2

Combined Management Report

139	Basic Principles of the Group
144	Macroeconomic Environment and Sector View
146	Business Development and Results of Operations
151	Financial Position and Net Assets
156	Report on Expected Developments
158	Opportunities and Risks Report
167	Disclosures Relating to KSB SE & Co. KGaA (HGB)
172	Acquisition-related Disclosures
174	Corporate Governance Statement (Section 315d HGB in Conjunction with Section 289f HGB)
174	Statement on the Non-financial Report (Section 315c in Conjunction with Sections 289c to 289e HGB)
175	Corporate Governance Systems

Basic Principles of the Group

Group Business Model

This management report combines the management reports for KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, and the KSB Group (Combined Management Report).

The KSB Group's (hereinafter "KSB" or "Group") mission is to supply customers around the world with top-quality pumps and valves as well as related systems. It also offers a broad service and spare parts portfolio to users of these products.

KSB SE & Co. KGaA, as the parent, directly or indirectly holds the shares in the companies belonging to the Group. Besides it, 10 domestic and77 foreign companies are fully consolidated; 6 other companies are accounted for under the equity method. KSB is currently represented in more than 50 countries with its own subsidiaries.

As well as KSB SE & Co. KGaA itself, the companies in the KSB Group with the highest sales revenue are

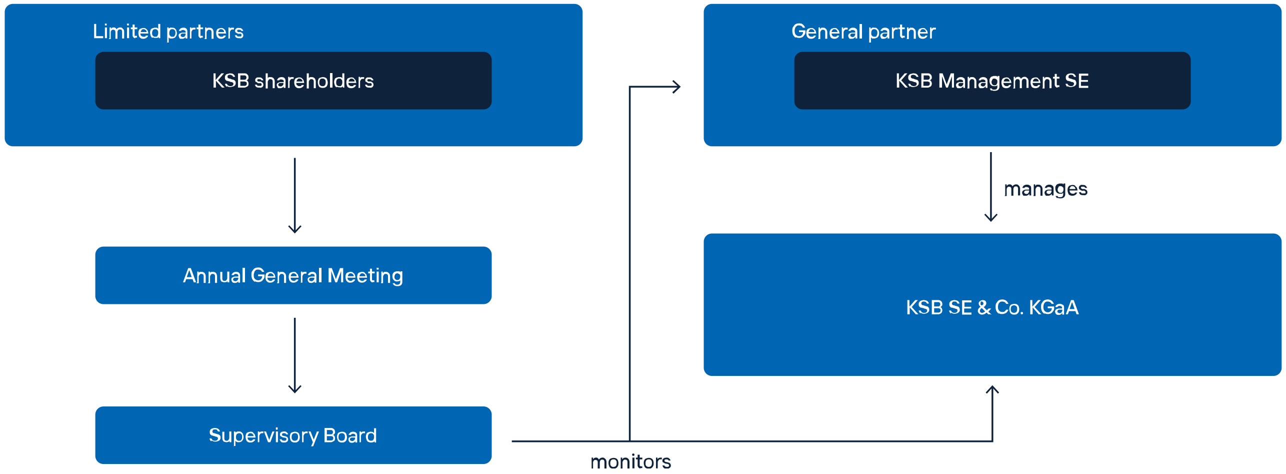
- KSB S.A.S., Gennevilliers (Paris), France
- KSB Limited, Pimpri (Pune), India
- KSB GIW, Inc., Grovetown / Georgia, USA
- KSB Shanghai Pump Co., Ltd., Shanghai, China
- KSB BRASIL LTDA., Várzea Paulista, Brazil
- KSB Service GmbH, Frankenthal, Germany
- KSB Italia S.p.A., Milan, Italy

The basic business model has not changed during the reporting year. External economic and political changes, however, have had a partial effect on business. These are – where relevant and material to KSB – described in the following sections.

Organisation, Management and Control

KSB SE & Co. KGaA was formed from KSB Aktiengesellschaft by entry in the *Handelsregister* [German Commercial Register] on 17 January 2018. The *Kommanditgesellschaft auf Aktien* (KGaA) [partnership limited by shares] is a common legal form in Germany for companies with a family- and foundation-dominated ownership structure. 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. KSB SE & Co. KGaA and with it the KSB Group are managed via KSB Management SE, The company's bodies are the Managing Directors, the Administrative Board and the Annual General Meeting.

All organisational units in the KSB Group act with the aim of ensuring sustainable, profitable growth to secure both KSB's financial independence and its medium- and long-term future. KSB is monitored by a Supervisory Board consisting of twelve members. The Annual General



Management of KSB SE & KGaA is the responsibility of KSB Management SE, the individually liable general partner.
The responsibilities of the bodies are governed by law and the Articles of Association. This is the basis for efficient corporate governance, which contributes to sustainable corporate development.

Meeting of shareholders appoints six members of the Supervisory Board, with the remaining six being delegated by the employees under the terms of the *Mitbestimmungsgesetz* [German Co-determination Act].

The basic structure of the Group is summarised in the following illustration.

→ **Bodies / Structure**

The KSB Group organises its business activities in the following Segments: Pumps, Valves and KSB SupremeServ.

The Pumps Segment comprises new business with single-stage and multistage pumps, submersible pumps and the associated control and drive systems. The applications are assigned to the Market Areas of Energy and Mining and to the Market Areas of Water, Building Services, Petrochemicals / Chemicals and General Industry, which are grouped together in the organisational and reporting structure of the Group as Standard Markets.

The Valves Segment combines the Group's business activities with regard to new business in butterfly valves, globe valves, gate valves, control valves, diaphragm valves and ball valves, as well as associated actuators and control systems. The basic applications for these products are identical to those for pumps.

The KSB SupremeServ Segment on the one hand comprises the spare parts business for pumps and valves. On the other hand, KSB's service activities are allocated to this Segment. These include the installation, commissioning, inspection, servicing, maintenance, reverse engineering and repair of pumps, related systems and valves, as well as modular service concepts and system analyses for complete plants.

Managing the Group using this new structure is aimed in particular at strategically strengthening the individual divisions and leveraging market potential. In addition, KSB is using its organisational and segment structure to focus on market-specific and customer-specific applications in the solutions it offers. For the Pumps Segment, this is ensured by considering individual Market Areas separately for internal control purposes.

In addition to the segment information, this management report contains supplementary quantitative explanations on the Group's performance at the reporting regions level.

Markets and Locations

In the KSB Group, sales revenue is generated mainly from goods and services relating to centrifugal pumps. These pumps, as well as valves, are sold to engineering contractors, OEMs and end users or, in some cases, distributed via dealers. The same applies to control and monitoring systems, and to package units with pumps and valves.

The largest and best developed sales market for these products is Europe, where KSB operates its main manufacturing facilities in Germany and France. The main plant of the present KSB SE & Co. KGaA in Frankenthal is its largest in Europe, ahead of the production sites in Pegnitz (Bavaria) and Halle (Saxony-Anhalt) in Germany, and La Roche-Chalais in France.

The second-largest market for KSB products is the Region Asia / Pacific, followed by the Region Americas and the Region Middle East / Africa. Outside Europe, KSB's biggest production sites are in Brazil, China, India and the USA.

KSB manufactures and assembles products and components in more than 20 countries; they are sold through the Group's own companies or agencies in over 100 countries. With their products, the Group companies serve customers in industry including the chemical and petrochemical industries, in the energy sector, in construction / building services, in water and waste water management, and in mining. In 2024, the most important markets were general industry, water and energy.

As the largest company in the KSB Group, KSB SE & Co. KGaA serves all the Group's Regions and markets.

In order to be able to offer KSB products at favourable prices, the Group's purchasing requirements are combined and affordable suppliers sourced around the world who meet the relevant quality standards. The KSB Group is able to maintain its market position as one of the leading pump and valve manufacturers through excellent and long-term relationships with customers and suppliers. Well trained and motivated employees as well as the high quality of products have also helped cement this reputation.

Control System

Based upon a matrix organisation, the key financial performance indicators are determined as follows:

Management decisions for the Group as a whole and for the Pumps, Valves and KSB SupremeServ Segments are made on the basis of the following key indicators: order intake, sales revenue and EBIT. EBIT is defined as earnings before finance income / expense and income tax.

Management decisions for KSB SE & Co. KGaA are made on the basis of the same control metrics as for the Group.

No non-financial performance indicators are consulted for controlling the Group.

Basis of Preparation of the Combined Management Report

Unless any specific information is provided in this report to describe changes, KSB uses the following terms:

A change of ± 0.0 to 1.4 % is described as “stable, marginal”. A change of ± 1.5 to 2.9 % is described as “slight, moderate” and a change of ± 3.0 to 7.0 % as “significant, tangible, noticeable”. Changes of ± 7 % are described as “sharp, strong, substantial”. This definition of the ranges does not apply to the Report on Expected Developments section in the financial year. More information is provided in the same section of this report.

Amounts in this report are generally presented in millions of euros (€ millions) using standard commercial rounding rules. Due to rounding, there may be minor differences in the totals and percentages presented in this report.

Research and Development

Research and development are vital for KSB. The development of innovative products and solutions is critical to maintaining and expanding the Group’s competitiveness. It is key to KSB’s long-term success, as the customers’ needs and market requirements are developing continuously and the sales portfolio therefore needs to be constantly adjusted. In the following, KSB presents the main research and development projects carried out in the 2024 financial year.

Digitalisation and artificial intelligence (AI)

The “Visualisation and analysis of product variance” project at KSB aims to optimise the product portfolio and make it resilient over the long term. Even though customers appreciate the wide range of variants in the KSB product portfolio, this diversity leads to a high level of material and process complexity with correspondingly high costs. The project develops methods to structure information about the products, present facts transparently and derive recommendations for action by using simulation programmes. Artificial intelligence is used to recognise patterns and causalities.

Requirements that cannot be derived from historical data are to be identified and presented based on technical and application-specific criteria using the strategic foresight approach. All functions are integrated into a continuous, tool-supported optimisation process. The data from operational systems is processed and fed back.

Another project aims to develop algorithms for the monitoring and analysis of pump sets that are then used for products such as KSB Guard. The company uses tools such as generative artificial intelligence. In the reporting year, new applications to increase process efficiency were assessed for example. It is also the goal of KSB to develop more sustainable products, which is why detailed guidelines and key indicators are used to describe the origin of products and their components.

69.0

Research and development expenses in € millions

In an increasingly digitalised world, the ability to collect and use data efficiently is gaining importance. This is precisely where a KSB project that aims to equip pumps with advanced data collection and transmission capabilities comes into its own. The innovation makes it possible to seamlessly transfer data to the KSB Cloud or to customer systems, analyse it, adjust configurations, activate new functions and carry out firmware updates. With this project, KSB intends not only to introduce new digital business models, but also to improve traditional services. In addition, the goal is to gain a deeper understanding of the installed products in terms of load profiles or the number of operating hours in a certain load situation in order to derive the requirements to make even better pumps. Work includes the further development of hardware and firmware for communication modules for various pump types as well as the standardisation of data transmission and classification of the data to be transmitted.

Another key project addresses the technical diagnosis of pumps, as it helps in recognising and remedying problems at an early stage before major failures occur. This contributes to increasing the pumps' efficiency and reducing operating costs. In addition, regular diagnosis extends the service life of the pumps by early recognising wear and damage so that appropriate measures can be taken. That is why KSB is working on further expanding its core expertise in the field of machine diagnostics in order to utilise it with the KSB Guard monitoring unit with vibration and temperature sensor. This project is funded by the BMBF (German Federal Ministry of Education and Research) as part of the FLEXOPUMPS project. The aim of the project and the diagnostic activities is to develop a monitoring and diagnosis system that monitors the operating status of the pumps, identifies anomalies at an early stage and evaluates the service life of the pump sets. In 2024, intensive work was carried out on damage models to enable automated classification of damage and anomalies.

Pumps and drives

Waste water pumps are used for transporting and treating contaminated water. There is a high risk of clogging due to the solids often present in waste water. This is why today's pumps are still of a heavy and robust design. The aim of one project was therefore to reduce the material and energy consumption of waste water pump sets in the future. For example, a control system integrated into the pump that can detect and initiate the automatic elimination of clogging is to help achieve this. Work on this project includes the development and testing of demonstrators as well as the standardisation of the pumps.

In June 2024, KSB launched the smart AmaRex Pro submersible motor pump for waste water. This further development of the Amarex type series follows the trend for equipping waste water pumps with additional functions to increase operating reliability and reduce energy consumption as well as overall costs. They feature an innovative, two-channel impeller that minimises clogging and offers high hydraulic efficiency. AmaRex Pro also comprises a highly efficient drive of energy efficiency class IE5. The integrated electronic functions help to automatically detect clogging and initiate a deragging process. This reduces unscheduled servicing and costs. With the freely available KSB ServiceTool software, the waste water pumps can be customised to individual requirements. The development team is working on extensions such as a Modbus interface and ATEX certification.

Energy-efficient electric motors are important for driving centrifugal pumps because they lower power consumption and thus reduce operating costs. They also make for lower heat and vibration levels, which extends the service life of the pumps and ensures reliable operation and performance. PumpDrive 3 and MyFlowDrive 2 represent a consistent further development of the predecessor type series. They are designed for standard water pumps with ratings from 0.25 kW to 3 kW. This further development aimed to create a cost-optimised product by saving on materials, reducing component complexity and increasing the output per size. At the same time, the super-synchronous speed is to be utilised within technical limits in order to meet or exceed the requirements of the planned EU Directive 547. Regular functional enhancements are possible via over-the-air updates. The customer can customise the product at a later date or is supplied with a product preset at the factory.

Mining pumps are subject to extreme wear. The more a pump wears out, the less economical its operation becomes and the more likely it is to fail completely. However, downtime is a costly affair for operators. This is why the developers at KSB GIW, Inc. in Georgia, have been working on enhancing an IIoT solution for large mining pumps. It is an internet-based technology for measuring the clearance between impeller and the wear plate. The technology relies on data acquisition using specially developed ultrasonic sensors as well as the processing and conversion of this data into information for the mine operator. This enables the operator to carry out maintenance and servicing at the right time. However, the pumps used in mining and their design also require constant improvement in order to remain at the cutting edge of technology. This is why the developers have been working to further develop the LCC type series, which is an important part of the mining product portfolio.

Nuclear power is a key CO_2-free transitory technology for energy generation in many countries. It is a fundamental element in ensuring the stability of power grids during the intensive utilisation of renewable energy sources. After more than ten years in development, the first commercial nuclear power plant in China with the world's most modern KSB reactor coolant pump started operations in December 2024. Based on this pump type, a global team of developers worked on a scaled-down version of the RUV pump in the reporting year. It is intended for the smaller CAP1000 reactor type. The pumps will be used for the first time in a power plant in China to be commissioned in the next few years.

