

Press release

Knorr-Bremse Sees Higher Profit Margin and Strong Cash Flow

- **Robust demand continues in both divisions in the first nine months of 2023: order intake rises to € 6.2 billion**
- **Order book reaches a new record high of roughly € 7.2 billion**
- **Knorr-Bremse's revenue increases by a significant 12.7% to roughly € 5.9 billion**
- **BOOST 2026 strategy program: efficiency increase measures show initial success; operating EBIT margin in third quarter rises to 11.5% (Q2/23: 11.1%)**
- **Free cash flow in third quarter rises significantly to € 230 million (Q3/22: € 38 million) with a cash conversion rate of 168% (Q3/22: 25%)**
- **Group confirms Guidance for 2023**

Munich, October 31, 2023 – 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 2023.

Marc Llistosella, Chief Executive Officer of Knorr-Bremse AG: “We are fully on course to achieve our goals this year. Both our divisions performed very well in the first nine months of this fiscal year, and we are very satisfied with the demand, too. For us as a global market and technology leader, it shows impressively how much trust our global customers have in our products and solutions. In July, we launched our BOOST 2026 strategy update and now we are proceeding with our portfolio review by precisely analyzing the performance of our existing investments. Simultaneously, we are reducing our costs through targeted measures. We have a clear focus on our top priorities: margin development and cash flow.”

Frank Markus Weber, Chief Financial Officer of Knorr-Bremse AG: “We were able to achieve further pleasing revenue growth in the last three months. At € 1.9 billion, this represents an increase of 8% on the same quarter last year. Our greater profitability stems from the successful implementation of our Profit and Cash Protection Program (PCPP), which is part of BOOST 2026. Operating EBIT improved continuously and rose to € 224 million in the quarter just ended, with an operating EBIT margin of 11.5%. This development was bolstered by cost control measures and successful price negotiations. Thanks to an improved working capital and larger customer payments, we were able to significantly improve free cash flow to € 230 million and raise the cash conversion rate to almost 170 % in the third quarter of 2023.”

Strong Performance in the First Nine Months of the Year

The order intake at Knorr-Bremse AG in the first nine months of 2023 amounted to € 6,216 million (9M/22: € 5,917 million), again up on the previous year by a rate of 5.1%. This is primarily the result of a very clear recovery in demand in the commercial vehicle business in all regions. The positive order levels are also reflected in the 4.6% growth of the order book, producing a new record of approximately € 7,191 million as at September 30, 2023

(September 30, 2022: € 6,878 million). This ensures that capacity will be utilized robustly in the coming quarters. Consolidated revenues also rose in the first nine months of 2023, up 12.7% to € 5,856 million (9M/22: € 5,198 million), which is attributable to growth in the OE and aftermarket business of both segments.

The positive revenue development was complemented by the successful implementation of cost control measures as well as successful price negotiations with customers and improved working capital management, contributing to the improvement in the operating EBIT margin and free cash flow. The operating EBIT margin in the first nine months of 2023 was 10.9% and remained at the previous year's level (9M/22: 10.9%). Operating EBIT improved from € 568 million in the previous year's quarter to € 639 million. The positive development of free cash flow, which was € 34 million in the second quarter of 2023, continued in the third quarter at € 230 million thanks to the crossdivisional "Collect" project for systematically improving net working capital. This is an exponential increase on the previous year's quarter (Q3/22: € 38 million). Free cash flow thus improved significantly in the first nine months of the year, rising to € 65 million from € -229 million in the same period last year.

Rail Vehicle Systems: Strong Developments in Customer Demand and Order Intake

The Rail Vehicle Systems (RVS) division is performing very positively in all markets. Its revenue, at € 2,746 million in the first nine months of 2023, has risen by a significant 11.9% year over year (9M/22: € 2,453 million) thanks to increases in volumes and prices. Order intake was up 1.3% at € 3,044 million (9M/22: € 3,006 million) and the order book as at September 30, 2023, had reached a new record of € 5,168 million (September 30, 2022: € 4,844 million).

Despite the increase in sales volumes, the division only recorded a slight 3.8% increase in operating EBIT to € 387 million, compared with the previous year's corresponding figure of € 373 million. The operating EBIT margin of 14.1% was 1.1 percentage points below the previous year's figure (9M/22: 15.2%). The main factor influencing this is the longer-term original equipment contracts that were won before the Russian invasion of Ukraine and, accordingly, before the significant rise in inflation. These contracts do not allow inflation-related cost increases to be passed on. Price adjustments for new orders and cost control measures have only been able to partially offset the inflation-related cost increases. The positive effects from new contracts will already become noticeable over the next year through the gradual reduction of existing orders on old pricing terms.

