

Interim Report  
January 1 to June 30, 2021

# H1



**KNORR-BREMSE**

# Half-year financial report

JANUARY 1 TO JUNE 30, 2021  
KNORR-BREMSE AG

## Knorr-Bremse Group key performance indicators (IFRS)

### KNORR-BREMSE GROUP KEY PERFORMANCE INDICATORS (IFRS)

		1st half of 2021	1st half of 2020
Revenues	€ million	3,418.9	3,055.8
EBITDA	€ million	632.2	535.5
EBITDA margin	%	18.5	17.5
Operating EBITDA margin	%	18.5	17.5
EBIT	€ million	495.5	397.5
EBIT margin	%	14.5	13.0
Operating EBIT margin	%	14.5	13.0
Net income	€ million	346.1	256.9
Earnings per share (basic)	€	2.07	1.47
Incoming orders	€ million	3,602.9	2,727.1
Order book (June 30)	€ million	5,161.0	4,363.3
Operating cash flow	€ million	223.6	118.6
Free cash flow	€ million	108.2	(13.3)
Cash conversion rate	%	31.3	(5.2)
Capital expenditure (before IFRS 16 and acquisitions)	€ million	129.6	147.9
Capital expenditure as% of revenues (before IFRS 16 and acquisitions)	%	3.8	4.8
R&D costs	€ million	211.8	194.8
R&D costs as% of revenues	%	6.2	6.4
Total assets	€ million	7,356.7	7,390.0
Equity (incl. non-controlling interests)	€ million	2,089.2	1,921.7
Equity ratio	%	28.4	26.0
ROCE (annualized)	%	26.7	25.6
Net financial debt / (cash)	€ million	202.5	(102.8)
Net working capital	€ million	1,126.3	746.4
Employees (incl. leased personnel)		30,474	29,714

## First half of 2021

- » Encouraging development of the order situation: Order intake of € 3,602.9 million up 32.1% from the previous year and the pre-coronavirus level, primarily as a result of a very clear recovery in demand in the commercial vehicle business in all regions
- » Record order book of € 5,161.0 million up 18.3% on the previous year
- » Revenues of € 3,418.9 million significantly up on previous year by 11.9% as a result of noticeable growth in the global OE business in the commercial vehicle segment
- » Aftermarket revenues slightly up (1.4%) on the previous year's level; strong OE growth meant the aftermarket share of total revenue reduced from 37.7% to 34.2%
- » Strong increase in profitability: EBIT of € 495.5 million up 24.6% from the previous year with an EBIT margin (RoS) of 14.5%; a significant margin improvement of 1.5 percentage points compared with the previous year (13.0%) underlines profitable growth; the EBITDA margin of 18.5% rose significantly by 1.0 percentage point compared with the previous year (17.5%)
- » Free cash flow of € 108.2 million significantly up on previous year (€ -13.3 million), partly due to higher earnings contributions and the final payment received from a sale-leaseback transaction (for the northern part of the Munich site) in the first quarter of 2021
- » Full repayment of remaining credit facilities from Covid-19 measures program in the amount of € 500 million in the first half of 2021
- » Confirmed guidance for full year 2021:
  - » Revenue: € 6,500 to € 6,900 million (2020: € 6,157 million)
  - » Operating EBIT margin: 13.0% to 14.5% (2020: 13.2%)

# Group Interim Management Report

## BUSINESS REPORT

### General Economic and Industry-related Conditions

#### Economic Activity and Industry Environment

##### Global economy and financial markets

The development of the global economy in the first half of 2021 confirms the picture from analyst forecasts since the end of 2020 – i.e., a gradual but uneven recovery this year. Access to vaccines has proved to be the most important dividing line, along which the global recovery has been split into two blocks: those for whom a further normalization of activity is in prospect during the year (almost all advanced economies) and those that will be confronted with new infections and rising Covid-19 death rates. (Source: IMF July 2021)

Continued expansionary monetary policy worldwide with still low-key interest rate levels is strengthening equity markets. In the first half of the year, the Dax gained 13.1% and the MDax 10.0%.

Bilateral exchange rates against the US dollar were stable, although the EUR/USD exchange rate ranged between 1.17 and 1.23 during the year. (Thomson Reuters)

##### Rail vehicle market

No significant events for the global market for rail vehicles have occurred on the demand side in 2021 to date. However, the market continued to be affected by the Covid-19 pandemic in 2021, which is reflected in, for example, delay of projects. Overall, development was in line with expectations, as outlined in the Annual Report of March 2021.

##### Commercial vehicle market

The global commercial vehicle market developed slightly more positively than expected compared with the last evaluation of March 2021. This is reflected in the market forecast for the full year.

### Corporate Management Indicators

The most significant financial key performance indicators at Knorr-Bremse are revenues, (operating) EBITDA/(operating) EBITDA margin, (operating) EBIT/(operating) EBIT margin, net working capital in days' sales and ROCE. The capital expenditure to revenue ratio is used as another key management indicator. These are explained in detail starting on page 73 of the 2020 Annual Report.

#### MANAGEMENT INDICATORS

	1st half of 2021	1st half of 2020
Revenues (€ million)	3,418.9	3,055.8
EBITDA (€ million)	632.2	535.5
EBITDA margin (as % of revenues)	18.5	17.5
Operating EBITDA margin (as % of revenues)	18.5	17.5
EBIT (€ million)	495.5	397.5
EBIT margin (as % of revenues)	14.5	13.0
Operating EBIT margin (as % of revenues)	14.5	13.0
ROCE, annualized (%)	26.7	22.2
Net working capital in days' sales	59.3	70.5
Employees (as of June 30, including leased personnel)	30,474	28,941

## DIVISIONAL REVENUES AND EBIT

	1st half of 2021	1st half of 2020
<b>Rail Vehicle Systems</b>		
Revenues (€ million)	1,654.6	1,740.8
EBIT margin (as % of revenues)	18.2	18.7
Operating EBIT margin (as % of revenues)	18.2	18.7
<b>Commercial Vehicle Systems</b>		
Revenues (€ million)	1,764.9	1,314.7
EBIT margin (as % of revenues)	12.1	7.2
Operating EBIT margin (as % of revenues)	12.1	7.2

We also regularly measure non-financial performance indicators. These help us with the management and long-term strategic positioning of the Company. The most significant non-financial performance indicator is the number of employees (FTE).

The definitions of the key figures in this report have not changed since the 2020 Annual Report.

## Significant events in and after the reporting period

The significant events in and after the reporting period can be found in the notes to the condensed interim consolidated financial statements. The acquisition of the EVAC Group, which is described in the *“Changes in the scope of consolidation and acquisitions”* section, is a significant event in the reporting period. Material changes in related parties are explained in the *“Related party disclosures”* section. Significant events after the reporting date can be found in the *“Events after the reporting date”* section.

## Financial performance

## GROUP KEY INDICATORS

in € million	1st half of 2021	1st half of 2020
Incoming orders	3,602.9	2,727.1
Order book	5,161.0	4,363.3
Revenues	3,418.9	3,055.8
EBITDA	632.2	535.5
EBITDA margin	18.5	17.5
Operating EBITDA margin	18.5	17.5
EBIT	495.5	397.5
EBIT margin	14.5	13.0
Operating EBIT margin	14.5	13.0
Net income	346.1	256.9
Capital expenditure (before IFRS 16 and acquisitions)	129.6	147.9
Depreciation, amortization and impairment	136.7	137.9
R&D costs	211.8	194.8
Employees (as of June 30, including leased personnel)	30,474	28,941

Incoming orders in the Group of € 3,602.9 million in the first half of 2021 (previous year: € 2,727.1 million) were significantly up on the level of previous year by 32.1%. This was due to very high demand in the commercial vehicle business and led to an order book of € 5,161.0 million as of June 30, 2021 (previous year: € 4,363.3 million), which thus reached a new record level. The forward order book of 9.1 (previous year: 8.7) months underlines our good order situation. The book-to-bill ratio – the ratio of order intake to revenues – was 1.05 in the first half of 2021 (previous year: 0.89). Incoming orders and order books are taken from management reporting and are not part of the review by the auditor.

The dynamic development of the commercial vehicle market was also reflected in the Group's revenues in the first half of the reporting year with a rise of 11.9% to € 3,418.9 million (previous year: € 3,055.8 million). The acquisition of the EVAC Group in the field of rail vehicle systems, which was made at the end of the first half of 2021, also contributed € 4.1 million to revenues. Currency-adjusted (to actual rates in 2020) and adjusted for the aforementioned acquisition of the EVAC Group, revenue rose by 15.9%.

The Rail Vehicle Systems division saw revenues decrease by -4.9% year-on-year. This was due both to a fall in OE revenues and to a slight decrease in aftermarket revenues. In the Commercial Vehicle Systems division, the 34.2% growth in revenues resulted primarily from truck production and increased content per vehicle and thus from associated revenue growth in the OE business. **Significant year-on-year growth was also achieved in the division's aftermarket revenues.**

Whereas aftermarket revenues at Group level increased slightly by 1.4%, strong OE growth meant the aftermarket share of total revenues reduced from 37.7% to 34.2% (breakdown in accordance with management reporting and not part of the review by the auditor).

In the Europe/Africa region, revenues increased by 17.2% to € 1,609.3 million (previous year: € 1,372.9 million), which is equivalent to 47% (previous year: 45%). The North America region also increased by 15.3% to € 706.4 million (previous year: € 612.7 million) and thus reached 21% (previous year: 20%) of the Group's revenues. **In the South America region, revenues increased significantly by 55.3% to € 54.5 million (previous year: € 35.1 million), which is equivalent to a revenue share of 2% (previous year: 1%).** In Asia-Pacific, revenues increased slightly by 1.3% to € 1,048.7 million (previous year: € 1,035.0 million), which is now equivalent to 31% of the Group's revenues (previous year: 34%).

#### CONSOLIDATED REVENUES BY GROUP COMPANY LOCATION

in € million	1st half of 2021	1st half of 2020
Europe/Africa	1,609.3	1,372.9
North America	706.4	612.7
South America	54.5	35.1
Asia-Pacific	1,048.7	1,035.0
Total	3,418.9	3,055.8

The cost of materials was € 1,747.4 million (previous year: € 1,468.4 million) and increased disproportionately year-on-year in comparison with revenues, rising by 19.0%. The cost of materials ratio of 51.1% is thus higher than the **previous year's level** (previous year: 48.1%) and is partly due to a changed sales mix, higher costs for freight and high procurement costs owing to the scarcity of semiconductors and to other components. Personnel expenses rose by 8.0% in absolute terms to € 830.8 million (previous year: € 769.1 million). By contrast, the personnel expenses ratio improved year-on-year to 24.3% of sales due to the disproportionate increase in revenues (25.2%). The sum of other operating income and expenses fell by 10.3%, partly as a result of continued systematic cost management, to € 300.0 million (previous year: € 334.4 million).

