KSB Group

Half-year Financial Report 2019

Contents

Interim Management Report for the Six Months Ended 30 June 2019

Macroeconomic Environment and Sector View

The risks for the global economy and thus also for our business remained in place in the first half of 2019. They stem mainly from the international trade disputes triggered by the USA and political tensions in the Middle East.

In its latest estimate, the International Monetary Fund (IMF) has again lowered its growth forecast for the current year. Growth in global gross domestic product is now expected to decline to 3.2 %. In several countries, including Turkey, Argentina and Iran, a decline in gross domestic product is to be expected. In China, one of KSB's most important markets, economic growth slowed to 6.2 % as a result of the trade dispute with the USA. The trade dispute is slowing growth of foreign trade worldwide, which is having a detrimental effect in particular on Germany's exports and economic growth.

In view of political uncertainty and a reluctance to invest and spend the IMF has recently downgraded its forecast for Brazil, where KSB has a strong market position.

By contrast, the IMF expects a significant improvement in the economy in 2019 in India, another important market for KSB. The forecast for the USA continues to be below prior-year levels, but was recently raised to 2.6 % on account of strong exports and growth in inventory investment at the beginning of the year.

ECONOMIC PROSPECTS FOR MECHANICAL ENGINEERING DETERIORATE

The global economic slowdown is also reflected in the sales revenue forecasts of the German Mechanical Engineering Industry Association (VDMA). Global sales revenue growth is expected to reach only 1 % in the current year, well below the prior-year figure of 5 %. Sales revenue growth is expected to be significantly lower than in the previous year, especially in China and the USA. Germany, the United Kingdom, Japan and Italy are even expected to see a decline in sales revenue. The forecast for sales revenue performance in Germany has been reduced to approx. – 2 %.

Sales revenue in the German mechanical engineering sector in the first six months of the current year was down on the comparative prior-year period (– 1.4 %), after orders on hand decreased significantly as a result of the weak economy and political uncertainties (– 8.7 %).

After a decline in June, the order volume for liquid pumps in the first six months also fell short of the previous year's level overall (– 1.6 %), while the performance of industrial valves was positive. Order intake in the first six months increased by 4.4 % year on year.

SUBDUED PERFORMANCE OF KEY MARKETS

The global economic slowdown is also reflected in the individual sales markets for pumps and valves.

Key sales markets for KSB remain general industry, the water and waste water sector and the energy industry. The deterioration in the business climate and the subdued growth in international trade are having a particular impact on cyclical sectors in the manufacturing industry, such as mechanical engineering and chemicals, as well as on their demand for capital goods.

Although the demand for products for water and waste water engineering is also affected by weaker industrial growth in the short term, it is influenced in the long term by demographic factors that mitigate economic fluctuations.

The energy industry, too, is growing more slowly this year, which is particularly noticeable in China due to the weakening of some key sectors.

While building services / construction are still developing steadily worldwide and are achieving significant growth, particularly in emerging Asian countries, declining demand for coal and declining investment are dampening growth in the mining sector.

Business Development and Results of Operations

The first six months of 2019 were characterised by continued intensification of sales activities in the industry, water / waste water and energy markets, which we have strategically prioritised, as well as in the Valves and Service segments.

In line with our customers' changing purchasing habits, one focus was the expansion of electronic sales of pumps and valves through the Web Shop and e-sales portals. A new web site including an integrated, new product catalogue and Web Shop went live in Sweden and serves as a model for all other countries.

ORDER INTAKE REACHES RECORD LEVEL

In the first six months of the year, our order intake rose by € 111.9 million to € 1,306.5 million in relation to the comparative prior-year period. The 9.4 % growth during the period is thus above the forecast corridor set down in the annual financial statements. The strong performance in the first half of the year is in line with our expectations.

Compared with the same period of the previous year, currency translation effects had a relatively minor impact.

In the Pumps segment, we recorded growth in order intake of € 75.0 million (+ 9.5 %) to € 867.1 million. This is mainly attributable to increased orders from customers in the fields of water / waste water, energy supply (e.g. major projects) and manufacturing.

The order intake in the Valves segment reached € 203.9 million, an increase of € 24.7 million on the previous year (+ 13.8 %). Here, above all the transport sector was able to grow, driven among other things by cryogenic valves for LNG tankers and by flue gas cleaning systems for ships.

In the Service segment, order intake rose by € 12.1 million (+ 5.4 %) to € 235.5 million. In particular, more services were requested from customers in the general industry and chemicals / petrochemicals sectors. The KSB SupremeServ brand for service and spare parts introduced last year, accentuating our quality and efficiency in service, performed well and recorded significant growth, particularly in the spare parts business. Online monitoring and diagnostic systems contributed to this.

The growth in order intake is spread across almost all markets. In the mining market alone, we experienced a year-on-year decline, as expected, due to the cyclical nature of this business. The exceptionally high volume in the previous year was based on a one-time major order in spring 2018. We recorded the largest increases with customers from the water / waste water, manufacturing industry, transport and energy sectors.

Project business developed particularly well in all key markets. It was also significantly higher than in the previous year in almost all Regions. In the water / waste water market, for example, major orders were received in the Regions Middle East / Africa and Asia / Pacific.

In absolute terms, the Group companies in the Region Asia / Pacific recorded the strongest order growth, with a € 47.1 million increase (+ 16.7 %). This was also the Region with the largest increase in relative terms. A major contribution came from a subsidiary in India. In addition to strong growth in the general business, another major project in the energy sector was brought on board.

With an increase of € 32.5 million (+ 15.7 %), the European Group companies also reported strong growth in the first half of the year. This was due to a significant rise in project volumes in both the Pumps and the Valves segments.

The companies in the Region Americas also posted high growth in order intake, achieving a € 27.9 million increase (+ 15.7 %).

At + € 4.4 million (+ 5.4 %), growth in the Region Middle East / Africa was the lowest. Here, political conditions are holding back stronger growth.

SALES REVENUE GROWS SIGNIFICANTLY

Consolidated sales revenue rose by € 87.4 million (+ 8.3 %) to € 1,141.9 million and was within our growth target corridor of + 2.4 % to + 9.1 %. The exchange rate effect on sales revenue also tended to be negligible.