As a key supplier of the rail industry, Knorr-Bremse places an emphasis on developing and enhancing innovative and leading solutions for maximum safety, increased availability, efficiency, and punctuality in rail transportation. With the latest generation of the CubeControl product, the world's most frequently installed brake control, Knorr-Bremse is again putting into use a high-quality technology as an update of a successful product. Knorr-Bremse has signed a contract for it with Alstom to equip a fleet of Swedish high-speed trains starting in 2024, with an order value in the lower two-digit million range. The enhanced CubeControl integrates numerous components in an even better way, enabling a smarter interaction of electropneumatic, mechatronic, and software technologies. The Alstom order is planned to run until 2028.

Commercial Vehicle Systems: Robust Quarterly Performance and Further Concentration on Innovation Capabilities

The order intake in the Commercial Vehicle Systems (CVS) division in the first nine months of 2023 amounted to € 3,174 million (9M/22: € 2,913 million) and displayed a normalization at a high level in the third quarter of 2023 following record intake in the preceding quarters. The order book, at € 2,024 million as at September 30, 2023, remains stable in comparison with the same period the previous year (September 30, 2022: € 2,035 million), which is primarily attributable to the high demand in Europe and Asia. Revenue development has been particularly positively influenced by the stable truck production figures in Europe and North America, the significant increase in China, and successful price adjustments. The division's revenue increased by a significant amount once again, up 13.3% to € 3,112 million (9M/22: € 2,747 million).

As expected, profitability developed positively as the quarter progressed, with operating EBIT in the CVS division improving in the third quarter of 2023 to € 107 million (Q3/22: € 87 million) to make for € 300 million in the first nine months of the year (9M/22: € 237 million). The operating EBIT margin was 10.6% after 9.2% in the previous year's quarter and 9.3% in the second quarter of 2023. The price negotiations and cost control measures that were successfully wrapped up or implemented recently already had a positive influence in the quarter just ended and will continue to do so in the following quarters.

Knorr-Bremse announced in October that it will continue its eCUBATOR innovation unit, established in 2020, beyond 2023 to strengthen Knorr-Bremse's long-term capabilities. The team at this unit drive innovation and development in the field of e-mobility. Many of the market-oriented products in the categories of air supply, brake control, and wheelend that were developed in the eCUBATOR so far can now be transitioned to regular business operations. In the future, the eCUBATOR team will have an even more intensive focus on new business fields that are related to zero-emission vehicles and offer excellent growth opportunities for Knorr-Bremse.

BOOST 2026 Program: Progress Being Made on Measures to Increase Efficiency and Resilience

In July, as part of its strategy update, Knorr-Bremse launched its BOOST 2026 program (Knorr-Bremse **O**perational **O**ptimization **S**trategy and **T**ransformation) with an array of strategic initiatives centering on the three action areas of "products, people, and processes." One of the main targets is to permanently raise the EBIT margin to over 14% by 2026. A strengthening of the company's resilience as well as its innovation and technology capabilities are also clearly defined objectives of the BOOST program.

A contribution to this is also being made by, among other things, research and development investment in the form of an expansion of the Knorr-Bremse Technology Center India (TCI), located in Pune, India. Knorr-Bremse is pursuing a growth strategy in both its rail and commercial vehicle divisions in India, which is an emerging transportation market, as well as other key markets. The new TCI will see a planned 1,300 experts driving the development of innovative and pioneering transportation technologies, primarily in the fields of engineering, hardware, software, IT, and simulation, for the rail and commercial vehicle markets for the benefit of the Knorr-Bremse Group's sites globally.

Executive Board Membership: Continuity and Stability Ensured

The Supervisory Board of Knorr-Bremse AG has ensured the continuity and stability of the full Executive Board with its latest membership decisions. Dr. Nicolas Lange, the long-standing Chairman of the Management Board of Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, was appointed to the full Executive Board with responsibility for Rail Vehicle Systems as of October 1, 2023, replacing Dr. Jürgen Wilder following the latter's departure.

Moreover, the Supervisory Board has extended the contract of chief human resources officer Dr. Claudia Mayfeld for a further five years with effect from May 2024, doing so prior to her contract's expiration and thus ensuring in particular that the ongoing transformation process in the corporate culture is maintained with consistency. Claudia Mayfeld continues to have global responsibility for HR, Integrity, Legal Affairs, IP, and Data Protection.

