



Q1

FINANCIAL RESULTS Q1/23

MARC LLISTOSELLA | CEO

FRANK WEBER | CFO

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KNORR-BREMSE



Key take-aways for today

- **Q1/23 development as expected** – strong revenues and EBIT growth but margin impacted predominantly by inflation
- **Robust demand** in both divisions continues
- **Portfolio review with good progress** – Kiepe sale with good progress; sale of Sheppard foundry signed
- **Russia** – legal entity exit in execution
- **Virtual strategy update on July 18** – stay tuned
- **Guidance FY23 confirmed**

Good underlying demand in rail and truck markets continues

Current situation



- + EU/ NA: strong support by stimulus programs and sustainability efforts
- + CN: good momentum of ridership supporting AM
 - BUT OE recovery will take time
- + High order books at OEMs already led to record orders on hand at KB
- Inflationary burden increased yoy



- + TPRs¹ Q1/23: EU +10%, NA +20%, CN +20%
- + EU/ NA: demand remains high
- + CN: Good recovery of demand
- + Pricing discussion (wave 2): good progress with OEMs
 - BUT tough overall

Outlook FY23

- + Ridership: EU full recovery to pre-Covid-19 level expected
 - + EU/ NA: good demand should continue
 - CN: OE market (Metro/ High speed) still challenging with only slight recovery at YE23 expected
-
- + TPRs¹ FY23e yoy: EU stable, NA stable, CN significantly up
 - + EU/ NA: truck demand H1 > H2 expected and - Trailer market potentially weaker in H2/23
 - + CN: further development of content per vehicle

Financial highlights Q1/23: Strong demand and high order book lead to revenue earnings growth but weaker profitability

REVENUES OF **€ 1.91bn**
(14.3% yoy)

10.0% op. EBIT MARGIN
(PY: 10.9%)



€ 855m



€1,053m



13.1%



9.0%



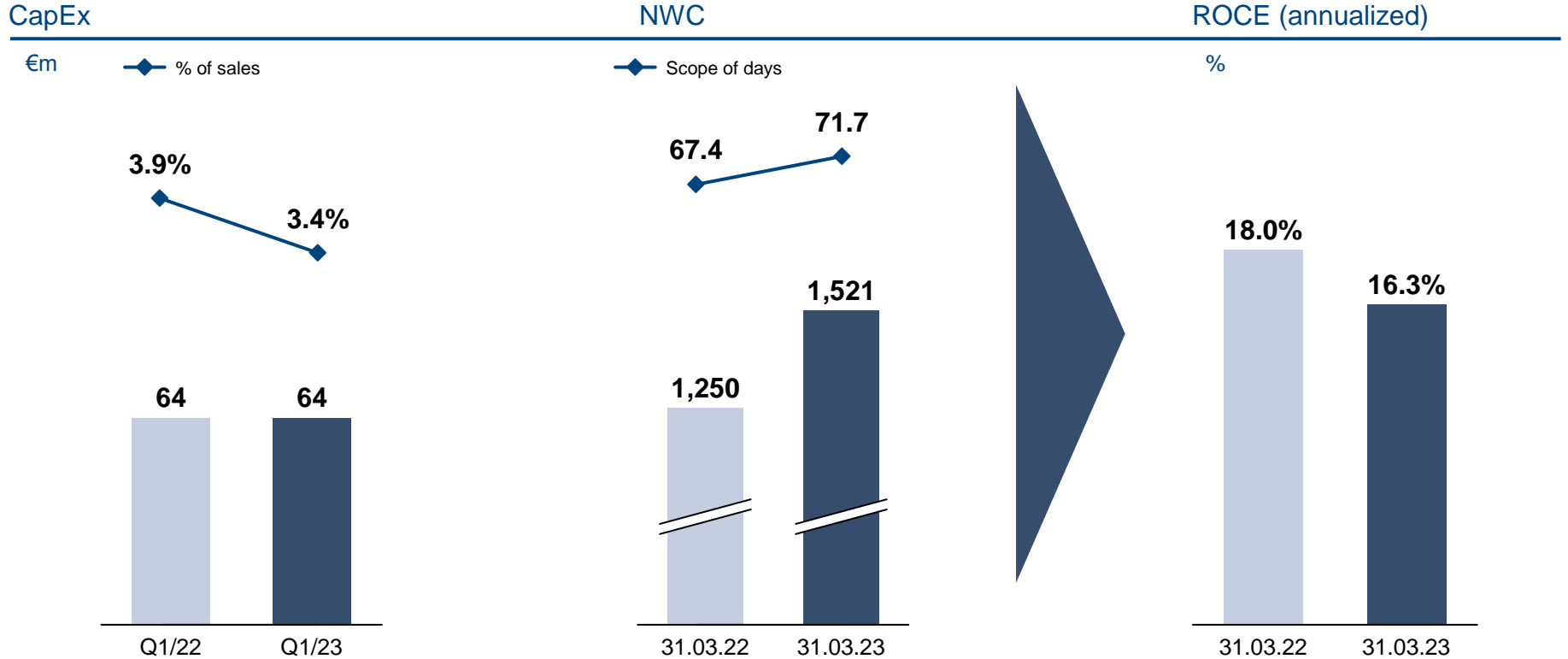
€ -199m FREE CASHFLOW
(PY: € -231m) **-150%** Cash Conversion Rate

ORDER INTAKE **€ 2.18bn**
(3.2% yoy)

