

Press release

Knorr-Bremse increases revenue and profit significantly and achieves excellent result for 2021

- **Strong revenues increase of 9 %, reaching approximately EUR 6.7 billion thanks to larger market shares in Europe and very good performance in growing markets such as North America**
- **EBIT of EUR 920.3 million up 13.1 % year on year, operating EBIT margin rises by 40 basis points to 13.6 %**
- **EBITDA of EUR 1,210.7 million emphasizes the stability and security of the Knorr-Bremse AG business model**
- **Significant 13.1 % jump in orders received for a new record value of EUR 7.3 billion – supported by strong growth in the fourth quarter**
- **New record with approximately EUR 5.6 billion in orders on books**
- **Strong free cash flow of EUR 600 million at year end and cash-conversion ratio of 92.3 %**
- **Sustainability: carbon neutrality achieved at year-end 2021 and ESG targets to be part of executive remuneration as of 2022**
- **Guidance for 2021 achieved and a strong outlook for 2022, with revenue between EUR 6.8 billion and EUR 7.2 billion, an operating EBIT margin between 12,5 % and 14.0 % and a free cash flow between EUR 500 million and EUR 600 million**

Munich, February 24, 2022 – Knorr-Bremse AG is moving from success to success. The global market leader for braking systems and other systems for rail and commercial vehicles presented its preliminary results for the 2021 fiscal year in Munich today.

Dr. Jan Mrosik, Chief Executive Officer of Knorr-Bremse AG, said, *“The previous year was another major challenge for many companies, given the global Covid-19 pandemic and the impacts from it. Even several Knorr-Bremse customers postponed their orders. We also experienced supply-chain constraints, especially in our Truck division. This makes me all the more pleased that we were able to keep our delivery promises in almost all cases thanks to our many initiatives and our employees’ commitment. We demonstrated yet again that our business model is extremely stable, and our excellent results for the fiscal year just ended offer impressive proof of this. We recorded a very strong order inflow with over EUR 2.2 billion of orders received in just the fourth quarter alone, which let us conclude the year with a record amount of roughly EUR 5.6 billion on our order books. This is a fantastic evidence of the trust that our customers have in our products, our service, our innovativeness, and our reliability. It is also evidence of our sustainability as a business and the foundation for future, profitable growth. These are the best conditions for Knorr-Bremse continuing its success in 2022.”*

Frank Markus Weber, Chief Financial Officer of Knorr-Bremse AG, said, *“Despite the noticeable hindrances caused by the Covid-19 pandemic, our view of the long-term megatrends such as urbanization, sustainability, digitalization, and mobility remains just as positive in both our divisions, Commercial Vehicle Systems and Rail Vehicle Systems. Knorr-Bremse was able to achieve outstanding profitability with an operating EBITDA margin of 17,9 % and an operating EBIT margin of 13.6 %, while generating a strong free cash flow of EUR 600,0 million. Our cash-conversion ratio is an excellent 92.3 % after two straight years of being over 100 % and is within our long-term target corridor. Our earnings per share have improved significantly again, growing by 26 % to EUR 3.87 during the last fiscal year. We have also improved our ESG status and achieved our crucial goal of carbon neutrality in 2021. Overall, Knorr-Bremse has a superb financial profile with strong profitability, high liquidity, rock-solid assets, and a clear growth path.”*

Revenue in line with guidance, strong profit delivered, despite Covid-19 and supply shortages

The Group’s revenue in the 2021 fiscal year rose by 8.9 % to EUR 6,705.6 million (previous year: EUR 6,156.7 million) and was driven especially by strong growth in the commercial-vehicle market. This growth came from the Europe and North America regions in particular. Thanks to it and the continued tight control over costs, the Group attained an operating EBIT of EUR 920.3 million (previous year: EUR 814.0 million) and an operating EBIT margin of 13.6 % (previous year: 13.2%). EBITDA during the 2021 fiscal year came in at EUR 1,210.7 million (previous year: EUR 1,106.9 million), with an operating EBITDA margin of 17,9 % (previous year: 18.0 %). A free cash flow of EUR 600,0 million was generated, down from the EUR 687.3 million of the previous year when there were several large-scale effects to profit from.

Record-level orders on books

In the 2021 fiscal year the Knorr-Bremse Group’s order intake rose by 13.1 % to a new record amount of EUR 7,286.7 million after EUR 6,441.8 million during the previous year. This development is in particular the result of a strong rise in demand in the commercial-vehicle market and had, as at December 31, 2021, led to an order book worth EUR 5,558.1 million (previous year: EUR 4,977.0 million).

