

Interim report for the period ended 30 September 2011

KSB Group: Growth in sales revenue and a stable order book

The dramatic worsening of the European debt crisis and a slowing global economy are having a negative impact on economic growth worldwide. In addition, the matter of future energy supplies still remains unresolved in some countries. Many investors therefore continued to be very cautious in the third quarter of this year when it came to placing orders for large new projects. This was true for power plant construction, as well as for investments in petrochemical plants and water and waste water facilities. By contrast, the demand for standard capital goods, including pumps and valves for building services and industrial production processes, showed good growth.

KSB Group		01-09/2011	01-09/2010	Change
Order intake	€ m	1,564.9	1,564.2	+ 0.0 %
Sales revenue	€ m	1,498.3	1,400.4	+ 7.0 %
Employees (30 Sept.)		15,708	14,752	+ 6.5 %

Order intake and sales revenue

Due to the sluggish demand in the project business, the Group's **order intake** at the end of the third quarter, at € 1,564.9 million, ranged at prior-year levels. Double-digit percentage growth in the submersible pumps and service businesses was offset by a noticeable drop in orders for multistage pumps. The latter are used in high-pressure applications, particularly in energy conversion. The order intake development for single-stage pumps, mostly required for standard applications, and for valves continued to be positive.

The Group's orders in hand at the end of September stood at almost € 1.2 billion. This is the highest value ever for orders in hand compared with previous years.

Consolidated sales revenue in the first nine months of 2011 increased by 7.0 percent to €1,498.3 million compared with the same period last year. Particularly encouraging – like the order intake development – was sales revenue growth in the submersible pumps and service businesses.

Group companies in all four sales regions – Europe, Asia/Pacific, Americas and Middle East/Africa – have all reported higher sales revenue. Sales revenue growth in Asia, especially in China and India, was outstanding. The percentage increase was lowest in Europe, where KSB AG improved its sales revenue by 2.7 percent.

The first-time consolidation of ten small subsidiaries contributed to the growth in order intake and sales revenue. They accounted for an order intake of €48.9 million and sales revenue of €42.6 million.

Change in number of employees

At 15,708, the number of employees in the KSB Group at the end of September was 956 higher than at the same time in 2010. This 6.5 percent increase was concentrated in the Regions Asia/Pacific and the Americas, and was primarily due to companies consolidated for the first time in 2011. Overall, the newly consolidated companies accounted for 625 of the staff added. KSB AG in Germany increased its headcount by 118, among other things in order to implement ongoing and planned strategic projects.

Results of operations and financial position

In the third quarter, project business was marked by continuing strong price pressure. This – in conjunction with higher material and staff costs – lowered Group earnings. Earnings before taxes at the end of September therefore fell short of the comparable interim earnings for 2010. KSB AG, too, posted a decline in earnings.

The financial position of the Group continues to be solid, so that KSB is able to finance both its investments and planned strategic projects wholly from its own resources.

Outlook

The continuing good performance in the standard pumps business as well as a number of imminent major orders suggest that order intake will increase in the last quarter of 2011. The positive sales revenue development seen during the first nine months of the year is expected to continue until the end of December. The KSB Group may accordingly exceed last year's figures, as reported earlier.

Due to the renewed deterioration in the global economic climate, however, a rapid and sustained improvement in the project business is currently not discernible. High pressure on prices continues, and in conjunction with rising costs will lead to a reduction in earnings quality. The volume growth in the general business will not fully compensate for this development. We have therefore initiated a series of measures to reduce costs and safeguard consolidated earnings. Consolidated earnings for the entire year are nonetheless expected to be lower than in 2010.

Employee teams are currently implementing strategic projects in all four Regions in order to ensure sustainable and profitable growth in the pumps, valves and service businesses. Both these projects and the measures initiated will help ensure adequate consolidated earnings in the coming year.