

Press release

Knorr-Bremse Sees Strong Growth in Revenues and Profit in H1 2023

- **Revenues up by a significant 15.0% at € 3.9 billion in H1 2023**
- **Demand remains robust in both divisions, with order intake up 4.9% at € 4.2 billion**
- **Order book reaches new record at € 7.1 billion (+6.4%)**
- **Profitability starting to develop positively, with operating EBIT rising by 13.8% to € 415 million and operating EBIT margin stable at approx. 10.6% (Q1/2023: 10.0%, Q2/2023: 11.1%)**
- **Portfolio review: Sheppard foundry sold, sale of Kiepe signed off**
- **Sustainability: 2030 climate targets validated by Science Based Targets initiative**
- **Guidance for 2023 confirmed and revenue target increased to € 7.5 billion to € 7.8 billion (previously: € 7.3 billion to € 7.7 billion)**
- **“BOOST 2026” program launched – strategic initiatives to generate additional, profitable growth and add value**

Munich, August 10, 2023 – Knorr-Bremse AG, the global market leader for braking systems and a leading supplier of other rail and commercial vehicle systems, today published its results for the first half and second quarter of 2023.

Marc Llistosella, Chief Executive Officer of Knorr-Bremse AG: “Our company performed well in the first half of 2023 and we are continuing to see robust demand in both divisions. We now expect increased revenue between € 7.5 billion and € 7.8 billion for the 2023 fiscal year, up from our previous target of € 7.3 billion to € 7.7 billion, since truck production rates as well as the development of the aftermarket business in the Rail Vehicle Systems division have exceeded our expectations. We have launched our ‘BOOST 2026’ program so that we can increase our performance and safeguard our position as a global market and technology leader in market conditions that remain difficult or are deteriorating further. Our price increases and cost control measures are already making an impact and we are pleased to report that our profitability increased accordingly in the past quarter. Moreover, the BOOST measures will generate additional profitable growth and add value for Knorr-Bremse.”

Frank Markus Weber, Chief Financial Officer of Knorr-Bremse AG: “We closed the first half of 2023 with strong revenue growth of roughly 15%, coming to roughly € 3.9 billion. Operating EBIT also improved as expected in the second quarter, which resulted in a 14% gain to € 415 million in the first half of 2023. This result reflects the effectiveness of our profit

optimization measures already initiated under the Profit and Cash Protection Program (PCPP). Boosted by our record order book, this positive trend should last.”

Order Intake and Order Book Still Robust, Sales up Strongly

Customer demand is strong across all regions. The 4.9% increase in incoming orders in the first half of 2023, to € 4,236 million (H1/22: € 4,038 million), represents another record. The order book also saw a strong gain of 6.4% and grew to € 7,122 million (June 30, 2022: € 6,695 million). Consolidated revenues successfully increased by a significant 15.0% to € 3,917 million (H1/22: € 3,406 million).

The positive revenue development, higher prices for our customers, the successful implementation of cost control measures and improved working capital management contributed to the improvement in the operating EBIT margin and free cash flow. While the first quarter of 2023 was still weak, the positive effects of the countermeasures under the PCPP became clearly recognizable in the second quarter, with the operating EBIT margin rising to 11.1% in the second quarter of 2023 from 10.5% in the same period of the previous year. Free cash flow in the first half of 2023 also improved significantly, from € -267 million in the previous year to € -165 million. Knorr-Bremse therefore achieved a significant 13.8% gain in its operating EBIT in the first half of the year, bringing it to € 415 million (H1/22: € 365 million), and maintained a stable operating EBIT margin of 10.6% compared to the previous year (H1/22: 10.7%). This result indicates that the loss of Russia-based business and costs of inflation have been fully offset.

Rail Vehicle Systems (RVS) Division Seeing Significant Increase in Revenues

Order intake in the Rail Vehicle Systems (RVS) division in the first half of 2023 was recorded at € 2,025 million, a slight decline of 4.8% (H1/22: € 2,128 million). The order book as of June 30, 2023, had increased to € 5,060 million (June 30, 2022: € 4,769 million). Revenue was up 13.5% year over year at € 1,813 million (H1/22: € 1,598 million).

The operating EBIT for RVS in the first half of the year was € 253 million and 5.4% up on the previous year's value (H1/22: € 240 million). The operating EBIT margin in the first half of 2023 went down year over year to 14.0% (H1/22: 15.0%), however, it exhibited a significant recovery thanks to the successful cost control measures and pricing adjustments to offset inflation in the second quarter. The division is expecting its profitability to develop well in the following quarters of 2023 due to the good revenue developments and further success in the PCPP.

