,923	15,545	6,182	9,415
Other comprehensive income attributable to non-controlling interests	–3,365	5,604	–3,213	–4,207	–589	–173
Comprehensive income attributable to non-controlling interests	4,500	11,602	10,055	9,011	1,236	1,883
Dividends paid to non-controlling interests	–	–	–3,477	–3,129	–1,738	–4,545

Summarised cash flow statement

	PAB		KSB Limited		KSB Shanghai Pump Co,, Ltd,	
€ thousands	2023	2022	2023	2022	2023	2022
Cash flows from operating activities	32,422	–9,399	16,580	4,686	21,338	9,175
Cash flows from investing activities	–10,432	7,167	–201	–1,540	–2,442	–782
Cash flows from financing activities	–3,996	–2,648	–6,553	–6,115	–9,257	–14,481
Changes in cash and cash equivalents	**17,994**	**–4,880**	**9,826**	**–2,969**	**9,639**	**–6,088**
Cash and cash equivalents at beginning of period	11,886	14,419	3,701	6,788	40,702	47,612
Effects of exchange rate changes	164	2,347	–429	–118	–2,781	–822
Cash and cash equivalents at end of period	**30,044**	**11,886**	**13,098**	**3,701**	**47,560**	**40,702**

11. Provisions for pensions and similar obligations

The pension obligations in the KSB Group include defined contribution and defined benefit plans and contain both obligations from current pensions and future pension benefit entitlements.

Defined contribution pension plans

Total expenses for defined contribution pension plans in the reporting year amounted to € 62,327 thousand (previous year: € 52,816 thousand). Of this figure, € 27,884 thousand (previous year: € 27,714 thousand) resulted from contributions into the statutory pension insurance scheme in Germany.

Description of the defined benefit pension plans

The obligations for defined benefit pension plans for employees of the Group are mainly due to pension obligations in Germany, as well as in France, the United States and Switzerland.

More than 90 % of the defined benefit plans are attributable to the German Group companies. These relate to direct commitments by the companies to their employees. The commitments are based on salary and length of service. Contributions from employees themselves are also considered. This pension provision can be broken down into purely company-financed basic provision and the top-up provision from the employer. The latter is based on the amount of own contributions and the generated return on sales before taxes on income. Both components take account of the general pension contribution (the amount of which partially depends on company performance), personal income (the relationship between pensionable income and maximum income threshold) and the annuity conversion factor (based on age). Within the scope of the material pension plans of the German companies, every employee is entitled to apply at any time during the ongoing employment contract for payment in annual instalments, as a one-time payment or as a pension for life.

Pension schemes in France are governed by the provisions of the respective collective agreements. The obligations are basically covered by assets that have been paid in to an external fund. Upon retirement, the employees concerned receive a one-off payment from the fund.

The defined benefit pension plans in the United States are closed to new entrants. The pension benefit amount is derived from the average salary and years of service before closure of the plan. The retirement age is 65 years; from this point a monthly payment is made to the beneficiaries. The pension benefits are financed by external funds.

The obligations for defined benefit pension plans in Switzerland are based on occupational pensions in accordance with the *Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge* (BVG) [Swiss Federal Act on Occupational Retirement, Surviving Dependants', and Disability Pension Plans]. Every employee of a company with a total annual income above a certain minimum amount is insured in the employer's pension fund as a mandatory requirement. The occupational pension plan, as the second pillar of the Swiss pension system supplementing the state pension plan as the first pillar which is classified as a defined contribution plan, includes defined additional benefits in old age, in the event of disability or in the event of death with the aim of safeguarding the accustomed standard of living. Both employer and employee contributions are paid to finance this. If the pension fund has a shortfall, the employer is obliged to make up for it. The pension benefits after retirement are paid out as a monthly pension, as a one-off lump-sum payment or in the form of a combination of these, according to the choice of the employee.

In addition, employees in other countries are also entitled to a limited extent to retirement and partly to medical care benefits, depending mainly on the length of service and salary.

These defined benefit plans harbour actuarial risks, such as the longevity risk and interest rate risk. The payments associated with the pension obligations are mostly serviced through liquidity. Plan assets are also partially available for financing these obligations. Most of the plan assets are man-aged by insurers who set their own appropriate investment policies.

The actuarial valuations of the present value of the defined benefit obligation (and the related current service cost and the past service cost) are measured and calculated annually on the basis of actuarial reports using the projected unit credit method (IAS 19). Plan assets are measured at fair value.

Explanation of the effects of the defined benefit pension plans on the balance sheet and income statement

The regional allocation of the total defined benefit pension plans from the Group's point of view, as well as the change in the present value of the defined benefit obligation, the fair value of plan assets and the net liability from defined benefit obligations, as consolidated for the Group, is presented in the following tables.

→ Regional allocation of the defined benefit pension plans
→ Change in present value of defined benefit obligations
→ Changes in the fair value of the plan assets
→ Changes to the net liability of the defined benefit obligations

Regional allocation of the defined benefit pension plans

	Defined benefit obligations (DBOs)	Fair value of plan assets	Effect of the asset upper limit	Net balance approach	Defined benefit obligations (DBOs)	Fair value of plan assets	Effect of the asset upper limit	Net balance approach
€ thousands	31 Dec. 2023				31 Dec. 2022			
Germany	476,577	–	–	476,577	432,985	–	–	432,985
France	9,699	–2,209	–	7,490	8,755	–2,798	–	5,957
USA	10,094	–13,303	–	–3,209	11,168	–13,845	–	–2,677
Switzerland	12,911	–12,439	–	472	12,474	–11,885	–	589
Other countries	40,552	–33,314	3,520	10,758	44,002	–36,522	3,717	11,197
	549,833	–61,265	3,520	492,088	509,384	–65,050	3,717	448,051

Change in present value of defined benefit obligations

€ thousands	2023	2022
Opening balance of the defined benefit obligation (DBO) – 1 Jan.	509,384	678,323
Current service cost	10,008	13,264
Interest cost	18,977	8,835
Employee contributions	352	301
Remeasurements		
– / + Gain / loss from the change in demographic assumptions	–339	–333
– / + Gain / loss from the change in financial assumptions	40,729	–188,897
– / + Experience-based gain / loss	41	20,139
Benefit payments	–28,750	–23,831
Past service cost (incl. effects of settlements and curtailments)	150	851
Currency translation differences	–719	–131
Changes in consolidated Group / Other	–	863
Closing balance of the defined benefit obligation (DBO) – 31 Dec.	549,833	509,384

Changes in the fair value of the plan assets

€ thousands	2023	2022
Opening balance of the plan assets measured at fair value – 1 Jan.	**65,050**	**68,701**
Interest income	2,977	1,781
Remeasurements		
+ / – Gain / loss from plan assets excluding amounts already recognised in interest income	541	–6,796
Contributions by the employer	1,060	4,737
Contributions by the beneficiary employees	352	301
Currency translation differences	–419	–63
Paid benefits	–8,150	–4,086
Changes in consolidated Group / Other	–146	475
Closing balance of the plan assets measured at fair value – 31 Dec.	**61,265**	**65,050**

Changes to the net balance sheet approach of the defined benefit obligations

€ thousands	2023	2022
Opening balance of the net balance sheet approach from defined benefit obligations – 1 Jan.	**448,051**	**609,622**
Current service cost	10,008	13,264
Net interest expense	16,182	7,054
Employee contributions	–	–
Contributions by the employer	–1,060	–4,737
Remeasurements		
– / + Gain / loss from plan assets excluding amounts already recognised in interest income	–541	6,796
– / + Gain / loss from the change in demographic assumptions	–339	–333
– / + Gain / loss from the change in financial assumptions	40,729	–188,897
– / + Experience-based gain / loss	41	20,139
Change in the asset ceiling	–456	3,866
Benefit payments	–20,600	–19,745
Past service cost (incl. effects of settlements and curtailments)	150	851
Currency translation differences	–223	–217
Changes in consolidated Group / Other	146	388
Closing balance of the net balance sheet approach from defined benefit obligations – 31 Dec.	**492,088**	**448,051**
of which assets from defined benefit assets	4,028	3,518
of which provisions for pensions and similar obligations	496,116	451,569

Current and past service costs are recognised in staff costs under pension costs.

The interest rate effect from accounting for the defined benefit pension plans, in the form of interest expenses from the DBO and interest income from the plan assets, is recognised in the income statement as a net amount under the interest and similar expenses item and thus in the finance income / expense.

The remeasurement of defined benefit obligations and plan assets as well as the change in the asset ceiling is included in other comprehensive income and thus directly in the Group's equity.

Overall, because of the asset ceiling stipulated in IAS 19, a surplus of plan assets over the present value of the related defined benefit obligations in the amount of € 3,520 thousand (previous year: € 3,717 thousand) is not recognised as an asset as at the reporting date. KSB does not derive any future economic benefit from this surplus in the form of reduced contributions or a refund.

Explanation of the plan assets

The composition of the plan assets is explained in the table of the same name.

In principle, the pension funds are endowed with the amount needed to meet the respective statutory minimum requirements.

The actual income from plan assets amounted to € 3,518 thousand (previous year: expense of € 5,015 thousand).

In the following year, employer contributions to plan assets are expected to be at the level seen in the 2023 financial year. The amounts in 2023 came to € 1,060 thousand.

Composition of plan assets

	Quoted market price in an active market	No quoted market price in an active market	Total	Quoted market price in an active market	No quoted market price in an active market	Total
€ thousands	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2022	31 Dec. 2022	31 Dec. 2022
Equity instruments (shares)	17,537	–	17,537	28,154	–	28,154
Debt instruments (loans)	21,409	–	21,409	12,179	477	12,656
of which government bonds	16,429	–	16,429	7,169	477	7,646
of which corporate bonds	4,980	–	4,980	5,010	–	5,010
Currency forwards	–	–	–	137	–	137
Money market investments	1,470	359	1,829	2,159	96	2,255
Real estate	2,953	84	3,037	3,516	124	3,640
Insurance contracts	48	9,259	9,307	280	9,653	9,933
Bank credit balances	500	5,089	5,589	634	5,300	5,934
Other investments	1,920	637	2,557	2,341	–	2,341
	45,837	15,428	61,265	49,400	15,650	65,050

Actuarial assumptions, sensitivities and other disclosures on defined benefit pension plans

As in the previous year, measurement of the German pension plans is based on a mean fluctuation rate of 2.0 %. The biometric assumptions continue to be based on the 2018G mortality tables published by Prof. Dr. Klaus Heubeck. The retirement age used for the calculations is based on the *Rentenversicherungs-Altersgrenzanpassungsgesetz* 2007 [RVAGAnpG – German Act Adapting the Standard Retirement Age for the Statutory Pension Insurance System]. Other measurement parameters (e.g. cost trends in the medical care area) are not material.

For the material pension plans of the German companies, the regular assessment made by KSB regarding the exercising of the lump-sum option by employees led to an adjustment of the measurement assumptions compared with the previous year. Therefore, as at 31 December 2023, a payment in the form of a lifelong pension was assumed for 65 % (previous year: 45 %) of the specific workforce, a one-off payment for 30 % (previous year: 35 %) and payment in instalments over 10 years after termination of employment for 5 % (previous year: 20 %). The resulting actuarial losses had a negative effect of € 7,068 thousand on other comprehensive income in the reporting year.

The discount rate and future mortality were identified as key actuarial assumptions.

