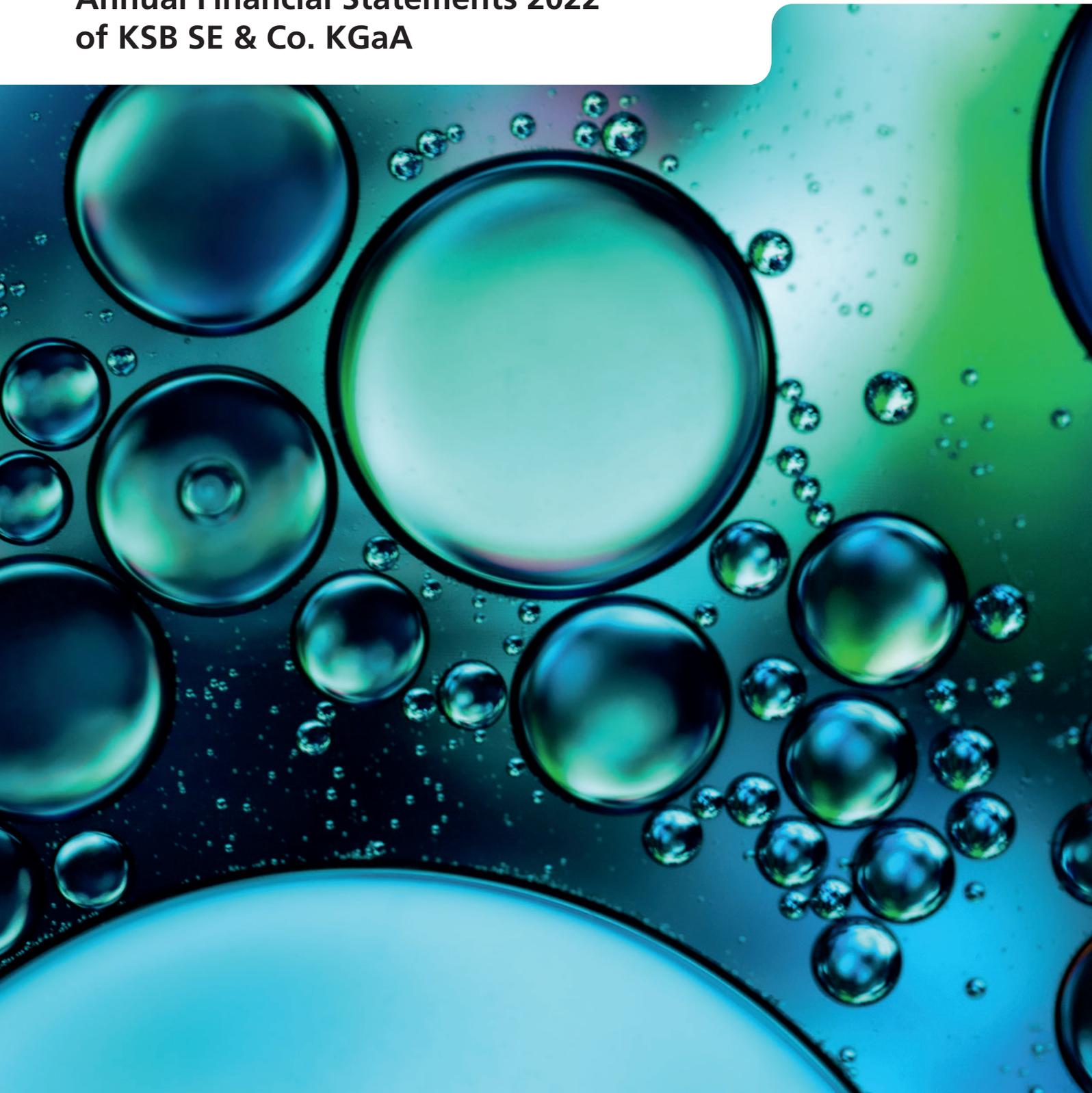


Annual Financial Statements 2022 of KSB SE & Co. KGaA



Five-year Financial Summary

Business development and earnings

		2022	2021	2020	2019	2018
Order intake	€ m	858	801	730	797	758
Sales revenue	€ m	900	869	814	842	807
Net profit / loss for the year	€ m	54	4	-8	-17	180

Balance sheet and equity

		2022	2021	2020	2019	2018
Balance sheet total	€ m	1,146	1,038	978	983	1,019
Equity	€ m	321	289	292	315	338
Equity ratio	%	28	28	30	32	33

Employees

		2022	2021	2020	2019	2018
Number as at 31 December		3,826	3,820	3,826	3,834	3,906

Dividend

		2022	2021	2020	2019	2018
Per ordinary share	€	19.50	12.00	4.00	8.50	3.00
Per preference share	€	19.76	12.26	4.26	8.76	3.38

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The management report combines the management reports of KSB SE & Co. KGaA and the Group and is published as part of the KSB Group's Annual Report 2022.

The annual financial statements and the combined management report of KSB SE & Co. KGaA and the KSB Group for the 2022 financial year are published in the Bundesanzeiger [German Federal Gazette].



The combined management report is available at:
www.ksb.com/managementreport2022



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links directly to the respective page.

Balance Sheet

Assets

€ thousands	Notes	31 Dec. 2022	31 Dec. 2021
Fixed assets			
Intangible assets	1	38,276	41,351
Property, plant and equipment	1	157,067	134,694
Financial assets	2	337,838	296,511
		533,181	472,556
Current assets			
Inventories	3	300,754	250,936
Advances received from customers	3	-88,664	-95,924
		212,090	155,012
Receivables and other assets	4	362,283	301,927
Cash and bank balances		34,704	104,523
		396,987	406,450
Prepaid expenses		3,970	3,523
		1,146,228	1,037,541

Equity and liabilities

€ thousands	Notes	31 Dec. 2022	31 Dec. 2021
Equity	6		
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	7		
Pensions and similar obligations		504,498	474,225
Miscellaneous other provisions		111,046	111,247
		615,544	585,472
Liabilities	8	208,171	161,001
Deferred income	9	1,260	2,520
		1,146,228	1,037,541

Income statement

Income statement

€ thousands	Notes	2022	2021
Sales revenue	13	899,583	869,343
Changes in inventories		18,012	3,197
Work performed and capitalised		1,244	1,745
Total output of operations	14	918,839	874,285
Other operating income	15	33,322	18,467
Cost of materials	16	-414,807	-383,444
Staff costs	17	-368,642	-338,780
Depreciation and amortisation		-20,056	-20,778
Other operating expenses	18	-163,544	-150,834
		-14,887	-1,084
Income from equity investments	19	93,320	47,609
Other financial income / expense		-16,863	-38,836
		76,457	8,773
Taxes on income	21	-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
Transfer to other revenue reserves		-	-
Net retained profits		73,637	40,933



Notes

GENERAL

KSB SE & Co. KGaA, with its registered office in Frankenthal / Pfalz and branches in Bremen, Halle and Pegnitz, is a large corporation as defined in Section 267(3) HGB [German Commercial Code] as at the reporting date 31 December 2022. The company is registered with the *Handelsregister* [German Commercial Register] of the *Amtsgericht* [Local Court] Ludwigshafen am Rhein, registration No. HRB 65657. 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.

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.

For the sake of clarity, KSB has summarised individual items of the balance sheet and the income statement. The items are shown separately in these Notes to the financial statements. The Notes also contain the additional information required to be disclosed on individual items of the balance sheet and the income statement.

The financial statements have been prepared in euro (€). All amounts are stated in thousands of euros unless otherwise noted. The previous year's figures are as a rule shown in brackets in the Notes.

Details on the changes in fixed assets and the list of shareholdings pursuant to Section 285 No. 11 HGB follow the explanations on fixed assets.

