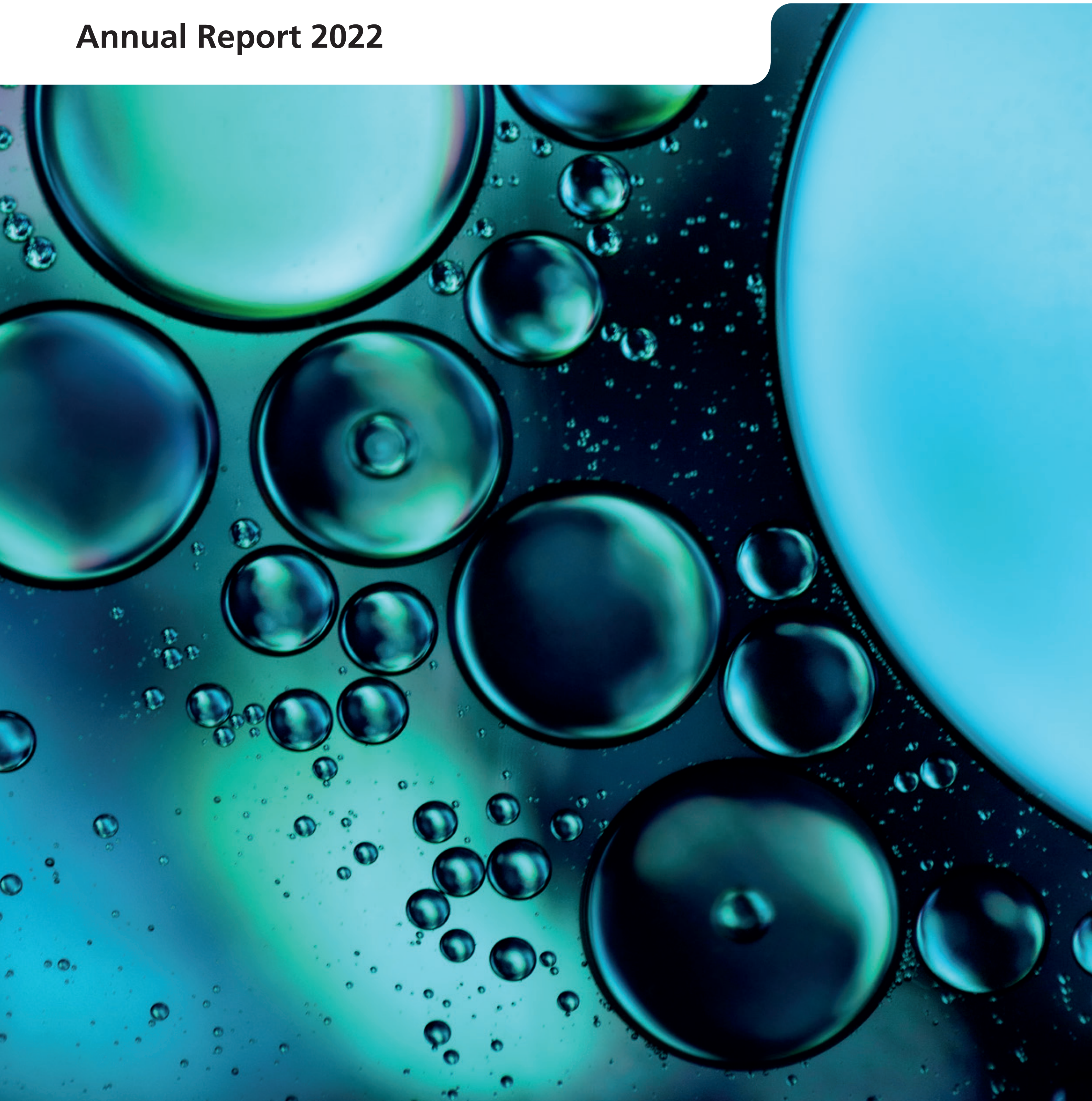
KSB Group

Annual Report 2022



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, power plant processes 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.

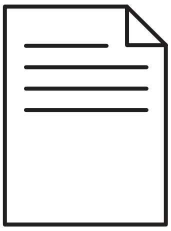
GENERAL INDUSTRY	BUILDING SERVICES	PETROCHEMICALS / CHEMICALS	WATER
ENERGY	MINING	VALVES	KSB SUPREMESERV

Digital Annual Report

Online Annual Report with additional functions:
www.ksb.com/online-report-2022

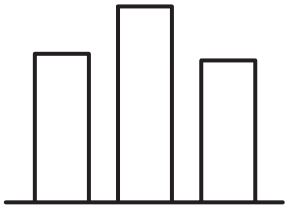
2022 in Figures

Order intake



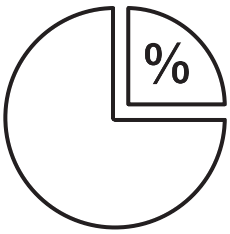
€ **2,862** million
↗ € +450.3 m | +18.7 %

Sales revenue



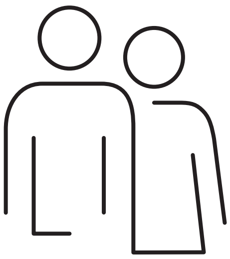
€ **2,573** million
↗ € +229.8 m | +9.8 %

EBIT



€ **169.1** million
↗ € +27.9 m | +19.8 %

Employees



15,693 at 31 December 2022

↗ Compared with 2021

Five-year Financial Summary

Business Development and Earnings

		2022	2021	2020	2019	2018
Order intake	€ m	2,862.1	2,411.7	2,143.4	2,453.8	2,303.5
Sales revenue	€ m	2,573.4	2,343.6	2,207.9	2,383.2	2,245.9
Orders on hand	€ m	1,497.8	1,366.2	1,288.5	1,409.3	1,353.9
Earnings before finance income / expense, income tax, depreciation and amortisation (EBITDA)	€ m	259.5	222.1	170.1	195.5	179.2
Earnings before finance income / expense and income tax (EBIT)	€ m	169.1	141.2	70.2	113.6	74.7
Earnings before income tax (EBT)	€ m	160.7	139.9	61.6	103.4	65.6
Earnings after income tax	€ m	127.3	110.3	4.4	58.5	23.9
Free cash flow (cash flows from operating activities + cash flows from investing activities)	€ m	–86.9	87.5	111.6	70.9	–29.1

Balance Sheet

		2022	2021	2020	2019	2018
Balance sheet total	€ m	2,478.9	2,314.4	2,140.0	2,327.0	2,242.2
Investments	€ m	121.6	103.6	97.6	107.0	79.6
Depreciation and amortisation	€ m	90.4	80.9	99.9	81.9	104.5
Net financial position	€ m	225.6	365.6	304.8	246.3*	255.0
Equity (incl. non-controlling interests)	€ m	1,125.6	869.1	703.8	862.6	856.8
Equity ratio (incl. non-controlling interests)	%	45.4	37.6	32.9	37.1	38.2

Profitability

		2022	2021	2020	2019	2018
EBT margin (sales revenue in relation to EBT)	%	6.2	6.0	2.8	4.3	2.9
EBIT margin (sales revenue in relation to EBIT)	%	6.6	6.0	3.2	4.8	3.3

Employees

		2022	2021	2020	2019	2018
Number of employees at 31 Dec.		15,693	15,412	15,076	15,645	15,482#

Shares

		2022	2021	2020	2019	2018
Market capitalisation at 31 Dec.	€ m	644.3	727.8	441.9	536.1	491.3
Earnings per ordinary share (EPS)	€	59.05	53.34	–5.63	24.47	6.26
Earnings per preference share (EPS)	€	59.31	53.60	–5.37	24.73	6.64
Dividend per ordinary no-par-value share	€	19.50	12.00	4.00	8.50	3.00
Dividend per preference no-par-value share	€	19.76	12.26	4.26	8.76	3.38

* 2019 amount includes lease liabilities of € 47.1 million from the first-time adoption of IFRS 16.

New definition of employee counting method in 2019 (2018 figures restated retrospectively; previous years are presented without adjustments).

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

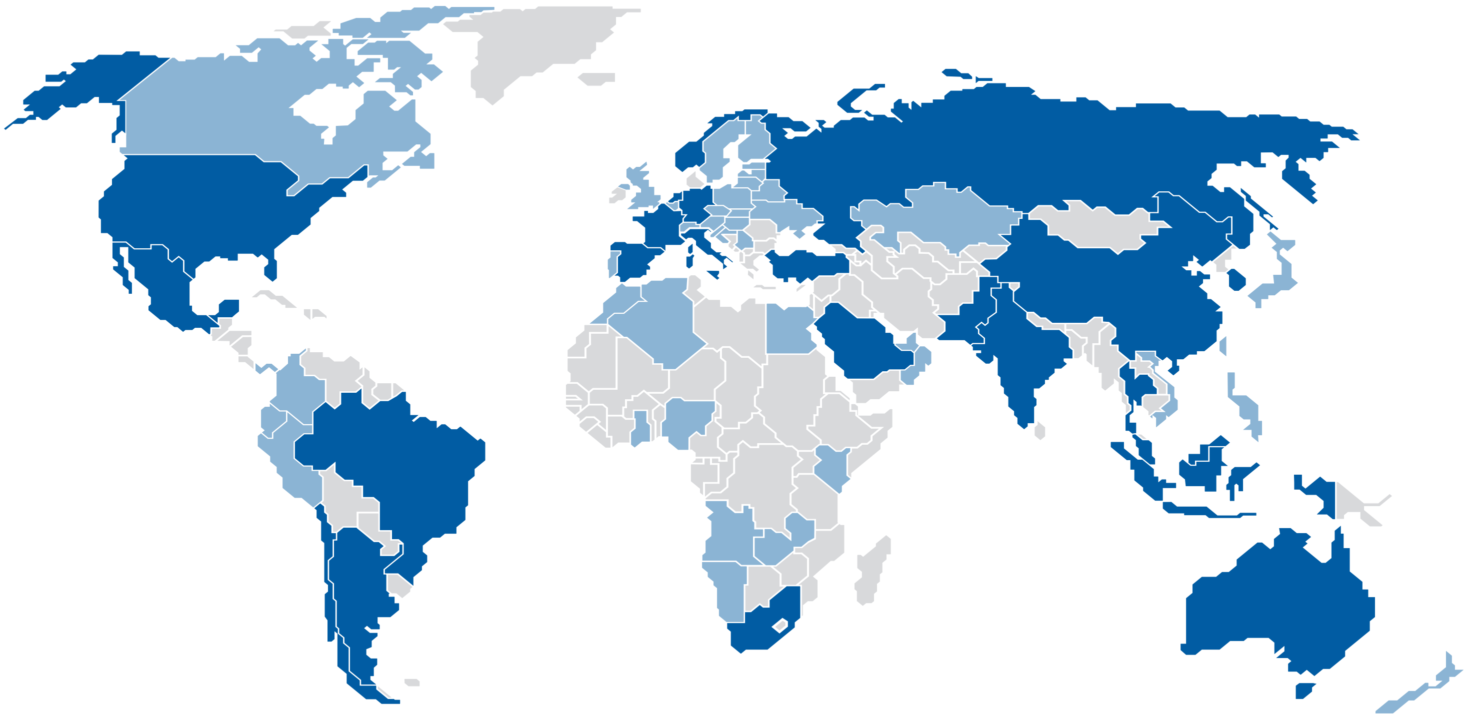
ASIA / PACIFIC

- 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 2022

Managing Directors with Employees

01 **Christian Göbel** Plant Manager | 02 **Xaver Hausner** Chief Engagement Officer | 03 **Dr. Matthias Schmitz** Managing Director (Finance and Procurement) | 04 **Sopha Paenbanjob** Trainee | 05 **Michael Kulawik** Test Stand Employee | 06 **Sandra Bruns** Trainee | 07 **Tiziana Capizzi** Social Media Officer | 08 **Nils Machill** Marketing Employee | 09 **Ralf Kannefass** Managing Director (Sales and Service) | 10 **Thomas Arndt** Production Work Scheduler | 11 **Dr. Jochen Schaab** Head of Development Pump Systems | 12 **Simon Charrier** Head of Production Engineering | 13 **Sylvia Helfrich** Company Medical Service Employee | 14 **Andreas Karsch** Head of Testing Engineering | 15 **Parvin Shahidi Asl** Company Medical Service Manager | 16 **Iven Eller** Student Trainee | 17 **Selina Hofmann** Assistant to the Management | 18 **Dr. Stephan Bross** Managing Director (Development and Production)

Success has many faces: Employees around the world put team spirit and diverse perspectives to work for the benefit of customers and the company. At KSB, cohesion is the key to success.

19 **Angelo Sciabbarrasi** Production Employee | 20 **Michael Kreth** Head of IT | 21 **Rima Hartmann** Staff Restaurant Employee | 22 **Jochen Kaiser** Staff Restaurant Manager | 23 **Carolin Wild** Head of IT Support | 24 **Monika Halfmann** Site Services Employee | 25 **Marco Zetzsche** Production Employee | 26 **Dr. Stephan Timmermann** CEO | 27 **Markus Nowak** Head of System Efficiency Service | 28 **Klaus Kowalski** Internal Audits Employee | 29 **Marika Barth** Heating Centre Employee | 30 **Hannah Kreischer** Trainee | 31 **Khawaja Faisal Rasheed** Internal Audits Employee | 32 **Stephan Lennhart** Plant Security Employee

Dr. Stephan Timmermann

Dear Shareholders and Business Partners,

2022 was marked by major, wide-ranging challenges for KSB – and for our customers, suppliers and partners. It was nevertheless a successful year in which the company was able to significantly boost order numbers and increase profitability.

The key to this success lies in one of KSB's deep-rooted strengths: We stick together in good times – and in bad. Worldwide, across hierarchies, in all areas of the company. This cohesion is supported by an organisational structure that keeps us on a steady course even in difficult times: a broad portfolio serving eight market areas and segments, and strong global positioning with more than 100 local companies.

So I am pleased to report that the 2022 financial year saw us not only keep our promises to develop the company, but actually exceed them.

Wide-ranging challenges

The consequences of Russia's war of aggression in Ukraine reached far beyond the KSB employees in the affected regions – who fortunately came through 2022 physically unscathed. Massive price increases and unpredictable disruptions in logistics chains posed huge challenges to procurement worldwide, driven by the pandemic and exacerbated by the war.

Production was interrupted by China's strict zero-COVID policy, which shut down the KSB factory in Shanghai for many weeks. Worldwide, major staff shortages due to COVID-19 once again challenged KSB employees' cohesion and flexibility.

After a cyber attack on KSB in April, Management decided to disconnect the company from the Internet in order to secure the entire global IT infrastructure and check for malware. This proved to be the right decision, but the temporary halt to production and months of work on system security demanded a lot from employees and business partners. Severe hail damage at KSB's factory in La Roche-Chalais, France, once again led to production losses in the summer. Colleagues at the French locations were barely able to manufacture anything for more than three months.

The company overcame these adversities by leveraging the capacities of its international production network and significantly increased output in the second half of the year.

KSB SE & Co. KGaA improves earnings

Measures taken to increase the earnings capacity of KSB SE & Co. KGaA experienced renewed success in the 2022 financial year. Thanks to positive earnings from the associated KSB companies, dividend income and thus net profit for the year also increased significantly compared with the previous year.

Celebrating KSB's 150-year anniversary

The pandemic delayed celebrations for the company's anniversary until 2022. A worldwide series of family events took place, attracting around 13,000 attendees in Germany alone to celebrate together in high spirits at our Frankenthal, Pegnitz and Halle locations. In Frankenthal, guests from politics and business, customers and KSB managers also attended a festive gala evening.

Sustainability anchored in strategy

The year under review saw us continue to pursue our nine sustainability goals, which are aligned with the United Nations Sustainable Development Goals. For example, KSB's second-largest location in Germany, Pegnitz, is now powered exclusively by green electricity from renewable sources, and saves more than 5,000 tonnes of carbon dioxide every year. Impressive progress was also made in assessing key suppliers on their sustainability performance. As a socially committed company, we contributed to numerous projects in education, water supply and support for people in need across the globe. You can read about these and other projects in our Sustainability Magazine. Already a fundamental part of our corporate strategy, sustainability in practice is increasingly becoming part of the daily routine for our staff.

Strategy as a team effort

The corporate strategy was developed by members of senior management in an outstanding team effort and agreed with the Managing Directors. The presentation of this strategy at September's International Management Meeting in Portugal with around 120 top executives from throughout KSB was a milestone in anchoring the strategy within the Group as a whole. Implementing this strategy will be a focus of 2023.

Employee engagement

The process of developing the strategy as a team reflects KSB's corporate culture of integration. With the aim of constantly improving as an employer and further embedding diversity and equal opportunities, the company conducted a global employee survey during the autumn. With 65 % engagement and a response rate of 82 %, KSB has significantly increased its engagement score compared with the last survey in 2019, and for the first time has achieved above-average scores for the German mechanical engineering industry.

No doubt the new business year also has many challenges in store for us. But we are ready to tackle them – strengthened as a team – and confident that we will once again create substantial value for our shareholders, employees and business partners in the 2023 financial year.

Dr. Stephan Timmermann, CEO

Report of the Supervisory Board

Dr. Bernd Flohr (Chairman of the Supervisory Board)

The 2022 financial year (“reporting year”) was marked by a diverse range of extraordinary challenges. KSB was not alone in experiencing how quickly unforeseen external events can affect business operations. For example, our largest Asian factory in Shanghai had to deal with renewed disruption due to several weeks of lockdown caused by the ongoing COVID-19 pandemic. In Europe, the war between Russia and Ukraine not only led to a break in our Russian business, but also to drastic changes in supply arrangements and pricing. A threat of a different kind emerged when hackers gained access to our IT network. KSB successfully repelled the cyber attack, but temporary issues resulting from the protective measures taken still led to considerable disruptions in internal processes.

Despite all of this, KSB made the 2022 financial year a success. Order intake and sales revenue both saw a welcome increase, and earnings have significantly improved on the previous year. This is attributable to both the excellent commitment shown by Management and staff and the fundamentally robust positioning of the company. The Managing Directors continue their ongoing work on the company’s strategic direction to ensure it remains 'weatherproof' against any future crises and is optimally positioned in the competitive environment. The Supervisory Board continues to liaise closely with Management throughout this process.

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.

Main Focus of Work in the Supervisory Board Plenary Sessions

The Supervisory Board held five regular meetings in the 2022 financial year, four of which took place in personal attendance and one as a video conference. In addition, the Supervisory Board held a hybrid constituent meeting following the Annual General Meeting on 5 May 2022.

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 and the supply chains, as well as major investment projects.

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 us with regular information us on the development of business in Russia following the outbreak of the Russia-Ukraine war. With material shortages and supply chain disruptions continuing for the third financial year as a result of the COVID-19 pandemic, the Supervisory Board was informed continuously about the development of the delivery performance and the securing of purchasing channels.

The Managing Directors also provided regular information on the development of ongoing major investments in our production facilities at various sites. Work at the newly built Shirwal factory in India is almost complete. In future, this location's state-of-the-art technology will improve and accelerate efforts to supply the rapidly growing local market. Expansion of the SISTO Armaturen S.A. factory in Luxembourg was also completed. This has secured additional capacity to meet the high demand, especially from the sterile applications market. The reporting year saw the expansion of the Cibitung plant in Indonesia as a result of strong growth in the mining business. The new production hall has been completed and is already in operation.

The Supervisory Board was also regularly briefed on ongoing strategic developments designed to build on the growth- and results-oriented CLIMB 21 project implemented in 2020. The key goals here are to further refine the brand profile and support technological and regional development. Individual Supervisory Board members also took part in detailed strategy workshops held by the Administrative Board of KSB Management SE.

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

The meeting in March 2022 particularly addressed the audit and approval of the annual financial statements for the 2021 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 2021 financial year. The Supervisory Board also approved the remuneration report pursuant to Section 162 AktG [*Aktiengesetz* – German Public Companies Act] for the 2021 financial year. At this meeting, it was also briefed about the situation on the procurement markets and the development of purchase prices.

In May, the Supervisory Board dealt extensively with the challenges facing the company's IT department. This was due to the preceding cyber attack on KSB networks, which necessitated defensive measures leading to significant disruptions to ongoing business operations. The Managing Directors immediately implemented additional measures to harden the relevant systems. They commissioned an IT security assessment by external consultants in addition to a Group-wide security review carried out in 2021. The results of this assessment were also discussed by the Supervisory Board. We support the Management in its ongoing efforts to invest in improved IT resilience and to continuously raise the level of security in the face of increasing risks.

Personnel issues were among the topics dealt with at the Supervisory Board's meeting in July. The agenda included human resources development tools, succession planning methodology and measures to increase diversity. A report was also given on how KSB intends to further boost its attractiveness as an employer in order to ensure it can meet future demand for skilled staff. Another topic at this meeting was the transfer of the shares in Group companies previously held by KSB FINANZ S.A., Luxembourg, to KSB SE & Co. KGaA.

In October, the Supervisory Board met at the DP Industries B.V. factory in Alphen aan den Rijn, the Netherlands. The Managing Directors reported on the development of this pump manufacturer acquired in 2003, and its integration into the KSB Group. The development of business in India – where KSB operates five plants and a foundry – was another focus of this meeting.

The Supervisory Board addressed the planning for the 2023 financial year and medium-term planning at the meeting in December. We 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 machinery. The agenda also included the development of the Water Market Area, in particular ongoing measures to strengthen its business. In this context, it was shown that KSB's products not only contribute to the responsible use of water as a resource, but also offer attractive solutions for ecological challenges. Personnel topics were also on the agenda at this meeting. These included the results of the Group-wide employee survey KSB Voice, and preliminary consultations on personnel decisions by the Administrative Board of KSB Management SE concerning the contracts of three Managing Directors, Dr. Stephan Timmermann, Ralf Kannefass and Dr. Matthias Schmitz, which expire in 2023. The Supervisory Board endorsed the contract extensions.

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 year under review. 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: 7

PERSONNEL COMMITTEE

Chair:
Dr. Bernd Flohr
No. of meetings: 1

NOMINATION COMMITTEE

Members: Dr. Bernd Flohr
Klaus Kühborth
No. of meetings: 2

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, Chair	6/6	2/2		1/1	6/6
René Klotz, Deputy Chair	6/6		7/7	1/1	
Claudia Augustin	6/6			1/1	
Klaus Burchards	6/6				6/6
Arturo Esquinca	6/6		7/7		
Klaus Kühborth	6/6	2/2	7/7		
Birgit Mohme	6/6				4/6
Thomas Pabst	6/6		7/7		
Prof. Dr. Corinna Salander	6/6		4/7		
Harald Schöberl	6/6				6/6
Volker Seidel	6/6		6/7		
Gabriele Sommer	5/6			1/1	

The **Audit Committee** convened six times in the reporting year, with four meetings held in person and two as video conferences. It discussed the 2021 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 of 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 2022 Annual General Meeting to the Supervisory Board plenary session. The committee commissioned the auditors with auditing the annual and consolidated financial statements for the 2022 financial year and defined specific key areas for the audit. It obtained the declaration of independence by the auditors and monitored the auditors' continued independence and performance of non-audit services. The committee also reviewed the quality of the annual financial statements on the basis of previously defined criteria.

In addition, the committee focused on reviewing accounting, monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the auditing of the annual financial statements and compliance. In this context, it also debated the half-year financial report with the Managing Directors. It also focused regularly on the Internal Audits reports. The economic development of the Group and KSB SE & Co. KGaA was another focal point of meetings held by the committee, which monitored the company's measures to improve earnings. The committee engaged in multiple discussions on the development of business in Russia and Ukraine, which experienced a sharp reduction. Measures were initiated in both countries to limit the economic risk. The committee also reviewed the Treasury department's measures to monitor liquid funds in the company as well as the development of working capital. Other items on the agenda included reports on pending legal disputes, the processing of high-risk projects and more demanding regulatory requirements with regard to sustainability.

The **Personnel Committee** held one in-person meeting 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, it obtained information on the development of the personnel structure, key staff figures and issues relating to recruitment. The agenda also included preliminary discussions on extending the contracts of three Managing Directors. The Supervisory Board is involved in an advisory capacity while responsibility lies with the Administrative Board of KSB Management SE.

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 held five regular and two extraordinary meetings in the reporting year. Three of these took place in person and four as hybrid meetings. During these sessions, the committee engaged in multiple discussions on planned investments in production facilities and strategic acquisitions. One focus of the latter was DAG Diesel Service GmbH based in Austria, which is a supplier of fire protection systems. This acquisition significantly reinforces KSB's strong position in fire protection applications. The further development of established business models was also on the agenda. They include the resource- and energy-efficient additive manufacturing process. KSB's Pegnitz location produces spare parts required at short notice in one-off production, and complex series products to meet demand within the Group and for external customers. KSB plans to further expand its additive manufacturing business, as well as ongoing consulting and development activities related to it. Finally, the committee held a comprehensive review of investment planning 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 met twice in the reporting year. In each case, the meetings took place in person.

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 14 December 2022, 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 2022 Annual and Consolidated Financial Statements

The Supervisory Board examined the annual financial statements of KSB SE & Co. KGaA for the year ended 31 December 2022, 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 2022, which were prepared in accordance with the International Financial Reporting Standards (IFRSs), and the proposal by the general partner on the appropriation of net retained earnings. This also applies to the separate combined non-financial report.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, audited the annual financial statements of KSB SE & Co. KGaA for the year ended 31 December 2022, as well as the consolidated financial statements and the combined management report for the company and the Group for the year ended 31 December 2022, and issued an unqualified opinion. The key audit areas defined for the auditors by 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 of KSB SE & Co. KGaA, the Audit Committee requested audits of the provisions for expected losses, the measurement of equity investments and the measurement of finished goods and work in progress, including their development. The combined separate non-financial report was reviewed by the auditor. The auditor reported on its findings both orally and in writing.

The accounting documentation, the proposal by the general partner on the appropriation of the net retained earnings, the non-financial report and the audit reports submitted by the auditors were provided in good time to all members of the Supervisory Board. They were discussed in detail by the Audit Committee on 2 and on 7 March 2023, as well as in the Supervisory Board plenary session on 15 March 2023, 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 raises 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 19.50 per ordinary no-par-value share and EUR 19.76 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

The composition of the Supervisory Board remained unchanged in the period under review. Supervisory Board members Dr. Bernd Flohr and Klaus Burchards, whose term of office expired by rotation at the end of the Annual General Meeting on 5 May 2022, were re-elected to the Board by the Annual General Meeting. In the subsequent constituent meeting, Dr. Bernd Flohr and René Klotz were confirmed in their positions as Chair and Deputy Chair. The composition of the committees also remained unchanged.