In the first half of 2023, the RVS division announced, among other things, the placement of a high-value, multiple-system order with Hitachi Rail for extensive equipment for a new generation of metro trains in the Milan region and expanded its presence in the South Korean transportation market through a further important supply contract with leading train manufacturer Dawonsys. The agreement involves equipping a large fleet of regional and commuter trains – 208 carriages in total – with complete Knorr-Bremse braking systems. KORAIL, the national railway operator in South Korea, is expected to put the first trains in service at the end of the first quarter of 2024.

Furthermore, Knorr-Bremse has received an order to fit braking systems in 36 new metro trains, with 288 carriages in total, from CRRC – the world's largest train manufacturer – for the megacity of Chengdu. Knorr-Bremse has already successfully worked together with CRRC for decades. The order will see Knorr-Bremse take on a further project to supply braking systems for metro trains that reach a maximum speed of 140 km/h. Thanks to its

strong presence in research, development, production and customer service, Knorr-Bremse meets the high requirements for localization and is cementing its position in China, an important core market, with the order.

Commercial Vehicle Systems (CVS) Division Profiting from Positive Market Developments

The commercial vehicle industry has continued to develop positively. The sustained high demand led to significantly increased truck production rates in Europe, North America and, in particular, China since the beginning of the year. Accordingly, the Commercial Vehicle Systems division's incoming orders and order book developed positively. The order intake in the first half of 2023 was € 2,212 million, up 15.8% on the previous year's corresponding value (H1/22: € 1,911 million). The order book as of June 30, 2023, came to € 2,063 million, having grown by 7.0% (June 30, 2022: € 1,927 million). CVS' revenue increased by 16.4% year over year to € 2,105 million (H1/22: € 1,809 million).

Operating EBIT in the CVS segment amounted to € 193 million in the first half of 2023, up 28.1% on the previous year's level (H1/22: € 151 million). The operating EBIT margin improved from 8.3% in the first half of 2022 to 9.2% in the first half of 2023 thanks to the strong aftermarket business and the successful implementation of the profit optimization program, including in particular the increase in prices that customers pay.

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. Knorr-Bremse's efforts to further develop safe, efficient and sustainable transportation received acclaim again just recently. Automobilclub KS e.V., an automotive association, has given Knorr-Bremse its 41st KS Energy and Environment Award in the "Vehicle Technology" category for the company's brake drag torque reduction system. Usage of this system reduces fuel consumption in urban and long-distance transportation by up to one percent.

Back in late April, Knorr-Bremse launched 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 Review: Sale of Sheppard Foundry Completed, Sale of Kiepe Electric Signed Off

Knorr-Bremse is determinedly continuing with its ongoing portfolio review process, a core element of the BOOST program to improve its efficiency, speed and power. In the US, the CVS division has successfully completed the sale of a foundry belonging to Sheppard, an investment of Knorr-Bremse's American subsidiary Bendix. Sheppard is one of North America's leading manufacturers of steering systems for commercial vehicles. The Kiepe Group, the specialist for electrical traction equipment and whose companies are allocated to the Rail Vehicle Systems division, are planned to be sold as part of a portfolio adjustment. A buyer has now been found in the form of Heramba GmbH and Heramba Holdings, Inc. and an agreement signed with it. The closing of the agreement is subject to customary regulatory and other conditions. Knorr-Bremse is confident of the closing of the agreement in the near future. Further portfolio measures are being assessed to increase Knorr-Bremse's profitability further and to reach the optimal strategic alignment.

Sustainability: Knorr-Bremse's Climate Targets¹ Validated by SBTi

For Knorr-Bremse, sustainability is an integral element of business strategy. The company is consistently pushing ahead with its sustainability activities for this reason. During the current fiscal year, the company significantly increased its target for reducing production-related carbon emissions (Scope 1+2) from initially -50% to -75% until 2030 compared to the 2018 baseline.

Additionally, Knorr-Bremse extended its climate targets also to the value chain. In the 2023 Sustainability Report the company published for the first time its targets for reducing greenhouse gas emissions from the upstream and downstream value chain (Scope 3): By 2030, absolute Scope 3 CO₂ emissions from purchased goods and services, upstream transportation and distribution, and from the use phase of sold products are to be reduced by 25 percent compared with the base year 2021.

Knorr-Bremse's ambitious climate targets were validated by the internationally recognized Science Based Targets initiative (SBTi) in June 2023.

Guidance for 2023 Fiscal Year Confirmed and Revenue Target Raised

Knorr-Bremse confirms its guidance for the 2023 fiscal year and is raising its revenue target. 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 (previously: € 7,300 million to € 7,700 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.