Restructuring of KSB Finanz S.A., Luxembourg

As part of a restructuring, the current function of KSB Finanz S.A. as the Luxembourg holding and finance company has changed. In future KSB Finanz S.A. will only hold a few selected international group companies. The equity investments were transferred in three steps under company law: The first step was to create a new Luxembourg sister company of KSB Finanz S.A., called KSB Holding Luxembourg S.à r.l. and to spin off all the equity investments (except for those that are

to remain with KSB Finanz S.A.) and the operations of KSB Finanz S.A. into this new company. Once the spin-off took effect, KSB Holding Luxembourg S.à r.l. was integrated into KSB Beteiligungs GmbH by means of a cross-border merger. As the final step, KSB Beteiligungs GmbH was then merged with KSB SE & Co. KGaA on 30 December 2022.

The presentation of the assets and liabilities transferred within the scope of the restructuring and merger is an integral part of the items of these Notes and is explained in more detail there.

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 SE & Co. KGaA passed on price increases to customers, provided the competitive situation allowed it.

The COVID pandemic also led to temporary production stoppages and an increase in absences due to illness at KSB SE & Co. KGaA.

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 single-entity financial statements of KSB SE & Co. KGaA. Possible adverse effects on the procurement markets and supply chains, in particular, are therefore of material significance to KSB SE & Co. KGaA. The duration of the war in Ukraine and possible escalation of the conflict are decisive with regard to future repercussions for KSB SE & Co. KGaA.

ACCOUNTING POLICIES

The income statement has been prepared using the nature of expense method.

For internally generated intangible assets, the option pursuant to Section 248(2) HGB is exercised. They are capitalised at production cost (development cost) if there is at least a high probability of the actual creation of an asset as at the reporting date. Production costs include the individually attributable costs from the consumption of goods and the utilisation of services as well as reasonable proportions of material and production overheads and write-downs of fixed asset items in the course of the development process. Internally generated industrial property rights and similar rights and assets are amortised on a straight-line basis pro rata temporis over their respective expected useful lives.

Intangible fixed assets acquired from third parties against payment and tangible fixed assets (property, plant and equipment) are capitalised at acquisition cost and own work capitalised at production cost (both directly attributable costs and reasonable proportions of overheads as well as depreciation / amortisation) and depreciated or amortised in accordance with their expected useful life on a straight-line basis, pro rata temporis in the year of acquisition. If the fair values of individual fixed assets fall below their carrying value, write-downs are recognised in the event of expected permanent impairment. Borrowing costs are not recognised as part of the acquisition or production costs.

The following useful lives are applied:

Useful life

Intangible assets	3 to 15 years
Buildings	15 to 50 years
Plant and machinery	6 to 25 years
Other equipment, operating and office equipment	4 to 25 years

As far as the accounting of low-value assets is concerned, the tax law regulations of Sections 6(2) and (2a) EStG [Einkommensteuergesetz – German Income Tax Act] are also applied in commercial law for reasons of materiality. Acquisition or production costs of depreciable movable assets capable of independent use are recognised in full as operating expenses in the financial year of acquisition, production or contribution if the acquisition or production costs, less any input tax included therein, do not exceed € 800 for the individual asset. In the financial years prior to 2018, collective items as defined in Section 6(2a) EStG were recognised for low-value assets.

Research and development costs (excluding internally generated intangible assets as described above) are expensed in the year incurred.

Financial assets include the shares in affiliates and equity investments measured at acquisition cost or, in the event of expected permanent impairment, at the lower fair value. Write-ups due to the requirement to reverse impairment losses are recognised up to the original acquisition cost if the reasons for permanent impairment no longer exist.

The fair value of affiliates and equity investments is determined using the discounted cash flow method. The detailed planning period of the underlying company data generally extends over a planning horizon of five years from the reporting date. For the subsequent period, a constant is calculated using an expected growth rate per investment. The cost of capital rates used for discounting take into account the country risk as well as the individual debt level of the individual investments. If the calculated enterprise value adjusted for net debt exceeds the carrying amount of the investment as at the reporting date, there is generally no need for impairment. If required, the carrying amount of the investment is written down.

Advance payments are recognised at nominal value.

Inventories are measured at acquisition or production cost, taking into account the lower of cost or market principle. All identifiable risks in inventories resulting from above-average storage periods, reduced usability and/or lower replacement costs are recognised through appropriate write-downs. In all cases, measurement at the lower of cost or market value was applied, i.e. if the anticipated selling prices less the costs incurred until the sale resulted in a lower fair value, corresponding write-downs were recognised.

Apart from customary retention of title, the inventories are free from third-party rights.

The acquisition costs of raw materials, consumables and supplies as well as goods are determined using the average value method.

Finished goods and work in progress are measured at production cost. The production costs include the components that must be capitalised in accordance with Section 255(2) HGB. Interest charges for debt capital have not been capitalised.

Advances received from customers are recognised at nominal value and openly deducted from inventories in full.

Receivables and other assets are recognised at the lower of nominal value or fair value as at the reporting date; non-interest-bearing or low-interest-bearing receivables are discounted. Identifiable risks are taken into account through appropriate individual impairment allowances. In addition, the general credit risk is covered by a general impairment allowance, which is deducted directly from the net receivables that are not individually impaired.

Cash and cash equivalents are recognised at nominal value on the reporting date.

Expenses prior to the reporting date are recognised as prepaid expenses if they represent expenses for a certain period after this date.

Subscribed capital is recognised at nominal value.

Provisions were recognised at the settlement amount required according to reasonable commercial assessment, taking into account future price and cost increases.

Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term. Pension provisions are discounted taking into account the average market interest rate of the past ten financial years.

Provisions for pensions and similar obligations are calculated in accordance with actuarial principles using the projected unit credit method, taking into account the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. The actuarial assumptions are as follows: The market interest rate for the assumed remaining term of 15 years, as published by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions as at 31 December 2022, fell from 1.87 % to 1.78 %. The rate of future salary and pension increases is assumed to be 2.7 % (previous year: 2.7 %) and 2.3 % (previous year: 1.9 %) respectively. In addition to the payment of a monthly pension for life, the pension plans provide for the full payment of the capital amount or a payment in monthly instalments. Every employee is entitled to apply at any time during the ongoing employment contract for payment in annual instalments, as a single lump-sum payment or as a pension for life. KSB has estimated how the specific workforce is likely to decide on exercising the lump-sum option and has taken this into account for the measurement of pension provisions. The estimates regarding the decision on exercising the lump-sum option were applied unchanged. All other measurement parameters are unchanged year on year. Average fluctuation is assumed.

Provisions for obligations from partial retirement schemes are set aside in accordance with the phased block model. Provisions for partial retirement are measured in accordance with actuarial principles using an interest rate of 0.43 % p.a. (previous year: 0.30 %), based on the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. As in the previous year, annual wage and salary increases of 2.7 % were used to determine the provisions for partial retirement obligations. The provisions for partial retirement were recognised for phased retirement agreements already concluded as at the reporting date and for future potential agreements. They include top-up amounts and settlement obligations of the company accrued up to the reporting date.

Appropriate provisions were recognised at the respective settlement amount for future expenses from the fulfilment of guarantees and warranties, i.e. taking into account the cost ratios expected to apply at the time of fulfilment. Provisions are recognised for specific individual risks as well as in the form of a lump-sum provision based on the sales revenue of the last eighteen months.

Provisions for future expenses relating to penalty risks are calculated on the basis of individual contractual arrangements in accordance with the delay in the completion of the project. In addition, a lump-sum provision is recognised.

Liabilities are measured at their settlement amount.

Deferred income is income received before the reporting date that represents income for a certain period after this date.

Currency translation

Transactions denominated in foreign currencies are generally recorded at the historical exchange rate at the time of initial recognition.

