Consolidated Financial Statements

Balance Sheet

Assets

€ thousands	Notes	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Intangible assets	1	75,927	79,935
Right-of-use assets	2	42,709	41,641
Property, plant and equipment	3	537,786	500,680
Non-current financial assets	4	1,508	2,267
Other non-financial assets *	5	7,592	4,857
Investments accounted for using the equity method	6	20,184	19,787
Deferred tax assets	19	34,619	27,360
		720,325	**676,526**
Current assets			
Inventories	7	529,451	497,495
Contract assets	8	79,300	82,412
Trade receivables	8	479,244	444,174
Other financial assets *	8	80,140	80,655
Other non-financial assets	8	39,298	27,189
Cash and cash equivalents	9	386,683	331,512
		1,594,115	**1,463,437**
		2,314,440	**2,139,964**

* Compared with the 2020 consolidated financial statements, the presentation for the reporting year and for the previous year was amended so that the assets from defined benefit plans previously reported under current other financial assets are now shown under non-current other non-financial assets.

Further information is provided in the Notes to the consolidated financial statements.

Equity and Liabilities

€ thousands	Notes	31 Dec. 2021	31 Dec. 2020
Equity	**10**		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		563,316	416,439
Equity attributable to shareholders of KSB SE & Co. KGaA		674,751	527,874
Non-controlling interests		194,372	175,928
		869,123	**703,803**
Non-current liabilities			
Deferred tax liabilities	19	9,177	8,430
Provisions for employee benefits	11	629,245	684,858
Other provisions	11	1,569	3,017
Financial liabilities	12	27,067	50,624
		667,058	**746,929**
Current liabilities			
Provisions for employee benefits	11	7,677	10,168
Other provisions	11	93,451	79,674
Financial liabilities	12	51,898	32,033
Contract liabilities	12	157,389	153,690
Trade payables	12	272,813	237,558
Other financial liabilities	12	26,635	27,205
Other non-financial liabilities	12	157,466	136,045
Income tax liabilities	12	10,931	12,860
		778,258	**689,232**
		2,314,440	**2,139,964**

Further information is provided in the Notes to the consolidated financial statements.

Statement of Comprehensive Income

Income statement

€ thousands	Notes	2021	2020
Sales revenue	**13**	**2,343,577**	**2,207,881**
Changes in inventories		14,528	–15,214
Work performed and capitalised		1,997	3,186
Total output of operations		**2,360,102**	**2,195,853**
Other income	14	27,730	31,649
Cost of materials	15	–975,410	–899,579
Staff costs	16	–837,154	–804,831
Depreciation and amortisation	1 - 3	–80,892	–99,906
Other expenses	17	–353,215	–353,014
Earnings before finance income / expense and income tax (EBIT)		**141,161**	**70,172**
Finance income	18	10,425	5,374
Finance expense	18	–11,494	–12,100
Income from / expense to investments accounted for using the equity method	18	–157	–1,850
Finance income / expense		**–1,226**	**–8,576**
Earnings before income tax (EBT)		**139,935**	**61,596**
Taxes on income	19	–29,612	–57,216
Earnings after income tax		**110,323**	**4,380**
Attributable to:			
Non-controlling interests	20	16,675	14,015
Shareholders of KSB SE & Co. KGaA		**93,648**	**–9,635**
Diluted and basic earnings per ordinary share (€)	21	53.34	–5.63
Diluted and basic earnings per preference share (€)	21	53.60	–5.37

Further information is provided in the Notes to the consolidated financial statements.

Statement of income and expense recognised in equity

€ thousands	**Notes**	**2021**	**2020**
Earnings after income tax		**110,323**	**4,380**
Remeasurement of defined benefit plans	11	54,554	–43,540
Taxes on income		–8,289	–43,546
Remeasurement of defined benefit plans attributable to investments accounted for using the equity method		201	–32
Items not reclassified to profit or loss in subsequent periods		**46,466**	**–87,118**
Currency translation differences		28,704	–61,268
Changes in the fair value of financial instruments: Hedging reserve		–7,887	6,652
Taxes on income: Hedging reserve		2,035	–2,019
Changes in the fair value of financial instruments: Hedging cost reserve		3,617	464
Taxes on income: Hedging cost reserve		–1,108	–140
Expense and income recognised directly in equity relating to investments accounted for using the equity method		1,622	–1,154
Items reclassified to profit or loss in subsequent periods if required		**26,983**	**–57,465**
Other comprehensive income		**73,449**	**–144,583**
Total comprehensive income		**183,772**	**–140,203**
Attributable to:			
Non-controlling interests		30,367	–2,837
Shareholders of KSB SE & Co. KGaA		**153,405**	**–137,366**

Further information is provided in the Notes to the consolidated financial statements.

Statement of Changes in Equity

€ thousands	Subscribed capital of KSB SE & Co KGaA	Capital reserve of KSB SE & Co. KGaA
1 Jan. 2020	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income tax	–	–
Total comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increase / decrease	–	–
Step acquisitions	–	–
Other	–	–
31 Dec. 2020	**44,772**	**66,663**

€ thousands	Subscribed capital of KSB SE & Co. KGaA	Capital reserve of KSB SE & Co. KGaA
1 Jan. 2021	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income tax	–	–
Total comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increase / decrease	–	–
Step acquisitions	–	–
Other	–	–
31 Dec. 2021	**44,772**	**66,663**

Revenue reserves							
	Other comprehensive income						
Other revenue reserves	Currency translation differences	Changes in the fair value of financial instruments: Hedging reserve	Changes in the fair value of financial instruments: Hedging cost reserve	Remeasurement of defined benefit plans	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total equity
892,652	**–95,765**	**–3,298**	**–606**	**–224,067**	**680,351**	**182,210**	**862,562**
–	–46,364	4,611	324	–86,302	–127,731	–16,852	–144,583
–9,635	–	–	–	–	–9,635	14,015	4,380
–9,635	**–46,364**	**4,611**	**324**	**–86,302**	**–137,366**	**–2,837**	**–140,203**
–15,111	–	–	–	–	–15,111	–3,445	–18,556
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–1,696	–	–	–	1,696	–	–	–
866,210	–142,129	1,313	–282	–308,673	527,874	175,928	703,803

	Other comprehensive income						
Other revenue reserves	Currency translation differences	Changes in the fair value of financial instruments: Hedging reserve	Changes in the fair value of financial instruments: Hedging cost reserve	Remeasurement of defined benefit plans	Equity attributable to shareholders of KSB SE & Co. KGaA	Non-controlling interests	Total equity
866,210	**–142,129**	**1,313**	**–282**	**–308,673**	**527,874**	**175,928**	**703,803**
–	17,961	–5,852	2,509	45,139	59,757	13,692	73,449
93,648	–	–	–	–	93,648	16,675	110,323
93,648	**17,961**	**–5,852**	**2,509**	**45,139**	**153,405**	**30,367**	**183,772**
–7,230	–	–	–	–	–7,230	–11,923	–19,153
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
702	–	–	–	–	702	–	702
953,330	–124,168	–4,539	2,227	–263,534	674,751	194,372	869,123

Statement of Cash Flows

€ thousands	2021	2020
Earnings after income tax	110,323	4,380
Taxes on income	29,611	57,216
Finance income	–10,425	–5,374
Finance expense	11,494	12,100
Depreciation and amortisation	80,892	99,906
Gain / loss on disposal of intangible assets and property, plant and equipment	389	881
Gain / loss on the sale of subsidiaries	–	2,654
Change in inventories	–17,903	15,051
Change in contract assets	3,369	–7,699
Change in trade receivables	–23,214	35,226
Change in provisions	–1,790	6,455
Change in contract liabilities	–3,046	–252
Change in trade liabilities	15,511	–3,723
Change in other assets and liabilities	3,953	–10,134
Income tax paid	–44,835	–28,142
Interest received	9,587	5,310
Cash flows from operating activities	**163,916**	**183,855**
Proceeds from disposal of intangible assets and property, plant and equipment	1,276	1,392
Payments to acquire intangible assets and property, plant and equipment	–73,972	–83,073
Sale of subsidiaries and other operations less cash and cash equivalents sold	481	1,374
Proceeds from deposits with an original maturity of more than 3 months	2,888	47,800
Payments for deposits with an original maturity of more than 3 months	–4,282	–38,601
Proceeds from investments in Group companies that are not fully consolidated	710	100
Payments for investments in Group companies that are not fully consolidated	–2,193	–1,466
Proceeds from dividends from Group companies that are not fully consolidated	733	750
Proceeds from capitalisation measures with Group companies that are not fully consolidated	–	–
Payments for capitalisation measures with Group companies that are not fully consolidated	–2,030	–514
Cash flows from investing activities	**–76,389**	**–72,238**
Dividends paid to shareholders of KSB SE & Co. KGaA	–7,230	–15,111
Dividends paid to non-controlling interests	–11,924	–3,445
Proceeds from financial liabilities	9,893	1,367
Payments for financial liabilities (not including lease liabilities)	–14,395	–9,032
Repayment of lease liabilities	–16,917	–16,848
Interest paid	–2,852	–5,407
Cash flows from financing activities	**–43,425**	**–48,476**
Changes in cash and cash equivalents	44,102	63,141
Effects of exchange rate changes on cash and cash equivalents	8,353	–12,504
Effects of changes in consolidated Group	2,716	–
Cash and cash equivalents at beginning of period	331,512	280,875
Cash and cash equivalents at end of period	**386,683**	**331,512**

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

Notes

I. GENERAL INFORMATION AND BASIC PRINCIPLES

General Information on the Group

KSB SE & Co. KGaA, Frankenthal / Pfalz, Germany, is a capital market-oriented *Kommanditgesellschaft auf Aktien* [partnership limited by shares] under the law of the Federal Republic of Germany. The company is registered with the *Handelsregister* [German Commercial Register] of the *Amtsgericht* [Local Court] Ludwigshafen am Rhein, registration No. HRB 65657, and has its registered office at Johann-Klein-Straße 9, 67227 Frankenthal / Pfalz, Germany. KSB SE & Co. KGaA was formed from KSB Aktiengesellschaft by entry in the German Commercial Register on 17 January 2018. 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 thus the KSB Group are managed via KSB Management SE, which has four Managing Directors and a five-member Administrative Board.

KSB SE & Co. KGaA is the ultimate and immediate parent company whose consolidated financial statements include the single-entity financial statements of KSB SE & Co. KGaA. The consolidated financial statements of KSB SE & Co. KGaA prepared in accordance with International Financial Reporting Standards as adopted by the EU are published in the *Bundesanzeiger* [German Federal Gazette].

The KSB Group (hereinafter also called “KSB” or the “Group”) is a global supplier of high-quality pumps, valves and related systems and also provides a wide range of support services to users of these products. The breakdown of the Group’s business activities by segment has changed as of the 2021 financial year, as explained in Section VIII. Segment Reporting in these Notes, and is now based on the three new Pumps, Valves and KSB SupremeServ Segments.

Basis of preparation of the consolidated financial statements

The accompanying consolidated financial statements of KSB SE & Co. KGaA were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of German commercial law under Section 315e(1) HGB [*Handelsgesetzbuch* – German Commercial Code]. To do so, the Conceptual Framework and all Standards applicable at the reporting date and adopted by the European Commission for use in the EU that are of relevance to the KSB Group as well as the interpretations of the IFRS Interpretations Committee were applied. For the purposes of this document, the term IFRSs includes applicable International Accounting Standards (IASs). The consolidated financial statements of KSB SE & Co. KGaA therefore meet the requirements of the IFRSs as adopted by the EU. The consolidated financial statements were prepared on a going concern basis in accordance with IAS 1.25. On principle, the historical cost is the measurement basis used for the consolidated financial statements, unless Section III. Accounting Policies provides otherwise.

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

The financial year of the companies consolidated is the calendar year.

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

All material items of the balance sheet and the income statement are presented separately and explained in these Notes.

The main accounting policies used to prepare the consolidated financial statements are presented below. The policies described were applied consistently for the reporting periods presented unless stated otherwise.

The consolidated financial statements, the annual financial statements of the parent company and the combined management report are submitted to and published in the *Bundesanzeiger*.

The consolidated financial statements are approved by the Managing Directors of KSB Management SE on 9 March 2022 for forwarding to the Supervisory Board. The Supervisory Board is expected to approve the financial statements on 17 March 2022.

New accounting principles

a) Accounting principles applied for the first time in the 2021 financial year

The new or revised accounting Standards and Interpretations listed below which were adopted for the first time in the reporting year had no or no material impact on the Group's net assets, financial position and results of operations.

KSB made use of the practical expedient from the IASB pronouncement on COVID-19-Related Rent Concessions after 30 June 2021 as an amendment to IFRS 16 Leases in the 2021 financial year. As in the previous year, the treatment of rent concessions identified to be a direct result of the coronavirus pandemic was simplified compared with the regular presentation of lease modifications. From the Group's perspective, the extent of such rent concessions was not material in the reporting year.

b) Accounting principles that have been published but that are not yet mandatory

The new or revised Accounting Standards and Interpretations listed below were not yet mandatory and were not applied in the 2021 financial year.

As a matter of principle, the new or revised Standards or Interpretations shown in the table have not been adopted early. We expect no or no material effects on our net assets, financial position or results of operations from these amendments.

Accounting principles applied for the first time in the 2021 financial year

	First-time adoption in the EU
Amendments to IFRS 4 Insurance Contracts	1 Jan. 2021
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Interest Rate Benchmark Reform – Phase 2)	1 Jan. 2021
Amendments to IFRS 16 Leases by IASB pronouncement on COVID-19-Related Rent Concessions after 30 June 2021	1 April 2021

Accounting principles that have been published but that are not yet mandatory

	First-time adoption in the EU
Amendments to IFRS 3 Business Combinations	1 Jan. 2022
Amendments to IAS 16 Property, Plant and Equipment	1 Jan. 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Receivables	1 Jan. 2022
Annual improvements to IFRSs (2018–2020 cycle) by amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture	1 Jan. 2022
IFRS 17 Insurance Contracts, including amendments to IFRS 17	1 Jan. 2023

II. CONSOLIDATION PRINCIPLES

Consolidated Group

As at 31 December 2021, in addition to KSB SE & Co. KGaA, 9 German and 77 foreign companies (previous year: 9 German and 76 foreign companies) were fully consolidated in the consolidated financial statements. A majority interest is held, either directly or indirectly, in the voting power of these subsidiaries which the KSB Group has the option to control under IFRS 10.

Subsidiaries are companies controlled by the Group. The Group controls a company if it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power of disposition over the company. The financial statements of subsidiaries are included in the Group's financial statements from the date on which control begins until the date on which control ends. Changes in the investment ratio that do not result in a loss of control are treated as a transaction between shareholders and recognised directly in equity. Such transactions do not result in the recognition of goodwill or the realisation of disposal profits.

The consolidation principles apply accordingly to the five joint ventures and associated companies accounted for using the equity method as at 31 December 2021. Upon the loss of joint control or significant influence any retained interest in the investee is remeasured at fair value through profit or loss.

Associates are companies in which the Group has significant influence but does not have control or joint control over financial and business policy. A joint venture is an agreement through which the Group exercises joint control, in that it has rights to the net assets of the agreement rather than rights to its assets and obligations for its liabilities. The shares in companies included at-equity are measured at cost of acquisition plus or minus cumulative changes in net assets, with recognised goodwill reported in the carrying amount of the investment.

The Thai company KSB Pumps Co. Ltd., Bangkok, and the Indian company KSB Limited, Pimpri (Pune), are included in the group of fully consolidated affiliates despite the fact that KSB holds less than 50 % of the voting rights. KSB does, however, have the power to determine their business and financial policies and thus the level of variable returns.

KSB gained control over KSB Limited, Pimpri (Pune), in which KSB owns 40.54 % of the shares, through contractual agreements with other shareholders. These agreements ensure that KSB has the majority of voting rights in management committees and also exercises control over the budget.

Likewise, KSB exercises control over KSB Pumps Co. Ltd., Bangkok, in which it owns 40 % of the shares, through additional agreements which give KSB the majority of voting rights in management committees and control over the budget.

Companies that were not consolidated due to there being no material impact are reported as other investments under non-current other financial assets.

Changes in the consolidated Group

In the 2021 financial year, there were the following changes in the consolidated Group, none of which had a material impact on the Group's assets, financial position and results of operations.

The companies KSB Perú S.A., Lurin, Peru, KSB Algérie Eurl, Bordj el Kifane, Alger, Algeria, and KSB PUMPS AND VALVES LIMITED, Nairobi, Kenya, which were previously not consolidated due to immateriality, are now included as fully consolidated companies of the Group. As part of the first-time consolidation of these companies as at 1 January 2021, assets and liabilities totalling € 5,800 thousand were included in the consolidated balance sheet. The total contribution of the three companies to the Group's earnings after income tax amounted to € 477 thousand in the reporting year.

In addition, KSB Egypt SOC, Cairo, Egypt, KSB Service Egypt LLC, Cairo, Egypt, KSB BOMBAS E VÁLVULAS (ANGOLA), LDA, Belas, Angola, and KSB Panama S.A., Panama City, Panama, were founded. None of the companies newly founded in the 2021 financial year are consolidated for reasons of immateriality.

The South African-based and previously fully consolidated company FORTY FOUR ACTIVIA PARK (PTY) LTD, Germiston (Johannesburg), was liquidated in the reporting year.

The previously fully consolidated company VM Pumpar AB, Gothenburg, Sweden, was merged with its previous shareholder, the Group subsidiary KSB Sverige Aktiebolag, Gothenburg, Sweden.

The shares in FluidPartner GmbH, Stein, Germany, which had previously not been consolidated for reasons of immateriality, were sold in the 2021 financial year. By contrast, the Group's share in KSB ZAMBIA LIMITED, Kitwe, Zambia, which was also not consolidated due to immateriality, increased from 80 % in the previous year to 100 %.

A 60 % interest was acquired in KSB Pumps and Valves Nigeria Ltd, Lagos, Nigeria, which formerly operated as JUAL - EMAC NIG LTD. For reasons of immateriality the company was not consolidated.

A full list of the shareholdings held by the KSB Group is provided at the end of these Notes to the consolidated financial statements.

Compared with the presentation in the Annual Report 2020, the list of shareholdings now includes all five subsidiaries of D.P. Industries B.V., Alphen aan den Rijn, Netherlands, which are listed individually and no longer as a whole entity together with their immediate parent company. Accordingly, these companies are included as individual Group subsidiaries as at the reporting date in the "Changes in the consolidated Group" sub-section above. The previous year's disclosures were adjusted accordingly.

Consolidation methods

For the purposes of consolidation, the effects of any intercompany transactions are eliminated in full. Any receivables and liabilities between the consolidated companies are offset against each other, and any unrealised gains and losses recognised in fixed assets and inventories are eliminated. Any revenues from intercompany sales are offset against the corresponding expenses.

Capital consolidation is based on the purchase method of accounting pursuant to IFRS 3. This means that the amortised cost of the parent's shares in the subsidiary is eliminated against the remeasured equity attributable to the parent at the date of acquisition.

Any goodwill created from the application of the purchase method denominated in a currency other than the functional currency of the KSB Group is measured at the relevant current closing rate. Goodwill is reported under intangible assets and tested for impairment at least once a year. If an impairment is identified, an impairment loss is recognised. Any excess of our interest in the fair values of net assets acquired over cost is recognised in profit or loss in the year it occurred.

Those shares of subsidiaries' equity not attributable to KSB SE & Co. KGaA are reported as non-controlling interests. Further explanations on non-controlling interests of other shareholders are included under Notes No. 10 Equity.

Currency translation

The consolidated financial statements have been prepared in euro (€). Unless otherwise stated, amounts in this report are presented in thousands of euros (€ thousands) using standard commercial rounding rules.

Currency translation is effected on the basis of the functional currency of the consolidated companies. As in the previous year, the functional currency is exclusively the local currency of the company consolidated, as it operates as a financially, economically and organisationally independent entity.

Transactions denominated in foreign currencies are translated at the individual companies at the rate prevailing when the transaction is initially recognised. Monetary assets and liabilities are subsequently measured at the closing rate. Measurement effects are recognised in the income statement.

When translating financial statements of consolidated companies that are not prepared in euro, assets and liabilities are translated at the closing rate; the income statement accounts are translated at average exchange rates (modified closing rate method). The sole exception as at 31 December 2021 was the translation of the financial statements of KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires), Argentina, where, as in the previous year, the income statement items were translated at the closing rate in application of IAS 29 Financial Reporting in Hyperinflationary Economies. Gains and losses from the translation of items of assets and liabilities compared with their translation in the previous year are taken directly to equity in other comprehensive income and reported under currency translation differences.

The exchange rates of the most important currencies for the KSB Group at the reporting date and on an annual average are as shown in the table below.

→ Exchange rates of the most important currencies

Hyperinflation

Argentina has been rated as a hyperinflation country for accounting purposes since 2018. As such, KSB is following the information of the International Practices Task Force (IPTF) of the Center of Audit Quality (CAQ). Based on this assessment, activities in Argentina have been reported under IAS 29 Financial Reporting in Hyperinflationary Economies. No further information was provided as the impact on the Group's net assets, financial position and result of operations was not material.

Exchange rates of the most important currencies

	Closing rate		Average rate	
	31 Dec. 2021	31 Dec. 2020	2021	2020
US dollar	1.1326	1.2271	1.1827	1.1422
Brazilian real	6.3101	6.3735	6.3784	5.8943
Indian rupee	84.2292	89.6605	87.4355	84.6392
Chinese yuan	7.1947	8.0225	7.6280	7.8747

III. ACCOUNTING POLICIES

Acquisition and production costs

In addition to the purchase price, acquisition cost includes attributable incidental costs (except for costs associated with the acquisition of a company) and subsequent expenditure. Purchase price reductions are deducted.

