



Dr. Stephan Timmermann

## Dear Shareholders and Business Partners,

As a global company, we operate in a market environment that can change dramatically overnight due to political or social events. At the same time we are facing developments that may be less sudden, but will nevertheless have radical consequences for the economy and working life.

For a mechanical engineering company like KSB, it is above all the rapid change in technology that calls for new solutions in research and development. The ongoing trend towards globalisation is also putting traditional production concepts into question. Similarly, the rapid rise of some emerging markets is changing the economic areas we serve, which is something we have to adapt to in terms of sales and service. Finally, demographic trends make it necessary for us to adjust our work and life models in relation to age. For this purpose, we are developing regionally differentiated concepts, including qualification and development programmes.

### People shape our brand

To change KSB in a positive way, and thus make it better and well-equipped for the future, is a task we are focusing on. In doing so, we can rely on the readiness to learn, creativity and commitment of our employees. With their work they represent what the KSB brand stands for. And it is they who keep our brand promise every day: Technology that drives success. Wherever they do more for their customers than others, they lay the foundation for future success.

To lead our staff through the present changes, to develop their professional skills so they can meet new requirements, and to provide an inspiring work environment for them – these are the tasks which we, as the company's management, are dedicated to achieving in an effective manner.

## Digitalisation generates ideas

Currently we are succeeding particularly well in this with our Business Innovation Lab, where KSB staff collaborate with external specialists and students, and which won an award in 2017. An unconventional approach to thinking and working helps us adapt to digital change and overcome the boundaries between mechanical engineering and information technology.

Linking together these fields of technology creates space for innovations which lead to new products, services and business models. From 3D printing to cloud-based service solutions, our aim is to be a pioneer in the industry.

## Growth opens up new avenues

Change requires ideas, performance, and the will to make the most of both. It also requires financial resources to bring promising concepts to a successful conclusion. We achieve this through profitable growth and a sustainable ownership structure. Both of these give us the necessary freedom to act.

In 2017 we made good progress with a leap in profits of almost 40 %. Our order intake rose by 5.0 % and sales revenue will follow this development in due course. In addition, a comfortable net financial position provides us with sufficient leeway to do all that is needed to help our customers, motivate our employees and secure our future.

## A new structure creates a new basis

From an organisational point of view, we are also on the road to change. In mid-January KSB AG converted into a KGaA, a partnership limited by shares. This follows a resolution passed at last year's Annual General Meeting. With this change in legal form, we have opened up new financial and strategic options for our company, as well as providing a solid basis.

The operative business of the new KSB SE & Co. KGaA will be managed by my three colleagues on the former Board of Management and myself as Managing Directors of a newly founded management company. In this KSB Management SE, we rely on the advice and experience of a five-member Administrative Board. It is formally the highest management body of the KGaA.

As shareholders, you have automatically become limited partners of the KGaA. Apart from this your status and rights at the Annual General Meeting remain largely unchanged. One exception is the discontinuation of the Supervisory Board's personnel decision-making competence: The new organisation with four Managing Directors no longer has a board of management to be elected by this monitoring body.

In the present configuration we will work intensively with the Administrative Board and the Supervisory Board to continually improve both the competitiveness and profitability of the company. We feel that we are currently on the right track here. We will be glad if you, as shareholders or business partners, continue with us on the road ahead.



Dr. Stephan Timmermann, CEO