

Press release

## **Knorr-Bremse AG Profits from High Customer Demand with Increased Revenues and Profitability**

- **Knorr-Bremse's revenues rise by 3.8% to approximately € 5.2 billion in the first nine months of the year thanks to high demand in Europe and North America**
- **Very solid profitability in a globally uncertain era: Knorr-Bremse increases operating EBIT margin to 11.3% in third quarter (Q2 2022: 10.5%)**
- **Order intake rises to € 5.9 billion, order book grows to roughly € 6.9 billion in the first nine months of 2022**
- **Operating guidance for 2022 confirmed**
- **New CEO Marc Llistosella to start on January 1, 2023, bringing many years of industry expertise and international experience**

**Munich, November 10, 2022** – Knorr-Bremse AG, the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems, today published its results for the first nine months and third quarter of 2022.

Frank Markus Weber, Chief Financial Officer and Executive Board Spokesman of Knorr-Bremse AG: “We remain on course. Knorr-Bremse achieved a pleasing result in the first nine months of 2022 and significantly increased its revenues in very uncertain times. Today decades of reliable partnerships with our customers pay off, which can be seen in the ongoing high demand among customers and in our large market shares, especially in Europe and North America. Simultaneously, we are increasingly profiting from the measures we are taking to optimize our results, which lets us compensate accordingly for the increased costs caused by inflation this year. We are a technology leader, so we do not allow any compromises on our ambitious research and development projects. They represent our promise to our customers and are the basis for our leadership in technologies and markets. This is a path that we will be consistent in maintaining next year, too, under the leadership of our designated Chief Executive Officer, Marc Llistosella.”

Knorr-Bremse AG announced the Supervisory Board's appointment of Marc Llistosella, a former high-level manager at Daimler Truck and current start-up investor, as Chief Executive Officer of Knorr-Bremse AG on October 13, 2022 (see [press release](#)). He is planned to commence this position on January 1, 2023.

### **Increased Revenues Thanks to Growing Aftermarket Business and Ongoing High Demand from Customers in Europe and North America**

The order intake at Knorr-Bremse AG in the first nine months of 2022 increased significantly by 17.4% versus the prior-year period, amounting to € 5,917 million (9M 2021: € 5,038 million). The recovery for rail vehicle systems in particular ensured a boost in growth. The order book as at September 30, 2022, stood at approximately € 6,878 million (9M 2021: € 5,007 million), a significant 37% increase.

The ongoing high demand is also reflected in the Group's revenues for the first nine months of the year, which have risen by 3.8% to € 5,198 million (9M 2021: € 5,008 million). This increase is especially attributable to the continued consistent demand among customers in the European and North American markets. The commercial vehicles market and the aftermarket in particular contributed the lion's share of the revenue growth. Rail system orders in these regions developed positively, too. However, the performance of both divisions generally remains influenced by the continued supply chain issues and, in China, by a range of factors including the strict zero-Covid policies that remain in place.

### **Price Negotiations and Internal Profit Optimization Measures Show Positive Effect on Profitability**

Even with the global environment remaining very difficult, Knorr-Bremse generated operating EBIT of € 568 million in the first nine months of 2022 (9M 2021: € 712 million). Compared to the previous quarter, the company achieved further success with the Profit & Cash Protection Program that it had rolled out to mitigate inflation-related costs. By raising prices for customers, negotiating with suppliers, and implementing cost-optimization measures, there was a significant rise in the operating EBIT margin from 10.5% (Q2 2022) to 11.3% (Q3 2022).

Free cashflow in the first nine months of 2022 amounted to € -229 million compared to € 297 million in the prior-year period. The reasons behind this development include higher warehouse and inventory levels, which have a purpose of safeguarding delivery capabilities even in difficult market conditions, as well as the stricter liquidity management that Knorr-Bremse is observing among its customers.

Frank Markus Weber: "Our top priority is to maintain high delivery capabilities and therefore reliability for our customers. Consequently, building up inventory levels to safeguard these delivery capabilities is also a strategic investment in positive and long-lasting customer relationships. This provides the basis for successful price negotiations, among other things. After numerous conversations with customers at this year's InnoTrans, IAA Transportation, and Automechanika – the foremost trade shows in the industry – we believe that we have clearly taken the right approach. We have also already implemented simultaneous measures that are certain to strengthen cashflow."