One valve for different tasks

Valves are of great importance in piping systems as they control and secure the flow of liquids or gases. They protect the individual components from excessive pressure and ensure the safety of entire systems. Developers at KSB are working on a modular control valve as part of a BMBF-funded project. Together with TU Darmstadt as a scientific partner, a concept is being investigated and developed that combines several obturators in a single-piece valve body and thus unites the properties of several valve types. An intelligent control unit is also being developed. It provides the required control functions by recording the volume flow and various temperatures, enabling individual applications to be controlled autonomously. The control unit communicates with other intelligent systems in the process control system. Given that “you can only optimise what you monitor”, smart control valves for building services are being developed as part of another project. It aims to provide automation solutions for the straight-forward and cost-effective monitoring as well as controlling and optimisation of heating, ventilation and air-conditioning systems (HVAC) with a focus on energy efficiency. Further intelligent control solutions are to be developed in order to fulfil future legal requirements.

Overall, the Group spent € 69.0 million on research and development in the reporting year. This equates to 2.3 % of sales revenue. KSB SE & Co. KGaA invested € 49.1 million in research and development in the reporting year. This equates to about 5.6 % of sales revenue. Across the Group, 585 staff were employed in research and development on average over the year. At KSB SE & Co. KGaA, 315 staff worked in research and development in the reporting year. Patents are essential to protect intellectual property rights and maintain an edge over competitors. KSB filed patents for 40 inventions in the 2024 financial year. 91 patents which had been filed for in previous years were granted to the Group in 2024.

Economic Review

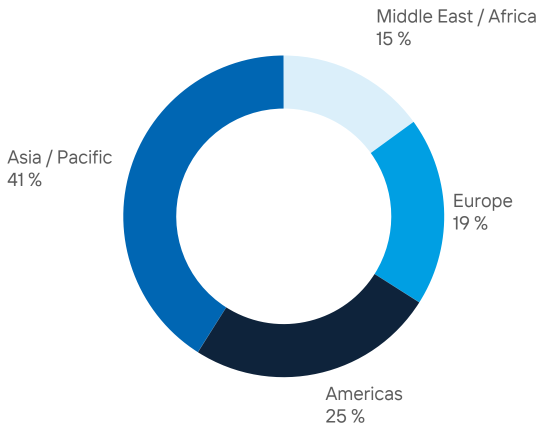
Macroeconomic Environment and Sector View

At 3.1 %, the forecast for global economic growth in 2024 was already below the previous year's level from the start of the year. In the course of the year, the International Monetary Fund (IMF), whose figures are used for planning, increased this estimate marginally to 3.2 %. The pace of expansion is therefore slower than in the past. This is due to both short-term factors such as the persistently high cost of credit and the longer-term effects of the COVID-19 pandemic and the Russian invasion of Ukraine. Weak growth in productivity and increasing geo-economic fragmentation are also having a negative impact.

Cyclical imbalances have weakened since the beginning of the year and have led to a better alignment of economic activity with production potential in the major economies. This adjustment has caused a convergence of inflation rates in the individual countries, resulting in lower global inflation overall. The inflation rate fell to 5.7 % worldwide.

The IMF raised its economic growth estimate slightly for the group of economically advanced countries to 1.7 % in 2024.

World market for centrifugal pumps and valves



Source: KSB estimate (February 2025)

At the beginning of the year the forecast was still at 1.5 %. Economic growth in the emerging markets and developing countries was 4.2 %, which slightly exceeded the forecast at the start of the year (4.1 %).

Europe continued to be of major importance for the KSB business in 2024. Economic growth gradually picked up again in KSB's largest market. Falling inflation, historically low unemployment and rising consumption contributed to this. Economic growth in the euro zone was 0.8 %. Economic output in France and Italy grew by 1.1 % and 0.6 % respectively. Spain achieved a comparatively high growth rate of 3.1 %, in particular due to the strong increase in tourism services and the positive development of private and public consumer spending. In contrast, economic output in Germany fell by 0.2 %, primarily attributable to the decline in industrial production as a result of persistently weak demand from abroad. The UK reported growth of 0.9 %, as falling inflation and interest rates stimulated domestic demand.

Economic growth of 2.8 % in the USA was significantly higher than the expectations of 2.1 % at the start of the year. This was supported by higher investments in the property sector and robust growth in consumer spending.

China's economy grew by 4.8 % and was slightly above expectations at the beginning of the year due to stronger net exports despite the continued weakness in the property sector.

In India, economic growth totalled 6.5 % as expected at the start of the year. The economies of the five economically most important countries in South East Asia – Indonesia, Malaysia, the Philippines, Thailand and Vietnam – grew by 4.5 % overall, which was marginally lower than start-of-the-year expectations.

The economy in South America developed positively overall, with different trends in the individual countries. Thanks to higher private consumption and investments, economic output of 3.7 % in Brazil significantly exceeded expectations at the start of the year.

Economic developments in the countries in the Region Middle East / Africa was positive, but remained largely below expectations at the beginning of the year. For Saudi Arabia, likewise a large sales market for KSB, the IMF reported significantly lower growth than expected at the start of the year at 1.4 % (forecast: 2.7 %) as a result of the extension of oil production cuts. The South African economy grew by 0.8 %, being only slightly below the 1.0 % expected at the beginning of the year.

Modest Growth in Most Sales Markets

Most markets and regions in which KSB operates reported modest year-on-year growth.

In General Industry, which covers a series of cyclical sectors in the manufacturing industry, production and investment rose slightly in the previous year. The production of capital goods stagnated. Production rates in the pharmaceutical industry were above the previous year's level. However, the automotive industry declined compared with the previous year.

The water and waste water sector recorded modest growth in terms of production value. This was exacerbated by the weaker development in industry and the rise in costs in this sector.

Despite the ongoing effects of the global energy crisis, the increase in demand for electricity remained very robust due to solid economic activity in many regions, intense heatwaves and continued electrification, and grew more strongly overall than in previous years. The high demand for electricity in several countries such as China, India and the USA fuelled this development. Investments in the expansion of storage technologies and renewable energies increased once again. Electricity generation from coal went up slightly, led by Asia – particularly China and India. Generation from natural gas and electricity generation from nuclear energy also increased slightly. Global investments in nuclear energy rose. New nuclear power plants were commissioned in China, the United Arab Emirates and the USA, among others. In China in particular, construction work on further nuclear power plants started in the past year.

Global oil production increased overall, albeit slightly less than expected at the beginning of the year. Global gas production was above the previous year's level. Production in Russia went up again after years due to stronger exports. China and the Middle East also recorded an increase, while production in the USA stagnated. Global utilisation of refinery capacity increased marginally. While the Middle East and Asia saw an increase in capacity utilisation, the figure stagnated in the USA and fell in China and Europe.

The chemical industry recorded an increase in production, with China proving to be the main growth driver. Europe recorded moderate production growth. Chemical production in the USA stagnated due to weak domestic demand from industrial customers.

The construction industry was able to continue its growth trajectory from the previous year, despite a modest forecast at the beginning of the year. This development was supported by the ongoing, economic stimulus spending on infrastructure expansion in many countries. Residential building construction gained, albeit at a slower pace than in the other sectors. Growth was also reported in non-residential construction. However, there were clear regional differences in the development of both sectors. In Europe, more than half of all countries experienced a decline – including the German market.

Mining continued to be supported by strong demand for metals that are required for producing green technologies. There was an increase in the demand for metals required for electromobility, renewable energy generation and grid expansion, and for the production of storage technologies. This relates in particular to copper, aluminium, nickel and lithium. The growth in demand was partially reflected in an increase in the extraction of these metals. The global trade in iron increased, despite stagnating or declining steel production and demand. The extraction of oil sands was significantly higher than in the previous year.

Decline in Mechanical Engineering

Structural changes and overcapacity in some customer segments of the mechanical engineering industry caused the demand for mechanical engineering products to decline. According to the German Mechanical Engineering Industry Association (VDMA), global sales revenue in the mechanical engineering sector fell by 2 % in real terms in 2024, albeit with significant regional differences. While sales revenue in India, China and Brazil increased, it declined in the USA and Europe.

According to VDMA, sales revenue in the German mechanical engineering sector fell by 8.0 % in real terms. Based on the provisional calculations of the German Federal Statistical Office, production up to November decreased by 7.0 % in real terms. Capacity utilisation was again down on the previous year.

In the liquid pumps sector, VDMA recorded a real decline in sales revenue of 9.0 % among German pump manufacturers. Sales revenue with industrial valves was minimally below the previous year's level, while building services valves saw sales revenue fall by 3.3 %.

Business Development and Results of Operations

As in the previous years, the 2024 financial year was characterised by the persistently difficult economic situation in central Europe and the ongoing geopolitical tensions. The financial year was also influenced by subdued global economic growth. This also continues to pose challenges for the German economy. Persistently high energy prices continue to weigh heavily on the manufacturing industry.

Thanks to the KSB Group's global presence across several regions, these economic downturns were more than compensated for by positive developments outside Europe.

Overall, there was a significant increase in order intake and sales revenue compared with the previous year. EBIT even recorded strong growth. The reasons for the changes are explained in the sections on order intake, sales revenue and EBIT.

Order intake

The volume of incoming orders rose significantly by € 154.5 million (5.2 %) to € 3,114.0 million in the financial year.

The largest percentage growth was reported in the Regions Middle East / Africa with a plus of € 14.7 million (9.3 %) and Asia / Pacific with a plus of € 65.6 million (8.3 %). The Region Americas also contributed to the positive development with a significant increase of € 33.4 million (5.8 %) in order intake. Order intake in the Region Europe recorded a moderate increase of € 40.8 million (2.8 %).

Pumps

Order intake in the Pumps Segment amounted to € 1,658.6 million compared with € 1,576.5 million in the previous year. This represents a tangible increase in this Segment. The Standard Markets operating segment accounted for € 1,335.9 million (previous year: € 1,263.9 million) of the total order intake in the Pumps Segment.

The Water Market Area contributed the largest share with € 494.5 million (previous year: € 435.1 million), which represents a significant rise of 13.7 %. This is attributable to stable day-to-day business in almost all Regions as well as extraordinary growth in standard business in the Regions Asia / Pacific and Americas and very good project business in the Regions Europe and Middle East / Africa. The Building Services Market Area also improved significantly by € 7.3 million (3.2 %) this year. The gap left by the declining heating market in Germany was compensated for by strong growth in other countries. Increases were also achieved in the other Standard Market Areas. Developments in the Mining and Energy operating segments, which include the project business in particular, showed noticeable growth in order intake of 3.2 % to € 322.6 million (previous year: € 312.6 million). This increase is attributable to the Energy operating segment, which benefited from strong growth in the Regions Europe, Americas and Asia / Pacific. In the Region Asia / Pacific, growth was driven in particular by a major power plant project in India. This fully compensated for the decline in the Mining operating segment by major orders from the same period of the previous year.

The Region Europe contributed the largest share of order intake in the Pumps Segment with € 758.6 million (previous year: € 732.7 million), followed by the Region Asia / Pacific with € 533.6 million (previous year: € 489.7 million) and the Regions Americas and Middle East / Africa, each with lower contributions in absolute terms.

The Region Middle East / Africa achieved the strongest growth rate, while the Region Americas posted a marginal decline.

Valves

Order intake in the Valves Segment amounted to € 407.4 million compared with € 392.6 million in the previous year. This growth was driven by the very positive development in the petrochemical / chemical business. The other markets showed stable development. The largest Region by far is Europe with € 222.8 million (previous year: € 229.5 million), followed by Asia / Pacific with € 142.4 million (previous year: € 123.3 million) and the Regions Americas and Middle East / Africa each with lower contributions in absolute terms.

KSB SupremeServ

Order intake in the KSB SupremeServ Segment – which covers all service and spare parts activities – reached

Segment reporting

	Order intake		Sales revenue		EBIT	
€ millions	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Pumps Segment	1,658.6	1,576.5	1,550.5	1,513.7	40.5	52.3
Valves Segment	407.4	392.6	398.8	361.4	-0.8	-7.5
KSB SupremeServ Segment	1,048.1	990.4	1,015.8	943.9	204.5	179.1
Total	**3,114.0**	**2,959.5**	**2,965.2**	**2,819.0**	**244.2**	**223.9**

€ 1,048.1 million and was thus significantly higher than in the previous year (€ 990.4 million). The increase is partly attributable to the very good performance of the spare parts business in the energy business, the mining business and in general industry.

In the KSB SupremeServ Segment, too, the Region Europe made the greatest contribution to order intake with € 492.1 million (previous year: € 470.4 million), followed by Americas with € 326.8 million (previous year: € 292.3 million) and Asia / Pacific as well as Middle East / Africa. The highest growth rate was reported in the Region Americas.

3.0

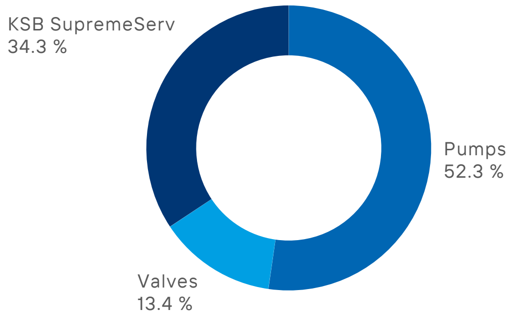
Consolidated sales revenue in € billions

Sales revenue

The Group's consolidated sales revenue, which lags behind order intake, grew significantly by € 146.2 million (5.2 %) to € 2,965.2 million.

All the Regions contributed to this sales revenue growth. Europe remained by far the largest Region with sales revenue of € 1,455.4 million (previous year: € 1,427.8 million, followed by Asia / Pacific with € 781.6 million (previous year: € 708.1 million), Americas with € 566.7 million (previous year: € 523.7 million) and the Region Middle East / Africa with € 161.4 million (previous year: € 159.3 million). The largest percentage increase was reported by the Region Asia / Pacific with € 73.4 million (10.4 %), followed by Americas with € 43.0 million (8.2 %). The companies in the Region Europe grew slightly, while the Region Middle East / Africa remained stable.

Sales revenue by segment



Pumps

Sales revenue in the Pumps Segment totalled € 1,550.5 million (previous year: € 1,513.7 million), representing a moderate increase. The Standard Markets operating segment, which grew moderately, accounted for € 1,250.7 million (previous year: € 1,232.0 million). The main driver of this development was the Petrochemicals / Chemicals Market Area, which grew strongly. Among other things, a major project in China was invoiced, the order intake for which originated in previous years. This increase was contrasted by a slight decline in the Water Market Area, while the other Standard Market Areas remained stable. In the Energy and Mining operating segments, sales revenue increased significantly from € 281.6 million in the previous year to € 299.9 million. This very positive development is attributable to the Energy operating segment.

Europe remains by far the largest region, with sales revenue of € 743.4 million (previous year: € 755.9 million), followed by Asia / Pacific with € 469.3 million (previous year: € 434.4 million), then the Region Americas and the Region Middle East / Africa.