EBITDA in the first half of 2021 was € 632.2 million (previous year: € 535.5 million) and was thus 18.1% up on the previous year, primarily due to volume factors. The EBITDA margin also increased from 17.5% in the previous year to 18.5% in the first half of 2021.

A significant improvement in EBIT by 24.6% to € 495.5 million was also achieved in the first half of 2021 (previous year: € 397.5 million). The EBIT margin (RoS) was 14.5% and was thus up 1.5 percentage points year-on-year (previous year: 13.0%).

The negative financial result improved by € 22.2 million to € 17.8 million in the first half of 2021 (previous year: € 39.9 million). This is due to the other financial result, and here largely to lower unrealized losses from the measurement of derivative financial instruments as of the reporting date compared to the previous year.

Due to higher pretax earnings, tax expense increased by 30.8% to € 131.6 million in the first half of 2021 (previous year: € 100.7 million). By contrast, at 27.6%, the tax rate was lower than the prior-year level of 28.1%.

The earnings after taxes of € 346.1 million increased by 34.7% year-on-year (previous year: € 256.9 million). The return on sales after taxes of 10.1% **was 1.7 percentage points higher than the previous year's level** (previous year: 8.4%). After deduction of non-controlling interests, earnings per share was € 2.07 (previous year: € 1.47).

## EMPLOYEES (JUNE 30)

	6/30/2021	6/30/2020
FTE (including leased personnel)		
Rail Vehicle Systems division	16,409	16,241
Commercial Vehicle Systems division	13,295	11,962
Other	771	739
Total employees	30,474	28,941

As of June 30, 2021, the Knorr-Bremse Group had a total of 30,474 employees, including temporary staff – up 5.3% on the previous year (previous year: 28,941; including leased personnel). The figures relate to full-time equivalents (FTEs). Excluding leased personnel, the Group employed 27,431 people (previous year: 26,438). The increase compared to the same period of the previous year was primarily due to adjustments as a result of the increase in revenue volume in the commercial vehicles segment. In addition, the acquisition of the EVAC Group in the Rail Vehicle Systems division added 229 employees in the first half of 2021.

## Rail Vehicle Systems division

Incoming orders for the Rail Vehicle Systems division decreased by -12.8% year-on-year from € 1,664.3 million to € 1,450.5 million partly due to Covid-19 and postponements of projects. All regions were affected by this, particularly Asia. By contrast, the order book rose to € 3,517.3 million as of June 30, 2021 (previous year: € 3,496.5 million) due to the favorable order situation, especially in the second half of 2020.

## RAIL VEHICLE SYSTEMS DIVISION KEY INDICATORS

in € million	1st half of 2021	1st half of 2020
Incoming orders	1,450.5	1,664.3
Order book (June 30)	3,517.3	3,496.5
Revenues	1,654.6	1,740.8
EBITDA	360.6	390.2
EBITDA margin (as % of revenues)	21.8	22.4
Operating EBITDA margin (as % of revenues)	21.8	22.4
EBIT	300.9	325.6
EBIT margin (as % of revenues)	18.2	18.7
Operating EBIT margin (as % of revenues)	18.2	18.7
Capital expenditure (before IFRS 16 and acquisitions)	41.4	37.0
Depreciation, amortization and impairment	59.8	64.6
R&D costs	104.8	98.6
Employees (as of June 30, including leased personnel)	16,409	16,241

The Commercial Vehicle Systems division saw a year-on-year decrease in revenues by -4.9% to € 1,654.6 million (previous year: € 1,740.8 million). This results from a moderate decrease in revenues from the OE business and also from the RailServices business being slightly down on the previous year. The decrease in OE revenues in Europe was mainly attributable to mass transit (light rail vehicles and metro cars) and the locomotive business; in North America it was mainly attributable to the freight business and regional & commuter, and in the Asia region to the railway carriage and metro car businesses and high-speed trains. The acquisition of EVAC at the end of the first half of 2021 **also contributed €4.1 million to revenues.**

Due to volume factors, EBITDA, at € 360.6 million, was moderately down by -7.6% on the prior-year figure (previous year: € 390.2 million), giving an EBITDA margin of 21.8% in the first half of the year (previous year: 22.4%). The division benefited from relatively solid development of the high-margin aftermarket business (service business), whose earnings contributions contributed to stabilization of the earnings margin at a high level. In addition, the cost reduction program already introduced in the previous year also had a favorable effect on net income. EBIT was also down moderately on the same period of the previous year, falling -7.6% to € 300.9 million (previous year: € 325.6 million), resulting in a good EBIT margin (RoS) of 18.2% (previous year: 18.7%).

The Commercial Vehicle Systems division's capital expenditure amounted to € 41.4 million in the first half of 2021 (previous year: € 37.0 million) and was used not only for automation projects but also for expanding the capacity of high-growth product groups and for replacement investments. At € 59.8 million, depreciation, amortization and impairment was moderately down on the previous year (previous year: € 64.6 million).

R&D costs in the first half of 2021 amounted to € 104.8 million, up slightly on the previous year (€ 98.6 million). Relatively speaking, the R&D ratio was moderately higher than in the previous year at 6.3% (previous year: 5.7%) of revenues. We concentrated here on the industry trends derived from the megatrends. For Commercial Vehicle Systems, these include transit capacity, eco-friendliness, availability, life-cycle management, and digitalization.

The Rail Vehicle Systems division employed 16,409 people as of June 30, 2021 (previous year: 16,241 employees (incl. leased personnel)). The increased headcount compared with the previous year is exclusively due to the acquisition of the EVAC Group (229 employees as of June 30, 2021).

### Commercial Vehicle Systems division

The Commercial Vehicle Systems division also reported a significant increase in order intake by 103.0% to € 2,153.1 million in the first half of 2021 (previous year: € 1,060.6 million). This is due to a continuing market recovery worldwide, from which all regions benefited significantly. The same period of the previous year, particularly in the second quarter, was affected by the loss of OE revenues as a result of lockdowns around the world and the related shuttering of commercial vehicle manufacturing facilities. The growth in order intake was also reflected in the order book, which increased by 88.3% year-on-year to € 1,657.2 million as of June 30, 2021 (previous year: € 880.1 million).

#### COMMERCIAL VEHICLE SYSTEMS DIVISION KEY INDICATORS

in € million	1st half of 2021	1st half of 2020
Incoming orders	2,153.1	1,060.6
Order book (June 30)	1,657.2	880.1
Revenues	1,764.9	1,314.7
EBITDA	280.4	158.2
EBITDA margin (as % of revenues)	15.9	12.0
Operating EBITDA margin (as % of revenues)	15.9	12.0
EBIT	213.9	94.2
EBIT margin (as % of revenues)	12.1	7.2
Operating EBIT margin (as % of revenues)	12.1	7.2
Capital expenditure (before IFRS 16 and acquisitions)	78.6	98.8
Depreciation, amortization and impairment	66.5	64.1
R&D costs	107.1	96.3
Employees (as of June 30, including leased personnel)	13,295	11,962

Significant growth in revenue from 34.2% to € 1,764.9 million was also achieved in the first half of 2021 (previous year: € 1,314.7 million). This largely resulted from increasing truck production worldwide and related revenue growth in the OE business, especially in the core markets of Europe and North America and in Asia-Pacific, despite supply bottlenecks for the entire commercial vehicle industry. OE customers accounted for 75.6% of the segment's total revenues, a year-on-year increase of 4.5 percentage points (previous year: 71.1%). As a result of the disproportionate rise in OE revenues, despite the significant increase in aftermarket revenues in absolute terms, relatively speaking there was a decrease in aftermarket share in total revenues year-on-year (breakdown in accordance with management reporting) (previous year: 28.9%) to 24.4%.

Due to volume factors, the Rail Vehicle Systems division's EBITDA rose significantly by 77.2% to € 280.4 million (previous year: € 158.2 million). At 15.9%, the EBITDA margin was 3.9 percentage points up year-on-year (previous year: 12.0%). EBIT also grew very significantly in the first half of 2021, rising by 127.1% to € 213.9 million and thus achieving a significant margin improvement (RoS) by 4.9 percentage points to 12.1% (previous year: 7.2%).

The Commercial Vehicle Systems division's capital expenditure fell by € 20.2 million to € 78.6 million in the first half of 2021 (previous year: € 98.8 million). There was significant capital expenditure on the expansion of production capacity in North America and Asia, on capacity expansions and on the ramp-up of new product generations. Additionally, investments were made in the global provision of supplier tools and replacement investments. Depreciation, amortization and impairment in the Commercial Vehicles Systems division was € 66.5 million and thus only slightly higher than the previous year's level (previous year: € 64.1 million).

The division's R&D costs rose to € 107.1 million in the first half of 2021 (previous year: € 96.3 million) and result in an R&D ratio of 6.1%, which was below the level of the same period of the previous year due to the disproportionate rise in revenues (7.3%).



Research and development activities focused on the megatrends of road safety, automated driving, emission reduction, e-mobility, and connectivity.

The Commercial Vehicle Systems division employed 13,295 people as of June 30, 2021 (previous year: 11,962) and thus 1,333 people or 11.1% more than as of June 30, 2020. This rise is due to all regions, particularly in production, especially as a result of the higher volume of business.

## Financing situation

### Financing structure of the Knorr-Bremse Group

Financial and liquidity management is described together with the financing structure of the Knorr-Bremse Group beginning on page 81 of the 2020 Annual Report. Material changes compared to December 31, 2020 arose within financial liabilities in liabilities towards credit institutions, lease liabilities and other financial liabilities. The significant decrease in liabilities towards credit institutions largely results from the repayment of € 500 million of credit facilities drawn as part of the Covid-19 action program.