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, 15 March 2023

The Supervisory Board

A Look Back at 2022

Q1

A prestigious location

KSB wins a contract to equip the Zalmhaven Tower in Rotterdam, the Netherlands, with pumps and accessories. The 215-metre high skyscraper is the largest in the Benelux countries. KSB pumps and motors impress with low energy consumption achieved via excellent efficiency levels.

An ambassadorial visit

Mmasekgoa Masire-Mwamba, Botswana's ambassador to Germany, joins representatives of the VDMA to visit KSB in Frankenthal and give a talk on the Skilled Workers for Africa initiative. KSB actively supports the initiative's commitment to implementing vocational training for skilled workers based on the German model in several African countries.

Using hydrogen to generate clean energy

KSB wins a reference order for a major power plant which will generate renewable electricity using hydrogen technology in South America. The KSB pumps will be used in alkaline electrolysis to produce green hydrogen. Landing this order puts the company in an excellent position with regard to future hydrogen projects.

Aid project supported

KSB donates submersible borehole pumps for a Congolese well project run by the Keep Smiling charity. Serving as test pumps for well drilling, their uses include testing the yields of potential well sites and creating measurement records. One well can supply up to 5,000 people per day with five litres of drinking water each.

Help for Ukrainian refugees

KSB shares a sense of shock at the war in Ukraine. The company supports employees looking to take in relatives fleeing the conflict. In addition, KSB provides housing free of charge in Frankenthal and at the company's Klingbachhof holiday retreat.

Q2

Cyber attack

KSB is the target of a criminal cyber attack. Several servers are affected, but do not suffer permanent damage. Swift and forward-thinking measures taken by Management limit further impact. Some systems are shut down, and the Internet connection is disabled. For a temporary period, electronic communication is very limited – also with business partners.

A sustainable heating system

KSB invests 15 million euros in a new heating centre at its Frankenthal headquarters. The 1,500-square-metre building is equipped with cutting-edge systems capable of reducing energy consumption for heat generation by 900 tonnes of CO_2 per year.

Framework agreement for valves extended

Located in Chile, the world's largest copper mining company significantly extends its framework agreement for the supply of KSB valves. KSB has been supplying this customer in the mining industry since 2006. Initially covering 21 items, the expanded framework agreement now encompasses more than 170 items including different valve types.

World's leading trade fair for water

KSB participates in IFAT in Munich. Appearing at the world's leading trade fair for water, sewage, waste and raw materials management under the motto "Welcome to our green vision", KSB presents products including the new Amaprop mixer with high-efficiency motor, the optimised Amacan waste water pump, and the UPA 250 well pump boasting exceptional efficiency.

Q3

Setting new standards

With Calio Pro, KSB expands its range of high-efficiency glandless pumps featuring continuously variable speed control. The pump sets new standards for circulation systems such as heating and air conditioning used in larger buildings.

Anniversary celebrations

Employees and their families celebrate the company's 150th anniversary at many KSB locations around the globe under the motto "People. Passion. Performance". Guests enjoy a festival atmosphere, with around 13,000 attending in Frankenthal, Halle and Pegnitz alone.

Empowerment for women

KSB employees set up a women's network to promote gender diversity in the company. KSB is committed to improving diversity, and has set itself the target of increasing the proportion of women in leadership positions to at least 20 percent by 2025 at the latest.

A giant pump for mining

US subsidiary GIW Industries launches a new large pump. The MDX-850 has been developed for use in extreme conditions in hard rock mining. It boosts production levels while reducing total cost of ownership. The impeller measures 2.6 metres in diameter.

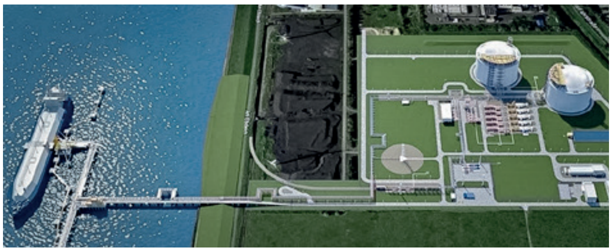
Donation for flood victims in Pakistan

Pakistani employees collect 10,000 euros in donations for victims of a devastating flood in the country. KSB tops this up to 40,000 euros. The money will be used for food, medicine, emergency relief supplies and rebuilding damaged infrastructure. KSB also supplies water treatment plants and drainage pumps to the affected areas.

Q4

Framework service agreement extended

BP Gelsenkirchen extends its valve service framework agreements for daily maintenance work and major shutdowns for another two years. The order volume is several million euros. KSB SupremeServ has been active at this location since 2016.



Alternative energy supply

KSB supplies Omega pumps for a new liquefied natural gas terminal in Brunsbüttel. Four LNG terminals form part of the German government's plans to ensure energy security. The pump sets are produced in Halle. The extremely short delivery time required to ensure rapid commissioning poses a particular challenge.

An order worth millions

KSB lands two orders with a total value of more than 60 million euros for a major Egyptian project. It comprises tubular casing pumps manufactured in Bremen, some of which will be installed in four pumping stations while others are used for irrigation in agriculture. These are the largest orders in the history of KSB's water business.

Anniversary donation

As part of its 150th anniversary, KSB donates 15,000 euros to Frankenthal's multigenerational house project. The money will be used to promote the language skills of migrant women and their children. The facility functions as a meeting place for different cultures, religions and generations.

Additive manufacturing

Based in Luxembourg's Echternach, KSB Group member SISTO Armaturen S.A. becomes the first valve manufacturer to supply series-produced diaphragm valves made of a special material via 3D printing. They will be used by one of Germany's largest pharmaceutical companies.

Combined Separate Non-financial Report

Long-term economic success and corporate social responsibility are inextricably linked. KSB therefore views the sustainability of its actions as a strategic priority. The company understands sustainability as the responsible treatment of resources and the environment as well as the company's 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 service. 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 54.

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.

EU Taxonomy

TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

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
2) Climate change adaptation
3) Sustainable use and protection of water and marine resources
4) Transition to a circular economy
5) Pollution prevention and control
6) Protection and restoration of biodiversity and ecosystems

Economic activities qualify as environmentally sustainable if they:

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

The annexes to Delegated Regulation (EU) 2021/2139 have so far only published activities that can be classified as environmentally sustainable for the first two environmental objectives. 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.

Business activities are considered taxonomy-eligible if they comply with the activity description set out in Annex I or II to the Delegated Regulation of 4 June 2021.

If the taxonomy-eligible business activities meet the technical screening criteria and the minimum safeguards are complied with, then the activities are considered taxonomy-aligned.

Delegated Regulation (EU) 2021/2178 requires companies to report information on environmental sustainability for three key indicators, as well as publishing additional qualitative information. KSB therefore reports the proportions of sales revenue, capital expenditure (CapEx) and operating expenses (OpEx) relating to taxonomy-eligible and taxonomy-aligned economic activities.

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

The impact analysis conducted in the 2021 financial year was updated for the reporting year. In order to identify taxonomy-eligible economic activities, all activities listed in Annexes I and II of the Delegated Regulation in relation to (1) Climate Change Mitigation and (2) Climate Change Adaptation were assessed for their 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.

KSB does not engage in any of the economic activities described in the European Commission's Delegated Regulation 2022/1214 and Annex XII. Therefore, the reporting obligations stipulated by Annex XII of the European Commission's Delegated Regulation 2021/2178 do not apply.

KSB's core sales activities comprise the manufacture of pumps and valves, and provision of related support services. According to the European Commission, the regulations currently in force cover the economic activities of around 40 % of listed companies in the EU in sectors that are responsible for almost 80 % of direct greenhouse gas emissions in Europe. Mechanical engineering products and technologies are currently not fully covered. Analyses and evaluations have shown that KSB's sales activities are not covered by the EU taxonomy. Accordingly, KSB will not report any taxonomy-eligible sales revenue for the 2022 financial year. Capital expenditure and operating expenses associated with taxonomy-aligned sales revenue (category A) can therefore also not 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 expenses in category C, from the acquisition of products and individual measures, the following taxonomy-eligible economic activities were identified for the KSB Group:

Economic activities according to the EU taxonomy

	Examples of activities at KSB
6. Transport	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	▪ Purchasing and leasing of passenger cars
6.6 Freight transport services by road	▪ Purchasing of large goods vehicles
7. Construction and real estate	
7.2 Renovation of existing buildings	▪ Renovation of administrative buildings
7.3 Installation, maintenance and repair of energy efficiency equipment	▪ Replacement of existing windows with new energy-efficient windows
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
7.5 Installation, maintenance and repair of instruments and devices for measuring and controlling the energy performance of buildings	▪ Purchasing of monitoring systems for energy consumption
7.6 Installation, maintenance and repair of renewable energy technologies	▪ Purchasing and installation of solar power systems
7.7 Acquisition and ownership of buildings	▪ Purchasing and leasing of non-residential buildings

Allocation According to the Environmental Objectives

KSB focuses on the environmental objective (1) Climate change mitigation. Following detailed analysis, the decision was made to allocate the activities to climate change mitigation, as KSB has a greater influence on the contribution to this environmental objective and the taxonomy does not allow for double counting.

Procedure

The basis for determining taxonomy-eligible and taxonomy-aligned economic activities are the capital expenditure and operating expenses 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. As part of the validation of the questionnaires, particular care was taken to ensure that capital expenditure and operating expenses were allocated to one economic activity only, so that double counting could be ruled out.

Taxonomy-eligible capital expenditure in the 2022 financial year amounted to € 38.5 million (31.7 % of total investments). Taxonomy-eligible operating expenses of € 4.0 million (6.2 % of total operating expenses) were incurred in the reporting year.

When surveying the companies, the first step was to check for economic activities that corresponded to the activity descriptions in Annex I or II of the Delegated Regulation. If these were identified, the taxonomy-eligible economic activities were analysed in terms of substantial contribution.

For economic activities 7.4 to 7.6., the criteria for substantial contribution were met. The specific requirements for substantial contribution could only be partially met for the activities in categories 6.5 and 7.3. For example, all passenger cars purchased during the reporting period meet the activity description of economic activity 6.5, but fulfilment of the essential requirement denoting a substantial contribution – compliance with specific CO_2 emissions – cannot be demonstrated by the supplier.

Further analysis was undertaken to establish whether the taxonomy-eligible economic activities which make a substantial contribution to one environmental objective do significant harm to the five other environmental objectives. The assessment of the DNSH criteria took place at Group level where possible. The analysis of climate risks was carried out with the help of an external risk assessment. This involved identifying which locations could be affected by physical climate risks. Identified threats were examined by the local companies and, if necessary, measures to reduce the risk were defined. Here, the requirements regarding life cycle and scenario analysis of the EU Taxonomy Regulation were not fully covered. In addition, evidence of compliance with the remaining DNSH criteria as well as downstream documentation for compliance with minimum safeguards could not be provided by external suppliers to the required extent. As a result, only taxonomy-eligible capital expenditure and operating expenditure can be reported.

A breakdown of the composition of capital expenditure by asset class is presented in the Consolidated Financial Statements, Section IV. Balance Sheet Disclosures, Sub-sections “1. Intangible assets”, “2. Right-of-use assets” and “3. Property, plant and equipment”.

Minimum Safeguards Procedure

In the final step of the compliance audit, Group-level checks were performed to establish whether the KSB Group complies with the minimum safeguard requirements (due diligence processes) defined in the Regulation. KSB complies with the following and other internationally recognised standards with its values; environmental protection, occupational health & safety and quality guidelines; sustainability policy; Code of Conduct and commitments:

- 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 opportunities 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 can be found in the Compliance section of this part of the report.

As an internationally operating Group, KSB also observes all relevant tax law provisions. It does not tolerate improper behaviour by business partners. 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 year under review, 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 effectiveness of the processes and systems established throughout the Group for identifying and mitigating potential risks or breaches of the minimum safeguards.

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 can be found 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 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).

The operating expenses 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, third-party maintenance and short-term lease expenses. Staff costs of KSB employees are of minor importance and therefore have no material impact on the performance indicator, as maintenance work is mainly carried out by external third parties.

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 – Disclosure covering year 2022

				Substantial contribution criteria						
Economic activities (1)	Code(s) (2)	Absolute sales revenue (3)	Proportion of sales revenue (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	
		€ millions	%	%	%	%	%	%	%	
A. Taxonomy-eligible activities %										
A.1. Environmentally sustainable activities (taxonomy-aligned)										
Sales revenue of environmentally sustainable activities (taxonomy-aligned) (A.1)		0.0	0.0							
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)										
Sales revenue of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activites (A.2)		0.0	0.0							
Total (A.1 + A.2)		0.0	0.0							
B. Taxonomy-non-eligible activities										
Sales revenue of taxonomy-non-eligible activities (B)		**2,573.4**	100.0							
Total (A + B)		**2,573.4**	100.0							

	DNSH criteria ("Do No Significant Harm")										
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of sales revenue, 2022 (18)	Taxonomy-aligned proportion of sales revenue, 2021 (19)	Category (Enabling activity) (20)	Category (Transitional activity) (21)
	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	%	E	T

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – Disclosure covering year 2022

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		€ millions	%	%	%	%	%	%	%
A. Taxonomy-eligible activities %									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–						
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	6,5	5.0	4.1						
Freight transport services by road	6,6	0.1	0.1						
Renovation of existing buildings	7,2	10.9	9.0						
Installation, maintenance and repair of energy efficiency equipment	7,3	1.0	0.8						
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7,4	0.0	0.0						
Installation, maintenance and repair of renewable energy technologies	7,6	0.8	0.6						
Acquisition and ownership of buildings	7,7	20.7	17.0						
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activites (A.2)		38.5	31.7						
Total (A.1 + A.2)		38.5	31.7						
B. Taxonomy-non-eligible activities									
CapEx of taxonomy-non-eligible activities (B)		83.1	68.3						
Total (A + B)		121.6	100.0						

	DNSH criteria ("Do No Significant Harm")										
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, 2022 (18)	Taxonomy-aligned proportion of CapEx, 2021 (19)	Category (Enabling activity) (20)	Category (Transitional activity) (21)
	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	%	E	T

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – Disclosure covering year 2022

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		€ millions	%	%	%	%	%	%	%
A. Taxonomy-eligible activities %									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		–	–						
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	6,5	0.4	0.7						
Renovation of existing buildings	7,2	1.9	3.0						
Installation, maintenance and repair of energy efficiency equipment	7,3	0.9	1.4						
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7,4	0.0	0.0						
Installation, maintenance and repair of renewable energy technologies	7,5	0.0	0.0						
Acquisition and ownership of buildings	7,7	0.7	1.1						
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activites (A.2)		4.0	6.2						
Total (A.1 + A.2)		4.0	6.2						
B. Taxonomy-non-eligible activities									
Sales revenue of taxonomy-non-eligible activities (B)		61.4	93.8						
Total (A + B)		65.4	100.0						

DNSH criteria ("Do No Significant Harm")											
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, 2022 (18)	Taxonomy-aligned proportion of OpEx, 2021 (19)	Category (Enabling activity) (20)	Category (Transitional activity) (21)
	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	%	%	E	T

Sustainability 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. A global network founded in 2021 began its work during the reporting year, with representatives from all nine KSB Regions ensuring that sustainability issues are driven forward in their 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 and Integrated Management.

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

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.

Sustainability Reporting

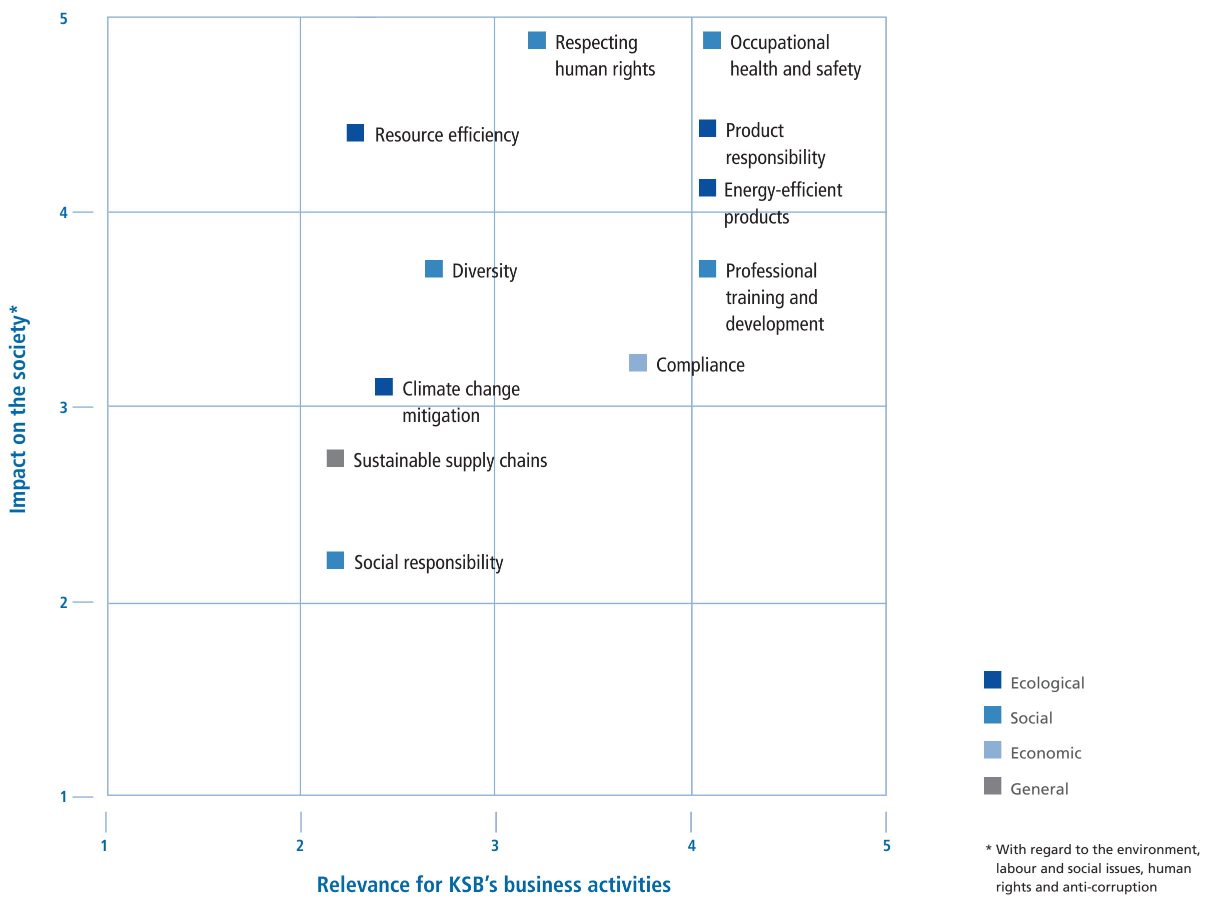
The management concepts relating to key issues outlined here apply to both the Group and to KSB SE & Co.KGaA; any instances where this is not the case are duly indicated. All information in the non-financial report relates to KSB SE & Co. KGaA and the Group in 2022. References to information not included in the Group management report in this section represent supplementary information and are not part of the separate non-financial report. PricewaterhouseCoopers GmbH 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 48.

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 impact on aspects such as energy consumption and the number of employees in 2017. The 29 companies employ 89.1 % of the workforce and account for 98.1 % of Group-wide energy consumption. The remaining companies have no significant impact on non-financial issues. KSB has therefore not expanded this report to include these companies as they have no material impact on the issues it covers. 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.

Material sustainability issues for KSB



Material Issues

KSB communicates regularly with various stakeholders in order to identify their interests and expectations regarding the company. The core sustainability issues defined on this basis have been reviewed and confirmed by specialist departments and the Sustainability Committee with oversight from Management; see materiality matrix above. 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 principally 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.

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).

Risks Related to Non-financial Factors

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. The consequences of the COVID-19 pandemic once again led to challenges in 2022, including lockdowns in China, which at times impacted work at KSB locations. All other risks affecting business activities are described in the Group management report from page 71.

Goals for 2025

KSB supports the 17 Sustainable Development Goals set out by the United Nations. In 2019, the company developed nine specific sustainability objectives which are aligned with these Sustainable Development Goals and the material issues they address. 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,

Status as at 31 Dec. 2021	Status as at 31 Dec. 2022	Objective by 2025	SDGs*
24 %	52 %	> 50 %	12, 13
369,416 t CO_2** (CO_2 equivalent for 2021) –	436,705 t CO_2 (CO_2 equivalent for 2022)** 722,613 t CO_2 (CO_2 equivalent for 2018)**	850,000 t CO_2	9, 12, 13
13.6 %	21.4 %	30 %	13
15 hours / year	17 hours / year	30 hours / year	8, 9
13 %	15 %	20 %	5
Result from 2019: 57 %	Result 2022: 65 %	80 %	8
0.28 days	0.32 days	< 0.3 days	3
26	36	25	1, 2, 3, 4, 6
56 %	57 %	90 %	8, 12

** The basis for this calculation can be found on page 40 of this report.

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 can be found in the overview above, 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 plans 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 twice a year on the status of measures taken and reviews progress towards the completion of each objective.

Energy consumption

	Total	KSB SE & Co. KGaA	Europe**	Asia / Pacific	Americas	Middle East / Africa / Russia
Total energy consumption*	267,265 MWh	88,950 MWh	124,691 MWh	39,898 MWh	90,456 MWh	12,220 MWh
Total electricity	155,691 MWh	34,426 MWh	52,283 MWh	32,772 MWh	60,944 MWh	9,692 MWh
Electricity from renewables	78,476 MWh	27,496 MWh	42,985 MWh	10,428 MWh	22,135 MWh	2,928 MWh
CO_2 emissions	79,673 t	14,574 t	19,515 t	23,974 t	29,895 t	6,289 t

*Electricity, gas, fuel oil, district heating, wood, etc.
**Including KSB SE & Co. KGaA

Source of emission factors: local energy suppliers or VDA data

Environment

CLIMATE CHANGE MITIGATION AND RESOURCE EFFICIENCY

Objectives:

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. As well as mitigating environmental impact, this also increases the profitability of the company. 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 Scope 1 and 2 CO_2 emissions (as classified by the Greenhouse Gas Protocol) 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:

In 2020, KSB developed a life cycle assessment strategy in accordance with the ISO 14040 international standard to assess the environmental impact of new product developments and significant design changes to existing type series via a suitable process. This was applied in 2022 to four newly developed products. Taking into account the projects from the two previous years, the company has thus assessed the environmental impact of more than half of its development projects in accordance with the ISO 14040 international standard.

Resources are finite. That is why KSB 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. 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 to map the material flow's capacity for circularity. In the reporting year, 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. The analysis also revealed potential for improving this value for each respective product.

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 38 production and assembly locations (KSB SE & Co. KGaA: 3 locations); this represents 93 % coverage.

To reduce emissions of climate-critical greenhouse gases at its locations, KSB prioritises electricity from renewable sources. For example, six European companies draw their electrical energy exclusively from renewable sources. Since 2022, Germany's second-largest manufacturing plant in Pegnitz has been powered exclusively by green electricity from its provider.

During the reporting year, companies' efforts to save energy were principally driven by economic considerations alongside ecological concerns. In response to the war against Ukraine and associated gas shortage, KSB formed a cross-functional task force in May 2022 involving managers from Facility Management, Purchasing, Production, Human Resources and Communications as well as the Works Council. To save energy, the company launched an Ideas Management campaign for all German employees. This challenged workers to make concrete suggestions for the responsible use of resources such as electricity and heating in everyday work. KSB also trained energy officers at its German locations. They can be contacted by all employees and advise their colleagues on potential improvements during regular walks around the premises.

Following the easing and lifting of pandemic-related mobility restrictions, business travel became increasingly viable. KSB employees choose to use climate-friendly means of transport such as Germany's rail network which uses 100 % green electricity. According to Deutsche Bahn's environmental balance sheet, KSB was able to save more than 90 tonnes of CO_2 in 2022 compared to journeys with conventional vehicles (previous year: almost 26 tonnes of CO_2).

KSB carries out regular energy audits at its major European locations to reduce energy consumption and CO_2 emissions. They take place every four years, with the next audits scheduled for 2023. The reporting year saw the implementation of numerous measures to reduce the company's energy consumption. These included construction projects such as new buildings and refurbishments. At the Group's largest location in Frankenthal, construction of a new heating centre began in 2022. The 15-million-euro investment will increase the share of renewable heat from biomass. In combination with the latest technology, it will deliver energy savings of 3,700,000 kilowatt hours per year, equivalent to 900 tonnes of CO_2.

Other energy-related measures in 2022 chiefly focused on replacing lighting systems with LED equipment and renewing less energy-efficient machinery and systems.

KSB regularly records and evaluates data on energy consumption and CO_2 emissions. In 2022, energy consumption decreased by 10,651 megawatt hours compared with the previous year to 267,265 megawatt hours (KSB SE & Co. KGaA: 88,950 megawatt hours, down 14,518 megawatt hours on 2021).

Share of renewable energy in power consumption:

50.4

(KSB SE & Co. KGaA: 79.9 %)

In terms of Group-wide electricity consumption, the share of renewable energies grew by 4.7 % to 50.4 % (KSB SE & Co. KGaA: +16.3 % to 79.9 %) – another top result within the Group. KSB calculates CO_2 emissions for Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol. The Group's emissions in the reporting year amounted to 79,673 tonnes of CO_2 (previous year: 87,582 tonnes of CO_2); for KSB SE & Co. KGaA, the figure was 14,574 tonnes of CO_2 (previous year: 20,644 tonnes of CO_2).

Waste is a by-product of manufacturing. KSB therefore continuously modernises its factories 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 € 1,011,000 were recognised for KSB SE & Co. KGaA in the financial statements.

Results:

- KSB rated the eco-balance of over half of its newly developed products.
- As in previous years, KSB increased the share of renewable energy in its electricity consumption. This increased from 45.7 % to 50.4 % in the Group compared with the previous year.
- KSB has reduced carbon dioxide emissions by more than 20 % compared with 2018.