As well as directly allocated costs, production costs also include reasonable proportions of material and production overheads based on standard capacity utilisation of the relevant production facilities, if and to the extent these were incurred as part of the production process. This also includes production-related administrative expenses. General administrative expenses, research costs and selling expenses are not capitalised.

Borrowing costs as defined in IAS 23 that can be directly allocated to the acquisition or production of qualifying assets are capitalised. As in the previous year no such borrowing costs were incurred.

Fair value

Fair value is the price that independent market participants would, under standard market conditions, receive when selling an asset or pay when transferring a liability at the measurement date. This applies irrespectively of whether the price is directly observable or has been estimated using a measurement method.

The KSB Group defined a monitoring framework concept for determining fair value. This includes the monitoring of all material measurements at fair value and the direct communication of material facts to Management and, if necessary, to the audit committee. For the purposes of calculating fair value, KSB makes use wherever possible of estimates from market participants or estimates derived from these. As an initial step, regular checks are made to ascertain if there are current prices on active markets for an identical transaction. If no quoted market prices are available, the preference is to use the market-based approach (deriving the fair value from the market or transaction prices of comparable assets, for example multipliers) or the income-based approach (calculation of fair value as a future value by discounting future cash surpluses).

Based upon the input factors used in the measurement methods, fair values are assigned to different levels of the fair value hierarchy.

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilities
- Level 2: Measurement parameters that are not the quoted prices taken into account for level 1, but that are observable for the asset or the liability either directly as a price or indirectly derived from prices
- Level 3: Measurement parameters for assets or liabilities that are not based on observable market data

If input factors categorised into different levels are included in the fair value measurement, the measurement must be categorised in its entirety in the level of the lowest level input factor that is material for the entire measurement.

Reclassifications between different levels in the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the consolidated balance sheet at the time when KSB becomes a contractual party. When the contractual right to payments from financial assets expires, these are derecognised. Financial liabilities are derecognised at the time when the contractual obligations are settled or cancelled or have expired. The acquisition and sale of financial instruments on an arm's length basis are recognised at the value at the date of settlement. This applies to primary financial instruments, such as trade receivables and financial receivables. Only derivative financial instruments are recognised at the value at the trade date.

a) Primary financial instruments
In the KSB Group, primary financial instruments are allocated to the following measurement categories as financial assets and financial liabilities based on the requirements of IFRS 9:

Financial assets:

- Financial assets at amortised cost – Receivables, credits, cash and cash equivalents, loans and other financial assets
- Financial assets at fair value through profit or loss (FVPL) – Financial instruments

Financial liabilities:

- Financial liabilities at amortised cost – Loans, trade payables and other financial liabilities

Financial assets and liabilities are reported at fair value on initial recognition. Financial assets and liabilities that are not measured at fair value are recognised after adjustment for transaction costs. Subsequent measurement is in line with the measurement category allocated to the financial asset or financial liability.

The fair value option is not being used at the moment.

b) Derivatives
Derivatives are exclusively used for hedging purposes. Future cash flows and existing recognised underlyings are hedged against foreign currency and interest rate risks. The hedging instruments used are exclusively currency forwards and interest rate derivatives entered into with prime-rated banks. The hedged currency risk is mainly in US dollars. Interest rate risks are minimised for long-term borrowings at floating rates of interest. Group guidelines govern the use of these instruments. These transactions are also subject to continuous risk monitoring.

Derivative financial instruments are categorised as at fair value through profit or loss unless they are part of hedge accounting. In the case of designated cash flow hedges, changes in the fair value of the effective portions of the currency derivatives are recognised under other comprehensive income and reported under “Changes in the fair value of financial instruments” in equity for as long as the underlying transaction is not recognised in the income statement. Only the spot element of the derivative hedging instrument is designated, while the forward element and currency basis spreads are excluded from the hedge and reported separately in the hedging cost reserve in other comprehensive income. Any ineffectiveness and changes in the market value of currency forwards not designated as hedges are recognised in the income statement.

Changes in the fair value of interest rate derivatives used to hedge against interest rate risks in liabilities are recognised under other comprehensive income and reported under “Changes in the fair value of financial instruments” in equity.

The carrying amounts equal fair value and are determined on the basis of input factors observable either directly (as a price) or indirectly (derived from prices). Fair values may be positive or negative. Fair value is the amount that KSB would receive or have to pay at the reporting date to settle the financial instrument. This amount is determined using the relevant exchange rates, interest rates and counterparty credit ratings at the reporting date. Information is obtained solely from recognised external sources.

Currency forwards and interest rate swaps are reported under other financial assets, and under other financial liabilities.

The maturities of the currency derivatives used are, as in the previous year, mostly between one and two years. As in the previous year, there were no interest rate derivatives in the reporting year. The maturities of the hedging instruments are matched to the period in which the forecast transactions are expected to occur. In the reporting year, almost all hedged forecast transactions occurred as expected.

Intangible assets
Intangible assets are recognised at (acquisition or production) cost and reduced by straight-line amortisation. Depreciation / amortisation is reported under “Depreciation / amortisation” in the income statement. The underlying useful life of intangible assets – excluding goodwill (indefinite useful life) – is between 2 and 15 years. If an intangible asset’s recoverable amount is lower than its carrying amount, an impairment loss is recognised. Impairment testing is carried out at least once a year for goodwill, other intangible assets with indefinite useful lives and intangible assets under development at the reporting date. In addition, all types of intangible assets are subject to impairment testing if there are indications as defined in IAS 36 of a possible impairment. If the reasons for an impairment loss in a previous period no longer apply, it is reversed up to a maximum of amortised cost (write-up), with the exception of goodwill.

Goodwill is scheduled to be tested for impairment once a year. The test relates to cash-generating units (CGUs). The delimitation of the cash-generating units for the impairment test according to IAS 36 changed in the reporting year compared with the previous year in the course of the introduction of the Group's new segmentation. As of the reporting year, the cash-generating units are generally represented by the respective share in a legal entity that is allocated to an operating segment. The Group's total of five newly defined operating segments encompass Energy, Mining and Standard Markets for new business with Pumps, new business with Valves and KSB SupremeServ. A legal entity comprises several cash-generating units if the main business activities are spread over several operating segments. Further details on KSB's new segmentation are provided in Section VIII. Segment Reporting in these Notes to the consolidated financial statements. In the previous year, however, the cash-generating units as per the former segmentation generally corresponded to the legal entities.

The goodwill is reduced by the difference in value or down to zero at maximum if the value in use is lower than the carrying amount of the CGU. If the difference exceeds the carrying amount of goodwill, further impairment testing is required at the level of intangible assets, rights to use leased assets and property, plant and equipment. Reversal of an impairment loss from an earlier period is not possible for goodwill.

The discounted cash flow model is used to determine the recoverable amount (value in use). The future earnings (EBIT in accordance with IFRS) applied are taken from a multi-year financial plan (five years), based on the 30 September reporting date taking into account the medium-term strategy approved by Management for the respective cash-generating unit. This planning is carried out based on certain assumptions which are drawn from both forecasts from external sources, e.g. current German Mechanical Engineering Industry Association (VDMA) publications, and own experience-based knowledge of markets and competitors. The earnings of the last plan year are consistently extrapolated as a constant, if that level is considered to be achievable in the long term. Growth rates are derived taking account of the estimates with regard to economic circumstances. The Group regularly tests goodwill for impairment in the fourth quarter of every year based on the figures as per 30 September of the year in question. In addition, a review of impairment is always carried out when events or circumstances ("trigger events") suggest that the value could be impaired.

In order to assess the risk of impairment of material goodwill, the Group also performs sensitivity analyses as part of its impairment testing. To this end, changes deemed possible in material assumptions underlying the calculation of the value in use are taken into account.

When companies are acquired, purchase price allocations are made and the fair value of the assets and liabilities acquired is determined. In addition to the assets and liabilities already recognised by the selling party, account is also taken of marketing-related aspects (primarily brands or trademarks and competitive restrictions), customer-related aspects (primarily customer lists, customer relations and orders on hand), contract-related aspects (mainly particularly advantageous service, work, purchasing and employment contracts) as well as technology-related aspects (primarily patents, know-how and databases). The residual value method, the excess earnings method and cost-oriented procedures are primarily applied to determine values.

Development costs are capitalised as internally generated intangible assets at cost where the criteria described in IAS 38 are met and reduced by straight-line amortisation as from the time the asset becomes operational. Research costs are expensed as incurred. Where research and development costs cannot be reliably distinguished within a project, no costs are capitalised.

Leases

According to IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases where KSB is the lessee, lease liabilities and right-of-use assets (rights to use leased assets) must be recognised on the balance sheet. Leases of low value assets and short-term leases with a term of up to 12 months are exempt from this provision as KSB has elected to make use of the practical expedient of accounting for lease payments as an expense. In this context, leased assets with a fair value of up to € 5,000 are defined as low-value assets.

Lease liabilities and right-of-use assets are generally recognised at the time at which the leased asset is made available to KSB by the lessor for use. The carrying amount of the two items is essentially based on the present value of the future minimum lease payments. It is discounted using the incremental borrowing rate of KSB if no interest rate implicitly underlying the lease is available. Extension and termination options are included in the term and the carrying amounts of a lease if it is deemed reasonably certain that they will be exercised by KSB. Only lease components and in particular no separate service components are taken into account in the measurement of lease payments. The right-of-use assets are depreciated over the economic useful life of the leased asset or over the term of the lease, whichever is shorter. Lease liabilities are subsequently measured at amortised cost using the effective interest rate method in the form of a redemption and interest portion. Changes in lease payments are taken into account through re-measurements of lease liabilities. The interest expense for the lease liability and depreciation / amortisation expense for the right-of-use asset are recognised separately.

KSB's activities as a lessor mainly relate to operating leases. The associated lease payments are recognised by KSB as income on a pro rata basis.

Property, plant and equipment

In accordance with IAS 16, property, plant and equipment is measured at cost and reduced by straight-line depreciation over its useful life. If an asset's recoverable amount is lower than its carrying amount, an impairment loss is recognised. Impairment testing of property, plant and equipment is always carried out if there are indications as defined in IAS 36 of a possible impairment. If the reasons for an impairment loss recognised in a previous period no longer apply, the impairment loss is reversed (write-up) up to a maximum of amortised cost.

Government grants relating to property, plant and equipment are transferred to an adjustment item on the liabilities side. This adjustment item is reversed over a defined utilisation period. As far as government grants recognised which are to be held for specific periods of time are concerned, these periods are expected to be complied with.

Maintenance expenses are recognised as an expense in the period in which they are incurred, unless they lead to the expansion or material improvement of the asset concerned.

The following useful lives are applied:

Useful life of property, plant and equipment

Buildings	10 to 50 years
Plant and machinery	5 to 25 years
Other equipment, operating and office equipment	3 to 25 years

Non-current financial assets

Interest-bearing loans are recognised at amortised cost, whereas non-current financial instruments are recognised in the income statement at fair value as at the reporting date. Financial assets such other cash deposits are subject to an expected default risk. The impairment loss is calculated based on the loan amount on the closing or reporting date, the loss ratio of the loan amount and the term-weighted credit default spreads as a benchmark for probability of failure. Furthermore, partial or complete impairment is recognised as soon as there are signs of an increase in default risk. No significant default risks of counterparties were determined during the year. They were within investment grade as a whole.

Non-current other non-financial assets

Investments in non-consolidated subsidiaries are measured at amortised cost.

Investments accounted for using the equity method

Investments accounted for using the equity method are companies in which the parties exercise joint control (joint venture) or have the power to exercise significant influence over the companies' operating and financial policies (associate); this is usually the case where an entity holds between 20 % and 50 % of the voting power. These assets are recognised at cost at the time of acquisition. If the costs of acquisition exceed the share of the net assets, adjustments are made on the basis of the fair value (pro rata hidden reserves and liabilities). The remaining amount is recognised as goodwill. It forms part of the carrying amount of the joint venture or associate and is not amortised. For subsequent measurement, the carrying amounts are increased / reduced annually by the pro-rata earnings, distributed dividends or other changes in equity of the joint venture or the associate. If local accounting principles differ from the Group's standard accounting policies, adjustments are made accordingly. The share of earnings is reported in the consolidated income statement in a separate line (earnings from investments accounted for using the equity method), and changes such as currency translation effects are taken directly to Group equity. If the losses attributable to the KSB Group correspond to the carrying amount of the company or exceed this, they are not recognised unless KSB has entered into obligations or has made payments for the company. Intercompany gains and losses from transactions between Group companies and investments accounted for using the equity method are offset against the carrying amount in profit or loss. At each reporting date, a review is carried out to determine whether there are any objective indications of impairment, and the amount of such impairment is calculated if required. If the carrying amount exceeds the recoverable amount of an investment, it is written down to the recoverable amount. Any impairments or reversals of impairments are reported in the consolidated income statement under finance income / expense.

Inventories

Pursuant to IAS 2, inventories are recognised at the lower of cost and net realisable value as at the reporting date. Cost is measured using the weighted average method. KSB takes account of the inventory risks resulting from slow-moving goods or impaired marketability through write-downs to the net realisable value. This also applies if the selling price is lower than production cost plus costs still to be incurred. If the reasons for an impairment loss charged in a previous period no longer apply, the impairment loss is reversed (write-up).

Advance payments made on inventories are also presented under inventories because of the correlation and expected realisation of these advances (through conversion into inventories) within the normal business cycle.

Contract assets and contract liabilities

A contract asset shows KSB's claim to consideration in exchange for goods or services transferred to customers, with the right to payment being not only conditional on the passage of time but also on the satisfaction of an overall contractual performance obligation by KSB. By contrast, receivables reflect KSB's unqualified claim to consideration. A contract liability also represents KSB's obligation to transfer goods or services to a customer. However, in these cases KSB has already received consideration from a customer that exceeds the amount of the goods or services provided. Contract assets relate to ongoing projects that have not yet been invoiced and are subject to similar credit risks as trade receivables for the same types of contract. Against this background, the expected loss ratios of trade receivables are also used for the risk provision for expected credit loss (ECL) of contract assets determined using the simplified impairment model. If it becomes apparent to KSB at the respective project stage that it is sufficiently likely that customers will default on payments, these risks are taken into account by appropriate individual impairment allowances for the contract assets concerned.

Trade receivables

Trade receivables and other current assets are subsequently recognised at amortised cost. Low-interest or non-interest-bearing receivables are discounted. In addition, identifiable risks are taken into account by charging individual impairment losses. Individual impairment allowances are regularly made if insolvency or collection proceedings have been instigated, on the default or failure to meet agreed repayment plans and on overdue payments. Receivables are derecognised if it is reasonably certain that payment cannot be expected. A risk provision for expected credit losses (ECL) is set aside under the simplified impairment model according to IFRS 9 for receivables that are not individually impaired. To measure expected credit losses, trade receivables are summarised on the basis of common credit risk features (risk classes) and number of days overdue. The expected default rates stem from the historical payment profiles of sales revenues over the last three financial years before the reporting date. The historical and forward-looking information forms the basis for the expected probability of failure, adjusted for future-oriented macro-economic factors.

Part of the default risk exposure of trade receivables is hedged. For more information, please refer to Section VI. Additional Information on Financial Instruments" – sub-section "Financial risks – Credit risk".

Trade receivables for which collateral, such as credit insurance, has been provided or letters of credit have been opened are recognised as impaired, taking account of default risks of the provider of the security and the company's macro-economic factors.

If the reasons for an impairment loss charged in a previous period no longer apply, the impairment loss is reversed (write-up).

Other non-financial assets

The prepayments made that are presented in this item relate to accrued expenditure prior to the reporting date that will only be classified as an expense after the reporting date.

Cash and cash equivalents

Cash (cash and sight deposits) and cash equivalents (short-term, highly liquid financial investments that are readily convertible to defined amounts of cash, and that are subject to only immaterial fluctuations in terms of their value) are recognised at amortised cost. Cash and cash equivalents are subject to an expected credit default risk. The impairment allowance under IFRS 9 is calculated based on the loan amount on the closing date, the loss ratio of the loan amount and the term-weighted credit default spreads as a benchmark for probability of failure. Furthermore, partial or complete impairment allowances are recognised as soon as there are signs of an increase in default risk. No significant default risks of counterparties were determined during the year. They were within investment grade as a whole.

Non-current assets and disposal groups held for sale

Pursuant to IFRS 5, non-current assets or disposal groups are classified as held for sale if it is highly likely that the carrying amount will be realised primarily by a sales transaction and not through continued use of that asset. It must be assumed that the sale will be completed within one year. If the Group is committed to a sale that involves loss of control of a subsidiary, all assets and liabilities of that subsidiary will be classified as held for sale, provided the above conditions are met. The intangible assets, right-of-use assets for leases, and property, plant and equipment of the held-for-sale assets are no longer amortised / depreciated, but instead are recognised at the lower of the carrying amount and fair value less costs to sell.

Taxes on income

Current taxes on income are recognised in income tax liabilities to the extent that they have not yet been paid. If the amount already paid exceeds the amount owed, an income tax receivable is recognised and reported in other tax assets under other non-financial assets.

Deferred taxes are accounted for in accordance with IAS 12 using the balance sheet liability method on the basis of the enacted or substantively enacted local tax rates. This means that deferred tax assets and liabilities generally arise when the tax base of assets and liabilities differs from their carrying amount in the IFRS financial statements, and this leads to future tax expense or income. Deferred tax assets from tax loss carryforwards are recognised in those cases where it is more likely than not that there will be sufficient taxable profit available in the near future against which these tax loss carryforwards can be utilised. Deferred taxes are also recognised for consolidation adjustments. Deferred taxes are not discounted. Deferred tax assets and liabilities are always offset where they relate to the same tax authority. Changes to deferred taxes in the consolidated balance sheet generally result in deferred tax expense or income. If, however, a direct entry is made in other comprehensive income in equity, the change in deferred taxes is also taken directly to equity.

Provisions

a) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations pursuant to IAS 19 are calculated on the basis of actuarial reports. They are based on defined benefit pension plans. They are measured using the projected unit credit method.

Actuarial gains and losses are taken directly to other comprehensive income and reported in equity under "Remeasurement of defined benefit plans". The actuarial demographic assumptions and the setting of the discount rate (based on senior, fixed-income corporate bonds) and other measurement parameters (for example income and pension trends) are based on best estimates.

Net interest is calculated by multiplying the discount rate with the net liability (pension obligation minus plan assets) or the net asset value that results if the plan assets exceed the pension obligation.

The defined benefit costs include the service cost, which is included in staff costs under pension costs, and the net interest income or expense on the net liability or net asset value, which is recognised in finance income / expense under interest and similar expenses or under interest and similar income.

No provisions are set aside for defined contribution pension plans. In these cases, the premium payments are recognised directly in staff costs in the income statement. Other than an obligation to pay premiums, KSB has no further obligations. Consequently, the insurance risk remains with the insured parties.

b) Other provisions

Provisions are recognised if an event that occurred by the reporting date of the respective financial year results in a present legal or constructive external obligation that the company has no realistic alternative to settling, where settlement of this obligation is expected to result in an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably. The amount of the provision corresponds to the best estimate of the settlement amount of the current obligation on the reporting date. Any more or less secure recourse or reimbursement claims are recognised as separate assets.

Obligations in the form of expected losses from onerous contracts are recognised if the unavoidable costs to KSB of fulfilling a contract exceed the expected economic benefits. In the case of customer contracts that are expected to be loss-making, first an impairment of contract-related inventories is recognised before additional provisions are recognised. In contrast, contract assets are reported gross on the one hand and provisions for expected losses from onerous customer contracts are recognised on the other hand.

Provisions for restructurings are recognised only if the criteria set out in IAS 37 are met.

Non-current provisions are discounted if the effects are material.

Contingent liabilities

Contingent liabilities, which are not recognised, are potential obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events. Contingent liabilities may also be present obligations that arise from past events where it is possible but not probable that there will be an outflow of resources embodying economic benefits.

Contingent liabilities correspond to the extent of liability at the reporting date.

Revenue from contracts with customers

KSB generates sales revenue from the sale of goods and goods purchased and held for resale from the production, sale and trade of machinery, systems and other industrial products, particularly pumps and valves and related support services. The breadth of orders with pumps ranges from the supply of an individual pump to customised pump sets, including drive and control systems. These goods and services are sold to engineering contractors, OEMs and end users or, in some cases, distributed via dealers. Some customer contracts contain several service components, such as manufacture of a pump and the related installation and commissioning. These installation services cover integration services and can only be carried out by specifically trained and qualified staff. They are not accounted for as independent performance obligations and the transaction price is not split.

Sales revenue is recognised in the amount of the consideration expected by KSB based on the transfer of goods or provision of services to the customer. Depending on the type of performance and contractual structure, sales revenue is recognised either over time or at a point in time in line with satisfaction of the performance obligation by KSB.

If a performance obligation meets the criteria for recognising sales revenue over time under IFRS 15 and the progress towards completion and expected consideration can be reliably estimated, the sales revenue is recognised based on progress towards complete satisfaction of the performance obligation. KSB specifically recognises sales revenue over time for contracts covering the production of customised pumps and valves as well as contracts for the provision of services. By contrast, standard products in the pumps and valves areas are typically subject to sales revenue recognition at a point in time. KSB applies the input-oriented method to determine progress that is measured by the factors used. The percentage of completion of contracts is determined on the basis of the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs at the reporting date and thus follows the cost-to-cost method. Contract revenue consists of all contractually agreed revenues, as well as additional claims and incentive payments that are likely to result in revenue and are capable of being reliably measured. Contract revenue may vary, for instance because of renegotiations or penalties. Sales revenue is accounted for based on the amount fixed in the contract less expected consideration. Variable considerations (penalties, bonuses) are estimated at the most likely value. Restrictions on estimate options are taken into account. Estimates on costs and contract progress are corrected if circumstances change. Any resultant increases or reductions in the estimated proceeds or costs are reflected in the profit and loss account for the period in which the circumstances giving rise to the correction occurred. If the earnings from a service or production order with sales revenue recognition over time cannot be reliably estimated, revenue will only be recognised in the amount of the contract costs incurred that are likely to be covered and the contract costs recognised as an expense for the period in which they are incurred.