ORDER BOOK **€ 7.12bn**
(18.6% yoy)



Continuous invest into ability to deliver (“Customer First”) and revenue growth ahead while focused spending and stringent NWC management in place

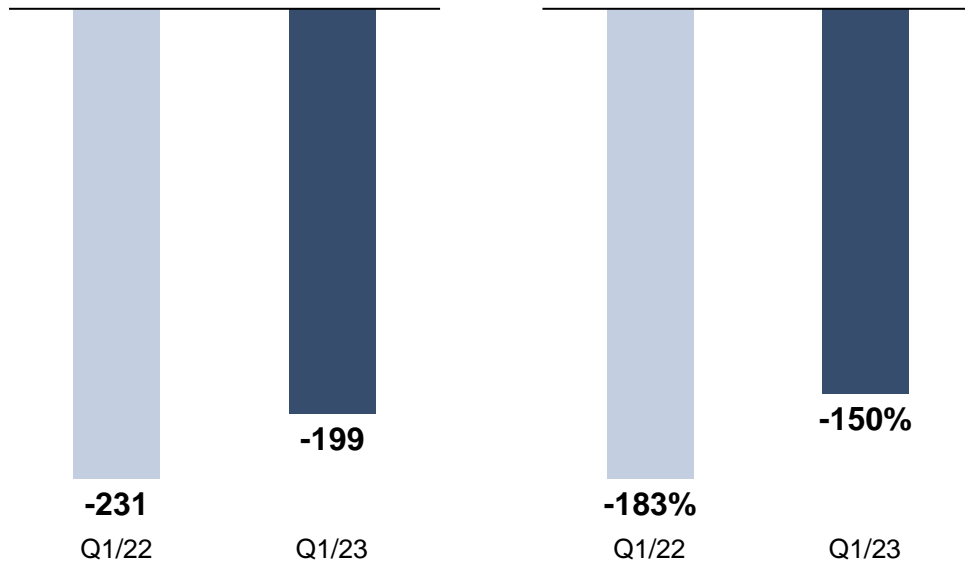


FCF improved but still impacted by higher NWC while FY23 expectations remain unchanged

Free Cashflow¹

Cash Conversion Rate

€m



- **Built-up of inventory** due to ongoing supply constraints, uncertain market environment and safeguarding revenue increase in the coming quarters resulted in **higher NWC**
- **Accounts receivables higher due to deferred payment behavior of some customers**
- Business development and stringent measures implemented to support **positive FCF development in the coming quarters → strong improvement in H2/23 expected**
- **Strong FCF in Q4/22 (>€ 400m)** affected development in Q1/23

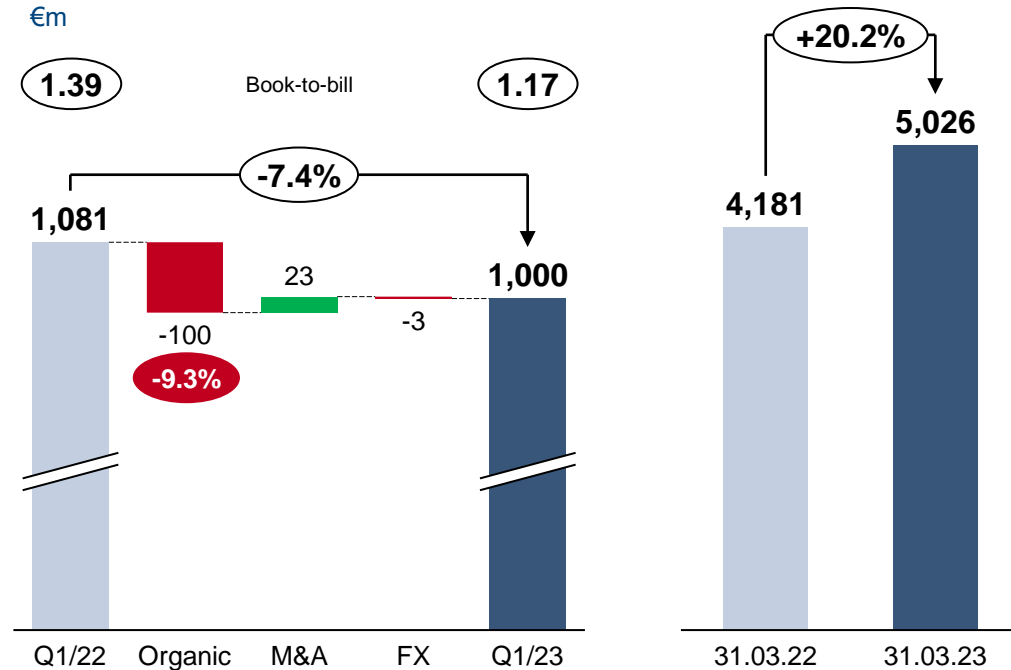
1) FCF before M&A

RVS: Good order intake and order book on new record level



Order intake

Order book



Order intake on high level

- **EU:** OE softer in HS and freight, partially compensated by increase in metro; AM higher, also driven by acquisition of DSB
- **APAC:** Overall higher; CN higher yoy in both OE and AM; softer OE in India
- **NA:** OE faced tougher comps in Q1/22, freight flattish yoy; AM stronger driven by increased overhaul demand