Products

Objectives:

KSB's products and service offerings contribute to the efficient and responsible operation of customers' systems. The company therefore 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 in the reporting year determined the number of these pump sets in use based on the production volume since 2007, and calculated 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 2022 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. Savings of at least 30 % can therefore also be assumed for KSB's standardised water pumps. 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 has therefore agreed to consider not only the current average CO_2 equivalent (see above), but also the corresponding value from 2018 when determining CO_2 emissions for the reporting year. The figure for 2018 was 590 g/kWh. This means that KSB water pumps are estimated to have saved more than 436,000 tonnes of CO_2 in 2022 (compared with the 2022 CO_2 equivalent) or more than 720,000 tonnes (compared with the 2018 CO_2 equivalent) thanks to their variable speed drives.

The reporting year saw KSB launch a fully integrated in-line water pump for use in building services. It is now available to customers in nine European countries. When developing the new product, the company consistently focused on sustainability – from production to recycling the raw materials required. 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 will offset 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.

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 international ISO 9001 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* certification available at twelve 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.

Results:

- KSB water pumps are estimated to have saved more than 436,000 tonnes of CO_2 in 2022 (compared with the 2022 CO_2 equivalent) or more than 720,000 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. Customers and business partners expect the company to act with integrity. That is why com-

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

pliance 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 all personnel with customer or supplier contact are familiarised with these topics. This Group-wide training is repeated every three years and took place again in 2022; as a result the number of training courses completed in the reporting year was significantly higher than in the previous year. Training needs which arise in the intervening period, for example due to new hires and transfers, are addressed every six months.

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 in the reporting year to meet the requirements of the Lieferkettensorgfaltspflichtengesetz [German Supply Chain Due Diligence Act] and published at the beginning of 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 appropriate 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 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; law enforcement agencies may also be involved.

Results:

- 2022 saw 3,062 employees successfully complete compliance training e-learning modules.
- 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

Objectives:

Respecting human rights is a core element of corporate social responsibility as practised by KSB. 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.

In 2020, 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 annually.

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

In 2022, 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.

The reporting year saw a continuation of the online training introduced in 2021 for buyers and employees from other departments to raise awareness of human rights issues in the supply chain. The e-learning is compulsory for all relevant employees, and participants receive a certificate after successfully completing a test.

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 2022, KSB had assessed almost 70 % of its main suppliers for production materials and 40 % of its main suppliers for indirect purchasing.

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 41). The newly appointed 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. By the end of 2022, 305 employees had completed the course.
- By the end of the reporting year, KSB had assessed the sustainability performance of approx. 57 % of its key global suppliers. This also includes the actions of business partners regarding human rights.

Number of training hours per employee:

17

(KSB SE & Co. KGaA: 13)

Employees

ACHIEVING SUCCESS TOGETHER

Objectives:

Around the globe, more than 15,000 employees aim to offer customers the best experience possible. The company 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 therefore 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 (2022: 15 %).

High-performing and motivated staff are the basis for a company's economic success. KSB is therefore striving to increase its engagement score, which measures employee satisfaction, to 80 % by 2025.

Lifelong learning plays a crucial role in identifying the needs of markets and customers. KSB thus implements targeted training and continuous learning measures to steadily develop the skills of its workforce. 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 17 hours. The industry average determined by the VDMA [German Mechanical Engineering Industry Association] was 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. Thanks to the relaxation of pandemic-related restrictions, participation in recruitment fairs in 2022 was once again possible. KSB also maintains cooperations with universities and schools to establish contact with potential candidates.

In order to ensure demand for skilled staff is met, the company continuously trains young people. Opportunities for trainees include completing part of their training with one of KSB's international companies. This improves their capacity for international cooperation and offers valuable experience gained in a different environment. At the end of 2022, 256 trainees and students in dual work / degree programmes were preparing for professional life at KSB's German locations. In 2022, KSB spent € 8,207,000 on vocational training programmes (2021: € 7,962,000).

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. Training requirements are agreed between managers and employees at annual performance evaluation interviews. Qualification measures cover engineering, business administration, information technology, social competence, communication and leadership.

In an effort to increase the number of training hours, KSB has intensified communication within the company to inform the staff about relevant 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 was launched to raise awareness of the training opportunities. In 2022, employees invested an average of 17 hours (KSB SE & Co. KGaA: 13 hours) into professional development activities (previous year: 15 hours; KSB SE & Co. KGaA: 14.6 hours).

Number of training hours

	Total	KSB SE & Co. KGaA	Europe	Asia / Pacific	Americas	Middle East / Africa / Russia
Hours per employee	17	13	12	18	31	13

The one-year scholarship programme launched in 2021, for which all employees can apply, was also offered in the reporting year. It is specifically designed around the requirements of the digital transformation and provides up-to-date information, relevant background knowledge and explanations on key digitalisation topics.

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.

A Group-wide HR tool automates and standardises the personnel processes of all KSB Group companies. Managers use the web-based application to support the professional development of their employees. 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.

As the pandemic has subsided, the number of in-person training sessions has increased. Nevertheless, many e-learning and online training opportunities remain available. In the reporting year, almost 15,000 employees from 70 countries had access to the company's web-based learning platform – more than ever before. In addition, the company's Market Areas have introduced their own academies to impart specific expertise via virtual training courses.

Diversity and equal opportunities are an important basis for economic success in a globalised world. KSB's binding human resources principles align with the Conventions of the International Labour Organization (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 also focuses on equal opportunities when filling management positions with at least one direct report. In 2022, the proportion of female managers in the Group increased by 2 percentage points year-on-year to 15 % (KSB SE & Co. KGaA: 10 %); women make up 16 % of the total workforce (KSB SE & Co. KGaA: 19 %).

In 2022, committed female employees from various departments and locations launched a global women's network to promote gender diversity at KSB. Its aims include establishing a framework for promoting internal networking among women within the company and creating a space for their professional interaction and further development. About 40 female employees took part in a first meeting at the headquarters in Frankenthal.

Specialised professional development opportunities are available to support female employees in planning their career and prepare them for their professional future. In addition, KSB is increasingly seeking to appoint women to management positions if applicants are equally qualified. Human Resources and managers make concerted efforts to approach potential female candidates, make them aware of their prospects and encourage them to take advantage of opportunities. In 2022, the number of female managers on the level below Management increased from one to three.

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.

As an attractive employer, KSB strives to provide its employees with mobile working options including working from home. This can help facilitate a balance between family and work commitments. In the reporting year, KSB SE & Co. KGaA and the Group Works Council reached a Group works agreement to set up binding regulations on mobile working even after the COVID-19 pandemic. This will allow up to 40 % of individual working hours to 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.

Employee commitment and satisfaction play a foundational role in the company's success. KSB strives to be an attractive employer and focuses on shaping a motivating working environment in which the workforce can perform at its best. The company regularly evaluates the satisfaction of its workforce by conducting a Group-wide employee survey every three years. The global survey took place once again during the reporting year. The engagement index, which measures an employee's emotional attachment to work and the workplace, was 65 % (2019: 57 %). The participation rate increased by 2 percentage points to 82 % compared with the last survey.

Once again, 2022 saw the worldwide implementation of measures to increase employee satisfaction and engagement. Unlike in previous years during the pandemic, it was increasingly possible to return to an in-person setting. Employees worldwide celebrated KSB's 150th anniversary together with their families and friends. More than 13,000 people took part in the celebrations in Germany alone. Company sports and joint leisure activities also took place again. A further important lever for increasing engagement was found to be the approaches taken by individual managers.

Measures to promote employee engagement were undertaken in all companies in 2022. Managing directors reported directly to KSB Group Management on their implementation and further measures, for example during personal meetings, joint appointments and in conversation via e-mail and video calls.

Results:

- Even after the pandemic, the number of completed trainings recorded via the company's online learning platform remained at a high level of 29,830 (2021: 31,322). 7,533 (2021: 9,473) employees participated in training courses.

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, employees have access to a range of health-focused services.

Organisation, processes and measures:

In the reporting year, most Regions experienced less profound effects from the COVID-19 pandemic than in the two previous years. Members of the interdisciplinary COVID-19 task force met regularly in order to respond quickly and flexibly to current requirements at the company's various locations. A range of measures and rules applying equally to employees and external parties were introduced depending on the local situation.

COVID-19 vaccination campaigns took place at the three largest German production locations during the reporting year. Employees gladly accepted the offer to protect themselves and those around them from the coronavirus.

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, 38 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.

2020 saw KSB begin introducing the global Vision Zero concept developed by the International Social Security Association

(ISSA) in its production departments in order to reduce the number of occupational accidents. This aims to increase involvement of management staff so as to raise awareness of improved occupational safety and health. Managers learn about suitable measures that they can apply individually to their production facilities.

Local contact persons at all major production sites received training on the concept and its implementation. In the reporting year, central Integrated Management assessed the current status of Vision Zero via quarterly surveys. In cases where the target of fewer than 0.3 accident-related days lost per employee was not met, members of staff responsible collaborated to identify causes and initiate suitable measures to achieve a long-term increase in safety. This was the case at locations of nine KSB companies in the reporting year.

Occupational stress is an ever-increasing health hazard. KSB utilises an analysis form to minimise psychological strains and to ensure a well-balanced workload. Managers in Germany can use the form to record instances of psychological stress in the workplace and assess possible hazards.

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. They include ongoing health initiatives such as flu vaccinations, support for giving up smoking and preventive health care courses.

As part of heart health week, events were held on the topics of nutrition and fitness at the three largest German locations. During the campaign week, 154 employees took advantage of the offer for ultrasound measurement of the carotid artery, a preventive measure against cardiovascular diseases. As part of another month-long campaign, various preventive activities for maintaining mental and physical health were targeted specifically at men, who use prevention services significantly less than women.

89

In 2022, KSB contributed to 89 social projects and charitable initiatives worldwide.

Results:

- In Germany, the company medical service organised 868 vaccinations against COVID-19. 620 flu vaccinations were also administered.
- The number of accident-related days lost per employee and year in 2022 was slightly higher than in the previous year at 0.32 (lost time accident rate).

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 five criteria. These are:

- 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.

As a globally active company, KSB is committed to the peaceful coexistence of different cultures, religions and generations. The company therefore chose to support a social organisation based near the headquarters in Frankenthal with a donation of € 15,000 on the occasion of its 150th anniversary. The facility functions as a social hub as well as offering language courses and childcare. Other donations were made to families in need and to organisations working with children and young people.

In Pakistan, where KSB has been active since 1953, more than 30 million people were affected by floods in 2022. To provide disaster relief, Pakistani employees and the company donated around € 40,000 alongside water treatment plants and drainage pumps.

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. KSB also donated regularly to projects and measures around the world to provide people with clean drinking water, for example in Rwanda and Congo.

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), good health and well-being (goal 3), and industry, innovation and infrastructure (goal 9).

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 2022, KSB participated in 36 social projects and 53 charitable initiatives worldwide.

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

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 2022 (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.

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 controls 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.

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

[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.

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.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

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 Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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, are 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-aligned economic activities and the corresponding disclosures in the Combined Separate Non-financial Report
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact
- Inquiries on the relevance of climate-risks

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 2022 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, 14 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüferin
[German public auditor]

ppa. Meike Beenken

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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 portfolio to users of these products.

KSB SE & Co. KGaA, as the parent, directly or indirectly holds the shares in the companies belonging to the Group. Besides it, 9 domestic and 79 foreign companies are fully consolidated; another 5 companies are accounted for under the equity method. KSB is currently represented in more than 40 countries with its own subsidiaries.

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

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

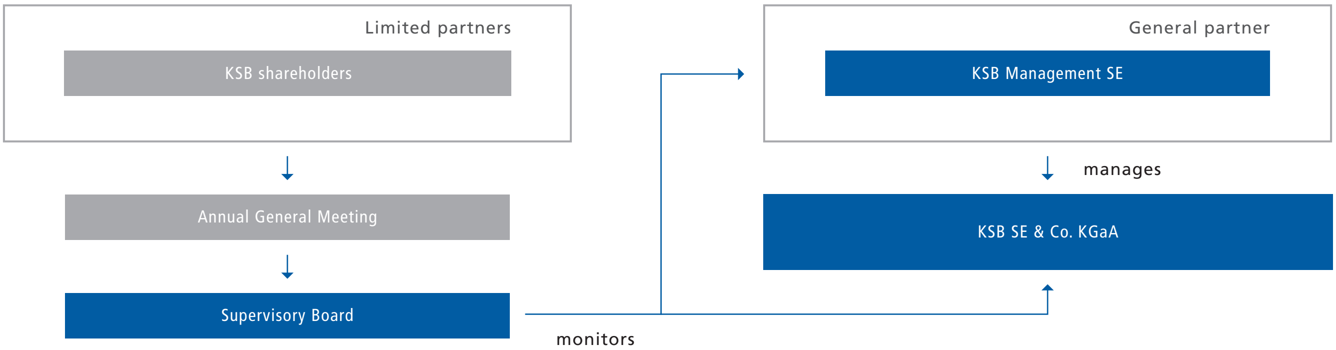
KSB SE & Co. KGaA was formed from KSB Aktiengesellschaft by entry in the *Handelsregister* [German Commercial Register] on 17 January 2018. The *Kommanditgesellschaft auf Aktien* (KGaA) [partnership limited by shares] is a common legal form in Germany for companies with a family- and foundation-dominated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

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

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

→ Bodies / structure

Bodies / Structure



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

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, 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.

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

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

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

KSB manufactures and assembles products and components in a total of 25 countries; they are sold through the Group's own companies or agencies in more than 100 countries. With their products, the Group companies serve customers in industry including the chemical and petrochemical industries, in the energy sector, in construction / building services, in water and waste water management, and in mining. In 2022, 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. Highly trained and motivated employees as well as the high quality of products have also helped cement this reputation.

Control System

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

Management decisions for the Group as a whole and for the Pumps, Valves and KSB SupremeServ Segments are mainly made on the basis of the following key indicators: order intake, sales revenue and EBIT. EBIT is defined as earnings before finance income / expense and income tax. When specifying key indicators, Management is guided on the one hand by developments in the market and on the other by its main competitors.

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

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

Research and Development

KSB uses its globally available resources in research and development to ensure the Group's enduring success. The technological strengths are based mainly on the challenging interplay between hydraulics, materials technology, automation and digitalisation. KSB therefore pays particular attention to these areas. The results of the research and development work are incorporated in the products, strengthen the portfolio and help to develop new markets.

ECONOMICAL AND SUSTAINABLE USE OF MATERIALS

In addition to customer needs, legal requirements also play an important role in the further development of pumps and valves. The EU, for example, which plans to tighten Regulation (EU) 547/2012, is a strong driver in the field of water pumps. This regulation defines the efficiency requirements a pump has to meet. It is therefore conceivable that the trend towards installing smart control technology directly in the pump set will continue. This is already cutting-edge technology now for circulators and will also become a reality in the future for water pumps up into the double-digit kW range. When developing intelligent and highly efficient type series, the developers focus not only on extremely low energy consumption, but also on the economical use of materials. Thanks to higher performance per size, the pump sets need significantly less valuable raw materials compared with their predecessors. In addition to the economical utilisation of the materials used, the unavoidable proportion of CO_2 emissions generated during production is offset. The magnets used in the synchronous motors are classic ferrite magnets. These do not contain rare earths, which cause enormous environmental damage during mining.

56.3

Research and development expenses in € millions

RELIABLE AND EFFICIENT PUMP OPERATION

Monitoring solutions are unquestionably an important tool paving the way toward a digitalised system, improved maintenance and energy-efficient processes. Since 2018, KSB has been offering its customers such a digital service with KSB Guard. Besides contributing to maintenance management, the monitoring solution also provides information on energy efficiency – it is estimated that 75 % of all fixed speed pumps do not run at their best efficiency point. Pumps therefore use much more energy than necessary, leading to huge costs. To identify pumps with high energy demand in a plant, the monitoring solution shows optimisation potential for increasing energy efficiency and thus reducing CO_2 emissions. The developers work continuously on improving the KSB Guard algorithms to offer customers advanced functions based on artificial intelligence. KSB Guard itself was certified as a CO_2-neutral product in 2022.

PROCESS AND COMPLEXITY MANAGEMENT AS A REQUIREMENT FOR IIOT

KSB is consistently expanding its expertise in process and complexity management as a prerequisite for implementing the Industrial Internet of Things (IIoT). In 2021, the publicly funded MAP (Machine Learning for Agile Process Management in Mechanical and Equipment Engineering) joint research project was launched for a period of three years. By integrating various methods for the systematic analysis and evaluation of business processes in KSB's global process and variant management systems, this created the prerequisites for further digital transformation.

ADVANTAGES OF ADDITIVE MANUFACTURING

In the area of additive manufacturing research, further materials were developed and qualified in the field of iron- and nickel-based materials for use in pump engineering, in order to expand the technology's applications. KSB is currently one of the few manufacturers to produce diaphragm valve bodies for the pharmaceutical industry using power bed fusion. These are manufactured from special steel that is particularly difficult to process. They were previously milled from solid material, which was cost-intensive and time consuming. The experts in the competence centre for additive manufacturing in Pegnitz continuously evaluate new technologies and examine whether it makes sense to use them at KSB.

INTELLIGENCE AND DIGITALISATION OPEN UP NEW FIELDS OF APPLICATION

Modern valves feature more and more functions for process control in addition to their shut-off and control duties, which is why KSB worked on broadening the scope of application of these valves with additional equipment during the reporting year. This offers extended technical options, such as the interaction between an automated butterfly valve or globe valve and a higher-level control system. Adding monitoring sensors to existing type series can also help users control the capacity utilisation and wear of their system. As operating conditions in some applications become ever more demanding, especially in the power plant and industrial sector, the development of valves in 2022 focused on expanding the product range for high- and low-temperature applications. This includes handling molten salts or liquid hydrogen. Based on KSB's expertise in additive manufacturing and its experience in qualifying 3D-printed parts, the Valves Segment worked on improving its products using these technologies, in order to save costs and reduce delivery times.

KSB cooperates with external institutes and research facilities. Overall, the Group spent around € 56.3 million on research and development in the reporting year. This equates to about 2.2 % of sales revenue. KSB SE & Co. KGaA invested € 39.9 million in research and development in the reporting year, which equates to around 5.0 % of sales revenue. Across the Group, 438 staff were employed in research and development on average over the year. At KSB SE & Co. KGaA, 283 staff worked in research and development in the reporting year.

Economic Review

Macroeconomic Environment and Sector View

From the start, the forecast for global economic growth in 2022 was below the high growth rate of the previous year, which saw a recovery from the pandemic. In the course of the year, the International Monetary Fund (IMF), whose figures are used for planning, lowered its estimate to 3.4 % most recently. This compares with the forecast of 4.4 % for global economic growth at the start of the year. The war in Ukraine and its negative consequences, in particular for the global energy markets, were a major contributing factor. In addition to this, China imposed pandemic-related curfews that aggravated supply bottlenecks and lowered general economic demand. Furthermore, the sharp increase in energy and commodity costs led to a level of inflation whose duration and severity far exceeded initial expectations. Inflation weighed on real income and led to restrictive monetary policy with rising interest rates in many countries. This weakened growth in capital expenditure and consumer spending. Overall, a renewed downturn loomed on the horizon in the second half of the year, which is expected to be fully reflected in 2023 in particular.

The IMF lowered its growth estimate for the group of economically advanced countries to 2.7 % in 2022. At the beginning of the year the forecast was still at 3.9 %. Emerging markets and developing countries achieved economic growth of 3.9 %, which was also below the forecast at the start of the year (+ 4.8 %).

Europe continued to be of major importance for the KSB business in 2022. 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 3.5 % in the euro zone. Economic output in France and Italy grew by 2.6 % and 3.9 % respectively. Spain achieved a higher growth rate of 5.2 % compared with other European countries, reflecting its lower dependence on imports of natural gas from Russia. In contrast, Germany reported growth of only 1.9 %. The high dependency on energy imports from Russia and high share of exports in the face of declining global demand had a dampening effect. The UK posted growth of 4.1 %, despite the political turbulence and uncertainty in the financial markets.

In the USA, inflation developed much more dynamically than initially expected, making it necessary for the central bank to adjust interest rates. These growth-inhibiting factors have been countered by a series of laws to stimulate the economy. However, the economy developed at a much weaker pace of 2.0 % than forecast at the start of the year.

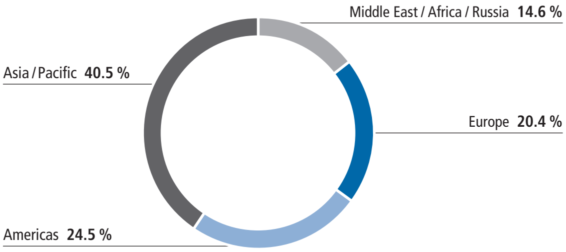
China's economic growth was curbed by weaker domestic demand and lower exports as a result of the pandemic-related curfews. The country achieved an increase of 3.0 %, which also fell short of the expectations at the start of the year.

Growth in India was 6.8 %, due to the slowdown of the global economy and tighter monetary policy to curb inflation. The economies of the five economically most important countries in South East Asia – Indonesia, Malaysia, the Philippines, Thailand and Vietnam – grew by 5.2 % overall.

South America performed better than expected at the start of the year. The economy in Brazil grew by 3.1 %, reflecting rising capital expenditure and higher consumer spending.

The economic development of countries in the Region Middle East / Africa / Russia benefited greatly from rising energy and commodity prices, and likewise exceeded expectations held at the beginning of the year. The economy grew again in Turkey by 5.5 %, supported by exports and a recovery in private consumer spending. In South Africa, higher capital expenditure contributed to growth of 2.6 %. For Saudi Arabia, likewise a large sales market for KSB, the IMF reported a plus of 8.7 % as a result of the rising price and exports of crude oil. The war and sanctions led to an economic downturn of – 2.2 % in Russia, which was alleviated by the high energy prices.

World market of centrifugal pumps and valves



Source: KSB estimate (February 2023), European Industrial Forecasting

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 previous year. The production of capital goods was curbed by the global deterioration, but increased nonetheless. The pharmaceutical industry, which was among the winners of the pandemic, remained on its growth path this year, too. The automotive industry grew slightly, but fell short of the expectations held at the beginning of the year.

The water and waste water industry, in which economic fluctuations are milder than in other economic sectors, posted renewed growth in terms of production value in the previous year. This was dampened by the weaker trends in the industry. Investments in municipal water and waste water management increased, supported by numerous infrastructure projects and stricter legal requirements in a series of countries.

The energy sector faced upheaval due to the war in Ukraine and its implications for energy prices, including but not limited to natural gas. This was felt to a lesser extent in generation in the past year, but much more in the orientation towards new investments and expectations with regard to future expansion of capacity. With weaker global economic growth, worldwide electricity consumption rose less strongly than in the previous year and than initially expected. Electricity generation from natural gas eased slightly and was substituted by a transition to coal, especially in Europe. The available capacities of coal-fired power plants were utilised to a greater extent to meet demand. Electricity generation from nuclear energy declined due to scheduled shutdowns and unexpected power plant outages. At the same time, decisions were made to extend the operating life or to build new power plants. Generation from renewables increased sharply in contrast. Despite the already high initial level in the previous year, the capacity expansion of renewables reached another very high level thanks to political support programmes.

Because of the sanctions imposed on Russian exports and weaker global demand, the increase in oil production worldwide was less than expected at the beginning of the year and global gas production stagnated at the previous year's level, albeit with strong regional shifts. Liquefied natural gas exports from the USA increased sharply again, to compensate for shortfalls in natural gas quantities in Europe in particular. Global refinery capacity utilisation increased marginally in response to subdued global demand, particularly from China. A slight increase was recorded in the course of the year in terms of production volume. There were regional shifts too in the production of refinery products as a substitution for Russian exports. The increase in the price of natural gas, which is used both as a raw material and as a source of energy, slowed down the chemical industry. Europe was hit the hardest.

The construction sector continued its growth trend of the previous year, albeit with less momentum. This development was supported by stimulus spending on expanding infrastructure in many countries. In residential building construction, lower real incomes and higher interest rates held back growth. Growth in non-residential construction was also dampened by higher interest rates, uncertainty in the business environment and cautious policy on investment.

Mining was supported by very strong demand for metals that are required for producing green technologies. A strong increase was recorded for metals such as copper, aluminium, nickel and lithium, which are needed for electromobility, renewable energy generation and grid expansion, and for the production of storage technologies. Coal mining also increased due to increased demand for coal to substitute gas in generating electricity and despite the high starting level in the previous year. The extraction of oil sands increased substantially due to high energy prices and planned financial support for emission-saving measures in industry.

ROBUST INCREASE IN MECHANICAL ENGINEERING

Despite the weaker global economy, the increase in demand for mechanical engineering products was solid, supported by the slight easing in the supply chains in the second half of the year. According to the German Mechanical Engineering Industry Association (VDMA), global sales revenue in the mechanical engineering sector rose by 3.0 % in real terms in 2022. Growth was dampened by the increase in the price of energy, commodities and precursor products, and by easing demand.

According to VDMA, sales revenue in the German mechanical engineering sector rose by 1.7 % in real terms. Based on the provisional calculations of the German Federal Statistical Office, production up to November was also up 0.6 % in real terms compared with the prior-year level. Capacity utilisation was also higher than in the previous year.

In the liquid pumps sector, VDMA recorded a real decline in sales revenue of 1.6 % among German pump manufacturers. Sales revenue with industrial valves exceeded the prior-year level by 0.7 %, while building services valves saw sales revenue fall by 3.0 %.

BUSINESS DEVELOPMENT AND RESULTS OF OPERATIONS

For KSB, the 2022 financial year was marked, among other things, by Russia's war of aggression against Ukraine, which resulted in considerable uncertainties in the procurement markets and supply chains, as well as massive price increases for supplier parts and energy. The COVID-19 pandemic again led to temporary production stoppages and increased absences due to illness at KSB in the reporting year. The production site in Shanghai in particular was affected by a lockdown lasting several weeks.

The successfully averted cyber attack in the second quarter also entailed restrictions across the Group. Temporary interruptions to production and order processing were followed by comprehensive security measures in the IT infrastructure. Hail damage at the French factory in La Roche-Chalais in the summer led to production stoppages. The Group was able to make up for most of the resulting postponements of orders in the second half of the year.

The broad-based international production network proved to be particularly stabilising. The EU sanctions against Russia resulted in impairments on customer orders in the amount of around € 14 million.

Overall, there was a substantial increase in order intake compared with the previous year. This also applies to sales revenue and EBIT for the financial year. The reasons for the changes are explained in the sections on order intake, sales revenue and EBIT.