Discount rate

%	31 Dec. 2023	31 Dec. 2022
Germany	3.2	3.7
France	3.2	3.8
USA	5.3	4.9
Switzerland	2.0	1.8

As in the previous year the basis for the calculation of the sensitivities is the same method which was used for the calculation of the provisions for pensions and similar obligations. Were the discount factor to increase by 100 basis points, the DBO would fall by € 62,170 thousand (previous year: € 53,175 thousand). A 100 basis point reduction in the discount factor would increase the DBO by € 78,164 thousand (previous year: € 65,355 thousand). It should be noted that a change in the discount factor due to particular financial effects (such as compound interest) does not affect the development of the DBO on a straight-line basis. Were life expectancy to increase by 1 year, the DBO would increase by € 18,028 thousand (previous year: € 14,932 thousand). Additionally, the individual actuarial assumptions are mutually dependent, but these interdependencies are not taken into account in the sensitivity analysis.

On 31 December 2023 the weighted average term of the DBO was 14 years (previous year: 13 years).

KSB's expected benefit payments from defined benefit pension plans over the next five years are shown in the table below.

Expected pension benefit payments

€ thousands at 31 Dec. 2023	2024	2025	2026	2027	2028
Expected payments	23,894	26,901	28,235	28,625	30,626

€ thousands at 31 Dec. 2022	2023	2024	2025	2026	2027
Expected payments	23,475	24,810	26,109	29,136	29,934

12. Other provisions

The provisions for warranty obligations and contractual penalties cover the statutory and contractual obligations to customers and are based on estimates prepared using historical data for similar products and services. They amount to € 71,945 thousand (previous year: € 53,129 thousand) in the reporting year.

Provisions for employee benefits relate primarily to anniversary and partial retirement obligations.

The provisions for onerous contracts amounting to € 13,672 thousand (previous year: € 13,667 thousand) result in particular from project orders with customers.

Miscellaneous other provisions include provisions for litigation risks in the amount of € 5,768 thousand (previous year: € 4,52 thousand).

€ 44,419 thousand (previous year: € 40,743 thousand) of the other provisions are expected to become cash-effective after more than one year.

Composition of other provisions *

	31 Dec. 2023			31 Dec. 2022		
€ thousands	Total	Non-current	Current	Total	Non-current	Current
Warranty obligations and contractual penalties	71,945	–	71,945	53,129	–	53,129
Employee benefits	22,585	13,855	8,730	22,725	14,832	7,893
Onerous contracts	13,672	–	13,672	13,667	–	13,667
Miscellaneous other provisions	28,281	1,848	26,433	26,193	1,883	24,310
	136,483	15,703	120,781	115,714	16,715	98,999

* Compared with the presentation in the 2022 Annual Report, provisions for employee benefits in accordance with IAS 19 that do not relate to pensions and similar obligations are now included in the other provisions item to increase transparency. The previous year's figures have been restated accordingly. Provisions for pensions and similar obligations are shown in a separate balance sheet item and explained in Section 11 above.

Development of other provisions *

€ thousands	1 Jan. 2023	CTA ** / Other	Utilisation	Reversal	Additions	31 Dec. 2023
Warranty obligations and contractual penalties	53,129	–470	–18,943	–6,839	45,068	71,945
Employee benefits	22,725	–47	–8,752	–493	9,152	22,585
Onerous contracts	13,667	–8	–8,056	–170	8,238	13,672
Miscellaneous other provisions	26,193	–235	–6,516	–2,333	11,172	28,281
	115,714	–760	–42,266	–9,835	73,631	136,483

* Restated compared with the presentation in the 2022 Annual Report; cf. the explanation below the "Composition of other provisions" table.

** Currency translation adjustments

13. Liabilities

Non-current liabilities

€ thousands	31 Dec. 2023	31 Dec. 2022
Financial liabilities	**28,960**	**24,117**
Bank loans and overdrafts	312	940
Finance lease liabilities	28,170	22,904
Other	477	272

Current liabilities

€ thousands	31 Dec. 2023	31 Dec. 2022
Financial liabilities	**26,053**	**26,630**
Bank loans and overdrafts	10,189	13,094
Finance lease liabilities	15,853	13,526
Other	10	10
Contract liabilities	**202,619**	**186,477**
Trade payables	**324,723**	**333,361**
Trade payables to third parties *	318,930	328,373
Trade payables to related parties *	5,793	4,988
Other financial liabilities	**27,659**	**23,921**
Currency forwards	2,304	2,322
Miscellaneous other financial liabilities	25,355	21,599
Other non-financial liabilities	**181,804**	**164,604**
Social security and liabilities to employees	152,410	132,989
Tax liabilities (excluding income tax)	23,782	24,147
Prepaid expenses	630	2,393
Investment grants and subsidies	4,982	5,075
Income tax liabilities	**18,649**	**14,918**

* In the presentation in the 2022 Annual Report, trade payables to third parties as at 31 December 2022 included trade payables to related parties amounting to € 4,007 thousand. By introducing a separate item for all trade payables to related parties, a clear distinction is now made with respect to balances with third parties in order to increase transparency. The previous year’s figure for trade payables to third parties was restated accordingly. The change in presentation has no impact on the total value of trade payables to related parties itemised for the previous year in Section IX. Other Disclosures.

The weighted average interest rate on bank loans and overdrafts was 9.06 % (previous year: 8.19 %). The interest rate is in particular influenced by the terms and conditions for borrowing by subsidiaries based abroad, which finance themselves in the local market due to a greater currency devaluation.

The maturity analysis of lease obligations at the reporting date is as follows:

Maturity analysis of liabilities from lease obligations

€ thousands	31 Dec. 2023	31 Dec. 2022
Due within 1 year	15,853	13,526
Due between 1 and 5 years	25,094	19,195
Due after more than 5 years	3,076	3,709
	44,023	36,430

The amount of contract liabilities at the end of the reporting year is € 202,619 thousand and is thus above the comparative prior-year value of € 186,477 thousand. This increase is due to the higher advance payments received from customers in the 2023 financial year compared with the prior-year reporting date, coupled with a lower associated contract progress on the part of KSB. In the reporting year, KSB recognised sales revenue of € 95,453 thousand (previous year: € 86,757 thousand) which was included in the balance of contract liabilities at the beginning of the reporting year.

The reported investment grants and subsidies largely comprise funding from the European Union and German entities for new buildings and development aid projects. There are no material unfulfilled conditions or other contingencies related to these grants.

Overall, assets of the Group amounting to € 22,883 thousand (previous year: € 21,503 thousand) are used to secure liabilities and are subject to corresponding restrictions on disposal by KSB or pledges. The majority of the assets used as security for liabilities, at € 17,444 thousand (previous year: € 14,921 thousand), is attributable to other receivables and other current assets, and includes in particular hedges of credit balances for partial retirement arrangements and long-term working accounts of the German Group companies.

There were no covenant agreements for loans in the reporting year, as was the case in the previous year.

V. INCOME STATEMENT DISCLOSURES

14. Sales revenue

Breakdown of sales revenue for the 2023 financial year

€ thousands	Pumps Segment	Valves Segment	KSB SupremeServ Segment	Total
Sales revenue	1,513,653	361,435	943,900	2,818,988
of which sales revenue from the sale of goods	1,513,653	361,435	647,903	2,522,991
of which sales revenue from the provision of services	–	–	295,997	295,997
of which goods and services transferred at a specific time	1,255,058	342,177	545,246	2,142,481
of which goods and services transferred over a period of time	258,595	19,258	398,654	676,507

Breakdown of sales revenue for the 2022 financial year

€ thousands	Pumps Segment	Valves Segment	KSB SupremeServ Segment	Total
Sales revenue	1,390,192	333,072	850,123	2,573,387
of which sales revenue from the sale of goods	1,390,192	333,072	554,976	2,278,240
of which sales revenue from the provision of services	–	–	295,147	295,147
of which goods and services transferred at a specific time	1,147,952	302,740	460,136	1,910,828
of which goods and services transferred over a period of time	242,240	30,332	389,987	662,559

The tables above show the breakdown of the Group's sales revenue by product category, timing of revenue recognition and Segment. Detailed information on KSB's Segments is provided in Section VIII. Segment Reporting of the Notes to the consolidated financial statements.

The Group's orders on hand, in the form of the total transaction price of performance obligations unsatisfied or partially unsatisfied as at the reporting date, are as follows:

Performance obligations unsatisfied or partially unsatisfied as at the reporting date (orders on hand)

€ thousands	31 Dec. 2023	31 Dec. 2022
Total transaction price of performance obligations unsatisfied or partially unsatisfied as at the reporting date (orders on hand)	1,548,138	1,497,754
of which expected sales revenue within the next 12 months	1,223,626	1,170,521
of which expected sales revenue after more than 12 months	324,512	327,233

15. Other income

€ thousands	2023	2022
Income from the reversal of impairment losses	9,648	10,313
Government grants	6,140	4,520
Currency translation gains	2,138	3,050
Insurance compensation	12,862	2,981
Income from disposal of assets	867	1,057
Miscellaneous other income	12,728	12,540
	44,384	**34,462**

In the reporting year, KSB received insurance compensation of € 10.4 million in relation to the hail damage at the French factory in La Roche-Chalais in 2022.

Other income relates to a large number of individual items and includes, among other things, remuneration for various other services provided by the Group outside its primary business activities.

16. Cost of materials

The cost of materials amounted to € 1,153,651 thousand (previous year: € 1,156,292 thousand) in the reporting year. This item includes expenses for raw materials, consumables and supplies and for goods and services purchased. Due in part to the sales growth in the KSB SupremeServ Segment, the cost of materials was at the same level as in the previous year, while sales revenue increased year on year. In addition, a slight fall in procurement prices had an impact in some cases.

17. Staff costs

€ thousands	2023	2022
Wages and salaries	781,483	730,170
Social security contributions and employee assistance costs	161,990	150,420
Pension costs	17,226	20,961
	960,699	**901,551**

Pension costs are reduced by the interest component included in the allocation of provisions that is reported in finance income / expense.

The average number of employees in the Group during the year and as at the reporting date is shown in the table below.

→ Employees

The increase in staff costs compared with the previous year reflects the higher number of employees, general wage and salary increases and increased profit bonuses for employees.

Employees

	Average for the year		At reporting date	
	2023	2022	31 Dec. 2023	31 Dec. 2022
Wage earners	6,787	6,827	6,758	6,804
Salaried employees	9,151	8,816	9,280	8,889
	15,938	**15,643**	**16,038**	**15,693**

18. Other expenses

€ thousands	2023	2022
Repairs, maintenance, third-party services	159,651	139,693
Administrative expenses	110,890	93,936
Selling expenses	80,219	67,193
Other staff costs	31,689	27,271
Other taxes	13,557	13,108
Rents and leases	12,585	12,835
Impairment losses on trade receivables and contract assets	14,906	9,935
Currency translation losses	158	2,719
Losses from current assets	1,442	569
Losses from asset disposals	1,021	752
Miscellaneous other expenses	37,137	23,602
	463,257	**391,612**

The increase in administrative costs was due in particular to higher consulting costs and travel expenses.

The expenses for rents and leases consist of expenses for leases with low-value underlying assets of € 3,498 thousand (previous year: € 2,629 thousand), expenses for short-term leases in the amount of € 6,511 thousand (previous year: € 5,916 thousand), expenses from variable lease payments of € 1,280 thousand (previous year: € 1,061 thousand) and expenses for rents and other leases in the amount of € 1,297 thousand (previous year: € 3,229 thousand).

Other expenses are primarily made up of expenses from the additions to provisions for warranties and expected losses associated with customer contracts. Income from the reversal of such provisions is also included in this item.

19. Finance income / expense

Interest and similar expenses include the net interest expense for pension provisions amounting to € 16,182 thousand (previous year: € 7,054 thousand). In addition, the item also includes interest expense from the subsequent measurement of lease liabilities in the amount of € 1,329 thousand (previous year: € 673 thousand).