Order book increased by 20% yoy

- **Order book** at new record level, well supported by resilient rail industry

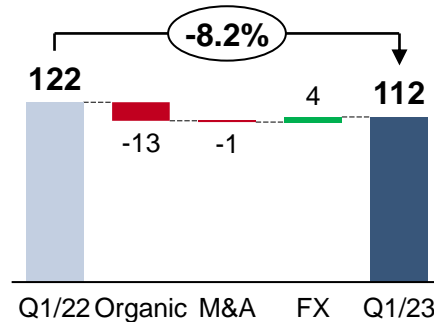
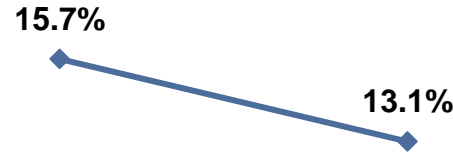
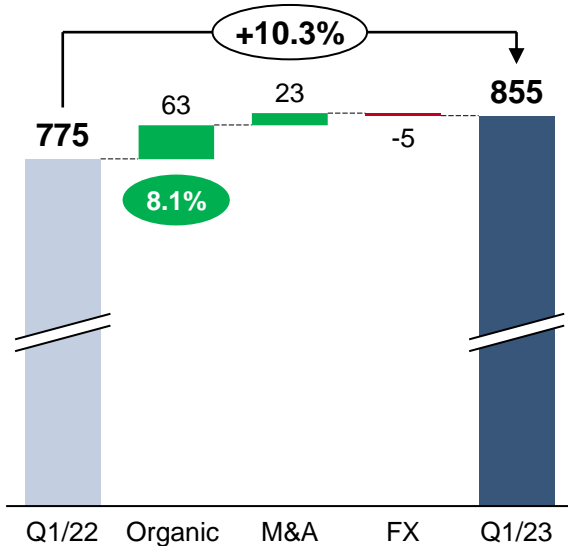
RVS: Good demand driving revenue growth in Q1/23, but reduced profitability



Revenue

op. EBIT

€m



◆ EBIT margin

Revenue higher yoy in Q1/23 supported by AM business

- **EU:** Higher revenues driven by AM
- **APAC:** Higher revenues in CN and rest of APAC (OE stable, AM higher), India softer incl. weaker mix
- **NA:** Higher in OE and AM, both passenger and freight
- **AM share** higher at 53% (PY: 46%) driven by DSB acquisition

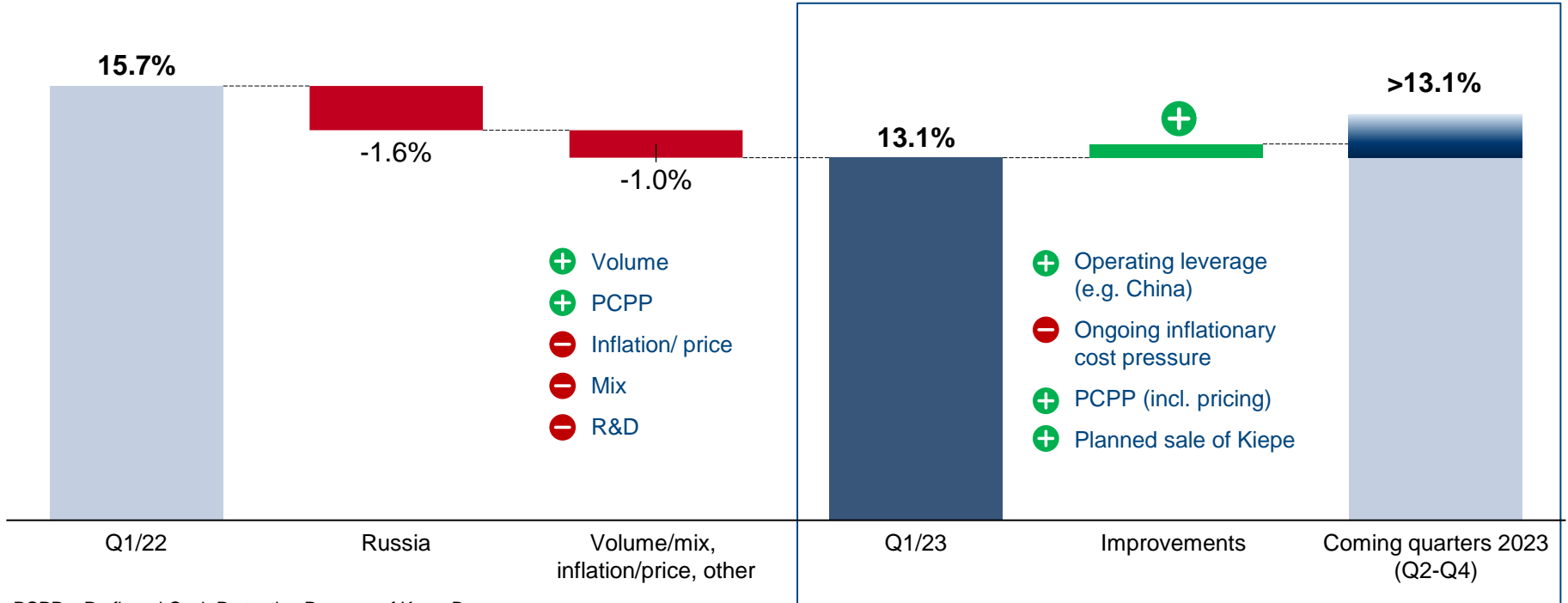
Op. EBIT margin down and recovery expected in the quarters ahead