Segment reporting

€ thousands	Order intake		Sales revenue		EBIT	
	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2019	Six months ended 30 June 2018
Pumps segment	867,061	792,066	763,773	698,841	40,977	19,108
Valves segment	203,891	179,176	173,476	161,868	–2,098	–4,265
Service segment	235,508	223,361	204,630	193,764	6,369	6,594
Total	**1,306,460**	**1,194,603**	**1,141,879**	**1,054,473**	**45,248**	**21,437**
				Finance income / expense	–7,367	–4,752
				Earnings before income taxes (EBT)	**37,881**	**16,685**

At € 763.8 million, sales revenue in the Pumps segment was € 64.9 million or 9.3 % up on the previous year. KSB SE & Co. KGaA, as well as GIW in the USA and the Indian subsidiary KSB Limited made a particular contribution to this growth.

At € 173.5 million in the Valves segment, sales revenue for globe, gate and butterfly valves significantly exceeded the prior-year level (+ € 11.6 million / + 7.2 %). Growth spread across many regions and companies, led by the French company KSB S.A.S.

In the Service segment, we achieved growth of € 10.9 million (+ 5.6 %) to reach € 204.6 million. We recorded the sharpest increase in the Region Americas where the inclusion of the new service company KSB Dubric in the scope of consolidation in the second half of 2018 as well as the general drive to step up activities as part of the KSB SupremeServ initiative had an impact.

As in previous years, Europe remained the Region with the highest sales revenue. The Region was able to post growth in the amount of € 37.3 million (+ 6.3 %). The Engineered business accounted for the largest increase.

The strongest increases in sales revenue were achieved by the companies in the Region Americas (+ € 30.5 million / + 18.7 %) and in the Region Asia / Pacific (+ € 26.5 million / + 12.2 %). In the Region Americas, above all the sustained high level of orders on hand of the subsidiary GIW Industries, Inc., with its main focus on slurry pumps, was translated into high sales revenue growth. In Asia, KSB Limited in India posted the most significant growth in sales revenue, in line with the increase in order intake described above.

ORDERS ON HAND

At mid-year, orders on hand totalled € 1,535.8 million (previous year: € 1,413.1 million). As in the previous year, this covers a production period of around eight months.

TOTAL OUTPUT OF OPERATIONS

At € 1,182.8 million, total output of operations was 7.4 % higher than the comparative prior-year figure of € 1,100.8 million. It was impacted by the positive change in sales revenue already set out, which was partially offset by the lower positive inventory changes.

INCOME AND EXPENSES

In line with the increase in sales revenue, the cost of materials rose by € 59.4 million to a total of € 505.7 million compared with the first six months of 2018; in relation to total output of operations, it rose from 40.5 % in the previous year to 42.8 % in the year under review.

Staff costs as a percentage of the increased total output of operations decreased by 1.3 percentage points year on year to 35.5 %. The rise in staff costs from € 405.1 million to € 420.3 million reflects the increase of 187 in staff numbers as well as salary increases.

At € 184.4 million, other expenses were € 18.2 million lower than in the comparative prior-year period and thus decreased by 2.8 % as a percentage of total output of operations. The decline is mainly attributable to additions to provisions for a legacy project in the United Kingdom in the previous year as well as the first-time adoption of IFRS 16 in the year under review. The expenses for rents and leases included in other expenses fell accordingly by € 6.1 million in the period under review. On the other hand, depreciation and amortisation increased by € 8.3 million year on year. The share of capitalised leases in this change amounts to € 7.0 million.

HALF-YEAR EARNINGS

EBIT grew from € 21.4 million to € 45.2 million. One of the reasons for this development is the fact that additions to provisions had weighed on the previous year. There were no comparable effects in the first half of 2019. The Pumps segment contributed EBIT of € 41.0 million (previous year: € 19.1 million), the Valves segment € – 2.1 million (previous year: € – 4.3 million) and the Service segment € 6.4 million (previous year: € 6.6 million).

Earnings before income taxes (EBT) more than doubled from € 16.7 million to € 37.9 million year on year. The income tax rate for the first half of 2019 was 48.6 %, down from 87.9 % in the comparative prior-year period. The income tax rate, which was very high in the previous year and high in the current year, is mainly attributable to deferred taxes on loss carryforwards that cannot be capitalised.

Earnings after income taxes thus amount to € 19.5 million (previous year: € 2.0 million). Earnings attributable to non-controlling interests increased in absolute terms from € 5.8 million to € 6.2 million. Consequently, the earnings attributable to non-controlling interests in the first half of 2019 amounted to only 31.8 % of the earnings after income taxes.

Earnings attributable to shareholders of KSB SE & Co. KGaA (€ 13.3 million) were € 17.1 million higher than in the previous year (€ – 3.8 million).

Earnings per ordinary share were € 7.39, compared with € – 2.29 in the previous year, and € 7.77 per preference share, compared with € – 2.03 in the first half of 2018.

Financial Position and Net Assets

LIQUIDITY

Cash flows from operating activities amounted to € 0.2 million, compared with € – 14.7 million for the first six months of the previous year. In particular, the positive development of earnings after taxes contributed to this lower cash outflow. A lower level of funds tied up in current assets compared with the prior-year period was largely offset by lower increases in current liabilities. While in the previous year cash flows from operating activities still included the total lease expenditure, this item only includes lease expenses for short-term leases and leases with low-value underlying assets as well as interest payments for lease liabilities in the year under review.

Cash flows from investing activities were mainly characterised by the reclassification of European commercial papers and term deposits with maturities of more than 3 and up to 12 months (€ + 53.0 million) to cash and cash equivalents. Payments for investments in property, plant and equipment in the amount of € – 27.2 million had the opposite effect. Our investing activities thus generated cash flows of € + 27.0 million (prior-year period: € – 46.4 million).

Cash flows from financing activities amounted to € – 12.6 million and thus changed little (prior-year period: € – 13.3 million). The redemption component of the lease expenses previously included in cash flows from operating activities, which were capitalised in the course of the application of IFRS 16, is reported in cash flows from financing activities in the year under review (€ – 6.5 million). A € 7.8 million reduction in dividend payments had the opposite effect.

