



Q1

FINANCIAL RESULTS Q1/22

FRANK WEBER | CFO AND EXECUTIVE BOARD SPOKESMAN

BERND SPIES | HEAD OF CVS

MAY 12, 2022



KNORR-BREMSE

Key take-aways for today



New Head of CVS and Member of the Executive Board – Bernd Spies



- 2022-present: **Knorr-Bremse** | Head of CVS
- 2013-2022: **Knorr-Bremse** | Member (2013-2015) and Chairman (since 2014) of the European Management Board, CVS
- 2008-2013: **Hella KGaA Hueck & Co** | Member of the Management Board, Global Sales
- 2006-2008: **Robert Bosch GmbH** | Head of Commercial Vehicles product division, Starters and Alternators
- 1992-2008: **Robert Bosch GmbH** | diverse positions
- Diploma in **Electrical Engineering**
- Years of professional experience: **30**
- Years with Knorr-Bremse: **9**

Robust demand in challenging global environment



Current situation

- + No cancellations of contracts by rail operators, but postponements ongoing
- + Europe as strongest rail market driver
- + Despite increasing supply challenges, customer demand largely satisfied
- China: rail market weakness and zero-Covid policy
- TPRs¹ Q1/22: EU WE -3%, NA -1%, CN -60%
- + Strong outperformance in all major markets driven by content per vehicle and pricing
- + Strong demand in EU and NA continues
- + AM stays on high level
- War in Ukraine and Zero-Covid policy in CN puts additional pressure on global supply chains and material prices as well as on TPRs



Throughout 2022

- + Order intake improving
- + Increasing global rail traffic expected should benefit AM
- + BtB FY22e: >1
- War in Ukraine and current / future sanction regime on Russia
- Ongoing inflation of input costs
- + TPRs¹ FY22e: EU WE +7% and NA +27% - CN -29%
- + AM expected to remain stable on solid level
- + First customer compensation agreements achieved to charge for inflationary cost increases
- Supply shortages and strong price inflation will endure throughout 2022

1) yoy figure, TPR defines all tuck units produced in a specified time; >16t / Class 8 ; Source: internal and external estimates

Financial highlights Q1/22: Strong demand, but pressure on profitability

REVENUES OF **€ 1.67bn**
(-1.3% yoy)

10.9% op. EBIT MARGIN
(PY: 14.9%)



€ 775m



€ 895m



15.7%



8.5%



€ -231m FREE CASHFLOW
(PY: € -73m¹) **-183%** Cash Conversion Rate

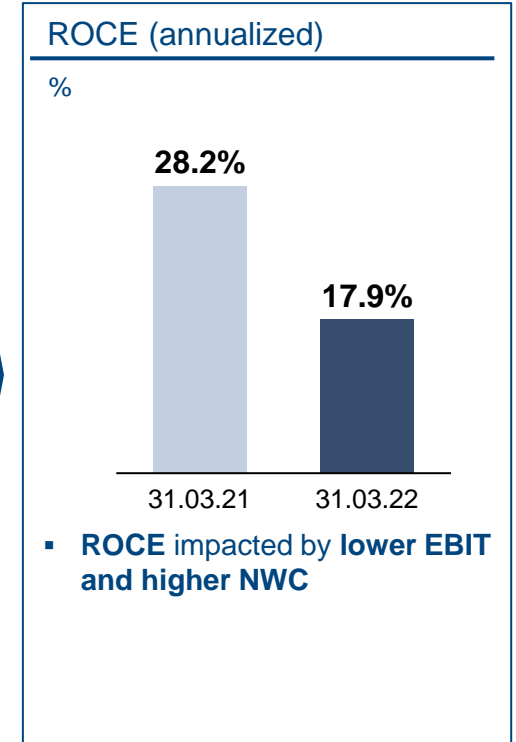
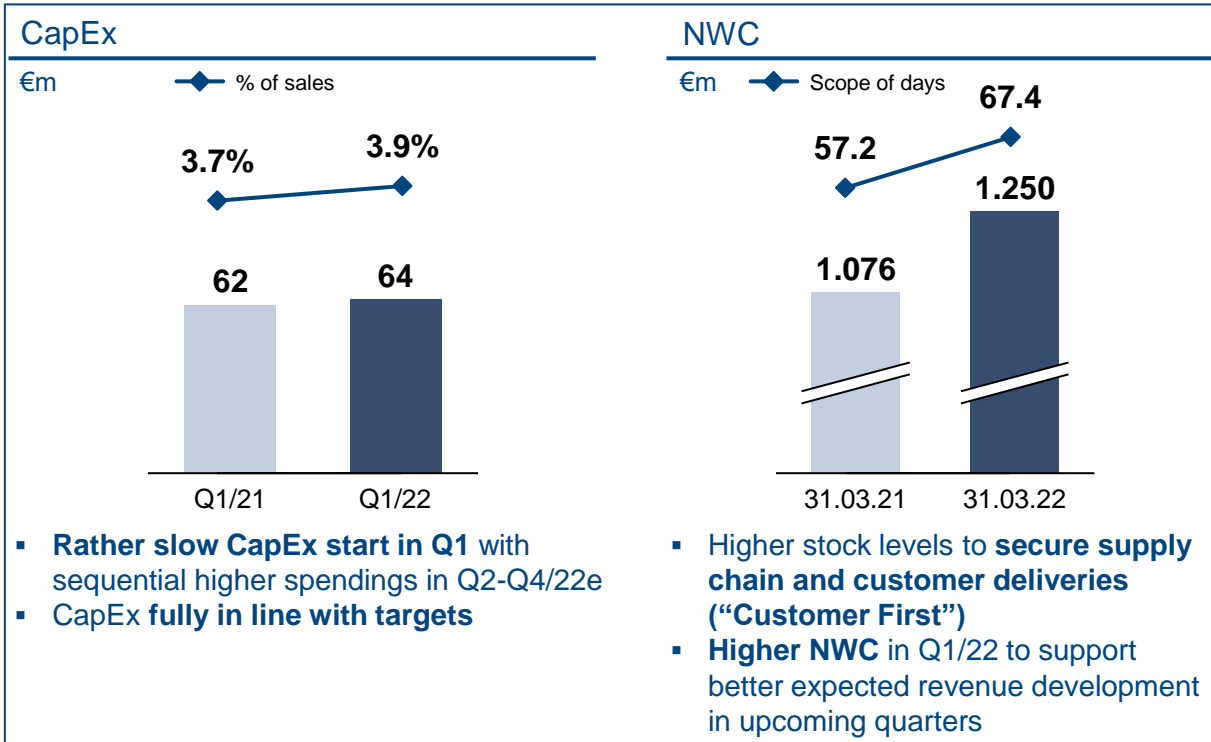
ORDER INTAKE **€ 2.11bn**
(+17.3% yoy)

