

# Q3



# Quarterly Statement

**JANUARY 1 TO SEPTEMBER 30, 2022**  
**KNORR-BREMSE AG**

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

		Nine Months		Third Quarter	
		2022	2021	2022	2021
Revenues	€ million	5,198.0	5,008.1	1,792.0	1,589.2
EBITDA	€ million	767.4	916.3	278.4	284.2
EBITDA margin	%	14.8	18.3	15.5	17.9
Operating EBITDA margin	%	15.2	18.4	15.7	18.1
EBIT	€ million	543.1	708.5	199.9	213.1
EBIT margin	%	10.4	14.1	11.2	13.4
Operating EBIT margin	%	10.9	14.2	11.3	13.6
Net income	€ million	384.9	496.2	147.3	150.1
Earnings per share (basic)	€	2.32	2.97	0.90	0.91
Order intake	€ million	5,916.8	5,038.1	1,879.2	1,435.2
Order book (September 30)	€ million	6,877.8	5,006.9	6,877.8	5,006.9
Cash flow from operating activities	€ million	(31.3)	488.7	121.6	265.1
Free cash flow	€ million	(229.1)	297.0	37.5	188.8
Cash conversion rate	%	(59.5)	59.9	25.5	125.8
Capital expenditure (before IFRS 16 and acquisitions)	€ million	226.4	212.0	85.5	82.5
Capital expenditure in % of revenues	%	4.4	4.2	4.8	5.2
R&D costs	€ million	348.6	315.6	115.9	103.8
R&D costs in % of revenues	%	6.7	6.3	6.5	6.5
		<b>09/30/2022</b>	<b>12/31/2021</b>		
Total assets	€ million	8,172.7	7,199.2		
Equity (incl. non-controlling interests)	€ million	2,589.4	2,425.5		
Equity ratio	%	31.7	33.7		
ROCE (annualized)	%	16.1	24.9		
Net financial debt/(cash)	€ million	582.2	(108.5)		
Net working capital	€ million	1,567.6	875.8		
Employees (at reporting date incl. leased personnel)		31,185	30,544		

### FIRST NINE MONTHS OF 2022

- » Order intake of € 5,916.8 million up 17% on the previous year and caused by a highly significant recovery in demand for rail vehicle business in all regions; order intake for commercial vehicle business up slightly on the previous year, particularly because of North America
- » Positive order situation reflected in a new record order book size of € 6,877.8 million, up a considerable 37% on the same period of the year before
- » At € 5,198.0 million, revenues slightly up (4%) on the prior-year level despite difficult market environment. In Rail Vehicle Systems, declining OE revenues were more than made up for by growth in the aftermarket business, while Commercial Vehicle Systems saw OE as well as aftermarket business increase
- » Aftermarket revenue up 10% compared to the previous year; aftermarket's share in the Group's total revenue has grown from 35% to 37%
- » Profitability: operating EBIT of € 567.6 million down 20% due to declining operating EBIT margin (RoS), which dropped from 14% in the previous year to 11%. In particular, the increased inflation, the rigorous Covid-19 restrictions in China, and the sanctions-related decline in Russia-based business has impacted our profitability
- » Free cash flow of € -229.1 million down significantly on the previous year (€ 297.0 million) for reasons including lower earnings contributions and a continued buildup of net working capital to safeguard supply chains in both divisions
- » R&D ratio of 7% of revenues (previous year: 6%) due to continued investments in strategic, forward-looking projects in innovation and technology
- » Full-year guidance for 2022 confirmed:
  - » Revenues: € 6,900 million to € 7,200 million (2021: € 6,706 million)
  - » Operating EBIT margin: 10.5% to 12.0% (2021: 13.5%)
  - » Free cash flow: € 300 million to € 500 million (2021: € 600 million)



## BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF 2022

### Order Intake up by 17.4%

At € 5,916.8 million at the end of September 2022, the Knorr-Bremse Group's order intake was up € 878.7 million, or 17.4%, compared to the same period of the previous year, a significantly positive development. This was predicated on the strong demand in the global rail vehicle market. In the commercial vehicle segment, the overall order intake is slightly up year over year thanks to growth in the North American market.

The positive development of the order situation led to an order book as of the end of September 2022 of € 6,877.8 million, which is very significantly (37.4%) above the same period in the previous year (€ 5,006.9 million) and thus represents a solid foundation for revenue development in the coming quarters.