Cash and cash equivalents from all cash flows grew from € 255.5 million at the beginning of the year to € 268.3 million. Exchange rate effects amounting to € – 1.4 million (previous year: € + 1.5 million) contributed to this rise.

INVESTMENTS

At € 27.2 million, investment in property, plant and equipment was higher than the comparative prior-year figure of € 22.0 million. We focused our investments in Europe – in particular in Germany and France – and in the USA and in India.

NET FINANCIAL POSITION

The KSB Group’s net financial position, i.e. the difference between interest-bearing financial assets on the one hand and financial liabilities on the other, declined from € 255.0 million as per 31 December 2018 to € 163.4 million. This effect is mainly due to the decrease in term deposits with maturities of more than 3 and up to 12 months and in European commercial papers, as well as the increase in lease liabilities in the amount of € 46.4 million in connection with the first-time adoption of IFRS 16 in the year under review.

NET ASSETS

The changes in non-current assets (+ € 47.2 million) are primarily attributable to the capitalisation of rights of use to leased assets under IFRS 16 in 2019 (+ € 46.4 million). Currency translation effects increased non-current assets by € 2.0 million in the first half of 2019 (prior-year period: € – 6.0 million). Inventories, at € 603.6 million, were up

€ 59.1 million on the 2018 year-end level. Among other things, this growth resulted from the increased processing of customer contracts, which is reflected in work in progress as well as finished goods and goods purchased and held for resale at + € 39.5 million. Higher advance payments and raw materials, consumables and supplies contributed to the increase in inventories in similar proportions.

Trade receivables rose only insignificantly from € 518.1 million at the end of the previous year to € 523.0 million, while contract assets increased by € 15.3 million to € 89.8 million. The latter development is attributable to the fact that work in progress included in contract assets increased at a stronger pace than advances received. Other financial assets decreased by a total of € 57.6 million mainly due to the above-mentioned reclassification of European commercial papers and term deposits with maturities of more than 3 and up to 12 months to cash and cash equivalents. Other non-financial assets increased, on the one hand, due to higher other tax assets, which mainly related to our production company in France and one of our US companies (+ € 8.5 million). On the other hand, deferred items increased (+ € 8.5 million).

Cash and cash equivalents from all cash flows set out above grew from € 255.5 as at 31 December 2018 to € 268.3 million.

Total assets amounted to € 2,340.9 million as at 30 June 2019, representing an increase of € 98.7 million or 4.4 % compared with the 2018 year-end figure. This change resulted primarily from the capitalisation of rights of use to leased assets under IFRS 16 (+ € 46.4 million) and increased inventories (+ € 59.1 million).

EQUITY

KSB Group equity has increased from € 856.8 million (31 December 2018) to**€** 866.0 million. Higher equity attributable to the shareholders of KSB SE & Co. KGaA and to minority interests contributed almost equally here. The key factor was higher earnings after taxes combined with lower dividend payments compared with the prior-year period. The changes in other comprehensive income reduced equity (– € 2.2 million). This includes additions to pension provisions as a result of the decline in interest rates, which had a negative impact of € 7.0 million on other comprehensive income after income taxes, as well as currency translation differences of € 4.5 million with an opposite effect. As the increase in total equity and liabilities was higher in relation (+ 4.4 %), the equity ratio fell from of 38.2 % as at 31 December 2018 to 37.0 %.

LIABILITIES

Liabilities rose from € 1,385.4 million at the end of 2018 to € 1,474.8 million. This change (+ € 89.4 million or + 6.5 %) is mainly attributable to higher lease liabilities, primarily as a result of the adoption of IFRS 16 (+ € 46.5 million) and higher contract liabilities (+ € 16.9 million). Trade payables declined by € 3.5 million. In addition to the above-mentioned lease liabilities, the increase in non-current provisions for employee benefits (+ € 10.1 million) led to an increase of € 39.9 million in non-current liabilities.

Summary of the Economic Situation of the Group

The improvement in order intake targeted for the 2019 full year to between € 2,350 million and € 2,500 million, i.e. an increase of 2.0 % to 8.5 %, was even exceeded in the first half of the year with a total order intake of € 1,306.4 million (+ 9.4 %).

In our Annual Report 2018, we predicted an increase in sales revenue to between € 2,300 million and € 2,450 million for the current year, i.e. a relative increase of 2.4 % to 9.1 %. In the first half of 2019, we achieved our target with growth of 8.3 % (+ € 87.4 million).

Compared with the previous year's figure, EBIT increased by € 23.8 million. Similarly, earnings before income taxes (EBT) were € 21.2 million higher than the comparative 2018 figure. Overall, the Group recorded EBIT of € 45.2 million and, in anticipation of a stronger second half of the year, is therefore maintaining the forecast of € 95 million to € 115 million published at the end of the previous year.

In the first six months of the current financial year, performance was thus as expected overall.

Employees

The number of employees increased over the past twelve months. As at 30 June 2019, 15,759 people were employed in the KSB Group, 187 more than on the same date in the previous year. This corresponds to a change of + 1.2 %. Staff numbers increased in all Regions, with the exception of the Region Middle East / Africa, where there was a slight decline.

Report on Expected Developments

In the 2018 group management report we presented a detailed estimate of how we expect the market and our sales opportunities to develop in the current year.

For the current financial year, we continue to expect an improvement in order intake to between € 2,350 million and € 2,500 million.

We continue to expect an increase in sales revenue to between € 2,300 million and € 2,450 million.

As announced at the end of 2018, we expect earnings before financial income / expense and taxes to improve to between € 95 million and € 115 million.

Forward-looking Statements

This report contains forward-looking statements and information that are based upon the assumptions of the Managing Directors. They express our 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. We wish to point out that actual events or results may differ materially from the forward-looking statements and information mentioned, 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

In the 2018 Annual Report, we presented in detail the opportunities and risks we see facing our business. These have since undergone no significant reassessment.

Audit Review

This interim management report – as well as the underlying condensed interim consolidated financial statements – have neither been audited nor reviewed in accordance with section 317 of the German Commercial Code [HGB].