Valves

In the Valves Segment, sales revenue was € 398.8 million after € 361.4 million in the previous year. As in the previous year, the increase is attributable to the development of the project business, while development in the Standard Markets was stable. Europe remains by far the largest region with € 227.1 million (previous year: € 213.8 million), followed by Asia / Pacific with € 132.3 million (previous year: € 116.3 million), then the Region Americas and the Region Middle East / Africa. Strong double-digit growth rates were achieved in the Regions Americas, Asia / Pacific and Middle East / Africa.

KSB SupremeServ

Sales revenue in the KSB SupremeServ Segment amounted to € 1,015.8 million after € 943.9 million in the previous year. This strong increase resulted in particular from the positive development of the pumps spare parts business in the Energy, Mining and Petrochemicals / Chemicals Market Areas as well as the valves spare parts business. In the Petrochemicals / Chemicals Market Area, products for several major spare parts projects were delivered, the order intake for which originated in previous years. Europe remains by far the largest region, with sales revenue of € 485.0 million (previous year: € 458.1 million), followed by Americas with € 301.2 million (previous year: € 280.8 million), then Asia / Pacific and Middle East / Africa. The Region Asia / Pacific achieved the strongest growth rate.

Earnings Before Finance Income / Expense and Income Tax (EBIT)

The KSB Group achieved earnings before finance income / expense and income tax (EBIT) of € 244.2 million (previous year: € 223.9 million). The earnings improvement is primarily attributable to sales revenue growth and margin strength in the KSB SupremeServ Segment. The Valves Segment also improved significantly. In the current financial year, EBIT includes external consulting costs for the migration of the SAP R/3 system to the SAP S/4HANA system totalling € 15.4 million. The migration costs in the previous year came to only € 2.6 million.

244.2

Consolidated earnings (EBIT) in € millions

Pumps

EBIT in the Pumps Segment amounted to € 40.5 million (previous year: € 52.3 million), The sharp drop in EBIT is attributable to several factors. The Standard Markets operating segment largely accounted for the significant decrease. While significant declines were reported in the General Industry and Building Services Market Areas, the Water and Petrochemicals / Chemicals Market Areas achieved significant growth which, however, did not compensate for the declines. Another factor for the reduction which affected the Energy operating segment was the risk provisioning for a power plant project. In addition, external consulting costs for the implementation of the SAP S/4HANA system had a negative impact on EBIT in the Pumps Segment totalling € 8.4 million (previous year: € 1.8 million). The EBIT margin achieved was 2.6 % (previous year: 3.5 %).

Valves

EBIT in the Valves Segment was € -0.8 million (previous year: € -7.5 million) and thus € 6.7 million higher than in the previous year. EBIT of € -7.5 million achieved in the 2023 financial year was primarily impacted by project provisions and the after-effects of the hail damage in 2022, which were only partially offset by a higher sales revenue and the insurance compensation of € 9.2 million received in 2023 for the hail damage in La Roche-Chalais. The strong improvement in earnings in the 2024 financial year is largely attributable to the higher sales revenue and better capacity utilisation. Improvements in productivity and lower project provisions than in the previous year continued to supported earnings. On the other hand, external consulting costs for the implementation of the SAP S/4HANA system had a negative impact of € 2.0 million on EBIT (previous year: € 0.3 million). The EBIT margin achieved was -0.2 % (previous year: -2.1 %).

KSB SupremeServ

Thanks to the significant growth in sales revenue, EBIT was increased by € 25.4 million to € 204.5 million (previous year: € 179.1 million). This equates to an EBIT margin of 20.1 % (previous year: 19.0 %). The main drivers of earnings growth were the spare parts business in the energy and mining markets. The service business also grew profitably. On the other hand, external consulting costs for the implementation of the SAP S/4HANA system had a negative impact of € 5.0 million on EBIT (previous year: € 0.5 million).

Income Statement

€ millions	2024	2023	Percentage change
Sales revenue	**2,965.2**	**2,819.0**	**5.2**
Changes in inventories	8.6	24.3	64.7
Work performed and capitalised	2.2	2.0	10.9
Total output of operations	**2,975.9**	**2,845.2**	**4.6**
Other income	35.0	44.4	21.1
Cost of materials	-1,178.6	-1,153.7	2.2
Staff costs	-1,014.1	-960.7	5.6
Depreciation and amortisation	-97.4	-88.1	10.6
Other expenses	-476.6	-463.3	2.9
Earnings before finance income / expense and income tax (EBIT)	**244.2**	**223.9**	**9.1**
Finance income	13.8	9.4	46.9
Finance expense	-33.1	-29.7	11.5
Income from / expense to investments accounted for using the equity method	6.3	5.4	17.4
Finance income / expense	**-13.0**	**-14.9**	**12.9**
Earnings before income tax (EBT)	**231.2**	**209.0**	**10.6**
Taxes on income	-84.4	-32.4	160.8
Earnings after income tax	**146.8**	**176.6**	**16.9**
Attributable to:			
Non-controlling interests	28.7	24.3	18.0
Shareholders of KSB SE & Co. KGaA	**118.1**	**152.3**	**22.5**
Diluted and basic earnings per ordinary share (€)	67.29	86.83	22.5
Diluted and basic earnings per preference share (€)	67.55	87.09	22.4

Further information is provided in Section V. Income Statement Disclosures in the Notes to the consolidated financial statements.

Total Output of Operations

Total output of operations amounted to € 2,975.9 million compared with € 2,845.2 million in the previous year. While sales revenue increased by € 146.2 million, the change in inventories of € 8.6 million (previous year: € 24.3 million) reduced the total output of operations by € 15.7 million.

Income and Expenses

Other income of € 35.0 million fell by € 9.4 million compared with the previous year (previous year: € 44.4 million). The main reason for the decrease was the insurance compensation of € 10.4 million received in the previous year in connection with hail damage at the French plant in La Roche-Chalais in 2022.

The cost of materials as a percentage of total output of operations fell from 40.5 % in the previous year to 39.6 % in the reporting year. The lower cost of materials is mainly due to the higher share of sales revenue in the KSB SupremeServ Segment, which has significantly higher margins than the Pumps and Valves Segments.

Staff costs rose from € 960.7 million to € 1,014.1 million in the financial year (a rise of € 53.4 million). The increase is largely attributable to the higher headcount and general wage and salary increases. The number of employees rose from 15,938 to 16,256 on average over the year. On average in the reporting year, the KSB Group had 318 employees (2.0 %) more than in the previous year. Asia / Pacific reported the greatest increase in the number of employees with a plus of 146. The number of employees in the Region Europe rose by 116. Despite the increasing number of employees, the total output of operations per employee rose from € 179 million to € 183 million, due to the 4.6 % increase in the total output of operations.

Depreciation and amortisation fell by € 9.3 million to € 97.4 million compared with the prior-year period. This is mainly due to higher scheduled depreciation and amortisation, which at € 93.8 million was € 6.0 million above the prior-year level (€ 87.8 million). Write-downs and write-ups increased by € 3.3 million from € 0.3 million in the previous year to € 3.6 million in the reporting year. In the current financial year, they primarily related to the write-down of goodwill in the KSB SupremeServ Segment of a service company in the USA (€ 2.5 million) and impairment losses on part of the valves business in France (€ 1.7 million).

At € 476.6 million, other expenses exceeded the prior-year level (€ 463.3 million) by € 13.4 million. This is largely attributable to € 26.9 million higher expenses for repairs, maintenance and third-party services. The consulting costs for migrating the SAP R/3 system to the SAP S/4HANA system totalling € 15.4 million contributed significantly to this increase. The transformation costs in the previous year came to only € 2.6 million. Other expenses fell from € 38.6 million in the previous year to € 20.6 million in the current year. The main reasons for this decline are the lower provisions for expected losses and the lower additions to warranty obligations compared with the previous year. As a percentage of total output of operations, expenses decreased marginally from 16.3 % in the previous year to 16.0 % in the financial year.

The finance income / expense amounted to € -13.0 million (previous year: € -14.9 million). This is mainly due to a € 6.6 million decrease in the net interest balance, which was, however, largely offset by increased creditor losses (€ +5.7 million) from the hyperinflation adjustment in Argentina and Turkey.

Earnings

The KSB Group generated earnings before income tax (EBT) of € 231.2 million compared with € 209.0 million in the previous year. The return on sales before income tax rose from 7.4 % in the previous year to 7.8 %. Taxes on income of € 84.4 million rose by € 52.0 million compared with the previous year (€ 32.4 million). The effective taxes increased by € 12.7 million to € 77.6 million. Expenses from deferred taxes increased by € 39.4 million, compared with income of € 32.6 million in the previous year, and thus came to € 6.8 million. The income tax rate was up accordingly from 15.5 % in the previous year to 36.5 %. The low income tax rate of 15.5 % in the previous year was mainly attributable to the full reversal of previous impairments on deferred tax assets for loss carryforwards and taxable temporary differences in the tax group of KSB SE & Co. KGaA. In the 2024 financial year, the income tax rate was negatively impacted in particular by € 9.6 million from a completed tax audit. Due to the sharp rise in taxes on income, earnings after income tax fell from € 176.6 million in the previous year to € 146.8 million in the reporting year, a decrease of € 29.8 million.

At € 28.7 million, earnings attributable to non-controlling interests rose by € 4.4 million compared with the previous year. The ratio of non-controlling interests to earnings after income tax increased noticeably from 13.8 % to 19.6 %.

Earnings attributable to shareholders of KSB SE & Co. KGaA (€ 118.1 million) were € 34.2 million lower than in the previous year (€ 152.3 million).

Earnings per ordinary share were € 67.29, compared with € 86.83 in the previous year, and € 67.55 per preference share, compared with € 87.09 in 2023.

Financial Position and Net Assets

Financial Position

Statement of Cash Flows

€ millions	2024	2023	Percentage change
Earnings after income tax	146.8	176.6	16.9
Taxes on income	84.4	32.4	160.8
Finance income and finance expense	19.3	20.3	4.9
Depreciation and amortisation	97.4	88.1	10.6
Gain / loss on disposal of intangible assets and property, plant and equipment	-0.2	0.2	256.2
Change in working capital	-26.9	-1.7	1,505.2
Change in other assets and liabilities as well as provisions	-3.5	22.2	115.9
Income tax paid	-61.1	-65.1	6.0
Interest received	12.5	7.3	71.8
Cash flows from operating activities	**268.6**	**280.3**	**4.2**
Payments to acquire intangible assets and property, plant and equipment	-135.0	-106.5	26.8
Change in deposits	-19.3	0.3	5,712.2
Change in the other items from investing activities	0.5	2.6	81.4
Cash flows from investing activities	**-153.7**	**-103.5**	**48.5**
Dividends paid	-59.6	-40.7	46.6
Change in financial liabilities (including lease liabilities)	-26.7	-19.5	37.2
Interest paid	-3.1	-3.3	6.9
Transactions with non-controlling interests	0.6	–	100.0
Cash flows from financing activities	**-88.8**	**-63.5**	**39.9**
Changes in cash and cash equivalents	26.1	113.3	77.0
Effects of exchange rate changes on cash and cash equivalents	2.8	-3.0	194.3
Effects of changes in consolidated Group	–	1.6	100.0
Cash and cash equivalents at beginning of period	340.4	228.6	48.9
Cash and cash equivalents at end of period	**369.3**	**340.4**	**8.5**

Further information is provided in Section VII. Statement of Cash Flows in the Notes to the consolidated financial statements.

The KSB Group's financial position remains very good. Equity increased in the reporting year and amounted to € 1,335.4 million (previous year: € 1,216.9 million). The equity ratio of 46.6 % was above the previous year's level (45.6 %).

Liquidity

KSB recorded cash flows from operating activities of € 268.6 million compared with € 280.3 million in the previous year. Of these cash flows, € 26.9 million is attributable to the increase in working capital. While the rise in trade receivables (€ 48.3 million) and inventories (€ 17.0 million) resulted in cash outflows, cash inflows were generated from the higher trade payables and contract liabilities (€ 36.3 million in total).

The outflows from investing activities rose by € 50.2 million from € 103.5 million in the previous year to € 153.7 million in the reporting year. This is attributable to a € 28.5 million increase in payments to acquire intangible assets and property, plant and equipment on the one hand, and a € 23.9 million increase in net proceeds from deposits with an original maturity of more than three months on the other hand.

Cash flows from financing activities were € 25.4 million higher than in the previous year mainly as a result of the € 18.9 million increase in dividend payments. In addition, € 2.7 million less in financial liabilities were taken on and € 3.1 million more were paid out.

Overall, cash and cash equivalents increased sharply from € 340.4 million in the previous year to € 369.3 million in the reporting year.

From the current perspective, the KSB Group's finance management continues to assume that it meets its goal of ensuring liquidity at all times essentially without any additional external financing measures. The credit and guarantee lines include amounts from a syndicated loan agreement originally signed in December 2018 and extended on 19 November 2024 as part of an amendment and restatement agreement. The associated credit line of € 300.0 million can be used at any time and increased by KSB by a further € 250.0 million through the exercise of an option to increase the credit line. The guarantee line from the syndicated loan agreement comes to € 250.0 million. The fixed five-year term of the agreement until 19 November 2029 additionally gives KSB the option to renew twice by one year each time.

For more information on liquidity management (such as credit lines) see the Risk Report on the Utilisation of Financial Instruments section elsewhere in this Group management report.

371.0

Net financial position in € millions

Investments

The additions to intangible assets amounting to € 7.4 million are slightly below the prior-year level (€ 9.8 million).

Investments in property, plant and equipment of € 132.4 million in the reporting year are € 32.5 million higher than in the previous year (€ 99.9 million).

At € 50.9 million, the highest additions related to advance payments and assets under construction, as in the previous year (€ 34.8 million). Another € 28.3 million related to plant and machinery (previous year: € 22.4 million), while € 27.6 million was accounted for by other equipment, operating and office equipment (previous year: € 23.0 million). As in 2023, the focus of capital investment activity was the Region Europe, mainly Germany, France and the Netherlands. Outside Europe, the highest additions were made at the plants in China, the USA and India.

Net financial position

At € 371.0 million, the net financial position increased sharply by € 46.1 million from € 324.9 million in the previous year. It is derived from the balance of interest-bearing financial liabilities and financial assets (mainly cash and cash equivalents and receivables from deposits). The improvement in the net financial position is attributable in particular to the high cash flows from operating activities.

Contingent liabilities and other financial obligations

Contingent liabilities as at the reporting date totalled € 28.4 million and were therefore € 1.2 million higher (previous year: € 27.2 million).

There are no other obligations and commitments beyond the reporting date. Further financial obligations arise only within the normal scope from purchase commitments amounting to € 47.9 million (previous year: € 27.9 million).

Net Assets

Around 32.4 % of funds is attributable to non-current assets (previous year: 31.9 %). Intangible assets and property, plant and equipment with a historical cost of € 1,849.0 million (previous year: € 1,711.0 million) have carrying amounts of € 745.8 million (previous year: € 677.9 million). Total intangible assets fell from € 75.7 million in the previous year to € 73.6 million.