### Revenues up Compared to Previous Year: +3.8%

The Knorr-Bremse Group's revenues increased by € 189.9 million, or 3.8%, to € 5,198.0 million during the first nine months of the 2022 fiscal year. While revenues in the Rail Vehicle Systems segment were at the previous year's level, the Commercial Vehicle Systems segment recorded solid growth in revenues. In the Rail Vehicle Systems segment, the declining OE volume was offset by rising aftermarket revenues. While OE business in Europe was on the decline in the mass transit (metro and light-rail vehicles), high-speed train, and regional and commuter categories, the freight and locomotive business in the region saw growth. Freight business also expanded in North America in particular. The Asia region saw declining OE revenues in the metro category due to the market conditions. On the other hand, North America and Asia recorded growth in the aftermarket business. The share held by aftermarket business in the total revenue of the Rail Vehicle Systems segment was 47.1% and up on the previous year (44.7%). The Commercial Vehicle Systems segment recorded growth in OE as well as aftermarket revenues compared to the prior-year period. At 28.1%, the aftermarket share of the Commercial Vehicle Systems division's total revenue was also up on the previous year (25.7%).

At a Group level, the share held by aftermarket revenue in total revenues rose from 35.0% in the previous year to 37.1%.

### Robust Profitability Despite Challenging Economic Environment: Operating EBIT Margin at 10.9%

In the first nine months of 2022, operating EBIT of € 567.6 million was generated with an operating EBIT margin (RoS) of 10.9% (previous year: 14.2%). Accordingly, operating EBIT was € 144.1 million or 20.2% down on the same period of the previous year, which was mainly due to cost- and mix-related effects. The generally high inflationary pressure, the rigorous Covid-19 restrictions in China, and the withdrawal from Russia-based business had a negative impact on profitability.

To respond to the overall difficult market conditions, the Knorr-Bremse Executive Board launched an extensive Profit & Cash Protection Program (PCPP) back at the start of the year, with comprehensive pricing and cost-cutting measures for the entire Knorr-Bremse Group. The effects made by the PCPP have already been incorporated in the updated guidance. The significantly increased inflation which is currently burdening the cost structure in both divisions will be fully offset as a result, although this remains subject to risks such as potential delays in passing on costs to our customers. The operating EBITDA, at € 791.9 million, was also down by € 121.6 million or 13.9%. The operating EBITDA margin was 15.2% and consequently down on the previous year's level of 18.4%, a year-over-year decline of 300 basis points.

Compared to the reported earnings measures, the operating earnings measures (EBIT/EBITDA and in relation to revenues) have been adjusted for € 21.2 million of non-recurring sanctions-related items in connection with the Russia-based business, with € 20.2 million in allowances attributable to inventories. Furthermore, restructuring expenses of € 3.3 million in the Rail Vehicle Systems division in North America were adjusted.

## CONSOLIDATED STATEMENT OF INCOME (CONDENSED)

in € million	Nine Months		Third Quarter	
	2022	2021	2022	2021
Revenues	5,198.0	5,008.1	1,792.0	1,589.2
Change in inventory of unfinished/finished products	105.9	70.2	43.6	17.9
Own work capitalized	76.9	59.9	28.1	20.7
<b>Total operating performance</b>	<b>5,380.8</b>	<b>5,138.2</b>	<b>1,863.8</b>	<b>1,627.9</b>
Cost of materials	(2,822.6)	(2,563.4)	(983.1)	(816.0)
Personnel expenses	(1,336.2)	(1,227.5)	(440.4)	(396.7)
Other operating income and expenses	(454.7)	(431.0)	(161.8)	(131.1)
<b>EBITDA</b>	<b>767.4</b>	<b>916.3</b>	<b>278.4</b>	<b>284.2</b>
Depreciation, amortization, and impairment	(224.3)	(207.8)	(78.5)	(71.1)
<b>EBIT</b>	<b>543.1</b>	<b>708.5</b>	<b>199.9</b>	<b>213.1</b>
Financial result	(15.8)	(32.3)	(8.2)	(14.6)
<b>Income before taxes</b>	<b>527.3</b>	<b>676.2</b>	<b>191.7</b>	<b>198.5</b>
Taxes on income	(142.4)	(180.1)	(44.4)	(48.4)
<b>Net income</b>	<b>384.9</b>	<b>496.2</b>	<b>147.3</b>	<b>150.1</b>
thereof profit (loss) attributable to non-controlling interests	10.6	16.9	2.4	4.1

The cost-of-materials ratio increased by 310 basis points to 54.3% of revenue in the first nine months of 2022, in part due to a changed mix of regions and products in revenue as well as from the increased costs for freight and procurement owing to the scarcity of chips and other components and inflationary pressure in general. The personnel expenses ratio rose by 120 basis points, from 24.5% to 25.7%, due to the strategic buildup of forward-looking development projects and one-time payments. The total of other operating income and expenses increased by 10 basis points from 8.6% to 8.7% of revenues. Depreciation and amortization amounted to 4.3% of revenue and were thus also slightly above the previous year's level (4.1%). The financial result was down significantly year over year, mainly as a result of positive earnings contributions from interest on financial instruments, and had a total impact of € 15.8 million on earnings before taxes. Earnings before taxes were 10.1% of revenues and therefore a significant 240 basis points down on the corresponding prior-year level of 13.5% in total.