Information and Publication

Due to rounding, there may be minor differences in the totals, the percentages and information on changes presented in the management report compared with the previous year.

The half-year financial report is published in the *Bundesanzeiger* [German Federal Gazette], as well as on our web site (www.ksb.com). A print version is also available on request.

Interim Consolidated Financial Statements

Balance Sheet

Assets

€ thousands	Notes	30 June 2019	31 Dec. 2018
Non-current assets			
Intangible assets	1	95,495	91,089
Right-of-use assets	1	46,407	–
Property, plant and equipment	1	492,122	496,659
Non-current financial assets	1	1,915	1,773
Other non-financial assets	1	3,107	2,914
Investments accounted for using the equity method	1	22,170	23,855
Deferred tax assets		82,640	80,391
		743,856	**696,681**
Current assets			
Inventories	2	603,553	544,430
Contract assets	3	89,784	74,499
Trade receivables	3	522,987	518,116
Other financial assets	3	45,831	103,388
Other non-financial assets	3	66,512	49,504
Cash and cash equivalents	4	268,341	255,545
		1,597,009	**1,545,482**
		2,340,865	**2,242,163**

Equity and liabilities

€ thousands	Notes	30 June 2019	31 Dec. 2018
Equity	**5**		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		581,979	577,756
Equity attributable to shareholders of KSB SE & Co. KGaA		693,414	689,191
Non-controlling interests		172,629	167,600
		866,044	**856,791**
Non-current liabilities			
Deferred tax liabilities		10,412	10,252
Provisions for employee benefits	6	588,784	578,640
Other provisions	6	1,379	1,377
Financial liabilities	7	59,661 *	30,099
		660,237	**620,368**
Current liabilities			
Provisions for employee benefits	6	8,146	9,287
Other provisions	6	87,087	83,557
Financial liabilities	7	68,344 *	48,777
Contract liabilities	7	174,295	157,389
Trade payables	7	266,729	270,212
Other financial liabilities	7	37,967	32,767
Other non-financial liabilities	7	160,177	154,689
Income tax liabilities	7	11,839	8,326
		814,584	**765,004**
		2,340,865	**2,242,163**

Further information is provided in the Notes to the consolidated financial statements.
* As of 1 January 2019, lease liabilities of € 50,187 thousand were recognised as a result of the first-time adoption of IFRS 16.

Statement of Comprehensive Income

Income statement

€ thousands	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
Sales revenue	**8**	**1,141,879**	**1,054,473**
Changes in inventories		37,704	43,060
Work performed and capitalised		3,228	3,305
Total output of operations		**1,182,811**	**1,100,838**
Other income	9	19,273	12,168
Cost of materials	10	–505,748	–446,300
Staff costs	11	–420,305	–405,061
Depreciation and amortisation	1	–39,826	–31,515
Other expenses	12	–184,425	–202,602
Other taxes		–6,530	–6,091
Earnings before finance income / expense and income taxes (EBIT)		**45,248**	**21,437**
Finance income	13	2,752	2,152
Finance expense	13	–8,424	–7,417
Income from / expense to investments accounted for using the equity method	13	–1,696	513
Finance income / expense		**–7,367**	**–4,752**
Earnings before income taxes (EBT)		**37,881**	**16,685**
Taxes on income	14	–18,401	–14,666
Earnings after income taxes		**19,480**	**2,019**
Attributable to:			
Non-controlling interests	15	6,203	5,804
Shareholders of KSB SE & Co. KGaA		**13,277**	**–3,785**
Diluted and basic earnings per ordinary share (€)	16	7.39	–2.29
Diluted and basic earnings per preference share (€)	16	7.77	–2.03

Statement of income and expense recognised in equity

€ thousands	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
Earnings after income taxes		**19,480**	**2,019**
Remeasurement of defined benefit plans		–9,954	–23
Taxes on income		2,983	7
Expense and income recognised directly in equity and not reclassified to profit or loss in subsequent periods		**–6,971**	**–16**
Currency translation differences		4,476	–13,222
Attributable to: Expense and income recognised directly in equity attributable to investments accounted for using the equity method		246	409
Changes in the fair value of financial instruments: Hedging reserve		400	–2,216*
Taxes on income		–120	655*
Attributable to: Expense and income recognised directly in equity attributable to investments accounted for using the equity method		–	–33
Changes in the fair value of financial instruments: Hedging cost reserve		–	60*
Taxes on income		–	–17*
Expense and income recognised directly in equity and reclassified to profit or loss in subsequent periods		**4,756**	**–14,740**
Other comprehensive income		**–2,215**	**–14,756**
Comprehensive income		**17,265**	**–12,737**
Attributable to:			
Non-controlling interests		7,459	5,371
Shareholders of KSB SE & Co. KGaA		**9,806**	**–18,108**

Further information is provided in the Notes to the consolidated financial statements.
* Prior-year value restated under IFRS 9

Statement of Changes in Equity

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
31 Dec. 2017	44,772	66,663
Impact of transition to IFRS 9 and IFRS 15	–	–
1 Jan. 2018 (restated under IFRS 9 and IFRS 15)	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income taxes	–	–
Comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increases / decreases	–	–
Change in consolidated Group / Step acquisitions	–	–
Other	–	–
30 June 2018	**44,772**	**66,663**

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
1 Jan. 2019	44,772	66,663
Other comprehensive income	–	–
Earnings after income taxes	–	–
Comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increases / decreases	–	–
Change in consolidated Group / Step acquisitions	–	–
Other	–	–
30 June 2019	**44,772**	**66,663**

Accumulated currency translation differences (€ thousands)	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total equity
Balance at 1 Jan. 2018	–83,769	–20,145	–103,914
Change in 2018	–13,603	381	–13,222
Balance at 30 June 2018	**–97,372**	**–19,764**	**–117,136**
Balance at 1 Jan. 2019	**–98,270**	**–19,493**	**–117,763**
Change in 2019	3,215	1,261	4,476
Balance at 30 June 2019	**–95,055**	**–18,232**	**–113,287**