Other finance expense includes in particular the effects from the application of IAS 29 Financial Reporting in Hyperinflationary Economies described in Section II. Consolidation Principles under Hyperinflation.

Finance income / expense

€ thousands	2023	2022
Finance income	**9,382**	**7,461**
Income from equity investments	–	257
thereof from other investments	–	257
Interest and similar income	9,301	7,132
thereof from other investments	65	59
thereof from investments accounted for using the equity method	81	350
Other finance income	81	72
Finance expense	**–29,656**	**–17,712**
Interest and similar expenses	–22,620	–12,985
Other finance expense	–7,036	–4,727
Income from / expense to investments accounted for using the equity method	**5,361**	**1,816**
Finance income / expense	**–14,913**	**–8,435**

20. Taxes on income

This item shows the effective and deferred taxes on income of the companies included in the consolidated financial statements. The applicable tax rate of 30.5 % in the 2023 financial year (previous year: 30.7 %) is a composite rate resulting from the current German corporation tax, solidarity surcharge and trade tax rates. This tax rate forms the base for deriving the actual tax rate for the Group.

Taxes on income in the income statement

Taxes on income

€ thousands	2023	2022
Effective taxes	64,971	48,606
Deferred taxes	–32,595	–15,276
	32,376	**33,330**

Effective taxes include prior-period tax refunds in the amount of € 1,369 thousand (previous year: € 2,090 thousand) and tax arrears in the amount of € 933 thousand (previous year: € 386 thousand). As in the previous year, the introduction of new local taxes had no effects in the reporting year. Changes in foreign tax rates led to an increase in the total tax expense of € 198 thousand (previous year: reduction of € 205 thousand).

Deferred tax assets according to the income statement are derived as follows:

Reconciliation of deferred taxes

€ thousands	2023	2022
Change in deferred tax assets	–56,966	–2,455
Change in deferred tax liabilities	–2,153	2,833
Change in deferred taxes recognised in balance sheet	**–59,119**	**378**
Change in deferred taxes taken directly to equity	27,915	–14,625
Changes in consolidated Group / CTA * / Other	–1,391	–1,029
Deferred taxes recognised in income statement	**–32,595**	**–15,276**

* Currency translation adjustments

The reconciliation for the derivation of the taxes on income reported in the income statement, based on the earnings before income tax (EBT), is shown in the following table.

Reconciliation of income tax

€ thousands	2023	2022
Earnings before income tax (EBT)	208,989	160,668
Calculated income taxes on the basis of the applicable Group tax rate	63,742	49,281
Differences in tax rates	–10,405	–8,607
Tax losses from the current year that are not recognised	2,193	1,646
Changes in the value of deferred taxes on tax loss carryforwards	–24,364	–7,193
Impairment loss on goodwill	207	219
Changes in the value of deferred taxes on temporary differences	–15,415	–13,975
Tax-exempt income	–6,022	–5,315
Non-deductible expenses	13,042	13,096
Prior-period taxes	5,379	–1,511
Non-deductible foreign income tax	5,416	5,243
Investments accounted for using the equity method	–1,406	–352
Other	9	797
Current taxes on income	**32,376**	**33,330**
Current tax rate	16 %	21 %

Taxes on income in the balance sheet

The allocation of deferred tax assets and deferred tax liabilities to the items in the Group's balance sheet is shown in the table below.

→ Allocation of deferred taxes

As at the reporting date, deferred tax assets (after offsetting) of € 5,903 thousand (previous year: € 9,713 thousand) were recognised in the balance sheet, which arose from companies posting a loss in the reporting year or in the previous year and whose realisation depends exclusively on the creation of future profit. Based on the planning figures available, KSB expects realisation to take place.

As shown in the reconciliation to the comprehensive earnings in the Group's statement of comprehensive income, taxes on income are reflected in the Group's equity as follows:

Income tax included under equity

€ thousands	2023	2022
Remeasurement of defined benefit plans *	–39,196	158,394
Taxes on income	27,618	–13,868
Currency translation differences *	–33,370	12,515
Taxes on income	–	–
Changes in the fair value of financial instruments	–458	3,285
Taxes on income	297	–757
Other comprehensive income	**–45,110**	**159,569**

* These items include the changes taken directly to equity relating to investments accounted for using the equity method. Further details are provided in the statement of comprehensive income.

Allocation of deferred taxes

	Deferred tax assets		Deferred tax liabilities	
€ thousands	2023	2022	2023	2022
Non-current assets	**5,268**	**6,228**	**42,122**	**40,630**
Intangible assets	407	442	1,861	1,334
Right-of-use assets	17	19	9,522	8,536
Property, plant and equipment	4,202	4,952	28,944	29,150
Financial and non-financial assets	642	815	1,795	1,610
Current assets	**45,006**	**40,999**	**16,818**	**19,889**
Inventories	38,152	33,552	1,538	297
Receivables and other current assets	6,854	7,447	15,280	19,592
Non-current liabilities	**66,538**	**37,212**	**4,854**	**3,447**
Provisions for pensions and similar obligations	59,502	31,702	4,854	3,447
Other provisions	932	641	–	–
Other liabilities *	6,104	4,869	–	–
Current liabilities	**36,467**	**25,134**	**22,028**	**22,610**
Other provisions	18,400	11,482	264	145
Other liabilities *	18,067	13,652	21,764	22,465
Tax loss carryforwards	**16,729**	**2,067**	**–**	**–**
Gross deferred taxes – before offsetting	**170,006**	**111,640**	**85,822**	**86,576**
Offset under IAS 12.74	–75,966	–74,566	–75,966	–74,566
Net deferred taxes – after offsetting	**94,040**	**37,074**	**9,857**	**12,010**

* Deferred tax assets from non-current lease liabilities amount to € 6,104 thousand (previous year: € 4,869 thousand) and those from current lease liabilities to € 3,460 thousand (previous year: € 2,719 thousand). They are reported under deferred taxes for other liabilities (non-current and current).

Further information and explanations on taxes on income

Contingent liabilities from income tax issues amount to € 1,068 thousand (previous year: € 215 thousand). There are currently no indications that the utilisation of these obligations is likely.

As far as net income from affiliates and other equity investments is concerned, withholding taxes incurred in connection with distributions and German taxes incurred are recognised as deferred taxes if these gains are expected to be subject to corresponding taxation, or there is no intention of reinvesting them in the long term. No deferred tax liabilities were recognised for taxable temporary differences of € 6,139 thousand (previous year: € 6,297 thousand) in relation to affiliates and associates as it is unlikely that these temporary differences will be reversed in the foreseeable future.

No deferred tax assets were recognised for corporate tax loss carryforwards amounting to € 17,219 thousand (previous year: € 104,619 thousand) and for trade tax loss carryforwards amounting to € 2,942 thousand (previous year: € 64,917 thousand), due to the recognition criteria of IAS 12, especially in the case where there is a history of losses. The loss carryforwards are largely available for an indefinite period. The income resulting from the use of loss carryforwards for which no deferred tax assets had been recognised so far was € 4,714 thousand (previous year: € 6,033 thousand).

Deductible temporary differences for which no deferred tax assets had to be set up amounted to € 4,663 thousand (previous year: € 107,236 thousand).

KSB considers the existing deferred tax assets in the tax group of KSB SE & Co. KGaA from loss carryforwards and from taxable temporary differences to be fully recoverable. The basis for this assessment is, firstly, the elimination of the loss history for KSB SE & Co. KGaA's tax group. Secondly, KSB expects positive taxable income for KSB SE & Co. KGaA's tax group in the coming years. The reversal of impairment losses recognised in the previous year results in deferred tax income of € 32,532 thousand in the income statement and € 15,261 thousand in other comprehensive income.

The Group falls within the scope of the OECD Pillar Two model rules. The Pillar Two legislation was adopted in Germany and has been applicable since 1 January 2024. As the Pillar Two legislation had not yet been finalised as at the reporting date, the Group is not subject to any taxation in this respect for the 2023 financial year. The Group makes use of the exemption from recognising deferred taxes in connection with Pillar Two income taxes, which was the subject of the amendments to IAS 12 published in May 2023. Overall, the Group does not expect the first-time application of the Pillar Two rules in 2024 to have any material impact on its net assets, financial position and results of operations. The Group is currently working with external tax specialists to support the application and implementation of the Pillar Two legislation.

21. Earnings after income tax – Non-controlling interests

The net profit attributable to non-controlling interests amounts to € 25,940 thousand (previous year: € 25,244 thousand) and the net loss attributable to non-controlling interests amounts to € 1,622 thousand (previous year: € 1,555 thousand). Further details on the non-controlling interests are provided in Notes No. 10 "Equity".

22. Earnings per share

Earnings per share are calculated using the weighted average number of shares as the denominator.

Earnings per share

		2023	2022
Earnings after income tax – Attributable to KSB SE & Co. KGaA shareholders	€ thousands	152,295	103,649
Additional dividend attributable to preference shareholders (€ 0.26 per preference share) (previous year: € 0.26 per preference share)	€ thousands	–225	–225
	€ thousands	**152,070**	**103,425**
Number of ordinary shares		886,615	886,615
Number of preference shares		864,712	864,712
Total number of shares		**1,751,327**	**1,751,327**
Diluted and basic earnings per ordinary share	**€**	**86.83**	**59.05**
Diluted and basic earnings per preference share	**€**	**87.09**	**59.31**

VI. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

1. Financial instruments – Carrying amounts, fair values and other disclosures by measurement category

Financial instruments by measurement category – 31 Dec. 2023

Balance sheet item / Class € thousands	Measurement category *	Carrying amount	Fair value	Fair value Level 1 **	Fair value Level 2 ***	Fair value Level 3 ****
Assets						
Non-current assets						
Loans and other assets	AC	1,227	1,227	–	1,227	–
Current assets						
Trade receivables from third parties	AC	505,795	505,795	–	–	–
Trade receivables from related parties	AC	48,787	48,787	–	–	–
Receivables from loans to related parties	AC	4,652	4,652	–	–	–
Currency forwards designated as hedges	n.a.	1,724	1,724	–	1,724	–
Currency forwards not designated as hedges	FVPL	601	601	–	601	–
Other receivables and other current assets	AC	63,912	63,912	–	–	–
Cash and cash equivalents	AC	340,420	340,420	–	–	–
Equity and Liabilities						
Non-current liabilities						
Financial liabilities excluding lease obligations	AC	789	742	–	742	–
Lease obligations	n.a.	28,170	–	–	–	–
Current liabilities						
Financial liabilities excluding lease obligations	AC	10,199	10,199	–	–	–
Lease obligations	n.a.	15,853	–	–	–	–
Trade payables	AC	324,723	324,723	–	–	–
Currency forwards designated as hedges	n.a.	2,165	2,165	–	2,165	–
Currency forwards not designated as hedges	FVPL	139	139	–	139	–
Miscellaneous other financial liabilities	AC	25,355	25,355	–	–	–

Measurement categories aggregated under IFRS 9 – 31 Dec. 2023

Assets	AC	964,793
Equity and Liabilities	AC	361,066
Assets	FVPL	601
Equity and Liabilities	FVPL	139

* AC = Amortised cost, FVPL = Fair value through profit or loss

** Level 1: Fair value is determined on the basis of quoted prices (unadjusted) on active markets for identical assets and liabilities.

*** Level 2: The fair value is determined on the basis of measurement parameters that are not the quoted prices taken into account for level 1, but are observable for the asset or the liability either directly as a price or indirectly derived from prices.

**** Level 3: The fair value is determined on the basis of measurement parameters for assets or liabilities that are not based on observable market data.