Balance sheet items are measured as follows as at the reporting date:

Non-current foreign currency receivables are recognised at the selling rate when the receivable arises or at the lower fair value based on the average spot exchange rate on the reporting date (impairment principle). Current foreign currency receivables (remaining term of one year or less) as well as cash and cash equivalents or other current assets denominated in foreign currencies are translated at the average spot exchange rate on the reporting date. Non-current foreign currency liabilities are recognised at the buying rate at the time the liability is incurred or at the higher closing rate at the reporting date based on the spot exchange rate on the reporting date (impairment principle). Current foreign currency liabilities (remaining term of one year or less) are translated at the average spot exchange rate on the reporting date.

Deferred taxes

Deferred taxes are recognised on the differences between the carrying amounts in the financial accounts and the tax accounts, if and to the extent that these are expected to decrease in later financial years. In addition, deferred tax assets are recognised on corporate and trade tax loss carry-forwards to the extent that losses are expected to be offset within, as a rule, the next five years. According to the formal approach, the sole tax debtor is the company as the controlling company, i.e. actual and deferred taxes of the controlled companies must also be shown in full in the annual financial statements of the controlling company, as it alone is subject to the taxation consequences. Accordingly, the deferred taxes on temporary differences of the controlled companies are recognised in the financial statements of KSB SE & Co. KGaA. The calculation of deferred taxes is based on an effective tax rate of around 31 %, which is expected to apply when the differences are reduced. Deferred tax assets and liabilities are reported net. In the case of an asset surplus of deferred taxes as at the reporting date, no use is made of the capitalisation option provided for in Section 274(1) Sentence 2 HGB.

Derivative financial instruments and hedge accounting

The company is exposed to currency and interest rate risks in the course of its business activities. These are hedged mainly through the use of derivative financial instruments. These are instruments traded outside the stock exchange (OTC). Currently, only forward exchange transactions are used. They are applied to hedge the company's operating business as well as the related cash investments and financing transactions. The aim here is to reduce the volatility resulting from changes in exchange rates and interest rates in relation to earnings and cash flows.

KSB uses micro and portfolio hedges to hedge transactions already recognised and future highly probable cash flows from its operating business.

The hedging instruments used share the essential terms and conditions with the underlying transactions, i.e. with regard to amount, term and quality. They are deployed in accordance with uniform guidelines and are subject to strict internal controls. In addition, these transactions are subject to prospective and retrospective effectiveness testing and risk monitoring. The hedging instruments used are exclusively simple currency forwards entered into with prime-rated banks.

Assets and liabilities, pending transactions and transactions that are expected in the future with a high degree of probability (underlyings) are, within the scope of hedge accounting, grouped in micro and portfolio hedges to offset opposing changes in fair value and cash flows with derivative financial instruments (hedge transactions), provided the requirements of Section 254 HGB are met.

If hedge accounting in accordance with Section 254 HGB is applied to hedges and highly probable forecast transactions, the forward exchange transactions are not recognised in the balance sheet until the underlying transaction occurs (net hedge presentation method). After the underlying transaction has occurred, the underlying transaction and the hedge transaction are recognised in accordance with the gross hedge presentation method. The fair value of these hedges is reported

in the other assets balance sheet item as well as in the other liabilities balance sheet item.

For derivatives, previously recognised exchange rate gains or losses from extended hedge transactions are accrued within the scope of micro-hedges, if and to the extent that they result in future offsetting effects.

The critical terms match method is used prospectively for hedge accounting with forward exchange transactions; retrospectively, the assessment is based on the dollar offset method. KSB assumes a high probability of occurrence of the hedged transactions, as they are generally routine transactions and the hedge is below the planned total volume.

BALANCE SHEET DISCLOSURES

1. Intangible assets, property, plant and equipment

In the financial year under review, investment activity was higher than in the previous year. The focus continued to be on replacement investments in manufacturing facilities. Investments amounted to € 40,107 thousand (previous year: € 24,017 thousand) and depreciation / amortisation to € 20,056 thousand (previous year: € 20,778 thousand). As in the previous year, there were no material write-downs.

Disposals of assets with a carrying amount of € 754 thousand (previous year: € 136 thousand) resulted in book gains of € 250 thousand (previous year: € 65 thousand) and book losses of € 12 thousand (previous year: € 120 thousand).

KSB SE & Co. KGaA exercised the option of capitalising internally generated intangible fixed assets in accordance with Section 248(2) HGB and recognised internally generated intangible assets totalling € 32,514 thousand (previous year: € 32,260 thousand). These are mainly attributable to the KSBbase software (selection software for the standard pump range), which was already completed in 2020, and the E2E e-sales software. Software in development accounted for € 3,100 thousand. In the financial year under review, research and development costs amounted to € 39,868 thousand (previous year: € 38,377 thousand).

2. Financial assets

Within the scope of the restructuring described, the carrying amount of the investment was reduced by € 166,489 due to the spin-off of a material share in equity at KSB Finanz S.A., Luxembourg. The reduction in the carrying amount of the investment is determined based on the ratio of the net carrying amounts disposed relative to the total net carrying amounts of the financial assets of KSB Finanz S.A., Luxembourg.

The partial merger of KSB Finanz S.A., Luxembourg, described in the General Information, resulted in additions to affiliated companies amounting to € 208,137 thousand. These companies are marked with a footnote in the list of shareholdings.

In addition, impairment write-downs in accordance with Section 253(3) Sentence 5 HGB were required in the 2022 financial year in the amount of € 296 thousand for the carrying amount of the investment in KSB Seil, Seoul, South Korea, and of € 26 thousand for the carrying amount of the investment in Dynamik-Pumpen GmbH, Stuhr, Germany. The restructuring and transfer of financial assets at gross value resulted in an addition of € 2,250 thousand overall.

Statement of Changes in Fixed Assets

Statement of changes in fixed assets in the 2022 financial year

€ thousands	Historical cost				Accumulated depreciation and amortisation					Net value		
	Balance at 1 Jan. 2022	Additions	Disposals	Reclassifications	Balance at 31 Dec. 2022	Balance at 1 Jan. 2022	Additions	Disposals	Reclassification/Write-ups	Balance at 31 Dec. 2022	Balance at 31 Dec. 2022	Prior-year balance
Intangible assets												
Internally generated industrial property rights and similar rights and assets	40,371	1,551	649	2,045	43,319	8,111	2,695	–	–	10,805	32,514	32,260
Concessions, industrial property and similar rights and assets acquired against payment, as well as licences in such rights and assets	49,852	538	–	1,798	52,188	45,402	2,810	–	–	48,213	3,975	4,450
Advance payments	4,641	989	–	–3,843	1,787	–	–	–	–	–	1,787	4,641
	94,864	3,078	649	–	97,294	53,513	5,505	–	–	59,018	38,276	41,351
Property, plant and equipment												
Land or land rights and buildings including buildings on third-party land	135,002	7,134	41	1,448	143,543	91,918	2,074	41	–	93,951	49,592	43,084
Plant and machinery	272,159	7,310	4,509	3,217	278,176	218,307	6,888	4,419	–	220,775	57,401	53,852
Other equipment, operating and office equipment	62,063	6,019	2,800	616	65,898	38,046	5,588	2,785	–	40,849	25,049	24,017
Advance payments and assets under construction	13,741	16,566	–	–5,281	25,025	–	–	–	–	–	25,025	13,741
	482,965	37,029	7,350	–	512,642	348,271	14,550	7,245	–	355,575	157,067	134,694
Financial assets												
Investments in affiliates	306,566	210,387	166,489	–	350,464	29,476	2,572	–	–	32,048	318,417	277,090
Equity investments	19,421	–	–	–	19,421	–	–	–	–	–	19,421	19,421
	325,987	210,387	166,489	–	369,885	29,476	2,572	–	–	32,048	337,838	296,511
	903,816	250,494	174,488	–	979,821	431,260	22,627	7,245	–	446,641	533,181	472,556

List of Shareholdings

LIST OF SHAREHOLDINGS IN 2022

The shares in affiliates and equity investments (interests held) reported under financial assets – i.e. the companies in which the company holds, directly or indirectly, at least 20 % of the share capital – are listed below. The disclosures on equity and the net profit or loss for the year of affiliates are provided in accordance with IFRS.