### **RVS Has Large Order Book and New Investments in Digitalization**

The Rail Vehicle Systems (RVS) division is continuing to develop well, however the conditions it is facing vary strongly in the markets around the world. Its revenues of € 2,453 million in the first nine months of 2022 are just about stable in comparison to the previous year (9M 2021: € 2,460 million). Its order intake is up 37.3% and trending positively in all markets. The order book also remains high at € 4,844 million.

Overall, rail business internationally remains strongly impacted by the effects of the Covid-19 pandemic generally, while in China it has additionally been influenced by lower investment in the market. The war-related sanctions on Russia have simultaneously impacted business performance in a significant way. Accordingly, the operating EBIT of € 373 million is 14.6% down on the corresponding figure of € 443 million in the previous year. The operating EBIT margin of 15.2% is also 2.8 percentage points down on the previous year's figure (9M 2021: 18.0%).

Knorr-Bremse is further strengthening its RVS division for the challenges of the future, with automation being a significant tool for efficiency, flexibility, and competitiveness gains in the

rail sector. To develop automated solutions for the “digital freight train” concept, Knorr-Bremse signed a cooperation agreement with Thales, a globally leading provider of high technology, in October. Together, the companies are pursuing a goal of adding considerable value for automated rail transportation through their innovation. For operators of locomotive-hauled freight and passenger trains, this will pay off in the form of improved energy efficiency and punctuality, among other things.

### **Positive Revenue Developments in CVS and Further Strengthening of EV Capabilities**

Order intake in the Commercial Vehicle Systems (CVS) division in the first nine months of 2022 amounted to € 2,913 million (9M 2021: € 2,850 million). The order book as at September 30, 2022, had increased significantly to € 2,035 million since the prior-year period (September 30, 2021: € 1,569 million). The division successfully increased its revenue again by 7.7%, bringing it to € 2,747 million (9M 2021: € 2,549 million). The increase has been influenced in particular by robust demand and successful price negotiations in Europe and North America as well as the generally strong aftermarket business.

Operating EBIT in the Commercial Vehicle Systems division fell in the first nine months of the year to € 237 million (9M 2021: € 299 million). The operating EBIT margin was 8.6% after 11.7% during the prior-year period. The fall was caused among other things by the situation in the Chinese market, where the economy has experienced a slump. However, the outlook for the Chinese truck market indicates a recovery. Compared to the rest of the market, Knorr-Bremse currently is also significantly less burdened than its competitors and is expecting the market to turn around once the Covid-19 situation has calmed and supply chains have normalized, with positive effects for the company's performance. The most recent pricing and cost measures will also have a positive impact on profits in subsequent quarters.

Knorr-Bremse is preparing for the increasingly rapid global growth in automated driving and electrification with its investment in Shanghai Bobang Automotive Technology, a Chinese electric motor supplier, which was announced in October. By obtaining an approximately 13% interest in the company, Knorr-Bremse has become the second-largest shareholder in Bobang. As a result, Knorr-Bremse is strengthening its electric motor capabilities and therefore further expanding its international competitiveness.

### **Further Boost to Sustainability Commitment: Pursuing SBTi Targets**

Knorr-Bremse AG underscores its commitment to increased sustainability by pledging to expand its own climate targets and defining them in line with the requirements of the Science Based Targets initiative (SBTi). In particular, this means that in future, in addition to the company's own production emissions (scope 1 and 2), the focus will also be on emissions from the supply chain and product use-phase (scope 3). Knorr-Bremse is therefore further intensifying its efforts to reduce emissions across the value chain. Furthermore, this commitment is a component of the sustainability-linked bond that was issued for € 700 million (see [press release](#)). The detailed target-setting and validation process with the SBTi is planned to be completed by August 31, 2023. The integration of the sustainability targets into financing instruments is a clear sign of the importance of effective climate protection measures to the company's success. Knorr-Bremse is driving this integration globally and accelerating the execution of its climate strategy in parallel. One of the most recent examples of this is Knorr-Bremse Rail Systems Italia: Since the installation of a new photovoltaic system, almost 80% of electricity demand is being covered by own generated renewable power. Thus, carbon dioxide emissions are lowered by far more than 100 metric tons per year.

## Group Confirms Guidance for 2022

The company expects revenue between € 6,900 million and € 7,200 million, an operating EBIT margin between 10.5% and 12.0%, and free cashflow between € 300 million and € 500 million for the 2022 fiscal year, assuming that foreign-exchange rates remain as they are currently, a predominantly stable macroeconomic environment, no new Covid-19 lockdowns, no significant increase in inflation, and no additional supply chain issues caused by potential energy shortages.