#### FINANCIAL LIABILITIES

in € million	6/30/2021	12/31/2020
Derivatives	(22.1)	(12.8)
Liabilities towards credit institutions	(140.8)	(604.6)
Bonds and debt instruments	(1,248.3)	(1,250.5)
Liabilities resulting from options on minority interests	(379.6)	(379.6)
Purchase price liabilities	(60.8)	(58.9)
Lease liabilities	(433.6)	(387.2)
Other financial liabilities	(327.6)	(283.3)
<b>Total</b>	<b>(2,612.8)</b>	<b>(2,976.9)</b>
thereof:		
Current	(1,395.9)	(1,818.2)
Non-current	(1,216.9)	(1,158.7)

#### CONDENSED CASH FLOW STATEMENT

in € million	1st half of 2021	1st half of 2020
Cash flow from operating activities	223.6	118.6
Cash flow from investing activities	(265.7)	(253.3)
Cash flow from financing activities	(784.5)	572.0
Cash flow changes in cash funds	(826.6)	437.3
Change in cash funds resulting from exchange rate and valuation-related movements	26.2	(24.2)
Change in cash funds resulting from changes to the group structure	-	-
Change in cash funds	(800.3)	413.0
Free cash flow	108.2	(13.3)

### Cash flow from operating activities

The cash inflow from operating activities increased significantly year-on-year by € 105.0 million or 88.6% to € 223.6 million in the first half of 2021. In addition to an increase in net income by € 89.1 million or 34.7% to € 346.1 million, this was also due to a **remaining payment of € 50.0 million** received as part of the sale-and-leaseback transaction for the northern part of the Munich site carried out in 2019.

### Cash flow from investing activities

In the first six months of 2021, cash outflow from investing activities increased by € 12.4 million compared with the previous year to € 265.7 million. The increase resulted particularly from higher disbursements for investments in financial assets, mainly in the context of the special fund, by € 66.5 million to € 68.9 million. By contrast, disbursements for the acquisition of consolidated companies and other business units decreased by € 39.0 million to € 86.9 million and largely comprised the payment of the purchase price for the acquisition of the EVAC Group in the amount of € 85.0 million in the first half of 2021. In the same period of the previous year, there were disbursements of € 125.9 million, of which € 123.6 million were accounted for by the acquisition of

R.H. Sheppard. Furthermore, disbursements for investments in intangible assets fell slightly year-on-year by € 1.5 million to € 48.8 million and disbursements for investments in property, plant and equipment fell slightly by € 16.0 million to € 76.9 million.

#### Cash flow from financing activities

In the first half of 2021, there was a cash outflow from financing activities in the amount of € 784.5 million, which represents a change of € 1,356.5 million compared to the cash outflow in the previous year (€ 572.0 million). This resulted primarily from the repayment of the credit facilities drawn in connection with the Covid-19 action program. Compared with the previous year, cash inflows from loans declined by € 724.5 million to € 29.7 million and disbursements for the repayment of loans increased by € 408.0 million to € 520.1 million in the first half of 2021. Furthermore, the dividend payment to the controlling shareholder of the AG of € 245.0 million was made in June 2021 and thus, unlike in the previous year, occurred in the first half of the year.

#### Free cash flow

Free cash flow in the first half of 2021 was € 108.2 million and was thus significantly higher than the previous year's level of € -13.3 million, having risen by € 121.5 million. This is due to the improved cash flow from operating activities and to moderately decreased disbursements for investments in intangible assets and property, plant and equipment.

#### Liquidity

The significant decrease in cash funds as of June 30, 2021 to € 1,440.4 million (December 31, 2020: € 2,240.7 million) consisted largely of the cash outflow from financing activities (€ 784.5 million) and a slightly higher cash outflow from investing activities (€ 265.7 million) and, conversely, the cash inflow from operating activities (€ 223.6 million). Net debt fell from € 447.9 million as of June 30, 2020 to € 202.5 million as of June 30, 2021.

#### Assets and capital structure

Consolidated total assets decreased slightly by 0.5% to € 7,356.7 million compared to December 31, 2020 (€ 7,390.0 million). This was primarily caused by the aforementioned repayment of the credit facilities and, conversely, the increase in equity and increased net working capital.

#### BALANCE SHEET RATIOS

in € million	6/30/2021	12/31/2020
Net debt/(net cash)	202.5	(102.8)
Net debt to EBITDA (%)	32.0	0
Gearing (%)	9.7	0
Net working capital (NWC)	1,126.3	746.4
<b>Net working capital in days' sales</b>	<b>59.3</b>	<b>43.6</b>
Turnover rate – inventories	3.6	7.3
<b>Receivables/days' sales outstanding</b>	<b>80.9</b>	<b>66.7</b>
Equity ratio	28.4	26.0
Total assets	7,356.7	7,390.0

Net working capital, defined as the sum of inventories, trade accounts receivable and contract assets less trade accounts payable and contract liabilities, stood at € 1,126.3 million as of June 30, 2021 (December 31, 2020: € 746.4 million). Measured in terms of **days' sales, this corresponds to a commitment of 59.3 days** (December 31, 2020: 43.6 days). This increase was caused firstly by seasonal effects and secondly by measures to preserve our supply chains as well as due to the increase in business volume. As of June 30, 2020 the net working capital of the previous year of € 1,196.8 million was € 70.5 million or 11.2 **days' sales** higher than the level of the first half of 2021.

Provisions have not materially changed overall in comparison to year-end 2020.

The equity ratio increased from 26.0% as of December 31, 2020 to 28.4% due to a higher earnings contribution and also resulting from total assets remaining almost stable.

## EQUITY

in € million	6/30/2021	12/31/2020
Subscribed capital	161.2	161.2
Other equity	1,828.0	1,669.5
Equity attributable to the shareholders	1,989.2	1,830.7
Non-controlling interests	100.0	91.0
Total equity	2,089.2	1,921.7

## CURRENT AND NON-CURRENT ASSETS

in € million	6/30/2021	12/31/2020
Intangible assets and goodwill	967.5	887.8
Property, plant and equipment	1,611.6	1,544.7
Other non-current assets	460.7	360.1
Non-current assets	3,039.8	2,792.6
Inventories	956.4	844.6
Trade accounts receivable	1,536.4	1,141.1
Other financial assets	71.7	39.8
Contract assets	93.4	84.2
Cash and cash equivalents	1,502.0	2,277.0
Other current assets	157.1	210.5
Current assets	4,316.9	4,597.3

Significant investments in property, plant and equipment were mainly made on ongoing construction projects, on upgrading and expansion investments in production plant, production equipment and on automation projects. Furthermore, intangible assets increased relative to December 31, 2020, partly due to additions to goodwill in connection with the acquisition of the EVAC Group.

In the first half of 2021, the ROCE developed noticeably positively year-on-year to 26.7% despite the increase in capital employed (i.e., the sum of property, plant and equipment, intangible assets and net working capital) caused by a significant increase in EBIT (June 30, 2020: 22.2%).

## REPORT ON RISKS, OPPORTUNITIES AND EXPECTED DEVELOPMENTS

### Report on Risks and Opportunities

Risks and opportunities specific to the Knorr-Bremse Group and the Group's associated risk management system are described in detail beginning on page 86 of the 2020 Annual Report.

Due to the changes to Auditing Standard 340 of the Institut der Deutschen Wirtschaftsprüfer (IDW AuS 340 new version), which applied from the 2021 fiscal year, process changes have been made in the risk management system compared to 2020. In the course of this, the risk categories "M&A" and "Strategy" were combined into "Strategy, M&A/PMI." The categories "Market & Customers" and "Project Management" were also combined into the new category "Market & Customers Project Management." "Compliance" and "Sustainability" were introduced as additional risk categories. The division of risks into the ranges very low, low, medium, and high were reduced to the three ranges low, medium, and high. In the low range, the threshold of €15 million what reduced to €10 million, whereas in the high range, the threshold was increased from €40 million to €50 million. The risk reporting continues to be measured by weighted risk after measures, but unlike in the previous year it is after risk provisions (previous year: before risk provisions). In order to create comparability between 2020 and 2021, the risk values from 2020 were prepared in accordance with the new logic for comparison with the figures from 2021.

Compared with year-end 2020, the risk portfolio decreased overall. This decrease is particularly due to the "Market & Customers Project Management" risk category, which changed from high to medium. This is partly due to the COVID risk, which was assessed to be lower in the first half of 2021, and to the decrease in the risk after provisions for the Wuppertal Suspension Railway. In

addition, the risk in the area of "Legal and Regulatory" decreased from medium to low, which is due to a slightly improved assessment of the legal dispute in the Guo Tong case (see Notes, section 12). The remaining risk categories in the Knorr-Bremse Group's risk portfolio showed no material change relative to the end of 2020.

Overall, analysis of the Group-wide risk profile in the first half of 2021 showed that our risks are limited and that there are no identifiable risks that cast doubt on the Company's ability to continue as a going concern.

## Report on Expected Developments

### Global economy

International Monetary Fund (IMF) analysts revised the economic outlook for 2021 and 2022 slightly upward in view of the already positive first half of 2021 and the expectation of a further normalization in the second half of the year with progressive vaccine introduction and additional tax support. Global GDP is now expected to grow by around 6.0% in 2021 and around 4.9% in 2022.

The outlook for emerging markets and developing countries was downgraded for 2021, particularly for the Asian emerging markets. By contrast, the forecast for the eurozone was increased to 4.6% and the forecast for the USA to 7.0%. The updates reflect the development of the pandemic and changes in political support.

The recent price pressure largely reflects unusual pandemic-related developments and temporary mismatches between supply and demand. It is expected that inflation pressure will subside in most countries in 2022.

The current assumptions and expectations reflect the assessments of the economic institutes in July 2021. Owing to rapidly changing developments associated with the worldwide spread of the Covid-19 virus, it is not currently possible to make a reliable statement regarding its economic impact on individual regions.

### Global rail vehicle market

The assessment of global rail vehicle market prospects until the end of 2021 has not changed since the description in the Annual Report of March 2021. Despite the impact of Covid-19, the rail vehicle market will also remain a growth market beyond fiscal 2021, which is additionally supported by various government stimulus programs.

### Global commercial vehicle production

The assessment of the market development of global commercial vehicle production in 2021 has improved compared to spring 2021. Knorr-Bremse now expects a slight increase by 2.3% in global commercial vehicle production to around 3,058,000 units for full year 2021.

A significant and rapid recovery after pandemic-related decreases in fiscal 2020 has begun in almost all global commercial vehicle market, curbed by supply bottlenecks in the semiconductor industry. For example, the strongest recovery is expected in North and South America with a 31.5% increase to 504,000 vehicles.

Knorr-Bremse also anticipates that commercial vehicle production will increase significantly in Western Europe in the current year, with an increase of 21% to around 450,000 units expected. A stabilization is also expected in Eastern Europe. As a result, commercial vehicle production is expected to increase by 7.5% to around 72,000 units.

Following the historic high in Chinese commercial vehicle production in 2020 supported by government subsidies, Knorr-Bremse anticipates that commercial vehicle production will decrease by 6.4% in the Asian region to around 2,004,000 units in 2021. By contrast, the production rate in India and Japan will rise in 2021.