- Negative price/ cost ratio weighing on profitability
- Weaker product mix APAC/ India
- Discontinuation of accretive Russian business as major drag on margin
- Inflation only partly compensated by price increases due to long-term OE contracts

RVS: Q1 profitability expected to be on the lower side while Q2-Q4 expected to be better



Profitability RVS in RoS (%)



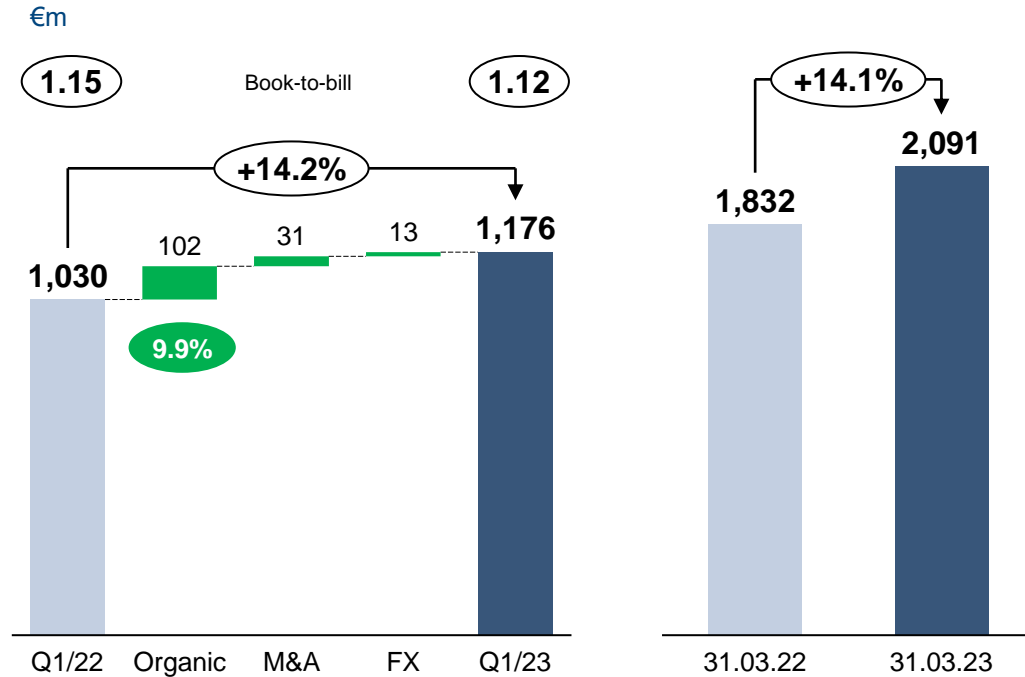
PCPP = Profit and Cash Protection Program of Knorr-Bremse

CVS: Order intake strong and order book on high level



Order intake

Order book



Order intake increases qoq and yoy, BtB remains well above 1

- **EU/ NA:** Demand remains on high level, still customers shift orders on short notice without cancelling, strong demand in NA and EU
- **APAC:** Recovery of order intake in CN based on strong demand, India and Japan stable

Order book remains stable on high level

- Strong demand drives order backlog, esp. in CN and NA
- Despite improvement of supply chains, customer keep orders on high level to secure product supply and avoid production disruptions

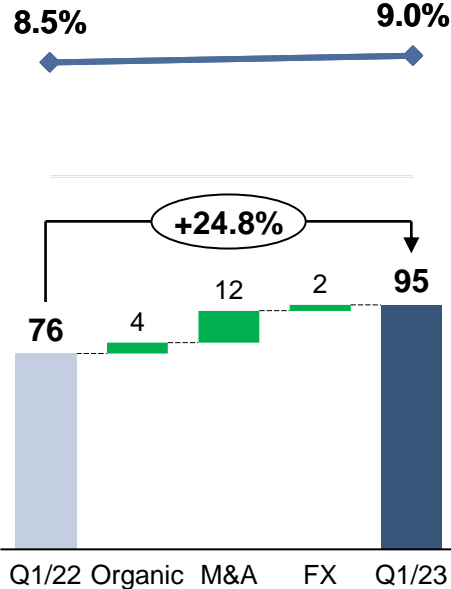
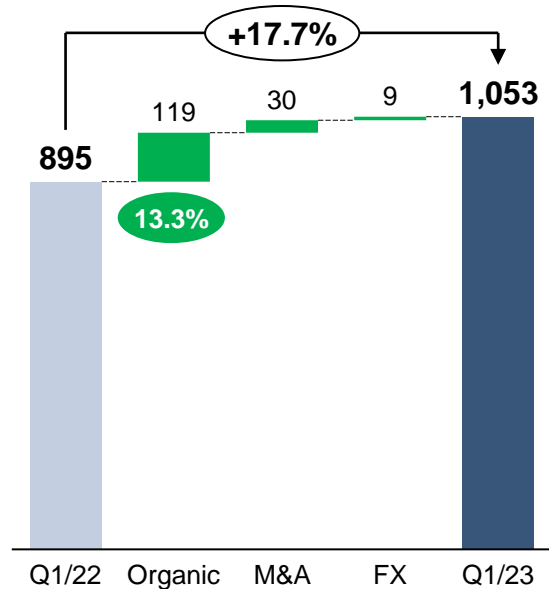
CVS: Revenues significantly up and profitability started to recover



