Consolidated Financial Statements

Balance Sheet

Assets

€ thousands	Notes	31 Dec. 2020	31 Dec. 2019
Non-current assets			
Intangible assets	1	79,935	97,128
Right-of-use assets	2	41,641	50,096
Property, plant and equipment	3	500,680	511,281
Non-current financial assets	4	2,267	1,962
Other non-financial assets	5	3,302	2,840
Investments accounted for using the equity method	6	19,787	24,203
Deferred tax assets	20	27,360	95,101
		674,971	**782,611**
Current assets			
Inventories	7	497,495	544,703
Contract assets	8	82,412	76,428
Trade receivables	8	444,174	504,101
Other financial assets	8	82,210	90,938
Other non-financial assets	8	27,189	39,613
Cash and cash equivalents	9	331,512	280,875
Assets held for sale	10	–	7,753
		1,464,992	**1,544,411**
		2,139,964	**2,327,022**

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

Equity and Liabilities

€ thousands	Notes	31 Dec. 2020	31 Dec. 2019
Equity	**11**		
Subscribed capital		44,772	44,772
Capital reserve		66,663	66,663
Revenue reserves		416,439	568,916
Equity attributable to shareholders of KSB SE & Co. KGaA		527,874	680,351
Non-controlling interests		175,928	182,210
		703,803	**862,562**
Non-current liabilities			
Deferred tax liabilities	20	8,430	11,146
Provisions for employee benefits	12	684,858	646,340
Other provisions	12	3,017	1,366
Financial liabilities	13	50,624	56,750
		746,929	**715,602**
Current liabilities			
Provisions for employee benefits	12	10,168	12,190
Other provisions	12	79,674	68,376
Financial liabilities	13	32,033	44,318
Contract liabilities	13	153,690	165,463
Trade payables	13	237,558	252,741
Other financial liabilities	13	27,205	31,226
Other non-financial liabilities	13	136,045	161,528
Income tax liabilities	13	12,860	9,050
Liabilities related to assets held for sale	10, 13	–	3,967
		689,232	**748,858**
		2,139,964	**2,327,022**

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

Statement of Comprehensive Income

Income statement

€ thousands	Notes	2020	2019
Sales revenue	**14**	**2,207,881**	**2,383,185**
Changes in inventories		–15,214	–9,316
Work performed and capitalised		3,186	7,354
Total output of operations		**2,195,853**	**2,381,223**
Other income	15	31,649	33,413
Cost of materials	16	–899,579	–984,787
Staff costs	17	–804,831	–848,295
Depreciation and amortisation	1 - 3	–99,906	–81,851
Other expenses *	18	–353,014	–386,100
Earnings before finance income / expense and income tax (EBIT)		**70,172**	**113,603**
Finance income	19	5,374	5,741
Finance expense	19	–12,100	–17,098
Income from / expense to investments accounted for using the equity method	19	–1,850	1,186
Finance income / expense		**–8,576**	**–10,171**
Earnings before income tax (EBT)		**61,596**	**103,432**
Taxes on income	20	–57,216	–44,932
Earnings after income tax		**4,380**	**58,500**
Attributable to:			
Non-controlling interests	21	14,015	15,415
Shareholders of KSB SE & Co. KGaA		**–9,635**	**43,085**
Diluted and basic earnings per ordinary share (€)	22	–5.63	24.47
Diluted and basic earnings per preference share (€)	22	–5.37	24.73

* Compared with the 2019 consolidated financial statements, the presentation was amended so that other taxes are now included in other expenses and are no longer shown separately in the income statement.

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

Statement of income and expense recognised in equity

€ thousands	Notes	2020	2019
Earnings after income tax		**4,380**	**58,500**
Remeasurement of defined benefit plans	12	–43,540	–70,479
Taxes on income		–43,546	21,389
Changes recognised directly in equity relating to investments accounted for using the equity method		–32	–
Items not reclassified to profit or loss in subsequent periods		**–87,118**	**–49,090**
Currency translation differences *		–61,268	3,773
Changes in the fair value of financial instruments: Hedging reserve		6,652	–530
Taxes on income		–2,019	162
Changes in the fair value of financial instruments: Hedging cost reserve		464	–45
Taxes on income		–140	13
Changes recognised directly in equity relating to investments accounted for using the equity method *		–1,154	209
Items reclassified to profit or loss in subsequent periods if required		**–57,465**	**3,582**
Other comprehensive income		**–144,583**	**–45,508**
Total comprehensive income		**–140,203**	**12,992**
Attributable to:			
Non-controlling interests		–2,837	16,593
Shareholders of KSB SE & Co. KGaA		**–137,366**	**–3,601**

* Compared with the 2019 consolidated financial statements, the presentation was amended so that changes recognised directly to equity relating to investments accounted for using the equity method are now shown as a separate item and not subsumed as "Attributable to" under the currency translation differences item.

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. 2019	**44,772**	**66,663**
Other comprehensive income	–	–
Earnings after income tax	–	–
Total comprehensive income	**–**	**–**
Dividends paid	–	–
Capital increase / decrease	–	–
Step acquisitions *	–	–
Other *	–	–
31 Dec. 2019	**44,772**	**66,663**

€ 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**

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
854,647	**–98,270**	**–2,930**	**–574**	**–175,117**	**689,191**	**167,600**	**856,791**
–	2,664	–368	–32	–48,950	–46,686	1,178	**–45,508**
43,085	–	–	–	–	43,085	15,415	**58,500**
43,085	**2,664**	**–368**	**–32**	**–48,950**	**–3,601**	**16,593**	**12,992**
–5,583	–	–	–	–	–5,583	–1,983	**–7,566**
–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	**–**
503	–159	–	–	–	344	–	**344**
892,652	–95,765	–3,298	–606	–224,067	680,351	182,210	862,562

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

* Compared with the 2019 consolidated financial statements, the presentation was amended so that changes in the equity items resulting from changes in the consolidated Group are now included under Other.

Accumulated income and expenses recognised under other comprehensive income as at 31 December 2019 amounted to € – 143 thousand and resulted from provisions for pensions and similar obligations, which represent a disposal group classified as held for sale under IFRS 5.

Statement of Cash Flows

€ thousands	2020	2019
Earnings after income tax	4,380	58,500
Taxes on income *	57,216	44,932
Finance income *	–5,374	–5,741
Finance expense *	12,100	17,098
Depreciation and amortisation / Write-ups	99,906	81,851
Gain / loss on disposal of intangible assets and property, plant and equipment	881	–2,736
Gain / loss on the sale of subsidiaries	2,654	–
Change in inventories	15,051	–1,215
Change in contract assets	–7,699	–2,347
Change in trade receivables *	35,226	13,462
Change in provisions *	6,455	–24,371
Change in contract liabilities	–252	7,720
Change in trade liabilities *	–3,723	–16,710
Change in other assets and liabilities *	–10,134	5,602
Income tax paid *	–28,142	–36,754
Interest received *	5,310	5,638
Cash flows from operating activities	**183,855**	**144,929**
Proceeds from disposal of intangible assets and property, plant and equipment *	1,392	5,663
Payments to acquire intangible assets and property, plant and equipment *	–83,073	–91,042
Sale of subsidiaries and other operations less cash and cash equivalents sold	1,374	–
Proceeds from deposits with an original maturity of more than 3 months *	47,800	19,946
Payments for deposits with an original maturity of more than 3 months *	–38,601	–20,865
Proceeds from investments in Group companies that are not fully consolidated	100	12,063
Payments for investments in Group companies that are not fully consolidated	–1,466	–346
Proceeds from dividends from Group companies that are not fully consolidated *	750	575
Proceeds from capitalisation measures with Group companies that are not fully consolidated	–	–
Payments for capitalisation measures with Group companies that are not fully consolidated	–514	–
Cash flows from investing activities	**–72,238**	**–74,006**
Dividends paid to shareholders of KSB SE & Co. KGaA	–15,111	–5,583
Dividends paid to non-controlling interests	–3,445	–1,983
Proceeds from financial liabilities	1,367	8,230
Payments for financial liabilities (not including lease liabilities) *	–9,032	–25,630
Repayment of lease liabilities *	–16,848	–16,142
Interest paid *	–5,407	–5,322
Cash flows from financing activities	**–48,476**	**–46,430**
Changes in cash and cash equivalents	63,141	24,493
Effects of exchange rate changes on cash and cash equivalents	–12,504	–364
Effects of changes in consolidated Group	–	1,201
Cash and cash equivalents at beginning of period	280,875	255,545
Cash and cash equivalents at end of period	**331,512**	**280,875**

* Restated compared with presentation in the 2019 consolidated financial statements.

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 (100 %) by Klein, Schanzlin & Becker GmbH, Frankenthal / Pfalz, a subsidiary of the non-profit KSB Stiftung [KSB Foundation] and the non-profit Kühborth-Stiftung GmbH [Kühborth Foundation]. 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 Group's operations are divided into three Segments: Pumps, Valves and Service.

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.

In the year under review, minor changes were made to the statement of comprehensive income and the statement of changes in equity compared with the presentation in the 2019 consolidated financial statements. The aim of the adjustments was to use the core taxonomy prescribed by the EU through the European Single Electronic Format (ESEF) as comprehensively as possible. The changes are marked separately in the respective tables. The adjustments made to the cash flow statement compared with the 2019 consolidated financial statements to increase transparency are also partly related to ESEF.

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*.

These consolidated financial statements will be approved by the Managing Directors of KSB Management SE on 9 March 2021 for forwarding to the Supervisory Board. The Supervisory Board is expected to approve the financial statements on 17 March 2021.

New accounting principles

a) Accounting principles applied for the first time in the 2020 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 as an amendment to IFRS 16 Leases in the 2020 financial year. Accordingly, 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 2020 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 2020 financial year

	First-time adoption in the EU
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies	1 Jan. 2020
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)	1 Jan. 2020
Amendments to the cross-references in the Conceptual Framework in IFRS	1 Jan. 2020
Amendments to IFRS 3 Business Combinations	1 Jan. 2020
Amendments to IFRS 16 Leases in the form of the IASB pronouncement on COVID-19-Related Rent Concessions.	1 Jan. 2020

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

	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 and 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 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) in the form of 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
Amendments to IAS 1 Presentation of Financial Statements	1 Jan. 2023

II. CONSOLIDATION PRINCIPLES

Consolidated Group

As at 31 December 2020, in addition to KSB SE & Co. KGaA, 9 German and 71 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 2020. 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. The non-consolidated associated companies also include Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V., Frankenthal / Pfalz.

Changes in the consolidated Group

a) Sale of subsidiaries

As part of the reorganisation of the service activities in France, the Group disposed of the following previously fully consolidated companies in the year under review. The effects on the balance sheet and income statement are fully attributable to the Service Segment.

First, the shares in SPI Energie S.A.S., La Ravoire (France), were sold in January 2020. The assets and liabilities that were part of this divestment were reported separately in the consolidated balance sheet for the year ended 31 December 2019 as assets held for sale and liabilities related to assets held for sale.

Additionally, all shares in the three companies KSB Service Energie S.A.S.U., Rambervillers, France, Société de travaux et Ingénierie Industrielle S.A.S., Déville lès Rouen, France, and KSB SERVICE COTUMER S.A.S., Déville lès Rouen, France, were sold as part of a single transaction in June 2020.

A further sale related to the shares in KSB Service EITB-SITELEC S.A.S., Montfavet, France, in December 2020.

The transactions described above resulted in capital gains of € 3,060 thousand, which are included in other income in the income statement, and capital losses of € 5,714 thousand in other expenses.

The total assets and liabilities divested are as follows, based on the carrying amounts at the time of sale:

Summary of sold assets and liabilities

€ thousands	2020
Non-current assets	2,772
Current assets *	30,012
Total assets	**32,784**
Non-current liabilities	2,913
Current liabilities	17,533
Total equity and liabilities	**20,446**
Net assets	**12,338**

* The item includes cash and cash equivalents of € 193 thousand that were classified as assets held for sale as at 31 December 2019 and at the time of sale in the reporting year and therefore did not form part of the Group's cash and cash equivalents reported in the balance sheet.

