

Press release

Knorr-Bremse Starts with Increased Profits into 2023

- **Order intake at € 2.2 billion, benefiting from very high demand in the first quarter; order book increases by 18.6% to a record level of € 7.1 billion**
- **Rail and Commercial divisions contribute to strong growth in sales; consolidated revenues up a significant 14.3% at € 1.9 billion globally**
- **Measures to safeguard profitability have been implemented successfully: operating EBIT rises by 5.6% to € 192 million, operating EBIT margin reaches 10.0% (Q1/22: 10.9%)**
- **Sale of Sheppard foundry in the USA signed**
- **Financial guidance for 2023: Knorr-Bremse confirms forecast**

Munich, May 11, 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 quarter of 2023.

Marc Llistosella, Chief Executive Officer of Knorr-Bremse AG: “While the global economic environment has improved significantly, it is still very tense. We as a global market and technology leader are overcoming the crisis much better than many other comparable businesses and we successfully generated good results in the first three months of this year. We are not going to rest on these results, though, and are doing everything we can to increase our results and profitability. To this end, we are rigorously orienting our business activities toward performance and developing a long-term vision for the entire Group for further profitable and sustainable growth. This process is already underway and we will be presenting the initial results in July. There will be no taboos, and it is important that we even consider divesting operations that no longer fit our business and profitability strategies if this is the right choice.”

Frank Markus Weber, Chief Financial Officer of Knorr-Bremse AG: “We closed the first quarter of 2023 with strong revenue growth of roughly 14%, coming to € 1.9 billion. Simultaneously, our order book of € 7.1 billion reached a new record. These are strong signs to start the year with. We are being confronted with a difficult economic environment in the current fiscal year, as with the previous year. Despite that, we successfully reached a very robust operating EBIT growth and a margin of 10% in the first quarter. This shows that we are on the right path with the comprehensive Profit and Cash Protection Program that we implemented early on to adapt our variable and overhead costs and adjust our pricing.”

Record Order Intake and Order Book, Sales up Strongly

Despite the inflation-related price rises, Knorr-Bremse is still seeing very good demand among customers in Asian and North American countries. Order intake in the first quarter of 2023 rose by 3.2% year over year to a new record of € 2,176 million (Q1/22: € 2,109 million). Knorr-Bremse also recorded a strong 18.6% increase in its order book, which grew to

€ 7,116 million (March 31, 2022: € 5,998 million). The Group's sales were up 14.3% at € 1,908 million (Q1/22: € 1,669 million).

The operating EBIT margin reached 10.0%. Compared with the previous year, the inflationary pressure and decline in Russia had particularly negative effects. The initiated countermeasures were, however, successful and resulted in the year-over-year decline only being relatively small (Q1/22: 10.9%). Operating EBIT rose by 5.6% to € 192 million (Q1/22: € 182 million). Free cash flow improved and ran at € -199 million in the first quarter of 2023 (Q1/22: € -231 million). Inventories remain relatively high as Knorr-Bremse considers it important to safeguard its delivery capability. At the same time, the positive sales performance and customers' payment behaviors meant that receivables rose by a significant amount as well. The company is working on improving both line items tangibly over the coming quarters.

Rail Vehicle Systems (RVS) Division Expects Improved Profit as Fiscal Year Progresses

Order intake in the Rail Vehicle Systems (RVS) division in the first quarter of 2023 was recorded at € 1,000 million, a decline of 7.4% (Q1/22: € 1,081 million). The order book as of March 31 was valued at € 5,026 million (Q1/22: € 4,181 million). Revenue was up 10.3% at € 855 million (Q1/22: € 775 million).

Due in particular to the loss of Russia-based business, the operating EBIT for RVS was € 112 million in the first quarter of this year, a drop of 8.2% on the previous year's quarter (Q1/22: € 122 million). This result also reflected the effects of inflation. Accordingly, the operating EBIT margin fell to 13.1% from the previous year's level (Q1/22: 15.7%). For the following quarters in 2023, the division expects further success out of the Profit and Cash Protection Program (PCPP) and an improved margin due to increasing sales and the planned sale of Kiepe Electric respectively.

In the first quarter of 2023, the RVS division announced, among other things, a new, high-value order in Italy, which for Knorr-Bremse is one of the most important and promising rail markets in Europe. This order, concluded with Hitachi Rail for multiple systems, involves extensive equipment for a new generation of metro trains in the Milan region. As part of it, Knorr-Bremse will supply its new passenger train coupling systems to a customer for the first time anywhere in the world from this year on already.

Work is proceeding at full speed to drive further innovation, too. Currently, Knorr-Bremse is testing its Digital Automatic Coupler (DAC) in real-world conditions in a freight train in Sweden. The DAC is considered a key innovation for automated rail freight transportation.

