

Interim report for the period ended 30 September 2015

Weaker economic development, particularly in the emerging markets, adversely affected demand for pumps and valves across several sectors. This meant that the situation with regard to engineered products for the energy sector and other industries remained difficult, with a negative impact on project business. Slurry pumps for use in the mining sector were similarly affected, as mine operators cut their investments in the face of the uncertain commodity market. In contrast, orders from the water and waste water management industries, as well as from the construction sector, developed positively for KSB over the first nine months of the year. Sales of standard pumps and valves benefited the most from this development. Demand for KSB products from industry remained more or less stable. Overall, however, the economic situation in the pumps and valves sector deteriorated compared with the same period of 2014.

KSB Group		01-09/2015	01-09/2014	Change
Order intake	€ million	1,692.2	1,750.0	- 3.3%
Sales revenue	€ million	1,686.2	1,587.8	+ 6.2%
Employees (30 Sept.)		16,363	16,476	- 0.7%

Order intake and sales revenue

The Group's order intake for the period from January to September 2015 totalled € 1,692.2 million. As a result of the weak level of project business to date in 2015, this value was 3.3 % down on the comparative prior-year period. A significant increase in service business only partially offset markedly lower pump orders and somewhat stronger falls in valve orders. Orders received by the Group companies in Asia and the Region Middle East / Africa grew strongly, while order values at the companies in Europe, the Americas and Oceania were down.

The Group's consolidated sales revenue grew 6.2 % in the first three quarters of the year, totalling € 1,686.2 million. Increases, ranging from slight to strong, were posted by all three segments: Pumps, Valves and Service. The companies in the Regions Asia and Middle East / Africa achieved double-digit percentage increases in their sales revenue during the reporting period, with the American companies, too, enjoying strong growth overall. The companies in Europe also improved their sales revenue.

Exchange rate changes had a positive impact when translating the order intake and sales revenue figures of several non-European countries into the euro, the Group currency.

Change in number of employees

On 30 September 2015, 16,363 people were employed in the Group, 113 fewer than at the same time last year. The German companies recorded a significant fall in staff numbers, down by 170 as a result of measures introduced by KSB AG to adapt to new market conditions. Meanwhile, the size of the French workforce increased, mainly due to the integration of a service operation (with 134 employees as at the reporting date).

Results of operations and financial position

Consolidated earnings before taxes for the first nine months were significantly up on the previous year. This increase can be attributed to the rise in sales revenue and to the currency translation effects referred to above. The net financial position at the end of September was close to the comparative prior-year figure.

Outlook

With regard to 2015 as a whole, the KSB continues to expect an order intake above the previous year's figure (€ 2,321.2 million). This growth will, however, depend on the award of some large-scale orders from Asia that are currently pending. In the event that these pump orders are postponed until next year, the 2015 order intake might be slightly down on the previous year, contrary to expectations.

Sales revenue for 2015 will be considerably higher than the prior-year figure (€2,181.7 million). As announced earlier, all of the Group's segments are contributing to this growth.

From today's perspective, the Group's earnings before taxes for 2015 will significantly exceed those of the previous year (€ 72.6 million). However, it is likely that earnings will not move as close to the three-digit million target as previously anticipated. The economic state of the pumps and valves industry, which has weakened further over the course of the year, is one of the main factors responsible. Consequently, while return on sales will increase, it is likely that it will remain somewhat below the targeted medium single-digit figure.

We continue to expect a net financial position of between € 180 million and € 190 million by the year end.

Structural improvement measures are in place throughout the Group to cut costs and to ensure that earnings can be further improved over the coming years. These include cutting the number of small Group companies, reducing type-series diversity and the more efficient division of labour in global production.