The sale of subsidiaries had the following effect on the Group's cash and cash equivalents in the year under review:

Net change in cash and cash equivalents

€ thousands	2020
Payment received in cash and cash equivalents	9,122
Cash and cash equivalents sold	–7,748
Net change in cash and cash equivalents	**1,374**

As at 31 December 2020, receivables in the amount of € 562 thousand for sale-related payments not yet received in cash or cash equivalents are also recognised in the balance sheet.

b) Other changes

The liquidation of the joint venture previously accounted for using the equity method – Nikkiso-KSB GmbH i.L., Pegnitz, Germany, was completed in the first half of the 2020 financial year by entry in the *Handelsregister* [German Commercial Register]. This did not result in any material impact on the Group.

In addition, KSB Ecuador S.A., Samborondón, Ecuador, and KSB PUMPS AND VALVES (NAMIBIA) (PROPRIETARY) LIMITED, Klein Windhoek, Namibia, were founded in the 2020 financial year. KSB BRASIL LTDA., Várzea Paulista, Brazil, holds 99 % of the shares in KSB Ecuador S.A. and KSB FINANZ S.A., Echternach, Luxembourg, holds 1 %. South Africa-based KSB Pumps (S.A.) (Pty) Ltd, Germiston (Johannesburg), is the sole shareholder of KSB PUMPS AND VALVES (NAMIBIA) (PROPRIETARY) LIMITED. For reasons of materiality the two newly established company will not be 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.

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 remaining after reassessment 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 are included under Notes No. 11 "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 2020 was the translation of the financial statements of KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires), Argentina, where income statement items were translated at the closing rate, as in the previous year. 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 Countries. 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. 2020	31 Dec. 2019	2020	2019
US dollar	1.2271	1.1234	1.1422	1.1195
Brazilian real	6.3735	4.5157	5.8943	4.4126
Indian rupee	89.6605	80.1870	84.6392	78.8269
Chinese yuan	8.0225	7.8205	7.8747	7.7348

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. There were no reclassifications carried out in the year under review.

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.

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

Intangible assets

Intangible assets are measured 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), which at KSB are generally the legal entities. Occasionally a group of cash-generating units may also serve as the basis, provided these units reflect the lowest level on which goodwill is monitored. 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 remeasurements 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 balance sheet 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. Any impairment of contract assets is recognised using the simplified impairment model. 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 rates of trade receivables are also applied to the impairment of contract assets.

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 to be applied 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 historic payment profiles of sales revenues over the last three financial years before the reporting date. The historic and forward-looking information forms the basis for the expected probability of failure, adjusted for future-oriented macroeconomic 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 macroeconomic 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 the income statement as pension costs in the staff costs. 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. KSB generates most of the sales revenue in the Pumps Segment. The breadth of these orders 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 cost escalation clauses, renegotiations or penalties. Sales revenue is accounted for based on the amount fixed in the contract less expected consideration. Variable considerations (cost escalation clauses, 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. Any impairment of contract assets is recognised using the simplified impairment model. 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 rates of trade receivables are also applied to the impairment of contract assets.

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 latter 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, especially 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 remains unchanged over the previous year 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 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 of 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.

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.

Consideration of the impact of the coronavirus pandemic on the items of the balance sheet and income statement in the reporting year as well as material discretionary decisions and estimation uncertainties in this context

The business and economic environment for the Group was adversely affected by the COVID-19 pandemic in the reporting year. The general ability of the Group to fulfil its obligations to suppliers, customers and other contractual partners was not restricted, nor was the ability to procure goods and services required for operations.

Nevertheless, there was a significant negative impact on the key financial performance indicators of order intake, sales revenue and earnings before finance income / expense and tax (EBIT) in the reporting year. The values of these key figures forecast for the following financial year 2021 have also been negatively affected by the coronavirus pandemic. At the time of preparing these consolidated financial statements, KSB generally assumes that the material impact of the coronavirus pandemic on the Group's net assets, financial position and results of operations will not be of long-term duration. For the fourth quarter of 2021, the earnings contribution is expected to return to a level comparable to the corresponding period of the 2019 financial year before the outbreak of the coronavirus pandemic. As a result, the Group is forecasting that order intake, sales revenue and EBIT for the full year will exceed the figures for 2019 for the first time in the 2022 financial year.

The expectations KSB has described above for future business development are based, among other things, on the forecasts of the International Monetary Fund, which are founded on the assumption of rapid progress in the vaccination campaigns and the containment of the coronavirus to a low level in all countries. Nevertheless, these assessments are marked by great uncertainty about the further global spread of the virus. Overall, the possible future effects of the coronavirus pandemic on the Group in terms of duration and impact can only be predicted to a limited extent and can only be assessed at this point in time using the best available knowledge.

In the consolidated financial statements as at 31 December 2020, KSB has taken into account the economic consequences of the coronavirus pandemic that have occurred and that are expected to occur in the future in the recognition and measurement of items in the balance sheet and the income statement on the basis of the best knowledge and expectations available at the time of preparation. This included an analysis of the potential accounting risks from the coronavirus pandemic for KSB as well as a derivation of estimates and assumptions for accounting purposes. As explained above, these estimates and assumptions are particularly subject to uncertainties resulting from the future global development of the coronavirus pandemic, so that the actual values in subsequent financial years may differ.

The specific considerations on accounting for the possible risks from the coronavirus pandemic and the associated discretionary decisions and estimation uncertainties in the reporting year essentially covered the issues described below.

Under the impact of the economic effects of the coronavirus pandemic on the Group, impairment losses of € 11,155 thousand were recognised as at 30 September 2020 within the scope of goodwill impairment testing. In addition, an impairment test was carried out for the Group's assets within the scope of IAS 36 as at 31 December 2020. For further details, see Notes No. 1. "Intangible assets" and Notes No. 3. "Property, plant and equipment". The expected impact of the coronavirus pandemic has been taken into account, based on the best possible estimate by Management, in the multi-year financial plans used in impairment testing to determine the recoverable amounts of the cash-generating units. A different, unforeseeable development of the coronavirus pandemic could result in an additional impairment requirement in the future or to a reversal of impairment losses on the property, plant and equipment concerned.

Deferred tax assets were tested for impairment as at 31 December 2020 on the basis of expected future taxable income. The impairment losses on deferred tax assets totalling € 81,097 thousand recognised in the year under review relate to the tax group of KSB SE & Co. KGaA. The impairments result from the history of losses since the 2020 financial year. The economic impact of the coronavirus pandemic in 2020 as well as in 2021 will further postpone the return to positive fiscal results. Further explanations are provided under Notes No. 20 "Taxes on income". In this context, too, a development of the coronavirus pandemic that differs from current expectations may influence the impairments and reversals of impairments to be recognised on deferred tax assets as a result.

The potential risk posed by the pandemic-related decrease in market prices for products sold by KSB was addressed within the scope of impairment testing for inventories by writing down inventories to net realisable value and by recognising provisions for expected losses on customer contracts, where necessary. Future market and price developments may be influenced by the further course of the coronavirus pandemic and may possibly lead to lower net realisable values and thus to higher impairment losses on inventories.

For the measurement of inventories, it was also ensured that the production costs do not include any significant overheads from unused production capacities.

The specific write-downs on contract assets and trade receivables as at the reporting date also take into account, among other things, risks identifiable from the Group's perspective that have arisen due to a decline in the creditworthiness of KSB's contractual partners as a result of the coronavirus pandemic. The expected impact of the coronavirus pandemic on the solvency of contractual partners is also taken into account in the risk provision for expected credit losses recognised as at the reporting date by including future-oriented macroeconomic factors in the measurement. With regard to the items in the income statement, the considerable decline in sales revenue to € 2,207,881 thousand in the reporting year (previous year: € 2,383,185 thousand) is mainly a consequence of the negative economic impact of the coronavirus pandemic. In line with the decline in the Group's total output of operations, the cost of materials also fell significantly to € 899,579 thousand (previous year: € 984,787 thousand).

In addition, the cost-cutting measures introduced at the beginning of the coronavirus pandemic resulted in particular in a reduction of expenses for external consultancy and other services. Together with the significant decrease in travel expenses in the wake of the coronavirus pandemic, this is reflected in a decline in other expenses to € 353,014 thousand (previous year: € 386,100 thousand) in the year under review.

In the following explanations of the present Notes to the Consolidated Financial Statements, the effects described here in connection with the coronavirus pandemic are not explained again for the individual items of the income statement.

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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Balance at 1 January	72,533	69,209	70,200	105,571	40,155	30,745	2,908	773	185,796	206,298
Changes in consolidated Group	–	2	–	–	–	–	–	–	–	2
Currency translation adjustments	–2,008	74	–2,429	–283	–	–	1	–	–4,436	–209
Other	–304	158	–	–	–	–	–	–	–304	158
Additions	2,094	2,844	–	–	65	9,585	2,078	2,735	4,237	15,164
Disposals	–690	–499	–35,522	–33,713	–1	–	–8	–	–36,221	–34,212
Reclassifications	1,004	774	–	1	–	–175	–1,004	–600	–	–
Reclassification to assets held for sale	–	–29	–	–1,376	–	–	–	–	–	–1,405
Balance at 31 December	72,629	72,533	32,249	70,200	40,219	40,155	3,975	2,908	149,072	185,796
Accumulated depreciation and amortisation	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Balance at 1 January	60,814	56,944	27,127	61,191	727	563	–	–	88,668	118,698
Currency translation adjustments	–1,716	37	–1,464	–353	–	1	–	–	–3,180	–315
Other	–255	41	–	–	–	–	–	–	–255	41
Additions	4,576	4,309	11,155	–	3,693	163	–	–	19,424	4,472
Disposals	–327	–488	–35,193	–33,711	–	–	–	–	–35,520	–34,199
Reclassifications	–	–	–	–	–	–	–	–	–	–
Reclassification to assets held for sale	–	–29	–	–	–	–	–	–	–	–29
Balance at 31 December	63,092	60,814	1,625	27,127	4,420	727	–	–	69,137	88,668
Carrying amount at 31 December	9,537	11,719	30,624	43,073	35,799	39,428	3,975	2,908	79,935	97,128

The additions to intangible assets amounting to € 4.2 million (previous year: € 15.2 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 € 8.1 million (previous year: € 10.0 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 € 35,799 thousand (previous year: € 39,428 thousand). These are primarily attributable to the KSBase sales software.

In the reporting year, impairment losses on intangible assets amounting to € 11,155 thousand (previous year: none) were recognised, all of which related to goodwill. The impairment losses were recognised in the income statement under depreciation and amortisation expense. Further details are provided in the following explanations on impairment testing under IAS 36.

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

Further information on the reclassification from intangible assets to held-for-sale assets in the year under review is provided in Notes No. 10 .“Assets held for sale and liabilities in connection with assets held for sale”.

Impairment testing under IAS 36

When assessing the indicators for a possible impairment of assets as at 31 December 2020, it was found that the carrying amount of the Group’s net assets exceeds market capitalisation. As a result, in addition to impairment testing for goodwill, the Group’s other intangible assets, right-of-use assets and property, plant and equipment were tested for impairment under IAS 36 as at 31 December 2020. From the Group’s perspective, this additional impairment testing also served to identify possible impairments on assets in connection with the adverse economic consequences of the coronavirus pandemic.

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 sub-section “Intangible assets”.

In accordance with the explanations above, impairment testing was carried out again for goodwill as at 31 December 2020 in the same way as at 30 September. For the year-end review, the underlying assumptions and parameters were taken into account on the basis of updated findings. There were no material changes to these assumptions and parameters and no additional impairment requirement for goodwill compared with the analysis as at 30 September 2020. Accordingly, the following information on the basic assumptions and parameters for the impairment testing of goodwill is limited to the consideration as at 30 September 2020. Similarly, the impairments shown represent the result of the calculations at this reporting date during the year.

Composition of goodwill

The carrying amounts of goodwill are allocated to the Group's cash-generating units as follows as at the reporting date:

Goodwill

Name of CGU / € thousands	31 Dec. 2020	31 Dec. 2019
DP industries B.V., the Netherlands	18,285	18,285
Dynamik-Pumpen GmbH, Germany	2,450	3,150
KSB Dubric, Inc., USA	2,244	2,451
Uder Elektromechanik GmbH, Germany	–	2,980
KSB Finland Oy, Finland	–	2,603
KSB Pumps (S.A.) (Pty) Ltd., South Africa	–	1,886
	22,979	31,355
Other 10 (previous year: 15) companies	7,645	11,718
Total	**30,624**	**43,073**

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. changes in the business model of either the company, 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 0.0 % in the year under review (previous year: 0.1 %). The market risk premium was set at 7.2 % (previous year: 6.75 %), with a beta factor of 1.16 (previous year: 1.04). 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 companies in the year under review 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.