Financial instruments by measurement category – 31 Dec. 2022

Balance sheet item / Class € thousands	Measurement category *	Carrying amount	Fair value	Fair value Level 1 **	Fair value Level 2 ***	Fair value Level 3 ****
Assets						
Non-current assets						
Non-current financial instruments	FVPL	53	53	53	–	–
Loans	AC	1,137	1,137	–	1,137	–
Current assets						
Trade receivables from third parties	AC	530,156	530,156	–	–	–
Trade receivables from related parties	AC	49,383	49,383	–	–	–
Receivables from loans to related parties	AC	2,498	2,498	–	–	–
Currency forwards designated as hedges	n.a.	2,522	2,522	–	2,522	–
Currency forwards not designated as hedges	FVPL	448	448	–	448	–
Other receivables and other current assets	AC	66,050	66,050	–	–	–
Cash and cash equivalents	AC	228,570	228,570	–	–	–
Equity and Liabilities						
Non-current liabilities						
Financial liabilities excluding lease obligations	AC	1,212	891	–	891	–
Lease obligations	n.a.	22,904	–	–	–	–
Current liabilities						
Financial liabilities excluding lease obligations	AC	13,104	13,104	–	–	–
Lease obligations	n.a.	13,526	–	–	–	–
Trade payables	AC	333,361	333,361	–	–	–
Currency forwards designated as hedges	n.a.	1,791	1,791	–	1,791	–
Currency forwards not designated as hedges	FVPL	531	531	–	531	–
Miscellaneous other financial liabilities	AC	21,599	21,599	–	–	–

Measurement categories aggregated under IFRS 9 – 31 Dec. 2022

Assets	AC	877,794
Equity and Liabilities	AC	369,276
Assets	FVPL	501
Equity and Liabilities	FVPL	531

* AC = Amortised cost, FVPL = Fair value through profit or loss

** Level 1: Fair value is determined on the basis of quoted prices (unadjusted) on active markets for identical assets and liabilities.

*** Level 2: The fair value is determined on the basis of measurement parameters that are not the quoted prices taken into account for level 1, but are observable for the asset or the liability either directly as a price or indirectly derived from prices.

**** Level 3: The fair value is determined on the basis of measurement parameters for assets or liabilities that are not based on observable market data.

For the financial assets measured at amortised cost, it is assumed that the fair values correspond to the carrying amounts, given the predominantly short maturities of these financial instruments. This is also the case for all financial liabilities measured at amortised cost, with the exception of non-current financial liabilities.

The fair values of the current and non-current financial instruments are based on prices quoted in active markets (level 1).

Fair values within level 2 are determined using a discounted cash flow method. This relates to loans, non-current financial liabilities and currency forwards. KSB applies an appropriate yield curve for discounting. Future cash flows from currency forwards are calculated on the basis of forward exchange rates (observable rates on the reporting date) and the contracted forward exchange rates.

Level 3 includes financial instruments whose fair value is based on measurement parameters that are not based on observable market data.

In the reporting year, as in the previous year, there were no significant reclassifications of financial assets or liabilities between the hierarchy levels described above.

The net gains and losses from financial instruments, after taking into account the relevant tax effect, are presented in the following table:

→ Net results by measurement category

The interest shown is a component of finance income / expense. The other gains and losses are partly reported in other income and other expenses.

Differences between the gross and net carrying amounts of financial assets, which are reflected in the table on net results under the column "Impairments", mainly concern trade receivables. For further details, please refer to Notes No. 8 "Contract assets, trade receivables and other financial and non-financial assets".

The amount of financial assets and liabilities subject to offsetting agreements is not material.

Net results by measurement category in 2023

		From subsequent measurement				
€ thousands	From interest and dividends	At fair value	Currency translation	Impairment losses	From disposal	Net results
Amortised cost (assets)	9,301	–	–848	–4,809	–	3,644
Amortised cost (equity and liabilities)	–4,389	–	–136	–	–	–4,525
FVPL (assets and equity and liabilities)	–	544	–	–	–	544
	4,912	**544**	**–984**	**–4,809**	**–**	**–337**

Net results by measurement category in 2022

		From subsequent measurement				
€ thousands	From interest and dividends	At fair value	Currency translation	Impairment losses	From disposal	Net results
Amortised cost (assets)	7,132	–	315	815	–	**8,262**
Amortised cost (equity and liabilities)	–4,984	–	–199	–	–	**–5,183**
FVPL (assets and equity and liabilities)	–	1,049	–	–	–	**1,049**
	2,148	**1,049**	**116**	**815**	**–**	**4,128**

2. Financial risks

KSB is exposed to certain financial risks as a consequence of its business activities. These risks can be classified into three areas:

KSB is firstly exposed to credit risk. Credit risk is defined as the 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. The risk of 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 for KSB.

KSB limits all these risks through an appropriate risk management system, defining how these risks are addressed through guidelines and work instructions. Furthermore, KSB continuously monitors the current risk characteristics and regularly provides the information obtained to the Managing Directors and the Supervisory Board in the form of standardised reports and individual analyses.

The three risk areas are described in detail in the following. Additional information is also provided in the group management report, in particular in the Economic Review, Report on Expected Developments, Opportunities and Risks Report sections.

Credit risk

The primary credit risk is that there is a delay in settling a receivable, or that it is not settled either in full or in part. KSB minimises this risk using a variety of measures. As a matter of principle, KSB runs credit checks on potential and existing counterparties. KSB only enters into business relationships if the results of these checks are positive. Additionally, European companies in particular take out trade credit insurance policies. In exceptional cases KSB accepts other securities (collateral) such as guarantees. The insurance policies primarily cover the risk of loss of receivables. Moreover, cover is also taken out against political and commercial risks in the case of specific customers in selected countries. For both types of insurance, KSB has agreed deductibles, which represent significantly less than 50 % of the insured volume. The total amount of unhedged trade receivables as at the reporting date is shown under Notes No. 8 “Contract assets, trade receivables and other financial and non-financial assets”. As part of receivables management, KSB continuously monitors out-standing items, performs maturity analyses and establishes contact with customers at an early stage if delays in payment occur. In the case of major projects, the terms and conditions provide for prepayments, guarantees and – for export transactions – letters of credit. These also mitigate risk. KSB recognises impairment losses for the residual risk remaining in trade receivables. It regularly examines the extent to which individual receivables need to be written down for impairment. Indications of this are significant financial difficulties of the debtor, such as insolvency or bankruptcy. Receivables are derecognised when it is reasonably certain that payment cannot be expected.

The maximum default risk, excluding collateral received, corresponds to the carrying amount of the financial assets.

There is no concentration of risk because the diversity of KSB’s business means that it supplies a considerable number of customers in different sectors.

Liquidity risk

Liquidity management ensures that the liquidity risk is minimised in the Group and that solvency is ensured at all times. There are no concentrations of risk because KSB works with a number of credit institutions, on which strict creditworthiness requirements are imposed.

KSB generates its financial resources primarily from its operating business. These are used to finance investments in non-current assets. The Group also uses them to cover working capital requirements. KSB monitors changes in inventories, contract assets, trade receivables, trade payables and contract liabilities regularly using a standardised Group reporting system.

The reporting system additionally ensures, with the help of monthly rolling cash flow planning, that the Group’s central financial management is continuously informed about liquidity surpluses and requirements. This enables KSB to optimally meet the needs of the Group as a whole and of the individual companies. In order to be able to provide the necessary collateral in the project business, KSB makes corresponding guarantee volumes available.

In addition, it is always ensured that free credit facilities are sufficient; KSB identifies the need for these on the basis of regular liquidity planning. This way, it can respond at any time to fluctuating liquidity requirements. The available cash loans and credit lines total € 1,077.9 million (previous year: € 1,086.4 million). The utilisation of cash loans and credit lines by the Group was as follows at the end of the reporting year:

€ thousands / Type of line	Maximum amount of line	Utilisation as at 31 Dec.2023
Loans	420.1	10.5
Sureties	657.8	212.6

Cash loans and credit lines included amounts from a syndicated loan agreement signed in December 2018, whose credit line in the amount of € 300.0 million can be used at any time. The credit line from the syndicated loan agreement comes to € 350.0 million. Following the utilisation of renewal options by KSB in previous years, the cash loan and credit line now has a fixed term until the end of 2025.

The following tables show the contractually agreed non-discounted future cash flows of the financial liabilities (primary financial instruments) and derivative financial instruments. Interest payments on fixed-rate liabilities are determined on the basis of the fixed rate. Floating-rate interest payments are based on the last floating interest rates fixed before 31 December. Projections for future new liabilities are not included in the presentation. Based on the current state of knowledge, it is neither expected that the cash flows will take place significantly earlier, nor that the amounts will differ significantly.

Cash flows of financial liabilities 2023

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Financial liabilities	57,097	27,581	26,151	3,365
of which from lease obligations	46,094	16,971	25,830	3,293
Trade payables	324,723	324,723	–	–
Miscellaneous other financial liabilities	25,355	25,230	125	–
Derivative financial instruments (net)	2,304	2,202	102	–
	409,479	**379,736**	**26,378**	**3,365**

Cash flows of financial liabilities 2022

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Financial liabilities	54,703	28,628	21,883	4,192
of which from lease obligations	40,453	15,300	21,034	4,119
Trade payables	333,361	333,361	–	–
Miscellaneous other financial liabilities	21,599	21,407	192	–
Derivative financial instruments (net)	2,322	2,067	255	–
	411,985	**385,463**	**22,330**	**4,192**

Market price risk

Global business activities expose KSB primarily to currency and interest rate risk. Any changes in market prices can affect fair values and future cash flows. Sensitivity analyses are used to determine the hypothetical impact of such market price fluctuations on earnings and equity. In doing so, KSB assumes that the portfolio at the reporting date is representative of the full year.

Currency risk

Currency risk mainly affects cash flows from operating activities. It arises when Group companies settle transactions in currencies that are not their functional currency. The main currencies in the KSB Group are the US dollar (USD), the Chinese yuan (CNY), the Indian rupee (INR) and the Brazilian real (BRL).

→ Currency volumes

KSB minimises currency risk by using currency forwards. Further information is provided in Section III. Accounting Policies under "Financial assets and financial liabilities – b) Derivatives" and in the following sub-section 3. "Hedge accounting".

For the currency sensitivity analysis shown in the tables below, KSB simulates the effects for the main currencies used in the Group based on the notional volume of existing foreign currency derivatives and foreign currency receivables and liabilities at the reporting date. For the analysis, a 10 % increase (decrease) in the value of the euro versus the other currencies is assumed.

→ Currency sensitivity

Currency volumes

€ thousands	CNY 31 Dec. 2023	CNY 31 Dec. 2022	USD 31 Dec. 2023	USD 31 Dec. 2022	INR 31 Dec. 2023	INR 31 Dec. 2022	BRL 31 Dec. 2023	BRL 31 Dec. 2022
Trade receivables	44,590	47,261	30,235	36,586	53,110	46,549	20,550	18,834
Trade payables	49,093	47,863	22,322	24,460	41,235	36,910	16,190	24,210
Balance	–4,502	–602	7,912	12,126	11,875	9,639	4,360	–5,376

Currency sensitivity as at 31 December 2023

	Effect on consolidated earnings for		Effect on other comprehensive income for	
€ millions	Increase in the value of the euro by + 10 %	Decrease in the value of the euro by – 10 %	Increase in the value of the euro by + 10 %	Decrease in the value of the euro by – 10 %
CNY	0.8	–0.8	0.5	–0.5
USD	1.8	–1.8	4.5	–4.5
INR	–1.2	1.2	–	–
BRL	–0.4	0.4	–	–

Currency sensitivity as at 31 December 2022

	Effect on consolidated earnings for		Effect on other comprehensive income for	
€ millions	Increase in the value of the euro by + 10 %	Decrease in the value of the euro by – 10 %	Increase in the value of the euro by + 10 %	Decrease in the value of the euro by – 10 %
CNY	0.3	–0.3	1.0	–1.0
USD	0.0	0.0	6.4	–6.4
INR	–1.0	1.0	–	–
BRL	0.5	–0.5	–	–

Interest rate risks

KSB regularly monitors the interest rate risks associated with its financing activities. To avoid the negative effects of interest rate fluctuations on the international capital markets, KSB concludes interest rate hedges (interest rate swaps) where necessary, generally for long-term loans. These are used exclusively to hedge floating rate loans against rising interest rates. In the reporting year, as in the previous year, there were no such transactions or other interest rate derivatives in the portfolio.