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**
862,874	–83,769	976	–539	–167,687	723,290	162,108	**885,398**
–9,218	–	–	–	–	–9,218	–7	**–9,225**
853,656	–83,769	976	–539	–167,687	714,072	162,101	**876,173**
–	**–12,788**	**–1,561**	**43**	**–17**	**–14,323**	**–433**	**–14,756**
–3,785	–	–		–	–3,785	5,804	**2,019**
–3,785	–12,788	–1,561	43	–17	–18,108	5,371	**–12,737**
–13,360	–	–	–	–	–13,360	–2,296	**–15,656**
–	–	–	–	–	–	–	–
2,251	–815	–	–	–80	1,356	–4,978	**–3,622**
502	–	–	–	–	502	–17	**485**
839,264	**–97,372**	**–585**	**–496**	**–167,784**	**684,462**	**160,181**	**844,643**

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**
854,647	–98,270	–2,930	–574	–175,117	689,191	167,600	**856,791**
–	3,215	280	–	–6,966	–3,471	1,256	**–2,215**
13,277	**–**	**–**	**–**	**–**	**13,277**	**6,203**	**19,480**
13,277	3,215	280	–	–6,966	9,806	7,459	**17,265**
–5,583	–	–	–	–	–5,583	–2,430	**–8,013**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
862,341	**–95,055**	**–2,650**	**–574**	**–182,083**	**693,414**	**172,629**	**866,044**

* Prior-year value restated under IFRS 9

Statement of Cash Flows

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Cash flow	**59,754**	**36,628**
Other changes in cash flows from operating activities	–60,003	–51,351
Cash flows from operating activities	**–249**	**–14,723**
Cash flows from investing activities	**27,010**	**–46,379**
Cash flows from financing activities	**–12,571**	**–13,319**
Changes in cash and cash equivalents	14,190	–74,421
Effects of exchange rate changes on cash and cash equivalents	–1,394	1,523
Effects of changes in consolidated Group	-	-
Cash and cash equivalents at beginning of period	255,545	289,535
Cash and cash equivalents at end of period	**268,341**	**216,637**

Notes

GENERAL INFORMATION ON THE GROUP AND THE ACCOUNTING PRINCIPLES APPLIED

These unaudited and condensed interim consolidated financial statements of KSB SE & Co. KGaA, Frankenthal/Pfalz, Germany, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as adopted by the European Union (EU), taking into consideration the interpretations of the IFRS Interpretations Committee (IFRIC). They have been prepared in euros (€) on a going concern basis. Amounts in this report are generally presented in thousands of euros (€ thousands) using standard commercial rounding rules and in condensed form pursuant to IAS 34. Due to rounding, there may be minor differences in the totals and percentages presented in this report.

The standards and interpretations applicable as at 1 January 2019 were used in the preparation of the interim consolidated financial statements. Of those standards and interpretations that were required to be applied for the first time, only the new accounting standard IFRS 16 Leases had a significant impact on the Group's net assets, financial position and results of operations. More detailed explanations are provided in the comments on the accounting policies used in these interim consolidated financial statements.

CONSOLIDATION PRINCIPLES

In addition to KSB SE & Co. KGaA, 9 German and 74 foreign companies were fully consolidated in the interim consolidated financial statements. The equity method was used to consolidate five joint ventures and one associate company.

There were no changes to consolidation methods or currency translation methods compared with the 2018 consolidated financial statements.

ACCOUNTING POLICIES

The accounting policies have changed compared with the last consolidated financial statements due to the first-time adoption of the new IFRS 16 accounting standard. They apply to all companies included in the interim consolidated financial statements.

Changes in accounting policies due to the first-time adoption of IFRS 16 Leases

In January 2016, the IASB published the accounting standard IFRS 16 Leases superseding IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 includes new rules on recognising, measuring, presenting and disclosing leases on a more detailed basis compared with IAS 17. Under IFRS 16, all leases must be presented by the lessee in the balance sheet in the form of a right-of-use asset (right to use the leased item) and a corresponding lease liability (liability from lease obligations) for the payment of lease instalments. The interest expense for the lease liability and depreciation / amortisation expense for the right-of-use asset must be recognised separately.

Lease agreements in which KSB is the lessee mainly relate to real estate and motor vehicles.

KSB applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method without restatement of prior periods, which continue to be presented in accordance with IAS 17. The capitalised right of use was taken into account in the amount of the lease liability, which had no effect on equity. KSB has made use of the option of simplified adoption in connection with lease agreements for low-value assets and for contracts with a term of up to twelve months, i.e. for short-term leases. Existing lease agreements with a lease term ending in 2019 were also classified as short-term leases irrespective of their original total term. Accordingly, no right-of-use assets and lease liabilities were recognised for such leases. Leased assets with a fair value of up to € 5,000 were defined as low-value assets. For existing agreements classified as finance leases, only property, plant and equipment capitalised to date was reclassified as right-of-use assets. The related lease liabilities continued to be recognised without change.

The first-time adoption resulted in the capitalisation of rights of use and the corresponding recognition of lease liabilities in the amount of € 50,187 thousand.

→ Restatement of opening balance sheet as at 1 January 2019

A reconciliation of obligations from operating leases as at 31 December 2018 to lease liabilities as at 1 January 2019 is presented in the following table:

→ Reconciliation of lease obligations

The weighted average incremental borrowing rate at which the lease liabilities were discounted as at 1 January 2019 was 2.5 %. This interest rate is used as the basis for determining the discounting effect in the reconciliation from 31 December 2018 to 1 January 2019.

Extension and termination options are included in 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 above-described simplification options for leases with low-value underlying assets and short-term leases are applied unchanged beyond the date of first adoption.

There is no material effect on KSB's EBIT from the amended presentation in the income statement showing interest expenses from lease liabilities and depreciation / amortisation of the right-of-use assets compared with the expenses for operating leases shown under IAS 17.

The redemption component included in the lease payments is allocated to cash flows from financing activities. The interest component is recognised in cash flows from operating activities, as is the case for lease payments for short-term leases, leases for low-value assets and variable lease payments.

The new rules for lessors under IFRS 16 have minor significance for KSB and do not have any material effect on the consolidated financial statements.