The tax rate rose by 40 basis points to 27.0% from 26.6% in the first nine months of 2021. This led to a drop in the return on sales after tax from 9.9% in the previous year to 7.4% for 2022 as of the end of September 2022.

## FINANCIAL SITUATION

### FREE CASH FLOW

in € million	Nine Months	
	2022	2021
Net income (including minority interests)	384.9	496.2
Depreciation, amortization, and impairment losses on intangible assets and property, plant, and equipment	224.3	207.8
Adding to, reversing, and discounting provisions	37.9	65.0
Non-cash changes in the measurement of derivatives	103.6	34.4
Other non-cash expenses and income	24.9	(1.6)
Income tax expense	142.4	180.1
Income tax payments	(148.1)	(128.8)
Changes to inventories, trade accounts receivable as well as other assets that cannot be allocated to investing or financing activities	(789.0)	(386.3)
Changes to trade accounts payable as well as other liabilities that cannot be allocated to investing or financing activities	38.0	66.1
Changes in provisions due to utilization	(96.9)	(85.0)
Other	46.8	40.9
<b>Cash flow from operating activities</b>	<b>(31.3)</b>	<b>488.7</b>
Cash changes in intangible assets and property, plant, and equipment	(197.8)	(191.7)
<b>Free cash flow</b>	<b>(229.1)</b>	<b>297.0</b>

The cash inflow from operating activities decreased in the first nine months of 2022, falling by € 520.0 million from the prior-year period to € -31.3 million. This was mainly caused by a very significant buildup of working capital and a decrease of net income by € 113.3 million, or 22.4% to € 384.9 million in comparison to the prior-year period. Free cash flow in the first nine months of 2022 amounted to € -229.1 million, thus coming in € 526.1 million below the prior-year figure (€ 297.0 million). This is primarily attributable to the smaller cash flow from operating activities, which has declined in particular due to the stronger build-up of working capital compared to the previous year.

### CURRENT AND NON-CURRENT ASSETS

in € million	09/30/2022	12/31/2021
Intangible assets and goodwill	1,068.5	1,005.8
Property, plant, and equipment	1,850.5	1,790.4
Other non-current assets	451.4	465.3
<b>Non-current assets</b>	<b>3,370.5</b>	<b>3,261.5</b>
Inventories	1,254.8	1,002.2
Trade accounts receivable	1,608.9	1,230.3
Other financial assets	90.0	63.8
Contract assets	67.2	75.0
Cash and cash equivalents	1,398.8	1,380.2
Assets held for sale and disposal groups	150.0	-
Other current assets	382.6	186.2
<b>Current assets</b>	<b>4,802.2</b>	<b>3,937.6</b>

Trade accounts receivable have increased since December 31, 2021, which is, beside the typical built-up of receivables during the year, partially due to an increased challenging business environment. In this regard – as in previous years – we expect a substantial improvement by year-end. Alongside that, the development of inventories reflects, among other things, the continued measures for safeguarding global supply chains as well as a positive outlook for revenues in the coming quarters. This can also be seen in the high number of orders from OEM customers in the Rail Vehicle Systems segment.

Overall, absolute net working capital increased by € 445.8 million compared with the first nine months of 2021 (€ 1,121.8 million), amounting to € 1,567.6 million. The commitment in revenue days therefore increased by 20.9 day to 81.4 days, thus significantly exceeding the prior-year figure of 60.5 days.

## CAPITAL EXPENDITURE

		Nine Months	
		2022	2021
Capital expenditure (before IFRS 16 and acquisitions)	€ million	226.4	212.0
Capital expenditure in % of revenues	%	4.4	4.2

Capital expenditure on property, plant, and equipment and intangible assets has increased slightly year over year. Significant capital expenditure in the first nine months of 2022 was incurred for expansions of production facilities and equipment, automation projects, site optimizations, and replacement equipment.