Rail Vehicle Systems (RVS) Division very strong at year end

The market for rail vehicles was also affected by the impacts of the Covid-19 pandemic during the 2021 fiscal year. Viewed year on year, the RVS division received stable orders despite the slow recovery of rail transportation. Simultaneously, its order book as at December 31, 2021 had grown by 4.1 % to EUR 3,875.1 million (previous year: EUR 3,721.4 million). In this volatile environment, the RVS division’s revenue remained approximately at the previous year’s level at EUR 3,317.0 million (previous year: EUR 3,336.8 million). RVS is expected to return to growth during the current fiscal year. The operating EBIT margin in 2021 came to 18.1 % (previous year: 19.1 %).

Commercial Vehicle Systems (CVS) Division seeing constant strong demand

The global commercial-vehicle market was down 1 % year on year in 2021 when measured by the truck-production rate. While the production rates in Europe, North America, and South America recovered as the year progressed, this stood against a strong decline in Asia during the second half of 2021. The CVS division still achieved a strong result in spite of the difficult market environment, with revenue in the 2021 fiscal year rising by 20.2 % to EUR 3,390.2 million (previous year: EUR 2,819.4 million). At the same time, the division’s profitability improved significantly with an operating EBIT margin of 10.7 % (previous year: 8.3 %). Its

orders received increased by 29.2 % to a value of EUR 3,818.0 million (previous year: EUR 2,954.2 million). Its order book reached a record value of EUR 1,696.8 million (previous year: EUR 1,269.0 million).

Innovation a key driver of profitable growth

By making strong investments, Knorr-Bremse again promoted its leadership in innovation and technology and its strong market position in the rail and truck segments last year. Knorr-Bremse raised its expenditure for research and development by 8.8 % to EUR 431.4 million (previous year: EUR 396.4 million), R&D spending reached 6.4 % of Group revenue. The focus for investments was again on future-oriented research and development projects, which in the CVS division included electric commercial vehicles, driver-assistance systems and road safety, automated driving, connectivity, and enhancements in the commercial-vehicle steering business such as fully electric power steering (EPS). Developments in the RVS division concentrated on solutions for automated train operation, including the development of Reproducible Braking Distance, Digital Automatic Coupling for freight trains, and enhancements of digital services such as ones for improved life-cycle management for rail vehicles, higher availability, and reduced environmental impact.

Knorr-Bremse sites carbon-neutral since year-end 2021 – Scope 3 disclosure in 2022

Knorr-Bremse also has a focus on implementing its 2030 climate strategy, which sets out two goals for Knorr-Bremse. The first is to halve carbon emissions by 2030 in accordance with the Paris Agreement's targets, while the second is to make Knorr-Bremse's places of business carbon-neutral. Knorr-Bremse will use energy efficiency, in-house production, and the sourcing of renewable energies as tools for reducing its carbon emissions by 2030. The unavoidable emissions that remain after meeting the reduction target will be reduced through the additional use of renewable energies and will be offset by purchasing reputable carbon-offset certificates. Knorr-Bremse's business sites have been carbon-neutral since the end of 2021, which means it has achieved its second goal. Additionally, Knorr-Bremse will disclose selected Scope 3 emissions for the first time in its 2021 sustainability report in May this year.

To bolster the sustainability mindset throughout its management and across its workforce, it has also launched a new, global remuneration system for its Executive Board and management to take effect as of the 2022 fiscal year. This will see 20 % of short-term variable remuneration become based on the achievement of sustainability targets for climate protection and occupational safety and health as well as on sustainability ratings.

The Knorr-Bremse Group had a total of 30,544 employees (full-time equivalent) as of December 31, 2021, an increase of 2.8 % year on year (previous year: 29,714). This increase was primarily due to organic growth. The proportion of employees globally who were women rose to 20.3 % (previous year: 19.9 %), while the proportion of women in leadership positions increased to 14.1 % (previous year: 13.2 %).

Positive outlook for 2022

Knorr-Bremse's order book gives it a strong foundation for 2022. While ongoing shortages in the semiconductor industry might have impacts, especially on our Commercial Vehicle Systems division, we are generally expecting positive market prospects for the rail- and commercial-vehicle segments. Provided the economic and political environment remains stable in 2022 and there are no new slumps as a result of the Covid-19 pandemic or limitations from supply-chain constraints, Knorr-Bremse forecasts revenue between EUR 6,800 million and EUR 7,200 million, an operating EBIT margin of 12.5 % to 14.0 % for the 2022 fiscal year and a free cash flow between EUR 500 to 600 million.