Right-of-use assets for leases (€ 57.7 million) are up by € 10.8 million on the prior-year level (€ 46.9 million). In the reporting year, a lease for a production building in the USA was extended and a new lease was concluded for an administration and warehouse building in Norway.

Property, plant and equipment increased from € 602.2 million to € 672.2 million as a result of capital expenditure (€ 132.4 million) in excess of depreciation of € 67.7 million. Currency translation effects had a positive impact of € 6.5 million.

The carrying amount of financial assets, investments accounted for using the equity method and non-current other non-financial assets was € 44.6 million.

Assets

€ millions	31 Dec. 2024	31 Dec. 2023	Percentage change
Non-current assets			
Intangible assets	73.6	75.7	2.7
Right-of-use assets	57.7	46.9	22.9
Property, plant and equipment	672.2	602.2	11.6
Non-current financial assets	1.9	1.2	55.8
Other non-financial assets	11.0	7.7	42.8
Investments accounted for using the equity method	31.7	24.5	29.4
Deferred tax assets	81.8	94.0	13.0
	929.9	**852.3**	**9.1**
Current assets			
Inventories	764.8	748.4	2.2
Contract assets	56.9	59.0	3.5
Trade receivables	605.4	554.6	9.2
Other financial assets	89.9	70.9	26.8
Other non-financial assets	51.7	44.3	16.7
Cash and cash equivalents	369.3	340.4	8.5
	1,938.0	**1,817.5**	**6.6**
	2,867.9	**2,669.8**	**7.4**

Further information is provided in Section IV. Balance Sheet Disclosures in the Notes to the consolidated financial statements.

At € 31.7 million, the investments accounted for using the equity method were up € 7.2 million on the previous year's level (€ 24.5 million).

Deferred tax assets fell by € 12.2 million to € 81.8 million (previous year: € 94.0 million).

Inventories amounted to € 764.8 million (previous year: € 748.4 million) so that the figure recognised was € 16.4 million higher. The change is due to the higher order volume, with the 2.2 % increase in inventories being lower overall than that of total output of operations (4.6 %).

Contract assets fell slightly from € 59.0 million in the previous year to € 56.9 million.

Trade receivables increased from € 554.6 million to 605.4 € million due to the increase in sales revenue, particularly compared with the fourth quarter of the previous year.

Other financial assets amounted to € 89.9 million and were therefore € 19.0 million higher than in the previous year (€ 70.9 million), mainly attributable to € 20.2 million higher cash investments with a term of more than three months. Other non-financial assets amounted to € 51.7 million, up € 7.4 million on the prior-year level (previous year: € 44.3 million). This increase is attributable to slightly higher prepaid expenses.

Cash and cash equivalents accounted for around 12.9 % of assets, totalling € 369.3 million (previous year: € 340.4 million). The reasons for the increase are explained in the Liquidity section of the management report.

Overall, total assets rose by 7.4 % to € 2,867.9 million.

Equity

KSB Group equity amounts to € 1,335.4 million (previous year: € 1,216.9 million). This includes KSB SE & Co. KGaA's subscribed capital of € 44.8 million as in the previous year. The capital reserve remains unchanged at € 66.7 million. Revenue reserves increased by a total of € 92.1 million. The net profit for the year of € 146.8 million had a particular impact in this context. The remeasurement of defined benefit plans in the amount of € 14.8 million (€ 10.4 million after taxes) likewise led to an increase in equity.

Dividend payments to shareholders of KSB SE & Co. KGaA of € 45.8 million were € 11.4 million higher than in the previous year (previous year: € 34.4 million). Dividends amounting to € 13.9 million were distributed to non-controlling interests, € 7.6 million more than in the previous year (€ 6.3 million).

46.6

Equity ratio in percent

Equity and Liabilities

€ millions	31 Dec. 2024	31 Dec. 2023	Percentage change
Equity			
Subscribed capital	44.8	44.8	–
Capital reserve	66.7	66.7	–
Revenue reserves	981.1	889.0	10.4
Equity attributable to shareholders of KSB SE & Co. KGaA	1,092.5	1,000.4	9.2
Non-controlling interests	242.9	216.5	12.2
	1,335.4	**1,216.9**	**9.7**
Non-current liabilities			
Deferred tax liabilities	9.7	9.9	1.9
Provisions for pensions and similar obligations	489.6	496.1	1.3
Other provisions	12.5	15.7	20.7
Financial liabilities	37.8	29.0	30.6
	549.5	**550.6**	**0.2**
Current liabilities			
Other provisions	122.5	120.8	1.4
Financial liabilities	20.8	26.1	20.1
Contract liabilities	214.4	202.6	5.8
Trade payables	356.7	324.7	9.9
Other financial liabilities	35.1	27.7	27.0
Other non-financial liabilities	201.4	181.8	10.8
Income tax liabilities	32.0	18.6	71.5
	983.0	**902.3**	**8.9**
	2,867.9	**2,669.8**	**7.4**

Further information is provided in Section IV. Balance Sheet Disclosures in the Notes to the consolidated financial statements.

Currency translation effects led to a gain of € 23.0 million in the reporting year (previous year: loss of € 33.4 million). The revenue reserves include the proportion of earnings after income tax attributable to KSB SE & Co. KGaA shareholders, at € 118.1 million (previous year: € 152.3 million). Out of total equity, € 242.9 million (previous year: € 216.5 million) is attributable to non-controlling interests. The equity ratio increased further to 46.6 % (previous year: 45.6 %).

The non-controlling interests mainly relate to the PAB subgroup and the following companies: KSB Limited, India, and KSB Shanghai Pump Co., Ltd., China. The PAB subgroup comprises Pumpen- und Armaturen-Beteiligungsgesellschaft mbH, Frankenthal, and its US subsidiaries.

Inflation and exchange rate effects

Of the Group's consolidated companies, the annual financial statements of the Argentinian and the Turkish company had to be adjusted for the effects of inflation. The net loss from the monetary depreciation of the affected monetary assets and liabilities to be taken into account under IAS 29, amounting to € 12.6 million (previous year: € 6.9 million), is included in the income statement under other finance expense within finance income / expense.

The difference of € +23.0 million (previous year: € -33.4 million) from the currency translation of the financial statements of consolidated companies that are not prepared in euro was taken directly in equity.

Liabilities

The largest item under liabilities continues to be pension provisions, which fell by € 6.5 million from € 496.1 million to € 489.6 million.

Higher interest rates account for this reduction. This effect was reported in actuarial losses at € -14.8 million (previous year: € +39.4 million). Obligations for current pensioners and vested benefits of employees who have left the company account for about 50.0 % of the amount recognised in the balance sheet. The rest is attributable to defined benefit obligations for current employees.

Non-current financial liabilities increased by € 8.8 million year on year to € 37.8 million (previous year: € 29.0 million). These are mainly leasing liabilities.

Other non-current and current provisions remained largely constant, at € 136.5 million in 2023 compared with € 135.0 million in 2024. Provisions for warranties and penalties which increased by € 9.9 million were largely offset by a € 7.4 million decrease in provisions for expected losses.

Current liabilities rose overall by € 80.7 million to € 983.0 million compared with € 902.3 million at the end of 2023. The share of current liabilities relative to total equity and liabilities rose marginally to 34.3 % (previous year: 33.8 %).

Current financial liabilities were € 5.3 million lower than in the previous year (€ 20.8 million, previous year: € 26.1 million). This is attributable to the € 7.2 million increase in financial liabilities to credit institutions.

Contract liabilities increased from € 202.6 million in the previous year to € 214.4 million. This is due in particular to higher advance payments of € 11.8 million.

Trade payables were up by € 32.0 million to € 356.7 million (previous year: € 324.7 million).

Other non-financial liabilities increased by € 19.6 million, above all due to higher personnel liabilities.

Summary of the Performance in the Financial Year

The significant increase in order intake from € 2,959.5 million to € 3,114.0 million placed it within the forecast range between € 2,800 million and € 3,150 million. KSB is very satisfied with the order intake achieved in the reporting year. The figures for order intake in the Valves and SupremeServ Segments significantly rose and thus exceeded the previous year's forecast. The Pumps Segment reported a considerable increase instead of the anticipated considerable rise. A slight increase was forecast for the Valves Segment, while KSB likewise anticipated slight growth in the KSB SupremeServ Segment.

The forecast for sales revenue provided in the 2023 Annual Report, which was expected to be in a range between € 2,700 million and € 3,050 million, was confirmed. The sales revenue achieved of € 2,965.2 million (previous year: € 2,819.0 million) is very satisfactory. The Pumps Segment reported slight growth contrary to the predicted significant increase. For the Valves Segment, the forecast significant to strong increase of 10.3 % was confirmed. The KSB SupremeServ Segment recorded significant growth instead of a moderate increase.

The forecast for EBIT set out in the 2023 Annual Report, a range of € 210.0 million to € 245.0 million, was met in the 2024 financial year with EBIT of € 244.2 million. EBIT in the Pumps Segment was expected to show tangible growth in the financial year, but declined significantly instead. The strong increase in EBIT forecast for the Valves Segment was achieved. The KSB SupremeServ Segment, for which KSB predicted a slight to tangible growth, more than compensated for the decline in the Pumps Segment with strong growth. Detailed information on the reasons for the EBIT performance is provided in the "Earnings before finance income / expense and income tax (EBIT)" section.

The assumption made in the previous year's financial statements that global economic growth would be decisive for the development of the key indicators has largely materialised. Sales revenue and order intake also showed noticeable growth as predicted. In terms of order intake, the Asia / Pacific market proved to be a key driver of this development, while the Group was able to achieve slight growth in the Region Europe. For sales revenue, the strongest growth predicted for Europe did not materialise, but the Region Asia / Pacific grew as expected. The KSB SupremeServ Segment was largely responsible for EBIT growth, instead of the Pumps Segment. The company cannot confirm the EBIT growth expected for the Region Europe. However, the Region Asia / Pacific grew sharply as expected. Against this background, the Management of the KSB Group is very satisfied with business performance in the reporting year.

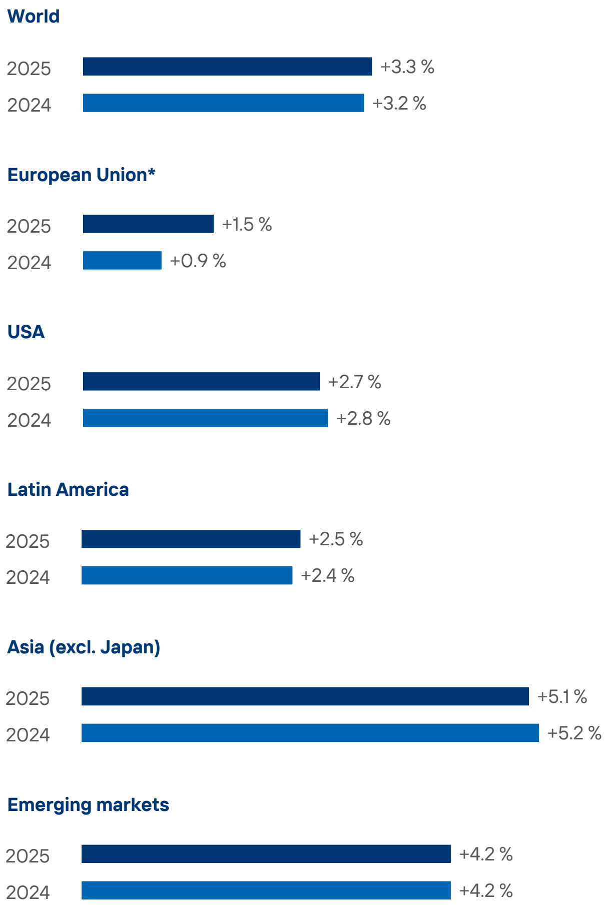
KSB continues to have a healthy financial basis for the future.

Report on Expected Developments

The International Monetary Fund's (IMF) latest forecast for global economic growth in 2025 was 3.3 %, which is only marginally above the growth rate for the previous year. Economic growth is expected to remain weak also in the medium term. Without timely political intervention and a boost from new technologies, it is likely to remain well below its pre-pandemic historical average in the medium term. Inflation is expected to fall further, partly due to the delayed effects of the tighter monetary policy that has been implemented.

However, the downside risks to this forecast prevail and have gained significance. In particular, geopolitical risks have increased. The worsening of regional conflicts in the Middle East or the war in Ukraine could disturb trade and lead to a renewed rise in prices for food, energy and other commodities. Furthermore, the intensification of protectionist measures could exacerbate tensions in global trade, disrupt global supply chains and have a negative impact on growth prospects also in the medium term. Another risk to global growth is the expansion of the Chinese economy, which is significantly influenced by further developments in the property sector.

Gross domestic product growth



Source: International Monetary Fund (January 2025)

* Source: EU Commission (November 2024)

The IMF is projecting an overall economic growth rate of 4.2 % for the emerging markets and developing countries.

At 1.9 % in 2025, expected economic growth in the industrialised nations is slightly above the previous year's level. Growth expectations in the USA are at 2.7 %. The forecast for the Canadian economy was lowered slightly to 2.0 %.

Economic growth in the European Union is expected to pick up only slightly to 1.5 %. The most recent forecast for Germany was 0.3 % and for Italy 0.7 %. In France, economic growth is anticipated at 0.8 %. The forecast for Spain is significantly higher at 2.3 %. Economic growth of 1.6 % is forecast for the UK.

For South Africa, the IMF expects economic growth of 1.5 %. At 3.3 %, Saudi Arabia's economic growth is projected to significantly exceed the prior-year level.

In Asia, economic growth is expected to be down slightly overall from the previous year. The most recent forecast for China of + 4.6 % is well below the pre-pandemic level. The IMF anticipates a consistent growth rate of + 6.5 % for India in the current year.

A growth rate of 4.6 % is expected for the ASEAN countries, which also include important sales markets for KSB.

Overall growth in the Latin American countries is anticipated to be at 2.5 %. Economic growth of 2.2 % is expected in Brazil, significantly below the previous year's level.

With regard to the capital goods industry, a further fall in interest rates and rising real income should have a positive impact on investment activities over the course of 2025. VDMA expects global machinery sales revenue to slightly grow in 2025 by 1.0 % in real terms. With the exception of Italy, where sales revenue is expected to decline by 1 %, and Germany, where sales revenue is to fall by 2 %, sales revenue growth of between 1 % and 3 % is forecast. The strongest increase in sales revenue of 5 % is predicted for the Indian mechanical engineering market. In China, sales revenue is expected to grow by 2 %. A slight increase of 1 % is anticipated for the USA.

With regard to the specific market for liquid pumps, VDMA forecasts nominal sales revenue growth of 3 % for German manufacturers in the current year. It expects sales revenue for industrial valves to stagnate. Sales revenue from building services valves is to grow by 2 % in nominal terms.