ORDER BOOK **€ 6.00bn**
(+18.0% yoy)



1) excl. SLB (ote 2021): Last tranche of Sale-and-Lease-Back transaction of Nordgelände in Munich executed and announced in 2019

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

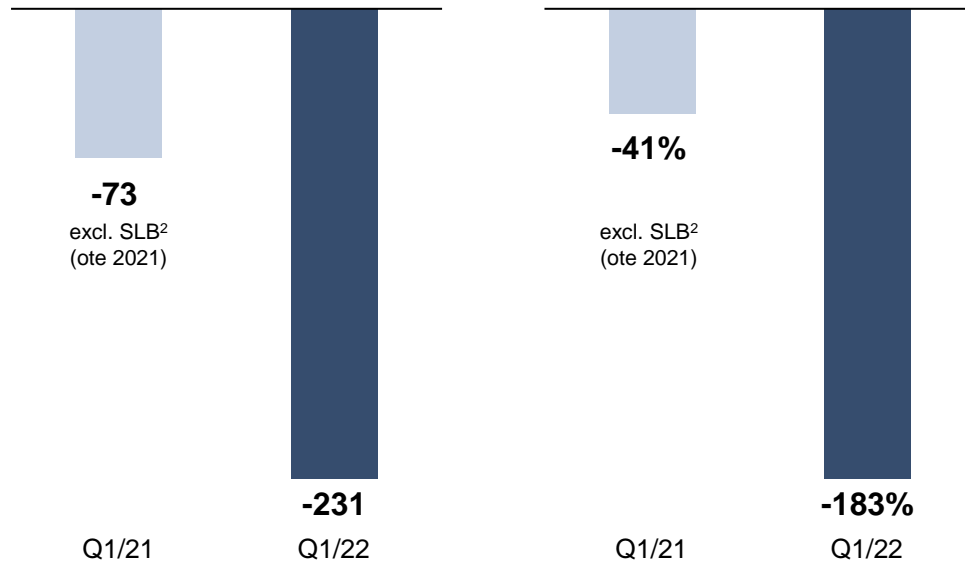


FCF development weaker due to higher NWC while FY22 expectations remain unchanged

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 resulting in **higher NWC**
- Free Cashflow development in Q1/22 **burdened by challenging macro-environment and lower profits in Q1/22**
- Business development and stringent measures implemented to support **positive FCF development in the coming quarters -> strong improvement in H2/22 expected**
- **Strong FCF in Q4/21 (>€ 300m)** affecting development in Q1/22

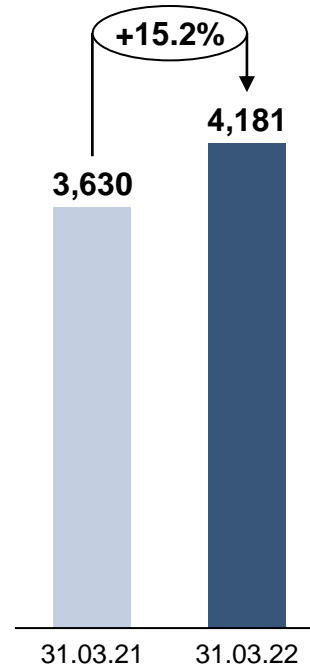
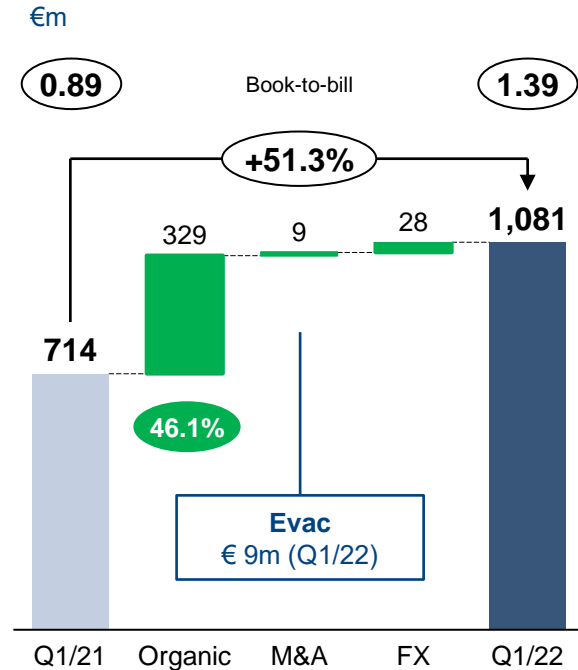
1) FCF before M&A and positive contribution from SLB-transactions in 2021 2) SLB: Last tranche of Sale-and-Lease-Back transaction of Nordgelände in Munich executed and announced in 2019