Key Figures for the Knorr-Bremse Group:

Group:	Full year			Fourth Quarter		
	2021	2020		2021	2020	
	EUR million	EUR million	Δ	EUR million	EUR million	Δ
Order intake	7,286.7	6,441.8	+13.1%	2,248.6	2,086.8	+7.8%
Order book	5,558.1	4,977.0	+11.7%	5,558.1	4,977.0	+11.7%
Revenues	6,705.6	6,156.7	+8.9%	1,697.5	1,567.4	+8.3%
EBITDA	1,210.7	1,106.9	+9.4%	294.4	302.7	(2.8%)
EBITDA margin	18.1%	18.0%	+10 bp	17.3%	19.3%	(200 bp)
operating EBITDA margin	17.9%	18.0%	(10 bp)	16.7%	19.3%	(260 bp)
EBIT	920.3	814.0	+13.1%	211.7	221.9	(4.6%)
EBIT margin	13.7%	13.2%	+50 bp	12.5%	14.2%	(170 bp)
operating EBIT margin	13.6%	13.2%	+40 bp	11.8%	14.2%	(240 bp)
R&D costs in % of sales	6.4%	6.4%	+0 bp	6.8%	6.5%	+30 bp
Capital expenditure	375.5	341.7	+9.9%	163.5	111.7	+46.3%
Net income	650.4	532.2	+22.2%	154.2	134.7	+14.5%
Earnings per share	3.87	3.07	+26.1%	0.90	0.78	+15.4%
Free cash flow	600.0	687.3	(12.7%)	303.0	518.8	(41.6%)
Employees (31.12.)	30,544	29,714	+2.8%			

Divisions:	Full Year			Fourth Quarter		
	2021	2020		2021	2020	
	EUR million	EUR million	Δ	EUR million	EUR million	Δ
RVS						
Order intake	3,470.7	3,485.1	(0.4%)	1,281.0	1,095.2	+17.0%
Revenues	3,317.0	3,336.8	(0.6%)	857.3	774.2	+10.7%
EBITDA	718.4	764.2	(6.0%)	186.9	196.1	(4.7%)
EBITDA margin	21.7%	22.9%	(120 bp)	21.8%	25.3%	(350 bp)
operating EBITDA margin	22.0%	22.9%	(90 bp)	22.7%	25.3%	(260 bp)
EBIT	587.7	636.6	(7.7%)	147.9	164.6	(10.2%)
EBIT margin	17.7%	19.1%	(140 bp)	17.2%	21.3%	(410 bp)
operating EBIT margin	18.1%	19.1%	(100 bp)	18.2%	21.3%	(310 bp)
CVS						
Order intake	3,818.0	2,954.2	+29.2%	968.3	991.6	(2.4%)
Revenues	3,390.2	2,819.4	+20.2%	840.8	793.2	+6.0%
EBITDA	500.6	381.2	+31.3%	100.8	121.4	(16.9%)
EBITDA margin	14.8%	13.5%	+130 bp	12.0%	15.3%	(330 bp)
operating EBITDA margin	14.8%	13.5%	+130 bp	12.0%	15.3%	(330 bp)
EBIT	361.1	235.1	+53.6%	62.5	77.2	(19.0%)
EBIT margin	10.7%	8.3%	+240 bp	7.4%	9.7%	(230 bp)
operating EBIT margin	10.7%	8.3%	+240 bp	7.4%	9.7%	(230 bp)

Media Relations:

Alexander Stechert-Mayerhöfer, phone: +49 89 3547 1942, alexander.stechert-mayerhoefer@knorr-bremse.com

Investor Relations:

Andreas Spitzauer, phone: +49 89 3547 182310, andreas.spitzauer@knorr-bremse.com

The figures presented above are preliminary and unaudited. The full annual financial statements and annual report will be published on www.knorr-bremse.com on March 31, 2022.

The annual press conference with Chief Executive Officer Dr. Jan Mrosik and Chief Financial Officer Frank Markus Weber on the preliminary figures for the 2021 fiscal year will be broadcast today at 9 a.m. CET. The broadcast can be followed on our website at www.knorr-bremse.com.

A webcast for investors, featuring Chief Executive Officer Dr. Jan Mrosik and Chief Financial Officer Frank Markus Weber and discussing the preliminary figures for the 2021 fiscal year, will be held today at 1 p.m. CET. The presentations are available on our website at www.knorr-bremse.com.

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