As part of the interest rate sensitivity analysis shown in the table below, KSB simulates a 100 basis point increase (decrease) in market interest rates and analyses the impact on the floating rate financial instruments.

Interest rate sensitivity

	31 Dec. 2023		31 Dec. 2022	
€ millions	+ 100 basis points	– 100 basis points	+ 100 basis points	– 100 basis points
Consolidated earnings	3.7	–3.7	2.6	–2.6

3. Hedge accounting

KSB uses micro hedges (hedging individual transactions) and macro hedges (hedging an overall risk portfolio) to hedge currency risk from transactions already recognised in the balance sheet as well as transactions that are expected in the future with a high degree of probability. The hedging instruments used share the essential terms and conditions with the underlying transactions, i.e. with regard to amount, term and quality. The maturities of the currency derivatives used are, as in the previous year, mostly between one and two years. Internal guidelines govern the use of financial instruments. Such transactions are also subject to ongoing risk control measures.

The effectiveness of hedges is determined at the beginning of the hedge and through regular prospective assessment. The aim is to ensure that there is a financial relationship between the hedge underlying and hedging instrument. The hedging instruments used are exclusively currency forwards entered into with prime-rated banks. To hedge forward exchange transactions, the Group takes out hedges where the contractual modalities of the hedging instrument essentially match those of the hedged underlying. The hedge ratio for hedges is 1:1, i.e. the volume of hedge transactions matches the designated underlyings.

In order to measure the effectiveness or ineffectiveness of hedges, KSB compares the fair value of the underlying and the hedge transactions. Changes in the fair value of the derivatives are almost completely offset by changes in the fair value of the cash flows from the underlyings (dollar offset method). The changes in the fair value of the underlyings and hedges in the financial year therefore match the unrealised profits and losses recorded under equity. As a rule, KSB does not hedge currency risks from the translation of foreign operations into the Group currency (€). Ineffectiveness can arise from hedging currency risk if the material measurement parameters of the underlying and hedge no longer match. There was no material ineffectiveness in the KSB Group in respect of currency hedges in the 2023 and 2022 financial years.

At the reporting date, the notional volume of the currency forwards designated as hedges was € 215,935 thousand (previous year: € 188,568 thousand). In addition to the US dollar, the hedged currency risk relates to a number of other currencies to a lesser extent. The weighted average EUR / USD exchange rate for hedging instruments denominated in US dollars was 1.11 (previous year: 1.07) as at the balance sheet date. The contractual maturities of payments for these currency forwards are as follows:

Notional volumes in 2023

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Currency forwards designated as hedges	215,935	204,144	11,791	–

Notional volumes in 2022

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Currency forwards designated as hedges	188,568	155,225	32,962	381

The “Changes in the fair value of derivatives” table shows the change in the hedging reserve and in the cost of the hedging reserve for currency hedges before tax. In the reporting year, the realisation of the underlying recognised in income includes amounts of € 62 thousand (previous year: € 29 thousand) resulting from hedging transactions in which the hedged future cash flows are no longer expected to occur.

Fair value changes in derivatives in 2023

	OCI	
€ thousands	Cash flow hedges – Hedging reserve	Cash flow hedges – Hedging cost reserve
Currency risk		
Opening balance at 1 January	1,560	–1,012
Effective portion of changes in fair value	–832	2,191
Realisation of underlying recognised in income	–429	–1,389
Closing balance at 31 December	**299**	**–210**

Fair value changes in derivatives in 2022

	OCI	
€ thousands	Cash flow hedges – Hedging reserve	Cash flow hedges – Hedging cost reserve
Currency risk		
Opening balance at 1 January	–5,988	3,213
Effective portion of changes in fair value	36,961	–22,542
Realisation of underlying recognised in income	–29,413	18,317
Closing balance at 31 December	**1,560**	**–1,012**

VII. STATEMENT OF CASH FLOWS

The cash flow statement shows how the Group's cash and cash equivalents reported in the balance sheet changed during the reporting year as a result of cash inflows and outflows. In accordance with the requirements of IAS 7, a distinction is made between cash flows from operating activities and from investing and financing activities. The exact composition of these individual components can be seen in the individual items listed in the cash flow statement.

Non-cash effects from currency translation and from changes in the consolidated Group are eliminated in the respective items. Consequently, the cash flows from changes in balance sheet items shown in the cash flow statement cannot be reconciled with the corresponding movements in the Group's balance sheet.

Cash flows reported by Group companies in foreign currencies are translated into euros at average exchange rates for the year, while cash and cash equivalents are translated at the closing rate.

The effect of exchange rate changes on cash and cash equivalents, as well as the effect of changes in the consolidated Group, are shown in a separate item in the cash flow statement.

The cash flow from investing activities includes the cash effects from additions and disposals of intangible assets and property, plant and equipment. The total additions and disposals in the reporting year are provided in the explanatory notes to the balance sheet items in these Notes to the Consolidated Financial Statements.

The change in financial liabilities over the year, including the cash-effective portion of this change, which is included in the cash flows from financing activities, is presented in the tables below.

As in the previous year, the cash and cash equivalents reported as at the reporting date are not subject to any significant restrictions on disposal by KSB.

Change in financial liabilities in 2023

			Non-cash changes		
€ thousands	1 Jan. 2023	Cash-effective in cash flows from financing activities	Additions / Disposals / Acquisitions / Other	Exchange-rate-related changes	31 Dec. 2023
Non-current financial liabilities (excluding lease liabilities)	1,213	–865	612	–170	790
Current financial liabilities (excluding lease liabilities)	13,103	–2,835	1,933	–2,001	10,200
Lease liabilities	36,430	–19,100	27,237	–545	44,022
Total financial liabilities	**50,746**	**–22,801**	**29,782**	**–2,717**	**55,011**

Change in financial liabilities in 2022

			Non-cash changes		
€ thousands	1 Jan. 2022	Cash-effective in cash flows from financing activities	Additions / Disposals / Acquisitions / Other	Exchange-rate-related changes	31 Dec. 2022
Non-current financial liabilities (excluding lease liabilities)	2,574	–1,996	226	410	1,213
Current financial liabilities (excluding lease liabilities)	37,386	–26,048	2,996	–1,231	13,103
Lease liabilities	39,006	–17,764	15,080	108	36,430
Total financial liabilities	**78,966**	**–45,808**	**18,302**	**–713**	**50,746**

VIII. SEGMENT REPORTING

Segment reporting is prepared in accordance with IFRS 8 based on the management approach and corresponds to the internal organisational and management structure as well as the reporting lines to the Managing Directors as the chief operating decision-makers.

KSB takes management decisions on the basis of the key performance indicators – order intake, external sales revenue and earnings before finance income / expense and taxes (EBIT) – determined for the Pumps, Valves and KSB SupremeServ reporting segments (hereinafter also referred to as "Segments"). Reporting the relevant assets, number of employees and inter-segment sales revenue of the Segments is not part of internal reporting.

Based on comprehensive consideration, the reporting segments were aligned with the Group's products and services. For the derivation of the Pumps Segment, the underlying differentiation of individual Market Areas must also be taken into account, as described below.

The Pumps Segment comprises new business with single-stage and multistage pumps, submersible pumps and the associated control and drive systems. The applications are assigned to the Market Areas of Energy and Mining and to the Market Areas of Water, Building Services, Petrochemicals / Chemicals and General Industry, which are grouped together in the organisational and reporting structure of the Group as Standard Markets. Each customer is assigned by the Group to a specific Market Area according to their main business activity. The allocation of transactions with customers to the Market Areas follows this clear assignment of customers by KSB, irrespective of the specific product underlying the transaction.

For the new business with pumps, the Energy, Mining and Standard Markets are derived from the organisational and reporting structure of the Group as operating segments as defined by IFRS 8. These segments share the characteristic that they are based on a common product group, i.e. pumps. Furthermore, it follows from the customer-related delineation of the Market Areas described above that these operating segments are not based on a classification according to specific products and services, taking into account technological and economic characteristics, such as production processes or sales methods. According to KSB's estimates and expectations, the three pumps operating segments have similar long-term earnings trends and may also involve fundamentally comparable risks. As a result, the operating segments considered here are aggregated into the Pumps reporting segment pursuant to IFRS 8 in view of the close technological and economic interrelationships from the Group's point of view.

The Valves Segment combines the Group's business activities with regard to new business in butterfly valves, globe valves, gate valves, control valves, diaphragm valves and ball valves. as well as associated actuators and control systems. The basic applications for these products are identical to those for pumps. However, in contrast to the Pumps Segment, the Valves Segment is not divided into individual Market Areas for the central management of the Group.

The KSB SupremeServ Segment on the one hand comprises the spare parts business for pumps and valves. On the other hand, KSB's service activities are allocated to this Segment. These include the installation, commissioning, start-up, inspection, servicing, maintenance and repair of pumps, related systems and valves, as well as modular service concepts and system analyses for complete plants.

The amounts disclosed for the individual segments have been established in compliance with the accounting policies of the present consolidated financial statements.

The order intake by segment presents order intake generated with third parties.

The sales revenue by segment presents sales revenue generated with third parties.

The "Segment reporting" table shows earnings before finance income / expense and income tax (EBIT) including non-controlling interests.

EBIT includes depreciation and amortisation of € 40,994 thousand (previous year: € 42,705 thousand) for the Pumps Segment, € 11,353 thousand (previous year: € 11,592 thousand) for the Valves Segment and € 35,747 thousand (previous year: € 36,122 thousand) for the KSB SupremeServ Segment.

The total depreciation and amortisation included impairment losses on intangible assets, property, plant and equipment, and rights of use to leased assets in the amount of € 2,476 thousand (previous year: € 5,594 thousand). Of these impairments, € 1,472 thousand (previous year: € 2,712 thousand) relate to the Pumps Segment, € 1,004 thousand (previous year: € 2,447 thousand) to the KSB SupremeServ Segment and € 435 thousand in the previous year to the Valves Segment. In addition, the write-downs for the reporting year include reversals of impairments on property, plant and equipment in the amount of € 2,194 thousand. These were attributable to the Pumps Segment in the amount of € 1,811 thousand, the Valves Segment in the amount of € 300 thousand and the KSB SupremeServ Segment in the amount of € 83 thousand.

€ 641,992 thousand (previous year: € 560,517 thousand) of the sales revenue presented were generated by the companies based in Germany, € 215,770 thousand (previous year: € 215,103 thousand) by companies in China, € 200,211 thousand (previous year: € 180,404 thousand) by companies in France, € 238,773 thousand (previous year: € 238,973 thousand) by companies in the USA, € 249.847 thousand (previous year: € 218,850 thousand) by companies in India and € 1,272,395 thousand (previous year: € 1,159,540 thousand) by the other Group companies.

There were no relationships with individual customers that accounted for a material proportion of Group sales revenue.