For the goodwill of DP industries B.V., Alphen aan de Rijn, the Netherlands, which the Group considers to be material, impairment testing was based on the information contained in the following tables. The basic assumptions listed were not affected materially by the coronavirus pandemic in the reporting year.

→ **Detailed information on material goodwill items (30 September 2020)**

→ **Basic assumptions for goodwill considered material (30 September 2020)**

Detailed information on material goodwill items (30 September 2020)

Name of CGU	Method	Carrying amount of goodwill (€ thousands)	Percentage of total goodwill	Discount rate	Growth rate	Underlying assumptions, corporate planning	Method for assessing the value of the underlying assumption
DP industries B.V., The Netherlands	Value in use	18,285	60 %	10.8 % before tax / 8.3 % after tax	0.5 %	Low to significant market growth rates	Consideration of macro-economic key data and internal estimates of the relevant purchasing and sales departments

Basic assumptions for goodwill considered material (30 September 2020)

Name of CGU	Order intake	Sales revenue	EBIT	Planning time horizon
DP industries B.V., The Netherlands	Constant growth, on average	Constant growth, on average	Constant growth, on average, as a result of sales revenue and cost planning	5 years

Impairment loss on goodwill

The impairment losses on goodwill recognised in the year under review are shown in the "Impairment loss on goodwill in the 2020 financial year" table. Impairment testing for goodwill in the previous year did not result in any impairment requirement.

→ Impairment loss on goodwill in the 2020 financial year

Sensitivity analyses

For the cash-generating unit in the form of DP industries B.V., Alphen aan de Rijn, The Netherlands, with goodwill considered material from the Group's perspective, sensitivity analyses were performed in addition to the impairment test, based on the parameters as at 30 September 2020. 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 year under review.

Impairment loss on goodwill in the 2020 financial year

Name of CGU	Segment	Discount rate (before taxes)	Discount rate (after taxes)	Recoverable amount in € thousands	Impairment loss in € thousands
Total 31 Dec. 2020					
Uder Elektromechanik GmbH, Germany	Service	11.3 %	8.2 %	2,139	2,980
KSB Finland Oy, Finland	Pumps	11.4 %	9.1 %	7,824	2,603
KSB Pumps (S.A.) (Pty) Ltd., South Africa	Pumps	16.9 %	12.6 %	21,075	1,510
KSB Italia S.p.A., Italy	Service	16.4 %	12.1 %	27,654	1,353
KSB Norge AS, Norway	Service	11.0 %	8.3 %	1,182	895
KSB Seil Co., Ltd., South Korea	Valves	11.5 %	9.2 %	10,274	708
Dynamik-Pumpen GmbH, Germany	Service	11.3 %	8.2 %	4,373	700
KSB MIL Controls Limited, India	Valves	16.0 %	12.1 %	10,699	406
					11,155

The goodwill affected by impairment in the year under review, with the exception of the goodwill attributable to the cash-generating unit Dynamik-Pumpen GmbH (Germany), is fully amortised as at 31 December 2020.

In the 2019 financial year, no need for impairment relating to goodwill was identified.

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 as at 31 December 2020.

In doing so, a comparison of the recoverable amount in the form of the value in use with the carrying amount on the reporting date was carried out at the level of individual cash-generating units. The value in use was determined similarly to the discounted cash flow method for the impairment test of goodwill. The underlying discount rates were determined for the reporting date 31 December 2020.

If the impairment test at the level of a cash-generating unit as at the reporting date showed a lower value in use compared with the carrying amount, more extensive impairment testing was generally carried out at the individual level of the material intangible assets, right-of-use assets and property, plant and equipment of the cash-generating unit concerned. For this purpose, the fair value less costs to sell was determined for the assets concerned using appropriate estimation procedures and compared with the carrying amount as at the reporting date.

The excess of the carrying amounts of individual assets over the fair value less costs to sell led to the recognition of impairment losses on individual assets of property, plant and equipment in the year under review. Further details are described in Notes No. 3 “Property, plant and equipment”.

For the other intangible assets (with the exception of goodwill) and for the right-of-use assets for leases, there was no impairment requirement either from impairment testing as at 31 December 2020 or previously in the course of the year under review.

2. Right-of-use assets

€ thousands	31 Dec. 2020	31 Dec. 2019
Right-of-use assets	**41,641**	**50,096**
of which land and buildings	26,915	34,210
of which technical equipment and machinery	963	1,139
of which other equipment, operating and office equipment	13,763	14,747

Additions to right-of-use assets in the reporting year amounted to € 12,916 thousand (previous year: € 12,956).

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

€ thousands	2020	2019
Depreciation on right-of-use assets	**17,417**	**15,893**
of which land and buildings	9,079	8,807
of which technical equipment and machinery	516	604
of which other equipment, operating and office equipment	7,822	6,482

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										
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Balance at 1 January	435,055	415,731	612,334	594,186	239,915	226,292	34,729	25,125	1,322,033	1,261,334
Changes in consolidated Group	–	–	–	–	–	325	–	–	–	325
Currency translation adjustments	–16,096	1,394	–22,360	874	–9,805	304	–2,642	607	–50,903	3,179
Other	–2,422	823	–2,665	–	–565	486	–16	–	–5,668	1,309
Additions	14,031	10,130	17,023	19,794	19,439	19,615	29,944	29,322	80,437	78,861
Disposals	–1,037	–3,983	–7,806	–6,913	–14,793	–9,183	–318	–52	–23,954	–20,131
Reclassifications	8,471	10,960	7,239	6,948	3,641	2,365	–19,351	–20,273	–	–
Reclassification to assets held for sale	–	–	–	–2,555	–	–289	–	–	–	–2,844
Balance at 31 December	438,002	435,055	603,765	612,334	237,832	239,915	42,346	34,729	1,321,945	1,322,033
Accumulated depreciation and amortisation	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Balance at 1 January	199,489	188,454	439,115	416,445	172,148	161,240	–	–	810,752	766,139
Currency translation adjustments	–4,582	516	–14,573	680	–6,957	254	–	–	–26,112	1,450
Other	–1,380	514	–2,215	–62	–460	568	–	–	–4,055	1,020
Additions	12,528	11,484	31,006	31,343	19,531	18,659	–	–	63,065	61,486
Disposals	–846	–2,181	–7,341	–6,454	–14,198	–8,579	–	–	–22,385	–17,214
Reclassifications	–	702	–	–862	–	160	–	–	–	–
Reclassification to assets held for sale	–	–	–	–1,975	–	–154	–	–	–	–2,129
Balance at 31 December	205,209	199,489	445,992	439,115	170,064	172,148	–	–	821,265	810,752
Carrying amount at 31 December	232,793	235,566	157,773	173,219	67,768	67,767	42,346	34,729	500,680	511,281

Impairment testing for assets within the scope of IAS 36 as at 31 December 2020 explained under Notes No. 1 "Intangible assets" resulted in impairment losses on a large number of individual items of property, plant and equipment totalling € 4,323 thousand in the reporting year. 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 Pumps Segment was affected by the impairments in the amount of € 2,019 thousand, the Valves Segment in the amount of € 1,299 thousand and the Service Segment in the amount of € 1,005 thousand. The impairment losses are recognised in the income statement under depreciation and amortisation.

The fair value less costs to sell of the assets concerned, on which the devaluation was based as at 31 December 2020, was determined in the form of the replacement cost of an equivalent modern asset. In addition to an indexation of historical acquisition costs using adequate price indices, this included in particular estimates of technical impairments due to disadvantages compared with comparable modern technologies as well as estimates regarding depreciation due to the age and use of the assets. As a result of the significant non-observable input factors, the fair value determined as current replacement cost is to be classified in level 3 of the fair value hierarchy in accordance with IFRS 13.

Further descriptions of the assets impaired in the year under review and additional disclosures on the fair value less costs to sell are not provided due to the immateriality of the individual cases for the Group.

No other significant impairments on property, plant and equipment were recognised in the year under review. The impairment losses on property, plant and equipment of € 512 thousand recognised under depreciation and amortisation in the previous year related entirely to a foundry belonging to the Pumps Segment.

Disposals of intangible assets and items of property, plant and equipment resulted in book gains of € 653 thousand (previous year: € 3,190 thousand) and book losses of € 1,533 thousand (previous year: € 453 thousand). The book gains and losses are reported in the income statement under other income and other expenses.

Further information on the reclassification from property, plant and equipment to held-for-sale assets in the previous year is provided in Notes No. 10 “Assets held for sale and liabilities in connection with assets held for sale”.

4. Financial assets

€ thousands	31 Dec. 2020	31 Dec. 2019
Loans	2,190	1,265
Financial instruments	77	697
	2,267	1,962

Of the loans, € 1,783 thousand (previous year: € 778 thousand) are accounted for by loans to equity investments.

5. Other non-financial assets

€ thousands	31 Dec. 2020	31 Dec. 2019
Other investments	3,302	2,840
	3,302	2,840

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 / amortisation applied in the year under review.

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	**2020**	**2019**	**2020**	**2019**
Non-current assets	9,339	10,718	74,887	81,209
Current assets	29,360	38,101	122,760	125,483
of which cash and cash equivalents	1,958	3,115	24,887	28,718
Non-current liabilities	–1,693	–2,981	–3,989	–21,733
of which non-current financial liabilities (excluding trade payables and provisions)	–	–1,189	–3,989	–12,787
Current liabilities	–25,021	–27,889	–162,103	–154,337
of which current financial liabilities (excluding trade payables and provisions)	–6,978	–7,172	–11,786	–19,321
Net assets	**11,985**	**17,949**	**31,555**	**30,622**

Summarised statement of comprehensive income

	KSB Pumps Arabia Ltd.		Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd.	
€ thousands	**2020**	**2019**	**2020**	**2019**
Sales revenue	28,015	33,572	76,103	61,934
Depreciation / amortisation	915	989	4,716	4,323
Interest income	–	–	130	70
Interest expense	–356	–397	–964	–2,149
Earnings from continuing operations	–4,740	–755	1,737	1,032
Taxes on income	–	–	–	–
Earnings after taxes from continuing operations	**–4,740**	**–755**	**1,737**	**1,032**
Earnings after taxes from discontinued operations	–	–	–	–
Other comprehensive income	–1,224	413	–803	194
Comprehensive income	**–5,964**	**–342**	**934**	**1,226**
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	**2020**	**2019**	**2020**	**2019**
Net carrying amount at 1 January	17,949	18,291	30,622	29,396
Earnings after income tax	–4,740	–755	1,737	1,032
Distribution of dividends	–	–	–	–
Other comprehensive income	–1,224	413	–803	194
Net carrying amount at 31 December	**11,985**	**17,949**	**31.555**	**30,622**
Investment in joint venture (50 % / 45 %)	5,993	8,975	14,200	13,780
Elimination of intercompany profit and loss	–	–	–5,338	–3,874
Goodwill	–	–	–	–
Carrying amount at 31 December	**5,993**	**8,975**	**8,862**	**9,906**

Summarised information on joint ventures and associates that are immaterial individually

€ thousands	**Joint ventures 2020**	**Associates 2020**	**Total 2020**	**Joint ventures 2019**	**Associates 2019**	**Total 2019**
Group share of earnings from continuing operations	69	631	**700**	241	751	**992**
Group share of other comprehensive income	–340	–	**–340**	74	–	**74**
Group share of comprehensive income	–271	631	**360**	315	751	**1,066**
Total carrying amounts of Group shares in these companies	**3,675**	**1,257**	**4,932**	**3,946**	**1,376**	**5,322**

7. Inventories

€ thousands	**31 Dec. 2020**	**31 Dec. 2019**
Raw materials and production supplies	170,965	192,740
Work in progress	132,022	168,871
Finished goods and goods purchased and held for resale	176,692	165,221
Advance payments	17,815	17,871
	497,495	**544,703**

€ 51,134 thousand (previous year: € 88,827 thousand) of the inventories is carried at net realisable value. The impairment losses recognised as an expense in the reporting period amount to € 14,761 thousand (previous year: € 12,426 thousand). Due to new estimates, write-downs totalling € 2,837 thousand (previous year: € 649 thousand) were reversed where the current net realisable value was higher than the prior-period value. Inventories amounting to € 914,793 thousand (previous year: € 994,103 thousand) were recognised as an expense in the reporting period.