Events after the Reporting Period

On July 18, i.e., after the end of the second quarter, Knorr-Bremse released a comprehensive strategy update and presented its corporate "BOOST 2026" program. The overarching targets that were set were an increase in revenues to € 8 billion to € 9 billion, an EBIT margin of more than 14% and a cash conversion rate of 80% to 90% by 2026. For more information, please refer to the corresponding press release and the associated investor presentation at the following links:

[Press release from July 18, 2023: "Knorr-Bremse Lays Groundwork for the Future: Global Strategy Update 'Next Level' with Strong Focus on Profitable Growth"](#)

[Presentation from July 18, 2023: Strategy Update 2023](#)

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

¹ Knorr-Bremse AG commits to reduce absolute scope 1 and 2 GHG emissions 75% by 2030 from a 2018 base year. Knorr-Bremse AG also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, upstream transport and distribution and use of sold products 25% by 2030 from a 2021 base year.

Key Figures for the Knorr-Bremse Group:

	Half year			Second quarter		
	2023	2022	Δ	2023	2022	Δ
	EUR million	EUR million		EUR million	EUR million	
Order intake	4,236	4,038	+4.9%	2,060	1,928	+6.8%
Order book (June 30)	7,122	6,695	+6.4%	7,122	6,695	+6.4%
Revenues	3,917	3,406	+15.0%	2,010	1,737	+15.7%
EBITDA	576	489	+17.8%	299	235	+27.4%
EBITDA margin	14.7%	14.4%	+30 bp	14.9%	13.5%	+140 bp
Operating EBITDA margin	14.9%	15.0%	-10 bp	15.2%	14.8%	+40 bp
EBIT	399	343	+16.3%	209	162	+29.4%
EBIT margin	10.2%	10.1%	+10 bp	10.4%	9.3%	+110 bp
Operating EBIT margin	10.6%	10.7%	-10 bp	11.1%	10.5%	+60 bp
Free cash flow	-165	-267	+38.0%	+34	-35	+195.4%
Capital expenditure (before IFRS 16 and acquisitions)	139	141	-1.1%	75	77	-2.1%
R&D costs in % of revenues	6.5%	6.8%	-30 bp	6.2%	6.6%	-40 bp
Earnings per share (in EUR)	1.51	1.42	+6.3%	0.74	0.66	+12.6%

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

	Half year			Second quarter		
	2023	2022	Δ	2023	2022	Δ
	EUR million	EUR million		EUR million	EUR million	
RVS division						
Revenues	1,813	1,598	+13.5%	958	823	+16.4%
EBITDA	328	284	+15.7%	179	130	+37.5%
EBITDA margin	18.1%	17.8%	+30 bp	18.6%	15.8%	+280 bp
Operating EBITDA margin	17.9%	19.1%	-120 bp	18.3%	18.4%	-10 bp
EBIT	251	219	+14.8%	139	97	+43.6%
EBIT margin	13.8%	13.7%	+10 bp	14.5%	11.8%	+270 bp
Operating EBIT margin	14.0%	15.0%	-100 bp	14.7%	14.3%	+40 bp
CVS division						
Revenues	2,105	1,809	+16.4%	1,052	914	+15.1%
EBITDA	264	221	+19.4%	129	109	+17.8%
EBITDA margin	12.5%	12.2%	+30 bp	12.3%	12.0%	+30 bp
Operating EBITDA margin	13.0%	12.2%	+80 bp	13.2%	12.0%	+120 bp
EBIT	179	151	+19.0%	86	74	+15.1%
EBIT margin	8.5%	8.3%	+20 bp	8.1%	8.1%	0 bp
Operating EBIT margin	9.2%	8.3%	+90 bp	9.3%	8.1%	+120 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. The products made by Knorr-Bremse contribute tremendously to increased safety and energy efficiency on railways and highways. About 32,600 employees who work at over 100 locations in more than 30 countries apply their expertise and motivation each day to meet their customers' needs for products and services. In 2022, both divisions of Knorr-Bremse generated a total of € 7.1 billion in revenue. For more than 115 years now, the company has been an innovative force in its industries. It fuels developments in mobility and transport technology and has moved to the forefront of connected system solutions. Knorr-Bremse is one of Germany's most successful industrial groups and profits from major global megatrends: urbanization, sustainability, digitalization, and mobility.

DISCLAIMER

This publication has been independently prepared by Knorr-Bremse AG. It may contain forward-looking statements which address key issues such as strategy, future financial results, events, competitive positions, and product developments. These forward-looking statements – like any business activity in a global environment – are always associated with uncertainty. They are subject to a number of risks, uncertainties and other factors, including, but not limited to, those described in Knorr-Bremse's disclosures. Should one or more of these risks, uncertainties, or other factors materialize, or should underlying expectations not occur or should assumptions prove incorrect, the actual results, performances, or achievements of Knorr-Bremse may vary materially from those described in the relevant forward-looking statements. Such forward-looking statements may be identified by words such as "expect," "want," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project," or words of similar meaning. Knorr-Bremse does not intend, nor does it assume any obligation, to update or revise its forward-looking statements regularly in light of developments which differ from those anticipated.

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