## CONSOLIDATED EQUITY

in € million	09/30/2022	12/31/2021
Subscribed capital	161.2	161.2
Other equity	2,361.4	2,167.1
<b>Equity attributable to the shareholders</b>	<b>2,522.6</b>	<b>2,328.3</b>
Non-controlling shares	66.9	97.2
<b>Total equity</b>	<b>2,589.5</b>	<b>2,425.5</b>

As of September 30, 2022, the Knorr-Bremse Group had an equity ratio of 31.7%. Despite an increase in equity in absolute terms, the equity ratio was down on December 31, 2021, (33.7%) as a result of the increase in total assets.

## CURRENT AND NON-CURRENT LIABILITIES

in € million	09/30/2022	12/31/2021
Provisions (incl. pensions)	453.5	561.6
Financial liabilities	2,039.4	1,296.1
Other non-current liabilities	245.8	218.6
<b>Non-current liabilities</b>	<b>2,738.7</b>	<b>2,076.3</b>
Trade accounts payable	1,152.0	1,166.1
Financial liabilities	982.0	852.4
Contract liabilities	211.2	265.6
Liabilities in connection with assets held for sale	131.2	–
Other liabilities	499.2	413.3
<b>Current liabilities</b>	<b>2,844.5</b>	<b>2,697.3</b>
<b>Total liabilities</b>	<b>5,583.2</b>	<b>4,773.6</b>

Material changes as at December 31, 2021, arose primarily in the non-current financial liabilities, which significantly increased mainly because of the issue of a sustainability-linked bond in the amount of € 700.0 million. The current financial liabilities also rose, mainly due to liabilities from derivatives.

The following debt financing existed as of September 30, 2022:

- » Corporate bond of Knorr-Bremse AG in the amount of € 750.0 million (maturing in June 2025)
- » Corporate bond of Knorr-Bremse AG in the amount of € 700.0 million (maturing in September 2027)
- » Bank liabilities of the Knorr-Bremse Group in the amount of € 111.9 million
- » Lease liabilities in the amount of € 522.8 million



## EMPLOYEES

### AVERAGE NUMBER OF EMPLOYEES

	Nine Months	
	2022	2021
Wage earners	15,922	15,741
thereof leased personnel	2,960	2,819
Salaried employees	14,643	14,387
thereof leased personnel	202	227
Trainees	199	221
<b>Total</b>	<b>30,764</b>	<b>30,349</b>

At the end of September 2022, the Group had an average of 30,764 employees (previous year: 30,349). The figures relate to full-time equivalents (FTE). The slight increase (1.4%) compared to the same period in the previous year primarily resulted from the revenue growth in the Commercial Vehicle Systems segment of the past few quarters and from a strategic buildup for future-related topics in both divisions, including for research and development, among other things.

## INFORMATION ON REPORTABLE SEGMENTS

### REVENUES BY SEGMENT

in € million	Nine Months	
	2022	2021
Rail Vehicle Systems	2,452.8	2,459.7
Commercial Vehicle Systems	2,746.7	2,549.4
Other segments and consolidation	(1.5)	(1.0)
<b>Group</b>	<b>5,198.0</b>	<b>5,008.1</b>

### EBT BY SEGMENT

in € million	Nine Months	
	2022	2021
Rail Vehicle Systems	327.8	424.6
Commercial Vehicle Systems	219.5	289.0
Other segments and consolidation	(20.1)	(37.4)
<b>Group</b>	<b>527.3</b>	<b>676.2</b>

In the first nine months of 2022, our two segments developed as follows:

### RAIL VEHICLE SYSTEMS SEGMENT

		Nine Months		Third Quarter	
		2022	2021	2022	2021
Revenues	€ million	2,452.8	2,459.7	854.7	805.1
thereof aftermarket	%	47	45	48	45
EBITDA	€ million	447.1	531.6	163.1	170.9
EBITDA margin	%	18.2	21.6	19.1	21.2
Operating EBITDA margin	%	19.2	21.7	19.4	21.6
EBIT	€ million	348.7	439.8	130.0	138.9
EBIT margin	%	14.2	17.9	15.2	17.3
Operating EBIT margin	%	15.2	18.0	15.6	17.6
Order intake	€ million	3,005.5	2,189.7	877.5	739.2
Order book (September 30)	€ million	4,844.2	3,451.4	4,844.2	3,451.4

Order intake of the Rail Vehicle Systems segment increased very significantly compared with the previous year by a total of € 815.8 million, or 37.3%, and, as of the end of September 2022, came in at € 3,005.5 million (previous year: € 2,189.7 million). All regions, and Europe especially, profited from this development. The order book as at September 30, 2022, therefore increased by 40.4% to € 4,844.2 million (previous year: € 3,451.4 million).