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

€ thousands	31 Dec. 2020	31 Dec. 2019
Contract assets	**82,412**	**76,428**
Trade receivables	**444,174**	**504,101**
Trade receivables from third parties	419,458	473,873
Trade receivables from other investments, associates and joint ventures	24,717	30,228
thereof from other investments	3,715	5,800
thereof from associates	317	460
thereof from joint ventures	20,684	23,968
Other financial assets	**82,210**	**90,938**
Receivables from loans to other investments, associates and joint ventures	710	348
Currency forwards	4,694	850
Other receivables and other current assets	76,806	89,740
Other non-financial assets	**27,189**	**39,613**
Other tax assets	18,360	31,237
Deferred income	8,829	8,376

At € 82,412 (previous year: € 76,428 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 € 524 thousand (previous year: € 204 thousand).

Impairment losses of € 35,110 thousand (previous year: € 35,000 thousand) were recognised on trade receivables from third parties as at the reporting date.

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

→ Reconciliation of impairment losses

Impairment losses on receivables from loans to other equity investments amounted to € 320 thousands, 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.

Reconciliation of impairment losses 2020

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

Reconciliation of impairment losses 2019

	Trade receivables from third parties			Contract assets
€ thousands	Total	EWB	ECL	ECL
Opening balance at 1 January	**–33,943**	**–29,359**	**–4,584**	**–190**
Additions	–9,493	–8,107	–1,386	–30
Utilised	1,561	1,561	–	–
Reversals	6,478	4,306	2,172	15
Currency translation / Other	396	371	26	1
Closing balance at 31 December	**–35,000**	**–31,228**	**–3,772**	**–204**

Risk provisions for expected credit losses of contract assets are determined as follows:

Risk provisions for expected credit losses of contract assets

		Not overdue	
		31 Dec. 2020	31 Dec. 2019
Expected default risk	in %	0.6	0.3
Gross contract assets	€ thousands	82,936	76,632
ECL	€ thousands	–524	–204

The expected default risk of trade receivables from third parties, calculated using the simplified impairment model, is spread across the age structure of the unhedged gross trade receivables, as shown in the "Risk provision for expected credit losses by maturity of trade receivables" table.

→ Risk provision for expected credit losses by maturity of trade receivables

Furthermore, the balance of risk provisions for expected credit losses on trade receivables from third parties includes an amount of € 617 thousand (previous year: € 407 thousand) which relates to hedged receivables.

Risk provision for expected credit losses by maturity of trade receivables

31 Dec. 2020		Not overdue	Up to 30 days	Up to 90 days	Up to 180 days	Up to 360 days	Over 360 days	Total
Gross trade receivables from third parties excluding hedged receivables	€ 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	in %	0.3	1.0	1.5	1.6	2.4	2.1	–
31 Dec. 2019								
Gross trade receivables from third parties excluding hedged receivables	€ thousands	336,985	38,129	25,232	14,430	16,913	33,898	**465,587**
ECL	€ thousands	–682	–504	–462	–307	–437	–973	**–3,365**
Expected default risk in relation to ECL	in %	0.2	1.3	1.8	2.1	2.6	2.9	–

In the case of trade receivables with high overdue amounts, the risk provision for expected credit losses (ECL) in the year under review 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 € 13,825 thousand (previous year: € 19,600 thousand).

€ 34,495 thousand (previous year: € 29,242 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. Assets held for sale and liabilities in connection with assets held for sale

Assets held for sale

€ thousands	31 Dec. 2020	31 Dec. 2019
Non-current assets	–	**3,455**
Intangible assets	–	1,376
Right-of-use assets	–	1,208
Property, plant and equipment	–	715
Non-current financial assets	–	41
Deferred tax assets	–	115
Current assets	–	**4,298**
Inventories	–	1,036
Trade receivables	–	2,375
Other financial assets	–	597
Other non-financial assets	–	97
Cash and cash equivalents	–	193
Total	–	**7,753**

Liabilities in connection with assets held for sale

€ thousands	31 Dec. 2020	31 Dec. 2019
Non-current liabilities	–	**1,361**
Provisions for employee benefits	–	398
Financial liabilities	–	963
Current liabilities	–	**2,606**
Other provisions	–	7
Financial liabilities	–	252
Contract liabilities	–	35
Trade payables	–	1,030
Other financial liabilities	–	6
Other non-financial liabilities	–	1,237
Income tax liabilities	–	39
Total	–	**3,967**

As far as the assets and liabilities of subsidiary SPI Energie S.A.S., La Ravoire, France, from the Service Segment were concerned, KSB as at the reporting date of the previous year expected a highly likely disposal as defined by IFRS 5 through the sale of shares. Accordingly, the assets and liabilities of this subsidiary were treated as a disposal group held for sale in the previous year and reported in separate balance sheet items.

The sale of the assets and liabilities was completed in the context of a sale of shares in January 2020, as explained in more detail in Section II. "Consolidation Principles" in the "Changes in the consolidated Group" sub-section.

11. 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 € 51,113 thousand (previous year: € 96,957 thousand) and deferred tax liabilities in the amount of € 505 thousand (previous year: € 8 thousand).

In the course of the sale of subsidiaries in the year under review, the remeasurements of defined benefit pension plans attributable to them in the total amount of € 828,000 were reclassified within revenue reserves to the other revenue reserves. The reclassification is included in the statement of changes in equity under "Other".

The accumulated currency translation differences included in the non-controlling interests of other shareholders changed in the year under review by € –16,058 thousand (previous year: change of € 1,318 thousand) to a value of € –34,233 thousand (previous year: € –18,175 thousand) as at the reporting date. The total amount of currency translation differences recognised in equity as at the reporting date is € –176,362 thousand (previous year: € –113,940 thousand).

A total of € 15,111 thousand (dividend of € 8.50 per ordinary share and € 8.76 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 / Pfalz, on 13 May 2020.

The proposal on the appropriation of the net retained earnings of KSB SE & Co. KGaA for the year under review 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.

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	**2020 / 2019**	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
PAB, Germany / USA (subgroup)	49.00 %	4,121	5,604	85,334	89,340
KSB Limited, India	59.46 %	7,061	7,435	58,801	60,284
KSB Shanghai Pump Co., Ltd., China	20.00 %	1,585	626	11,236	10,913
Subsidiaries with individually immaterial non-controlling interests		1,248	1,750	20,557	21,673
Total amount of non-controlling interests		**14,015**	**15,415**	**175,928**	**182,210**

Composition of the PAB subgroup as at 31 December 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 2020 is summarised under the name “PAB”.

→ Composition of the PAB subgroup as at 31 December 2020

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.	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Non-current assets	84,872	85,024	45,465	49,374	27,019	28,485
Current assets	142,099	154,508	127,489	128,272	135,705	125,965
Non-current liabilities	–15,884	–17,764	–2,924	–2,794	–226	–768
Current liabilities	–36,935	–39,442	–71,138	–73,466	–106,318	–99,116
Net assets	**174,152**	**182,326**	**98,892**	**101,386**	**56,180**	**54,566**

Summarised statement of comprehensive income

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sales revenue	216,548	243,635	141,838	163,138	152,632	168,006
Earnings after income tax	8,410	11,436	12,262	12,820	7,926	3,132
Other comprehensive income	–16,585	3,706	–11,466	–1,480	–2,375	322
Comprehensive income	–8,175	15,142	796	11,340	5,551	3,454
Other comprehensive income attributable to non-controlling interests	–8,127	1,816	–6,818	–880	–475	64
Comprehensive income attributable to non-controlling interests	–4,006	7,420	243	6,555	1,110	691
Dividends paid to non-controlling interests	–	–	–1,956	–1,575	–787	–

Summarised cash flow statement

	PAB		KSB Limited		KSB Shanghai Pump Co., Ltd.	
€ thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Cash flows from operating activities	30,552	20,264	20,112	24,398	11,822	6,896
Cash flows from investing activities	–21,520	–19,995	–36,039	–4,660	–689	10,740
Cash flows from financing activities	–1,533	–1,270	–3,739	–163	–3,274	1,340
Changes in cash and cash equivalents	**7,499**	**–1,001**	**–19,666**	**19,575**	**7,859**	**18,976**
Cash and cash equivalents at beginning of period	6,544	7,400	31,664	12,493	31,622	12,730
Effects of exchange rate changes	–1,069	145	–2,243	–404	–1,071	–84
Cash and cash equivalents at end of period	**12,974**	**6,544**	**9,755**	**31,664**	**38,410**	**31,622**

12. Provisions

Composition of provisions

	31 Dec. 2020			31 Dec. 2019		
€ thousands	Total	Non-current	Current	Total	Non-current	Current
Employee benefits	**695,025**	**684,858**	**10,168**	**658,529**	**646,340**	**12,190**
Pensions and similar obligations	670,239	670,239	–	629,617	629,617	–
Other employee benefits	24,786	14,618	10,168	28,912	16,722	12,190
Other provisions	**82,691**	**3,017**	**79,674**	**69,742**	**1,366**	**68,376**
Warranty obligations and contractual penalties	48,733	–	48,733	44,304	–	44,304
Provisions for restructuring	52	–	52	410	–	410
Miscellaneous other provisions	33,906	3,017	30,889	25,028	1,366	23,662
	777,716	**687,875**	**89,841**	**728,271**	**647,706**	**80,565**

Development of individual provision categories

€ thousands	1 Jan. 2020	Changes in consolidated Group/ CTA**/ Other	Utilisation / Prepayments	Reversal	Additions	31 Dec. 2020
Employee benefits	**658,529**	**–4,060**	**–28,807**	**–806**	**70,170**	**695,025**
Pensions and similar obligations	629,617	–3,682	–16,938	–739	61,980	670,239
Other employee benefits	28,912	–378	–11,870	–67	8,190	24,786
Other provisions	**69,742**	**–3,181**	**–28,876**	**–4,725**	**49,730**	**82,691**
Warranty obligations and contractual penalties	44,304	–1,025	–20,593	–1,611	27,658	48,733
Provisions for restructuring	410	–8	–12	–347	9	52
Miscellaneous other provisions	25,028	–2,147	–8,270	–2,767	22,063	33,906
	728,271	**–7,241**	**–57,683**	**–5,531**	**119,900**	**777,716**

* 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 year under review amounted to € 39,966 thousand (previous year: € 41,138 thousand). Of this figure, € 27,859 thousand (previous year: € 27,655 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 pension 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 point of view, 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

	Defined benefit obligations (DBOs)	Fair value of plan assets	Net liability from defined benefit plans	Defined benefit obligations (DBOs)	Fair value of plan assets	Net liability from defined benefit plans
€ thousands	**31 Dec. 2020**	**31 Dec. 2020**	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2019**	**31 Dec. 2019**
Germany	638,984	–	638,984	599,720	–	599,720
France	16,637	4,380	12,257	18,150	5,373	12,777
USA	13,651	11,500	2,151	14,278	13,237	1,041
Switzerland	13,955	12,204	1,751	13,890	12,364	1,526
Other countries	41,515	26,419	15,096	41,462	26,909	14,553
	724,742	**54,503**	**670,239**	**687,500**	**57,883**	**629,617**

Change in present value of defined benefit obligations

€ thousands	2020	2019
Opening balance of the defined benefit obligation (DBO) – 1 Jan.	**687,500**	**611,183**
Current service cost	12,414	12,236
Interest cost	8,113	11,735
Employee contributions	196	265
Remeasurements		
– / + Gain / loss from the change in demographic assumptions	14	490
– / + Gain / loss from the change in financial assumptions	39,827	75,323
– / + Experience-based gain / loss	3,014	–1,024
Benefit payments	–20,321	–20,357
Past service cost (incl. effects of settlements and curtailments)	–56	–20
Transfer of assets	–	14
Currency translation differences	–3,283	1,642
Changes in consolidated Group / Other	–2,676	–3,987
Closing balance of the defined benefit obligation (DBO) – 31 Dec.	**724,742**	**687,500**

Changes in the fair value of the plan assets

€ thousands	2020	2019
Opening balance of the plan assets measured at fair value – 1 Jan.	**57,883**	**57,610**
Interest income	1,442	1,711
Remeasurements		
+ / – Gain / loss from plan assets excluding amounts already recognised in interest income	–685	4,310
Contributions by the employer	1,544	1,638
Contributions by the beneficiary employees	196	191
Currency translation differences	–2,902	1,111
Paid benefits	–3,275	–3,788
Changes in consolidated Group / Other	300	–4,900
Closing balance of the plan assets measured at fair value – 31 Dec.	**54,503**	**57,883**

Changes to the net liability of the defined benefit obligations

€ thousands	2020	2019
Opening balance of the net liability from defined benefit plans – 1 Jan.	**629,617**	**553,573**
Current service cost	12,414	12,236
Net interest expense	6,671	10,024
Employee contributions	–	74
Contributions by the employer	–1,544	–1,638
Remeasurements		
– / + Gain / loss from plan assets excluding amounts already recognised in interest income	685	–4,310
– / + Gain / loss from the change in demographic assumptions	14	490
– / + Gain / loss from the change in financial assumptions	39,827	75,323
– / + Experience-based gain / loss	3,014	–1,024
Benefit payments	–17,046	–16,569
Past service cost (incl. effects of settlements and curtailments)	–56	–20
Transfer of assets	–	14
Currency translation differences	–381	531
Changes in consolidated Group / Other	–2,976	913
Closing balance of the net liability from defined benefit plans – 31 Dec.	**670,239**	**629,617**

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.