Sales revenue is recognised at a point in time for performance obligations that do not meet the criteria for recognising sales revenue over time under IFRS 15. At KSB, this typically applies in particular to standard products without any significant customer-specific characteristic in the Pumps and Valves Segments. The point in time at which KSB satisfies the performance obligations from contracts with customers subject to sales revenue recognition at a point in time is based on the agreed supply terms and conditions or acceptance by the customers. At the time of revenue recognition, receipt of the consideration must be probable and the amount of sales revenue must be reliably measurable. A reliable estimation of the associated costs and potential return of the goods must also be possible. Sales revenue from delivery is as a rule recognised in line with the agreed INCOTERMS. For standard products, FCA or EXW terms and conditions apply in most cases. For some international deliveries, the contractual risk transfer takes place when the goods are loaded onto a cargo ship in the port or delivered to the customer in the destination country. In these cases, sales revenue is also recognised on the basis of the contractually agreed INCOTERMS. For certain deliveries and services, a declaration of acceptance by the customer is required for the recognition of sales revenue. For customer contracts based on sales revenue recognised at a point in time, sales reductions also reduce sales revenue.

KSB agrees payment terms and conditions for customer contracts that allow for payment in a reasonable period after the invoice has been issued. Extended payment terms are not usually granted to customers. There are usually no long-term financing components.

In individual cases and in compliance with the statutory requirements of IFRS 15, a customer may ask to obtain control of a product prior to delivery of the goods (bill-and-hold arrangements). This can result in earlier sales revenue recognition.

For regular fixed-price contracts, the customer pays a fixed amount using a payment plan. Depending on the ratio of the customer payments received to the claim to consideration acquired by KSB based on the transfer of goods and services to the customer, there is an advance or subsequent type of payment on the reporting date for the respective customer contract. Contract assets are reported reduced by advances received, if the amount of the goods and services provided by KSB exceed the payment amount. Payments received from the customer that exceed the amount of the goods and services provided by KSB for the respective customer contract result in the reporting of a contract liability.

Interest income and expense are recognised in the period in which they occur. **Dividend income** from investments is collected when the legal entitlement to payment is created. **Operating expenses** are recognised when they are incurred or when the services are utilised. **Income tax** is calculated in accordance with the statutory tax rules in the countries in which the Group operates. Deferred taxes are accounted for on the basis of the enacted or substantively enacted income tax rates.

Estimates and assumptions

The preparation of consolidated financial statements in accordance with the IFRSs as adopted by the EU requires management to make estimates and assumptions that affect the accounting policies to be applied. When implementing such accounting policies, estimates and assumptions affect the assets, liabilities, income and expenses recognised in the consolidated financial statements, and their presentation. These estimates and assumptions are based on past experience and a variety of other factors deemed appropriate under the circumstances. Actual amounts may differ from these estimates and assumptions. The estimates and assumptions made are constantly reviewed. If more recent information and additional knowledge are available, recognised amounts are adjusted to reflect the new circumstances. Any changes in estimates and assumptions that result in material differences are explained separately.

Impairment tests for goodwill, which are conducted at least once per year, require an estimate of the recoverable amounts for each cash-generating unit (CGU). These correspond to the higher amount from the fair value less costs to sell and value in use. The earnings forecast on the basis of these estimates are affected by various factors, which may include exchange rate fluctuations, progress in Group integration or the expectations for the economic development of these units. Although Management believes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseen changes in these assumptions could lead to an impairment loss.

Estimates and assumptions must also be made when testing the impairment of other intangible assets, the rights to use leased assets and property, plant and equipment. For each asset it must be verified to what extent there are indications of an impairment. When determining the recoverable amount of property, plant and equipment, the estimation of the relevant useful life is subject to uncertainty.

Contract assets are subject to the impairment rules of IFRS 9. Contract assets relate to ongoing projects that have not yet been invoiced and are subject to similar credit risks as trade receivables for the same types of contract. Against this background, the expected loss ratios of trade receivables are also used for the risk provision for expected credit loss (ECL) of contract assets determined using the simplified impairment model.

If performance obligations meet the relevant criteria of IFRS 15, KSB recognises revenue from customer contracts over time in line with progress towards completion. The progress towards completion is determined according to the percentage of completion. This requires estimates regarding the total contract costs and revenue (including the variable considerations based on experience), contract risks as well as other relevant factors. These estimates are reviewed regularly by those with operative responsibility and adjusted where necessary.

Provisions for employee benefits, in particular provisions for pensions and similar obligations, are determined according to actuarial principles, which are based on statistical and other factors so as to anticipate future events. Material factors are the reported market discount rates and life expectancy. The actuarial assumptions made may differ from actual developments as a result of changing market and economic conditions, and this can have material effects on the amount of provisions and thus on the company's overall net assets, financial position and results of operations. For the material pension plans of the German companies, every employee is entitled to apply at any time during the ongoing employment contract for payment in annual instalments, as a one-time payment or as a pension for life. KSB's estimate as to how the specific workforce is likely to decide on exercising the lump-sum option is reviewed on a regular basis and is reflected accordingly in the measurement of pension provisions.

Other provisions are recognised for uncertain liabilities with a probability of occurrence of more than 50 %. The provision corresponds to the best estimate of the expenditure to fulfil the current obligation on the reporting date. The later, actual outflow can, however, differ from the estimate as a result of changed economic, political or legal conditions. This will be reflected in additional expenses or income from reversals.

The Group's global scope of activities must be taken into account in relation to taxes on income. Based on operative activities in numerous countries with varying tax laws and administrative interpretation, differentiated assessment is required for determining tax liabilities. Uncertainty may arise due to different interpretations by taxable entities on the one hand and local finance authorities on the other. Uncertain tax assets and liabilities are recognised if their probability of occurrence exceeds 50 %. The best estimate of the expected tax payment is used for reporting purposes; depending on the case in question this will take the form of the most probable result or of the expected value. Although KSB believes it has made a reasonable estimate regarding any tax uncertainties, it is possible that the actual tax obligation will differ from the original estimate. With regard to future tax benefits, KSB assesses their realisability as at every reporting date. For this reason, deferred tax assets are only recognised if sufficient taxable income is available in future. In assessing this future taxable income within the planning horizon of three to five years it must be taken into account that expected future business developments are subject to uncertainties and are in some cases excluded from control by company management (for example changes to applicable tax legislation). If KSB comes to the conclusion that previously reported deferred tax assets cannot be realised because of changed assumptions, then the assets will be written down by the appropriate amount.

In connection with the sustainability issues of environment (E), social issues (S) and responsible corporate governance (G), estimates are required in the preparation of the consolidated financial statements with regard to the effects on the financial statements. ESG-related aspects did not have a material impact on KSB's net assets, financial position and results of operations in the reporting year. For further information in this context, please refer to the Group's opportunities and risks report as part of the combined management report.

Maturities

Maturities of up to one year are classified as current.

Assets that can only be realised after more than twelve months, as well as liabilities that only become due after more than twelve months, are also classified as current if they are attributable to the operating cycle defined in IAS 1. An operating cycle of more than 12 months typically applies to made-to-order production (construction contracts).

Assets and liabilities not classified as current are non-current.

Impact of the coronavirus pandemic

The 2021 financial year was characterised by significant recovery in economic performance and a renewed willingness to invest on the part of customers. Nevertheless, the business and economic environment for the Group continued to be impaired by the coronavirus pandemic in the reporting year.

Particularly in the second half of the year, the bottlenecks in the procurement markets and supply chains resulting from the COVID-19 pandemic became increasingly noticeable. This had an impact both on the availability of supplier products and on prices, which in some cases rose significantly as a result of the increased demand and reduced capacities. These effects were partially compensated for by emergency stocks and the existing supplier network.

As a result of the coronavirus pandemic, individual expense items in the other expenses section were below pre-pandemic levels in the reporting year, as in the previous year.

Overall, the impact of the COVID-19 pandemic on KSB's consolidated financial statements depends in particular on the further emergence and spread of virus variants, the global progress of vaccination campaigns and the continued effectiveness of the vaccines. All these future developments and circumstances, as well as government and regulatory measures to contain the coronavirus pandemic in individual countries, may have a negative impact on the business performance of the Group. In this context, the effects on the procurement markets and logistics chains are of particular significance for KSB.

The above-mentioned aspects can generally affect the recognition and measurement of assets and liabilities as well as the amount and timing of the recognition of earnings and cash flows. Assessments in this regard are currently characterised by great uncertainty about the further global course of the coronavirus pandemic and its duration and impact. These consolidated financial statements have been prepared by KSB using the best available knowledge. The COVID-19 pandemic had no material negative impact on the net assets, financial position and results of operations of the Group.

IV. BALANCE SHEET DISCLOSURES

1. Intangible assets

Statement of changes in intangible assets

€ thousands	Concessions, industrial property and similar rights and assets, as well as licences in such rights and assets		Goodwill		Internally generated intangible assets		Advance payments		Intangible assets Total	
Historical cost	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	72,629	72,533	32,249	70,200	40,219	40,155	3,975	2,908	149,072	185,796
Currency translation adjustments	845	−2,008	122	−2,429	–	–	7	1	974	−4,436
Other	−828	−304	–	–	–	–	–	–	−828	−304
Additions	1,673	2,094	–	–	151	65	2,138	2,078	3,962	4,237
Disposals	−106	−690	−960	−35,522	–	−1	–	−8	−1,066	−36,221
Reclassifications	458	1,004	–	–	13	–	−471	−1,004	–	–
Balance at 31 December	74,671	72,629	31,411	32,249	40,383	40,219	5,649	3,975	152,114	149,072
Accumulated depreciation and amortisation	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	63,092	60,814	1,625	27,127	4,420	727	–	–	69,137	88,668
Currency translation adjustments	752	−1,716	35	−1,464	–	–	–	–	787	−3,180
Other	−162	−255	–	–	–	–	–	–	−162	−255
Additions	3,975	4,576	–	11,155	3,695	3,693	–	–	7,670	19,424
Disposals	−285	−327	−960	−35,193	–	–	–	–	−1,245	−35,520
Reclassifications	−9	–	–	–	9	–	–	–	–	–
Balance at 31 December	67,363	63,092	700	1,625	8,124	4,420	–	–	76,187	69,137
Carrying amount at 31 December	7,308	9,537	30,711	30,624	32,259	35,799	5,649	3,975	75,927	79,935

The additions to intangible assets amounting to € 4.0 million (previous year: € 4.2 million) are distributed among various software applications.

The "Concessions, industrial property and similar rights and assets, as well as licences in such rights and assets" item includes € 6.6 million (previous year: € 8.1 million) of software including software licences valid for a limited period. As in the previous year, there are no restrictions on ownership or use.

KSB reported internally generated intangible assets of € 32,259 thousand (previous year: € 35,799 thousand). These are primarily attributable to the KSBase sales software.

In the reporting year, no impairment losses were recognised on intangible assets. The impairment losses on intangible assets in the previous year in the amount of € 11,155 thousand were entirely related to goodwill and were recognised in the income statement under depreciation and amortisation.

As in the previous year, no product-related development costs were capitalised in the reporting year because not all of the comprehensive recognition criteria defined in IAS 38 were met.

Impairment testing under IAS 36

As explained in Section VIII. Segment Reporting in the Notes to the consolidated financial statements, a new segmentation has come into effect at the Group in the 2021 financial year. In this context, the delimitation of the cash-generating units for impairment testing according to IAS 36 has changed compared with the previous year. As of the reporting year, the cash-generating units are generally represented by the respective share in a legal entity that is allocated to an operating segment. The Group's total of five newly defined operating segments comprise Energy, Mining and Standard Markets for new business with Pumps, new business with Valves and KSB SupremeServ. A legal entity contains several cash-generating units if the main business activities are spread over several operating segments.

Against the background of the above explanations, KSB's change in segmentation was identified as a general indication of a potential impairment of assets under IAS 36. Accordingly, goodwill, other intangible assets, rights of use to leased assets and property, plant and equipment were tested for impairment on an ad hoc basis in the 2021 financial year. For goodwill, the mandatory annual impairment test, as described below, was also performed.

a) Impairment testing for goodwill

The date defined by KSB for the mandatory annual impairment testing for goodwill is 30 September of each year. The impairment testing methodology is explained in more detail in Section III. Accounting Policies in the "Intangible assets" subsection.

The following information on the basic assumptions and parameters for the impairment testing of goodwill relates to the consideration as at 30 September 2021.

Basic assumptions and parameters

The carrying amounts of the cash-generating units in connection with the impairment testing of goodwill do not contain any items relating to income tax or financing activities.

To determine the discount factor, the weighted average cost of capital (WACC) method is applied in conjunction with the capital asset pricing model (CAPM), taking into account a peer group. Under this method, first the cost of equity is determined using CAPM and the borrowing costs are defined, and then the individual capital components are weighted in accordance with the capital structure taking account of the peer group. The peer group information includes aspects like beta factors, capital structure data and borrowing costs. The peer group includes companies that are similar to the Group in terms of industry, size and activity. To account for changes in market parameters, the composition of the peer group is reviewed at regular intervals and adjusted if necessary (e.g. due to changes in the business model of either the cash-generating unit or the comparable company being looked at).

The interest rate for risk-free 30-year Bunds was used as a base rate. This rate was 0.1 % in the reporting year (previous year: 0.0 %). The market risk premium was set at 7.2 % (previous year: 7.2 %), with a beta factor of 1.15 (previous year: 1.16). In addition, country-specific tax rates and country risk premiums are taken into account individually for each cash-generating unit (CGU). The growth rate for all cash-generating units in the reporting year was set at 0.5 %, as in the previous year. The regular review of the peer group did not generate any new findings in relation to the business models of comparative companies. The peer group for examining the weighted capital cost factor therefore remained the same as in the previous year.

Basic parameters for the impairment testing of goodwill considered material (30 September 2021)

Name of CGU	Carrying amount of goodwill (€ thousands)	Percentage of total carrying amount of goodwill	Method	Planning time horizon	Discount rate	Growth rate
KSB SupremeServ operating segment of D.P. Industries B.V., Netherlands	10,146	33 %	Value in use	5 years	10.9 % before tax / 8.3 % after tax	0.5 %
Operating segment Standard Markets Pumps of D.P. industries B.V., Netherlands	8,139	26 %	Value in use	5 years	10.9 % before tax / 8.3 % after tax	0.5 %

Basic parameters for the impairment testing of goodwill considered material (30 September 2020)

Name of CGU	Carrying amount of goodwill (€ thousands)	Percentage of total carrying amount of goodwill	Method	Planning time horizon	Discount rate	Growth rate
D.P. Industries B.V., Netherlands	18,285	60 %	Value in use	5 years	10.8 % before tax / 8.3 % after tax	0.5 %

D.P. Industries B.V., Alphen aan den Rijn, Netherlands, represents the only goodwill considered material for KSB from the Group's perspective, both in the reporting year and in the previous year, totalling € 18,285 thousand. In the previous year, there was only one goodwill item at the level of the legal entity. As a result of introducing the Group's new segmentation, this goodwill was reallocated in the reporting year to the KSB SupremeServ operating segment and the Standard Markets operating segment for the company's new business with Pumps.

In addition, the carrying amount of the other goodwill of € 12,426 thousand is spread over a large number of the Group's cash-generating units. There are no other significant carrying amounts of individual goodwill in relation to the total carrying amount of the Group's goodwill.

The basic parameters for the impairment testing of material goodwill are summarised in the tables above.

The Group's material assumptions impacting cash flows from the multi-year financial plan on which the impairment test as at 30 September 2021 is based relate to the performance of order intake, sales revenue and earnings before finance income / expense and income tax (EBIT). For all three of the above-mentioned key indicators, tangible growth was projected in all five years of the detailed planning period as at 30 September 2021, both for the KSB SupremeServ operating segment and for the Standard Markets operating segment for new business with pumps of D.P. Industries B.V. The assessments take into account the company's own experience-based knowledge of competitors and markets as well as published economic data collected externally.

Impairment loss on goodwill

The impairment tests in the reporting year did not result in any impairment requirement.

In the previous year, goodwill impairments amounting to € 11,155 thousand were recognised. Based on the previous structure of the cash-generating units, the impairments were distributed over a total of eight goodwill items with amounts between € 406 thousand and € 2,980 thousand.

Sensitivity analyses

For the cash-generating units in the form of the operating segments Standard Markets for new pump business and KSB SupremeServ of D.P. Industries B.V., with goodwill considered material from the Group's perspective, additional sensitivity analyses were performed based on the parameters as at 30 September 2021. As in the previous year, the following assumptions were made: a 15 % increase in the cost of capital (Sensitivity 1), a reduction in the growth rate to 0.0 % (Sensitivity 2) and a reduction in sales revenue of 10 % with the corresponding impact on expense items and performance indicators (Sensitivity 3).

As in the previous year, the sensitivity analyses did not reveal any impairment requirement in the reporting year.

b) Impairment testing for other intangible assets, right-of-use assets and for property, plant and equipment

In addition to goodwill, impairment testing was also carried out for other intangible assets as well as for right-of-use assets and property, plant and equipment under IAS 36 in the 2021 financial year. Within this framework, neither the requirement for impairment nor a reversal of impairment losses for assets was identified.

2. Right-of-use assets

€ thousands	31 Dec. 2021	31 Dec. 2020
Right-of-use assets	**42,709**	**41,641**
of which land and buildings	29,176	26,915
of which technical equipment and machinery	1,284	963
of which other equipment, operating and office equipment	12,250	13,763

Additions to right-of-use assets in the reporting year amounted to € 17,626 thousand (previous year: € 12,916).

Depreciation on right-of-use assets in the reporting year was as follows:

€ thousands	2021	2020
Depreciation on right-of-use assets	**17,101**	**17,417**
of which land and buildings	9,165	9,079
of which technical equipment and machinery	638	516
of which other equipment, operating and office equipment	7,298	7,822

3. Property, plant and equipment

Statement of changes in property, plant and equipment

€ thousands	Land and buildings		Plant and machinery		Other equipment, operating and office equipment		Advance payments and assets under construction*		Property, plant and equipment	
Historical cost	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	438,002	435,055	603,765	612,334	237,832	239,915	42,346	34,729	1,321,945	1,322,033
Currency translation adjustments	8,663	–16,096	13,793	–22,360	4,505	–9,805	2,910	–2,642	29,871	–50,903
Other	152	–2,422	372	–2,665	512	–565	–	–16	1,036	–5,668
Additions	10,674	14,031	14,087	17,023	15,926	19,439	41,324	29,944	82,011	80,437
Disposals	–3,425	–1,037	–10,039	–7,806	–17,888	–14,793	–254	–318	–31,606	–23,954
Reclassifications	7,479	8,471	8,012	7,239	3,236	3,641	–18,727	–19,351	–	–
Balance at 31 December	461,545	438,002	629,990	603,765	244,123	237,832	67,599	42,346	1,403,257	1,321,945
Accumulated depreciation and amortisation	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	205,209	199,489	445,992	439,115	170,064	172,148	–	–	821,265	810,752
Currency translation adjustments	3,934	–4,582	9,902	–14,573	3,346	–6,957	–	–	17,182	–26,112
Other	76	–1,380	226	–2,215	365	–460	–	–	667	–4,055
Additions	11,983	12,528	25,368	31,006	18,767	19,531	–	–	56,118	63,065
Disposals	–3,026	–846	–9,609	–7,341	–17,126	–14,198	–	–	–29,761	–22,385
Reclassifications	–	–	67	–	–67	–	–	–	–	–
Balance at 31 December	218,176	205,209	471,946	445,992	175,349	170,064	–	–	865,471	821,265
Carrying amount at 31 December	243,369	232,793	158,044	157,773	68,774	67,768	67,599	42,346	537,786	500,680

* The carrying amount of advance payments on property, plant and equipment as at the reporting date amounts to € 9,154 thousand (previous year: € 6,848 thousand).

The impairment test for assets within the scope of IAS 36 explained in Notes No. 1 "Intangible assets" did not result in any impairment losses on property, plant and equipment in the reporting year. No other material impairments or reversals of impairments on property, plant and equipment were recognised in the reporting year.

In the previous year, impairment tests as at 31 December 2020 resulted in impairments on property, plant and equipment totalling € 4,323 thousand. Of this amount, € 3,790 thousand was attributable to assets in the technical equipment and machinery asset class, € 508 thousand to land and buildings, and € 25 thousand to other equipment and operating and office equipment. The impairment losses were recognised in the income statement under depreciation and amortisation.

There were no other material impairments on property, plant and equipment in the previous year.

Disposals of intangible assets and items of property, plant and equipment resulted in book gains of € 700 thousand (previous year: € 653 thousand) and book losses of € 1,089 thousand (previous year: € 1,533 thousand). The book gains and losses are reported in the income statement under other income and other expenses.

4. Financial assets

€ thousands	31 Dec. 2021	31 Dec. 2020
Loans	1,458	2,190
Financial instruments	50	77
	1,508	2,267

Of the loans, € 1,056 thousand (previous year: € 1,783 thousand) are accounted for by loans to equity investments.

5. Other non-financial assets

€ thousands	31 Dec. 2021	31 Dec. 2020
Other investments	3,833	3,302
Defined benefit assets	3,758	1,555
	7,592	4,857

Compared with the 2020 consolidated financial statements, the presentation for the reporting year and for the previous year was amended so that the defined benefit assets previously reported under current other financial assets are now shown under non-current other non-financial assets.

Other investments are investments in affiliates that were not consolidated due to there being no material impact. As in the previous year, there was no depreciation and amortisation applied in the reporting year.

6. Investments accounted for using the equity method

The following table lists the KSB Group's material joint ventures. "Seat" refers to the country in which the main activity is performed. All joint ventures and associates are accounted for using the equity method and can also be found in the list of shareholdings in these Notes to the Consolidated Financial Statements. The share of capital corresponds to the share of voting rights.