The market statistics relate to the truck production rate in each region as published by various organizations, such as LMC.

### Guidance confirmed

The guidance for full year 2021 remains as follows:

## FULL-YEAR GUIDANCE FOR THE GROUP

Key performance indicators	2021 target	2020
Revenues (€ million)	6,500 - 6,900	6,157
Operating EBIT margin (as % of revenues)	13.0 - 14.5	13.2

The Knorr-Bremse Group's guidance for the fiscal year 2021 assumes that the global economy and the political environment will remain stable and there will be no further business restrictions due to the Covid-19 pandemic. Furthermore, from today's perspective, we assume it will be possible to largely compensate for negative effects of the CVS division resulting from current supply bottlenecks for supplier products in the course of 2021, but we are continuously monitoring the situation. In general, our assessment of the future development of the most important performance indicators, as outlined in the 2020 Annual Report, remains unchanged. Knorr-Bremse therefore continues to expect revenues of €6,500 million to €6,900 million (2020: €6,157 million), an operating EBITDA margin of between 17.5% and 19.0% (2020: 18.0%) and an operating EBIT margin of between 13.0% and 14.5% (2020: 13.2%).

Munich, August 13, 2021

Knorr-Bremse AG  
Executive Board

DR. JAN MICHAEL MROSIK DR. PETER LAIER DR. CLAUDIA MAYFELD FRANK MARKUS WEBER DR. JÜRGEN WILDER

# Interim Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF INCOME

### CONSOLIDATED STATEMENT OF INCOME

in € thousand	1st half of 2021	1st half of 2020
Revenues	3,418,891	3,055,770
Change in inventory of unfinished/finished products	52,244	14,287
Own work capitalized	39,175	37,313
Total operating performance	3,510,310	3,107,370
Other operating income	35,877	48,725
Cost of materials	(1,747,383)	(1,468,377)
Personnel expenses	(830,798)	(769,117)
Other operating expenses	(335,851)	(383,111)
Earnings before interest, tax, depreciation, and amortization (EBITDA)	632,155	535,489
Depreciation, amortization and impairment	(136,704)	(137,945)
Earnings before interests and taxes (EBIT)	495,451	397,544
Interest income	6,952	9,222
Interest expenses	(25,333)	(23,521)
Other financial result	625	(25,640)
Income before taxes	477,695	357,606
Taxes on income	(131,619)	(100,662)
Net income	346,076	256,944
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	12,798	19,865
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	333,278	237,079
<b>Earnings per share in €</b>		
undiluted	2.07	1.47
diluted	2.07	1.47

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousand	1st half of 2021	1st half of 2020
Net income	346,076	256,944
Actuarial gains and losses	28,660	(8,613)
Equity instruments recognized directly in equity	5,465	(5,856)
Deferred taxes	(7,870)	796
Items that will not be reclassified to profit or loss	26,256	(13,673)
Currency translation	45,840	(73,319)
Hedging transactions reserve	4,708	(11,042)
Reserve for costs of hedging	(117)	(2,323)
Deferred taxes	(1,484)	4,322
Items that may be reclassified to profit or loss	48,947	(82,363)
Other comprehensive income after taxes	75,203	(96,036)
Comprehensive income	421,279	160,908
Total comprehensive income attributable to non-controlling interests	17,019	16,731
Total comprehensive income attributable to the shareholders of Knorr-Bremse AG	404,261	144,176

## CONSOLIDATED BALANCE SHEET

### ASSETS

in € thousand	6/30/2021	12/31/2020
Assets		
Intangible assets	556,900	491,595
Goodwill	410,620	396,174
Property, plant and equipment	1,611,574	1,544,731
Investments accounted for using the equity method	22,998	24,663
Other financial assets	212,794	140,786
Other assets	74,902	57,276
Assets from employee benefits	29,003	20,995
Income tax receivables	966	–
Deferred tax assets	120,014	116,416
Non-current assets	3,039,770	2,792,636
Inventories	956,391	844,590
Trade accounts receivable	1,536,364	1,141,139
Other financial assets	71,680	39,828
Other assets	120,179	161,793
Contract assets	93,384	84,217
Income tax receivables	36,910	48,714
Cash and cash equivalents	1,502,028	2,277,048
Current assets	4,316,936	4,597,329
Total assets	7,356,706	7,389,965



## EQUITY AND LIABILITIES

in € thousand	6/30/2021	12/31/2020
<b>Equity</b>		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	13,300	13,300
Other components of equity	(247,244)	(317,579)
Profit carried forward	1,714,824	1,464,349
Profit attributable to the shareholders of Knorr-Bremse AG	333,278	495,499
Equity attributable to the shareholders of Knorr-Bremse AG	1,989,242	1,830,653
Equity attributable to non-controlling interests	99,984	91,008
thereof share of non-controlling interests in net income	12,798	36,672
<b>Equity</b>	<b>2,089,226</b>	<b>1,921,661</b>
<b>Liabilities</b>		
Provisions for pensions	330,524	354,887
Provisions for other employee benefits	17,429	17,437
Other provisions	262,840	269,010
Financial liabilities	1,216,926	1,158,737
Other liabilities	4,239	3,490
Income tax liabilities	67,058	58,194
Deferred tax liabilities	135,446	114,482
Non-current liabilities	2,034,462	1,976,237
Provisions for other employee benefits	20,023	19,172
Other provisions	193,286	194,015
Trade accounts payable	1,175,094	1,027,682
Financial liabilities	1,395,913	1,818,194
Other liabilities	102,834	90,287
Contract liabilities	284,771	295,868
Income tax liabilities	61,097	46,849
Current liabilities	3,233,018	3,492,067
<b>Liabilities</b>	<b>5,267,480</b>	<b>5,468,304</b>
<b>Total equity and liabilities</b>	<b>7,356,706</b>	<b>7,389,965</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	1st half of 2021	1st half of 2020
Net income (including minority interests)	346,076	256,944
Adjustments for		
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	136,704	137,945
Change of impairment on inventories	(2,246)	8,415
Change of impairment on trade accounts receivable and contract assets	10,911	7,136
Loss on the sale of consolidated companies and other business units	–	111
(Gain)/loss on the disposal of fixed assets	(124)	263
Adding to, reversing, and discounting provisions	41,114	76,326
Non-cash changes in the measurement of derivatives	18,390	8,865
Other non-cash expenses and income	(16,671)	10,771
Interest result	18,381	14,299
Investment result	582	(589)
Income tax expense	131,619	100,662
Income tax payments	(89,413)	(63,708)
Changes of		
Inventories, trade accounts receivable and other assets which cannot be allocated to investment or financing activities	(463,326)	(376,599)
Trade accounts payable as well as other liabilities which cannot be allocated to investing or financing activities	153,506	12,664
Provisions due to utilization	(61,874)	(74,913)
Cash flow from operating activities	223,629	118,591
Proceeds from the sale of intangible assets	357	603
Disbursements for investments in intangible assets	(48,807)	(50,339)
Proceeds from the sale of property, plant and equipment	9,956	10,729
Disbursements for investments in property, plant and equipment	(76,886)	(92,875)
Proceeds from financial investments and from the sale of investments	3,972	1,744
Proceeds from the sale of consolidated companies and other business units	–	552
Disbursements for investments in financial assets	(68,854)	(2,388)
Disbursements for the acquisition of consolidated companies and other business units	(86,905)	(125,911)
Interest received	3,110	6,344
Disbursements for investments in plan assets (pensions)	(1,646)	(1,807)
Cash flow from investing activities	(265,703)	(253,347)
Proceeds from borrowings	29,661	754,170
Disbursements from the repayment of borrowings	(520,083)	(112,081)
Disbursements for lease liabilities	(29,248)	(28,990)
Interest paid	(15,962)	(11,797)
Dividends paid to parent company shareholders	(245,024)	–
Dividends paid to non-controlling interests	(8,660)	(13,386)
Net payments from factoring	–	(17,229)
Disbursements from the settlement of derivatives	(301)	–
Proceeds from grants and subsidies	5,135	1,328
Cash flow from financing activities	(784,482)	572,015
Cash flow changes in cash funds	(826,555)	437,258
Change in cash funds resulting from exchange rate and valuation-related movements	26,213	(24,224)
Change in cash funds resulting from changes to the group structure	–	–
Change in cash funds	(800,343)	413,034
Cash funds at the beginning of the period	2,240,723	1,853,466
Cash funds at the end of the period	1,440,380	2,266,500
Cash and cash equivalents	1,502,028	2,293,223
Short-term securities available for sale	2	2
Short-term liabilities to banks (less than 3 months)	(61,650)	(26,725)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Subscribed capital	Capital reserve	Retained earnings	Group earnings
As of Jan. 1, 2021	161,200	13,884	13,300	1,959,848
Dividends	-	-	-	(245,024)
Net income	-	-	-	333,278
Other comprehensive income after taxes	-	-	-	-
Comprehensive income	-	-	-	333,278
Gains and losses on hedging transactions and costs of hedging reclassified to inventories	-	-	-	-
As of Jun. 30, 2021	161,200	13,884	13,300	2,048,102
As of Jan. 1, 2020	161,200	13,884	34,156	1,754,464
Dividends	-	-	-	(290,160)
Net income	-	-	-	237,079
Other comprehensive income after taxes	-	-	-	-
Comprehensive income	-	-	-	237,079
Gains and losses on hedging transactions and costs of hedging reclassified to inventories	-	-	-	-
As of Jun. 30, 2020	161,200	13,884	34,156	1,701,383

## Other components of equity

Currency translation	Reserve for costs of hedging	Hedging transactions reserve	Equity instruments recognized directly in equity	Revaluations from defined pension benefits (IAS 19)	Equity attributable to the shareholders of Knorr-Bremse AG	Equity attributable to non-controlling interests	Total equity
(188,078)	(3,353)	5,275	(35,694)	(95,731)	1,830,653	91,008	1,921,661
-	-	-	-	-	(245,024)	(8,043)	(253,067)
-	-	-	-	-	333,278	12,798	346,076
41,622	(80)	3,187	5,465	20,791	70,984	4,220	75,204
41,622	(80)	3,187	5,465	20,791	404,262	17,018	421,280
-	709	(1,357)	-	-	(648)	-	(648)
(146,456)	(2,724)	7,104	(30,229)	(74,940)	1,989,242	99,984	2,089,226
(70,704)	(1,686)	(651)	(32,177)	(74,093)	1,784,393	117,121	1,901,514
-	-	-	-	-	(290,160)	(30,821)	(320,981)
-	-	-	-	-	237,079	19,865	256,944
(70,185)	(1,572)	(7,472)	(5,856)	(7,817)	(92,903)	(3,134)	(96,036)
(70,185)	(1,572)	(7,472)	(5,856)	(7,817)	144,176	16,731	160,908
-	(551)	607	-	-	56	-	56
(140,890)	(3,809)	(7,516)	(38,033)	(81,910)	1,638,465	103,031	1,741,496

## Notes to the condensed interim consolidated financial statements of Knorr-Bremse AG

### 1. Accounting principles

#### The Company

Knorr-Bremse AG (the "Company") is a joint stock company domiciled in Germany. The Company's registered office and headquarters are located in Moosacher Str. 80, 80809 Munich, Germany. The Company is registered in the City of Munich commercial register under HRB 42031. The interim consolidated financial statements include the Company and its subsidiaries (jointly referred to as the "Group" or "Knorr-Bremse"). The Group is a global manufacturer of brake systems for rail and commercial vehicles and other safety-critical systems.