→ Composition of plan assets

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 € 757 thousand (previous year: € 6,266 thousand).

In the following year, employer contributions to plan assets are expected to be at the level seen in the 2020 financial year. The amounts in 2020 came to € 1,544 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 € 99,673 thousand (previous year: € 84,718 thousand). A 100 basis point reduction in the discount factor would increase the DBO by € 159,405 thousand (previous year: € 143,166 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 € 25,114 thousand (previous year: € 20,554 thousand). Additionally, the individual actuarial assumptions are mutually dependent, but these interdependencies are not taken into account in the sensitivity analysis.

On 31 December 2020 the weighted average term of the DBO was 18 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

€ thousands	Quoted market price in an active market 31 Dec. 2020	No quoted market price in an active market 31 Dec. 2020	Total 31 Dec. 2020	Quoted market price in an active market 31 Dec. 2019	No quoted market price in an active market 31 Dec. 2019	Total 31 Dec. 2019
Equity instruments (shares)	21,952	–	21,952	23,777	–	23,777
Debt instruments (loans)	16,417	–	16,417	19,822	–	19,822
Government bonds	9,534	–	9,534	5,031	–	5,031
Corporate bonds	6,883	–	6,883	14,791	–	14,791
Currency forwards	219	–	219	–	–	–
Money market investments	1,023	398	1,421	285	327	612
Real estate	3,325	179	3,504	3,785	–	3,785
Insurance contracts	–	7,020	7,020	–	7,175	7,175
Bank credit balances	1,738	–	1,738	1,484	–	1,484
Other investments	1,942	290	2,232	1,228	–	1,228
	46,616	7,887	54,503	50,381	7,502	57,883

Actuarial assumptions

	Discount rate		Assumed rate of salary increase*		Assumed rate of pension increase*	
in %	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Germany	0.7	1.1	2.7	2.7	1.9	1.9
France	0.5	0.9	2.5	2.8	1.9	1.9
USA	2.2	3.0	–	–	–	–
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. 2020	2021	2022	2023	2024	2025
Expected payments	25,938	24,754	23,658	23,830	25,951

€ thousands at 31 Dec. 2019	2020	2021	2022	2023	2024
Expected payments	22,759	26,055	23,133	23,687	23,852

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 € 48,733 thousand (previous year: € 44,304 thousand) in the year under review.

Other provisions mainly contain provisions for expected losses of € 16,766 thousand (previous year: € 13,226 thousand), resulting in particular from project contracts with customers. Furthermore, provisions for litigation risks in the amount of € 1,253 thousand (previous year: € 1,771 thousand) are included in miscellaneous other provisions.

€ 19,262 thousand (previous year: € 16,134 thousand) of the other provisions are expected to become cash-effective after more than one year.

13. Liabilities

Non-current liabilities

€ thousands	31 Dec. 2020	31 Dec. 2019
Financial liabilities	**50,624**	**56,750**
Loan against borrower's note	21,992	21,988
Bank loans and overdrafts	3,985	2,410
Finance lease liabilities	24,336	32,036
Other	310	316

Current liabilities

€ thousands	31 Dec. 2020	31 Dec. 2019
Financial liabilities	**32,033**	**44,318**
Bank loans and overdrafts	17,578	28,698
Finance lease liabilities	14,446	15,015
Other	9	605
Contract liabilities	**153,690**	**165,463**
Trade payables	**237,558**	**252,741**
Trade payables to third parties	236,547	251,382
Liabilities to other investments, associates and joint ventures	1,011	1,359
Other financial liabilities	**27,205**	**31,226**
Currency forwards	2,623	3,336
Miscellaneous other financial liabilities	24,582	27,890
Other non-financial liabilities	**136,045**	**161,528**
Social security and liabilities to employees	103,045	126,117
Tax liabilities (excluding income tax)	23,399	23,760
Prepaid expenses	4,847	6,419
Investment grants and subsidies	4,754	5,232
Income tax liabilities	**12,860**	**9,050**
Liabilities in connection with assets held for sale	–	**3,967**

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.

The weighted average interest rate on bank loans and overdrafts as well as on an open-market credit (loan against borrower's note) was 4.55 % (previous year: 5.34 %).

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

Maturity analysis of liabilities from lease obligations

€ thousands	31 Dec. 2020	31 Dec. 2019
Due within 1 year	14,446	15,015
Due between 1 and 5 years	22,276	29,054
Due after more than 5 years	2,060	2,982
	38,782	47,051

The amount of contract liabilities at the end of the reporting year is € 153,690 thousand and is thus below the comparative prior-year value in the amount of € 165,463 thousand. This decrease is mainly attributable to a higher level of contract progress on the part of KSB in the 2020 financial year in relation to the associated advance payments received from customers. In the year under review, KSB reported sales revenue of € 82,106 thousand (previous year: € 78,828 thousand) which was contained in the balance of contract liabilities at the beginning of the year under review.

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 € 21,718 thousand (previous year: € 29,768 thousand) are used to secure liabilities and are subject to corresponding restrictions on disposal by KSB or pledges. Of this amount, € 13,825 thousand (previous year: € 19,600 thousand) is attributable to other receivables and other current assets to hedge credit balances for partial retirement arrangements and long-term working time accounts of the German Group companies. In addition, property, plant and equipment in the amount of € 3,187 thousand (previous year: € 3,416 thousand) and other assets in the amount of € 4,706 thousand (previous year: € 6,752 thousand) serve as security for liabilities.

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

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

The liabilities in connection with assets held for sale reported as at the prior-year reporting date were part of the disposal group explained under Notes No. 10 "Assets held for sale and liabilities in connection with assets held for sale".

V. INCOME STATEMENT DISCLOSURES

14. Sales revenue

Sales revenue by contract type

€ thousands	2020	2019
Revenue from the sale of goods and goods purchased and held for resale	1,965,199	2,109,370
Services sales revenue	242,682	273,815
Sales revenue	**2,207,881**	**2,383,185**

KSB generates income from the transfer of goods and services over time or at a point in time in the segments presented.

Spare parts used for repairs are also included in the Service Segment.

Unsatisfied performance obligations

€ thousands	31 Dec. 2020	31 Dec. 2019
Total transaction price of unsatisfied performance obligations as at the closing date (orders on hand)	1,288,539	1,409,339
of which expected sales revenue within the next 12 months	984,445	1,004,543
of which expected sales revenue in more than 12 months	304,094	404,796

Sales revenue by segment and timing of revenue recognition in 2020

€ thousands	Pumps Segment	Valves Segment	Service Segment	Total
Revenue from contracts with customers	1,467,957	335,454	404,470	2,207,881
Timing of revenue recognition				
At a point in time	1,221,646	313,603	–	1,535,249
Over time	246,311	21,851	404,470	672,632

Sales revenue by segment and timing of revenue recognition in 2019

€ thousands	Pumps Segment	Valves Segment	Service Segment	Total
Revenue from contracts with customers	1,562,462	364,365	456,358	**2,383,185**
Timing of revenue recognition				
At a point in time	1,328,011	337,870	–	**1,665,881**
Over time	234,451	26,495	456,358	**717,304**

15. Other income

€ thousands	2020	2019
Income from the reversal of impairment losses	5,997	6,533
Income from disposal of assets	653	3,190
Currency translation gains	–	740
Miscellaneous other income	24,999	22,950
	31,649	33,413

Other income includes income from government grants in the amount of € 5,110 thousand (previous year: € 4,177 thousand) and income from insurance compensations of € 4,975 thousand (previous year: € 2,745 thousand). In addition, profits from the sale of subsidiaries in the amount of € 3,060 thousand were recognised in this item in the year under review. Other income in the previous year included income from claims for damages in the amount of € 3,476 thousand.

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

16. Cost of materials

The cost of materials amounted to € 899,579 thousand (previous year: € 984,787 thousand) in the year under review. This item includes expenses for raw materials, consumables and supplies and for goods and services purchased.

17. Staff costs

€ thousands	2020	2019
Wages and salaries	649,947	685,412
Social security contributions and employee assistance costs	127,479	131,083
Pension costs	27,405	31,800
	804,831	848,295

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

The sale of subsidiaries in the reporting year described in Section II. "Consolidation Principles" in the "Changes in the consolidated Group" sub-section led to a reduction in the number of employees amounting to 178 persons on average for the year and 363 persons as at the reporting date. The average number of employees in the year under review includes the employees of the subsidiaries sold during the year on a pro rata basis corresponding to the length of time these companies belonged to the Group.

→ Employees

The decrease in staff costs compared with the previous year is due in particular to the reduction in the average number of employees year-on-year as well as to lower expenses from holiday and time credits as well as bonus entitlements.

Employees

	Average for the year		At reporting date	
	2020	2019	31 Dec. 2020	31 Dec. 2019
Wage earners	6,959	7,220	6,696	7,200
Salaried employees	8,389	8,371	8,380	8,445
	15,348	15,591	15,076	15,645

18. Other expenses

€ thousands	2020	2019
Repairs, maintenance, third-party services	118,179	129,012
Administrative expenses	73,008	97,793
Selling expenses	58,301	64,553
Other taxes*	13,244	13,902
Rents and leases	9,639	12,547
Other staff costs	28,155	26,905
Impairment losses on trade receivables and contract assets	9,025	9,493
Currency translation losses	5,316	210
Losses from current assets	808	1,979
Losses from asset disposals	1,533	453
Miscellaneous other expenses	35,806	29,252
	353,014	386,100

* Restated compared with presentation in the 2019 consolidated financial statements. The sum of the other expenses item has changed accordingly for the previous year.

Compared with the previous year's consolidated financial statements, the presentation was amended for the year under review and for the previous year, so that the other taxes item that was previously reported separately in the income statement was included in other expenses.

The expenses for rents and leases consist of expenses for leases with low-value underlying assets of € 2,201 thousand (previous year: € 2,347 thousand), expenses for short-term leases in the amount of € 4,595 thousand (previous year: € 7,591 thousand), expenses from variable lease payments of € 1,187 thousand (previous year: € 668 thousand) and expenses for rents and other leases in the amount of € 1,656 thousand (previous year: € 1,941 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 year under review.

19. Finance income / expense

Interest and similar expenses include the net interest expense for pension provisions amounting to € 6,671 thousand (previous year: € 10,024 thousand). In addition, the item also includes interest expense from the subsequent measurement of lease liabilities in the amount of € 1,056 thousand (previous year: € 1,556 thousand).

Finance income / expense

€ thousands	2020	2019
Finance income	**5,374**	**5,741**
Income from equity investments	–	–
thereof from other investments	–	–
Interest and similar income	5,310	5,638
thereof from other investments	96	8
thereof from investments accounted for using the equity method	371	814
Other finance income	65	103
Finance expense	**–12,100**	**–17,098**
Interest and similar expenses	–11,747	–16,802
thereof to other investments	–	–
Write-downs on other investments	–	–
Other finance expense	–353	–296
Income / expense from / to investments accounted for using the equity method	**–1,850**	**1,186**
Finance income / expense	**–8,576**	**–10,171**

20. Taxes on income

All income-related taxes of the consolidated companies and deferred taxes are reported in this item. Other taxes are reported in the income statement in other expenses.