→ Material joint ventures

Neither of the two material joint ventures is listed on a stock market, which is why there is no active market.

Summarised financial information on these material joint ventures of the KSB Group and a combined summary for all the individually immaterial joint ventures and associated companies are provided in the following tables:

→ Summarised balance sheet

→ Summarised statement of comprehensive income

→ Reconciliation to carrying amount of Group share in joint ventures

→ Summarised information on joint ventures and associates that are immaterial individually

As in the previous year, there are no pro rata losses that have not been recognised from the consolidation at equity.

Material joint ventures

Name and seat	Capital share	Nature of the entity's relationship
KSB Pumps Arabia Ltd., Saudi Arabia	50.00 %	KSB Pumps Arabia Ltd. in Riyadh, Saudi Arabia, offers a wide range of services and activities for the energy market as well as in water, waste water and building services applications. The portfolio includes business development and marketing, supply chain management, production of pressure booster systems and pump sets, sale of pumps, valves and systems and technical service activities. KSB Pumps Arabia Ltd. is important for the growth of the Group in the Saudi Arabian market.
Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., China	45.00 %	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd. in Shanghai, China, produces suitable auxiliary pumps for the secondary coolant circuits and modern reactor coolant pumps for the primary cooling circuits of nuclear power stations. Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd. is a strategic partnership on the part of the Group, through which KSB is participating in the expansion of energy capacity in China and other Asian markets.

Summarised balance sheet

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2021**	**2020**	**2021**	**2020**
Non-current assets	9,370	9,339	79,397	74,887
Current assets	26,307	29,360	167,968	122,760
of which cash and cash equivalents	494	1,958	16,240	24,887
Non-current liabilities	–1,205	–1,693	–4,929	–3,989
of which non-current financial liabilities (excluding trade payables and provisions)	–	–	–4,929	–3,989
Current liabilities	–25,759	–25,021	–205,116	–162,103
of which current financial liabilities (excluding trade payables and provisions)	–6,418	–6,978	–15,920	–11,786
Net assets	**8,713**	**11,985**	**37,319**	**31,555**

Summarised statement of comprehensive income

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2021**	**2020**	**2021**	**2020**
Sales revenue	20,989	28,015	79,490	76,103
Depreciation / amortisation	872	915	4,610	4,716
Interest income	–	–	158	130
Interest expense	–444	–356	–656	–964
Earnings from continuing operations	–4,320	–4,740	2,477	1,737
Taxes on income	–79	–	–465	–
Earnings after taxes from continuing operations	**–4,399**	**–4,740**	**2,012**	**1,737**
Earnings after taxes from discontinued operations	–	–	–	–
Other comprehensive income	1,127	–1,224	3,752	–803
Comprehensive income	**–3,272**	**–5,964**	**5,764**	**934**
Dividends received from joint ventures	**–**	**–**	**–**	**–**

Reconciliation to carrying amount of Group share in joint ventures

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2021**	**2020**	**2021**	**2020**
Net carrying amount at 1 January	11,985	17,949	31,555	30,622
Earnings after income tax	–4,399	–4,740	2,012	1,737
Distribution of dividends	–	–	–	–
Other comprehensive income	1,127	–1,224	3,752	–803
Net carrying amount at 31 December	**8,713**	**11,985**	**37,319**	**31,555**
Investment in joint venture (50 % / 45 %)	4,357	5,993	16,794	14,200
Elimination of intercompany profit and loss	–	–	–6,289	–5,338
Goodwill	–	–	–	–
Carrying amount at 31 December	**4,357**	**5,993**	**10,505**	**8,862**

* The effects shown as elimination of intercompany profits and loss in the reconciliation to the carrying amount of KSB's investment in Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China, result from eliminations in connection with the oncharging of product licences from KSB SE & Co. KGaA, Frankenthal / Pfalz, to this joint venture.

Summarised information on joint ventures and associates that are immaterial individually

€ thousands	**Joint ventures 2021**	**Associates 2021**	**Total 2021**	**Joint ventures 2020**	**Associates 2020**	**Total 2020**
Group share of earnings from continuing operations	56	734	**790**	69	631	**700**
Group share of other comprehensive income	225	–	**225**	–340	–	**–340**
Group share of comprehensive income	281	734	**1,015**	–271	631	**360**
Total carrying amounts of Group shares in these companies	**3,956**	**1,366**	**5,322**	**3,675**	**1,257**	**4,932**

7. Inventories

€ thousands	**31 Dec. 2021**	**31 Dec. 2020**
Raw materials and production supplies	178,319	170,965
Work in progress	158,779	132,022
Finished goods and goods purchased and held for resale	173,482	176,692
Advance payments	18,871	17,815
	529,451	**497,495**

As at the reporting date, inventories amounting to € 49,807 thousand (previous year: € 51,134 thousand) is carried at net realisable value.

The impairment losses on inventories recognised as an expense in the reporting period amount to € 11,252 thousand (previous year: € 14,761 thousand).

Reversals of impairments on inventories in the amount of € 4,018 thousand (previous year: € 2,837 thousand) resulted from increased net realisable values compared with the previous year. Impairment losses and reversals of impairment losses on inventories are recognised in the income statement under cost of materials and changes in inventories.

Inventories amounting to € 960,882 thousand (previous year: € 914,793 thousand) were recognised as an expense in the reporting period.

Of the inventories as at the reporting date, work in progress and finished goods amounting to a total of € 63,168 thousand (previous year: € 66,595 thousand) have a maturity of more than one year.

8. Contract assets, trade receivables and other financial and non-financial assets

€ thousands	31 Dec. 2021	31 Dec. 2020
Contract assets	**79,300**	**82,412**
Trade receivables	**479,244**	**444,174**
Trade receivables from third parties	444,601	419,458
Trade receivables from other investments, associates and joint ventures	34,643	24,717
thereof from other investments	3,071	3,715
thereof from associates	–	317
thereof from joint ventures	31,572	20,684
Other financial assets *	**80,140**	**80,655**
Receivables from loans to other investments, associates and joint ventures	1,918	710
Currency forwards	643	4,694
Other receivables and other current assets *	77,579	75,251
Other non-financial assets	**39,298**	**27,189**
Other tax assets	28,205	18,360
Deferred income	11,093	8,829

* Compared with the 2020 consolidated financial statements, the presentation was amended for the reporting year and the previous year so that the defined benefit assets are no longer shown under other receivables and other assets and thus no longer under current other financial assets. They are now reported under non-current other non-financial assets.

At € 79,300 thousand (previous year: € 82,412 thousand), the balance of contract assets at the end of the reporting year was at a comparable level to the previous year. Impairment losses on contract assets amounted to € 1,630 thousand (previous year: € 524 thousand). Of the contract assets as at the reporting date, € 16,779 thousand (previous year: € 19,449 thousand) relate to project orders with customers whose completion is not expected until more than one year after the reporting date.

Impairment losses of € 35,181 thousand (previous year: € 35,110 thousand) were recognised on trade receivables from third parties as at the reporting date.

Impairment losses on trade receivables and contract assets include the individual impairment allowance (EWB) and risk provisions for expected credit losses (ECL).

Impairment losses on trade receivables from third parties

€ thousands	31 Dec. 2021	31 Dec. 2020
Gross carrying amount of trade receivables from third parties	479,782	454,568
of which unhedged receivables	345,870	320,875
of which hedged receivables	133,912	133,693
Individual impairment allowance (EWB)	–32,165	–32,254
Risk provisions for expected credit losses (ECL)	–3,016	–2,856
of which ECL for unhedged receivables	–2,384	–2,239
of which ECL for hedged receivables	–632	–617
Net carrying amount of trade receivables from third parties	**444,601**	**419,458**

Impairment losses on contract assets

		31 Dec. 2021	31 Dec. 2020
Gross carrying amount of contract assets	€ thousands	80,930	82,936
Individual impairment allowance (EWB)	€ thousands	–1,211	–
Risk provisions for expected credit losses (ECL)	€ thousands	–419	–524
Net carrying amount of contract assets	€ thousands	79,300	**82,412**
Expected default risk in relation to ECL	in %	0.5	0.6

Impairment losses on receivables from loans to other equity investments amounted to € 320 thousand, as at the prior-year reporting date. As in the previous year, there are no impairment losses on other receivables from other equity investments, associates and joint ventures.

The reconciliation of impairment losses on trade receivables from third parties and contract assets between the opening and closing balance sheets is shown in the following tables.

Reconciliation of impairment losses 2021

	Trade receivables from third parties			Contract assets		
€ thousands	**EWB**	**ECL**	**Total**	**EWB**	**ECL**	**Total**
Opening balance at 1 January	**–32,254**	**–2,856**	**–35,110**	**–**	**–524**	**–524**
Additions	–11,591	–1,202	–12,793	–1,254	–18	**–1,272**
Utilised	5,996	–	5,996	–	–	**–**
Reversal	6,864	1,056	7,920	–	121	**121**
Currency translation / Other	–1,180	–14	–1,194	43	2	**45**
Closing balance at 31 December	**–32,165**	**–3,016**	**–35,181**	**–1,211**	**–419**	**–1,630**

Reconciliation of impairment losses 2020

	Trade receivables from third parties			Contract assets
€ thousands	**EWB**	**ECL**	**Total**	**ECL**
Opening balance at 1 January	**–31,228**	**–3,772**	**–35,000**	**–204**
Additions	–7,810	–884	–8,694	–331
Utilised	1,220	–	1,220	–
Reversal	4,609	1,377	5,986	11
Currency translation / Other	955	423	1,378	–
Closing balance at 31 December	**–32,254**	**–2,856**	**–35,110**	**–524**

Risk provision for expected credit losses by maturity of trade receivables

31 Dec. 2021		Not overdue	Up to 30 days	Up to 90 days	Up to 180 days	Up to 360 days	Over 360 days	Total
Gross carrying amount of unhedged trade receivables from third parties	€ thousands	240,617	34,508	22,751	12,204	8,186	27,603	345,870
ECL	€ thousands	–865	–377	–309	–233	–235	–366	–2,384
Expected default risk in relation to ECL	%	0.4	1.1	1.4	1.9	2.9	1.3	–
31 Dec. 2020								
Gross carrying amount of unhedged trade receivables from third parties	€ thousands	221,187	30,739	20,647	10,578	11,416	26,308	320,875
ECL	€ thousands	–622	–310	–315	–164	–276	–552	–2,239
Expected default risk in relation to ECL	%	0.3	1.0	1.5	1.6	2.4	2.1	–

The expected default risk of unhedged trade receivables from third parties determined based on the simplified impairment model is distributed over the age structure of the receivables portfolio at gross carrying amount as shown in the table above.

In the case of unhedged trade receivables from third parties with high overdue amounts, the risk provision for expected credit losses (ECL) in the reporting year partly results in a lower expected default risk compared with time bands with lower overdue amounts. This is the result of the above-average recognition of individual impairments for the entirety of the far overdue open receivables items.

Other receivables and other current assets include hedges of credit balances prescribed by law for partial retirement arrangements and long-term working time accounts of the German Group companies in the amount of € 11,425 thousand (previous year: € 13,825 thousand).

€ 42,072 thousand (previous year: € 34,495 thousand) of total receivables and other assets are due after more than one year.

9. Cash and cash equivalents

Cash and cash equivalents are term deposits with short maturities and call deposits, and also current account balances. Cash equivalents include short-term deposits with an original maturity of less than three months.

10. Equity

There was no change in the share capital of KSB SE & Co. KGaA as against the previous year. In accordance with the Articles of Association, it totals € 44,771,963.82 and, as in the previous year, is composed of 886,615 ordinary shares and 864,712 preference shares. Each no-par-value share represents an equal notional amount of the share capital. The preference shares carry separate cumulative preferred dividend rights and progressive additional dividend rights. All shares are no-par-value bearer shares. The individual shares have no par value.

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

In addition to revenue reserves from previous years, the revenue reserves include currency translation adjustments, consolidation effects, remeasurements of defined benefit plans under IAS 19 and changes in the fair value of interest rate derivatives taken directly to equity. These issues resulted in deferred tax assets in the amount of € 43,776 thousand (previous year: € 51,113 thousand) and deferred tax liabilities in the amount of € 166 thousand (previous year: € 505 thousand).

The development of the currency translation differences recognised in equity is shown in the table below.

→ Development of currency translation differences in equity

A total of € 7,230 thousand (dividend of € 4.00 per ordinary share and € 4.26 per preference share) was paid from equity by resolution of the Annual General Meeting of the Group's parent company KSB SE & Co. KGaA, Frankenthal, on 6 May 2021.

The proposal on the appropriation of the net retained earnings of KSB SE & Co. KGaA for the reporting year calculated in accordance with HGB [*Handelsgesetzbuch* – German Commercial Code] is shown at the end of these Notes.

The development of the equity items, including the non-controlling interests explained in more detail below, is shown in the statement of changes in equity".

Non-controlling interests

The table below shows the subsidiaries with material non-controlling interests from the Group's perspective. "Seat" refers to the country in which the main activity is performed.

→ Subsidiaries with significant non-controlling interests

Non-controlling interest thus relates primarily to PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal / Pfalz, and the interests it holds, as well as to companies in India and China. KSB FINANZ S.A., Echternach, Luxembourg, holds a 51 % interest in PAB Pumpen- und Armaturen-Beteiligungsges. mbH, while Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, holds a 49 % interest.

Development of currency translation differences in equity

€ thousands	Currency translation differences in equity attributable to shareholders of KSB SE & Co. KGaA	Currency translation differences in non-controlling interests	Total amount of currency translation differences in equity
1 January 2020	–95,765	–18,175	–113,940
Change in 2020	–46,364	–16,058	–62,422
31 December 2020	**–142,129**	**–34,233**	**–176,362**
1 January 2021	–142,129	–34,233	–176,362
Change in 2021	17,961	12,365	30,326
31 December 2021	**–124,168**	**–21,868**	**–146,036**

Subsidiaries with material non-controlling interests

Name and seat	Non-controlling interest in capital	Earnings after income tax attributable to non-controlling interests		Accumulated non-controlling interests in equity	
€ thousands	2021 / 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
PAB, Germany / USA (subgroup)	49.00 %	3,931	4,121	89,996	85,334
KSB Limited, India	59.46 %	9,231	7,061	70,476	58,801
KSB Shanghai Pump Co., Ltd., China	20.00 %	1,618	1,585	12,021	11,236
Subsidiaries with individually immaterial non-controlling interests		1,895	1,248	21,879	20,557
Total amount of non-controlling interests		**16,675**	**14,015**	**194,372**	**175,928**

Composition of the PAB subgroup as at 31 Dec. 2020

Cons. No.	Name and seat	Country	Capital share in %	Held by No.
1	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal	Germany	51.00	–
2	KSB America Corporation, Richmond / Virginia	USA	100.00	1
3	GIW Industries, Inc., Grovetown / Georgia	USA	100.00	2
4	KSB Dubric, Inc., Comstock Park / Michigan	USA	100.00	2
5	KSB, Inc., Richmond / Virginia	USA	100.00	2
6	KSB, Inc. – Western Division, Bakersfield / California	USA	100.00	2
7	Standard Alloys Incorporated, Port Arthur / Texas	USA	100.00	2

Information on the subgroup that comprised the subsidiaries of the KSB Group listed in the following table as at 31 December 2021 is summarised under the name “PAB”.

→ Composition of the PAB subgroup as at 31 Dec. 2021

The summarised financial information regarding the KSB Group’s subsidiaries with significant non-controlling interests and the PAB subgroup considered here is provided below. Except for the details on the PAB subgroup, this information corresponds to the amounts shown in the subsidiaries’ financial statements prepared in accordance with IFRS prior to intercompany eliminations. The required intercompany eliminations were taken into consideration for the PAB subgroup.

→ Summarised balance sheet

→ Summarised statement of comprehensive income

→ Condensed statement of cash flows

Summarised balance sheet

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands / 31 Dec.	2021	2020	2021	2020	2021	2020
Non-current assets	108,641	84,872	50,013	45,465	29,418	27,019
Current assets	137,589	142,099	141,942	127,489	141,570	135,705
Non-current liabilities	–12,267	–15,884	–4,117	–2,924	–71	–226
Current liabilities	–50,299	–36,935	–69,310	–71,138	–110,812	–106,318
Net assets	**183,664**	**174,152**	**118,527**	**98,892**	**60,104**	**56,180**

Summarised statement of comprehensive income

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands	2021	2020	2021	2020	2021	2020
Sales revenue	208,571	216,548	169,957	141,838	176,035	152,632
Earnings after income tax	8,022	8,410	15,832	12,262	8,092	7,926
Other comprehensive income	16,491	–16,585	7,187	–11,466	6,320	–2,375
Comprehensive income	24,512	–8,175	23,019	796	14,412	5,551
Other comprehensive income attributable to non-controlling interests	8,080	–8,127	4,273	–6,818	1,264	–475
Comprehensive income attributable to non-controlling interests	12,011	–4,006	13,505	243	2,882	1,110
Dividends paid to non-controlling interests	–7,350	–	–2,012	–1,956	–2,098	–787

Summarised cash flow statement

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands	2021	2020	2021	2020	2021	2020
Cash flows from operating activities	16,041	30,552	7,102	20,112	16,451	11,822
Cash flows from investing activities	–7,909	–21,520	323	–36,039	–876	–689
Cash flows from financing activities	–8,037	–1,533	–10,889	–3,739	–10,913	–3,274
Changes in cash and cash equivalents	**95**	**7,499**	**–3,464**	**–19,666**	**4,662**	**7,859**
Cash and cash equivalents at beginning of period	12,974	6,544	9,755	31,664	38,410	31,622
Effects of exchange rate changes	1,350	–1,069	497	–2,243	4,540	–1,071
Cash and cash equivalents at end of period	**14,419**	**12,974**	**6,788**	**9,755**	**47,612**	**38,410**

11. Provisions

Composition of provisions

€ thousands	31 Dec. 2021 Total	31 Dec. 2021 Non-current	31 Dec. 2021 Current	31 Dec. 2020 Total	31 Dec. 2020 Non-current	31 Dec. 2020 Current
Employee benefits	**636,922**	**629,245**	**7,677**	**695,025**	**684,858**	**10,168**
Pensions and similar obligations	613,380	613,380	–	670,239	670,239	–
Other employee benefits	23,542	15,865	7,677	24,786	14,618	10,168
Other provisions	**95,020**	**1,569**	**93,451**	**82,691**	**3,017**	**79,674**
Warranty obligations and contractual penalties	55,600	–	55,600	48,733	–	48,733
Onerous contracts *	17,162	–	17,162	16,766	–	16,766
Miscellaneous other provisions *	22,258	1,569	20,689	17,192	3,017	14,175
	731,941	**630,814**	**101,128**	**777,716**	**687,875**	**89,841**

* In order to increase transparency, the presentation was amended compared with the 2020 consolidated financial statements in that the provisions for onerous contracts are now shown separately and no longer as part of the miscellaneous other provisions. The restructuring provisions are now included in miscellaneous other provisions for reasons of materiality.

Development of individual provision categories

€ thousands	1 Jan. 2021	CTA** / Other	Utilisation	Reversal	Additions	31 Dec. 2021
Employee benefits	**695,025**	**558**	**–32,771**	**–53,774**	**27,882**	**636,922**
Pensions and similar obligations	670,239	547	–22,337	–49,746	14,676	613,380
Other employee benefits	24,786	11	–10,435	–4,028	13,206	23,542
Other provisions	**82,691**	**1,484**	**–33,625**	**–7,601**	**52,071**	**95,020**
Warranty obligations and contractual penalties	48,733	703	–23,398	–6,927	36,490	55,600
Onerous contracts *	16,766	40	–3,871	–20	4,246	17,162
Miscellaneous other provisions *	17,192	741	–6,356	–654	11,335	22,258
	777,716	**2,043**	**–66,396**	**–61,375**	**79,953**	**731,941**

* Restated compared with the presentation in the 2020 consolidated financial statements; cf. explanations below the "Composition of provisions" table.

** Currency translation adjustments

Provisions for pensions and similar obligations

The pension obligations in the KSB Group include defined contribution and defined benefit plans and contain both obligations from current pensions and future pension benefit entitlements.

Defined contribution pension plans

Total expenses for defined contribution pension plans in the reporting year amounted to € 49,603 thousand (previous year: € 39,966 thousand). Of this figure, € 27,457 thousand (previous year: € 27,859 thousand) resulted from contributions into the statutory pension insurance scheme in Germany.

Description of the defined benefit pension plans

The obligations for defined benefit pension plans for employees of the Group are mainly due to pension obligations in Germany, as well as in France, the United States and Switzerland.

More than 90 % of the defined benefit plans are attributable to the German Group companies. These relate to direct commitments by the companies to their employees. The commitments are based on salary and length of service. Contributions from employees themselves are also considered. This pension provision can be broken down into purely company-financed basic provision and the top-up provision from the employer. The latter is based on the amount of own contributions and the generated return on sales before taxes on income. Both components take account of the general pension contribution (the amount of which partially depends on company performance), personal income (the relationship between pensionable income and maximum income threshold) and the annuity conversion factor (based on age). Within the scope of the material pension plans of the German companies, every employee is entitled to apply at any time during the ongoing employment contract for payment in annual instalments, as a one-time payment or as a pension for life.

Pension schemes in France are governed by the provisions of the respective collective agreements. The obligations are basically covered by assets that have been paid in to an external fund. At the beginning of the final quarter of each year, an actuarial report is prepared to calculate the current scope of obligation. If there is a shortfall, a compensation payment is made to the fund. Differences in the calculation parameters under local and international law ultimately result in a surplus of obligations in the Group. Upon retirement, the employees concerned receive a one-off payment from the fund.

The defined benefit pension plans in the United States are closed to new entrants. The pension benefit amount is derived from the average salary and years of service before closure of the plan. The retirement age is 65 years; from this point a monthly payment is made to the beneficiaries. The pension benefits are financed by external funds.