Revenue

op. EBIT

€m



Growth of revenues in OE based on better market and pricing, AM remains strong

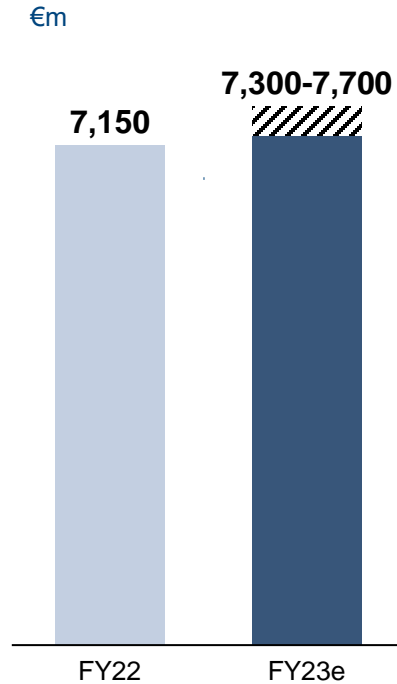
- **EU/ NA:** revenue increase yoy supported by price agreements, higher TPR and good AM (Cojali)
- **APAC:** CN up yoy, Japan and India stable
- **AM share** stable at 28% despite strong OE

Customer price agreements and accretive M&A (Cojali) offset ongoing inflation pressure

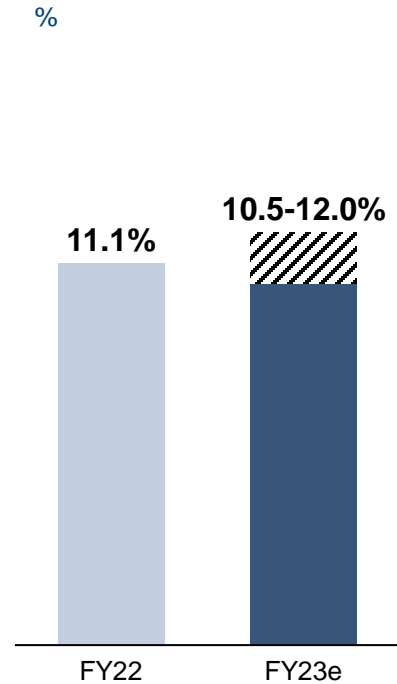
- Price increases in 2022 fully contributed (Wave 1) and first success from new agreements in 2023 (Wave 2)
- PCPP continues to strive for stability of margin, Cojali supportive
- Selective increase of R&D investments to safeguard technology leadership

Guidance FY23 confirmed

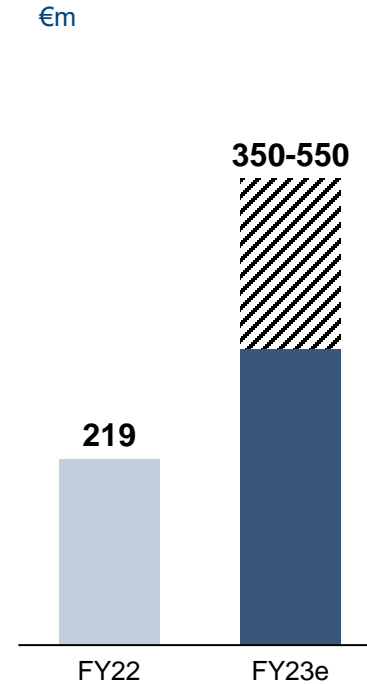
Revenue



op. EBIT margin (RoS)



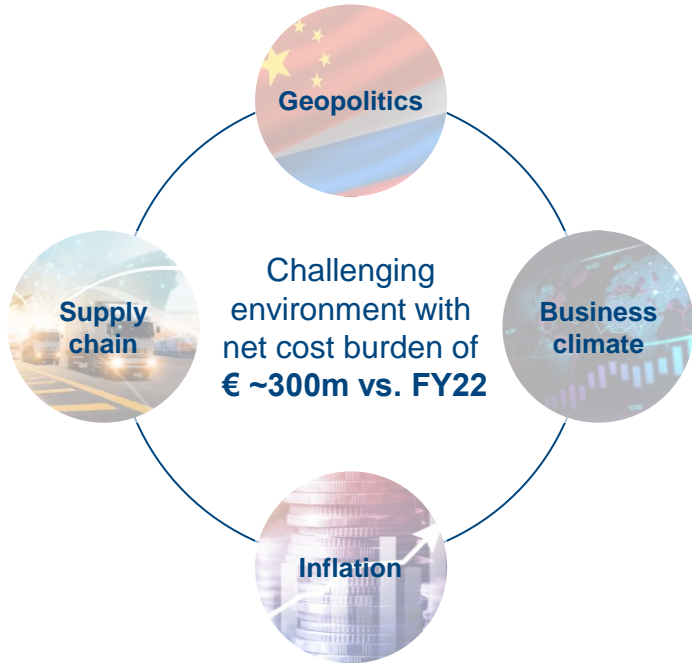
Free Cashflow



Assumptions

- Current exchange rates
- Essentially stable geopolitical and macroeconomic conditions
- No new lockdowns due to Covid
- Inflationary cost increases will be compensated
- No additional problems in supply chains due to potential energy shortages

We take stringent measures to improve our profitability



Profit and Cash Protection Program and Portfolio Adjustment



KB will offset all inflationary costs by price increases and cost measures in FY23