Restatement of opening balance sheet as at 1 January 2019

€ thousands	31 Dec. 2018	Addition	Reclassification	1 Jan. 2019
Assets				
Rights of use to land and buildings	-	34,870	648	35,518
Rights of use to plant and machinery	-	1,688	-	1,688
Rights of use to other equipment, operating and office equipment	-	13,629	816	14,445
Property, plant and equipment	496,659	-	-1,464	495,195
Total	**496,659**	**50,187**	**-**	**546,846**

€ thousands	31 Dec. 2018	Addition	Reclassification	1 Jan. 2019
Equity and liabilities				
Equity	856,791	-	-	856,791
Liabilities from lease obligations	1,230	50,187	-	51,417
Total	**858,021**	**50,187**	**-**	**908,208**

Reconciliation of lease obligations

€ thousands	
Obligations from operating leases as at 31 Dec. 2018	**63,060**
- Simplification option for leases of low-value assets	-8,470
- Simplification option for short-term leases	-2,145
- Discounting	-2,258
+ Liabilities from lease obligations (finance leases) as at 31 Dec. 2018	1,230
Liabilities from lease obligations as at 1 Jan. 2019	**51,417**
of which current liabilities from lease obligations	13,272
of which non-current liabilities from lease obligations	38,145

BALANCE SHEET DISCLOSURES

1. Non-current assets

As a result of the application of IFRS 16 Leases, rights of use to leased assets amounting to € 46,407 thousand were reported as non-current assets as at 30 June 2019.

In the first six months of 2019, additions of € 35,801 thousand were recognised for property, plant and equipment, rights of use to leased assets and intangible assets. In the first half of 2018 – without application of IFRS 16 – the figure was € 26,697 thousand. Depreciation / amortisation on these items amounted to € 39,826 thousand (previous year: € 31,516 thousand). The increase in depreciation / amortisation is mainly attributable to the application of IFRS 16 in 2019.

In the period under review – as in the first half of 2018 – no impairment losses on intangible assets or property, plant and equipment were recognised. The same applies to the rights of use to leased assets in the first half of 2019.

2. Inventories

€ thousands	30 June 2019	31 Dec. 2018
Raw materials, consumables and supplies	191,314	182,134
Work in progress	209,094	184,158
Finished goods and goods purchased and held for resale	176,650	162,128
Advance payments	26,495	16,010
	603,553	544,430

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

Impairment losses on trade receivables from third parties amounted to € 35,567 thousand (previous year: € 33,943 thousand). There were no impairment losses on trade receivables from other investments (previous year: € 499 thousand). Impairment losses on contract assets amounted to € 147 thousand (previous year: € 190 thousand). Impairment losses on receivables from loans to other investments amounted to € 1,688 thousand (previous year: € 3,172 thousand). There were no impairment losses on receivables from joint ventures or associates, as in the previous year.

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

€ thousands	30 June 2019	31 Dec. 2018
Contract assets	**89,784**	**74,499**
Trade receivables	**522,987**	**518,116**
Trade receivables from third parties	485,835	483,626
Trade receivables from other investments, associates and joint ventures	37,152	34,490
thereof from other investments	6,939	5,384
thereof from associates	2	7
thereof from joint ventures	30,211	29,098
Other financial assets	**45,831**	**103,388**
Receivables from loans to other investments, associates and joint ventures	9,923	12,661
Currency forwards	1,394	1,070
Other receivables and other current assets	34,514	89,657
Other non-financial assets	**66,512**	**49,504**
Other tax assets	48,653	40,124
Deferred income	17,859	9,380

4. Cash and cash equivalents

Cash and cash equivalents are term deposits with short maturities and call deposits, and also current account balances.

5. 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. All shares are no-par-value bearer shares.

Non-controlling interest relates primarily to PAB GmbH, Frankenthal, and the interests it holds, as well as to our companies in India and China. KSB Finanz S.A., Echternach, holds a 51 % interest in PAB GmbH, while Johannes und Jacob Klein GmbH, Frankenthal, holds a 49 % interest.

Details of the changes in equity accounts and non-controlling interests are presented in the Statement of Changes in Equity.

6. Provisions

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. Plan assets have been offset to a small extent in relation to the obligation.

Most of the provisions for pensions result from defined benefit plans in place for the German Group companies. Provisions for other employee benefits relate primarily to anniversary and partial retirement obligations.

The provisions for warranty obligations and contractual penalties reported under other provisions cover the statutory and contractual obligations to customers and are based on estimates prepared using historical data for similar products and services. Miscellaneous other provisions include, inter alia, provisions for expected losses from uncompleted transactions and onerous contracts and environmental measures. Risks of litigation are covered if the recognition criteria for a provision are met.

Provisions

€ thousands	30 June 2019	31 Dec. 2018
Employee benefits	**596,930**	**587,927**
Pensions and similar obligations	561,139	553,573
Other employee benefits	35,791	34,354
Other provisions	**88,467**	**84,934**
Warranty obligations and contractual penalties	49,263	45,582
Provisions for restructuring	1,024	1,023
Miscellaneous other provisions	38,180	38,329
	685,397	**672,861**

7. Liabilities

Non-current liabilities

€ thousands	30 June 2019	31 Dec. 2018
Financial liabilities	**59,661**	**30,099**
Loan against borrower's note	21,976	21,976
Bank loans and overdrafts	4,001	6,967
Lease liabilities	33,353	826
Other	330	330

Current liabilities

€ thousands	30 June 2019	31 Dec. 2018
Financial liabilities	**68,344**	**48,777**
Loan against borrower's note	26,000	26,000
Bank loans and overdrafts	27,461	21,990
Lease liabilities	14,378	404
Liabilities to other investments, associates and joint ventures	497	320
Other	9	63
Contract liabilities	**174,295**	**157,389**
Trade payables	**266,729**	**270,212**
Trade payables to third parties	262,763	264,675
Liabilities to other investments, associates and joint ventures	3,966	5,537
Other financial liabilities	**37,967**	**32,767**
Currency forwards	3,570	3,731
Miscellaneous other financial liabilities	34,396	29,036
Other non-financial liabilities	**160,177**	**154,689**
Social security and liabilities to employees	116,006	116,674
Tax liabilities (excluding income taxes)	30,003	23,734
Prepaid expenses	8,759	9,629
Investment grants and subsidies	5,408	4,652
Income tax liabilities	**11,839**	**8,326**

The increase in current and non-current liabilities from lease obligations compared with the previous year's figures results from the first-time adoption of IFRS 16 in 2019.