Summary of Expected Development

For the 2025 financial year, KSB expects to achieve the key financial performance indicators presented in the table below:

Expected development

€ millions	Actual 2024	Forecast 2025
Order intake	3,114.0	3,100 – 3,400
Sales revenue	2,965.2	2,950 – 3,150
EBIT	244.2	235 – 265

If no specific ranges are given in the Report on Expected Developments section with regard to the description of changes, KSB uses the following terminology. The verbal description “stable, at prior-year level, at previous year's level” corresponds to a change of ± 0.0 to 0.9 %, while “slight, moderate” means a change of ± 1.0 to 4.9 % and “significant, tangible, noticeable” means a change of ± 5.0 to 10.0 %. A change of more than ± 10 % is described as “sharp, strong”. This definition of the ranges, which was changed compared with the previous year, only applies to the Report on Expected Developments section in the current financial year and is used throughout the 2025 management report.

KSB expects to further increase order intake, sales revenue and EBIT in the 2025 financial year. Significant growth in order intake is anticipated for the Regions Asia / Pacific, Americas and Middle East / Africa. By contrast, KSB forecasts slight growth in order intake in Europe, its largest market. A tangible increase in sales revenue is scheduled for the Region Asia / Pacific, which will be the largest driver of sales revenue growth in absolute terms. The Group expects higher EBIT, largely from the Regions Americas and Asia / Pacific. For the Regions Asia / Pacific and Middle East / Africa, the Group is anticipating strong growth.

For the Pumps Segment, which achieved an order intake of € 1,658.6 million in the reporting year, the Group anticipates a significant increase in the 2025 financial year. This growth will be supported mainly by the project business. By contrast, KSB anticipates a moderate increase in order intake in the Valves Segment, which amounted to € 407.4 million in the reporting year. The Group is forecasting strong growth for the KSB SupremeServ Segment in 2025, with an order intake of € 1,048.1 million in the reporting year.

The Pumps Segment contributed € 1,550.5 million to the Group’s consolidated sales revenue in the reporting year. KSB anticipates a moderate increase in this Segment for the 2025 financial year. It expects stable development in 2025 for the Valves Segment, which achieved sales revenue of € 398.8 million in the reporting year. The KSB SupremeServ Segment contributed € 1,015.8 million to consolidated sales revenue. KSB forecasts significantly higher sales revenue for this Segment.

The Pumps Segment generated earnings before finance income / expense and income tax (EBIT) of € 40.5 million and the Valves Segment achieved € -0.8 million in the 2024 reporting year. For the 2025 financial year, KSB is planning to achieve EBIT matching the previous-year’s level. In the KSB SupremeServ Segment, which contributed € 204.5 million to EBIT in the reporting year, KSB expects a significant increase in EBIT.

The forecast may be influenced in particular by the ongoing geopolitical tensions, which are explained in more detail in the Opportunities and Risks Report.

Forward-looking Statements

This report contains forward-looking statements and information that are based upon the assumptions of Management. They express current forecasts and expectations with regard to future events. As a result, these forward-looking statements and information are exposed to risks and uncertainties that lie outside the Management’s sphere of influence. KSB wishes to point out that actual events or results may differ materially from the forward-looking statements and information presented, if one or more of the following opportunities or risks, or other opportunities, risks and uncertainties should materialise, or if the assumptions underlying the statements prove to be inaccurate.

Opportunities and Risks Report

As an organisation that operates throughout the world, the KSB Group is exposed to macroeconomic, sector-typical, financial and company-specific risks. The risk policy is designed to ensure the sustainable and profitable growth of the Group. The KSB Group aims to reduce the risks associated with its business and where possible to avoid them completely. At the same time its global alignment and extensive product range offer opportunities. This includes those opportunities that arise on the basis of research and development activities, but also any that are linked to the quality and cost effectiveness of products. In addition, KSB's competitive position is being strengthened by the optimisation of the global sales and production network. In this context, opportunities are constantly examined to further increase KSB's global presence by establishing new companies or expanding KSB SupremeServ sites and through acquisitions. Customer focus is the key principle in this context.

The Group defines both opportunities and risks as possible future developments or events that may lead to lead to departures from forecasts or targets. The departure can be both positive and negative. In order to manage the varied opportunities and risks appropriately and effectively, the Group aligns its actions accordingly and transfers responsibility to the managers of the relevant departments. In doing so, Controlling, Legal, Finance and Accounting as well as Internal Audits perform important monitoring tasks. The following section describes the processes related to the Group-wide opportunities and risk management system, which is based on the Auditing Standards 340 (IDW PS 340 n. F.) and 981 (IDW PS 981) issued by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors] in Germany.

Risk Management System

KSB has implemented a Group-wide risk management system for identifying and assessing relevant risks in the different areas of responsibility and reporting these to Group headquarters. The risk management process of the KSB Group consists of the successive phases of identification, assessment, management, control, documentation and communication of risks. The six phases form a continuous and IT-based closed-loop system. This is documented in KSB's Risk Management Manual, as well as the management responsibility and the description of all relevant tasks. In this manual, KSB also formalises the risk strategy that was specified in detail in 2023.

The Managing Directors of KSB Management SE are responsible for determining, implementing and releasing the risk management system that is effective throughout the Group. The risk strategy is reviewed regularly to ensure it is oriented on the Group strategy and meets the regulatory requirements. Changes to the risk strategy require the approval of the Managing Directors of KSB Management SE.

KSB's risk strategy serves as a basis for evaluating business decisions and is based on normative guiding principles. These guiding principles include, among other things, a clear commitment to promoting an interdisciplinary and Group-wide risk culture, efficient and time-critical risk communication processes and a stakeholder-centred focus on value creation and preservation. These qualitative criteria are supplemented by a quantitative approach to analysing the risk-bearing capacity.

KSB defines the risk-bearing capacity as an aggregated risk potential that can be absorbed over the next 24 months without posing a threat to the business continuity of KSB. A corresponding concept for risk-bearing capacity, taking into account the overall risk strategy, was established within the Group. It specifically examines whether and to what extent developments could jeopardise the continued existence of the KSB Group with regard to equity and / or liquidity position.

The regular derivation of the risk-bearing capacity and its communication to management is an integral process of the risk management system and is the responsibility of the Risk Manager. Changes require the approval of the Managing Directors of KSB Management SE. If the analysis of the risk-bearing capacity reveals a need for additional requirements for risk provisioning, equity or liquidity, further measures are defined to ensure that adequate account is taken of the KSB Group's risk-bearing capacity in accordance with its risk strategy. In addition to risk-bearing capacity, KSB defines risk appetite as part of the risk strategy as a level of risk that it is prepared to bear over a certain period of time.

KSB uses risk management software to support these analytical processes and to enhance the efficiency and effectiveness of risk management. This supports the systematic identification, assessment, management and monitoring of Group-wide risks and enables the precise and immediate recording of risk information.

Managers are encouraged to take timely action to define and implement measures to limit or avoid damage that may result from the occurrence of risk events. All corporate and central functions and Group companies, including Group companies that are not included in the scope of consolidation of the fully consolidated companies, are included in the risk management system. The responsible managers are required to supply their relevant key business and financial indicators each month. As well as creating forecasts during the year on business performance, they also report twice a year to the central Risk Manager on all recognised risks in the categories of market and competitive risks, technological risks, project- and product-related risks, financial risks, procurement risks, ESG (Environmental, Social and Governance) risks, other business-specific risks and long-term strategic risks in a bottom-up process. The monitoring period was divided into four cycles. In the first cycle, the risks are to be reported for the following financial year or, as part of the risk assessment during the course of the year, for the remainder of the financial year. Accordingly, the second cycle covers the risks that are seen within a time period of up to 24 months. A further period was added to the risk assessment in the reporting year due to the future requirements of the Corporate Sustainability Reporting Directive (CSRD). Thus, the third period no longer covers longer-term risks as before, but medium-term risks in the period from 24 months to five years. Long-term risks are recorded in a fourth period of more than five years. This is limited by the validity period of the strategy, which currently runs until 2030.

In addition, regular management reporting on day-to-day business-related risk developments and issues is provided by the respective corporate and central functions to the Managing Directors of the KSB Group. The aim is to ensure that, from a management perspective, such risks are addressed with in an action-oriented manner and are continually tracked between the reporting dates.

The regular identification and updating of risks in all the Group companies and in the respective corporate and central functions ensure that risk awareness within the KSB Group remains at a high level across the board. A distinction is made between qualitative and quantitative risks.

Qualitative risks are developments that cannot or cannot yet be thoroughly quantified due to a lack of precise information. However, to be able to evaluate them for further analysis steps, the scope is assessed using defined evaluation intervals. The mean value of these evaluation intervals is used to determine the significance of these risks for the Group.

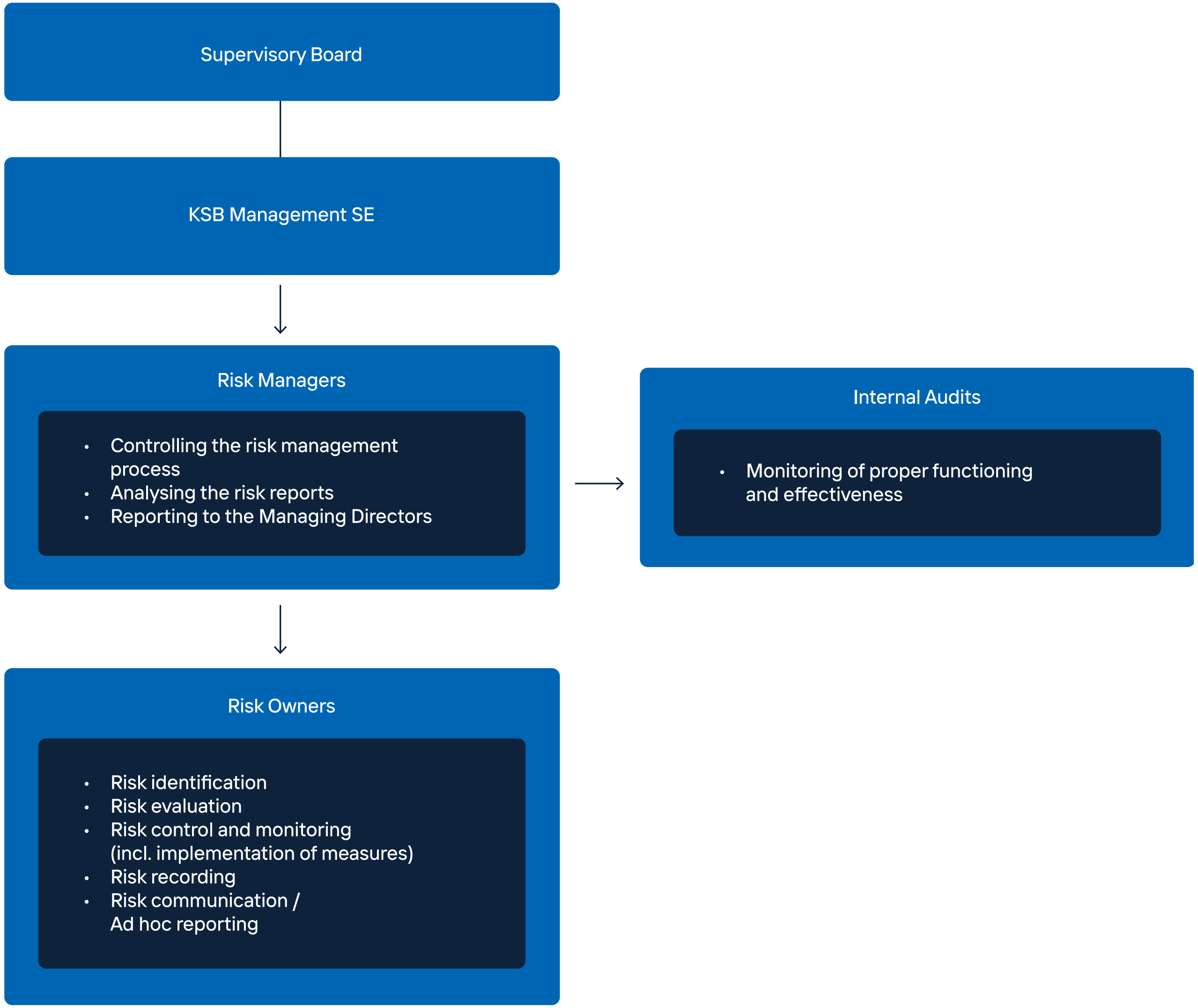
Quantitative risks are risks for which the potential monetary impact on the earnings and/or liquidity of the KSB Group can be estimated. They are evaluated taking into account the probability of occurrence in combination with the potential amount of loss. The scope or amount of loss describes the potential influence of the individual risk on the key indicator of earnings before finance income / expense and income tax (EBIT) or liquidity of the KSB Group or the respective Group company. The amount of loss is assessed on the basis of three scenarios: worst case, most likely case and best case. A distinction is also made between a gross method before taking into account any corrective action that has been taken, and a net method after taking into account such measures. Risk assessment at KSB covers all relevant risk areas for internal and external risks arising from the KSB business and the Group's inherent risk profile. In this context, gross impacts on EBIT of all individual and similar risks of € 500 thousand or more before countermeasures are to be reported throughout the Group at the earliest possible time. These impacts are to be recorded regardless of how the probability of occurrence of the risk is assessed. Purely cash-effective risks are reported as from a gross impact of € 5.0 million or more (in the most likely case).

KSB defines as material all risks or aggregate risks, for which the product of the probability of occurrence and the most probable amount of loss, after deducting the amount of countermeasures, is greater than € 5.0 million. This applies to qualitative and quantitative risks.

The bodies to which specific responsibilities and competencies were assigned in KSB's risk management system in the reporting year are presented and explained in the diagram.

→ **Risk Management System of the KSB Group**

Risk Management System of the KSB Group



As the legal representative, KSB Management SE assumes overall responsibility for risk management. KSB Management SE reports to the Supervisory Board of KSE SE & Co. KGaA via its Managing Directors during regular Audit Committee meetings and is monitored by the latter. The Managing Directors are supported by the Chief Compliance Officer and the Group Finance and Accounting department of KSB SE & Co. KGaA. The latter coordinates the risk management process at Group level and checks all risks reported for relevance to the preparation of financial statements. This ensures that there is a systematic link with the Group accounting process. A Risk & Opportunity Review Panel was established in the reporting year, with a particular focus to the future requirements of the CSRD. The aim of this panel is to continuously improve KSB's risk management system. This is achieved by identifying all material risks and opportunities, critically assessing the reported top risks and opportunities, and reviewing the appropriateness and effectiveness of the allocated actions. The panel consists of managers from selected functional areas who have the necessary expertise to review the risk and opportunity reporting with regard to the points mentioned and thus ensure the completeness and plausibility of the disclosures. The Managing Directors, the Administrative Board and the Supervisory Board's Audit Committee receive two risk reports per financial year. These reports include all the risks classed as material that exceed pre-defined threshold values individually or collectively, taking into consideration any corrective action that has been taken (net risk), as well as further significant developments. The net method enables the Managing Directors to focus specifically on the reported risks. Additionally, the risk-bearing capacity of the KSB Group is regularly monitored on the basis of the overall risk position, which is developed by aggregating all the risks recorded. This makes it possible to identify early on any developments that could threaten business continuity in the period under review. Particularly time-critical risks and new or changed risks that are classified as significant are to be reported by the responsible managers to the Risk Managers on an ad hoc basis. They review the information and pass it on to the head of Finance, who in turn communicates it to the Managing Directors of KSB Management SE. Opportunities are also taken into account in KSB's current risk management system and are reported in line with the specifications for the risks.