RVS: OI well supported by important tender awards, strong order book secures high visibility until YE22



Order intake

Order book



Order book increased by 15.2 %yoy

- **Order book** well supported by resilient and stable rail industry despite Covid; no cancellations of contracts (except Russia)

Stronger Q1/22 OI yoy in all regions (except Russia)

- Q1/22 positively impacted by important tender awards
- **EU:** OE stronger in regional/ commuter and HS; AM slightly higher
- **APAC:** Overall higher. Maintenance cycles in China leading to lower AM, extended Chinese New Year and Covid impacting OE and AM business; strong OE in India due to passenger and regional/ commuter
- **NA:** OE substantially higher mainly driven by Metro, coaches and freight; AM stronger driven by increased Metro demand

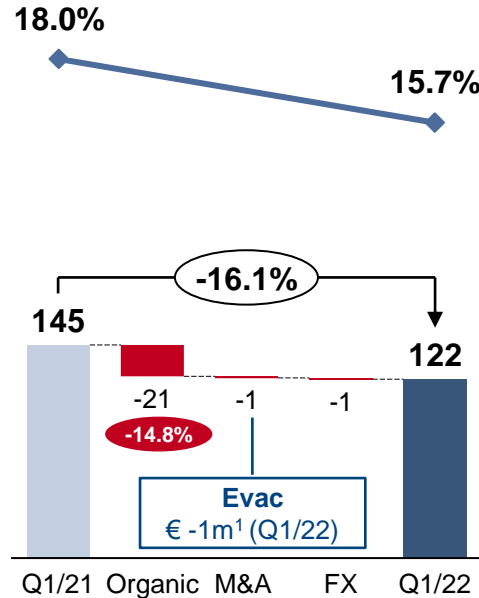
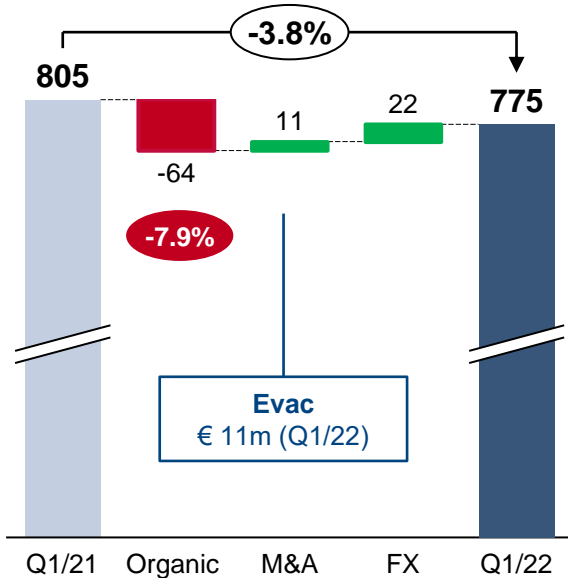
RVS: Q1/22 development as planned with expected improvement in the coming quarters



Revenue

op. EBIT

€m



◆ EBIT margin

Revenue development as expected in Q1/22

- **AM:** Lower rail traffic / maintenance burdened the development in Q1/22 yoy
- **EU:** OE almost flat and AM revenue slightly lower mainly impacted by supply chain issues
- **APAC:** Maintenance cycles in China leading to lower AM, extended Chinese New Year due to Covid impacting OE and AM business
- **NA:** slightly higher Freight and Metro

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

- China: lower revenue contribution and negative impact from zero-Covid policy
- Higher inflationary costs yoy
- Costs related to relocation of production from U.S. to Mexico