Revenues in the Rail Vehicle Systems segment came to € 2,452.8 million in the first nine months of 2022, which was on the same level as the same period of the previous year. Declining OE revenues were compensated for with increased aftermarket revenues. In Europe, fallen revenues in the mass transit (metro and light-rail vehicle), high-speed train, and regional and commuter categories were partially made up for by growth in the freight and locomotive categories. Freight business was able to increase OE revenues in North America year over year, while OE revenues in the Asia region dropped mainly as a result of metro business. On the other hand, the share held by aftermarket business in the segment's total revenue was 47.1% and moderately above the corresponding prior-year level (44.7%), almost making up for the drop in OE business. In addition to moderate growth in Europe, the increase in aftermarket business was mainly attributable to growth in Asia and North America.

Due to volume-, cost-, and mix-related factors, operating EBIT as at September 2022 was € 373.1 million and 15.8% down on the prior-year level (€ 443.0 million), a significant decline. The drop of the operating EBIT margin (RoS) to 15.2% after 18.0% in the prior-year comparison period is the result of the generally high inflationary pressure and drop in China-based business. At € 471.5 million, operating EBITDA was also 11.8% below the prior-year level of € 534.7 million and led to an operating EBITDA margin as of September 2022 of 19.2% of revenue (previous year: 21.7%). To calculate the operating earnings measures (EBIT/EBITDA and in relation to revenue), non-recurring sanctions-related items in connection with Russia-based business of an amount of € 21.2 million were adjusted, including € 20.2 million for allowances for

inventories. Furthermore, compared to the reported earnings measures, restructuring expenses of € 3.3 million in North America have been adjusted.

#### COMMERCIAL VEHICLE SYSTEMS SEGMENT

		Nine Months		Third Quarter	
		2022	2021	2022	2021
Revenues	€ million	2,746.7	2,549.4	937.7	784.5
thereof aftermarket	%	28	26	29	29
EBITDA	€ million	344.5	399.8	123.6	119.4
EBITDA margin	%	12.5	15.7	13.2	15.2
Operating EBITDA margin	%	12.5	15.7	13.2	15.2
EBIT	€ million	237.3	298.7	86.7	84.8
EBIT margin	%	8.6	11.7	9.2	10.8
Operating EBIT margin	%	8.6	11.7	9.2	10.8
Order intake	€ million	2,913.2	2,849.7	1,002.6	696.7
Order book (September 30)	€ million	2,035.1	1,569.3	2,035.1	1,569.3

The order intake in the Commercial Vehicle Systems segment came to € 2,913.2 million in the first nine months of 2022, exceeding the corresponding prior-year figure by 2.2%. The order book as at September 30, 2022, had grown by 29.7% and was very significantly larger than in the previous year; it remains at a high level.

Revenues generated as of the end of September 2022 were € 2,746.7 million, a moderate 7.7% increase on the corresponding previous year. OE as well as aftermarket revenues rose year over year. OE declines in Asia were more than compensated for by growth in North America and Europe. Aftermarket revenues were expanded primarily in the North American market as well as in the Asian market. Consequently, the share held by aftermarket revenues in Commercial Vehicle Systems' total revenues rose from 25.7% in the previous year to 28.1% as of September 2022.

Both the operating EBIT and the reported EBIT in the Commercial Vehicle Systems had declined by a significant 20.6% to € 237.3 million as of the end of September 2022. The EBIT margin (RoS) dropped from 11.7% in the previous year to 8.6%. This development was caused by a changed mix of regions and products in the revenue composition as well as the increased costs of freight and procurement, which resulted from the ongoing supply shortages, and the generally high inflation. The reported EBITDA as well as the operating EBITDA were € 344.5 million and a solid 13.8% below the corresponding prior-year period (€ 399.8 million), resulting in an EBITDA margin of 12.5% as of September 2022 (previous year: 15.7%).

#### REVENUE BY COUNTRY OF KNORR-BREMSE COMPANY

in € million	Nine Months	
	2022	2021
Europe/Africa	2,470.6	2,375.1
North America	1,321.6	1,041.1
South America	113.9	88.0
Asia-Pacific	1,291.8	1,503.9
	<b>5,198.0</b>	<b>5,008.1</b>

As of the end of September 2022, 48% of the Group's revenues related to the Europe/Africa region (previous year: 47%), 25% to North America (previous year: 21%), 2% to South America (previous year: 2%), and 25% to Asia-Pacific (previous year: 30%).