The product portfolio of the Rail Vehicle Systems Division includes braking, entrance, and HVAC systems, power electrics, and control technology: hardware and programming tools for train control & management systems (TCMS), electromechanical components and electrical traction equipment for light rail vehicles, digital solutions for optimization of rail traffic, couplers, signal systems, stationary and mobile testing equipment, as well as wiper and wash systems, sanitary systems.

The product portfolio of the Commercial Vehicles Systems Division also includes pneumatic braking systems (i.e., brake control systems, disk brakes, drum brakes, brake cylinders, valves and pedal units) and steering systems, plus vehicle dynamics solutions (i.e., anti-lock braking systems and electronic stability programs), driver assistance systems (e.g., emergency braking systems), automated driving and electronic leveling control, energy supply and distribution systems, including compressors and air treatment, as well as products for boosting fuel efficiency such as engine components and transmission control systems (i.e., vibration dampers, engine air management, transmission control, and gear/clutch actuation).

#### Accounting and measurement methods

The interim consolidated financial statements for the period January 1 to June 30, 2021 are condensed and have been prepared in accordance with IAS 34 Interim Financial Reporting and hence in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The interim consolidated financial statements are based on and should be read in conjunction with the consolidated financial statements for the period ended December 31, 2020. The accounting and measurement methods that the Group has applied in these interim financial statements are generally in line with those applied in the consolidated financial statements for 2020.

The interim consolidated financial statements and the interim Group management report were released for publication by the Executive Board on August 13, 2021.

#### Additional disclosures

Knorr-Bremse AG's half-year financial report meets the requirements of the applicable provisions of the German Securities Trading Act (WpHG) and, in accordance with Section 115 WpHG, includes condensed interim consolidated financial statements, an interim Group management report and a responsibility statement.

The judgments, estimates and assumptions affecting accounting policies made for the interim consolidated financial statements for the period ended June 30, 2021 do not differ from those made for the consolidated financial statements for the period ended December 31, 2020.

The applicable nominal tax rate for the Group amounts to 32.3% as of June 30, 2021. The calculation of the Group's income tax expenses for the first six months of 2021 was based on the expected effective Group tax rate for the full fiscal year of 27.5% (prior period: 28.1%).

The interim consolidated financial statements are presented in euros (€), the euro being the functional and reporting currency of Knorr-Bremse AG. Unless otherwise indicated, all figures in the interim consolidated financial statements and the interim Group management report are commercially rounded to the nearest thousand euros (€ thousand). For this reason, rounding differences may occur in absolute values or percentage data in individual cases.

## 2. Changes in the scope of consolidation and acquisitions

### Changes in the scope of consolidation

Knorr-Bremse Systemy Pojazdów Szynowych Spółka z Organiczną Odpowiedzialnością, Krakow/Poland was established and included in the scope of consolidation for the first time in fiscal year 2021.

Microelettrica do Brasil Indústria, Comércio e Importação de Produtos Eletromecânicos Ltda., Barueri, São Paulo/Brazil was liquidated in fiscal 2021; K&D PROGETTO S.r.l., Bolzano/Italy and Knorr-Amabhiliki (Pty.) Ltd., Kempton Park/South Africa are in the process of liquidation. All three companies were deconsolidated in fiscal 2021.

Additional changes in the scope of consolidation arose as a result of the mergers of Bendix Spicer Foundation Brake Canada, Inc., Kingston, Ontario/Canada into Bendix CVS Canada Inc., Anjou, Québec/Canada and BSFB Holdings, Inc., Elyria, Ohio/USA into Bendix Commercial Vehicle Systems LLC, Elyria, Ohio/USA.

### Significant business combinations

#### Acquisition of the EVAC Group

As a result of the purchase agreement of March 11, 2021 and the closing of the transaction on June 1, 2021, Knorr-Bremse acquired 100% of the shares in EVAC GmbH, Wedel/Germany and the operating assets of Monogram Train LLC, Carson, California/USA from Galli Participation S.A.S., Paris/France. The shares in EVAC GmbH were acquired by Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, Munich/Germany. The operating assets acquired were contributed to Knorr-Bremse EVAC LLC, Carson, California/USA by Knorr Brake Holding Corporation, Watertown, New York/USA.

The acquisition of the EVAC Group's know-how in the field of integrated sanitary systems adds to Knorr-Bremse AG's portfolio in the area of onboard systems and positions Knorr-Bremse AG as a global system integrator.

In the first half of 2021, revenues of €4,055 thousand and a loss before tax of €714 thousand contributed to consolidated earnings.

#### a) Consideration transferred

The preliminary purchase price for EVAC Group was €86,148 thousand, thereof €65,713 thousand for the purchase of the EVAC GmbH shares and €20,435 thousand for the purchase of the operating assets of Monogram Train LLC. €85,040 thousand was paid in cash as of June 30, 2021. The final purchase price depends on the agreed closing accounts, which had not yet been conclusively agreed by the contracting parties by the time the interim consolidated financial statements were being prepared.

#### b) Acquisition-related costs

The Group has so far incurred acquisition-related costs of €628 thousand for due diligence as well as for legal and notary fees. These costs are recognized in other operating expenses.

## c) Identifiable assets and liabilities acquired

The fair values of the assets and liabilities acquired at the date of acquisition are summarized below:

## FAIR VALUES OF THE ASSETS AND LIABILITIES ACQUIRED

in € thousand	
Customer relationships	18,209
Brands	5,455
Software, licenses and acquired rights	19,180
Other intangible assets	1,351
Property, plant and equipment	2,677
Other assets	1,102
Inventories	18,203
Trade accounts receivable	10,709
Contract assets	3,119
Cash and cash equivalents	372
Provisions for other employee benefits	(225)
Other provisions	(3,022)
Trade accounts payable	(3,432)
Financial liabilities	(1,143)
Other liabilities	(43)
Deferred tax liabilities	(987)
<b>Total identifiable net assets acquired</b>	<b>71,526</b>
Gross trade accounts receivable	10,930
Impairment losses and gains	(220)
Net trade accounts receivable	10,709

€60,350 thousand of the identifiable net assets acquired are attributable to EVAC GmbH and €11,176 thousand of the identifiable net assets acquired are attributable to the operating assets of Monogram Train LLC.

## d) Goodwill

The goodwill as a result of the acquisition was recognized as follows:

## DETERMINATION OF GOODWILL

in € thousand	
Consideration transferred	86,148
Fair value of the identifiable net assets	(71,526)
<b>Goodwill</b>	<b>14,622</b>

The goodwill primarily results from the future development potential of the existing technologies, the anticipated broadening of the product and customer base and the know-how of the staff. This is allocated to the Rail Vehicle Systems segment. The goodwill of €9,258 thousand recognized for the acquisition of the operating assets of Monogram Train LLC is tax deductible.

If the acquisition had occurred at the start of the fiscal year, consolidated revenue would have been increased by a further €19,595 thousand to €3,438,486 thousand and consolidated earnings before tax would have been decreased by €4,883 thousand to €472,813 thousand. When calculating the amounts, the Executive Board assumed that the fair values from the purchase price allocation at the date of acquisition would also have been valid in the event of an acquisition on January 1, 2021.

### 3. Revenues

The table below breaks down consolidated revenues in the first half of 2021 by region and timing and reconciles them to revenues in segment reporting.

#### CLASSIFICATION OF REVENUE AND RECONCILIATION WITH SEGMENT REVENUES

in € thousand	IFRS revenue			Reconciliation to segment revenue			Revenue according to segment reporting		
	Rail Vehicle Systems	Commercial Vehicle Systems	Total	Rail Vehicle Systems	Commercial Vehicle Systems	Total	Rail Vehicle Systems	Commercial Vehicle Systems	Total
	6/30/2021								
1. Disaggregation of segments									
a) Region (by registered office of the Group company)									
Europe/Africa	901,094	708,836	1,609,930	4,953	3,554	8,507	906,047	712,390	1,618,437
North America	141,557	564,862	706,419	(470)	4,978	4,508	141,087	569,840	710,927
South America	11,391	43,111	54,502	345	299	644	11,736	43,410	55,145
Asia-Pacific	600,588	448,089	1,048,677	289	630	919	600,877	448,719	1,049,596
	1,654,631	1,764,897	3,419,528	5,117	9,461	14,578	1,659,748	1,774,358	3,434,106
b) Type of time recording									
Recognition over time	592,625	–	592,625	(592,625)	–	(592,625)	–	–	–
Recognition at a point in time	1,062,005	1,764,897	2,826,903	597,742	9,461	607,203	1,659,748	1,774,358	3,434,106
	1,654,631	1,764,897	3,419,528	5,117	9,461	14,578	1,659,748	1,774,358	3,434,106
2. Other segments and consolidation	–	–	(637)	–	–	637	–	–	–
3. Total	1,654,631	1,764,897	3,418,891	5,117	9,461	15,215	1,659,748	1,774,358	3,434,106

in € thousand	IFRS revenue			Reconciliation to segment revenue			Revenue according to segment reporting		
	Rail Vehicle Systems	Commercial Vehicle Systems	Total	Rail Vehicle Systems	Commercial Vehicle Systems	Total	Rail Vehicle Systems	Commercial Vehicle Systems	Total
	6/30/2020								
1. Disaggregation of segments									
a) Region (by registered office of the Group company)									
Europe/Africa	852,789	519,803	1,372,592	11,611	5,017	16,628	864,399	524,820	1,389,220
North America	197,955	414,807	612,762	(2,543)	7,583	5,039	195,411	422,390	617,801
South America	9,968	25,131	35,099	48	695	743	10,016	25,826	35,842
Asia-Pacific	680,084	354,958	1,035,043	1,994	938	2,932	682,079	355,896	1,037,975
	1,740,795	1,314,699	3,055,495	11,110	14,233	25,343	1,751,905	1,328,932	3,080,837
b) Type of time recording									
Recognition over time	573,067	–	573,067	(573,067)	–	(573,067)	–	–	–
Recognition at a point in time	1,167,729	1,314,699	2,482,428	584,176	14,233	598,409	1,751,905	1,328,932	3,080,837
	1,740,795	1,314,699	3,055,495	11,110	14,233	25,343	1,751,905	1,328,932	3,080,837
2. Other segments and consolidation	–	–	275	–	–	(275)	–	–	–
3. Total	1,740,795	1,314,699	3,055,770	11,110	14,233	25,067	1,751,905	1,328,932	3,080,837

The reconciliation impact from IFRS to revenue according to segment reporting totals € 15,215 thousand. Thereof, € 5,117 thousand resulted from the Rail Vehicle Systems segment and € 9,461 thousand from the Commercial Vehicle Systems segment. € 637 thousand is attributable to "Other segments and consolidation."