1) Before PPA



The Chinese rail market is massively burdened by Covid

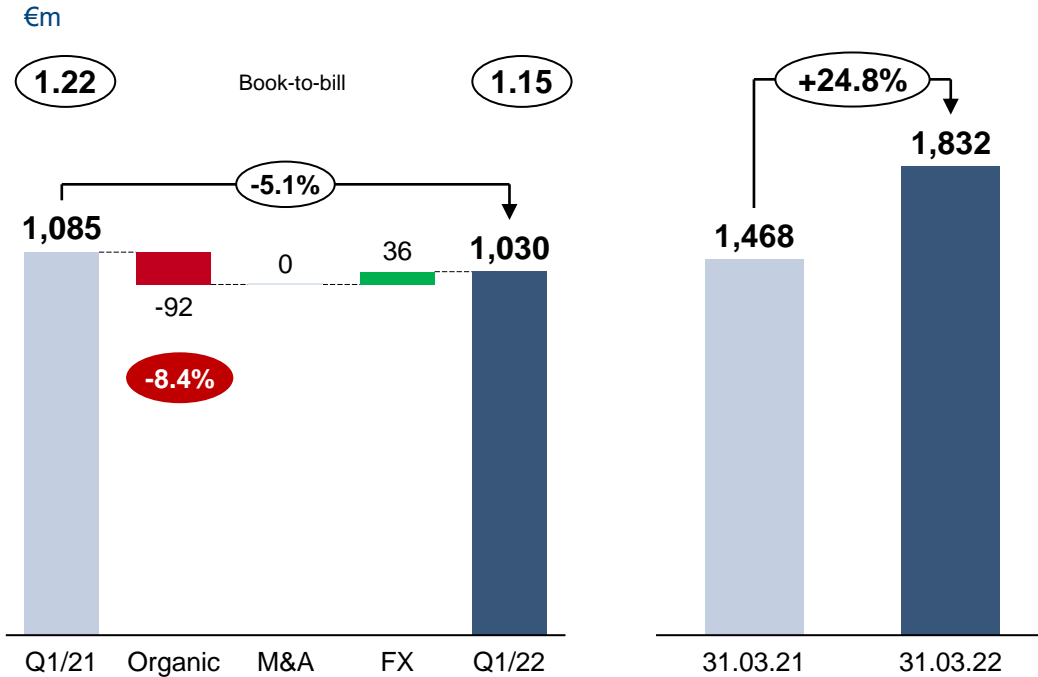
	Current situation	Until YE22
Chinese rail market	<p>Influencing factors</p> <ul style="list-style-type: none">▪ Olympics and Paralympics impacted travel activity▪ Extended furloughs related to Chinese New Year celebrations (e.g. CRRC)▪ Zero-Covid policy<ul style="list-style-type: none">▪ Lockdown of major cities▪ Partial suspension of HS and Metro services▪ Ridership not back to normal levels yet	<p>Strong impact by Covid on Chinese rail market expected</p> <ul style="list-style-type: none">▪ Investments vs. pre-Covid (FY19)<ul style="list-style-type: none">▪ FY22: Budget rolling stock reduced(-60% vs. FY19)▪ Metro: 5,000-5,500 cars expected (-25% vs. FY19)▪ HS: <60 trains produced (-75% vs. FY19) <p>BUT</p> <ul style="list-style-type: none">▪ FY22: 1,400km new HS tracks will be built▪ High focus on CO₂ reduction by Chinese government continues▪ Autonomous policy will continue
RVS	<ul style="list-style-type: none">▪ Market share under pressure, but in line with expectations▪ Revenue share China of RVS total: ~17% in Q1/22▪ AM revenues up 8% in Q1/22yoy	<ul style="list-style-type: none">▪ RVS could benefit from market recovery and potential infrastructure investments in rail▪ Expansion of AM network in China▪ Efficiency program fully underway▪ <u>Edge on innovation, quality and service</u>

CVS: OI on high level and order book still very strong



Order intake

Order book



Order intake reduction yoy from record levels in Q1/21 mainly driven by weak market and production restrictions in China, BtB well above 1

- **EU/ NA:** Stable market demand on high level with continuous short-term shift of orders into later months, no major cancellations so far
- **APAC:** No recovery of order intake in China yet, zero-Covid policy restricts production at OEMs, growing demands in India, Japan stable

Order book remains strong on record levels

- Order backlog fueled by strong demand from in 2021 and stable qoq development
- Still high underlying demand as supply chain restrictions continue to limit production output and renewal rates

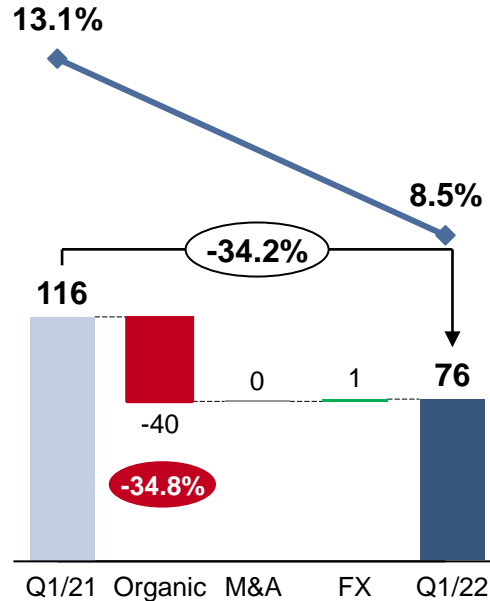
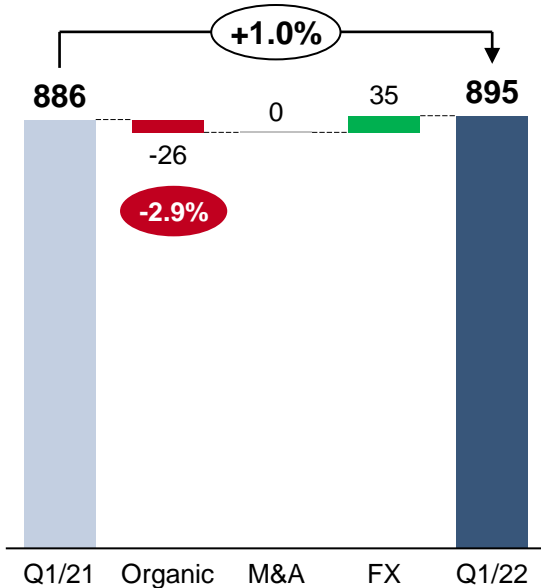
CVS: Slight increase in revenues, recovery of profitability vs. Q4/21



Revenue

op. EBIT

€m



Stable revenue considering supply shortages & lock-downs in CN

- **EU & NA:** Increased revenues driven by historic material surcharge agreements with customers
- **APAC:** Current zero-Covid strategy in CN prevents recovery of output volumes at OEMs, India strong and Japan stable
- **AM** ratio significantly stronger yoy