Update CEO agenda

First 4 months

KB onboarding

Strengthening team spirit

Creation of KB's target picture started

Coming months

Portfolio optimization

Identification of further efficiency measures

Identification of new profitable growth segments

Communication of STRATEGY UPDATE on July 18



Q&A / Backup



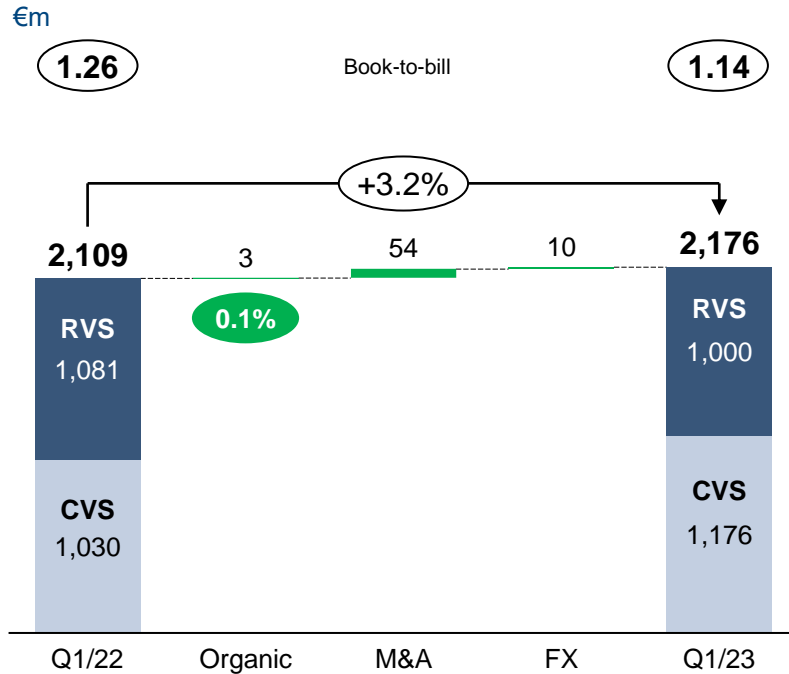
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Financial calendar: Upcoming events

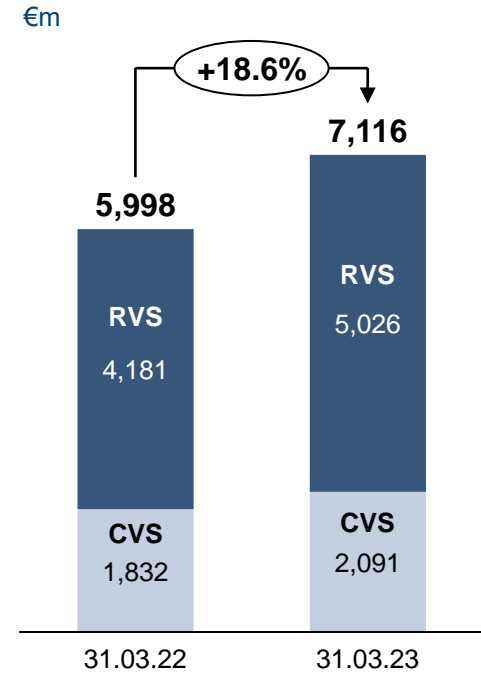
Date	Event
May 15, 2023	Post Q1/23 roadshow, virtually
May 16, 2023	Post Q1/23 roadshow, Suisse
June 7, 2023	BNP Paribas CEO Conference, Paris
June 8, 2023	JP Morgan CEO Conference, Pennyhill
June 21, 2023	dbAccess Conference, Frankfurt
August 10, 2023	Q2/23 financial results
October 31, 2023	Q3/23 financial results

Order intake and order book in Q1/23 underline strong ongoing demand in both markets