At the reporting date, the total non-current assets of the KSB Group under review for the purposes of segment reporting amounted to € 749,300 thousand (year-end figure in previous year: € 712,238 thousand), with € 285,090 thousand (year-end figure in previous year: € 256,585 thousand) being attributable to the companies based in Germany and € 464,210 thousand (year-end figure in previous year: € 455,653 thousand) being attributable to the other Group companies. The values presented include intangible assets, rights of use to leased assets, property, plant and equipment and investments accounted for using the equity method.

Segment reporting

	Order intake		Sales revenue		EBIT	
€ thousands	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Pumps Segment	1,576,483	1,585,727	1,513,653	1,390,192	52,301	27,718
Valves Segment	392,573	359,676	361,435	333,072	−7,522	−4,635
KSB SupremeServ Segment	990,418	916,684	943,900	850,123	179,123	146,020
Total	**2,959,474**	**2,862,087**	**2,818,988**	**2,573,387**	**223,902**	**169,103**

IX. OTHER DISCLOSURES

Capital disclosures

Sufficient financial independence is a key requirement for safeguarding KSB's continued existence in the long term. Obtaining the necessary funds for ongoing business operations is also extremely important for KSB. KSB regularly monitors the development of the net financial position that is derived from the balance of interest-bearing financial liabilities and financial assets (mainly cash and cash equivalents as well as receivables from deposits). One objective is to avoid net debt. The net financial position at the end of the reporting year was € 324.9 million (previous year: € 225.6 million). This rise is essentially due to the marked increase in cash flows from operating activities.

Contingent liabilities

Contingent liabilities to third parties and other investments are as follows at the reporting date:

Contingent liabilities

€ thousands	31 Dec. 2023	31 Dec. 2022
From legal disputes	2,264	3,090
from guarantees	2,055	2,000
From warranty agreements	1,755	5,109
From other tax matters	13,432	13,207
From other contingent liabilities	503	3,177
	20,009	26,583

In the context of establishing the contingent liabilities, estimates are required in particular with regard to the existence of any obligations and in relation to the probability and amount of an outflow of resources.

At present, KSB does not expect a payment obligation for the total of contingent liabilities listed in the table of that name.

In addition, the KSB Group has contingent liabilities towards associates and joint ventures of € 7,163 thousand (previous year: € 7,311 thousand). The extent to which these will result in a cash outflow depends on the future business performance of the respective company.

As at the reporting date of the reporting year, there are no material contingent receivables of the Group, as in the previous year.

Other financial obligations

As in the previous year, there are no purchase price obligations from acquisitions of companies and no payment obligations from capitalisation measures at Group companies.

The aggregate purchase obligation for investments amounts to € 27,852 thousand (previous year: € 27,273 thousand). Of this amount, € 1,052 thousand (previous year: € 2,717 thousand) is attributable to intangible assets and € 26,800 thousand (previous year: € 24,556 thousand) to property, plant and equipment. Most of the corresponding payments are due in 2024.

Leases

KSB as lessee

Lease agreements in which KSB is the lessee mainly relate to real estate and motor vehicles. The terms of leases and additional cancellation and renewal options for one or both contracting parties are agreed individually and at different conditions.

The total cash outflow from leases, in the form of the repayment of lease liabilities, payments for leases relating to low-value assets and for short-term leases as well as variable lease payments, totalled € 29,060 thousand in the reporting year (previous year: € 26,697 thousand).

The Group expects future payments of € 5,328 thousand (previous year: € 5,967 thousand) from leases already concluded where the leased asset had not yet been made available to KSB by the lessor for use at the reporting date.

KSB as lessor

KSB acts as a lessor to a small extent, including in the context of real estate leasing. These activities have no material impact on the consolidated financial statements, so no further disclosures are made in this context.

Research and development costs

Research and development costs in the reporting year amounted to € 60,577 thousand (previous year: € 56,307 thousand).

Related party disclosures

Related parties are legal entities or natural persons that have influence over the KSB Group or are subject to control, joint control or significant influence by the KSB Group.

In order to determine the entirety of related parties of the Group, the organisational and shareholding structure of KSB SE & Co. KGaA must be taken into account. Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, holds an unchanged voting interest of 83.94 % in KSB SE & Co. KGaA. The voting rights in this company are held, again unchanged, by KSB Stiftung, Stuttgart, with 74.93 %, and by Kühborth-Stiftung GmbH, Stuttgart, with 25.07 %.

Transactions with related parties are performed at arm's length and are described in more detail below.

Related parties (entities)

In view of the above explanations, related parties of the KSB Group are, on the one hand, KSB Stiftung, Stuttgart, and Kühborth Stiftung GmbH, Stuttgart, each with their direct and indirect interests, joint ventures and associates. This includes Klein, Schanzlin & Becker GmbH, Frankenthal / Pfalz, which in turn holds 100 % of the voting rights in KSB Management SE, Frankenthal / Pfalz. KSB Management SE, as general partner, is also a related party. Similarly, Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, and its direct and indirect interests, joint ventures and associates are to be classified as related parties of the Group. This includes in particular Palatina Versicherungsservice GmbH, Frankenthal / Pfalz, and the companies of Abacus alpha GmbH, Frankenthal / Pfalz.

Furthermore, related parties also include entities controlled or jointly controlled by the Managing Directors of Johannes und Jacob Klein GmbH, 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 group of related parties (entities) also includes the companies fully consolidated in the consolidated financial statements, the joint ventures and associates of the Group as well as the companies not consolidated due to immateriality. Balances and transactions between fully consolidated companies of the KSB Group have been eliminated for the purposes of these consolidated financial statements and are therefore not explained in detail below.

As part of normal business activities, KSB maintains business relationships with related parties in the following areas:

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

The following table shows the services provided and used in relation to the purchase and sale of assets and services, as well as the associated pending receivables and liabilities owed from and to related parties.

→ Services, receivables and liabilities in dealings with related parties

Services, receivables and liabilities in dealings with related parties

€ thousands	Sale of assets and services		Purchases of assets and services		Trade receivables		Trade payables	
	2023	2022	2023	2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
KSB Management SE	5	4	6,711	6,179	–	–	4,148	3,652
Klein, Schanzlin & Becker GmbH	–	–	–	–	–	–	–	–
KSB Stiftung and Kühborth-Stiftung GmbH	–	–	–	–	–	–	–	–
Johannes und Jacob Klein GmbH	–	1	9	21	–	–	–	16
Subsidiaries of Johannes und Jacob Klein GmbH	647	572	3,999	3,936	136	104	268	339
Associates / joint ventures of Johannes und Jakob Klein GmbH	–	–	–	–	–	–	–	–
Joint ventures	44,289	43,078	1,506	2,182	41,811	40,867	434	439
Associates	3	5	6,422	6,595	1,483	610	544	415
Companies not consolidated due to immateriality	8,953	13,124	411	274	5,357	7,802	398	127

Pending balances at the year end are unsecured, do not accrue interest and are settled by means of payments. No guarantees were given or received. At the reporting date, impairments of € 151 thousand (previous year: € 87 thousand) were recognised on the presented receivables from companies not consolidated due to immateriality.

As the legal representative, KSB Management SE provides management services for KSB. The management fee is charged on to KSB SE & Co. KGaA. In addition, KSB Management SE as general partner assumes liability for KSB and receives annual remuneration for this amounting to 4 % of its share capital. Accordingly, € 6,554 thousand (previous year: € 5,964 thousand) of the purchases of assets and services from KSB Management SE relate firstly to the remuneration of the members of the governing bodies of KSB Management SE, which is explained in more detail under the “Related parties (persons)” sub-section below. Secondly, they include the liability remuneration in the amount of € 20 thousand (previous year: € 20 thousand) and a further reimbursement of expenses in connection with the management of the Group’s business in the amount of € 137 thousand (previous year: € 194 thousand). The liabilities to KSB Management SE are due in the short term.

Relations covering the supply of products and services in relation with Johannes und Jacob Klein GmbH were of minor scope in the reporting year as in the previous year. In addition, Johannes und Jacob Klein GmbH received dividend payments.

Transactions with subsidiaries of Johannes und Jacob Klein GmbH comprise transactions with Palatina Versicherungsservice GmbH, Abacus alpha GmbH, Abacus Resale GmbH, Abacus Experten GmbH, Salinnova GmbH and airinotec GmbH). A services agreement for insurances is in place between Palatina Versicherungsservice GmbH and KSB SE & Co. KGaA. Abacus Experten GmbH concluded a number of service agreements with KSB SE & Co. KGaA. In particular, there is a framework delivery and service agreement with Abacus Resale GmbH for the purchase of returns and the provision of additional related services. In addition, products were delivered to Abacus Resale GmbH and to airinotec GmbH as part of the normal business activities. Services were provided by Abacus alpha GmbH to a minor extent. In the previous year, there was also a two-way supply of products with Salinnova GmbH.

Further information on joint ventures, associates and companies not consolidated due to immateriality is provided in Section IV. Balance Sheet Disclosures – Notes No. 4 “Other financial assets”, Notes No. 6 “Investments accounted for using the equity method”, Notes No. 8 “Contract assets, trade receivables and other financial and non-financial assets”, Notes No. 13 “Liabilities” and in Section IX. Other Disclosures – Contingent Liabilities. In addition, the cash flows from the granting of loans and from capital measures with the aforementioned companies are shown in the statement of cash flows under cash flows from investing activities.

Related parties (persons)

The members of the Supervisory Board, the Managing Directors of KSB Management SE and the members of the Administrative Board of KSB Management SE, as well as their close family members, are deemed to be related parties of the KSB Group. Further information is provided below, in these consolidated financial statements, before the comments concerning the proposal on the appropriation of the net retained earnings of KSB SE & Co. KGaA.

In the reporting year, two members of the Administrative Board and one member of the Supervisory Board held an immaterial share of interests in KSB SE & Co. KGaA.

The remuneration paid to key management personnel of the Group, i.e. the Managing Directors and the members of the Administrative Board of KSB Management SE, is listed in the following table. The amounts are paid by KSB under an expense reimbursement agreement.

Management remuneration

€ thousands	2023	2022
Short-term benefits	4,594	3,729
Post-employment benefits	1,439	1,602
Other long-term benefits	521	633
Total	**6,554**	**5,964**

The remuneration system for the Managing Directors of KSB Management SE consists 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 the Environmental, Social and Governance (ESG) sustainability goals with a weighting of 20 %. By considering earnings per share, 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 was agreed and paid. At the end of the assessment period, it will be offset against any amount paid out in excess of this; no repayment has been agreed in the event that the sum falls short of this amount.

As at the reporting date, the Group recognised provisions for pension obligations to current Managing Directors of KSB Management SE amounting to € 644 thousand (previous year: € 578 thousand), and to former members of the Board of Management of KSB AG (excluding the Managing Directors of KSB Management SE) and their surviving dependants amounting to € 32,084 thousand (previous year: € 33,070 thousand). The total remuneration of the latter persons amounted to € 2,761 thousand in the past financial year (previous year: € 2,380 thousand).

The members of the Supervisory Board receive a fixed remuneration, attendance fees and reimbursement of expenses. 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. The short-term benefits paid to members of the Supervisory Board amount to € 851 thousand for the 2023 financial year (previous year: € 894 thousand). At the end of the financial year, liabilities of € 472 thousand (previous year: € 513 thousand) were recognised towards the members of the Supervisory Board.

In addition, assets and services amounting to € 20 thousand (previous year: € 21 thousand) were sold to other related parties (corporate bodies) in the reporting year.

Auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, were appointed as auditors and group auditors for the 2023 financial year at the Annual General Meeting of KSB SE & Co. KGaA on 4 May 2023.

The following table shows the total fees for all services that KSB utilised in the reporting year from the global PwC network, to which the group auditors belong. It also shows the specific share of the total amount attributable to the Group auditors based in Germany.