Margin decrease due to continuous cost pressure from inflation and supply constraints

- Operating leverage from China revenue reductions
- On-boarding of additional R&D capacities to fuel technology conversion
- Inflation on direct and indirect material expenses, customer compensation agreements on the way
- Solid performance and conversion in production plants, strict cost control in SG&A area

We strongly condemn the attacks by Russia in Ukraine and took action



Ukraine

Humanitarian aid

- Donations: >€ 1.3m
- **Housing** of Ukrainian refugees in KB facilities
- Initiative „**Job Aid for Ukrainian Refugees**“ joined in Germany
- Further **Local Care activities**: e.g. food vouchers, donation-in-kind campaigns, fundraising activities
- **Paid time off for employees** supporting Ukrainian families and refugees (e.g. interpreters) and **provision of apartments** by KB

Direct Ukrainian exposure not material

Russia

Actions

- **We fulfill our existing Russian contracts (OE and AM), if in line with all relevant sanctions** (i.e. EU/U.S./ UK/ CH)
- Shipments to Russia **strictly limited and significantly reduced**
- Discontinuation of **JV with Kamaz**
- **Local spare parts** business in line with sanctions
- **No generation of new OE business**

Business exposure of Knorr-Bremse

- **No material revenues in Ukraine**
- **No material direct supply from Ukraine**

Direct exposure in Russia

- Balance sheet: <2% of total assets (~€ 120m)
- Workforce: ~550
- Operations: high level of localization
- **No material direct sourcing from Russian suppliers**

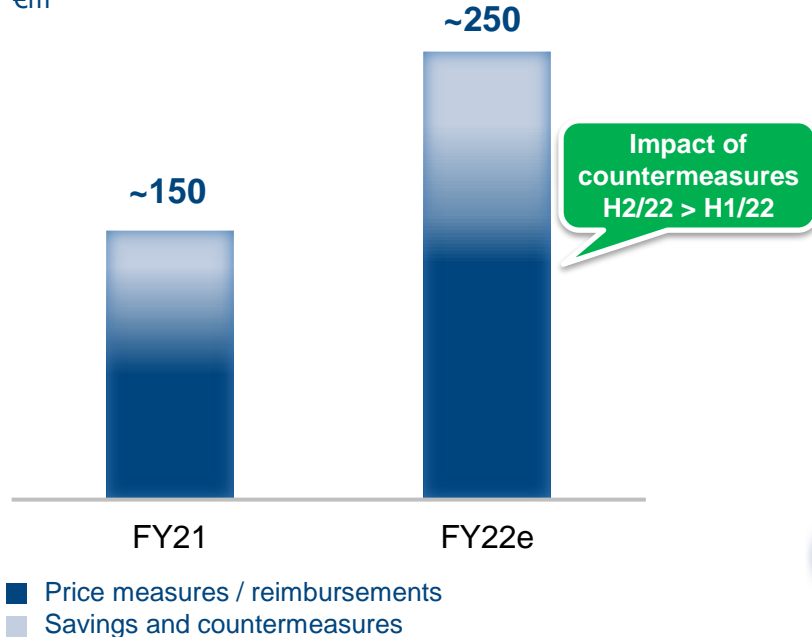
Direct Russian exposure p.a.:

Revenues of ~€200m and 50-80bps EBIT margin exposure

Inflationary pressure increased BUT clear action plan defined for mitigation

Countermeasures to fight inflation (incl. raw material, salary, transport etc.)

€m



KB positioning

- RVS and CVS: **Global market leadership**
- **High level of resilience** proven globally in challenging times before
- **Rock solid balance sheet**
- **Strong customer relationship** in rail and truck built up over decades
- **Strong pricing power**

Actions

- **High level of localization** pays off
- **No high dependence** on individual suppliers or special materials
- **Price sliding clauses** in contracts very supportive
- Intensive pricing discussions with customers
 - **AM: Good solutions found**
 - **OE: Good progress**



Goal: offset inflation by price increases and strict cost control in 2022

(Full sustainable compensation but effects occur with time lag
→ sequential quarterly improvement in 2022 expected)

Group Guidance 2022 given on February 24, 2022 – confirmed despite extremely challenging environment