## SIGNIFICANT EVENTS IN THE REPORTING PERIOD

### Issue of a Sustainability-Linked Bond

Knorr-Bremse issued a bond with a volume of € 700 million and maturity of five years on September 15, 2022. The annual coupon of 3.25% is linked to the fulfillment of a specific sustainability target (making it a "sustainability-linked bond"). Knorr-Bremse has defined the sustainability target in accordance with the Sustainability-Linked Bond Framework and committed to setting an emissions reduction target in relation to its value chain (scope 3) in accordance with the international standards of the Science Based Targets initiative (SBTi). The framework has been reviewed by the sustainability agency ISS Corporate Solutions (ISS) through its issuing of a second-party opinion. ISS confirms the ambition and materiality of the set target and its adherence to common market standards. If the target is not met, the interest rate would increase by 20 basis points for the remaining term of the bond.

### Acquisition of DSB Component Workshops

Through a purchase agreement dated July 7, 2021, and closed on August 31, 2022, Knorr-Bremse Systeme für Schienenfahrzeuge GmbH acquired DSB Component Workshops from Danske Statsbaner (DSB) for a preliminary purchase price of roughly € 59 million, of which approximately € 53 million was settled in cash and cash equivalents with effect from September 30, 2022. The goodwill of approximately € 6 million is primarily the result of the future potential for developing the external, non-DSB business and of the workforce's expertise in overhauling and repairing parts and components for train, train car, and locomotive subsystems. Furthermore, the Group expects a positive effect of about € 34 million on revenue in 2022 and a contribution of approximately € 0 million to earnings before taxes (including effects from purchase price allocation). By purchasing DSB Component Workshops, Knorr-Bremse has the opportunity to develop an expanded service hub for Denmark and adjoining rail markets, to leverage growth potential in the region, and to enable innovative services for rail transportation.

## EVENTS AFTER THE REPORTING DATE

### Changes in the Executive Board

The Supervisory Board of Knorr-Bremse AG appointed Mr. Marc Llistosella as the Chief Executive Officer of Knorr-Bremse AG at its meeting on October 13, 2022, for a period of three years beginning on January 1, 2023.

### Closing of Acquisition of Cojali S.L.

Knorr-Bremse signed an agreement to purchase a 55% interest in Cojali S.L., based in Spain, in June 2022. The transaction was closed with effect from October 31, 2022, and is still subject to approval by antitrust authorities. The purchase price will likely be approximately € 200 million, with the total of four companies being fully consolidated for the first time as of November 1, 2022.

### Closing of Acquisition of Shanghai Bobang Automotive Technology Co. Ltd.

Knorr-Bremse signed an agreement to purchase a 13.1% interest in Shanghai Bobang Automotive Technology Co. Ltd., based in China, in July 2022. The transaction was closed with effect from October 19, 2022. The purchase price will likely be approximately € 6 million and the interest in the company will be recognized as an investment.

### Agreement with Robert Bosch GmbH

In April 2022, Knorr-Bremse and Robert Bosch GmbH resolved their legal dispute regarding the sale price of the shares in the amount of 20% respectively of Knorr-Bremse Systeme für Nutzfahrzeuge GmbH and Knorr-Bremse Commercial Vehicle Systems Japan Ltd. In exchange for the payment of a purchase price in the amount of € 360 million, that is subject to approval by the antitrust authorities, which was received in the beginning of November 2022. The payment of the purchase price is designated to be settled for the second half of November 2022.

## GUIDANCE

The guidance for the 2022 fiscal year is subject to foreign-exchange rates remaining as they are and to there being no new Covid-19 lockdowns, no significant increase in inflation, and no additional disruptions to supply chains caused by potential energy shortages. Knorr-Bremse expects revenue of between € 6,900 million and € 7,200 million (2021: € 6,706 million), an operating EBIT margin of between 10.5% and 12.0% (2021: 13.5%), and free cash flow of between € 300 million and € 500 million (2021: € 600 million).