Group Confirms Guidance for 2023

The company is confirming its guidance for the 2023 fiscal year. Assuming that exchange rates remain as they are, that the geopolitical and macroeconomic environments remain mostly stable, that there are no new Covid-19 lockdowns, that inflation-related cost increases are compensated for and that there are no additional supply chain issues caused by potential energy shortages, the company expects revenue between € 7,500 million and € 7,800 million, an operating EBIT margin of 10.5% to 12.0% and free cash flow from € 350 million to € 550 million for the 2023 fiscal year.

The full quarterly report is available at www.knorr-bremse.com. Notes to and reconciliations with the financial indicators used can be found in the 2022 Annual Report of Knorr-Bremse AG (available under [Investor Relations/Annual Report](#)).

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Key Figures for the Knorr-Bremse Group:

	January to September			Third Quarter		
	2023	2022	Δ	2023	2022	Δ
	€ million	€ million		€ million	€ million	
Order intake	6,216	5,917	+5.1%	1,980	1,879	+5.4%
Order book (September 30)	7,191	6,878	+4.6%	7,191	6,878	+4.6%
Revenues	5,856	5,198	+12.7%	1,939	1,792	+8.2%
EBITDA	880	767	+14.6%	304	278	+9.1%
EBITDA margin	15.0%	14.8%	+20 bp	15.7%	15.5%	+20 bp
Operating EBITDA margin	15.2%	15.2%	+/-0 bp	15.7%	15.7%	+/-0 bp
EBIT	622	543	+14.5%	223	200	+11.4%
EBIT margin	10.6%	10.4%	+20 bp	11.5%	11.2%	+30 bp
Operating EBIT margin	10.9%	10.9%	+/-0 bp	11.5%	11.3%	+20 bp
Free cash flow	65	-229	+128.3%	230	38	+513.5%
Capital expenditure (before IFRS 16 and acquisitions)	222	226	-1.9%	83	86	-3.3%
R&D costs as % of revenues	6.5%	6.7%	-20 bp	6.6%	6.5%	+10 bp
Earnings per share (in EUR)	2.30	2.32	-0.02	0.79	0.90	-0.11

Key Figures for the Knorr-Bremse Divisions:

	January to September			Third Quarter		
	2023	2022	Δ	2023	2022	Δ
	€ million	€ million		€ million	€ million	
RVS division						
Revenues	2,746	2,453	+11.9%	932	855	+9.1%
EBITDA	496	447	+11.0%	168	163	+2.9%
EBITDA margin	18.1%	18.2%	-10 bp	18.0%	19.1%	-110 bp
Operating EBITDA margin	18.0%	19.2%	-120 bp	18.0%	19.4%	-140 bp
EBIT	385	349	+10.5%	134	130	+3.4%
EBIT margin	14.0%	14.2%	-20 bp	14.4%	15.2%	-80 bp
Operating EBIT margin	14.1%	15.2%	-110 bp	14.4%	15.6%	-120 bp
CVS division						
Revenues	3,112	2,747	+13.3%	1,007	938	+7.4%
EBITDA	410	345	+19.1%	146	124	+18.4%
EBITDA margin	13.2%	12.5%	+70 bp	14.5%	13.2%	+130 bp
Operating EBITDA margin	13.5%	12.5%	+100 bp	14.6%	13.2%	+140 bp
EBIT	285	237	+20.2%	106	87	+22.4%
EBIT margin	9.2%	8.6%	+60 bp	10.5%	9.2%	+130 bp
Operating EBIT margin	9.6%	8.6%	+100 bp	10.6%	9.2%	+140 bp

About Knorr-Bremse

Knorr-Bremse (ISIN: DE000KBX1006, ticker symbol: KBX) is the global market leader for braking systems and a leading provider of other systems for rail and commercial vehicles. Knorr-Bremse's products make a decisive contribution to improving safety and energy efficiency on rail tracks and roads around the world. Some 32,600 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services. In 2022, Knorr-Bremse's two divisions together generated global revenues of EUR 7.1 billion. For more than 115 years, the company has been the industry innovator, driving developments in mobility and transportation technologies with an edge in connected system solutions. Knorr-Bremse is one of Germany's most successful industrial companies and profits from the key global megatrends: urbanization, sustainability, digitalization and mobility.

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