INCOME STATEMENT DISCLOSURES

8. Sales revenue

The KSB Group's consolidated sales revenue was € 1,141,879 thousand (previous year: € 1,054,473 thousand).

KSB generates income from the transfer of goods and services over time or at a point in time in the segments presented.

→ Sales revenue by segment and timing of revenue recognition

9. Other income

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Income from the reversal of impairment losses	2,885	1,697
Income from disposal of assets	2,873	359
Currency translation gains	1,161	462
Income from the reversal of provisions	860	1,711
Miscellaneous other income	11,494	7,939
	19,273	**12,168**

Other income primarily includes grants and subsidies, compensation and benefits that do not arise as part of ordinary business activities.

10. Cost of materials

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Cost of raw materials, production supplies and of goods purchased and held for resale	454,815	405,462
Cost of purchased services	50,934	40,838
	505,748	**446,300**

11. Staff costs

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Wages and salaries	342,912	330,151
Social security contributions and employee assistance costs	66,234	64,424
Pension costs	11,158	10,486
	420,305	**405,061**

Pension costs are reduced by the interest component included in the allocation of provisions that is reported in financial income / expense.

Average headcount over the reporting period was 15,702 employees (previous year: 15,594).

12. Other expenses

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Repairs, maintenance, third-party services	62,698	54,415
Administrative expenses	50,158	41,143
Selling expenses	31,398	31,872
Rents and leases	6,906	12,988
Other staff costs	12,095	13,221
Impairment losses on contract assets, trade receivables and other financial assets	3,557	3,451
Currency translation losses	38	1,229
Losses from current assets	376	339
Losses from asset disposals	286	331
Miscellaneous other expenses	16,913	43,612
	184,425	**202,602**

In the prior-year period, other expenses included a substantial portion of additions to provisions for a legacy project in the United Kingdom.

The decline in expenses for rents and leases compared with the prior-year figures results from the first-time adoption of IFRS 16 in 2019. In 2019, this item includes expenses for leases of low-value assets, short-term leases and variable lease payments. In the previous year, the expenses for all operating leases were reported under rents and leases in accordance with IAS 17.

Sales revenue by segment and timing of revenue recognition

€ thousands	Pumps segment	Valves segment	Service segment	Total
Revenue from contracts with customers	763,773	173,476	204,630	1,141,879
Timing of revenue recognition				
At a point in time	666,841	154,928	–	821,769
Over time	96,932	18,548	204,630	320,110

Finance income / expense

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Finance income	**2,752**	**2,152**
Income from equity investments	313	255
thereof from other investments	313	255
Interest and similar income	2,432	1,894
thereof from other investments	14	99
thereof from investments accounted for using the equity method	405	303
Other finance income	7	3
Finance expense	**–8,424**	**–7,417**
Interest and similar expenses	–7,848	–7,406
thereof to other investments	-	–1
Other finance expense	–576	–11
Income from / expense to investments accounted for using the equity method	**–1,696**	**513**
Finance income / expense	**–7,367**	**–4,752**

13. Finance income / expense

→ Finance income / expense

Interest and similar expenses include the interest cost on pension provisions amounting to € 4,705 thousand (previous year: € 5,214 thousand).

In addition, the item in 2019 also includes interest expense from the subsequent measurement of lease liabilities resulting from the application of IFRS 16.

14. Taxes on income

→ Taxes on income

All income-related taxes of the consolidated companies and deferred taxes are reported in this item.

Other taxes are reported separately in the income statement after other expenses.

Taxes on income

€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018
Effective taxes	17,706	11,341
Deferred taxes	695	3,325
	18,401	**14,666**

15. Earnings after income tax – Non-controlling interests

The net profit attributable to non-controlling interests amounts to € 7,193 thousand (previous year: € 6,552 thousand) and the net loss attributable to non-controlling interests amounts to € 990 thousand (previous year: € 748 thousand). Non-controlling interest relates primarily to PAB GmbH, Frankenthal, and the interests it holds, as well as to our companies in India and China.

16. Earnings per share

An additional dividend attributable to preference shareholders of € 0.38 (previous year: € 0.26) per share is assumed.

Earnings per share

€	Six months ended 30 June 2019	Six months ended 30 June 2018
Diluted and basic earnings per ordinary share	7.39	–2.29
Diluted and basic earnings per preference share	7.77	–2.03

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. We are 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. In addition, KSB continuously monitors the current risk characteristics and regularly provides the information obtained in this way to the Managing Directors and the Supervisory Board in the form of standardised reports and individual analyses.

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. In KSB's matrix organisation, management decisions are primarily taken on the basis of the key performance indicators – order intake, external sales revenue and earnings before finance income / expense and income tax (EBIT) – determined for the Pumps, Valves and Service segments. Reporting the relevant assets, number of employees and inter-segment sales revenue for these segments is not part of internal reporting. The managers in charge of these segments, which are geared to product groups, have profit and loss responsibility. They identify business opportunities across markets and industries and assess the options based on current and future market requirements. They also proactively encourage the development of new products and improvements to the available range of products. In this context, they work closely with the Sales organisations and with Operations.

The **Pumps** segment includes single- and multistage pumps, submersible pumps and associated control and drive systems. Applications include process engineering, building services, water and waste water transport, energy conversion and solids transport.

The **Valves** segment covers butterfly, globe, gate, control, diaphragm and ball valves, as well as associated actuators and control systems. Applications primarily include process engineering, building services, energy conversion and solids transport.

The **Service** segment covers the installation, commissioning, start-up, inspection, servicing, maintenance and repair of pumps, related systems and valves for all applications; as well as modular service concepts and system analyses for complete systems.

The companies can be allocated to one or more segments based on their business activities.

The amounts disclosed for the individual segments have been established in compliance with the accounting policies of the underlying interim consolidated financial statements.

Transfer prices for intercompany sales are determined on an arm's length basis.