Taxes on income

€ thousands	2020	2019
Effective taxes	39,921	37,478
Deferred taxes	17,295	7,454
	57,216	44,932

Effective taxes include tax refunds of € 439 thousand (previous year: € 289 thousand) and tax arrears of € 2,815 thousand (previous year: € 715 thousand).

Contingent liabilities from income tax issues amount to € 361 thousand (previous year: € 2,627 thousand). At present, there are no indications that any claims will be asserted under these obligations.

Reconciliation of deferred taxes

€ thousands	2020	2019
Change in deferred tax assets	67,741	–14,710
Change in deferred tax liabilities	–2,716	894
Change in deferred taxes recognised in balance sheet	**65,025**	**–13,816**
Change in deferred taxes taken directly to equity	–45,705	21,564
Changes in consolidated Group / CTA* / Other	–2,025	–294
Deferred taxes recognised in income statement	**17,295**	**7,454**

* Currency translation adjustments

→ Allocation of deferred taxes

As part of the impairment testing of deferred tax assets as at 31 December 2020, it was found that material deductible temporary differences previously recognised in the tax group of KSB SE & Co. KGaA, Frankenthal / Pfalz beyond taxable temporary differences were impaired. Against this background, deferred tax assets were reduced by € 81,097 thousand. Of this amount, € 25,224 thousand was reflected in deferred taxes via the income statement and € 55,873 thousand in other comprehensive income in equity.

Furthermore, as part of the impairment testing of deferred tax assets as at 31 December 2020, the need for a reversal of an impairment loss relating to KSB Shanghai Pump Co, Ltd, Shanghai (China) was identified. Reasons for this are the positive taxable earnings of the last three financial years and the expected continued profitable performance of the company. In total, deferred tax assets in the amount of € 4,702 thousand were recognised in the income statement in this context. € 4,279 thousand of the total amount resulted from the surplus amount of the deductible over the taxable temporary differences and € 423 thousand from existing tax loss carryforwards.

After taking into account the impairments and reversals of impairments in the year under review, deferred tax assets (after offsetting) of € 2,618 thousand (previous year: € 80,830 thousand) were recognised as at the reporting date, which arose from companies posting a loss in the year under review 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	2020	2019
Remeasurement of defined benefit plans *	–43,572	–70,479
Taxes on income	–43,546	21,389
Currency translation differences	–62,422	3,982
Taxes on income	–	–
Changes in the fair value of financial instruments	7,116	–575
Taxes on income	–2,159	175
Other comprehensive income	**–144,583**	**–45,508**

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

Allocation of deferred taxes

	Deferred tax assets		Deferred tax liabilities	
€ thousands	**2020**	**2019**	**2020**	**2019**
Non-current assets	**4,104**	**3,882**	**43,001**	**49,408**
Intangible assets	525	412	10,951	11,978
Right-of-use assets	–	–	7,281	10,460
Property, plant and equipment	3,578	3,470	24,668	26,964
Non-current financial assets	1	–	101	6
Current assets	**29,948**	**40,408**	**21,913**	**20,801**
Inventories	25,134	35,147	15	318
Receivables and other current assets	4,814	5,268	21,898	20,821
Assets held for sale	–	–7	–	–338
Non-current liabilities	**59,311**	**112,271**	**63**	**68**
Provisions	55,540	105,127	63	68
Other liabilities	3,771 *	7,144	–	–
Current liabilities	**16,777**	**17,332**	**27,193**	**19,873**
Provisions	7,152	7,219	355	1,182
Other liabilities	9,625 *	10,559	26,838	18,691
Liabilities related to assets held for sale	–	–446	–	–
Tax loss carryforwards	**960**	**212**	**–**	**–**
Gross deferred taxes – before offsetting	**111,100**	**174,105**	**92,170**	**90,150**
Offset under IAS 12.74	–83,740	–79,004	–83,740	–79,004
Net deferred taxes – after offsetting	**27,360**	**95,101**	**8,430**	**11,146**

* Deferred tax assets from non-current lease liabilities amount to € 3,772 thousand (previous year: € 7,124 thousand) and those from current lease liabilities to € 2,416 thousand (previous year: € 3,449 thousand). They are reported under deferred taxes for other liabilities (non-current and current).

Reconciliation of income tax

€ thousands	**2020**	**2019**
Earnings before income tax (EBT)	61,596	103,432
Calculated income tax on the basis of the applicable Group tax rate (30 % as in the previous year)	18,479	31,030
Differences in tax rates	–5,154	–4,829
Unused tax loss carryforwards	8,729	13,852
Impairment loss / reversal of impairment on deferred taxes on tax loss carryforwards	–423	950
Impairment loss on goodwill	2,624	–
Impairment loss / reversal of impairment on deferred taxes for temporary differences	20,945	–
Tax-exempt income	–2,739	–3,750
Non-deductible expenses	8,791	6,236
Prior-period taxes	2,376	1,761
Other tax credits	–289	–1,219
Non-deductible foreign income tax	2,944	2,746
Investments accounted for using the equity method	664	–228
Miscellaneous	269	–1,617
Current taxes on income	**57,216**	**44,932**
Current tax rate	93%	43%

The unchanged applicable tax rate of 30 % is a composite rate resulting from the current German corporation tax, solidarity surcharge and trade tax rates.

The introduction of new local taxes had minor effects (previous year: none) in the year under review. Changes in foreign tax rates led to a decrease in the total tax expense of € 302 thousand (previous year: increase of € 938 thousand).

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 € 71,011 thousand (previous year: € 83,098 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 € 160,584 thousand (previous year: € 147,818 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 € 2,052 thousand (previous year: € 2,791 thousand).

Deductible temporary differences for which no deferred tax assets had to be set up amounted to € 274,012 thousand (previous year: € 32,586 thousand).

21. Earnings after income tax – Non-controlling interests

The net profit attributable to non-controlling interests amounts to € 14,832 thousand (previous year: € 16,353 thousand) and the net loss attributable to non-controlling interests amounts to € 817 thousand (previous year: € 938 thousand). Further details on the non-controlling interests are provided in the Notes No. 11 "Equity".

22. Earnings per share

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

Earnings per share

		2020	2019
Earnings after income tax – Attributable to KSB SE & Co. KGaA shareholders	€ thousands	–9,635	43,085
Additional dividend attributable to preference shareholders (€ 0.26 per preference share) (previous year: € 0.26 per preference share)	€ thousands	–225	–225
	€ thousands	**–9,859**	**42,861**
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	**€**	**–5.63**	**24.47**
Diluted and basic earnings per preference share	**€**	**–5.37**	**24.73**

VI. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Financial instruments – Carrying amounts and fair values by measurement category:

Financial instruments by measurement category – Assets

Balance sheet item / Class € thousands	Measurement category	Carrying amount 31 Dec. 2020	Fair value 31 Dec. 2020	Carrying amount 31 Dec. 2019	Fair value 31 Dec. 2019
Non-current assets					
Non-current financial instruments	FVPL	77	77	697	697
Loans	Amortised cost	2,190	2,190	1,265	1,265
Current assets					
Trade receivables from third parties	Amortised cost	419,458	–	473,873	–
Trade receivables from other investments, associates and joint ventures	Amortised cost	24,717	–	30,228	–
Trade receivables from other investments, associates and joint ventures	Amortised cost	710	–	348	–
Currency forwards designated as hedges	n / a	4,211	4,211	850	850
Currency forwards not designated as hedges	FVPL	483	483	–	–
Other receivables and other current assets	Amortised cost	76,806	–	89,740	–
Cash and cash equivalents	Amortised cost	331,512	–	280,875	–

Financial instruments by measurement category – Equity and liabilities

Balance sheet item / Class € thousands	Measurement category	Carrying amount 31 Dec. 2020	Fair value 31 Dec. 2020	Carrying amount 31 Dec. 2019	Fair value 31 Dec. 2019
Non-current liabilities					
Financial liabilities excluding lease obligations	Amortised cost	26,287	30,404	24,714	26,510
Lease obligations	n / a	24,336	–	32,036	–
Current liabilities					
Financial liabilities excluding lease obligations	Amortised cost	17,587	–	29,303	–
Lease obligations	n / a	14,446	–	15,015	–
Trade payables	Amortised cost	237,558	–	252,741	–
Currency forwards designated as hedges	n / a	1,474	1,474	3,336	3,336
Currency forwards not designated as hedges	FVPL	1,149	1,149	–	–
Other financial liabilities	Amortised cost	24,582	–	27,890	–

Carrying amounts aggregated by category under IFRS 9

Balance sheet item / Class € thousands	Measurement category	31 Dec. 2020	31 Dec. 2019
Assets	Amortised cost	855,393	876,329
Equity and liabilities	Amortised cost	306,014	334,648
Assets	FVPL	560	697
Equity and Liabilities	FVPL	1,149	–

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

The fair values of non-current financial liabilities and loans are determined as the present value of level 2 cash flows associated with the liabilities and loans. KSB applies an appropriate yield curve to arrive at this present value.

The fair values of the current and non-current financial instruments presented in the table above are based on prices quoted in active markets (level 1). Fair values within level 2 are determined based on a discounted cash flow method. 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, and are discounted with an adequate interest rate. Level 3 includes financial instruments whose fair value is determined on the basis of inputs not based on observable market data. Foreign exchange derivatives are measured using forward exchange rates. For interest rate swaps the fair value is determined through discounting the future expected cash flows based on the market interest rates and yield curves that apply to the remaining term of the contracts.

The following table shows the financial assets and liabilities measured at fair value on a recurring basis, broken down into measurement categories and the previously described hierarchy levels. There were no reclassifications carried out during the year under review.

→ Hierarchy levels

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.

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

Hierarchy levels 2020

€ thousands	Level 1	Level 2	Level 3	Total
Financial assets recognised at fair value				
Current financial instruments	77	–	–	77
Currency forwards	–	4,694	–	4,694
Financial liabilities recognised at fair value				
Currency forwards	–	2,623	–	2,623

Hierarchy levels 2019

€ thousands	Level 1	Level 2	Level 3	Total
Financial assets recognised at fair value				
Current financial instruments	697	–	–	**697**
Currency forwards	–	850	–	**850**
Financial liabilities recognised at fair value				
Currency forwards	–	3,336	–	**3,336**

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**

Net results by measurement category in 2019

€ thousands	From interest and dividends	From subsequent measurement: At fair value	Currency translation	Impairment loss	From disposal	Net results
Amortised cost (assets)	5,741	–	–286	–3,395	–	2,060
Amortised cost (equity and liabilities)	–6,819	–	–427	–	–	–7,246
FVPL (assets)	16	–	–	–	–	16
	–1,062	**–**	**–713**	**–3,395**	**–**	**–5,170**

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. As in the previous year, this applies to around 10 % of the Group's trade receivables in total. 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. 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. For selected companies KSB uses a cash pooling system to ensure that available cash is deployed optimally within the Group. A worldwide netting procedure is also applied within the KSB Group so as to minimise both the volume of cash flows and the associated fees. 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 € 1,258.3 million (previous year: approx. € 1,319.4 million), of which € 840.8 million (previous year: € 814.9 million) has not yet been utilised.

Cash loans and credit lines include 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 year under review, 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 year under review:

In € thousands / Type of line	Maximum amount of line	Utilisation as at 31 Dec. 2020
Loans	300,000	2,045
Sureties	350,000	105,536

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 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 – Incoming payments	–4,694	–4,047	–642	–5
Derivative financial instruments – Outgoing payments	2,623	2,355	268	–
	347,940	292,387	53,173	2,380

Cash flows of financial liabilities 2019

€ thousands	Total	Up to 1 year	1 – 5 years	> 5 years
Financial liabilities	106,589	47,318	55,875	3,396
of which from lease obligations	49,803	16,211	30,357	3,235
Trade payables	252,741	252,741	–	–
Miscellaneous other financial liabilities	27,890	25,343	2,547	–
Derivative financial instruments – Incoming payments	–849	–750	–99	–
Derivative financial instruments – Outgoing payments	3,335	3,081	254	–
	389,706	327,733	58,577	3,396

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.

KSB reduces the risks resulting from changes in prices on the procurement side for orders with extended delivery dates by agreeing cost escalation clauses or, in the case of fixed-price contracts, by including the expected rate of cost increases in the sales price.