Order intake

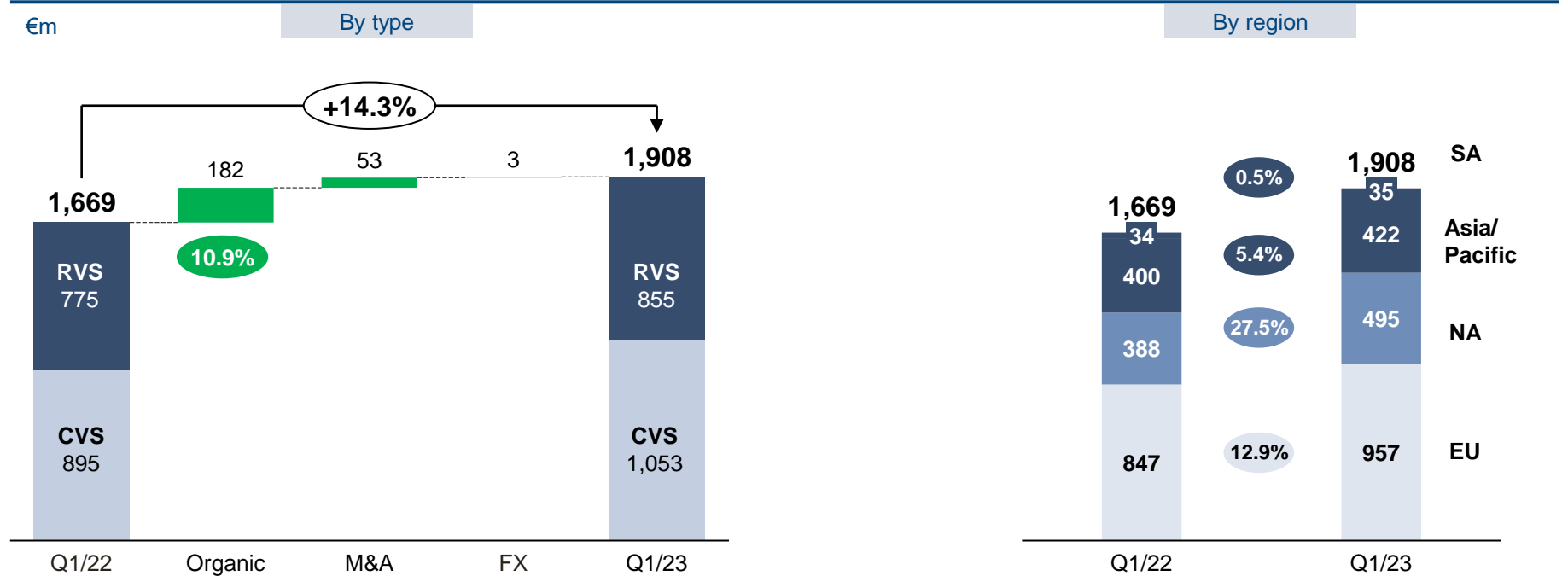


Order book



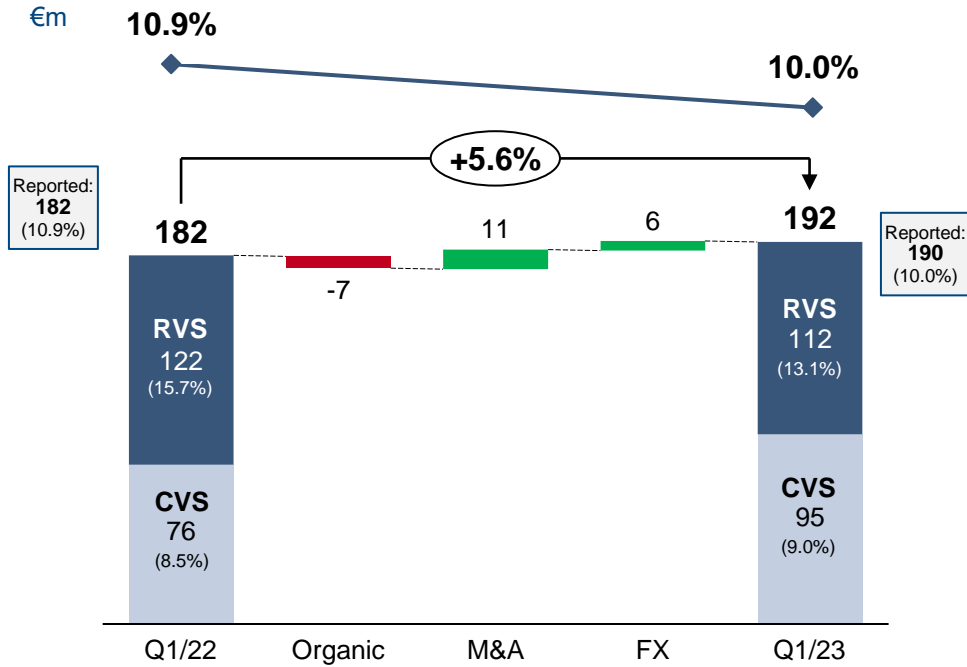
Group revenue development positive driven by all regions

Revenue



Q1/23 – Group op. EBIT growth vs. prior year

op. EBIT/ EBIT Margin



Q1/23: income statement

INCOME STATEMENT						
€m	2022					2023
	Q1/22	Q2/22	Q3/22	Q4/22	FY22	Q1/23
Revenues	1,669.4	1,736.7	1,792.0	1,951.7	7,149.7	1,907.6
Change in inventory of unfinished/finished products	54.0	8.3	43.6	-76.0	30.0	5.4
Own work capitalized	24.6	24.1	28.1	28.1	105.0	27.1
Total operating performance	1,748.0	1,769.1	1,863.8	1,903.9	7,284.7	1,940.0
Other operating income	30.8	36.9	30.3	30.7	128.8	22.3
Cost of materials	-898.6	-940.9	-983.1	-941.7	-3,764.3	-979.9
Personnel expenses	-455.0	-440.8	-440.4	-461.2	-1,797.4	-495.6
Other operating expenses	-171.2	-189.4	-192.1	-806.1	-806.1	-210.3
Earnings before interest, tax, depreciation and amortization (EBITDA)	254.0	235.0	278.4	278.2	1,045.6	276.6
Depreciation and amortization	-72.4	-73.4	-78.5	-100.0	-324.3	-86.5
Earnings before interests and taxes (EBIT)	181.5	161.6	199.9	178.1	721.3	190.1
Interest income	6.3	16.3	18.3	10.2	51.0	8.8
Interest expenses	-11.7	-9.4	-10.9	-20.5	-52.5	-21.5
Other financial result	-4.3	-4.8	-15.6	-6.3	-31.1	9.8
Income before taxes	171.8	163.7	191.7	161.5	688.8	187.1
Taxes on income	-45.8	-52.3	-44.4	-40.1	-182.5	-54.6
Net income	126.1	111.4	147.3	121.4	506.3	132.5
Profit (loss) attributable to non-controlling interests	2.6	5.6	2.4	8.0	18.6	0.0
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	123.4	105.8	145.0	113.4	487.7	7.9
Earnings per share in Euro	0.77	0.65	0.90	0.71	3.03	0.77