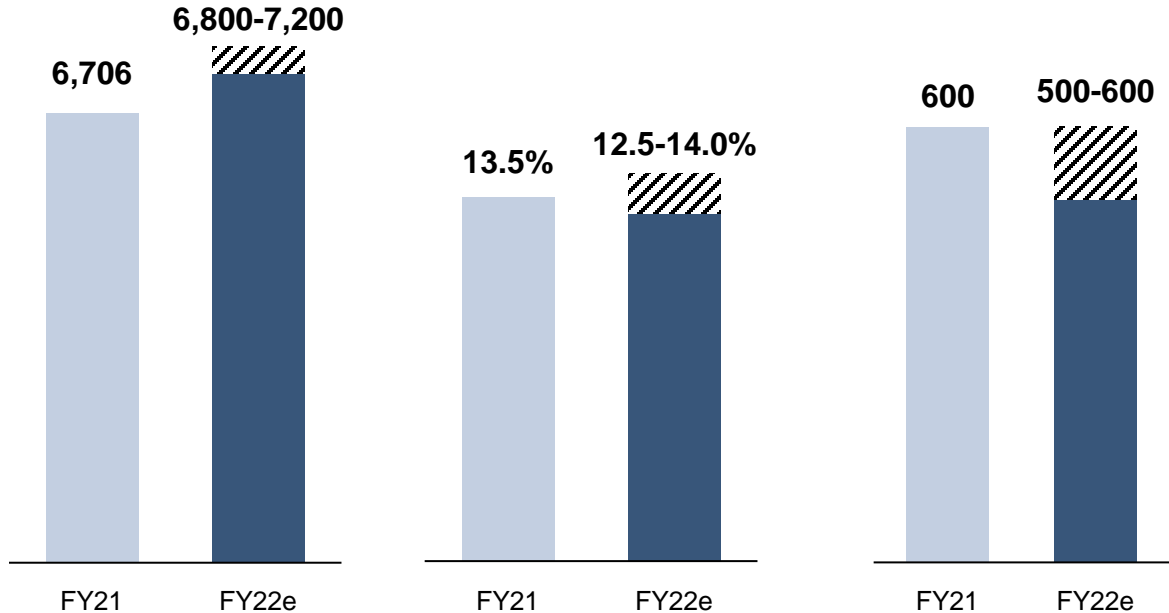
Revenue

Operating EBIT margin

Free Cashflow

Assumptions

€m



- No significant further deterioration in geopolitical and economic conditions compared with current situation
- It is not yet possible to evaluate the full impact on financials by the war in the Ukraine. Therefore, no direct negative impact incorporated in group guidance
- FX rates largely stable yoy
- No further setbacks occur as a result of Covid
- Shortages of semiconductors and bottlenecks in the supply of other materials should continue

Knorr-Bremse well-positioned and already fighting challenging market environment

Challenging environment currently

Global supply chain shortages

Inflationary headwinds

Ukraine war/
Russian sanctions

Covid-related impacts ongoing,
e.g. low rail traffic globally




Counteractive measures with profit and cash optimization program in place

Fight inflation

- Price increases in AM being implemented
- Promising negotiations in OE
- Cost countermeasures being implemented

M&A: Active portfolio management

- Delivering on M&A strategy
- Divestment of dilutive units 

Strong financial model of KB

- Market & technology leadership
- High financial flexibility
- Attractive customer segments
- Rock solid balance sheet
- High financial flexibility

Kiepe Electric – Divestment to strengthen KB's portfolio



Divestment of Kiepe Electric will support mid-term outlook (2025) of RVS op. EBIT margin by

60-90bps¹

Strategic rationale

- Decision of divestment follows clear M&A strategy
- Kiepe Electric is often general contractor of projects → no focus of KB strategy anymore
- Limited opportunities to expand within KB's strategy and business focus
- Sales process of Kiepe Electric just started

Financials Kiepe Electric²

- Revenues: € ~100m
- Profitability significantly dilutive

Kiepe Electric offers solutions for emission-reduced public transportation with electric equipment for streetcars, metros and regional trains as well as electric buses in Motion Charging and High-Power Charging.

1) Improvement of Kiepe Electric's operating profitability incorporated in RVS outlook for 2025

2) FY21

Q&A / Backup



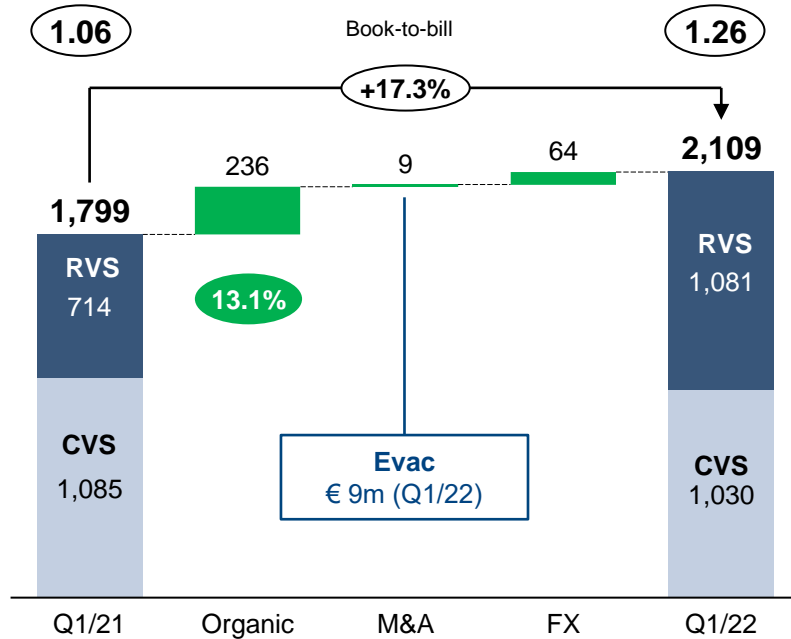
Financial calendar: upcoming events

Date	Event
May 13, 2022	Post-Q1/22 Roadshow, London – J.P. Morgan
May 19, 2022	Best of Europe Conference – UBS (virtually)
May 24, 2022	Annual General Meeting
May 25, 2022	dbAccess German Corporate Conference 2022, Frankfurt – Deutsche Bank
June 7/8, 2022	Global Industrials and Transportation Conference, New York – UBS
June 10, 2022	CEO Conference, London – J.P. Morgan
June 14, 2022	CEO Conference, Paris – BNP Paribas
June 30, 2022	Sustainable Finance Conference, London – UBS
August 12, 2022	Q2/22 financial results
November 10, 2022	Q3/22 financial results

Strong order intake in Q1/22 yoy and strong order book underline strong ongoing demand in both industries