Pension obligations in Switzerland are predominantly based on statutory obligations. This also includes details on a minimum pension which all employees with uninterrupted contributions are entitled to by law. The employer is therefore required to pay in contributions which are high enough for the respective pension fund or insurance company to pay out these minimum amounts. As well as pension benefits, the plans encompass other benefits such as disability or survivors' benefits. Both employer and employee contributions are paid to the pension fund, with the company having to make contributions that at least match the employee contributions specified in the terms and conditions of the plan. The retirement benefits are paid out in monthly instalments, but all employees have the option to receive a (partial) capital payment.

In addition, employees in other countries are also entitled to a limited extent to retirement and partly to medical care benefits, depending mainly on the length of service and salary.

These defined benefit plans harbour actuarial risks, such as the longevity risk and interest rate risk. The payments associated with the pension obligations are mostly serviced through liquidity. Plan assets are also partially available for financing these obligations. Most of the plan assets are managed by insurers who set their own appropriate investment policies.

The actuarial valuations of the present value of the defined benefit obligation (and the related current service cost and the past service cost) are measured and calculated annually on the basis of actuarial reports using the projected unit credit method (IAS 19). Plan assets are measured at fair value.

Explanation of the effects of the defined benefit pension plans on the balance sheet and income statement

The regional allocation of the total defined benefit pension plans from the Group's perspective, as well as the change in the present value of the defined benefit obligation, the fair value of plan assets and the net liability from defined benefit obligations, as consolidated for the Group, is presented in the following tables.

→ Regional allocation of the defined benefit pension plans

→ Change in present value of defined benefit obligations

→ Changes in the fair value of the plan assets

→ Changes to the net liability of the defined benefit obligations

Regional allocation of the defined benefit pension plans

€ thousands	Defined benefit obligations (DBOs) 31 Dec. 2021	Fair value of plan assets 31 Dec. 2021	Net balance approach 31 Dec. 2021	Defined benefit obligations (DBOs) 31 Dec. 2020 *	Fair value of plan assets 31 Dec. 2020 *	Net balance approach 31 Dec. 2020 *
Germany	589,511	–	589,511	638,984	–	638,984
France	11,633	3,315	8,318	16,637	4,380	12,257
USA	13,617	15,389	–1,772	13,651	11,500	2,151
Switzerland	13,750	12,848	902	13,955	12,204	1,751
Other countries	49,812	37,149	12,663	43,764	30,223	13,541
	678,323	**68,701**	**609,622**	**726,991**	**58,307**	**668,684**

* The presentation was amended compared with the 2020 consolidated financial statements in that, in addition to the net liabilities reported under provisions for pensions and similar obligations, the net assets from defined benefit pension plans are now also included in the overview of the regional allocation of defined benefit pension plans.

Change in present value of defined benefit obligations

€ thousands	2021	2020 *
Opening balance of the defined benefit obligation (DBO) – 1 Jan.	**726,991**	**687,500**
Current service cost	12,682	12,520
Interest cost	6,469	8,400
Employee contributions	226	229
Remeasurements	–	–
– / + Gain / loss from the change in demographic assumptions	–226	14
– / + Gain / loss from the change in financial assumptions	–49,313	39,827
– / + Experience-based gain / loss	904	3,014
Benefit payments	–25,018	–20,641
Past service cost (incl. effects of settlements and curtailments)	–1,049	–56
Transfer of assets	–	–
Currency translation differences	3,750	–4,335
Changes in consolidated Group / Other	2,907	519
Closing balance of the defined benefit obligation (DBO) – 31 Dec.	**678,323**	**726,991**

* Restated compared with the presentation in the 2020 consolidated financial statements; cf. explanations below the "Changes in the net balance sheet approach from defined benefit obligations" table.

Changes in the fair value of the plan assets

€ thousands	2021	2020 *
Opening balance of the plan assets measured at fair value – 1 Jan.	**58,307**	**57,883**
Interest income	1,605	1,847
Remeasurements	–	–
+ / – Gain / loss from plan assets excluding amounts already recognised in interest income	5,918	–685
Contributions by the employer	1,284	1,627
Contributions by the beneficiary employees	226	229
Currency translation differences	3,356	–3,485
Paid benefits	–4,827	–3,595
Changes in consolidated Group / Other	2,832	4,486
Closing balance of the plan assets measured at fair value – 31 Dec.	**68,701**	**58,307**

* Restated compared with the presentation in the 2020 consolidated financial statements; cf. explanations below the "Changes in the net balance sheet approach from defined benefit obligations" table.

Changes to the net balance sheet approach of the defined benefit obligations

€ thousands	2021	2020 *
Opening balance of the net balance sheet approach from defined benefit obligations – 1 Jan.	**668,684**	**629,617**
Current service cost	12,682	12,520
Net interest expense	4,864	6,553
Employee contributions	–	–
Contributions by the employer	–1,284	–1,627
Remeasurements	–	–
– / + Gain / loss from plan assets excluding amounts already recognised in interest income	–5,918	685
– / + Gain / loss from the change in demographic assumptions	–226	14
– / + Gain / loss from the change in financial assumptions	–49,313	39,827
– / + Experience-based gain / loss	904	3,014
Benefit payments	–20,191	–17,046
Past service cost (incl. effects of settlements and curtailments)	–1,049	–56
Transfer of assets	–	–
Currency translation differences	394	–850
Changes in consolidated Group / Other	75	–3,967
Closing balance of the net balance sheet approach from defined benefit obligations – 31 Dec.	**609,622**	**668,684**
of which assets from defined benefit assets	3,758	1,555
of which provisions for pensions and similar obligations	613,380	670,239

* The presentation was amended compared with the 2020 consolidated financial statements in that, in addition to the changes in the items reported as net liabilities under provisions for pensions and similar obligations, the changes resulting from the net assets from defined benefit pension plans are now also included in the reconciliations.

Current and past service costs are recognised in staff costs under pension costs.

The interest rate effect from accounting for the defined benefit pension plans, in the form of interest expenses from the DBO and interest income from the plan assets, is recognised in the income statement as a net amount under the interest and similar expenses item and thus in the finance income / expense.

The remeasurement of defined benefit obligations and plan assets is included in other comprehensive income and thus directly in the Group's equity.

Explanation of the plan assets
The composition of the plan assets is explained in the table of the same name.

In principle, the pension funds are endowed with the amount needed to meet the respective statutory minimum requirements.

The actual income from plan assets amounted to € 7,523 thousand (previous year: € 1,162 thousand).

In the following year, employer contributions to plan assets are expected to be at the level seen in the 2021 financial year. The amounts in 2021 came to € 1,284 thousand.

Actuarial assumptions, sensitivities and other disclosures on defined benefit pension plans
A mean fluctuation rate (2.0 %) continues to be applied to staff turnover for the German plans, as in the previous year. The biometric assumptions are based on the 2018G mortality tables published by Prof. Klaus Heubeck, and the retirement age used for the calculations is based on the *Rentenversicherungs-Altersgrenzenanpassungsgesetz* 2007 [RVAGAnpG – German Act Adapting the Standard Retirement Age for the Statutory Pension Insurance System]. Other measurement parameters (e.g. cost trends in the medical care area) are not material.

The discount rate and future mortality were identified as key actuarial assumptions.
→ Actuarial assumptions

As in the previous year the basis for the calculation of the sensitivities is the same method which was used for the calculation of the provisions for pensions and similar obligations. Were the discount factor to increase by 100 basis points, the DBO would fall by € 92,054 thousand (previous year: € 99,673 thousand). A 100 basis point reduction in the discount factor would increase the DBO by € 120,135 thousand (previous year: € 159,405 thousand). It should be noted that a change in the discount factor due to particular financial effects (such as compound interest) does not affect the development of the DBO on a straight-line basis. Were life expectancy to increase by 1 year, the DBO would increase by € 24,920 thousand (previous year: € 25,114 thousand). Additionally, the individual actuarial assumptions are mutually dependent, but these interdependencies are not taken into account in the sensitivity analysis.

On 31 December 2021 the weighted average term of the DBO was 17 years (previous year: 18 years).

KSB's expected benefit payments from defined benefit pension plans over the next five years are shown in the table below.
→ Expected pension benefit payments

Composition of plan assets

	Quoted market price in an active market	No quoted market price in an active market	Total	Quoted market price in an active market*	No quoted market price in an active market*	Total*
€ thousands	**31 Dec. 2021**	**31 Dec. 2021**	**31 Dec. 2021**	**31 Dec. 2020**	**31 Dec. 2020**	**31 Dec. 2020**
Equity instruments (shares)	32,651	–	**32,651**	23,121	–	**23,121**
Debt instruments (loans)	15,460	398	**15,858**	18,340	–	**18,340**
Government bonds	9,061	398	**9,459**	11,457	–	**11,457**
Corporate bonds	6,399	–	**6,399**	6,883	–	**6,883**
Currency forwards	387	–	**387**	219	–	**219**
Money market investments	1,070	195	**1,265**	1,023	398	**1,421**
Real estate	3,468	147	**3,615**	3,419	179	**3,598**
Insurance contracts	353	6,988	**7,341**	–	7,020	**7,020**
Bank credit balances	480	4,051	**4,531**	1,997	–	**1,997**
Other investments	3,050	3	**3,053**	2,301	290	**2,591**
	56,919	**11,782**	**68,701**	**50,420**	**7,887**	**58,307**

*The disclosures for the previous year have been supplemented by the values of the plan assets in connection with defined benefit assets in accordance with the previous year's adjustments in the previous tables in this section compared with the 2020 consolidated financial statements.

Actuarial assumptions

	Discount rate		Assumed rate of salary increase *		Assumed rate of pension increase *	
in %	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Germany	1.2	0.7	2.7	2.7	1.9	1.9
France	1.0	0.5	2.8	2.5	–	–
USA	2.5	2.2	–	–	–	–
Switzerland	0.2	0.2	1.0	1.0	–	–

* The assumed rate of salary increase and assumed rate of pension increase is presented in addition to the actuarial assumptions, which are deemed to be material by KSB. No sensitivity calculations were made for these two variables.

Expected pension benefit payments

€ thousands at 31 Dec. 2021	2022	2023	2024	2025	2026
Expected payments	21,080	22,914	22,615	25,267	27,788

€ thousands at 31 Dec. 2020	2021	2022	2023	2024	2025
Expected payments	25,938	24,754	23,658	23,830	25,951

Other employee benefits

Provisions for other employee benefits relate primarily to anniversary and partial retirement obligations.

Other provisions

The provisions for warranty obligations and contractual penalties cover the statutory and contractual obligations to customers and are based on estimates prepared using historical data for similar products and services. They amount to € 55,600 thousand (previous year: € 48,733 thousand) in the reporting year.

The provisions for onerous contracts amounting to € 17,162 thousand (previous year: € 16,766 thousand) result in particular from project orders with customers.

Miscellaneous other provisions include provisions for litigation risks in the amount of € 2,685 thousand (previous year: € 1,253 thousand).

€ 28,683 thousand (previous year: € 19,262 thousand) of the other provisions are expected to become cash-effective after more than one year.

12. Liabilities

Non-current liabilities

€ thousands	31 Dec. 2021	31 Dec. 2020
Financial liabilities	**27,067**	**50,624**
Loan against borrower's note	–	21,992
Bank loans and overdrafts	2,284	3,985
Finance lease liabilities	24,494	24,336
Other	289	310

Current liabilities

€ thousands	31 Dec. 2021	31 Dec. 2020
Financial liabilities	**51,898**	**32,033**
Loan against borrower's note	21,996	–
Bank loans and overdrafts	15,382	17,578
Finance lease liabilities	14,512	14,446
Other	8	9
Contract liabilities	**157,389**	**153,690**
Trade payables	**272,813**	**237,558**
Trade payables to third parties	272,193	236,547
Liabilities to other investments, associates and joint ventures	619	1,011
Other financial liabilities	**26,635**	**27,205**
Currency forwards	6,332	2,623
Miscellaneous other financial liabilities	20,303	24,582
Other non-financial liabilities	**157,466**	**136,045**
Social security and liabilities to employees	128,761	103,045
Tax liabilities (excluding income tax)	20,023	23,399
Prepaid expenses	3,845	4,847
Investment grants and subsidies	4,837	4,754
Income tax liabilities	**10,931**	**12,860**

In 2012, to safeguard liquidity in the medium term, KSB SE & Co. KGaA took the precaution of placing a loan against borrower's note with a total volume of € 175 million. This loan is divided into repayment tranches of 3, 5, 7 and 10 years. Tranches of € 153 million in total were repaid in 2019, 2017 and 2015, some early. As the different repayment tranches have different terms, different rates of interest apply, some of which are fixed and some variable. As at the prior-year reporting date, liabilities from loans against borrower's note consist of bank loans and overdrafts in the amount of € 13.5 million and other financial liabilities in the amount of € 8.5 million. As at the reporting date of the reporting year, the outstanding balance of the loan against a borrower's note is reported in view of its maturity under current financial liabilities within one year of the reporting date.

The weighted average interest rate on bank loans and overdrafts as well as on an open-market credit (loan against borrower's note) was 4.77 % (previous year: 4.55 %).

The maturity analysis of lease obligations at the reporting date is as follows:

Maturity analysis of liabilities from lease obligations

€ thousands	31 Dec. 2021	31 Dec. 2020
Due within 1 year	14,512	14,446
Due between 1 and 5 years	21,208	22,276
Due after more than 5 years	3,286	2,060
	39,006	38,782

At € 157,389 thousand (previous year: € 153,690 thousand), the balance of contract liabilities at the end of the reporting year was at a comparable level with the previous year. In the reporting year, KSB recognised sales revenue of € 80,352 thousand (previous year: € 82,106 thousand) which was contained in the balance of contract liabilities at the beginning of the reporting year.

The reported investment grants and subsidies largely comprise funding from the European Union and German entities for new buildings and development aid projects.

Overall, assets of the Group amounting to € 21,918 thousand (previous year: € 21,718 thousand) are used to secure liabilities and are subject to corresponding restrictions on disposal by KSB or pledges. Of this amount, € 12,751 thousand (previous year: € 13,825 thousand) is attributable to other receivables and other current assets, which mainly relate to the hedging of credit balances from partial retirement arrangements and long-term working accounts of the German Group companies. In addition, property, plant and equipment in the amount of € 1,280 thousand (previous year: € 3,187 thousand) and other assets in the amount of € 7,887 thousand (previous year: € 4,706 thousand) serve as security for liabilities.

As in the previous year, no liabilities were secured by land charges or similar rights in the reporting year.

There were no covenant agreements for loans in the reporting year, as was the case in the previous year.

V. INCOME STATEMENT DISCLOSURES

13. Sales revenue

Breakdown of sales revenue for the 2021 financial year

€ thousands	Pumps Segment	Valves Segment	KSB SupremeServ Segment	Total
Sales revenue	**1,271,104**	**305,570**	**766,903**	**2,343,577**
of which sales revenue from the sale of goods	1,271,104	305,570	461,041	2,037,715
of which sales revenue from the provision of services	–	–	305,862	305,862
of which goods and services transferred at a specific time	1,029,091	278,401	366,268	1,673,760
of which goods and services transferred over a period of time	242,013	27,169	400,635	669,817

The table above shows the breakdown of the Group's sales revenue in the reporting year by product category, timing of revenue recognition and Segment. Detailed information on KSB's new Segments relevant for the 2021 financial year is provided in Section VIII. Segment Reporting of the Notes to the consolidated financial statements.

The sales revenue of the previous year, totalling € 2,207,881 thousand, resulted with € 1,965,199 thousand from the sale of goods and with € 242,682 thousand from the provision of services. Sales revenue of € 1,535,249 thousand was recognised from the transfer of goods and services at a point in time, and of € 672,632 thousand from the transfer over a period of time.

Of the sales revenue for the 2020 financial year, € 1,467,957 thousand was attributable to the former Pumps Segment, € 335,454 thousand to the former Valves Segment and € 404,470 thousand to the former Service Segment. The segmented sales revenues of the previous year are not comparable with the segment values of the reporting year due to the Group' s changed segmentation.

The Group's new segmentation includes a full allocation of the spare parts business for pumps and valves to the KSB SupremeServ Segment. In order to make an indicative comparison between the sales revenue of the reporting year according to the new segmentation and the sales revenue of the previous year according to the former segmentation, the sales revenue from the spare parts business of the former Pumps and Valves Segments is reclassified below for the 2020 financial year and added to the former Service Segment.

In the previous year, the sales revenue of the former Pumps Segment minus the related spare parts business of € 329 million amounted to approximately € 1,139 million (corresponds to 52 % of the Group's sales revenue), the sales revenue of the former Valves Segment excluding the spare parts business of € 26 million amounted to approximately € 310 million (corresponds to 14 % of the Group's sales revenue) and the sales revenue of the former Service Segment including the spare parts business from the former Pumps and Valves Segments amounted to approximately € 759 million (corresponds to 34 % of the Group's sales revenue).

In comparison, of the total sales revenue of € 2,343,577 thousand in the reporting year, around 54 % is attributable to the new Pumps Segment, 13 % to the new Valves Segment and 33 % to the new KSB SupremeServ Segment.

The Group's order book, in the form of the total transaction price of performance obligations unsatisfied or partially unsatisfied as at the reporting date, is as follows:

Performance obligations unsatisfied or partially unsatisfied as at the reporting date (orders on hand)

€ thousands	31 Dec. 2021	31 Dec. 2020
Total transaction price of performance obligations unsatisfied or partially unsatisfied as at the reporting date (orders on hand)	1,366,205	**1,288,539**
of which expected sales revenue within the next 12 months	1,077,126	984,445
of which expected sales revenue after more than 12 months	289,079	304,094

14. Other income

€ thousands	2021	2020
Income from the reversal of impairment losses	8,041	5,997
Government grants *	5,032	5,110
Currency translation gains	3,832	–
Insurance compensations *	647	4,975
Income from disposal of assets	700	653
Miscellaneous other income *	9,478	14,915
	27,730	31,649

* Restated compared with presentation in the 2020 consolidated financial statements.

Compared with the previous year's consolidated financial statements, the presentation for the reporting year and the previous year was amended to provide a better overview in that the income from government grants previously included in miscellaneous other income item and the income from insurance compensations are now shown as separate items in other income.

Other income relates to a large number of individual items and includes, among other things, remuneration for various other services provided by the Group outside its primary business activities. In addition, profits from the sale of subsidiaries in the amount of € 3,060 thousand were recognised in this item in the previous year.

There are no material unfulfilled conditions or other contingencies related to the income from government grants.

15. Cost of materials

The cost of materials amounted to € 975,410 thousand (previous year: € 899,579 thousand) in the reporting year. This item includes expenses for raw materials, consumables and supplies and for goods and services purchased.

16. Staff costs

€ thousands	2021	2020
Wages and salaries	679,826	649,947
Social security contributions and employee assistance costs	127,485	127,479
Pension costs	29,844	27,405
	837,154	804,831

Pension costs are reduced by the interest component included in the allocation of provisions that is reported in financial income / expense.

The average number of employees in the Group during the year and as at the reporting date is shown in the table below.
→ Employees

The decline in the average number of employees compared with the previous year is due in particular to the fact that the previous year's figure, in contrast to the figure for the reporting year, includes the pro-rata number of employees of the French subsidiaries sold in the 2020 financial year up to the respective date of sale.

The increase in staff costs compared with the previous year is due in particular to increased profit bonuses for employees. In addition, staff costs in the previous year were reduced on account of a decrease in the Group's obligations from holiday and time credits.

Employees

	Average for the year		At reporting date	
	2021	2020	31 Dec. 2021	31 Dec. 2020
Wage earners	6,532	6,959	6,529	6,696
Salaried employees	8,755	8,389	8,883	8,380
	15,287	15,348	15,412	15,076

17. Other expenses

€ thousands	2021	2020
Repairs, maintenance, third-party services	120,550	118,179
Administrative expenses	73,422	73,008
Selling expenses	59,049	58,301
Other staff costs	27,030	28,155
Other taxes	11,950	13,244
Rents and leases	10,455	9,639
Impairment losses on trade receivables and contract assets	14,065	9,025
Currency translation losses	3,650	5,316
Losses from current assets	494	808
Losses from asset disposals	1,089	1,533
Miscellaneous other expenses	31,459	35,806
	353,215	**353,014**

The expenses for rents and leases consist of expenses for leases with low-value underlying assets of € 2,975 thousand (previous year: € 2,201 thousand), expenses for short-term leases in the amount of € 4,374 thousand (previous year: € 4,595 thousand), expenses from variable lease payments of € 885 thousand (previous year: € 1,187 thousand) and expenses for rents and other leases in the amount of € 2,222 thousand (previous year: € 1,656 thousand).

Other expenses are primarily made up of expenses from the additions to provisions for warranties and expected losses associated with customer contracts. Income from the reversal of such provisions is also included in this item. In addition, losses from the sale of subsidiaries in the amount of € 5,714 thousand were recognised in other expenses in the previous year.

18. Finance income / expense

The increase in interest and similar income compared with the previous year results in particular from interest on back payment claims.

Interest and similar expenses include the net interest expense for pension provisions amounting to € 4,864 thousand (previous year: € 6,553 thousand). In addition, the item also includes interest expense from the subsequent measurement of lease liabilities in the amount of € 785 thousand (previous year: € 1,056 thousand).

Finance income / expense

€ thousands	2021	2020
Finance income	**10,425**	**5,374**
Income from equity investments	108	–
thereof from other investments	108	–
Interest and similar income	10,317	5,310
thereof from other investments	62	96
thereof from investments accounted for using the equity method	461	371
Other finance income	–	65
Finance expense	**–11,494**	**–12,100**
Interest and similar expenses	–9,567	–11,747
Other finance expense	–1,927	–353
Income from / expense to investments accounted for using the equity method	**–157**	**–1,850**
Finance income / expense	**–1,226**	**–8,576**

19. Taxes on income

This item shows the effective and deferred taxes on income of the companies included in the consolidated financial statements. The applicable tax rate of 30.7 % in the 2021 financial year (previous year: 30.0 %) is a composite rate resulting from the current German corporation tax, solidarity surcharge and trade tax rates.