There were no discontinued operations in the period under review, as in the comparative period of the previous year.

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 following table shows **earnings before financial income / expense and taxes (EBIT)** and **consolidated earnings before taxes (EBT)** including non-controlling interests.
→ Segment reporting

The EBIT of the Pumps segment includes depreciation and amortisation expense of € 26,580 thousand (previous year: € 20,091 thousand), the EBIT of the Valves segment includes depreciation and amortisation expense of € 5,556 thousand (previous year: € 4,844 thousand) and the EBIT of the Service segment includes depreciation and amortisation expense of € 7,690 thousand (previous year: € 6,580 thousand). With the adoption of IFRS 16, depreciation / amortisation of rights of use to leased assets is included for the first time in 2019 at € 6,969 thousand.

€ 288,728 thousand (previous year: € 272,012 thousand) of the sales revenue presented was generated by the companies based in Germany, € 112,480 thousand (previous year: € 112,161 thousand) was generated by the companies based in France, € 107,221 thousand (previous year: € 87,424 thousand) by the companies based in the USA, and € 633,450 thousand (previous year: € 582,876 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 € 656,194 thousand (year-end figure in 2018: € 611,603 thousand), with € 227,121 thousand (year-end figure in 2018: € 214,857 thousand) being attributable to the companies based in Germany and € 429,073 thousand (year-end figure in 2018: € 396,746 thousand) being attributable to the other Group companies. They include intangible assets, property, plant and equipment, investments accounted for using the equity method and in 2019 also rights of use to leased assets under IFRS 16. Non-current financial instruments and deferred tax assets are not included.

Segment reporting

	Order intake		Sales revenue		EBIT	
€ thousands	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2019	Six months ended 30 June 2018
Pumps segment	867,061	792,066	763,773	698,841	40,977	19,108
Valves segment	203,891	179,176	173,476	161,868	–2,098	–4,265
Service segment	235,508	223,361	204,630	193,764	6,369	6,594
Total	**1,306,460**	**1,194,603**	**1,141,879**	**1,054,473**	**45,248**	**21,437**
				Finance income / expense	–7,367	–4,752
				Earnings before income taxes (EBT)	**37,881**	**16,685**

OTHER DISCLOSURES

Contingent liabilities (contingencies and financial obligations)

Contingent liabilities and other financial obligations and commitments fall within the scope of what is required to carry on normal business activities. Following the adoption of IFRS 16 in 2019, obligations from leases, with the exception of obligations from leases of low-value assets and from short-term leases, are presented in the balance sheet. Accordingly, these obligations do not represent other financial obligations in 2019. Apart from this, contingent liabilities and other financial obligations have not changed materially compared with 31 December 2018.

Related party disclosures

Pursuant to section 21(1) of the 28 Dec. 2007 version of the WpHG [*Wertpapierhandelsgesetz* – German Securities Trade Act], KSB Stiftung [KSB Foundation], Stuttgart, notified us on 21 May 2008 that its voting interest in KSB SE & Co. KGaA, Frankenthal / Pfalz exceeded the 75.00 % threshold on 5 May 2008 and amounted to 80.24 % (711,453 voting shares) on this date. 0.54 % of the voting rights (4,782 voting shares) were held directly by KSB Stiftung, Stuttgart, and 79.70 % (706,671 voting shares) were attributed to KSB Stiftung, Stuttgart, pursuant to section 22(1), sentence 1, No. 1 of the 28 Dec. 2007 version of the WpHG. The voting rights attributed to KSB Stiftung, Stuttgart, were held by Johannes und Jacob Klein GmbH, Frankenthal. In 2018 the voting interest of Johannes und Jacob Klein GmbH increased to 83.94 %.

Related parties also include the subsidiary companies and joint ventures of Johannes und Jacob Klein GmbH, Frankenthal, as well as the Kühborth-Stiftung GmbH [Kühborth Foundation], Stuttgart, which holds 1 % of the shares in Johannes und Jacob Klein GmbH. In addition, related parties include the Managing Directors of Johannes und Jacob Klein GmbH, as well as entities controlled or jointly controlled by the Managing Directors of Johannes und Jacob Klein GmbH.

In the reporting period, related parties also included the Supervisory Board and KSB Management SE, which has been managing KSB SE & Co. KGaA since 17 January 2018. The shares of KSB Management SE are wholly owned (100 %) by Klein, Schanzlin & Becker GmbH, Frankenthal, which also counts as a related party.

There were no material changes in the contractual basis and the supply of services between KSB SE & Co. KGaA and its related parties compared with the previous year.

Auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, were appointed as auditors and group auditors for the 2019 financial year at the Annual General Meeting of KSB SE & Co. KGaA on 29 May 2019.

This half-year financial report has been neither reviewed nor audited in accordance with section 317 of the HGB [German Commercial Code].

Events after the reporting period

There were no reportable events after the reporting date.

German Corporate Governance Code

The Managing Directors and 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 of the AktG [*Aktiengesetz* – German Public Companies Act]. The Statement of Compliance is published on the KSB web site (www.ksb.com) and has thus been made permanently accessible.

Appropriation of the net retained earnings of KSB SE & Co. KGaA

The Annual General Meeting on 29 May 2019 resolved to appropriate the net retained earnings of KSB SE & Co. KGaA, Frankenthal, of € 90,178,695.14 as follows:

Appropriation of net retained earnings

€ thousands	
Dividend of € 3.00 per ordinary no-par-value share	2,659,845.00
Dividend of € 3.38 per preference no-par-value share	2,922,726.56
Total	**5,582,571.56**
Carried forward to new account	**84,596,123.58**
	90,178,695.14

The dividend was paid out on 4 June 2019.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group management report 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 during the remainder of the financial year.

Frankenthal, 14 August 2019

KSB Management SE

The Managing Directors

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Financial Calendar

13 November 2019
Interim report
January – September 2019

30 January 2020
Preliminary report
on the 2019 financial year

26 March 2020
Financial press conference
Frankenthal, Germany

26 March 2020
Invitation to Annual General Meeting

30 April 2020
Interim report
January – March 2019

13 May 2020
Annual General Meeting
Frankenthal, Germany

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