Order intake

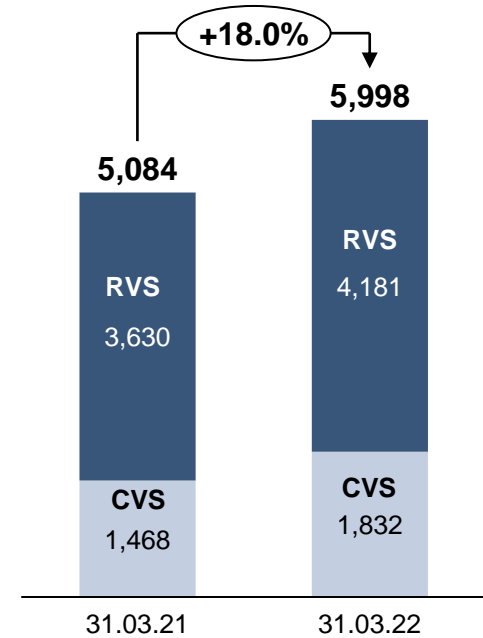
€m



Book-to-bill

Order book

€m



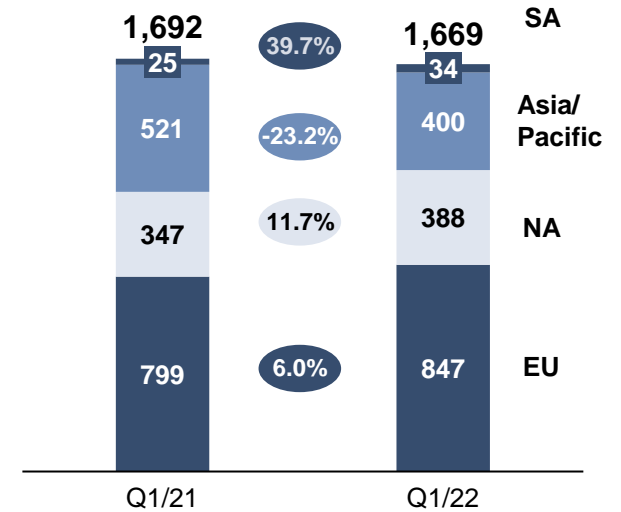
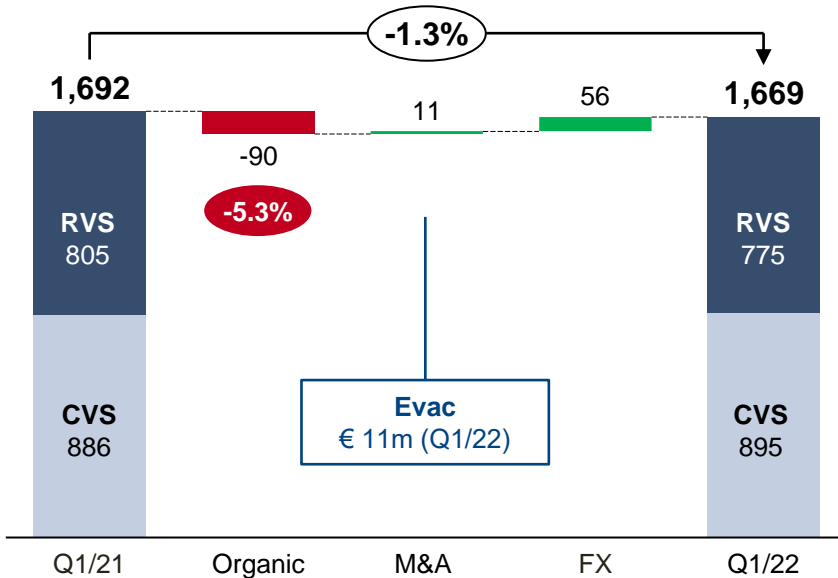
Slight revenue decrease driven by APAC

Revenue

€m

By type

By region



Q1/22: income statement

INCOME STATEMENT						
EUR million	2021					2022
	Q1/21	Q2/21	Q3/21	Q4/21	FY21	Q1/22
Revenues	1,691.5	1,727.4	1,589.2	1,697.5	6,705.6	1,669.4
Change in inventory of unfinished/finished products	30.0	22.2	17.9	-31.1	39.1	54.0
Own work capitalized	19.2	20.0	20.7	23.2	83.1	24.6
Total operating performance	1,740.7	1,769.6	1,627.9	1,689.6	6,827.8	1,748.0
Other operating income	29.4	6.5	34.7	41.4	111.9	30.8
Cost of materials	-855.3	-892.1	-816.0	-813.3	-3,376.7	-898.6
Personnel expenses	-414.9	-415.9	-396.7	-420.3	-1,647.7	-455.0
Other operating expenses	-179.6	-156.3	-165.7	-207.2	-708.8	-171.2
Earnings before interest, tax, depreciation and amortization (EBITDA)	320.3	311.9	284.2	290.2	1,206.5	254.0
Depreciation and amortization	-68.7	-68.0	-71.1	-82.6	-290.4	-72.4
Earnings before interests and taxes (EBIT)	251.6	243.8	213.1	207.5	916.1	181.5
Interest income	3.0	4.0	5.1	3.8	15.9	6.3
Interest expenses	-11.4	-13.9	-11.9	-18.6	-55.9	-11.7
Other financial result	-0.9	1.5	-7.8	11.9	4.7	-4.3
Income before taxes	242.3	235.4	198.5	204.6	880.8	171.8
Taxes on income	-65.9	-65.7	-48.4	-53.4	-233.4	-45.8
Net income	176.3	169.7	150.1	151.2	647.4	126.1
Profit (loss) attributable to non-controlling interests	7.2	5.6	4.1	9.1	26.1	0.0
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	169.1	164.1	145.9	142.1	621.3	2.6
Earnings per share in Euro	1.05	1.02	0.91	0.88	3.85	0.77