The reconciliation effect is composed as follows:



## RECONCILIATION EFFECT FROM IFRS TO REVENUES ACCORDING TO SEGMENT REPORTING

in € thousand	Rail Vehicle Systems	Commercial Vehicle Systems	Other segments and consolidation	Total
				6/30/2021
Elimination of the effect of the over-time-recognition of revenue	(13,397)	–	–	(13,397)
Application of the German Accounting Directive Implementation Act (BilRuG), proceeds from the disposal of prototypes and scrap sales and other effects	17,019	12,302	637	29,958
Recognition of additions to and releases of transaction-price-related provisions and accruals	1,495	(2,842)	–	(1,347)
<b>Total</b>	<b>5,117</b>	<b>9,461</b>	<b>637</b>	<b>15,215</b>
				6/30/2020
Elimination of the effect of the over-time-recognition of revenue	(1,077)	–	–	(1,077)
Application of the German Accounting Directive Implementation Act (BilRuG), proceeds from the disposal of prototypes and scrap sales and other effects	11,909	15,373	(275)	27,006
Recognition of additions to and releases of transaction-price-related provisions and accruals	277	(1,140)	–	(863)
<b>Total</b>	<b>11,110</b>	<b>14,233</b>	<b>(275)</b>	<b>25,067</b>

Knorr-Bremse's business activities are not subject to any material seasonal variations.

#### 4. Other operating income

## OTHER OPERATING INCOME

in € thousand	1st half of 2021	1st half of 2020
Foreign currency gains	22,495	30,749
Income from other services	3,070	5,048
Insurance compensation and compensation payments	1,634	5,352
Income from government grants	2,940	2,788
Rental income	1,138	1,022
Income from the disposal of land and buildings	547	1,153
Other income	4,053	2,614
	<b>35,877</b>	<b>48,725</b>

The decrease in other operating income is particularly due to the fall in realized and unrealized income denominated in foreign currency, which decreased year-on-year from €30,749 thousand to €22,495 thousand.

## 5. Other operating expenses

### OTHER OPERATING EXPENSES

in € thousand	1st half of 2021	1st half of 2020
Order-related expenses	(44,181)	(76,883)
Legal, consulting and audit costs	(44,440)	(40,328)
Personnel expenses	(25,936)	(31,530)
Other services	(46,515)	(43,611)
Maintenance expenses	(43,947)	(41,191)
Rents and leases	(8,484)	(7,743)
External research and development costs	(22,519)	(23,018)
Other taxes	(17,671)	(13,728)
Administrative expenses	(15,624)	(16,333)
Losses from the disposal of land and buildings	(243)	(1,236)
Donations	(2,823)	(2,246)
License and patent fees	(14,835)	(14,930)
Impairment losses	(11,046)	(14,170)
Energy, insurance, and utility costs	(7,627)	(10,138)
Currency translation losses	(20,357)	(34,012)
Other expenses	(9,602)	(12,016)
	(335,851)	(383,111)

Other operating expenses fell significantly by € 47,260 thousand to € 335,851 thousand in the first half of 2021. In particular, order-related expenses fell by € 32,702 thousand as a result of a decrease in warranty claims and currency translation losses fell by € 13,655 thousand as a result of decreased realized and unrealized foreign-exchange losses.

## 6. Other financial result

The other financial result improved by €26,870 thousand year-on-year. This is particularly due to the higher unrealized effects from the measurement of derivative financial instruments as of the reporting date, which were higher in the previous year. Conversely, income from the revaluation of financial instruments increased in the first half of 2021. The special fund launched in the second half of 2020 contributed income of € 3,178 thousand to the other financial result in the first half of 2021.

## 7. Financial instruments

### Classification and fair values

The table below shows the non-netted carrying amounts and the fair values of financial assets and liabilities for each category of financial instruments in accordance with IFRS 9. For the classification (hierarchy levels) of fair value in accordance with IFRS 13, please refer to the section on accounting and measurement methods in the consolidated financial statements for the period ended December 31, 2020.

The financial instruments can be classified as financial instruments at fair value through profit or loss (FVTPL), financial instruments at fair value through other comprehensive income (FVOCI) and financial instruments at amortized cost.

## INFORMATION IN ACCORDANCE WITH IFRS 9

in € thousand	6/30/2021					Fair value			
	Carrying amount			At amortized cost	Total	Level 1	Level 2	Level 3	Total
Category	FVTPL	FVOCI	Other						
Financial assets	149,951	43,110	10,544	3,119,262	3,322,866	170,835	32,022	748	203,604
Derivative financial instruments to which hedge accounting is applied	-	-	10,544	-	10,544	-	10,544	-	10,544
Derivative financial instruments to which hedge accounting is not applied	3,431	-	-	-	3,431	-	3,431	-	3,431
Equity instruments	28,299	25,063	-	-	53,362	52,614	-	748	53,362
Securities and debt instruments	118,221	-	-	-	118,221	118,221	-	-	118,221
Trade accounts receivable*	-	18,047	-	1,518,317	1,536,364	-	18,047	-	18,047
Purchase price receivables from disposal of land*	-	-	-	30,414	30,414	-	-	-	-
Other financial liabilities*	-	-	-	68,502	68,502	-	-	-	-
Cash and cash equivalents*	-	-	-	1,502,028	1,502,028	-	-	-	-
Financial liabilities	(18,761)	-	(437,033)	(3,332,138)	(3,787,932)	(1,281,608)	(162,400)	(379,616)	(1,823,623)
Derivative financial instruments to which hedge accounting is applied	-	-	(3,384)	-	(3,384)	-	(3,384)	-	(3,384)
Derivative financial instruments to which hedge accounting is not applied	(18,761)	-	-	-	(18,761)	-	(18,761)	-	(18,761)
Liabilities towards credit institutions	-	-	-	(140,792)	(140,792)	-	(140,254)	-	(140,254)
Liabilities resulting from options on minority interests	-	-	-	(379,616)	(379,616)	-	-	(379,616)	(379,616)
Bonds and debt instruments	-	-	-	(1,248,261)	(1,248,261)	(1,281,608)	-	-	(1,281,608)
Lease liabilities*	-	-	(433,648)	-	(433,648)	-	-	-	-
Purchase price liabilities*	-	-	-	(60,798)	(60,798)	-	-	-	-
Other financial liabilities*	-	-	-	(327,578)	(327,578)	-	-	-	-
Trade accounts payable*	-	-	-	(1,175,094)	(1,175,094)	-	-	-	-

\* without information on fair value based on the fact that the carrying amount approximately equals fair value

in € thousand	12/31/2020					Fair value			
	Carrying amount			At amortized cost	Total	Level 1	Level 2	Level 3	Total
Category	FVTPL	FVOCI	Other						
Financial assets	89,683	30,443	13,719	3,464,956	3,598,801	104,350	28,968	537	133,855
Derivative financial instruments to which hedge accounting is applied	-	-	13,719	-	13,719	-	13,719	-	13,719
Derivative financial instruments to which hedge accounting is not applied	4,404	-	-	-	4,404	-	4,404	-	4,404
Equity instruments	17,244	19,598	-	-	36,842	36,315	-	537	36,852
Securities and debt instruments	68,035	-	-	-	68,035	68,035	-	-	68,035
Trade accounts receivable*	-	10,845	-	1,130,295	1,141,139	-	10,845	-	10,845
Purchase price receivables from disposal of land*	-	-	-	30,336	30,336	-	-	-	-
Other financial liabilities*	-	-	-	27,277	27,277	-	-	-	-
Cash and cash equivalents*	-	-	-	2,277,048	2,277,048	-	-	-	-
Financial liabilities	(4,704)	-	(395,311)	(3,604,597)	(4,004,612)	(1,289,413)	(616,977)	(379,616)	(2,286,005)
Derivative financial instruments to which hedge accounting is applied	-	-	(8,090)	-	(8,090)	-	(8,090)	-	(8,090)
Derivative financial instruments to which hedge accounting is not applied	(4,704)	-	-	-	(4,704)	-	(4,704)	-	(4,704)
Liabilities towards credit institutions	-	-	-	(604,567)	(604,567)	-	(604,182)	-	(604,182)
Liabilities resulting from options on minority interests	-	-	-	(379,616)	(379,616)	-	-	(379,616)	(379,616)
Bonds and debt instruments	-	-	-	(1,250,526)	(1,250,526)	(1,289,413)	-	-	(1,289,413)
Lease liabilities*	-	-	(387,221)	-	(387,221)	-	-	-	-
Purchase price liabilities*	-	-	-	(58,860)	(58,860)	-	-	-	-
Other financial liabilities*	-	-	-	(283,346)	(283,346)	-	-	-	-
Trade accounts payable*	-	-	-	(1,027,682)	(1,027,682)	-	-	-	-

\* without information on fair value based on the fact that the carrying amount approximately equals fair value

Receivables at FVOCI relate to receivables in connection with factoring.

#### Valuation techniques used to measure fair value

The market value of financial derivatives is the price at which a party would take over the rights and/or obligations from another party. The market values are calculated based on the market information available at the reporting date using -recognized measurement methods.

Forward exchange contracts and interest rate hedging contracts are valued on the basis of reference rates taking into account forward premiums and discounts. Net present value calculations are performed using yield curves.

Commodity contracts are valued on the basis of quoted prices on active stock exchanges.

Options are valued using recognized option pricing models (such as Black-Scholes).

In addition, default risks are taken into account when measuring financial derivatives at fair value ("**credit value adjustments**"). The calculation basis for the probabilities of default is the credit default spreads per counterparty and for the Company.