ORDER INTAKE

While the Group recorded a very high order intake in the first half of the year, despite the outbreak of the Russia-Ukraine war, rising inflation and uncertainty in the global political landscape resulted in slightly muted customer demand in the second half. The diversification of the Group across numerous regions and markets helped keep the order intake at a high level. In addition, KSB acquired several large-scale orders, especially in the Energy operating segment and benefited from strong demand for standard products. KSB could pass on the massive price increases for supplier parts to customers, provided the competitive situation allowed this.

The volume of incoming orders rose significantly by € 450.3 million (+ 18.7 %) to € 2,862.1 million in the financial year. Excluding exchange rate effects, order intake would have been € 43.7 million lower.

Segment reporting

	Order intake		Sales revenue		EBIT	
€ thousands	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Pumps Segment	1,585,727	1,307,305	1,390,192	1,271,104	27,718	24,120
Valves Segment	359,676	338,398	333,072	305,570	–4,635	–6,560
KSB SupremeServ Segment	916,684	766,042	850,123	766,903	146,020	123,601
Total	**2,862,087**	**2,411,745**	**2,573,387**	**2,343,577**	**169,103**	**141,161**

The largest percentage growth was reported in the Regions Asia / Pacific with a plus of € 173.3 million (+ 29.9 %) and Americas with a plus of € 117.6 million (+ 29.5 %). The Region Europe also developed well with a plus of € 162.5 million (+ 12.9 %). The companies in the Region Middle East / Africa / Russia remained at around the previous year's level with a slight reduction of € 3.0 million (– 1.8 %). The negative effect from the sanctions imposed on Russia was offset by a positive development in South Africa and in the Middle East.

Pumps

Order intake in the Pumps Segment amounted to € 1,585.7 million compared with € 1,307.3 million in the previous year. The strong increase in the first half of the year, to which advance ordering ahead of announced price increases contributed, weakened in the second half. Standard markets accounted for € 1,256.3 million (previous year: € 1,059.0 million) of the total order intake in the Pumps Segment. All Market Areas developed positively, in particular General Industry and Water. The main driver of the development in General Industry was especially the order intake in the Regions Europe and Americas, as well as a higher number of projects in Asia / Pacific and Middle East / Africa / Russia. The increase in the Water Market Area was as a result of the strong standard business and also of projects. In the Energy and Mining operating segments, which include project business in particular, order intake amounted to € 329.5 million (previous year: € 248.3 million). This substantial increase is mainly attributable to major projects that were acquired in the nuclear sector of the Energy operating segment in the second half of the year. The Region Europe contributed the largest share of order intake of the Pumps Segment with € 775.6 million (previous year: € 663.14 million), followed by the Region Asia / Pacific with € 490.4 million (previous year: € 378.1 million) and the Regions Americas and Middle East / Africa / Russia each with lower contributions in absolute terms. The highest growth rates were reported in the Regions Americas and Asia / Pacific.

Valves

Order intake in the Valves Segment amounted to € 359.7 million compared with € 338.4 million in the previous year. Both the standard business and the project business performed positively over the course of the financial year. The largest positive contribution was made in the chemicals / petrochemicals industry. The largest Region by far is Europe with € 222.7 million (previous year: € 211.1 million), followed by Asia / Pacific with € 105.2 million (previous year: € 94.0 million) and the Regions Americas and Middle East / Africa / Russia each with lower contributions in absolute terms.

2.6

Consolidated sales revenue in € billions

KSB SupremeServ

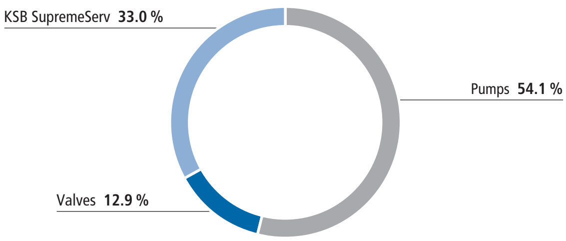
Order intake in the KSB SupremeServ Segment – which covers all service and spare parts activities – reached € 916.7 million and is thus considerably higher than in the previous year (€ 766.0 million). This increase is attributable to the positive development of the spare parts business, which rose noticeably in the second half of the year compared with the first half. This development was supported especially by spare parts orders due to the high capacity utilisation levels of the mines, the acquisition of new pump installations and the good performance in relation to delivery capacity. Major projects were acquired in the Energy, Chemicals / Petrochemicals and Water Market Areas. In the KSB SupremeServ Segment, too, the Region Europe made the greatest contribution to order intake with € 426.4 million (previous year: € 387.8 million), followed by Americas with € 276.4 million (previous year: € 217.1 million) and Asia / Pacific and Middle East / Africa / Russia. The highest growth rate was reported in the Region Asia / Pacific.

SALES REVENUE

Group sales revenue, which lags behind order intake, grew strongly by € 229.8 million (+ 9.8 %) to € 2,573.4 million). However, the supply chains remained strained in 2022 too, which prevented higher sales revenue from being achieved. Sales revenue would have been € 52.2 million lower excluding exchange rate effects.

All the Regions contributed to this sales revenue growth. Europe remained by far the largest Region with sales revenue of € 1,271.7 million (previous year: € 1,261.4 million, followed by Asia / Pacific with € 646.4 million (previous year: € 557.4 million), Americas with € 498.1 million (previous year: € 376.7 million) and the Region Middle East / Africa / Russia with € 157.2 million (previous year: € 148.0 million). The largest percentage increase was reported in the Region Americas with € 121.4 million (+ 32.2 %), followed by the Region Asia / Pacific with € 89.0 million (+ 16.0 %). The Region Middle East / Africa / Russia also developed well with a plus of € 9.2 million (+ 6.2 %). The companies in Europe remained stable with growth of € 10.3 million (+ 0.8 %).

Sales revenue by segment



Pumps

Sales revenue in the Pumps Segment amounted to € 1,390.2 million (previous year: € 1,271.1 million). The Standard Markets accounted for € 1,128.8 million and the Energy and Mining operating segments for € 261.4 million. A decline in sales revenue in the Energy Market Area due to the COVID-19 lockdowns in China and sanctions against Russia was offset by a marked increase in the General Industry and Water Standard Markets in particular. Europe remains by far the largest Region with sales revenue of € 670.1 (previous year: € 661.2 million), followed by Asia / Pacific with € 407.4 million (previous year: € 357.1 million), then the Region Americas and the Region Middle East / Africa / Russia.

Valves

In the Valves segment, sales revenue was € 333.1 million after € 305.6 million in the previous year. Both the standard business and the project business performed positively over the course of the financial year. Severe hail damage in the factory in La Roche-Chalais (France) resulted in production delays, most of which could be worked off by the end of the year. Europe remains by far the largest Region with sales revenue of € 199.7 million (previous year: € 197.2 million), followed by Asia / Pacific with € 102.2 million (previous year: € 85.3 million), then the Region Americas and the Region Middle East / Africa / Russia. Strong double-digit growth rates were achieved in the three Regions Americas, Asia / Pacific and Middle East / Africa / Russia.

KSB SupremeServ

Sales revenue in the KSB SupremeServ Segment amounted to € 850.1 million (previous year: € 766.9 million). This sharp increase was a result of the positive development of the spare parts business. However, the increase in sales revenue did not keep pace with order intake. The largest Region by far is Europe with sales revenue of € 401.9 million (previous year: € 403.0 million), followed by Americas with € 257.9 million (previous year: € 203.0 million), then Asia / Pacific and Middle East / Africa / Russia. The Region Americas achieved the strongest growth rate, mainly due to the positive development of the Mining business.

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

The KSB Group achieved earnings before finance income / expense and income tax (EBIT) of € 169.1 million (previous year: € 141.2 million). The earnings improvement is primarily attributable to higher sales revenue and higher margins in the KSB SupremeServ Segment.

Pumps

EBIT in the Pumps Segment amounted to € 27.7 million (previous year: € 24.1 million), with the standard business in particular contributing to the very good result. The main drivers were higher sales revenue and a better profit quality. The EBIT margin achieved was 2.0 % (previous year: 1.9 %).

Valves

EBIT in the Valves Segment was € – 4.6 million (previous year: € – 6.6 million). Higher sales revenue could more than offset the negative effects of the hail storm at the La Roche-Chalais site in France. The EBIT margin achieved was – 1.4 % (previous year: – 2.1 %).

KSB SupremeServ

Thanks to the profitable growth in the spare parts business, EBIT was increased by € 22.4 million to € 146.0 million (previous year: € 123.6 million). This equates to an EBIT margin of 17.2 % (previous year: 16.1 %).

TOTAL OUTPUT OF OPERATIONS

Total output of operations amounted to € 2,674.5 million compared with € 2,360.1 million in the previous year. In addition to the € 229.8 million increase in sales revenue, the € 99.4 million increase in inventories (previous year: € 14.5 million) also had a positive effect on the total output of operations.

INCOME AND EXPENSES

Other income rose by € 6.8 million year on year to € 34.5 million (previous year: € 27.7 million). The increase is mainly due to € 2.4 million higher insurance income and € 2.3 million higher income from the reversal of impairment losses.

169.1

Consolidated earnings (EBIT) in € millions

The cost of materials in relation to total output of operations increased moderately from 41.3 % in the previous year to 43.2 % in the reporting year, due to higher procurement costs in particular. Overall, the cost of materials thus rose more than the total output of operations to € 1,156.3 million compared with € 975.4 million in the previous year.

Staff costs rose from € 837.2 million to € 901.6 million in the financial year (a rise of € 64.4 million). The increase is largely attributable to the higher headcount and to increased profit bonuses for employees. The number of employees rose from 15,287 to 15,643 on average over the year. On average in the reporting year, the KSB Group had 356 employees (+ 2.3 %) more than in the previous year. Asia / Pacific reported the greatest increase in the number of employees with a plus of 186. The number of employees in the Region Americas rose by 121. Despite the higher number of employees, the total output per employee rose strongly from € 154 thousand to € 171 thousand, due to the 13.3 % increase in the total output of operations.

Depreciation and amortisation fell by € 9.5 million to € 90.4 million compared with the prior-year period. This is as a result of the impairment losses of € 5.6 million on property, plant and equipment and goodwill (previous year: € 0.7 million). At € 84.8 million, scheduled depreciation and amortisation was also € 4.6 million higher than the previous year (€ 80.2 million).

At € 391.6 million, other expenses exceeded the prior-year level by € 38.4 million (€ 353.2 million). This is largely attributable to € 20.5 million higher administrative expenses. A renewed increase in travel activity and higher entertainment expenses contributed in particular to the increase. € 19.1 million higher maintenance costs and third-party services were also incurred. However, the ratio was reduced from 15.0 % in the previous year to 14.6 % of total output of operations in the financial year.

The finance income / expense amounted to € – 8.4 million (previous year: € – 1.2 million). While interest income on back payment claims of € 5.0 million was achieved in the previous year, the € 2.2 million increase in interest expenses on pension claims also contributed to the lower finance income / expense.

EARNINGS

The KSB Group generated earnings before income tax (EBT) of € 160.7 million compared with € 139.9 million in the previous year. Correspondingly, the return on sales before income tax rose marginally from 6.0 % in the previous year to 6.2 %. Taxes on income rose from € 29.6 million to € 33.3 million. The income tax rate fell from 21.2 % in the previous year to 20.7 % in the reporting year. Overall, earnings after income tax rose from € 110.3 million in the previous year to € 127.3 million in the reporting year.

At € 23.7 million, earnings attributable to non-controlling interests rose by € 7.0 million compared with the previous year. Relative to earnings after income tax, there was therefore an increase from 15.1 % to 18.6 %.

Earnings attributable to shareholders of KSB SE & Co. KGaA (€ 103.6 million) were € 10.0 million higher than in the previous year (€ 93.6 million).

Earnings per ordinary share were € 59.05, compared with € 53.34 in the previous year, and € 59.31 per preference share, compared with € 53.60 in 2021.

Financial Position and Net Assets

FINANCIAL POSITION

The KSB Group's financial position remains very good. Equity increased substantially in the reporting year. This was reflected in a higher equity ratio of 45.4 % (previous year: 37.6 %). The strong expansion of net working capital due to uncertain supply chains was financed from the Group's liquidity.

Liquidity

KSB recorded cash flows from operating activities of € 2.1 million compared with € 163.9 million in the previous year. Despite the € 17.0 million increase in earnings after income tax, cash flows from operating activities declined by € 161.8 million. This is mainly attributable to a higher commitment of funds in inventories (€ 174.7 million) and trade receivables (€ 80.2 million). Conversely, trade payables and contract liabilities led to an inflow of funds of € 43.3 million and € 34.7 million respectively.

The outflows from investing activities rose by € 12.6 million from € – 76.4 million in the previous year to € – 89.0 million in the reporting year. This is attributable to € 28.4 million higher payments to acquire intangible assets and property, plant and equipment, partially offset by € 13.6 million higher net proceeds from deposits with an original maturity of more than three months after reclassification to cash and cash equivalents.

The negative cash flow from financing activities increased year on year by € 32.4 million to € – 75.8 million. This is attributable to € 38.2 million in payments for financial liabilities (previous year: € 14.4 million). The increase is a result of the redemption of the last tranche of the loan against borrower's note. In addition, dividend payments rose to € 30.0 million (previous year: € 19.2 million).

All in all, cash and cash equivalents decreased from € 386.7 million in the previous year to € 228.6 million, mainly because of an outflow of € 162.8 million as well as exchange rate gains of € 4.3 million.

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 € 5.2 million are above the prior-year level (€ 4.0 million).

At € 101.0 million, investments in property, plant and equipment in the reporting year were up € 19.0 million on the previous year (€ 82.0 million). At € 38.1 million (previous year: € 41.3 million), the highest additions related to advance payments and assets under construction, as in the previous year. Another € 20.5 million related to other equipment, operating and office equipment (previous year: € 15.9 million), while € 22.7 million related to plant and machinery (previous year: € 14.1 million). As in 2021, the focus of capital investment activity was the Region Europe, mainly Germany, Luxembourg and France. Outside Europe, the highest additions were made at the plants in India, the USA and China.

Net financial position

The net financial position, at € 225.6 million, fell by € 140.0 million from € 365.6 million in the previous year. It is derived from the balance of interest-bearing financial liabilities and interest-bearing financial assets (current and non-current financial instruments, interest-bearing loans to companies accounted for using the equity method as well as companies that were not consolidated due to there being no material impact, cash and cash equivalents and receivables from deposits). The reduction of the net financial position is essentially due to the significant decline in cash flows from operating activities.

Contingent liabilities and other financial obligations

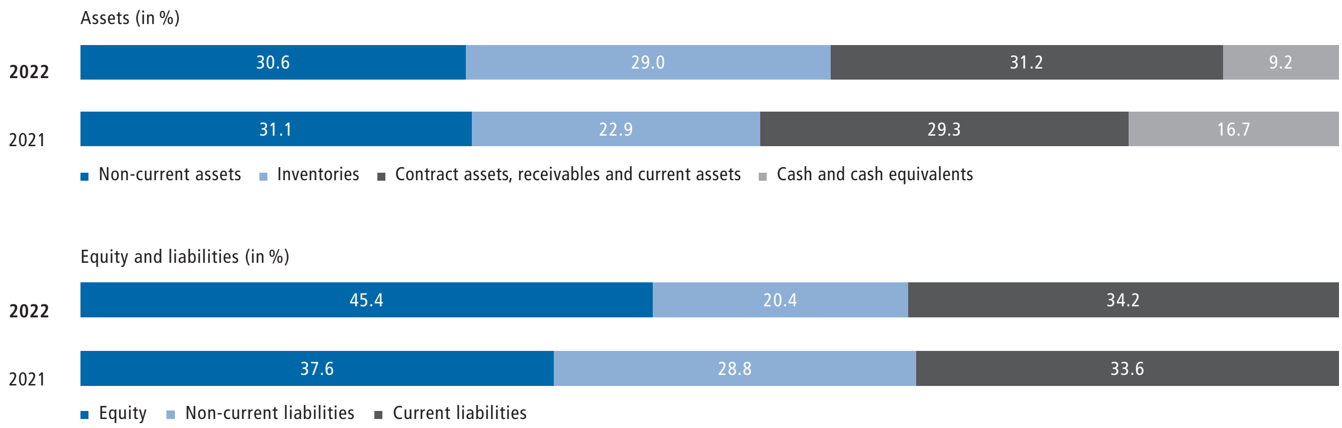
The contingent liabilities as at the reporting date totalled € 33.9 million, ranging at prior-year levels (previous year: € 33.0 million).

There are no other obligations and commitments beyond the reporting date. Further financial obligations arise only within the normal scope from purchase commitments amounting to € 27.3 million (previous year: € 19.1 million).

225.6

Net financial position in € millions

Balance sheet structure



NET ASSETS

Around 30.6 % of funds is attributable to non-current assets (previous year: 31.1 %). Intangible assets and property, plant and equipment with a historical cost of € 1,657.0 million (previous year: € 1,555.4 million) have carrying amounts of € 651.2 million (previous year: € 613.7 million). Total intangible assets fell from € 75.9 million in the previous year to € 72.7 million. This was primarily due to depreciation and amortisation. In addition, impairment of goodwill in the Pumps Segment of € 0.8 million and of € 0.9 million in the KSB SupremeServ Segment was reported.

Right-of-use assets for leases (€ 40.2 million) are at the previous year's level (€ 42.7 million).

Property, plant and equipment increased from € 537.8 million to € 578.5 million as a result of capital expenditure (€ 101.0 million) in excess of depreciation of € 64.9 million. The positive currency translation effects of € 6.0 million also contributed to the increase in property, plant and equipment.

The carrying amount of financial assets, investments accounted for using the equity method and non-current other non-financial assets remained unchanged year on year at € 29.3 million. At € 20.8 million, the investments accounted for using the equity method are largely at the previous year's level (€ 20.2 million).

Deferred tax assets rose by € 2.5 million to € 37.1 million (previous year: € 34.6 million).

Inventories amounted to € 719.2 million (previous year: € 529.5 million) so that the figure recognised was € 189.7 million higher. This increase relates to work in progress and inventories of finished goods and to raw materials, consumables and supplies. In addition to higher procurement prices, the impact of uncertain supply chains also contributed to the increase. On the one hand, materials were ordered earlier than in previous years and put in storage. On the other, orders could not be delivered due to a lack of materials.

Contract assets edged up marginally from € 79.3 million in the previous year to € 80.0 million.

Trade receivables increased from € 479.2 million at the end of the previous year to € 579.5 million. This increase resulted mainly from the high sales revenue at the end of the financial year.

At € 71.5 million, other financial assets were down € 8.6 million from the prior-year level (€ 80.1 million). The € 12.5 million reduction in other cash and cash equivalents with a maturity of more than three months impacted here in particular. At € 42.2 million, other non-financial assets are largely at the previous year's level (previous year: € 39.3 million).

Cash and cash equivalents accounted for around 9.2 % of assets totalling € 228.6 million (previous year: € 386.7 million). The reasons for the decline are explained in the Liquidity section of the management report.

Total assets increased by 7.1 % to € 2,478.9 million, mainly due to the increase in current assets. In addition to the € 189.8 million increase in inventories, the € 100.3 million rise in trade receivables also contributed, while cash and cash equivalents declined by € 158.1 million.

EQUITY

KSB Group equity amounts to € 1,125.6 million (previous year: € 869.1 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 € 241.2 million. The net retained earnings of € 127.3 million had a particular impact in this context. The remeasurement of defined benefit plans in the amount of € 144.8 million also led to an increase. This increase is attributable to the rise from 1.2 % to 3.7 % in interest rates on pension commitments, which resulted in higher actuarial gains. In addition, currency translation gains of € 12.5 million contributed to the increase in equity. The revenue reserves include the proportion of earnings after income tax attributable to KSB SE & Co. KGaA shareholders, at € 103.6 million (previous year: € 93.6 million). Out of total equity, € 209.7 million (previous year: € 194.4 million) is attributable to non-controlling interests. The equity ratio increased to 45.4 % (previous year: 37.6 %) despite higher total equity and liabilities.

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 € 4.6 million (previous year: € 1.8 million), is included in the income statement under other financial expenses within finance income / expense.

Currency translation of financial statements of consolidated companies that are not prepared in euro gave rise to a difference of € + 12.5 million (previous year: € + 30.3 million). The total of currency translation differences was taken directly to equity.

45.4

Equity ratio in percent

Liabilities

The largest item under liabilities continues to be provisions for employee benefits, including, also as the largest item, pension provisions, which decreased by € 161.8 million from € 613.4 million to € 451.6 million. The reduction of € 158.4 million (previous year: € 54.6 million) is due to actuarial gains / losses. This is explained largely by the sharp increase in the discount rates. Obligations for current pensioners and vested benefits of employees who have left the company account for about 51.7 % of the amount recognised in the balance sheet. The rest is attributable to defined benefit obligations for current employees.

Long-term financial liabilities fell slightly year on year to € 24.1 million (previous year: € 27.1 million).

The other non-current and current provisions for employee benefits were also largely unchanged at € 22.8 million (previous year: € 23.5 million).

Other non-current and current provisions fell slightly from € 95.0 million in 2021 to € 93.0 million in 2022.

Current liabilities rose overall by € 70.6 million to € 848.9 million compared with € 778.3 million at the 2021 year end. The share of current liabilities relative to total equity and liabilities rose slightly to 34.2 % (previous year: 33.6 %).

The repayment of the last tranche of the loan against borrower's note led to a € 25.3 million decrease in current financial liabilities, from € 51.9 million in the previous year to € 26.6 million.

Contract liabilities increased from € 157.4 million in the previous year to € 186.5 million. This is attributable to a € 21.2 million reduction in the level of processing of customer contracts and to higher advance payments of € 7.9 million.

Trade payables rose to € 333.4 million (previous year: € 272.8 million) as a result of the higher business volume.

Other non-financial liabilities increased by € 7.1 million, above all due to higher personnel liabilities and other tax obligations.

Summary of the Performance in the Financial Year

The company raised the previous year's forecast for order intake, which was expected to be in a range between € 2,350 million and € 2,650 million, in an ad hoc statement in October 2022 to between € 2,800 million and € 3,000 million. This was due to several large-scale orders, especially in the Energy operating segment and to strong demand for standard products. The strong growth in order intake from € 2,411.7 million to € 2,862.1 million placed it within the updated forecast corridor. KSB is very satisfied with the order intake achieved in the reporting year. The figures for the order intake of the individual Segments also performed in line with the circumstances described in the ad hoc statement, with all Segments reporting strong growth compared with the previous year.

The forecast for sales revenue provided in the 2021 Annual Report, expected to be in a range between € 2,300 million and € 2,600 million, was achieved. The Group is very satisfied with the sales revenue recorded of € 2,573.4 million (previous year: € 2,343.6 million). The forecast of a stable to strong increase for the Pumps Segment was achieved with growth of 9.4 %. The two Valves and KSB SupremeServ Segments, for which the Company predicts a stable to noticeable increase in sales revenue, also posted strong growth.

At € 169.1 million, EBIT in the 2022 financial year is at the upper end of the forecast range of € 130 million to € 170 million. Detailed information on the reasons for the EBIT performance is provided in the "Earnings before finance income / expense and income tax (EBIT)" section. The projections for strong growth for the Pumps Segment, as well as the forecast substantial increase for the Valves Segment were achieved in the financial year. KSB assumed a stable to noticeable rise in EBIT for the KSB SupremeServ Segment. This was exceeded in the reporting year with a strong increase.

The assumptions made in the previous year's consolidated financial statements regarding an expected market recovery and the anticipated growth in project business in the Energy operating segment have essentially materialised. The company can also confirm the expected contribution to earnings from the Region Asia / Pacific. As expected, the growth in sales revenue contributed significantly to the increase in EBIT. Combined with an improved profit quality, this led to a positive performance of this indicator. 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

The International Monetary Fund (IMF) recently lowered its forecast for global economic growth in 2023 again to + 2.9 % in real terms. The adjustment was mainly attributable to the weaker trends in the industrialised nations and China. Overall, expectations regarding inflation for the current year are considerably lower than in the previous year, but were raised recently. The downside risks still prevail in this forecast, especially in conjunction with the ongoing war in Ukraine and its implications for the energy and commodity markets. Geopolitical risks arise in further conflict regions of the world, as well as through the mutual decoupling of the USA and China. Pandemic-related restrictions could also occur again. Getting the monetary policy dosage right also poses a risk, as an overly hesitant policy of raising key interest rates can lead to further increases in inflation expectations, while excessive monetary policy tightening can hamper global growth and push the economy into a prolonged recession.

The IMF is projecting an overall growth rate of + 4.0 % for the emerging markets and developing countries.

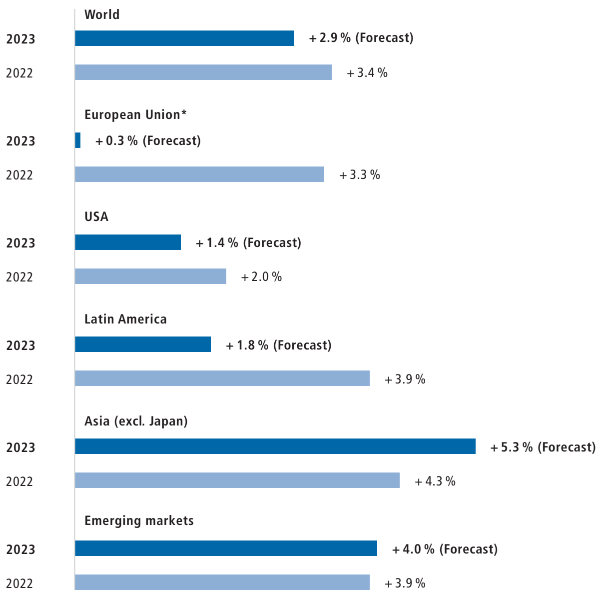
The expected growth in the industrialised nations, at + 1.2 % in 2023, is significantly lower than in 2022. Growth expectations in the USA are + 1.4 %, reflecting the high inflation and rising key rates. They take into account the stimulus effect of the legislation passed in the past two years to promote investment in infrastructure and green technologies. In line with this, the forecast for the Canadian economy was also lowered to + 1.5 %.

Growth of only + 0.7 % is forecast for the euro zone in the face of the energy crisis. For Germany, the most recent forecast was + 0.1 %. In France, economic growth is anticipated to slow down to + 0.7 %. For Spain, the forecast is+ 1.1 %. A decline of – 0.6 % is expected for the UK.

The IMF expects growth in Turkey to slow down to + 3.0 %. Saudi Arabia's economic growth is projected to decline to 2.6 %, down from the previous year.