Affiliates (national and international)

Cons. No.	Name and seat	Country	Activity ²⁾	Capital share in %	Group share of capital in %	Held by No.	Equity ³⁾ € thousands	Net profit / loss for the year ³⁾ € thousands
1	Aplicaciones Mecánicas Válvulas Industriales, S.A. (AMVI), Burgos ¹⁾	Spain	P	100.00	100.00		5,086	-1,246
2	Canadian Kay Pump Limited, Mississauga / Ontario	Canada	H	100.00	100.00		3,797	1,829
3	KSB Limited, Pimpri (Pune)	India	P	40.54	40.54	2	128,811	22,102
4	KSB MIL Controls Limited, Annamanada	India	P	49.00	19.86	3	16,081	2,112
				51.00	51.00			
5	Pofran Sales & Agency Limited, Pimpri (Pune)	India	S	100.00	40.54	3	20	-1
6	Dynamik-Pumpen GmbH, Stuhr	Germany	SVC	100.00	100.00		802	1,152
7	Hydroskepi GmbH, Amaroussion (Athens)	Greece	H	100.00	100.00		340	57
8	KAGEMA Industrieausrüstungen GmbH, Pattensen	Germany	P	100.00	100.00		2,865	1,553
9	KSB Algérie Eurl, Bordj el Kifane (Algeria) ¹⁾	Algeria	S	100.00	100.00		1,749	142
10	KSB Armaturen Verwaltungs- und Beteiligungs-GmbH, Frankenthal	Germany	H	100.00	100.00		1,412	5
11	OOO "KSB", Moscow	Russia	P	100.00	100.00	10	3,300	-3,236
12	I000 "KSB BEL", Minsk	Belarus	S	98.10	98.10	11	146	-147
				1.90	1.90	10		
13	TOV "KSB Ukraine", Kyiv	Ukraine	S	100.00	100.00	11	420	-87
14	TOB "KSB Ukraine" LLC, Kyiv	Ukraine	S	100.00	100.00	10	249	-1
15	KSB Belgium S.A., Bierges-lez-Wavre ¹⁾	Belgium	S	100.00	100.00		3,918	73
16	KSB Service Belgium S.A./N.V., Bierges-lez-Wavre	Belgium	SVC	100.00	100.00	15	392	-274
				92.00	92.00		883	-60
17	KSB, Bombas e Válvulas, SA, Albarraque	Portugal	S	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		27,745	6,670
19	KSB Colombia SAS, Funza (Cundinamarca) ¹⁾	Colombia	S	100.00	100.00		565	236
20	KSB de Mexico, S.A. de C.V., Querétaro	Mexico	P	100.00	100.00		3,175	292

¹⁾ The shares in these affiliated companies that were previously held by KSB Finanz S.A., Echternach, Luxembourg, were transferred in full to KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, in the reporting year.

²⁾ P = Production / assembly, S = Sales, SVC = Service, H = Holding

³⁾ Data according to latest annual financial statements under IFRS



Cons. No.	Name and seat	Country	Activ-ity ²⁾	Capital share in %	Group share of capital in %	Held by No.	Equity ³⁾ € thousands	Net profit / loss for the year ³⁾ € thousands
21	KSB Finance Nederland B.V., Zwanenburg ¹⁾	Netherlands	H	100.00	100.00		27,506	9,997
22	D.P. Industries B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	21	41,484	-28,349
23	KSB B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	22	23	16,456
24	Duijvelaar Installatiebouw B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	22	23	-
25	DP Pompen B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	22	23	18,148
26	DP Pumps B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	22	18	9,055
27	DP Service B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	22	23	-
28	KSB Nederland B.V., Zwanenburg	Netherlands	S	100.00	100.00	21	6,079	2,139
29	KSB Finanz S.A., Echternach	Luxembourg	H	100.00	100.00		59,233	45,832
30	Dalian KSB AMRI Valves Co., Ltd., Dalian	China	P	100.00	100.00	29	6,969	1,011
31	KSB Australia Pty Ltd, Bundamba QLD	Australia	P	100.00	100.00	29	10,229	-1,825
32	KSB New Zealand Limited, Albany / Auckland	New Zealand	S	100.00	100.00	31	600	-80
33	KSB BRASIL LTDA., Várzea Paulista	Brazil	P	100.00	100.00	29	49,123	12,170
34	KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires)	Argentina	P	95.00 5.00	95.00 5.00	29	15,512	1,267
35	KSB Middle East FZE, Dubai	U.A.E.	S	100.00	100.00	29	6,917	58
36	KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg)	South Africa	H	100.00	100.00	29	13,900	2,992
37	KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg)	South Africa	P	70.00	70.00	36	24,160	4,704
38	KSB PUMPS AND VALVES LIMITED, Nairobi	Kenya	S	100.00	100.00	36	188	115
39	KSB Shanghai Pump Co., Ltd., Shanghai	China	P	80.00	80.00	29	46,793	10,278
40	KSB Finland Oy, Kerava	Finland	S	100.00	100.00		9,206	2,115
41	KSB Hungary Kft., Budapest	Hungary	S	100.00	100.00		893	110
42	KSB Italia S.p.A., Milano ¹⁾	Italy	P	100.00	100.00		26,070	1,687
43	KSB ITUR Spain S.A., Zarautz ¹⁾	Spain	P	100.00	100.00		21,939	136
44	KSB Korea Ltd., Seoul	South Korea	P	100.00	100.00		4,478	469
45	KSB Limited, Hong Kong	China	S	100.00	100.00		2,364	1,255
46	KSB Pump & Valve Technology Service (Tianjin) Co., Ltd, Tianjin	China	SVC	100.00	100.00	45	5,408	1,293
47	KSB Limited, Loughborough ¹⁾	United Kingdom	S	100.00	100.00		6,481	1,438
48	KSB Ltd., Tokyo	Japan	S	100.00	100.00		-802	-230
49	KSB Norge AS, Ski	Norway	P	100.00	100.00		1,642	285
50	KSB Österreich Gesellschaft mbH, Vienna ¹⁾	Austria	S	100.00	100.00		1,131	186
51	KSB Perú S.A., Lurin	Peru	S	100.00	100.00		1,795	276
52	KSB Polska Sp. z o.o., Ozarow-Mazowiecki	Poland	S	100.00	100.00		7,397	820
53	KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara ¹⁾	Turkey	P	100.00	100.00		13,753	3,041
54	KSB Pumps and valves L.t.d., Domžale ¹⁾	Slovenia	S	100.00	100.00		4,030	1,089
55	KSB Pumps Co. Ltd., Bangkok	Thailand	P	40.00	40.00		7,239	-460
56	KSB Pumps Company Limited, Lahore	Pakistan	P	58.89	58.89		8,312	200

¹⁾ The shares in these affiliated companies that were previously held by KSB Finanz S.A., Echternach, Luxembourg, were transferred in full to KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, in the reporting year.