Taxes on income

€ thousands	2021	2020
Effective taxes	43,292	39,921
Deferred taxes	–13,681	17,295
	29,612	**57,216**

Effective taxes include prior-period tax refunds in the amount of € 250 thousand (previous year: € 439 thousand) and tax arrears in the amount of € 125 thousand (previous year: € 2,815 thousand). As in the previous year, the introduction of new local taxes had no effects in the reporting year. Changes in foreign tax rates led to a reduction in the total tax expense of € 88 thousand (previous year: reduction of € 302 thousand).

Contingent liabilities from income tax issues amount to € 688 thousand (previous year: € 361 thousand). There are currently no indications that the utilisation of these obligations is likely.

Reconciliation of deferred taxes

€ thousands	2021	2020
Change in deferred tax assets	–7,259	67,741
Change in deferred tax liabilities	747	–2,716
Change in deferred taxes recognised in balance sheet	**–6,512**	**65,025**
Change in deferred taxes taken directly to equity	–7,362	–45,705
Changes in consolidated Group / CTA * / Other	194	–2,025
Deferred taxes recognised in income statement	**–13,680**	**17,295**

* Currency translation adjustments

The allocation of deferred tax assets and deferred tax liabilities to the items in the Group's balance sheet is shown in the table below.

→ Allocation of deferred taxes

As at the reporting date, deferred tax assets (after offsetting) of € 3,696 thousand (previous year: € 2,618 thousand) were recognised in the balance sheet, which arose from companies posting a loss in the reporting year or in the previous year and whose realisation depends exclusively on the creation of future profit. Based on the planning figures available, KSB expects realisation to take place.

Income tax included under equity

€ thousands	2021	2020
Remeasurement of defined benefit plans *	54,755	–43,572
Taxes on income	–8,289	–43,546
Currency translation differences *	30,326	–62,422
Taxes on income	–	–
Changes in the fair value of financial instruments	–4,270	7,116
Taxes on income	927	–2,159
Other comprehensive income	**73,449**	**–144,583**

* These items include the changes taken directly to equity relating to investments accounted for using the equity method. Further details can be found in the statement of comprehensive income.

Allocation of deferred taxes

	Deferred tax assets		Deferred tax liabilities	
€ thousands	**2021**	**2020**	**2021**	**2020**
Non-current assets	**5,198**	**4,104**	**36,487**	**43,436**
Intangible assets	424	525	194	10,951
Right-of-use assets	26	–	8,560	7,281
Property, plant and equipment	3,872	3,578	25,782	24,668
Financial and non-financial assets *	876	1	1,951	536
Current assets	**30,961**	**29,948**	**22,090**	**21,478**
Inventories	28,926	25,134	30	15
Receivables and other current assets *	2,035	4,814	22,060	21,463
Non-current liabilities	**51,978**	**59,311**	**792**	**63**
Provisions	47,461	55,540	792	63
Other liabilities **	4,517	3,771	–	–
Current liabilities	**23,410**	**16,777**	**28,529**	**27,193**
Provisions	10,118	7,152	1,002	355
Other liabilities **	13,292	9,625	27,527	26,838
Tax loss carryforwards	**1,793**	**960**	–	–
Gross deferred taxes – before offsetting	**113,340**	**111,100**	**87,898**	**92,170**
Offset under IAS 12.74	–78,721	–83,740	–78,721	–83,740
Net deferred taxes – after offsetting	**34,619**	**27,360**	**9,177**	**8,430**

* The presentation of the previous year's figures was amended compared with the 2020 consolidated financial statements in that the deferred tax liabilities from defined benefit assets in the amount of € 435 thousand are now allocated to non-current non-financial assets and no longer to current other assets, in accordance with the reclassification of the defined benefit assets in the consolidated balance sheet.

** Deferred tax assets from non-current lease liabilities amount to € 3,306 thousand (previous year: € 3,772 thousand) and those from current lease liabilities to € 2,185 thousand (previous year: € 2,416 thousand). They are reported under deferred taxes for other liabilities (non-current and current).

Reconciliation of income tax

€ thousands	**2021**	**2020**
Earnings before income tax (EBT)	139,935	61,596
Calculated income taxes on the basis of the applicable Group tax rate	42,960	18,479
Differences in tax rates	–7,589	–5,154
Unused tax loss carryforwards	33	8,729
Impairment loss / reversal of impairment on deferred taxes on tax loss carryforwards	–13,818	–423
Impairment loss on goodwill	–	2,624
Impairment loss / reversal of impairment on deferred taxes for temporary differences	3,552	20,945
Tax-exempt income	–5,332	–2,739
Non-deductible expenses	5,259	8,791
Prior-period taxes	2,152	2,376
Other tax credits	–828	–289
Non-deductible foreign income tax	1,022	2,944
Investments accounted for using the equity method	–140	664
Miscellaneous	2,343	269
Current taxes on income	**29,612**	**57,216**
Current tax rate	21 %	93 %

As far as net income from affiliates and other equity investments is concerned, withholding taxes incurred in connection with distributions and German taxes incurred are recognised as deferred taxes if these gains are expected to be subject to corresponding taxation, or there is no intention of reinvesting them in the long term. No deferred tax liabilities were recognised for temporary differences of € 76,078 thousand (previous year: € 71,011 thousand) in relation to affiliates and associates as it is unlikely that these temporary differences will be reversed in the foreseeable future.

No deferred tax assets were recognised for loss carryforwards amounting to € 150,529 thousand (previous year: € 160,584 thousand) because it is unlikely that there will be sufficient taxable profit available in the near future against which these deferred tax assets can be utilised. The loss carryforwards are largely available for an indefinite period. The income resulting from the use of loss carryforwards for which no deferred tax liabilities have been recognised so far was € 2,240 thousand (previous year: € 2,052 thousand).

Deductible temporary differences for which no deferred tax assets had to be set up amounted to € 262,065 thousand (previous year: € 274,012 thousand). The vast majority of this amount is attributable to KSB SE & Co. KGaA, as in the 2020 financial year. In the Group's opinion, deductible temporary differences beyond taxable temporary differences for the tax group of KSB SE & Co. KGaA were impaired as in the previous year.

20. Earnings after income tax – Non-controlling interests

The net profit attributable to non-controlling interests amounts to € 17,646 thousand (previous year: € 14,832 thousand) and the net loss attributable to non-controlling interests amounts to € 971 thousand (previous year: € 817 thousand). Further details on the non-controlling interests are provided in Notes No. 10 "Equity".

21. Earnings per share

Earnings per share are calculated using the weighted average number of shares as the denominator.

Earnings per share

		2021	2020
Earnings after income tax – Attributable to KSB SE & Co. KGaA shareholders	€ thousands	93,648	–9,635
Additional dividend attributable to preference shareholders (€ 0.26 per preference share) (previous year: € 0.26 per preference share)	€ thousands	–225	–225
	€ thousands	**93,423**	**–9,859**
Number of ordinary shares		886,615	886,615
Number of preference shares		864,712	864,712
Total number of shares		**1,751,327**	**1,751,327**
Diluted and basic earnings per ordinary share	**€**	**53.34**	**–5.63**
Diluted and basic earnings per preference share	**€**	**53.60**	**–5.37**

VI. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Financial instruments – Carrying amounts, fair values and other disclosures by measurement category

Financial instruments by measurement category – 31 Dec. 2021

Balance sheet item / Class € thousands	Measurement category *	Carrying amount	Fair value	Fair value Level 1 **	Fair value Level 2 ***	Fair value Level 3 ****
Assets						
Non-current assets						
Non-current financial instruments	FVPL	50	50	50	–	–
Loans	AC	1,458	1,458	–	1,458	–
Current assets						
Trade receivables from third parties	AC	444,601	–	–	–	–
Trade receivables from other investments, associates and joint ventures	AC	34,643	–	–	–	–
Trade receivables from other investments, associates and joint ventures	AC	1,918	–	–	–	–
Currency forwards designated as hedges	n / a	494	494	–	494	–
Currency forwards not designated as hedges	FVPL	149	149	–	149	–
Other receivables and other current assets	AC	77,579	–	–	–	–
Cash and cash equivalents	AC	386,683	–	–	–	–
Equity and Liabilities						
Non-current liabilities						
Financial liabilities excluding lease obligations	AC	2,573	2,379	–	2,379	–
Lease obligations	n / a	24,494	–	–	–	–
Current liabilities						
Financial liabilities excluding lease obligations	AC	37,386	–	–	–	–
Lease obligations	n / a	14,512	–	–	–	–
Trade payables	AC	272,813	–	–	–	–
Currency forwards designated as hedges	n / a	5,052	5,052	–	5,052	–
Currency forwards not designated as hedges	FVPL	1,280	1,280	–	1,280	–
Other financial liabilities	AC	20,304	–	–	–	–

Measurement categories aggregated under IFRS 9 – 31 Dec. 2021

Assets	AC	946,882
Equity and Liabilities	AC	333,076
Assets	FVPL	199
Equity and Liabilities	FVPL	1,280

* AC = Amortised cost, FVPL = Fair value through profit or loss

** Level 1: Fair value is determined on the basis of quoted prices (unadjusted) on active markets for identical assets and liabilities.

*** Level 2: The fair value is determined on the basis of measurement parameters that are not the quoted prices taken into account for level 1, but are observable for the asset or the liability either directly as a price or indirectly derived from prices.

**** Level 3: The fair value is determined on the basis of measurement parameters for assets or liabilities that are not based on observable market data.

Financial instruments by measurement category – 31 Dec. 2020

Balance sheet item / Class € thousands	Measurement category *	Carrying amount	Fair value	Fair value Level 1 **	Fair value Level 2 ***	Fair value Level 3 ****
Assets						
Non-current assets						
Non-current financial instruments	FVPL	77	77	77	–	–
Loans	AC	2,190	2,190	–	2,190	–
Current assets						
Trade receivables from third parties	AC	419,458	–	–	–	–
Trade receivables from other investments, associates and joint ventures	AC	24,717	–	–	–	–
Trade receivables from other investments, associates and joint ventures	AC	710	–	–	–	–
Currency forwards designated as hedges	n / a	4,211	4,211	–	4,211	–
Currency forwards not designated as hedges	FVPL	483	483	–	483	–
Other receivables and other current assets	AC	75,251	–	–	–	–
Cash and cash equivalents	AC	331,512	–	–	–	–
Equity and Liabilities						
Non-current liabilities						
Financial liabilities excluding lease obligations	AC	26,287	30,404	–	30,404	–
Lease obligations	n / a	24,336	–	–	–	–
Current liabilities						
Financial liabilities excluding lease obligations	AC	17,587	–	–	–	–
Lease obligations	n / a	14,446	–	–	–	–
Trade payables	AC	237,558	–	–	–	–
Currency forwards designated as hedges	n / a	1,474	1,474	–	1,474	–
Currency forwards not designated as hedges	FVPL	1,149	1,149	–	1,149	–
Other financial liabilities	AC	24,582	–	–	–	–

Measurement categories aggregated under IFRS 9 – 31 Dec. 2020

Assets	AC	853,838
Equity and Liabilities	AC	306,014
Assets	FVPL	560
Equity and Liabilities	FVPL	1,149

* AC = Amortised cost, FVPL = Fair value through profit or loss

** Level 1: Fair value is determined on the basis of quoted prices (unadjusted) on active markets for identical assets and liabilities.

*** Level 2: The fair value is determined on the basis of measurement parameters that are not the quoted prices taken into account for level 1, but are observable for the asset or the liability either directly as a price or indirectly derived from prices.

**** Level 3: The fair value is determined on the basis of measurement parameters for assets or liabilities that are not based on observable market data.

The carrying amount of financial assets measured at amortised cost approximates fair value. This is also the case for all financial liabilities with the exception of non-current financial liabilities. This is mainly due to the short maturities of these financial instruments.

The fair values of the current and non-current financial instruments are based on prices quoted in active markets (level 1).

Fair values within level 2 are determined using a discounted cash flow method. This relates to loans, non-current financial liabilities and currency forwards. KSB applies an appropriate yield curve for discounting. Future cash flows from currency forwards are calculated on the basis of forward exchange rates (observable rates on the reporting date) and the contracted forward exchange rates.

Level 3 includes financial instruments whose fair value is based on measurement parameters that are not based on observable market data.

In the reporting year, as in the previous year, there were no significant reclassifications of financial assets or liabilities between the hierarchy levels described above.

The net gains and losses from financial instruments, after taking into account the relevant tax effect, are presented in the following table:

→ Net results by measurement category

The interest shown is a component of finance income / expense. The effect from the application of the effective interest rate method is immaterial here as the interest expenses are virtually offset by the resulting interest income. The other gains and losses are partly reported in other income and other expenses.

Differences between the gross and net carrying amounts of financial assets, which are reflected in the table on net results in the "Impairments" column, mainly concern trade receivables. For further details, please refer to Notes No. 8 "Contract assets, trade receivables and other financial and non-financial assets".

The amount of financial assets and liabilities subject to offsetting agreements is not material.

Net results by measurement category in 2021

		From subsequent measurement				
€ thousands	From interest and dividends	At fair value	Currency translation	Impairment losses	From disposal	Net results
Amortised cost (assets)	5,633	–	1,130	–5,045	–	1,718
Amortised cost (equity and liabilities)	–3,813	–	16	–	–	–3,797
FVPL (assets and equity and liabilities)	–	–466	–	–	–	–466
	1,820	**–466**	**1,146**	**–5,045**	**–**	**–2,545**

Net results by measurement category in 2020

		From subsequent measurement				
€ thousands	From interest and dividends	At fair value	Currency translation	Impairment losses	From disposal	Net results
Amortised cost (assets)	5,310	–	–696	–2,434	–	**2,180**
Amortised cost (equity and liabilities)	–3,998	–	211	–	–	**–3,787**
FVPL (assets and equity and liabilities)	–	–665	–	–	–	**–665**
	1,312	**–665**	**–485**	**–2,434**	**–**	**–2,272**

Financial risks

KSB is exposed to certain financial risks as a consequence of its business activities. These risks can be classified into three areas:

KSB is firstly exposed to credit risk. Credit risk is defined as the 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. The risk of 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 for KSB.

KSB limits all these risks through an appropriate risk management system, defining how these risks are addressed through guidelines and work instructions. Furthermore, KSB continuously monitors the current risk characteristics and regularly provides the information obtained to the Managing Directors and the Supervisory Board in the form of standardised reports and individual analyses.

The three risk areas are described in detail in the following. Additional information is also provided in the group management report, in particular in the Economic Review, Report on Expected Developments, Opportunities and Risks Report sections.

Credit risk

The primary credit risk is that there is a delay in settling a receivable, or that it is not settled either in full or in part. KSB minimises this risk using a variety of measures. As a matter of principle, KSB runs credit checks on potential and existing counterparties. KSB only enters into business relationships if the results of these checks are positive. Additionally, European companies in particular take out trade credit insurance policies. In exceptional cases KSB accepts other securities (collateral) such as guarantees. The insurance policies primarily cover the risk of loss of receivables. Moreover, cover is also taken out against political and commercial risks in the case of specific customers in selected countries. For both types of insurance, KSB has agreed deductibles, which represent significantly less than 50 % of the insured volume. The total amount of unhedged trade receivables as at the reporting date is shown under Notes No. 8 “Contract assets, trade receivables and other financial and non-financial assets”. As part of receivables management, KSB continuously monitors outstanding items, performs maturity analyses and establishes contact with customers at an early stage if delays in payment occur. In the case of major projects, the terms and conditions provide for prepayments, guarantees and – for export transactions – letters of credit. These also mitigate risk. KSB recognises impairment losses for the residual risk remaining in trade receivables. It regularly examines the extent to which individual receivables need to be written down for impairment. Indications of this are significant financial difficulties of the debtor, such as insolvency or bankruptcy. Receivables are derecognised when it is reasonably certain that payment cannot be expected.

The maximum default risk, excluding collateral received, corresponds to the carrying amount of the financial assets. These all have an investment grade rating.

There is no concentration of risk because the diversity of KSB’s business means that it supplies a considerable number of customers in different sectors.

Liquidity risk

Liquidity management ensures that the liquidity risk is minimised in the Group and that solvency is ensured at all times. There are no concentrations of risk because KSB works with a number of credit institutions, on which strict creditworthiness requirements are imposed.

KSB generates its financial resources primarily from its operating business. These are used to finance investments in non-current assets. KSB also uses them to cover working capital requirements. To keep these as low as possible, KSB monitors changes in inventories, contract assets, trade receivables, trade payables and contract liabilities regularly using a standardised Group reporting system.

The reporting system additionally ensures, with the help of monthly rolling cash flow planning, that the Group’s central financial management is continuously informed about liquidity surpluses and requirements. This enables KSB to optimally meet the needs of the Group as a whole and of the individual companies. In order to be able to provide the necessary collateral in the project business, KSB makes corresponding guarantee volumes available.

In addition, it is always ensured that free credit facilities are sufficient; KSB identifies the need for these on the basis of regular liquidity planning. This way, it can react at any time to fluctuating liquidity requirements. Approved cash loans and credit lines total approximately € 1,281.2 million (previous year: approx. € 1,258.3 million), of which € 839.9 million (previous year: € 840.8 million) has not yet been utilised.

Cash loans and credit lines included amounts from a syndicated loan agreement signed in December 2018 whose credit line can be used at any time. The credit line has a fixed term of five years with the option to renew twice by one year each time. In the 2019 financial year, KSB made use of the one-year extension for the first time. In the previous year, KSB availed itself of this option again and extended the fixed term of the line early, until the end of 2025.

The utilisation of cash loans and credit lines from the syndicated loan agreement by the Group was as follows at the end of the reporting year:

€ thousands / Type of line	Maximum amount of line	Utilisation as at 31 Dec. 2021
Loans	300,000	4,167
Sureties	350,000	104,911

The following tables show the contractually agreed non-discounted future cash flows of the financial liabilities (primary financial instruments) and derivative financial instruments. Interest payments on fixed-rate liabilities are determined on the basis of the fixed rate. Floating-rate interest payments are based on the last floating interest rates fixed before 31 December. Projections for future new liabilities are not included in the presentation. Based on the current state of knowledge, it is neither expected that the cash flows will take place significantly earlier, nor that the amounts will differ significantly.

Cash flows of financial liabilities 2021

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Financial liabilities	81,945	54,025	24,514	3,406
of which from lease obligations	41,123	15,546	22,235	3,342
Trade payables	272,813	272,813	–	–
Miscellaneous other financial liabilities	20,304	17,662	2,642	–
Derivative financial instruments	6,332	5,892	440	–
	381,394	**350,392**	**27,596**	**3,406**

Cash flows of financial liabilities 2020

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Financial liabilities	87,871	34,418	51,068	2,385
of which from lease obligations	41,774	15,537	23,955	2,282
Trade payables	237,558	237,558	–	–
Miscellaneous other financial liabilities	24,582	22,103	2,479	–
Derivative financial instruments	2,623	2,355	268	–
	352,634	**296,434**	**53,815**	**2,385**

Market price risk

Global business activities expose KSB primarily to currency and interest rate risk. Any changes in market prices can affect fair values and future cash flows. Sensitivity analyses are used to determine the hypothetical impact of such market price fluctuations on earnings and equity. In doing so, KSB assumes that the portfolio at the reporting date is representative of the full year.

Currency risk mainly affects cash flows from operating activities. It arises when Group companies settle transactions in currencies that are not their functional currency. KSB minimises this risk using currency forwards. Further information is presented in Section III. Accounting Policies under "Financial assets and liabilities – b) Derivative financial instruments". KSB uses micro hedges (hedging individual transactions) and macro hedges (hedging an overall risk portfolio) to hedge transactions already recognised in the balance sheet and expected future transactions. The hedging instruments used share the essential terms and conditions with the underlying transactions, i.e. with regard to amount, term and quality. Internal guidelines govern the use of financial instruments. Such transactions are also subject to ongoing risk control measures. The effectiveness of hedges is determined at the beginning of the hedge and through regular prospective assessment. The aim is to ensure that there is a financial relationship between the hedge underlying and hedging instrument. The hedging instruments used are exclusively currency forwards entered into with prime-rated banks. To hedge forward exchange transactions, the Group takes out hedges where the contractual modalities of the hedging instrument essentially match those of the hedged underlying. The hedge ratio for hedges is 1:1, i.e. the volume of hedge transactions matches the designated underlyings. In order to measure the effectiveness or ineffectiveness of hedges, KSB compares the fair value of the underlying and the hedge transactions. Changes in the fair value of the derivatives are almost completely offset by changes in the fair value of the cash flows from the underlyings (dollar offset method). The change in fair value of the underlyings and hedges in the financial year therefore match the unrealised profits and losses recorded under equity. As a rule, KSB does not hedge currency risks from the translation of foreign operations into the Group currency (€). Ineffectiveness can arise from hedging currency risk if the material measurement parameters of the underlying and hedge no longer match. There was no material ineffectiveness in the KSB Group in respect of currency hedges in the 2021 and 2020 financial years.

At the reporting date, the notional volume of the currency forwards designated as hedges was € 167,185 thousand (previous year: € 186,903 thousand). The contractual maturities of payments for these currency forwards are as follows:

Notional volumes in 2021

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Currency forwards designated as hedges	167,185	133,266	33,383	536

Notional volumes in 2020

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Currency forwards designated as hedges	186,903	136,524	49,843	536

The weighted average rate of hedging instruments for the main foreign currencies was:

Hedging of currency risk

	2021	2020
Average rate EUR / USD	1.18	1.18
Average rate EUR / CNY	7.81	8.15
Average rate EUR / CHF	1.07	1.07

The "Changes in the fair value of derivatives" table shows the change in the hedging reserve and in the cost of the hedging reserve for currency hedges before tax. In the reporting year, the realisation of the underlying recognised in income includes amounts of € 29 thousand (previous year: 3,041 thousand) resulting from hedging transactions in which the hedged future cash flows are no longer expected to occur.