## CONSOLIDATED STATEMENT OF INCOME

### CONSOLIDATED STATEMENT OF INCOME

in € thousand	Nine Months	
	2022	2021
Revenues	5,198,013	5,008,139
Change in inventory of unfinished/finished products	105,946	70,161
Own work capitalized	76,888	59,889
<b>Total operating performance</b>	<b>5,380,847</b>	<b>5,138,189</b>
Other operating income	98,028	70,564
Cost of materials	(2,822,592)	(2,563,369)
Personnel expenses	(1,336,160)	(1,227,458)
Other operating expenses	(552,678)	(501,591)
<b>Earnings before interest, tax, depreciation, and amortization (EBITDA)</b>	<b>767,445</b>	<b>916,335</b>
Depreciation, amortization, and impairment losses	(224,325)	(207,795)
<b>Earnings before interest and taxes (EBIT)</b>	<b>543,120</b>	<b>708,540</b>
Interest income	40,869	12,070
Interest expenses	(31,928)	(37,241)
Other financial result	(24,786)	(7,159)
<b>Income before taxes</b>	<b>527,275</b>	<b>676,210</b>
Taxes on income	(142,423)	(180,054)
Profit/loss transfer	–	–
<b>Net income</b>	<b>384,852</b>	<b>496,156</b>
Thereof attributable to:		
Profit (loss) attributable to non-controlling interests	10,600	16,933
Profit (loss) attributable to the shareholders of Knorr-Bremse AG	374,252	479,223
<b>Earnings per share in €</b>		
undiluted	2.32	2.97
diluted	2.32	2.97

## CONSOLIDATED BALANCE SHEET

### CONSOLIDATED BALANCE SHEET

in € thousand	09/30/2022	12/31/2021
<b>Assets</b>		
Intangible assets	639,115	587,648
Goodwill	429,425	418,179
Property, plant, and equipment	1,850,519	1,790,359
Investments accounted for using the equity method	84,022	22,073
Trade accounts receivable	–	–
Other financial assets	123,641	215,173
Other assets	91,718	79,053
Contract assets	–	–
Income tax receivables	704	1,012
Assets from employee benefits	9,297	30,092
Deferred tax assets	142,020	117,934
<b>Non-current assets</b>	<b>3,370,461</b>	<b>3,261,523</b>
Inventories	1,254,770	1,002,178
Trade accounts receivable	1,608,875	1,230,273
Other financial assets	89,956	63,823
Other assets	174,954	130,640
Contract assets	67,210	74,985
Income tax receivables	57,642	55,529
Cash and cash equivalents	1,398,838	1,380,210
Assets held for sale and disposal groups	149,960	–
<b>Current assets</b>	<b>4,802,205</b>	<b>3,937,638</b>
<b>Total assets</b>	<b>8,172,666</b>	<b>7,199,161</b>