The Group measures long-term receivables/loans based on parameters such as interest rates, certain country-specific risk factors, creditworthiness of the individual customers, and the risk characteristics of the financed project.

The fair values of the Group's interest-bearing loans are measured using the discounted cash flow method. This is based on a discount rate, which reflects the issuer's borrowing rate at the end of the reporting period. The Company's own non-performance risk was classified as low over the entire period.

The financial liability from a put option on minority interests gives minority shareholders the option of tendering their shares to Knorr-Bremse if contractually defined conditions are met. In accordance with IFRS 9, this is accounted for at amortized cost. On account of the ruling of the court of arbitration in December 2020, a binding consensus on the purchase price has not yet been

reached; the purchase price therefore is still subject to change. Accordingly, fair value as of June 30, 2021 depends on non-observable input factors; for this reason, fair value of the liabilities resulting from the option on minority interests are recognized in level 3 of the fair value hierarchy. The expected maturity of the liabilities depends on the time necessary until agreement and is classified as short-term in nature. Accordingly, it is assumed that the carrying amount of the liability is an appropriate estimate of fair value.

Equity instruments also include non-consolidated companies. Knorr-Bremse Gou Tong (Guangzhou) Railway Transportation Equipment Co., Ltd., Guangzhou, China, was included in the consolidated financial statements for the first time as a non-consolidated company as of December 31, 2019. The company does not yet have any material business activities. There are no significant effects on the financial position, financing situation or financial performance of the Group. The other equity instruments measured at fair value level 3 are neither individually nor collectively considered material to the financial position, financial performance and cash flows of the Group and therefore no additional disclosures are made for them.

#### Transfers between levels of the fair value hierarchy

There were no transfers between levels of the fair value hierarchy in the first six months of fiscal year 2021.

## 8. Statement of cash flows

Overall, there was total cash outflow of € 826,555 thousand in the first half of the year, whereas in the same period of the previous year there was total cash outflow of € 437,258 thousand – largely resulting from borrowing in the amount of € 754,170 thousand. This resulted largely from the cash outflow from financing activities of € 784,482 thousand. The main factors here were the disbursements from the repayment of borrowings of € 520,083 thousand and the disbursement of dividends amounting to € 245,024 thousand.

In the first half of 2021, cash flow from investing activities was impacted not only by investments in intangible assets and in property, plant and equipment but also particularly by the purchase price paid for the acquisition of the EVAC Group. **€ 85,040 thousand of the preliminary purchase price of € 86,148 thousand** was paid in cash as of June 30, 2021. Less the cash of € 372 thousand acquired, the acquisition of the EVAC Group therefore had an effect of € 84,668 thousand on cash flow from investing activities.

Cash inflow from operating activities, which increased significantly year-on-year by € 105,039 thousand to € 223,629 thousand, largely results from the net income of € 346,076 thousand, which improved by € 89,133 thousand, compared with the previous year.

## 9. Events after the reporting date

#### Heinz Hermann Thiele employee share program

On July 13, 2021, the Company launched the Heinz Hermann Thiele employee share program. As set out in the share program for fiscal 2021, Knorr-Bremse will top up the personal contributions invested by employees by 20% each.

The employees can choose from four defined investment packages with personal contributions of € 125, € 250, € 500 or € 1,000. **Depending on the investment package chosen, the employee then receives shares with a value of € 150, € 300, € 600 or € 1,200.** The holding period of the shares newly acquired by the employees is one year in each case.

The program will be offered in 11 countries to begin with, and around 23,000 employees will initially be eligible for it. The first subscription period is planned for September 2021. The Heinz Hermann Thiele employee share program will initially run for five years. A new decision will be made each year as to whether and to what extent Knorr-Bremse will subsidize the acquisition of shares.

#### Acquisition of company

On July 7, 2021, Knorr-Bremse signed a purchase agreement for the acquisition of the spare parts and service business of a company in a European country other than Germany. The deal is expected to close in the third quarter of the current year. The completion date has not yet been finalized because it also depends on closing conditions that cannot be influenced by the contracting parties alone. The purchase price is in the mid-double-digit million-euro range. The acquisition will serve to ensure further profitable growth in the Rail Vehicle Systems division.

## 10. Other financial commitments and contingent liabilities

### OTHER FINANCIAL OBLIGATIONS

in € thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
<b>6/30/2021</b>				
Rent and lease obligations	5,059	11,881	57,330	74,270
Investment projects	48,251	787	89	49,127
Major repairs/maintenance work	8,046	2,089	84	10,219
Other obligations	61,970	21,704	17,692	101,366
	123,327	36,461	75,194	234,982
<b>12/31/2020</b>				
Rent and lease obligations	7,844	30,052	97,041	134,937
Investment projects	44,086	3,001	-	47,087
Major repairs/maintenance work	4,287	1,215	124	5,626
Other obligations	54,504	11,378	4,766	70,648
	110,721	45,646	101,931	258,298

### CONTINGENT LIABILITIES

in € thousand	6/30/2021	12/31/2020
Guarantees	19,417	19,332
Warranties	545	545
Other	1,679	-
	21,641	19,877

The future rental and lease obligations result firstly from rental agreements that have already been signed but do not commence until after the reporting dates, after which they will be accounted for in accordance with IFRS 16, and from short-term or low-value rental agreements and leases that are not recognized under the exemption in IFRS 16.5. The decrease compared with December 31, 2020 primarily results from the start of the rental of a building at the Munich site.

The obligations for capital expenditure projects mainly relate to ongoing construction projects as well as to upgrading and expansion expenditure on production plant and equipment.

Obligations for major repairs and maintenance work mostly comprise obligations in connection with building refurbishment and maintenance at the Munich location.

In addition, the other liabilities item includes uncompleted orders as well as purchase obligations for building service charges and license obligations. The increase in other liabilities results particularly from a new long-term contract for the purchase of logistics services.

The Company's contingent liabilities involve guarantees and warranties. Guarantees were issued for outstanding bank bonds, performance warranties were issued for banks, and a rent guarantee was issued for commercial/factory buildings.

There are guarantees in Hungary for customer contracts for products. Other contingent liabilities include license payments that cannot yet be reliably estimated.

## 11. Related party disclosures

Related parties within the meaning of IAS 24 are natural persons or companies that can be influenced by Knorr-Bremse AG, that can exert an influence on Knorr-Bremse AG, or that are under the influence of another related party of Knorr-Bremse AG. Transactions with related parties are made at arm's length.

Except for the events presented in the following, no material changes have arisen relative to the information disclosed in the 2020 consolidated financial statements.

### Changes in the Executive Board

Dr. Jan Michael Mrosik took up his post as Chairman of the Executive Board of Knorr-Bremse AG and Member of the Executive Board responsible for labor relations as Labor Director within the meaning of Section 33 of the German Codetermination Act (MitbestG) on January 1, 2021.

At its meeting on March 30, 2021, the Supervisory Board of Knorr-Bremse AG unanimously appointed Dr. Claudia Mayfeld as an additional member of the Executive Board for the newly formed department of Integrity and Legal Affairs effective May 1, 2021 for an initial period of three years.

### Changes in the Supervisory Board

Heinz Hermann Thiele, who for many years was the Chairman of the Executive Board, Chairman of the Supervisory Board, and majority shareholder, passed away on February 23, 2021. He had been the deputy chairman of the Supervisory Board of Knorr-Bremse AG since 2020.

In its meeting of March 30, 2021, the Supervisory Board elected Dr. Theodor Weimer as a Member of the Executive Committee and as the Additional Deputy Chair of the Supervisory Board.

Dr. Stefan Sommer was elected to the Supervisory Board as a new member at Knorr-Bremse AG's Annual General Meeting on May 20, 2021. Ms. Sylvia Walter was elected to the Supervisory Board as a new member for the employee's side. All other members of the supervisory board were re-elected effective March 20, 2021.

### Ultimate parent entity

Until he passed away on February 23, 2021 Mr. Heinz Hermann Thiele was the ultimate parent entity of Knorr-Bremse AG. On March 25, 2021, the Company published a release pursuant to Section 43 (2) and Section 40 (1) WpHG, according to which the voting rights according to § 34 WpHG are attributed to Ms. Nadja Thiele as heiress. On May 18, 2021 the Company published a release pursuant to Section 43 (2) and Section 40 (1) WpHG, according to which, following the acceptance of the role of executor (*Testamentsvollstrecker*) regarding the estate of the late Heinz Hermann Thiele and the thereto related control of the voting rights, the indirect participation of KB Holding GmbH, Grünwald/Deutschland of 58.99% in Knorr-Bremse AG is attributed to Mr. Robin Brühmüller.

**To the Company's knowledge, the shares in Stella Vermögensverwaltungs GmbH, Grünwald/Germany and TIB Vermögens- und Beteiligungsholding GmbH, Grünwald/Germany directly held by Mr. Thiele until February 23, 2021 are currently held by Mr. Thiele's widow Nadja Thiele and are expected to be contributed within the next 12 months to a foundation under German law currently being established. This contribution had not yet taken place as of the date of the preparation of the interim consolidated financial statements.**

### Change in contractual basis with related parties

Following the death of Mr. Heinz Hermann Thiele, the contracts in existence between him and Knorr-Bremse AG have passed to the estate and have been partially adjusted or, with regard to the service contract, have been revised and the executor has been integrated. The pension commitment was revaluated in accordance with the terms of the pension commitment. As part of the execution of the will, consultancy services were provided to Knorr-Bremse AG by the new ultimate parent entity. All services are constantly provided at arm's length.

## 12. Legal risks

### Bosch arbitration procedure

In a letter dated June 21, 2018, Robert Bosch GmbH declared it was exercising its put option related to its minority share in Knorr-Bremse Systeme für Nutzfahrzeuge GmbH and initiated arbitration proceedings with the aim of enforcing this put option. In December 2020, the court of arbitration issued a ruling confirming this put option. The parties will now have to agree on the purchase price at which Knorr-Bremse AG will acquire the minority interest in Knorr-Bremse Systeme für Nutzfahrzeuge GmbH and in Knorr-Bremse Commercial Vehicle Systems Japan Ltd. This was confirmed again in a decision made on March 9, 2021. The extension of the lawsuit by Robert Bosch GmbH involving a claim for damages due to refusal to consent to full distribution of Knorr-Bremse Systeme für Nutzfahrzeuge GmbH's accumulated profit was rejected. The counterclaim brought by Knorr-Bremse

AG, with which the Company sought to determine that the prohibition of competition also covered products in the area of driver assistance systems/automated driving functions, was also dismissed. The parties have held discussions on agreeing the purchase price, but have not been able to come to any agreement. As a result, Robert Bosch GmbH submitted a request for arbitration, with which it pleaded for the payment of a purchase price of €379.6 million plus interest, on July 21, 2021. Knorr-Bremse has recognized this amount as a liability since 2018.

