

**Statement by the Board of Management and the Supervisory Board  
of KSB Aktiengesellschaft  
on Compliance with the Recommendations of the  
Government Commission on the German Corporate Governance Code  
Pursuant to Section 161 AktG [German Public Companies Act]**

Since the publication of the last statement of compliance on 2 December 2016 KSB Aktiengesellschaft, Frankenthal (Pfalz), has complied with the recommendations of the Government Commission on the German Corporate Governance Code as set out in the latest version dated 7 February 2017 with the exception of the following and continues to comply with the recommendations in this scope:

1. The Board of Management has no chairperson (subsection 4.2.1, sentence 1).

Reason:

The composition of the Board of Management, which has had two members since mid-2014, eliminated the need for special overall coordination of the Board of Management activities. Within the scope of the expansion of the Board of Management initiated, however, we will be aiming for compliance with this Code recommendation.

2. The upper remuneration limits contained in the service contracts of the Board of Management members do not fully meet the requirements of the Code (subsection 4.2.3, paragraph 2, sentence 6).

Reason:

At KSB there are upper limits for the main remuneration components. Occasionally – e.g. for pension commitments and benefits in kind – no amounts are defined, but they can be adequately derived on the basis of the respective commitment. The requirements of the Code exceeding the above provide no sustainable further insight.

3. The Board of Management's remuneration is neither disclosed separately for each member in the remuneration report nor classified by components based on the model tables (subsection 4.2.5 paragraphs 3 and 4).

Reason:

Pursuant to German commercial law, the Annual General Meeting of KSB Aktiengesellschaft decided to refrain from disclosure of the details of remuneration of the individual Board of Management members. The Board of Management and the Supervisory Board abide by this decision.

4. With the exception of an age limit, the Supervisory Board does not specify concrete objectives or defined competences regarding its composition (subsection 5.4.1, paragraph 2).

Reason:

We appreciate the diversity in the composition of the Supervisory Board aimed at by the Code, which will generally be conducive to the interests of the company. To date, we have always followed this principle. However, we take a critical view of detailed specifications going beyond legal requirements, as we believe that this would make it more difficult to ensure an appropriate and adequately flexible composition of this body.

5. The performance-related component of the Supervisory Board remuneration is based on the annual dividend; it is thus not oriented toward “sustainable” development of the enterprise as defined in subsection 5.4.6, paragraph 2.

Reason:

We support the sustainability objective of the Code, but do not consider a change in the well-established remuneration structure for the Supervisory Board to be necessary for achievement of this objective.

6. The total amount of the remuneration paid to the members of the Supervisory Board for their service on the Board, as well as of remuneration or advantages extended for services provided individually, in particular advisory or agency services, is disclosed in the Notes to the Consolidated Financial Statements, but the remuneration is disclosed neither separately for each member nor classified by components (subsection 5.4.6, paragraph 3).

Reason:

The remuneration of the Supervisory Board members is governed by the Articles of Association and the supplementary resolution of the Annual General Meeting dated 16 May 2012; these documents provide detailed information on the individual components of the remuneration. Beyond that, we prefer to provide summarised information about the remuneration of the members of the Supervisory Board rather than breaking it down into the compensation paid to the individual members and the components it contains, as we do not believe that the latter would provide any additional benefits for shareholders or the development of the company.

Frankenthal, 12 September 2017

For the Supervisory Board

A handwritten signature in blue ink, appearing to be 'B. Flohr'.

– Dr. Bernd Flohr –  
(Chairman of the Supervisory Board)

Board of Management

Three handwritten signatures in blue ink, corresponding to the names listed below.

– Dr. Peter Buthmann –

– Ralf Kannefass –

– Dr. Matthias Schmitz –