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 ineffectiveness in the KSB Group in respect of currency hedges in the2020 and 2019 financial years.

At the reporting date, the notional volume of the currency forwards designated as hedges was € 186,903 thousand (previous year: € 251,878 thousand). The contractual maturities of payments for these currency forwards are as follows:

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

Notional volumes in 2019

€ thousands	Total	Up to 1 year	1 - 5 years	> 5 years
Currency forwards designated as hedges	251,878	228,453	23,425	–

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

Hedging of currency risk

	2020	2019
Average rate EUR / USD	1.18	1.14
Average rate EUR / CNY	8.15	7.99
Average rate EUR / CHF	1.07	1.10

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 year under review, the realisation of the underlying recognised in income includes amounts of € 3,041 thousand (previous year: none) resulting from hedging transactions in which the hedged future cash flows are no longer expected to occur.

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**

Fair value changes in derivatives in 2019

	OCI	
€ thousands	**Cash flow hedges – Hedging reserve**	**Cash flow hedges – Hedging cost reserve**
Currency risk		
Opening balance at 1 January	–4,149	–823
Effective portion of changes in fair value	4,863	965
Realisation of underlying recognised in income	–5,434	–1,010
Closing balance at 31 December	**–4,719**	**–868**

Currency volumes

€ thousands	**CNY 31 Dec. 2020**	**CNY 31 Dec. 2019**	**USD 31 Dec. 2020**	**USD 31 Dec. 2019**
Trade receivables	47,659	49,508	21,209	26,584
Trade payables	33,750	33,676	14,778	13,326
Balance	**13,909**	**15,832**	**6,431**	**13,258**

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 € 1.4 million (previous year: € – 1.6 million) for CNY, € – 1.9 million (previous year: € 1.7 million) for USD and € – 3.7 million (previous year: € 3.0 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 € 10.1 million lower (higher), with € 5.8 million resulting from USD and € 4.3 million from the other currencies. At the previous year's reporting date, equity and the fair value of the derivatives would have been € 12.7 million lower (higher), with € 8.0 million resulting from USD and € 4.7 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 year under review, 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 2020 reporting year, the net interest balance would have been € 1.8 million (€ 1.4 million) (previous year: € 1.6 million (€ 1.1 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 year under review 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 euro 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.

In the year under review, KSB voluntarily adjusted the structure of the individual items shown in the cash flow statement to increase transparency compared with the presentation in the 2019 consolidated financial statements. The affected items are marked accordingly in the cash flow statement. The previous year's presentation was changed in the same way; this did not result in any change in the sum of cash flows from operating activities and from investing and financing activities compared with the values reported in the previous year.

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

For further information on the cash flows from the sale of subsidiaries, which were also shown in the cash flows from investing activities in the reporting year, please refer to the “Changes in the consolidated Group” sub-section in Section II. “Consolidation Principles”.

The change in financial liabilities in the year under review, 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 balance sheet date are not subject to any restrictions on disposal by KSB.

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	1,726	–	–153	26,287
Current financial liabilities (excluding lease liabilities)	29,303	–9,391	–	–2,325	17,587
Lease liabilities	47,051	–16,848	9,548	–968	38,783
Total financial liabilities	**101,068**	**–24,512**	**9,548**	**–3,447**	**82,657**

Change in financial liabilities in 2019

			Non-cash changes		
€ thousands	1 Jan 2019	Cash-effective in cash flows from financing activities	Additions / Disposals / Acquisitions / Other	Exchange-rate-related changes	31 Dec. 2019
Non-current financial liabilities (excluding lease liabilities)	29,274	–4,487	–	–73	24,714
Current financial liabilities (excluding lease liabilities)	48,053	–12,912 *	–5,317 *	–521	29,303
Lease liabilities	51,117	–16,142	12,104	–28	47,051
Total financial liabilities	**128,444**	**–33,541** *	**6,787** *	**–622**	**101,068**

* Restated compared with presentation in the 2019 annual report

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. In KSB's matrix organisation, management decisions are primarily taken on the basis of the key performance indicators – order intake, external sales revenue and earnings before finance income / expense and income tax (EBIT) – determined for the Pumps, Valves and Service Segments. Reporting the relevant assets, number of employees and inter-segment sales revenue for these segments is not part of internal reporting. The managers in charge of these segments, which are geared to product groups, have profit and loss responsibility. They identify business opportunities across markets and industries and assess the options based on current and future market requirements. They also proactively encourage the development of new products and improvements to the available range of products. In this context, they work closely with the Sales organisations and with Operations.

The **Pumps** Segment includes single- and multistage pumps, submersible pumps and associated control and drive systems. Applications include process engineering, building services, water and waste water transport, energy conversion and solids transport.

The **Valves** Segment covers butterfly, globe, gate, control, diaphragm and ball valves, as well as associated actuators and control systems. Applications primarily include process engineering, building services, energy conversion and solids transport.

The **Service** Segment covers the installation, commissioning, start-up, inspection, servicing, maintenance and repair of pumps, related systems and valves for all applications; as well as modular service concepts and system analyses for complete systems.

The companies can be allocated to one or more segments based on their business activities.

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

Transfer prices for intercompany sales are determined on an arm's length basis.

There were no discontinued operations in the period under review, as in the comparative period of the previous year.

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 table shows **earnings before finance income / expense and income tax (EBIT)** including non-controlling interests.

→ Segment reporting

Segment reporting

	Order intake		Sales revenue		EBIT	
€ thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Pumps Segment	1,419,712	1,617,825	1,467,957	1,562,462	80,937	84,823
Valves Segment	320,248	361,878	335,454	364,365	–23,271	2,266
Service Segment	403,443	474,060	404,470	456,358	12,506	26,514
Total	**2,143,403**	**2,453,763**	**2,207,881**	**2,383,185**	**70,172**	**113,603**

The EBIT of the Pumps Segment includes depreciation and amortisation expense of € 61,450 thousand (previous year: € 54,079 thousand), the EBIT of the Valves Segment includes depreciation and amortisation expense of € 15,456 thousand (previous year: € 11,566 thousand) and the EBIT of the Service Segment includes depreciation and amortisation expense of € 23,000 thousand (previous year: € 16,206 thousand).

€ 577,612 thousand (previous year: € 561,803 thousand) of the sales revenue presented was generated by the companies based in Germany, € 194,654 thousand (previous year: € 239,353 thousand) was generated by the companies based in France, € 206,998 thousand (previous year: € 212,876 thousand) by the companies based in the USA, and € 1,228,617 thousand (previous year: € 1,369,153 thousand) by the other Group companies.

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

At the reporting date, the total non-current assets of the KSB Group amounted to € 642,042 thousand (previous year: € 682,708 thousand), with 234,733 thousand (previous year: € 240,362 thousand) being attributable to the companies based in Germany and € 407,309 thousand (previous year: € 442,346 thousand) being attributable to the other Group companies. These 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 year under review was € 305 million (previous year: € 246 million). The increase in the net financial position compared with the previous year is due in particular to an increase in 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. 2020	31 Dec. 2019
From legal disputes	769	870
From guarantees	445	–
From warranty agreements	4,000	1,500
From other tax matters	5,602	5,730
From other contingent liabilities	–	479
	10,816	8,579

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 € 6,201 thousand (previous year: € 7,800 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 balance sheet date of the reporting year, there are no material contingent receivables of the Group. The contingent receivables as at the reporting date of the previous year in the amount of € 1,200 thousand related to a reimbursement claim against an insurance company based on a settlement agreement to be approved by the Annual General Meeting. The receipt of the payment in the amount stated above led to a corresponding entry under other income in the income statement in the year under review.

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 € 22,992 thousand (previous year: € 29,484 thousand). All of the corresponding payments are due in 2021.

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 € 24,831 thousand in the year under review (previous year: € 26,748 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 € 811 thousand in the reporting year (previous year: € 740 thousand).

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

Maturity analysis of future operating lease payments

€ thousands	31 Dec. 2020	31 Dec. 2019
Due within 1 year	1,829	1,682
Due between 1 and 2 years	1,821	1,377
Due between 2 and 3 years	836	979
Due between 3 and 4 years	476	584
Due between 4 and 5 years	328	390
Due after more than 5 years	–	350
	5,290	5,362

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 year under review amounted to € 51,095 thousand (previous year: € 50,529 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, 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.

Founded in 1942, the Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V. benevolent fund originally functioned to finance the KSB pension scheme. Since 1999, the charitable organisation has continued to support current and former employees of KSB SE & Co KGaA (including employees of the German Group companies) and their immediate families in cases of urgent financial need, for example, by providing grants for health care treatment and medical aids.

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 year under review, two members of the Administrative Board held an immaterial share of interests in KSB SE & Co. KGaA.

As part of normal business activities, the company 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

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

	Sales of goods and services		Purchases of goods and services		Receivables		Liabilities	
€ thousands	2020	2019	2020	2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
KSB Management SE	5	1	5,805	5,345	–	–	3,267	4,742
Klein, Schanzlin & Becker GmbH	–	–	–	–	–	–	–	–
KSB Stiftung und Kühborth-Stiftung GmbH	–	–	–	–	–	–	–	–
Geheimrat Dr. Jacob Klein-Unterstützungseinrichtung e.V.	–	–	–	–	–	–	114	100
Johannes und Jacob Klein GmbH	1	–	–	–	–	–	–	–
Tochtergesellschaften der Johannes und Jacob Klein GmbH	581	517	3,335	3,280	119	165	7	42
Assoziierte Unternehmen / Gemeinschaftsunternehmen der Johannes und Jakob Klein GmbH	–	–	–	7	–	–	–	–
Other related parties (corporate bodies), excluding "Management remuneration"	27	20	–	–	–	–	–	–

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 and associates (related party disclosures) is presented in Section IV. Balance Sheet Disclosures – Notes No. 6 "Investments accounted for under the equity method", Notes No. 8 "Contract assets, trade receivables and other financial and non-financial assets" and Notes No. 13 "Liabilities", and in Section IX. Other Disclosures – Contingent Liabilities.

The transactions in relation to Johannes und Jacob Klein GmbH are based on a rental and services agreement. 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 year under review.

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.

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.

In the 2020 financial year, a settlement agreement was concluded with three former members of the Board of Management and one member of the Supervisory Board. The settlement agreement became effective upon approval by the Annual General Meeting on 13 May 2020. The settlement amount of € 1,200 thousand paid thereupon has been recognised in other income.

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

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	2020	2019
Short-term benefits (total remuneration)	3,539	3,775
Post-employment benefits	1,662	1,374
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	–	–
Total	**5,200**	**5,149**

In the year under review, KSB Management SE received from KSB SE & Co. KGaA reimbursed expenses of € 605 thousand (previous year: € 196 thousand) for managing KSB's business in addition to the aforementioned reimbursement of expenses for remunerating the members of the governing bodies of KSB Management SE.

As at 31 December 2020, KSB has set aside provisions of € 833 thousand (previous year: € 784 thousand) for pension obligations to current Managing Directors of KSB Management SE, and € 45,717 thousand (previous year: € 43,505 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 € 3,038 thousand in the year under review (previous year: € 2,648 thousand).

The short-term benefits paid to members of the Supervisory Board amount to € 806 thousand for the 2020 financial year (previous year: € 798 thousand). Provisions of € 453 thousand (previous year: € 452 thousand) were set aside for members of the Supervisory Board at the end of the financial year.

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 2020 financial year at the Annual General Meeting of KSB SE & Co. KGaA on 13 May 2020. Overall, fees (including expenses) amounting to € 764 thousand were recognised as expenses. Of this, € 637 thousand relate to audit services, € 39 thousand to other certification services and € 88 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

There were no events after the end of the financial year that are of particular significance for the Group's net assets, financial position and result 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 8 December 2020. The Statement of Compliance is published on the KSB web site (www.ksb.com) and has thus been made permanently accessible.