Q1/22: cashflow

CASHFLOW STATEMENT (shortened)						
	2021					2022
EUR million	Q1/21	Q2/21	Q3/21	Q4/21	FY 2021	Q1/22
Net cash flows from/used in operating activities	27.6	196.1	265.1	486.8	975.5	-189.6
Net cash flows from/used in investing activities	-78.8	-186.9	-71.0	-197.6	-534.4	-35.3
Net cash flows from/used in financing activities	-254.3	-530.2	-37.3	-603.1	-1,424.9	-36.2
Cash flow changes	-305.5	-521.1	156.7	-314.0	-983.8	-261.1
thereof change in cash funds resulting from exchange rate and valuation-related movements	27.7	-1.5	11.9	28.6	66.8	11.4
Change of cash fund	-277.8	-522.6	168.7	-285.3	-917.0	-249.7
Cash funds at the beginning of the period	2,240.7	1,963.0	1,440.4	1,609.0	2,240.7	1,326.5
Cash funds at the end of the period	1,963.0	1,440.4	1,609.0	1,326.5	1,326.5	1,076.8

Q1/22: balance sheet / assets

€m	2021				2022
	31.03.2021	30.06.2021	30.09.2021	31.12.2021	31.03.2022
Assets					
Intangible assets and goodwill	899.2	967.5	986.9	1,005.8	1,016.5
Property, plant and equipment	1,589.1	1,611.6	1,618.1	1,790.4	1,798.8
Investments accounted for using the equity method	24.2	23.0	23.0	22.1	22.5
Other financial assets	164.9	212.8	195.9	215.2	197.2
Other assets	75.9	74.9	75.3	79.1	82.5
Income tax receivables	1.0	1.0	1.7	1.0	1.1
Assets from employee benefits	22.2	29.0	22.0	30.1	7.3
Deferred tax assets	117.0	120.0	126.5	117.9	118.8
Non-current assets	2,893.4	3,039.8	3,049.6	3,261.5	3,244.5
Inventories	927.7	956.4	1,009.4	1,002.2	1,114.5
Trade accounts receivable	1,519.5	1,536.4	1,424.8	1,230.3	1,468.7
Other financial assets	71.5	71.7	38.7	63.8	53.8
Other assets	113.7	120.2	138.0	130.6	144.7
Contract assets	88.8	93.4	83.7	75.0	89.3
Income tax receivables	33.8	36.9	41.5	55.5	45.4
Cash and cash equivalents	1,989.3	1,502.0	1,640.6	1,380.2	1,113.8
Current assets	4,744.4	4,316.9	4,376.6	3,937.6	4,030.3
Total assets	7,637.8	7,356.7	7,426.2	7,199.2	7,274.8

Q1/22: balance sheet / liabilities

€m	2021				
	31.03.2021	30.06.2021	30.09.2021	31.12.2021	31.03.2022
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	13.3	13.3	13.3	13.3	10.3
Other components of equity	-241.4	-247.2	-250.9	-196.2	-157.9
Profit carried forward	1,959.8	1,714.8	1,714.8	1,714.8	2,336.1
Profit attributable to the shareholders of Knorr-Bremse AG	169.1	333.3	479.2	621.3	123.4
Equity attributable to the shareholders of Knorr-Bremse AG	2,076.0	1,989.2	2,131.5	2,328.3	2,487.1
Equity attributable to non-controlling interests	101.1	100.0	90.6	97.2	82.4
thereof share of non-controlling interests in net income	7.2	12.8	16.9	26.1	2.6
Equity	2,177.1	2,089.2	2,222.0	2,425.5	2,569.6
Liabilities					
Provisions for pensions	296.6	330.5	327.6	312.1	249.7
Provisions for their employee benefits	18.6	17.4	18.7	21.7	24.7
Other provisions	277.7	262.8	253.1	227.8	212.8
Financial liabilities	1,203.7	1,216.9	1,211.3	1,296.1	1,287.6
Other liabilities	5.3	4.2	4.3	3.9	4.2
Income tax liabilities	63.7	67.1	71.4	79.8	71.4
Deferred tax liabilities	135.4	135.4	147.3	134.9	164.3
Non-current liabilities	2,001.0	2,034.5	2,033.6	2,076.3	2,014.6
Provisions for other employee benefits	20.4	20.0	18.9	7.9	13.9
Other provisions	191.9	193.3	195.4	240.7	234.2
Trade accounts payable	1,166.4	1,175.1	1,112.5	1,166.1	1,149.9
Financial liabilities	1,646.5	1,395.9	1,411.8	852.4	896.3
Other liabilities	88.0	102.8	86.0	102.0	93.1
Contract liabilities	294.0	284.8	283.5	265.6	272.2
Income tax liabilities	52.5	61.1	62.5	62.7	31.1
Current liabilities	3,459.7	3,233.0	3,170.6	2,697.3	2,690.6
Liabilities	5,460.7	5,267.5	5,204.2	4,773.6	0.0
Total assets	7,637.8	7,356.7	7,426.2	7,199.2	7,274.8

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