Q1/23: cashflow

CASHFLOW STATEMENT (shortened)						
	2022					2023
€m	Q1/22	Q2/22	Q3/22	Q4/22	FY 2022	Q1/23
Net cash flows from/used in operating activities	-189.6	36.7	121.6	572.9	541.6	-137.0
Net cash flows from/used in investing activities	-35.3	-125.8	-69.5	-274.3	-505.0	-110.7
Net cash flows from/used in financing activities	-36.2	-365.5	646.1	-405.2	-160.8	-17.1
Cash flow changes	-261.1	-454.7	698.1	-106.6	-124.3	-264.8
thereof change in cash funds resulting from exchange rate and valuation-related movements	11.4	39.4	15.6	-52.3	14.2	-11.6
Change of cash fund	-249.7	-415.2	713.7	-158.9	-110.1	-276.4
Cash funds at the beginning of the period	1,326.5	1,076.8	650.9	1,609.0	1,326.5	1,205.6
Cash funds at the end of the period	1,076.8	650.9	1,375.3	1,210.7	1,210.7	929.1

Q1/23: balance sheet / assets

€m	2022				2023
	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
Assets					
Intangible assets and goodwill	1,016.5	1,017.4	1,068.5	1,340.2	1,337.7
Property, plant and equipment	1,798.8	1,786.0	1,850.5	1,814.5	1,820.0
Investments accounted for using the equity method	22.5	83.8	84.0	79.6	75.3
Other financial assets	197.2	172.8	123.6	122.8	147.7
Other assets	82.5	89.0	91.7	92.4	94.9
Income tax receivables	1.1	1.1	0.7	0.3	0.8
Assets from employee benefits	7.3	30.3	9.3	19.5	24.1
Deferred tax assets	118.8	139.3	142.0	140.5	130.5
Non-current assets	3,244.5	3,320.8	3,370.5	3,609.7	3,630.8
Inventories	1,114.5	1,146.3	1,254.8	1,141.9	1,267.1
Trade accounts receivable	1,468.7	1,508.0	1,608.9	1,343.3	1,644.5
Other financial assets	53.8	84.3	90.0	103.1	139.4
Other assets	144.7	149.9	175.0	177.7	169.9
Contract assets	89.3	66.0	67.2	69.5	73.7
Income tax receivables	45.4	47.6	57.6	53.9	39.7
Cash and cash equivalents	1,113.8	876.1	1,398.8	1,342.6	954.1
Current assets	4,030.3	4,019.6	4,802.2	4,402.3	4,458.0
Total assets	7,274.8	7,340.4	8,172.7	8,011.9	8,088.8

Q1/23: balance sheet / liabilities

€m	2022				2023
	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
Equity					
Subscribed capital	161.2	161.2	161.2	161.2	161.2
Capital reserves	13.9	13.9	13.9	13.9	13.9
Retained earnings	10.3	10.0	10.3	10.3	10.3
Other components of equity	-157.9	-93.2	-49.7	-123.9	-138.1
Profit carried forward	2,336.1	2,037.9	2,012.6	2,012.6	2,500.3
Profit attributable to the shareholders of Knorr-Bremse AG	123.4	229.3	374.3	487.7	124.7
Equity attributable to the shareholders of Knorr-Bremse AG	2,487.1	2,359.0	2,522.6	2,561.8	2,672.3
Equity attributable to non-controlling interests	82.4	81.3	66.9	129.5	135.9
thereof share of non-controlling interests in net income	2.6	8.2	10.6	18.6	7.9
Equity	2,569.6	2,440.3	2,589.5	2,691.3	2,808.2
Liabilities					
Provisions for pensions	249.7	223.5	231.3	219.8	223.9
Provisions for other employee benefits	24.7	20.0	20.7	21.5	17.8
Other provisions	212.8	199.3	201.5	194.2	184.7
Financial liabilities	1,287.6	1,296.0	2,039.4	2,022.2	2,042.5
Other liabilities	4.2	4.2	4.0	2.9	6.5
Income tax liabilities	71.4	78.5	80.3	5.8	6.4
Deferred tax liabilities	164.3	159.1	161.5	188.7	191.0
Non-current liabilities	2,014.6	1,982.8	2,738.7	2,655.1	2,672.8
Provisions for other employee benefits	13.9	4.9	4.6	10.5	6.6
Other provisions	234.2	206.7	196.3	171.4	169.6
Trade accounts payable	1,149.9	1,123.6	1,152.0	1,214.0	1,260.2
Financial liabilities	896.3	1,061.7	982.0	655.9	567.6
Other liabilities	93.1	134.6	125.4	106.4	100.6
Contract liabilities	272.2	215.0	211.2	214.3	207.5
Income tax liabilities	31.1	49.7	41.8	138.0	144.9
Current liabilities	2,690.6	2,917.3	2,844.5	2,665.5	2,607.8
Liabilities	4,705.2	4,900.1	0.0	5,320.6	0.0
Total assets	7,274.8	7,340.4	8,172.7	8,011.9	8,088.8

Investor relations contact



**Andreas
Spitzauer**



+49 89 3547 182310



+49 175 5281320



Andreas.Spitzauer@knorr-bremse.com



**Sophia
Kursawe**

+49 89 3547 187311

+49 151 62330709

Sophia.Kursawe@knorr-bremse.com

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