Fair value changes in derivatives in 2021

	OCI	
€ thousands	Cash flow hedges – Hedging reserve	Cash flow hedges – Hedging cost reserve
Currency risk		
Opening balance at 1 January	1,899	–404
Effective portion of changes in fair value	–2,396	1,069
Realisation of underlying recognised in income	–5,491	2,548
Closing balance at 31 December	**–5,988**	**3,213**

Fair value changes in derivatives in 2020

	OCI	
€ thousands	Cash flow hedges – Hedging reserve	Cash flow hedges – Hedging cost reserve
Currency risk		
Opening balance at 1 January	–4,719	–868
Effective portion of changes in fair value	5,108	–449
Realisation of underlying recognised in income	1,510	913
Closing balance at 31 December	**1,899**	**–404**

Currency volumes

€ thousands	CNY 31 Dec. 2021	CNY 31 Dec. 2020	USD 31 Dec. 2021	USD 31 Dec. 2020
Trade receivables	45,965	47,659	26,263	21,209
Trade payables	46,396	33,750	20,403	14,778
Balance	**–432**	**13,909**	**5,860**	**6,431**

The key foreign currencies in the KSB Group are the US dollar (USD) and Chinese yuan (CNY). For the currency sensitivity analysis, KSB simulates the effects based on the notional volume of existing foreign exchange derivatives and foreign currency receivables and liabilities at the reporting date. For the analysis, a 10 % increase (decrease) in the value of the euro versus the other currencies is assumed. In the reporting year, this would have amounted to approximately € 0.0 million (previous year: € 1.4 million) for CNY, € – 1.5 million (previous year: € – 1.9 million) for USD and € – 3.4 million (previous year: € – 3.7 million) for the remaining currencies.

→ Currency volumes

Based on the measurement of derivatives, at the reporting date, equity and the fair value of the derivatives would have been € 9.0 million lower (higher), with € 4.5 million resulting from USD and € 4.5 million from the other currencies. At the previous year's reporting date, equity and the fair value of the derivatives would have been € 10.1 million lower (higher), with € 5.8 million resulting from USD and € 4.3 million from the other currencies.

KSB regularly monitors the interest rate risks associated with its financing activities. To avoid the negative effects of interest rate fluctuations on the international capital markets, KSB concludes interest rate hedges (interest rate swaps) where necessary, generally for long-term loans. These are used exclusively to hedge floating rate loans against rising interest rates. In the reporting year, as in the previous year, no such transactions or other interest rate derivatives were recognised.

As part of the interest rate sensitivity analysis, KSB simulates a 50 basis point increase (decrease) in market interest rates and analyses the impact on the floating rate financial instruments. In the 2021 reporting year, the net interest balance would have been € 2.2 million (€ 1.9 million) (previous year: € 1.8 million (€ 1.4 million)) higher (lower).

VII. STATEMENT OF CASH FLOWS

The cash flow statement shows how the Group's cash and cash equivalents reported in the balance sheet changed during the reporting year as a result of cash inflows and outflows. In accordance with the requirements of IAS 7, a distinction is made between cash flows from operating activities and from investing and financing activities. The exact composition of these individual components can be seen in the individual items listed in the cash flow statement.

Non-cash effects from currency translation and from changes in the consolidated Group are eliminated in the respective items. Consequently, the cash flows from changes in balance sheet items shown in the cash flow statement cannot be reconciled with the corresponding movements in the Group's balance sheet.

Cash flows reported by Group companies in foreign currencies are translated into euros at average exchange rates for the year, while cash and cash equivalents are translated at the closing rate. The effect of exchange rate changes on cash and cash equivalents, as well as the effect of changes in the consolidated Group, are shown in a separate item in the cash flow statement.

The cash flow from investing activities includes the cash effects from additions and disposals of intangible assets and property, plant and equipment. The total additions and disposals in the reporting year can be found in the explanatory notes to the balance sheet items in these Notes to the Consolidated Financial Statements.

The cash flows from the sale of subsidiaries in the amount of € 481 thousand also shown in the cash flow from investing activities in the reporting year relate to residual purchase price payments resulting from the sale of subsidiaries completed in the previous year.

The change in financial liabilities in the reporting year, including the cash-effective portion of this change, which is included in the cash flows from financing activities, is shown in the table below.

→ Change in financial liabilities

As in the previous year, the cash and cash equivalents reported as at the reporting date are not subject to any restrictions on disposal by KSB.

Change in financial liabilities in 2021

			Non-cash changes		
€ thousands	1 Jan. 2021	Cash-effective in cash flows from financing activities	Additions / Disposals / Acquisitions / Other	Exchange-rate-related changes	31 Dec. 2021
Non-current financial liabilities (excluding lease liabilities)	26,287	−2,295	−21,235	−183	2,574
Current financial liabilities (excluding lease liabilities)	17,587	−4,274	24,201	−128	37,386
Lease liabilities	38,783	−17,702	17,263	662	39,006
Total financial liabilities	**82,657**	**−24,271**	**20,229**	**351**	**78,966**

Change in financial liabilities in 2020

			Non-cash changes		
€ thousands	1 Jan. 2020	Cash-effective in cash flows from financing activities *	Additions / Disposals / Acquisitions / Other *	Exchange-rate-related changes	31 Dec. 2020
Non-current financial liabilities (excluding lease liabilities)	24,714	−264	1,991	−153	26,287
Current financial liabilities (excluding lease liabilities)	29,303	−11,751	2,360	−2,325	17,587
Lease liabilities	47,051	−17,904	10,604	−968	38,783
Total financial liabilities	**101,068**	**−29,919**	**14,955**	**−3,447**	**82,657**

* The presentation of cash and non-cash changes in financial liabilities was expanded compared with the 2020 consolidated financial statements to include the amounts from interest paid as well as the compounding effect on the carrying amounts from the application of the effective interest rate method.

VIII. SEGMENT REPORTING

Segment reporting is prepared in accordance with IFRS 8 based on the management approach and corresponds to the internal organisational and management structure as well as the reporting lines to the Managing Directors as the chief operating decision-makers.

As of the 2021 financial year, KSB has adapted its control system and internal Group reporting to the realignment of the organisation that began in the previous year. The changes in the organisation have resulted in the following new reporting Segments (hereinafter also referred to as "Segments") of Pumps, Valves and KSB SupremeServ for the Group from financial year 2021.

Even with the new segmentation, KSB continues to make management decisions primarily on the basis of the key indicators order intake, external sales revenue and earnings before finance income / expense and income tax (EBIT). Reporting the relevant assets, number of employees and inter-segment sales revenue for these segments is, as in the past, not part of internal reporting.

Based on comprehensive consideration, the new reporting segments were aligned with the Group's products and services. For the derivation of the Pumps Segment, the underlying differentiation of individual Market Areas must also be taken into account, as described below.

The redefined 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. Each customer is assigned by the Group to a specific Market Area according to their main business activity. The allocation of transactions with customers to the Market Areas follows this clear assignment of customers by KSB, irrespective of the specific product underlying the transaction.

For the new business with pumps, the Energy, Mining and Standard Market Areas are derived from the changed organisational and reporting structure of the Group as operating segments as defined by IFRS 8. These segments share the characteristic that they are based on a common product group, i.e. pumps. Furthermore, it follows from the customer-related delineation of the Market Areas described above that these operating segments are not based on a classification according to specific products and services, taking into account technological and economic characteristics, such as production processes or sales methods. According to KSB's estimates and expectations, the three pumps operating segments have similar long-term earnings trends and may also involve fundamentally comparable risks. As a result, the operating segments considered here are aggregated into the Pumps reporting segment pursuant to IFRS 8 in view of the close technological and economic interrelationships from the Group's perspective.

The redefined Valves Segment comprises 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. However, in contrast to the Pumps Segment, the Valves Segment is not divided into individual Market Areas for the central management of the Group.

The KSB SupremeServ segment on the one hand comprises the spare parts business for pumps and valves, whose continued intensification is a central focus of the new segmentation. On the other hand, KSB's service activities are allocated to this Segment. These include the installation, commissioning, start-up, inspection, servicing, maintenance and repair of pumps, related systems and valves, as well as modular service concepts and system analyses for complete plants.

Up to and including the 2020 financial year, the Group was managed on the basis of three segments: Pumps, Valves and Service. Although some of these segments have the same names, the content of these segments differs significantly from the new Segments effective from the 2021 financial year: Pumps, Valves and KSB SupremeServ. In particular, the spare parts business for pumps and valves was basically allocated to the individual segments in the previous structure depending on the type of underlying product or service. While the spare parts business was thus reflected in all three segments in the previous analysis, with sales revenue of € 329 million and order intake of € 306 million in the former Pumps Segment and sales revenue of € 26 million and order intake of € 27 million in the former Valves Segment in the 2020 financial year, these transactions are fully subsumed under the KSB SupremeServ Segment as per the new segmentation.

In order to reflect the Group's new segmentation, the internal reporting systems were adapted in a comprehensive manner and fully aligned with the new structure. The financial information for the 2020 financial year was not restated retrospectively in line with the new segmentation, as the effort of such a technical system implementation including the associated data collection would have been disproportionately high from the Group's perspective. In order to determine the adjusted comparative data for the previous year, the data for the 2021 reporting year would have had to be manually transferred to the previous structure. This would also have entailed excessive costs for data collection. Against this background, there are no reconciliations between the old and new segmentation for the key financial performance indicators (order intake, external sales, EBIT).

As a result, segmented disclosures for the reporting year are made exclusively on the basis of the new segmentation, while the previous year's disclosures relate exclusively to KSB's former segmentation. In view of the differences in content between the two segment structures, the disclosures for the key financial performance indicators are only comparable for the reporting year and the previous year for the Group as a whole, but not at segment level. The other disclosures in this section on the geographical areas, however, are independent of the changes in segmentation and continue to be fundamentally comparable with the prior-year figures.

The amounts disclosed for the individual segments have been established in compliance with the accounting policies of the present consolidated financial statements.

The order intake by segment presents order intake generated with third parties.

The sales revenue by segment presents sales revenue generated with third parties.

The "Segment reporting" table shows earnings before finance income / expense and income tax (EBIT) including non-controlling interests.

EBIT for the reporting year includes depreciation and amortisation of € 38,035 thousand for the Pumps Segment, € 11,123 thousand for the Valves Segment and € 31,734 thousand for the KSB SupremeServ Segment.

In the previous year, the former Pumps Segment accounted for depreciation and amortisation of € 61,450 thousand, the former Valves Segment of € 15,456 thousand and the former Service Segment of € 23,000 thousand. The total depreciation and amortisation of the previous year included impairment of goodwill in the amount of € 11,155 thousand and impairment of property, plant and equipment in the amount of € 4,323 thousand. Of the total impairment losses, € 6,132 thousand was attributable to the former Pumps Segment, € 2,413 thousand to the former Valves Segment and € 6,933 thousand to the former Service Segment.

€ 571,700 thousand (previous year: € 577,612 thousand) of the sales revenue shown were generated by the companies based in Germany, € 197,013 thousand (previous year: € 172,728 thousand) by companies in China, € 183,144 thousand (previous year: € 194,654 thousand) by companies in France, € 182,304 thousand (previous year: € 206,998 thousand) by companies in the USA and € 1,209,416 thousand (previous year: € 1,055,889 thousand) by the other Group companies.

There were no relationships with individual customers that accounted for a material proportion of Group sales revenue.

Segment reporting *

	Order intake		Sales revenue		EBIT	
€ thousands	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Pumps Segment	1,307,305	–	1,271,104	–	24,120	–
Valves Segment	338,398	–	305,570	–	–6,560	–
KSB SupremeServ Segment	766,042	–	766,903	–	123,601	–
Total	**2,411,745**	**2,143,403**	**2,343,577**	**2,207,881**	**141,161**	**70,172**
of which former Pumps Segment	–	1,419,712	–	1,467,957	–	80,937
of which former Valves Segment	–	320,248	–	335,454	–	–23,271
of which former Service Segment	–	403,443	–	404,470	–	12,506

* For the 2021 financial year, segmented disclosures are made exclusively on the basis of the new segmentation of the Group, while the previous year's disclosures relate exclusively to KSB's former structure. In view of the differences in content between the two segment structures, the disclosures at segment level for the reporting year and the previous year are not comparable.

At the reporting date, the total non-current assets of the KSB Group under review for the purposes of segment reporting amounted to € 676,607 thousand (previous year-end figure: € 642,042 thousand), with € 238,698 thousand (previous year-end figure: € 234,733 thousand) being attributable to the companies based in Germany and € 437,909 thousand (previous year-end figure: € 407,309 thousand) being attributable to the other Group companies. The values shown include intangible assets, rights of use to leased assets, property, plant and equipment and investments accounted for using the equity method.

IX. OTHER DISCLOSURES

Capital disclosures

Sufficient financial independence is a key requirement for safeguarding KSB's continued existence in the long term. Obtaining the necessary funds for ongoing business operations is also extremely important for KSB. KSB regularly monitors the development of the net financial position that is derived from the balance of interest-bearing financial liabilities and interest-bearing financial assets (current and non-current financial instruments, interest-bearing loans to companies accounted for using the equity method as well as companies that were not consolidated due to there being no material impact, cash and cash equivalents and receivables from deposits). One objective is to avoid net debt. The net financial position at the end of the reporting year was € 366 million (previous year: € 305 million). The increase in the net financial position compared with the previous year is due in particular to the high cash flows from operating activities.

Contingent liabilities

Contingent liabilities to third parties and other investments are as follows at the reporting date:

Contingent liabilities

€ thousands	31 Dec. 2021	31 Dec. 2020
From legal disputes	3,636	769
From guarantees	2,000	445
From warranty agreements	5,591	4,000
From other tax matters	13,035	5,602
From other contingent liabilities	3,006	–
	27,268	10,816

In the context of establishing the contingent liabilities, estimates are required in particular with regard to the existence of any obligations and in relation to the probability and amount of an outflow of resources.

At present, KSB does not expect a payment obligation for the total of contingent liabilities listed in the table of that name.

In addition, the KSB Group has contingent liabilities towards associates and joint ventures of € 5,732 thousand (previous year: € 6,201 thousand). The extent to which these will result in a cash outflow depends on the future business performance of the respective company.

As at the reporting date of the reporting year, there are no material contingent receivables of the Group, as in the previous year.

Other financial obligations

As in the previous year, there are no purchase price obligations from acquisitions of companies and no payment obligations from capitalisation measures at Group companies.

The aggregate purchase obligation for investments amounts to € 19,112 thousand (previous year: € 22,992 thousand). Of this amount, € 706 thousand (previous year: € 386 thousand) is attributable to intangible assets and € 18,406 thousand (previous year: € 22,606 thousand) to property, plant and equipment. All of the corresponding payments are due in 2022.

Leases

KSB as lessee

Lease agreements in which KSB is the lessee mainly relate to real estate and motor vehicles. The terms of leases and additional cancellation and renewal options for one or both contracting parties are agreed individually and at different conditions.

The total cash outflow from leases, in the form of the repayment of lease liabilities, payments for leases relating to low-value assets and for short-term leases as well as variable lease payments, totalled € 25,151 thousand in the reporting year (previous year: € 24,831 thousand).

KSB as lessor

KSB acts as a lessor in the context of operating leases. This relates, among other things, to the leasing of real estate. In total, the Group generated income from operating leases of € 693 thousand in the reporting year (previous year: € 811 thousand).

The maturity analysis of future lease payments from operating leases is as follows:

Maturity analysis of future operating lease payments

€ thousands	31 Dec. 2021	31 Dec. 2020
Due within 1 year	2,575	1,829
Due between 1 and 2 years	1,208	1,821
Due between 2 and 3 years	991	836
Due between 3 and 4 years	799	476
Due between 4 and 5 years	667	328
Due after more than 5 years	471	–
	6,711	5,290

The financing leases where KSB acts as a lessor have minor significance for KSB and do not have any material effect on the consolidated financial statements.

Research and development costs

Research and development costs in the reporting year amounted to € 52,452 thousand (previous year: € 51,095 thousand). Most of these costs are order-related expenses.

Related party disclosures

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

Related parties are KSB Management SE as general partner, KSB Stiftung, Stuttgart, and Kühborth Stiftung GmbH, Stuttgart, each with their direct and indirect interests, joint ventures and associates. These are primarily Johannes und Jacob Klein GmbH, Frankenthal / Pfalz, Klein, Schanzlin & Becker GmbH, Frankenthal / Pfalz, Palatina Versicherungsservice GmbH, Frankenthal / Pfalz, and the companies of Abacus alpha GmbH, Frankenthal / Pfalz. Furthermore, related parties also include entities controlled or jointly controlled by the Managing Directors of Johannes und Jacob Klein GmbH, the Managing Directors or members of the Administrative Board of KSB Management SE or the Managing Directors or members of the Advisory Board of Klein, Schanzlin & Becker GmbH.

The members of the Supervisory Board, the Managing Directors of KSB Management SE and the members of the Administrative Board of KSB Management SE are deemed to be related parties of KSB SE & Co. KGaA. In the reporting year, two members of the Administrative Board held an immaterial share of interests in KSB SE & Co. KGaA.

As part of normal business activities, KSB SE & Co. KGaA maintains business relationships with numerous companies, including affiliates that are deemed to be related parties.

The company maintains relationships with affiliates in the following areas:

- Buying / selling assets
- Sourcing / providing services
- Usage / transferring usage of assets
- Granting of loans

Balances and transactions between KSB SE & Co. KGaA and its subsidiaries, which are related parties, have been eliminated during the consolidation process and are not explained in further detail. Details regarding transactions between the KSB Group and other related parties are provided below.

The following table shows services provided and used, as well as pending receivables and liabilities owed from and to related parties:

→ Services, receivables and liabilities in dealings with related parties

Services, receivables and liabilities in dealings with related parties

	Sales of goods and services		Purchases of goods and services		Receivables		Liabilities	
€ thousands	2021	2020	2021	2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
KSB Management SE	5	5	7,012	5,805	–	–	3,926	3,267
Klein, Schanzlin & Becker GmbH	–	–	–	–	–	–	–	–
KSB Stiftung and Kühborth-Stiftung GmbH	–	–	–	–	–	–	–	–
Johannes und Jacob Klein GmbH	–	1	–	–	–	–	–	–
Subsidiaries of Johannes und Jacob Klein GmbH	606	581	3,525	3,335	108	119	27	7
Associates / joint ventures of Johannes und Jakob Klein GmbH	–	–	–	–	–	–	–	–
Joint ventures *	40,619	22,872	1,214	1,261	31,572	20,684	318	561
Associates *	3	2	–	–	–	317	–	–
Companies not consolidated due to immateriality *	6,540	10,301	48	274	3,071	3,715	301	450
Other related parties (corporate bodies), excluding “Management remuneration”	33	27	–	–	–	–	–	–

* Compared with the presentation in the 2020 consolidated financial statements, the service relationships and balances with the Group’s associates and joint ventures as well as with the companies not consolidated due to immateriality were added to the table. The amounts related to Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V., which were previously listed in a separate line, are now included under companies not consolidated due to immateriality.

The liabilities to KSB Management SE are due in the short term. As the legal representative, KSB Management SE provides management services and accepts KSB’s liability as general partner. It receives reimbursement of its costs as a management fee and 4 % of its share capital for acceptance of liability.

Further information on joint ventures, associates and companies not consolidated due to immateriality (related party transactions) can be found in Section IV. Balance Sheet Disclosures – Notes No. 4 “Other financial assets”, Notes No. 6 “Investments accounted for under using the equity method”, Notes No. 8 “Contract assets, trade receivables and other financial and non-financial assets”, Notes No. 12 “Liabilities” and in Section IX. Other Disclosures – Contingent Liabilities. In addition, the cash flows from the granting of loans and from capital measures with the above-mentioned companies are shown in the statement of cash flows under cash flows from investing activities.

Relations covering the supply of products and services in relation with Johannes und Jacob Klein GmbH were of minor scope in the reporting year as in the previous year. In addition, Johannes und Jacob Klein GmbH received dividend payments.

Transactions with subsidiaries of Johannes und Jacob Klein GmbH comprise transactions with Palatina Versicherungsservice GmbH, Abacus alpha GmbH, Abacus Resale GmbH, Abacus Experten GmbH, Salinnova GmbH and airinotec GmbH). There were minor transactions with associates or joint ventures of KSB with Johannes und Jacob Klein GmbH in the reporting year.

A services agreement for insurances is in place between Palatina Versicherungsservice GmbH and KSB SE & Co. KGaA. Abacus Experten GmbH concluded a number of service agreements with KSB SE & Co. KGaA; there is a framework delivery and service agreement with Abacus Resale GmbH for the purchase of returns and the provision of additional related services. In addition, products were delivered to the company as part of the normal business activities. KSB SE & Co. KGaA and Abacus alpha GmbH have also concluded service agreements. KSB products were delivered to airinotec GmbH and Salinnova GmbH as part of normal business activities. KSB purchased spare parts from Salinnova GmbH in the previous year.

Transactions with related parties are performed at arm’s length.

Pending balances at the year end are unsecured, do not accrue interest and are settled by means of payments. No guarantees were given or received. The receivables presented here, as in the previous year, are not subject to write-downs and no provisions have been created for this purpose.

Disclosures and information on affiliates and investments accounted for using the equity method provided in other sections of these Notes refer to relations covering the supply of products and services on an arm's length basis.

Pursuant to IAS 24, the remuneration of key management personnel of the Group must be disclosed. The following table presents the relevant information for the KSB Group on remuneration paid to the Managing Directors and the members of the Administrative Board of KSB Management SE by KSB under an expense reimbursement agreement.