In Asia, the expected growth rate is expected to exceed the previous year overall, which is attributable to higher year-on-year growth in China. For China, the forecast was most recently + 5.2 %. The IMF anticipates a growth rate of + 6.1 % for India in the current year.

Gross domestic product growth



Source: International Monetary Fund (January 2023)
*Source: EU Commission (November 2022)

Growth of 4.3 % is projected for the ASEAN countries, which also include important sales markets for KSB.

The Latin American countries are also expected to grow more slowly overall than in the previous year, by + 1.7 %. Growth of only + 1.0 % is expected in Brazil.

Given the deterioration in the global economic outlook, the growth in demand for capital goods is expected to be lower. In its forecast for global sales of plant and machinery, VDMA refers to the scenarios from Oxford Economics. Sales revenue adjusted for price is expected to rise by 1 % in the base case scenario. For Germany, the VDMA forecast is – 2 %. In China, sales revenue is expected to grow by 5 %. A decline of – 5 % is expected for the USA.

For manufacturers of liquid pumps in Germany, VDMA foresees a below-average growth of + 3 % in nominal terms in the current year. It predicts an increase of + 5 % for industrial valves. Sales revenue for building services valves is expected to rise by 3 % in nominal terms.

SUMMARY OF EXPECTED DEVELOPMENT

For the 2023 financial year, KSB expects to achieve the key financial performance indicators presented in the table below:

Expected development

€ millions	Actual 2022	Forecast 2023
Order intake	2,862.1	2,750 – 3,000
Sales revenue	2,573.4	2,500 – 2,850
EBIT	169.1	165 – 200

Global economic growth is expected to be the main driver of the development in order intake, sales revenue and EBIT. KSB assumes that growth in sales revenue will exceed that of order intake. The growth in EBIT will be supported by the Standard Markets. KSB expects the strongest growth in EBIT from the Regions Europe and Asia / Pacific, as in the previous year.

The Group anticipates a noticeable decline in the 2023 financial year for the Pumps Segment, which achieved order intake of € 1,585.7 million in the reporting year, as fewer large-scale projects are expected in the 2023 financial year. KSB anticipates a slight to tangible increase in order intake in the Valves Segment, which amounted to € 359.7 million in the reporting year. KSB expects to slightly exceed the order intake of € 916.7 % in the reporting year for the KSB SupremeServ Segment in 2023.

The Pumps Segment contributed € 1,390.0 million to the Group's consolidated sales revenue in the reporting year. KSB expects a strong increase in this Segment for the 2023 financial year. It expects a slight to significant increase in 2023 for the Valves Segment, which achieved sales revenue of € 333.1 million in the reporting year. The KSB SupremeServ Segment contributed € 850.1 million to consolidated sales revenue. KSB forecasts a stable to slightly higher development in sales revenue.

The Pumps Segment generated earnings before finance income / expense and income tax (EBIT) of € 27.7 million in the 2022 reporting year. KSB is planning strong earnings growth in this Segment for the 2023 financial year. It also expects a strong increase in the Vales Segment. In the reporting year, the Valves Segment achieved EBIT of € – 4.6 million. In the KSB SupremeServ Segment, which contributed € 146.0 million to EBIT in the reporting year, KSB expects a stable to slight increase in EBIT.

KSB sees a potential escalation of the Russia-Ukraine war in particular as having negative effects on the forecast. In addition, the supply chains remain strained and rising procurement costs can jeopardise the forecasts, despite the slight improvement.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements and information that are based upon the assumptions of Management. They express current forecasts and expectations with regard to future events. As a result, these forward-looking statements and information are exposed to risks and uncertainties that lie outside the Management's sphere of influence. KSB wishes to point out that actual events or results may differ materially from the forward-looking statements and information presented, if one or more of the following opportunities or risks, or other opportunities, risks and uncertainties should materialise, or if the assumptions underlying the statements prove to be inaccurate.

Opportunities and Risks Report

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

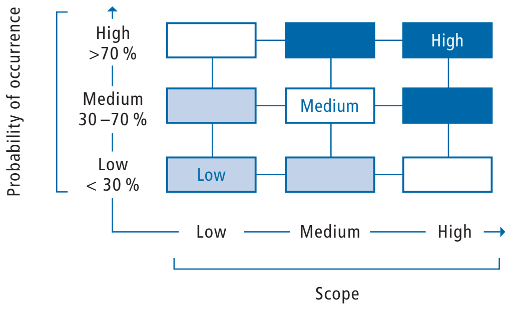
RISK MANAGEMENT SYSTEM

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

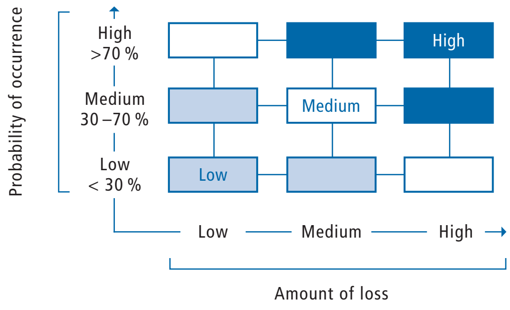
Managers are encouraged to take timely action to define and implement measures to limit or avoid damage that may result from the occurrence of risk events. All corporate and central functions and Group companies, including Group companies that are not consolidated, are included in the risk management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

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

Qualitative risks



Quantitative risks



Categorisation of the loss

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

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

Quantitative risks are risks for which a potential monetary impact on the earnings and/or liquidity of the KSB Group can be estimated. They are evaluated taking into account the specifically calculated probability of occurrence in combination with the potential amount of loss. The scope or amount of loss describes the potential influence of the individual risk on the key indicator of earnings before finance income / expense and income tax (EBIT) or liquidity of the KSB Group or the respective Group company. A distinction is made between a gross method before taking into account any corrective action that has been taken, and a net method after taking into account such measures. Risk assessment at KSB covers all relevant risk areas for internal and external risks arising from the KSB business and the Group's inherent risk profile. In this context, gross impacts of all individual and similar risks of € 500 thousand or more on EBIT are to be reported uniformly throughout the Group at the earliest possible time, regardless of how the risk is assessed in terms of probability of occurrence. Purely cash-effective risks are reported as from a gross impact of € 5.0 million or more.

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

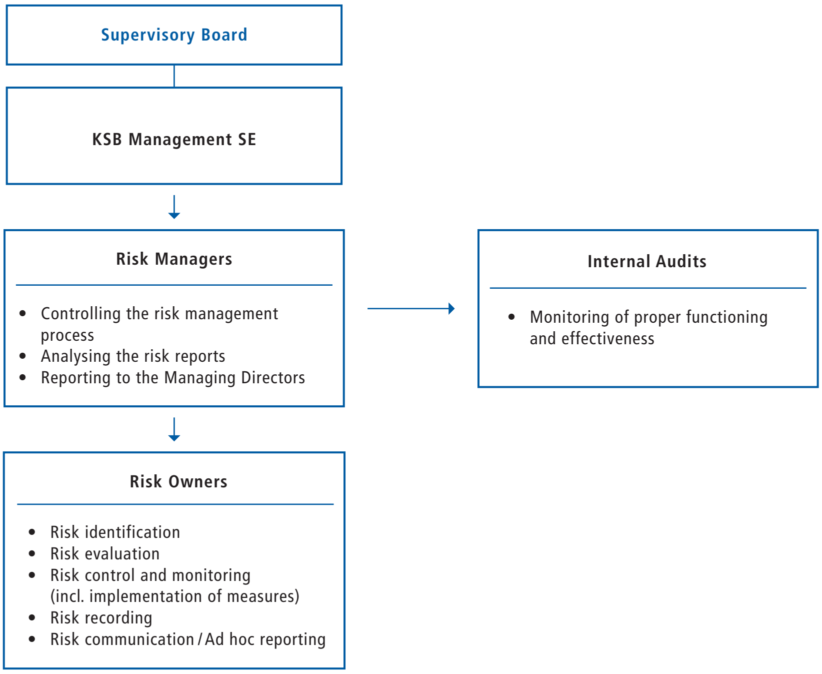
→ Qualitative risks – Quantitative risks

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

→ Categorisation of the loss

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

Risk management at KSB



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

→ Risk management system of the KSB Group

As the legal representative, KSB Management SE assumes overall responsibility for risk management. KSB Management SE reports to the Supervisory Board of KSE SE & Co. KGaA via its Managing Directors during regular Audit Committee meetings and is monitored by the latter. The Managing Directors are supported by the Chief Compliance Officer and the Group Finance and Accounting department of KSB SE & Co. KGaA. The latter coordinates the risk management process at Group level and checks all risks reported for relevance to the preparation of financial statements. This ensures that there is a systematic link with the Group accounting process. The Managing Directors, the Administrative Board and the Supervisory Board's Audit Committee receive at least two risk reports per financial year. These reports include all the risks that are classed as medium or high that exceed pre-defined threshold values individually or collectively, taking into consideration any corrective action that has been taken (net risk). The net method enables the Managing Directors to focus specifically on the reported risks. Additionally, the risk-bearing capacity of the KSB Group is regularly monitored on the basis of the overall risk position, which is developed by aggregating all the risks recorded. This makes it possible to identify early on any developments that could threaten business continuity in the period under review. Particularly time-critical risks and materially new or materially changed risks are to be reported by the responsible managers to the Managing Directors of KSB Management SE on an ad hoc basis. In contrast, opportunities are not taken into account in KSB's current risk management system. They are documented and reported separately by the Risk Managers of the Group headquarters and regional managers in line with the specifications for risk assessment outside the risk management system.

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

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

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

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 qualitative and quantitative net risks classed as medium or high and the material opportunities for business development as at 31 December 2022 for the period under review. Where risks are not flagged as high, they are classed as medium risks. Unless otherwise stated, the following risks relate to all Segments.

Markets / Competition

The forecast for the 2023 financial year is based on the expectations and assumptions regarding general economic performance and global GDP as described in the Report on Expected Developments. There are risks for the Group's business, if inflation rates remain persistently high, despite short-term fluctuations, and longer-term bottlenecks in the procurement markets have a negative impact on the growth rates of the countries. These risks have decreased compared with the previous year as a result of their being included in the forecast. In addition, government interventions can lead to a decline in demand in individual businesses. The Group manages the risk of fluctuations in the economy and in demand by remaining active in several markets and industries with different economic cycles. Furthermore KSB monitors the development of the economic environment for its markets. If necessary, capacities are adjusted, production facilities relocated and cost-cutting measures implemented.

Other risks arise in particular through geopolitical uncertainty resulting from trade conflicts and numerous global flash points. KSB classifies the further development of the war in Ukraine as a particularly high risk with regard to duration and potential escalations, as it is currently not possible to estimate the effects on the global economy and therefore on the Group's business activities. In this context, the impact on prices and the availability on KSB's procurement markets is currently not foreseeable either and is therefore not quantifiable.

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

Due to the progression of climate change and the legal requirements this involves, it is becoming increasingly important for many companies to manufacture as energy-efficiently as possible and thus significantly reduce emissions. This development offers KSB opportunities in many respects.

Hydrogen is playing an increasingly important role as a climate-neutral energy source in reducing CO_2. KSB participates in this technological trend by providing pumps and valves for use in hydrogen production systems. This offers opportunities for the General Industry Market Area and for Valves.

CCUS (Carbon Capture, Utilisation and Storage) technologies are another option for reducing emissions, for which KSB provides reliable and secure solutions. Sequestering carbon dioxide under the ground prevents it from being released into the atmosphere.

The energy crisis also offers opportunities for Valves by participating in new and retrofit projects in the energy business and in LNG projects.

Projects / Products

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

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

In KSB's business, there are special requirements when it comes to the processing of technically complex large-scale projects with long contract terms. These typically involve potential risks. There may be cost overruns, tighter import regulations or sanctions, staff shortages, technical difficulties or quality problems – including possible contractual penalties – that reduce margins. KSB therefore continuously trains its employees in project management and equips them with specialist knowledge. This 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. The high technical risks are limited to the extent that intermediate steps for development work are defined and partial solutions are subjected to assessments. Commercial risks are minimised by using appropriate contractual clauses. KSB's goal is to ensure that advance payments and collateral provided by customers at least cover the costs incurred. KSB reported contingent liabilities of € 5.1 million (previous year: € 5.6 million) for the warranty obligetions and contractual penalty risks that were not covered by corresponding provisions. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. Beyond this KSB sees no material residual risk (net risk).

KSB continues to develop new business models as well as the portfolio of digital products and services. There are opportunities here for KSB SupremeServ as a result of climate change and the need to save energy. KSB offers customers the opportunity to achieve a higher level of efficiency by comprehensively measuring all relevant process variables of a plant. By analysing the data, experienced project engineers make recommendations for action that can save 40 % of the energy used on average.

Business with products for the heat transfer fluid industry is developing more positively than assumed in the forecasts, thus providing additional growth opportunities for the General Industry Market Area. Production processes where thermal oil is used as a heat transfer fluid require indirect temperature control. Thermal oil systems assume this task, so there is no need for heating elements for direct temperature control and a second fluid circuit for cooling. Thermal oil systems that previously used mineral heat transfer fluids are increasingly being converted to synthetic heat transfer fluids. To attract new customer groups in this growing market, KSB offers workshops and customer seminars to provide application know-how.

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 € 0.2 million (previous year: € 0.7 million) from risks associated with income taxes. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. € 13.2 million (previous year: € 13.0 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. Higher costs for raw materials and components, which continued to be assessed as a high risk in the financial year, can have a negative impact on the earnings situation if the cost increases cannot be offset 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. Market bottlenecks in the semiconductor industry can lead to unexpected price increases for precursor products due to purchasing in secondary procurement markets, and adversely affect the Pumps Segment.

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.

In addition to these risks, the changing needs of KSB's customers also offer opportunities for future business. KSB meets the requirement for a reliable plant and the associated smooth production process with products featuring integrated sensors and protection modules that enable condition monitoring in real time. Problems can be identified early on and the probability of pump failure is substantially reduced. Maximum operational reliability is of particular relevance in critical applications as part of industrial and chemical manufacturing processes. KSB leverages this potential by producing innovative products that meet the necessary criteria.

Other business-specific opportunities and risks – Environment

KSB's business activities, primarily in the area of production, are subject to numerous environmental protection laws and regulations. Environmental damage of any kind (for example, groundwater contamination, renovation needed due to outdated construction materials or unpleasant odours arising from the use of chemicals) may result in costs not covered by an insurance policy. Therefore, at all company sites officers monitor compliance with laws and regulations as well as with internal KSB rules. If KSB discovers any contamination, it sets aside provisions to 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 infringe against the regulations and that the necessary authorisation for the relevant business might be lost and KSB's reputation might be damaged as a result. A change in rules on liability in environmental protection can also increase the risks for business success. As a member of national and international professional associations the KSB Group becomes aware of imminent changes in environmental law early on. The legal frameworks that are in place in its Operational Units are continually updated, enabling KSB to ensure that its employees always abide by the applicable law. This is monitored by external auditors as part of the management certifications.

In addition, KSB is exposed to risks from climate and natural hazards. In a first step, KSB evaluates its sites with regard to these risks. 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.

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

The worldwide increase in threats to IT security and in cyber crime entail a high risk in terms of the security of systems and networks as well as the confidentiality and availability of data. KSC was the target of a cyber attack in the 2022 reporting year. In response to this, the Management decided to disconnect the company from the Internet, and to review and secure the entire IT infrastructure worldwide for malware. These measures led to a temporary production downtime and months of safeguarding work. KSB plans to further expand IT security in the years ahead as part of a multi-year program to continuously extend the protection of the IT systems.

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 high risks are usually disputes arising from operative business, generally involving unclear warranty issues or labour law disputes. The reassessment of labour law disputes in particular led to increased risk. If as a result of these issues KSB expects negative effects on the success of its business with a probability of occurrence of more than 50 %, corresponding provisions are set aside, which cover not only the anticipated amount of loss, but also the costs of proceedings. In addition, KSB reports contingent liabilities in the amount of € 3.1 million (previous year: € 3.6 million) in the Notes to the consolidated financial statements, € 2.0 million of this is attributable to KSB SE & Co. KGaA (previous year: € 2.3 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.

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.

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.

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 € 224.0 million (previous year: € 221.9 million). € 160.2 million of this is attributable to KSB SE & Co. KGaA (previous year: € 139.6 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 the result of the consolidated appraisal of all material opportunities and risks. There was no material change to the overall risk situation for KSB. The KSB Group sees IT security and rising prices of commodities and materials as its greatest risks. Significant technical interruptions and breakdowns of relevant systems can lead to considerable disruptions in business and production processes.

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

The risk management system in place as well as the related organisational measures allow KSB Management SE as the legal representative to identify risks in a timely manner and to take adequate measures. The focus of activities in 2023 will be on the principal risks. These are, in particular, IT security and potential changes in the price of commodities and raw materials. On the basis of the risk management system established by the KSB Group, and taking into account the 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. 2022	31 Dec. 2021
Fixed assets		
Intangible assets	38,276	41,351
Property, plant and equipment	157,067	134,694
Financial assets	337,838	296.511
	533,181	**472,556**
Current assets		
Inventories	300,754	250,936
Advances received from customers	–88,664	–95,924
	212,090	**155,012**
Receivables and other assets	362,283	301,927
Cash and balances with credit institutions	34,704	104,523
	396,987	**406,450**
Prepaid expenses	**3,970**	**3,523**
	1,146,228	**1,037,541**

Equity and liabilities

€ thousands	31 Dec. 2022	31 Dec. 2021
Equity		
Subscribed capital	44,772	44,772
Capital reserve	66,663	66,663
Revenue reserves	136,180	136,180
Net retained profits	73,637	40,933
	321,253	**288,548**
Provisions		
Pensions and similar obligations	504,498	474,225
Miscellaneous other provisions	111,046	111,247
	615,544	**585,472**
Liabilities	**208,171**	**161,001**
Deferred income	1,260	2,520
	1,146,228	**1,037,541**

Income statement

Income statement

€ thousands	2022	2021
Sales revenue	**899,583**	**869,343**
Changes in inventories	18,012	3,197
Work performed and capitalised	1,244	1,745
Total output of operations	**918,839**	**874,285**
Other operating income	33,322	18,467
Cost of materials	–414,807	–383,444
Staff costs	–368,642	–338,780
Depreciation and amortisation expense	–20,056	–20,778
Other operating expenses	–163,544	–150,834
	–14,887	**–1,084**
Income from equity investments	93,320	47,609
Other finance income / expense	–16,863	–38,836
	76,457	**8,773**
Taxes on income	–5,910	–2,465
Earnings after taxes	**55,660**	**5,224**
Other taxes	–1,715	–1,592
Net profit / loss for the year	**53,945**	**3,632**
Profit / loss carried forward	19,692	37,301
Appropriation to other revenue reserves	–	–
Net retained earnings	**73,637**	**40,933**

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

For KSB, the 2022 financial year was marked, among other things, by Russia's war of aggression against Ukraine, which resulted in considerable uncertainties in the procurement markets and supply chains, as well as massive price increases for supplier parts and energy. The COVID-19 pandemic again led to temporary production stoppages and increased absences due to illness at KSB in the reporting year.

The successfully averted cyber attack in the second quarter also entailed restrictions. Temporary interruptions to production and order processing were followed by comprehensive security measures in the IT infrastructure. The EU sanctions against Russia resulted in impairments on customer contracts in the amount of around € 13.5 million.

Order intake rose substantially compared with the previous year. This also applies to EBIT under IFRS for the financial year. Sales revenue under IFRS declined marginally. 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 € 57.6 million to € 858.1 million in the reporting year, an increase of 7.2 %. While KSB SE & Co. KGaA recorded a very high order intake in the first half of the year, despite the outbreak of the war in Ukraine, rising inflation and uncertainty in the global political landscape resulted in slightly muted customer demand in the second half. KSB SE Co. KGaA's diversification across numerous regions and markets also helped keep the order intake at a high level.

SALES REVENUE

At € 899.6 million, total sales revenue under HGB was up by € 30.3 million on the prior-year figure of € 869.3 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 € 828.8 million generated in the 2022 financial year represents a year-on-year increase of € 26.2 million (3.3 %).

68 % of sales revenue relates to the new business with Pumps, 11 % to the new business with Valves, and 21 % 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 fell from € 802.6 million in the previous year to € 796.0 million. The decline in large-scale projects is offset by improved business in the Standard Markets.

INCOME AND EXPENSES

Other operating income rose from € 18.5 million to € 33.3 million. This increase was mainly due to currency translation gains.

The cost of materials, at € 414.8 million, was considerably up on the prior-year level of € 383.4 million. The cost of materials relative to the total output of operations rose from 43.9 % in the previous year to 45.1 % in the reporting year.

Staff costs increased in absolute terms by € 29.9 million to € 368.6 million. This was impacted by significantly higher additions to pension provisions. Because of the substantial increase in staff costs, the 40.1 % share in total output of operations is higher than the previous year's figure of 38.9 %.

At € 163.5 million, other operating expenses showed a marked increase after € 150.8 million in the previous year. In addition to a general increase in costs, entertainment and travel costs and currency translation losses in the amount of € 9.7 million contributed significantly to this increase. Expenses for warranties and contractual penalties as well as losses and impairments on receivables showed a contrary trend.

Overall, the income from equity investments, at € 93.3 million, was significantly up from the prior-year level (€ 47.6 million). 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 was a major factor for the marked increase. It also includes profit transfers from the German service companies of € 14.6 million (previous year: € 9.1 million) and dividend income from affiliates and equity investments of € 41.1 million. € 25.0 million of this amount (previous year: € 25.0 million) relate to dividend income from KSB FINANZ S.A., Luxembourg.

NET PROFIT / LOSS FOR THE YEAR UNDER HGB

The decline in operative earnings from – € 1.1 million to – € 14.9 million results in particular from the high additions to pension provisions. This was more than compensated for by the strong increase in finance income / expense. As a result, KSB SE & Co. KGaA generated a net profit for the year of € 53.9 million in the 2022 financial year; this compares with a net profit of € 3.6 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 and amounted to € – 6.0 million in the 2022 financial year (previous year: € – 12.0 million). The increases in total output of operations and other income were higher than the offsetting increases in cost of materials, staff costs and other 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 € 30.3 million to € 504.5 million on the reporting date. Other provisions remained almost unchanged at € 111.0 million (previous year: € 111.2 million).

Of liabilities totalling € 208.2 million (previous year: € 161.0 million), € 71.5 million was accounted for by trade payables at year end (previous year: € 50.7 million). Liabilities towards affiliates and equity investments increased significantly from € 78.2 million in the previous year to € 128.4 million as a result of the partial merger of KSB Finanz S.A., Luxembourg. They include € 100.2 million (previous year: € 50.9 million) for intercompany loans and cash investments. € 22.0 million in liabilities from a loan against borrower's note were repaid in full in 2022. It had been placed on the market in 2012 to secure liquidity in the medium term.

NET ASSETS

Total assets, at € 1,146.2 million, are up by 10.5 % on the prior-year level of € 1,037.5 million. Lower cash and balances with credit institutions are due to the expansion in inventories and higher trade receivables. In addition, an increase in financial assets was recorded due to the partial merger of KSB Finanz S.A., Luxembourg.

In the reporting year, fixed assets made up 47 % (previous year: 46 %) of total assets. The share accounted for by current assets was 53 % after 54 % in 2021. Inventories including advance payments received totalled € 212.1 million after € 155.0 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 2021 net retained earnings of € 40.9 million, dividends totalling € 21.2 million (dividend of € 12.00 per ordinary share and € 12.26 per preference share) were distributed by resolution of the Annual General Meeting of 5 May 2022. The remaining amount of € 19.7 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. The order intake is considerably higher than the comparative figure in the previous year; the forecast had been for slight growth. The expected significant increases in sales revenue under IFRS did not materialise; a marginal decline was recorded due to the lower project business. 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

The International Monetary Fund (IMF) recently lowered its forecast for global economic growth in 2023 again to + 2.9 % in real terms. The adjustment was mainly attributable to the weaker trends in the industrialised nations and China. Overall, expectations regarding inflation for the current year are significantly lower than in the previous year, but were raised recently. The downside risks still prevail in this forecast, especially in conjunction with the further course of the war in Ukraine and its implications for the energy and commodity markets. Geopolitical risks arise in further conflict regions of the world, as well as through the mutual decoupling of the USA and China. Pandemic-related restrictions could also occur again. Getting the monetary policy dosage right also poses a risk, as an overly hesitant policy of raising key interest rates can lead to further increases in inflation expectations, while excessive monetary policy tightening can hamper global growth and push the economy into a prolonged recession.

The IMF is projecting an overall growth rate of + 4,0 % for the emerging markets and developing countries.

The expected growth in the industrialised nations, at + 1.2 % in 2023, is significantly lower than in the 2022 financial year.

Growth of only + 0.7 % is forecast for the euro zone in the face of the energy crisis. For Germany, the forecast was most recently + 0.1 %.

Given the deterioration in the global economic outlook, the growth in demand for capital goods is expected to be lower. In its forecast for global sales of plant and machinery, VDMA refers to the scenarios from Oxford Economics. Sales revenue adjusted for price is expected to rise by 1 % in the base case scenario. For Germany, the VDMA forecast is – 2 %.

For manufacturers of liquid pumps in Germany, VDMA foresees a below-average growth of + 3 % in nominal terms in the current year. It predicts an increase of + 5 % for industrial valves. Sales revenue for building services valves is expected to rise by 3 % in nominal terms.

Overall, KSB SE & Co. KGaA foresees considerable growth in sales revenue under IFRS in the 2023 financial year, largely owing to higher sales revenue in the Standard Markets. Fewer large-scale orders will lead to a tangible decrease in the order intake of KSB SE Co. KGaA. EBIT under IFRS is expected to remain stable at the level of the previous year.

The forecast horizon for the above-mentioned information and statements is the 2023 financial year.

KSB sees a potential escalation of the Russia-Ukraine war in particular as having negative effects on the forecast. In addition, the supply chains remain strained and rising procurement costs can jeopardise the forecasts, despite the slight improvement.