#### Complaints filed by Haldex AB with the European Commission and the Brazilian antitrust authorities

On February 13, 2020, Haldex AB filed complaints with the European Commission and the Administrative Council of Economic Defense (CADE) in Brazil. The complaints concern the allegation that, by acquiring and holding a minority interest in Haldex AB in September 2016, Knorr-Bremse AG breached the respective applicable antitrust and merger control laws.

The minority interest held by Knorr-Bremse in Haldex AB currently amounts to 9.24%. Knorr-Bremse is defending itself against the accusations.

The European Commission is currently conducting preliminary investigations into the allegations. It is expected to decide in the next few months whether to open formal proceedings.

The Brazilian CADE decided on June 23, 2020 to open formal proceedings for a potential breach of the suspensory obligation. The proceedings are still in the investigation phase. A decision on whether to discontinue or continue the proceedings before a separate body of CADE is also expected in the next few months.

As the two investigations are still at an early stage, no reliable statement can be made at this time about the probability of success or the possible consequences of an adverse outcome of the administrative proceedings. The risk is currently assessed as fairly low.

#### Termination of long-term supply contracts by Robert Bosch GmbH

Robert Bosch GmbH terminated a number of long-term supply contracts for several electronic components while price negotiations were ongoing, which could lead to disruptions to the supply of customers of the Knorr-Bremse Group and, in turn, to losses being incurred by the Knorr-Bremse Group because of a production stoppage, and give rise to associated liability risks. Knorr-Bremse responded on March 13, 2020 by initiating arbitration proceedings against Robert Bosch GmbH to ensure that supply continues. After a possible solution to the dispute emerged in the commercial negotiations, in July 2021, the parties agreed to suspend the proceedings for another three months until October 31, 2021 in order to negotiate an out-of-court settlement agreement.

#### Proceedings in Italy

The Italian law enforcement authorities sent notification in their letter of March 19, 2019 that the preliminary proceedings against Microelettrica Scientifica S.p.A., Buccinasco/Italy ("Microelettrica"), prior members of the administrative board of Microelettrica and a member of the management of three Russian Group companies in conjunction with commission payments to an agent due to deliveries to a Russian customer have been concluded and that a complaint will be filed against Microelettrica due to an alleged violation of internal regulations to avoid corrupt activities by the aforementioned individuals.

On March 24, 2021, the court terminated the proceedings against Microelettrica without imposing any conditions or other sanctions. The Italian public prosecutor did not appeal the decision. The proceedings have therefore finally ended.

#### Dispute with minority shareholder of Knorr-Bremse Guo Tong Railway Vehicle Systems Equipment Co. Ltd.

Together with the company Guangzhou Guo Tong, Knorr-Bremse Asia Pacific (Holding) Limited has an equity interest in the company Knorr-Bremse Guo Tong Railway Vehicle Systems Equipment Co. Ltd, which is fully consolidated in Knorr-Bremse's consolidated financial statements. In December 2020, Guangzhou Guo Tong filed an action against various companies and a General Manager of the Knorr-Bremse Group. In the statement of claim, Guangzhou Gou Tong particularly refers to lost profit on account of an alleged production and project transfer to other Knorr-Bremse companies as well as to adjustments to the structure of transfer prices. In connection with this action filed, in February 2021 Guangzhou Guo Tong obtained a court order to freeze the accounts of Knorr-Bremse Systems for Rail Vehicles (Suzhou) Co., Ltd. Knorr-Bremse Systems for Rail Vehicles (Suzhou) Co., Ltd. has brought an appeal against the order. The freeze on the accounts was lifted on July 7, 2021 following out-of-court



negotiations, and the appeal has been withdrawn. Should this action for payment of the aforementioned claims be granted, Knorr-Bremse Guo Tong Railway Vehicle Systems Equipment Co. Ltd would receive cash and cash equivalents to the extent of the award. This might lead to an additional dividend payout to both shareholders. However, since no ruling has been handed down to date and therefore no concrete dividend claim by the shareholders exists, neither a provision nor a liability was recognized in the annual financial statements in relation to minority interests as at December 31, 2020 or as at June 30, 2021. Knorr-Bremse considers the probability of an outflow of cash and cash equivalents to Knorr-Bremse Guo Tong Railway Vehicle Systems Equipment Co. Ltd to be remote. Moreover, dividend resolutions cannot be adopted without the approval of Knorr-Bremse.

### Other legal risks

For all other legal risks described in section H.9 of the 2020 Annual Report, no new findings or information had arisen up to June 30, 2021.

## 13. Segment reporting

### INFORMATION ON REPORTABLE SEGMENTS

in € thousand	Reportable segments			Reconciliation to IFRS		IFRS		Other segments and consolidation	Group
	Rail Vehicle Systems	Commercial Vehicle Systems	Total	Rail Vehicle Systems	Commercial Vehicle Systems	Rail Vehicle Systems	Commercial Vehicle Systems		
<b>6/30/2021</b>									
External revenues	1,647,588	1,763,766	3,411,354	6,727	664	1,654,315	1,764,430	146	3,418,891
Intersegment revenues	12,160	10,591	22,751	(11,845)	(10,123)	315	468	(783)	-
Segment revenues	1,659,748	1,774,357	3,434,105	(5,117)	(9,460)	1,654,631	1,764,897	(637)	3,418,891
EBITDA*	319,702	243,763	563,465	40,947	36,597	360,649	280,360	(8,853)	632,155
Depreciation, amortization and impairment	(45,066)	(65,650)	(110,716)	(14,686)	(838)	(59,752)	(66,488)	(10,464)	(136,704)
EBIT*	274,636	178,113	452,749	26,261	35,759	300,897	213,872	(19,317)	495,451
Interest income	2,709	728	3,437	1,642	1,662	4,351	2,390	211	6,952
Interest expenses	(4,507)	(4,694)	(9,201)	(7,699)	(1,678)	(12,206)	(6,372)	(6,755)	(25,333)
Other financial result	(1,173)	8	(1,165)	573	(1,610)	(600)	(1,602)	2,827	625
<i>thereof: Share of profit or loss from companies accounted for using the equity method</i>	(1,173)	8	(1,165)	(0)	(0)	(1,173)	8	(0)	(1,166)
EBT	271,665	174,155	445,820	20,777	34,133	292,442	208,288	(23,034)	477,696
Net working capital	807,338	382,679	1,190,017	(36,666)	(18,299)	770,672	364,380	(8,778)	1,126,275
<b>6/30/2020</b>									
External revenues	1,741,532	1,318,585	3,060,117	(1,089)	(4,377)	1,740,443	1,314,208	1,119	3,055,770
Intersegment revenues	10,373	10,347	20,720	(10,021)	(9,856)	352	491	(844)	-
Segment revenues	1,751,905	1,328,932	3,080,837	(11,110)	(14,233)	1,740,795	1,314,699	275	3,055,770
EBITDA*	351,585	127,540	479,125	38,602	30,706	390,187	158,246	(12,944)	535,489
Depreciation, amortization and impairment	(45,471)	(62,528)	(107,999)	(19,098)	(1,559)	(64,569)	(64,087)	(9,289)	(137,945)
EBIT*	306,114	65,012	371,126	19,504	29,147	325,618	94,159	(22,233)	397,544
Interest income	4,585	1,361	5,946	1,074	336	5,659	1,697	1,866	9,222
Interest expenses	(4,354)	(3,793)	(8,147)	(8,121)	(1,183)	(12,475)	(4,976)	(6,070)	(23,521)
Other financial result	(215)	(591)	(806)	(3,355)	(3,830)	(3,570)	(4,421)	(17,648)	(25,640)
<i>thereof: Share of profit or loss from companies accounted for using the equity method</i>	(714)	(456)	(1,170)	0	(0)	(714)	(456)	589	(581)
EBT	306,130	61,989	368,119	9,102	24,470	315,232	86,459	(44,085)	357,606
Net working capital	794,924	418,455	1,213,379	1,321	(18,516)	796,245	399,939	569	1,196,753

\* Not explicitly included in management reporting to CODM

## Reconciliation

Internal reporting does not contain any segment-specific information on assets and liabilities; this is therefore not included in segment reporting.

### RECONCILIATION OF REVENUES

in € thousand	1st half of 2021	1st half of 2020
Revenues of reportable segments (German GAAP)	3,434,105	3,080,837
Revenues of other segments (German GAAP)	94,148	94,374
Inter-segment consolidation	(103,532)	(105,493)
Adjustment over-time-recognition	13,397	1,077
Application of the German Accounting Directive Implementation Act (BilRuG) and other effects	(19,227)	(15,024)
Consolidated revenue	3,418,891	3,055,770

### RECONCILIATION OF EARNINGS BEFORE TAX

in € thousand	1st half of 2021	1st half of 2020
Earnings before tax (German GAAP)	450,514	323,522
Adjustment due to amortization not recognized on goodwill	12,527	15,700
Adjustment of over-time recognition and other effects in accordance with IFRS 15	9,612	3,792
Adjustment due to capitalization and amortization of development projects	30,269	24,174
Adjustment due to valuation differences in pension liabilities	4,897	9,003
Inventory valuation adjustment	(8,922)	(2,628)
Adjustment provisions	2,877	(11,138)
Adjustment for fair value measurement of financial instruments	(7,815)	(5,228)
Hedging (unrealized profits/losses)	(16,489)	2,525
Other adjustments based on differences between German GAAP and IFRS	226	(2,116)
Earnings from continuing operations, consolidated and before taxes	477,696	357,606

## Geographical information

The following table shows the Group's revenues broken down by the country of domicile of the Group company.

### REVENUES BY REGION

in € thousand	1st half of 2021	1st half of 2020
Europe/Africa	1,609,329	1,372,905
North America	706,386	612,725
South America	54,499	35,097
Asia-Pacific	1,048,677	1,035,043
	3,418,891	3,055,770

Munich, August 13, 2021

Knorr-Bremse AG  
Executive Board

DR. JAN MICHAEL MROSIK DR. PETER LAIER DR. CLAUDIA MAYFELD FRANK MARKUS WEBER DR. JÜRGEN WILDER

## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, **and the Group's interim management report includes a fair view of the development and performance of the business** and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Munich, August 13, 2021

Knorr-Bremse AG  
Executive Board

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