²⁾ P = Production / assembly, S = Sales, SVC = Service, H = Holding

³⁾ Data according to latest annual financial statements under IFRS

Cons. No.	Name and seat	Country	Activ-ity ²⁾	Capital share in %	Group share of capital in %	Held by No.	Equity ³⁾ € thousands	Net profit / loss for the year ³⁾ € thousands
57	KSB Pumps Inc., Mississauga / Ontario ¹⁾	Canada	S	100.00	100.00		3,806	1,150
58	KSB-Pumpy+Armatury s.r.o., concern, Prague	Czech Republic	S	100.00	100.00		4,150	28
59	KSB S.A.S., Gennevilliers (Paris) ¹⁾	France	P	100.00	100.00		86,338	10,848
60	KSB POMPES ET ROBINETTERIES S.à.r.l. d'Associé unique, Casablanca	Morocco	S	100.00	100.00	59	2,290	-33
61	KSB (Schweiz) AG, Oftringen	Switzerland	S	100.00	100.00		1,585	1,360
62	KSB Seil Co., Ltd., Busan	South Korea	P	100.00	100.00		7,212	294
63	KSB Service GmbH, Frankenthal	Germany	SVC	100.00	100.00		15,455	11,314
64	KSB Service GmbH, Schwedt	Germany	SVC	100.00	100.00		3,255	2,202
65	KSB Singapore (Asia Pacific) Pte Ltd, Singapore	Singapore	P	100.00	100.00		9,413	1,562
66	KSB Malaysia Pumps & Valves Sdn. Bhd., Shah Alam	Malaysia	P	100.00	100.00	65	1,852	1,314
67	KSB PHILIPPINES, INC., Makati City	Philippines	S	100.00	100.00	65	762	309
68	KSB Vietnam Co., Ltd, Long Thanh District	Vietnam	S	100.00	100.00	65	462	263
69	KSB Sverige Aktiebolag, Gothenburg	Sweden	S	100.00	100.00		7,938	846
70	KSB Sverige Fastighets AB, Gothenburg	Sweden	S	100.00	100.00	69	1,192	26
71	PUMPHUSET Sverige AB, Sollentuna	Sweden	SVC	100.00	100.00	69	2,297	424
72	KSB Taiwan Co., Ltd., New Taipei City	Taiwan	S	100.00	100.00		3,967	1,584
73	KSB Tech Pvt. Ltd., Pimpri (Pune)	India	T	100.00	100.00		4,078	1,512
74	KSB Valves (Changzhou) Co., Ltd., Jiangsu	China	P	100.00	100.00		15,027	1,648
75	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal ¹⁾	Germany	H	51.00	51.00		16,975	12
76	KSB America Corporation, Richmond / Virginia	USA	H	100.00	51.00	75	60,960	1,216
77	GIW Industries, Inc., Grovetown / Georgia	USA	P	100.00	51.00	76	148,047	13,144
78	KSB Dubric, Inc., Comstock Park / Michigan	USA	SVC	100.00	51.00	76	-1,181	-213
79	KSB, Inc., Richmond / Virginia	USA	P	100.00	51.00	76	11,166	450
80	KSB, Inc. – Western Division, Bakersfield / California	USA	SVC	100.00	51.00	76	2,865	75
81	Standard Alloys Incorporated, Port Arthur / Texas	USA	SVC	100.00	51.00	76	6,842	-1,969
82	PMS-BERCHEM GmbH, Neuss	Germany	SVC	100.00	100.00		697	48
83	PT. KSB Indonesia, Cibitung ¹⁾	Indonesia	P	100.00	100.00		15,990	1,561
84	PT. KSB Sales Indonesia, Cibitung	Indonesia	S	99.00 1.00	99.00 1.00	83	2,595	455
85	Pumpen-Service Bentz GmbH, Reinbek	Germany	SVC	100.00	100.00		723	1,132
86	REEL s.r.l., Ponte di Nanto	Italy	P	100.00	100.00		2,846	1,023
87	SISTO Armaturen S.A., Echternach ¹⁾	Luxembourg	P	52.85	52.85		23,829	4,854
88	Uder Elektromechanik GmbH, Friedrichsthal	Germany	SVC	100.00	100.00		28	660

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³⁾ Data according to latest annual financial statements under IFRS

Joint ventures

Cons. No.	Name and seat	Country	Activ-ity ²⁾	Capital share in %	Group share of capital in %	Held by No.	Equity ³⁾ € thousands	Net profit / loss for the year ³⁾ € thousands
	International							
89	KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ, Ankara	Turkey	P	55.00	55.00	53	210	118
90	KSB Pumps Arabia Ltd., Riyadh	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

Cons. No.	Name and seat	Country	Activ-ity ²⁾	Capital share in %	Group share of capital in %	Held by No.	Equity ³⁾ € thousands	Net profit / loss for the year ³⁾ € thousands
93	Motori Sommersi Riavvolgibili S.r.l., Cedegolo	Italy		25.00	25.00		6,139	3,173

Companies not consolidated due to immateriality

Cons. No.	Name and seat	Country	Activ-ity ²⁾	Capital share in %	Group share of capital in %	Held by No.	Equity ³⁾ € thousands	Net profit / loss for the year ³⁾ € thousands
94	Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V.	Germany		100.00	100.00		105	-16
95	KSB BOMBAS E VÁLVULAS (Angola), LDA, Belas ¹⁾	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 1.00	99.00 1.00	33 29	1,301	309
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 pompe 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 ¹⁾	Nigeria	S	60.00 48.00	60.00 48.00		283 836	-89 -183
104	KSB Service Egypt LLC, Cairo	Egypt	SVC	11.00 1.00	11.00 1.00	98 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⁾ The shares in these affiliated companies that were previously held by KSB Finanz S.A., Echternach, Luxembourg, were transferred in full to KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, in the reporting year.

²⁾ P = Production / assembly, S = Sales, SVC = Service, H = Holding

³⁾ Data according to latest annual financial statements under IFRS

3. Inventories and advances received

Inventories and advances received

€ thousands	31 Dec. 2022	31 Dec. 2021
Raw materials, consumables and supplies	117,217	83,673
Work in progress	153,863	143,961
Finished goods and goods purchased and held for resale	25,239	18,395
Advance payments	4,435	4,907
Advances received from customers	-88,664	-95,924
	212,090	155,011

€ 1,080 thousand (previous year: € 1,652 thousand) of the advance payments made are attributable to affiliates and equity investments. Advances received from customers have a remaining term of up to one year and relate to affiliates in the amount of € 26,283 thousand (previous year: € 36,756 thousand).

The carrying amount of inventories includes impairment losses of € 59,122 thousand (previous year: € 48,187 thousand), measured at the lower of cost or market value. The increase is mainly attributable to impairments on orders in progress that were sanctioned because of the war in Ukraine.

4. Receivables and other assets

Receivables and other assets

€ thousands	31 Dec. 2022	31 Dec. 2021
Trade receivables	53,298	50,330
of which with a remaining term of more than 1 year	942	1,388
Receivables from affiliates	250,262	197,168
of which with a remaining term of more than 1 year	54,086	169
Receivables from non-controlling interests	37,615	21,247
of which with a remaining term of more than 1 year	2,028	2,093
Other assets	21,109	33,182
Total	362,283	301,927
of which with a remaining term of more than 1 year	57,056	3,650

Unless otherwise stated, the receivables are due within one year. € 158,166 thousand (previous year: € 129,632 thousand) of the receivables from affiliates are intercompany receivables. € 88,768 thousand (previous year: € 64,715 thousand) relates to loans and cash investments in the Group. This item also includes receivables from profit and loss transfer agreements in the amount of € 3,328 thousand (previous year: € 2,821 thousand). € 36,590 thousand (previous year: € 20,308 thousand) of the receivables from non-controlling interests are intercompany trade receivables. Loans and cash investments in the Group accounted for € 1,025 thousand (previous year: € 939 thousand).

Loans and cash investments to affiliates of € 71,743 thousand and trade receivables of € 7,973 thousand were acquired within the scope of the partial merger of KSB Finanz S.A., Luxembourg, described in the General Information.