Acquisition-related Disclosures

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

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

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

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

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

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

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

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

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

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

Corporate Governance Statement (Section 315d HGB in Conjunction with Section289f HGB)

The Corporate Governance Statement pursuant to Section 315d HGB in conjunction with Section 289f HGB [*Handelsgesetzbuch* – German Commercial Code] dated 6 March 2023 is accessible to the public at www.ksb.com > Investor Relations > Corporate Governance / Corporate Governance Statement. The Corporate Governance Statement contains the content specified in Section 298f HGB, including the Statement of Compliance in accordance with Section 161 AktG, as well as the relevant information on corporate governance practices applied at KSB SE & Co. KGaA that go above and beyond statutory requirements. Also described are in particular the working methods of KSB Management SE as the general partner and of the Supervisory Board, and the composition and working methods of the committees of the Supervisory Board.

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

The combined separate non-financial report is prepared in accordance with Section 315c in conjunction with Sections 289b to 289e HGB 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-report2022. 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 can be found 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 can be found 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 auditor

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 2022 was the renewed launch of a Group-wide training campaign in the areas of anti-corruption and anti-trust / cartel law. Modern e-learning training was offered to about 5,000 relevant employees. Another focus was the revision of the KSB Code of Conduct. It was mainly updated with issues covered by Germany's *Lieferkettensorgfaltspflichtengesetz* [Supply Chain Due Diligence Act] (e.g. human rights and sustainability), which came into force at the beginning of 2023. In addition, foreign trade law was a key aspect dealt with due to the war in Ukraine: Sanctions and export control regulations were continuously updated and taken into consideration on a daily basis. An audit of the penetration rate of the compliance rules in the company, which was carried out primarily by Internal Audits, revealed positive results. Implementation of the improvement measures derived from the findings is planned for the current financial year, along with other activities for the ongoing development of the compliance management system.

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 effectiveness of the compliance management system is also continuously monitored by Internal Audits, mainly in the course of general or special audit measures carried out by Internal Audits. 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, the compliance management system occasionally undergoes an external audit by auditors on the basis of IDW PS 980.

Based on the findings from the above-mentioned 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, or the current elements of the internal control system, which is being expanded further.

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

3

Consolidated Financial Statements

Balance Sheet

Assets

€ thousands	Notes	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets	1	72,673	75,927
Right-of-use assets	2	40,220	42,709
Property, plant and equipment	3	578,512	537,786
Non-current financial assets	4	1,191	1,508
Other non-financial assets	5	7,319	7,592
Investments accounted for using the equity method	6	20,833	20,184
Deferred tax assets	19	37,074	34,619
		757,822	**720,325**
Current assets			
Inventories	7	719,221	529,451
Contract assets	8	80,018	79,300
Trade receivables	8	579,539	479,244
Other financial assets	8	71,517	80,140
Other non-financial assets	8	42,203	39,298
Cash and cash equivalents	9	228,570	386,683
		1,721,069	**1,594,115**
		2,478,890	**2,314,440**

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

Download Excel files of the 2022 tables for the KSB Group

Equity and Liabilities

€ thousands	Notes	31 Dec. 2022	31 Dec. 2021
Equity	**10**		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		804,484	563,316
Equity attributable to shareholders of KSB SE & Co. KGaA		915,919	674,751
Non-controlling interests		209,653	194,372
		1,125,572	**869,123**
Non-current liabilities			
Deferred tax liabilities	19	12,010	9,177
Provisions for employee benefits	11	466,400	629,245
Other provisions	11	1,883	1,569
Financial liabilities	12	24,116	27,067
		504,409	**667,058**
Current liabilities			
Provisions for employee benefits	11	7,893	7,677
Other provisions	11	91,106	93,451
Financial liabilities	12	26,630	51,898
Contract liabilities	12	186,477	157,389
Trade payables	12	333,361	272,813
Other financial liabilities	12	23,921	26,635
Other non-financial liabilities	12	164,604	157,466
Income tax liabilities	12	14,918	10,931
		848,910	**778,258**
		2,478,890	**2,314,440**

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

Statement of Comprehensive Income

Income statement

€ thousands	Notes	2022	2021
Sales revenue	**13**	**2,573,387**	**2,343,577**
Changes in inventories		99,412	14,528
Work performed and capitalised		1,716	1,997
Total output of operations		**2,674,515**	**2,360,102**
Other income	14	34,462	27,730
Cost of materials	15	–1,156,292	–975,410
Staff costs	16	–901,551	–837,154
Depreciation and amortisation	1 - 3	–90,419	–80,892
Other expenses	17	–391,612	–353,215
Earnings before finance income / expense and income tax (EBIT)		**169,103**	**141,161**
Finance income	18	7,461	10,425
Finance expense	18	–17,712	–11,494
Income from / expense to investments accounted for using the equity method	18	1,816	–157
Finance income / expense		**–8,435**	**–1,226**
Earnings before income tax (EBT)		**160,668**	**139,935**
Taxes on income	19	–33,330	–29,612
Earnings after income tax		**127,338**	**110,323**
Attributable to:			
Non-controlling interests	20	23,689	16,675
Shareholders of KSB SE & Co. KGaA		**103,649**	**93,648**
Diluted and basic earnings per ordinary share (€)	21	59,05	53,34
Diluted and basic earnings per preference share (€)	21	59,31	53,60

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

Download Excel files of the 2022 tables for the KSB Group

Statement of income and expense recognised in equity

€ thousands	Notes	2022	2021
Earnings after income tax		**127,338**	**110,323**
Remeasurement of defined benefit plans	11	158,429	54,554
Taxes on income		–13,868	–8,289
Remeasurement of defined benefit plans attributable to investments accounted for using the equity method		–35	201
Items not reclassified to profit or loss in subsequent periods		**144,526**	**46,466**
Currency translation differences		12,386	28,704
Changes in the fair value of financial instruments: Hedging reserve		7,510	–7,887
Taxes on income: Hedging reserve		–1,925	2,035
Changes in the fair value of financial instruments: Hedging cost reserve		–4,225	3,617
Taxes on income: Hedging cost reserve		1,168	–1,108
Expense and income recognised directly in equity relating to investments accounted for using the equity method		129	1,622
Items reclassified to profit or loss in subsequent periods if required		**15,043**	**26,983**
Other comprehensive income		**159,569**	**73,449**
Comprehensive income		**286,907**	**183,772**
Attributable to:			
Non-controlling interests		24,072	30,367
Shareholders of KSB SE & Co. KGaA		**262,835**	**153,405**

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. 2021	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income tax	–	–
Total comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increase / decrease	–	–
Step acquisitions	–	–
Other	–	–
31 Dec. 2021	**44,772**	**66,663**

€ 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**

Download Excel files of the 2022 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	
866,210	**–142,129**	**1,313**	**–282**	**–308,673**	**527,874**	**175,928**	**703,803**	
–	17,961	–5,852	2,509	45,139	59,757	13,692	**73,449**	
93,648	–	–	–	–	93,648	16,675	**110,323**	
93,648	**17,961**	**–5,852**	**2,509**	**45,139**	**153,405**	**30,367**	**183,772**	
–7,230	–	–	–	–	–7,230	–11,923	**–19,153**	
–	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
702	–	–	–	–	702	–	**702**	
953,330	**–124,168**	**–4,539**	**2,227**	**–263,534**	**674,751**	**194,372**	**869,123**	

	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**

Statement of Cash Flows

€ thousands	2022	2021
Earnings after income tax	127,338	110,323
Taxes on income	33,330	29,611
Finance income	–7,461	–10,425
Finance expense	17,712	11,494
Depreciation and amortisation	90,419	80,892
Gain / loss on disposal of intangible assets and property, plant and equipment	–305	389
Change in inventories	–192,562	–17,903
Change in contract assets	–1,071	3,369
Change in trade receivables	–103,366	–23,214
Change in provisions	–13,957	–1,790
Change in contract liabilities	31,688	–3,046
Change in trade payables	58,786	15,511
Change in other assets and liabilities	987	3,953
Income tax paid	–45,789	–44,835
Interest received	6,360	9,587
Cash flows from operating activities	**2,109**	**163,916**
Proceeds from disposal of intangible assets and property, plant and equipment	2,457	1,276
Payments to acquire intangible assets and property, plant and equipment	–102,393	–73,972
Sale of subsidiaries and other operations less cash and cash equivalents sold	–	481
Proceeds from deposits with an original maturity of more than 3 months	13,763	2,888
Payments for deposits with an original maturity of more than 3 months	–2,608	–4,282
Proceeds from investments in Group companies that are not fully consolidated	475	710
Payments for investments in Group companies that are not fully consolidated	–992	–2,193
Proceeds from dividends from Group companies that are not fully consolidated	882	733
Payments for capitalisation measures with Group companies that are not fully consolidated	–621	–2,030
Cash flows from investing activities	**–89,037**	**–76,389**
Dividends paid to shareholders of KSB SE & Co. KGaA	–21,241	–7,230
Dividends paid to non-controlling interests	–8,791	–11,924
Proceeds from financial liabilities	13,318	9,893
Payments for financial liabilities (not including lease liabilities)	–38,169	–14,395
Repayment of lease liabilities	–17,091	–16,917
Interest paid	–3,866	–2,852
Cash flows from financing activities	**–75,840**	**–43,425**
Changes in cash and cash equivalents	–162,768	44,102
Effects of exchange rate changes on cash and cash equivalents	4,252	8,353
Effects of changes in consolidated Group	403	2,716
Cash and cash equivalents at beginning of period	386,683	331,512
Cash and cash equivalents at end of period	**228,570**	**386,683**

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

Download Excel files of the 2022 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*.

The consolidated financial statements are approved by the Managing Directors of KSB Management SE on 14 March 2023 for forwarding to the Supervisory Board. The Supervisory Board is expected to approve the financial statements on 15 March 2023.

New accounting principles

a) Accounting principles applied for the first time in the 2022 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 2022 financial year.

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

Accounting principles applied for the first time in the 2022 financial year

	First-time adoption in the EU
Amendments to IFRS 3 Business Combinations	1 Jan. 2022
Amendments to IAS 16 Property, Plant and Equipment	1 Jan. 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Receivables	1 Jan. 2022
Annual improvements to IFRSs (2018–2020 cycle) by amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases	1 Jan. 2022

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

	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

II. CONSOLIDATION PRINCIPLES

Consolidated Group

As at 31 December 2022, in addition to KSB SE & Co. KGaA, 9 German and 79 foreign companies (previous year: 9 German and 77 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 2022. 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 less than 50 % of the voting rights. 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 2022 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.

KSB Colombia S.A.S., Funza / Cundinamarca, which was previously not consolidated due to immateriality, is now included in the Group financial statements as a fully consolidated company.

In addition, the group of fully consolidated companies was expanded in the reporting year to include the newly founded TOB "KSB Ukraine" LLC, Kyiv (Ukraine).

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.

Exchange rates of the most important currencies

	Closing rate		Average rate	
	31 Dec. 2022	31 Dec. 2021	2022	2021
US dollar	1.0666	1.1326	1.0531	1.1827
Brazilian real	5.6386	6.3101	5.4399	6.3784
Indian rupee	88.1710	84.2292	82.6864	87.4355
Chinese yuan	7.3582	7.1947	7.0788	7.6280

Hyperinflation

Argentina has been classified as a hyperinflationary country for accounting purposes since 2018, so IAS 29 Financial Reporting in Hyperinflationary Countries has been applied since then to the translation of the financial statements of KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires), Argentina. From the reporting year onwards, Turkey has also been considered a hyperinflationary country, so in 2022 KSB also applied IAS 29 to 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 1,134.59 on 31 December 2022 (31 December 2021: 582.02; 1 January 2021: 385.90). The consumer 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 1,128.45 (31 December 2021: 686.95; 1 January 2021: 504.81).

The net loss from monetary depreciation to be taken into account under IAS 29 on the affected monetary assets and liabilities, amounting to € 4,628 thousand (previous year € 1,797 thousand), is included in the income statement under other financial expenses within financial 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 consolidated financial statements.

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.

KSB's activities as a lessor mainly relate to operating leases. The associated lease payments are recognised by KSB as income on a pro rata basis.

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 inventtories) 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 macroeconomic 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 macroeconomic 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 sustainability issues of environment (E), social issues (S) and responsible 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

In the reporting year, the Russian war of aggression against Ukraine and the related inflation and disruptions to supply chains put a strain on the global economy.

China's strict zero-COVID policy in 2022, which was associated with several lockdowns, further exacerbated the bottlenecks in the supply chains.

As a consequence, companies were faced with uncertainty in the procurement markets and high price increases. KSB passed on price increases to customers, provided the competitive situation allowed it.

In connection with Russia's war against Ukraine, the impairments on inventories explained in Section IV. Balance Sheet Disclosures in Notes No. 7 "Inventories" were recognised in the reporting year. Beyond this, there were no material quantifiable effects on the Group's net assets, financial position and results of operations.

The COVID-19 pandemic again led to temporary production stoppages and increased absences due to illness at KSB in the reporting year.

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. Possible adverse effects on the procurement markets and supply chains, in particular, are therefore of material significance to the Group. The duration of the war in Ukraine and possible escalation of the conflict are decisive with regard to future repercussions for KSB.

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1 January	74,671	72,629	31,411	32,249	40,383	40,219	5,649	3,975	152,114	149,072
Currency translation adjustments	602	845	793	122	–	–	4	7	1,399	974
Other	10	–828	–	–	–	–	–	–	10	–828
Additions	2,633	1,673	–	–	1,552	151	1,028	2,138	5,213	3,962
Disposals	–781	–106	–	–960	–13	–	–663	–	–1,457	–1,066
Reclassifications	2,637	458	–	–	1,397	13	–4,034	–471	–	–
Balance at 31 December	79,772	74,671	32,204	31,411	43,319	40,383	1,984	5,649	157,279	152,114
Accumulated depreciation and amortisation	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1 January	67,363	63,092	700	1,625	8,124	4,420	–	–	76,187	69,137
Currency translation adjustments	576	752	–12	35	–	–	–	–	564	787
Other	3	–162	–	–	–	–	–	–	3	–162
Additions	4,220	3,975	1,715	–	2,694	3,695	–	–	8,629	7,670
Disposals	–764	–285	–	–960	–13	–	–	–	–777	–1,245
Reclassifications	–	–9	–	–	–	9	–	–	–	–
Balance at 31 December	71,398	67,363	2,403	700	10,805	8,124	–	–	84,606	76,187
Carrying amount at 31 December	8,374	7,308	29,801	30,711	32,514	32,259	1,984	5,649	72,673	75,927

The additions to intangible assets amounting to € 5.2 million (previous year: € 4.0 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 € 7.7 million (previous year: € 6.6 million) of software including software licences valid for a limited period. As in the previous year, there are no restrictions on ownership or use.

KSB reported internally generated intangible assets of € 32,514 thousand (previous year: € 32,259 thousand). These are primarily attributable to the KSBase sales software.

In the reporting year, impairment losses on intangible assets amounting to € 1,715 thousand (previous year: none) were recognised, all of which related to goodwill. The impairment losses were recognised in the income statement under depreciation and amortisation expense. Further details can be found 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

When assessing the indicators of a possible impairment of assets as at 31 December 2022, it was found on the one hand that the carrying amount of the equity of the shareholders of KSB SE & Co. KGaA exceeds market capitalisation. On the other hand, the weighted average cost of capital of the Group increased significantly, due to the increase in general market interest rates in the reporting year. As a result, in addition to impairment testing for goodwill, the Group's other intangible assets, right-of-use assets and property, plant and equipment were tested for impairment under IAS 36 as at 31 December 2022.

a) Impairment testing for goodwill

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 accordance with the explanations above, impairment testing was carried out again for goodwill as at 31 December 2022 in the same way as at 30 September. For the year-end review, the underlying assumptions and parameters were taken into account on the basis of updated findings.

The following information on the basic assumptions and parameters, the goodwill impairments and the sensitivity analyses relates to the consideration as at 31 December 2022. In line with the presentation in the 2021 consolidated financial statements, the previous year's figures are based on the date 30 September 2021.

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 2.0 % in the reporting year (previous year: 0.1 %). The market risk premium was set at 7.2 % (previous year: 7.2 %), with a beta factor of 1.22 (previous year: 1.15). 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 all cash-generating units in the reporting year was set at 0.5 %, as in the previous year. 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 (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., the Netherlands	10,146	34 %	Value in use	5 years	14.1 % before tax / 10.6 % after tax	**0.5 %**
Operating segment Standard Markets Pumps of D.P. Industries B.V., the Netherlands	8,139	27 %	Value in use	5 years	14.1 % before tax / 10.6 % after tax	**0.5 %**

Basic parameters for the impairment testing of goodwill considered material (30 September 2021)

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., the Netherlands	10,146	33 %	Value in use	5 years	10.9 % before tax / 8.3 % after tax	**0.5 %**
Operating segment Standard Markets Pumps of D.P. Industries B.V., the Netherlands	8,139	26 %	Value in use	5 years	10.9 % before tax / 8.3 % after tax	**0.5 %**

Impairment loss on goodwill in the 2022 financial year

Name of CGU	Segment	Discount rate (before taxes)	Discount rate (after taxes)	Recoverable amount (€ thousands)	Impairment loss (€ thousands)
Operating segment Standard Markets Pumps of Dynamik-Pumpen GmbH, Germany	Pumps	13.0 %	10.5 %	515	400
Operating segment Standard Markets Pumps of KSB ITUR Spain S.A., Spain	Pumps	15.8 %	14.0 %	4,209	400
Operating segment KSB SupremeServ of Standard Alloys Incorporated, USA	KSB SupremeServ	12.9 %	10.6 %	19,061	915
Total					**1,715**

The goodwill affected by impairment in the reporting year is fully amortised as at 31 December 2022.

D.P. Industries B.V., Alphen aan den Rijn, the Netherlands, represents the only goodwill considered material for KSB 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 € 11,516 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 December 2022 is based relate to the performance of order intake, sales revenue and earnings before finance income / expense and income tax (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 year under review are shown in the "Impairment loss on goodwill in the 2022 financial year" table. Impairment testing for goodwill in the previous year did not result in any impairment requirement.

→ Impairment loss on goodwill in the 2022 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 31 December 2022. 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.

b) Impairment testing for other intangible assets, right-of-use assets and for property, plant and equipment

In addition to goodwill, impairment testing was also carried out for other intangible assets as well as for right-of-use assets and property, plant and equipment under IAS 36 as at 31 December 2022.

In doing so, a comparison of the recoverable amount in the form of the value in use with the carrying amount on the reporting date was made at the level of individual cash-generating units. The value in use was determined similarly to the discounted cash flow method for the impairment test of goodwill. The underlying discount rates were determined for the reporting date 31 December 2022.

If the impairment test at the level of a cash-generating unit as at the reporting date showed a lower value in use compared with the carrying amount, more extensive impairment testing was as a rule carried out at the individual level of the material intangible assets, right-of-use assets and property, plant and equipment of the cash-generating unit concerned. For this purpose, the fair value less costs to sell was determined for the assets concerned using appropriate estimation procedures and compared with the carrying amount as at the reporting date.

In determining the fair value less costs to sell for the assets concerned, generally the replacement cost of an equivalent modern asset was used. In addition to an indexation of historical acquisition costs using adequate price indices, this included in particular estimates of technical impairments due to disadvantages compared with comparable modern technologies as well as estimates regarding depreciation due to the age and use of the assets. As a result of the significant non-observable input factors, the fair value determined as current replacement cost is to be classified in level 3 of the fair value hierarchy in accordance with IFRS 13.

As part of the impairment tests as at 31 December 2022, the impairments on property, plant and equipment described in Notes No. 3 "Property, plant and equipment" were identified. Reversals of impairments did not come to bear in this context.

For the other intangible assets (with the exception of goodwill) and for the right-of-use assets for leases, there was no impairment requirement either from impairment testing as at 31 December 2022 or previously in the course of the reporting year.

2. Right-of-use assets

€ thousands	31 Dec. 2022	31 Dec. 2021
Right-of-use assets	**40,220**	**42,709**
of which land and buildings	28,456	29,176
of which technical equipment and machinery	979	1,284
of which other equipment, operating and office equipment	10,785	12,250

Additions to right-of-use assets in the reporting year amounted to € 15,340 thousand (previous year: € 17,626 thousand).

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

€ thousands	2022	2021
Depreciation on right-of-use assets	**16,917**	**17,101**
of which land and buildings	9,734	9,165
of which technical equipment and machinery	418	638
of which other equipment, operating and office equipment	6,765	7,298

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1 January	461,545	438,002	629,990	603,765	244,123	237,832	67,599	42,346	1,403,257	1,321,945
Currency translation adjustments	4,190	8,663	7,342	13,793	1,586	4,505	2,403	2,910	15,520	29,871
Other	–	152	49	372	88	512	–	–	136	1,036
Additions	19,597	10,674	22,737	14,087	20,525	15,926	38,138	41,324	100,997	82,011
Disposals	–1,288	–3,425	–9,423	–10,039	–9,339	–17,888	–93	–254	–20,142	–31,606
Reclassifications	25,299	7,479	29,728	8,012	2,557	3,236	–57,584	–18,727	–	–
Balance at 31 December	509,342	461,545	680,423	629,990	259,540	244,123	50,463	67,599	1,499,768	1,403,257
Accumulated depreciation and amortisation	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1 January	218,176	205,209	471,946	445,992	175,349	170,064	–	–	865,471	821,265
Currency translation adjustments	1,602	3,934	6,287	9,902	1,597	3,346	–	–	9,486	17,182
Other	–	76	38	226	58	365	–	–	97	667
Additions	16,476	11,983	28,664	25,368	19,733	18,767	–	–	64,872	56,118
Disposals	–744	–3,026	–9,168	–9,609	–8,758	–17,126	–	–	–18,670	–29,761
Reclassifications	571	–	169	67	–740	–67	–	–	–	–
Balance at 31 December	236,082	218,176	497,936	471,946	187,239	175,349	–	–	921,256	865,471
Carrying amount at 31 December	273,261	243,369	182,488	158,044	72,302	68,774	50,463	67,599	578,512	537,786

* The carrying amount of advance payments on property, plant and equipment as at the reporting date amounts to € 11,051 thousand (previous year: € 9,154 thousand).

Impairment testing for assets within the scope of IAS 36 as explained in Notes No. 1 "Intangible assets" resulted in impairment losses on property, plant and equipment in the amount of € 3,598 thousand in the reporting year. In addition, further impairment losses on property, plant and equipment in the amount of € 281 thousand were recognised during the course of the reporting year.

Of the total amount of impairment losses on property, plant and equipment of € 3,879 thousand, € 3,549 thousand was attributable to land and buildings, € 222 thousand to technical equipment and machinery and € 108 thousand to other equipment and operating and office equipment. The Pumps Segment was affected by the impairments in the amount of € 1,912 thousand, the Valves Segment in the amount of € 435 thousand and the KSB SupremeServ Segment in the amount of € 1,532 thousand. The impairment losses are reported in the income statement under depreciation and amortisation.

No material reversals of impairments on property, plant and equipment were recognised in the reporting year, nor in the previous year. There were no material impairments on property, plant and equipment in the previous year either.

Disposals of intangible assets and items of property, plant and equipment resulted in book gains of € 1,057 thousand (previous year: € 700 thousand) and book losses of € 752 thousand (previous year: € 1,089 thousand). The book gains and losses are reported in the income statement under other income and other expenses.

4. Non-current financial assets

€ thousands	31 Dec. 2022	31 Dec. 2021
Loans	1,137	1,458
Financial instruments	53	50
	1,191	**1,508**

Of the loans, € 1,105 thousand (previous year: € 1,056 thousand) are accounted for by loans to equity investments.

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. 2022	31 Dec. 2021
Other investments	3,801	3,833
Defined benefit assets	3,518	3,758
	7,319	**7,592**

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	**2022**	**2021**	**2022**	**2021**
Non-current assets	10,208	9,370	75,689	79,397
Current assets	35,671	26,307	189,834	167,968
of which cash and cash equivalents	1,700	494	23,471	16,240
Non-current liabilities	–1,557	–1,205	–6,795	–4,929
of which non-current financial liabilities (excluding trade payables and provisions)	–87	–	–6,795	–4,929
Current liabilities	–33,067	–25,759	–218,280	–205,116
of which current financial liabilities (excluding trade payables and provisions)	–9,916	–6,418	–13,590	–15,920
Net assets	**11,255**	**8,713**	**40,448**	**37,319**

Summarised statement of comprehensive income

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2022**	**2021**	**2022**	**2021**
Sales revenue	32,316	20,989	91,895	79,490
Depreciation / amortisation	1,023	872	4,859	4,610
Interest income	–	–	134	158
Interest expense	–514	–444	–993	–656
Earnings from continuing operations	2,633	–4,320	5,112	2,477
Taxes on income	–519	–79	–998	–465
Earnings after taxes from continuing operations	**2,115**	**–4,399**	**4,114**	**2,012**
Earnings after taxes from discontinued operations	–	–	–	–
Other comprehensive income	427	1,127	–985	3,752
Comprehensive income	**2,542**	**–3,272**	**3,129**	**5,764**
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	**2022**	**2021**	**2022**	**2021**
Net carrying amount at 1 January	8,713	11,985	37,319	31,555
Earnings after income tax	2,115	–4,399	4,114	2,012
Distribution of dividends	–	–	–	–
Other comprehensive income	427	1,127	–985	3,752
Net carrying amount at 31 December	**11,255**	**8,713**	**40,448**	**37,319**
Investment in joint venture (50 % / 45 %)	5,628	4,357	18,202	16,794
Elimination of intercompany profit and loss *	–870	–	–7,694	–6,289
Goodwill	–	–	–	–
Carrying amount at 31 December	**4,757**	**4,357**	**10,508**	**10,505**

* The 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 2022**	**Associates 2022**	**Total 2022**	**Joint ventures 2021**	**Associates 2021**	**Total 2021**
Group share of earnings from continuing operations	126	794	**920**	56	734	**790**
Group share of other comprehensive income	214	–	**214**	225	–	**225**
Group share of comprehensive income	340	794	**1,134**	281	734	**1,015**
Elimination of intercompany profit and loss	–263	–	**–263**	–	–	**–**
Total carrying amounts of Group shares in these companies	**4,033**	**1,535**	**5,568**	**3,956**	**1,366**	**5,322**

7. Inventories

€ thousands	**31 Dec. 2022**	**31 Dec. 2021**
Raw materials and production supplies	257,070	178,319
Work in progress	222,631	158,779
Finished goods and goods purchased and held for resale	216,254	173,482
Advance payments	23,266	18,871
	719,221	**529,451**

As at the reporting date, inventories amounting to € 51,018 thousand (previous year: € 49,807 thousand) are carried at net realisable value.