With regard to the use of financial instruments, KSB makes use of additional risk identification, assessment, management and communication. The central Finance department is responsible for this task, which is described in detail elsewhere in this section under Risk Reporting on the Utilisation of Financial Instruments.

Compliance risks are dealt with by the Chief Compliance Officer, who is assigned to the Legal and Compliance, Patents and Trademarks staff function. The Chief Compliance Officer is supported by the members of the Compliance Committee and the Compliance Managers of the individual companies.

Relevant risks from the two aforementioned corporate and central functions as well as other specialised corporate and central functions, such as Strategy, Sales or Purchasing, are transferred to and integrated within the KSB Group's risk management system, thus systematically ensuring a holistic overall risk inventory. The Internal Audits department is integrated into the risk management system as part of the internal control system. When planning audits, it prioritises areas according to potential risks and is provided with all the necessary information. The auditors ensure that all audited units adhere to the applicable guidelines, actively participate in the risk management system, and control or avoid their risks. Information obtained by Internal Audits on both the identified risks and the corrective action initiated in response forms an integral part of the reporting to the Managing Directors and to the Audit Committee of the Supervisory Board. The risk management system is updated promptly if need be, for example in the event of relevant legal or organisational changes. In addition, the auditors examine the early risk detection system within the scope of the audit of the annual financial statements, establishing that it is in place and checking that it is fit for purpose. Relevant basic documents on risk management are archived in accordance with the statutory applicable deadline and in the statutory required formats.

Internal Control System and Risk Management System with Regard to the Group Accounting Process

The accounting-related internal control system (ICS) contributes towards ensuring proper financial reporting. The aim is to ensure that the consolidated financial statements and group management report comply with all relevant regulations. Key elements of the ICS are – as well as the risk management system described above – guidelines and regulations which include standard accounting and measurement policies. They must be applied to the full extent by all Group companies. There is a segregation of duties and a double-check system is in place. This is ensured by the audits carried out by the Internal Audits department.

In addition, Accounting and Controlling carry out regular analytical plausibility checks of the financial information requested from the companies as well as actual / budget variance analyses. This enables KSB to identify significant changes early on, which are examined for accounting and measurement discrepancies. The resulting findings are then discussed at management level.

The responsibility for Group accounting lies with the employees in the central Accounting KSB Group department. The services of qualified external reviewers are employed to evaluate complex issues (such as the calculation of pension obligations) as part of the preparation of the financial statements.

Binding schedules and guidelines apply to accounting within the KSB Group and to accounting at each individual subsidiary. The accounting and measurement methods that must be applied to compile the consolidated financial statements are defined in writing in a manual that is updated and revised on a continual basis. It includes guidelines for posting intra-Group transactions. New accounting principles and other official announcements are continually analysed with regard to their relevance and impact on the consolidated financial statements. Guidelines and manual are adapted where necessary and any changes communicated immediately to the companies. Group Accounting likewise monitors compliance with requirements. This reduces the risk of compiling inappropriate financial statements or failing to publish them by the defined deadlines.

The financial statement information for all Group companies is automatically processed using certified and tested standard consolidation software. Systematic checks are implemented to help validate the data. The sequence of the processing steps is strictly specified through the use of the consolidation monitor within the IT system. This ensures the correct processing of data.

To ensure a seamless and accurate accounting process, only employees who have the appropriate specialist know-how are assigned to this task. These employees are trained on a regular basis to make sure that their expert knowledge remains up to date.

Access authorisations have been defined for the accounting-related IT system. This protects the data against unauthorised access as well as improper usage and modification. In addition, the checks at many stages ensure the quality of processing and help to limit operational risks.

Individually Assessed Opportunities and Risks

The categories presented below include the net risks classified as material and other net risks that are relevant to the Group as well as opportunities for the 2025 financial year. If risks are not flagged as material, they are considered to be of secondary importance. Unless otherwise stated, the following risks relate to all Segments.

Markets / Competition

The forecast for the 2025 financial year is based on the expectations and assumptions regarding general economic performance and the development of global GDP as described in the Report on Expected Developments.

Risks arise in particular through current geopolitical uncertainty resulting from trade conflicts and numerous global flashpoints. In particular, KSB considers the possible escalation of the China-Taiwan conflict to be a material risk. Likewise, the conflicts in Ukraine and the Middle East could have negative impact on the KSB Group's business, in terms of their duration and possible escalation. There are also risks with regard to the introduction of protectionist measures by individual countries and possible reactions to these. They could have a significant impact on economic relations and trade links. The exact impact on the global economy and thus on the Group's business activities cannot be estimated at present and further escalations cannot be ruled out.

The risk of fluctuations in the economy and demand decreased in the reporting year and is no longer among the Group's relevant net risks.

To make use of potential opportunities arising from strategic mergers or acquisitions, KSB continuously monitors the current market situation as well as forecast developments. This allows it to expand market shares or tap into new areas of application.

Projects / Products

Regular market analysis and monitoring, together with continuous quality management, generally minimise the risk that products will become technically obsolete, are offered at prices not acceptable in the market or that market developments are missed.

In KSB's business, there are special requirements when it comes to the processing of technically complex large-scale projects with long contract terms. These typically involve potential risks. There may be cost overruns, tighter import and export regulations or sanctions, staff shortages, technical difficulties or quality problems – including potential contractual penalties – that reduce the margins. KSB therefore continuously trains its employees in project management. Specialist knowledge is to enable them to identify the risks associated with longer-term orders at an early stage. In addition, project managers are provided with appropriate management tools. Decisions are linked to clearly structured approval processes. Furthermore, there is central monitoring of projects exposed to risk across all KSB companies.

There are also technical and financial risks to orders with newly designed products. The aforementioned risks are limited so that intermediate steps for development work are defined and partial solutions are subjected to assessments. Commercial risks are minimised by drafting appropriate contractual clauses. KSB's goal is to ensure that advance payments and collateral provided by customers are structured in such a way that they at least cover the costs incurred. KSB reports contingent liabilities of € 1.8 million (previous year: € 1.8 million) for risks that result from warranty obligations and contractual penalties risks and that were not covered by corresponding provisions. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. Beyond this KSB sees no material residual risk (net risk).

Finance / Liquidity

The Group's international focus is associated with exchange rate risks. Besides the euro, the most important currencies for KSB are the US dollar, the Indian rupee, the Brazilian real and the Chinese yuan. The liquidity risk arising from foreign currency transactions is hedged by using derivative financial instruments. The hedges are based on fixed contracts and on forecasts about future payment streams, the occurrence of which is uncertain.

Economic downturns or newly emerging crisis may adversely affect the financial situation of customers. Delayed payments and defaults on receivables as a result of this can burden the earnings. The same effect might occur if the foreign exchange regulations become stricter for individual countries. KSB counters this by means of a strict receivables management system and intensive customer contacts.

KSB SE & Co. KGaA is exposed to the risk of potential non-repayment of loans to subsidiaries in geopolitically unstable regions. A current example is the Russia-Ukraine conflict, which has led to considerable economic sanctions and restrictions. These measures can result in payments not being allowed to leave the country concerned, which makes the repayment of loans significantly more difficult or even impossible. For the Group, on the other hand, there is a risk of losing control over the Russian subsidiary and its investments.

As regards tax matters, the global orientation of the activities of the KSB Group must be taken into consideration. Based on its operative activities in numerous countries with varying tax laws and administrative interpretation, differentiated assessment is required for measuring tax obligations of every jurisdiction. Uncertainty could arise due to different factual interpretations by taxable entities on the one hand and local finance authorities on the other, as well as due to unclear legislative texts. These may come to light during audits. By cooperating closely with external local tax specialists, KSB counteracts the risk of having to pay back taxes. As KSB continually monitors unclear issues, it can generally classify the probability of occurrence. Should a need for subsequent payment arise, the corres-ponding tax liabilities are recognised in good time. In the Notes to the consolidated financial statements, KSB also reports contingent liabilities of € 0.8 million (previous year: € 1.1 million) from risks associated with income taxes. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year. € 14.1 million (previous year: € 13.4 million) are reported as contingent liabilities for risks from other tax matters. Of this amount, € 0 million is attributable to KSB SE & Co. KGaA, as in the previous year.

Procurement

Commodity prices and procurement times are subject to strong market-related fluctuations. An increase in costs for raw materials and components can have a negative impact on the earnings situation if the cost increases cannot be compensated for or passed on to customers. Ineffective supply chains, defined by supply bottlenecks and capacity restrictions, can lead to production bottlenecks and delays in delivery, and adversely affect KSB's business activities. In its procurement strategy KSB seeks to prevent dependencies on suppliers and thereby counter any bottlenecks and delays. If local conditions mean that it is impossible to ensure sufficient diversification in this regard, KSB will make use of additional foreign business partners.

New regulations, such as the introduction of new certification standards for imported products in certain regions, pose a risk for KSB. Such changes in the legal situation can lead to disruptions in supply chains and consequently in business processes if the corresponding requirements cannot be implemented in time. To minimise such risks, KSB devises possible solutions at an early stage.

Technology / Research and Development

It is essential to future success to have a product and service range that is suited to the market in terms of technology, price and delivery time. The changing needs of customers together with new standards and regulations – especially in promising markets – require the continuous development and improvement of products and services. The research and development required for their adjustment consumes significant financial and human resources. However, there is no guarantee of commercial success in the medium or long term

To avoid any negative impact on earnings, it is important to recognise the market-related or technical risks early on. To this end, the KSB Group is constantly updating the development process, which incorporates various control levels. As sales employees are regularly included in this process, risks arising from changes in markets or applications can be taken into account in good time in the evaluation.

Environmental, Social and Governance (ESG)

ESG – short for Environmental, Social and Governance – refers to a comprehensive set of standards covering environmental, social and governance aspects for assessing the Group's sustainable and ethical activities. KSB's business activities, primarily in the area of production, are subject to numerous environmental protection laws and regulations. Environmental damage of any kind (for example, groundwater contamination, renovation needed due to outdated construction materials or unpleasant odours arising from the use of chemicals) may result in costs not covered by insurance policies. Therefore, at all company sites officers monitor compliance with laws and regulations as well as with internal KSB rules. If KSB discovers any contamination, it sets aside provisions to be able to meet obligations for necessary remediation.

In markets with tightening environmental regulations, there is a risk that KSB products and its in-house or purchased services might give rise to infringements and that the necessary authorisation for the relevant business might be lost and KSB's reputation might be damaged as a result. Legal requirements or restrictions related to products, such as RoHS (Restriction of Certain Hazardous Substances according to EU Directive 2011/65/EU), may lead to a restriction. KSB assigns this risk, which was identified as material for the first time in the previous year, a lower significance in the current reporting year. This change in assessment is based on the assumption of reduced and gradual penalties. Nevertheless, KSB continues to closely monitor the current legal situation. Identified risks are addressed by continually adjusting the product design in order to be able to offer products that comply with market requirements. A change in rules on liability in environmental protection can also increase the risks for business success. As a member of national and international professional associations the KSB Group becomes aware of imminent changes in environmental law early on. The legal frameworks that are in place in its Operational Units are continually updated, enabling KSB to ensure that its employees always abide by the applicable law. This is monitored by external auditors as part of the management certifications.

In addition, KSB is exposed to risks from climate and natural hazards. In a first step, KSB evaluates its sites with regard to these risks, which include earthquakes, flooding, lightning strikes and wildfires. The occurrence of these risks would lead to disruptions in ongoing business operations at the respective sites. Sites identified to be exposed to risks based on this evaluation are examined in greater detail in relation to risks from climate and natural hazards, in order to develop and implement individual solutions. Basically KSB counters risks from climate and natural hazards by means of a differentiated production network. This facilitates a flexible response to breakdowns at production sites.

Investments in plant and machinery are made on the basis of resource efficiency and environmental and health protection in order to optimise energy costs throughout the entire use phase as well as to prevent any follow-on costs incurred through damage to the environment and/or to health.

To achieve its growth and profitability business objectives, KSB needs qualified employees at all locations, including technical specialists. Due to the demographic change in some countries, the competition for these and other highly skilled professionals is increasing, KSB counters this risk with demand-oriented measures, systematic human resources planning and international recruitment programmes.

Other potential risks associated with the activities of KSB's employees include dishonest conduct or violations of laws, which could damage the image of KSB. One risk, for example, is the possible discovery of cases of corruption, particularly at Sales and Purchasing, where there is regular contact with customers and suppliers. The occurrence of such a risk entails the threat of fines and exclusion from public procurement procedures. The KSB Group counters these risks and safeguards its reputation among customers by organising regular compliance training and through individual initiatives in critical regions.

Legal disputes cannot always be avoided within the framework of business activities. These risks are usually disputes arising from operative business, generally involving unclear warranty issues or labour law disputes. In some cases, the continuous further and new development of products can lead to similarities with competitors' products. KSB limits the risk of resulting legal dispute by submitting patent applications at an early stage of the product development. If as a result of these issues KSB expects negative effects on the success of its business with a probability of occurrence of more than 50 %, corresponding provisions are set aside, which cover not only the anticipated amount of loss, but also the costs of proceedings. In addition, KSB reports contingent liabilities in the amount of € 2.0 million (previous year: € 2.3 million) in the Notes to the consolidated financial statements, € 0 million of this is attributable to KSB SE & Co. KGaA (previous year: € 1.0 million).

KSB seeks to counter external fraud activities by raising awareness of its employees and through internal controls. At the same time, KSB continues to develop its compliance organisation. Maintaining its competitive advantage and protecting trade and business secrets is of considerable economic significance to the company. The company responds with specific requirements on conduct to take into account the different protection needs.

Other business-specific opportunities and risks – Information technology

The worldwide increase in threats to IT security and cyber crime entail a risk in terms of the security of systems and networks, as well as the confidentiality and availability of data. KSB plans to further expand IT security in the years ahead as part of a multi-year programme.

In principle, there is a risk that laws and regulations on the processing and use of personal data may be violated. Violations of data privacy provisions can lead to penalties with an impact on earnings. Process control and awareness-raising measures are designed to ensure compliance with data privacy requirements within the KSB Group.

The digitalisation of processes helps to make them transparent. KSB uses a process mining tool for this purpose. This innovative approach specifically demonstrates the company processes and identifies any weaknesses and where there is room for improvement. This forms the basis for the continuous development of the internal workflows from start to end of a process.