Other assets amounted to € 21,109 thousand (previous year: € 33,182 thousand). They include receivables from credit balances for partial retirement agreements and long-term working time accounts amounting to € 13,103 thousand (previous year: € 11,425 thousand), which are secured against insolvency in accordance with the statutory provisions. Bonds from the previous year in the amount of € 15,003 thousand were redeemed in 2022. Other assets also include receivables from tax authorities amounting to € 3,692 thousand (previous year: € 3,918 thousand). These relate to receivables from income and excise tax credits in the amount of € 2,657 thousand and from electricity tax in the amount of € 1,035 thousand. The other assets all have a remaining term of up to one year.

5. Cash and bank balances

A portion of the cash and cash equivalents amounting to € 18,344 thousand (previous year: € 25,004 thousand) is accounted for by short-term call deposits and fixed-term deposits. The remaining € 16,360 thousand (previous year: € 79,519 thousand) result from current account balances at banks and from cash assets.

6. Equity

There was no change in the share capital of KSB SE & Co. KGaA as against the previous year; it totals € 44,771,963.82 in accordance with the Articles of Association. It is divided into 886,615 no-par-value ordinary shares (€ 22,665,952.56) and 864,712 no-par-value ordinary shares (€ 22,106,011.26).

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.

The capital reserve results from the appropriation of premiums from capital increases in previous years.

Out of the 2021 net retained earnings of € 40,933 thousand, dividends totalling € 21,241 thousand (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 € 19,692 thousand was carried forward to new account. The revenue reserves exclusively comprise other revenue reserves.

As at the reporting date of 31 December 2022, the distributable capital, consisting of the net profit / loss for the year plus the retained earnings carried forward and the freely available reserves in the total amount of € 205,340 thousand exceeded the total amount of the non-distributable amounts of € 58,407 thousand by € 146,933 thousand. Therefore, no dividend payout restriction was adopted with regard to the net retained earnings of the financial year in the amount of € 73,637 thousand.

7. Provisions

Provisions

€ thousands	31 Dec. 2022	31 Dec. 2021
Provisions for pensions and similar obligations	504,498	474,225
Provisions for taxes	5,335	1,876
Other provisions	105,711	109,372
	615,544	585,472

The increase in pension provisions continued in 2022. The change in the interest rate of the obligation resulted in an effect of € 15,342 thousand (previous year: € 38,248 thousand), which is included as interest expense in the other financial income / expense.

The tax provisions of € 5,335 thousand (previous year: € 1,876 thousand) cover provisions for corporate income tax of € 2,021 thousand, trade tax of € 2,658 thousand and foreign tax risks in the amount of € 656 thousand from previous years that have not yet been assessed or finally audited and determined. Income tax provisions relate to the reporting year and previous years not yet finally assessed; prepayments and tax credit balances are offset. If these exceed the provision amounts, they are reported under other assets.

Of the other provisions, the largest portion of € 52,519 thousand (previous year: € 53,862 thousand) relates to personnel obligations. The main decrease was from termination agreements (- € 1,043 thousand). Obligations from long-term time accounts and compensated absence remained almost unchanged.

Currently, € 16,095 thousand (previous year: € 15,828 thousand) has been set aside for obligations from partial retirement schemes.

In addition, other provisions include risks arising from warranty claims of € 19,335 thousand (previous year: € 19,853 thousand), penalties of € 2,624 thousand (previous year: € 4,185 thousand), expected losses from uncompleted transactions of € 5,319 thousand (previous year: € 8,820 thousand) and for other uncertain obligations.

8. Liabilities

Liabilities

€ thousands	31 Dec. 2022	31 Dec. 2021
Liabilities from loans against borrower's note	–	22,000
Remaining term of up to 1 year	–	22,000
Remaining term of more than 1 year	–	–
Trade payables	71,465	50,686
Remaining term of up to 1 year	71,465	50,686
Liabilities to affiliates	127,953	78,177
Remaining term of up to 1 year	127,953	78,177
Liabilities to non-controlling interests	461	46
Remaining term of up to 1 year	461	46
Other liabilities	8,292	10,092
Remaining term of up to 1 year	8,187	9,987
Remaining term of more than 1 year	38	36
of which remaining term of more than 5 years	57	69
of which tax liabilities	4,363	4,027
of which social security liabilities	175	191
Total liabilities	208,171	161,001
Remaining term of up to 1 year	208,076	160,896
Remaining term of more than 1 year	38	36
of which remaining term of more than 5 years	57	69

In 2012, a loan against borrower's note with a total volume of € 175,000 thousand was successfully placed on the market to secure liquidity in the medium term. The final tranche of the loan against borrower's note was settled in full in 2022 (previous year: € 22,000 thousand).

Trade payables amounted to € 27,762 (previous year: € 27,232) to affiliates and € 461 thousand (€ 46 thousand) to equity investments. Intercompany loans and cash investments resulted in liabilities to affiliates amounting to € 100,191 thousand (previous year: € 57,205 thousand). Liabilities from intercompany loans and cash investments were offset with receivables from profit and loss transfer agreements in the amount of € 11,255 thousand (previous year: € 6,260 thousand).

Loans to affiliates of € 4,688 thousand were transferred within the scope of the partial merger of KSB Finanz S.A., Luxembourg, described in the General Information.

9. Deferred income

Deferred income amounting to € 1,260 thousand (previous year: € 2,520 thousand) relates to royalty payments.

10. Derivative financial instruments and hedge accounting

The major share of exchange rate risks from receivables and liabilities was hedged by forward exchange transactions with external contractual partners with a notional volume of € 27,905 thousand; their fair value amounts to € –180 thousand in total.

Forward exchange transactions with a notional value of € 132,288 thousand and a fair value of € 949 thousand were used to hedge highly probable transactions in foreign currencies.

Foreign currency items denominated in USD, CNY and AUD account for the major volume hedged by forwards. The terms to maturity of the derivatives used are mostly one to two years.

Any exchange rate losses or gains that are later offset by corresponding hedge transactions are accrued in other assets in the amount of € 763 thousand and in other provisions in the amount of € 367 thousand.

11. Contingent liabilities

KSB SE & Co. KGaA issued bonds and guarantees to banks on behalf of affiliates and equity investments amounting to € 18,550 thousand (previous year: € 25,628 thousand). There are also bonds and guarantee commitments to third parties in the amount of € 31,011 thousand (previous year: € 26,989 thousand). In addition, KSB SE & Co. KGaA issued an inter-company letter of comfort with an unquantified maximum amount to KSB de Mexico, S.A. de C.V., Querétaro, Mexico, in the 2022 financial year.

Based on the information available at the time of preparation, KSB SE & Co. KGaA currently assumes that the obligations underlying the above-mentioned contingent liabilities can be met in all cases by the respective principal debtors on the basis of their economic capacity. The company therefore estimates the probability of a claim to be very low.

12. Other financial obligations and off-balance sheet transactions

Other financial obligations and off-balance sheet transactions

€ thousands

The following obligations from rental agreements and leases will fall due in subsequent years:

2023	2,937
2024 – 2027	3,082
	6,019

The rental agreements and leases relate to the vehicle fleet, buildings and warehouses, and office and business equipment (copiers, printers). In all cases, these are operating leases, which means the leased assets are not recognised in the company's balance sheet. The advantage of these agreements lies in the reduced amount of capital tied up compared with acquisition and the elimination of the utilisation risk. Risks can arise from the term of the agreement if and to the extent that the assets can no longer be fully used, for which there are currently no indications.

The obligations from IT services agreements amount to € 104,200 thousand (previous year: € 94,123 thousand). Of this amount, € 24,525 thousand is attributable to 2023 and € 79,675 thousand to subsequent years up to 2027.

The aggregate purchase commitments for fixed assets amounted to € 18,646 thousand (previous year: € 12,056 thousand).

The total amount of other financial obligations as at the reporting date was € 128,865 thousand (€ 114,083 thousand).