Total fees PricewaterhouseCoopers / Group auditors in 2023

€ thousands	Global PwC network	Attributable to: Pricewaterhouse -Coopers GmbH Wirtschafts- prüfungs- gesellschaft
Audit fees	2,361	886
Tax advisory services	40	–
Other certification services	98	76
Other services	139	104
	2,638	**1,066**

The audit fees include costs for the audit of the consolidated financial statements and of the statutory annual financial statements of KSB SE & Co. KGaA and the subsidiaries included in the consolidated financial statements. The fees for other certification services primarily include attestation services outside of the audit of the consolidated financial statements. The fees for other services primarily relate to fees for consultancy services in Compliance.

Use of exemption option

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 Industrieausrüstungen GmbH, Pattensen, have made partial use of the exemption provision pursuant to Section 264(3) HGB [German Commercial Code].

Events after the Reporting Period

There were no events after the end of the financial year that are of particular significance for the Group's net assets, financial position and result of operations.

German Corporate Governance Code

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 13 December 2023. The Statement is accessible to the public at KSB's web site: www.ksb.com > Investor Relations > Corporate Governance > Statement and Report.

List of Shareholdings

Affiliates (national and international)

Cons. No.	Name and seat	Country	Activity[1]	Capital share in %	Group share of capital in %	Held by No.
1	Aplicaciones Mecánicas Válvulas Industriales, S.A. (AMVI), Burgos	Spain	P	100.00	100.00	
2	Canadian Kay Pump Limited, Mississauga / Ontario	Canada	H	100.00	100.00	
3	KSB Limited, Pimpri (Pune)	India	P	40.54	40.54	2
4	KSB MIL Controls Limited, Annamanada	India	P	49.00	19.86	3
				51.00	51.00	
5	Pofran Sales & Agency Limited, Pimpri (Pune)	India	S	100.00	40.54	3
6	DAG - Dieselanlagen Service GmbH, Oberwaltersdorf	Austria	S	100.00	100.00	
7	Dynamik-Pumpen GmbH, Stuhr	Germany	SVC	100.00	100.00	
8	Hydroskepi GmbH, Amaroussion (Athens)	Greece	H	100.00	100.00	
9	KAGEMA Industrieausrüstungen GmbH, Pattensen	Germany	P	100.00	100.00	
10	KSB Armaturen Verwaltungs- und Beteiligungs-GmbH, Frankenthal	Germany	H	100.00	100.00	
11	OOO “KSB”, Moscow	Russia	P	100.00	100.00	10
12	IOOO “KSB BEL”, Minsk	Belarus	S	99.52	99.52	11
				0.48	0.48	10
13	TOO "KSB Kazakhstan", Almaty	Kazakhstan	S	100.00	100.00	11
14	TOV “KSB Ukraine”, Kyiv	Ukraine	S	100.00	100.00	11
15	TOB “KSB Ukraine” LLC, Kyiv	Ukraine	S	100.00	100.00	10
16	KSB Belgium S.A., Bierges-lez-Wavre	Belgium	S	100.00	100.00	
17	KSB Service Belgium S.A./N.V., Bierges-lez-Wavre	Belgium	SVC	100.00	100.00	16
18	KSB, Bombas e Válvulas, SA, Albarraque	Portugal	S	92.00	92.00	
				1.00	1.00	27
				1.00	1.00	61
				1.00	1.00	28
19	KSB Čerpadlá a Armatúry, s.r.o., Bratislava	Slovakia	S	100.00	100.00	
20	KSB Chile S.A., Santiago	Chile	P	100.00	100.00	
21	KSB Colombia S.A.S., Funza (Cundinamarca)	Colombia	S	100.00	100.00	
22	KSB de Mexico, S.A. de C.V., Querétaro	Mexico	P	100.00	100.00	
23	KSB Finance Nederland B.V., Zwanenburg	Netherlands	H	100.00	100.00	
24	D.P. Industries B.V., Alphen aan den Rijn	Netherlands	H	100.00	100.00	23
25	Duijvelaar Pompen B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	24
26	KSB Manufacturing Netherlands B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	24
27	KSB Nederland B.V., Zwanenburg	Netherlands	S	100.00	100.00	23
28	KSB FINANZ GmbH, Frankenthal	Germany	H	100.00	100.00	
29	Dalian KSB AMRI Valves Co., Ltd., Dalian	China	P	100.00	100.00	28
30	KSB Algérie Eurl, Bordj el Kifane (Alger)	Algeria	S	100.00	100.00	28
31	KSB Australia Pty Ltd, Bundamba QLD	Australia	P	100.00	100.00	28
32	KSB New Zealand Limited, Albany / Auckland	New Zealand	S	100.00	100.00	31

[1] P = Production / assembly, S = Sales, SVC = Service, H = Holding, T = Technical service provider

Cons. No.	Name and seat	Country	Activity [1]	Capital share in %	Group share of capital in %	Held by No.
33	KSB BRASIL LTDA., Várzea Paulista	Brazil	P	100.00	100.00	28
34	KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires)	Argentina	P	95.00	95.00	28
				5.00	5.00	
35	KSB Middle East FZE, Dubai	U.A.E.	S	100.00	100.00	28
36	KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg)	South Africa	H	100.00	100.00	28
37	KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg)	South Africa	P	70.00	70.00	36
38	KSB PUMPS AND VALVES LIMITED, Nairobi	Kenya	S	100.00	100.00	36
39	KSB Shanghai Pump Co., Ltd., Shanghai	China	P	80.00	80.00	28
40	KSB Finland Oy, Kerava	Finland	S	100.00	100.00	
41	KSB Hungary Kft., Budapest	Hungary	S	100.00	100.00	
42	KSB Italia S.p.A., Milan	Italy	P	100.00	100.00	
43	KSB ITUR Spain S.A., Zarautz	Spain	P	100.00	100.00	
44	KSB Korea Ltd., Seoul	South Korea	P	100.00	100.00	
45	KSB Limited, Hong Kong	China	S	100.00	100.00	
46	KSB Pump & Valve Technology Service (Tianjin) Co., Ltd, Tianjin	China	SVC	100.00	100.00	45
47	KSB Limited, Loughborough	United Kingdom	S	100.00	100.00	
48	KSB Ltd., Tokyo	Japan	S	100.00	100.00	
49	KSB Norge AS, Ski	Norway	P	100.00	100.00	
50	KSB Österreich Gesellschaft mbH, Vienna	Austria	S	100.00	100.00	
51	KSB Perú S.A., Lurin	Peru	S	100.00	100.00	
52	KSB Polska Sp. z o.o., Ozarow-Mazowiecki	Poland	S	100.00	100.00	
53	KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara	Turkey	P	100.00	100.00	
54	KSB Pumps and valves L.t.d., Domžale	Slovenia	S	100.00	100.00	
55	KSB Pumps Co. Ltd., Bangkok	Thailand	P	40.00	40.00	
56	KSB Pumps Company Limited, Lahore	Pakistan	P	58.89	58.89	
57	KSB Pumps Inc., Mississauga / Ontario	Canada	S	100.00	100.00	
58	KSB-Pumpy+Armatury s.r.o., koncern, Prague	Czech Republic	S	100.00	100.00	
59	KSB S.A.S., Gennevilliers (Paris)	France	P	100.00	100.00	
60	KSB POMPES ET ROBINETTERIES S.à.r.l. d'Associé unique, Casablanca	Morocco	S	100.00	100.00	59
61	KSB (Schweiz) AG, Oftringen	Switzerland	S	100.00	100.00	
62	KSB Seil Co., Ltd., Busan	South Korea	P	100.00	100.00	
63	KSB Service GmbH, Frankenthal	Germany	SVC	100.00	100.00	
64	KSB Service GmbH, Schwedt	Germany	SVC	100.00	100.00	
65	KSB Singapore (Asia Pacific) Pte Ltd, Singapore	Singapore	P	100.00	100.00	
66	KSB Malaysia Pumps & Valves Sdn. Bhd., Shah Alam	Malaysia	P	100.00	100.00	65
67	KSB PHILIPPINES, INC., Makati City	Philippines	S	100.00	100.00	65
68	KSB Vietnam Co., Ltd, Long Thanh District	Vietnam	S	100.00	100.00	65
69	KSB Sverige Aktiebolag, Gothenburg	Sweden	S	100.00	100.00	
70	KSB Sverige Fastighets AB, Gothenburg	Sweden	S	100.00	100.00	69
71	PUMPHUSET Sverige AB, Sollentuna	Sweden	SVC	100.00	100.00	69
72	KSB Taiwan Co., Ltd., New Taipei City	Taiwan	S	100.00	100.00	
73	KSB Tech Pvt. Ltd., Pimpri (Pune)	India	T	100.00	100.00	
74	KSB Valves (Changzhou) Co., Ltd., Jiangsu	China	P	100.00	100.00	

[1] P = Production / assembly, S = Sales, SVC = Service, H = Holding, T = Technical service provider

Cons. No.	Name and seat	Country	Activity[1]	Capital share in %	Group share of capital in %	Held by No.
75	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal	Germany	H	51.00	51.00	
76	KSB America Corporation, Richmond / Virginia	USA	H	100.00	51.00	75
77	GIW Industries, Inc., Grovetown / Georgia	USA	P	100.00	51.00	76
78	KSB Dubric, Inc., Comstock Park / Michigan	USA	SVC	100.00	51.00	76
79	KSB, Inc., Richmond / Virginia	USA	P	100.00	51.00	76
80	KSB, Inc. – Western Division, Bakersfield / California	USA	SVC	100.00	51.00	76
81	Standard Alloys Incorporated, Port Arthur / Texas	USA	SVC	100.00	51.00	76
82	PMS-BERCHEM GmbH, Neuss	Germany	SVC	100.00	100.00	
83	PT. KSB Indonesia, Cibitung	Indonesia	P	94.06	94.06	
				5.94	5.94	28
84	PT. KSB Sales Indonesia, Cibitung	Indonesia	S	99.00	99.00	83
				1.00	1.00	
85	Pumpen-Service Bentz GmbH, Reinbek	Germany	SVC	100.00	100.00	
86	REEL s.r.l., Ponte di Nanto	Italy	P	100.00	100.00	
87	SISTO Armaturen S.A., Echternach	Luxembourg	P	52.85	52.85	
88	Uder Elektromechanik GmbH, Friedrichsthal	Germany	SVC	100.00	100.00	

Joint ventures (international)

Cons. No.	Name and seat	Country	Activity[1]	Capital share in %	Group share of capital in %	Held by No.	Equity [2] € thousands	Net profit / loss for the year[2] € thousands
89	KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ, Ankara	Turkey	P	55.00	55.00	53	194	171
90	KSB Pumps Arabia Ltd., Riyadh	Saudi Arabia	P	50.00	50.00	28	13,632	2,268
91	KSB Service LLC, Abu Dhabi	U.A.E.	SVC	49.00	49.00		9,278	1,026
92	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai	China	P	45.00	45.00		43,212	5,435

Associates (international)

Cons. No.	Name and seat	Country	Activity[1]	Capital share in %	Group share of capital in %	Held by No.	Equity [2] € thousands	Net profit / loss for the year[2] € thousands
93	Motori Sommersi Riavvolgibili S.r.l., Cedegolo	Italy		25.00	25.00		7,171	4,132

[1] P = Production / assembly, S = Sales, SVC = Service, H = Holding, T = Technical service provider
[2] Data according to latest annual financial statements under IFRS