Strategic opportunities and risks

Strategic risks are the uncertainties and threats arising from strategic decisions and the business environment. They can impair the long-term performance and competitiveness of a company. They are closely linked with a company's long-term objectives, orientation and success. Strategic risks typically arise from the complexity and dynamics of the business environment. The occurrence of such risks can be far-reaching and impact a company's long-term growth, profitability and image, among other things. It is therefore crucial to recognise and evaluate strategic risks in order to take appropriate measures. The strategic risks presented here are long-term in nature and therefore mainly affect time horizons that extend beyond the following financial year.

As was already described in the Environmental, Social and Governance (ESG) section, tighter environmental regulations, which will only come into force in a few years' time, can have negative implications for KSB's business. They include, in particular, regulations in connection with per- and polyfluoroalkyl substances (PFAS). KSB counters these material risks by defining corresponding measures to identify and subsequently eliminate any violations.

If the continuous monitoring of the current market situation and forecast developments lead to acquisition plans, there is always a risk that these will fail before a contract is concluded. This can result in a loss of planned income within the scope of strategic planning.

Risk Report on the Utilisation of Financial Instruments

Central Finance Management in the KSB Group performs its duties within the framework of the guidelines laid down by KSB Management SE as the legal representative. The KSB Group bases the nature and scope of all financial transactions exclusively on the requirements of its business. It does not lend itself to business of a speculative nature. The aim is to ensure liquidity at all times and to finance activities under optimal conditions. In export business transactions, foreign exchange and credit risks are hedged. KSB continuously improves its receivables management methods with the goal of settling outstanding amounts by their due dates.

KSB is exposed to the following financial risks as a consequence of its business activities.

KSB is exposed to credit risk, which is defined as potential default or delays in the receipt of contractually agreed payments. KSB is also exposed to liquidity risk which is the risk that an entity will be unable to meet its financial obligations, or will be unable to meet them in full. In addition, KSB is exposed to market price risk. Exchange rate or interest rate changes may adversely affect the economic position of the Group. Risks from fluctuations in the prices of financial instruments are not material.

Foreign exchange hedges are used to reduce the risks from transactions involving different currencies. These are generally currency forwards, which KSB uses both for transactions that have already been recognised and for future cash flows from orders still to be processed. At year end, the notional volume of currency forwards used to hedge exchange rate risks totalled € 288.2 million (previous year: € 249.9 million). € 230.2 million of this is attributable to KSB SE & Co. KGaA (previous year: € 179.9 million). The hedged currency risk is mainly in US dollars. A global network of production sites in the local sales markets reduces potential currency risks.

All these risks are limited through an appropriate risk management system, defining how these risks are addressed through guidelines and work instructions. In addition, the current risk characteristics are continuously monitored and the information obtained in this way is provided to the Managing Directors and the Supervisory Board in the form of standardised reports and individual analyses.

For more information on the three risk areas and the impact on the balance sheet, see the Notes, Section VI. Additional Disclosures on Financial Instruments.

Overall Assessment of Opportunities and Risks

The assessment of the KSB Group's overall opportunity and risk situation is summarised in a consolidated appraisal. The overall risk situation for KSB, which is essentially measured in terms of value at risk, has increased strongly compared with the previous year. This is due in part to the new risks identified in the reporting year. Despite this increase, however, the value-at-risk remains within the risk appetite. This shows that KSB has sufficient financial resources to cover potential risks and ensure financial stability.

One of the KSB Group's material risks is the further escalation of current crises, in particular the China-Taiwan conflict. As in the previous year, Russia's war of aggression against Ukraine and the protectionist measures currently emerging in individual countries as well as the conflict in the Middle East are also of significance. The risk of rising prices of commodities and materials, which was still considered one of the biggest risks at the end of the previous year, has become much less significant due to price adjustments and better availability.

The risk management system in place as well as the related organisational measures allow KSB Management SE as the legal representative to identify risks in a timely manner and to take adequate measures. The focus of activities in 2025 will be on the material risks described above. On the basis of the risk management system established by the KSB Group, and taking into account the regulatory requirements (IDW PS 340 n. F.), the legal representative states that at the present time, according to the analysis of the KSB Group's overall risk position and risk-bearing capacity, no threat has been identified to business continuity.

Disclosures Relating to KSB SE & Co. KGaA (HGB)

Balance Sheet of KSB SE & Co. KGaA (HGB)

Assets

€ millions	31 Dec. 2024	31 Dec. 2023
Fixed assets		
Intangible assets	39.1	38.4
Property, plant and equipment	196.2	175.7
Financial assets	358.1	346.1
	593.4	**560.2**
Current assets		
Inventories	291.3	283.3
Advances received from customers	-83.5	-68.1
	207.7	**215.2**
Receivables and other assets	367.2	339.3
Cash and balances with credit institutions	114.0	102.9
	481.2	**442.2**
Prepaid expenses	**7.2**	**4.3**
	1,289.6	**1,221.8**

Equity and liabilities

€ millions	31 Dec. 2024	31 Dec. 2023
Equity		
Subscribed capital	44.8	44.8
Capital reserve	66.7	66.7
Revenue reserves	136.2	136.2
Net retained profits	128.2	88.6
	375.8	**336.3**
Provisions		
Pensions and similar obligations	516.2	517.5
Miscellaneous other provisions	132.5	128.5
	648.7	**646.0**
Liabilities	**265.0**	**239.5**
	1,289.6	**1,221.8**

Income Statement of KSB SE & Co. KGaA (HGB)

Income Statement

€ millions	2024	2023
Sales revenue	**963.8**	**996.3**
Changes in inventories	13.6	-16.1
Work performed and capitalised	1.9	1.7
Total output of operations	**979.2**	**981.9**
Other operating income	31.3	22.6
Cost of materials	-410.4	-418.2
Staff costs	-382.7	-379.7
Depreciation and amortisation on intangible assets under fixed assets and property, plant and equipment	-23.3	-21.2
Other operating expenses	-197.4	-191.1
	-3.4	**-5.8**
Income from equity investments	104.6	61.6
Other finance income / expense	-2.1	1.8
	102.5	**63.4**
Taxes on income	-12.2	-6.9
Earnings after taxes	**87.0**	**50.8**
Other taxes	-1.7	-1.4
Net profit / loss for the year	**85.3**	**49.4**
Profit / loss carried forward	42.9	39.3
Appropriation to other revenue reserves	–	–
Net retained earnings	**128.2**	**88.6**

Business Model of KSB SE & Co. KGaA

KSB SE & Co. KGaA, as the parent, directly or indirectly holds the shares in the companies belonging to the KSB Group. The KSB Group is managed via KSB SE & Co. KGaA, which is at the same time the Group's largest operative company. The central administrative offices are located at the company's seat (registered office) in Frankenthal; branch operations are located in Bremen, Halle and Pegnitz.

KSB SE & Co. KGaA is associated via control and profit transfer agreements with the following German service 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 Industrieausrüstungen GmbH, Pattensen, as well as the holding company KSB Finanz GmbH, Frankenthal. These companies are therefore under single management by KSB SE & Co. KGaA. Their annual earnings are transferred to KSB SE & Co. KGaA.

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.

Differences between the accounting methods under HGB and the International Financial Reporting Standards (IFRS), which are the basis of preparation for the consolidated financial statements of KSB, arise primarily from the recognition over time of revenue from customer contracts under IFRS 15, in the calculation of pension provisions, from the recognition of leases under IFRS 16 and in the capitalisation of deferred taxes. Furthermore, differences arise in the recognition of assets and liabilities and of income statement items; under HGB there is expanded scope for the recognition of sales revenue.

Business Development and Results of Operations of KSB SE & Co. KGaA

As in the previous years, the 2024 financial year was characterised by the persistently difficult economic situation in Europe and the ongoing geopolitical tensions. The financial year was also influenced by subdued global economic growth, while the German economy continues to face challenges. Persistently high energy prices weighed heavily on the manufacturing industry.

Thanks to the KSB Group's global positioning across several market areas, economic downturns were offset by positive developments. In the standard business, the restraint with regard to large investments and construction projects was tangible. However, this development was offset by the high-margin KSB SupremeServ Segment.

Order intake rose significantly compared with the previous year. Sales revenue under IFRS declined marginally. EBIT under IFRS is considerably lower than the prior-year figure. The key performance indicators – order intake, sales revenue and EBIT under IFRS – are, as described in the Control System section, the material financial performance indicators, which are also used for controlling KSB SE & Co. KGaA.

Order Intake

The volume of orders received by KSB SE & Co. KGaA rose by € 26.0 million to € 889.7 million in the reporting year, an increase of 3.0 %. Despite the economic slowdown in Germany, KSB SE & Co. KGaA's diversification across numerous regions and markets helped increase its order intake.

Sales Revenue

At € 963.8 million, total sales revenue under HGB was down € 32.5 million on the prior-year figure of € 996.3 million.

The disclosures below refer only to sales revenue from the sale of pumps, valves and spare parts as well as services. Sales revenue of € 863.2 million generated in the 2024 financial year represents a year-on-year decline of € 53.2 million (-5.8 %).

67.9 % of sales revenue relates to new business with Pumps, 10.4 % to new business with Valves, and 21.7 % to KSB SupremeServ which comprises all the service and spare parts business. The breakdown of sales revenue is broadly similar to that of the previous year.

Under IFRS, sales revenue fell marginally to € 875.9 million compared with € 884.4 million in the previous year. Significant improvement in new business with valves was contrasted by slight declines in new business with pumps. In the Standard Markets operating segment, the Petrochemicals / Chemicals Market Area in particular grew strongly, while the other Market Areas recorded slight to noticeable declines. Sales revenue from the Energy operating segment remained stable. The KSB SupremeServ Segment reported a tangible decline in 2024, primarily due to lower spare parts sales in General Industry, which could not be offset by higher sales in the other Market Areas.

Income and Expenses

Other operating income rose from € 22.6 million to € 31.3 million. This increase is mainly attributable to higher currency translation gains and reversals of provisions.

At € 410.4 million, the cost of materials was down slightly on the prior-year level of € 418.2 million. The cost of materials as a percentage of total output of operations fell from 42.6 % in the previous year to 41.9 % in the reporting year. This is due in particular to changes to the product mix.

Staff costs increased in absolute terms by € 3.0 million to € 382.7 million. Higher wages and salaries due to the collectively agreed pay adjustment as from May 2024 as well as provisions for profit bonuses had an impact here. Pension costs showed a contrary trend. At 39.1 %, staff costs as a percentage of total output of operations were higher than the previous year's figure of 38.7 %.

Other operating expenses of € 197.4 million showed a significant increase after € 191.1 million in the previous year. In addition to a general increase in costs, higher expenses for cost transfers from Group companies (€ 3.4 million) as well as travel and entertainment expenses (€ 2.5 million) contributed to the rise. Additions to provisions for warranties and penalties showed a contrary trend.

Overall, the income from equity investments, at € 104.6 million, was considerably above the prior-year level (previous year: € 61.6 million). This includes profit transfers from the German controlled companies of € 53.9 million (previous year: € 19.0 million) and dividend income from affiliates and equity investments of € 50.7 million. The increase in income from profit transfers is due to the expansion of the tax group to include KSB Finanz GmbH, Frankenthal. Considerable declines were reported for other financial income / expense which fell to € -2.1 million (previous year: € 1.8 million). Interest expense increased more than interest income.

The sharp growth in taxes on income from € -6.9 million to € -12.2 million was due to the considerable increase in earnings before taxes.

Net Profit / Loss for the Year Under HGB

The total output of operations and expenses were on a par with the previous year, with operating earnings of € -3.4 million after € -5.8 million in the previous year. The financial result rose sharply. As a result, KSB SE & Co. KGaA generated a net profit for the year of € 85.3 million in the 2024 financial year; this compares with a net profit of € 49.4 million in the previous year.

Earnings Before Finance Income / Expense and Income Tax (EBIT) Under IFRS

The EBIT determined in accordance with IFRS amounted to € -12.3 million in the 2024 financial year (previous year: € 4.1 million). The external costs for the migration of the SAP R/3 system to SAP S/4HANA had a significant negative impact on EBIT at € 15.4 million. In addition, higher general administrative expenses also contributed to the decline in EBIT. The improvement in operating margins did not offset these costs.

Financial Position and Results of Operations of KSB SE & Co. KGaA

Financial Position

KSB SE & Co. KGaA is embedded within central financial management at the KSB Group. The latter works within the framework of the guidelines laid down by KSB Management SE as the legal representative and bases the nature and scope of all financial transactions exclusively on the requirements of the business. The objective of financial management is to guarantee liquidity at all times and to ensure the financing of activities on optimum terms. In financing export transactions, KSB SE & Co. KGaA hedges foreign exchange and credit risks. KSB continuously improves its receivables management methods with the goal of settling outstanding amounts by their due dates.

Liabilities and Provisions

The largest liabilities item, as in the previous year, was pension provisions, which amounted to € 516.2 million on the reporting date (previous year: € 517.5 million). Other expenses, at € 132.5 million, were noticeably higher than in the previous year (€ 128.5 million). This was due to additions to provisions for taxes on income.

Of liabilities totalling € 265.0 million (previous year: € 239.5 million), € 71.8 million was accounted for by trade payables at year end (previous year: € 68.5 million). Liabilities towards affiliates and equity investments increased significantly from € 162.4 million in the previous year to € 182.8 million. They include € 154.0 million (previous year: € 132.7 million) for intercompany loans and cash investments.

Net Assets

Total assets, at € 1,289.6 million, are up 5.5 % on the prior-year level of € 1,221.8 million.

In the reporting year, fixed assets made up 46.0 % (previous year: 45.8 %) of total assets. Intangible assets, property, plant and equipment with a historical cost of € 670.4 million have carrying amounts of € 235.3 million. The focus continued to be on replacement investments in manufacturing facilities. The rise in financial assets from € 346.1 million to € 358.1 million is essentially attributable to capital increases and a write-up related to an equity investment.

The share accounted for by current assets was 54.0 % after 54.2 % in 2023. The difference of inventories and advances received declined noticeably from € 215.2 million to € 207.7 million. Advances received, which were up by € 15.4 million, contributed to this. This was contrasted by higher inventories, which increased from € 283.3 million to € 291.3 million. In addition, receivables and other assets rose by € 27.9 million. Higher trade receivables from affiliates and cash investments in the Group attributed to this in particular. The cash and balances with credit institutions item posted an increase by € 11.1 million.

Equity

The share capital of KSB SE & Co. KGaA remained at € 44.8 million. The capital reserve was unchanged at € 66.7 million. At year end, € 136.2 million (previous year: € 136.2 million) was assigned to other revenue reserves. Out of the 2023 net retained earnings of € 88.6 million, dividends totalling € 45.8 million (dividend of € 26.00 per ordinary share and € 26.26 per preference share) were distributed by resolution of the Annual General Meeting 8 May 2024. The remaining amount of € 42.9 million was carried forward to new account.

