

Interim report for the period ended 30 September 2013

KSB: Economic climate in the industry slows growth

For KSB, market conditions have deteriorated slightly this year. As well as the continued weak demand from European customers, especially in the project business, the economic slowdown in the major emerging countries has also had an impact on our pumps, valves and services business. In addition, translation into the Group currency, the euro, showed the negative effects of currency devaluations in key markets such as Brazil, India and South Africa. Nonetheless, KSB expects to approximately achieve or slightly exceed the previous year's order intake and sales revenue figures in 2013.

KSB Group		01-09/2013	01-09/2012	Change
Order intake	€ million	1,676.7	1,699.6	- 1.3 %
Sales revenue	€ million	1,676.6	1,674.9	+ 0.1 %
Employees (30 Sept.)		16,605	16,136	+ 2.9 %

Order intake and sales revenue

Between January and September 2013, the KSB Group received orders worth € 1,676.7 million. This value was € 22.9 million or 1.3 percent below that of the same period in 2012. Decreases were recorded by the two Business Units Pumps and Valves. This was the result of major currency exchange effects (- € 46.4 million) and lower order volumes in the water and waste water sector and the mining industry. Order intake in the Business Unit Service in contrast rose, with the increased presence outside Europe also having a positive effect.

The Group companies in Europe were able to maintain their level of orders in the first nine months. KSB AG increased the volume of incoming orders by 1.5 percent to € 611.2 million. The companies in the Region Middle East / Africa posted double-

digit percentage growth, whereas the companies in the Americas and Asia did not reach the previous year's level in the first nine months of the year.

Group sales revenue remained almost unchanged at € 1,676.6 million (+ € 1.7 million). The growth in the Business Unit Service offset the weaker performance of Pumps and Valves.

Stronger sales revenue growth was prevented not only by currency effects (- € 44.5 million) but also by developments in South America, where demand for pumps in Brazil slumped in response to weaker economic growth. The North American KSB companies on the other hand saw a positive sales revenue development, as did the companies in the Regions Middle East / Africa and Europe. Here, KSB AG sales revenue rose by 3.2 percent to € 615.6 million. In Asia, the sales revenue of local KSB companies remained at around the previous year's level.

The Group figures for order intake and sales revenue include those for the companies consolidated for the first time at the beginning of the year, which between January and September recorded an order intake of € 20.1 million and sales revenue of € 19.1 million.

Change in number of employees

The number of KSB employees at 30 September 2013 increased by 2.9 percent to 16,605 compared with the same date last year. This development is exclusively due to the first-time consolidations at the start of 2013 and the integration of the Smedegaard Group at the end of 2012, which overall resulted in 472 additional employees joining the Group.

Results of operations and financial position

The KSB Group achieved positive earnings before taxes in the first nine months of the year. The earnings fell slightly short of the prior-year figure due to the difficult market environment with reduced margins in the project business and currency-related declines. The net financial position, however, has improved year on year as a result of the cautious investment activities throughout the Group. The year-end net financial position is also expected to be better than in 2012.

Outlook

The German Engineering Federation (VDMA) reports that 2013 so far has been a disappointing year, and only expects global sales revenue for machinery, including pumps and valves, to increase by around 1 percent in real terms.

For the entire year, the KSB Group expects stagnating or slightly higher business volumes than in the previous year. Pending large-scale orders may contribute to a growth in order intake. In the project business, however, margins will be lower than in the two previous years.

The slow sales revenue growth, the pressure on margins in the project business and the changes in exchange rates continue to weigh on the Group's profit performance. Accordingly, from today's perspective it is possible for earnings before taxes in 2013 to be lower than in 2012 (€ 132.8 million).

In 2014, the VDMA expects sales revenue for machinery to increase again by 5 percent in real terms. This is based on the assumption of a revival of business in China, the Americas and some European countries, from which KSB will also benefit in terms of its order intake. In order to safeguard profit performance the measures currently being implemented to enhance efficiency are planned to be strengthened in the coming year.