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

Cons. No.	Name and seat	Country	Activity [1]	Capital share in %	Group share of capital in %	Held by No.	Equity [2] € thousands	Net profit / loss for the year [2] € thousands
94	Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V.	Germany		100.00	100.00		110	–15
95	KSB BOMBAS E VÁLVULAS (Angola), LDA, Belas	Angola	S	65.00	65.00		237	–42
96	KSB Ecuador S.A., Samborondón	Ecuador	S	100.00	100.00	33	1,239	74
97	KSB Egypt SOC, Cairo	Egypt	H	100.00	100.00		91	–7
98	KSB Panama S.A., Panamá	Panama	S	100.00	100.00	33	692	54
99	KSB Pumpe i Armature d.o.o. Belgrade	Serbia	S	100.00	100.00	54	354	116
100	KSB pumpe i armature d.o.o., Rakov Potok	Croatia	S	100.00	100.00	54	206	–2
101	KSB PUMPS AND VALVES (NAMIBIA) (PROPRIETARY) LIMITED, KLEIN WINDHOEK	Namibia	S	100.00	100.00	36	–86	24
102	KSB Pumps and Valves Nigeria Ltd, Lagos	Nigeria	S	60.00	60.00		143	22
103	KSB Service Egypt LLC, Cairo	Egypt	SVC	48.00	48.00		988	339
				11.00	11.00	97		
				1.00	1.00	28		
104	KSB ZAMBIA LIMITED, Kitwe	Zambia	S	100.00	100.00	36	479	49
105	Techni Pompe Service Maroc (TPSM), Casablanca	Morocco	SVC	100.00	100.00	60	–553	34
106	Vari.Co. GmbH, Karlsruhe	Germany	T	51.00	51.00		205	69

[1] P = Production / assembly, S = Sales, SVC = Service, H = Holding, T = Technical service provider
[2] Data according to latest annual financial statements under IFRS

Supervisory Board

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

René Klotz, NC Programmer, Heßheim
(Deputy Chair and Member until 4 May 2023)
Chair of the General Works Council of KSB SE & Co. KGaA and KSB Service GmbH

Claudia Augustin, Office Management Assistant, Pegnitz
(Deputy Chair since 4 May 2023)
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
Head of Business Development, Glas Trösch Holding AG

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

Birgit Mohme, Industrial Business Management Assistant, Frankenthal
1st 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, Berlin
Head of the Railways Department at the Federal Ministry for Digital Infrastructure and Transport (BMDV)

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

Volker Seidel, Electrical and Electronics Installer, Münchberg
1st Delegate and Treasurer of IG Metall Ostoberfranken

Gabriele Sommer, Dipl.-Geol., Wörthsee [2)]
Head of Business Development Management Systems & Certification, TÜV SÜD AG

Jürgen Walther, IT Coordinator, Offstein
(Member since 4 May 2023)
Deputy Chair of the Frankenthal Works Council of KSB SE & Co. KGaA

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

CVs of the Supervisory Board members

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, Service (since 1 April 2023)

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 (until 31 March 2023) 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

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 Valves S.A., Echternach, Luxembourg (until 18 Dec. 2023)
KSB Finance Nederland B.V., Zwanenburg, the 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, Kaarst [2)]

Mandates on statutory Supervisory Boards

1) Evonik Operations GmbH, Essen, Germany (Chair of the Supervisory Board)
Currenta GmbH & Co. OHG, Leverkusen, Germany

2) Bauer AG, Schrobenhausen, Germany (until 2 Nov. 2023)

Mandates in comparable supervisory bodies

1) Member of the Presidential Board of DEKRA e.V., Stuttgart, Germany

2) Member of the Advisory Board, EJOT Holding GmbH & Co. KG, Bad Berleburg, Germany
Member of the Advisory Board, Talbot Holding GmbH, Aachen, Germany

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 € 88,641,634.78 of KSB SE & Co. KGaA will be submitted to the Annual General Meeting on 8 May 2024:

Proposal for the appropriation of net retained earnings

€	
Dividend of € 26.00 per ordinary no-par-value share	23,051,990.00
Dividend of € 26.26 per preference no-par-value share	22,707,337.12
Total	**45,759,327.12**
Carried forward to new account	**42,882,307.66**
	88,641,634.78

Frankenthal, 12 March 2024

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: ksb.com/financialstatements

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General Information

Responsibility Statement

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

Frankenthal, 12 March 2024

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 consolidated financial statements of KSB SE & Co. KGaA, Frankenthal, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of KSB SE & Co. KGaA, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the section "Description of Key Features of the Internal Control System, the Risk Management System and the Compliance Management System in Accordance with the A.5 DCGK 2022 Recommendation" of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the section referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group 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 Consolidated Financial Statements and of the Group Management Report“ section of our auditor’s report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated 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 matters of most significance in our audit were as follows:

❶ Recoverability of goodwill
❷ Accounting treatment of project orders recognized over time

Our presentation of these key audit matters has been structured in each case as follows:

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

Hereinafter we present the key audit matters:

❶ Recoverability of goodwill

① In the Company’s consolidated financial statements goodwill amounting in total to EUR 30.4 million is reported under the “Intangible assets” balance sheet item. Goodwill is tested for im-pairment by the Company once a year or when there are indications of impairment to deter-mine any possible need for write-downs. Impairment testing is carried out at the level of the cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assump-tions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The impairment test determined that it was necessary to recognize write-downs amounting to a total of EUR 0.7 million. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating unit, on the discount rate used, the rate of growth as well as other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector specific market expectations. We also assessed the appropriate consideration of the costs of Group functions. 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 using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. We evaluated the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to the cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill are contained in section III "Accounting policies", IV. "Balance sheet disclosures" note 1 of the notes to the consolidated financial statements.

❷ Accounting treatment of project orders recognized over time

① In the Company's consolidated financial statements revenue totaling EUR 2,819.0 million is reported in the consolidated income statement. The Company has put in place comprehensive systems and processes throughout the Group for the purposes of accurately recognizing and deferring revenue. Revenue amounting to EUR 676.5 million is attributable to project orders recognized over time and the service business. In the case of project orders, the stage of completion is estimated based on the ratio of costs already incurred to budgeted total costs. IFRS 15 requires estimates and judgments to be made for certain areas, which were assessed for appropriate-ness in the context of our audit. In particular, the estimation of the planned total costs of the project orders to be recognized over time and the appropriate allocation of costs incurred to the orders are based on the estimates and assumptions made by the executive directors. Against this background and due to the resulting estimation uncertainties and the complexity of the accounting treatment under Group-wide application of IFRS 15, this matter was of particular significance in the context of our audit.

② As part of our audit, among other things we assessed the processes and controls established by the Group for the recognition of revenue from project orders recognized over time, taking into account the stage of completion. In addition, with respect to project orders recognized over time we examined projects on a sample basis to determine whether they met the requirements for recognizing revenue over time in accordance with IFRS 15. We assessed the estimates and judgments made by the executive directors with respect to the recognition and deferral of revenue for the various business models of the Group companies. Furthermore, we assessed the calculation of percentage of completion and the proportionate recognition of revenue and profit derived from this. In this connection we examined the calculation of both the budgeted total costs and the costs actually incurred. We assessed the pro-gress of the respective projects, among other things based on interviews with project manag-ers and by inspecting project documentation. In addition, we assessed the consistency of the methods used to calculate the costs incurred.

We also addressed the inherent audit risk in this audit area by means of audit procedures that were consistently applied throughout the Group. We were able to satisfy ourselves that the systems, processes and controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue is appropriately accounted for.

③ The Company's disclosures on the accounting treatment of project orders recognized over time are contained in sections III. "Accounting policies", IV. "Notes to the balance sheet", nos. 8 and 13 and V. "Notes to the income statement", no. 14 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the section “Description of Key Features of the Internal Control System, the Risk Management System and the Compliance Management System in Accordance with the A.5 DCGK 2022 Recommendation” as an unaudited part of the group management report.

The other information comprises further

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

Our audit opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group 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 CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.

- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

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

- Perform audit procedures on the prospective information presented by the executive directors in the group 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP 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 consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the electronic file ksbsecokgaa_KA_LB_ESEF-2023-12-31.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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the “Report on the Audit of the Consolidated Financial Statements and on the Group 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 consolidated financial statements and the group 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 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the “Group Auditor’s Responsibilities for the Assurance Work on the ESEF Documents” section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

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 rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 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.

Group 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 consolidated 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 consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 4 May 2023. We were engaged by the supervisory board on 20 September 2023. We have been the group 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 consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group 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 Dirk Fischer.

Mannheim, 12 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Fischer Wirtschaftsprüfer [German Public Auditor]	Matthias Böhm Wirtschaftsprüfer [German Public Auditor]

Glossary

ABBREVIATIONS

ASEAN
Association of Southeast Asian Nations

CSR
Corporate Social Responsibility

DIIR
Deutsches Institut für Interne Revision e.V. [German Institute of Internal Auditors]

ESG
Environmental, Social and Governance

IMF
International Monetary Fund

OECD
Organisation for Economic Co-operation and Development

UNGP
United Nations Guiding Principles on Business and Human Rights

VDMA
Verband Deutscher Maschinen- und Anlagenbau e.V.
[German Mechanical Engineering Industry Association]

KEY CORPORATE AND TECHNICAL TERMS

Additive manufacturing
Previously referred to as rapid prototyping: a process which enables rapid and cost-effective production of patterns, samples, prototypes, tools and final products

Chief Compliance Officer
Assesses and reviews, inter alia, compliance with applicable law and internal guidelines by staff

Corporate governance
The company-specific Corporate Governance System encompasses the entirety of relevant laws, directives, codes, memoranda of understanding, corporate guidelines and practices of the company's Management, as well as the relevant supervisory bodies.

Fraud activities
Technical term used in internal auditing to describe fraudulent practices and transactions

Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V.
Charitable organisation in the form of a benevolent fund which provides support to current and former employees and their immediate families in cases of urgent financial need

Greenhouse Gas Protocol
Standard for calculating CO_2 and greenhouse gas emissions

International Labour Organisation (ILO)
Specialised United Nations agency responsible for drawing up and overseeing international labour standards and social standards

Lost Time Accident Rate (LTAR)
This occupational health and safety indicator measures the number of working hours lost due to accidents per employee and year.

Material circularity indicatoR
The MCI measures the circularity of a product, for example the extent to which it can be recycled.

Stakeholders
Groups of people who are directly or indirectly affected by a company's activities; KSB's main stakeholders are customers, suppliers, investors, employees and the public.

Sustainable Development Goals (SDG)
17 goals for sustainable development set out by the United Nations

UK Modern Slavery Act
British law combating modern slavery, forced labour and human trafficking

UN Global Compact (UNGC)
United Nations initiative for responsible corporate governance based on ten universal principles

Vision Zero
Prevention concept developed by the International Social Security Association (ISSA) in order to reduce the number of occupational accidents

Contacts

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GROUP INFORMATION
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KSB Corporate Comunications, Frankenthal
3st kommunikation, Mainz, Germany

PHOTOGRAPHY
katatonia, Adobe Stock (Title)
Robert Kwiatek, Frankenthal, Germany
(pp. 8, 10, 14)

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

The KSB Group's Annual Report is also available in German.

Digital Annual Report
Online Annual Report with
additional functions:
ksb.com/online-report
PDF version for download:
ksb.com/annualreport

Financial Calendar

26 March 2024
Reporting on the 2023 financial year
Financial press conference,
10:00, Frankenthal

25 April 2024
Interim report
January – March 2024

8 May 2024
Annual General Meeting
10:00, Frankenthal

31 July 2024
Half-year financial report
January – June 2024

12 November 2024
Interim report
January – September 2024

30 January 2025
Preliminary report on the 2024 financial year

You will find the latest information on
the 2024 Annual General Meeting at:
ksb.com/agm

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