Unsecured credit lines were agreed with affiliates for borrowing within the framework of cash pooling. The utilisation of these credit lines by Group companies is significantly more favourable for them than comparable borrowing from banks. In principle, there is a default risk involved, which KSB considers to be very low due to the financial position of the companies. As at the reporting date, an amount of € 18,269 thousand (previous year: € 9,623 thousand) of the total volume of credit lines granted of € 25,600 thousand (previous year: € 13,400 thousand) had not been utilised.

Since December 2018, a syndicated loan agreement has been in place for KSB SE & Co. KGaA, under which a credit line of € 300 million and a guarantee line of € 350 million are available. 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 2019, the option granted was exercised for the first time. In 2020, the credit line was extended for the second time and will thus run until the end of 2025.

INCOME STATEMENT DISCLOSURES

13. Sales revenue

Sales revenue

€ thousands	2022	2021
Sales revenue from the sale of pumps	563,639	534,916
Sales revenue from the sale of valves	88,594	83,061
Sales revenue from KSB SupremeServ	176,588	184,592
Subtotal	828,821	802,569
Other sales revenue	70,762	66,774
Sales revenue recognised in income statement	899,583	869,343

Sales revenue from the new business with Pumps and Valves and from KSB SupremeServ, which comprises all the service and spare parts business, include charges for deliveries and services billed to customers plus licence income and income from foundry products, less sales reductions. The sales revenue of € 899,583 thousand generated in 2022 increased by € 30,240 thousand (+ 3.5 %) year on year. The breakdown of sales revenue by Region changed slightly compared with the previous year. The domestic market accounted for 40 % (previous year: 39 %). The other European countries achieved 30 % (previous year: 33 %) overall. The Region Asia accounted for 16 % (previous year: 15 %), the Region Middle East / Africa for 6 % (previous year: 7 %) and the Region Americas / Oceania for 7 % (previous year: 6 %) of sales revenue.

Other sales revenue of € 70,762 thousand (previous year: € 66,774 thousand) mainly comprised services for Group companies of € 66,194 thousand (previous year: € 62,582 thousand) and income from rentals and leases of € 1,210 thousand (previous year: € 1,166 thousand).

14. Total output of operations

In addition to the increase in sales revenue, the increase in inventories of finished goods and work in progress as well as the decline in own work capitalised also had an impact on the total output of operations. The total output of operations was € 44,554 thousand above the prior-year figure; this equates to an increase of 5 %.

15. Other operating income

The main component of other operating income in the amount of € 33,322 thousand (previous year: € 18,467 thousand) is income from currency translation gains. At € 21,462 thousand, this was € 8,612 thousand higher than the previous year's figure of € 12,849 thousand.

Other operating income includes prior-period income, mainly from the reversal of provisions in the amount of € 6,744 thousand (previous year: € 2,729 thousand).

16. Cost of materials

Cost of materials

€ thousands	2022	2021
Cost of raw materials, production supplies and of goods purchased and held for resale	351,877	321,621
Cost of purchased services	62,930	61,823
	414,807	383,444

The cost of materials increased as a result of the increase in sales, and was € 31,363 thousand higher than the prior-year figure. The cost of materials in relation to the total output of operations was 45.1 % following 43.9 % in the previous year.

17. Staff costs

Staff costs

€ thousands	2022	2021
Wages and salaries	285,087	280,096
Social security contributions and employee assistance costs	51,461	50,817
Pension costs	32,094	7,867
	368,642	338,780

Staff costs as a percentage of total output of operations increased slightly year on year to 40.1 % (previous year: 38.9 %). This was impacted by significantly higher additions to the pension provisions, due to adjustments for inflation.

The average number of employees over the year, excluding trainees, was 3,842. Of these, 2,154 were allocated to production, 1,193 to sales and products and 495 to corporate functions.

18. Other operating expenses

Other operating expenses mainly include purchased services, maintenance and other selling, assembly and contract costs and, at € 163,544 thousand, were higher than in the previous year (€ 150,834 thousand).

The significant increase in other operating expenses is attributable to exchange rate losses of € 18,730 thousand (previous year: € 13,099 thousand) and travel and entertainment expenses of € 9,492 thousand (previous year € 5,344 thousand).

Further changes occurred in expenses for maintenance (€ 16,875 thousand; previous year € 15,633 thousand), expenses for purchased services (€ 29,590 thousand; previous year: € 28,156 thousand), charges from Group companies (€ 20,038 thousand; previous year: € 17,211 thousand) and expenses for auditing and consulting (€ 11,884 thousand; previous year € 10,239 thousand).

Expenses for warranties, liquidated damages and contractual penalties fell from € 8,599 thousand to € 5,323 thousand.

In relation to total output of operations, other operating expenses increased slightly by four percentage points to 17.8 % (previous year: 17.4 %).

19. Income from equity investments

Income from equity investments

€ thousands	2022	2021
Income from affiliates and equity investments	41,135	38,528
of which from affiliates	40,510	37,903
Income from profit transfers	14,583	9,081
Income from the merger	37,602	–
	93,320	47,609

Income from affiliates and equity investments mainly includes the dividends of KSB Finanz S.A., Luxembourg, amounting to € 25,000 thousand (previous year: € 25,000 thousand).

The partial merger of KSB Finanz S.A, Luxembourg, described in the General Information resulted in income of € 37,602 thousand from the difference between the carrying amount of the discontinued investment offset with the transferred assets and liabilities.

Fiscal unity agreements (control and profit and loss transfer agreements) are in place with the following 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 Industrie-ausrüstungen GmbH, Pattensen. The agreements are registered in the *Handelsregister* [German Commercial Register]. In accordance with the agreements, the annual earnings of the individual companies are transferred to KSB SE & Co. KGaA.

20. Other financial income / expense

Other financial income / expense

€ thousands	2022	2021
Other interest and similar income	569	140
of which from affiliates	336	25
Write-ups of financial assets	–	1,403
Write-downs of financial assets	–322	–324
Interest and similar expenses	–17,110	–40,055
of which to affiliates	–291	–
of which from the addition of accrued interest to provisions	–15,441	–38,396
	–16,863	–38,836

Write-downs of financial assets due to expected permanent impairment of shares in affiliated companies included € 26 thousand for Dynamik-Pumpen GmbH, Stuhr, Germany, and € 296 thousand for KSB Seil Co., Ltd., Busan, South Korea. Write-ups of financial assets in the previous years related to REEL s.r.l., Ponte di Nanto, Italy in the amount of € 1,403 thousand.

The change in interest and similar expenses is primarily attributable to the decline in expenses for the addition of accrued interest to long-term provisions.

21. Taxes on income

Domestic income taxes of € 3,225 (previous year: € 250 thousand) were recorded in financial year 2022. In addition, the tax expense includes € 2,685 thousand (previous year: € 2,215 thousand) for foreign taxes deducted at source relating to income from equity investments, licences and technical services.

22. Non-distributable amounts (Sections 253(6), 268(8) HGB)

As at the reporting date, the following amounts are subject to dividend payout restriction:

Non-distributable amounts (Sections 253(6), 268(8) HGB)

€ thousands	
Provisions for pensions (7-year average interest rate)	530,391
Less provisions for pensions (10-year average interest rate)	504,498
Difference according to Section 253(6) Sentence 3 HGB	25,893
Internally generated industrial property rights and similar rights and assets	32,514
Plus deferred tax assets	(–)
Total of non-distributable amounts	58,407

Deferred taxes are not taken into account when calculating the dividend payout restriction, as KSB does not make use of the option regarding the capitalisation of surplus assets (Section 274(1) Sentence 2 HGB).