The impairment losses on inventories recognised as an expense in the reporting period amount to € 21,792 thousand (previous year: € 11,252 thousand). The increase in impairments on inventories compared with the previous year is mainly related to orders that were affected by the sanctions imposed on Russia.

Reversals of impairments on inventories in the amount of € 3,979 thousand (previous year: € 4,018 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 € 1,056,880 thousand (previous year: € 960,882 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 € 87,023 thousand (previous year: € 63,168 thousand) have a maturity of more than one year.

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

€ thousands	31 Dec. 2022	31 Dec. 2021
Contract assets	**80,018**	**79,300**
Trade receivables	**579,539**	**479,244**
Trade receivables from third parties	530,260	444,601
Trade receivables from other investments, associates and joint ventures	49,279	34,643
thereof from other investments	7,802	3,071
thereof from associates	610	–
thereof from joint ventures	40,867	31,572
Other financial assets	**71,517**	**80,140**
Receivables from loans to other investments, associates and joint ventures	2,498	1,918
Currency forwards	2,970	643
Other receivables and other current assets	66,050	77,579
Other non-financial assets	**42,203**	**39,298**
Other tax assets	31,470	28,205
Deferred income	10,733	11,093

At € 80,018 thousand (previous year: € 79,300 thousand), the balance of contract assets at the end of the reporting year was at a comparable level to the previous year. Impairment losses on contract assets amounted to € 1,609 thousand (previous year: € 1,630 thousand). Of the contract assets as at the reporting date, € 17,482 thousand (previous year: € 16,779 thousand) relate to project orders with customers whose completion is not expected until more than one year after the reporting date.

Impairment losses of € 32,833 thousand (previous year: € 35,181 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. 2022	31 Dec. 2021
Gross carrying amount of trade receivables from third parties	563,093	479,782
of which unhedged receivables	404,725	345,870
of which hedged receivables	158,368	133,912
Individual impairment allowance (EWB)	–29,380	–32,165
Risk provisions for expected credit losses (ECL)	–3,453	–3,016
of which ECL for unhedged receivables	–2,855	–2,384
of which ECL for hedged receivables	–598	–632
Net carrying amount of trade receivables from third parties	**530,260**	**444,601**

Impairment losses on contract assets

		31 Dec. 2022	31 Dec. 2021
Gross carrying amount of contract assets	€ thousands	81,627	80,930
Individual impairment allowance (EWB)	€ thousands	–1,258	–1,211
Risk provisions for expected credit losses (ECL)	€ thousands	–351	–419
Net carrying amount of contract assets	**€ thousands**	**80,018**	**79,300**
Expected default risk in relation to ECL	%	0.4	0.5

Impairment losses on receivables from loans to other equity investments amounted to € 320 thousand, as at the prior-year reporting date. Impairment losses of € 87 thousand (previous year: none) were recognised on trade receivables from other equity investments. As in the previous year, there are no impairment losses on receivables from associates and joint ventures.

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 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**

Reconciliation of impairment losses 2021

	Trade receivables from third parties			Contract assets		
€ thousands	**EWB**	**ECL**	**Total**	**EWB**	**ECL**	**Total**
Opening balance at 1 January	**–32,254**	**–2,856**	**–35,110**	**–**	**–524**	**–524**
Additions	–11,591	–1,202	–12,793	–1,254	–18	**–1,272**
Utilised	5,996	–	5,996	–	–	**–**
Reversal	6,864	1,056	7,920	–	121	**121**
Currency translation / Other	–1,180	–14	–1,194	43	2	**45**
Closing balance at 31 December	**–32,165**	**–3,016**	**–35,181**	**–1,211**	**–419**	**–1,630**

Risk provision for expected credit losses by maturity of trade receivables

31 Dec. 2022		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	275,237	48,141	29,928	18,250	9,156	24,012	404,725
ECL	€ thousands	–1,296	–275	–386	–365	–200	–333	–2,855
Expected default risk in relation to ECL	%	0.5	0.6	1.3	2.0	2.2	1.4	–
31 Dec. 2021								
Gross carrying amount of unhedged trade receivables from third parties	€ thousands	240,617	34,508	22,751	12,204	8,186	27,603	345,870
ECL	€ thousands	–865	–377	–309	–233	–235	–366	–2,384
Expected default risk in relation to ECL	%	0.4	1.1	1.4	1.9	2.9	1.3	–

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 € 13,103 thousand (previous year: € 11,425 thousand).

€ 48,907 thousand (previous year: € 42,072 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 € 29,732 thousand (previous year: € 43,776 thousand) and deferred tax liabilities in the amount of € 856 thousand (previous year: € 166 thousand).

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

→ Development of currency translation differences in equity

A total of € 21,241 thousand (dividend of € 9.00 per ordinary share and € 9.26 per preference share, plus an anniversary dividend of € 3.00 per ordinary share and 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 5 May 2022.

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. 2021	–142,129	–34,233	–176,362
Change in 2021	17,961	12,365	30,326
31 Dec. 2021	**–124,168**	**–21,868**	**–146,036**
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**

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	**2022 / 2021**	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
PAB, Germany / USA (subgroup)	49,00%	5,998	3,931	101,598	89,996
KSB Limited, India	59,46%	13,218	9,231	76,591	70,476
KSB Shanghai Pump Co., Ltd., China	20,00%	2,056	1,618	9,359	12,021
Subsidiaries with individually immaterial non-controlling interests		2,418	1,895	22,106	21,879
Total amount of non-controlling interests		**23,689**	**16,675**	**209,653**	**194,372**

Composition of the PAB subgroup as at 31 Dec. 2022

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 2022 is summarised under the name “PAB”.

→ **Composition of the PAB subgroup as at 31 Dec. 2022**

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.	2022	2021	2022	2021	2022	2021
Non-current assets	110,567	108,641	54,401	50,013	29,064	29,418
Current assets	163,954	137,589	152,376	141,942	137,293	141,570
Non-current liabilities	–14,669	–12,267	–2,171	–4,117	–463	–71
Current liabilities	–52,511	–50,299	–75,795	–69,310	–119,101	–110,812
Net assets	**207,342**	**183,664**	**128,811**	**118,527**	**46,793**	**60,104**

Summarised statement of comprehensive income

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands	2022	2021	2022	2021	2022	2021
Sales revenue	274,891	208,571	219,339	169,957	179,474	176,035
Earnings after income tax	12,240	8,022	22,621	15,832	10,278	8,092
Other comprehensive income	11,437	16,491	–7,075	7,187	–863	6,320
Comprehensive income	23,678	24,512	15,545	23,019	9,415	14,412
Other comprehensive income attributable to non-controlling interests	5,604	8,080	–4,207	4,273	–173	1,264
Comprehensive income attributable to non-controlling interests	11,602	12,011	9,011	13,505	1,883	2,882
Dividends paid to non-controlling interests	–	–7,350	–3,129	–2,012	–4,545	–2,098

Summarised cash flow statement

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands	2022	2021	2022	2021	2022	2021
Cash flows from operating activities	–9,399	16,041	4,686	7,102	9,175	16,451
Cash flows from investing activities	7,167	–7,909	–1,540	323	–782	–876
Cash flows from financing activities	–2,648	–8,037	–6,115	–10,889	–14,481	–10,913
Changes in cash and cash equivalents	**–4,880**	**95**	**–2,969**	**–3,464**	**–6,088**	**4,662**
Cash and cash equivalents at beginning of period	14,419	12,974	6,788	9,755	47,612	38,410
Effects of exchange rate changes	2,347	1,350	–118	497	–822	4,540
Cash and cash equivalents at end of period	**11,886**	**14,419**	**3,701**	**6,788**	**40,702**	**47,612**

11. Provisions

Composition of provisions

€ thousands	31 Dec. 2022			31 Dec. 2021		
	Total	Non-current	Current	Total	Non-current	Current
Employee benefits	**474,293**	**466,400**	**7,893**	**636,922**	**629,245**	**7,677**
Pensions and similar obligations	**451,568**	451,568	–	**613,380**	613,380	–
Other employee benefits	**22,725**	14,832	7,893	**23,542**	15,865	7,677
Other provisions	**92,989**	**1,883**	**91,106**	**95,020**	**1,569**	**93,451**
Warranty obligations and contractual penalties	**53,129**	–	53,129	**55,600**	–	55,600
Onerous contracts	**13,667**	–	13,667	**17,162**	–	17,162
Miscellaneous other provisions	**26,193**	1,883	24,310	**22,258**	1,569	20,689
	567,282	**468,283**	**98,999**	**731,941**	**630,814**	**101,128**

Development of individual provision categories

€ thousands	1 Jan. 2022	CTA** / Other	Utilisation	Reversal	Additions	31 Dec. 2022
Employee benefits	**636,922**	**–160**	**–32,933**	**–157,458**	**27,923**	**474,293**
Pensions and similar obligations *	613,380	–54	–24,239	–156,940	19,422	**451,568**
Other employee benefits	23,542	–105	–8,694	–518	8,501	**22,725**
Other provisions	**95,020**	**954**	**–34,174**	**–11,021**	**42,211**	**92,989**
Warranty obligations and contractual penalties	55,600	–34	–21,690	–9,273	28,525	**53,129**
Onerous contracts	17,162	48	–5,978	–296	2,731	**13,667**
Miscellaneous other provisions	22,258	940	–6,507	–1,453	10,955	**26,193**
	731,941	**794**	**–67,107**	**–168,480**	**70,133**	**567,282**

* The movement shown as a reversal in the pensions and similar obligations item essentially results from the remeasurements under IAS 19.

** Currency translation adjustments

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 € 52,816 thousand (previous year: € 49,603 thousand). Of this figure, € 27,714 thousand (previous year: € 27,457 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 managed 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

€ thousands	Defined benefit obligations (DBO)	Fair value of plan assets	Effect of the asset ceiling	Net balance approach	Defined benefit obligations (DBO)	Fair value of plan assets	Effect of the asset ceiling	Net balance approach
	31 Dec. 2022				31 Dec. 2021			
Germany	432,985	–	–	432,985	589,511	–	–	589,511
France	8,755	–2,798	–	5,957	11,633	–3,315	–	8,318
USA	11,168	–13,845	–	–2,677	13,617	–15,389	–	–1,772
Switzerland	12,474	–11,885	–	589	13,750	–12,848	–	902
Other countries	44,002	–36,522	3,717	11,197	49,812	–37,149	–	12,663
	509,384	–65,050	3,717	448,051	678,323	–68,701	–	609,622

Change in present value of defined benefit obligations

€ thousands	2022	2021
Opening balance of the defined benefit obligation (DBO) – 1 Jan.	678,323	726,991
Current service cost	13,264	12,682
Interest cost	8,835	6,469
Employee contributions	301	226
Remeasurements		
– / + Gain / loss from the change in demographic assumptions	–333	–226
– / + Gain / loss from the change in financial assumptions	–188,897	–49,313
– / + Experience-based gain / loss	20,139	904
Benefit payments	–23,831	–25,018
Past service cost (incl. effects of settlements and curtailments)	851	–1,049
Currency translation differences	–131	3,750
Changes in consolidated Group / Other	863	2,907
Closing balance of the defined benefit obligation (DBO) – 31 Dec.	509,384	678,323

Changes in the fair value of the plan assets

€ thousands	2022	2021
Opening balance of the plan assets measured at fair value – 1 Jan.	**68,701**	**58,307**
Interest income	1,781	1,605
Remeasurements		
+ / – Gain / loss from plan assets excluding amounts already recognised in interest income	–6,796	5,918
Contributions by the employer	4,737	1,284
Contributions by the beneficiary employees	301	226
Currency translation differences	–63	3,356
Paid benefits	–4,086	–4,827
Changes in consolidated Group / Other	475	2,832
Closing balance of the plan assets measured at fair value – 31 Dec.	**65,050**	**68,701**

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

€ thousands	2022	2021
Opening balance of the net balance sheet approach from defined benefit obligations – 1 Jan.	**609,622**	**668,684**
Current service cost	13,264	12,682
Net interest expense	7,054	4,864
Employee contributions	–	–
Contributions by the employer	–4,737	–1,284
Remeasurements		
– / + Gain / loss from plan assets excluding amounts already recognised in interest income	6,796	–5,918
– / + Gain / loss from the change in demographic assumptions	–333	–226
– / + Gain / loss from the change in financial assumptions	–188,897	–49,313
– / + Experience-based gain / loss	20,139	904
Change in the asset ceiling	3,866	–
Benefit payments	–19,745	–20,191
Past service cost (incl. effects of settlements and curtailments)	851	–1,049
Currency translation differences	–217	394
Changes in consolidated Group / Other	388	75
Closing balance of the net balance sheet approach from defined benefit obligations – 31 Dec.	**448,051**	**609,622**
of which assets from defined benefit assets	3,518	3,758
of which provisions for pensions and similar obligations	451,569	613,380

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 € 3,717 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. In contrast, there were no effects from the application of the asset ceiling as at 31 December 2021.

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 expense for plan assets amounted to € 5,015 thousand (previous year: income of € 7,523 thousand).

In the following year, employer contributions to plan assets are expected to be at the level seen in the 2022 financial year. The amounts in 2022 came to € 4,737 thousand.

Actuarial assumptions, sensitivities and other disclosures on defined benefit pension plans

A mean fluctuation rate (2.0 %) continues to be applied to staff turnover for the German plans, as in the previous year. The biometric assumptions are based on the 2018G mortality tables published by Prof. Klaus Heubeck, and the retirement age used for the calculations is based on the *Rentenversicherungs-Altersgrenzenanpassungsgesetz* 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.

The discount rate and future mortality were identified as key actuarial assumptions.

→ Actuarial assumptions

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 € 53,175 thousand (previous year: € 92,054 thousand). A 100 basis point reduction in the discount factor would increase the DBO by € 65,355 thousand (previous year: € 120,135 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 € 14,932 thousand (previous year: € 24,920 thousand). Additionally, the individual actuarial assumptions are mutually dependent, but these interdependencies are not taken into account in the sensitivity analysis.

On 31 December 2022 the weighted average term of the DBO was 13 years (previous year: 17 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

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. 2022**	**31 Dec. 2022**	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2021**	**31 Dec. 2021**
Equity instruments (shares)	28,154	–	**28,154**	32,651	–	**32,651**
Debt instruments (loans)	12,179	477	**12,656**	15,460	398	**15,858**
of which government bonds	7,169	477	**7,646**	9,061	398	**9,459**
of which corporate bonds	5,010	–	**5,010**	6,399	–	**6,399**
Currency forwards	137	–	**137**	387	–	**387**
Money market investments	2,159	96	**2,255**	1,070	195	**1,265**
Real estate	3,516	124	**3,640**	3,468	147	**3,615**
Insurance contracts	280	9,653	**9,933**	353	6,988	**7,341**
Bank credit balances	634	5,300	**5,934**	480	4,051	**4,531**
Other investments	2,341	–	**2,341**	3,050	3	**3,053**
	49,400	**15,650**	**65,050**	**56,919**	**11,782**	**68,701**

Actuarial assumptions

	Discount rate		Assumed rate of salary increase *		Assumed rate of pension increase *	
%	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Germany	3.7	1.2	2.7	2.7	2.3	1.9
France	3.8	1.0	2.8	2.8	–	–
USA	4.9	2.5	–	–	–	–
Switzerland	1.8	0.2	1.5	1.0	–	–

* The assumed rate of salary increase and assumed rate of pension increase is presented in addition to the actuarial assumptions, which are deemed to be material by KSB. No sensitivity calculations were made for these two variables.

Expected pension benefit payments

€ thousands at 31 Dec. 2022	2023	2024	2025	2026	2027
Expected payments	23,475	24,810	26,109	29,136	29,934

€ thousands at 31 Dec. 2021	2022	2023	2024	2025	2026
Expected payments	21,080	22,914	22,615	25,267	27,788

Other employee benefits

Provisions for other employee benefits relate primarily to anniversary and partial retirement obligations.

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 € 53,129 thousand (previous year: € 55,600 thousand) in the reporting year.

The provisions for onerous contracts amounting to € 13,667 thousand (previous year: € 17,162 thousand) result in particular from project orders with customers.

Miscellaneous other provisions include provisions for litigation risks in the amount of € 4,522 thousand (previous year: € 2,685 thousand).

€ 25,911 thousand (previous year: € 28,683 thousand) of the other provisions are expected to become cash-effective after more than one year.

12. Liabilities

Non-current liabilities

€ thousands	31 Dec. 2022	31 Dec. 2021
Financial liabilities	**24,117**	**27,067**
Bank loans and overdrafts	940	2,284
Finance lease liabilities	22,904	24,494
Other	272	289

Current liabilities

€ thousands	31 Dec. 2022	31 Dec. 2021
Financial liabilities	**26,630**	**51,898**
Loan against borrower's note	–	21,996
Bank loans and overdrafts	13,094	15,382
Finance lease liabilities	13,526	14,512
Other	10	8
Contract liabilities	**186,477**	**157,389**
Trade payables	**333,361**	**272,813**
Trade payables to third parties	332,380	272,193
Liabilities to other investments, associates and joint ventures	981	619
Other financial liabilities	**23,921**	**26,635**
Currency forwards	2,322	6,332
Miscellaneous other financial liabilities	21,599	20,303
Other non-financial liabilities	**164,604**	**157,466**
Social security and liabilities to employees	132,989	128,761
Tax liabilities (excluding income tax)	24,147	20,023
Prepaid expenses	2,393	3,845
Investment grants and subsidies	5,075	4,837
Income tax liabilities	**14,918**	**10,931**

In the reporting year, the final tranche in the amount of € 22.0 million of the loan against borrower's note originally placed in 2012 by KSB SE & Co. KGaA was repaid.

The weighted average interest rate on bank loans and overdrafts was 8.19 % (previous year: 5.90 %). 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. Additionally taking into account the loan against borrower's note, the weighted average interest rate in the previous year was 4.77 %.

The maturity analysis of lease obligations at the reporting date is as follows:

Maturity analysis of liabilities Lease liabilities

€ thousands	31 Dec. 2022	31 Dec. 2021
Due within 1 year	13,526	14,512
Due between 1 and 5 years	19,195	21,208
Due after more than 5 years	3,709	3,286
	36,430	**39,006**

The amount of contract liabilities at the end of the reporting year is € 186,477 thousand and is thus above the comparative prior-year value in the amount of € 157,389 thousand. This increase is mainly attributable to the higher advance payments received from customers in the 2022 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 € 86,757 thousand (previous year: € 80,352 thousand) which was contained 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 € 21,503 thousand (previous year: € 21,918 thousand) are used to secure liabilities and are subject to corresponding restrictions on disposal by KSB or pledges. In the reporting year, this relates to the full extent to items under current assets, whereas in the previous year a pro-rata contribution of € 1,280 thousand was attributable to non-current assets in the form of property, plant and equipment. The majority of the assets used as security for liabilities, at € 14,921 thousand (previous year: € 12,751 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

13. Sales revenue

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**

Breakdown of sales revenue for the 2021 financial year

€ thousands	Pumps Segment	Valves Segment	KSB SupremeServ Segment	Total
Sales revenue	**1,271,104**	**305,570**	**766,903**	**2,343,577**
of which sales revenue from the sale of goods	1,271,104	305,570	461,041	**2,037,715**
of which sales revenue from the provision of services	–	–	305,862	**305,862**
of which goods and services transferred at a specific time	1,029,091	278,401	366,268	**1,673,760**
of which goods and services transferred over a period of time	242,013	27,169	400,635	**669,817**

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. 2022	31 Dec. 2021
Total transaction price of performance obligations unsatisfied or partially unsatisfied as at the reporting date (orders on hand)	**1,497,754**	**1,366,205**
of which expected sales revenue within the next 12 months	1,170,521	1,077,126
of which expected sales revenue after more than 12 months	327,233	289,079

14. Other income

€ thousands	2022	2021
Income from the reversal of impairment losses	10,313	8,041
Government grants	4,520	5,032
Currency translation gains	3,050	3,832
Insurance compensation	2,981	647
Income from disposal of assets	1,057	700
Miscellaneous other income	12,540	9,478
	34,462	**27,730**

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.

15. Cost of materials

The cost of materials amounted to € 1,156,292 thousand (previous year: € 975,410 thousand) in the reporting year. This item includes expenses for raw materials, consumables and supplies and for goods and services purchased.

16. Staff costs

€ thousands	2022	2021
Wages and salaries	730,170	679,826
Social security contributions and employee assistance costs *	150,420	139,581
Pension costs	20,961	17,748
	901,551	**837,154**

* The presentation takes into account an allocation of expenses from defined contribution plans with a statutory basis to social security contributions and employee assistance costs. For this purpose, the related expenses in the amount of € 12,096 thousand for the previous year were reclassified from pension costs to the above-mentioned item compared with the presentation in the 2021 Annual Report.

Pension costs are reduced by the interest component included in the allocation of provisions that is reported in financial 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 and increased profit bonuses for employees.

Employees

	Average for the year		At reporting date	
	2022	2021	31 Dec. 2022	31 Dec. 2021
Wage earners	6,827	6,532	6,804	6,529
Salaried employees	8,816	8,755	8,889	8,883
	15,643	**15,287**	**15,693**	**15,412**

17. Other expenses

€ thousands	2022	2021
Repairs, maintenance, third-party services	139,693	120,550
Administrative expenses	93,936	73,422
Selling expenses	67,193	59,049
Other staff costs	27,271	27,030
Other taxes	13,108	11,950
Rents and leases	12,835	10,455
Impairment losses on trade receivables and contract assets	9,935	14,065
Currency translation losses	2,719	3,650
Losses from current assets	569	494
Losses from asset disposals	752	1,089
Miscellaneous other expenses	23,602	31,459
	391,612	**353,215**

The increase in administrative costs was due in particular to higher travel expenses and entertainment costs. In the reporting year, this item also includes a small amount of costs for external support in connection with the cyber attack committed against KSB in the course of the year.

The expenses for rents and leases consist of expenses for leases with low-value underlying assets of € 2,629 thousand (previous year: € 2,975 thousand), expenses for short-term leases in the amount of € 5,916 thousand (previous year: € 4,374 thousand), expenses from variable lease payments of € 1,061 thousand (previous year: € 885 thousand) and expenses for rents and other leases in the amount of € 3,229 thousand (previous year: € 2,222 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.

18. Finance income / expense

The decrease in interest and similar income year on year is due in particular to the fact that in the previous year, one-off effects resulting from interest on back payment claims had the effect of increasing the value.

Interest and similar expenses include the net interest expense for pension provisions amounting to € 7,054 thousand (previous year: € 4,864 thousand). In addition, the item also includes interest expense from the subsequent measurement of lease liabilities in the amount of € 673 thousand (previous year: € 785 thousand).

Other finance expense includes the effects from the application of IAS 29 Financial Reporting in Hyperinflationary Countries described in Section II. Consolidation Principles under Hyperinflation.

Finance income / expense

€ thousands	2022	2021
Finance income	**7,461**	**10,425**
Income from equity investments	257	108
thereof from other investments	257	108
Interest and similar income	7,132	10,317
thereof from other investments	59	62
thereof from investments accounted for using the equity method	350	461
Other finance income	72	–
Finance expense	**–17,712**	**–11,494**
Interest and similar expenses	–12,985	–9,567
Expenses from the remeasurement of financial instruments	–99	–
Other finance expense	–4,628	–1,927
Income from / expense to investments accounted for using the equity method	**1,816**	**–157**
Finance income / expense	**–8,435**	**–1,226**

19. 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 30.7 % in the 2022 financial year (previous year: 30.7 %) is a composite rate resulting from the current German corporation tax, solidarity surcharge and trade tax rates.

Taxes on income and on earnings in the income statement

Taxes on income

€ thousands	2022	2021
Effective taxes	48,606	43,292
Deferred taxes	–15,276	–13,681
	33,330	**29,612**

Effective taxes include prior-period tax refunds in the amount of € 2,090 thousand (previous year: € 250 thousand) and tax arrears in the amount of € 386 thousand (previous year: € 125 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 a reduction in the total tax expense of € 205 thousand (previous year: reduction of € 88 thousand).

Deferred tax assets according to the income statement are derived as follows:

Reconciliation of deferred taxes

€ thousands	2022	2021
Change in deferred tax assets	–2,455	–7,259
Change in deferred tax liabilities	2,833	747
Change in deferred taxes recognised in balance sheet	**378**	**–6,512**
Change in deferred taxes taken directly to equity	–14,625	–7,362
Changes in consolidated Group / CTA* / Other	–1,029	194
Deferred taxes recognised in income statement	**–15,276**	**–13,680**

* 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	2022	2021
Earnings before income tax (EBT)	160,668	139,935
Calculated income taxes on the basis of the applicable Group tax rate	49,281	42,960
Differences in tax rates	–8,607	–7,589
Tax losses from the current year that are not recognised	1,646	33
Changes in the value of deferred taxes on tax loss carryforwards	–7,193	–13,818
Impairment loss on goodwill	219	–
Changes in the value of deferred taxes on temporary differences	–13,975	3,552
Tax-exempt income	–5,315	–5,332
Non-deductible expenses *	13,096	6,199
Prior-period taxes	–1,511	2,152
Other tax credits	–	–828
Non-deductible foreign income tax	5,243	1,022
Investments accounted for using the equity method	–352	–140
Other *	797	1,403
Current taxes on income	**33,330**	**29,612**
Current tax rate	21%	21%

* In departure from the presentation in the 2021 Annual Report, off-balance sheet corrections for trade tax purposes are now included in the “Non-deductible expenses” line instead of in the “Other” line. The disclosures for the previous year were adjusted accordingly.

Taxes on income and earnings 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 € 9,713 thousand (previous year: € 3,696 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	2022	2021
Remeasurement of defined benefit plans *	158,394	54,755
Taxes on income	–13,868	–8,289
Currency translation differences *	12,515	30,326
Taxes on income	–	–
Changes in the fair value of financial instruments	3,285	–4,270
Taxes on income	–757	927
Other comprehensive income	**159,569**	**73,449**

* These items include the changes taken directly to equity relating to investments accounted for using the equity method. Further details can be found in the statement of comprehensive income.