The full quarterly report is available at [www.knorr-bremse.com](http://www.knorr-bremse.com). Explanations and reconciliations of the financial KPIs used can be found in the 2021 annual report of Knorr-Bremse AG (available at <https://ir.knorr-bremse.com/download/companies/knorrbremse/Annual%20Reports/DE000KBX1006-JA-2021-EQ-E-00.pdf>).

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### About Knorr-Bremse

**Knorr-Bremse (ISIN: DE000KBX1006, ticker symbol: KBX)** is the global market leader for braking systems and a leading supplier of other safety-critical rail and commercial vehicle systems. Knorr-Bremse's products make a decisive contribution to greater safety and energy efficiency on rail tracks and roads around the world. About 30,500 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services. In 2021, Knorr-Bremse's two divisions together generated revenues of € 6.7 billion. For more than 115 years the company has been the industry innovator, driving innovation in mobility and transportation technologies with an edge in connected system solutions. One of Germany's most successful industrial companies, Knorr-Bremse profits from the key global megatrends of urbanization, sustainability, digitalization, and automated driving.

**Key Figures for the Knorr-Bremse Group:**

	January to September			Third Quarter		
	2022	2021	Δ	2022	2021	Δ
	EUR million	EUR million		EUR million	EUR million	
<b>Order intake</b>	5,917	5,038	+17.4%	1,879	1,435	+30.9%
<b>Order book (September 30)</b>	6,878	5,007	+37.4%	6,878	5,007	+37.4%
<b>Revenues</b>	5,198	5,008	+3.8%	1,792	1,589	+12.8%
<b>EBITDA</b>	767	916	-16.3%	278	284	-2.0%
<b>EBITDA margin</b>	14.8%	18.3%	-350 bp	15.5%	17.9%	-230 bp
<b>Operating EBITDA margin</b>	15.2%	18.4%	-320 bp	15.7%	18.1%	-240 bp
<b>EBIT</b>	543	709	-23.3%	200	213	-6.2%
<b>EBIT margin</b>	10.4%	14.1%	-370 bp	11.2%	13.4%	-220 bp
<b>Operating EBIT margin</b>	10.9%	14.2%	-330 bp	11.3%	13.6%	-230 bp
<b>Free cashflow</b>	-229	297	-177.1%	38	189	-80.1%
<b>Capital expenditure (before IFRS 16 and acquisitions)</b>	226	212	+6.8%	86	83	+3.6%
<b>R&amp;D costs in % of revenues</b>	6.7%	6.3%	+40 bp	6.5%	6.5%	0 bp
<b>Earnings per share (in EUR)</b>	2.32	2.97	-0.65	0.90	0.91	-0.01

**Key Figures for the Knorr-Bremse Group's Divisions:**

	January to September			Third Quarter		
	2022	2021	Δ	2022	2021	Δ
	EUR million	EUR million		EUR million	EUR million	
<b>RVS division</b>						
Revenue	2,453	2,460	-0.3%	855	805	+6.2%
EBITDA	447	532	-15.9%	163	171	-4.6%
EBITDA margin	18.2%	21.6%	-340 bp	19.1%	21.2%	-180 bp
Operating EBITDA margin	19.2%	21.7%	-290 bp	19.4%	21.6%	-220 bp
EBIT	349	440	-20.7%	130	139	-6.4%
EBIT margin	14.2%	17.9%	-370 bp	15.2%	17.3%	-210 bp
Operating EBIT margin	15.2%	18.0%	-280 bp	15.6%	17.6%	-180 bp
<b>CVS division</b>						
Revenue	2,747	2,549	+7.7%	938	785	+19.5%
EBITDA	345	400	-13.8%	124	119	+3.5%
EBITDA margin	12.5%	15.7%	-320 bp	13.2%	15.2%	-200 bp
Operating EBITDA margin	12.5%	15.7%	-320 bp	13.2%	15.2%	-200 bp
EBIT	237	299	-20.6%	87	85	+2.2%
EBIT margin	8.6%	11.7%	-310 bp	9.2%	10.8%	-160 bp
Operating EBIT margin	8.6%	11.7%	-310 bp	9.2%	10.8%	-160 bp

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