Management remuneration

€ thousands	2021	2020
Short-term benefits	4,397	3,539
Post-employment benefits	1,961	1,662
Other long-term benefits	581	–
Termination benefits	–	–
Share-based payments	–	–
Total	**6,939**	**5,200**

In the year under review, KSB Management SE received from KSB SE & Co. KGaA reimbursed expenses of € 73 thousand (previous year: € 605 thousand) for managing KSB's business in addition to the above-mentioned reimbursement of expenses for remunerating the members of the governing bodies of KSB Management SE.

As at 31 December 2021, KSB set aside provisions of € 783 thousand (previous year: € 833 thousand) for pension obligations to current Managing Directors of KSB Management SE, and € 40,267 thousand (previous year: € 45,717 thousand) for pension obligations to former members of the Board of Management of KSB AG (excluding the Managing Directors of KSB Management SE) and their surviving dependants; total benefits paid to these persons amounted to € 2,727 thousand in the reporting year (previous year: € 3,038 thousand).

The short-term benefits paid to members of the Supervisory Board amounted to € 786 thousand for the 2021 financial year (previous year: € 806 thousand). At the end of the financial year, a liability of € 465 thousand (previous year: € 453 thousand) was recognised towards the members of the Supervisory Board.

An updated remuneration system for the Managing Directors of KSB Management SE was introduced in 2021 financial year. The basic features of this remuneration system consist of components that are not performance-related, in the form of fixed sum plus benefits, and pension commitments, as well as short-term and long-term variable remuneration components. In this context, 60 % of the regular annual salary, i.e. the sum of fixed and variable remuneration, is accounted for by the fixed component. The variable remuneration accounts for 40 % of the regular annual salary, with about two thirds of this being allocated to the long-term variable remuneration. The majority of the variable remuneration is thus linked to the long-term performance of the company.

The short-term variable remuneration with an assessment period of one year is designed as a target bonus model and is awarded annually. The target amount, i.e. the amount paid out if 100 % of the target is achieved, corresponds to 15 % of the respective regular annual salary. The Administrative Board of KSB Management SE has set the performance targets of EBIT margin, sales revenue and the overall assessment of the personal performance of the Managing Directors in equal parts as the basis for assessment.

The long-term variable remuneration is structured as an annually granted plan with a three-year, forward-looking assessment period. The target amount corresponds to 25 % of the respective regular annual salary. The Administrative Board has defined the performance target as the equally weighted average of the earnings per share (EPS) over three years with a weighting of 80 % and the achievement of sustainability targets in the areas of environment, social issues and governance (ESG) with a weighting of 20 %. By considering earnings per share, a focus is placed on the long-term successful performance of the company as well as linking the interests of the Managing Directors with the interests of the shareholders.

The final payment of the long-term variable remuneration is made after the end of the assessment period. For the financial years 2021 and 2022, a one-time payment on account amounting to 40 % of the target value in the event of 100 % target achievement has been agreed. At the end of the assessment period, it will be offset against any amount paid out in excess of this; no repayment has been agreed in the event that the sum falls short of this amount.

The members of the Supervisory Board receive a fixed remuneration and attendance fees. In addition, they receive remuneration for activities that require them to devote special time to the tasks of the Supervisory Board that go beyond preparing and holding meetings of the Supervisory Board and its committees.

The members of the Supervisory Board, the Managing Directors and the members of the Administrative Board of the general partner are listed before the information on the proposal on the appropriation of net retained earnings for KSB SE & Co. KGaA.

Auditors
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, based in Frankfurt am Main with an office in Mannheim, were appointed as auditors and group auditors for the 2021 financial year at the Annual General Meeting of KSB SE & Co. KGaA on 6 May 2021. Overall, fees (including expenses) amounting to € 901 thousand were recognised as expenses. Of this, € 808 thousand relate to audit services, € 69 thousand to other certification services and € 24 thousand to other services.

The audit fees include costs for the audit of the consolidated financial statements and of the statutory annual financial statements of KSB SE & Co. KGaA and the German subsidiaries included in the consolidated financial statements. The fees for other certification services primarily include attestation services outside of the audit of the consolidated financial statements. The fees for other services primarily include fees for project-specific consultancy services in IT and Compliance.

Use of exemption option
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, have made partial use of the exemption provision pursuant to Section 264(3) HGB [German Commercial Code].

Events after the Reporting Period
The acts of war that started in Ukraine in February 2022 could lead to material adverse effects on the Group's net assets, financial position and results of operations. These cannot be foreseen at the time of preparing these consolidated financial statements and are therefore not quantifiable. The Group companies located in Russia, Ukraine and Belarus only account for a negligible share of the Group's overall business activities.

Beyond this, there were no events after the close of the financial year that are of particular significance for the Group's net assets, financial position and results of operations.

German Corporate Governance Code
The Managing Directors and the Supervisory Board of KSB SE & Co. KGaA issued the current Statement of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 AktG [*Aktiengesetz* – German Public Companies Act] on 15 December 2021. The Statement is accessible to the public at KSB's web site: www.ksb.com > Investor Relations > Corporate Governance > Corporate Governance Statement / Statement of Compliance with the German Corporate Governance Code.

List of Shareholdings

Affiliates (national and international)

Cons. No.	Name and seat	Country	Activity*	Capital share in %	Group share of capital in %	Held by No.
1	Canadian Kay Pump Limited, Mississauga / Ontario	Canada	H	100.00	100.00	
2	KSB Limited, Pimpri (Pune)	India	P	40.54	40.54	1
3	KSB MIL Controls Limited, Annamanada	India	P	49.00	19.86	2
				51.00	51.00	
4	Pofran Sales & Agency Limited, Pimpri (Pune)	India	S	100.00	40.54	2
5	Dynamik-Pumpen GmbH, Stuhr	Germany	SVC	100.00	100.00	
6	Hydroskepi GmbH, Amaroussion (Athens)	Greece	H	100.00	100.00	
7	KAGEMA Industrieausrüstungen GmbH, Pattensen	Germany	P	100.00	100.00	
8	KSB Armaturen Verwaltungs- und Beteiligungs-GmbH, Frankenthal	Germany	H	100.00	100.00	
9	OOO “KSB”, Moscow	Russia	P	100.00	100.00	8
10	IOOO “KSB BEL”, Minsk	Belarus	S	98.10	98.10	9
				1.90	1.90	8
11	TOV “KSB Ukraine”, Kyiv	Ukraine	S	100.00	100.00	9
12	KSB, Bombas e Válvulas, SA, Albarraque	Portugal	S	92.00	92.00	
				1.00	1.00	32
				1.00	1.00	69
				1.00	1.00	15
13	KSB Chile S.A., Santiago	Chile	P	100.00	100.00	
14	KSB de Mexico, S.A. de C.V., Querétaro	Mexico	P	100.00	100.00	
15	KSB FINANZ S.A., Echternach	Luxembourg	H	100.00	100.00	
16	Aplicaciones Mecánicas Válvulas Industriales, S.A. (AMVI), Burgos	Spain	P	100.00	100.00	15
17	Dalian KSB AMRI Valves Co., Ltd., Dalian	China	P	100.00	100.00	15
18	KSB Algérie Eurl, Bordj el Kifane (Alger)	Algeria	S	100.00	100.00	15
19	KSB Australia Pty Ltd, Bundamba QLD	Australia	P	100.00	100.00	15
20	KSB New Zealand Limited, Albany / Auckland	New Zealand	S	100.00	100.00	19
21	KSB Belgium S.A., Bierges-lez-Wavre	Belgium	S	100.00	100.00	15
22	KSB Service Belgium S.A./N.V., Bierges-lez-Wavre	Belgium	S	100.00	100.00	21
23	KSB BRASIL LTDA., Várzea Paulista	Brazil	P	100.00	100.00	15
24	KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires)	Argentina	P	95.00	95.00	15
				5.00	5.00	
25	KSB Finance Nederland B.V., Zwanenburg	Netherlands	H	100.00	100.00	15
26	D.P. Industries B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	25
27	KSB B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	26
28	Duijvelaar Installatiebouw B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	26
29	DP Pompen B.V., Alphen aan den Rijn	Netherlands	P	100.00	100.00	26
30	DP Pumps B.V., Alphen aan den Rijn	Netherlands	S	100.00	100.00	26
31	DP Service B.V., Alphen aan den Rijn	Netherlands	SVC	100.00	100.00	26
32	KSB Nederland B.V., Zwanenburg	Netherlands	S	100.00	100.00	25

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

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.
33	KSB Italia S.p.A., Milano	Italy	P	99.00	99.00	15
				1.00	1.00	
34	KSB ITUR Spain S.A., Zarautz	Spain	P	100.00	100.00	15
35	KSB Limited, Loughborough	United Kingdom	S	100.00	100.00	15
36	KSB Middle East FZE, Dubai	U.A.E.	S	100.00	100.00	15
37	KSB Österreich Gesellschaft mbH, Vienna	Austria	S	100.00	100.00	15
38	KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara	Turkey	P	100.00	100.00	15
39	KSB Pumps and valves L.t.d., Domžale	Slovenia	S	100.00	100.00	15
40	KSB Pumps Inc., Mississauga / Ontario	Canada	S	100.00	100.00	15
41	KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg)	South Africa	H	100.00	100.00	15
42	KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg)	South Africa	P	70.00	70.00	41
43	KSB PUMPS AND VALVES LIMITED, Nairobi	Kenya	S	100.00	100.00	41
44	KSB S.A.S., Gennevilliers (Paris)	France	P	100.00	100.00	15
45	KSB POMPES ET ROBINETTERIES S.à.r.l. d'Associé unique, Casablanca	Morocco	S	100.00	100.00	44
46	KSB Shanghai Pump Co., Ltd., Shanghai	China	P	80.00	80.00	15
47	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal	Germany	H	51.00	51.00	15
48	KSB America Corporation, Richmond / Virginia	USA	H	100.00	51.00	47
49	GIW Industries, Inc., Grovetown / Georgia	USA	P	100.00	51.00	48
50	KSB Dubric, Inc., Comstock Park / Michigan	USA	SVC	100.00	51.00	48
51	KSB, Inc., Richmond / Virginia	USA	P	100.00	51.00	48
52	KSB, Inc. – Western Division, Bakersfield / California	USA	SVC	100.00	51.00	48
53	Standard Alloys Incorporated, Port Arthur / Texas	USA	SVC	100.00	51.00	48
54	PT. KSB Indonesia, Cibitung	Indonesia	P	94.06	94.06	15
				5.94	5.94	
55	PT. KSB Sales Indonesia, Cibitung	Indonesia	S	99.00	99.00	54
				1.00	1.00	
56	SISTO Armaturen S.A., Echternach	Luxembourg	P	52.85	52.85	15
57	KSB Finland Oy, Kerava	Finland	S	100.00	100.00	
58	KSB Hungary Kft., Budapest	Hungary	S	100.00	100.00	
59	KSB Korea Ltd., Seoul	South Korea	P	100.00	100.00	
60	KSB Limited, Hong Kong	China	S	100.00	100.00	
61	KSB Pump & Valve Technology Service (Tianjin) Co., Ltd, Tianjin	China	SVC	100.00	100.00	60
62	KSB Ltd., Tokyo	Japan	S	100.00	100.00	
63	KSB Norge AS, Ski	Norway	P	100.00	100.00	
64	KSB Perú S.A., Lurin	Peru	S	100.00	100.00	
65	KSB Polska Sp. z o.o., Ozarow-Mazowiecki	Poland	S	100.00	100.00	
66	KSB Pumps Co. Ltd., Bangkok	Thailand	P	40.00	40.00	
67	KSB Pumps Company Limited, Lahore	Pakistan	P	58.89	58.89	
68	KSB-Pumpy+Armatury s.r.o., koncern, Prague	Czech Republic	S	100.00	100.00	
69	KSB (Schweiz) AG, Oftringen	Switzerland	S	100.00	100.00	
70	KSB Seil Co., Ltd., Busan	South Korea	P	100.00	100.00	
71	KSB Service GmbH, Frankenthal	Germany	SVC	100.00	100.00	
72	KSB Service GmbH, Schwedt	Germany	SVC	100.00	100.00	
73	KSB Singapore (Asia Pacific) Pte Ltd, Singapore	Singapore	P	100.00	100.00	

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

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.
74	KSB Malaysia Pumps & Valves Sdn. Bhd., Shah Alam	Malaysia	P	100.00	100.00	73
75	KSB PHILIPPINES, INC., Makati City	Philippines	S	100.00	100.00	73
76	KSB Vietnam Co., Ltd, Long Thanh District	Vietnam	S	100.00	100.00	73
77	KSB Sverige Aktiebolag, Gothenburg	Sweden	S	100.00	100.00	
78	KSB Sverige Fastighets AB, Gothenburg	Sweden	S	100.00	100.00	77
79	PUMPHUSET Sverige AB, Sollentuna	Sweden	SVC	100.00	100.00	77
80	KSB Taiwan Co., Ltd., New Taipei City	Taiwan	S	100.00	100.00	
81	KSB Tech Pvt. Ltd., Pimpri (Pune)	India		100.00	100.00	
82	KSB Valves (Changzhou) Co., Ltd., Jiangsu	China	P	100.00	100.00	
83	PMS-BERCHEM GmbH, Neuss	Germany	SVC	100.00	100.00	
84	Pumpen-Service Bentz GmbH, Reinbek	Germany	SVC	100.00	100.00	
85	REEL s.r.l., Ponte di Nanto	Italy	P	100.00	100.00	
86	Uder Elektromechanik GmbH, Friedrichsthal	Germany	SVC	100.00	100.00	

Compared with the presentation in the Annual Report 2020, the above list of national and international affiliates includes all five subsidiaries of D.P. Industries B.V., Alphen aan den Rijn, Netherlands, individually under consecutive numbers 27 to 31 and no longer as a whole unit together with their immediate parent company.

Joint ventures (international)

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year ** € thousands
87	KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ, Ankara	Turkey	P	55.00	55.00	38	140	100
88	KSB Pumps Arabia Ltd., Riyadh	Saudi Arabia	P	50.00	50.00	15	8,713	–4,399
89	KSB Service LLC, Abu Dhabi	U.A.E.	SVC	49.00	49.00		7,917	5
90	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai	China	P	45.00	45.00		37,319	2,012

Associates (international)

Cons. No.	Name and seat	Country	Activ-ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year ** € thousands
91	Motori Sommersi Riavvolgibili S.r.l., Cedegolo	Italy		25.00	25.00		5,467	2,937

* P = Production / assembly, S = Sales, SVC = Service, H = Holding
** Data according to latest annual financial statements under IFRS

Companies not consolidated because of immateriality – Affiliates (national and international)

Cons. No.	Name and seat	Country	Activ- ity*	Capital share in %	Group share of capital in %	Held by No.	Equity** € thousands	Net profit / loss for the year ** € thousands	
92	Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V.	Germany		100.00	100.00		102	–7	
93	KSB BOMBAS E VÁLVULAS (Angola), LDA, Belas	Angola	S	65.00	65.00	15	625	–	
94	KSB Čerpadlá a Armatúry, s.r.o., Bratislava	Slovakia	S	100.00	100.00		66	–50	
95	KSB Colombia SAS, Funza (Cundinamarca)	Columbia	S	100.00	100.00	15	405	25	
96	KSB Ecuador S.A., Samborondón	Ecuador	S	99.00	99.00	23	622	119	
				1.00	1.00	15			
97	KSB Egypt SOC, Cairo	Egypt	H	100.00	100.00		190	–	
98	KSB Panama S.A., Panama	Panama	S	100.00	100.00	23	53	–	
99	KSB Pumpe i Armature d.o.o. Belgrade	Serbia	S	100.00	100.00	39	215	19	
100	KSB pumpe i armature d.o.o., Rakov Potok	Croatia	S	100.00	100.00	39	210	–5	
101	KSB PUMPS AND VALVES (NAMIBIA) (PROPRIETARY) LIMITED, KLEIN WINDHOEK	Namibia	S	100.00	100.00	41	–158	–213	
102	KSB Pumps and Valves Nigeria Ltd, Lagos	Nigeria	S	60.00	60.00	15	294	–51	■
103	KSB Service Egypt LLC, Cairo	Egypt	SVC	48.00	48.00		1,512	–	
				11.00	11.00	97			
				1.00	1.00	15			
104	KSB ZAMBIA LIMITED, Kitwe	Zambia	S	100.00	100.00	41	396	185	
105	Techni Pompe Service Maroc (TPSM), Casablanca	Morocco	SVC	100.00	100.00	45	–595	–8	
106	TOO "KSB Kazakhstan", Almaty	Kazakhstan	S	100.00	100.00	9	382	91	

* P = Production / assembly, S = Sales, SVC = Service, H = Holding
** Data according to latest annual financial statements under IFRS
■ Prior-period figures

Supervisory Board

Dr. Bernd Flohr, Dipl.-Kfm., Dipl.-Soz., Geislingen
Former Executive Board Member of WMF AG (Chair)

René Klotz, NC Programmer, Heßheim
Chair of the General Works Council of KSB SE & Co. KGaA and KSB Service GmbH (Deputy Chair)

Claudia Augustin, Office Management Assistant, Pegnitz
Deputy Chair of the Pegnitz Works Council of KSB SE & Co. KGaA

Klaus Burchards, Dipl.-Kfm., Stuttgart
Independent Auditor

Arturo Esquinca, Dipl.-Chemieing., MBA, Forch, Switzerland
M&A and Strategy Consultant

Klaus Kühborth, Dipl.-Wirtsch.-Ing., Frankenthal
Managing Director of Johannes und Jacob Klein GmbH

Birgit Mohme, Industrial Business Management Assistant, Frankenthal
First Delegate and Managing Director of IG Metall Ludwigshafen / Frankenthal

Thomas Pabst, Dipl.-Ing., Freinsheim [1)]
Head of the Energy Market Area of KSB SE & Co. KGaA

Prof. Dr.-Ing. Corinna Salander, Dipl.-Physikerin, Dresden
Director of the German Centre for Railway Traffic Research at Eisenbahn-Bundesamt [Federal Railway Authority]

Harald Schöberl, Industrial Business Management Assistant, Plech
Full-time Member of the Pegnitz Works Council of KSB SE & Co. KGaA

Volker Seidel, Electrical and Electronics Installer, Münchberg
First Delegate and Treasurer of IG Metall Ostoberfranken

Gabriele Sommer, Dipl.-Geol., Wörthsee [2)]
Spokesperson for the Management of TÜV Süd Management Service GmbH

Mandates of KSB Supervisory Board members on the Supervisory Board / Board of Directors of other companies

1) Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China

2) TÜV SÜD Industrie Service GmbH, Munich
TÜV SÜD Auto Service GmbH, Stuttgart

Legal Representatives

Managing Directors of KSB Management SE

Dr. Stephan Jörg Timmermann,
CEO, Augsburg [1)]
Strategy, Human Resources, Communications, Internal Audits, Legal & Compliance, Patents & Trademarks

Dr. Stephan Bross, Weinheim [2)]
Global Operations, Research and Development, Innovation and Complexity Management, Digital Transformation, Committees and Associations

Ralf Kannefass, Regensburg [3)]
Sales, Service and Marketing

Dr. Matthias Schmitz, Frankenthal [4)]
Taxes, Controlling KSB Group, Finance, Accounting, Information Technology and Procurement

Mandates of the Managing Directors on the Board of Directors of KSB companies

1) KSB America Corporation, Richmond / Virginia, USA
GIW Industries, Inc., Grovetown / Georgia, USA

2) KSB Limited, Pimpri (Pune), India
KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİKETİ, Ankara, Turkey
KSB MIL Controls Limited, Annamanada, India
(since 29 December 2021)

3) KSB Shanghai Pump Co., Ltd., Shanghai, China
Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China
KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg), South Africa
KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg), South Africa

4) KSB FINANZ S.A., Echternach, Luxembourg
KSB Finance Nederland B.V., Zwanenburg, Netherlands
Canadian Kay Pump Limited, Mississauga / Ontario, Canada
KSB Limited, Pimpri (Pune), India
KSB Shanghai Pump Co., Ltd., Shanghai, China
KSB BRASIL LTDA., Várzea Paulista, Brazil
KSB Pumps Arabia Ltd., Riyadh, Saudi Arabia
KSB Österreich Gesellschaft mbH, Vienna, Austria

Members of the Administrative Board of KSB Management SE

Oswald Bubel, Chair, Saarbrücken

Monika Kühborth, Deputy Chair, Homburg
Managing Director of Klein, Schanzlin & Becker GmbH

Günther Koch, Ludwigshafen

Dr. Harald Schwager, Speyer [1)]
Deputy Chairman of the Executive Board of Evonik Industries AG

Andrea Teutenberg, Berlin [2)]

Mandates on statutory Supervisory Boards

1) Evonik Operations GmbH, Essen (Chair of the Supervisory Board)
Member of the Presidential Board of DEKRA e.V., Stuttgart, since 14 April 2021

2) Bauer AG, Schrobenhausen

Proposal on the Appropriation of the Net Retained Earnings of KSB SE & Co. KGaA

The following proposal on the appropriation of the net retained earnings of € 40,933,115.04 of KSB SE & Co. KGaA will be submitted to the Annual General Meeting on 5 May 2022:

Proposal for the appropriation of net retained earnings

€	
Dividend of € 9.00 per ordinary no-par-value share	7,979,535.00
Dividend of € 9.26 per preference no-par-value share	8,007,233.12
Anniversary dividend of € 3.00 per ordinary no-par-value share	2,659,845.00
Anniversary dividend of € 3.00 per preference no-par-value share	2,594,136.00
Total	**21,240,749.12**
Carried forward to new account	**19,692,365.92**
	40,933,115.04

Frankenthal, 9 March 2022

KSB Management SE

The Managing Directors

The annual financial statements of KSB SE & Co. KGaA were prepared in accordance with German accounting principles. They are published in the *Bundesanzeiger* [German Federal Gazette] and are also available online: annualreport2021.ksb.com/SE