Summary of the Performance in the Financial Year of KSB SE & Co. KGaA

The forecasts made at the beginning of the year were not fulfilled. Sales revenue under IFRS is stable and in line with the previous year; a moderate to tangible increase was forecast. In contrast, order intake saw a significant increase. Expectations at the beginning of the year were for a moderate increase. EBIT under IFRS fell considerably and failed to meet the forecast significant to strong increase. The reasons for this are explained in more detail in the “Earnings before finance income / expense and income tax (EBIT) under IFRS” sub-section of this report.

Opportunities and Risks

The business performance of KSB SE & Co. KGaA depends significantly on the risks and opportunities faced by the KSB Group, which are set out in detail in the Report on Expected Developments and the Opportunities and Risks Report in the Combined Management Report. KSB SE & Co. KGaA generally shares in the opportunities and risks of its equity investments and subsidiaries in line with its equity interest.

Report on Expected Developments of KSB SE & Co. KGaA

In its forecast, KSB SE & Co. KGaA essentially makes the same assumptions regarding the development of global economic conditions as the KSB Group.

A modified definition of the ranges is used for the Report on Expected Developments of KSB SE & Co. KGaA. Detailed explanations are provided in the Report on Expected Developments section.

Overall, KSB SE & Co. KGaA foresees tangible growth in sales revenue under IFRS in the 2025 financial year. This growth is being driven across all areas. Strong growth in new business with pumps in the Energy operating segment and the Valves Segment will drive this development, in particular. As regards order intake, significant increases are expected. This is due to strong growth in new business with pumps in the Energy operating segment and a noticeably higher level of orders for new business with valves. EBIT under IFRS is expected to fall sharply compared with the 2024 financial year. This decline is due, among other things, to higher expenses for the migration of the SAP R/3 system to the SAP S/4HANA system. Moderate increases are expected from operational business activities.

The forecast horizon for the above-mentioned information and statements is the 2025 financial year.

The forecast may be influenced in particular by the continuing geopolitical tensions.

Acquisition-related Disclosures

A summary of the acquisition-related disclosures required by Sections 289a and 315a HGB [*Handelsgesetzbuch* – German Commercial Code] is given below and explanatory information is provided pursuant to Section 176(1) AktG [*Aktiengesetz* – German Public Companies Act].

The share capital of KSB SE & Co. KGaA (the company) amounts to € 44.8 million, of which € 22.7 million is represented by 886,615 no-par-value ordinary shares and € 22.1 million by 864,712 no-par-value preference shares. Each no-par-value share represents an equal notional amount of the share capital. All shares are bearer shares. They are listed for trading on the regulated market and are traded in the Prime Standard segment of the Frankfurt Stock Exchange.

Each ordinary share entitles the holder to one vote at KSB SE & Co. KGaA's Annual General Meeting. Johannes und Jacob Klein GmbH, Frankenthal, holds approximately 84 % of the ordinary shares; the KSB Stiftung [KSB Foundation], Stuttgart, holds the majority of the shares of Johannes und Jacob Klein GmbH. The preference shares carry separate cumulative preferred dividend rights and progressive additional dividend rights. Detailed information on the share capital and shareholders holding an interest of more than 10 % is provided in the Notes to the consolidated financial statements. Holders of preference shares are entitled to voting rights only in the cases prescribed by law. The issue of additional ordinary shares does not require the consent of the preference shareholders. Similarly, the issue of additional preference shares does not require the consent of the preference shareholders provided that the subscription rights do not exclude newly issued senior or pari passu preference shares.

The company is authorised by a resolution passed at the Annual General Meeting on 13 May 2020 to acquire during the period up to (and including) 12 May 2025, for any permitted purpose, ordinary and/or preference shares of the company up to a total of 10 % of the share capital of KSB SE & Co. KGaA existing at the time the resolution is adopted or – if this value is lower – at the time the authorisation is exercised. The general partner shall be entitled to use treasury shares acquired in such a way for any permitted purpose, including but not limited to the following: (1) The acquired treasury shares may be redeemed without the redemption or its execution requiring any further resolution by the Annual General Meeting. The general partner may also determine that the share capital remains unchanged by the redemption and that, instead, the portion of share capital that the remaining shares represent is increased pursuant to Section 8(3) AktG. (2) The acquired treasury shares may also be sold in ways other than over the stock exchange or by way of an offer to all shareholders if the shares are sold for cash at a price that is not materially lower than the stock exchange price of the company's shares of the same type and with the same features at the time of the sale. However, this authorisation shall only apply subject to the proviso that the shares sold to the exclusion of the pre-emptive right pursuant to Section 186(3), sentence 4 AktG shall not exceed a total pro-rata amount of 10 % of the share capital, either at the time this authorisation enters into effect or at the time it is exercised. Any shares issued from authorised capital during the term of this authorisation to the exclusion of the pre-emptive right pursuant to Sections 203(2), sentence 2, and 186(3), sentence 4 AktG shall be counted towards this limit. In addition, shares to be issued to service bonds and/or participation rights with conversion or option rights or a conversion or option obligation shall also count towards this limit if the bonds and/or participation rights are issued during the term of this authorisation to the exclusion of the pre-emptive right in corresponding application of Section 186(3), sentence 4 AktG. (3) The acquired treasury shares may be sold for a contribution in kind, in particular for the acquisition of companies, parts of companies or interests in companies. (4) Finally, the acquired treasury shares may be used to fulfil conversion or option rights that were granted by the company or a domestic or foreign enterprise in which the company directly or indirectly holds a majority of the votes and capital when issuing bonds and/or participation rights, or to fulfil conversion or option obligations from bonds and/or participation rights issued by the company or a domestic or foreign enterprise in which the company directly or indirectly holds a majority of the votes and capital.

The above-mentioned authorisations (1) to (4) on the use of shares of the Company acquired on the basis of previous authorisation resolutions in accordance with Section 71(1) No. 8 AktG or another legal basis, and of such shares acquired by controlled enterprises or enterprises in which the Company holds a majority ownership interest, or pursuant to Section 71d, sentence 5 AktG. The authorisations may be exercised once or several times, in whole or in part, individually or jointly, and also by controlled enterprises or enterprises in which KSB SE & Co. KGaA holds a majority ownership interest, or by third parties acting for their account or for the account of the company.

Where treasury shares are used in accordance with the aforementioned authorisations (2) to (4), the pre-emptive right of the shareholders to these treasury shares is excluded. In addition, the general partner shall, in the event of an offer for treasury shares to the shareholders, be authorised to grant to the creditors of bonds and/or participation rights with conversion or option rights or a conversion or option obligation issued by the company or a domestic or foreign enterprise in which the company directly or indirectly holds a majority of the votes and capital, a pre-emptive right to shares to the extent to which they would be entitled after exercising the conversion or option right or after fulfilling a conversion or option obligation. To this extent, the shareholders' pre-emptive right to such treasury shares shall also be excluded.

The company has not yet made use of this authorisation to purchase treasury shares.

There are no resolutions by the Annual General Meeting authorising the company's individually liable general partner to increase the share capital (authorised capital).

The company's business is managed by KSB Management SE, which is supervised by the Administrative Board and acts through the Managing Directors.

Amendments to the company's Articles of Association are resolved by the Annual General Meeting. If the amendments only affect the wording of the Articles of Association, they can be made by the Supervisory Board, which operates and is formed in accordance with the regulations of the *Mitbestimmungsgesetz* [German Co-determination Act].

Corporate Governance Statement (Section 315d HGB in Conjunction with Section 289f HGB)

The Corporate Governance Statement pursuant to Section 315d HGB in conjunction with Section 289f HGB [*Handelsgesetzbuch* – German Commercial Code] dated 11 March 2025 is accessible to the public at ksb.com/en-global > Investor Relations > Corporate Governance / Statement and Report. The Corporate Governance Statement contains the content specified in Section 298f HGB, including the Statement of Compliance in accordance with Section 161 AktG, as well as the relevant information on corporate governance practices applied at KSB SE & Co. KGaA that go above and beyond statutory requirements. Also described are in particular the working methods of KSB Management SE as the general partner and of the Supervisory Board, and the composition and working methods of the committees of the Supervisory Board.

Statement on the Non-financial Report (Section 315c in Conjunction with Sections 289c to 289e HGB)

The combined separate non-financial report is prepared in accordance with Section 315c in conjunction with Sections 289b to 289e HGB [*Handelsgesetzbuch* – German Commercial Code] and disclosed together with the combined management report in accordance with Section 325 HGB. The report can be viewed at: ksb.com/non-financial-report. Under the same address the assurance report for the combined separate non-financial report is also disclosed.

Corporate Governance Systems*

KSB has an internal control system, a risk management system and a compliance management system, which are important elements of corporate governance. In the following section, KSB describes these systems in accordance with A.5 DCGK 2022 recommendation.

Risk Management System (RMS) and Internal Control System (ICS)

The accounting-related internal control system comprises principles, processes and measures aimed at ensuring the correctness and reliability of the accounting system. This system ensures, for example, that reliable accounting-related information is complete and provided in a timely manner.

Further information on characteristics of the accounting-related internal control system is provided in the Opportunities and Risks Report under Internal Control System and Risk Management System with Regard to the Group Accounting Process.

Controls are also in place in the operative business processes of the Corporate Functions and KSB's decentralised units for handling the risks involved in the business activities. A comprehensive internal control system is set up at KSB by conceptually integrating the accounting-related internal control system with the current elements of an internal control system in the operative business processes beyond accounting.

Risk management is the most important instrument the Managing Directors of KSB have to ensure that all negative and positive developments are reported to them systematically and in a timely manner, and that appropriate measures can be implemented. In addition, risk management is critical for reporting about the risks and developments that could threaten the continued existence of KSB. Group risk management therefore comprises all the organisational rules and methods for recognising and managing opportunities and risks that arise in relation to Corporate Functions and decentralised units, and from markets and business activities. KSB's risk management is oriented on the basic elements of IDW PS 981 published by the German Institute of Public Auditors.

Further information on characteristics of the risk management system is provided in the Opportunities and Risks Report under Risk Management System.

Compliance Management System

Compliance in terms of implementing measures to ensure observance of applicable law and internal guidelines by Group units is one of the key management tasks of the general partner, which in this regard also acts through its Managing Directors. The requirement for profes-sional and honest conduct is expressed within the Group-wide Code of Conduct.

Some fundamental statements contained in the Code of Conduct are addressed in more detail in other, separate directives and guidelines. This particularly applies to the areas of anti-trust or cartel law and anti-corruption measures. The applicable legal bases in this respect are explained in greater detail and useful information on proper conduct in actual situations is provided. The latter equally applies to the Insider Directive, which deals with the ban on insider trading and handling of inside information. Further compliance sub-areas that are material to the company (such as data privacy and protection, export control, money laundering prevention) are assigned to the specific specialist departments for processing.

All material structures and processes of the compliance management system, including handling of violations, are compiled in the Compliance Manual which is available to the employees. In the case of proven violations, consistent sanctions are imposed based on a "zero tolerance" policy.

Responsibility for the compliance organisation lies with the general partner, acting through its Managing Directors, who are monitored by the Supervisory Board (Audit Committee) in this regard.

The compliance organisation is structured as follows:

- Group Compliance Office
- Local Compliance Offices
- Compliance Committee
- Ombudsperson

* Disclosures unrelated to the management report that are excluded from the factual review of the management report by the auditors

The Group Compliance Officer (hereinafter also "GCO") heads the Group Compliance Office. In the Group Compliance Office, the GCO is supported by the Regional Compliance Officers. In addition, there are Local Compliance Offices in place throughout the Group in countries in which KSB Group companies have their registered office; they usually consist of the Local Compliance Officer. Where several Local Compliance Officers are appointed in a country, they may be headed by a Country Compliance Officer.

An interdisciplinary Compliance Committee at Group headquarters provides advice on fundamental compliance issues as well as support to the Group Compliance Office in fulfilling its responsibilities.

If employees or third parties become aware of infringements of the KSB Code of Conduct, i.e. in particular violations of laws or company guidelines, they can get in touch with internal contacts or an external ombudsperson with the relevant information, also anonymously if they wish. The ombudsperson will immediately contact the Group Compliance Office with regard to processing such information.

The compliance management system was continuously developed in the past financial year. A key focus of these activities was, for example, the implementation of the recommendations drawn up in 2023 as a result of an analysis of the compliance management system by the auditors PricewaterhouseCoopers GmbH. As a result, some existing processes were optimised and in some cases new processes were established. Once again, the specific handling of compliance regulations at a selected national company was assessed on site, namely at KSB S.A.S., Gennevilliers (Paris), France. The potential for improvement and modernisation identified during this process will be implemented in the current financial year. Another focal point was the implementation of risk analyses for specific compliance sub-areas. In addition, another of the decentrally organised compliance sub-areas was subjected to a review as part of annual rolling audits, also with the support of PricewaterhouseCoopers GmbH. Work also began on coordinating the closer integration of the compliance management system and the internal control system in order to strengthen the overarching monitoring aspect. Compliance training was continued throughout the year for new employees of the company and employees who are transferred internally to relevant functions. The targeted preventive effect of compliance measures is rounded off by the specific review of operative projects for compliance with the regulations.

Statement on Appropriateness and Effectiveness

The internal control system, the risk management system and the compliance management system are subject to process-integrated and process-independent monitoring. Responsibility for process-integrated monitoring lies with the relevant Corporate Functions and decentralised units. The Internal Audits department is responsible for process-independent monitoring of the systems.

Process-independent monitoring of the internal control system comprises an audit of material controls along selected business processes at the level of Corporate Functions and decentralised units. The basis for this is a risk-oriented audit plan of the Internal Audits department, which is updated annually or as needed in a given situation.

Internal Audits also regularly reviews the risk management system for appropriateness and effectiveness on the basis of relevant standards, such as the DIIR Audit Standard No. 2: Audit of the Risk Management System by Internal Audits.

Finally, the appropriateness and effectiveness of the compliance management system is also continuously monitored by Internal Audits, mainly in the course of general or special audit measures. For example, the application of compliance regulations in the company is monitored in the form of employee surveys or in-depth analysis of relevant operative projects. In addition, selected parts of the compliance management system occasionally undergo external analyses by auditors, which are based on the requirements of IDW PS 980. The Audit Committee of the Supervisory Board is always involved in these processes and their findings, in particular to facilitate independent monitoring of the compliance management system by the Committee.

The Managing Directors are involved in monitoring the appropriateness and effectiveness of the systems by coordinating the specific key areas for the audit by Internal Audits, commissioning external auditors, managing a Group Compliance Office and maintaining regular dialogue with those responsible for the governance systems, among other things.

* Disclosures unrelated to the management report that are excluded from the factual review of the management report by the auditors

Based on the continuous findings from the aforementioned monitoring measures, the Managing Directors have no evidence that would call into question the appropriateness and effectiveness of the compliance management system, the risk management system and the internal control system.

* Disclosures unrelated to the management report that are excluded from the factual review of the management report by the auditors