

Interim report as per 30 June 2003

KSB Group with slight growth in orders

Hopes of a rapid economic upturn after the end of the war in Iraq have not been fulfilled. In most industrialized nations and many newly industrialized countries, the economic climate during the first half of 2003 remained under the influence of persistently weak demand. In the euro zone, structural problems and high unemployment further dampened hopes of an economic upswing.

The economic situation in the pumps and valves sector continues to be dominated by overcapacity and price wars. It has been further exacerbated in Europe by the low dollar exchange rate and increased imports of products from low-wage countries.

Order intake development

In this business environment, the KSB Group achieved a slight growth in order intake of + 0.6 percent in the first half of 2003. In KSB AG, the order volume showed a marked increase of + 11.2 percent, which was partly attributable to large orders from the power plant industry.

The first six months saw a very positive development of order intake in the European sales organizations. The Group companies in Asia / Pacific likewise achieved good growth overall.

This positive development is in contrast to the marked decline in order intake in the American Group companies, although this was primarily currency-related.

Sales revenue development

Owing to a higher proportion of orders with relatively long delivery times, Group sales revenue in the first half of 2003 fell back by 5.7 percent compared with the same period in 2002. In KSB AG, sales were even 7.5 percent lower than in the previous year.

A positive sales revenue development was posted by the European sales and service organizations as well as KSB S.A.S. in France. The two consolidated companies in the Region Eastern Europe / Middle East / Africa also increased their sales revenue. By contrast a decline in sales revenue was reported by the Group companies in the Regions Asia / Pacific and above all the Americas. Here again the weakness of various currencies against the euro played a role.

Group figures as per 30 June 2003

KSB Group		01-06/2003	01-06/2002	Change
Order intake	€ million	595.1	591.3	+ 0.6 %
Sales revenue	€ million	516.6	547.9	- 5.7 %
Earnings before income tax	€ million	- 6.9 *	- 3.0 *	< -100 %
Employees (30 June)		11,946	11,929	+ 0.1 %

* Calculated according to IFRS

Earnings development

As a result of the lower sales revenue volume, the Group earnings before income tax on 30 June were down on the same period in the previous year at € -6.9 million.

Change in number of employees

The number of employees in the KSB Group remained almost unchanged at 11,946. Within the Regions, however, there were certain shifts in staff numbers. The number of employees in Europe increased by 202 as a result of the expansion of service activities, the acquisition of the valves factory in Lünen and the first consolidation of KSB Finland OY. In the Americas (- 86) and the Region Asia / Pacific (-101) the number of employees fell as a result of personnel adjustments.

Strategic acquisitions

On 16 May 2003, KSB AG acquired the Dutch pump supplier DP industries B.V. This acquisition serves to strengthen our market position in stainless sheet steel pumps. The DP facility in Alphen with 280 employees will be turned into the KSB Competence Centre for stainless sheet steel products by 2005. This acquisition is not yet reflected in the half-year figures.

With effect from 1 July 2003, KSB S.A.S. also acquired a service company in France with two sites, one in Avignon and the other in Lyon, thus further increasing the density of its service network.

Outlook

The revival of the economy forecast for the second half of 2003 will have little impact for the time being in view of the late-cyclical nature of the business in the pumps and valves sector. Should the investment activity of customers in industry and municipal authorities remain subdued, achieving the previous year's figures in terms of order intake, sales revenue and earnings remains a challenging objective for KSB.

KSB Aktiengesellschaft
The Board of Management

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