OTHER DISCLOSURES

The disclosures on deferred taxes are made taking into account the controlled companies. As at the reporting date, lower carrying amounts were recognised in the tax balance sheet for pension provisions of € 265,643 thousand (previous year: € 240,498 thousand). Higher carrying amounts were recognised for fixed assets of € 24,382 thousand (previous year: € 21,757 thousand), financial assets of € 237,674 thousand (previous year: € 29,866 thousand), other provisions of € 24,769 thousand (previous year: € 27,144 thousand) and other assets of € 87 thousand (previous year: € 18 thousand). Based on a tax rate of 30.67 %, this results in a total future tax reduction of € 81,498 thousand (previous year: € 75,361 thousand), which was not capitalised. There are corporate tax loss carryforwards of € 87,714 thousand (previous year: € 104,998 thousand) and trade tax loss carryforwards of € 64,783 thousand (previous year: € 87,002 thousand).

Pursuant to Section 21(1) of the 28 December 2007 version of the WpHG [Wertpapierhandelsgesetz – German Securities Trade Act], KSB Stiftung [KSB Foundation], Stuttgart, communicated on 21 May 2008 that its voting interest in KSB SE & Co. KGaA, Frankenthal / Pfalz exceeded the 75.00 % threshold on 5 May 2008 and amounted to 80.24 % (711,453 voting shares) on this date. 0.54 % of the voting rights (4,782 voting shares) were held directly by KSB Stiftung, Stuttgart, and 79.70 % (706,671 voting shares) were attributed to KSB Stiftung, Stuttgart, pursuant to section 22(1), Sentence 1, No. 1 of the 28 December 2007 version of the WpHG. The voting rights attributed to KSB Stiftung, Stuttgart, were held by Johannes und Jacob Klein GmbH, Frankenthal. In 2018 the voting interest of Johannes und Jacob Klein GmbH increased to 83.94 %.

KSB SE & Co. KGaA, as a capital market-oriented parent company, is required to prepare consolidated financial statements and a Group management report in accordance with Section 290 HGB in conjunction with Section 291(3) No. 1. KSB SE & Co. KGaA is therefore 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].

Expenses for services of the 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 € 744 thousand were recognised as expenses. Of this, € 641 thousand relate to audit services, € 70 thousand to other certification services and € 33 thousand to other services.

The audit fees include expenses for the audit of the consolidated financial statements and of the statutory annual financial statements of KSB SE & Co. KGaA. The fees for other certification services primarily include attestation services outside of the audit of the annual financial statements. The fees for other services primarily include fees for consultancy services in Compliance.

Statement of Compliance pursuant to Section 161 AktG

The Managing Directors and the Supervisory Board of KSB SE & Co. KGaA issued the current Statement of Compli-

ance 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.

Related party disclosures

Related parties are legal or natural persons that have influence over KSB SE & Co. KGaA or are subject to control, joint control or significant influence by KSB SE & Co. KGaA.

Transactions with related parties are performed at arm's length and are explained in more detail below.

Related parties (entities)

Related parties are KSB Management SE as general partner, KSB Stiftung, Stuttgart, and Kühborth Stiftung GmbH, Stuttgart, each with their direct and indirect interests, joint ventures and associates. These are primarily Johannes und Jacob Klein GmbH, Frankenthal, Palatina Versicherungsservice GmbH, Frankenthal, the companies of Abacus alpha GmbH, Frankenthal, Klein, Schanzlin & Becker GmbH, as well as those companies of the KSB Group which are listed in the list of shareholdings elsewhere in these Notes.

Furthermore, related parties also include entities controlled or jointly controlled by the Managing Directors of Johannes und Jacob Klein GmbH (JJK), 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.

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

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 KSB SE & Co. KGaA.

The remuneration paid to key management personnel of KSB SE & Co. KGaA, 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 targets 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 2021 and 2022 financial years, 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.

The total remuneration of the members of the Supervisory Board amounts to € 894 thousand for the 2022 financial year (previous year: € 786 thousand).

Provisions of € 727 thousand (previous year: € 708 thousand) have been set aside for pension obligations to active Managing Directors. Provisions of € 39,040 thousand (previous year: € 36,582 thousand) have been set aside for pension obligations to former members of the Board of Management (excluding Managing Directors) and their surviving dependants. Pension payments to former members of the Board of Management and their surviving dependants amounted to € 2,380 thousand in the financial year under review (previous year: € 2,727 thousand).

In accordance with Section 7(3) of the Articles of Association, KSB Management SE receives an annual remuneration not based on profit and loss in the amount of 4 % of the share capital for the management of the company and assumption of statutory liability. The remuneration is recognised as an expense at KSB in the amount of € 20 thousand.

In the financial year, KSB Management SE received from KSB SE & Co. KGaA reimbursed expenses of € 194 thousand (previous year: € 73 thousand) for managing KSB's business, in addition to the above-mentioned reimbursement of expenses for the remuneration of the members of the governing bodies of KSB Management SE.

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.

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 January 2023;
Chair of the Pegnitz Works Council of KSB SE & Co. KGaA,
since 23 January 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
First 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
First 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 Kannefuss, 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, 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
	Dividend of € 19.76 per preference no-par-value share
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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the combined management report for KSB SE & Co. KGaA and the Group includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

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 Annual Financial Statements and of the Management Report

AUDIT OPINIONS

We have audited the annual financial statements of KSB SE & Co. KGaA, Frankenthal, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January to 31 December 2022, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of KSB SE & Co. KGaA, which is combined with the group 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 management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the section referred to above.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the 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 Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company 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 annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual 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 annual 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 matter of most significance in our audit was as follows:

① Measurement of shares in affiliated companies and other equity investments

Our presentation of this key audit matter has been structured as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matter:

① Measurement of shares in affiliated companies and other equity investments

① In the annual financial statements of the Company shares in affiliated companies and other equity investments amounting to € 337.8 million are reported under the „Financial assets“ balance sheet item.

Shares in affiliated companies and other equity investments are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors on the business activities of the affiliated companies and the companies which are other equity investments are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and



supplementary documentation, a write-down amounting to € 0.3 million were required for the financial year.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets and financial performance, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of the valuation, among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. 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 in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies and other equity investments.

③ The Company's disclosures relating to the financial investment are contained section "Balance sheet disclosures" note 2 "Financial Assets" of the notes to the 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 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 annual financial statements, the audited management report and our auditor’s report

Our audit opinions on the annual financial statements and on the 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 annual financial statements, with the 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 ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual 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 annual financial statements, the executive directors are responsible for assessing the Company’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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual 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 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 management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and of the 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 annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 of the Company.
- 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the 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 the 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 annual 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 ANNUAL FINANCIAL STATEMENTS AND THE 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 annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file ksbsecokgaa_JA_LB_ESEF-2022-12-31-DE.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 annual financial statements and the 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 annual financial statements and the 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 annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 contained in the “Report on the Audit of the Annual Financial Statements and on the 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 annual financial statements and the 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 “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 annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 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.

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 annual 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 annual financial statements and to the audited management report.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as 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 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 annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the 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
German Public Auditor

ppa. Matthias Böhm
German Public Auditor

Contacts

EDITOR

KSB SE & Co. KGaA
Johann-Klein-Straße 9
67227 Frankenthal, Germany
Tel.: +49 6233 86-0

GROUP INFORMATION

You will find the latest news
on the KSB Group at: www.ksb.com

Should you need additional information,
please contact:

INVESTOR RELATIONS

Dieter Pott
Tel. +49 6233 86-2615
E-mail: investor-relations@ksb.com

COMMUNICATIONS

Sonja Ayasse
Tel. +49 6233 86-3118
E-mail: sonja.ayasse@ksb.com

CONCEPT AND DESIGN

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

PHOTOGRAPHY

Forest Simon, Unsplash (Title)



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.

KSB's Annual Financial Statements are also available
in German.

Download the Annual Financial Statements

PDF for download:

www.ksb.com/financialstatements2022



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 financial year 2023

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



KSB SE & Co. KGaA
67225 Frankenthal (Germany)
www.ksb.com