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", Kiev	Ukraine	S	100.00	100.00	9
12	KSB, Bombas e Válvulas, SA, Albarraque	Portugal	S	92.00	92.00	
				1.00	1.00	26
				1.00	1.00	62
				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 Australia Pty Ltd, Bundamba QLD	Australia	P	100.00	100.00	15
19	KSB New Zealand Limited, Albany / Auckland	New Zealand	S	100.00	100.00	18
20	KSB Belgium S.A., Bierges-lez-Wavre	Belgium	S	100.00	100.00	15
21	KSB Service Belgium S.A./N.V., Bierges-lez-Wavre	Belgium	S	100.00	100.00	20
22	KSB BRASIL LTDA., Várzea Paulista	Brazil	P	100.00	100.00	15
23	KSB Compañía Sudamericana de Bombas S.A., Carapachay (Buenos Aires)	Argentina	P	95.00	95.00	15
				5.00	5.00	
24	KSB Finance Nederland B.V., Zwanenburg	The Netherlands	H	100.00	100.00	15
25	DP industries B.V., Alphen aan den Rijn	The Netherlands	P	100.00	100.00	24
26	KSB Nederland B.V., Zwanenburg	The Netherlands	S	100.00	100.00	24
27	KSB Italia S.p.A., Milan	Italy	P	99.00	99.00	15
				1.00	1.00	
28	KSB ITUR Spain S.A., Zarautz	Spain	P	100.00	100.00	15
29	KSB Limited, Loughborough	United Kingdom	S	100.00	100.00	15
30	KSB Middle East FZE, Dubai	U.A.E.	S	100.00	100.00	15
31	KSB Österreich Gesellschaft mbH, Vienna	Austria	S	100.00	100.00	15
32	KSB-Pompa, Armatür Sanayi ve Ticaret A.S., Ankara	Turkey	P	100.00	100.00	15

* P = Production, 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 Pumps and valves L.t.d., Domžale	Slovenia	S	100.00	100.00	15
34	KSB Pumps Inc., Mississauga / Ontario	Canada	S	100.00	100.00	15
35	KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg)	South Africa	H	100.00	100.00	15
36	KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg)	South Africa	P	70.00	70.00	35
37	FORTY FOUR ACTIVIA PARK (PTY) LTD, Germiston (Johannesburg)	South Africa		100.00	70.00	36
38	KSB S.A.S., Gennevilliers (Paris)	France	P	100.00	100.00	15
39	KSB POMPES ET ROBINETTERIES S.à.r.l. d'Associé unique, Casablanca	Morocco	S	100.00	100.00	38
40	KSB Shanghai Pump Co., Ltd., Shanghai	China	P	80.00	80.00	15
41	PAB Pumpen- und Armaturen-Beteiligungsges. mbH, Frankenthal	Germany	H	51.00	51.00	15
42	KSB America Corporation, Richmond / Virginia	USA	H	100.00	51.00	41
43	GIW Industries, Inc., Grovetown / Georgia	USA	P	100.00	51.00	42
44	KSB Dubric, Inc., Comstock Park / Michigan	USA	SVC	100.00	51.00	42
45	KSB, Inc., Richmond / Virginia	USA	P	100.00	51.00	42
46	KSB, Inc. – Western Division, Bakersfield / California	USA	SVC	100.00	51.00	42
47	Standard Alloys Incorporated, Port Arthur / Texas	USA	SVC	100.00	51.00	42
48	PT. KSB Indonesia, Cibitung	Indonesia	P	94.06	94.10	15
				5.94	5.90	
49	PT. KSB Sales Indonesia, Cibitung	Indonesia	S	99.00	99.00	48
				1.00	1.00	
50	SISTO Armaturen S.A., Echternach	Luxembourg	P	52.85	52.85	15
51	KSB Finland Oy, Kerava	Finland	S	100.00	100.00	
52	KSB Hungary Kft., Budapest	Hungary	S	100.00	100.00	
53	KSB Korea Ltd., Seoul	South Korea	P	100.00	100.00	
54	KSB Limited, Hong Kong	China	S	100.00	100.00	
55	KSB Pump & Valve Technology Service (Tianjin) Co., Ltd, Tianjin	China	SVC	100.00	100.00	54
56	KSB Ltd., Tokyo	Japan	S	100.00	100.00	
57	KSB Norge AS, Ski	Norway	P	100.00	100.00	
58	KSB Polska Sp. z o.o., Ozarow-Mazowiecki	Poland	S	100.00	100.00	
59	KSB Pumps Co. Ltd., Bangkok	Thailand	P	40.00	40.00	
60	KSB Pumps Company Limited, Lahore	Pakistan	P	58.89	58.89	
61	KSB-Pumpy+Armatury s.r.o., koncern, Prague	Czech Republic	S	100.00	100.00	
62	KSB (Schweiz) AG, Oftringen	Switzerland	S	100.00	100.00	
63	KSB Seil Co., Ltd., Busan	South Korea	P	100.00	100.00	
64	KSB Service GmbH, Frankenthal	Germany	SVC	100.00	100.00	
65	KSB Service GmbH, Schwedt	Germany	SVC	100.00	100.00	
66	KSB Singapore (Asia Pacific) Pte Ltd, Singapore	Singapore	P	100.00	100.00	
67	KSB Malaysia Pumps & Valves Sdn. Bhd., Shah Alam	Malaysia	P	100.00	100.00	66
68	KSB PHILIPPINES, INC., Makati City	Philippines	S	100.00	100.00	66
69	KSB Vietnam Co., Ltd, Long Thanh District	Vietnam	S	100.00	100.00	66
70	KSB Sverige Aktiebolag AB, Gothenburg	Sweden	S	100.00	100.00	
71	KSB Sverige Fastighets AB, Gothenburg	Sweden	S	100.00	100.00	70
72	PUMPHUSET Sverige AB, Sollentuna	Sweden	SVC	100.00	100.00	70
73	VM Pumpar AB, Gothenburg	Sweden	S	100.00	100.00	70
74	KSB Taiwan Co., Ltd., New Taipei City	Taiwan	S	100.00	100.00	
75	KSB Tech Pvt. Ltd., Pimpri (Pune)	India		100.00	100.00	

* P = Production, 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.
76	KSB Valves (Changzhou) Co., Ltd., Jiangsu	China	P	100.00	100.00	
77	PMS-BERCHEM GmbH, Neuss	Germany	SVC	100.00	100.00	
78	Pumpen-Service Bentz GmbH, Reinbek	Germany	SVC	100.00	100.00	
79	REEL s.r.l., Ponte di Nanto	Italy	P	100.00	100.00	
80	Uder Elektromechanik GmbH, Friedrichsthal	Germany	SVC	100.00	100.00	

Joint ventures (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
	International							
81	KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ, Ankara	Turkey	P	55.00	55.00	32	119	46
82	KSB Pumps Arabia Ltd., Riyadh	Saudi Arabia	P	50.00	50.00	15	11,985	–4,740
83	KSB Service LLC, Abu Dhabi	U.A.E.	S	49.00	49.00		7,365	88
84	Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai	China	P	45.00	45.00		31,555	1,737

Associates (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
	International							
85	Motori Sommersi Riavvolgibili S.r.l., Cedegolo	Italy		25.00	25.00		5,030	2,524

* P = Production, 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	
	National								
86	FluidPartner GmbH, Stein	Germany	SVC	51.00	51.00	64	0	–50	■
	International								
87	KSB Algérie Eurl, Bordj el Kifane (Alger)	Algeria	S	100.00	100.00	15	1,167	139	
88	KSB Čerpadlá a Armatúry, s.r.o., Bratislava	Slovakia	S	100.00	100.00		125	–187	
89	KSB Colombia SAS, Funza (Cundinamarca)	Colombia	S	100.00	100.00	15	418	–48	
90	KSB Ecuador S.A., Samborondón	Ecuador	S	99.00	99.00	22	464	–25	
				1.00	1.00	15			
91	KSB Perú S.A., Lurin	Peru	S	100.00	100.00		1,237	54	
92	KSB PUMPS AND VALVES LIMITED, Nairobi	Kenya	S	100.00	100.00	35	47	113	
93	KSB PUMPS AND VALVES (NAMIBIA) (PROPRIE-TARY) LIMITED, Klein Windhoek	Namibia	S	100.00	100.00	35	0	0	
94	KSB Pumpe i Armature d.o.o. Beograd, Belgrade	Serbia	S	100.00	100.00	33	216	71	
95	KSB pumpe i armature d.o.o., Rakov Potok	Croatia	S	100.00	100.00	33	214	28	
96	KSB ZAMBIA LIMITED, Kitwe	Zambia	SVC	80.00	80.00	35	53	43	
97	Techni Pompe Service Maroc (TPSM), Casablanca	Morocco	SVC	100.00	100.00	39	–567	–12	
98	TOO "KSB Kazakhstan", Almaty	Kazakhstan	S	100.00	100.00	9	379	208	

* P = Production, 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 of the Supervisory Board since 17 Jan. 2020)

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
1st Delegate and Managing Director of IG Metall Ludwigshafen / Frankenthal

Thomas Pabst, Dipl.-Ing., Freinsheim
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
1. Delegate of IG Metall Ostoberfranken

Gabriele Sommer, Dipl.-Geol., Wörthsee [1)]
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) TÜV SÜD Industrie Service GmbH, Munich
TÜV SÜD Auto Service GmbH, Stuttgart

Legal Representatives

Managing Directors of KSB Management SE

Dr Stephan Timmermann
CEO, Augsburg 1)
Strategy, Human Resources, Communications, Internal Audits, Legal & Compliance, Patents & Trademarks, the Mining and Valves Market Areas, as well as the Region Europe West and the Region Americas North

Dr Stephan Bross, Weinheim 2)
Global Operations, Research and Development, Innovation and Complexity Management, Digital Transformation, Committees and Associations, the Energy and Petrochemicals / Chemicals Market Areas, as well as the Regions Asia West and Asia South / Pacific.

Ralf Kannefass, Regensburg 3)
Sales and Marketing, the Water, General Industry and Building Services Market Areas, KSB SupremeServ, as well as the Regions Europe North / East, Asia North, Middle East / Africa / Russia and Americas South.

Dr Matthias Schmitz, Frankenthal 4)
Taxes, Controlling KSB Group, Finance, Accounting, Information Technology and Procurement, as well as the Region Europe Central.

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

1) KSB America Corporation, Richmond / Virginia, USA, since 1 June 2020
GIW Industries, Inc., Grovetown / Georgia, USA, since 1 June 2020

2) KSB Pumps (S.A.) (Pty) Ltd., Germiston (Johannesburg), South Africa, until 30 June 2020
KSB Pumps and Valves (Pty) Ltd., Germiston (Johannesburg), South Africa, until 30 June 2020
KSB Limited, Pimpri (Pune), India
KSB MOTOR TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİKETİ, Ankara, Turkey

3) SISTO Armaturen S.A., Echternach, Luxembourg, until 22 Sept. 2020
KSB Shanghai Pump Co., Ltd., Shanghai, China
Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China

4) KSB FINANZ S.A., Echternach, Luxembourg
KSB Finance Nederland B.V., Zwanenburg, The Netherlands
Canadian Kay Pump Limited, Mississauga / Ontario, Canada
KSB America Corporation, Richmond / Virginia, USA, until 1 June 2020
KSB Limited, Pimpri (Pune), India
KSB Shanghai Pump Co., Ltd., Shanghai, China
Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd., Shanghai, China, until 24 Nov. 2020
GIW Industries, Inc., Grovetown / Georgia, USA, until 1 June 2020
KSB BRASIL LTDA., Várzea Paulista, Brazil
KSB Pumps Arabia Ltd., Riyadh, Saudi Arabia
KSB Österreich Gesellschaft mbH, Vienna, Austria, since 6 Oct. 2020

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 Nutrition & Care GmbH, Essen (Chair), until 30 June 2020
Evonik Resource Efficiency GmbH, Essen (Chair), until 30 June 2020
Evonik Performance Materials GmbH, Essen (Chair), until 30 June 2020
Evonik Operations GmbH, Essen (Chair of the Supervisory Board), since 28 September 2020

2) Bauer AG, Schrobenhausen

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

We will propose to the Annual General Meeting on 6 May 2021 that the net retained earnings of € 44,530,795.16 of KSB SE & Co. KGaA be appropriated as follows:

Proposal for the appropriation of net retained earnings

€	
Dividend of € 4.00 per ordinary no-par-value share	3,546,460.00
Dividend of € 4.26 per preference no-par-value share	3,683,673.12
Total	**7,230,133.12**
Carried forward to new account	**37,300,662.04**
	44,530,795.16

Frankenthal, 9 March 2021

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]. The annual financial statements can also be downloaded from our web site at www.ksb.com, or sent in print form on request.