

Dear Shareholders and Business Partners,

The sales revenue and earnings figures for 2015 show an upward trend. Last year we worked intensively on improving our economic situation. We increased consolidated sales revenue by 7.0 % to € 2,334.8 million, while earnings before taxes rose 28.2 % to € 93.4 million, albeit with exchange rate changes also playing a part.

But let us not be deceived by rising figures. Looking to the immediate future, we see some hurdles ahead: The markets in our sector have undergone profound changes and competition has become tougher. Furthermore, several of our customer segments are in a weak state, which resulted in a slight decline in our order intake by 2.6 % to € 2,261.2 million in 2015. The effects will be felt in our sales revenue in the current year. This means that it is even more important that we improve our competitiveness and profitability.

To this end, we adapt our development, production, sales and administration structures to new market conditions without delay and increase our presence in growth markets. We also need to create a cost base that will give us greater leeway in decision-making, something that is of the utmost importance in economically challenging phases.

We will focus our attention on resolving these issues this year and next. In this context, we have already engaged in conceptual and structural preparatory work:

1. WE HAVE UPDATED OUR GROUP STRATEGY AND IDENTIFIED FOCUS MARKETS

As part of our strategy review, we defined three global and two regional focus markets in 2015. In the coming years we will align our resources in development, production and sales with the needs of these markets wherever possible. On a global level, we will serve industry, the water and waste water management sector and the energy industry. The regional focuses of our business are construction/building services in Europe and the Middle East and mining in the Americas.

Our focus takes full account of the current difficulties in the energy and mining sectors:

- We are therefore gradually relocating our power plant pump activities to China and India, where the market is still highly dynamic. In Europe we are concentrating on projects to modernise and increase the efficiency of power plants.
- To counter the current decline in demand for mining, we entered into a German-Finnish partnership in 2015. The agreement links us with a global provider of mining machinery and systems, which already offers our slurry pumps via its industry-specific sales network. This significantly increases the sales opportunities for our slurry pumps.

2. WE ARE REDUCING THE COMPLEXITY OF THE PRODUCT PORTFOLIO AND THE NUMBER OF COMPANIES

Compared with a simple structure, complexity entails extra costs. This is true both for a product portfolio with a very wide range of products and for a Group structure that currently encompasses over 90 companies.

- As previously announced, we further reduced the complexity of our product programme in 2015 and will continue the process of streamlining our type series over the current year. This will enable us to better target our activities in research, development and product management on high-volume, high-margin products.
- We have also begun to reduce the number of companies. This includes the merger of KSB companies in Finland, Norway and Spain, and the sale of two operating companies in Greece. Further measures of this kind are planned, both within and outside of Europe, which will allow us to save on management capacities and cut costs.

3. WE HAVE INITIATED A PACKAGE OF MEASURES THAT IMPROVE OUR COST STRUCTURES

In Germany in particular, we took wide-ranging steps in 2015 to cut costs. Measures included the closure of the plant in Homburg and the realignment of our Pegnitz foundry to produce high-quality components.

In 2016 and 2017 we will extend our efforts to achieve greater competitiveness to a global level. To this end, we have initiated a programme to enhance efficiency, with the aim of reducing our material costs, our staff costs and our overheads by 10 %. The positive effects of this programme will be felt in full in our 2018 earnings.

In addition, we also have many things planned for this year and next in order to successfully realign KSB. In doing so, we will be very responsible in our use of the capital that you, as a shareholder of the company, have entrusted us with. Following the rather disappointing development of our shares on the stock exchange in 2015, we are confident that our efforts will soon be reflected in rising share prices. Our aim is to be an attractive company not only for our customers and employees, but also for investors.

We thank you for the trust you have placed in us and look forward to being able to inform you soon of further progress and successes.



Dr. Peter Buthmann



Werner Stegmüller