Commercial Vehicle Systems (CVS) Division Sees Persistently Strong Customer Demand, Successful Price Adjustments and Significant Increase in Sales

The commercial vehicle industry continued to see high demand in the European and North American markets, accompanied by a good recovery in the Chinese market. Truck production rates in Europe, North America and China developed very positively year over year and acted as a main driving force for the division. The order intake in the first three months of 2023 was € 1,176 million, up 14.2% on the previous year's corresponding value (Q1/22: € 1,030 million). The order book as of March 31, 2023, came to € 2,091 million, having grown by 14.1% (Q1/22: € 1,832 million). Compared with the same quarter of the previous year, CVS' revenue increased by 17.7% to € 1,053 million (Q1/22: € 895 million), which is attributable to measures such as successfully passing on the inflation to customers.

Operating EBIT in the CVS segment amounted to € 95 million in the first quarter of 2023, up 24.8% on the previous year's level (Q1/22: € 76 million). The operating EBIT margin, at 9.0%, had improved slightly on the same quarter of the previous year (Q1/22: 8.5%). The reason for this positive development was the successful implementation of the Profit and Cash Protection Program, including in particular the raising of customer prices.

Overall, the CVS division continues to focus especially on the ongoing development of its product portfolio in the categories of e-mobility, connectivity, automated driving and aftermarket. Sustainability in particular has a major role in this.

Just in late April, Knorr-Bremse announced the successful launch of Knorr-Bremse TruckServices, its CVS aftermarket brand, in South America and presented the TruckServices portfolio for dealers, workshops and fleets at Automec 2023, the largest trade fair for the aftermarket, in South America. Moreover, Knorr-Bremse TruckServices and Fersa Bearings, a Spanish specialist in wheel bearings, expanded their strategic partnership to the South American market.

Portfolio Measures: Sale of Sheppard Foundry in the USA signed

To optimize its portfolio, the CVS division in the USA has signed the sale of a foundry belonging to Sheppard, an investment of Knorr-Bremse's American subsidiary Bendix. Sheppard, one of the leading North American manufacturers of steering systems for commercial vehicles, will now be able to focus more on its core business again.

Sustainability: Significant Expansion of Carbon Emission Reduction Targets

For Knorr-Bremse, sustainability is an integral part of its business strategy. The company is consistently pushing ahead with its ESG activities for this reason. Owing to the success achieved so far in reducing production-related carbon emissions (Scopes 1 and 2), the Executive Board of Knorr-Bremse AG has decided to amend its previous target of halving emissions by 2030, compared with the base year 2018, and raise it to 75% reduction.

Additionally, Knorr-Bremse extended the Knorr-Bremse climate targets to its value chain at the start of 2023 and published targets for reducing greenhouse gas emissions in its upstream and downstream value chains (Scope 3) for the first time in the Sustainability Report that was released recently. They provide for a 25% reduction of the Scope 3 emissions associated with the business activities of Knorr-Bremse by 2030, compared with the base year 2021.

Financial Guidance for 2023 Fiscal Year Confirmed

Knorr-Bremse confirms its financial 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 inflationary cost increases will be compensated and that there are no additional supply chain issues caused by potential energy shortages, the company expects revenue between € 7,300 million and € 7,700 million, an operating EBIT margin of 10.5% to 12.0% and free cash flow of € 350 million to € 550 million for the 2023 fiscal year.

Key Figures for the Knorr-Bremse Group:

	January - March		
	2023	2022	Δ
	EUR million	EUR million	
Order intake	2,175.9	2,109.3	+3.2%
Order book (March 31)	7,116.0	5,998.0	+18.6%
Revenues	1,907.6	1,669.4	+14.3%
EBITDA	276.6	254.0	+8.9%
EBITDA margin	14.5%	15.2%	-70 bp
Operating EBITDA margin	14.5%	15.2%	-70 bp
EBIT	190.1	181.5	+4.7%
EBIT margin	10.0%	10.9%	-90 bp
Operating EBIT margin	10.0%	10.9%	-90 bp
Free cashflow	-198.9	-231.3	+14%
Capital expenditure (before IFRS 16 and acquisitions)	64.3	64.3	-0.1%
R&D costs in % of revenues	6.8%	7.1%	-30 bp
Earnings per share (in EUR)	0.77	0.77	+/-0.0%

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

	January - March		
	2023	2022	Δ
	EUR million	EUR million	
RVS division			
Revenues	855.2	775.0	+10.3%
EBITDA	149.8	154.0	-2.7%
EBITDA margin	17.5%	19.9%	-240 bp
Operating EBITDA margin	17.5%	19.9%	-240 bp
EBIT	111.8	121.7	-8.2%
EBIT margin	13.1%	15.7%	-260 bp
Operating EBIT margin	13.1%	15.7%	-260 bp
CVS division			
Revenues	1,052.9	894.9	+17.7%
EBITDA	134.8	111.4	+21.0%
EBITDA margin	12.8%	12.5%	+30 bp
Operating EBITDA margin	12.8%	12.5%	+30 bp
EBIT	93.5	76.2	+22.7%
EBIT margin	8.9%	8.5%	+40 bp
Operating EBIT margin	9.0%	8.5%	+50 bp

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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 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 revenues of € 7.1 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 mobility.

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