## CONSOLIDATED BALANCE SHEET

in € thousand	09/30/2022	12/31/2021
<b>Equity</b>		
Subscribed capital	161,200	161,200
Capital reserves	13,884	13,884
Retained earnings	10,320	13,300
Other components of equity	(49,712)	(196,173)
Profit carried forward	2,012,615	1,714,824
Profit attributable to the shareholders of Knorr-Bremse AG	374,252	621,310
<b>Equity attributable to the shareholders of Knorr-Bremse AG</b>	<b>2,522,559</b>	<b>2,328,345</b>
Equity attributable to non-controlling interests	66,890	97,183
thereof share of non-controlling interests in net income	10,600	26,058
<b>Equity</b>	<b>2,589,449</b>	<b>2,425,528</b>
<b>Liabilities</b>		
Provisions for pensions	231,292	312,066
Provisions for other employee benefits	20,722	21,664
Other provisions	201,492	227,831
Financial liabilities	2,039,423	1,296,131
Other liabilities	3,994	3,945
Income tax liabilities	80,331	79,787
Deferred tax liabilities	161,473	134,861
<b>Non-current liabilities</b>	<b>2,738,727</b>	<b>2,076,285</b>
Provisions for other employee benefits	4,557	7,886
Other provisions	196,283	240,740
Trade accounts payable	1,152,019	1,166,062
Financial liabilities	982,030	852,379
Other liabilities	125,371	101,992
Contract liabilities	211,237	265,567
Income tax liabilities	41,826	62,722
Liabilities in connection with assets held for sale	131,167	-
<b>Current liabilities</b>	<b>2,844,490</b>	<b>2,697,348</b>
<b>Liabilities</b>	<b>5,583,217</b>	<b>4,773,633</b>
<b>Total equity and liabilities</b>	<b>8,172,666</b>	<b>7,199,161</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Nine Months	
	2022	2021
Net income (including minority interests)	384,851	496,156
Adjustments for		
Depreciation, amortization, and impairment losses on intangible assets and property, plant, and equipment	224,325	207,795
Change of impairment on inventories	33,799	1,982
Change of impairment on trade accounts receivable and contract assets	6,698	14,755
Gain on the sale of consolidated companies and other business units	9,157	–
(Gain)/loss on the disposal of fixed assets	949	(1,570)
Adding to, reversing, and discounting provisions	37,931	64,967
Non-cash changes in the measurement of derivatives	103,610	34,364
Other non-cash expenses and income	24,871	(1,607)
Interest result	(8,941)	25,171
Investment result	5,090	566
Income tax expense	142,423	180,054
Income tax payments	(148,119)	(128,776)
Changes of		
inventories, trade accounts receivable and other assets that cannot be allocated to investment or financing activities	(789,019)	(386,296)
trade accounts payable as well as other liabilities that cannot be allocated to investing or financing activities	37,970	66,134
Provisions due to utilization	(96,933)	(84,996)
<b>Cash flow from operating activities</b>	<b>(31,338)</b>	<b>488,700</b>
Proceeds from the sale of intangible assets	–	888
Disbursements for investments in intangible assets	(90,505)	(77,283)
Proceeds from the sale of property, plant, and equipment	28,550	16,476
Disbursements for investments in property, plant, and equipment	(135,829)	(131,758)
Proceeds from financial investments and from the sale of investments	77,361	7,037
Disbursements for investments in financial assets	(84,140)	(69,707)
Proceeds from the sale of consolidated companies and other business units	(4,475)	–
Disbursements for the acquisition of consolidated companies and other business units	(52,845)	(86,905)
Interest received	34,207	6,976
Disbursements for investments in plan assets (pensions)	(3,015)	(2,454)
<b>Cash flow from investing activities</b>	<b>(230,691)</b>	<b>(336,730)</b>
Proceeds from borrowings	728,617	36,694
Disbursements from the repayment of borrowings	(22,815)	(522,840)
Disbursements for lease liabilities	(51,479)	(43,933)
Interest paid	(25,685)	(29,068)
Dividends paid to parent company shareholders	(298,220)	(245,024)
Dividends paid to non-controlling interests	(36,247)	(23,684)
Payments for acquisition of non-controlling interests	(6,697)	–
Disbursement from the settlement of derivatives	(48,667)	(301)
Proceeds from grants and subsidies	5,575	6,362
<b>Cash flow from financing activities</b>	<b>244,381</b>	<b>(821,794)</b>
<b>Cash flow changes</b>	<b>(17,648)</b>	<b>(669,825)</b>
Change in cash funds resulting from exchange rate and valuation-related movements	66,462	38,136
<b>Change in cash funds</b>	<b>48,814</b>	<b>(631,689)</b>
Cash funds at the beginning of the period	1,326,495	2,240,725
<b>Cash funds at the end of the period</b>	<b>1,375,308</b>	<b>1,609,036</b>
Cash and cash equivalents	1,398,838	1,640,585
Short-term securities available for sale	2	2
Reclassification as assets held for sale and disposal groups	4,505	–
Short-term liabilities to banks (less than 3 months)	(28,037)	(31,551)

This interim report contains statements regarding future developments that can represent forward-looking statements. Such statements are to be recognized in terms, among others, such as "expect", "anticipate" and their negation and similar variations or comparable terminology. These statements – just as every business activity in a global environment – are always associated with uncertainty. These statements are based on convictions and assumptions of the management board of Knorr-Bremse AG, which in turn are based on currently-available information. The following factors could affect the success of our strategic and operational measures: macroeconomic or regional developments, changes in the general economic conditions, especially a continuing economic recession, changes in exchange rates and interest rates, changes in energy prices and material costs, insufficient customer acceptance of new Knorr-Bremse products or services, including growing competitive pressure. Should these factors or other uncertainties arise, or the assumptions underlying the statements turn out to be incorrect, the actual results can vary from the forecast results. Knorr-Bremse assumes no obligation and does not intend to continually update or correct forward-looking statements and information. They relate to the conditions as of the date of their publication.

This document contains supplementary financial figures not precisely defined in the relevant financial reporting framework that represent or could represent so-called alternative performance indicators. For the assessment of the net assets, financial position, and results of operations of Knorr-Bremse, these supplementary financial figures should not be used in isolation or as alternatives to the financial figures presented in the consolidated financial statements and determined in accordance with the relevant financial reporting framework. Other companies that present or report performance figures with similar designations may calculate these differently. Due to rounding, it is possible that individual figures in this and other documents do not add up exactly to the reported total and that reported percentages do not reflect the absolute values to which they relate.

This document is a quarterly report pursuant to Section 53 of the Stock Exchange Regulations issued by the Frankfurt Stock Exchange.