Allocation of deferred taxes

	Deferred tax assets		Deferred tax liabilities	
€ thousands	**2022**	**2021**	**2022**	**2021**
Non-current assets	**6,228**	**5,198**	**40,630**	**36,487**
Intangible assets	442	424	1,334	194
Right-of-use assets	19	26	8,536	8,560
Property, plant and equipment	4,952	3,872	29,150	25,782
Financial and non-financial assets	815	876	1,610	1,951
Current assets	**40,999**	**30,961**	**19,889**	**22,090**
Inventories	33,552	28,926	297	30
Receivables and other current assets	7,447	2,035	19,592	22,060
Non-current liabilities	**37,212**	**51,978**	**3,447**	**792**
Provisions	32,343	47,461	3,447	792
Other liabilities *	4,869	4,517	–	–
Current liabilities	**25,134**	**23,410**	**22,610**	**28,529**
Provisions	11,482	10,118	145	1,002
Other liabilities *	13,652	13,292	22,465	27,527
Tax loss carryforwards	**2,067**	**1,793**	**–**	**–**
Gross deferred taxes – before offsetting	**111,640**	**113,340**	**86,576**	**87,898**
Offset under IAS 12.74	–74,566	–78,721	–74,566	–78,721
Net deferred taxes – after offsetting	**37,074**	**34,619**	**12,010**	**9,177**

* Deferred tax assets from non-current lease liabilities amount to € 4,869 thousand (previous year: € 3,306 thousand) and those from current lease liabilities to € 2,719 thousand (previous year: € 2,185 thousand). They are reported under deferred taxes for other liabilities (non-current and current).

Further information and explanations on taxes on income and earnings

Contingent liabilities from income tax issues amount to € 215 thousand (previous year: € 688 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 temporary differences of € 6,297 thousand (previous year: € 3,804 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 € 104,619 thousand (previous year: € 120,529 thousand) and for trade tax loss carryforwards amounting to € 64,917 thousand (previous year: € 89,305 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 € 6,033 thousand (previous year: € 2,240 thousand).

Deductible temporary differences for which no deferred tax assets had to be set up amounted to € 107,236 thousand (previous year: € 262,065 thousand). The vast majority of this amount is attributable to the tax group of KSB SE & Co. KGaA, as in the 2021 financial year. In the Group's opinion, deductible temporary differences beyond taxable temporary differences for the tax group of KSB SE & Co. KGaA were, as in the previous year, impaired in the 2022 financial year. In 2022, as in the previous year, the allocation of the impairment on the excess of deferred tax assets in the tax group of KSB SE & Co. KGaA to other comprehensive income and to the income statement is significantly affected by the change in temporary differences, due to the increase in the discount rate and the resulting decrease in provisions for pensions and similar obligations. The resulting reallocation between other comprehensive income and the income statement leads to a deferred tax income and a charge in the same amount in other comprehensive income.

20. Earnings after income tax – Non-controlling interests

The net profit attributable to non-controlling interests amounts to € 25,244 thousand (previous year: € 17,646 thousand) and the net loss attributable to non-controlling interests amounts to € 1,555 thousand (previous year: € 971 thousand). Further details on the non-controlling interests are provided in Notes No. 10 “Equity”.

21. Earnings per share

Earnings per share are calculated using the weighted average number of shares as the denominator.

Earnings per share

		2022	2021
Earnings after income tax – Attributable to KSB SE & Co. KGaA shareholders	€ thousands	103,649	93,648
Additional dividend attributable to preference shareholders (€ 0.26 per preference share) (previous year: € 0.26 per preference share)	€ thousands	–225	–225
	€ thousands	**103,425**	**93,423**
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	**€**	**59.05**	**53.34**
Diluted and basic earnings per preference share	**€**	**59.31**	**53.60**

VI. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

1. Financial instruments – Carrying amounts, fair values and other disclosures by measurement category

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	530,260	530,260	–	–	–
Trade receivables from other equity investments, associates and joint ventures	AC	49,279	49,279	–	–	–
Receivables from loans to other equity investments, associates and joint ventures	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.

Financial instruments by measurement category – 31 Dec. 2021

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	50	50	50	–	–
Loans	AC	1,458	1,458	–	1,458	–
Current assets						
Trade receivables from third parties	AC	444,601	444,601	–	–	–
Trade receivables from other equity investments, associates and joint ventures	AC	34,643	34,643	–	–	–
Receivables from loans to other equity investments, associates and joint ventures	AC	1,918	1,918	–	–	–
Currency forwards designated as hedges	n.a	494	494	–	494	–
Currency forwards not designated as hedges	FVPL	149	149	–	149	–
Other receivables and other current assets	AC	77,579	77,579	–	–	–
Cash and cash equivalents	AC	386,683	386,683	–	–	–
Equity and Liabilities						
Non-current liabilities						
Financial liabilities excluding lease obligations	AC	2,573	2,379	–	2,379	–
Lease obligations	n.a.	24,494	–	–	–	–
Current liabilities						
Financial liabilities excluding lease obligations	AC	37,386	37,386	–	–	–
Lease obligations	n.a.	14,512	–	–	–	–
Trade payables	AC	272,813	272,813	–	–	–
Currency forwards designated as hedges	n.a.	5,052	5,052	–	5,052	–
Currency forwards not designated as hedges	FVPL	1,280	1,280	–	1,280	–
Miscellaneous other financial liabilities	AC	20,304	20,304	–	–	–

Measurement categories aggregated under IFRS 9 – 31 Dec. 2021

Assets	AC	946,882
Equity and Liabilities	AC	333,076
Assets	FVPL	199
Equity and Liabilities	FVPL	1,280

* 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 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**

Net results by measurement category in 2021

		From subsequent measurement				
€ thousands	From interest and dividends	At fair value	Currency translation	Impairment losses	From disposal	Net results
Amortised cost (assets)	5,633	–	1,130	–5,045	–	**1,718**
Amortised cost (equity and liabilities)	–3,813	–	16	–	–	**–3,797**
FVPL (assets and equity and liabilities)	–	–466	–	–	–	**–466**
	1,820	**–466**	**1,146**	**–5,045**	**–**	**–2,545**

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 outstanding 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 credit-worthiness 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. Approved cash loans and credit lines total approximately € 1,267.2 million (previous year: approx. € 1,281.2 million), of which € 851.5 million (previous year: € 839.9 million) has not yet been utilised.

Cash loans and credit lines included amounts from a syndicated loan agreement signed in December 2018 whose credit line can be used at any time. Following the utilisation of renewal options by KSB in previous years, the credit line now has a fixed term until the end of 2025.

The utilisation of cash loans and credit lines from the syndicated loan agreement by the Group was as follows at the end of the reporting year:

In € thousands / Type of line	Maximum amount of line	Utilisation as at 31 Dec. 2022
Loans	300,000	2,143
Sureties	350,000	117,663

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 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

Cash flows of financial liabilities 2021

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Financial liabilities	81,945	54,025	24,514	3,406
of which from lease obligations	41,123	15,546	22,235	3,342
Trade payables	272,813	272,813	–	–
Miscellaneous other financial liabilities	20,304	17,662	2,642	–
Derivative financial instruments (net)	6,332	5,892	440	–
	381,394	350,392	27,596	3,406

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. 2022	CNY 31 Dec. 2021	USD 31 Dec. 2022	USD 31 Dec. 2021	INR 31 Dec. 2022	INR 31 Dec. 2021	BRL 31 Dec. 2022	BRL 31 Dec. 2021
Trade receivables	47,261	45,965	36,586	26,263	46,549	36,287	18,834	12,018
Trade payables	47,863	46,396	24,460	20,403	36,910	31,465	24,210	8,554
Balance	–602	–432	12,126	5,860	9,639	4,822	–5,376	3,464

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	–	–

Currency sensitivity as at 31 December 2021

	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	0.5	–0.5	0.9	–0.9
USD	1.5	–1.5	4.5	–4.5
INR	–0.5	0.5	–	–
BRL	–0.3	0.3	–	–

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 (previous year: 50 basis points) and analyses the impact on the floating rate financial instruments.

Interest rate sensitivity

	31 Dec. 2022		31 Dec. 2021	
€ millions	**+ 100 basis points**	**– 100 basis points**	**+ 50 basis points**	**– 50 basis points**
Consolidated earnings	2.6	–2.6	2.2	–1.9

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 change in 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 2022 and 2021 financial years.

At the reporting date, the notional volume of the currency forwards designated as hedges was € 188,568 thousand (previous year: € 167,185 thousand). The hedged currency risk relates in particular to the US dollar and the Chinese yuan. The contractual maturities of payments for these currency forwards are as follows:

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

Notional volumes in 2021

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Currency forwards designated as hedges	167,185	133,266	33,383	536

The weighted average rate of hedging instruments for the main foreign currencies was:

Hedging of currency risk

	2022	2021
Average rate EUR / USD	1.07	1.18
Average rate EUR / CNY	7.22	7.81

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 € 29 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 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**

Fair value changes in derivatives in 2021

	OCI	
€ thousands	**Cash flow hedges – Hedging reserve**	**Cash flow hedges – Hedging cost reserve**
Currency risk		
Opening balance at 1 January	1,899	–404
Effective portion of changes in fair value	–2,396	1,069
Realisation of underlying recognised in income	–5,491	2,548
Closing balance at 31 December	**–5,988**	**3,213**

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 can be found 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 restrictions on disposal by KSB.

Change in financial liabilities in 2022

€ thousands	1 Jan. 2022	Cash-effective in cash flows from financing activities	Non-cash changes: Additions / Disposals / Acquisitions / Other	Non-cash changes: 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**

Change in financial liabilities in 2021

€ thousands	1 Jan. 2021	Cash-effective in cash flows from financing activities	Non-cash changes: Additions / Disposals / Acquisitions / Other	Non-cash changes: Exchange-rate-related changes	31 Dec. 2021
Non-current financial liabilities (excluding lease liabilities)	26,287	–2,295	–21,235	–183	2,574
Current financial liabilities (excluding lease liabilities)	17,587	–4,274	24,201	–128	37,386
Lease liabilities	38,783	–17,702	17,263	662	39,006
Total financial liabilities	**82,657**	**–24,271**	**20,229**	**351**	**78,966**

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 primarily on the basis of the key performance indicators – order intake, external sales revenue and earnings before financial 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 Market Areas 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 € 42,705 thousand (previous year: € 38,035 thousand) for the Pumps Segment, € 11,592 thousand (previous year: € 11,123 thousand) for the Valves Segment and € 36,122 thousand (previous year: € 31,734 thousand) for the KSB SupremeServ Segment). The total depreciation and amortisation in the year under review included impairment of goodwill in the amount of € 1,715 thousand and impairment of property, plant and equipment in the amount of € 3,879 thousand. Of these impairments, € 2,712 thousand relate to the Pumps Segment, € 435 thousand to the Valves Segment and € 2,447 thousand to the KSB SupremeServ Segment. In the previous year, there were no significant impairments under IAS 36.

€ 560,517 thousand (previous year: € 571,700 thousand) of the sales revenue shown were generated by the companies based in Germany, € 215,103 thousand (previous year: € 197,013 thousand) by companies in China, € 180,404 thousand (previous year: € 183,144 thousand) by companies in France, € 238,973 thousand (previous year: €182.304 thousand) by companies in the USA and € 1,378,390 thousand (previous year: € 1,209,416 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 € 712,238 thousand (year-end figure in 2021: € 676,607 thousand), with € 256,585 thousand (year-end figure in 2021: € 238,698 thousand) being attributable to the companies based in Germany and € 455,653 thousand (year-end figure in 2021: € 437,909 thousand) being attributable to the other Group companies. The values shown 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	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Pumps Segment	1,585,727	1,307,305	1,390,192	1,271,104	27,718	24,120
Valves Segment	359,676	338,398	333,072	305,570	–4,635	–6,560
KSB SupremeServ Segment	916,684	766,042	850,123	766,903	146,020	123,601
Total	**2,862,087**	**2,411,745**	**2,573,387**	**2,343,577**	**169,103**	**141,161**

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 interest-bearing financial assets (current and non-current financial instruments, interest-bearing loans to companies accounted for using the equity method as well as companies that were not consolidated due to there being no material impact, cash and cash equivalents and receivables from deposits). One objective is to avoid net debt. The net financial position at the end of the reporting year was € 225.6 million (previous year: € 365.6 million). This decrease is essentially due to the marked decline 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. 2022	31 Dec. 2021
From legal disputes	3,090	3,636
from guarantees	2,000	2,000
From warranty agreements	5,109	5,591
From other tax matters	13,207	13,035
From other contingent liabilities	3,177	3,006
	26,583	**27,268**

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 € 7,311 thousand (previous year: € 5,732 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 € 27,273 thousand (previous year: € 19,112 thousand). Of this amount, € 2,717 thousand (previous year: € 706 thousand) is attributable to intangible assets and € 24,556 thousand (previous year: € 18,406 thousand) to property, plant and equipment. Most of the corresponding payments are due in 2023.

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 € 26,697 thousand in the reporting year (previous year: € 25,151 thousand).

The Group expects future payments of € 5,967 thousand (previous year: € 1,317 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 in the context of operating leases. This relates, among other things, to the leasing of real estate. In total, the Group generated income from operating leases of € 694 thousand in the reporting year (previous year: € 693 thousand).

The maturity analysis of future lease payments from operating leases is as follows:

Maturity analysis of future operating lease payments

€ thousands	31 Dec. 2022	31 Dec. 2021
Due within 1 year	1,521	2,575
Due between 1 and 2 years	530	1,208
Due between 2 and 3 years	451	991
Due between 3 and 4 years	311	799
Due between 4 and 5 years	302	667
Due after more than 5 years	–	471
	3,115	6,711

The financing leases where KSB acts as a lessor have minor significance for KSB and do not have any material effect on the consolidated financial statements.

Research and development costs

Research and development costs in the reporting year amounted to € 56,307 thousand (previous year: € 52,452 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

	Sale of assets and services		Purchase of assets and services		Trade receivables		Trade payables	
€ thousands	2022	2021	2022	2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
KSB Management SE	4	5	6,179	7,032	–	–	3,652	3,926
Klein, Schanzlin & Becker GmbH	–	–	–	–	–	–	–	–
KSB Stiftung and Kühborth-Stiftung GmbH	–	–	–	–	–	–	–	–
Johannes und Jacob Klein GmbH	1	–	21	–	–	–	16	–
Subsidiaries of Johannes und Jacob Klein GmbH	572	606	3,936	3,525	104	108	339	27
Associates / joint ventures of Johannes und Jakob Klein GmbH	–	–	–	–	–	–	–	–
Joint ventures	43,078	40,619	2,182	1,214	40,867	31,572	439	318
Associates **	5	3	6,595	4,609	610	–	415	–
Companies not consolidated due to immateriality	13,124	6,540	274	48	7,802	3,071	127	301

* In contrast to the presentation in the 2021 consolidated financial statements, the disclosure on purchases of assets and services now also includes the liability remuneration payable to KSB Management SE. The prior-year figure was adjusted accordingly.

** Compared with the presentation in the 2021 Annual Report, the balance of purchases of assets and services made by the Group from associates in the normal course of business activities in the previous year was added.

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 € 87 thousand (previous year: none) 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, € 5,964 thousand (previous year: € 6,939 thousand) of the purchases of assets and services from KSB Management SE relate to the remuneration of the members of the governing bodies of KSB Management SE, which is explained in more detail in the "Related persons" sub-section below, € 20 thousand (previous year: € 20 thousand) to the liability remuneration, and € 194 thousand (previous year: € 73 thousand) to a further reimbursement of expenses in connection with the management of the Group's business. 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 Versicherungs-service 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; 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 the company as part of the normal business activities. KSB SE & Co. KGaA and Abacus alpha GmbH have also concluded service agreements. In the course of normal business activities, airinotec GmbH and Salinnova GmbH were supplied with KSB products and a small volume of products was purchased from Salinnova GmbH.

Further information on joint ventures, associates and companies not consolidated due to immateriality can be found 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. 12 "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 above-mentioned 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 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	2022	2021
Short-term benefits	3,729	4,397
Post-employment benefits	1,602	1,961
Other long-term benefits	633	581
Total	**5,964**	**6,939**

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 sustainability goals in the areas of environment, social issues and governance (ESG) 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 financial years 2021 and 2022, a one-time payment on account amounting to 40 % of the target value in the event of 100 % target achievement has been agreed. At the end of the assessment period, it will be offset against any amount paid out in 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 € 578 thousand (previous year: € 783 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 € 33,070 thousand (previous year: € 40,267 thousand). The total remuneration of the latter persons amounted to € 2,380 thousand in the past financial year (previous year: € 2,727 thousand).

The members of the Supervisory Board receive a fixed remuneration and attendance fees. In addition, they receive remuneration for activities that require them to devote special time to the tasks of the Supervisory Board that go beyond preparing and holding meetings of the Supervisory Board and its committees. The short-term benefits paid to members of the Supervisory Board amount to € 894 thousand for the 2022 financial year (previous year: € 786 thousand). At the end of the financial year, liabilities of € 513 thousand (previous year: € 465 thousand) were recognised towards the members of the Supervisory Board.

In addition, assets and services amounting to € 21 thousand (previous year: € 33 thousand) were sold to other related parties (corporate bodies) in the year under review.

Auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, were appointed as auditors and group auditors for the 2022 financial year at the Annual General Meeting of KSB SE & Co. KGaA on 5 May 2022. Overall, fees (including expenses) amounting to € 878 thousand were recognised as expenses. Of this, € 775 thousand relate to audit services, € 70 thousand to other certification services and € 33 thousand to other services.

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 German 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 include 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 14 December 2022. The Statement is accessible to the public at KSB's web site: www.ksb.com > Investor Relations > Corporate Governance > Corporate Governance Statement / Statement of Compliance with the German Corporate Governance Code.

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	Dynamik-Pumpen GmbH, Stuhr	Germany	SVC	100.00	100.00	
7	Hydroskepi GmbH, Amaroussion (Athens)	Greece	H	100.00	100.00	
8	KAGEMA Industrieausrüstungen GmbH, Pattensen	Germany	P	100.00	100.00	
9	KSB Algérie Eurl, Bordj el Kifane (Alger)	Algeria	S	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	98.10	98.10	11
				1.90	1.90	10
13	TOV "KSB Ukraine", Kyiv	Ukraine	S	100.00	100.00	11
14	TOB "KSB Ukraine" LLC, Kyiv	Ukraine	S	100.00	100.00	10
15	KSB Belgium S.A., Bierges-lez-Wavre	Belgium	S	100.00	100.00	
16	KSB Service Belgium S.A./N.V., Bierges-lez-Wavre	Belgium	SVC	100.00	100.00	15
17	KSB, Bombas e Válvulas, SA, Albarraque	Portugal	S	92.00	92.00	
				1.00	1.00	28
				1.00	1.00	61
				1.00	1.00	29
18	KSB Chile S.A., Santiago	Chile	P	100.00	100.00	
19	KSB Colombia S.A.S., Funza (Cundinamarca)	Colombia	S	100.00	100.00	
20	KSB de Mexico, S.A. de C.V., Querétaro	Mexico	P	100.00	100.00	
21	KSB Finance Nederland B.V., Zwanenburg	Netherlands	H	100.00	100.00	
22	D.P. Industries B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	21
23	KSB B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	22
24	Duijvelaar Installatiebouw B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	22
25	DP Pompen B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	22
26	DP Pumps B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	22
27	DP Service B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	22
28	KSB Nederland B.V., Zwanenburg	Netherlands	S	100.00	100.00	21
29	KSB Finanz S.A., Echternach	Luxembourg	H	100.00	100.00	
30	Dalian KSB AMRI Valves Co., Ltd., Dalian	China	P	100.00	100.00	29
31	KSB Australia Pty Ltd, Bundamba QLD	Australia	P	100.00	100.00	29
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	29
34	KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires)	Argentina	P	95.00	95.00	29
				5.00	5.00	
35	KSB Middle East FZE, Dubai	U.A.E.	S	100.00	100.00	29
36	KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg)	South Africa	H	100.00	100.00	29
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	29
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., Milano	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, Hongkong	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., Tokio	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	Activ-ity[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	100.00	100.00	
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	Activ-ity[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	210	118
90	KSB Pumps Arabia Ltd., Riad	Saudi Arabia	P	50.00	50.00	29	11,255	2,114
91	KSB Service LLC, Abu Dhabi	U.A.E.	SVC	49.00	49.00		8,532	124
92	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai	China	P	45.00	45.00		40,448	4,114

Associates (international)

Cons. No.	Name and seat	Country	Activ-ity[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		6,139	3,173

[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		105	–16
95	KSB BOMBAS E VÁLVULAS (Angola), LDA, Belas	Angola	S	65.00	65.00		492	–242
96	KSB Čerpadlá a Armatúry, s.r.o., Bratislava	Slovakia	S	100.00	100.00		444	78
97	KSB Ecuador S.A., Samborondón	Ecuador	S	99.00	99.00	33	1,301	309
				1.00	1.00	29		
98	KSB Egypt SOC, Cairo	Egypt	H	100.00	100.00		434	243
99	KSB Panama S.A., Panamá	Panama	S	100.00	100.00	33	343	5
100	KSB Pumpe i Armature d.o.o. Belgrade	Serbia	S	100.00	100.00	54	236	27
101	KSB pumpe i armature d.o.o., Rakov Potok	Croatia	S	100.00	100.00	54	208	–2
102	KSB PUMPS AND VALVES (NAMIBIA) (PROPRIETARY) LIMITED, KLEIN WINDHOEK	Namibia	S	100.00	100.00	36	–145	–55
103	KSB Pumps and Valves Nigeria Ltd, Lagos	Nigeria	S	60.00	60.00		283	–89
104	KSB Service Egypt LLC, Cairo	Egypt	SVC	48.00	48.00		836	–183
				11.00	11.00	98		
				1.00	1.00	29		
105	KSB ZAMBIA LIMITED, Kitwe	Zambia	S	100.00	100.00	36	622	163
106	Techni Pompe Service Maroc (TPSM), Casablanca	Morocco	SVC	100.00	100.00	60	–576	–15
107	TOO "KSB Kazakhstan", Almaty	Kazakhstan	S	100.00	100.00	11	648	448

[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
Former Executive Board Member of WMF AG (Chair)

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

Claudia Augustin, Office Management Assistant, Pegnitz
Deputy Chair of the Pegnitz Works Council of KSB SE & Co. KGaA, until 22 Jan. 2023,
Chair of the Pegnitz Works Council of KSB SE & Co. KGaA, since 23 Jan. 2023

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

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

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

Birgit Mohme, Industrial Business Management Assistant, Frankenthal
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, Dresden
Director of the German Centre for Railway Traffic Research at Eisenbahn-Bundesamt [Federal Railway Authority],
until 31 January 2023,
Head of the Railways Department of the Federal Ministry for Digital Infrastructure and Transport (BMDV),
since 1 February 2023

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

Volker Seidel, Electrical and Electronics Installer, Münchberg
1st Delegate and Treasurer of IG Metall Ostoberfranken

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

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

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

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

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

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

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

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

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

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

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

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

4) KSB Finanz S.A., Echternach, Luxembourg
KSB Finance Nederland B.V., Zwanenburg, 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, since 15 July 2022

2) Bauer AG, Schrobenhausen, Germany

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, since 14 March 2022
Member of the Advisory Board, Talbot Holding GmbH, Aachen, Germany, since 26 August 2022

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 € 73,637,253.73 of KSB SE & Co. KGaA will be submitted to the Annual General Meeting on 4 May 2023:

Proposal for the appropriation of net retained earnings

€	
Dividend of € 19.50 per ordinary no-par-value share	17,288,992.50
Dividend of € 19.76 per preference no-par-value share	17,086,709.12
Total	**34,375,701.62**
Carried forward to new account	**39,261,552.11**
	73,637,253.73

Frankenthal, 14 March 2023

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: www.ksb.com/financialstatements2022

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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, 14 March 2023

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 2022, 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 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 2022. 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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 2022. 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 Recoverability of intangible assets and property, plant and equipment
❸ 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 29.8 million is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine 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 assumptions 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 1.7 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 Recoverability of intangible assets and property, plant and equipment

① In the Company's consolidated financial statements a total amount of EUR 651.2 million is reported under the "intangible assets" and „property, plant and equipment" balance sheet items. The recoverability of the intangible assets and property, plant and equipment were assessed as of the balance sheet date by means of impairment tests in accordance with IAS 36. The carrying amount of the relevant cash-generating unit 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, to which the corresponding assets are allocated, 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 assumptions 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. For four cash-generating units, additional external valuation reports with regard to fair value less costs of disposal were requested. The impairment test determined that after taking into account the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of EUR 3.9 million for these cash-generating units. 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 and the usability of the external valuation reports, 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. 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 intangible assets and property, plant and equipment are contained in section III „Accounting policies“, IV. “Balance sheet disclosures” note 1 of the notes to the consolidated financial statements

❸ Accounting treatment of project orders recognized over time

① In the Company‘s consolidated financial statements revenue totaling EUR 2,573.4 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 662.5 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 appropriateness 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 progress of the respective projects, among other things based on interviews with project managers 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 12 and V. „Notes to the income statement“, no. 13 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” of the management report 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 consolidated 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-2022-12-31.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 2022 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 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the 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 5 May 2022. We were engaged by the supervisory board on 1 June 2022. 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, 14 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Fischer Wirtschaftsprüfer [German Public Auditor]	ppa. 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]

GDP
Gross domestic product

HGB
Handelsgesetzbuch
[German Commercial Code]

IFRS
International Financial Reporting Standards

IIoT
Industrial Internet of Things

IMF
International Monetary Fund

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.

Equity method
Method of accounting whereby enterprises adjust the investments in other companies by the acquisition cost and net profits for the year; they are then recognised accordingly in the annual financial statements.

EU taxonomy
The EU taxonomy – Regulation (EU) 2020/852 – defines which economic activities are considered environmentally sustainable.

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.

Oxford Economics
Drawing on global forecasting and quantitative analyses, the company develops market trends and assesses their economic, social and business impact.

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

PHOTOGRAPHY
Forest Simon, Unsplash (Title)
Robert Kwiatek, Frankenthal, Germany (pp. 8, 10, 12)

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

The KSB Group's Annual Report is also available in German.

Digital Annual Report
Online Annual Report with additional functions:
www.ksb.com/online-report-2022
PDF version for download:
www.ksb.com/annualreport2022

Financial Calendar

23 March 2023
Financial press conference
10:00, Frankenthal

27 April 2023
Interim report
January – March 2023

4 May 2023
Annual General Meeting
10:00, Frankenthal

3 August 2023
Half-year financial report
January – June 2023

9 November 2023
Interim report
January – September 2023

31 January 2024
Preliminary report on the 2023 financial year

You will find the latest information
on the 2023 Annual General Meeting at:
www.ksb.com/agm

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